ANNUAL REPORT 2022

NIS FUTURE AT WORK

Annual Report for 2022

FUTURE AT WORK

The Annual Report for 2022 gives a factual overview of activities, development and performance of the NIS Group in 2022. The Report covers and presents data for the NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to specific subsidiaries or only NIS j.s.c. Novi Sad, it is duly noted in the Report. The terms: NIS j.s.c. Novi Sad and 'The Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms NIS and NIS Group pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Annual Report provides a concise and an integrated overview of the financial and non-financial performance of the NIS Group in 2022 and shows how the strategic goals, corporate governance, achieved results and realised potentials, in conjunction with the external environment, lead to generating the value in the short, medium and long term.

The Annual Report is compiled in the Serbian, English and Russian language. In case of any discrepancy, the Serbian version shall prevail.

The Annual Report for 2022 is also available online on the corporate website. For any additional information on NIS Group, you may visit the corporate website www.nis.rs.

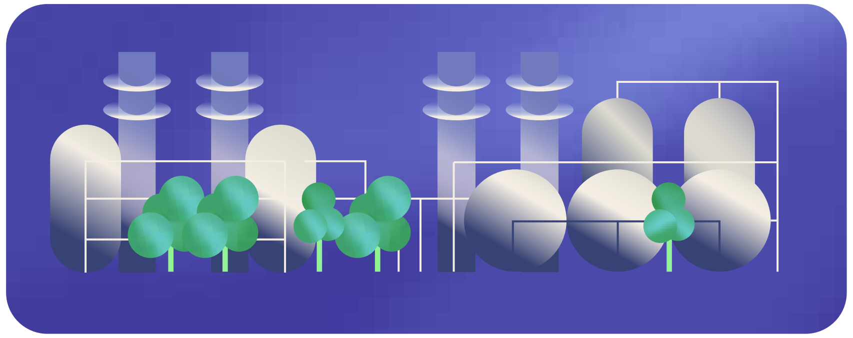
The Annual Report contains information explained in more detail in other sections of this Report, other reports or on the corporate website pages. In addition, the explanations of the abbreviations and acronyms used are given in the glossary at the end of the Report.

Reference to another part of the Report or to other reports of the NIS Group

Reference to the corporate website www.nis.rs

Contents

NIS Group in 2022



Produced

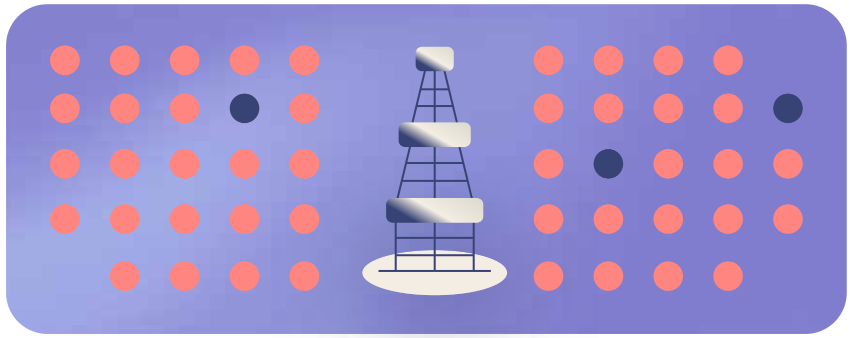
1,169

thousand t.o.e. oil and gas output

Volume of refining

4,421

thousand tonnes of crude oil and semi-finished products



In 2022 we drilled

Serbia: **1** exploration well and **43** development well

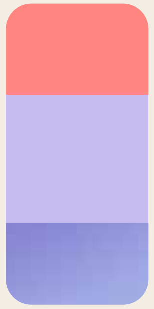
B&H: **1** exploration well

Romania: **1** development well

Sales volume

4,363

thousand tonnes



Retail

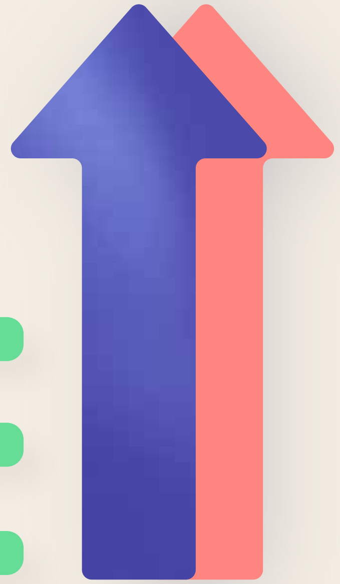
1,184 thous. tonnes

Wholesale

1,855 thous. tonnes

Export, transit and BU

1,324 thous. tonnes



Net profit

92.4

bln RSD

EBITDA

136.2

bln RSD

CAPEX

22.1

bln RSD

Awards and recognitions

NIS has been declared the most desirable employer in Serbia according to the results of the TalentX study, conducted by the group of employment websites Poslovi.Infostud with the aim of improving the labour market in our country.

NIS has been awarded the Charter for Occupational Health and Safety “April 28” in the national competition organized by the Occupational Safety and Health Administration of the Ministry of Labour, Employment, Veterans and Social Affairs.

At the International Agricultural Fair in Novi Sad, NIS received two awards – the award Leader of Socially Responsible Behaviour in Relation with Communities in the category of business entities and the Good Design award for the design presented within the fair display.

The Selectio consulting company presented NIS with the Employer Partner certificate, which is awarded to organizations that reach the highest quality standards in the field of human resources management.

The Association for Market Communications of Serbia (UEPS) awarded NIS with two awards – silver award in the Creative use of Media category for the corporate values promotion campaign and the bronze one in the Best Site category for the Jazak water website.

NIS received special recognition for the exceptional quality of business digital communications, as a part of the Top 50 selection of the best online sites, presented by the magazine PC Press.

At the Integrated Communications Festival Kaktus 2022, NIS won an award in the field of internal communications for the campaign for corporate values “We Keep our Word”, implemented in cooperation with the creative agency Communis.

The Sports Association of Persons with Disabilities in Belgrade presented the company NIS with an award for its contribution to the development of sports for persons with disabilities.

Realizations of key projects

RECONSTRUCTION OF FCC AND CONSTRUCTION OF NEW ETBE UNIT

As part of the third phase of the Pančevo Refinery modernization, the project for the reconstruction of the catalytic cracking unit (FCC) and the construction of a new facility for the production of high-octane petroleum blending (ETBE) is being implemented.

The expected value of investments for this project is over EUR 150 million, while the completion, i.e. commissioning of this project is expected in 2027.

This is the most important investment of the third phase of the modernization of the Pančevo Refinery and is significant not only for the refinery, but for the company as a whole.

Technological improvements will further increase the value of refinery products and EBITDA. After reconstruction and application of new technologies, the FCC plant will operate in propylene and gasoline mode, depending on market needs. This will enable greater flexibility and process optimization. This project also has a great environmental impact due to the reduction of solid particle emissions.

TE-TO Pančevo

TE-TO Pančevo (Combined Cycle Power Plant) is a gas-steam combined cycle power plant with a capacity of up to 200 MW. The projected annual power generation is roughly 1,400 GWh. The TE-TO Pančevo construction project is part of a joint venture of NIS j.s.c. Novi Sad and Gazprom Energoholding acting through Gazprom Energoholding Serbia LLC, where NIS j.s.c. holds a share of 49%, and Centrenergoholding p.j.s.c. holds a share of 51%.

Value of the project is arround EUR 192 million.

Thanks to the TE-TO Pančevo project, the reliability of the refinery supply in Pančevo with thermal energy and technological steam will improve, which will also increase the safety of the refinery facilities. The placement of the entire produced electricity in the energy system of the Republic of Serbia will also increase the reliability of the electricity supply of the Republic of Serbia. The TE-TO Pančevo is the first gas-steam power plant in Serbia operating on natural gas, and is intended for the combined production of electricity and heat. Gas is the most environmentally friendly fossil fuel.

PLANDIŠTE WIND PARK

This is a project for the construction of a wind farm with a capacity of about 102 MW to produce electricity from renewable sources.

The construction of the wind farm is planned at a location of the municipality of Plandište in the South Banat administrative district. The project is to be implemented in cooperation with the MET Group, whereby the share of NIS j.s.c. Novi Sad is 50%.

In mid-2021, the project partners decided to optimize and inovate of the project by planning, designing and building a smaller number of wind generators with a larger unit capacity. At the end of 2022, the project was in the phase of updating the project documentation and the associated permits.

SOLAR PANNELS

During 2022, the construction of solar photovoltaic power plants at 8 petrol stations (Krnješevci, Block 45, Gornji Milanovac 2, Preljina 2, Stari Banovci Highway, Novi Beograd Dejton, Velika Plana – highway on the right, Kragujevac 7 Elektrošumadija) was implemented and all power plants were put into operation.

Electricity consumption at the petrol stations before the implementation of this project amounted to about 1,900 MWh per year.

The total power of solar panels is about 290 KWp.

The goal of building solar photovoltaic power plants is the substitution of electricity supply from the electricity distribution system (hereinafter referred to as DSEE), with the placement of smaller periodic surpluses into DSEE. Power plants have the status of buyer-producer of electricity. The total annual production of all power plants at 8 petrol stations is about 341,000 kWh, which will reduce CO_2 emissions by 375 tons per year.

Total investments amount to around EUR 200,000.

DIGITAL TRANSFORMATION

Digital transformation remains one of the key directions of development for NIS. Priorities in this area are:

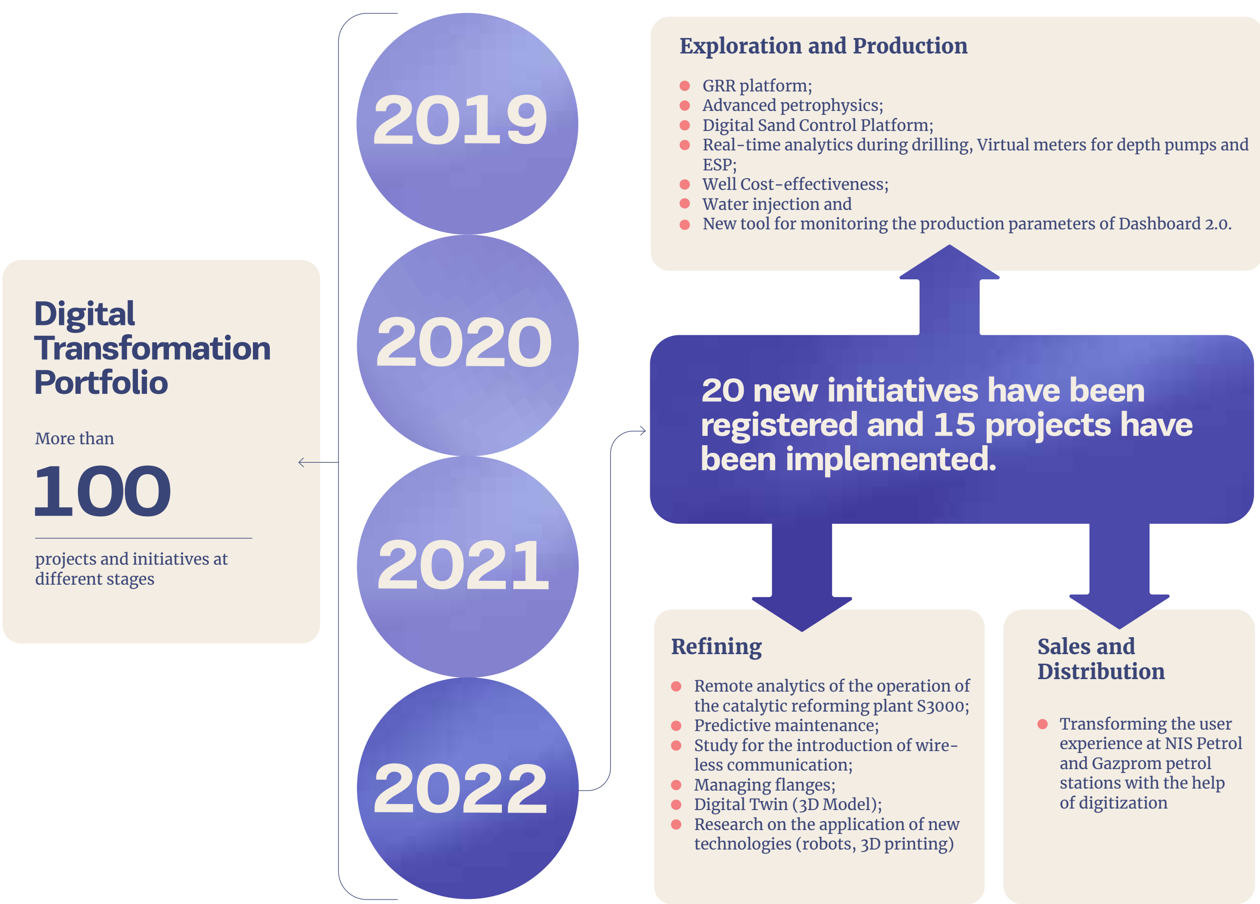
- continuous improvement of business processes,
- introduction of digital solutions and technologies that contribute to the efficiency of our business and
- continuous work on improving the competencies and focus on the safety of our employees.

Accordingly, during 2022, we continued the digitization of our company's processes: studies on new possibilities of using digital technologies were conducted, new digital projects in the field of advanced analytics and automatic identification of wells that need GTA were launched, Digital Twin technologies were applied in the Refinery, as part of the digitization of the Aeroservice business, as well as programs and projects of digital transformation of the HSE Function and the Internal Audit and Risk Mangement Function.

In order to increase data use efficiency, NIS has developed a data management strategy and launched a set of comprehensive data initiatives. In the field of data management and analytics, we have implemented more than 7 projects, which have enabled us to significantly reduce the time spent on routine data processing. The number of projects implemented within the digital laboratory of the NIS Scientific and Technological Centre is also growing. In the fields of machine learning and data science, we have implemented new tools to forecast reservoir parameters and oil production (virtual flow measurement).

One of the projects, seismic restoration, was also implemented for the external partner.

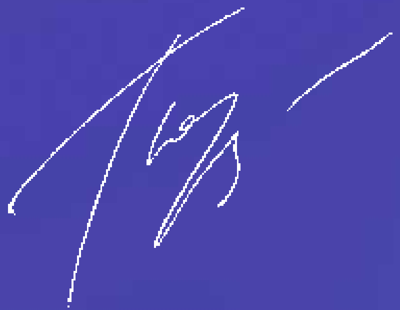
We have also worked on the implementation of digital innovation management as a new business process in the company, which will enable us to apply innovative digital solutions in a faster way by conducting research projects. We are developing tools that will enable us to visualize all relevant data related to business scenarios and technologies that we can apply when innovating.



NIS remains consistent with the selected direction of strategic development in the field of digital transformation. We continue to use technology to streamline business processes and models, introduce new ways to communicate with clients, and implement digital platforms and products for more efficient business operations.

Letter to shareholders

Kirill Tyurdenev
CEO
NIS j.s.c. Novi Sad



Dear friends,

Stability and resilience of any organization are only truly tested in challenging times. We, therefore, are happy to note that the performance of NIS in 2022 deserves the highest praise. This past year was one of the most complicated ones, and not only for the energy sector. It has brought numerous unresolved issues regarding the developments in the global political and economic environment.

Drawing from the experience of the multiple crises that have often accompanied us in the last decade, we can be sure about one thing – those who are clear about their priorities are much more successful in overcoming challenges. This is why NIS will remain committed to the priorities set in 2022: maintaining stability of the Serbian petroleum market and social protection of our employees as the most valuable resource of the NIS Group.

When making plans for the future, we are always aware of the significance our company has for the Serbian economy. At the end of last year, in agreement with the key shareholders we approved a business plan that includes an ambitious investment portfolio and large projects in all segment of our business. Shareholders' support is one of the prerequisites for the Company's development. Over the last year, this support has been instrumental for us in overcoming difficulties in many areas, from oil import to access to necessary technologies.

What we achieved over the last year will be our advantage in 2023. In the field of exploration and production oil and gas we hit all our targets, while also improving efficiency and digitalizing processes. The Pančevo Refinery processed the record amount of refining: 4.4 million tons crude oil and semi-finished products. Last year's events proved how right we were investing in the refinery, so we will keep working on significant development projects in this business segment going forward. We have managed to create all prerequisites for the next third stage of the refinery upgrade, and I am confident it will be implemented according to plans.

In sales we managed to step up to the record level of demand in the market, respecting the additional obligations and responsibility NIS has as Serbia's leading energy company, especially towards the agricultural sector. We focused on maintaining Serbia's energy stability, while expanding our retail network and implementing digital services for our clients. The larger share NIS now has in Serbia's fuel market is not only an advantage, but also an additional responsibility towards consumers in the country, on top of our plans to keep up exports.

With the view to diversify the business and speed up the company's energy transition, in 2022, we set up the Energy Block that will be in charge of many exciting projects in the future. By putting in operation the TE-TO Pančevo, we have further contributed to Serbia's energy stability, as the electricity from this gas-fired plant is sold to the state power company, Elektoprivreda Srbije. NIS has also started producing electricity from renewable sources by installing solar panels at some of its petrol stations. In the coming months we will expand this project, first of all to the Novi Sad Tank Farm and the Pančevo Refinery.

Good operating results of 2022 were reflected in record financial performance. They enabled us to invest more than RSD 22 billion in 2022. NIS remained one of the largest budget contributors in the country. The NIS Group pays over RSD 251 billion in taxes and fees.

I would like to point out, that in 2022, we remained consistent in our support to the development of the local communities in Serbia. NIS allocated RSD 360 million for social responsibility projects and sports. Our priority task was to contribute to the country's goal of increasing the birth rate. To that end, we launched a new campaign under the slogan "May new hopes be born" (Da se nove nade rode), where we supported 40 healthcare facilities in 30 towns and villages across Serbia. We remained steadfast about our environmental commitments, investing almost RSD 315 million in environmental protection projects. We will continue investing in projects aimed at reducing negative influence on the environment.

And just as we want as many new hopes as possible to be born in Serbia in the coming years, so we enter the new year with expectations and hopes that we will repeat the successes of the previous period. For these wishes to come true we will need to put in effort, be efficient and responsible with our resources. No one knows for sure what 2023 will bring. What we do know is that our performance largely depends on events outside of our control. Our best response in this case would be to closely observe the developments in the markets and use all opportunities that may arise. Our development model based on facility modernization and personnel development has proven successful so far. We will continue along the same path, relying on support from our shareholders and the communities we work in.

1. BUSINESS REPORT

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Independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Opinion

We have audited the consolidated financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) and its subsidiaries (together hereinafter: the Group) which comprise the consolidated Balance sheet as at December 31, 2022, and the consolidated Income statement, consolidated Statement of other comprehensive income, consolidated Statement of cash flows and consolidated Statement of changes in equity for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with the Law on Audit of the Republic of Serbia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements that are relevant for auditing consolidated financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 20 to the consolidated financial statements. As described in the notes to the consolidated financial statements, the Group recognized provisions in the amount of RSD 11,540,005 thousand.

Provisions for decommissioning and environmental protection require significant management judgment due to numerous assumptions that are influenced by future activities, economic factors, and the legislator environment in which the Group operates. The most significant estimates include the estimate of future costs to settle the present obligation, inflation and discount rates, and exploitation period.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Key Audit Matters (Continued)

Auditing this area of the consolidated financial statements is a complex process as it requires us to evaluate assumptions for future cost estimates for which there is limited comparative data as decommission of gas and oil infrastructure is an emerging area. The assessment of the mentioned factors affects the determination of the exact amount of provisions, which represents a materially significant item in the consolidated financial statements.

The management performs an annual review of the provisions for the decommission and environmental protection, namely for funds for exploration and evaluation and funds for the production and processing of oil and oil derivatives. The review by the management includes an analysis of changes in legislation in the Republic of Serbia, cost estimates, inflation and discount rates, and maturity of obligations.

Audit approach:

Our audit procedures included an understanding of the legal obligations regarding the decommission and environmental protection, and in accordance with the provisions of the Law on Mining and Geological Research and the Law on Environmental Protection, to which the Group is obliged to, during and after the completion of works on exploitation, recultivation of the land and to prevention of the further spread of pollution caused by the accident, to take remedial measures according to the protection plans at its own expense.

We have also performed the following audit procedures:

- We have performed testing of arithmetic accuracy of the model that the Group have used when calculating provisions;
- We reviewed the status of the wells on a sample basis and compared them with the status within the well fund, which is the foundation for the calculation of provisions;
- We have compared the changes in the status of the wells in the current year to the previous year, since the change in the status of the wells can have a material impact on the calculation of provisions;
- We have tested the completeness of the data, comparing it with other information within the business records and auditing procedures related to real estate, plants and equipment;
- We have assessed the justification of the applied discount rate as one of the assumptions for the calculation of provisions by comparing it with the rate on government bonds of the Republic of Serbia taken over from the National Bank of Serbia;
- We have evaluated and we have gained understanding of the assumptions related to the costs necessary for the liquidation and recultivation of the land;
- We have performed a review of the sensitivity analysis prepared by management for the main assumptions;
- We have gained an understanding of the Group's procedures applied by the management to estimate and record long-term provisions. This included understanding whether there was a legal or contingent obligation to establish a provision.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on March 03, 2022.

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2022.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In connection with the consolidated Annual business report, we have also carried out procedures in accordance with the Law on Accounting of the Republic of Serbia. These procedures include consideration of whether the consolidated Annual business report contains the disclosures required by the Law on Accounting of Serbia. Based on the procedures performed during the audit, in our opinion:

- ✓ the consolidated Annual business report was prepared in accordance with the requirements of the Law on Accounting of the Republic of Serbia and
- ✓ the information provided in the consolidated Annual business report for the financial year for which consolidated financial statements are prepared, are consistent with the consolidated financial statements.

Additionally, based on the understanding of the Group's operations and its business environment acquired during the audit, we are required to disclose in the report if we conclude that there is a material misstatement in the consolidated Annual business report. In that sense, there is nothing we need to say in the report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Law on Accounting of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Audit of 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 financial statements.

As part of an audit in accordance with the Law on Audit of 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- ✓ Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Belgrade, March 01, 2023

FINEXPERTIZA d.o.o.

Srđan Božović

The engagement partner on audit project

Licensed auditor

FINEXPERTIZA

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Nonfinancial Reporting

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Highlights

First quarter

- The Saint Sava Award for 2021 has been bestowed to Kirill Turdenev, CEO of NIS, for outstanding contribution to strengthening the cooperation of educational and scientific institutions by supporting the most successful students and promoting science
- Completion of the project of expansion of the petrol station with electric charges and sales of AdBlue
- Zorana Mihajlović, former Deputy Prime Minister of the Government of Serbia and Minister of Mining and Energy, visited TE-TO Pančevo
- As part of the Common Cause Community Program, NIS donated funds to Atelje 212, Belgrade's famed theatre, for streamlining energy efficiency
- NIS received a special award for the exceptional quality of business digital communications, within the Top 50 selection of the best online locations, awarded by the specialized magazine PC Press
- New CNG filling unit at the Ledena Stena petrol station
- Reconstruction of the Kučevo petrol station started

Second quarter

- The start of operation of all retail establishments and the redefinition of business processes related to retail operations in accordance with the new Law on Fiscalization
- Start of work of petrol station Paraćin 2
- NIS won the first place in the competition for national awards in the field of occupational safety and health in the category of Charter "April 28", awarded by the Occupational Safety and Health Administration of the Ministry of Labour, Employment, Veterans' and Social Affairs of Serbia
- The Dobročinitelj (Benefactor) award for social responsibility in 2020 and 2021 was awarded to NIS as part of the Best in Serbia campaign
- In May 2022, the largest monthly volume of oil and semi-finished products refining (416 thousand tonnes) was realized since 2009
- Expansion of the installation project of AdBlue bulk sales equipment
- Gazprom Neft, which was the majority shareholder of NIS j.s.c. Novi Sad, reduced its share in the equity capital of NIS from 56.15% to 50% on 6 May 2022. By the transaction at the Belgrade Stock Exchange, Gazprom acquired 6.15 % of the shares of NIS j.s.c. Novi Sad
- NIS started the installation of solar panels for the production of electricity at its petrol stations. On that occasion, the petrol station Stari Banovci was visited by Zorana Mihajlović, former Deputy Prime Minister of Serbia and Minister of Mining and Energy
- NIS was again named the most desirable employer in Serbia this year according to the results of the TalentX survey conducted by the group of employment websites Poslovi.Infostud
- Lease and start of work of the PS Veternik
- Completion of reconstruction of the Kučevo petrol station and start of its operation
- The XIV regular session of the Shareholders' Meeting of NIS j.s.c. Novi Sad was held and, among other things, it was decided on the payment of dividends to shareholders for 2021 and the appointment of the members of the Board of Directors for the next term of office
- The delegation of Equatorial Guinea visited the NIS Scientific and Technological Center in Novi Sad and discussed with NIS representatives about possible cooperation with the oil and gas companies of Equatorial Guinea

Third quarter

- Reconstruction of Kostolac petrol station
- NIS received the Employer Partner certificate from Selectio, a consulting company, which presents the award to organizations that have reached the highest quality standards in the field of human resources management
- NIS started the sixth season of the NIS Calling program. This time 44 students got the opportunity to gain first work experience in various areas of the oil industry
- NIS paid shareholders more than RSD 5.78 billion as dividends for the year 2021, which is 25 percent of last year's net profit of the Company
- As part of the Common Cause Community Program NIS held a competition to select projects for the year. The company will allocate RSD 118.5 million to support to public health institutions and families going through in vitro fertilization
- The recurring sales discount on major petroleum products with the On the road with us card and promotion of benefits thereof on social networks and petrol stations
- The construction permits for 3 petrol stations were issued, specifically Knjaževac, Srbobran 1 and Zemun 1
- NIS signed memorandums of cooperation in the field of education, research and knowledge transfer with the University of Novi Sad, the Faculty of Philosophy in Novi Sad and the Faculty of Transport and Traffic in Belgrade

Fourth quarter

- Signing of new contracts for seismic exploration with the turkish national company
- After the successful completion of the trial operation, the delayed coking unit Bottom of the Barrel received a new use permit, fulfilling all the requirements to apply for and obtain a new, expanded integrated pollution prevention and control (IPPC) permit
- NIS introduced a new service and made it possible to pay with Union Pay payment cards at its petrol stations
- The results of the competition within the Common cause Community corporate program have been announced. The 2022 cycle for is being implemented under the slogan "May new hopes be born" and is dedicated to reproductive health and increasing the birth rate. The total value of the 22 supported projects is RSD 118.5 million
- In 2022, NIS marked a valuable anniversary – 70 years since the extraction of the first party of crude oil in Serbia and seven decades of the existence of the Jermenovci oil field, one of the most important assets of NIS in the exploration and production of oil and gas
- Commissioning of Kostolac and Lajkovac petrol stations after completion of reconstruction
- Inclusion in the network of the new Petrovaradin petrol station
- TE-TO Pančevo where NIS holds a 49%-stake, has started operation of electricity. Its entire output being supplied to Serbia's electricity grid, supporting the energy security of the country
- NIS Investor's Day was held
- Preparatory activities for the start of the implementation of the 2D Bukat project for turkish national company TPAO (Türkiye Petrolleri Anonim Ortaklığı), trial tests, drilling of shallow wells, production
- Preparatory works for the project of the collection and dispatch station Iđoš
- A project Reconstruction of the Corrosion Prevention and Control System at the Atmospheric Oil Distillation Plant (S-2100), which involves the installation of a new desalter (oil desalting equipment), thus enabling a more reliable operation of this plant, was completed
- Throughout the year, activities were carried out on the FCC plant reconstruction project and the construction of a new ETBE plant
- Commissioning of Srbobran and Knjaževac petrol stations
- Inclusion in the network of Bački Vinogradi 1 and PS Zemun 1 petrol stations
- Certification check of biofuels in NIS was carried out according to the internationally recognized scheme ISCC (International sustainability and carbon certification)
- In complex macroeconomic circumstances, NIS ensured a regular supply of petroleum products to the domestic market throughout the year
- NIS sports teams in took part in sports events throughout Serbia. Over than 330 employees participated in NIS games in 10 sports and 29 disciplines where the focus was on activating employees in the promotion of company values
- The NIS Board of Directors determined the Business Plan for 2023, the goal of which is to ensure stable operations and the realization of key projects in a changing macroeconomic environment
- To mark the tenth anniversary of the Energy of Knowledge program NIS held a ceremony at the Palace of Serbia in Belgrade and presented the results of long-term investment in young talents, education and science in Serbia.

Highlights after reporting date

- Under the auspices of the campaign "May new hopes be born" NIS delivered 225 gift packages for first-born babies in 2023 in 15 selected maternity hospitals in Serbia.

1.2.2

NIS Group

The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe. NIS' core activities include exploration, production and refining of crude oil and natural gas, sale and distribution of a wide range of petroleum and gas products and the implementation of energy- and petrochemistry projects.

The headquarters and main assets of the NIS Group are located in the Republic of Serbia, but the Group also has subsidiaries and representative offices in several other countries, primarily in the neighbouring countries. The most valuable asset of the NIS Group is a team of almost 12,000 employees.

NIS aims to create new value for its shareholders, employees and the community in which it operates, despite the challenging macroeconomic environment.

In addition to its business activities, NIS also runs a number of socially responsible projects aimed at improving the life of the community in which the company operates. NIS' efforts in this area are especially focused on young people, who are the bearers of future development.

The NIS Group is committed to improving environmental protection and allocates significant funds for the implementation of environmental projects and projects that contribute to environmental protection. In terms of occupational safety, the objective of NIS is work processes without injuries and harmful effects on the environment.

Business activities

Business activities of the NIS Group are organized within the parent company NIS j.s.c. Novi Sad, into the Exploration and Production Block[1] and Downstream[2], which are supported by the nine Functions in the parent company and the MSSC:

- Finance, Economics, Planning and Accounting Function;
- Strategy and Investments Function;
- Procurement Function;
- Organizational Affairs Function;
- HSE Function;
- Legal and Corporate Affairs Function;
- Corporate Security Function;
- Government Relations and Corporate Communications Function and
- Internal Audit and Risk Management Function and
- MSSC.

One of the Deputy CEO's is in charge of petrochemicals operations.

Exploration and production Block

Exploration and production

NIS is the only company in Serbia engaged in oil and gas exploration and production. NIS performs the activities of operational support to production, management of oil and gas reserves, management of oil and gas reservoir engineering, and implementation of large-scale projects in the field of exploration and production.

The majority of oil and gas fields owned by NIS are located in Serbia. The company is also involved in exploration works in Romania and Bosnia and Herzegovina. The oldest concession abroad is in Angola, where NIS has been operating since 1985.

The plant for the preparation of natural gas, production of LPG and gasoline, and CO_2 stripping, based in Elemir, near Zrenjanin operates as part of the Exploration and Production Block. An amine unit for processing of natural gas using the high pressure acidgas capture technology is also located in Elemir. This method of gas processing completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, creates significant environmental benefits.

NIS also has a modern training center in Elemir dedicated to, training workers in the oil industry. It is a unique complex equipped with modern equipment in which the training is performed in real conditions, with the possibility of simulating all the tasks that oil workers encounter in the process of production, preparation and shipment of oil and gas.

As for the exploration and production, the scientific and technological support of the NIS Group is provided by the subsidiary Scientific and Technological Center (NTC) NIS – Naftagas LLC Novi Sad..

Services

NIS has its own service capacities, which fully meet the needs of the Group and provide services to third parties. The Services provide services in the field of exploration and production of oil and gas through geophysical well testing, construction, completion and workover, as well as through conducting special operations and measurements in wells. As part of their portfolio, the Services also provide maintenance of equipment, construction and maintenance of oil and gas systems and facilities. In this business segment, the goal is to strengthen its presence in the international market. For this reason, the priority is to modernize the equipment, ensure the best possible quality of services provided, increase the technical and technological efficiency, and improve work efficiency in NIS and other companies.

Downstream

The Downstream business consists of the Refining Block, Sales and Distribution Block and the Energy Block.

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1 Exploration and Production and subsidiaries - NTC NIS – Naftagas LLC Novi Sad, Naftagas–Oil Services LLC Novi Sad, and Naftagas – Transport LLC Novi Sad.

2 Refining Block, Sales and Distribution Block, Energy Block and subsidiaries Naftagas–Technical Services LLC Zrenjanin

Refining

Pančevo Oil Refinery is one of the most modern and environmentally most developed processing plants in the region, with a maximum designed capacity of 4.8 million tonnes per year. Since 2009, more than EUR 800 million have been invested in the modernization of the Refinery, with significant funds allocated for environmental protection projects. The Pančevo Oil Refinery produces: motor fuel in accordance with Euro-5 standard, aviation fuel, liquid petroleum gas, petroleum coke, fuel oil, bitumen, propylene, aromatics, primary pyrolysis gasoline and other petroleum products (sulphur and other hydrocarbons).

In 2020, a Bottom of the barrel unit with delayed coking technology was officially commissioned. The project worth EUR 300 mln enables NIS to increase the output of the most valuable fuels – diesel, gasoline and liquified petroleum gas and to start the domestic production of petroleum coke. During 2022, NIS carried out the third phase of the refinery modernization, its capital project being the reconstruction of the FCC (Fluid Catalytic Cracking) plant and the construction of a new plant for the production of ETBE (high-octane petroleum blending component).

In 2022, the priority of the Refining Block was the continuous production of petroleum products in order to firmly contribute to the orderly supply of the market in challenging circumstances. As a result, a monthly production record was achieved in May – 416 thousand tonnes, that is, during the whole year 4,421 thousand tonnes of crude oil and semi-finished products were processed in Pančevo Oil Refinery, which is the best monthly result since 2009.

Another priority of the Refining Block also involves projects aimed at improving environmental protection, which is why Pančevo Oil Refinery is the first energy plant in the Republic of Serbia to have received the IPPC permit on integrated pollution prevention and control from the competent state authorities. In addition, numerous projects of digitalization and improvement of energy efficiency are being implemented in the Refinery.

Sales and distribution

NIS operates a network of more than 400 petrol stations in Serbia and the countries of the region, with more than 90 of them outside of Serbia. NIS operates the largest retail network in the country, while simultaneously developing its operations in the neighbouring countries: Bosnia and Herzegovina, Bulgaria and Romania.

NIS is present in the market under two retail brands: NIS Petrol and GAZPROM, with the latter being a premium brand in this segment. The petrol stations of the NIS Group are synonymous with the quality of fuel and non-fuel portfolio, as well as with modern services that meet the consumers' demands. NIS continually invests in the development of its retail network and in improving the quality of its goods and services. One of the priorities includes digital projects that provide consumers with services in line with modern trends, such as fuel payments without going to the payment point, digitalization of loyalty programs, etc.

In addition to the retail sale of finished petroleum products, liquefied petroleum gas and a range of related products, the sales structure of NIS also includes the export and domestic wholesale deliveries of crude oil, gas and petroleum products, while the apply of aviation fuel, fuel for navigable vessels, and sales of lubricants and bitumen are developed as separate business directions.

All types of fuel undergo strict and regular laboratory control and meet the highest domestic and international standards.

Energy

This business segment includes the production of electricity and thermal energy from conventional and renewable energy sources, centralized management of the natural gas portfolio for the entire NIS (production and sale of compressed natural gas, sale of natural gas), electricity trade, development and introduction of strategically important energy projects, as well as development and implementation of projects to increase energy efficiency.

In the third quarter of 2022, NIS set up the Energy Block whose task, among other things, is to accelerate the company's energy transition. The main focus of the Energy Block is expanding the scope of work in the field of electricity production and trade, managing the Company's energy resources, including TE-TO Pančevo, as well as improving energy efficiency and reliability within the NIS Group.

The construction of the modern combined gas-steam thermal power plant-heating plant Pančevo (TE-TO Pančevo) on natural gas was realized in cooperation with the company Gazprom Energoholding. The produced electricity is delivered to the transmission power system of Serbia, which contributes to the energy stability of the Republic of Serbia. The main advantage of TE-TO Pančevo is that natural gas as a fuel simultaneously produces thermal energy in the form of process steam for the needs of the Pančevo Refinery and electricity that is placed in the power system of Serbia.

Since 2013, in oil and gas fields at eight locations in Serbia, NIS has put into operation mini power plants with an installed electrical power of 14.5 MWe. The environmental advantage of these plants is in the production of electricity and thermal energy from gas that was previously not used due to poor quality, large amounts of carbon dioxide and nitrogen, or could not be valorized due to the lack of gas infrastructure. The heat and electricity produced are used for the needs of NIS, but the electricity is also sold on the market. Electricity is also produced at the Jimbolia gas field in Romania, where electricity is sold on the local market.

In 2022, as part of a pilot project, NIS built solar photovoltaic power plants with the total capacity of 290 kWp at eight of its petrol stations. The electricity with cover the stations' own consumption and the excess will be placed in the distribution network.

More information about solar panels is on page 89.

History

1945
Oil and Petroleum Product Trading Company was founded.

1949
Naftagas Oil Exploration and Production Company was founded.

The first natural gas reservoirs were discovered.

1952
The first oil field was discovered in the north of the country, near Jermenovci in Banat.

1953
The active construction of the first petrol stations began in Serbia's largest cities.

1963
The construction of the first trunk gas pipeline was completed, connecting all the oil fields with Pančevo, where the first refinery was to be constructed.

1968
Oil refineries were put into operation in Novi Sad and Pančevo.

The Velebit oil field was discovered.

1985
Oil production commenced in Angola, which was the first time NIS entered into a concession agreement outside the borders of Serbia.

1991
Public Enterprise Naftna Industrija Srbije was established.

1999
During the NATO bombing, NIS suffered human casualties and material losses.

After the bombing, the active reconstruction of its damaged facilities started.

2005
NIS became a joint stock company.

2008
NISOTEC, the oil and lubricants brand was launched on the Serbian market.

2009
PJSC Gazprom Neft, a Russian company, became the majority shareholder of NIS.

Start of the modernization of the refining complex.

2010
NIS became an open joint stock company listed on the Belgrade Stock Exchange.

2011
NIS began its regional development.

The subsidiaries were set up in Bosnia and Herzegovina, Bulgaria and Romania.

2012
The first phase of modernization of Pančevo Oil Refinery was completed, making start of the production of Euro 5 quality standard fuel.

Ceremonial opening of the first GAZPROM premium brand gas station in Belgrade.

2013
The first dividends were paid out to the shareholders from the Company's earnings.

NIS began its transformation into an energy company.

The first cogeneration plant for the production of electricity and heat from gas was commissioned in Sirakovo.

2014
The first amounts of electricity were sold in the market.

NIS started selling its first branded motor fuel, Premium Euro Diesel Ultra D.

2015
The sales of G-Drive 100 petrol started at GAZPROM petrol stations.

Implementation of the Drive Cafe concept has begun.

2016
Start of operation of the amine unit for natural gas processing in Elemir.

GAZPROM petrol stationsin Serbia began selling Premium G-Drive Diesel.

Start of the loyalty program "With us on the road".

Product development under its own brand Drive café, G-Drive, Jazak.

2017
In Pančevo Oil Refinery, the start of works on the delayed coking unit were cermonially marked.

The contact on construction of a combined-cycle power plant of Pančevo was signed between TE-TO Pančevo and the Chinese company Shanghai Electric Group.

NIS Development Strategy by 2025 was adopted.

2018
The 10th anniversary of Common Cause Community program for cooperation between NIS and local communities in Serbia was marked.

2019
TE-TO Pančevo construction was initiated.

Gazprom Neft marked the 10th anniversary of its operation of Serbia.

2020
The delayed coking unit was ceremonially started up in Pančevo Oil Refinery.

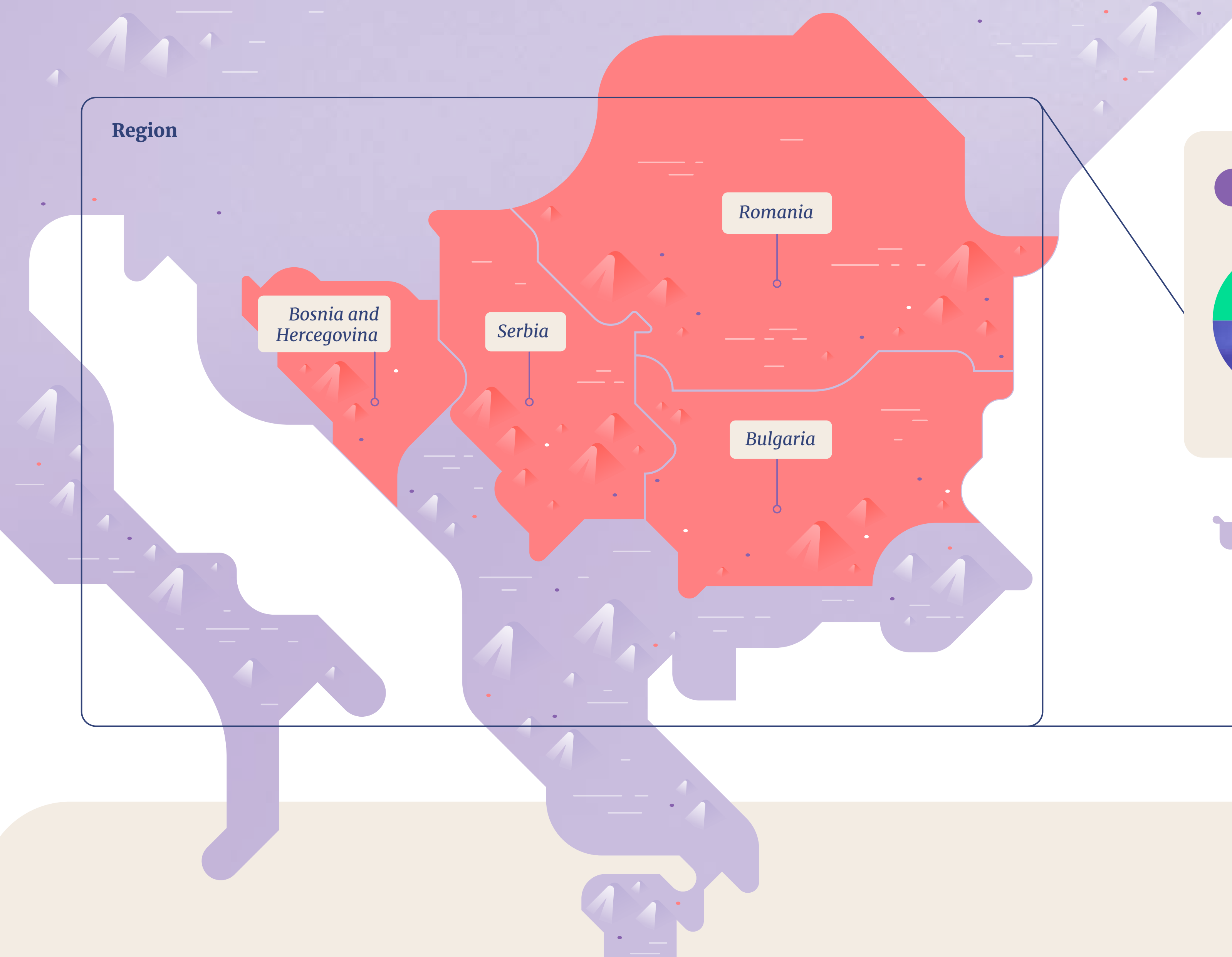
The Drive.Go digital application has been launched, enabling consumers, for the first time in Serbia, to pay at the pump.

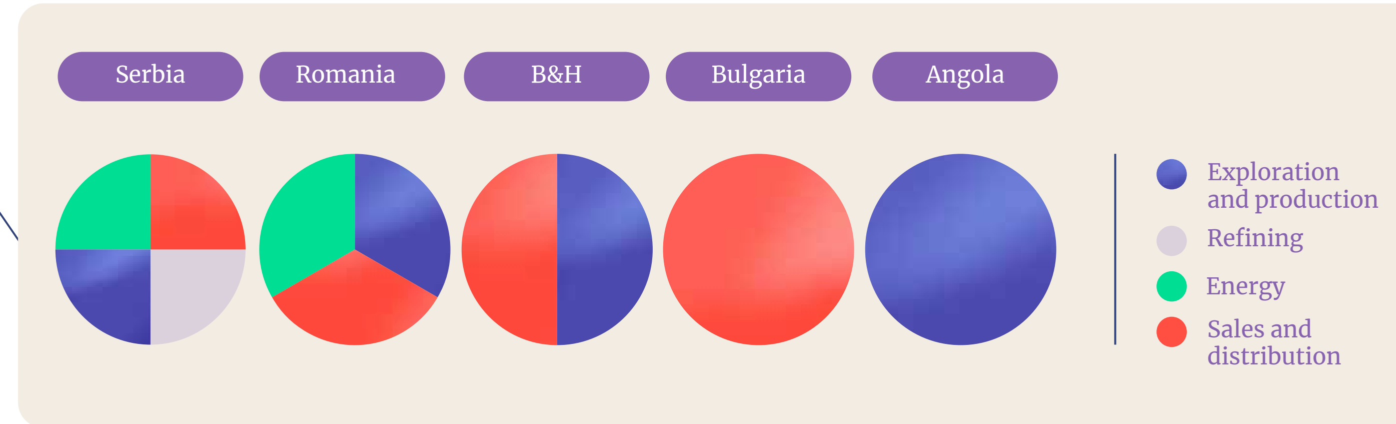
2021
The Ministry of Economy, on behalf of the Government of the Republic of Serbia, NIS and HIP-Petrohemija signed a Strategic Partnership Agreement, under which the NIS' stake in HIP-Petrohemija would increase to 90% of the share capital.

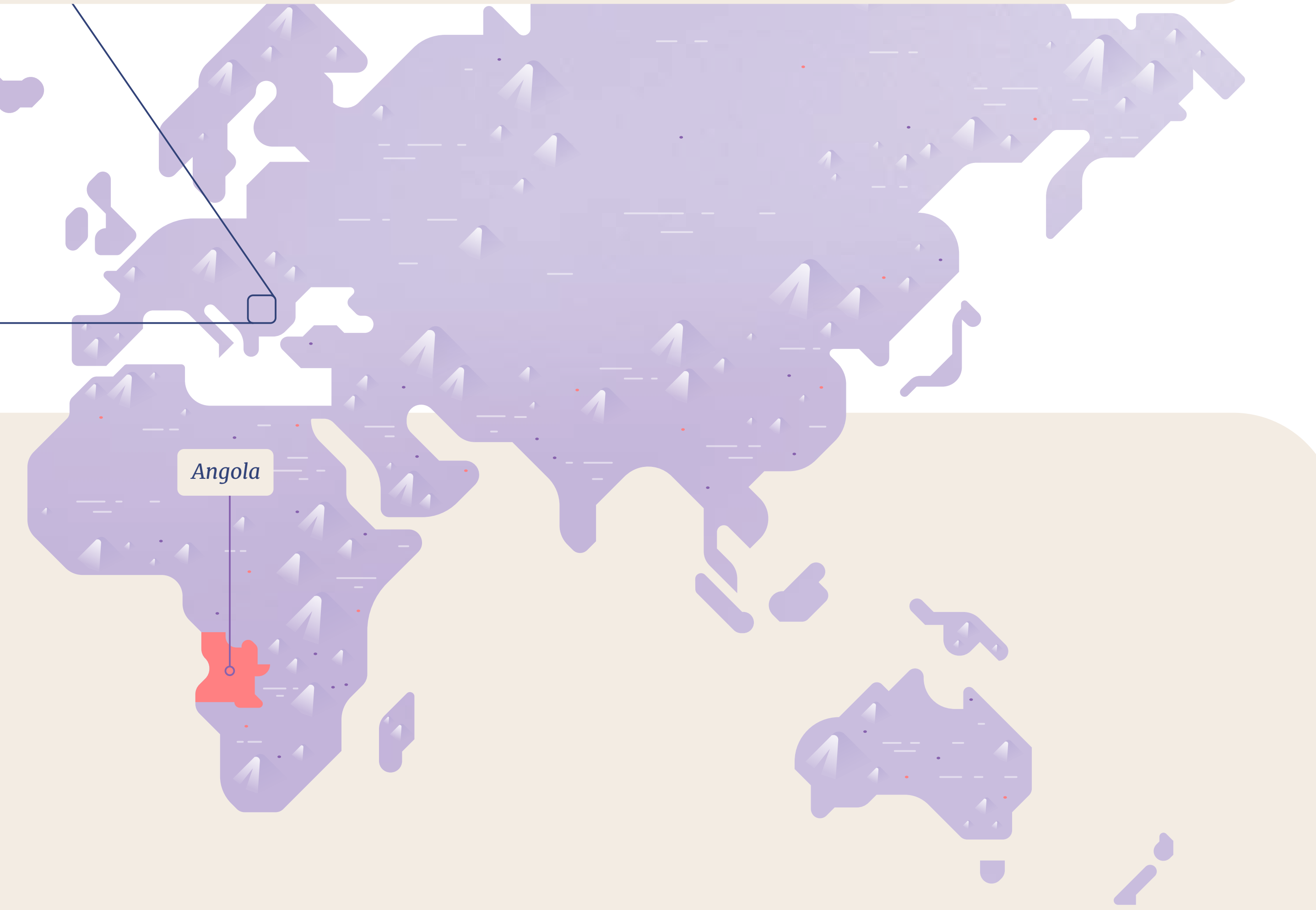
The third phase of the Pančevo Oil Refinery modernisation project was initiated, the Reconstruction of FCC and Construction of New ETBE Unit as its capital project.

2022
The construction of CCPP Pančevo completed, and commercial production of electricity began. The third phase of the modernization of the Pančevo Oil Refinery continued.

Gazprom Neft reduced the share in the share capital of NIS from 56.15% to 50%, and the sale of shares was carried out on the Belgrade Stock Exchange, in accordance with the legislation of the Republic of Serbia in the field of trade in securities.





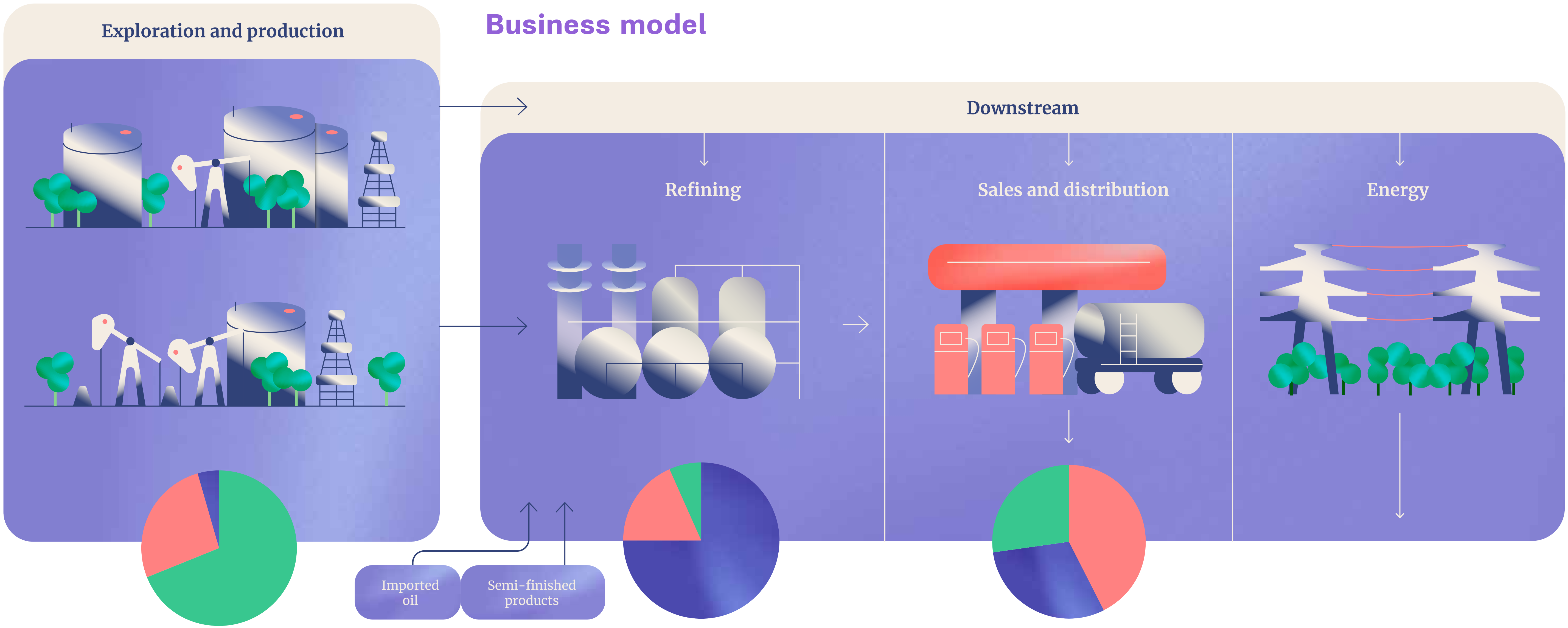


NIS worldwide

One of the strategic goals of NIS is the development of business and the strengthening of competitiveness in the regional market. Consequently, in addition to Serbia, NIS develops its business in neighboring countries, with its regional expansion taking place in two main directions – in Romania and Bosnia and Herzegovina, in the field of oil and gas exploration and production, and in Bosnia and Herzegovina, Bulgaria, and Romania, where it develops its retail network. Moreover, NIS is an active trader on the electricity market and it is also present on regional markets.

NIS Group's organisation-al structure is shown on page 42

Business model



Exploration and production

Domestic oil	807	thousand t.o.e.
Domestic gas	312	thousand t.o.e.
Foreign projects	50	thousand t.o.e.

Refining

Imported oil	3,323	thousand tonnes
Domestic oil	810	thousand tonnes
Semi-finished	289	thousand tonnes

Sales and distribution

Wholesale - Serbia and foreign assets	1,855	thousand tonnes
Export, transit and BU	1,324	thousand tonnes
Retail - Serbia and foreign assets	1,184	thousand tonnes

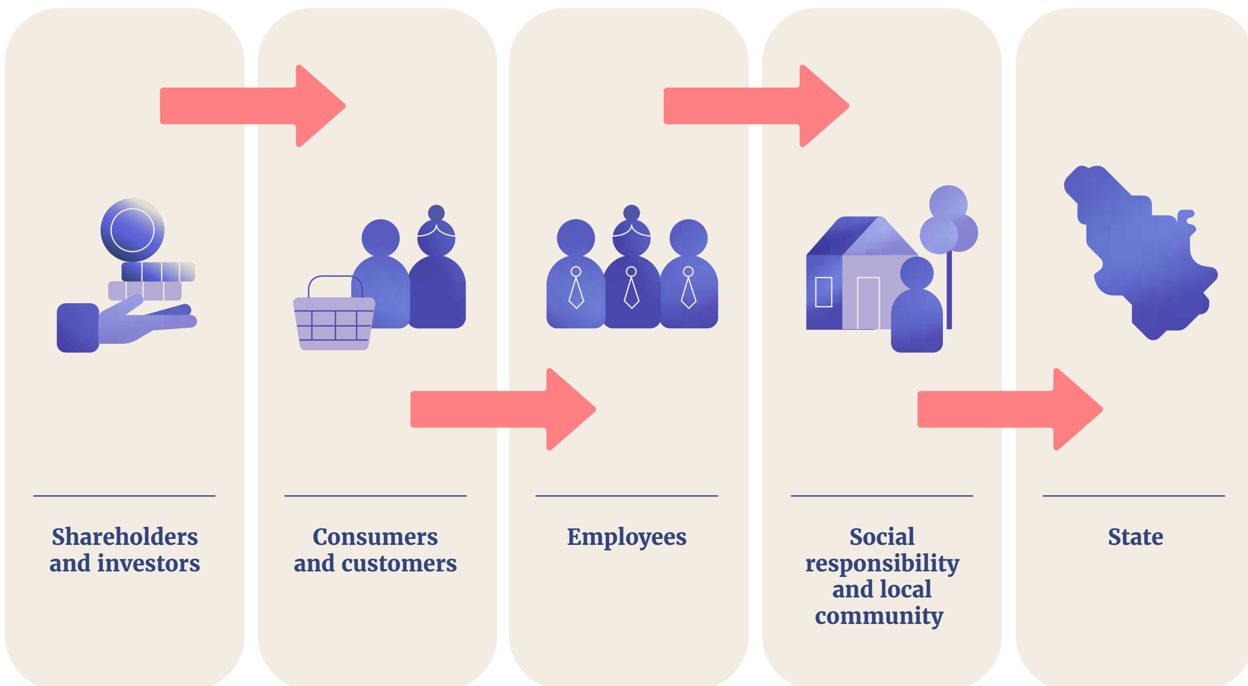
Energy

Volume of sold electricity

368,354

MWh

Creating value for shareholders



Shareholders and investors

Values

- The long-term dividend policy envisages the payment of at least 15% of the generated net profit to shareholders in dividends. As of the end of 2022, NIS had paid to its shareholders over RSD 65.8 billion in dividends since 2013. This is more than RSD 403 per share in the gross amount[1] .
- Strict compliance with all the shareholders' rights and meeting the high standards in informing and communig with shareholders.

2022 results

- As of 31 December 2022[2] , one NIS share cost RSD 675
- In 2022, NIS shares ranked first by the turnover among all shares listed in the Prime Listing, and first by the turnover[3] in the Belgrade Stock Exchange
- NIS paid out RSD 5,782,121,784 (RSD 35.46 per share in the gross amount[3]) to 2.05 million shareholders.

Share trading is shown on page 110

1 An appropriate amount of tax is deducted from the specified gross amount of the dividend when the dividend is paid. The tax rate depends on the shareholder legal form, residence status, and on whether it is a non-resident who exercises the right to apply more favourable tax rates from double taxation agreements.

2 In 2022, stock market meetings were held until December 29. On December 30, the trading platform was set up and the data and statistics were migrated, so that the price on 31 December 2022 was shown, actually the price of the last trading day on the Belgrade Stock Exchange (29 December 2022).

3 Including block transaction in Belgrade Stock Exchange.

Our activities

- Presentation of the Company's perfomance results on a quarterly basis and direct communication of the shareholders and representatives of the investment public with the Company's senior management.
- Transparent disclosure of information and the two-way communication with shareholders and representatives of the investment public.

Consumers and customers

Values

- Meeting the consumers' needs
- Improving fuel and non-fuel sales

2022 results

- Drive.Go mobile application - online fuel payment is now available at all filling stations in Serbia. The number of active users is 33,085. We are working on developing new features and improving the app
- Payment in instalments using payment cards of Dina Bank and Postal Savings Bank. The project is aimed at introducing payment for goods and services at filling stations in instalments.
- The improvement of the On the Road with Us mobile app. Virtual membership is now available in Bulgaria and Bosnia and Herzegovina.
- The use of UnionPayInternational payment cards – Payment with UnionPay cards in the NIS retail network
- NIS guaranteed uninterrupted supply of petroleum products to the Serbian market through increased production

Our activities

- Modernization and development of the retail network
- Development of consumer brands
- Development of loyalty programs
- Improvement of fuel and non-fuel sales
- Introduction of new products.

Achieved results of the Exploration and produc-tion Block are shown on page 83

Employees

Values

Human resources are shown on page 154

- A socially responsible company with a good reputation and a positive relationship with its employees
- A reliable employer that provides its employees with the opportunities for professional development and appreciates the loyalty and commitment

2022 results

- NIS Energy and My First Salary programs
- Introduction of flexible work arrangements
- 3,407 trainings attended by 4,407 employees
- Respect in the first place platform
- Employer Partner certificate from the Selectio consulting company
- The Most Desirable Employer in Serbia award in the TalentX survey conducted by the largest employment platform Poslovi.Infostud

Our activities

- Investing in leaders who focus on the employees' needs, new environments, and frequent and comprehensive changes
- Investing in young people, their development and in education
- Developing the corporate culture

State

Impact

- NIS is among top Serbian employers, investors and exporters
- Significant contribution NIS makes to the Serbian GDP
- Considerable share in the total tax revenues of the state budget
- Investments in environmental protection projects.

Our liabilities

- The liabilities of NIS and its subsidiaries in Serbia arising from public revenues in 2022 was RSD 231.7 billion. This is 13.8% compared to the amount of the budget of the Republic of Serbia
- The total amount of calculated liabilities based on public revenues of the NIS Group in 2022 was RSD 251.2 billion. Liabilities based on public revenues are settled within the statutory maturity dates

Social responsibility and local community

Social responsibility and local community is shown on page 186

- Continuous implementation of socially responsible projects in order to support the sustainable development of local communities and contribute to the achievement of the United Nations sustainable development Goals.
- Establishing strategic partnerships with the local communities in which the Company operates and supporting values that aim to create a level playing field for the development of each individual and the society as a whole
- Addressing and understanding the needs of local communities and acting together to address relevant issues for their progress and development
- Building a prosperous, equal, fair and free society for all citizens
- The company is professional, efficient, innovative, humane and responsible towards local community

2022 highlights

- Within the Common Cause Community program, under the slogan “May new hopes be born” *Da se nove nade rode*), NIS invested RSD 118.5 million in the implementation of 22 projects in 13 communities across Serbia with the aim of improving reproductive health and increasing the birth rate
- NIS supported the work of more than 40 health institutions dealing with reproductive health at all levels of healthcare
- Under the auspices of the campaign “May new hopes be born”, 225 gift packages for first-born babies were donated in 2023 to 15 maternity hospitals across Serbia
- The NIS Volunteer Club implemented 9 volunteer actions with a focus on environmental protection, 470 volunteers invested 670 volunteer hours
- A Club of voluntary blood donors of the NIS j.s.c. Trade Union Organization was established
- The Energy of Knowledge program marked the anniversary of the 10th anniversary of its establishment. In 2022, two new and five scholarships were awarded through the Fund for Providing Scholarships and Facilitating Progress of Talented Students and Young Researches and Artists of the University of Novi Sad and new memoranda of cooperation were signed with eight faculties in Belgrade, Novi Sad and Niš.

What have we been doing?

- Supporting local initiatives by creating opportunities for their implementation
- Investing in the main pillars of social development: health and social care, education, environmental protection, sports and cultural development
- Supporting young, talented individuals to develop their potential, as well as supporting sensitive categories of society
- Employee volunteering within the Volunteer Club as a form of donation of knowledge (or skills) and time.

Intersegment prices

The concept of the intersegment pricing methodology is based on the market principle and the "one product, one transfer price" principle.

The "one product, one transfer price" principle means that the "movement" of a product between different profit centres within NIS is valued at a single price, regardless of between which profit centers the movement involves.

Intersegment prices are used to generate internal revenue between NIS business segments, and are determined to reflect the market position of each business segment.

- The intersegment price for domestic oil is determined using "export parity pricing"
- Intersegment price of natural gas is determined at the level of the purchase price from domestic production towards PE "Srbijagas" (defined in the Natural Gas Sales and Purchase Agreement)
- Intersegment prices of petroleum and natural gas products are defined according to the following principles:
  - combined import-export parity is a principle used for transfer pricing of products with free import to the local market and with a significant share in exports;
  - import parity is a principle used to calculate intersegment prices of products, with free import and with majority of sales in the domestic market;
  - export parity is used for products that are predominantly exported;
  - other petroleum products, i.e. products which due to their characteristics do not belong to any of the previous three groups (combined export-import parity, import parity, export parity), are typically sold to a small number of known buyers, and their selling prices are defined by annual or long-term contracts. They are an alternative to the production of other products or redundancy in production units.

Products and services

The NIS Group has a wide range of products and services.

From the products we single out the following:

- Diesel fuel
- Motor gasoline
- Propylene, aromatics, naphtha for pyrolysis
- Other petroleum products (sulfur and other hydrocarbons)
- Fuel oils
- Bitumen
- Petroleum coke
- Jet fuel
- Compressed natural gas
- Liquefied petroleum gas
- Lubricants and related products
- Jazak water
- Energy generating products (production and trade of electricity and natural gas).

NIS provides services in several areas:

- Fuel offer at petrol stations under two retail brands - NIS Petrol and GAZPROM. GAZPROM fuel card is available, which was created with the desire to provide customers with a fast, easy and safe fuel and non-fuel services,
- Quality control services through the entire process of oil production and refining and quality control of finished products,
- Services in the field of oil and gas exploration and production,
- Transport services;
- Warehousing logistics services to third parties, with a 24/7 security and access control,
- Training sessions provided by the Scientific and Technological Centre NIS-Naftagas LLC Novi Sad and designing services,
- laboratory services for external users
- accounting and HR administration services and
- other services.

NIS j.s.c. Novi Sad organisational structure

Representative offices and branches

Downstream

Administartive and documentation support group

Centre for Refining and Petrochemistry Development
- Production and commercial operations planning, optimization and analysis Department
- Department for Feedstock Supply and Blending

Energy Block
- Electricity and Gas Trading Department
- Project Development Center
- Reliability and Energy Efficiency Sector

Refining Block
- Production Directorate
- Technical Directorate
- Planning, Economics and Controlling Department
- Development and Investment Department
- HSE Sector
- HR Sector
- Administrative documentation support Group

Sales and Distribution Block
- Commercial activites Directorate
- Logistics Directorate
- Retail Directorate
- Business development Department
- Sales Coordination Department
- Department for Quality Control and Filing Stations and Warehouses Operation Control
- Project Office
- Planing, Economics and Controlling Department
- HSE Sector
- HR Sector
- Center for digital transformation and User Experience Improvement
- Potable Water Factory

Metrology Sector

Exploration and Production Block
- Oil and gas production directorate
- Planning, economics and control Department
- Perspective development and project implementation Department
- Department for Geological Explorations and Reservoir Development
- HSE Sector
- HR Sector
- Sector for project activity in Romania
- Administrative documentation support Group

Corporate center
- Function for Organisational Affairs
- Procurement Function
- Corporate Security Function
- Function for Legal and Corporate Affairs
- Function for Strategy and Investments
- Function for internal audit and risk management
- HSE Function
- Function for Finance, Economics, Planning and Accounting
- Function for Public and Government Relations and Corporate Communications
- Petrochemistry Directorate

Multifunctional shared services center
- Accounting and financial services group
- HR services group
- Warehousing sevices
- Transport services
- Front office
- Customer relations services
- Legal services
- Translation services
- Document management services
- Standardization and process mapping services
- Sector for Economy, Efficiency, Management and Development

NIS j.s.c. Novi Sad organisational structure

Representative Offices and Branch Offices
- *Branch Offices in Serbia**
- *Angola Representative Office*
- *Russian Federation Representative Office*
- *Turkmenistan Branch Office***

Subsidiaries
- ***Naftagas – Technical services LLC Zrenjanin***
- ***Naftagas – Oil Services LLC Novi Sad***
- ***Naftagas – Transport LLC Novi Sad***
- ***STC NIS – Naftagas LLC Novi Sad***
- ***NIS Petrol a.d. Belgrade***
  - *NIS MET Energowind LLC Belgrade*
- ***NIS Overseas o.o.o. Saint Petersburg (Russian Federation)***
- ***NIS Petrol e.o.o.d. Sofia (Bulgaria)***
- ***NIS Petrol s.r.l. Bucharest (Romania)***
- ***NIS Petrol LLC Banja Luka (Bosnia and Herzegovina)***
  - *G-Petrol LLC Sarajevo (Bosnia and Herzegovina)*
- ***Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina)***
- ***NIS-Svetlost LLC Bujanovac – in bankruptcy****

*
Under the Law on Tourism of the Republic of Serbia, if hospitality services are not the core activity of a company, then such company is obliged to establish a branch (premises outside its registered seat) and register it accordingly, or otherwise establish an organisational unit that is registered in the Tourism Registry. To this end, the Company registered all petrol stations where it provides hospitality services as separate branches. The list of petrol stations which are registered as branches is available at http://ir.nis.rs/en/corporate-governance/group-structure/.

**
The process of liquidation has been initiated.

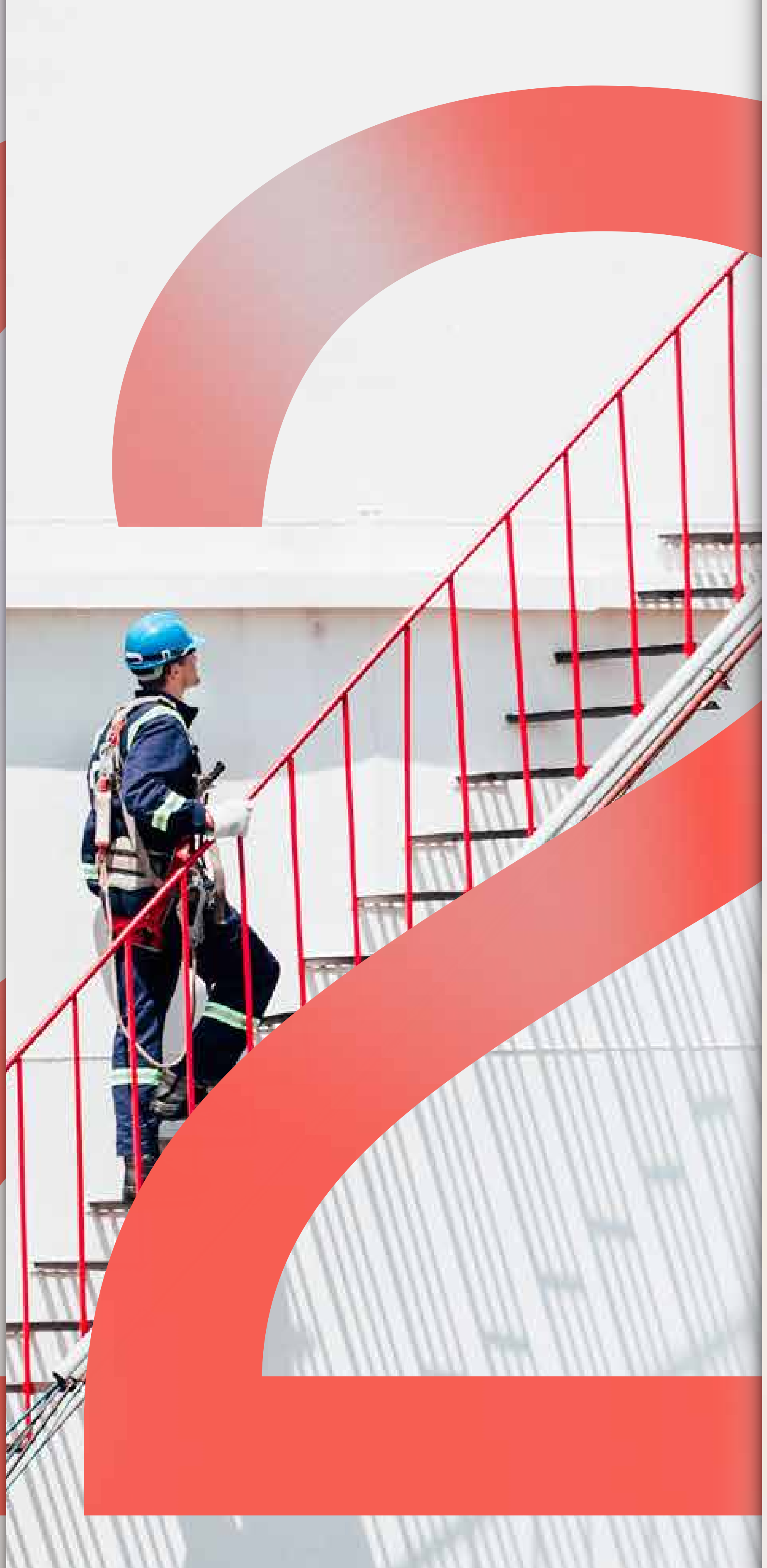
***
On 29th March 2021, the bankruptcy proceedings were initiated.

MISSION

- Responsible use of natural resources and modern technologies, to provide the people of the Balkan region with energy to move towards the better.

VISION

- NIS will be the recognized leader of the Balkan region in its department, in terms of the dynamics of sustainable development and increased efficiency, demonstrating a high level of social and environmental responsibility, as well as modern customer service standards.



VALUES

RESPONSIBILITY

Our result and safety, my responsibility!
Because we are a public company and each of us is an employee who conscientiously and rationally uses resources for the common good.

TRANSPARENCY

Open to each other!
Because, only through open and fair communication, in which we are all equal, can we jointly create a safe and motivating work environment.

INNOVATIVNESS

Ignite your curiosity!
Because we find and support new and always better solutions, in order to constantly improve ourselves and other leaders in the industry.

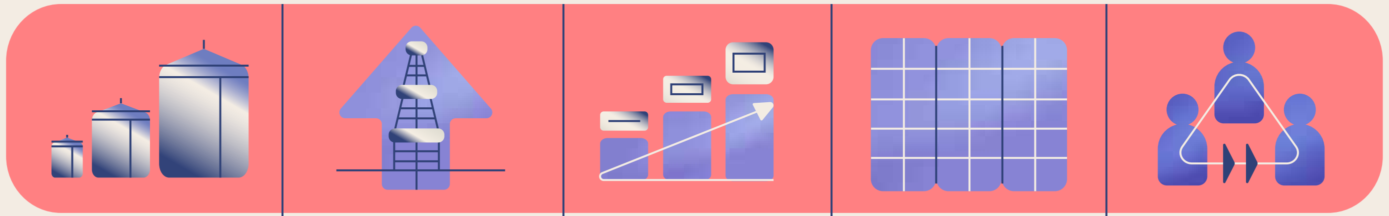
EXPERTISE

Knowledge creates our future!
Because everything we create is based on our expertise that inspires changes in the entire community.

Strategy 2025

The corporate “Strategy 2025” was adopted in 2017, which is to ensure further growth and profitable business for the shareholders, employees and the wider community.

The main strategic goals of NIS



- To preserve production and resource base growth indicators
- To increase the depth and efficiency of refining
- To boost the sales of petroleum products through own sales channels and modernise the retail network
- To diversify the business by building new electricity generation capacities
- To optimise operating performances

Exploration and production

Most of the investments planned by NIS by 2025 will be allocated to the exploration and production segment. Exploration and geological and technical works in Serbia, investment in the development of the most profitable foreign concessions, as well as a constant increase in business efficiency will mitigate the expected slight decline in production. In the period from 2018 to 2022, the company drilled 245 wells in Serbia, and started oil and gas production in Bosnia and Herzegovina and Romania.

Refining

The development of NIS refining through the modernization of the Pančevo Refinery and the increase of energy and operational efficiency in this segment is one of the main tasks of NIS before 2025. The refinery commissioned a deep processing unit with delayed coking technology, which increased the depth of refining and altered the structure of the product in favour of light petroleum products. Work has started on the FCC plant reconstruction project and the construction of an ETBE production plant (containing 47%V/V biocomponents).

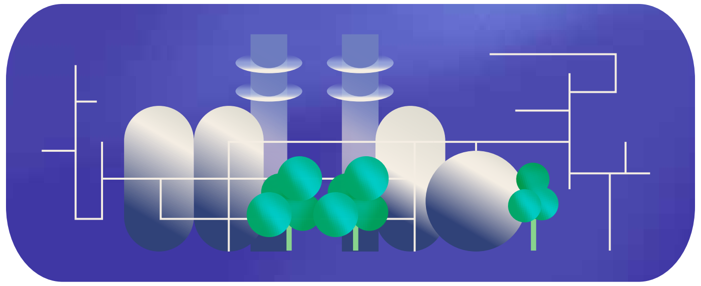
Sales and distribution

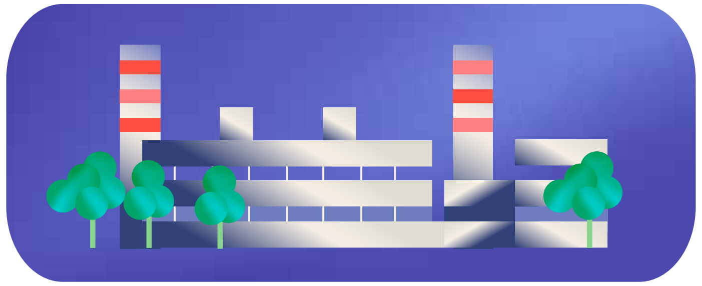
The strategy in this segment is to modernize the retail network and petroleum product depots, increasing profitability through sales growth and development of non-fuel products, increase the efficiency and volume of wholesale, and strengthen the presence abroad. The focus is also on developing and improving business lines of specialized products (raising the level of specialized logistics, improving the quality of products and ancillary services). In the period from 2018 to 2022, 14 new PSs were put into operation (of which 6 were newly built, 2 PSs were purchased, 6 were leased), 6 more PSs were brought back into the network and 27 were reconstructed. The company installed chargers for electric vehicles at 5 petrol stations.

Energy

Growth of electricity production and efficiency increase are the main goals of NIS with respect to energy by 2025. In addition to further growth in electricity production (start of TE-TO Pančevo, small power plants, solar panels), the key projects include growth in the electricity trade. In 2022: TE-TO Pančevo was commissioned, panels were installed on 8 PSs, and projects were started on the construction of solar power plants of larger capacities (on facilities and on the ground).

What has been done so far?





Bottom of the barrel unit was put into operation

“Our refinery is one of the most modern and greenest in the region.”

- Increased production of diesel, gasoline and LPG
- Start of production of petroleum coke
- Significant environmental benefits

Investment value over **300** *mln EUR*

TE-TO Pančevo was put into operation

305 GWh of electricity was placed in the energy system of Serbia. The production of steam for the Pančevo refinery was successfully tested.

up to **200** *Mw*

Value project around **192** *mln EUR*

2017	2019	2020	2021	2022
The beginning of the construction of the Bottom of the barrel	The beginning of the implementation of the TE-TO Pancevo project	18 November Ceremonial opening of the Bottom of the barrel	Launch of the *FCC&ETBE* project	October 24 Comissioning of the TE-TO Pančevo project

Operational efficiency programs in all parts of NIS will continue to be a source of raising the level of business success in the coming period and will remain one of the main strategic goals, considering the complexity of the business environment.

1.2.4

Risk management

Integrated Risk Management System

Risk represents a negative impact on the Company's objectives in the case of a risky event occurring. Risk management is a continuous and systematic business process which serves to support management decision-making and the achievement of a Company's objectives in a risk exposed environment.

In business, the Company is exposed to certain risks which may affect the fulfilment of set objectives, if realised. The Company acknowledges the existence of risks and makes a sustained effort to manage them in a structured manner. An effective and efficient risk management system is central to ensuring the Company's business continuity and a well-established risk management framework outlines the Company's risk management procedures and lays the groundwork for business decision-making.

Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness and efficiency of managerial decisions by identifying, analysing and assessing risks which arising from those decisions, outlining answers and risk management measures and ensuring the maximum effectiveness and efficiency of risk management during the implementation of decisions.

The Company's risk management objectives are achieved through the following tasks:

- establishing a risk management culture in the Company in order to ensure that both the management and employees have a full understanding of the basic risk management principles and approaches;
- defining and establishing a systemic approach to identifying and assessing the risks inherent to the Company's operations, both in general and specific business areas;
- encouraging the exchange of risk information between the corporate organizational units, and the collaboration in the identification that risk management measures and
- providing structured information on risks to the corporate governance bodies.

The IRMS is a set of phases, methodologies and instruments aimed at ensuring the efficiency and effectiveness of the risk management process in the Company.

IRMS business process flow at NIS

The basic principle underpinning this system is that the responsibility for managing risks is assigned to risk owners; owners of business processes in the Company. Such an approach ensures that the responsibility for risk management and monitoring is identified for all processes of the Company, and that suitable solutions concerning risks and action plans are prepared in order to manage risks at the level of individual business processes and Company as a whole.

The Company has set up its Section for Risk Management System Monitoring which performs continuous monitoring and control of the risk management process and coordinates and improves this business process.

Risks are identified by the analysis of internal and external data sources, the analysis of unlikely scenarios, interviews, risk sessions, etc., and risk exposure assessment is performed by quantitative, qualitative or EMV (expected monetary value) method. Risks are ranked according to levels, according to the risk matrix, the combination of identified impact and risk probability.

The Company has implemented key risk indicators aimed at early identification of changes and their potential causes which could subsequently lead to Company's failure to achieve its targets. They demonstrate the risk exposure of certain key indicators and defined time period of monitoring.

IRMS in business planning process

The key risks associated with the Company's goals are acknowledged by the Board of Directors through the adoption of business plans. Risk assessment is an integral part of the business planning process, while information on key risks – estimated financial effect of the risks on result of Company, answers and measures, financial resources needed to implement the measures – are incorporated into the adopted business plans:

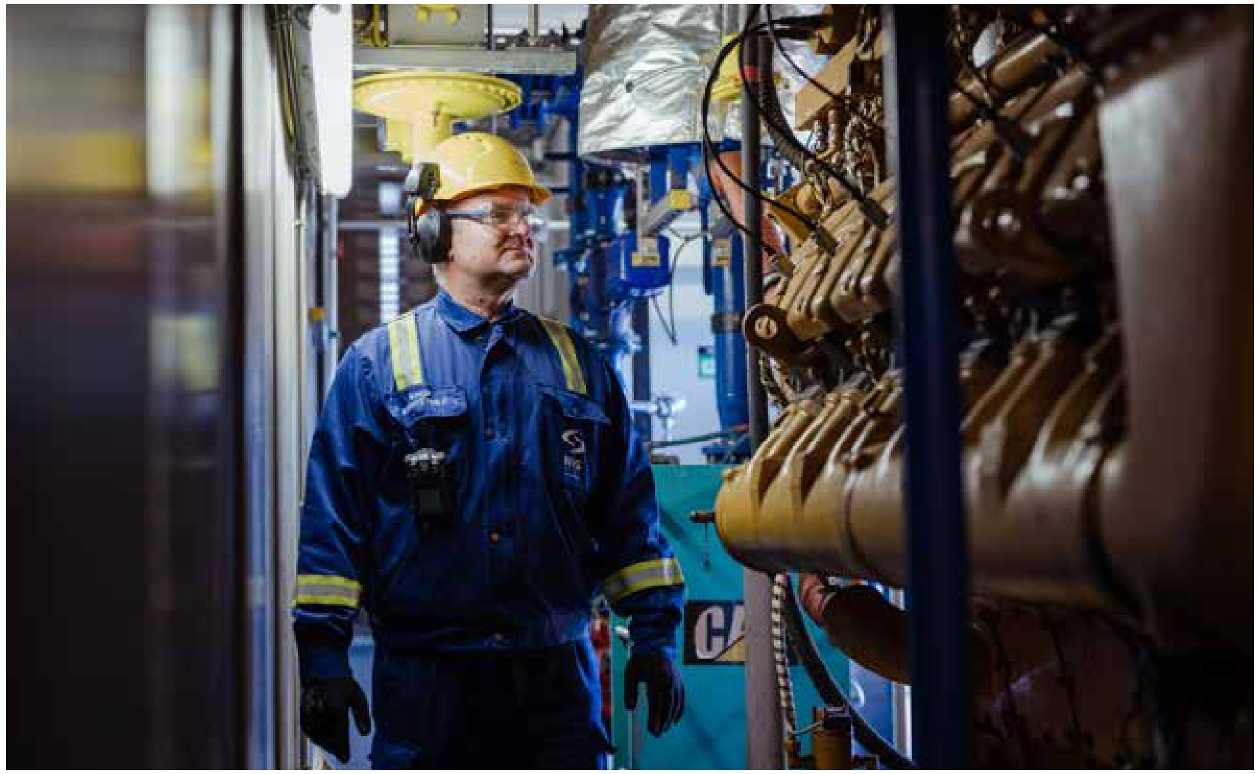
In its operations, the Group is exposed to the following categories.

Non-financial risks:

- Operational risks;
- Project risks;
- Political risks;
- Strategic risk;
- Reputation risks;
- Legal risks;
- Compliance risks.

Financial risks:

- Foreign exchange risk;
- Interest rate risk;
- Liquidity risk;
- Credit risk;
- Concentration risk;
- Commodity and price risks.



Nonfinancial risks

Risk description	Risk management measures
Operational risks	
HSE risks	
Due to the nature of its activity, the Company is exposed to health, safety and environmental risks.	With a view to protect its members of staff, equipment, facilities and environment, while meeting legal obligations, the Company continuously monitors its operations, workforce, assets, working and living conditions and promptly amends its normative and methodological documents to reflect the changes in the legislation of the Republic of Serbia and ensures compliance with them. The Company timely implements corrective measures introduced in the wake of HSE investigations of incidents, through a system of observations, corporate monitoring and external inspections. Training courses are being conducted with a view to condition employees in HSE disciplines.
HR risks	
Highly qualified personnel is a key prerequisite of efficient operations of the company.	The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. Some of the measures to attract qualified personnel are: early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, NIS Energy, Serbia Repatriation. The programs implemented for the retention of employees are: Talent management program, Talent development program, professional training of employees, employee evaluation procedure based on performance and potential – identifying talents and defining the succession plan for key positions in the Company, training for management and introduction of a unique talent management system.
IT risks	
Due to the growing dependence of the Company's business processes on information technology, automation and telecommunications, the Company is exposed to risks of ensuring the expected availability of services and business continuity.	The Company manages these risks through a range of measures, which include IT standards, system monitoring tools, and performs the backup of data and tests the service recovery process. In addition, the Company strives to monitor and implement new technologies and renew equipment in order to increase quality and reduce the unavailability of services.

Information security risks	
The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.	Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks. The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.

Project risks	
A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (Project Management Institute) standards. Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives.	A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a "response strategy", that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register.

Political risks	
The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.	Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations. The management is taking necessary measures to ensure sustainability of the Group'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.

Financial risks

Risk description	Risk management measures
Credit risks	
It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.	Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad). With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.
Liquidity risks	
Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its due liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.	NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the maximum loan debt level is not exceeded (the parent company sets the limit) and that all its obligations under commercial bank arrangements (covenants) are met.

Commodity-price risks

Due to its core activity, NIS Group is exposed to risks associated with price volatility, specifically the price of crude oil and petroleum products that affects the value of inventories and the oil refining margin, which in turn affects future cash flows.

These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices.

In addition, the following actions are undertaken to reduce a potentially negative effects of this risk on the financial result of the Company:

- annual planning based on multiple scenarios, planned follow-up and timely adjustment of operating plans for crude oil procurement;
- regular sessions of Company's Commission in charge of crude oil purchase/ sale to discuss all major topics related to crude oil purchase and sale (sale of oil from Angola-Palanca crude oil);
- concluding annual contracts for the supply of crude oil under the most favorable commercial conditions, as well as the so-called spot contracts when there is a need and justified commercial conditions for the supply of oil and on that basis;
- The widening of the circle of potential suppliers through their procedural verification and according to inquiries and letters of interest submitted to NIS, we noticed the noticeable increase or a higher number of participants in the regular, annual tender procedure for the procurement of crude oil and increasingly visible results of changes in the range of participants (bidders) and the opportunities/conditions that they offer;
- Maximum effort to ensure a continuous supply of crude oil in restrictive conditions, which have been very evident since the end of the first quarter of 2022, both in the required quantities but also by the type of oil that would correspond to refining plans and planned production / basket of derivatives;
- Additional optimization of the procurement process based on the Decision of the Government of the Republic of Serbia to exempt crude oil from customs duties from March 2022 until the end of the year (pro tempore), as well as in 2023;
- Continuous efforts to optimize processes and strive for the best possible economic effects and indicators;
- Monitoring market conditions throughout the calendar year and collecting information from foreign companies that are eminent, reliable traders in the European market and beyond, in order to better understand the potential conditions for the implementation and realization of spot purchases on the basis of which we are, for example, in 2021, they achieved very good financial results and indicators in that sense.

Foreign Exchange Risks

Company operates in an international setting and is thus exposed to the risk of fluctuating foreign exchange rates arising from business transactions being made in different currencies, primarily EUR and USD. The risk involves future trade transactions and recognised assets and liabilities.

The risks relating to fluctuations in the national currency against the US dollar and the impact of this factor on the prices of petroleum products is partly neutralised through the natural hedging of petroleum product selling prices, which are adjusted to these fluctuations. Risk management instruments are also used, such as forward transactions on the foreign exchange market and successive purchases of foreign exchange, which help reduce the impact of foreign currency losses in the event of depreciation of the national currency against the EUR (following the imposition of sanction constraints Company pays the majority of its foreign currency liabilities in this currency). Other measures include the balancing of the foreign exchange equilibrium in terms of adjusting the currencies in which export transactions are denominated to the currencies of foreign exchange liabilities, managing the currency structure of the loan portfolio, etc.

Interest Rate Risks

The Company is exposed to the risk of interest rate volatility, both in terms of its bank loans and deposits.

The Company takes out loans with commercial banks at either floating or fixed interest rates, depending on the forecasts of base interest rates in the monetary market and the business banks' capability to offer fixed interest rates for loans. Funds in the form of intercompany loans to third parties are taken out at floating or fixed interest rates, whereas funds deposited as term or demand deposits are mostly placed at flat interest rates. Deposits are aligned with the credit limit methodologies of commercial banks (funds are reciprocally placed only with major commercial banks from which Company takes out loans and/or lines of credit/security instruments). In this respect, revenues and cash flows from bank deposits and a section of intercompany loans are predominantly independent of any changes in base interest rates. In this respect, income and cash flows from bank deposits and intercompany loans do not largely depend on changes in base interest rates, while liabilities towards the banks and intercompany liabilities contracted at variable interest rates depend on changes in base interest rates.

In order to reduce the uncertainties associated with interest rate risk, when collecting offers from banks for financing, the Company insists on collecting offers with fixed interest rates in order to compare interest rates with variable and fixed interest rates and make a selection in accordance with the current policy on interest rate related expenditure management. In addition, the analysis of interest rate movements in the financial market is continuously being carried out, as well as analysis of restrictions and possibilities of using interest rate hedging instruments (interest rate swaps, options, etc.).

2

CONTRIBUTION TO STABILITY

- NIS – a reliable partner

In the challenging year of 2022, NIS made a full contribution to Serbia’s energy stability.

Regular supply of all types of fuel to the market was preserved,

with record production and delivery of oil derivatives. The electrical energy produced in

“CCPP Pančevo”

was delivered to the energy system of the Republic of Serbia, which has a positive effect on increasing the security of our country’s electricity supply.

In addition to preserving the social stability of employees,

NIS remained a reliable source of income for its shareholders - more than

5.7 billion dinars

were paid out in the form of dividends for 2021.

1.2.5

Business environment[1]

World[2]

Three years into the pandemic, global oil and gas production is still below the 2019 average. Although 2022 production of 99.9 barrels per day is nearly 5% higher than 2021 production and nearly 7% higher than in 2020, the record level of 100.1 barrels per day from 2019 is not expected to be reached until 2023. Companies are once again announcing additional investments in rigs, pipelines and refineries, and some experts believe that the time is right to double the reinvestment of the 2022 record profits achieved in oil services and energy infrastructure.

The largest contribution to production growth in 2022 was made by the: USA, Russia, Canada, Guyana, China and Brazil, while the largest decline was recorded in Norway and Thailand. The growth in 2023 will most likely be driven by non-OPEC countries (about 1.5 million barrels of oil per day) with 40% of the growth coming from the USA, mostly its Permian region, while a decline is expected production in Mexico and Azerbaijan.

1 Data sources for the World, Oil price and Macroeconomic trends: reports by Wood Mackenzie, IHS, Bloomberg, Reuters, National Oil Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles.
2 Source: EIA, OPEC, Oil&Gas Journal, IHS, Wood Mackenzie.

The global consumption of oil has not yet returned to the pre-COVID level (it is lower by almost 1%), but it is still almost 3% higher compared to 2021. According to OPEC estimates, in 2023 the consumption will recover and even exceed 2019 levels.

Security of energy supply is still a priority issue for consumers and policy makers, especially in Europe. The public is concerned with saving energy products, primarily natural gas and electricity. Natural gas prices had been hiking up since the summer of 2021 and reached the peak in the third quarter of 2022. However, the not-so-cold winter as well as full gas storages “calmed” the prices of this energy in the last quarter. The change in global natural gas flows in the last year provided an opportunity for producers of this energy from North America to achieve the highest production in the last few decades and maximize their exports of liquefied natural gas.

Last year brought record profits to the majority of large, primarily multinational energy companies that produce and trade in energy products. Performance was outstandingly high, both on the quarterly and on the yearly level. Certain countries (especially India and China) had the opportunity to obtain cheaper oil for their refineries, as well as to increase their stocks of oil and derivatives.

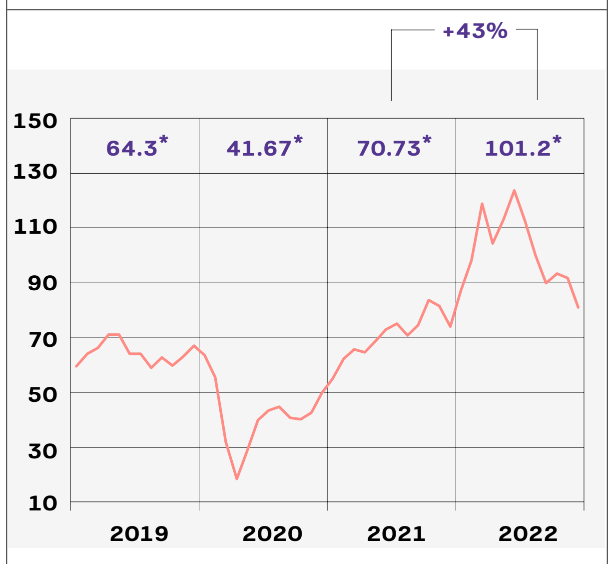
When it comes to 2023, it should be noted that one of the main conclusions of the World Economic Forum, held at the beginning of 2023, is that this year will be better than expected for the global econom. Many risks remain, especially in trading. According to the IMF, China’s increased international activity and further growth of its GDP contribute to the global market growth, but may create risks of higher fuel demand and new inflation pressure.

This year's forum was also marked by numerous debates on the disagreements of the world's largest economies regarding subsidies for the energy transition, so one of the conclusions was that the first place should not be one's own states and nations, but the climate. The overall conclusion, however, was that climate takes precedence over the interests of individual countries and nations. All countries should align national subvention plans with the global initiatives.

Oil

The first half of 2022 saw the oil price increase off the back of geopolitical turbulence and low global oil reserves. The reserves have been decreasing consistently over the period of eight quarters, from Q3 2020 to Q2 2022. On March 8, 2022, Brent price (adjusted for inflation) reached the highest point since 2014. The decrease

Brent Dtd price trends, $/bbl**



* *Average annual price*
** *Source: Platts.*

in oil inventories is the result of withdrawals from warehouses in order to meet demand boosted by rising economic activity following the lifting of pandemic-related restrictions. The average price in the first half of the year was 107.9 $/bbl, 66% more YoY.

From June 8 until the end of 2022, the price of crude oil generally was going down amid concerns about a possible economic recession dampened demand. High petroleum prices were one of the drivers of consistent global inflation in 2022, which affected consumer spending and derivative demand. Gasoline consumption in the USA dropped as the prices grew. Strict COVID prevention measures in China additionally contributed to the reduction in global demand. In the second half of the year, global supply of oil increased driven by the release of strategic reserves. Crude oil supplies also rose in the second half of the year, from US and international strategic oil reserve release programs, which boosted global crude supply. Average price in the second half of 2022 was 94.9 $/bbl, 12% lower than in the first half, but 24% higher YoY.

According to Wall Street analysts, Brent price will keep increasing over the 100 dollar mark, whereas Goldman Sachs expects an even steeper increase (at least 105 $/bbl) if China lifts the COVID restrictions and starts recovering its economy. UBS Investment Bank forecasts that in the second half of 2023 Brent oil price will cost over 110 dollar per barrel due to the uptick in oil demand in other Asian countries, particularly India.

Macroeconomic trends

The global financial crisis, the negative impact of the coronavirus pandemic from the previous period and other global macroeconomic factors influenced the global business environment to deteriorate. Although globalization makes it possible to use markets and resources outside national borders, it also leads to cross-border transfers of risks and the restriction of all flows. Reliance on products produced in only a few places is widespread, so relatively often there is a difficult supply of some products or, even more often, production components. According to a report by McKinsey Global Institute, the largest global flows are currently non-material goods, services, and skills. Flows of goods have largely recovered since 2020, but still not back to full capacity.

Disrupted supply chains, growing inflation and interest rates, and the complex issue of energy supplies have become common. Record prices of energy products and the impact they have on the standards of citizens, but also on industrial production, were cited by numerous countries, including Serbia – the introduction of price regulation of petroleum products and other energy generating products (gas, electricity and solid fuels). These measures make economic development and market functioning even more difficult.

After the increase of 68% from January to June, the energy component of the S&P Goldman Sachs Commodity Index (GSCI) was, at the end of 2022, 10% higher than on the first day of trading at stock markets. Global events contributed to higher volatility of the energy sub-index (it consists of: the price of oil 70%, the price of gasoline, diesel and gas oil 24%, and the price of natural gas contributes 6%) and higher prices of some energy generating products at the end of 2022.

According to its latest report, the IMF expects global growth to reduce from 3.4% at the end of 2022 to 2.9% in 2023 and then hike back up to 3.1% in 2024 – a more optimistic forecast than before. Higher interest rates and the ongoing recession still suppress global economic activity. Recent re-opening of China after the COVID restrictions paves the way towards a speedier recovery, especially in developing countries, which are expected to maintain stable GDP growth.

Of the developed economies, the recession in 2023 will hit Great Britain the most (-0.6%), while Japan is the only developed economy for which no decline is expected compared to 2022. The IMF also forecasts GDP growth compared to 2022 for Russia (with - 2.2% in 2022 to 0.3% in 2023 and 2.1% in 2024) and for European developing countries (0.7%, 1.5% and 2.6% respectively).

The IMF projects that global inflation will fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, which is still above the pre-pandemic level (3.5% in 2017-2019). The projected disinflation partly reflects a reduction in fuel and other commodity prices due to weaker global demand, as well as an easing of tight monetary policies on core inflation, which is expected to decline globally from 6.9% in the fourth quarter of 2022 (annualized) to 4.5% by the fourth quarter of 2023. However, disinflation takes time: by 2024, projected annual average core inflation will still be above pre-pandemic levels in 86% of countries.

Serbia[1]

Increased inflationary pressures in Serbia, as well as in other countries in Europe and around the world, are forcing national banks to constantly raise interest rates. The reference interest rate of the National Bank of Serbia was raised to 5.25% in early January 2023, which is the tenth increase since April 2022. Preserving the stability of the exchange rate is another tool by which the National Bank of Serbia strives to limit the secondary effects of cost pressures on price growth. Nevertheless, Serbia recorded the highest average inflation of 11.9% in the last ten years, while YoY inflation (December 2022 – December 2021) was 15.1%.

The inflation in Serbia is largely influenced by the global energy crisis, the lingering consequences of the pandemic and the drought that affected the region. According to the latest projection of the National Bank of Serbia, inflation should peak in the first quarter of 2023, then start decreasing, and return to the target limits in the second half of 2023, driven primarily by the fall in import inflation and the expected weakening of energy-related cost pressures.

According to the preliminary estimates of the Serbia's Statistical Office, the real GDP growth in 2022 amounted to 2.3%. The Survey of the Serbian Chamber of Commerce showed that the Serbian economy has kept up the performance and is not yet in crisis. The economic system shows a certain degree of resilience. However, Serbia's economy slowed down in the second half of the year because of the gradual spillover of the crisis from the EU, which is the country's main foreign trade partner. In the coming period, the EU will most likely face a recession, which will influence the business in Serbia to a significant extent. The National Bank of Serbia projects the GDP growth for 2023 in the range of 2.0-3.0%.

1 Source: National Bank of Serbia, Republican Bureau of Statistics, Chamber of Commerce Serbia, newspaper articles.

National Bank of Serbia expects the current deficit to be lower than projected (9.0% of GDP), mainly due to the fact that Serbia still has a full foreign direct investments coverage.

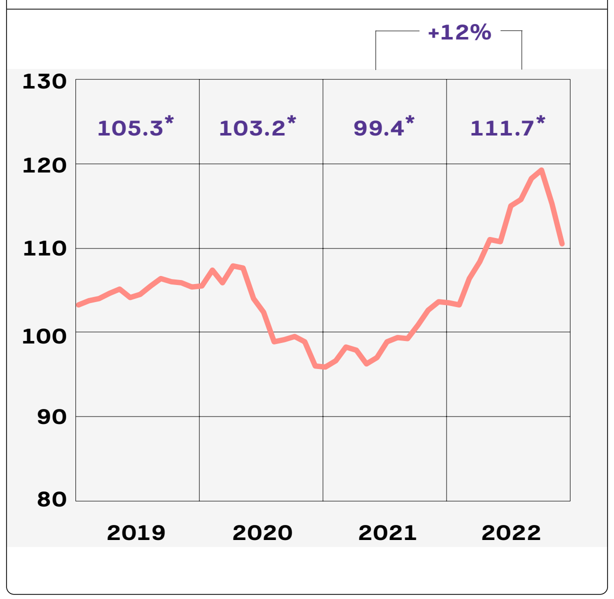
Commodity exports grew by 23.9%. Commodity imports increased by 30.1% (primarily driven by the increase in energy prices). The coverage of imports by exports in 2022 is 70.6% and is lower than the coverage in 2021, when it was 75.6%.

Industrial production in the Republic of Serbia increased by 1.7% in 2022 compared to the same period in 2021. The highest growth was achieved by the mining sector (22.6%), while the sector for the electricity, gas, steam, and air conditioning supply recorded a decline of 7.1%.

The unemployment rate remained at 8.9% in the third quarter, while the employment rate rolled back to 50.8%. Formal employment continued the YoY growth in 2022 (1.4%). The growth of net earnings in the same period amounted to 13.9% in nominal terms or 2.0% in real terms.

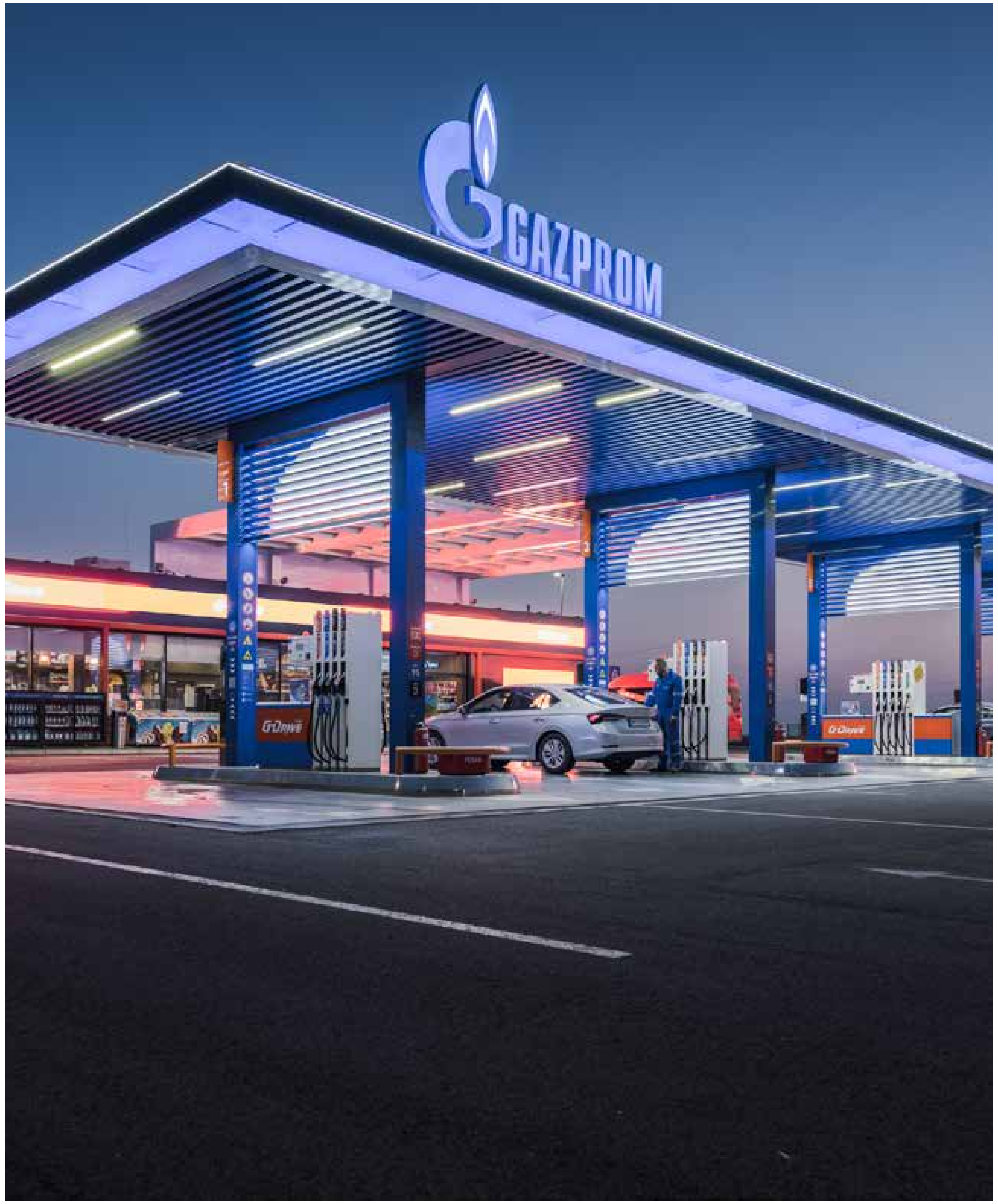
According to the expectations of experts, Serbia's economic activity in 2023 will primarily be determined by the development of the economic situation in Europe. According to the opinion of most analysts, in the coming year the crisis will slowly shift from energy to economics but will remain moderate, so the European economy will be closer to stagnation than to a deep recession. However, if the crisis persists, it could cause problems for such economies as Serbia, as its economic stability may erode over time.

Exchange rate trend, USD/RSD**



** USD/RSD average annual value*
*** Source: National Bank of Serbia*

- Average USD/RSD exchange rate in 2022 was higher by RSD 12.3, i.e. 12% compared to the average exchange rate in the same period of 2021.
- In 2022, USD/RSD exchange rate increased by RSD 6.2 or 6%.



Legislative changes

Since the formation of the new Government at the end of October 2022 after the parliamentary elections, legislative activity has increased. The National Assembly adopted the following laws that have an impact on our company's operations: the Law on Amendments to the Law on Fiscalization, the Law on Amendments to the Law on Electronic Invoicing, the Law on Amendments to the Law on Tax Procedure and Tax Administration, the Law on Amendments to the Law on Administrative Fees of the Republic of Serbia, the Law on Amendments to the Law on Property Taxes, and the Law on Amendments to the Law on Value Added Tax.

Last year’s bylaws that are relevant for the operation of NIS j.s.c. Novi Sad are the Regulation on the Limitation of the Price of Petroleum Products and Regulation on the Temporary Measure of Gas Price Limitation and Compensation for Differences in the Price of Natural Gas Purchased from Imports or Produced in the Republic of Serbia in the Event of Disruption on Natural Gas Market, the Decision on a Temporary Prohibition of the Export of EURO DIESEL EN 590, and Regulation on the Conditions, Manner, and Procedure for Granting State-Owned Agricultural Land for Use for Non-Agricultural Purposes was adopted.

In addition to the adopted regulations, several draft laws and by-laws were also prepared and discussed in 2022. This includes the Draft Law on Amendments to the Law on Waste Management, the Draft Law on Environmental Impact Assessment, the Draft Law on Strategic Environmental Impact Assessment, and the Draft Law on the Management of Companies Owned by the Republic of Serbia.

In 2023, legislative activity will likely intesify further, primarily through the adoption of regulations regarding renewable energy sources, environmental protection and energy, and maintenance of the petroleum product and gas markets in the circumstances of market disturbances.

NIS closely analyzed regulations that were being discussed publicly or were submitted to the company for review and provided its comments and improvement suggestions.

NIS shall continue its efforts to help improve the business environment in Serbia.

1.2.6

Performance analyses

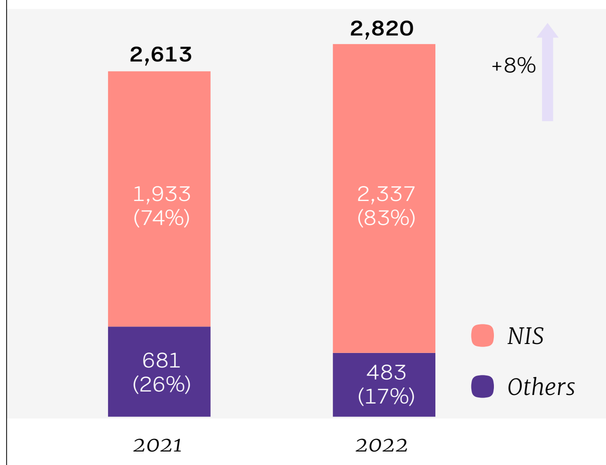
Market share[1]

As expected, in the post-Covid period, the consumption of motor fuels continued to recover, with the crisis of 2022 and supply uncertainty driving the consumption even higher in all countries of the region compared to 2021.

The main factors in the growth of consumption were:

- growth of transport,
- construction industry,
- infrastructure projects,
- recovery of tourism, but also
- consumers stockpiling fuel to ensure supply in the volatile market.

Volume of the RS motor fuels market*, in thousand tonnes



* Data for 2022 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

Market share in the Serbian market

In 2022, motor fuel consumption in Serbia increased by 7.9% YoY. Fuel stockpiling in fear of possible shortages, government measures in the form of price restrictions that led to the reduction of the gray market and petrol tourism, and sales to corporate clients in the region were the main drivers of consumption growth in Serbia.

The growth of NIS' share in the motor fuel market compared to 2021 is connected with the decrease in imports due to the controlled price of oil products, which for a long period was below the import parity. The state-prescribed preferential fuel price for farmers in the NIS network caused significant increase in retail sales to this category of consumers.

1 Data sources for the projections: for Serbia – Sales and Distribution Block's internal analyzes and estimates; for consumption estimates for Bulgaria and Romania– Stratas Advisors; for Bosnia-Herzegovina – Stratas Advisors and internal estimates. Any deviations in percentages and aggregate values result from rounding.

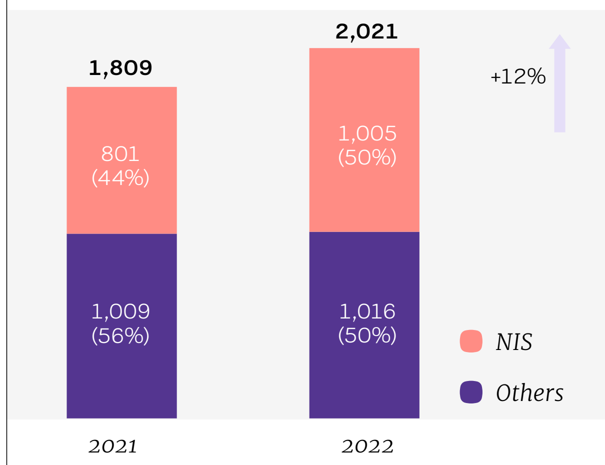
Retail: in 2022, consumption records growth compared to 2021 by 11.7%.

NIS ensured a secure supply of petroleum products to the Serbian market across all sales channels.

The growth of NIS's share in the retail market is due to:

- the preferential (and significantly lower) price for farmers at NIS petrol stations
- increased demand
- overflow of clients from wholesale to retail channel due to periodic restrictions on wholesale of imported products,
- recovery of petrol tourism and international transport to supply at domestic petrol stations.

Volume of the RS motor fuels retail market**, in thousand tonnes



* The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 2022 is given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

Market share in Bosnia and Herzegovina, Bulgaria and Romania

Bosnia and Herzegovina

The House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina adopted the amendments to the Excise Taxes Law, suspending excise taxes on petroleum products for six months. This includes excise duties on diesel fuel and other gas oils, kerosene, motor gasoline, fuel oil, liquid petroleum gas for driving motor vehicles, biofuels and bioliquids.

The Bosnian Brod Refinery intends to build a 100 MW gas-fired thermal power plant in Republika Srpska, which is an investment worth EUR 150 million. The company is currently conducting a feasibility study for the project and plans to submit an application for a concession after the study is completed. The government of the entity approved the agreement on cooperation with the company on the project.

The Federation of Bosnia and Herzegovina has announced the reconstruction of the Blažuj liquid petroleum products terminal. This will add another 42 million litres to the country's oil reserves. The project will cost 25 million KM. According to Hermedin Zornić, president of Terminali, the state operator company, work will soon begin on the terminal in Bihać, with a capacity of about 20 million litres.

Bosnia and Herzegovina is still the only country in Europe that has not introduced the dyed diesel for agricultural users, although farmers have been making numerous appeals and requests for the introduction of this mechanism for years.

In 2022, the recovery of the motor fuel market was recorded in Bosnia and Herzegovina, as well as the recovery of retail sales compared to the previous year.

NIS has 40 petrol stations in Bosnia and Herzegovina (and one more DODO petrol station).

In 2022, the market share of NIS in the total motor fuel market was 23.9%, while the share in the retail market was 10.9%.

Bulgaria

Lukoil Bulgaria's pricing policy involved a gradual change in wholesale price conditions and the abolition of volume discounts, which in turn could limit competition in the fuel market and affect consumers. The Commission for the Protection of Competition found that as part of the vertically integrated Lukoil Group, the company operates an entire chain from fuel production to final sale and has a highly developed storage and transport infrastructure, which represents a competitive advantage over other companies in the Bulgarian fuel market.

The Bulgarian government introduced an anti-crisis measure that allows drivers of private vehicles to get a discount of 25 stotinka per liter of gasoline, diesel or LPG. The measure was in force since the beginning of July until the end of 2022.

In June, Bulgaria received a derogation from the EU-wide ban on Russian oil imports. The exemption allows it to continue importing crude oil and oil derivatives from Russia by sea until the end of 2024.

Bulgarian fuel retailer Petrol has announced that its shareholder Trans Express Oil has reduced its stake in the business to 9.82% from 15.31% in favour of Grifon Power. On March 29, local transportation firm Trans Express Oil handed over 1.5 million voting shares, or a 5.49% equity stake, in Petrol to Grifon Power.

In 2022, compared to the previous year, Bulgaria recorded a recovery in the motor fuel market, as well as in retail sales.

In Bulgaria NIS has 34 petrol stations and a storage of oil products in Kostin Brod.

The market share of NIS in the total motor fuel market is 3.6%, while the share in the retail market is 3.7% in 2022.

Romania

In Romania, the prices of gasoline and diesel reached an all-time high.

The Romanian Government adopted a decree that foresees a reduction in the price of gasoline and diesel by 50 bani/liter, according to a scheme of 25 bani from the state budget (state subsidy), and 25 bani as a commercial discount approved by gas station chains on a voluntary basis. The measure entered into force on July 1 and was valid until the end of 2022.

Romanian refineries have found alternative sources of raw material supply since December, when the ban on importing Russian oil came into force.

The Russian oil giant Lukoil has decided to reduce the share capital of Petrotel by 78% (more than 432 million lei), from about 554 million lei to less than 122 million lei, by reducing the nominal share value from 2.50 lei to 0.55 lei per share. The reduction of the basic capital is carried out in order to restore the value of the net bookkeeping assets to a value equal to at least half of the value of the basic capital by December 31, 2022 by using the accumulated accounting losses.

By the end of 2023, all 400 Petrom petrol stations will have an integrated MyAuchan store, and the project between the two giants – OMV Petrom and Auchan project was launched five years ago. The total amount that both companies will invest is EUR 50 million. Simultaneously with the partnership with MyAuchan, OMV Petrom Group launched its own modernization process of Petrom stations. Currently, around 150 Petrom stations across the country include MyAuchan stores.

The Romanian government has approved the sale of a 1% stake in the oil and gas group OMV Petrom to former employees of the company by the end of 2023. In the decree, the government adheres to the High Court ruling from 2019, which required the state to sell up to 8 percent of OMV Petrom shares to employees.

Romanian oil and gas company OMV Petrom has started local production of AdBlue, a chemical used to reduce nitrogen oxide emissions from diesel engines, following an EUR 800,000 (USD 821,123) investment in anticipation of growing demand for the chemical in the Romanian market for over 30% by 2027.

In 2022, compared to the previous year, Romania recorded a recovery in the motor fuel market, as well as in retail sales.

NIS has 19 petrol stations in Romania. The market share of NIS in the total motor fuel market is 1.3%, while the share in the retail market is 0.8%.

Key performance indicators

Q4 2022	Q4 2021	Δ[1]	Indicator	Unit of measurement	2022	2021	Δ[2]
88.7	79.7	+11%	Brent Dtd	$/bbl	**101.2**	70.7	+43%
132.9	94.9	+40%	Sales revenue[3]	RSD billion	**513.7**	295.2	+74%
22.9	7.6	+3.0x	Net profit (loss)	RSD billion	**92.4**	21.0	+4.4x
31.4	14.9	+110%	EBITDA[4]	RSD billion	**136.2**	53.2	+156%
41.5	21.8	+90%	OCF	RSD billion	**114.1**	42.2	+170%
10.0	7.2	+39%	CAPEX[5]	RSD billion	**22.1**	20.2	+9%
66.7	62.1	+7%	Accrued liabilities for taxes and other public revenues [6]	RSD billion	**251.2**	217.8	+15%
565.8	589.9	-4%	Total bank indebtedness[7]	EUR million	**565.8**	589.9	-4%
1.2	1.4	-15%	LTIF[8]	number	**1.2**	1.4	-15%

1 *Any deviations in percentages and aggregate values result from rounding.*
2 *Any deviations in percentages and aggregate values result from rounding.*
3 *Consolidated sales revenue.*
4 *EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – Operating Expenses (OPEX) – other costs that may be controlled by the management.*
5 *CAPEX amounts are exclusive of VAT.*
6 *Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.*
7 *Total bank indebtedness = Total debt to banks + Letters of Credit. As at 31 December 2022, this was EUR 565.8 million of total debt to banks.*
8 *Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. The LTIF indicator calculated according to the previous methodology is 1.29. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31 and consequently the difference does not exist between 12M and Q4.*

Exploration and production

In 2022, we completed the oil and gas production schedule, thus having met all the planned objectives under the business plan. In addition to completing the hydrocarbon production plan, the main focus in Exploration and Production Block was on the geological exploration projects and improvement of operational efficiency of all business segments, and particularly the efficiency of geological and technical activities and internal oil services.

Key indicators

Q4 2022	Q4 2021	Δ[1]	Indicator	Unit of measure	2022	2021	Δ[2]
289.5	304.1	-5%	Oil and gas output[3]	thousand t.o.e.	**1,168.7**	1,193.9	-2%
202.5	208.4	-3%	Domestic oil output[4]	thousand tonnes	**806.7**	817.4	-1%
0.9	2.2	-58%	LTIF[5]	number	**0.9**	2.2	-58%
10.0	8.1	+24%	EBITDA	RSD billion	**44.8**	30.4	+47%
5.8	4.5	+30%	CAPEX[6]	RSD billion	**14.9**	13.3	+12%

1 *Any deviations in percentages and aggregate values result from rounding.*
2 *Any deviations in percentages and aggregate values result from rounding.*
3 *Domestic oil ouput includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.*
4 *With natural gasoline.*
5 *Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The data for 2022 refers for the Exploration and production Block. Due to the change in methodology, from May 2022 contractors will also be included in the calculation of HSE indicators. Data for 2022 according to the previous methodology is 0.52. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31 and consequently the difference does not exist between 12M and Q4.*
6 *Financing, exclusive of VAT.*

The main goal in the Exploration and Production Block was to fulfill the hydrocarbon production plan and increase the efficiency of geological and technological activities.

In 2022, a total production volume of 1,119.2 thousand t.o.e. was achieved in Serbia. The total volume of production in 2022, including concessions, amounts to 1,168.7 thousand t.o.e.

In the field of geology and deposit development, the emphasis is on maintaining the high quality of the performed geological and technological activities aimed at increasing oil and gas production.

Geological exploration and field engineering in Serbia

As part of development drilling, additional research and determination of oil saturation limits on active deposits and well pattern thickening are being actively carried out.

During 2022, 40 new oil and 3 gas wells were successfully drilled and commissioned. Wellwork achieved a satisfactory average production increase. In 2022, the total of 15 wells from the non-working fund were equipped and put in operation, achieving the additional production of 6.6 thousand tonnes, i.e. an average increase per well of 2.5 t/day.

When all geological and technological activities are considered, additional oil production was 12% higher than planned.

The project of forming a system for supporting reservoir pressure at the Turija Oil Field was prepared. The stage of preparation of the project technical documentation was completed as planned.

Exloration drilling and well testing

As part of the geological and exploration works in the Exploration and Production Block, one exploratory well was drilled in Serbia since the beginning of the year, and two exploratory wells were put into operation.

2D/3D seismics

Processing of seismic data recorded at the exploration area of the Middle Banat and Melenci depression has been completed and a complex seismic and geological interpretation is underway. A complex seismic and geological interpretation of seismic data recorded in the exploration areas of Kikinda-Mokrin Phase 2 is also underway.

License obligations

In order to provide conditions for drilling wells on the approved Velebit exploitation field, a geological research project was done and exploration works were registered with the competent body. At the approved exploitation fields Iđoš and Mokrin, drilling and testing of wells is performed in accordance with the Geological Research Projects.

In accordance with the Law on Mining and Geological Research, after completion of geological research on Iđoš and Mokrin production fields, the company submitted final reports on completed geological research to the Provincial Secretariat for Energy, Construction and Transportation.

For the exploration area of North Banat, Central Banat, South Banat, North Bačka and South Bačka, the competent provincial secretariat approved the continuation of geological oil and gas exploration until the end of 2023, with reduction of exploration area in Central Banat, South Banat, North Bačka and South Bačka.

In order to exploit gas and condensate from the well of the exploitation field Srbobran, the approval of the Provincial Secretariat for the exploitation field was obtained.

The following approvals were obtained from the Ministry of Mining and Energy:

- for the use and utilization of mining facilities built according to the Main Mining Project:
  1. for the development and exploitation of hydrocarbons of the Kasidol oil field
  2. for the development and exploitation of oil and dissolved gas in the Bradarac-Maljurevac exploitation field.

Approvals were obtained from the Provincial Secretariat for Energy, Construction and Transportation for:

- the modification of the boundaries of the approved exploitation field Iđoš and the exploitation of gas from the gas deposits of the exploitation field Iđoš
- for the modification of the boundaries of the approved exploitation field Palić and the exploitation of oil and dissolved gas from the new deposits of the exploitation field Palić
- for the modification of the boundaries of the approved exploitation field Srpska Crnja and the exploitation of condensate and gas from the deposit of the exploitation field Srpska Crnja.

Projects abroad

The Company's operations in the Upstream segment in Romania are conducted using the resources of NIS Petrol s.r.l. Romania (a subsidiary whose sole owner is NIS j.s.c. Novi Sad), on six concession blocks. The operator on these blocks is NIS' subsidiary in Romania - NIS Petrol s.r.l.

The Company's operations in the Upstream segment in Republika Srpska (Bosnia and Herzegovina) are conducted using the resources of Jadran Naftagas LLC Banja Luka.

Key events in Romania in 2022:

- EX-7 Block: in August 2022, NIS Petrol s.r.l. completed a 12-month experimental production of the exploration well Beba Veche Sud 1000, used the obtained data to update the business case;
- EX-7 Block: NIS Petrol s.r.l. drilled the production well Teremia 1003 within the scope of the Teremia North field development project, held tenders for the construction of infrastructure (collection stations, pipeline);
- Block EX-7, EX-8: a detailed Geological and Geophysical study was completed;
- EX-12 Block: The business case was updated, internal and external revision carried out;
- EX-2 Block and EX Block 3: The business cases were updated, internal and external revision carried out.

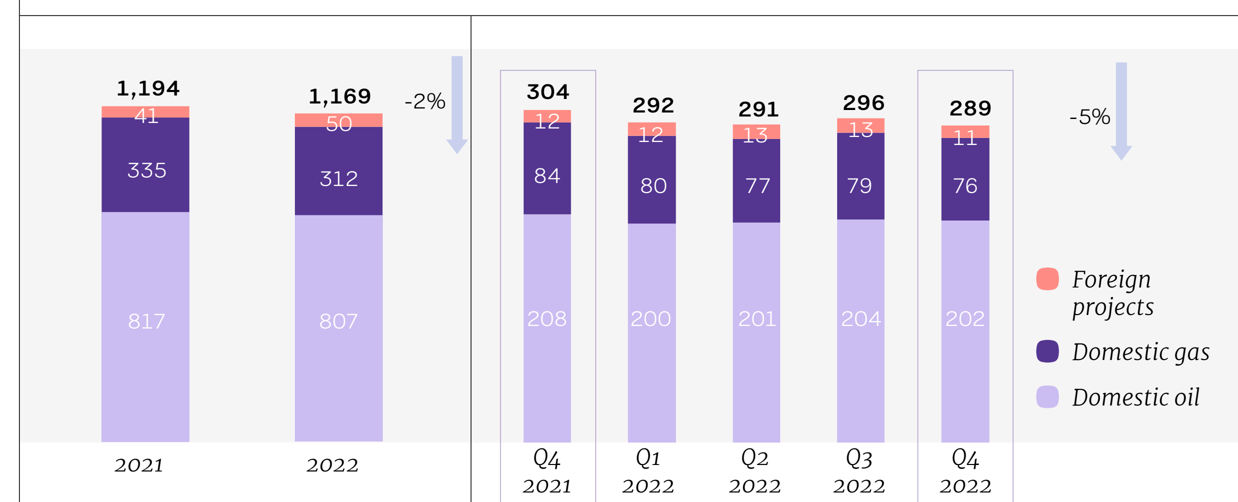
Key events in Bosnia and Herzegovina in 2022:

- Testing of the exploration well Ob-3, Obudovac, Republika Srpska was completed. The well completion is underway. The well is operating in different modes with continuous monitoring of production parameters and sampling for analysis purpose.

Operating indicators

In 2022, the total of 1,169 thousand t.o.e. of oil and gas was produced, which is 2% lower YoY.

Oil and gas output*, thousand t.o.e.



* *Any deviations in percentages and aggregate values result from rounding.*

Downstream

Refining

Key indicators

Q4 2022	Q4 2021	Δ[1]	Key indicators	Unit of measure	2022	2021	Δ[2]
1,156.4	1,077.7	+7%	**Volume of refining of crude oil and semi-finished products**	thous. tonnes	**4,421.5**	3,945.1	+12%
1,140.7	1,129.8	+1%	**Total sales volume of petroleum products**	thous. tonnes	**4,363.0**	4,031.0	+8%
268.8	209.5	+28%	*Retail Serbia*	thous. tonnes	**998.2**	794.9	+26%
482.3	404.4	+19%	*Wholesale Serbia*[3]	thous. tonnes	**1,612.2**	1,343.7	+20%
42.4	50.6	-16%	*Retail Foreign Assets*	thous. tonnes	**186.3**	200.4	-7%
44.5	95.8	-54%	*Wholesale Foreign Assets*	thous. tonnes	**242.7**	334.9	-28%
302.6	369.5	-18%	Transit, export and BU[4]	thous. tonnes	**1,323.5**	1,357.1	-2%
769.4	727.8	+6%	**Motor fuels sales volumes**[5]	thous. tonnes	**3,003.4**	2,658.2	+13%
22.9	9.3	+146%	**EBITDA DWS**[6]	bln RSD	**99.2**	31.4	+216%
18.9	4.8	+4x	*EBITDA Refining*[7]	bln RSD	**91.6**	16.0	+5.7x
3.2	4.3	-27%	*EBITDA Sales and Distribution*[8]	bln RSD	**10.8**	16.1	-33%
3.9	2.4	+61%	**CAPEX DWS**[9]	bln RSD	**6.7**	6.4	+5%
1.4	0.8	+64%	*CAPEX Refining*	bln RSD	**2.3**	3.2	-27%
2.4	1.4	+64%	*CAPEX Sales and distribution*	bln RSD	**4.0**	2.9	+35%
1.3	1.1	+14%	**LTIF DWS**[10]	number	**1.3**	1.1	+14%
1.4	2.6	-47%	*LTIF Refining*	number	**1.4**	2.6	-47%
1.0	0.9	+19%	*LTIF Sales and distribution*	number	**1.0**	0.9	+19%

1 *Any deviations in percentages and aggregate values result from rounding.*
2 *Any deviations in percentages and aggregate values result from rounding.*
3 *Includes the sale of CNG of the Energy Block and the sale of oils and lubricants to the Lubricant Production Plant.*
4 *Business unit includes the sale of bitumen, bunkering and aviation fuel channels.*
5 *Total motor fuels sales volumes in Serbia and in foreign assets.*
6 *EBITDA Downstream includes the EBITDA of Block Refining, Block Sales and distribution and the rest of Downstream.*
7 *EBITDA of the Refining Block includes the Energy Plant in Pančevo Refinery.*
8 *EBITDA of the Sales and Distribution Block.*
9 *Financing, excluding VAT.*
10 *Lost Time Injury Frequency – The ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. The data for 12M 2022 according to the previous methodology for the Sales and Distribution Block is 1.07, while for the Refining Block it is 2.08. The indicated indicator is calculated cumulatively from the beginning of the year, and the displayed data represents the current situation as of December 31 and consequently the difference does not exist between 12M and Q4.*

The focus of the Refining Block during 2022 was continuous production and provision of necessary stocks to properly supply the market with all types of petroleum products in accordance with the plans and the demand, taking into account the current situation on the oil market.

In May, these efforts brought about the largest monthly refining volume of oil and refining of semi-products (416 thousand tonnes) since 2009.

In a year full of challenges, NIS achieved the largest annual refining volume of oil and refining of semi-products (4,421 thousand tons) since 2009.

Such a high volume of refining in 2022 had an impact on the financial result, with the 2022 EBITDA of the Refining Block reaching RSD 91.6 billion.

Refining activities and volume

The Refining Block started 2022 with ambitious plans. The economy continued to recover from the consequences caused by the coronavirus pandemic, which positively affected the demand for petroleum products and the volume of processing in the Refinery.

In 2022, the Refining Block faced limited supply of natural gas and large price fluctuations on the market of oil and petroleum products. The Block adjusted its operations to the market conditions in order to continuously supply the market with petroleum products and to provide fuel for the current agricultural season.

In addition, at the beginning of the year, the Pančevo Refinery was able to provide support to the national power company, *Elektroprivreda Srbije*, thus supporting the energy stability of the Republic of Serbia. This was due to the fact that, in addition to the capacity for oil refining, it also has storage space, as well as the well-developed logistics for the reception and dispatch of petroleum products.

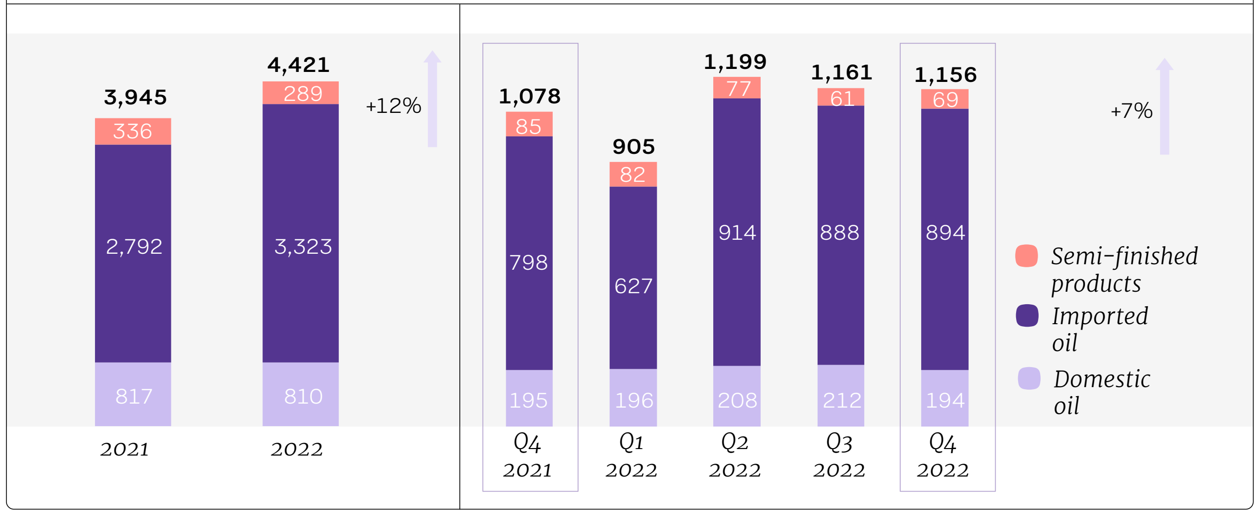
The Refining Block has continuously carried out activities for finding new and maximizing existing measures for increasing efficiency and reducing costs, so that in this year it achieved measures in the amount of RSD 0.6 billion, which exceeds the planned level.

In 2022, the Refining Block, like the rest of NIS, analyzed the results of the inspection carried out as part of the Karkas Safety Shield program in June and December of the previous year. The analysis showed excellent results. Thanks to the findings of the Karkas Safety Shield inspection and the activities within the project, HSE practices in the Pančevo refinery have been improved and upgraded. Each subsequent inspection offers an opportunity to improve the operation of all processes in the Refinery.

At the end of June, the HSE Council was held at the Pančevo Oil Refinery, where the basic results of the work for the previous period and the previous demonstration exercises were presented, after which the possibilities of further improvement of HSE were discussed in the refinery, as well as in the entire company. Additionally, an action plan for the development of the fire protection system and firefighting units of the company was considered and agreed upon. The peak of the HSE Council was a demonstration exercise, which included extinguishing the fire at the S-200 plant, immobilizing and rescuing the injured from height, as well as taking care of the ambulance to the medical institution.

In the fourth quarter of 2022, after a successful completion of the trial operation, the Delayed Coking Unit Bottom of the Barrel obtained a use permit, fulfilling all the requirements for applying for and obtaining an expanded integrated pollution prevention and control (IPPC) permit.

Refining volume*, thousand tonnes



* *Any deviations in percentages and aggregate values result from rounding.*

2022 saw a 12% year-on-year increase in the petroleum products output.

Other projects

The Refining Block is continuously working on the implementation of a number of digital projects, which will enable a more efficient and reliable operation of the refinery. One of the most significant digital projects in the implementation phase is the predictive maintenance of critical equipment. It is about the application of best practices and state-of-the-art technology in the field of equipment maintenance, which implies the implementation of the proactive maintenance concept. During 2022, a pilot project was implemented and a decision was made to continue the implementation phase. The efficiency of technological processes is also being actively improved through the improvement of the system of monitoring operational availability parameters, APC (Advance Process Control - Unit level) availability parameters, as well as remote monitoring of process performance of catalytic reforming plants.

Sales and distribution

Points of Sale[1] and Logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 332 retail sites are located in the Republic of Serbia (with 27 of them under GAZPROM brand). As for the countries of the region, NIS owns 41 petrol stations in Bosnia and Herzegovina (31 under GAZPROM brand), 34 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

In 2022, NIS opened three new petrol stations: Bački Vinogradi 1 (GAZPROM brand), Zemun 1 (NIS brand), Petrovaradin (NIS brand). Another five petrol stations reopened under the NIS brand after reconstruction: Kučevo, Lajkovac, Kostolac, Srbobran, Knjaževac, and CNG instalation at PS Ledena Stena. The company rented the Veternik petrol station for the long term and rebranded (NIS brand).

The Sales and Distribution Block manages the following logistics facilities: 4 storage facilities for light derivatives, 5 LPG filling stations, 4 LPG bottle petrl stations and 7 transport bases in Serbia, 1 storage in Bulgaria and 1 storage and 1 terminal in Bosnia and Herzegovina. The organization for secondary transport operates 115 own tank trucks, primary logistics has 452 tank cars. Another 121 new tank cars were put in operation this year.

In 2022, contracts were concluded for the strategic project Reconstruction of the storage of petroleum products in Niš. The equipment for the first phase of the storage reconstruction was delivered by the end of March 2022.

The reconstruction of the connecting railway track of Pancevo refinery has also been completed.

1 As at 31 December 2022.

Implementation of development projects in Serbia in 2022

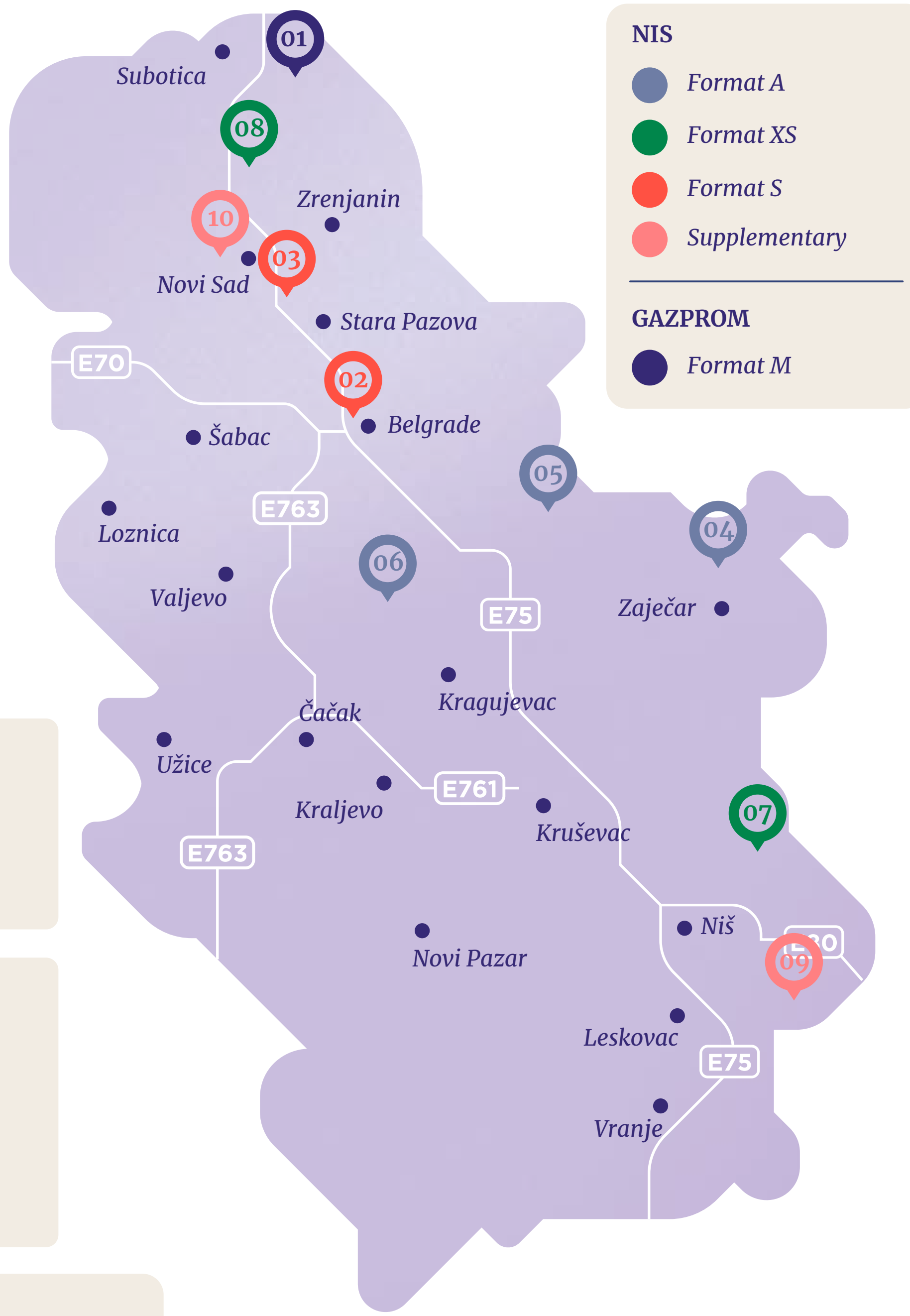
2022 - The development projects implemented

3 *new constrction projects*

5 *reconstruction projects*

1 *project of long-term lease*

1 *instalation of CNG*



New construction

- *01 PS Bački Vinogradi 1*
- *02 PS Zemun 1*
- *03 PS Petrovaradin*

Reconstructions

- *04 PS Kučevo*
- *05 PS Kostolac*
- *06 PS Lajkovac*
- *07 PS Knjaževac*
- *08 PS Srbobran*

Supplementary projects

- *09 CNG instalation at PS Ledena Stena*
- *10 PS Veternik lease*

Loyalty program and marketing activities

In 2022, the company held over 257 marketing campaigns in Serbia to develop consumer brands, promote loyalty programs, increase sales of fuel and non-fuel goods, and to introduce new products to the market.

We would like to single out the most important marketing activities in Serbia that marked 2022:

- The company actively promoted its Drive.Go app in a digital and TV campaign to raise the number of new users. The app is supported at all NIS and GAZPROM petrol station and now offers a new function for entrepreneurs – a register receipt with or without taxpayer's ID sent to the client's main address. In 2022, the app had 32,610 registered users with the total sold of over 8 million liters of fuel.
- As part of On the road with us loyalty program – we are held a large-scale internet and TV promo campaign in November and December. The total number of active users in 2022 was 857,793, including 98,645 new virtual users.
- G-Drive campaign is a national promo campaign for our premium fuel brand. The marketing campaign and online promotion lasted the entire year. There was also a five-week TV campaign.
- UnionPay – all NIS Petrol and GAZPROM petrol stations now support payment with UnionPay International cards.
- Social networks/partners for online content creation/website: in 2022, we released 16 new episodes of the On the road with us series through Serbia, with detailed recommendations as for interesting destinations across Serbia.

Operating indicators

In 2022, sales grew by 8% YoY with the total sales of 4,363 thousand tonnes.

Retail in Serbia and abroad increased by 19%, mostly in Serbia, due to:

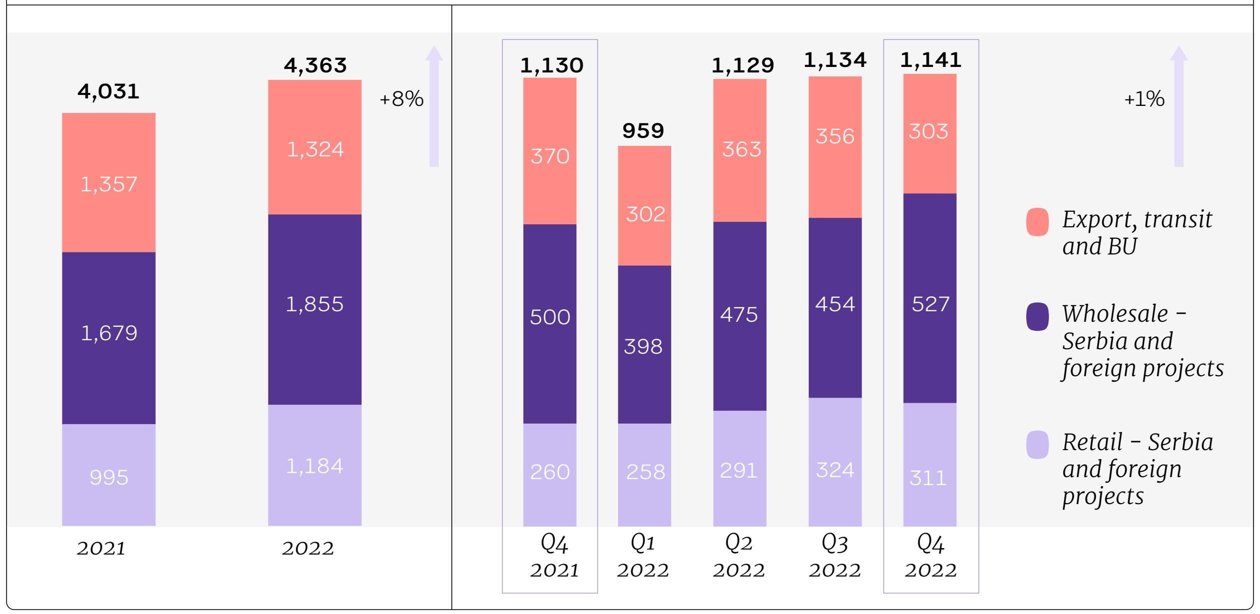
- higher demand driven by a dramatic global growth of petroleum product quotations,
- acquisition of new corporate clients as well as
- increased NIS market share in the period of retail price limitation in Serbia when NIS ensured market stability amid peak demand and was the only company in the market to guarantee a low price for agricultural consumers.

Wholesale in Serbia and abroad[1] – increased due to:

- increase in the world quotations of oil derivatives with a simultaneous decrease in imports due to unprofitability in conditions of limited prices, where NIS guaranteed an unhindered supply of oil derivatives on the Serbian market through an increase in production and control of the entire supply chain, as well as
- the sale of fuel oil in order to maintain the state's energy balance in a period of low energy production from hydroelectric plants.

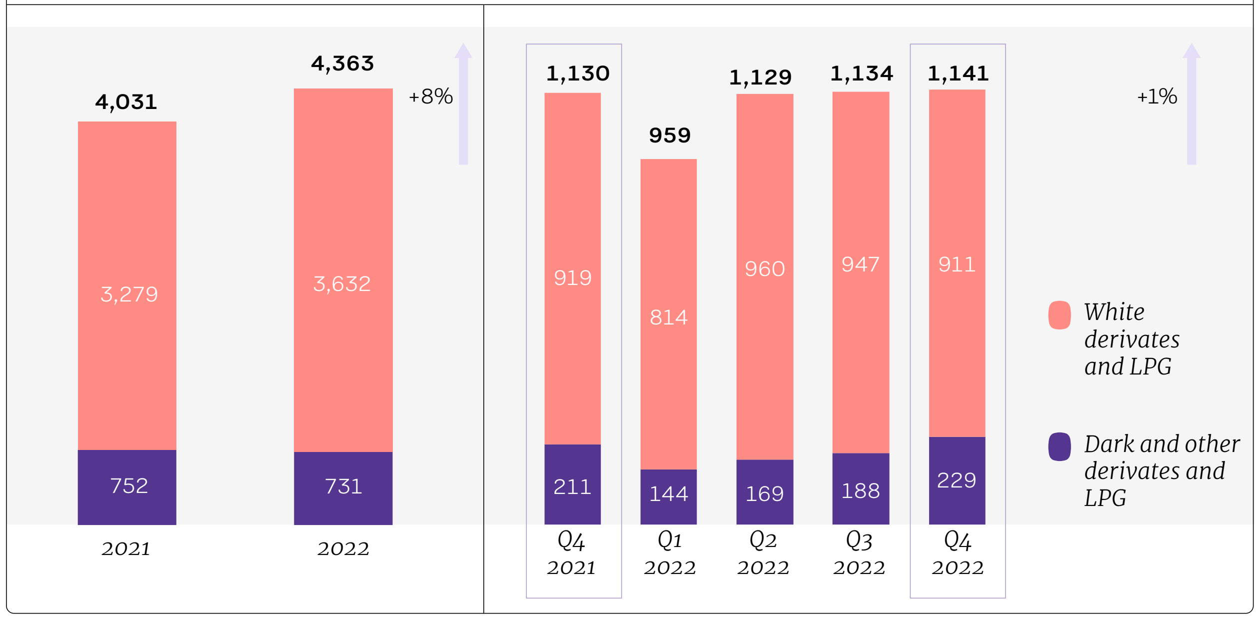
Sales, transit, and sale to business units[2] – increased sales of jet fuel due to Air Serbia and some foreign airlines introducing new international flights and wholesale of fuel to the Ministry of Mining and Energy.

Volume of sales*, thousand tonnes



* Any deviations in percentages and aggregate values result from rounding.
1 Includes sale of LPG by the Energy block and sale of lubricants to the lubricant production units.
2 Business units include the sale of bitumen, bunkering fuel, and jet fuel.

Structure of sales*, thousand tonnes



* Any deviations in percentages and aggregate values result from rounding

Energy

In terms of electricity trade, 2022 was a year of unprecedented price increase. In those conditions, the main challenge was to find reliable and liquid partners.

TE-TO Pančevo Project

The status of the TE-TO Pančevo Project at the end of 2022 is: the production, delivery and installation of the power plant's equipment was completed by the end of 2022; the reliability test of the operation of the power plant was successfully performed for 72 hours. In April 2022 warranty tests were successfully performed, which proved the guaranteed parameters of the power plant. The power plant received approval for trial operation for all individual plants, including the steam-turbine plant, on April 12, 2022. Since that date, the power plant is ready to operate at the installed capacity. On May 17, the use permit for the transmission line was obtained. Testing of the gas-turbine unit within the warranty period was completed on 21 May. During June, an inspection of the connection distribution system (PRP) was carried out. All objections given by EMS ITP have been completed. The total completion level is 100%. Requests for a use permit have been submitted.

After the signing of Annex No. 5 of the EPC Agreement and the Provisional Acceptance Certificate on 24 October 2022, the plant was put into commercial operation.

Natural gas

The organisation and balancing of the natural gas portfolio for NIS j.s.c. Novi Sad is carried out in accordance with the natural gas transportation agreement with the natural gas transmission system operator for the gas year 2022/2023, signed in the third quarter of 2022. Natural gas prices in 2022 are regulated by the Regulation of the Government of the Republic of Serbia on the temporary measure of limiting the price of gas and compensate for differences in the price of natural gas procured from imports and produced in the Republic of Serbia in the event of market disruptions.

CNG transport from the Ostrovo gas remained stable. Negotiations are ongoing on the annual Agreement on the complete supply of energy from natural gas, as well as on the Agreements on the sale of energy from natural gas for the gas year 2022/2023.

Electricity trading

NIS currently holds electricity trading licenses in Serbia, Montenegro, Romania, Bosnia and Hercegovina, Slovenia, Hungary and Bulgaria. NIS j.s.c. Novi Sad trades in the electricity exchange in Serbia (SEEPEX) and in Romania (OPCOM).

Implementation of the Program of Energy Efficiency Measures in NIS j.s.c.

In 2022, the programme of measures to reduce electricity consumption and increase energy efficiency achieved energy savings of 5,201 t.o.e. The financial value of the savings amounts to RSD 380 million.

An internal energy audit team has been established, as well as the regulatory and methodological framework. The barrier success rates for electrical safety in the Blocks and subsidiaries was 89%.

Measures to improve energy efficiency have been developed and a pool of energy efficiency “quick wins” projects has been set up in 2022, and the implemention of measures to improve energy efficiency has commenced.

Activities of implementing four measures to boost energy efficiency are in progress, three of which has been completed.

Renewable energy sources

In January 2022, the construction of solar photovoltaic power plants at 8 petrol stations was contracted. By the end of 2022, the works on all petrol stations were completed and all power plants were commissioned.

The individual power of the power plants is about 33 KWp on 7 PSs and 62 kWp on PS Novi Beograd Dejton in Belgrade, and the total power of solar panels is about 290 KWp. The power plants have the status of a prosumer of electricity. The total annual production of all power plants at 8 PSs amounts to 341,000 kWh.

During the fourth quarter, the construction of solar photovoltaic power plants was approved at 7 more petrol supply stations with a total power of solar panels of about 240 KWp, and the planned investment amounts to EUR 170,000. Individual power plants are 30.4 KWp at 6 petrol stations and 60.7 KWp at one PS. Work on the construction of 5 power plants has been completed by the end of 2022, while two are planned for January 2023. At the same time, permits for connection to the electricity distribution system are being obtained.

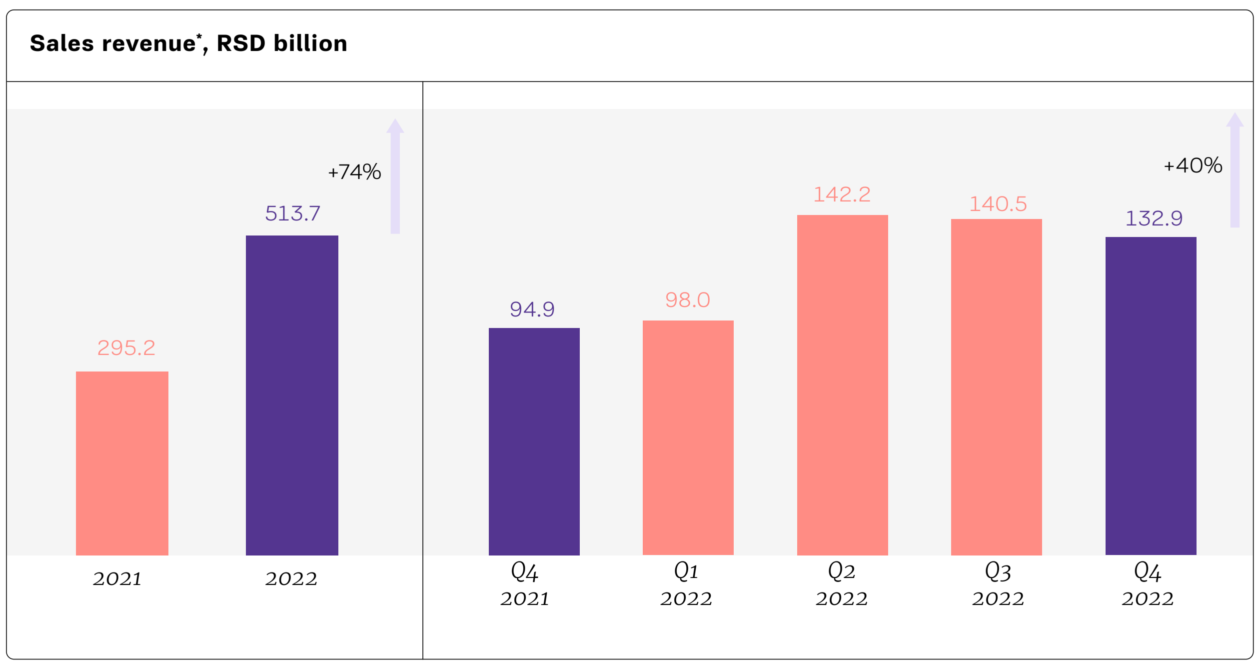
The tender for the selection of a turnkey contractor has been completed for the construction of a solar photovoltaic power plant on the ground in the Oil Products Warehouse Novi Sad with a total panel power of 6.6 MWp and a rooftop power plant on 13 buildings in the Pančevo Oil Refinery with a total panel power of 1.73 MWp.

Project Feasibility Studies were also carried out for the construction of solar power plants on buildings and land owned by the company, and the potential for the construction of solar photovoltaic power plants with a total panel power of 25-30 MWp was identified.

Financial indicators

Sales revenues

In 2022 NIS achieved a 74% growth in sales revenues compared to the previous year, and the total amount of sales revenues is RSD 513.7 billion.



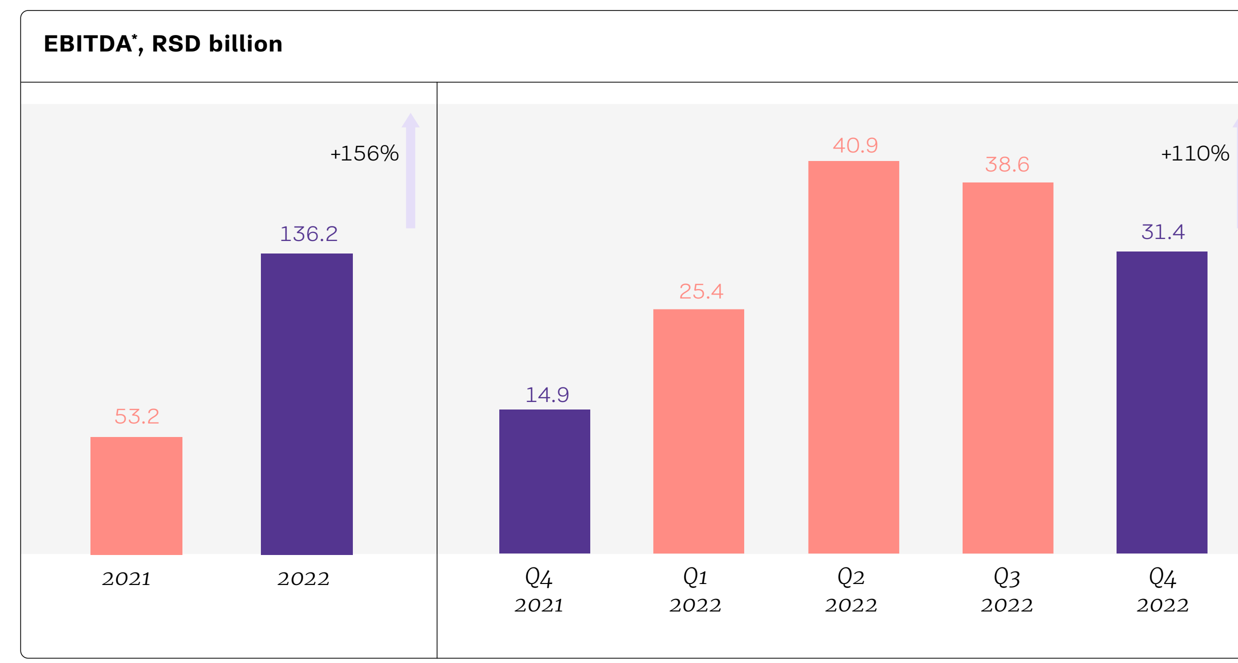
* *Consolidated sales revenue. Any deviations in percentages and aggregate values result from rounding.*

EBITDA

The EBITDA indicator in 2022 is 156% higher than last year and amounted to RSD 136.2 billion.

The growth of the EBITDA indicator was influenced by the following factors:

- The impact of the positive effect of oil price growth and derivatives on the world market, as well as cheaper stocks of previous periods in refining compared to 2021
- Improvement in the scope of the refining assortment and implementation of oil derivatives, which was partially compensated by cost growth
- Better conditions when purchasing crude oil.



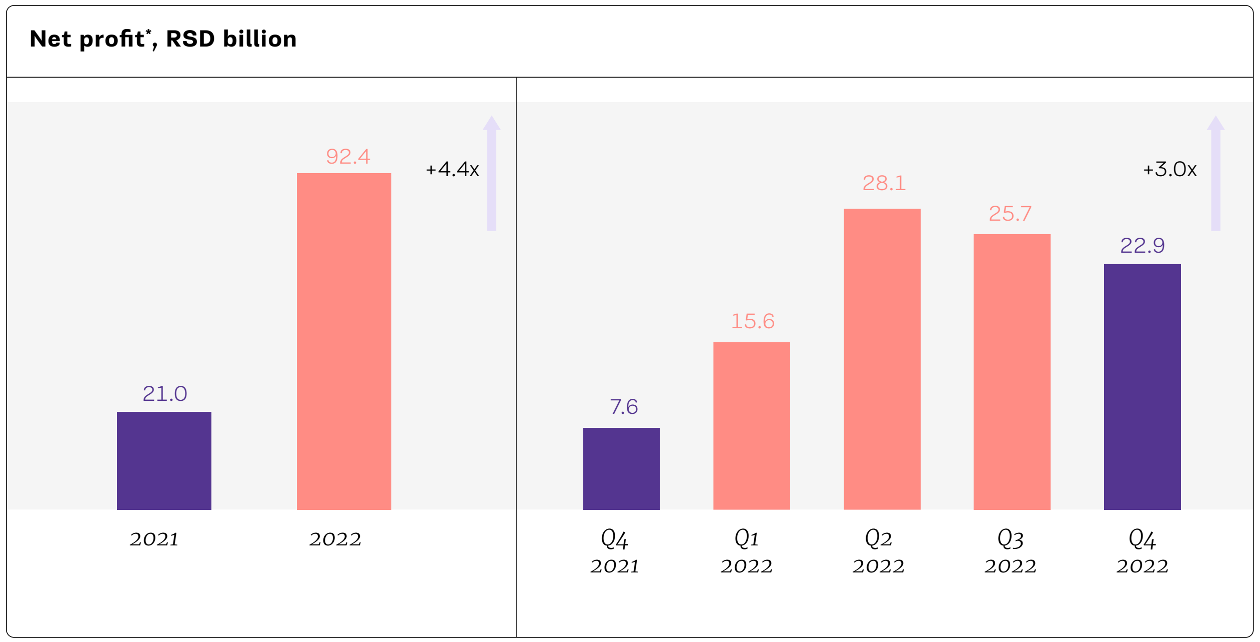
* *Any deviations in percentages and aggregate values result from rounding.*

Net profit

The net profit in 2022 amounts to RSD 92.4 billion, which is 4.4 times higher than in the previous year.

The growth of net profit is conditioned by:

- Growth of EBITDA.



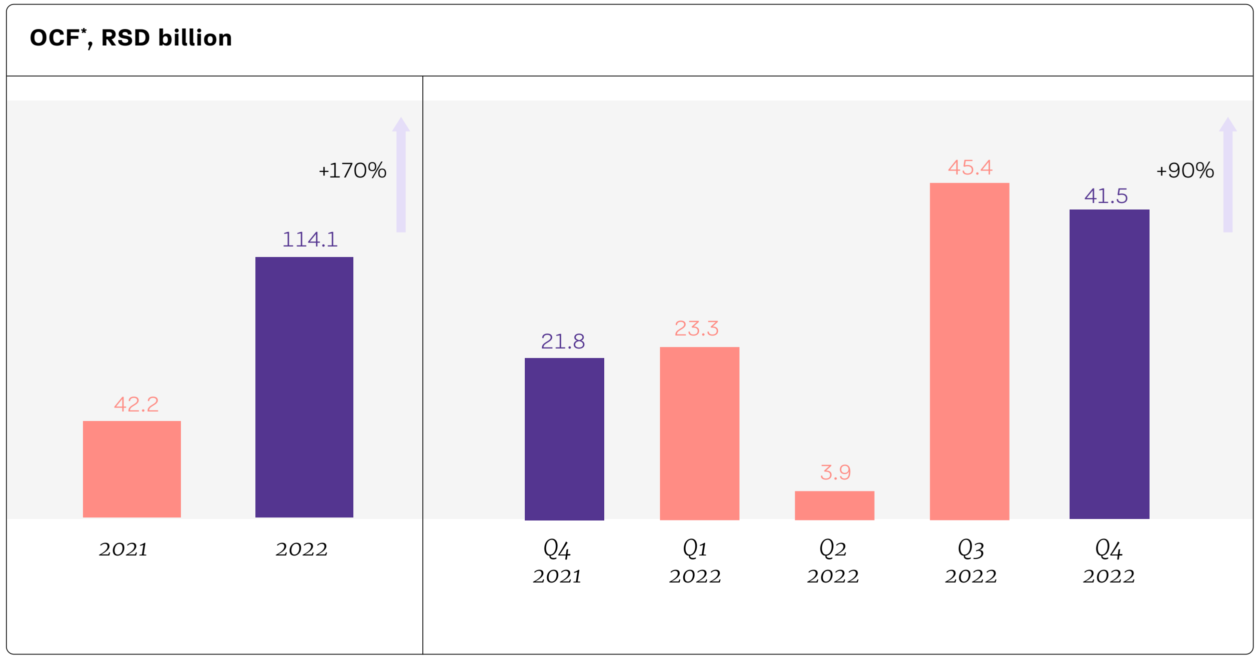
* *Any deviations in percentages and aggregate values result from rounding.*

OCF

In 2022, the operating cash flow amounts to RSD 114.1 billion, and it is higher 170% compared to the last year.

The growth of the OCF indicator was influenced by:

- Higher inflows from customers, but also higher operating costs



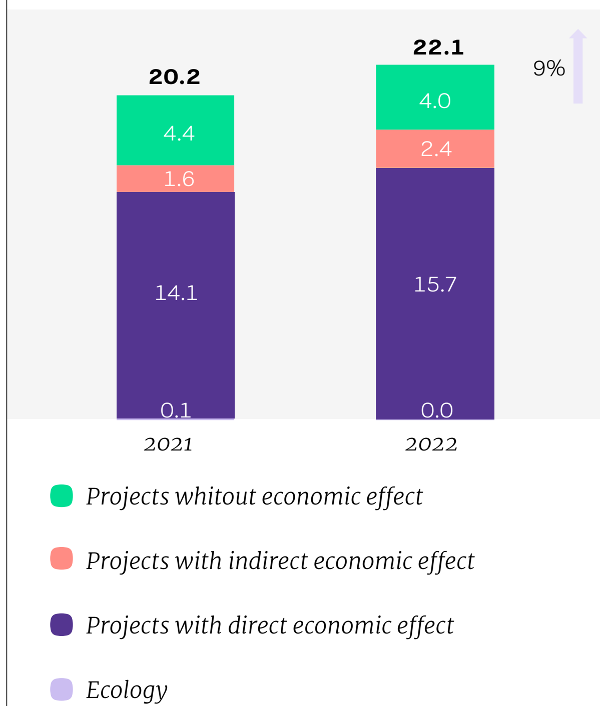
* *Any deviations in percentages and aggregate values result from rounding.*

CAPEX

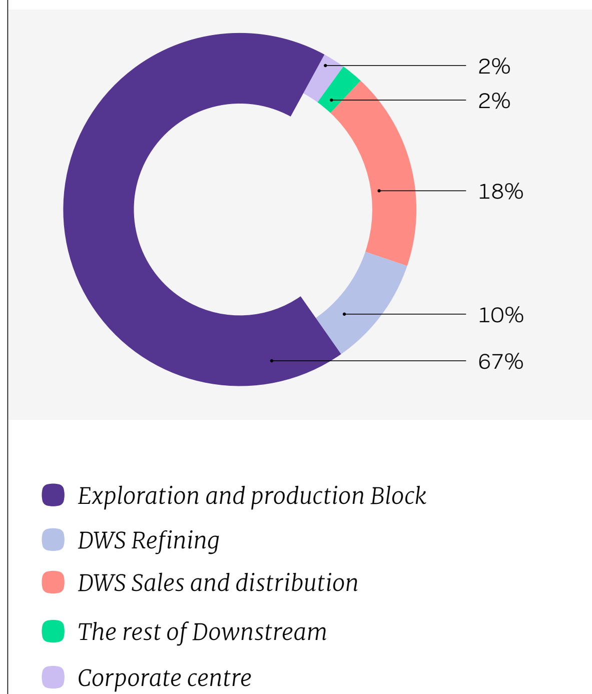
During 2022, the main areas of investment were projects aimed at oil and gas production. A significant part of the investment belongs to investments in drilling and concession projects, followed by oil refining projects, as well as reconstruction, construction and rebranding projects of petrol stations. In addition, NIS invested in projects in the field of energy and services, as well as in a certain number of projects in the corporate center.

In 2022, RSD 22.1 billion was allocated for investment, which is 9% more YoY.

CAPEX by type of project*, RSD billion



Investments by segments



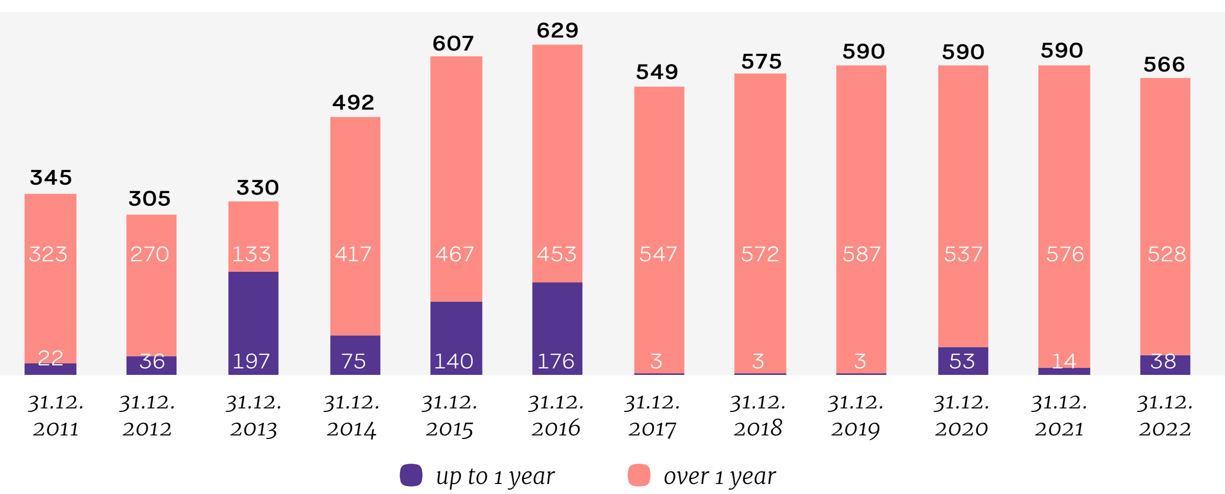
* *All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding.*

Organisation unit	Major projects
Exploration and production	• drilling of development wells • investing in geological and technical activities • concessions
Services	• general well workover, replacement and procurement of equipment for drilling rigs • procurement of vacuum tank trucks
Refining	• projects of modernisation • projects aimed at ensuring compliance with legal norms and regulations • projects to increase production efficiency • capital investments related to environmental protection • energy projects • reconstruction of the FCC unit and construction of new ETBE unit
Sales and distribution	• retail network development in Serbia (petrol station construction, reconstruction and rebranding) • other retail projects in Serbia and the region • warehouse reconstruction
Rest of Downstream projects (Energy and Technical services)	• Plandište wind park • development of automated material balance in Downstream • energy projects and metrological equipment improvement projects
Corporate centre	• projects related to the maintenance of software solutions • projects with information technology component

Indebtdness

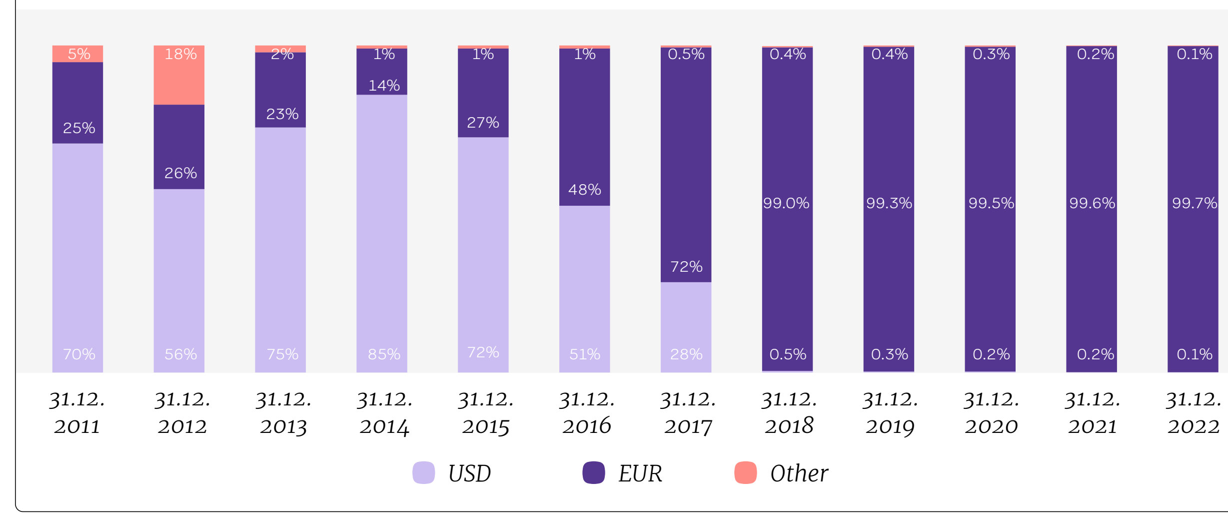
At the end of 2022, the debt to banks was lower than the debt at the end of 2021 and amounts to EUR 565.8 million. Loans in the amount of EUR 49.4 million were withdrawn, and a total of EUR 73.5 million was repaid, out of which EUR 59.3 million was voluntary prepayment.

Total bank debt trends with maturity structure*, EUR million

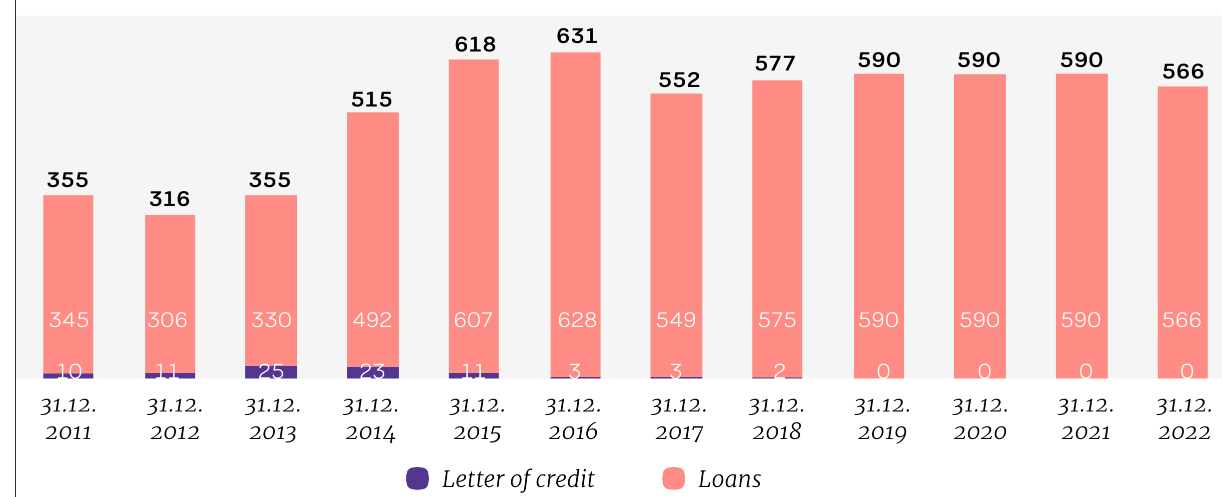


* *Any deviations in percentages and aggregate values result from rounding.*

Total bank debt structure, by currency, in %



Total bank indebtedness*, EUR million



* *In addition to the bank debt and Letters of Credit as at 31 December 2022, NIS j.s.c. Novi Sad holds issued bank guarantees in the amount of EUR 39.2 million, corporate guarantees in the amount of EUR 204.8 million and financial leasing in the amount of EUR 28.6 million.*

Taxes and Other Public Revenue[1]

NIS j.s.c. Novi Sad	2022	2021	%[2]
Social insurance contributions paid by employer	2.12	1.96	+8%
Energy efficiency fee[3]	0.48	0.38	+25%
Corporate tax	17.54	4.07	+331%
Value-added tax	42.15	29.89	+41%
Excise duties	153.43	139.54	+10%
Commodity reserves fee	8.29	6.64	+25%
Customs duties	0.36	1.21	-70%
Royalty	1.75	1.29	+36%
Other taxes	1.44	1.30	+11%
Total	**227.57**	**186.28**	**+22%**
NIS subsidiaries in Serbia[4]			
Social insurance contributions paid by employer	1.53	1.33	+14%
Corporate tax	0.15	0.11	+38%
Value-added tax	2.30	2.54	-9%
Excise duties	0.00	0.00	n/a
Customs duties	0.039	0.043	-10%
Royalty	0.00	0.00	n/a
Other taxes	0.11	0.10	+6%
Total	**4.12**	**4.12**	**0%**
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	**231.7**	**190.4**	**+22%**
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.03	0.05	-49%
Energy efficiency fee	0.08	0.00	n/a
Corporate tax	0.20	0.10	+108%
Value-added tax	0.86	1.17	-27%
Excise duties	11.85	16.33	-27%
Customs duties	6.68	9.68	-31%
Royalty	0.20	0.04	+367%
Other taxes	0.10	0.09	+10%
Total	**19.98**	**27.47**	**-27%**
Deferred taxes (total for Group)	-0.42	-0.03	n/a
Total NIS Group[5]	**251.25**	**217.84**	**+15%**

1 *In RSD billion.*
2 *Any deviations in percentages and aggregate values result from rounding.*
3 *Calculated from 1 July 2019.*
4 *Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS – Naftagas LLC Novi Sad and NIS Petrol a.d. Belgrade.*
5 *Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.*

Accrued liabilities for public revenues for NIS j.s.c. Novi Sad with its subsidiaries deriving from its organisational structure in Serbia amounts RSD 231.7 billion in 2022.

The amount of accrued liabilities for public revenues for NIS Group in 2022 totalled RSD 251.2 billion, which is an increase of 15% on the same period in 2021.

Ratio indicators[1]

Profitability ratios	2022	2021
Gross profit margin (*EBITDA* margin)[2]	+25%	+17%
Net profit margin[3]	+17%	+7%
Return on assets (*ROA*)[4]	+20%	+5%
Return on equity (*ROE*)[5]	+30%	+8%
Liquidity ratios		
Current ratio[6]	+235%	+152%
Quick ratio[7]	+166%	+92%
Net working capital ratio[8]	+22%	+8%
Leverage ratios		
Leverage coefficient[9]	+29%	+33%
Net Debt/EBITDA[10]	-0.11	1.12

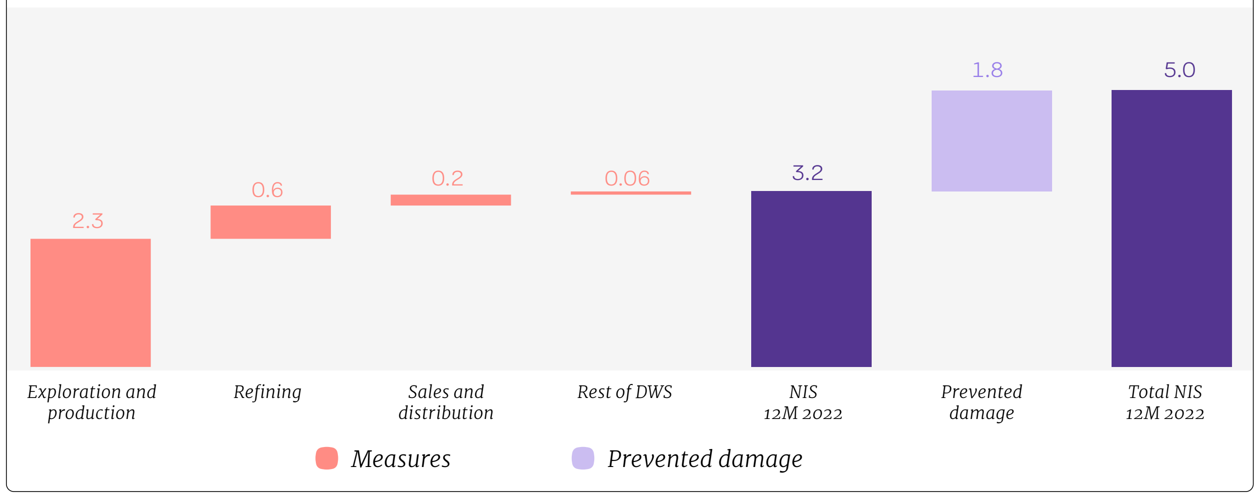
1 *Ratio indicators are calculated using data from Consolidated Financial Statements prepared in the form prescribed by Ministry of Finance of Republic of Serbia which does not comply with IAS 1 – 'Presentation of Financial Statements'.*
2 *EBITDA/Operating Revenues.*
3 *Net profit/Operating Revenues.*
4 *Net profit/Average Total Assets.*
5 *Net profit/Average Equity.*
6 *Current Assets/Short-term Liabilities.*
7 *(Current Assets – Inventories)/ Short-term Liabilities.*
8 *(Current Assets – Short-term Liabilities)/Total Assets.*
9 *(Long-term Liabilities + Short-term Liabilities)/ Total Assets.*
10 *(Long-term Liabilities + Short-term Financial Liabilities – Cash and Cash Equivalents)/EBITDA.*

Operational efficiency improvement

In 2022, the effects of operational efficiency improvement measures also had a positive impact on the achieved financial performance.

The total effect of reaching the target level of potential in 2022 on EBITDA equals RSD 3.2 billion.

Effect of operational efficiency improvement measures on EBITDA, in RSD billion

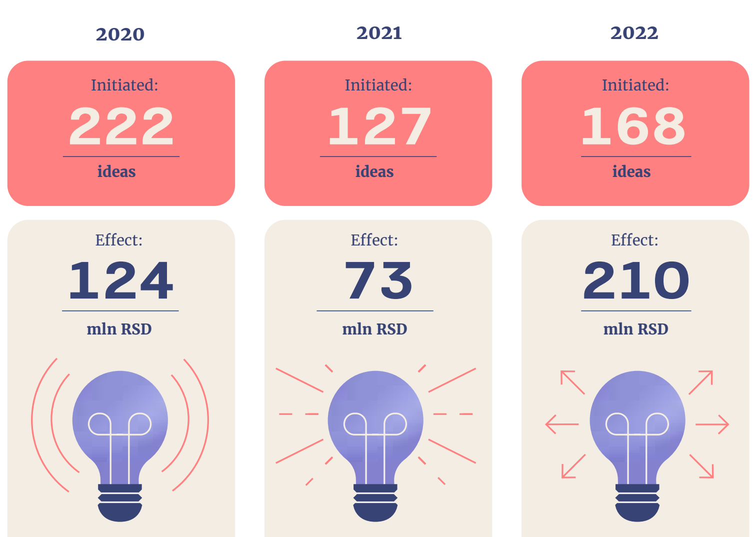


“I have an Idea”program

The motivation program “I have an Idea” allows each employee to suggest ideas that can improve business and thus directly affect efficiency. In the past year, a new system of material and non-material motivation “Success at work” was implemented.

In 2022, 168 ideas were initiated, 48 were approved, and 45 were implemented.

The total effect of realized ideas in 2022 is over RSD 210 million.



1.2.8

OMS Etalon

The OMS program was started in NIS in 2017 to ensure maximum operational efficiency through the reliability and security of business processes and engaging all employees in the process of continuous improvement, continued its development in 2022.

The key activities in 2022 were:

- Creation of etalon facilities, integration of all OMS practices in order to form a universal business model in the production plant;
- Development of equipment reliability and integrity systems and tools, based on risk identification and analysis, and practices to improve the culture of production processes;
- Internal consulting and business support project.

The positive experience of recent years, related to etalon facilities, confirms the great applicability in the systemic integration of all practices in terms of one facility. In 2022, eight more facilities in upstream and downstream (Sales and distribution Block and Refining Block) have been brought to the standard level by using the comprehensive OMS-based approach. In the future, it is planned to apply this approach to all basic and important facilities of the Company, as well as to include NAFTAGAS-Technical Services LLC Zrenjanin.

The development of the equipment reliability and integrity system involves the establishment of a full-fledged system consisting of methodologies, processes, organizational structure and KPIs on the one hand, and the application of tools at all relevant facilities to increase reliability and reduce costs on the other hand. The key tools include the classification of equipment by criticality and RCM (reliability centered maintenance), structural tours of operators and an efficient shift handover process, and HAZID/HAZOP studies for risk identification and analysis.

In 2022 we managed to:

- Improve the trends of reliability KPIs (operating availability of the Pančevo Refinery);
- Implement reliability practices in over 70% of production facilities;
- Evaluate the current level of the selected KPIs, set long-term targets, develop action plans for the Upstream and Refining Block, and regularly monitor the implementation. Set KPIs for the Sales and distribution Block;
- Integrate digital walkarounds, digital shift logs and work permits through the CMM system;
- Develop and harmonize new methodologies for stare parts management and criteria for writing-off of equipment;
- Start implementation of the maintenance management system in the Refining Block and NAFTAGAS-Tehnical Services LLC Zrenjanin;
- Fulfil all recommendations of the external ISO 55000 compliance inspection and prepare all conditions for the upcoming certification;
- Evaluate first results of the asset management approach – about RSD 12 million in the Exploration and production Block.

In terms of our in-house consulting activities, we implemented the following projects:

- Analysed of human error factors in the Pančevo Refinery in terms of the pilot process of work permit issue. Based on the key factors detected we created mitigation plans that would result in significant reduction of potential damage to the refinery;
- Defined QA/QC functions and process in NAFTAGAS-Oilfield Services LLC Novi Sad;
- Started the process of defining the criteria for prioritization of key assets support projects at the Company level.

Standard facilities

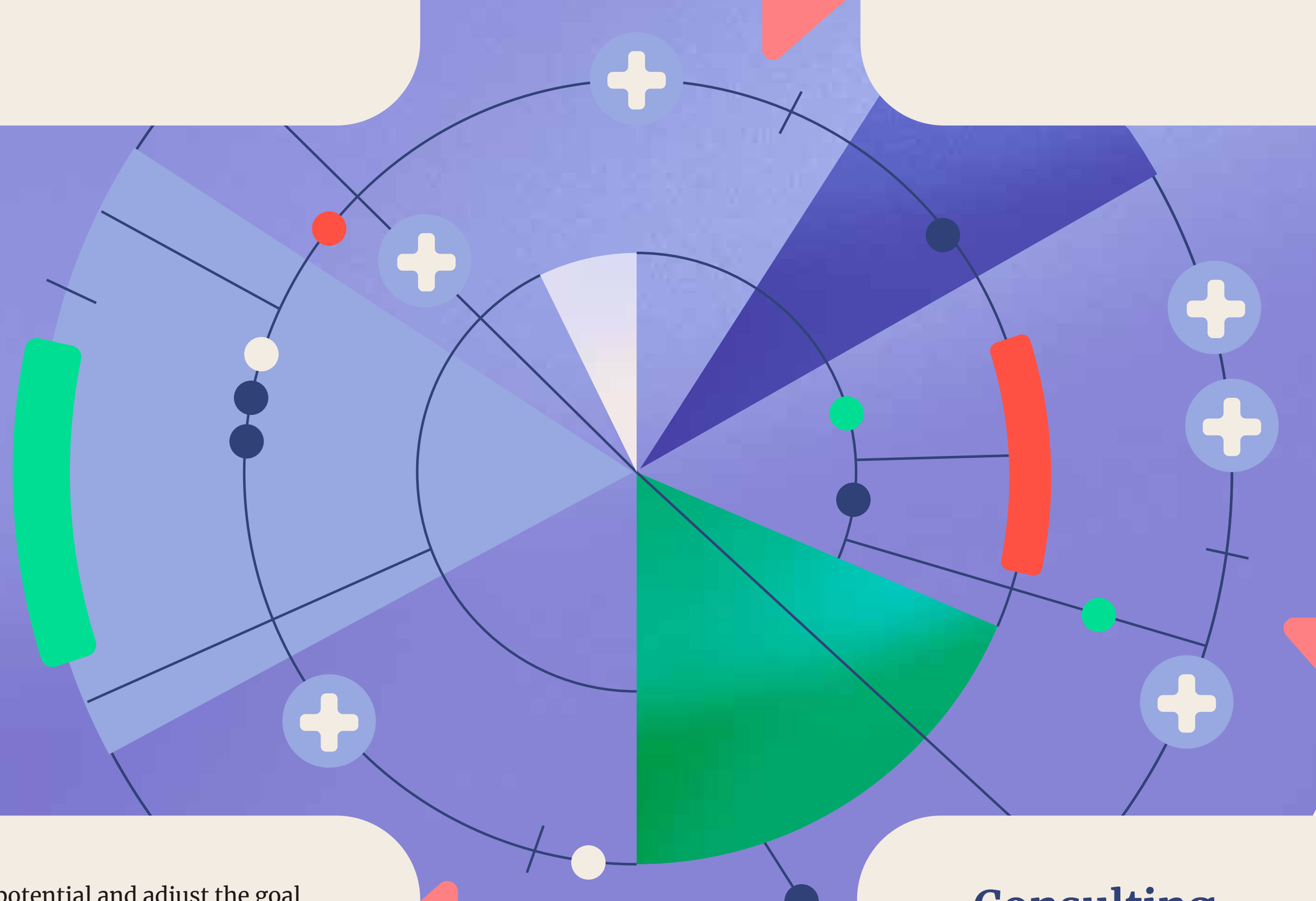
Implement of the key OMS/CI tools at one facility

Create a universal replicable production model

Asset management

Create and develop a reliability management system

Methodology, process, organizational structure, KPI, CMMS



Operating efficiency

Evaluate potential and adjust the goal setting system

Optimize processes and collect ideas

Improve working environment

Consulting

Implement in-house consulting and engage external consultants for key issues of the business according to the management's requirements

Exploration and production

In the course of 2022, Exploration and Production Block, implemented a complex approach to the application of OMS practices and instruments at three of the Block's facilities (Elemir 1 gathering station, Bradarac gathering and metering station and Kikinda Polje 4 gathering station).

The monetary effect from the implementation of operational efficiency measures and potential in 2022 is significantly higher than planned, due to the implementation of additional operational efficiency measures, increased oil and gas yields, and the growth of the prices of energy generating products.

Risk assessments were carried out at five facilities of Exploration and Production Block, and plans for minimizing risks and realizing opportunities were developed and implemented.

Refining

As part of the OMS activities, the Refining Block has completed the plan of implementing best practices and formation of reference plants for atmospheric distillation (S-2100), vacuum distillation (S-2200) and in the Goods and Materials Sector. A special arrangement and equipment of the plant with defined 5S equipment was implemented, special signs were made and placed for visual marking of the equipment and plant in accordance with the plan. A new activity plan was drawn up and adopted for the continuous improvement of plants of the Refining Block in 2023. The plan covers five facilities of the block and the Power Plant.

Sales and distribution

During 2022, the implementation of OMS initiatives within Sales and Distribution Block evolved in several directions:

- Reference i.e. etalon facility of the Power Plant Novi Sad – this facility implemented a complex and comprehensive approach to improving operations, safety and organizational culture and employees' workspace through the application of various OMS instruments and tools in the field of equipment management, risks and continuous improvement. The implemented measures and improvements were presented to the top management of the Company at the OMS Committee meeting, held at the facility in November 2022.
- The implementation program of the most important tools of the Equipment Management system in Sales and Distribution Block continued, including there the implementation of the planned RCM analysis and the definition of the equipment maintenance strategy at the Čačak warehouse, as well as the visualization of critical equipment and the implementation of the RCFA analysis at the same warehouse. In addition, the basic process KPIs were defined, as well as their calculation method and current values, which enabled further monitoring of the progress of the equipment management system in the Block.
- The implementation of the plan of equipment criticality classification in Retail Directorate continued in accordance with the program adopted in 2021.
- As a part of the initiative of the element of operational risks and the fulfilment of the requirements of the Karkas Safety Shield program, a risk study using the HAZOP method was carried out at the warehouse of petroleum products and LPG in Novi Sad.

1.2.9

Securities

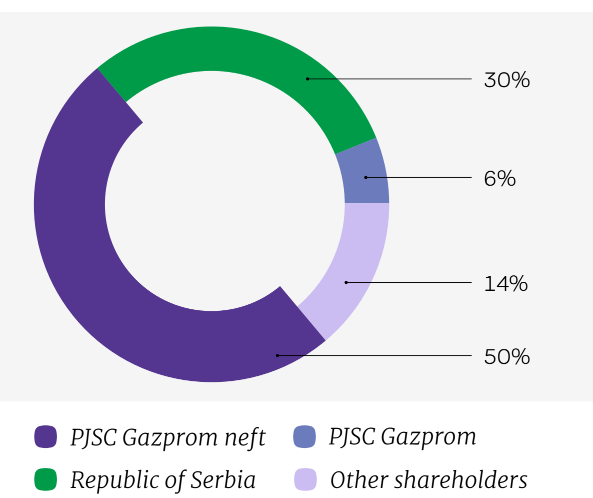
Share Capital Structure

NIS j.s.c. Novi Sad share capital is RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of RSD 500. All issued shares are ordinary shares, vesting their holders with the following rights:

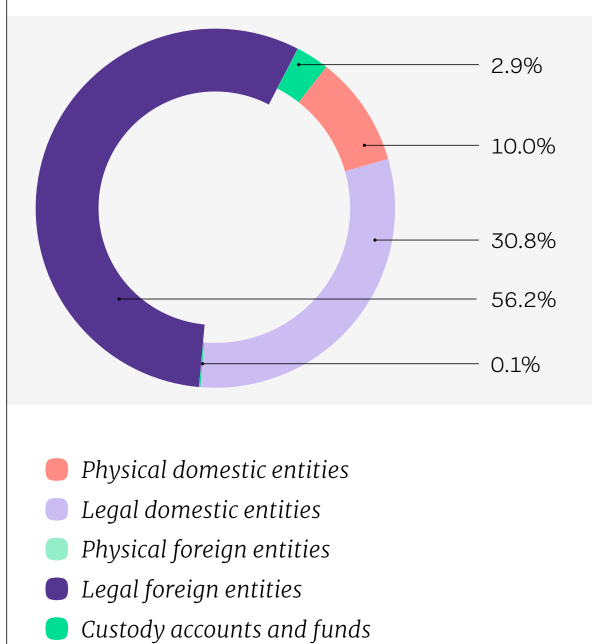
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance with the bankruptcy law;
- preemptive right to buy ordinary shares of a new issue and other financial instruments tradable for ordinary shares, of a new issue and
- other rights in accordance with the Company Law and corporate documents.

All securities issued by the Company are included in trading on the regulated market.

Share capital structure based on % in share capital



Share capital structure based on entity type



The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

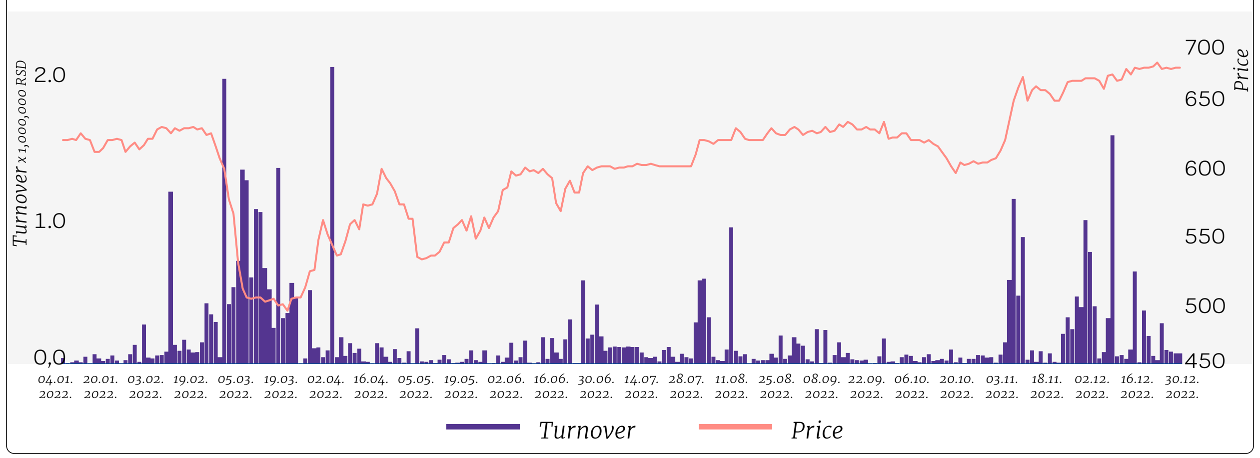
Shareholder	Number of shares	% in share capital
PJSC Gazprom Neft	81,530,200	50.00%
Republic of Serbia	48,712,562	29.87%
PJSC Gazprom	10,035,687	6.15%
OTP banka Srbija a.d.– custody account – fund	2,855,096	1.75%
OTP banka Srbija a.d.– custody account – fund	949,985	0.58%
Dunav osiguranje a.d.o.	394,229	0.24%
Convest a.d. Novi Sad – collective account	217,031	0.13%
DDOR Novi Sad a.d.o.	152,075	0.09%
Raiffeisen banka a.d. – custody account	140,638	0.09%
BDD M&V Investments a.d. Belgrade	131,731	0.08%
Other shareholders	17,941,166	11.00%
Total number of shareholders as at 31 December 2022:		2,053,427

On May 6, 2022, PJSC Gazprom purchased 6.15% of the Company's shares from the shareholder PJSC Gazprom Neft, which reduced its participation to 50%. In relation to the company PJSC Gazprom, NIS j.s.c. Novi Sad is part of the Gazprom Group.

Share trading and indicators per share

NIS j.s.c. Novi Sad shares are listed in the Prime Listing of the Belgrade Stock Exchange.

Price and turnover trends in 2022



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in 2022	
Last price (31 December 2022)	675 RSD
High (22 December 2022)	680 RSD
Low (16 March 2022)	482 RSD
Total turnover, RSD	471,944,693 RSD
Total turnover, number of shares	807,870
Total number of transactions, number of transactions	5,859
Market capitalization as at 31 December 2022, in RSD	110,065,770,000 RSD
EPS	573.14
Consolidated *EPS*	566.51
P/E ratio	1.18
Consolidated *P/E* ratio	1.19
Book value as at 31 December 2022	2,206.64
Consolidated book value as at 31 December 2022	2,141.71
P/BV ratio	0.31
Consolidated P/BV ratio	0.32

In 2022 the Company did not acquire any treasury shares.

Dividends

NIS j.s.c. Novi Sad dividend policy is based on a balanced approach, which takes into account the necessity to retain earnings for the purposes of future investment, the rate of return on invested capital and the amount for dividend payment. The long-term dividend policy stipulates a minimum of 15% of net profit is to be paid to shareholders in dividends.

When deciding on profit distribution and dividend payment, the corporate management takes into consideration a number of factors, including the financial standing, investment plans, loan repayment obligations, the macroeconomic environment and legislation. Each of these factors, either individually or combined, if significant, may affect the proposed dividend payment.

On 29 June 2022, the Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit for 2021, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. This decision determines that the dividends will be paid to the shareholders in cash, in the gross amount of RSD 5,782,121,784, or RSD 35.46 per share. The shareholders registered in the Central Securities Depository and Clearing House as legal owners of NIS j.s.c. Novi Sad shares on the Record date (Dividend Day) i.e. on 19 June 2022 are entitled to dividend payment. Dividends for 2021 was paid to shareholders on 22 August 2022.

	Net profit (loss), RSD bn[1]	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in %[2]
2009	(4.4)	0.0	-	-	0	-	-
2010	16.5[3]	0.0	-	101.1	0	475	-
2011	40.6[4]	0.0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6.0
2015	16.1	4.0	25%	98.8	24.69	600	4.1
2016	16.1	4.0	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159. 86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6
2020	(5.9)	1.0	-	(36.24)	6.14	644	1.0
2021	23.1	5.8	25%	141.85	35.46	620	5.7

1 *Net profit of NIS j.s.c. Novi Sad.*
2 *Calculated as the ratio of gross dividend to share price at the end of the year for which the dividend is paid.*
3 *Net profit used for coverage of accumulated losses.*
4 *Net profit used for coverage of accumulated losses.*

Investor Relations

The basic objective of NIS j.s.c. Novi Sad in relations with its investors is to establish and develop a long-term relationship based on trust through transparent information disclosure and a two-way communication. The Company takes a number of steps to keep this cooperation at a high level.

NIS j.s.c. Novi Sad regularly, at the end of each quarter, organizes presentations of the achieved business results, where representatives of the highest level of management in direct communication with representatives of the investment public analyze the business and achieved results in detail. In 2022, presentations of NIS Group's business results for the first, second and third quarters were held, namely:

- personally, in the premises of the Company,
- via video conference call, as well as
- combined (in the Company's premises and via video conference call).

NIS js.c. Novi Sad is taking part in investor conferences organized by the Erste Group, the Belgrade Stock Exchange (no Belgrade Stock Exchange conference was organized during 2022) and the investment company WOOD&Co. In 2022, we participated in an investor conference organized by the Erste Group. The door of the Company is always open for those who want to get more information at one-on-one meetings.

NIS j.s.c. Novi Sad organizes the Investor’s Day, which is held in the Company’s premises, presenting always the important and significant projects. As part of this year's Investor Day, held on November 4 at the Pancevo Refinery, NIS Group presented to the investment public the results of performance for the nine months of 2022, as well as presentations on the status of the TE-TO Pančevo and HIP Petrohemija projects. Representatives of the investment public had the opportunity, with a visit to PS Novi Beograd Dejton, to learn about the modernization projects of the NIS retail network, as well as digital projects in the field of retail, such as the innovative application Drive.Go for paying for fuel without going to a payment point. Also, projects for the installation of solar panels at NIS petrol stations were presented. A tour of the HIP Petrohemija plant and the TE-TO Pančevo plant in Pančevo was also organized. During the tours, the participants had the opportunity to become more familiar with the basic activities of HIP Petrohemija and the history of this company, and during the tour of TE-TO Pančevo, a tour of the TE-TO Pančevo plant was provided, as well as a tour of the control room.

The special section of the corporate website dedicated to investors and shareholders is also an invaluable source of information for all stakeholders. This section of the corporate website is regularly updated with the latest presentations on performance results, financial statements, audit reports, financial calendar, and other various presentations and material.

Overview of financial instruments used by the Group

Due to its exposure to the foreign exchange risk, the NIS Group practises forward transactions and successive purchases in the foreign exchange market as an instrument for managing this type of risk.

Rating

Rating assigned by	Member of Group	Previous rating		Rating score	
		Rating	Date	Rating	Date
Business Registers Agency – Republic of Serbia	–	BB Very good	22 November 2021	BB- Very good	25 July 2022
Dun&Breadstreet	*Dun&Breadstreet*	5A1 *Strong DOWN*	23 December 2021	O-	10 October 2022

RECORD RESULTS

- Success despite challenges

In complex circumstances, the NIS Group achieved record results in the field of processing and turnover in 2022.

In the Pančevo Refinery,

4.42 million tons of crude oil and semi-products

were processed in 12 months, while the total volume of turnover in 2022 is

4.36 million tons

which are the best results since 2009.

Record production achievements

were accompanied by good financial results, which will

contribute to the further development and modernization of the NIS Group.

1.2.10

Corporate Governance

Statement on Application of Corporate Governance Code

Corporate Governance Report

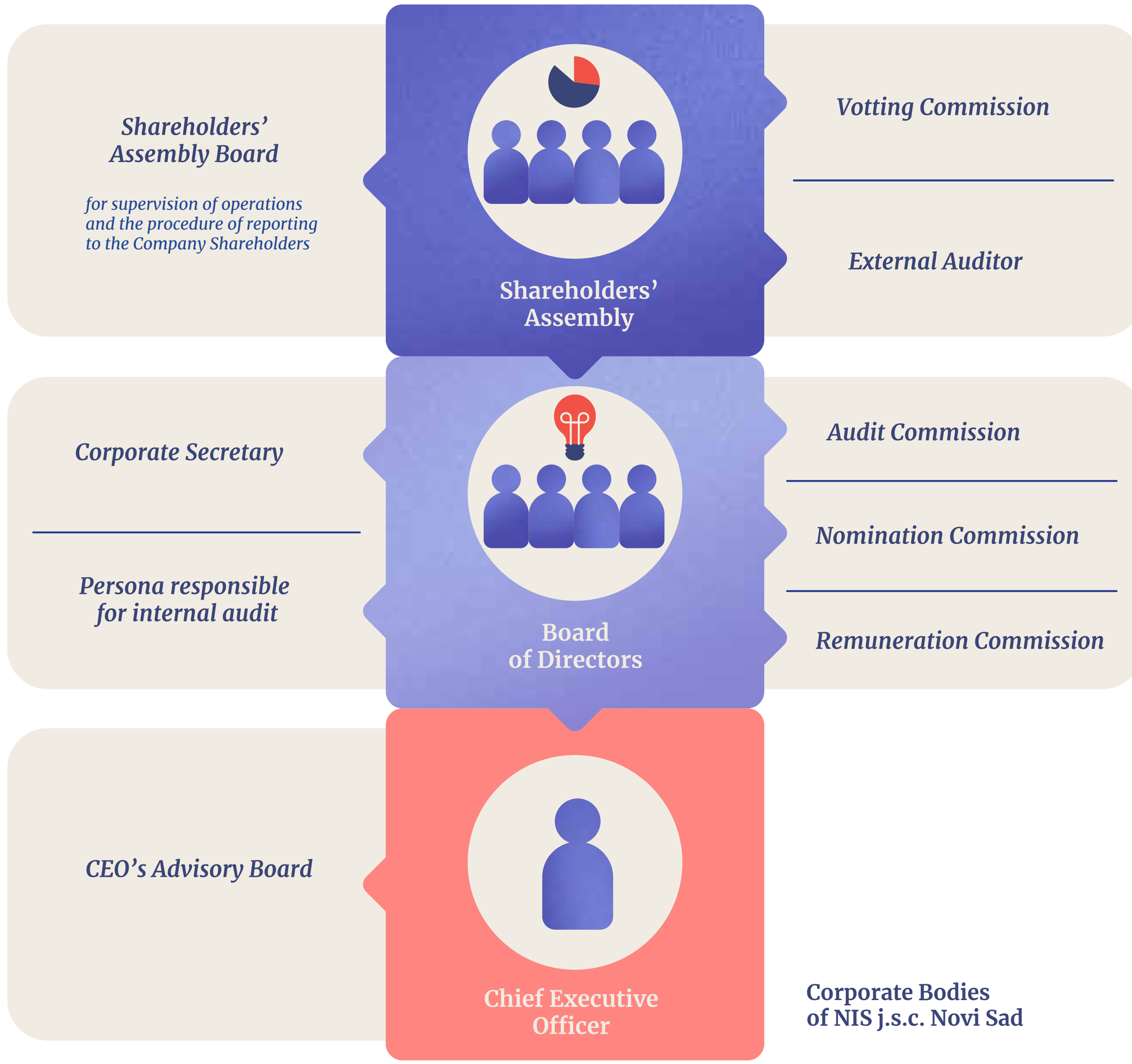
In accordance with Article 368 of the Company Law ("The Law") and Article 35 of the Law on Accounting, NIS j.s.c. Novi Sad hereby states that it applies the Code of Corporate Governance of NIS j.s.c. Novi Sad (hereinafter "The Code") which is available on the Company website (https://ir.nis.rs/en/corporate-governance/code-of-corporate-governance/). This Statement contains a detailed and comprehensive outline, as well as all relevant information of corporate governance practices implemented by the Company.

The Code supplements the rules contemplated by the Law and Articles of Association of NIS j.s.c. Novi Sad ("the Articles"), which are to be complied with by the persons responsible for the corporate governance of the Company. The corporate Board of Directors ensures the application of the principles established under the Code, monitors their implementation and the compliance of the Company's organisation and operations with the Code and the Law.

Corporate Governance System

The Company has established a one-tier governance system, where the Board of Directors has the central role in the corporate governance. The Board of Directors is responsible for the implementation of the objectives and the achievement of results, while the shareholders exercise their rights and control primarily through the Shareholders' Assembly.

The provisions of the Articles of Association fully and clearly differentiate between the scope of work of the Board of Directors and the scope of work of the Shareholders' Assembly, the CEO of the Company and the bodies set up by the corporate governance bodies.



Corporate Bodies of NIS j.s.c. Novi Sad

Shareholders' Assembley and Shareholders' Rights

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders. All NIS j.s.c. Novi Sad shares are ordinary shares that give their owners the same rights, where one share carries one vote. The corporate documents do not impose restrictions regarding the number of shares or votes that a person may have at a Shareholders' Assembly meeting.

The Shareholders' Assembly meetings may be ordinary or extraordinary. Ordinary meetings are convened by the Board of Directors no later than six months after the end of a fiscal year. The Board of Directors convenes extraordinary meetings at its discretion or at the request of shareholders holding at least 5% of the Company shares.

The rules regarding the method of convening meetings, operation and decision-making process of the Shareholders' Assembly, and particularly the issues relating to how shareholders exercise their rights in connection with the Shareholders' Assembly, are laid down in advance and incorporated into the Rules of Procedure of the Shareholders' Assembly, which are made public and available to all shareholders.

Notice about the Board of Directors' decision to call a meeting of the Shareholders' Assembly, with the proposed agenda is published on the first business day following the adoption of the decision; on the Company's website and on the regulated market's website (www.belex.rs). The invitation to a meeting of the Shareholders' Assembly is sent by publication on on the Company's website (www.nis.rs), and it is also published on the website on the company register's website (www.apr.gov.rs), the website of the Central Securities Depository and Clearing House (www.crhov.rs) or on the regulated market's website (www.belex.rs). The invitation is sent no later than 30 days prior to the day of an ordinary meeting, or 21 days prior to an extraordinary session. Simultaneously with the announcement of the invitation to the Shareholders Assembly meeting, the Company's website also publishes the materials for a meeting of the Shareholders' Assembly, which are also available for inspection at the Company's headquarters, to each shareholder who so requests, or to their proxy until the day of the meeting.

In addition to information about the meeting time, venue and agenda, the call for a meeting of the Shareholders' Assembly also includes information on how the shareholders may access the materials for the meeting, explanations on the shareholders' rights, manner and deadlines for the exercise of those rights, as well as information on the Shareholders' Day. Furthermore, proxy forms and absentee ballots (also available from the company headquarters) and electronic ballots are also published along with the call.

All decisions adopted by the Shareholders' Assembly are published on the corporate website together with the Voting Commission's report on the voting results, minutes of the Shareholders' Assembly meeting, the list of the attendees and invitees, and the list of the attending and represented shareholders of the Company.

Calls and materials for Shareholders' Assembly meetings, decisions adopted and other documents published following a Shareholders' Assembly meeting are available in Serbian, Russian and English.

Special Shareholders' Rights

The Agreement for the Sale and Purchase of Shares of NIS j.s.c. Novi Sad, entered into on December 24, 2008 between PJSC Gazprom Neft and the Republic of Serbia, stipulates that, as long as the contracting parties are shareholders of NIS j.s.c. Novi Sad, neither party shall sell, transfer or otherwise dispose of ownership of the share package, in part or in its entirety, for the benefit of any third party, unless it previously offers to the other party the option of purchasing the share package under the same terms as offered by the third party.

Pursuant to Articles 4.4.1 and 4.4.2 of the same Agreement, as long as the Republic of Serbia is a shareholder of the Company with at least 10% share in the share capital, it will be entitled to the number of members of the Board of Directors, which shall be proportional to its share in the base equity. The chairperson and one Board member of the Shareholders Assembly are appointed upon the proposal of the Republic of Serbia, while the remaining member of the Board of the Shareholders Assembly is appointed on the proposal of PJSC Gazprom Neft.

Decisions made by the Shareholders Assembly on the basis of the Agreement in question and the Articles of Association, with the obligatory positive vote of the Republic of Serbia are listed in the section Majority for decision-making and amendments to the Articles of Association.

Right to paricipate in the operation of the Shareholder Asembley

The right to participate in and vote at the Shareholders' Assembly meeting is held by all shareholders who own NIS j.s.c. Novi Sad shares on the Shareholders' Day (the tenth day prior to a Shareholders' Assembly meeting), according to the central registry of shareholders maintained by the Central Securities Depository and Clearing House.

The right to participate in the operation of the Shareholders' Assembly includes the rights of shareholders to vote and participate in the discussion about the items on the agenda of the Shareholders' Assembly meeting, including the right to put forward motions, ask agenda-related questions and receive answers in accordance with the Law, Articles of Association and Rules of Procedure of the Shareholders' Assembly, which specifically establish the procedures for exercising such rights.

In accordance with the Articles of Association, the right to personally participate in the Shareholders' Assembly meeting is granted to a company shareholder with at least 0.1% shares of the total number of company shares, or to a proxy representing at least 0.1% of the total number of Company shares. Company shareholders who individually hold less than 0.1% of the total number of company shares may participate in the Shareholders' Assembly meeting through a joint proxy, vote in absentia or vote electronically, regardless of the number of shares held, whereby all of the above voting methods have the same effect. The stipulation of a threshold for personal participation is due to the fact that the Company has a very large number of shareholders (about 2.05 million) and a threshold in these circumstances is necessary in order not to compromise the efficiency and rationality in terms of planning and holding Shareholders' Assembly meetings.

The Company makes it possible for all shareholders to grant an online proxy and vote online prior to the meeting, wherein the proxy, i.e. the ballot must be signed by a qualified electronic signature in accordance with the law governing electronic signatures.

A shareholder of the Company who has the right to participate in the work of the session of the General Meeting shall have the right to vote on any matter voted on at the session of the General Meeting by filling in and sending the voting form through direct submission, courier service, by registered mail or electronically, which form must be received by NIS j.s.c. Novi Sad no later than 3 (three) working days before the date of the General Meeting.

Proposing Amendments to the Agenda

Pursuant to the Law, one or more shareholders of the Company, who own at least 5% of shares with voting rights, may send a proposal to the Board of Directors containing additional items for the agenda of the meeting of the Shareholders' Assembly which they propose to discuss or which are proposed to be discussed by the Shareholders' Assembly make decisions, as well as proposals for different decisions according to the existing items of the agenda, on the condition that they justify their proposal and submit the text of the proposed decisions (if it is proposed to adopt a decision of the Assembly of Shareholders).

Right to raise questions, receive answers and put forward motions

A company shareholder who has the right to participate in the work of the Shareholders' Assembly may ask questions relating to items on the agenda of the Shareholders Assembly meeting, as well as other issues related to the Company, to the extent that the answers to these questions are necessary for the adequate assessment of the issue regarding the items on the agenda of a Shareholders' Assembly meeting. Members of the Board of Directors provide the answers to the questions.

Voting majority and amendment to the articles of association

Decisions of the Shareholders' Assembly are adopted, as a rule, by a simple majority of the votes of the present company shareholders who have the right to vote on the subject matter, unless the Law, the Articles of Association or other regulations for certain issues have not determined a higher number of votes.

Notwithstanding the above, as long as the Republic of Serbia has at least a 10% share in the Company's share capital, it is necessary that the Republic of Serbia confirms the decisions of the Shareholders' Assembly on the following issues: adoption of financial statements and auditor's reports, changes to the Articles of Association, increases and decreases in share capital, status changes, acquiring and disposing of company assets of significant value, changes of the Company's core business activity and registered office, as well as termination of the Company.

The Decision on Amendments to the Articles of Association shall be adopted at the Shareholders' Assembly by a simple majority vote of all voting shareholders, where the affirmative vote of the Republic of Serbia is required. In accordance with the Law, the Memorandum of Association of the Company shall not be amended.

Shareholders' Assembly Activities in 2022

In 2022, XIV General Annual Shareholder Assembly (29 June 2022) was held in Belgrade, at the NIS Corporate Headquarters, at Milentija Popovica 1 Street, and there were no extraordinary meetings.

At the XIV regular session, the Shareholders' Assembly adopted the Company's financial and consolidated financial statements for 2021 with the opinion of the auditors and elected the auditor FinExpertiza LLC Belgrade to perform the audit for 2022. The Annual Report of the Company for 2021 with the report on the audit of the Annual Report, the Report on the Analysis of the Work of the Board of Directors and the Committees of the Board of Directors, the Annual Report of the Board of Directors on Accounting Practices, Financial Reporting Practices, and Compliance of Operations with the Law on Other Regulations, as well as the Report of the Board of Shareholders' Assembly were also adopted. In addition, the Shareholders' Assembly adopted the Report on Suitability of the Composition of the Board of Directors and the Number of Members of the Board of Directors to the needs of the Company, as well as the Report on the Assessment of the Amount and Structure of Remunerations for Members of the Board of Directors of NIS j.s.c. Novi Sad, which were prepared with the help of external experts. The Shareholders' Meeting adopted a list of key indicators that significantly contribute to the strategic development of the Company for the cycle of the Programme for Long-Term Stimulation of Non-Executive Directors and Members of the members of the Management Bodies of NIS j.s.c. Novi Sad for the period 2021-2023. At the meeting in question, the Shareholders' Assembly also adopted the proposed amendments to the Articles of Association.

In addition to the above, the Shareholders' Assembly also adopted the Decision on the Distribution of Profits for 2021, Payment of Dividends, and Determination of the Total Retained Earnings of the Company, which determines that 25% of the profit generated in 2021 is allocated for the payment of the dividend, i.e. it was decided that a total of RSD 5.78 billion would be paid to the Company's shareholders.

The Shareholders' Assembly also appointed members of the Board of Directors as well as the Chairman and members of the Shareholders' Assembly Board for supervision of shareholders' operations and the reporting procedure for the current term of office.

Shareholder relations and information provision

In addition to the reports that NIS, as a public joint-stock company, publishes in accordance with legal regulations and which are publicly available to all interested parties, including reports on business results that are presented to shareholders at the meeting of the Shareholders' Assembly, the Company also has a developed two-way communication with shareholders and investors, which have the additional opportunity to receive all the necessary information about the Company's operations and their rights during the year through the Offices for Minority Shareholders Affairs in Novi Sad and Belgrade, a special call center, and an email service (servis.akcionara@nis.rs) through which every shareholder may ask questions and receive answers electronically, as well as through Investor Relations Services.

More information on Investor Relations on page 112

Also, the Company takes part in meetings with representatives of the investment community. Representatives of the Company's top management regularly attend quarterly presentations of business results, and these presentations include both the results from the past period, as well as the Company's future plans and strategies.

NIS j.s.c. Novi Sad applies the highest standards in the area of information sharing, and ensures equal treatment of all information users. The Company ensures that published information is available to all interested parties in an equal and easily accessible way as soon as possible, and mostly uses its website for this purpose. A special segment of the website intended for shareholders and investors contains the most important news, decisions of the authorities, answers to the most common questions of shareholders in the previous period, as well as all necessary information on shares, shareholder rights and dividends. All information and documents on the website are available in Serbian, Russian and English. The statutory reporting procedure is defined by special company documents governing the method and process of publishing information and submitting information to the relevant authorities.

The Company has an established mechanism for preventing and resolving potential conflicts between minority shareholders. There is a three-member commission tasked with resolving complaints of minority shareholders. The commission's responsibilities, manner in which it can be contacted and the way of its operation are regulated by a special internal document of the Company.

Information for minority shareholders regarding the proceedings before this Commission is available on the Company's website.

The Board of Directors has a central role in corporate governance. It is collectively responsible for the long-term success of the Company, setting the main business objectives, identifying the Company's directions of future development, as well as for establishing and monitoring the effectiveness of the corporate business strategy.

Board of directors

The Board of Directors has a central role in corporate governance. It is collectively responsible for the long-term success of the Company, setting the main business objectives, identifying the Company's directions of future development, as well as for establishing and monitoring the effectiveness of the corporate business strategy.

The most important issues within the competence of the Board of Directors include: determining the business strategy and business objectives of the Company, managing the Company's affairs and determining the internal organisation of the Company, performing internal supervision of the Company's operations, establishing the Company's accounting and risk management policies, determining periodic financial statements and reports on the Company's operations (quarterly and semi-annually), determining the business plan of the Company and its amendments, executing decisions made at the Shareholders' Assembly, appointing and dismissing the Chief Executive Officer and Chairperson of the Board of Directors, and making decisions on the establishment or liquidation of Company where the Company has a share in capital (decisions regarding the increase of capital, purchase and sale of shares or stakes in these Companies).

Board of Directors shall also issue the price of convertible bonds and warrants, if the Shareholders' Assembly has, with the power granted it by the Board of Directors, determined the range of the issue price within that range and the market value of those shares in accordance with the Law. The Board of Directors may also make a decision on the share buyback if this is necessary to prevent major and immediate damage to the Company, in which case it is obliged to inform the shareholders at the first next session of the Shareholders' Assembly about the reasons and manner of acquiring its own shares, their number and total nominal value of shares, their share in the share capital of the Company, as well as the total amount paid by the Company for them.

Appointment and members of the Board of directors

The members of the Board of Directors shall be appointed and dismissed at a Shareholder Assembly by a simple majority vote of the present voting shareholders. At the XIV General Annual Shareholder Assembly held on June 29, 2022, 11 members of the Board of Directors of NIS were appointed. The members elect the Chairperson of the Board of Directors, while the responsibilities of the Board of Directors' Chairperson and the CEO are clearly divided. The members of the Board of Directors have the right combination of the required knowledge, skills and experience relevant for the type and scope of activities performed by NIS j.s.c. Novi Sad.

Candidates for members of the Board of Directors could be proposed by the Nomination Commission or company shareholders that individually or jointly possess at least 5% of the Company's shares.

The Board of Directors consists of executive and non-executive directors. The Board of Directors consists of one executive member, while all the other members are non-executive. Two of these non-executive members are also independent members of the Board of Directors who meet special criteria prescribed by the Law.

The Board of Directors has a significant number of foreign members who bring international experience and who have an understanding of challenges faced by the Company. Eight out of eleven members of the Board of Directors are Russian citizens, while three members of the Board of Directors are citizens of the Republic of Serbia.

The members of the Board of Directors must fulfil the criteria prescribed by the Law, as well as special conditions prescribed by the Articles of Association, about which they are required to give a statement at the beginning of their term of office. They are also obliged to inform the Company about all changes regarding their status, especially if these changes affect their ability to meet the requirements for membership of the Board of Directors, create a conflict of interest or breach the non-compete clause.

The term of office of the members of the Board of Directors is terminated at the first subsequent General Annual Shareholder Assembly, except in the case of co-optation, when the term of office of co-opted members of the Board of Directors lasts until the next meeting of the Shareholders' Assembly. Upon the expiration of their term of office, each member of the Board of Directors may be reappointed an unlimited number of times. The Shareholders' Assembly may dismiss a member of the Board of Directors even before the expiry of the term of office for which they are appointed, and a member of the Board of Directors may also resign at any time in writing.

Report of the Appointments Committee – In accordance with the Law, and taking into account the principles set out in Article 5, item 5.1 of the Code, the Appointments Committee shall, at least once a year, prepare a report for the Shareholders' Meeting of the Company on the adequacy of the composition of the Board of Directors and make recommendations regarding this issue. Thus, in 2022, at the XIV regular session, the Appointments Committee submitted to the Shareholders' Assembly the Report on the Suitability of the Composition of the Board of Directors and the Number of Members of the Board of Directors of NIS j.s.c. Novi Sad to the Needs of NIS j.s.c. Novi Sad. Based on the performed analysis, it was determined that the size of the composition of the Board of Directors of the Company corresponds to the practice of large companies in the oil and gas sector of Europe and that the existing composition of the Board of Directors of the Company is knowledgeable in the field of auditing, finance, strategic management, tax system, marketing, trade in oil and petroleum products, as well as sales and distribution, and the composition of the Board of Directors includes both men and women. It has been established that the members of the Board of Directors have international certificates ACCA and MBA and CMA qualifications. The report concludes that the composition of the Board of Directors corresponds to the needs of the Company's corporate governance and the principles set out in Article 5, item 5.1 of the Code. The report in question is publicly available on the Company's website.

More information on the application of the Diversity Policy applied in relation to the governing authorities is available on page 131.

Changes in the composition of the Board of Directors in 2022

In May 2022, Dmitry Shepelsky's membership in the Board of Directors ended due to his resignation, and in the same month, Vsevolod Vorobyov was appointed as a member of the Board of Directors through co-optation. At the XIV regular session of the NIS Shareholders' Assembly, held on June 29, 2022, all members of the Board of Directors whose mandate lasted until the date of the aforementioned session were reappointed. The following persons were appointed as members of the Board of Directors: Vadim Yakovlev, Kirill Tyurdenev, Danica Drašković, Alexey Yankevich, Pavel Oderov, Vsevolod Vorobev, Dejan Radenković, Dragutin Matanović, Aleksandar Chepurin, Anatoly Cherner and Olga Vysotskaia.

Board of directors' members as of 31 December 2022

Vsevolod Vorobev	Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director*
Vadim Yakovlev	Chairman of NIS j.s.c. Novi Sad Board of Directors *Non-executive director*
Dragutin Matanović	Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director* *Chairman of Nomination Commission*
Kirill Tyurdenev	CEO of NIS j.s.c. Novi Sad Member of NIS j.s.c. Novi Sad Board of Directors *Executive director* *Member of Nomination Commission*
Dejan Radenković	Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director* *Member of the Audit Commission*
Danica Drašković	Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director*
Alexander Chepurin	Independent Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director* *Member of Nomination Commission*
Alexey Yankevich	Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director* *Chairman of the Remuneration Commission*
Anatoly Cherner	Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director*
Pavel Oderov	Member of NIS j.s.c. Novi Sad Board of Directors *Non-executive director*
Olga Vysotskaia	Independent Member of NIS j.s.c.Novi Sad Board of Directors *Non-executive director* *Chairman of the Audit Commission* *Member of the Remuneration Commission*

Board of Directors' Activities in 2022

The Board of Directors held 4 sessions with the personal presence of members and 19 written sessions. At all meetings of the Board of Directors, the participation of members was practically maximum.

In addition to the regular activities related to the consideration of the annual report of NIS j.s.c. Novi Sad, the Board of Directors' agenda included also the financial statements and consolidated financial statements of the Company for 2021, the adoption of the Company's periodic (quarterly) reports in 2022, the convening of the regular session of the Shareholders' Assembly, the adoption of the Company's business plan, defining the date, procedure and method of payment of dividends to the Company's shareholders; additionally, decisions were made on the approval of the termination of the participation of NIS j.s.c. Novi Sad in the joint stock company Cultural Sports Center Pinki - Zemun Belgrade through the initiation of the liquidation procedure, as well as decisions on education and termination of the Company's branches and the approval of the conclusion of additional Subordinated Loan Agreements between NIS j.s.c. Novi Sad and NIS PETROL SRL Romania. The Board of Directors also adopted the Diversity Policy of the Company, approved the proposals for dismissal and approval of candidacy to the position of member of the Board of Auditors/Audit Committee of the subsidiaries NTC NIS – Naftagas LLC Novi Sad and NIS PETROL SRL Romania, and the General Manager, President and member of the Board of Auditors of NAFTAGAS – Technical Services LLC Zrenjanin, and appointed members of the commissions of the Board of Directors of the Audit, Fees and Appointments for the current term of office, and made a decision on the co-optation of a member of the Board of Directors of NIS. For the purpose of achieving the Company's planned objectives, reviewing the Company's performance and the quality of corporate governance, the Board of Directors, through quarterly reports, considered business analyses in the reporting period with assessments of NIS j.s.c. Novi Sad operations by the end of 2022. The Board of Directors also analyzed its own work and submitted the relevant Report at the XIV Regular Session of the Shareholders' Assembly. The Board also considered the results of the fulfillment of key business indicators for 2021, as well as the system of evaluating key business indicators for 2022, the indicators of the Company's activities for the objectives of the Program for Long-Term Motivation and the reward coefficient for the 2021-2023 cycle and established the List of Key Indicators that significantly contribute to the strategic development of the Company for the cycle of the Program for Long-Term Stimulation of Non-Executive Directors and Members of the Management Bodies of NIS j.s.c. Novi Sad for the said cycle.

In 2022, the Board of Directors adopted 70 decisions, while the implementation of these decisions is monitored through periodic reports on the implementation of decisions and orders of the Board of Directors.

Board of Directors' Rules of Procedure and Meetings

The Rules of Procedure of NIS' Board of Directors and Commissions of the Board of Directors ("BoD Rules of Procedure") govern the operation and decision-making process of NIS' Board of Directors and Commissions of the Board of Directors, including the procedure for convening and holding meetings.

For each business year, the Board of Directors adopts a work plan which includes all issues to be considered in accordance with the applicable laws and Company business needs, and establishes the deadlines for these issues to be considered in the meetings of the Board of Directors. In addition to planned issues, the Board of Directors also deals with other issues within its scope of work, as required.

In order to ensure that the members of the Board of Directors are adequately informed before making decisions, and to keep them up to date with the activities of the Company, the CEO and the management ensure that the members of the Board of Directors receive accurate, timely and complete information on all issues reviewed at meetings and all other important issues concerning the Company. Meetings of the Board of Directors are prepared with the assistance of the Corporate Secretary and under the supervision of the Chair of the Board of Directors, so that each member may adequately contribute to the work of the Board of Directors.

The Board of Directors adopts decisions by a simple majority of votes of all members of the Board of Directors, except for the decision to co-opt, which is made by a simple majority of votes of attending members, and decisions requiring a different majority under the Law and/or the Articles of Association. Each member of the Board of Directors has one vote.

Board of Directors and Commission Members' Remunerations

Remuneration Policy – In 2016, the Shareholders' Assembly adopted the current Remuneration Policy for the Members of the Board of Directors and of the Board of Directors' Commissions. The Policy specifies that the remuneration should be attractive and competitive, in order to attract and retain the persons that meet the professional and other criteria required by the Company for the members of the Board of Directors and its Commissions. At the same time, the remuneration should not significantly deviate from the compensation paid to the members of the Board of Directors and its Commissions in other companies with the same or similar activities, size and scope of operations.

In line with the remuneration policy, the remuneration for executive directors is specified under employment contracts or fixed-term contracts for each executive director of the Company. In this case, they do not receive any remuneration for their membership in the Board of Directors and its Commissions, except for the compensation of costs and professional liability insurance in relation to the membership and work as part of the Board of Directors and its Commissions.

Remuneration Structure – The remuneration policy stipulates that the remuneration consists of:

- Fixed portion,
- Reimbursement of expenses, and
- Liability insurance for the members of the Board of Directors and its Commissions.

Fixed (permanent) portion of the remuneration to the members consists of a fixed portion of the annual remuneration for the membership in the Board of Directors and the fixed annual remuneration for participation in the Commissions of the Board of Directors. This type of remuneration includes the compensation for the time and effort that the members of the Board of Directors or its Commissions put into their role and the preparation and active participation in the meetings of the Board of Directors or its Commissions. This requires the members to review the documents in advance, be present and take an active part in the meetings.

Reimbursement of expenses – Members of the Board of Directors and its Commissions are entitled to reimbursement for all expenses incurred in connection with their membership on the Board of Directors or its Commissions, in line with internal corporate documents.

Liability insurance of members of the Board of Directors – Members of the Board of Directors are entitled to liability insurance (Directors & Officers Liability Insurance).

Amendment to the Remuneration Policy – In order to maintain the remuneration at an appropriate level, the remuneration policy is subject to periodic reviews and analyses, and should reflect the needs, abilities and interests of the Company and other changes in relevant criteria. As recommended by the Remuneration Commission, the Shareholders' Assembly adopted the current Remuneration Policy for the Members of the Board of Directors and of the Board of Directors' Commissions on 28 June 2016, when the previous version of the policy ceased to apply.

Remuneration Commission Report – The Commission for Remunerations prepares a report on the assessment of the amount and structure of remunerations for the Shareholders' Assembly at least once a year. Thus, in 2022, the Remuneration Commission, in accordance with its competencies, assessed the adequacy of the amount and structure of remunerations of the members of the Board of Directors in relation to the principles, frameworks and criteria defined by the current Remuneration Policy. In accordance with the latter, it defined the appropriate Report, which was adopted at the XIV regular session of the Shareholders' Assembly, held on 29 June 2022. Based on the analysis of the remuneration market for the reference group, this Report concludes that the annual amount of fixed remuneration for non-executive members of the Board of Directors is at the level of total income of non-executive members of the board of directors of those companies, whose structure, income and business corresponds to NIS j.s.c. Novi Sad. In order to further verify the sample, an additional analysis of remunerations for non-executive members of the Board of Directors was performed, based on the market capitalization of energy companies listed on the London Stock Exchange. According to this analysis, it was concluded that the amount of fixed remuneration for non-executive members of the Board of Directors of the Company is at the level of the total income of non-executive members of the Board of Directors of companies that correspond to NIS j.s.c. Novi Sad. The conclusion is that the structure of remuneration for independent members of the Board of Directors corresponds to current market practice, and that the amount and structure of remuneration for members of the Board of Directors corresponds to the principles, frameworks and criteria provided by the current applicable Remuneration Policy for members of the Board of Directors and members of Comissions of the Board of Directors.

Total amount paid to Board of Directors members in 2022, net *RSD*	
BoD Members	258,683,483 RSD

Number and percentage of shares of NIS j.s.c. Novi Sad owned by BoD members

Name and surname	Number of shares	% in total of shares
–	–	–

Long-Term Incentive Program

The long-term incentive program for non-executive directors and members of governing bodies is subject to the Rules on the Long-Term Incentive Program for Non-Executive Directors and Members of Governing Bodies, which lays down the program's underlying principles and parameters.

The program is one of the key elements of the incentive system for non-executive directors and members of the Company of governing bodies, aimed at providing incentives for the non-executive directors and members of governing bodies to ensure the achievement of the Company's long-term objectives.

The purpose of the long-term incentive program is to align the interests of program participants with the long-term interests of the Company and its shareholders, and to provide incentives for program participants which will ensure long-term sustainable development of the Company and the achievement of its strategic objectives. These incentives, in turn, reflect the Company's capabilities and requirements and are linked to the positive performance of the Company during a period that will ensure an increase in shareholder value.

The long-term incentive program consists of consecutive cycles. Program parameters and method of inclusion into the program are defined in advance in the foregoing Rules.

At the XIV regular session held on 29 June 2022, the Shareholders' Assembly adopted the Decision on the adoption of the List of Key Indicators that significantly contribute to the strategic development of the Company for the cycle of the Programme for Long-Term Stimulation of Non-Executive Directors and Members of the Management Bodies of NIS j.s.c. Novi Sad for the period 2021-2023.

Description of the diversity policy applied in relation to the governing authorities

Documents Equality Policy, Corporate Governance Code of NIS j.s.c. Novi Sad and the Report on adequacy of the composition of the Board of Directors and the number of members of the Board of Directors of NIS j.s.c. Novi Sad to the needs of NIS j.s.c Novi Sad adopted by the Shareholders' Assembly of NIS j.s.c. Novi Sad (hereinafter referred to as the Documents) define company's commitment to observation of various aspects of diversity in terms of representation in the Board of Directors.

Usage of gender-specific expressions in the following text shall be understood as neutral, applicable both to female and male gender.

One of the objectives of the abovementioned Documents is to ensure complementarity and diversity within the Board of Directors, taking into account the presence of all aspects of diversity: gender, age, level of education and skills, and other differences among the Management Bodies that can help improve the Company's managerial decisions.

We believe that cherishing diversity improves our Company's operations on multiple levels – it strengthens them by including diverse experiences, enriches them with different cultures, providing a diversity of ideas and viewpoints, whilst ensuring competitiveness in the marketplace. With these Documents, we aim to provide a framework for better implementation of the strategies, as well as opportunities for maximum effectiveness of our performances and sustainable business operations, as we provide equal opportunities for employment and decision-making for all – regardless of their gender, age, level of education or skills, and all other differences. The purpose of the Documents' segments that are tackling diversity is to promote diversity among the members of the Board of Directors. This approach ensures team diversity and ensures the presence and exchange of different experiences, as well as the application of more or less specific skills, but also competencies and personality traits that will inspire learning and mutual development. This aspect reflects a key difference in the operation of every company, as a basis for further growth.

Defined conditions for the selection of suitable candidates for membership in the Board of Directors represent the basis for composition of the Board thus making sure that this corporate body as a whole acts in compliance with defined rules, possesses an appropriate set of competencies and skills, qualifications and experience required for the long-term and sustainable business of the company.

Diversity aspects are numerous, the key ones are defined in relation to numerous factors – economic environment, strategic direction of the company, talent development strategy, new trends in the industry and many others. However, we would like to single out several aspects that are essential for our business and are deeply woven into our corporate culture – gender and age diversity, professional diversity, diversity of competencies.

Gender diversity

Under-representation of women in management positions is still a norm in the energy sector. Gender balance in management and supervisory bodies is an important aspect of a company's diversity.

Our Company seeks to ensure both genders are equally represented.

In the current composition of the Board of Directors of NIS j.s.c. Novi Sad, 18% of members are women (2 out of 11).

Age diversity

Aware of the importance of age diversity among the members of the Company's management bodies, NIS j.s.c. Novi Sad expresses a particular readiness and commitment to diversification by bringing together different generations, whereas each generation is leaving their particular mark and contributing with their specific strengths. This combination of experience and knowledge, ideas and initiatives, traditional and modern approaches aims to achieve a synergistic effect that will vouch for best results in the Company's operations.

Professional diversity

Special attention is given to the professional qualifications of the members of the Company's management bodies. The Board of Directors comprises of professionals in their respective fields, whose individual experiences, competencies, motivations, ambitions, visions and personal contribution ensures that the Company, with its numerous employees, keeps the same common goal towards which it is striving for many years now.

Diversity of competencies

Considering the importance of diversity of competencies, special attention is given to the competencies of the members of the Board of Directors such as: having appropriate business and life experiences relevant for the management of the Company; possess knowledge, capabilities and experience for successful performance of tasks within the scope of the Company; knowledge of the Company's operational environment, technology, market and industry in which it operates; financial competencies; competencies in the field of the oil industry or some other specific competencies, all in order

to achieve an appropriate balance of diversity in skills, experience and expertise of the Board of Directors.

The official Diversity Code was adopted on January 28, 2022. This document establishes rules regarding the representation within the Board of Directors (gender diversity; age diversity; professional diversity; diversity of competences), aiming to establish and promote a balanced representation of all aspects of diversity in the Management Bodies, thus helping us improve the Company's overall managerial decisions.

Induction and Training of the Board of Directors' Members

Upon appointment, members of the Board of Directors are introduced to the Company's operations, and provided with greater insight into the Company' operating procedures, strategies and plans, and the key risks it faces, and their expedited active involvement in the activities of the Board of Directors. This includes, among other things, introducing them to internal company documents, and providing basic information about the Company, corporate governance, persons appointed to managerial positions, information on the corporate performance, business strategy, business plan, objectives and other information they need to able to perform their roles.

The Company also organises special programs for additional training and development and allocates funds for these purposes in cases where members of the Board of Directors express the need for this.

Analysis of the Board of Directors' Activities

The Board of Directors analyzes its performance and the performance of its Commissions annually, in order to identify potential problems and propose measures to improve its performance.

Its performance is analyzed through a survey completed by the members of the Board of Directors which contains two sets of key questions for evaluation of the Board of Directors' performance. The first group comprises criteria for evaluating the work of the Board of Directors with respect to its objectives, duties and responsibilities, while the second group comprises criteria for evaluating the procedures applied in the work of the Board of Directors.

The results of the valuation, which are derived from the responses of members of the Board of Directors provided in the survey, are presented to the Shareholders' Assembly in a special report.

At the XIV regular session held on 29 June 2022, the Shareholders' Assembly adopted the Report on the Analysis of the Work of the Board of Directors and Committees of the Board of Directors of NIS j.s.c. Novi Sad for the period April 16, 2021 - April 15, 2022. The subject report is publicly available on the Company's website.

Strategic meetings

Members of the Board of Directors consider strategic goals during development of the Company's business plan for the next years, and periodically also take part at the strategic meetings which provide a better insight into the Company's business and thereby enabling them to review and reconsider priority development directions and KPI forecasts and assumptions for Company's development on a long-term basis.

Board of Directors’ Commissions

With a view to ensuring efficiency, the Board of Directors established three standing Commissions as its advisory and expert bodies which provide assistance to its activities, particularly with regard to: issues in its domain, preparation and supervision of the implementation of decisions and documents it adopts, and performance of certain specialised tasks required by the Board of Directors.

The Board of Directors established the following Commissions:

- Audit Commission,
- Remuneration Commission and
- Nomination Commission.

As appropriate, the Board of Directors may establish other standing or ad hoc Commissions to deal with issues relevant for its activities.

Each of the three Commissions consists of 3 members which are appointed and dismissed by the Board of Directors. The Board also appoints one of its members as the Chairperson, who manages the work of the Commission and prepares, convenes and presides over its sessions and performs other tasks necessary for carrying out activities from its domain.

The majority of members in each Commission are non-executive directors, and at least one member must be an independent director of the Company. The Board of Directors can choose members of its Commissions among persons who are not the Company’s directors but have the adequate knowledge and work experience relevant to the Commissions.

The role, competencies and responsibilities of the Commissions are defined by law, and by the Rules of Procedure of the Board of Directors and its Commissions which also regulate the composition, conditions for selection and number of members, term of office, dismissal, manner of operation, as well as other relevant issues related to the work of the Board of Directors’ Commissions.

At least once a year, these Commissions draft and submit to the Board of Directors reports on issues within their scope of work, but the BoD may request reports on all or some of the issues within their scope at shorter intervals as well.

The Board and its Commissions may seek professional advice from independent experts when necessary for the successful performance of duties.

Audit Commission

In addition to the general conditions for the composition of the Board of Directors’ Commissions, the Chairperson of the Audit Commission must be an independent director of the Company, while at least one member must be a certified auditor or who has the adequate knowledge and work experience in the field of finance and accounting, and who is independent from the Company.

Members of the Audit Commission are:

- Olga Vysotskaia, Chairperson of the Audit Commission,
- Dejan Radenković, Member of the Audit Commission and
- Alexey Urusov, Member of the Audit Commission.

The Chairperson and members of the Audit Commission were appointed by a decision of the Board of Directors dated 15 July 2022, and all three members performed the above functions in the Audit Committee in the previous term of office as well.

During 2022, the Audit Commission held three sessions in the presence of members and eight written sessions. The Commission considered, inter alia, the contents of the Quarterly Report, the Financial Report and the Consolidated Financial Report for Q1, Q2, and Q3 of 2022 and made appropriate recommendations to the Board of Directors. The Audit Commission also considered the Annual Report for 2021 with the report of the independent auditor PricewaterhouseCoopers LLC Belgrade. The Commission considered the proposal for the re-election of the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for 2022, gave an opinion on the qualification and independence of the FinExpertiza LLC Belgrade auditor in relation to the Company, as well as the approval of the contract with the auditor. Likewise, the Auditing Commission adopted the Auditing Procedure Implementation Plan and the determination of the key issues to be audited and established the Annual Internal Auditing Plan for NIS j.s.c. Novi Sad for 2022. It also reviewed the audit findings and significant audit issues for 2021 and monitored the status of implementation of the auditor's recommendations given in the NIS j.s.c. Novi Sad Management Letter Points for 2021 and as is on 31 August 2022. The Audit Commission considered the Internal Audit and Risk Management Report with the results of internal audit of the operations of NIS j.s.c. Novi Sad for 2021 and 6 and 9 months in 2021, as well as 3 months in 2022, and the Report on the Management of Key Risks of NIS j.s.c. Novi Sad for 9 months in 2021 (with a forecast by the end of 2021), then for 3 and 6 months in 2022 (with a forecast by the end of 2022), as well as the Report on the Implementation of Key Risks of NIS j.s.c. Novi Sad for 2021. The Commission also approved the Internal Audit Charter of NIS j.s.c. Novi Sad, version 5.0 and the Strategy for the Development of the Internal Audit and Risk Management of NIS j.s.c. Novi Sad 2023-2025.

Remuneration Commission

Members of the Remuneration Commission are:

- Alexey Yankevich (Chairperson of the Remuneration Commission),
- Olga Vysotskaia (Member of the Remuneration Commission) and
- Zoran Grujičić (Member of the Remuneration Commission).

The Chairperson and members of the Remuneration Commission were appointed by a decision of the Board of Directors dated 15 July 2022, and all three members performed the above functions in the Remuneration Commission in the previous term of office as well.

During 2022, the Remuneration Commission held four written sessions. The Commission considered the results of the fulfillment of key indicators for 2021, as well as the system of evaluations and indicators for the purpose of rewarding for 2022, and it also determined the proposal for the amount of the fee of the new auditor of the Financial and Consolidated Financial Statements of NIS j.s.c. Novi Sad for 2022. Additionally, the Commission established the Indicators of the Company's activities for the objectives of the Program for Long-Term Motivation and the Reward Coefficient for the 2021-2023 cycle, as well as the List of Key Indicators that significantly contribute to the strategic development of the Company for the cycle of the Program for Long-Term Stimulation of Non-Executive Directors and Members of the Management Bodies of NIS j.s.c. Novi Sad for the said cycle. The Remuneration Commission also prepared a Report on the Assessment of the Amount and Structure of Remunerations for Members of the Board of Directors of NIS j.s.c. Novi Sad, which was submitted for consideration to the Shareholders' Assembly at the session held on 29 June 2022.

Nomination Commission

Members of the Nomination Commission are:

- Dragutin Matanović (Chairperson of the Nomination Commission),
- Alexander Chepurin (Member of the Nomination Commission) and
- Kirill Tyurdenev (Member of the Nomination Commission).

The Chairperson and members of the Nomination Commission were appointed by a decision of the Board of Directors dated 15 July 2022, and all three members performed functions in the Nomination Commission and in the previous term of office as well.

In 2022, the Nomination Commission held one session in the presence of members and four written sessions. The Commission considered the proposals for dismissal and approval of candidacy to the position of member of the Auditors' Committee/ Audit Commission of the subsidiaries NTC NIS-Naftagas LLC Novi Sad and NIS PETROL SRL Romania, and the General Manager, President and member of the Auditors' Commission of NAFTAGAS - Technical Services LLC Zrenjanin, as well as the proposal of candidatures to the positions of President and members of the Supervisory Board of HIP Petrohemija LLC Pančevo. The Commission also prepared a Report on the Suitability of the Composition of the Board of Directors and the Number of Members of the Board of Directors of NIS j.s.c. Novi Sad to the Needs of NIS j.s.c. Novi Sad, which was submitted for consideration to the Shareholders' Assembly at the session held on 29 June 2022.

Shareholders’ Assembly Board

The Shareholders’ Assembly Board for the Supervision of Operations and Reporting to the Company’s Shareholders (hereinafter: the Shareholders’ Assembly Board) is a body of advisors and experts providing assistance to the Shareholder’s Assembly with respect to its activities and of issues within its domain. Members of the Shareholders’ Assembly Board report to the Shareholders’ Assembly, which appoints them and relieves them of duty.

Pursuant to the powers granted to it by the Articles of Association, the Shareholders’ Assembly Board also presents its assessments of: reporting to the Shareholders’ Assembly on the implementation of accounting practices; financial reporting practices of the Company and its subsidiaries; reporting of the Shareholders’ Assembly concerning the credibility and completeness of reports to the Company’s shareholders on relevant issues; proposed methods for the distribution of profit and other payments to the Company’s shareholders; procedures for the independent audit of the Company’s financial statements; internal control activities in the Company and evaluation of their effectiveness; proposals for the incorporation or liquidation of companies in which the Company holds a share, or of the Company’s subsidiaries; proposals for the acquisition and sale of shares, stakes and/or other interests that the Company holds in other companies; and of the evaluation of the manner in which the Company handles complaints filed by its shareholders.

Members of the Shareholders’ Assembly Board as at 31 December 2022

The Board of the Shareholders’ Assembly has 3 (three) members, one of whom is the Chairmperson of the Board of the Shareholders’ Assembly. The Shareholders’ Assembly appoints simultaneously both the Chairperson and the members of the Board of the Shareholders Assembly by a special decision. The mandate of the Chairperson and members of the Board of Shareholders Assembly ends at the next regular session of the Shareholders’ Assembly, except in the case of co-optation, when the term of the co-opted member of the Board of Shareholders’ Assembly lasts until the first next session of the Shareholders’ Assembly. The Chairman and each member of the Board of Shareholders’ Assembly may be reappointed an unlimited number of times. The Shareholders’ Assembly may dismiss and appoint a new Chairperson and/or member of the Board of the Shareholders’ Assembly at any time.

At the XIV General Annual Shareholders’ Assembly held on 29 June 2022, all members of the Board of the Shareholders’ Assembly Board whose term of office ended were re-elected, so that in 2022 there was no change in the composition of the Board of the Shareholders’ Assembly, and the composition is as follows:

- Zoran Grujičić (Chairperson),
- Dragan Bračika (Member) and
- Alexey Urusov (Member).

Zoran Grujičić

Chairman of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad
Member of the Remuneration Commission

Dragan Bračika

Member of the Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

Alexey Urusov

Member of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad
Member of the Audit Comission

Total amount paid to SAB members in 2022, net *RSD*	
Members of SAB	13,933,591 RSD

Activities of the Shareholders' Assembly Board in 2022

In 2022, the Board of the Shareholders' Assembly held nine written sessions. The Board of the Shareholders' Assembly considered the Company's Annual Financial and Consolidated Financial Reports for 2021, as well as Periodic (Quarterly), Financial And Consolidated Financial Reports for the Q1, Q2 and Q3 of 2022. Also, the Board of the Shareholders' Assembly considered the Reports Of The Independent Auditor On The Audit Of The Company's financial statements, the proposal on the re-election and remuneration of the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for the year 2022, as well as the method of distribution of profit for the year 2021, payment of dividends and determination of the total amount of undistributed profit, and submitted a Report on its work to the Assembly of the Company's shareholders. In addition to the above, the Board of the Shareholders' Assembly also considered proposals for the formation and termination of the Company's branches, on the termination of participation in NIS j.s.c. Novi Sad in Joint Stock Company Cultural Sports Center Pinki - Zemun Belgrade by starting the liquidation procedure and approving the conclusion of additional Subordinated Loan Agreements between NIS j.s.c. Novi Sad and NIS PETROL SRL Romania. In 2022, the Board of the Shareholders' Assembly made 33 conclusions.

Chief executive officer

The Board of Directors appoints one of its executive members to act as the Chief Executive Officer. The CEO coordinates the activities of the executive members of the Board of Directors and organizes the Company's activities. In addition to this, the CEO performs daily management activities and is authorized to decide on matters which do not fall under the competence of the Shareholders' Assembly and the Board of Directors. The Chief Executive Officer is a legal representative of NIS j.s.c. Novi Sad.

Advisory Board of the CEO

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities. The members of the Advisory Board were determined by the Decision of CEO, and they include First Deputy CEO - Director of the Exploration and Production Block, First Deputy CEO - Director of the Downstream, Directors of the Refining and the Energy Blocks, Directors of Functions, Deputy CEO for Petrochemical Affairs and Director of Naftagas-Oilfield Services LLC Novi Sad. In addition to the competencies related to the management of the Company's operations, the Advisory Board deals with the issues of strategy and development policy, the basis of which is set by the Shareholders' Assembly and the Board of Directors of the Company.

Members of the Advisory Board of the CEO

On 31 December 2022, members of Advisory Board of the CEO were:

Gennady Lubin
First Deputy CEO for Exploration and Production

Andrey Tuchnin
First Deputy CEO – Head of Downstream

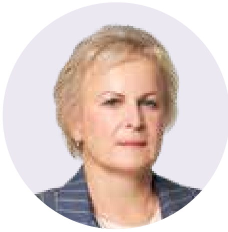
Vladimir Gagić
Head of Refining Block

Viacheslav Zavgorodnii
Deputy CEO,
Head of Strategy and Investment Function

Igor Chernov
Deputy CEO,
Director of Corporate Security Function

Anton Cherepanov
Deputy CEO,
Director of Finance, Economics, Planning and Accounting

Sergey Fominykh
Director of Energy Block



Natalia Bylenok
Deputy CEO,
Head of Function for Organizational Affairs

Vadim Smirnov
Deputy CEO,
Director of the Function for Government Relations and Corporate Communications

Miloš Grbić
Deputy CEO, Director of Procurement Function

Jelena Popara
Director of the Internal Audit and Risk Management Function

Ivan Dmitriev
HSE Director

Nikola Radmilović
Director of Naftagas – Oil Services LLC Novi Sad

Oksana Kovaleva
Deputy CEO,
Director of Legal and Corporate Affairs Function

Activities of the Advisory Board in 2022

During 2022, there were 17 Advisory Board sessions, chaired by the CEO, where the members discussed the following matters on a monthly basis:

- reports on HSE incidents and initiatives from the preceding period;
- reports on implementation of the decisions and tasks delegated at the sessions;
- reports regarding operational and financial indicators for the Exploration and Production Block;
- reports regarding operational and financial indicators for the Downstream;
- reports presenting monthly financial results of operations;
- reports on statuses of the key open issues within Functions and
- report on the statuses of the most important open issues related to HIP Petrohemija.

In addition, the reports showing Company's quarterly results of operations, reports on operations of different boards in the Company, IT Strategy development issues, and an important issue concerning the update of the corporate strategy for Company's development were all presented to the members of the CEO Advisory Board. The Internal Audit Function presented the reports on implementation of the recommendations made based on audits and reports on the conducted activities regarding key risk management.

Company Management Succession Plan

In order to minimise the potential risks for the Company and increase operational efficiency, there are special systems and processes aimed at filling possible vacancies when it comes to the top operational management of the Company. They include the implementation of specialized training programs, so that continuous investment in the development of knowledge, and skills the Company ensures long-term reduction of potential risks in relation to its key management positions.

Moreover, the Company assesses potential successors in the highest management positions and compiles special lists of successors that include their names, current positions and plans for their professional development.

Insider information and acquisition and disposal of the Company's shares by managers and related parties

Trading shares using insider information is strictly prohibited to all persons under threat of penalties provided for by the Capital Market Law. Therefore, the Company requires all persons, who permanently or occasionally have access to this information, to fully comply with the provisions of laws, by-laws, as well as the Company's documents relating to insider information and confidential data.

The criteria on the basis of which certain persons have the status of persons with access to insider information, their rights and obligations, the obligations of the Company in order to ensure the confidentiality of insider information, the procedure for publishing insider information, as well as the rules related to preparing, keeping, and updating the list of persons with access to insider information and the list of persons performing the duties of the manager and related persons are specifically regulated by the Company's internal acts.

Pursuant to the Capital Market Law and internal documents of the Company, all persons employed as managers in the Company are prohibited from performing transactions for their own account or for the account of a third party in relation to equity or debt securities of the Company or other related financial instruments during the period of 30 days prior to the publication of the annual, semi-annual or quarterly financial statements. The Company may grant a special written consent for trading during the period of prohibition, if there are conditions prescribed by law and the documents of the Securities Commission.

In addition, all persons performing the duties of managers in the Company, as well as persons related to them (defined by the aforementioned law), are obliged to report to the Securities Commission and the Company, within three business days, each subsequent transaction for their own account with the subject of the Company's shares (or possibly debt instruments or other related financial instruments), after the sum of the values of transactions in one calendar year exceeds the value of EUR 5,000.

In 2022, the Company did not receive any information of any acquisitions or sales of the Company's shares by any members of the Company's bodies or related parties.

NIS j.s.c. Novi Sad applies the highest standards in the area of information sharing, and ensures equal treatment of all information users. The Company ensures that published information is available to all interested parties in an equal and easily accessible way as soon as possible, and mostly uses its website for this purpose.

Internal Audit Activities

The regulatory framework of internal supervision, i.e. internal auditing in NIS j.s.c. Novi Sad was established by the Law on Companies, the Internal Audit Charter, the Internal Audit Standard and other relevant legal and internal regulations.

The Internal audit provides independent, objective assurance services, as well as consultancy aimed at adding value and improving the Company's operations. Internal Audit helps the Company achieve its objectives by introducing a systematic, disciplined approach to assessing and improving the effectiveness of risk management, controls and corporate governance.

The Company's Internal Audit operates in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Global Institute of Internal Auditors, which is confirmed by an obtained conformity assessment from an independent external assessor.

Internal Audit activities in particular include:

- examination and assessment of the adequacy and effectiveness of corporate governance, risk management and internal controls;
- control of compliance of Company's business activities with the law, other regulations and acts of the Company;
- supervision of the implementation of accounting policies and financial reporting;
- checking implementation of the risk management policy;
- monitoring the compliance of the organization and activities of the Company with the corporate governance code;
- evaluation of policies and processes in the Company, and proposals for their improvement.

Internal auditing is performed within the Internal Audit and Risk Management (hereinafter: IARM). Organisational and functional independence of the Internal Audit is secured by the Internal Audit Charter. The IARM, through the person responsible for internal control of business, appointed by the Board of Directors, is functionally subordinated to the Audit Commission, and linearly to the CEO of the Company. As a rule, the person responsible for internal control of business performs the role of the Director of the IARM. The Internal Audit Charter defines protection measures in order to ensure the independence and objectivity of the internal audit in the Company's risk management process. The IARM reports four times a year to the Audit Commission on the results of its work.

The Audit Commission is, inter alia, authorized to:

- approve the Internal Audit Charter;
- approve the Annual Plan on Internal Auditing;
- receives reports on the performance of the internal audit in relation to the plan and other important issues, in accordance with the reporting dynamics;
- approves changes in the organizational structure and changes in the number of job positions in IARM;
- suggest the appointment and discharge of the person responsible for internal control of Company's business, in accordance with the Company Law, while the Board of Directors of the Company makes the Decision on appointment and discharge of the aforementioned person,
- check whether there is a possible restriction on access to data (restriction of coverage) or resource limitations to performing the internal audit;
- monitor existing risks and measures taken to manage those risks.

System of internal controls and risk mitigation in connection with financial rreporting procedure

The internal control system includes five key components:

- Control environment,
- Risk assessment,
- Control measures,
- Information and communications,
- Monitoring.

There are the following internal regulations concerning internal control at the Company:

- PO-06.04.26 Corporate Policy of NIS j.s.c. Novi Sad - internal control and finance
- UP-06.04.00-011 Development of Internal Controls in Finance and Accounting
- UP-06.04.00-013 Recording Financial Incidents at SUFI Portal.

1. Control environment
Management creates an atmosphere characterised by understanding the importance of control procedures by employees, and also informs employees of expectations and precise procedures. Managers and employees comply with internal control requirements and demonstrate their positive consistent attitude to these requirements in their work.

Additionally, a controlled environment comprises honesty and respect for ethical values, provision of competent and highly qualified personnel, a defined organisational structure and clear split of authorities and responsibilities.

2. Risk assessment
Based on the approved business goals, significant risks associated with achievement of these goals are identified and analyzed. Organisational Units identify the risks in processes and activities carried out by such units which may lead to errors in financial reports.

3. Control measures
Control measures comprise procedures and activities used to manage the defined risks in processes through their reduction or elimination. They include a variety of measures, such as compliance with relevant standards and procedures, adequate split of responsibilities among process participants, precise definition of tasks, check of availability of required approvals and completeness of documentation, control of data bases, various types of reconciliation and verification of balance sheet items and preservation of assets.

4. Information and communication
In order to assure effective exchange of information and effective communication, a system of information distribution is in place through an internal portal accessible to all employees where all important information and adopted internal acts are published. Additionally, information systems have been implemented to assure exchange of information, documentation and various types of reports that allow for the generation of timely information.

5. Monitoring
Internal controls efficiency and compliance with requirements prescribed by internal acts are continuously monitored, and if needed improvement measures or measures aimed at eliminating identified violations to prevent their recurrence are developed. Possibilities of process improvement and their efficiency are considered through the process analysis, areas for improvement, new possible solutions or technologies for process implementation are considered.

External auditor

Audit of Financial Statements

In accordance with the Law and Articles of Association, the Auditor of the Company is appointed by the Shareholders' Assembly at the proposal of the Board of Directors. The Company's auditor is elected at every ordinary meeting of the Shareholders' Assembly, and according to the Capital Market Law. Since NIS j.s.c. Novi Sad is a public joint-stock company, the legal entity that performs the audit, can perform up to five consecutive audits of its annual financial statements.

The reports of the Audit Company on the audit of the financial statements and consolidated financial statements of the Company for 2021 were adopted on 29 June 2022 at the XIV regular session of the Shareholders Assembly, which was attended by the auditor of the company Pricewaterhouse Coopers LLC Belgrade, which in accordance with the Law is obligatorily invited to the regular session of the Assembly. At the same session, the Shareholders Assembly selected the auditing company FinExpertiza LLC Belgrade.

In accordance with the Law, the Audit Commission was provided with an independent auditor's statement confirming the independence vis-à-vis the Company and informs the Audit Commission about additional services provided by the auditor to the Company. The aforementioned statement was part of the material for the XIV regular session of the Shareholders' Assembly.

Integrated management system

The company applies all the requirements of SRPS ISO 9001: 2015 Quality management, SRPS ISO 14001: 2015 Environmental management, SRPS ISO 45001: 2018 Management of health and safety at work and SRPS EN ISO 50001: 2018 Energy management, as well as SRPS ISO 39001 Management road safety, SRPS EN ISO 22000: 2018 Food safety management or CAC / RCP 1 where applicable. The applied management systems are incorporated into an integrated management system (IMS), which is based on a process approach. The established IMS is continuously developed in accordance with the Certification Strategy, the implementation of which is supervised by the IMS Board.

The elements of individual business processes (BP) and the order of activities within them are determined in the BP modeling procedure. All identified BP of the Company are classified and presented in the the Company's Process Model together with the organizational structure integrated into the business architecture of the Company. KPIs (key performance indicators) are also determined for business processes defined in this way.

The manner of the implementation of activities from the business process is described by appropriate normative-methodological documents in accordance with the Standardisation Plan.

The verification of compliance with the applied national and international standards is carried out by accredited certification bodies, which issue appropriate certificates on the basis of the performed verification.

In addition to external audits, the Company conducts internal audits of business processes and established management systems, in accordance with the annual program of internal audits. The results of these checks are formalised through reports, on the basis of which the owners of business processes in the Company define corrective and improvement measures in order to eliminate and prevent recurrence of identified non-compliances and prevent the actualization of potential ones.

Transactions involving personal interest and non-compete clauses

Transactions involving personal interest – A person who, in accordance with the Law, has special duties towards the Company, is obliged to promptly inform the Board of Directors about the existence of a personal interest (or interest related to him/her) in a legal contract concluded by the Company, or in a legal action undertaken by the Company.

The Company identifies legal affairs and actions with related parties, in order to ensure that they are concluded only if they are not harmful to the Company's operations. Legal affairs and actions with related parties are approved by the Board of Directors in accordance with the Law.

Information concerning the approval of the conclusion of affairs in which there is a personal interest is submitted to the Shareholders' Assembly at its first subsequent meeting by the Board of Directors.

In accordance with the Law, the Company is obliged to publish on its website the intention to conclude a legal transaction, ie to undertake a legal action that requires approval with important information on activities and activities in which there is personal interest, in accordance with the criteria prescribed by Law. Immediately after the decision on approval is made, and no later than on the day of concluding that legal transaction, ie undertaking that legal action. Data on approved legal transactions and legal actions taken are also published in the annual financial statements.

Non-Compete Clause – In order to monitor compliance with non-compete agreements, the Company carries out quarterly surveys of members of the Board of Directors about the current engagement, as well as about membership in boards of directors and supervisory boards of other companies. Data on memberships in the management bodies of other companies are published on the Company's website, and within Annual and Quarterly Reports.

By concluding the Agreement Mutual Rights and Obligations with the Company, the members of the Board of Directors are additionally acquainted with their obligation to notify the Company in the event of the conclusion of a legal transaction with the Company, as well as with their obligation of non-competition to the Company and other special duties of the members of the Board of Directors.

Information on Acquisition Bids

In 2022, neither NIS j.s.c. Novi Sad nor its subsidiaries made any bids for acquisition of another company, in accordance with the regulations providing for acquisition of companies, or any bid was made under such regulations for acquisition of shares of NIS j.s.c. Novi Sad or any of its subsidiaries.

Related-Party Transactions

In 2022, NIS Group entered into business partnerships with its affiliates. The most important related-party transactions involved the supply/delivery of crude oil, petroleum products and electricity. An outline of related-party transactions is part of the Notes to the Financial Statements[1].

1 More information on related party transactions can be found on page 412

Code of Business Ethics

As employees, we reflect our Company - we individually represent our Company and by our actions affect its business atmosphere, results and reputation. We are not all the same, but we are all equal. If each of us would try to act in accordance with the defined Company values and follow ethical codes and rules of conduct, we would jointly transform our vision into reality.

The rules and codes of conduct provided herein are based on our corporate values and should be used by all of us, employees, third parties and managing bodies, as a general guideline when making decisions in our day-to-day activities. This enables us to jointly create and maintain a healthy business climate, efficiently achieve results, improve business as well as the quality of life for all of us, both individually and collectively.

Significant contracts of the Company where the change of control by a bid for takeover affects their execution, change or termination, as well as the consequences of such contracts

The Company's contracts where the change of control by a bid for takeover affects their execution, change or termination, contain standard clauses.

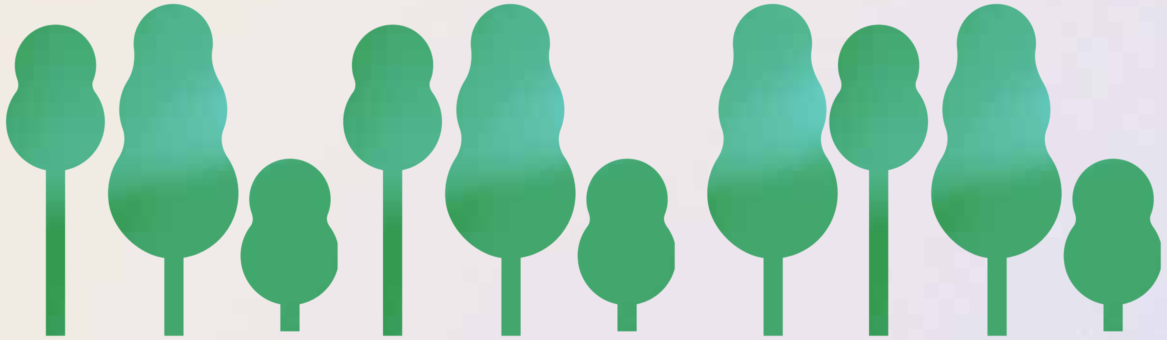
Contracts between the Company and its management or employees, which provide compensation in the event of dismissal or discharge without just cause or the termination of the employment contract due to a takeover bid

The Company does not have this type of contract with the management, nor with the employees.

2

ENERGY TRANSITION

- A new step towards green energy



NIS responded to comprehensive changes in the oil sector by accelerating its energy transition.

In 2022, the Block “Energy” was formed,

whose tasks are to expand the capacity of NIS for the production and trade of electricity, the development of projects in the field of renewable energy sources and the management of the energy resources of the NIS Group.

Our main goal is decarbonisation through the process of energy transition.

We remain a reliable partner of the Republic of Serbia and contribute to the fulfilment of its international obligations in that area.

1.2.11

Human resources

In 2022, NIS sought to maintain its position as one of the best employers in Serbia, while constantly adapting to the labour market, employees' expectations and the needs of the business. The greatest effort was invested in the stability of the company as an employer, programs focused on the recruitment and development of the young, new models of motivation, learning, development and promotion of respectful corporate culture.

Our long-term goal is to strengthen employee engagement and improve HR practices to offer the best possible employee experience. For this reason, we have continued to invest in employee engagement in 2022 and have initiated the implementation of various activities based on the results of the latest employee engagement survey and our company's strategic plans. We continued with the implementation of and upgraded the Engagement Academy Program, which aims to develop highly dedicated and motivated teams through the active role of senior and middle management in our company.

Our HR strategy, new company values, and employer value proposition (diversity and inclusion initiative, employer brand strategy and learning and development strategy) have produced a large number of HR projects and initiatives. They will improve the experience of both candidates and employees of NIS, starting from recruitment to rewarding, remuneration and benefits, development, and promotion.

Professional development of employees

In the face of new challenges on a global scale, we have managed, by practising the responsible treatment of its employees, to maintain stability in ensuring full support to employee development and learning. We continued to dedicate ourselves to the development and implementation of the Engagement Academy, leadership programs, and digital competencies development programs, including unavoidable academies, programs and training courses for the professional and technical development of our employees.

Throughout 2022, we continued our supporting the company’s digital transformation in several areas. This year, we paid special attention to the implementation of SAP Success Factors, a solution that ensures the integration of talent processes, as well as development tools for individuals, both on the team level and across the company as a whole. SAP Success Factors was officially launched in Q1 2022. We trained the total 2,643 end users through 105 training courses.

The Training and Development Sector in cooperation with the NIS digitalization team and partners from Serbia and abroad implemented a wide range of educational activities for different employee groups of as a part of the Digital Academy strategic program.

During this year, the focus was also on the further development of the professional and technical competencies models for the targeted development of employees in their current and future positions.

In cooperation with external providers, in 2022 NIS held 3,407 training courses, attended by 9,961 participants, including, 4,407 employees. The total number of hours of training was 95,879, and the total cost RSD 234.3 million. In-house trainers held 1,565 trainings for 6,571 participants, including 4,284 employees. The total number of training hours was 8,065.

Our employees broadened their professional knowledge with the support of the world's leading companies, such as Apave Mare, Yokogawa, COTRUGLI Business School, Tomsk University, Siemens, and PetroSkills. Out training partners in Serbia include some of the best companies and educational institutions, such as the Vinča Institute of Nuclear Sciences, Tehpro, the Prevention Institute, the Belgrade Mechanical Engineering Faculty, the Novi Sad Technology Faculty, the Niš Electronic Engineering Faculty, Project Management Serbia, GI Group, Omega Consulting, HR Center, and many others. The training courses boosted the development of both professional and personal skills which are necessary for successful team management.

The Foreign Language Learning Program continued again through group lessons in the Russian language for over 250 employees.

To further improve the learning culture, the implementation and promotion of the Learning Launcher program were continued in 2022. The program was created as additional motivation and reward of all employees who facilitate to and promote the exchange of knowledge through various roles and educational activities.

Corporate University

During 2022, within the Corporate University, we focused on the further improvement of the existing strategic and development programs, top-quality training and additional adaptation to the specific needs of different organizational units, as well as the creation of new employee development programs for specific groups of employees. Also, in 2022, the Corporate University was focused on the promotion and continued development of the learning culture to respond to the business needs flexibly and in keeping with global digital trends.

The goal behind the Engagement Academy, as one of the important strategic initiatives, is to increase employee engagement across the Company. In 2022, 29 workshops were held and included 385 senior and middle level managers.

The implementation of the Drive leadership development program, created to support mid-level managers who are a key link in the operational management of the Company, continued in 2022. The program involved 31 participants from all blocks and functions. In order to develop leadership skills and knowledge and strengthen their teams.

In 2022, more than 1,000 employees attended over 60 training courses that we organised in cooperation with our long-term partners who are the market leaders in the country and the region.

In 2022, we continued the implementation and additional improvement of the Learning Driver Program – a motivation and reward-based learning program (intangible and tangible rewards) for all those who become in-house trainers, mentors or who take part in other activities that contribute to and promote the exchange of knowledge.

Within the program of internal trainers in 2022, a competition for the application of new participants was launched. 52 employees responded to the competition.

In 2022, the Job Shadowing program, established to respond to the need for improving the results of intersectoral cooperation, was continued. The program involved 54 employees and spent over 476 hours of work together on their workplace activities over the course of 60 days.

Together with colleagues from other HR units, we have created a development program for participants of the NIS Energy and NIS Calling programs that are recognized as exceptionally good and useful for the development of young people who acquire their first work experience in our Company.

Professional development of employees in business blocks

In the Refining Block, this year was dedicated to improving employee engagement. Among other things, the block has set up the Youth Council, which include all employees under 35 years of age and 3 years of experience in the Refining Block, in order to connect young professionals, improving cooperation among colleagues and transparent communication.

The number of Job Shadowing sessions is on the rise and employees are happy to use this tool. The entire team of the Technical Training Section exchanged experience and knowledge in this way with colleagues from the Technical Training Section of the HR Sector of the Exploration and Production Block, from which good practices were adopted.

An internal Best in the Field competition was organised in July in 6 categories with 16 award winners.

The plan for professional technical and legally obligatory training has been fully implemented.

Our employees took part in several major trade conferences such as Petrochemical and Refining Congress (PRC), European Refining Technology Conference (ERTC), The Oil&Gas IoT Summit, IFAT, HUG, StocExpo.

The first generation of students of petroleum and gas processing completed a four-year education this year and graduated from the High School of Chemistry in Pančevo. Also, good cooperation was established last year with three secondary schools in Pančevo: schools for mechanical, technical and electrical engineering. This year, in terms of the Energy of Knowledge program, we organised a paid secondary school practical training in operator positions. 22 trainees were admitted, 15 completed the practical training and 7 were employed with the Refinery.

In addition to the 3 existing Training Centers, they formed 5 new ones at locations of LPG Čačak, PP Novi Sad, LPG Zrenjanin, PP Smederevo and OTT Belgrade.

The 10th The Best Professional competition was held this year, with 924 employees taking part in it. Three Gembe for Top and Senior Management were implemented.

We held the Best Technologist in 2022 and the Best Professional in 2022 competitions on the Jermenovci oil and gas field.

Talent development

Inspired by the idea that each of our employees is a unique talent, we implemented several key processes in 2022 by working with our talents to identify potential areas for development and to create development plans to address them. These processes ensure continuity in the operations of our Company, but also allow us to identify successors who will take over the jobs that are important for the business.

One such process is the performance-based evaluation of employees and assessment of their potential. During 2022, we implemented a change in the process of evaluation of employees' performance and potential (talent process), which includes increasing the number of middle managers to include another 131 colleagues in this process. The process now covers 313 colleagues from middle management. This process made it possible to identify talents and successors for key positions in a more objective, transparent and efficient manner, and to take an individual approach to the development of each employee by outlining individual development plans.

The said procedure was used to assess the potential and performance of the process participants through organized talent sessions as one of the key steps in the process to achieve the objectivity of the assessment. We wanted to provide additional support to the participants in the process of creating an individual development plan – a personal development tool that will enable an employee to systematically improve his/her professional knowledge and achieve career goals. Employees will have partners in career building and those partners are their line managers and HR support.

In order to evaluate employees and define areas for development and strengths, the process of annual assessment by competencies is also organized.

The beginning of 2022 was marked by the successful implementation of the SAP Success Factors program and workshops for end-users. A total of 26 hours of workshops were held for 404 talent module users. Also, as a form of additional support, manuals, and video instructions scenarios were created, recorded and distributed to users.

Care for employees' social welfare

The NIS Collective Agreement and internal policies provide a high-level social protection for employees, in excess to the mandatory social requirements prescribed by law.

The benefits stipulated in the Collective Agreement and internal policies are:

- Special protection for persons with disabilities and in the event of occupational diseases;
- Preventive recovery of employees who perform high-risk jobs or are entitled to reduced service years, as well as preventive recovery of other employees, in order to prevent occupational illnesses and disabilities;
- Employment and support allowance, payment of medical treatment costs and refunding of funeral expenses for an employee and/or his/her immediate family members;
- One-time financial assistance for the birth of the third and each subsequent child;
- One-time assistance to the family of a deceased employee;
- Compensation for damages suffered by employees in the event of the destruction of or damage to their residential buildings caused by natural disasters or other emergencies;
- Scholarships during full-time education of children of killed and deceased workers;
- Collective health insurance for all employees covering severe illnesses and surgeries, as well as in case of accidents;
- Collective insurance of all employees covering death as a result of an accident or a disease;
- Helping employees resolve their housing needs by granting subsidies for housing loans;
- Voluntary pension insurance;
- Jubilee employee awards for 10, 20, 30 and 40 years of uninterrupted employment in NIS.

Material and non-material motivation

Employee motivation is crucial for achieving high business standards, inspiring creativity, creation and innovation, and for employee professional development and retention. As one of the most desirable employers in the region, NIS employees are offered conditions for more efficient work and a good working atmosphere through several programs of financial and non-financial incentives.

Regular financial incentives are divided into three categories by types of employee positions: bonuses in the production and technical organizational units, bonuses in sales OUs and annual bonuses for administration workers. Bonuses depend on whether the collective or individual goals have been met or not and make it possible for the employees to connect their personal work with the Company's goals.

NIS implemented a system of additional motivation that combines the capacities of managers and NIS to recognize and reward employees for major work-related achievements and compliance with the Company's values. The system operates through employee motivation programs, as well as opportunities for employees to be involved in the implementation of activities in the Success At Work program.

The Success At Work program, an umbrella additional motivation program, includes the rewarding of employees for all activities that have value and importance for the Company's improvement and which are divided into four special programs:

- Leader in Safety
- Learning Driver
- Innovator at Work
- Together at Projects.

The managers of organisational units play a key role in the development of non-financial incentives with the help of non-financial incentives program and the program for rewarding the best employees: "Bravo Reward", "Best Employee", "Best Manager", including Gazprom and Gazprom Neft campaigns and special bonuses.

Non-financial incentives programs offer the employees the opportunity to take an active part in the vital segments of the Company's business, to develop their creativity and initiative and to win awards and thus promote best work practices and create new value for the Company.

Corporate culture

The stability of NIS as an employer was one of the main focuses on the basis of which the company sought to increase the commitment of employees and improve the working environment. Within the internal academy Dedicated Leader, in which several hundred company leaders participated, NIS tried to create an environment among NIS leaders and direct them how to manage teams, relying on company values and targeted corporate culture of the company. Corporate values are integrated into the Company's key processes, on the basis of which the performance and potential of each individual are evaluated, from employees in operational positions to the company's top management. Great attention was paid to the communication of corporate values through various internal and external communication campaigns.

Employer brand and candidate recruitment and selection

Guided by the slogan "The Future Starts with You", NIS believes that its future starts with the arrival of every new colleague to the team of almost 12,000 employees. The recruitment and selection of candidates at NIS is grounded on the principles of equal opportunities for all current and potential employees regardless of their gender, religion, political opinion, nationality or social origin, thus eliminating any form of discrimination. Any decision concerning a candidate must be based on impartial and relevant criteria, i.e. the candidate's abilities to meet the requirements and standards of the job position. In 2022, the team of Recruitment and Selection Sector hired about 1,696 candidates of different profiles.

In 2022, we received the award for the most desirable employer in Serbia according to the survey conducted by TalentX, the largest employment platform Infostud. More than 11,000 people took part in the survey, and this was the second time in a row that NIS won this award.

This year also brought us the Employer Partner certificate from HR Excel – HR consultants. The certification included the presentation of HR processes and tools throughout the entire employees' life cycle – attracting candidates, selection process, onboarding, training and development, talent and employee performance management, rewarding, corporate culture, and employee commitment management, after which they were compared to the regional benchmark.

Once again this year, NIS has continued the tradition of implementation of program for the most talented and ambitious students, bachelors and high school graduates. We have also implemented the sixth season of NIS Calling program for 50 young people. In addition, we implemented the second season of the NIS Energy recruitment program for young graduates and master's students. Twenty graduates completed the program and all of them were hired. This year, we have, also, launched a new program for young high school graduates, which incorporates 6 months of paid internship at operator positions in the Pancevo Refinery for the young people who are attending the final year of secondary schools and majoring in subjects created in cooperation with NIS through the Energy of Knowledge program. The first season of the program began in July 2022 with 17 interns, of whom 11 are employed.

Ambitious goals settings, our positioning on the labour market and continual improvement of the experience of candidates who undergo the recruitment and selection process as well as of the employees of the Company enable us to achieve results that place us among the best, while our good practices become a model for other companies.

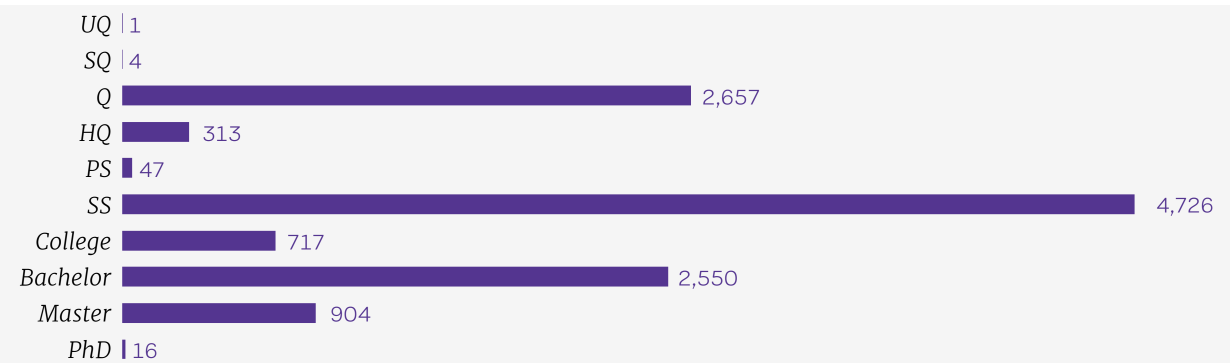
Employee Number and Structure

	Total number of employees as at	
Organisational unit	**12/31/2022**	**12/31/2021**
NIS j.s.c. Novi Sad[1]	**5,193**	**5,038**
Exploration and Production Block	1,085	1,081
Downstream	2,527	2,508
Refining Block	972	956
Sales and Distribution Block	1,365	1,331
Energy Block	41	36
The rest of Downstream[2]	149	185
Corporate Centre	1,139	954
Multifunctional Shared Service Center[3]	438	491
Representative and Branch Offices[4]	4	4
Local subsidaries	**6,117**	**5,835**
Subsidaries abroad	**137**	**139**
Other subsidiaries included in consolidation	**488**	**494**
TOTAL[5]	**11,935**	**11,506**

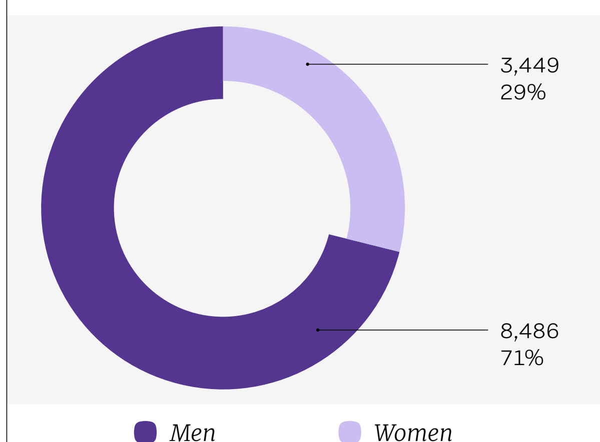
1 The shown number of employees in table does not include employees through Contract of Services.
2 The rest of the Downstream includes: Office of Downstream Director, Production and Commercial Operations Planning, Optimization, and Analysis Department, Metrology Sector, Group for Administration and Documentation Support, Feedstock Supply and Blending Department and Center for the development of refining and petrochemicals.
3 At the end of 2019, setting up the Multifunctional Share Service Center started, which is, due to its specificity, established as a separate unit.
4 The headcount indicated for the Representative Offices and branches refers to the employees in the Representative Office in Russian Federation. In addition to the Representative Office in Russian Federation, the Representative Office in Angola and the Balakanabat Branch in Turkmenistan are also active.
5 Employees with shared working hours are shown as whole units in the associated Company.

Employee qualifications, gender and age structure[1]

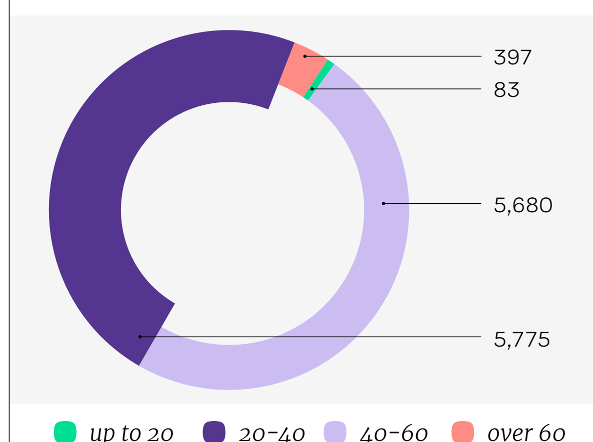
Employee qualification structure



Employee gender structure



Employee age structure



1 *Includes employees of NIS j.s.c. Novi Sad with representative offices and branches, subsidiaries in the country and abroad and subsidiary companies that enter into consolidation on December 31, 2022.*

Employment terminations

In 2022, a total of 1,256 employees left NIS[1]: 135 employees retired, 35 employees left NIS after termination of employment by mutual consent, while the employment of 1,086 people was terminated on other grounds (cancellation of employment contract, employment termination by the employee, redundancy, etc.).

1 *NIS j.s.c. Novi Sad with the subsidiaries Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS – Naftagas LLC Novi Sad, and NIS Petrol j.s.c. Belgrade*

Basis of employment termination	NIS j.s.c Novi Sad[1]	Subsidiaries[2]
Retirement	74	61
Termination by mutual consent	22	13
Other	218	868
Total	**314**	**942**

1 *Including representative offices and branches. Of the total number of terminations, 14 terminations account for the representative offices and branches.*
2 *Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad, NTC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.*

Our long-term goal is to strength enemployee engagement and improve HR practices to offer the best possible employee experience.

THE MOST DESIRABLE EMPLOYER

- NIS - reliable partner

The team, which consists of almost 12,000 employees, is the main driver of NIS's business.

That is why we strive to build a friendly and stimulating work environment for employees,

providing them with opportunities for continuous professional development. In 2022, more than

3,400 trainings

were organized, in which 4,407 employees participated.

In addition, NIS organizes attractive programs for young people, with whom we share the best experiences and enable them to take their first professional steps right in the NIS Group. We are proud to point out that

for the second year in a row, NIS was chosen as the most desirable employer

in the "TalentX" survey, conducted by a group of employment sites Poslovi.Infostud.

1.2.12

Occupational safety and health, industrial safety and emergencies, and environmental protection

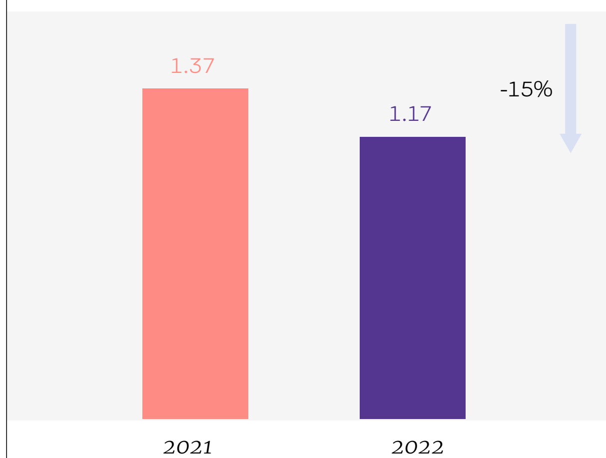
Ensuring the safety and health of its employees, contractors, third parties, local population and environment is a priority for NIS. A healthy, safe, skilled, well prepared and motivated employee is not just a goal of every individual, but the Company's goal as well.

In 2022, HSE Function underwent organisational changes, a new HSE Policy was adopted, the Environmental Protection Strategy by 2030 was revised, two Karkas Safety Shield inspections were conducted, and the Karkas Safety Shield budget for the period 2023-2025 was approved. The fire brigades were expanded. In addition, a cooperation was established with partner technical faculties in the Republic of Serbia, aimed at exchanging HSE knowledge and practices. The activities within HSE Digitalisation Programme were launched and the priority development areas for the coming period were defined.

Occupational safety and health

In 2022, the LTIF indicator marked a 15% drop if compared with the year before. In 12 months of 2022, 27 LTIs were recorded, as opposed to 12 months of 2022 when 26 LTIs were recorded in the Company.

LTIF indicator*



* *Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. The LTIF indicator calculated according to the previous methodology is 1.29.*

Occupational safety risk management

2022 saw partial amendments to the Workplace and Work Environment Risk Assessment Act in NIS j.s.c. and Subsidiaries, in compliance with the requirements of the Serbian legislation governing occupational safety and health.

The HSE Digitalisation Programme also covered provision of personal protective equipment for employees.

In 2022, the focus of managing the risks involved with high-risk work activities was placed on bringing the requirements of the NIS j.s.c. Novi Sad management system and unified minimum safety criteria under the Karkas Safety Shield Program. In addition, further improvement of the existing risk assessment tools continued, as well as the implementation of new ones (such as Bow Tie – licences and training provided for key users) and optimisation of the permit-to-work system, with a view to facilitating efficient management of risks during performance of high-risk work activities.

HSE event management

The HSE event management process refers to transparent notification and reporting of HSE events, investigation of causes of HSE events, monitoring the financial impacts, and interchange of lessons learnt from HSE events.

HSE events mean the events that affect people (such as workplace injuries, poor health or diseases), fires, traffic accidents, and equipment failures that may affect human safety and/or have a negative impact on the environment. Accordingly, the HSE event management has the following objectives:

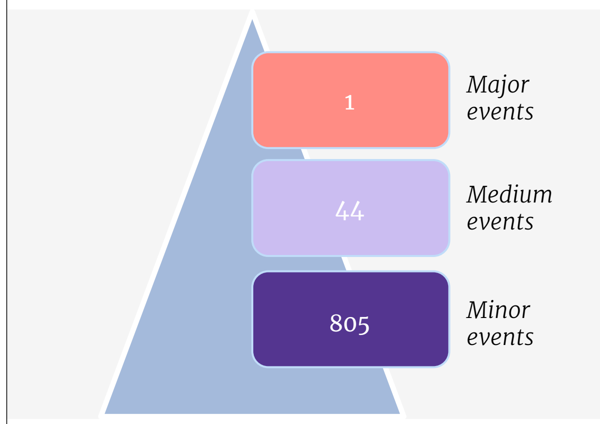
- Timely response and mitigation of consequences of HSE events;
- Acting preventively, that is, taking measures to prevent the recurrence of similar HSE events;
- Improvement of the HSE management system;
- Learning and sharing lessons from incidents with our employees and contractors.

According to the HSE Event Classifier, every HSE event is classified into major, medium, minor, near misse, and high-potential events (HiPo) – the events that have the potential, under different circumstances, to result in one or more fatalities or become a high-risk HSE event according to the NIS RAM Matrix.

The Company is committed to the investigation of all major, medium and HiPo events, with an objective to identify the barriers that failed or were not in place and to define systemic corrective actions, in an effort to act preventively and preclude future HSE events.

The figure below illustrates the transparency pyramid showing the number of HSE events in the Company in 2022:

Transparency pyramide*



* *Due to the change in methodology, from May 2022 contractors and subsidiaries abroad are included in the calculation of HSE indicators. Data for 12M 2022 without subsidiaries abroad are as follows: major events 1, medium events 42, minor events 779.*

Contractor management

In the previous year, NIS has continuously worked to improve the contractor management process in the field of occupational safety and health, environmental protection and fire protection (CSM - Contractor Safety Management).

The thirteenth "Contractor Forum" was held, which was attended by over 120 contractors and over 75 colleagues. Representatives of the Serbian Ministry of Labour, Employment, Veteran and Social Affairs – Occupational Safety and Health Directorate, Labour Inspectorate, and Provincial Secretariat of Energy, Construction and Transport also attended the event.

The year was marked by the communication with contractors, whereat they were informed of the new HSE requirements originating from Karkas Safety Shield Program, HSE Agreement, and Golden HSE Rules, for the purpose of improving health and safety at work. Additionally, colleagues from the Procurement Function significantly contributed to the event, by presenting the concepts of contractor passport and rating of contractors, as methods of effective cooperation with constractor companies.

Employee health care

The beginning of 2022 was still characterised by a substantial number of COVID-19 cases. In this period, the HSE Function continuously harmonised the "Instruction for SARS-CoV2 Procedure for Line Managers, HSE Officers and Employees" to comply with the applicable changes in statutory regulations, created new procedure algorithms, and measures to prevent the spread of the infectious disease, which were even more stringent in certain aspects than the statutory measures, in an effort to provide a maximum protection for its employees.

With an aim of boosting collective immunity in the Company, the voluntary immunization of employees and their families members was organised in the springtime. The employees could choose among three vaccines: Pfizer-BioNTek, Sinopharm and Sputnik. The vaccination stands were set up at four locations: Novi Sad Business Centre, Belgrade Business Centre, Zrenjanin and Pančevo Refinery.

During the year, normative documents regulating the process of organisation of medical examinations were revised, and mandatory minimum scope of physical and specialist examinations was defined for all employees. A special focus was on the personal data processing measures and method of storing classified documents.

Digitalisation of the process of organising medical examinations was initiated, particularly for high-risk jobs, in order to improve the monitoring of deadlines for medical examinations.

During the year, drills under the scenario "First Aid for Cardiac Arrest" were conducted in several Company facilities, and educational campaigns were also held on important topics aimed at preserving the health of employees.

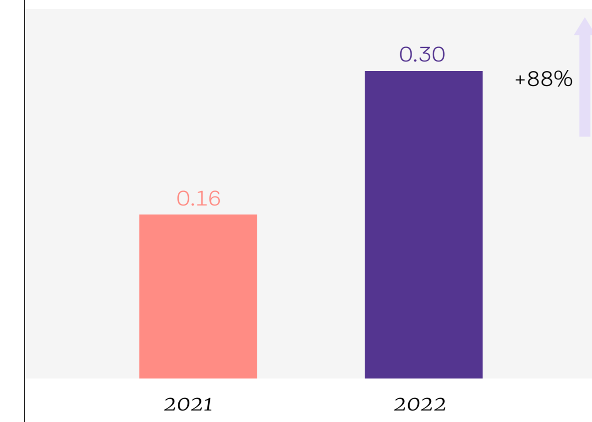
Traffic Safety

NIS employees travel 40 million kilometres per year on average and consequently are exposed to many traffic risks. With a view to minimising these risks, the Company invests considerable efforts in road traffic safety of its employees through practical and theoretical training, continuous monitoring of vehicles and driving style using IVMS (In-Vehicle Monitoring System), organising work of dangerous goods safety advisers, rewarding the best drivers, organising campaigns and informing employees about risks and dangers, and providing road safety advice, as well as by informing the management, developing normative documents, etc.

In the light of the foregoing, in 2022, "Eco" and Defensive Driving courses were organised for 875 employees in NAVAK - National Driving Academy.

RAR (Road Accident Rate) is a ratio of road accidents. In 2022, the RAR coefficient was increased by 88% compared to 2021, i.e. from 0.16 to 0.30. In 2022 service provider events are also included in the statistics and 4 RAR accidents caused by third parties (27% of total number of RAR accidents) were recorded, resulting in an increase of the RAR indicator.

RAR indicator*



* *The ratio of the number of traffic accidents to the mileage travelled, multiplied by one million. Due to the changed methodology, from May 2022, contractors and subsidiaries abroad are included in the calculation of HSE indicators. The RAR indicator calculated according to the previous methodology is 0.26.*

Industrial safety and emergencies

Fire protection

This year was marked by achieving compliance with the legal regulations governing fire protection and, particularly, fire-fighting. The approved enlargement of fire units resulted in hiring 71 fire-fighters and, currently, 288 fire-fighters in total are employed in 11 professional industrial fire units of the Company, deployed in line with the new staffing structure and competency requirements defined under the law.

Capital projects for repurposing and reconstruction of fire stations in Novi Sad and Niš were approved, in order to provide improved working conditions for employees, as well as a higher level of functioning of fire units. During 2022, the regular procurement of the required equipment and resources for the needs of fire units (fire-fighting and protective equipment, rescue equipment, self-contained breathing apparatuses, etc) continued.

Service specifications were reviewed together with organisational units, resulting in the optimisation of resources, but also raising the level of services provided by the fire-fighting units towards organizational units.

In respect to training, this was a highly successful year, as reflected by the following indicators:

- 249 HSE trainings were conducted, in which the Company fire units, on their own and in cooperation with fire units of the Emergency Management Sector and neighbouring enterprises, practised strategic responding to different emergencies, such as: fire extinguishing, technical rescue from heights and depths, administering first aid, responding to chemical accidents, etc.
- The team of Pančevo fire unit took part in the International Firefighters Olympics, organised by CTIF (The International Association of Fire&Rescue Services), which took place in Slovenia – the category of professional fire units;
- The cooperation with the Serbian and Russian Humanitarian Centre in Niš was renewed and expanded;
- In cooperation with the National Emergency Training Centre of the Serbian Ministry of Interior, a special training programme and training handbook for emergency response operation managers were developed in the Company.

During 2022, all fires at the Company's locations were successfully extinguished, and in this way, greater material damage prevented and there were no consequences for environmental pollution. Our firefighters provided assistance to representatives of the fire-rescue units of the Ministry of Internal Affairs of the RS at the facilities of other economic entities and the local community.

Process Safety

During 2022, a renewed structure of NMD (normative methodological document - internal regulation) was prepared, which defines the field of process safety, and in the following period, work will be done on its implementation and application control.

As part of process safety, in 2022, interactive workshops were set up. They were attended by the persons entrusted with the issuance of high-risk work permits, aimed at refreshing and improving the knowledge about the hazards occurring before and during the performance of high-risk activities, such as: work at height, work in confined space, digging and excavations, load lifting, works involving potential occurrence of flammable and toxic substances, hot works.

The practice of reviewing and updating normative and methodological documents continued, in line with the best global practices. Upon the adoption of these normative and methodological documents, training plans are developed for employees.

Emergencies

All activities regarding preparedness for emergency response and civil defence in the Company are focused on ensuring the Company’s capability to successfully respond to emergencies and disasters – crises. The norms in place are defined by the provisions of the Law on Disaster Risk Reduction and Emergency Situation Management, other laws and bylaws, as well as good industrial practices and the Company’s technical standards. By fulfilling our obligations arising from the Decision of the Government of the Republic of Serbia on designating the entities of special importance for protection and rescue, we reinforce Company’s resilience to emergencies and crises and improve safety of employees, environment and assets, both across the Company and in local communities where we carry out our business operations.

In 2022, we continued improving the business process regulating preparedness for emergency response and civil defence in the Company. A review of the overall disaster risk assessment and protection and rescue plan for NIS j.s.c. Novi Sad was carried out in accordance with the law and by-laws, Flood Defense Plans were drawn up and adopted.

In accordance with 2022 HSE Drill Plan, the total of 232 HSE drills were planned and successfully completed.

This year, in cooperation with the National Emergency Training Centre of the Serbian Ministry of Interior Affairs, 170 employees – members of the Company’s protection and rescue forces were trained. The employee training was provided in the form of training courses for civil defence commissioners and deputy commissioners, managers of emergency response operations, and through joint command and simulation drills, implemented in compliance with the adopted programmes of the Serbian Ministry of Interior Affairs.

Environmental protection

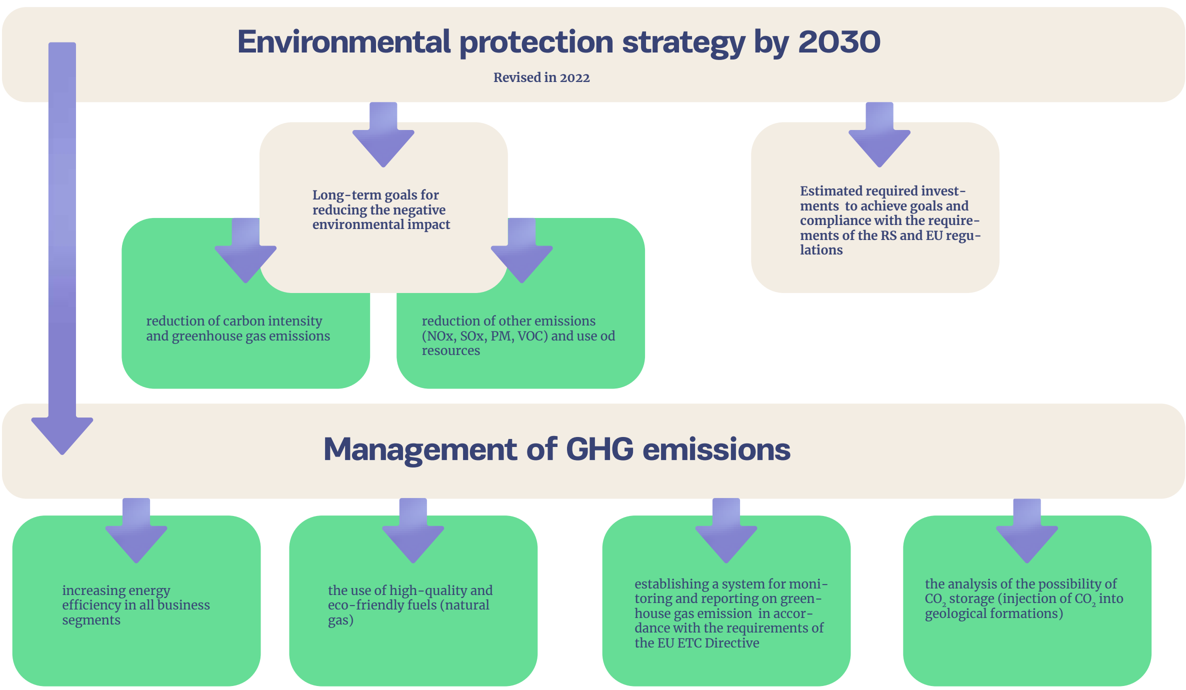
Environmental protection being one of the priorities in the context of Company management, NIS j.s.c. Novi Sad continuously works to improve environmental performance of its processes and activities, raise environmental awareness of its employees, and deploy best available practices in its investment projects with direct or indirect environmental impact.

In 2022, RSD 314.6 million were invested in environmental projects, and in the following period, it is planned to continue investing in projects that will lead to the reduction of negative environmenal impact in the areas of air, water, soil and waste management.

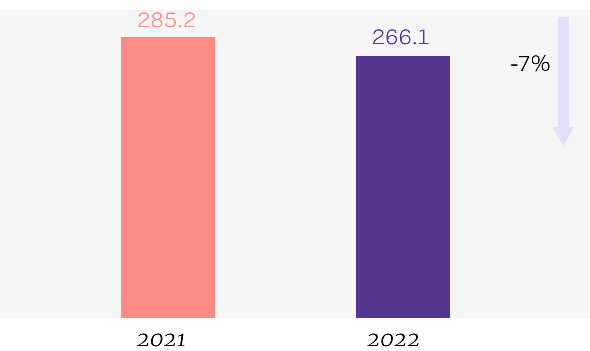
In addition, the focus was on the implementation of energy efficiency projects, aimed at cutting down consumption and loss of energy resources (steam, gas, electricity), renewable energy sources (increasing the share of RES in own production, installation of photovoltaic power systems on PSs), as well as on CO_2 utilisation projects (analysis of the existing wells for additional CO_2 injection).

Owing to the implementation of environmental projects and projects with environmental impact, the level of compliance with the requirements of the legal regulations of the Republic of Serbia has been raised and the environmental management system in NIS improved. As a result, environmental indicators recorded an upward trend in 2022 (reduction of emission to air and water, without major and medium events).

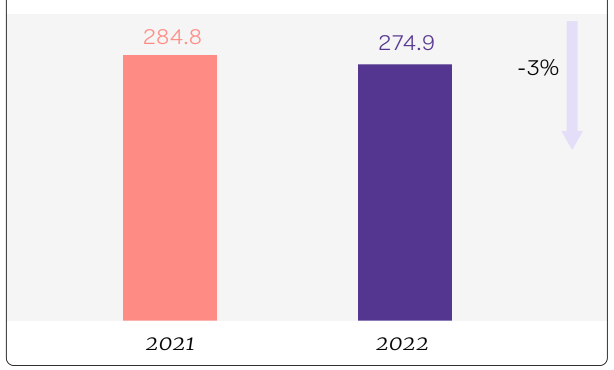
In 2022, NIS revised its Environmental protection strategy by 2030.



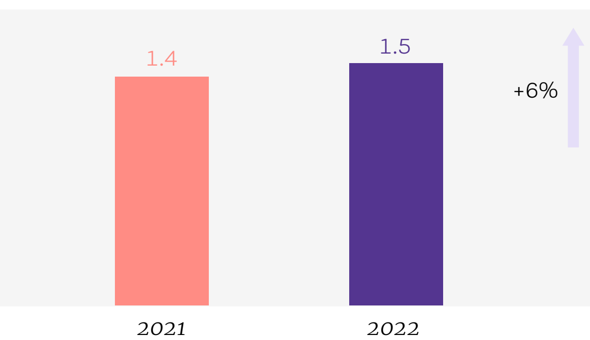
Carbon intensity in Exploration and production Block for range 1, in kg CO_2E /t of oil production



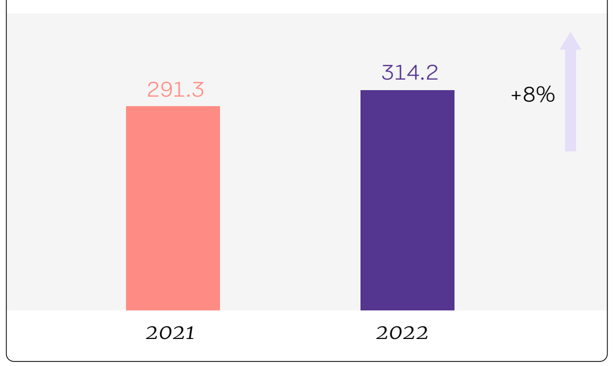
Carbon intensity in the Refining Block for range 1, in kg CO_2E/t of oil production



Direct CO_2 emission (range 1), mln tonnes



Indirect CO_2 emissions (range 2), thousand tonnes



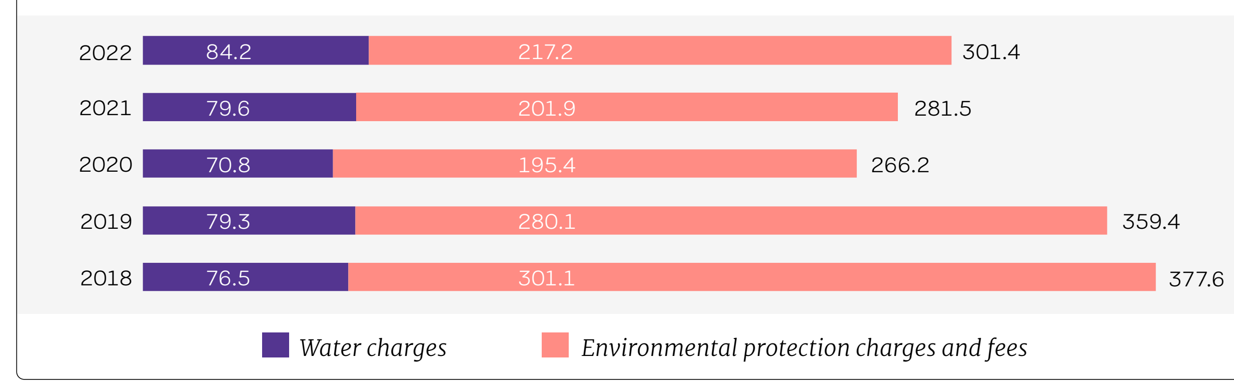
In 2021, the Law on Climate Change was passed in the Republic of Serbia, which sets a legal framework for greenhouse gas (GHG) emissions monitoring, reporting and verification, whereas, in 2022, the Decree on Types of Activities and Greenhouse Gases was adopted, which stipulated the obligation to obtain a GHG emissions permit for the Company's units. As preparation for future developments and for determining the impact of our Company's business on climate changes in 2022, employees received a training course in calculating the greenhouse gas emissions, designed for setting up a GHG emissions monitoring and reporting system in NIS j.s.c. Novi Sad. Employee training was organized for the calculation of greenhouse gas emissions.

The Company continued to dispose major part of waste in accordance with three-year framework contracts signed with the authorised waste management operators. This method of contracting significantly accelerated the waste management process – shorter time for the procurement of the permanent disposal service, lay down strict requirements for bidders in terms of their reputation and technology, the reduction of disposal costs and enabled safe waste removal from sites shortly after its generation. The Company regularly tracks and settles all its legal obligations related to environmental protection fees. In 2022, RSD 301.4 was allocated for taxes and fees.

Overview of charges and fees in 2022	Water charges (RSD million)	Environmental protection charges and fees (RSD million)	Total (RSD million)
NIS j.s.c. Novi Sad	83.7	213.5	297.2
Subsidiaries[1]	0.5	3.7	4.2
Total	**84.2**	**217.2**	**301.4**

1 *Including Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.*

Environmental protection charges and fees (2018-2022)



Karkas Safety Shield project

This project was created in order to eliminate injuries, accidents, incidents and negative environmental impacts, as well as promote HSE culture, prevent fatal and other injuries to employees and contractors, and to reduce financial losses resulting from incidents and accidents.

In 2022, the implementation and application of the Karkas Safety Shield 1, 2, 3 Program continued, diagnostics for Karkas 4 and Karkas 5 was conducted, and the preliminary budget for the implementation of the program was defined. In addition, two inspections were carried out, whereby functionality of barriers in the Company was highly assessed.

In 2023, the implementation of the program of barrier functionality measures continues, with an aim of reducing the risk of injuries to employees and contractors, accidents and incidents at the level of NIS and subsidiaries.

HSE culture improvement

Since the adoption of the NIS strategy for the period from 2017-2030 until today, the improvement of HSE culture has become the central assignment of HSE Management System.

During 2022, we worked itensively on raising employee' awareness of responsibilities and the possible contribution of each of us to safer work, health and environmental protection by communicating HSE topics and by internal campaigns. Training courses for leaders and employees, with the aim of improving HSE competencies and HSE leadership, were organised regularly and ad-hoc, by engaging internal resources.

In cooperation with Pančevo Health Centre and "Healthy Living" foundation, a series of training courses were held on the topic of health, whereon all employees, at all locations, were enabled to undergo training remotely, The infirmary in Pančevo Refinery started working again. In addition, the project "Ask a Doctor" was launched, facilitating communication of all NIS employees with different medical specialists, getting the second opinion and/or the interpretation of medical results.

To raise awareness of the significance of HSE for all business segments, as a new and well received practice by employees, the organisation of HSE Day was introduced at different locations in the Company, but also externally, through cooperation with universities in the Republic of Serbia. Accordingly, the HSE experts of NIS delivered lectures for students at faculties, or organised visit to NIS facilities for students, as a way of practical learning about the HSE system and the application of HSE measures at different NIS locations.

HSE training, development of HSE competencies and raising awareness of the employees

In 2022, the total of 52,957 employees received training courses in the field of HSE, with 234,840 working hours were spent to that end.

HSE motivation

In 2022, the additional motivation system for employees was revised, specifically the HSE motivation, by adopting the new Instructions for HSE Motivation through the Safety Leader Program and the relevant application was adjusted in line with the new concept. Safety is a top priority in our Company, and this category of motivation rewards the responsible attitude of employees to their own safety, as well as to the safety of their co-workers and surrounding. This category sets out the key activities that help us identify the best ambassadors of the HSE culture.

HSE inspections

The systematic monitoring of inspections by the competent authorities in all HSE areas showed that, during 2022, the number of inspections at our locations was slightly lower year on year and was below a multi-year average. This decrease entailed a lower number of ordered measures. In 2022, the majority of inspections at our location were conducted by the Serbian Ministry of Interior Affairs (field of fire protection), while the measures were equally ordered by the inspectors in the fields of fire protection and safety and health at work (89% out of the total number of measures ordered in 2022). The ratio of measures ordered by the environmental and water management inspectors was only 11% out of the total number of ordered measures. The drop in the number of measures ordered by the inspection bodies is the result of the commitment and work in general through the HSE system of NIS.

HSE indicators

HSE indicators	2021	2022	% changes
Injuries*	102	84	-18%
Lost-time injuries*	26	27	4%
Fire*	24	24	0%
Traffic accidents*	5	15	200%
Environmental pollution	10	8	-20%
Inspection visits coefficient	0.20	0.19	-5%
Visits by inspection bodies	754	647	-14%
Measures ordered during inspections	148	123	-17%

* *The data includes events for NIS j.s.c. Novi Sad, subsidiaries in the Republic of Serbia and abroad, as well as all contractors.*

Anti-Corruption and Anti-Fraud Policy

The Company has adopted the Anti-Corruption and Anti-Fraud Policy with a view to preventing corruption and enforcing the ban on participation in any form of corrupt behaviour or fraudulent activities.

The Policy provides conditions for timely detection, prevention and mitigation of the risk of illegal, unethical and corrupt behaviour and is underpinned by a unique standard of conduct, values, principles of lawful business and basic rules of combating corruption and fraud.

According to the provisions of the Policy, every person who has reasonable doubts related to performance of or preparation for corrupt or fraudulent actions, or in case of detection of such actions, is obliged to submit the relevant information using the predefined and secure communication channels, whereat the confidentiality is guaranteed. Moreover, the policy defines the measures assuring protection of persons submitting the information and the method of their application. These measures ensure that the person uncovering corrupt or fraudulent actions will face no retaliation.

Additionally, continuous analysis is run across all organizational unis of the Company to identify inherent corruption-related risks. The corruption indicators are continuously monitored, predominantly in the area of procurement of goods and services, in cooperation with buyers, and also in the process of verification of candidates for employment, appointment to management and other top positions at the Company, in the process of verification of business entities prior to entering into contracts, and in the process of approving the contractual and normative-methodological documents.

With a view to preventing any possible occurrence of corrupt behavior, the Company organized the education of its employees on how to identify the signs of corrupt activities in a timely manner. The members of the Company's governance bodies and the bodies established by them are familiar with anti-corruption rules and procedures in compliance with the Decision of the CEO, pursuant to which a standard template of the Anti-Corruption Agreement was adopted. Besides, members of Company's governance bodies and the bodies established by them are also familiar with the Anti-Corruption and Anti-Fraud Policy of the Company, in particular, with the clause of mandatory compliance with anti-corruption and anti-fraud legislation and the applicable rules and procedures related to anti-corruption activities.

Educating and training the employees from the organisational unit of the Company that is in charge of detection of corrupt and other unlawful behavior assume crucial importance. In 2022, the employees of this organisational unit received, among other, the following training courses including, but not limited to:

- ISO 31 000/Audit for risk management systems;
- Training for risk assessment in the protection of persons, property and business;
- ISO 19011:2018 Guidelines for auditing management systems.

In addition, employees are provided with anti-corruption training in the process of internal audits of business compliance with Company's normative documents.

During 2022, 1,572 potential employment candidates were verified at NIS j.s.c. Novi Sad. All new hires at NIS j.s.c. received an induction training that includes the introduction to anti-corruption rules and practices.

The Company's business procedures require that all business partners with whom NIS has entered into a contractual relationship sign the Anti-Corruption Agreement, in order to preserve and ensure a favorable business environment through preventive and individual action combating corrupt and/or unlawful actions and behavior. The Decision of the CEO stipulates the procedure to be applied in situations when a business partner refuses to sign the above-mentioned Agreement, which includes taking measures and actions by the Company's competent sections to establish genuine reasons for the refusal to sign the Agreement, following which the decision on further actions is to be made and approved.

In 2022, against 47 employees, whose actions or failure to act caused harmful consequences for the Company, proposals were submitted to the relevant managers for the initiation of disciplinary or misdemeanor proceedings, which ended with one of the disciplinary measures. Out of that number the measure of termination of the employment contract with the employee was pronounced in 17 cases. None of the mentioned cases involved corruption motives as the basis for initiating the relevant proceedings.

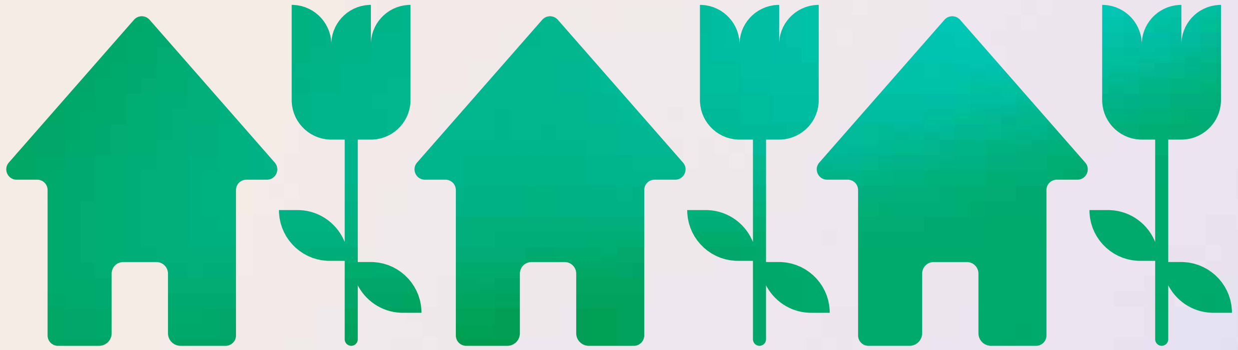
During 2022, there were 7 cases with business partners, where the contract was not concluded or the already existing contract on business cooperation was not renewed. The reasons for this are an unprofessional attitude towards contractual obligations, non-fulfillment or poor-quality fulfillment of contractual obligations, non-fulfillment of financial obligations/currency debt (jeopardized claims) towards the Company or subsidiaries, etc.

The implementation of planned anti-corruption measures to protect business with continuous education and exchange of experiences and good practices with the management and employees of NIS, especially with organisational parts whose scope includes the implementation of procurement activities and the sale of goods and services - is a permanent and binding task for all employees.

2

PARTNERSHIP FOR DEVELOPMENT

- For generations to come



In 2022, NIS continued to provide strong support for community development.

360 million dinars

were invested in socially responsible projects and professional sports.

Our priority was to support the national goal - improvements in the field of reproductive health and increasing the birth rate in our country.

Thus,

40 health institutions

in more than

30 and cities in Serbia

were supported as part of the corporate campaign "May new hopes to be born".

NIS will remain committed to the development of the community in the period ahead.

1.2.13

Corporate social responsibility

Corporate social responsibility and community development

In 2022, NIS continued with strong support to community development, by investing in socially responsible projects and support to professional sport. In 2022, RSD 360 million was invested in these areas. The campaign "May new hopes be born" and the ten-year anniversary of the Energy of Knowledge program marked the past year.

2022, within the Common Cause Community program, NIS dedicated itself to the topic of reproductive health and birth support. The selected projects are aimed at equipping health institutions at all levels of health care that deal with reproductive health. Some local governments were also supported in the implementation of public calls for co-financing the costs of couples in the process of in vitro fertilization. As this topic is a national priority, last year's Common Cause Community program was conducted under the slogan "May new hopes be born".

In continuation of the campaign of the same name, the company also provided support to maternity hospitals in less developed municipalities in the south and east of Serbia and provided funds for the purchase of necessary medical equipment for eight maternity hospitals.

The crown of the "May new hopes be born" campaign is the donation of 225 gift packages for 15 first-born babies in 2023 in 15 maternity hospitals in Serbia. A great contribution to this festive event was made by the members of the NIS Volunteer Club, who also donated disposable diapers and were involved in the delivery of gifts.

Thus, during the "May new hopes be born" campaign in 2022, NIS supported a total of 40 health institutions in more than 30 cities and municipalities in our country.

The members of the Volunteer Club of our Company also carried out other actions aimed at supporting various initiatives, where special attention was paid to ecology and environmental protection.

On the occasion of the World Environment Day, NIS volunteers participated in the cleaning action of the banks of the Sava River in Ada Ciganlija. In cooperation with the "Plugs on Pile Bringing Smile" Association, a cycle of workshops "Ecological education, healthy growing up!" was realized for more than 450 elementary school students. In addition, NIS firefighters gave a lecture on fire protection to high school students from Kikinda.

An internal volunteer competition "Change the circumstances in your environment" was also conducted. Part of the embankment within the Tikvara nature park in Bačka Palanka and the park in Banatsko Veliko Selo have been repaired. The sports centre in the town of Kula received maple seedlings. In the Zvečanska Centre for the Protection of Infants, Children and Youth, the area was enriched with greenery and the children's garden of medicinal herbs was renovated, and the park furniture was renovated in block 21 in Belgrade.

Employees of the Company showed humanity at work and by participating in a large number of voluntary blood donation actions.

During 2022, NIS implemented more than 30 sponsorship projects. Cooperation with the ”Partizan” basketball club, the “Belgrade Game Festival” and the “Science Festival” continued. Of particular importance to the company was youth sports and support for the development of future champions.

Last year, NIS published a verified Sustainable Development Report for the 12th time in a row in accordance with the standards of the world's leading organization in the field of sustainable business – Global Reporting Initiative (GRI).

In association with the “SOS Children's Villages Serbia”, workshops were held for young people from socially disadvantaged areas, in order to help them find adequate employment. The association “Women's Centre” of Užice, which gathers women from the less employable categories, was also supported, within which a social enterprise for the recycling of waste textiles also operates.

At the end of the year, the tenth anniversary of the Energy of Knowledge program was marked at a ceremony in the “Serbia” Palace in Belgrade, and on that occasion the results of the program since its inception were presented.

A continuous activity of the Energy of Knowledge program is the scholarship of the best domestic students in order to provide future experts for the company. In 2022, two new scholarships were awarded, as well as five more scholarships awarded through the Fund for Gifted Students of the University of Novi Sad.

NIS signed new memorandums of cooperation with nine higher education institutions.

In cooperation with the Faculty of Electrical Engineering in Belgrade, the Faculty of Electronics in Niš and the Faculty of Technical Sciences in Novi Sad, trainings in the field of digitization were held for more than 500 employees of the company.

The number of guest lectures by NIS experts to students of partner faculties was the highest so far: more than 30 guest lectures were given. A new concept of NIS promotion was implemented at partner faculties through the NIS HR and HSE Day, and more than 25 lectures have already been held.

In cooperation with HR, a program of paid internships began for students of the first generation of educational programs that were adapted and accredited with the support of NIS in secondary vocational schools in Pančevo and Zrenjanin.

Support for national and international knowledge competitions in mathematics, physics and chemistry, as well as NIS Olympiads in the Russian language and bilingual education in three schools in Serbia, continued.

Funds were donated to the Karlovac High School for the adaptation of the Russian language cabinet, and the implementation of Serbian language classes at the Russian School at the Embassy of the Russian Federation in Belgrade was also supported.

INVESTING IN THE FUTURE

- New technologies for the years ahead

Investing in modernization, constant technological development and the introduction of innovations are among the key business priorities of NIS.

Our digital transformation portfolio contains more than

100 projects and initiatives

in various stages of development and implementation.

In 2022, NIS invested a total of

22.1 billion dinars

in capital projects, which laid the foundations for the further progress of the NIS Group in challenging macroeconomic circumstances.

1.2.14

Communication

Public Relations

In 2022, NIS got a special recognition awarded by the "PC Press" magazine for the exceptional quality of business digital communications in the selection of Top50 online locations. This award is the result of constant efforts of the NIS Press Service to improve communication with the media and all other stakeholders, as well as to make all the most important information about NIS Group activities available to the widest public on as many channels as possible.

More information on Investor Relations on page 112

In the challenging circumstances when it comes to developments in the petroleum products market, the work of the NIS Press Service and transparent and timely informing the public about the fuel supply to domestic petrol stations has significantly contributed to providing consumers with information and stability on the domestic market.

The goal of NIS in the field of external communications is for the general public to be comprehensively informed about the business and other activities of the Company. Therefore, in 2022, the Press Service continued with the development of tools and channels of external communication, as well as with the adaptation of the communication style to current trends in the media and on social networks. In 2022, the NIS Press Service continued to maintain intensive contact with journalists, published a large number of statements on the Company's activities, organized press tours to NIS locations, and responded to media inquiries.

At the same time, the content was improved at the NIS corporate website (www.nis.rs), which is designed in accordance with the most modern tendencies in the field and available on all devices. In the Press Centre section, all stakeholders are enabled to find the most important information on the activities of NIS. In addition, the site also contains information on investors, data on the most important development projects, career development opportunities in NIS, as well as information on open tenders and procurement procedures. The content includes electronic versions of annual reports and reports on sustainable development, as well as the "Magazine" platform, where readers can get to know NIS from a different angle and have access to texts in the fields of culture, education, environmental protection, sustainable development, and human resources. Aware of the importance of social networks in the field of communications in the modern world, NIS continued to work on improving the company's presence in that field.

Informing employees

The year 2022 was marked by communication about the Company's work in challenging circumstances, with a focus on informing employees about the current situation and changes that have taken place in NIS.

Listening to the needs of employees and monitoring trends in the profession led to the improvement of the content of the Intranet portal and the functionality of its mobile version – mPortal. During 2022, a record number of visits to the Intranet portal was achieved, since its launch in 2018. The mPortal application is, first of all, intended for our colleagues in the field, who do not have access to online communication channels, so that they can be timely informed and connected with each other at all times. During 2022, the number of users of this application increased by 70%. Also, in addition to providing timely information to employees about all current events, an important task of internal communications is to support the improvement of corporate culture in NIS. The campaign to promote the corporate values of NIS continued, the goal of which is to bring our values closer to our colleagues and to apply them as much as possible in their daily work. This campaign also won the award for the best internal campaign in Serbia, at the prestigious festival of integrated communications "Kaktus".

Governmental relations

Cooperation with business associations

In 2022, NIS representatives actively cooperated with the following business and professional associations:

- National Petroleum Committee of Serbia of the World Petroleum Council (NPCS-WPC)
- Foreign Investors Council (FIC)
- American Chamber of Commerce in Serbia (AMCHAM)
- Serbian Chamber of Commerce (SCC).

As part of the cooperation with the NPCS-WPC, we would like to highlight the following significant activities that were carried out during 2022:

- Participation in the realization of the workshop "Application of the New Fiscalization System in the Republic of Serbia", which was organized with the representatives of the most important oil companies operating in the country.
- Organization and participation in the workshop "Digitization in the Oil and Gas and Energy Sector"
- Participation in the session of the Congress Programme Committee of the World Petroleum Council (CPC WPC), the regular session of the WPC Assembly, and the Youth Professionals Committee of the WPC in Kazakhstan, in order to prepare the participation of the NPCS – WPC delegation at the WPC Congress in Calgary in September 2023.

NIS had an active contribution in the preparation of the annual publication "White Paper 2022" of the Foreign Investors Council (FIC), which included recommendations for the Oil and Gas Sector as well as recommendations for the successful continuation of the fight against illegal trade in the Republic of Serbia as part of measures to improve business conditions.

Curbing the grey market

NIS supports the activities of state authorities in the fight against illegal trade and the grey market. We believe that it is very important to continue to improve the inspection system and further unify and develop the fiscal and electronic invoicing system. We also support the adoption of a new National Program for Countering Grey Economy and an accompanying action plan for its implementation, which envisages the continuity of the systemic approach of state authorities aimed at reducing the volume of the grey market in the country.

1.2.15

Research and Development

In all segments of its business, NIS is dedicated to continuous technological development and introducing innovations into business.

NTC NIS – Naftagas LLC Novi Sad, as a subsidiary in which NIS j.s.c. has a 100% share, provides scientific, technical, and innovation support to the parent company in the field of oil and gas exploration and production. The research and development activities within NTC have a dual role - coordinating and performing scientific and research work.

Implementation and development of new technologies, scientific and research activities, as well as increasing the efficiency of exploration, production and refining of oil and gas, remain in the focus of attention for the NTC NIS – Naftagas LLC Novi Sad management and employees.

In the field of geological and research projects, geological models have been developed for our three largest oil and gas fields: Velebit, Kikinda Varoš, and Mokrin. Additionally, the perspective of the areas where the exhausted deposits are located has been considered.

Within the activities of external projects, more than 4,000 km of 2D seismic data have been processed, which identify perspective facilities.

In accordance with the strategic plans of NIS, the Downstream Laboratory performed over 209,469 examinations of oil and petroleum products during 2022. The laboratory continued the trend of successful participation in international comparisons of test results and confirmed its competence for testing of refinery gases, liquid butane, motor fuel, aviation fuel, diesel fuel, gas oil, crude oil, engine oil, etc. It received 14 international “Certificate of Excellence” certificates from accredited PT examination providers. The analysis of the testing program for the project Reconstruction of the FCC plant and the construction of the ETBE production plant was completed.

In the previous year, more than 100 infrastructure projects were performed as part of the infrastructure project activities. The implementation of the SMP Turija project was completed. The first stage of the PPD Velebit conceptual design was completed and the second stage started, and the technical solution of the gas compression plant at the exploration gas wells was also implemented. Additionally, activities on the preparation of the investment PTD for the needs of the Exploration and Production Block were implemented, for the projects of connecting new wells.

In addition to the aforementioned activities, NTC has also been actively engaged in the development of digital technologies, as well as the application of information and communication technologies in the main business activity within the Business segment of new technologies and expertise. During 2022, the following digital projects were actively worked on:

a) GIR Platform – the existing architecture of the geological and technological database and facilitating access to them was optimized;

b) Evaluation of borehole profitability – a business application for the integration of data from existing information systems, more efficient qualitative and quantitative analysis of operational data, making operational decisions in a timely manner, reducing manual entry, increasing the degree of automation of reporting

c) Project of virtual flow measurement of ESP and downhole pumps

d) Intellectual seismic restoration

e) DiSKo platform

f) Petrophysicist toolbox

In all segments of its business, NIS is dedicated to continuous technological development and introducing innovations into business.

NTC experts were the authors of 12 scientific publications, and 277 employees participated in various professional trainings and conferences.

1.2.16

Further development

Exploration and production Block

Exploration and production

- Implementation of the exploration and development drilling programme in Serbia and Romania
- Maintaining high intensity of GTA in Serbia to maintain the level of production
- Comprehensive employment of one's own RIR technology, extension of RIR activities to Boka, Elemir, Palić, Kikinda, Kikinda Varoš, Iđoš Sever fields
- Maintaining the planned pace of base production decline
- Realization of 2D project for seismic works in B&H
- Possible continuation of collaboration with the Turkish national company in the field of seismic surveys
- Resuming works on capital reconstruction of oil and gas production and transportation facilities
- Development of the Teremia North field in Romania
- Realization of the Smart Asset project.

Downstream

Refining Block

During 2023, within the production activity of the Refining Block, the focus will be on the following activities:

- Implementation of projects and measures aimed at increasing the operational efficiency of Pančevo Refinery
- Preparation for the major overhaul of the refinery in 2024
- Integration with HIP Petrohemija j.s.c. Pančevo
- Obtaining the revision of the IPPC (Integrated Pollution Prevention and Control) permit for the operation of the existing plants and the new DCU;
- Diagnostics for the Karkas 4 and 5 Safety Shield Program.

Within the investment projects, during 2023, the focus will be on the project Reconstruction of the FCC plant and construction of a new ETBE plant.

Activities on other projects are also planned:

- Reconstruction of industrial track at Pančevo Refinery
- GB-2301/2501 compressor drive replacement
- Installation of the system for automatic dosing and adding markers and additives to motor fuels at the Pančevo Refinery auto-loading station
- Reconstruction of the fire protection system at Pančevo Refinery
- Implementation of biofuels at Pančevo Refinery
- Implementation of digital transformation projects and OMS:
  - Implementation of predictive maintenance tools (Predictive Maintenance with Machine learning)
  - Remote Analytics Testing (Remote Analytics of Platformer Unit)
  - Further development of the applied practice of the OMS Reference Plants to the entire Refining Block
  - Implementation of the AMS (Asset Management System) and WEM (Work Execution Management) system, increasing the reliability of the operation of the Refining Block.

Sales and distribution Block

Goals:
- Increasing the share in the retail market and the motor fuel market in Serbia, which exceeds the pre-crisis level from 2021;
- Ensuring energy stability in the conditions of disrupting before-the-crisis traditional chains of supply in the Balkans;
- Implementation of the strategic project of reconstruction and modernization of petroleum product warehouses;
- The sales margin covers the rising inflation and the rising consumer prices.

Investments:
- Construction of 4 facilities: 2 NIS Petrol-branded PSs in Serbia and 2 GAZPROM-branded PSs, one of each in Serbia and Bosnia;
- Introduction to exploitation, after the total reconstruction of 6 NIS-Petrol branded PSs;
- Long-term lease of 1 PS in Bosnia;
- Reconstruction of Niš NB; Reconstruction of G11 and G12 tanks at Novi Sad NB;
- Replacement of 8 tank trucks for LPG, replacement of 6 tractors and overhaul of semi-trailer truck for LPG, replacement of 8 tractors and overhaul of semi-trailer truck for light petroleum products.

Digital transformation projects:
- DRIVE.Go mobile application – functionality development:
  - prepaid payment model
  - paying for coffee
  - paying for partner's services and products
- We stimulate the introduction of virtual cards – an additional channel to attract new customers
- Development of the web portal of the Regional Wholesale Department
- Automation of the goods receipt process at PSs (Mobile PDA)
- Development of dispatching software
- G-Manager
- Order and pay stands on highway PSs
- Automation of the aviation fuel receipt and storage process
- Improvement and development of new functionalities in the mobile application for corporate clients – payment of fuel at PS.

Energy Block

During the year 2023, within the Energy Block, the focus will be on the following activities:

- Realization of the annual Agreements on the complete supply of energy from natural gas, as well as on the Agreements on the sale of energy from natural gas for the gas year 2022/2023
- Realization of the Agreement on the sale of CNG with Ostrovo Gas Unit
- Balancing of the natural gas portfolio and preparation of the natural gas transport contract with the operator of the natural gas transport system
- Follow-up of the RS Government Regulation on the temporary measure of natural gas price restrictions, which is in effect until April 30, 2023
- Preparation for the liberalization of the natural gas market, as well as the analysis of alternative routes of natural gas supply
- In the electricity trade segment, the expectations for 2023 are very encouraging. Good results are expected because the period of high prices will continue in 2023
- In order to reduce energy consumption and increase energy efficiency in the Company, it is planned to implement the measures determined on the basis of the conducted analyzes and programs.

2. FINANCIAL STATEMENTS

2.01
Stand-Alone Financial Statements

Independent Auditor's report on Stand-Alone Financial Statements

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Opinion

We have audited the financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) which comprise the Balance sheet as at December 31, 2022, and the Income statement, Statement of other comprehensive income, Statement of cash flows and Statement of changes in equity for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with the Law on Audit of the Republic of Serbia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements that are relevant for auditing financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 22 to the financial statements. As described in the notes to the financial statements, the Company recognized provisions in the amount of RSD 11,275,101 thousand.

Provisions for decommissioning and environmental protection require significant management judgment due to numerous assumptions that are influenced by future activities, economic factors, and the legislator environment in which the Company operates. The most significant estimates include the estimate of future costs to settle the present obligation, inflation and discount rates, and exploitation period.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Key Audit Matters (Continued)

Auditing this area of the financial statements is a complex process as it requires us to evaluate assumptions for future cost estimates for which there is limited comparative data as decommission of gas and oil infrastructure is an emerging area. The assessment of the mentioned factors affects the determination of the exact amount of provisions, which represents a materially significant item in the financial statements.

The management performs an annual review of the provisions for the decommission and environmental protection, namely for funds for exploration and evaluation and funds for the production and processing of oil and oil derivatives. The review by the management includes an analysis of changes in legislation in the Republic of Serbia, cost estimates, inflation and discount rates, and maturity of obligations.

Audit approach:

Our audit procedures included an understanding of the legal obligations regarding the decommission and environmental protection, and in accordance with the provisions of the Law on Mining and Geological Research and the Law on Environmental Protection, to which the Company is obliged to, during and after the completion of works on exploitation, recultivation of the land and to prevention of the further spread of pollution caused by the accident, to take remedial measures according to the protection plans at its own expense.

We have also performed the following audit procedures:

- We have performed testing of arithmetic accuracy of the model that the Company have used when calculating provisions;
- We reviewed the status of the wells on a sample basis and compared them with the status within the well fund, which is the foundation for the calculation of provisions;
- We have compared the changes in the status of the wells in the current year to the previous year, since the change in the status of the wells can have a material impact on the calculation of provisions;
- We have tested the completeness of the data, comparing it with other information within the business records and auditing procedures related to real estate, plants and equipment;
- We have assessed the justification of the applied discount rate as one of the assumptions for the calculation of provisions by comparing it with the rate on government bonds of the Republic of Serbia taken over from the National Bank of Serbia;
- We have evaluated and we have gained understanding of the assumptions related to the costs necessary for the liquidation and recultivation of the land;
- We have performed a review of the sensitivity analysis prepared by management for the main assumptions;
- We have gained an understanding of the Company's procedures applied by the management to estimate and record long-term provisions. This included understanding whether there was a legal or contingent obligation to establish a provision.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Other Matter

The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on March 03, 2022.

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2022.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In connection with the consolidated Annual business report, we have also carried out procedures in accordance with the Law on Accounting of the Republic of Serbia. These procedures include consideration of whether the consolidated Annual business report contains the disclosures required by the Law on Accounting of Serbia. Based on the procedures performed during the audit, in our opinion:

- ✓ the consolidated Annual business report was prepared in accordance with the requirements of the Law on Accounting of the Republic of Serbia and
- ✓ the information provided in the consolidated Annual business report for the financial year for which financial statements are prepared are consistent with the financial statements.

Additionally, based on the understanding of the Company's operations and its business environment acquired during the audit, we are required to disclose in the report if we conclude that there is a material misstatement in the consolidated Annual business report. In that sense, there is nothing we need to say in the report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law on Accounting of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Audit of 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 financial statements.

As part of an audit in accordance with the Law on Audit of 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its associates and jointly controlled entities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Belgrade, March 01, 2023

Srđan Božović

The engagement partner on audit project

Licensed auditor

Balance sheet

		AOP	Note	31 December 2022	31 December 2021
A.	**SUBSCRIBED CAPITAL UNPAID**	**0001**		**-**	**-**
B.	**NON-CURRENT ASSETS (0003+0009+0017+0018+0028)**	**0002**		**321,293,674**	**322,464,878**
I.	**INTANGIBLE ASSETS (0004+0005+0006+0007+0008)**	**0003**	**7**	**15,715,351**	**16,256,358**
	1. Development investments	0004		10,830,934	11,832,783
	2. Concessions, licenses, software and other rights	0005		3,474,961	3,093,897
	3. Goodwill	0006		-	-
	4. Intangible assets in lease and under development	0007		1,409,456	1,329,678
	5. Advances for intangible assets	0008		-	-
II.	**PROPERTY, PLANT AND EQUIPMENT (0010+0011+ 0012+0013+0014+0015+0016)**	**0009**		**260,732,530**	**262,655,361**
	1. Land and buildings	0010	8a	164,408,322	162,589,004
	2. Machinery and equipment	0011	8a	78,317,642	83,522,917
	3. Investment property	0012	8c	1,605,254	1,778,608
	4. Property, plant and equipment in lease and construction in progress	0013	8a,8b	15,138,208	14,287,075
	5. Other property, plant and equipment and investments in leased PP&E	0014	8a	221,174	204,197
	6. Advances for PP&E - domestic	0015	8a	987,949	190,021
	7. Advances for PP&E - foreign	0016	8a	53,981	83,539
III.	**BIOLOGICAL ASSETS**	**0017**		**-**	**-**
IV.	**LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+ 0025+0026+0027)**	**0018**		**44,845,793**	**43,553,159**
	1. Investments in legal entities (except those evaluated using the equity method)	0019	9	13,517,853	13,517,527
	2. Investments in legal entities evaluated by equity method	0020	10	1,038,800	1,038,800
	3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021	11	1,868,080	-
	4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties- foreign	0022	11	26,772,569	27,188,599
	5. Long-term investments - domestic	0023		9,367	9,515
	6. Long-term investments - foreign	0024		-	-
	7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
	8. Purchased own shares	0026		-	-
	9. Other long-term financial investments and long-term receivables	0027	12	1,639,124	1,798,718
V.	**LONG - TERM ACCRUED AND DEFERRED INCOME**	**0028**		**-**	**-**
C.	**DEFFERED TAX ASSETS**	**0029**	**13**	**2,971,445**	**2,564,817**
G.	**CURRENT ASSETS (0031+0037+0038+0044+0048+ 0057+0058)**	**0030**		**198,703,857**	**94,310,479**

in 000 RSD

		AOP	Note	31 December 2022	31 December 2021
I.	**INVENTORY (0032+0033+0034+0035+0036)**	**0031**	**14**	**54,744,384**	**33,475,271**
	1. Materials, spare parts and tools	0032		26,598,827	15,646,047
	2. Work in progress and finished goods	0033		25,900,463	15,696,766
	3. Merchandise	0034		1,664,301	1,820,030
	4. Advances for inventory and services - domestic	0035		363,593	226,522
	5. Advances for inventory and services - foreign	0036		217,200	85,906
II.	**FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION**	**0037**		**27,318**	**47,493**
III	**TRADE RECEIVABLES (0039+0040+0041+0042+0043)**	**0038**	**15**	**42,732,319**	**30,962,130**
	1. Trade receivables - domestic	0039		31,630,516	21,818,232
	2. Trade receivables - foreign	0040		1,042,078	1,238,566
	3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		2,122,276	2,446,726
	4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		7,937,449	5,458,606
	5. Other trade receivables	0043		–	–
IV.	**OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)**	**0044**	**16**	**2,590,493**	**1,796,245**
	1. Other receivables	0045		2,472,177	1,723,086
	2. Receivables for overpaid income tax	0046		–	–
	3. Receivables from overpaid other taxes and contributions	0047		118,316	73,159
VI.	**SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+ 0051+0052+0053+0054+0055+0056)**	**0048**	**17**	**6,473,739**	**1,954,526**
	1. Short-term loans and investments - parent and subsidiaries	0049		201,993	148,298
	2. Short-term loans and investments – other related parties	0050		–	–
	3. Short-term loans and investments - domestic	0051		75,226	1,806,228
	4. Short-term loans and investments - foreign	0052		192,821	–
	5. Securities evaluted at amortized cost	0053		–	–
	6. Financial assets evaluated through profit or loss	0054		–	–
	7. Purchased own shares	0055		–	–
	8. Other short-term financial investments	0056		6,003,699	–
VI.	**CASH AND CASH EQUIVALENTS**	**0057**	**18**	**83,083,255**	**20,336,901**
VII.	**PREPAYMENTS AND ACCRUED INCOME**	**0058**	**19**	**9,052,349**	**5,737,913**
D	**TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)**	**0059**		**522,968,976**	**419,340,174**
E	**OFF-BALANCE SHEET ASSETS**	**0060**	**20**	**127,991,900**	**120,411,350**
A.	**EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0**	**0401**	**21**	**359,816,117**	**272,247,874**
I.	**EQUITY**	**0402**		**81,530,200**	**81,530,200**
II.	**SUBSCRIBED CAPITAL UNPAID**	**0403**		**-**	**-**
III.	**SHARE PREMIUM**	**0404**		**-**	**-**
IV.	**RESERVES**	**0405**		**-**	**-**

in 000 RSD

		AOP	Note	31 December 2022	31 December 2021
V.	**POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT**	**0406**		**154,012**	**256,504**
VI.	**UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT**	**0407**		**62,225**	**58,151**
VII.	**RETAINED EARNINGS (0409+0410)**	**0408**		**278,194,130**	**190,519,321**
	1. Retained earnings from previous years	0409		184,737,199	167,387,576
	2. Retained earnings from current year	0410		93,456,931	23,131,745
VIII.	**NON-CONTROLLING INTEREST**	**0411**		**-**	**-**
IX.	**LOSS (0413+0414)**	**0412**		**-**	**-**
	1. Loss from previous years	0413		–	–
	2. Loss from current year	0414		–	–
B.	**LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)**	**0415**		**75,724,966**	**84,315,286**
I.	**LONG-TERM PROVISIONS (0417+0418+0419)**	**0416**	**22**	**11,150,060**	**12,029,890**
	1. Provisions for employee benefits	0417		694,752	955,156
	2. Provisions for warranty claims	0418		–	–
	3. Other long term provisions	0419		10,455,308	11,074,734
II.	**LONG-TERM LIABILITIES (0421+0422+0423+0424+ 0425+0426+0427)**	**0420**	**23**	**64,574,906**	**72,285,396**
	1. Liabilities convertible to equity	0421		–	–
	2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422		–	–
	3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423		–	2,734,468
	4. Long-term loans and finance lease liabilities - domestic	0424		47,311,599	47,074,541
	5. Long-term loans and finance lease liabilities - foreign	0425		16,412,357	21,630,304
	6. Liabilities for issued securities	0426		–	–
	7. Other long-term liabilities	0427		850,950	846,083
III.	**LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES**	**0428**		**-**	**-**
C.	**DEFFERED TAX LIABILITIES**	**0429**	**13**	**-**	**-**
D.	**LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED**	**0430**		**-**	**-**
E.	**SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433 +0441+0442+0449+0453+0454)**	**0431**		**87,427,893**	**62,777,014**
I.	**SHORT-TERM PROVISIONS**	**0432**	**22**	**1,899,914**	**1,575,245**
II.	**SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436 +0437+0438+0439+0440)**	**0433**	**24**	**11,654,705**	**9,567,495**
	1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		4,036,953	2,188,400

in 000 RSD

		AOP	Note	31 December 2022	31 December 2021
	2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		2,728,428	5,468,935
	3. Short-term loans and borowings from other parties	0436		498 ,203	330,579
	4. Short-term loans from domestic banks	0437		3,582,756	1,296,026
	5. Short-term loans, borowings and liabilities - foreign	0438		808 ,365	283,555
	6. Liabilities on short-term securities	0439		-	-
	7. Liabilities based on financial derivatives	0440		-	-
III.	**ADVANCES RECEIVED**	**0441**		**11.298.696**	**3,014,225**
IV.	**TRADE PAYABLES (0443+0444+0445+0446+0447+0448)**	**0442**	**25**	**25.456.060**	**25,792,739**
	1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		7,796,328	6,296,090
	2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		67,847	1,020,672
	3. Trade payables - domestic	0445		6,266,698	6,299,767
	4. Trade payables - foreign	0446		11,309,738	12,153,357
	5. Liabilities on promissory notes	0447		-	-
	6. Other operating liabilities	0448		15,449	22,853
V.	**OTHER SHORT-TERM LIABILITIES (450+451+452)**	**0449**	**26**	**33,575,224**	**19,401,280**
	1. Other short-term liabitilies	0450		6,061,073	5,653,717
	2. Liabilities for VAT and other taxes	0451		13,521,458	9,602,948
	3. Profit tax liabilities	0452		13,992,693	4,144,615
VI.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS**	**0453**		**-**	**-**
VII.	**SHORT-TERM ACCRUED EXPENSES**	**0454**	**27**	**3,543,294**	**3,426,030**
F.	**LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0**	**0455**		**-**	**-**
G.	**TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)**	**0456**		**522,968,976**	**419,340,174**
H.	**OFF-BALANCE SHEET LIABILITIES**	**0457**	**20**	**127,991,900**	**120,411,350**

in 000 RSD

Income statement

		AOP	Note	Year ended 31 December 2022	2021
A.	**OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)**	**1001**		**499,132,440**	**281,048,041**
I.	**INCOME FROM THE SALE OF GOODS (1003+1004)**	**1002**	**6**	**38,615,427**	**21,753,006**
	1. Income from sale of goods on domestic market	1003		37,488,527	20,853,118
	2. Income from sale of goods on foreign market	1004		1,126,900	899,888
II.	**INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)**	**1005**	**6**	**447,922,186**	**252,871,221**
	1. Income from sales of products and services on domestic market	1006		379,672,743	196,912,872
	2. Income from sales of products and services on foreign market	1007		68,249,443	55,958,349
III.	**WORK PERFORMED BY THE ENTITY AND CAPITALIZED**	**1008**		**1,793,652**	**1,622,071**
IV.	**INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS**	**1009**		**10,203,697**	**4,174,664**
V.	**DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS**	**1010**		**-**	**-**
VI.	**OTHER OPERATING INCOME**	**1011**	**6**	**407,556**	**367,487**
VII.	**INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)**	**1012**	**28**	**189,922**	**259,592**
B.	**OPERATING EXPENSES (1014+1015+1016+1020+1021 +1022+1023+1024)**	**1013**		**387,362,877**	**252,422,316**
I.	**COST OF GOODS SOLD**	**1014**		**35,828,930**	**18,768,162**
II.	**COST OF MATERIAL, FUEL AND ENERGY**	**1015**	**29**	**279,608,303**	**165,947,034**
III.	**COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES**	**1016**	**30**	**18,902,369**	**17,279,387**
	1. Cost of salaries and fringe benefits	1017		15,831,403	14,326,304
	2. Cost of tax and contributions on wages and salaries	1018		2,121,658	1,955,945
	3. Other personal expenses	1019		949,308	997,138
IV.	**DEPRECIATION, DEPLETION AND AMORTIZATION**	**1020**	**7,8**	**23,122,898**	**22,685,589**
V.	**EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)**	**1021**	**31**	**207,208**	**819,860**
VI.	**COST OF PRODUCTION SERVICES**	**1022**	**32**	**17,070,182**	**15,180,045**

in 000 RSD

		AOP	Note	Year ended 31 December 2022	2021
VII.	COST OF PROVISION	1023		597,595	824,266
VIII.	NON-PRODUCTION COSTS	1024	33	12,025,392	10,917,973
C.	OPERATING GAIN (1001-1013)>=0	1025		111,769,563	28,625,725
D.	OPERATING LOSS (1013-1001)>=0	1026		-	-
E.	FINANCE INCOME (1028+1029+1030+1031)	1027	34	5,432,711	2,581,777
I.	FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1028		2,806,138	1,829,712
II.	INTEREST INCOME	1029		2,055,522	216,833
III.	FOREIGN EXCHANGE GAIN	1030		531,965	488,922
IV.	OTHER FINANCIAL INCOME	1031		39,086	46,310
G.	FINANCE EXPENSES (1033+1034+1035+1036)	1032	35	6,797,866	3,951,373
I.	FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		3,661,266	1,871,988
II.	INTEREST EXPENSE	1034		1,665,039	1,581,071
III.	FOREIGN EXCHANGE LOSS	1035		1,404,121	490,640
IV.	OTHER FINANCIAL EXPENSE	1036		67,440	7,674
I.	PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	1037		-	-
J.	LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	1038		1,365,155	1,369,596
K.	INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	36	697,015	332,221
L.	LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	37	465,281	365,976
M.	OTHER INCOME	1041	38	1 ,243,447	1,011,075
N.	OTHER EXPENSE	1042	39	1 ,132,715	945,285
O.	TOTAL INCOME (1001+1027+1039+1041)	1043		506,505,613	284,973,114
P.	TOTAL EXPENSE (1013+1032+1040+1042)	1044		395,758,739	257,684,950
Q.	OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		110,746,874	27,288,164
R.	OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		-	-

in 000 RSD

		AOP	Note	Year ended 31 December 2022	2021
S.	POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1047		-	-
T.	NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1048		-	-
U.	PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	1049		110,746,874	27,288,164
V.	LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		-	-
W.	INCOME TAX				
I.	CURRENT INCOME TAX	1051	40	17,696,181	4,155,337
II.	DEFERRED TAX EXPENSE FOR THE PERIOD	1052	40	221,765	671,385
III.	DEFERRED TAX INCOME FOR THE PERIOD	1053	40	628,003	670,303
X.	PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y.	NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		93,456,931	23,131,745
Z.	NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	-
I.	NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	1057		-	-
II.	NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		-	-
III.	NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	1059		-	-
IV.	NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		-	-
V.	EARNINGS PER SHARE			-	-
	1. Basic earnings per share	1061		-	-
	2. Diluted earnings per share	1062		-	-

in 000 RSD

Statement of other comprehensive income

		AOP	Note	Year ended 31 December 2022	2021
A.	**NET PROFIT/LOSS**				
I.	**NET PROFIT (AOP 1055)**	**2001**		**93,456,931**	**23,131,745**
II.	**NET LOSS (AOP 1056)**	**2002**		**-**	**-**
B.	**OTHER COMPREHENSIVE PROFIT/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 of revaluation reserves	2003		-	-
	b) decrease of revaluation reserves	2004		-	-
2.	**Actuarial gains (losses) of post employmet benefit obligations**				
	a) gains	2005		-	7,926
	b) losses	2006		106,836	-
3.	**Gains or losses arising from a share in the associate's other comprehensive profit or loss**				
	a) gains	2007		-	-
	b) losses	2008		-	-
b)	*Items that may be subsequently reclassified to profit or loss*				
1.	**Gains and losses arising from equity investments**				
	a) gains	2009		-	-
	b) losses	2010		-	-
2.	**Gains (losses) from currency translation differences**				
	a) gains	2011		-	-
	b) losses	2012		-	-
3.	**Gains (losses) on investment hedging instruments in foreign business**				
	a) gains	2013		-	-
	b) losses	2014		-	-
4.	**Gains (losses) on hedging in a cash flow hedge**				
	a) gains	2015		-	-
	b) losses	2016		-	-
5.	**Gains (losses) from change in value of available-for-sale financial assets**				
	a) gains	2017		-	783
	b) losses	2018		-	-

in 000 RSD

		AOP	Note	Year ended 31 December 2022	2021
I	**OTHER COMPREHENSIVE GAIN BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0**	**2019**		**-**	**8,709**
II	**OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0**	**2020**		**106,836**	**-**
III	**DEFERRED TAX EXPENSE ONR OTHER COMPREHENSIVE PROFIT (LOSS)**	**2021**		**-**	**-**
IV	**DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT (LOSS)**	**2022**		**-**	**-**
V.	**TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0**	**2023**		**-**	**8,709**
VI.	**TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0**	**2024**		**106,836**	**-**
C.	**TOTAL NET COMPREHENSIVE PROFIT**				
I.	**TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0**	**2025**		**93,350,095**	**23,140,454**
II.	**TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0**	**2026**		**-**	**-**
D.	**TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2028+2029)=AOP 2025>=0 or AOP 2026>0**	**2027**		**-**	**-**
	1. Attributable to shareholders	2028		-	-
	2. Attributable to non-controling interest	2029		-	-

in 000 RSD

Statement of cash flows

	AOP	Note	Year ended 31 December 2022	Year ended 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	**3001**		**763,679,874**	**491,100,307**
1. Sales and advances received - domestic	3002		724,322,139	435,668,088
2. Sales and advances received - foreign	3003		35,277,407	54,578,018
3. Interest from operating activities	3004		1,590,841	486,714
4. Other inflow from operating activities	3005		2,489,487	367,487
II. Cash outflow from operating activities (1 до 8)	**3006**		**657,822,045**	**451,588,590**
1. Payments and prepayments to suppliers - domestic	3007		89,620,209	64,307,109
2. Payments and prepayments to suppliers - foreign	3008		281,917,634	158,970,886
3. Salaries, benefits and other personal expenses	3009		17,661,415	17,468,884
4. Interest paid - domestic	3010		1,029,995	902,182
5. Interest paid - foreign	3011		483,418	538,086
6. Income tax paid	3012		7,858,372	134,760
7. Payments for other public revenues	3013		259,251,002	208,971,364
8. Other payments from operating activities	3014		-	295,319
III. Net cash inflow from operating activities (I - II)	**3015**		**105,857,829**	**39,511,717**
IV. Net cash outflow from operating activities (II - I)	**3016**		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3017**		**4,984,810**	**4,790,939**
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		388,704	372,507
3. Other financial investments	3020		4,596,106	4,374,543
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		-	43,889
II. Cash outflow from investing activities (1 to 3)	**3023**		**34,464,322**	**25,638,451**
1. Acquisition of subsidiaries or other business	3024		-	-
2. Purchase of intangible assets, property, plant and equipment	3025		23,644,635	20,661,113
3. Other financial investments	3026		10,819,687	4,977,338
III. Net cash inflow from investing activities (I - II)	**3027**		**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3028**		**29,479,512**	**20,847,512**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	**3029**		**21,933,670**	**32,081,880**
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	23	3,905,907	11,438,785
3. Proceeds from long-term borrowings - foreign	3032	23	593,845	5,290,915
4. Proceeds from short-term borrowings - domestic	3033	23	16,946,590	15,352,180
5. Proceeds from short-term borrowings - foreign	3034		487,328	-
6. Other long-term liabilities	3035		-	-
7. Other short-term liabilities	3036		-	-
II. Cash outflow from financing activities (1 to 8)	**3037**		**34,526,466**	**38,461,093**
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	23	2,957,319	15,991,610
3. Repayment of long-term borrowings - foreign	3040	23	11,105,986	6,165,092
4. Repayment of short-term borrowings - domestic	3041	23	14,273,781	14,919,815
5. Repayment of short-term borrowings - foreign	3042		-	-
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	23	407,258	383,385
8. Dividend distribution	3045	21	5,782,122	1,001,191
III. Net cash inflow from financing activities (I - II)	**3046**		**-**	**-**
IV Net cash outflow from financing activities (II - I)	**3047**		**12,592,796**	**6,379,213**
D. TOTAL CASH INFLOW (3001+3017+3029)	**3048**		**790,598,354**	**527,973,126**
E. TOTAL CASH OUTFLOW (3006+3023+3037)	**3049**		**726,812,833**	**515,688,134**
F. NET CASH INFLOW (3048-3049)>=0	**3050**		**63,785,521**	**12,284,992**
G. NET CASH OUTFLOW (3049-3048)>=0	**3051**		**-**	**-**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3052**		**20,336,901**	**7,949,785**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3053**		**50,761**	**332,156**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3054**		**1,089,928**	**230,032**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	**3055**	**18**	**83,083,255**	**20,336,901**

in 000 RSD

Statement of changes in equity

	AOP	Share capital	AOP	Rev. reserves and unr. gains and losses	AOP	Retained earnings	AOP	Loss	AOP	Total
1. Balance as at 01 January 2021	**4001**	**81,530,200**	**4037**	**190,100**	**4046**	**174,296,809**	**4055**	**5,908,498**	**4073**	**250,108,611**
2. Adjustments of material errors and changes in accounting policies	4002	–	4038	–	4047	–	4056	–	4074	–
3. Restated opening balance as at 1 January 2021	**4003**	**81,530,200**	**4039**	**190,100**	**4048**	**174,296,809**	**4057**	**5,908,498**	**4075**	**250,108,611**
4. Net changes in 2021	4004	-	4040	8,253	4049	16,222,512	4058	(5,908,498)	4076	22,139,263
5. Balance as at 31 December 2021	**4001**	**81,530,200**	**4041**	**198,353**	**4050**	**190,519,321**	**4059**	**-**	**4077**	**272,247,874**
6. Adjustments of material errors and changes in accounting policies	4006	–	4042	–	4051	–	4060	–	4078	–
7. Restated opening balance as at 01 January 2022	**4007**	**81,530,200**	**4043**	**198,353**	**4052**	**190,519,321**	**4061**	**-**	**4079**	**272,247,874**
8. Net changes in 2022	4008	–	4044	(106,566)	4053	87,674,809	4062	–	4080	87,568,243
9. Balance as at 31 December 2022	**4009**	**81,530,200**	**4045**	**91,787**	**4054**	**278,194,130**	**4063**	**-**	**4081**	**359,816,117**

in 000 RSD

Notes to the Standalone 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.

On 6 May 2022, PJSC Gazprom acquired 6.15% of the Company's shares. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company (PJSC Gazprom - 6.15% of the authorized capital of NIS, PJSC Gazprom Neft - 50% of the authorized capital of NIS).

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 Shareholders' Assembly for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements for the year ended 31 December 2022 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, 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 2022 from 81.325 $/barrel to 81.47 $/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. Comparative Data

In the enclosed financial statements, the Company reclassified the comparative data in the balance sheet and income statement items, in accordance with the

* *All amounts are in RSD 000, unless otherwise stated.*

amendments to the Rulebook on Chart of Accounts and the Content of Accounts in the Chart of Accounts for Companies, Cooperatives and Entrepreneurs ("Official Gazette of the Republic of Serbia" No. 89/2020) and amendments to the Rulebook on the Content and Form of Financial Statements and the Content and Form of Statistical Report for Companies, Cooperatives and Entrepreneurs ("Official Gazette of the Republic of Serbia" No. 89/2020) applying to the preparation of financial statements as at 31 December 2022.

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 useful 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 38 and 39).

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.

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.

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 income/expenses from valuation of assets (except financial) (note 28 and 31).

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 re-assessed.

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 expired).

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 39).

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 2020, the Company has made decision to introduce new three-year (2021-2023) program for Company's managers which will be based on the Key Performance Indicators ("KPI") reached during the program (note 22).

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 authorities 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 27.

(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. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Group estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Group estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

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.

3.2. 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 2022 would be to increase/decrease it by 2,090,570 RSD (2021: 2,066,109 RSD).

3.3. 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 7.80% (rather than 6.80% per year, the past service liability (DBO) for the Company would decrease by about 7.73% for retirement indemnity and 5.20% 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 9.11% for the retirement indemnity.

3.4. 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 7.80% (rather than 6.80%) per year, the present liability would have decreased by approx. 1,163,584 RSD (31 December 2021: 4.49% (rather than 3.49%) per year the present liability would have decreased by approx. 1,015,618 RSD).

3.5. 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 41).

3.6. 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 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 58.5 bln RSD (31 December 2021: 60.6 bln RSD).

Oil prices are based on the available forecasts from globally recognized research.

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 AMENDMENTS TO THE EXISTING STANDARDS

The amendments to the existing standards which became effective on 1 January 2022 did not have any material impact on the Financial Statements.

Preparing these Financial Statements the Group adopted early the amendments to IAS 1 with regard to the disclosure of accounting policies that become effective for annual periods beginning on or after 1 January 2023. In accordance with these amendments instead of short review of significant accounting policies which would substantially duplicate or summarise the IFRS requirements the Group disclosed the material accounting policy information relating to material transactions and includes approaches chosen by the Group from alternatives permitted by the IFRS and includes approaches developed by the Group in the absence of an IFRS Standard that specifically applies and relating to areas where the Group is required to make significant judgements and assumptions while applying the accounting policy.

5. FINANCIAL RISK MANAGEMENT

5.1. 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 2022	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	92,226	–	–	–	92,226
Long-term investments in subsidiaries foreign	–	26,772,569	–	–	26,772,569
Long term loans provided - domestic	–	1,868,080	–	–	1,868,080
LT loans issued	9,367	–	–	–	9,367
Other long-term investments	289,397	1,343,118	6,609	–	1,639,124
Current					
Trade receivables	31,881,669	10,850,610	–	40	42,732,319
Other receivables	169,147	2,128,601	173,912	517	2,472,177
Short term financial investments	6,217,169	256,570	–	–	6,473,739
Cash and cash equivalents	72,784,633	10,279,219	272	19,131	83,083,255
Financial liabilities					
Non-current					
Long-term liabilities	(15,887)	(64,487,868)	(31,524)	(39,627)	(64,574,906)
Current					
Short-term financial liabilities	(3,895,740)	(7,633,832)	(56,991)	(68,142)	(11,654,705)
Trade payables	(14,133,228)	(10,815,551)	(478,454)	(28,827)	(25,456,060)
Other short-term liabilities	(5,747,106)	(140,831)	(172,959)	(177)	(6,061,073)
Net exposure	**87,651,647**	**(29,579,315)**	**(559,135)**	**(117,085)**	**57,396,112**

As of 31 December 2021	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,900	–	–	–	91,900
Long-term investments in subsidiaries foreign	–	27,188,599	–	–	27,188,599
Long-term loans provided – domestic	9,515	–	–	–	9,515
Other long-term investments	301,068	1,491,413	6,236	1	1,798,718
Current					
Trade receivables	23,391,662	7,413,290	157,139	39	30,962,130
Other receivables	109,410	1,355,261	257,898	517	1,723,086
Short term financial investments	159,494	1,795,031	–	1	1,954,526
Cash and cash equivalents	10,643,133	8,934,634	750,211	8,923	20,336,901
Financial liabilities					
Non-current					
Long-term liabilities	(5,454)	(72,086,250)	(83,512)	(110,180)	(72,285,396)
Current					
Short-term financial liabilities	(2,097,561)	(7,351,695)	(46,968)	(71,271)	(9,567,495)
Trade payables	(13,860,182)	(11,606,435)	(311,480)	(14,642)	(25,792,739)
Other short-term liabilities	(5,399,326)	(85,025)	(167,161)	(2,205)	(5,653,717)
Net exposure	**13,343,659**	**(42,951,177)**	**562,363**	**(188,817)**	**(29,233,972)**

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2022	31 December 2021
EUR	117.3224	117.5821
USD	110.1515	103.9262

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 2022, if the currency had strengthened/weaken by 1% against the EUR with all other variables held constant, pre-tax profit for the year and equity would have been 295,793 RSD (2021: 429,512 RSD) higher/lower, mainly as a result of foreign exchange gains/(losses) on translation of EUR – denominated borrowings.

As at 31 December 2022, if the currency had strengthened/weaken by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 11,183 RSD (2021:11,247 RSD) 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 2022 would have been 420,664 RSD (2021: 550,485 RSD) 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	
	2022	2021
Financial instrument at FVTOCI	92,226	91,900
Long-term investments in subsidiaries domestic (note 11)	1,868,080	-
Long-term investments in subsidiaries foreign (note 11)	26,772,569	27,188,599
Long term loans provided - domestic	9,367	9,515
Other long-term investments (note 12)	1,639,124	1,798,718
Trade receivables (note 15)	42,732,319	30,962,130
Other receivables (note 16)	2,590,493	1,796,245
Short term financial investments (note 17)	6,473,739	1,954,526
Cash and cash equivalents (note 18)	83,083,255	20,336,901
Total maximum exposure to credit risk	**165,261,172**	**84,138,534**

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 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 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 2022 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 2022 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, and other receivables
Trade and other receivables				
- current	0.01%	36,280,416	(4,861)	36,275,556
- less than 30 days overdue	0.03%	2,907,463	(946)	2,906,517
- 31 to 90 days overdue	0.54%	691,364	(3,733)	687,631
- 91 to 270 days overdue	2.46%	4,141,170	(101,856)	4,039,314
- over 270 days overdue	91.41%	16,464,269	(15,050,474)	1,413,794
Total trade and other receivables		**60,484,682**	**(15,161,870)**	**45,322,812**

At 31 December 2021 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, and other receivables
Trade and other receivables				
- current	0.03%	30,150,940	(8,394)	30,142,546
- less than 30 days overdue	0.15%	1,220,641	(1,795)	1,218,846
- 31 to 90 days overdue	0.91%	118,440	(1,072)	117,368
- 91 to 270 days overdue	1.29%	91,502	(1,183)	90,319
- over 270 days overdue	93.09%	17,212,201	(16,022,905)	1,189,296
Total trade and other receivables		**48,793,724**	**(16,035,349)**	**32,758,375**

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 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 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
As at 1 January 2021	**5,087,391**	**46,038**	**5,133,429**
Provision for receivables impairment (note 37)	35,497	582	36,079
Unused amounts reversed (note 36)	(28,708)	(5,485)	(34,193)
Receivables written off during the year as uncollectible	(287,633)	–	(287,633)
Other	288	–	288
As at 31 December 2021	**4,806,835**	**41,135**	**4,847,970**
As at 1 January 2022	**4,806,835**	**41,135**	**4,847,970**
Provision for receivables impairment (note 37)	100,918	1,534	102,452
Unused amounts reversed (note 36)	(35,840)	(4,539)	(40,379)
Receivables written off during the year as uncollectible	(291,991)	(3,704)	(295,695)
Other	11,999	–	11,999
As at 31 December 2022	**4,591,921**	**34,426**	**4,626,347**

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 and other receivables do not contain impaired assets.

Movements on the provision for other receivables:

	Receivables from specific operations	Interest receivables	Other receivables	Total
As at 1 January 2021	**1,921,210**	**2,368,135**	**7,402,700**	**11,692,045**
Provision for other receivables impairment (note 37)	1,051	3,455	1,774	6,280
Unused amounts reversed (note 36)	(285,617)	(11,994)	(417)	(298,028)
Receivables written off during the year as uncollectible and other	–	(44,483)	(69,348)	(113,831)
Other	(80,929)	(18,157)	(1)	(99,087)
As at 31 December 2021	**1,555,715**	**2,296,956**	**7,334,708**	**11,187,379**
As at 1 January 2022	**1,555,715**	**2,296,956**	**7,334,708**	**11,187,379**
Provision for other receivables impairment (note 37)	264	5,827	3,909	10,000
Unused amounts reversed (note 36)	(601,580)	(4,211)	(436)	(606,227)
Receivables written off during the year as uncollectible and other	(1,718)	(37,438)	(1)	(39,157)
Other	–	(16,472)	–	(16,472)
As at 31 December 2022	**952,681**	**2,244,662**	**7,338,180**	**10,535,523**

Other financial assets at amortised cost

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

	Total
As at 1 January 2021	**3,659,420**
Remeasurement of expected credit losses	46,001
Reclassification from non-current to current part	4,388,749
Exchange differences	132
As at 31 December 2021	**8,094,302**
As at 1 January 2022	**8,094,302**
Remeasurement of expected credit losses	15,694
Reclassification from non-current to current part	–
Exchange differences	(17,913)
As at 31 December 2022	**8,092,083**

Movements on the provision for short-term placements:

	Short-term financial loans - Domestic	Current portion of long-term placements	Total
As at 1 January 2021	**2,019**	**6,007,398**	**6,009,417**
Remeasurement of expected credit losses	–	–	–
Unused amounts reversed	–	–	–
Reclassification from non-current to current part	–	(4,376,823)	(4,376,823)
Exchange differences	–	26	26
As at 31 December 2021	**2,019**	**1,630,601**	**1,632,620**
Remeasurement of expected credit losses	–	–	–
Unused amounts reversed	–	–	–
Reclassification from non-current to current part	–	–	–
Exchange differences	–	(3,601)	(3,601)
As at 31 December 2022	**2,019**	**1,627,000**	**1,629,019**

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 2022				
Cash and cash equivalents (note 18)	51,811,804	8,532,397	22,739,054	**83,083,255**
Deposits with original maturity more than 3 months less than 1 year (note 17)	–	6,003,699	–	**6,003,699**
As at December 2021				
Cash and cash equivalents (note 18)	8,764,259	8,137,869	3,434,773	**20,336,901**

As at December 31 2022 and 2021 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 2022 and 2021 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.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
As at 31 December 2022					
Financial liabilities	76,229,611	83,218,732	13,825,536	63,659,921	5,733,275
Trade payables and dividends payable	29,239,878	29,239,879	29,239,879	-	-
	105,469,489	**112,458,611**	**43,065,415**	**63,659,921**	**5,733,275**
As at 31 December 2021					
Financial liabilities	81,852,891	85,563,689	10,872,438	72,930,789	1,760,462
Trade payables and dividends payable	29,576,844	29,576,844	29,576,844	-	-
	111,429,735	**115,140,533**	**40,449,282**	**72,930,789**	**1,760,462**

5.2. 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 2022	31 December 2021
Total borrowings (note 23 and 24)	76,229,611	81,852,891
Less: cash and cash equivalents (note 18)	(83,083,255)	(20,336,901)
Net debt	**(6,853,644)**	**61,515,990**
Adjusted EBITDA	135,177,263	51,540,715
Net debt to adjusted EBITDA ratio at the end of the year	**(0.05)**	**1.19**

The Company has committed to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 4.0 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.

5.3. 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.

6. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the years ended 31 December 2022 and 2021. 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 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	60,886,851	485,483,224	(59,424,906)	486,945,169
Intersegment	58,790,033	634,873	(59,424,906)	-
External	2,096,818	484,848,351	-	486,945,169
Adjused EBITDA (Segment results)	**45,019,579**	**90,157,684**	**-**	**135,177,263**
Depreciation, depletion and amortization	(12,252,881)	(10,870,017)	-	(23,122,898)
Impairment losses/ Revaluation surpluses (note 28 and 31)	(89,355)	72,069	-	(17,286)
Finance expenses, net	(69,178)	(1,295,977)	-	(1,365,155)
Income tax	(155,950)	(17,133,993)	-	(17,289,943)
Segment profit	**32,672,133**	**60,784,798**	**-**	**93,456,931**

Reportable segment results for the year ended 31 December 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	44,496,394	274,245,256	(43,749,936)	274,991,714
Intersegment	43,239,667	510,269	(43,749,936)	-
External	1,256,727	273,734,987	-	274,991,714
Adjused EBITDA (Segment results)	**30,326,466**	**21,214,249**	**-**	**51,540,715**
Depreciation, depletion and amortization	(11,920,187)	(10,765,402)	-	(22,685,589)
Impairment losses/ Revaluation surpluses (note 28 and 31)	(50,858)	(509,410)	-	(560,268)
Finance expenses, net	(119,061)	(1,250,535)	-	(1,369,596)
Income tax	(144,696)	(4,011,723)	-	(4,156,419)
Segment profit	**18,198,385**	**4,933,360**	**-**	**23,131,745**

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 7,207,900 RSD for the year ended 31 December 2022 (31 December 2021: negative EBITDA in the amount of 6,925,941 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December	
	2022	2021
Adjusted EBITDA after allocation of Corporate centre	90,157,684	21,214,249
Corporate centre EBITDA	(7,207,900)	(6,925,941)
Adjusted EBITDA prior allocation of Corporate centre	**97,365,584**	**28,140,190**

Adjusted EBITDA for the year ended 31 December 2022 and 2021 is reconciled below:

	Year ended 31 December	
	2022	2021
Profit for the year	93,456,931	23,131,745
Income tax expenses	17,289,943	4,156,419
Other expenses	1,132,715	945,285
Other income	(1,243,447)	(1,011,075)
Loss from valuation of assets at fair value through profit and loss	465,281	365,976
Income from valuation of assets at fair value through profit and loss	(697,015)	(332,221)
Finance expense	6,797,866	3,951,373
Finance income	(5,432,711)	(2,581,777)
Depreciation, depletion and amortization	23,122,898	22,685,589
Other non operating expenses, net*	284,802	229,401
EBITDA	**135,177,263**	**51,540,715**

* Other non-operating income, net mainly relate to other provision for non-fulfilment of contractual obligations for the O&G minimum work programs, impairment of fixed assets, excess and deficiencies of assets revealed, fines, penalties and other.

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

	Year ended 31 December 2022		
	Domestic Market	Export and international sales	Total
Sale of crude oil	2,560,156	2,042,795	4,602,951
Sale of gas	150,365	-	150,365
Through a retail network	-	-	-
Wholesale activities	150,365	-	150,365
Sale of petroleum products	392,167,667	66,364,504	458,532,171
Through a retail network	131,285,607	-	131,285,607
Wholesale activities	260,882,060	66,364,504	327,246,564
Lease revenue	350,568	5,482	356,050
Sales of electricity	9,462,697	472,030	9,934,727
Other sales and other operating income	12,877,373	491,532	13,368,905
Total sales and other income	**417,568,826**	**69,376,343**	**486,945,169**

	Year ended 31 December 2021		
	Domestic market	Export and international sales	Total
Sale of crude oil	1,397,819	1,212,510	2,610,329
Sale of gas	274,677	-	274,677
Through a retail network	-	-	-
Wholesale activities	274,677	-	274,677
Sale of petroleum products	203,213,794	54,651,502	257,865,296
Through a retail network	67,695,146	-	67,695,146
Wholesale activities	135,518,648	54,651,502	190,170,150
Lease revenue	330,396	5,321	335,717
Sales of electricity	2,448,494	592,111	3,040,605
Other sales and other operating income	10,468,297	396,793	10,865,090
Total sales and other income	**218,133,477**	**56,858,237**	**274,991,714**

Out of the amount of 327,246,564 RSD (2021: 190,170,150 RSD) revenue from sale of petroleum products (wholesale), the amount of 39,105,621 RSD (2021: 28,673,855 RSD) 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 Electric Power Industry of Serbia in the amount of 7,967,626 RSD (2021: 1,154,381 RSD).

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 417,568,826 RSD thousand (2021: 218,133,477 RSD thousand), and the total of revenue from external customer from other countries is 69,376,343 RSD (2021: 56,858,237 RSD).

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

	Year ended 31 December	
	2022	2021
Sale of crude oil	2,042,795	1,212,510
Sale of petroleum products (retail and wholesale)		
Bulgaria	5,228,462	6,933,105
Bosnia and Herzegovina	28,948,258	19,078,100
Romania	6,842,138	7,705,681
Switzerland	514,708	1,880,060
Croatia	2,379,044	2,597,274
Northern Macedonia	580,624	502,952
Hungary	2,141,950	947,185
Great Britain	5,787,187	4,517,034
Germany	3,114,943	3,114,943
United states	2,205,910	2,205,910
Austria	2,157,156	2,157,156
All other markets	6,464,124	3,012,102
	66,364,504	54,651,502
Lease revenue	5,482	5,321
Sales of electricity	472,030	592,111
Other sales and other operating income	491,532	396,793
	69,376,343	**56,858,237**

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 2022 and 2021:

	2022	2021
Sales revenue and other income	646,700,451	422,812,999
Excise duties	(159,755,282)	(147,821,285)
Net sales revenue and other income	**486,945,169**	**274,991,714**

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.

7. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Other intangibles	Intangible assets under development	Total
At 1 January 2021					
Cost	16,243,658	9,664,728	973,761	2,258,677	29,140,824
Accumulated amortisation 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**
Year ended 31 December 2021					
Additions	1,289,752	485,504	311,595	(937,840)	1,149,011
Amortization	(1,227,414)	(412,345)	(22,521)	–	(1,662,280)
Impairment (note 31)	–	–	–	(1,008)	(1,008)
Transfer to PP&E (note 8)	-	–	–	92,387	92,387
Disposals and write-off	–	(934)	(73)	750	(257)
Closing net book amount	**11,832,783**	**1,988,794**	**1,105,103**	**1,329,678**	**16,256,358**
As at 31 December 2021					
Cost	17,533,410	10,135,597	1,285,355	1,412,966	30,367,328
Accumulated amortization and impairment	(5,700,627)	(8,146,803)	(180,252)	(83,288)	(14,110,970)
Net book amount	**11,832,783**	**1,988,794**	**1,105,103**	**1,329,678**	**16,256,358**
At 1 January 2022					
Cost	17,533,410	10,135,597	1,285,355	1,412,966	30,367,328
Accumulated amortization and impairment	(5,700,627)	(8,146,803)	(180,252)	(83,288)	(14,110,970)
Net book amount	**11,832,783**	**1,988,794**	**1,105,103**	**1,329,678**	**16,256,358**
Year ended 31 December 2022					
Additions	253,847	948,558	21,952	81,230	1,305,587
Amortization	(1,255,696)	(565,783)	(21,119)	–	(1,842,598)
Impairment (note 31)	–	–	–	(4,724)	(4,724)
Transfer to PP&E (note 8)	–	–	–	(22,346)	(22,346)
Disposals and write-off	–	(2,544)	–	–	(2,544)
Other transfer	–	21,554	(21,554)	25,618	25,618
Closing net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**
As at 31 December 2022					
Cost	17,787,257	11,032,863	1,284,857	1,473,121	31,578,098
Accumulated amortization and impairment	(6,956,323)	(8,642,284)	(200,475)	(63,665)	(15,862,747)
Net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**

Intangible assets under development as at 31 December 2022 amounting to 1,409,456 RSD (31 December 2021: 1,329,678 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 992,539 RSD (31 December 2021: 987,191 RSD).

8. 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 2021								
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**
Year ended 31 December 2021								
Additions	28,717	13,823,074	4,918,868	4,874	–	6,667	1,527,676	20,309,876
Impairment charge (note 31)	–	–	–	(743,396)	–	–	–	(743,396)
Depreciation	–	(11,175,833)	(9,470,535)	–	–	(14,722)	–	(20,661,090)
Transfer to intangible assets (note 7)	–	–	–	(92,387)	–	–	–	(92,387)
Transfer to assets held for sale	(21,262)	(651)	–	–	–	–	–	(21,913)
Transfer to investment property	–	(21,673)	–	–	–	–	–	(21,673)
Transfer to right of use assets	–	(153,427)	–	–	–	–	–	(153,427)
Disposals and write-off	(282,231)	(92,397)	(73,318)	(354,706)	(121)	(1)	(1,504,092)	(2,306,866)
Other transfers	–	(105,651)	105,651	–	–	–	–	–
Closing net book amount	**10,009,398**	**152,579,606**	**83,522,917**	**12,749,319**	**81,574**	**122,623**	**273,560**	**259,338,997**
At 31 December 2021								
Cost	10,303,574	246,328,252	164,185,695	15,727,270	82,688	512,940	294,923	437,435,342
Accumulated depreciation and impairment	(294,176)	(93,748,646)	(80,662,778)	(2,977,951)	(1,114)	(390,317)	(21,363)	(178,096,345)
Net book amount	**10,009,398**	**152,579,606**	**83,522,917**	**12,749,319**	**81,574**	**122,623**	**273,560**	**259,338,997**
At 1 January 2022								
Cost	10,303,574	246,328,252	164,185,695	15,727,270	82,688	512,940	294,923	437,435,342
Accumulated depreciation and impairment	(294,176)	(93,748,646)	(80,662,778)	(2,977,951)	(1,114)	(390,317)	(21,363)	(178,096,345)
Net book amount	**10,009,398**	**152,579,606**	**83,522,917**	**12,749,319**	**81,574**	**122,623**	**273,560**	**259,338,997**
Year ended 31 December 2022								
Additions	62,850	13,879,211	4,325,856	18,030,481	(268.030)	30,594	997	18,031,478
Changes in decommissioning obligations	–	(745,466)	–	–	–	–	–	(745,466)
Impairment charge (note 31)	–	–	–	(120,481)	–	–	(32)	(120,513)
Depreciation	–	(11,511,632)	(9,380,478)	–	–	(13,589)	–	(20,905,699)
Transfer from intangible assets (note 7)	–	–	–	22,346	–	–	–	22,346
Transfer to assets held for sale	(37,898)	(2,315)	–	–	–	–	–	(40,213)
Transfer from investment property	100,936	152,826	–	–	–	–	–	253,762
Disposals and write-off	(4,046)	(75,888)	(174,930)	(5,156)	(27)	–	–	(260,047)
Other transfers	(1)	741	24,277	(66,316)	(1)	–	767,405	726,105
Closing net book amount	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**
At 31 December 2022								
Cost	10,423,471	259,174,345	167,389,337	15,405,954	82,660	543,535	1,063,325	454,082,627
Accumulated depreciation and impairment	**(292,232)**	**(104,897,262)**	**(89,071,695)**	**(3,094,272)**	**(1,114)**	**(403,907)**	**(21,395)**	**(197,781,877)**
Total	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**

In 2022, the Company capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to 20,974 RSD (2021: 17,223 RSD).

Of the total amount of activations in 2022 in the amount of 18,298,511 RSD, the most significant part refers to activation on oil&gas properties in the amount of 13,600,452 RSD. In 2021 the amount of 18,777,326 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 13,745,024 RSD.

As at 31 December 2022, the Company assessed impairment indicators of cash generating units ("CGU") – refer to note 3.7 for details. In addition, Company has assessed and recognized impairment losses in amount 120,513 RSD (2021: 743,396 RSD) for the 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 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.

b) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2021	**5,006**	**519,681**	**167,525**	**730,662**	**1,422,874**
Additions	–	183,611	138,483	18,275	340,369
Depreciation	(2,503)	(69,863)	(86,696)	(203,157)	(362,219)
Transfers	–	153,427	923	(923)	153,427
Disposal	–	–	–	(1,362)	(1,362)
Effect of contract modifications and changes in estimates	–	(15,114)	(79)	(140)	(15,333)
As at 31 December 2021	**2,503**	**771,742**	**220,156**	**543,355**	**1,537,756**
As at 1 January 2022	**2,503**	**771,742**	**220,156**	**543,355**	**1,537,756**
Additions	–	156,256	94,141	1,445,262	1,695,659
Depreciation	(2,503)	(85,230)	(85,846)	(201,022)	(374,601)
Transfers					
Disposal	–	–	(3,408)	(28,513)	(31,921)
Effect of contract modifications and changes in estimates	–	(47)	(320)	–	(367)
As at 31 December 2022	**–**	**842,721**	**224,723**	**1,759,082**	**2,826,526**

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:

	2022	2021
As at 1 January	1,778,608	1,688,837
Fair value gain (note 28 and 31)	85,766	83,736
Transfers from/to PPE	(253,762)	21,673
Other transfer	856	–
Disposals	(6,214)	(15,638)
As at 31 December	**1,605,254**	**1,778,608**

As at 31 December 2022, investment properties amounting to 1,605,254 RSD (31 December 2021: 1,778,608 RSD) 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 2022 and 2021. The revaluation gain was credited to income from assets valuation.

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 2022 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	–	1,020,117	–
– Gas stations	–	–	585,138
Total	**–**	**1,020,117**	**585,138**

Fair value measurements at 31 December 2021 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	–	968,943	–
– Gas stations	–	–	809,665
Total	**–**	**968,943**	**809,665**

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:

	2022	2021
Long term growth rate	0%	0%
Discount rate	10.98%	12%

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

	2022	2021
Assets as at 1 January	**809,665**	**735,442**
Transfer from/to PPE	(248,162)	-
Changes in fair value measurement:		
Fair value income	29,370	80,125
Other	(5,735)	(5,902)
Total increase in fair value measurement, assets	23,635	74,223
Assets as at 31 December	**585,138**	**809,665**

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).

	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 2021						
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**
Year ended 31 December 2021						
Additions	(1,541,451)	(1,070,030)	(2,611,481)	14,656,644	–	12,045,163
Changes in decomisioning obligations	–	–	–	1,409,564	–	1,409,564
Other transfers	(403,361)	353,462	(49,899)	(6,804)	641	(56,062)
Impairment	–	(5,823)	(5,823)	–	–	(5,823)
Depreciation and depletion	–	–	–	(11,794,986)	–	(11,794,986)
Unsuccessful exploration expenditures derecognised	(11,001)	–	(11,001)	–	–	(11,001)
Disposals and write-off	–	–	–	(64,648)	–	(64,648)
	8,226,318	**329,090**	**8,555,408**	**130,034,200**	**5,054**	**138,594,662**
As at 31 December 2021						
Cost	8,226,318	329,090	8,555,408	204,856,328	25,403	213,437,139
Depreciation and impairment	–	–	–	(74,822,128)	(20,349)	(74,842,477)
Net book amount	**8,226,318**	**329,090**	**8,555,408**	**130,034,200**	**5,054**	**138,594,662**
Year ended 31 December 2022						
Additions	(129,496)	1,267,614	1,138,118	12,464,745	–	13,602,863
Changes in decomisioning obligations	–	–	–	(745,466)	–	(745,466)
Impairment	(77,594)	(34,738)	(112,332)	–	–	(112,332)
Depreciation and depletion	–	–	–	(12,143,810)	–	(12,143,810)
Transfer to intangible assets	13,015	(13,150)	(135)	–	–	(135)
Other transfer	(4,584,569)	3,765,248	(819,321)	8,463	528	(810,330)
Disposals and write-off	–	640	640	(128,299)	(1)	(127,660)
	3,447,674	**5,314,704**	**8,762,378**	**129,489,833**	**5,581**	**138,257,792**
As at 31 December 2022						
Cost	3,525,268	5,349,443	8,874,711	215,586,310	25,934	224,486,955
Depreciation and impairment	(77,594)	(34,739)	(112,333)	(86,096,477)	(20,353)	(86,229,163)
Net book amount	**3,447,674**	**5,314,704**	**8,762,378**	**129,489,833**	**5,581**	**138,257,792**

9. INVESTMENTS IN SUBSIDIARY

	31 December 2022	31 December 2021
Investments in subsidiaries:		
- shares	3,457,576	3,457,576
- In stakes	11,140,314	11,157,359
	14,597,890	14,614,935
Less: Provision	(1,172,263)	(1,189,308)
	13,425,627	**13,425,627**
Other financial assets available for sales	92,226	91,900
	13,517,853	**13,517,527**

Investments in subsidiaries as at 31 December 2022 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, Russia	100%	9,856	-	9,856
Jadran-Naftagas d.o.o. Banja Luka, BiH	100%	112	-	112
		14,597,890	**(1,172,263)**	**13,425,627**

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying value of the investments in associates and joint ventures as of 31 December 2022 and 2021 is presented below:

		Ownership percentage	31 December 2022	31 December 2021
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	1,038,800	1,038,800
HIP Petrohemija doo 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.

Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Gazprom Energoholding Serbia LLC, through which they would 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. "TE-TO" Pancevo began commercial operation in the 4th quarter of 2022 and it is planned to meet the growing needs of the Oil Refinery in Pancevo for electricity and thermal energy — technological steam.

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 d.o.o. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds, directly 20.86% of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory boards. On 9 September 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model by which the future partner would acquire a share of no more than 90% of the capital. NIS a.d. submitted an offer within the deadline. In December 2021, NIS and HIPP signed the Strategic Partnership Agreement. With this Agreement, NIS will increase the ownership share in HIP Petrohemija from the previous 20.86% to 90% of shares with the obligation of a monetary recapitalization in the amount of EUR 150 million and the construction of a polypropylene production plant with a capacity of at least 140,000 tonnes per year within six years. The transition period is ongoing until the closing of transaction when all preconditions are expected to be met. The deadline for closing the transaction has been extended until June 30, 2023. At the date of publication of these financial statements, the procedure is still ongoing.

The summarised financial information for the joint ventures as of 31 December 2022 (unaudited) and 2021 and for the years ended 31 December 2022 (unaudited) and 2021 is presented in the table below:

	Gazprom Energoholding Serbia	HIP Petrohemija doo Pančevo
31 December 2022		
Current assets	399,874	15,722,159
Non-current assets	16,016,723	11,005,097
Current liabilities	211,951	3,059,080
Non-current liabilities	14,563,190	619,412
Revenue	17,193	29,437,208
Profit (Loss) for the year	(149,762)	106,199
31 December 2021		
Current assets	1,620,559	21,602,657
Non-current assets	20,628,326	10,712,595
Current liabilities	447,260	3,168,077
Non-current liabilities	20,393,628	510,394
Revenue	88,012	45,571,220
Profit (Loss) for the year	(279,702)	5,588,017

11. LONG-TERM INVESTMENTS IN PARENT AND SUBSIDIARIES

	31 December 2022	31 December 2021
LT loans - Subsidiaries - Domestic	1,868,080	-
LT loans - Subsidiaries - Foreign	34,864,652	35,282,900
	36,732,732	35,282,900
Less: Impairment	(8,092,083)	(8,094,301)
Total	**28,640,649**	**27,188,599**

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

	Currency	31 December 2022	31 December 2021
Domestic			
NIS Petrol a.d. Belgrade, Serbia	EUR	1,868,080	-
		1,868,080	-
Foreign			
NIS Petrol e.o.o.d. Sofija, Bulgaria	EUR	10,586,973	10,603,184
NIS Petrol SRL, Bucharest, Romania	EUR	19,031,924	19,456,784
NIS Petrol d.o.o. Banja Luka, BiH	EUR	4,761,488	5,059,344
Jadran - Naftagas d.o.o. Banja Luka, BiH	EUR	484,267	163,588
		34,864,652	35,282,900
		36,732,732	**35,282,900**

Long-term loans to foreign subsidiaries are approved at the fixed rate (2,1% p.a.) and variable interest rate (6M Euribor + 2,9% p.a.) and due in the period of 2 up to 7 years. The carrying value of long-term loans is equal to their fair value.

12. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Other LT investments	263,231	262,864
LT loans given to employees	877,470	1,086,538
Other LT investments at FV	840,001	841,861
Less: Impairment	(341,578)	(392,545)
	1,639,124	**1,798,718**

Loans to employees as at 31 December 2022 amounting to 877,470 RSD (31 December 2021: 1,086,538 RSD) 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 341,578 RSD.

Other long-term investments at fair value in the amount of 840,001 RSD (31 December 2021: 841,861 RSD) are recognised in accordance with Novation agreement and Assignement agreement concluded between ZN, NIS and Jadran Naftagas (note 23).

13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31, 2022			
Provisions	704,723	-	704,723
Property, plant and equipment	1,916,114	-	1,916,114
Impairment losses	367,129	-	367,129
Fair value gains	10,327	-	10,327
Revaluation reserve	-	(26,848)	(26,848)
	2,998,293	**(26,848)**	**2,971,445**
As at December 31, 2021			
Provisions	664,770	-	664,770
Property, plant and equipment	1,221,934	-	1,221,934
Impairment losses	694,650	-	694,650
Fair value gains	10,311	-	10,311
Revaluation reserve	-	(26,848)	(26,848)
	2,591,665	**(26,848)**	**2,564,817**

Movements in temporary differences during the period:

	As at December 31, 2021	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2022
Provisions	664,770	39,576	374	3	704,723
Property, plant and equipment	1,221,934	694,183	-	(3)	1,916,114
Impairment losses	694,650	(327,521)	-	-	367,129
Fair value gains	10,311	-	16	-	10,327
Revaluation reserve	(26,848)	-	-	-	(26,848)
Total	**2,564,817**	**406,238**	**390**	**-**	**2,971,445**

	As at December 31, 2020	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2021
Provisions	902,260	(237,490)	-	-	664,770
Property, plant and equipment	(13,425)	1,235,359	-	-	1,221,934
Impairment losses	1,205,119	(510,469)	-	-	694,650
Tax losses	488,483	(488,483)	-	-	-
Fair value gains	10,368	1	(58)	-	10,311
Revaluation reserve	(26,848)	-	-	-	(26,848)
Total	**2,565,957**	**(1,082)**	**(58)**	**-**	**2,564,817**

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

14. INVENTORY

	31 December 2022	31 December 2021
Materials, spare parts and tools	31,026,782	20,171,561
Work in progress	6,600,656	5,778,096
Finished goods	19,299,807	9,918,670
Goods for sale	1,692,376	1,830,296
Advances	729,280	459,979
Less: impairment of inventory	(4,456,030)	(4,535,780)
Less: impairment of advances	(148,487)	(147,551)
	54,744,384	**33,475,271**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2021	**4,661,075**	**149,980**	**4,811,055**
Provision for inventories and advances (note 31)	1,971	-	1,971
Unused amounts reversed (note 28)	(86,640)	(291)	(86,931)
Write-off and other	(40,626)	(2,138)	(42,764)
Balance as of 31 December 2021	**4,535,780**	**147,551**	**4,683,331**
Provision for inventories and advances (note 31)	29,072	1,219	30,291
Unused amounts reversed (note 28)	(78,108)	(282)	(78,390)
Write-off and other	(30,714)	(1)	(30,715)
Balance as of 31 December 2022	**4,456,030**	**148,487**	**4,604,517**

15. TRADE RECEIVABLES

	31 December 2022	31 December 2021
Parents and subsidiaries - domestic	489,044	431,422
Parents and subsidiaries - foreign	7,937,449	5,379,962
Other related parties - domestic	1,667,563	2,049,634
Other related parties - foreign	-	78,645
Trade receivables domestic – third parties	36,161,871	26,612,818
Trade receivables foreign – third parties	1,102,739	1,257,619
	47,358,666	**35,810,100**
Less: Impairment	(4,626,347)	(4,847,970)
	42,732,319	**30,962,130**

16. OTHER RECEIVABLES

	31 December 2022	31 December 2021
Receivables from specific operations	1,232,745	1,827,401
Interest receivables	4,324,600	3,598,038
Receivables from employees	54,006	19,843
Other receivables	7,395,709	7,464,541
Prepaid taxes and contributions	118,956	73,801
Less: Impairment	(10,535,523)	(11,187,379)
	2,590,493	**1,796,245**

17. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
ST loans and placements - Parent and subsidiaries	201,993	148,298
ST loans and placements - Domestic	2,019	2,019
Current portion of LT placements - Parent and subsidiaries	1,819,821	3,360,601
Other ST financial placements	75,226	76,228
Deposits with original maturity more than 3 months less than 1 year	6,003,699	-
Less: Impairment	(1,629,019)	(1,632,620)
	6,473,739	**1,954,526**

18. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in bank and in hand	16,821,378	12,776,096
Deposits with original maturity of less than three months	66,259,919	7,533,623
Cash with restriction	-	-
Cash equivalents	1,958	27,182
	83,083,255	**20,336,901**

As at 31 December 2022 deposits with original maturity of less than three months amounting to 66,259,919 RSD (2021: 7,533,623 RSD) relates to bank deposits placements with interest rates from 6.75% p.a. to 8.00% p.a. denominated in EUR and RSD (2021: from 2.30% p.a. to 3.30% denominated in RSD).

19. PREPAYMENTS AND ACCRUED INCOME

	31 December 2022	31 December 2021
Deferred input VAT	4,198,144	3,126,172
Prepaid expenses	197,969	276,026
Accrued revenue	53,189	51,279
Prepaid excise duty	4,147,831	1,969,728
Housing loans and other prepayments	455,216	314,708
	9,052,349	**5,737,913**

Deferred input VAT as at 31 December 2022 amounting to 4,198,144 RSD (31 December 2021: 3,126,172 RSD) 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 2022 amounting to 4,147,831 RSD (31 December 2021: 1,969,728 RSD) 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.

20. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Issued warranties and bills of exchange	73,561,849	79,772,819
Received warranties and bills of exchange	22,534,767	14,590,445
Properties in ex-Republics of Yugoslavia	5,358,820	5,358,990
Receivables from companies from ex-Yugoslavia	6,763,139	6,380,931
Third party merchandise in NIS warehouses	14,895,635	10,180,619
Assets for oil fields liquidation in Angola	1,361,966	1,361,966
Mortgages and pladges recived	3,097,224	2,465,428
Other off-balance sheet assets and liabilities	418,498	300,152
	127,991,900	**120,411,350**

21. 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 2022 and 31 December 2021 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2021, amounted to 5,782,122 RSD or 35.46 RSD per share (31 December 2020: 1,001,191 RSD or 6.14 RSD per share) were approved on the General Assembly Meeting held on 29 June 2022 and paid on 22 August 2022.

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

	Year ended 31 December	
	2022	2021
Profit attributable to the ordinary equity holder	93,456,931	23,131,745
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	**573**	**142**

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.

22. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommissioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
As at 1 January 2021	**10,338,464**	**408,541**	**442,921**	**914,419**	**377,615**	**12,481,960**
Charged to the income statement	193,772	–	322,157	305,186	82,789	903,904
New obligation incurred and change in estimates	1,409,564	–	–	–	–	1,409,564
Release of provision (note 38)	(143,899)	–	–	–	–	(143,899)
Actuarial gain charged to other comprehensive income	–	–	(7,926)	–	–	(7,926)
Settlement and other	(58,717)	(31,807)	(56,328)	(808,530)	(83,086)	(1,038,468)
As at 31 December 2021	**11,739,184**	**376,734**	**700,824**	**411,075**	**377,318**	**13,605,135**
As at 1 January 2022	**11,739,184**	**376,734**	**700,824**	**411,075**	**377,318**	**13,605,135**
Charged to the income statement	186,270	145,407	32,436	233,086	37,372	634,571
New obligation incurred and change in estimates	(745,466)	–	–	–	–	(745,466)
Release of provision (note 38)	(368,474)	–	–	–	–	(368,474)
Actuarial gain charged to other comprehensive income	–	–	106,853	–	–	106,853
Settlement and other	(24,473)	(34,081)	(69,224)	(3)	(54,864)	(182,645)
As at 31 December 2022	**10,787,041**	**488,060**	**770,889**	**644,158**	**359,826**	**13,049,974**

Analysis of total provisions:

	31 December 2022	31 December 2021
Non-current	11,150,060	12,029,890
Current	1,899,914	1,575,245
	13,049,974	**13,605,135**

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.

b) Environmental protection

The Company has to comply with environmental protection regulations. At the reporting date Company recorded provision for environmental protection of 488,060 RSD (31 December 2021: 376,734 RSD) 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 2022 the management made an assessment of present value of liabilities related to new three-year employee incentives (2021-2023) in the total amount of RSD 644,158 thousand (2021: 411,075 RSD).

d) Legal claims provisions

As at 31 December 2022, the Company assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Company charged provision for litigation amounting to 37,372 RSD (charged to provision in 2021: 82,789 RSD) for proceedings which were assessed to have 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 2022.

e) Provision for employee benefits

Employee benefits:

	31 December 2022	31 December 2021
Retirement allowances	521,896	392,619
Jubilee awards	248,993	308,205
	770,889	**700,824**

The principal actuarial assumptions used were as follows:

	31 December 2022	31 December 2021
Discount rate	6.8%	3.7%
Future salary increases	4.72%	0.00%
Future average years of service	18.44	17.86

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2021	**150,464**	**292,457**	**442,921**
Benefits paid directly	(19,696)	(36,632)	(56,328)
Actuarial gain charged to other comprehensive income	(7,926)	-	(7,926)
Debited to the income statement	269,777	52,380	322,157
Balances as at 31 December 2021	**392,619**	**308,205**	**700,824**
Benefits paid directly	(36,930)	(32,294)	(69,224)
Actuarial gain charged to other comprehensive income	106,853	-	106,853
Debited to the income statement	59,354	(26,918)	32,436
Balances as at 31 December 2022	**521,896**	**248,993**	**770,889**

The amounts recognized in the Income Statement are as follows:

	Year ended 31 December	
	2022	2021
Current service cost	58,300	47,195
Past service cost	2,467	206,267
Interest cost	23,617	26,854
Curtailment loss	16,264	18,612
Actuarial (gain)/loss (jubilee awards)	(68,212)	23,229
	32,436	**322,157**

23. LONG-TERM LIABILITIES

	31 December 2022	31 December 2021
Long-term loan - Gazprom Neft	2,728,428	8,203,403
Bank loans	65,009,756	69,276,624
Lease liabilities	2,295,379	1,338,381
Other non-current financial liabilities	847,172	841,861
Other long-term borowings	3,778	4,222
	70,884,513	**79,664,491**
Less Current portion (note 24)	(6,309,607)	(7,379,095)
	64,574,906	**72,285,396**

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

	Long-term loans	Short-term loans (note 24)	Lease	Total
As at 1 January 2021	**82,781,970**	**1,756,035**	**1,358,795**	**85,896,800**
Proceeds	16,729,700	15,352,180	-	32,081,880
Repayment	(22,156,823)	(14,919,694)	(383,385)	(37,459,902)
Non-cash transactions	118,239	(121)	364,210	482,328
Foreign exchange difference	6,941	-	(1,239)	5,702
As at 31 December 2021	**77,480,027**	**2,188,400**	**1,338,381**	**81,006,808**
As at 1 January 2022	**77,480,027**	**2,188,400**	**1,338,381**	**81,006,808**
Proceeds	4,499,752	17,433,918	-	21,933,670
Repayment	(14,063,305)	(14,273,781)	(407,258)	(28,744,344)
Non-cash transactions	(12,959)	-	1,364,704	1,351,745
Foreign exchange difference	(165,331)	(3,439)	(448)	(169,218)
As at 31 December 2022	**67,738,184**	**5,345,098**	**2,295,379**	**75,378,661**

a) Long-term loan - Gazprom Neft

As at 31 December 2022 long-term loan - Gazprom Neft amounting to 2,727,428 RSD (31 December 2021: 8,203,403 RSD), with current portion of 2,728,428 RSD (31 December 2021: 5,468,935 RSD), 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 2022	31 December 2021
Domestic	48,275,922	47,362,765
Foreign	16,733,834	21,913,859
	65,009,756	69,276,624
Current portion of long-term loans	(3,082,976)	(1,579,581)
	61,926,780	**67,697,043**

The maturity of non-current loans was as follows:

	31 December 2022	31 December 2021
Between 1 and 2 years	9,707,939	2,946,179
Between 2 and 5 years	47,889,786	63,486,742
Over 5 years	4,329,055	1,264,122
	61,926,780	**67,697,043**

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

	31 December 2022	31 December 2021
USD	88,819	83,512
EUR	64,824,628	69,093,193
RSD	4,268	95
JPY	92,041	99,824
	65,009,756	**69,276,624**

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 of indebtedness to EBITDA (note 5). The Company is in compliance with these covenants as of 31 December 2022 and 31 December 2021 respectively.

c) Lease liabilities

	31 December 2022	31 December 2021
Current portion of lease liabilities	498,203	330,579
Non-current finance lease liabilities	1,797,176	1,007,802
	2,295,379	**1,338,381**

Amounts recognized in profit and loss:

	2022	2021
Interest expense (included in finance cost)	40,099	33,134
Expense relating to short-term leases (note 32)	64,148	91,723
Expense relating to leases of low value assets that are not shown above as short-term leases (note 32)	19,703	10,117
Expense relating to variable lease payments not included in lease liabilities (note 32)	1,118,267	1,094,702

d) Other non-current financial liabilities

Of the total amount of other non-current financial liabilities in the amount of 847,172 RSD (31 December 2021: 841,861 RSD) the most significant part relates to 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.

24. SHORT-TERM FINANCE LIABILITIES

	31 December 2022	31 December 2021
ST loans - Parent and subsidiaries	4,036,953	2,188,400
ST loans – Domestic	821,257	–
ST loans – Foreign	486,888	–
Current portion of long-term liablities (note 23)	5,811,404	7,048,516
Current portion of long-term financial lease (note 23)	498,203	330,579
	11,654,705	**9,567,495**

25. TRADE PAYABLES

	31 December 2022	31 December 2021
Trade payables – parents and subsidiaries	4,189,599	4,868,340
Trade payables – other related parties	3,674,576	2,448,423
Trade payables - domestic	6,266,698	6,299,767
Trade payables - foreign	11,309,738	12,153,357
Trade payables - other	15,449	22,852
	25,456,060	**25,792,739**

26. OTHER SHORT-TERM LIABILITIES

	31 December 2022	31 December 2021
Specific liabilities	235,657	181,267
Liabilities for unpaid wages and salaries, gross	1,133,530	1,051,236
Interest liabilities	155,501	85,507
Dividends payable	3,783,818	3,784,105
Other payables to employees	645,843	491,575
VAT	3,897,528	2,057,339
Excise tax	7,814,476	6,303,828
Contribution for buffer stocks	885,898	286,795
Energy efficiency fee	92,527	33,653
Income tax	13,992,693	4,144,615
Other taxes payables	831,029	921,333
Other current liabilities	106,724	60,027
	33,575,224	**19,401,280**

27. ACCRUED EXPENSES

Accrued expenses as at 31 December 2022 amounting to 3,543,294 RSD (31 December 2021: 3,426,030 RSD) mainly relate to accrued employee bonuses of 2,087,194 RSD (31 December 2021: 1,815,305 RSD), and contract liabilities arising from contracts with customers related to customer loyalty programme in amount 686,933 RSD (31 December 2021: 776,791 RSD).

Revenue in the amount of 3,269,023 RSD (31 December 2021: 4,369,748 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2022, of which 2,699,433 RSD (31 December 2021: 3,835,100 RSD) related to advances and 569,590 RSD (31 December 2021: 534,648 RSD) to customer loyalty programme.

28. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2022	2021
Release of impairment:		
- PPE	–	24,619
- Investment property	111,686	148,042
- Inventory	78,108	86,640
- Other property	128	291
	189,922	**259,592**

29. COST OF MATERIAL FUEL AND ENERGY

	Year ended 31 December	
	2022	2021
Costs of raw materials	270,662,355	161,346,556
Overheads and other costs	207,146	201,328
Fuel and energy cost	8,299,522	3,898,387
Other	439,280	500,763
	279,608,303	**165,947,034**

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

	Year ended 31 December	
	2022	2021
Wages and salaries (gross)	15,831,403	14,326,304
Taxes and contributions on wages and salaries paid by employer	2,121,658	1,955,945
Cost of service agreement	100,123	99,180
Cost of other personal wages	18,755	13,804
Fees paid to board of directors and general assembly board	131,997	134,090
Termination costs	27,494	342,681
Cost of service organizations	4,195	402
Other personal expenses	666,744	406,981
	18,902,369	**17,279,387**

31. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2022	2021
Impairment:		
- IA	4,724	1,008
- PPE	146,367	743,396
- Investment property	25,920	64,306
- Assets held for sale	–	9,179
- Inventory	29,072	1,971
- Other property	1,125	–
	207,208	**819,860**

32. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2022	2021
Cost of production services	3,028,069	2,584,055
Transportation services	3,915,818	3,216,249
Maintenance	6,340,226	5,719,883
Rental costs (note 23)	1,202,118	1,196,542
Fairs	7,701	5,440
Advertising costs	786,280	720,207
Exploration expenses	36,704	86,603
Cost of other services	1,753,266	1,651,066
	17,070,182	**15,180,045**

33. NON-PRODUCTION COSTS

	Year ended 31 December	
	2022	2021
Costs of non-production services	2,798,604	3,172,398
Representation costs	81,533	41,242
Insurance premium	426,251	466,349
Bank charges	582,145	363,081
Cost of taxes	1,153,120	1,140,802
Mineral extraction tax	1,753,558	1,289,755
Franchisor commission	4,491,902	3,736,668
Other non-production expenses	738,279	707,678
	12,025,392	**10,917,973**

Cost of non-production services for the year ended 31 December 2022 amounting to 2,798,604 RSD (2021: 3,172,398 RSD)), mostly relate to project management costs of 1,229,892 RSD (2021: 1,220,237 RSD), security costs of 569,820 RSD (2021: 514,032 RSD) and consulting service costs of 164,447 RSD (2021: 191,085 RSD).

34. FINANCE INCOME

	Year ended 31 December	
	2022	2021
Finance income - related parties		
- foreign exchange differences	2,089,842	1,049,596
- modification gain	23,158	95,841
- other finance income	693,138	684,275
Interest income	2,055,391	197,347
Modification gain	–	–
Income from discounting of receivables	131	19,486
Foreign exchange gains	531,965	488,922
Other finance income	39,086	46,310
	5,432,711	**2,581,777**

35. FINANCE EXPENSE

	Year ended 31 December	
	2022	2021
Finance expenses – related parties		
- foreign exchange differences	3,456,222	1,678,301
- modification loss	–	–
- other finance expense	205,043	193,687
Interest expenses	1,513,230	1,383,193
Amortization of long-term liabilities	36,976	–
Amortisation expense – discount of receivables	90,101	79,637
Modification Loss (third parties)	24,732	118,241
Foreign exchange losses	1,404,122	490,640
Other finance expense	67,440	7,674
	6,797,866	**3,951,373**

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

	Year ended 31 December	
	2022	2021
Reversal of impairment of LT financial investments	50,409	–
Income from valuation:		
- trade receivables (note 5)	40,379	34,193
- specific receivables (note 5)	601,580	285,617
- other receivables (note 5)	4,647	12,411
	697,015	**332,221**

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

	Year ended 31 December	
	2022	2021
Impairment of LT financial investments and other AFS securities	–	55,729
Loss from financial instruments at fair value through Profit and loss	352,829	267,888
Loss from valuation:		
- trade receivables (note 5)	102,452	36,079
- specific receivables (note 5)	264	1,051
- other receivables (note 5)	9,736	5,229
	465,281	**365,976**

38. OTHER INCOME

	Year ended 31 December	
	2022	2021
Gains on disposal – PPE	201,156	63,355
Gains on disposal – materials	41,053	42,068
Gain on disposal – equity instruments and securitas	–	1,216
Surpluses from stock count	523,574	369,348
Payables written off	13,354	333,000
Release of long-term provisions (note 22)	368,474	143,899
Penalty interest	72,616	38,143
Other income	23,220	20,046
	1,243,447	**1,011,075**

39. OTHER EXPENSES

	Year ended 31 December	
	2022	2021
Loss on disposal – PPE	149,018	115,781
Loss on disposal – materials	79,420	121,271
Loss from hedge accounting through PL	–	–
Shortages from stock count	584,631	481,925
Write-off receivables	1,644	6,245
Write-off inventories	91,242	43,488
Other expenses	226,760	176,575
	1,132,715	**945,285**

40. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2022	2021
Income tax for the year	17,696,181	4,155,337
Deferred income tax for the period		
Origination and reversal of temporary differences (note 13)	(406,238)	1,082
	17,289,943	**4,156,419**

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	
	2022	2021
Profit (loss) before tax	**110,746,874**	**27,288,164**
Tax calculated at domestic tax rates – 15%	16,612,031	4,093,225
Tax effect on:		
Revenues exempt from taxation	(66,249)	(12,886)
Expenses not deductible for tax purposes		
- Tax paid in Angola	155,950	84,312
- Other expenses not deductable	(469,078)	437,895
Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	-	(437,735)
Tax credit used	-	(51,945)
Other tax effects for reconciliation between accounting profit and tax expense	1,057,289	43,553
	17,289,943	**4,156,419**
The weighted average effective income tax rate	15.61%	15.23%

41. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices during 2022 was US $ 101,2 per barrel which is more than 43% from the same period in 2021 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Company operations.

Currently the Company is continuing the assessment of the new sanctions' impact on the Company's operations.

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 488,060 RSD (31 December 2021: 376,734 RSD).

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 2022.

Capital commitments

As of 31 December 2022 the Company has entered into contracts to purchase property, plant and equipment for 311,970 RSD (31 December 2021: 383,637 RSD).

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

42. RELATED PARTIES TRANSACTIONS

For the purpose of these Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the year ended 31 December 2022 and in the same period in 2021, the Group 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 2022 and 31 December 2021 the outstanding balances with related parties were as follows:

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2022			
Right of use assets	41,030	-	-
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term loans	28,640,649	-	-
Other long-term investments	840,001	-	-
Advances for inventory and services	220	-	22,259
Trade receivables	8,422,984	-	1,636,741
Other receivables	2,123,237	-	265
Short-term investments	394,814	-	-
Long-term liabilities	(41,884)	-	(50)
Short-term financial liabilities	(4,039,193)	-	(2,728,552)
Advances received	(67,543)	-	(3,121)
Trade payables	(4,187,837)	(1,762)	(3,674,576)
Other short-term liabilities	(10,624)	-	(25)
	45,541,481	**(1,762)**	**(3,708,259)**

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2021			
Right of use assets	43,712	-	414
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term loans	27,188,599	-	-
Other long-term investments	841,861	-	-
Advances for inventory and services	2,323	-	29,788
Trade receivables	5,807,273	601	2,097,458
Other receivables	1,365,171	-	128
Short-term investments	1,855,115	-	-
Long-term liabilities	(44,068)	(2,734,468)	(209)
Short-term financial liabilities	(2,190,722)	(5,468,935)	(142)
Advances received	(31,504)	-	(944)
Trade payables	(4,865,339)	(3,000)	(2,448,423)
Other short-term liabilities	(1,195)	(13)	-
Other current liabilities	(54,157)	-	-
	43,342,696	**(8,205,815)**	**716,870**

For the year ended 31 December 2022 and 2021 the following transaction occurred with related parties:

Year ended 31 December 2022	Subsidiary	Parent	Entities under common control and associates
Revenues from sales of products and services	36,438,469	-	40,931,151
Expenses based on procurement of products and services	(12,375,169)	(7,292)	(125,392,130)
Other expenses	683,311	-	(151,160)
	24,746,611	**(7,292)**	**(84,612,139)**
Year ended 31 December 2021			
Revenues from sales of products and services	27,039,333	2,056	30,082,534
Expenses based on procurement of products and services	(10,177,499)	(22,569,246)	(2,535,615)
Other expenses	648,564	(174,840)	(176)
	17,510,398	**(22,742,030)**	**27,546,743**

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

	Entities under common control andassociates	Other
As at 31 December 2022		
Trade and other receivables (gross)		
• HIP Petrohemija	1,433,784	-
• Srbijagas	-	24,831
• AIR Serbia	-	762,548
Advances paid		
• Srbijagas	-	445
Trade and other payables		
• HIP Petrohemija	(1,259,596)	-
• Srbijagas	-	(725,804)
Other current liabilities		
• HIP Petrohemija	(2,506)	-
• Srbijagas	-	(24)
	171,682	**61,996**
As at 31 December 2021		
Trade and other receivables (gross)		
• HIP Petrohemija	1,905,004	-
• Srbijagas	-	111,545
• AIR Serbia	-	287,512
Advances paid		
• Srbijagas	-	445
Trade and other payables		
• HIP Petrohemija	(1,551,586)	-
• Srbijagas	-	(605,123)
Other current liabilities		
• HIP Petrohemija	(2,852)	-
	350,566	**(205,621)**

	Entities under common control and associates	Other
As at 31 December 2022		
Operating income		
• HIP Petrohemija	39,107,255	-
• Srbijagas	-	219,746
• AIR Serbia	-	9,592,537
Operating expenses		
• HIP Petrohemija	(279,921)	-
• Srbijagas	-	(340,454)
	38,827,334	**9,471,829**
As at 31 December 2021		
Operating income		
• HIP Petrohemija	28,673,855	-
• Srbijagas	-	224,146
• AIR Serbia	-	3,232,714
Operating expenses		
• HIP Petrohemija	(230,133)	-
• Srbijagas	-	(205,962)
	28,443,722	**3,250,898**

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 2022 and 2021 the Company recognized 1,024,263 RSD and 1,033,696 RSD 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.

43. 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. There were no unreconciled account receivables. The total amount of unreconciled account payables amounts to 443,058 RSD (76 suppliers) which is 1.74% of the total amount of trade payables.

44. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2022 were evaluated through 28 February 2023, the date these Financial Statements were authorised for issue.

2.02
Consolidated Financial Statements

Independent Auditor's report on Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Opinion

We have audited the consolidated financial statements of NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad (hereinafter: the Company) and its subsidiaries (together hereinafter: the Group) which comprise the consolidated Balance sheet as at December 31, 2022, and the consolidated Income statement, consolidated Statement of other comprehensive income, consolidated Statement of cash flows and consolidated Statement of changes in equity for the year then ended, and Notes to the consolidated financial statements, including a summary of significant accounting policies and other disclosures.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Law on Accounting of the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with the Law on Audit of the Republic of Serbia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements that are relevant for auditing consolidated financial statements in the Republic of Serbia and we have fulfilled our other ethical responsibilities in accordance with 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 20 to the consolidated financial statements. As described in the notes to the consolidated financial statements, the Group recognized provisions in the amount of RSD 11,540,005 thousand.

Provisions for decommissioning and environmental protection require significant management judgment due to numerous assumptions that are influenced by future activities, economic factors, and the legislator environment in which the Group operates. The most significant estimates include the estimate of future costs to settle the present obligation, inflation and discount rates, and exploitation period.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Key Audit Matters (Continued)

Auditing this area of the consolidated financial statements is a complex process as it requires us to evaluate assumptions for future cost estimates for which there is limited comparative data as decommission of gas and oil infrastructure is an emerging area. The assessment of the mentioned factors affects the determination of the exact amount of provisions, which represents a materially significant item in the consolidated financial statements.

The management performs an annual review of the provisions for the decommission and environmental protection, namely for funds for exploration and evaluation and funds for the production and processing of oil and oil derivatives. The review by the management includes an analysis of changes in legislation in the Republic of Serbia, cost estimates, inflation and discount rates, and maturity of obligations.

Audit approach:

Our audit procedures included an understanding of the legal obligations regarding the decommission and environmental protection, and in accordance with the provisions of the Law on Mining and Geological Research and the Law on Environmental Protection, to which the Group is obliged to, during and after the completion of works on exploitation, recultivation of the land and to prevention of the further spread of pollution caused by the accident, to take remedial measures according to the protection plans at its own expense.

We have also performed the following audit procedures:

- We have performed testing of arithmetic accuracy of the model that the Group have used when calculating provisions;
- We reviewed the status of the wells on a sample basis and compared them with the status within the well fund, which is the foundation for the calculation of provisions;
- We have compared the changes in the status of the wells in the current year to the previous year, since the change in the status of the wells can have a material impact on the calculation of provisions;
- We have tested the completeness of the data, comparing it with other information within the business records and auditing procedures related to real estate, plants and equipment;
- We have assessed the justification of the applied discount rate as one of the assumptions for the calculation of provisions by comparing it with the rate on government bonds of the Republic of Serbia taken over from the National Bank of Serbia;
- We have evaluated and we have gained understanding of the assumptions related to the costs necessary for the liquidation and recultivation of the land;
- We have performed a review of the sensitivity analysis prepared by management for the main assumptions;
- We have gained an understanding of the Group's procedures applied by the management to estimate and record long-term provisions. This included understanding whether there was a legal or contingent obligation to establish a provision.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on March 03, 2022.

Other Information

The Management is responsible for the other information. The other information comprises the consolidated Annual business report for the year ended December 31, 2022.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In connection with the consolidated Annual business report, we have also carried out procedures in accordance with the Law on Accounting of the Republic of Serbia. These procedures include consideration of whether the consolidated Annual business report contains the disclosures required by the Law on Accounting of Serbia. Based on the procedures performed during the audit, in our opinion:

- ✓ the consolidated Annual business report was prepared in accordance with the requirements of the Law on Accounting of the Republic of Serbia and
- ✓ the information provided in the consolidated Annual business report for the financial year for which consolidated financial statements are prepared, are consistent with the consolidated financial statements.

Additionally, based on the understanding of the Group's operations and its business environment acquired during the audit, we are required to disclose in the report if we conclude that there is a material misstatement in the consolidated Annual business report. In that sense, there is nothing we need to say in the report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Law on Accounting of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Audit of 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 financial statements.

As part of an audit in accordance with the Law on Audit of 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- ✓ Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NAFTNA INDUSTRIJA SRBIJE a.d., Novi Sad

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Belgrade, March 01, 2023

Srđan Božović

The engagement partner on audit project

Licensed auditor

Consolidated balance sheet

		AOP	Note	31 December 2022	31 December 2021
A.	**SUBSCRIBED CAPITAL UNPAID**	**0001**		**-**	**-**
B.	**NON-CURRENT ASSETS (0003+0009+0017+0018+0028)**	**0002**		**311,411,100**	**313,317,925**
I.	**INTANGIBLE ASSETS (0004+0005+0006+0007+0008)**	**0003**	**7**	**22,449,242**	**23,356,993**
	1. Development investments	0004		12,792,453	13,075,534
	2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		3,630,160	3,222,010
	3. Goodwill	0006		1,263,760	1,293,132
	4. Intangible assets in lease and under development	0007		4,762,869	5,766,317
	5. Advances for intangible assets	0008		-	-
II.	**PROPERTY, PLANT AND EQUIPMENT (0010+0011+ 0012+0013+0014+0015+0016)**	**0009**		**284,978,914**	**287,163,900**
	1. Land and buildings	0010	8a	175,876,807	173,558,588
	2. Machinery and equipment	0011	8a	85,412,127	91,366,040
	3. Investment property	0012	8b	1,531,705	1,728,395
	4. Property, plant and equipment in lease and construction in progress	0013	8a, 8d	20,713,910	19,943,295
	5. Other property, plant and equipment and investments in leased PP&E	0014	8a	262,778	251,416
	6. Advances for PP&E - domestic	0015	8a	1,118,198	266,090
	7. Advances for PP&E - foreign	0016	8a	63,389	50,076
III.	**BIOLOGICAL ASSETS**	**0017**		**-**	**-**
IV.	**LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+ 0023+0024+0025+0026+0027)**	**0018**		**3,982,944**	**2,797,032**
	1. Investments in legal entities (except those evaluated using the equity method)	0019		92,230	91,900
	2. Investments in legal entities evaluated by equity method	0020	9	2,866,724	1,582,900
	3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021		-	-
	4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - foreign	0022		-	-
	5. Long-term investments - domestic	0023		9,367	9,515
	6. Long-term investments - foreign	0024		-	-
	7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
	8. Purchased own shares	0026		-	-
	9. Other long-term financial investments and long-term receivables	0027	10	1,014,623	1,112,717
V.	**LONG - TERM ACCRUED AND DEFERRED INCOME**	**0028**		**-**	**-**
C.	**DEFFERED TAX ASSETS**	**0029**	**11**	**2,766,666**	**2,343,219**
G.	**CURRENT ASSETS (0031+0037+0038+0044+0048+ 0057+0058)**	**0030**		**200,638,341**	**95,364,013**
I.	**INVENTORY (0032+0033+0034+0035+0036)**	**0031**	**12**	**59,145,435**	**37,503,380**
	1. Materials, spare parts and tools	0032		28,327,503	17,302,902
	2. Work in progress and finished goods	0033		26,770,096	16,416,537

in 000 RSD

		AOP	Note	31 December 2022	31 December 2021
	3. Merchandise	0034		3,137,015	3,231,683
	4. Advances for inventory and services - domestic	0035		493,164	432,170
	5. Advances for inventory and services - foreign	0036		417,657	120,088
II.	**FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION**	**0037**		**23,833**	**44,008**
III	**TRADE RECEIVABLES (0039+0040+0041+0042+0043)**	**0038**	13	**35,693,648**	**28,405,044**
	1. Trade receivables - domestic	0039		32,588,975	24,777,305
	2. Trade receivables - foreign	0040		1,289,982	1,432,922
	3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		1,642,732	2,019,633
	4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		171,959	175,184
	5. Other trade receivables	0043		-	-
IV.	**OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)**	**0044**	14	**2,047,402**	**1,482,846**
	1. Other receivables	0045		1,924,028	1,376,625
	2. Receivables for overpaid income tax	0046		-	28,829
	3. Receivables from overpaid other taxes and contributions	0047		123,374	77,392
V.	**SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)**	**0048**	15	**6,174,911**	**104,451**
	1. Short-term loans and investments - parent and subsidiaries	0049		-	-
	2. Short-term loans and investments - other related parties	0050		36,214	-
	3. Short-term loans and investments - domestic	0051		75,066	76,176
	4. Short-term loans and investments - foreign	0052		-	-
	5. Securities evaluted at amortized cost	0053		-	-
	6. Financial assets evaluated through profit or loss	0054		-	-
	7. Purchased own shares	0055		-	-
	8. Other short-term financial investments	0056		6,063,631	28,275
VI.	**CASH AND CASH EQUIVALENTS**	**0057**	16	**88,131,045**	**21,283,274**
VII.	**PREPAYMENTS AND ACCRUED INCOME**	**0058**	17	**9,422,067**	**6,541,010**
D	**TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)**	**0059**		**514,816,107**	**411,025,157**
E	**OFF-BALANCE SHEET ASSETS**	**0060**	18	**130,773,699**	**124,420,216**
A.	**EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0**	**0401**	19	**349,227,637**	**262,836,211**
I.	**EQUITY**	**0402**	19.1	**81,530,200**	**81,530,200**
II.	**SUBSCRIBED CAPITAL UNPAID**	**0403**		**-**	**-**
III.	**SHARE PREMIUM**	**0404**		**-**	**-**
IV.	**RESERVES**	**0405**		**-**	**-**
V.	**POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT**	**0406**		**675,575**	**658,797**

in 000 RSD

		AOP	Note	31 December 2022	31 December 2021
VI.	**UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT**	**0407**		**171,150**	**58,150**
VII.	**RETAINED EARNINGS (0409+0410)**	**0408**		**267,193,012**	**180,685,686**
	1. Retained earnings from previous years	0409		174,817,600	159,728,653
	2. Retained earnings from current year	0410		92,375,412	20,957,033
VIII.	**NON-CONTROLLING INTEREST**	**0411**		**-**	**19,678**
IX.	**LOSS (0413+0414)**	**0412**		**-**	**-**
	1. Loss from previous years	0413		-	-
	2. Loss from current year	0414		-	-
B.	**LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)**	**0415**		**80,129,074**	**85,503,686**
I.	**LONG-TERM PROVISIONS (0417+0418+0419)**	**0416**	20	**14,814,651**	**12,430,855**
	1. Provisions for employee benefits	0417		979,395	1,175,803
	2. Provisions for warranty claims	0418		-	-
	3. Other long term provisions	0419		13,835,256	11,255,052
II.	**LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)**	**0420**	21	**65,314,423**	**73,072,831**
	1. Liabilities convertible to equity	0421		-	-
	2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422		-	-
	3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423		-	2,734,483
	4. Long-term loans and finance lease liabilities - domestic	0424		47,928,094	47,762,057
	5. Long-term loans and finance lease liabilities - foreign	0425		16,412,357	21,630,304
	6. Liabilities for issued securities	0426		-	-
	7. Other long-term liabilities	0427		973,972	945,987
III.	**LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES**	**0428**		**-**	**-**
C.	**DEFFERED TAX LIABILITIES**	**0429**	11	**-**	**-**
D.	**LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED**	**0430**		**-**	**-**
E.	**SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)**	**0431**		**85,459,396**	**62,685,260**
I.	**SHORT-TERM PROVISIONS**	**0432**	20	**2,013,474**	**1,646,631**
II.	**SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)**	**0433**	22	**7,855,467**	**7,689,172**
	1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		-	-
	2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		2,728,428	5,468,935
	3. Short-term loans and borowings from other parties	0436		735,918	640,656
	4. Short-term loans from domestic banks	0437		3,582,756	1,296,026
	5. Short-term loans, borowings and liabilities - foreign	0438		808,365	283,555
	6. Liabilities on short-term securities	0439		-	-
	7. Liabilities based on financial derivatives	0440		-	-
III.	**ADVANCES RECEIVED**	**0441**		**11,399,343**	**3,163,934**

in 000 RSD

		AOP	Note	31 December 2022	31 December 2021
IV.	TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	0442	23	24,024,598	24,575,663
	1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		3,620,071	1,677,244
	2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		77,576	807,220
	3. Trade payables - domestic	0445		8,278,322	9,748,498
	4. Trade payables - foreign	0446		12,016,177	12,316,499
	5. Liabilities on promissory notes	0447		-	-
	6. Other operating liabilities	0448		32,452	26,202
V.	OTHER SHORT-TERM LIABILITIES	0449	24	35,453,016	21,535,022
	1. Other short-term liabilities	0450		7,193,194	6,644,265
	2. Liabilities for VAT and other taxes	0451		14,246,373	10,652,549
	3. Profit tax liabilities	0452		14,013,449	4,238,208
VI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS	0453		-	-
VII.	SHORT-TERM ACCRUED EXPENSES	0454	25	4,713,498	4,074,838
F.	LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0	0455		-	-
G.	TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)	0456		514,816,107	411,025,157
H.	OFF-BALANCE SHEET LIABILITIES	0457	18	130,773,699	124,420,216

in 000 RSD

Consolidated income statement

		AOP	Note	Year ended 31 December 2022	2021
A.	OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	1001		536,302,367	310,238,277
I.	INCOME FROM THE SALE OF GOODS (1003+1004)	1002	6	91,430,596	61,104,658
	1. Income from sale of goods on domestic market	1003		37,389,802	20,932,020
	2. Income from sale of goods on foreign market	1004		54,040,794	40,172,638
II.	INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	1005	6	421,840,081	233,694,415
	1. Income from sales of products and services on domestic market	1006		378,416,227	196,253,868
	2. Income from sales of products and services on foreign market	1007		43,423,854	37,440,547
III.	WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1008		11,953,116	10,444,184
IV.	INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1009		10,171,384	4,274,201
V.	DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1010		-	-
VI.	OTHER OPERATING INCOME	1011	6	732,845	390,273
VII.	INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1012	26	174,345	330,546
B.	OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		425,960,931	281,835,685
I.	COST OF GOODS SOLD	1014		52,757,124	31,872,318
II.	COST OF MATERIAL, FUEL AND ENERGY	1015	27	287,255,980	171,669,316
III.	COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1016	28	32,190,314	28,841,346
	1. Cost of salaries and fringe benefits	1017		26,853,527	23,932,262
	2. Cost of tax and contributions on wages and salaries	1018		3,731,825	3,352,235
	3. Other personal expenses	1019		1,604,962	1,556,849
IV.	DEPRECIATION, DEPLETION AND AMORTIZATION	1020		25,479,192	24,958,601
V.	EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1021	29	236,008	783,229
VI.	COST OF PRODUCTION SERVICES	1022	30	15,448,344	14,423,239
VII.	COST OF PROVISION	1023		3,461,613	981,522
VIII.	NON-PRODUCTION COSTS	1024	31	9,132,356	8,306,114
C.	OPERATING GAIN (1001-1013)>=0	1025		110,341,436	28,402,592
D.	OPERATING LOSS (1013-1001)>=0	1026		-	-
E.	FINANCE INCOME (1028+1029+1030+1031)	1027	32	6,403,142	1,994,554
I.	FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1028		2,142,450	1,222,970
II.	INTEREST INCOME	1029		2,138,970	220,899

in 000 RSD

		AOP	Note	Year ended 31 December 2022	2021
III.	FOREIGN EXCHANGE GAIN	1030		757,386	504,244
IV.	OTHER FINANCIAL INCOME	1031		1,364,336	46,441
F.	FINANCE EXPENSES (1033+1034+1035+1036)	1032	33	7,128,152	4,733,811
I.	FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		3,659,804	2,319,059
II.	INTEREST EXPENSE	1034		1,799,768	1,720,542
III.	FOREIGN EXCHANGE LOSS	1035		1,559,618	522,006
IV.	OTHER FINANCIAL EXPENSE	1036		108,962	172,204
I.	PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	1037		-	-
J.	LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	1038		725,010	2,739,257
K.	INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	34	699,716	339,236
L.	LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	35	477,301	330,521
M.	OTHER INCOME	1041	36	1,419,176	1,151,128
N.	OTHER EXPENSE	1042	37	1,420,052	1,622,598
O.	TOTAL INCOME (1001+1027+1039+1041)	1043		544,824,401	313,723,195
P.	TOTAL EXPENSE (1013+1032+1040+1042)	1044		434,986,436	288,522,615
Q.	OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		109,837,965	25,200,580
R.	OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		-	-
S.	POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1047		-	-
T.	NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1048		-	-
U.	PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	1049		109,837,965	25,200,580
V.	LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		-	-
W.	INCOME TAX				
I.	CURRENT INCOME TAX	1051	38	17,886,433	4,273,671
II.	DEFERRED TAX EXPENSE FOR THE PERIOD	1052	38	230,702	673,583
III.	DEFERRED TAX INCOME FOR THE PERIOD	1053	38	653,823	703,707
X.	PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y.	NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		92,374,653	20,957,033
Z.	NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	-
I.	NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	1057		-	-
II.	NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		92,374,653	20,957,033

in 000 RSD

		AOP	Note	Year ended 31 December 2022	2021
III.	NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	1059		-	-
IV.	NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		-	-
V.	EARNINGS PER SHARE				
	1. Basic earnings per share	1061		0.57	0.13
	2. Diluted earnings per share	1062		-	-

in 000 RSD

Consolidated statement of other comprehensive income

		AOP	Note	Year ended 31 December 2022	Year ended 31 December 2021
A.	**NET PROFIT**				
I.	**PROFIT, NET (AOP 1064)**	**2001**		**92,374,653**	**20,957,033**
II.	**LOSS, NET (AOP 1065)**	**2002**		**-**	**-**
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		-	12,056
	b) losses	2006		181,751	-
3.	**Gains/(losses) arising from a share in the associate's other comprehensive profit or loss**				
	a) gains	2007		-	-
	b) losses	2008		-	-
b)	*Items that may be subsequently reclassified to profit or loss*				
1.	**Gains/(losses) arising from equity investments**				
	a) gains	2009		-	-
	b) losses	2010		-	-
2.	**Gains/(losses) from currency translation differences**				
	a) gains	2011		65,497	105,223
	b) losses	2012		-	-
3.	**Gains/(losses) on investment hedging instruments in foreign business**				
	a) gains	2013		-	-
	b) losses	2014		-	-
4.	**Gains/(losses) on cash flow hedges**				
	a) gains	2015		-	-
	b) losses	2016		-	-
5.	**Gains/(losses) from change in value of available-for-sale financial assets**				
	a) gains	2017		-	783
	b) losses	2018		104	-
I	**OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0**	**2019**		**-**	**118,062**

in 000 RSD

		AOP	Note	Year ended 31 December 2022	Year ended 31 December 2021
II	**OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0**	**2020**		**116,358**	**-**
III	**DEFERRED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT/ (LOSS)**	**2021**		**-**	**-**
IV	**DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT/ (LOSS)**	**2022**		**-**	**-**
V.	**TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0**	**2023**		**-**	**118,062**
VI.	**TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0**	**2024**		**116,358**	**-**
C.	**TOTAL NET COMPREHENSIVE PROFIT**				
I.	**TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0**	**2025**		**92,258,295**	**21,075,095**
II.	**TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0**	**2026**		**-**	**-**
D.	**TOTAL NET COMPREHENSIVE PROFIT (2028+2029)=AOP 2025>=0 or AOP 2026>0**	**2027**		**92,258,295**	**21,075,095**
	1. Attributable to shareholders	2028		92,258,295	21,075,095
	2. Attributable to non-controling interest	2029		-	-

in 000 RSD

Consolidated statement of cash flows

	AOP	Note	Year ended 31 December 2022	2021
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	**3001**		**825,174,454**	**546,109,833**
1. Sales and advances received - domestic	3002		689,656,564	415,107,521
2. Sales and advances received - foreign	3003		131,095,432	130,526,658
3. Interest from operating activities	3004		1,515,009	85,381
4. Other inflow from operating activities	3005		2,907,449	390,273
II. Cash outflow from operating activities (1 to 8)	**3006**		**711,111,204**	**503,934,376**
1. Payments and prepayments to suppliers - domestic	3007		67,864,843	45,713,226
2. Payments and prepayments to suppliers - foreign	3008		315,935,844	184,721,021
3. Salaries, benefits and other personal expenses	3009		29,973,944	28,693,700
4. Interest paid - domestic	3010		987,741	885,066
5. Interest paid - foreign	3011		483,418	538,086
6. Income tax paid	3012		8,084,345	280,739
7. Payments for other public revenues	3013		287,781,069	242,834,798
8. Other payments from operating activities	3014		-	267,740
III. Net cash inflow from operating activities (I - II)	**3015**		**114,063,250**	**42,175,457**
IV. Net cash outflow from operating activities (II - I)	**3016**		**-**	**-**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3017**		**421,432**	**618,326**
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		393,157	410,959
3. Other financial investments	3020		28,275	163,478
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		-	43,889
II. Cash outflow from investing activities (1 to 3)	**3023**		**31,728,112**	**22,937,199**
1. Acquisition of subsidiaries or other business	3024		-	-
2. Purchase of intangible assets, property, plant and equipment	3025		25,437,566	22,773,565
3. Other financial investments	3026		6,290,546	163,634
III. Net cash inflow from investing activities (I - II)	**3027**		**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3028**		**31,306,680**	**22,318,873**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	**3029**		**5,811,336**	**17,229,700**

in 000 RSD

	AOP	Note	Year ended 31 December 2022	2021
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	21	3,905,907	11,438,785
3. Proceeds from long-term borrowings - foreign	3032	21	593,845	5,290,915
4. Proceeds from short-term borrowings - domestic	3033	21	824,256	500,000
5. Proceeds from short-term borrowings - foreign	3034		487,328	-
6. Other long-term liabilities	3035		-	-
7. Other short-term liabilities	3036		-	-
II. Cash outflow from financing activities (1 to 8)	**3037**		**20,660,303**	**24,386,574**
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	21	2,957,319	15,991,604
3. Repayment of long-term borrowings - foreign	3040	21	11,105,986	6,165,093
4. Repayment of short-term borrowings - domestic	3041	21	-	500,000
5. Repayment of short-term borrowings - foreign	3042		-	-
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	21	814,876	728,686
8. Dividend distribution	3045	19.1	5,782,122	1,001,191
III. Net cash inflow from financing activities (I - II)	**3046**		**-**	**-**
IV Net cash outflow from financing activities (II - I)	**3047**		**14,848,967**	**7,156,874**
D. TOTAL CASH INFLOW (3001+3017+3029)	**3048**		**831,407,222**	**563,957,859**
E. TOTAL CASH OUTFLOW (3006+3023+3037)	**3049**		**763,499,619**	**551,258,149**
F. NET CASH INFLOW (3048-3049)>=0	**3050**		**67,907,603**	**12,699,710**
G. NET CASH OUTFLOW (3049-3048)>=0	**3051**		**-**	**-**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3052**		**21,283,274**	**8,488,302**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3053**		**126,877**	**270,815**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3054**		**1,186,709**	**175,553**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	**3055**	**16**	**88,131,045**	**21,283,274**

in 000 RSD

Consolidated statement of changes in equity

	AOP	Share capital	AOP	Rev. reserves and unr. gains and losses	AOP	Retained earnings	AOP	Loss	AOP	Non-controling interest	AOP	Total
1. Balance as at 1 January 2021	**4001**	**81,530,200**	**4037**	**483,041**	**4046**	**168,315,069**	**4055**	**7,566,003**	**4064**	**-**	**4073**	**242,762,307**
2. Adjustments of material errors and changes in accounting policies	4002	-	4038	-	4047	-	4056	-	4065	-	4074	-
3. Restated opening balance as at 1 January 2021	**4003**	**81,530,200**	**4039**	**483,041**	**4048**	**168,315,069**	**4057**	**7,566,003**	**4066**	**-**	**4075**	**242,762,307**
4. Net changes in 2021	4004	-	4040	117,606	4049	12,390,295	4058	(7,566,003)	4067	-	4076	20,073,904
5. Balance as at 31 December 2021	**4005**	**81,530,200**	**4041**	**600,647**	**4050**	**180,705,364**	**4059**	**-**	**4068**	**-**	**4077**	**262,836,211**
6. Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4069	-	4078	-
7. Restated opening balance as at 1 January 2022	**4007**	**81,530,200**	**4043**	**600,647**	**4052**	**180,705,364**	**4061**	**-**	**4070**	**-**	**4079**	**262,836,211**
8. Net changes in 2022	4008	-	4044	(96,222)	4053	86,487,648	4062	-	4071	-	4080	86,391,426
9. Balance as at 31 December 2022	**4009**	**81,530,200**	**4045**	**504,425**	**4054**	**267,193,012**	**4063**	**-**	**4072**	**-**	**4081**	**349,227,637**

in 000 RSD

Notes to the Consolidated Financial Statements*

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the "Company") and its subsidiaries (together refer to as the "Group") is a vertically integrated oil company operating predominantly in Serbia. The Group's principal activities include:

- Exploration, development and production 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 is a public joint stock company listed on the Belgrade Stock Exchange.

On 6 May 2022, PJSC Gazprom acquired 6.15% of the Company's shares. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company (PJSC Gazprom - 6.15% of the authorized capital of NIS, PJSC Gazprom Neft - 50% of the authorized capital of NIS).

These consolidated financial statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Shareholders' Assembly for approval.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements for the year ended 31 December 2022 were prepared in accordance with the Law on Accounting of the Republic of 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 consolidated 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Consolidated Financial Statements have been prepared based on the going concern principle, which assumes that the Group 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 Group will be able to continue to operate as a going concern in the foreseeable future, this principle should be applied in the preparation of these Consolidated Financial Statements.

At the date of signing consolidated financial statements, crude oil price increased since 31 December 2022 from 81.325 $/barrel to 81.47 $/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 consolidated 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. Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (''the functional currency'').

* *All amounts are in RSD 000, unless otherwise stated.*

The consolidated financial statements are presented in Serbian dinars ("RSD"), which is the functional currency of the Company and presentation currency of the Group.

(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 consolidated 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 consolidated income statement within 'Finance income or expense'

(c) Group's Companies

The result and financial position of all Group companies whose functional currency is different from the Group's presentation currency are calculated as follows:

I. assets and liabilities are translated into the RSD using the exchange rate as at reporting date;
II. income and expenses are translated at average exchange rates and all resulting foreign exchange differences are recognized in reserves as separate items in equity.

2.5. Principles of consolidation

The consolidated financial statements include the accounts of subsidiaries in which the Group has control. Control implies rights or exposure to variable returns from the involvement with the investee and the ability to affect those returns through the power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. An investor is exposed, or has the right to variable returns from its involvement with investee when the investor's return from its involvement has the potential to vary as a result of the investee's performance. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control commences until the date when control ceases.

In accessing control, Group takes into consideration potential voting rights that are substantive. Investments in entities that the Group does not control, but where it has the ability to exercise significant influence over operating and financial policies, are accounted for under equity method except for investments that meet criteria of joint operations, which are accounted for on the basis of the Group's interest in the assets, liabilities, expenses and revenue of the joint operation. All other investments are classified either as held-to-maturity or as available for sale.

(a) Joint Operations and Joint Ventures

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

With regards to joint arrangements, where the Group acts as a joint venturer, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

(b) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Non-controlling interests

In the consolidated financial statements, non-controlling interests in subsidiaries are presented separately from the Group equity as non-controlling interests. Non-controlling interest is measured at fair value or at its proportionate share in the acquiree's net identifiable assets. For each business combination a separate measurement principle is determined.

(d) Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associate are accounted for using equity method and are recognised initially at cost. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

2.6. Business combinations

The Group accounts for its business combinations according to IFRS 3 Business Combinations. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and recognised goodwill or a gain from a bargain purchase. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

2.7. Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('bargain purchase') is recognized in profit or loss, after Management identified all assets acquired and all liabilities and contingent liabilities assumed and reviewed the appropriateness of their measurement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated profit or loss. Transaction costs, that the Group incurs in connection with a business combination are expensed as incurred.

2.8. Intangible assets

(a) Goodwill

Goodwill that arises from business combination is included in intangible assets. Subsequently goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed (note 7).

(b) Licenses and rights

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 useful 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.

(c) Software

These include primarily the costs of implementation the (SAP) computer software program. Acquired 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).

2.9. Oil and Gas properties

(a) Exploration and evaluation expenditure

The Group 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.

2.10. Property, plant and equipment

As of the date of establishment, the Group'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 Group 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 consolidated 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 consolidated income statement (notes 36 and 37).

2.11. 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.

2.12. 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 consolidated income statement as part of "Income/Expense from valuation od assets (except financial)"(note 26 and 29).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group 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.

2.13. 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 Group 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 Group 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 Group's business model for managing the asset and the cash flow characteristics of the asset.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group'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 Group 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 Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group 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 Group 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 Group subsequently measures all equity investments at fair value. Where the Group'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 Group's right to receive payments is established.

c) Write-off

Financial assets are written-off, in whole or in part, when the Group 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 Group may write-off financial assets that are still subject to enforcement activity when the Group 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 Group 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 Group 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 expired).

An exchange between the Group 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 Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group 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 Group 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 Group 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 consolidated 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 consolidated statement of OCI as gains less losses on debt instruments at FVOCI.

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

The Group 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 Group 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 Group 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, the Group 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.

Group 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

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

Group uses a provision matrix in the calculation of the expected credit losses on trade receivables. Group 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 consolidated income statement.

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.

2.14. 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 expenses" (note 37).

2.15. 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 Group, as well as receivables/payables related to collaterals such as guarantees and other warrants.

2.16. Share capital

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

2.17. Earnings per share

The Group 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.

2.18. Provisions

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Group 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 consolidated income statement.

2.19. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated 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 Group 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 consolidated 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.

2.20. Employee benefits

a) Pension obligations

The Group operates a defined contribution pension plan. The Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group 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 Group 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 consolidated statement of 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 Group recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

At the end of 2020 the Group has made decision to introduce new three-year (2021-2023) program for Group's managers which will be based on the Key Performance Indicators ("KPI") reached during the program (note 20).

2.21. Revenue recognition from contracts with customers

The Group 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 Group 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 after eliminating sales within the Group.

Sales taxes

Revenue does not amounts 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 Group'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. This determination is made based on the analysis of the local regulatory requirements for each country in which the Group operates. Due to complexity and variety in tax legislations, significant judgmenent is applied in the assessment whether excise duties would be accounted on gross or net basis.

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 Group 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 Group 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 Group operates a chain of Petrol Stations. Sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. Group offers customer incentives mostly in the form of loyalty programs described under section d).

c) Sales of electricity

The Group 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 Group expects to physically deliver factual agreed quantity of electricity revenue is recognized at gross basis in consolidated 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 Group 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 25.

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 Group 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.

2.22. Leases

The Group 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.

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 Group. 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 Group 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.

2.23. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are approved by the Group's shareholders.

2.24. 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 consolidated financial statements required Management to make estimates and assumptions that affect 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 are 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 Group'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 Consolidated Financial Statements is provided below.

3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Group estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Group estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

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 consolidated 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.

3.2. 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 2022 would be to increase/decrease it by 2,256,247 RSD (2021: 2,231,099 RSD).

3.3. Impairment of goodwill

Goodwill is tested for impairment annually.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. The estimated future cash flows include estimation of future costs to produce reserves, future commodity prices, foreign exchange rate, discount rate etc. (note 7).

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 Group 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 Group 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 7.80% (rather than 6.80%) per year, the past service liability (DBO) for the whole NIS Group would decreased by about 8.07% for retirement indemnity and 5.34% for jubilee benefit. If pay increased by 1.0% higher than assumed on an annual basic, than the past service liability (DBO) for the whole NIS Group would increase by amount 9.54% for the retirement indemnity. If employee fluctuation rate increase by 1.0% higher than assumed on an annual basis, then the past service liability (DBO) would decrease by about 8.83% for the retirement indemnity and 5.86% for the jubilee benefit.

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 (note 20) 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 Group'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 7.80% (rather than 6.80%) per year, the present liability would have decreased by approx. 1,163,584 RSD (31 December 2021: 4.49% (rather than 3.49%) per year the present liability would have decreased by approx. 1,015,618 RSD).

3.6. Contingencies

Certain conditions may exist as of the date of these consolidated financial statements are issued that may result in a loss to the Group, 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 Group or unasserted claims that may result in such proceedings, the Group, 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 Group's consolidated 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 Group 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 39).

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 Group performed stress sensitivity analysis of its impact on recoverability of the Group 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 Group's PPE exceed its carrying value.

The Group 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 Group's PPE by RSD 58.5 bln (31 December 2021: RSD 60.6 bln).

Oil prices are based on the available forecasts from globally recognized research institutions.

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.

4. APPLICATION OF AMENDMENTS TO THE EXISTING STANDARDS

The amendments to the existing standards which became effective on 1 January 2022 did not have any material impact on the Consolidated Financial Statements.

Preparing these Consolidated Financial Statements the Group adopted early the amendments to IAS 1 with regard to the disclosure of accounting policies that become effective for annual periods beginning on or after 1 January 2023. In accordance with these amendments instead of short review of significant accounting policies which would substantially duplicate or summarise the IFRS requirements the Group disclosed the material accounting policy information relating to material transactions and includes approaches chosen by the Group from alternatives permitted by the IFRS and includes approaches developed by the Group in the absence of an IFRS Standard that specifically applies and relating to areas where the Group is required to make significant judgements and assumptions while applying the accounting policy.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial risk factors

The Group'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 primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Economics, Finance, Planning and Accounting (further "FEPA") which under the policies approved by the Group identifies and evaluates financial risks in close co-operation with the Group's operating units.

In the normal course of its operations the Group 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 Group 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 Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

The Group has borrowings denominated in foreign currency mainly in EUR which predominantly expose Group to the foreign currency translation risk.

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

As of 31 December 2022	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	92,230	–	–	–	92,230
LT loans issued	2,367	7,000	–	–	9,367
Other long-term financial investments and receivables	303,389	644,639	6,609	59,986	1,014,623
Current assets					
Trade receivables	31,410,126	2,256,717	235,051	1,791,754	35,693,648
Other receivables	286,029	740,518	173,942	723,539	1,924,028
Short term financial investments	6,014,961	63,750	–	96,200	6,174,911
Cash and cash equivalents	72,865,399	11,306,856	27,996	3,930,794	88,131,045
Financial liabilities					
Non-current					
Long-term liabilities	(4,268)	(63,907,797)	(31,524)	(1,370,834)	(65,314,423)
Current liabilies					
Short-term financial liabilities	–	(7,481,212)	(56,991)	(317,264)	(7,855,467)
Trade payables	(6,469,323)	(11,291,024)	(3,638,179)	(2,626,072)	(24,024,598)
Other short-term liabilities	(6,724,741)	(145,577)	(173,420)	(149,456)	(7,193,194)
Net exposure	**97,776,169**	**(67,806,130)**	**(3,456,516)**	**2,138,647**	**28,652,170**

As of 31 December 2021	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,900	-	-	-	91,900
LT loans issued	9,515	-	-	-	9,515
Other long-term financial investments	320,069	786,412	6,236	-	1,112,717
Current assets					
Trade receivables	23,016,354	2,049,638	326,135	3,012,917	28,405,044
Other receivables	128,690	580,236	257,910	409,789	1,376,625
Short term financial investments	39,419	65,032	-	-	104,451
Cash and cash equivalents	10,688,889	9,013,350	753,924	827,111	21,283,274
Financial liabilities					
Non-current					
Long-term liabilities	(9,841)	(71,430,298)	(83,512)	(1,549,180)	73,072,831)
Current liabilies					
Short-term financial liabilities	(4,298)	(7,285,159)	(46,968)	(352,747)	(7,689,172)
Trade payables	(9,651,175)	(11,769,807)	(314,349)	(2,840,332)	(24,575,663)
Other short-term liabilities	(6,218,084)	(88,154)	(167,161)	(170,866)	(6,644,265)
Net exposure	**18,411,438**	**(78,078,750)**	**732,215**	**(663,308)**	**(59,598,405)**

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2022	31 December 2021
EUR	117.3224	117.5821
USD	110.1515	103.9262

Sensitivity analysis

The Group 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 Group's consolidated financial statements 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 2022, if the currency had strengthened/weaken by 1% against the EUR with all other variables held constant, pre-tax profit and equity for the year would have been 678,061 RSD (2021: 780,787 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings and account payables.

As at 31 December 2022, if the currency had strengthened/weaken by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 69,130 RSD (2021: 14,644 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Group to cash flow interest rate risk, whilst borrowings issued at fixed rates expose the Group to fair value 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 Group'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 2022 would have been 420,664 RSD (2021: 550,485 RSD) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Commodity price risk

The Group's financial performance relates directly to prices for crude oil and petroleum products. The Group 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 Group'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.

Credit risk

The Group 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 Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated balance sheet is as follows:

	Year end 31 December	
	2022	2021
Financial instrument at FVTOCI	92,230	91,900
Other long-term investments (note 10)	1,014,623	1,112,717
Long term loans issued	9,367	9,515
Trade receivables (note 13)	35,693,648	28,405,044
Other receivables (note 14)	2,047,402	1,482,846
Short term financial investments (note 15)	6,174,911	104,451
Cash and cash equivalents (note 16)	88,131,045	21,283,274
Total maximum exposure to credit risk	**133,163,226**	**52,489,747**

Credit risk management. Credit risk is the single largest risk for the Group'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 Group 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 Group;
- planned sales volume;
- duration of relationship with the Group, including ageing profile, maturity and existence of any financial difficulties.

Trade and Other receivables

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

The Group 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 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 2022 and 60 months before 1 January 2022 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, sprecific and other receivables is determined according to provision matrix presented in the table below.

At 31 December 2022 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 and other receivables
Trade and other receivables				
- current	0.01%	35,061,260	(3,506)	35,057,754
- less than 30 days overdue	0.03%	1,709,797	(513)	1,709,284
- 31 to 90 days overdue	0.54%	276,451	(1,493)	274,958
- 91 to 270 days overdue	2.46%	226,595	(5,574)	221,021
- over 271 days overdue	95.56%	15,230,980	(14,752,947)	478,033
Total trade and other receivables		**52,505,083**	**(14,764,033)**	**37,741,050**

At 31 December 2021 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 and other receivables
Trade and other receivables				
- current	0.03%	28,470,599	(8,541)	28,462,058
- less than 30 days overdue	0.15%	924,727	(1,387)	923,340
- 31 to 90 days overdue	0.91%	94,953	(864)	94,089
- 91 to 270 days overdue	1.29%	68,493	(884)	67,609
- over 271 days overdue	98.11%	15,919,281	(15,578,487)	340,794
Total trade and other receivables		**45,478,053**	**(15,590,163)**	**29,887,890**

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 Group regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Group.

Management believes that not impaired trade and other receivables and other current assets are fully recoverable.

Movements on the Group's provision for impairment of trade and lease receivables are as follows:

	Trade receivables	Lease receivables	Total
As at 1 January 2021	**5,200,499**	**46,039**	**5,246,538**
Provision for receivables impairment (note 35)	42,486	582	43,068
Unused amounts reversed (note 34)	(35,239)	(5,485)	(40,724)
Receivables written off during the year as uncollectible	(288,103)	-	(288,103)
Other	(2,625)	(1)	(2,626)
As at 31 December 2021	**4,917,018**	**41,135**	**4,958,153**
As at 1 January 2022	**4,917,018**	**41,135**	**4,958,153**
Provision for receivables impairment (note 35)	112,226	1,534	113,760
Unused amounts reversed (note 34)	(38,535)	(4,539)	(43,074)
Receivables written off during the year as uncollectible	(297,251)	(3,704)	(300,955)
Other	42,545	-	42,545
As at 31 December 2022	**4,736,003**	**34,426**	**4,770,429**

Expenses that have been provided for or written off are included in fair value measurement loss within the consolidated 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. The other classes within trade and other receivables do not contain impaired assets.

Movements on the provision for other receivables:

	Receivables from specific operations	Interest receivables	Other receivables	Total
As at 1 January 2021	**1,714,933**	**1,987,615**	**7,419,620**	**11,122,168**
Provision for other receivables impairment (note 35)	3,274	3,565	2,997	9,836
Unused amounts reversed (note 34)	(286,082)	(12,013)	(417)	(298,512)
Receivables written off during the year as uncollectible	(44,929)	(44,485)	(69,361)	(158,775)
Other	(36,044)	(6,253)	(410)	(42,707)
As at 31 December 2021	**1,351,152**	**1,928,429**	**7,352,429**	**10,632,010**
As at 1 January 2022	**1,351,152**	**1,928,429**	**7,352,429**	**10,632,010**
Provision for other receivables impairment (note 35)	360	5,860	4,492	10,712
Unused amounts reversed (note 34)	(601,580)	(4,215)	(438)	(606,233)
Receivables written off during the year as uncollectible	(1,718)	(37,193)	(3,933)	(42,844)
Other	(12)	-	(29)	(41)
As at 31 December 2022	**748,202**	**1,892,881**	**7,352,521**	**9,993,604**

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 2022				
Cash and cash equivalents (note 16)	55,910,405	8,696,595	23,524,045	**88,131,045**
Deposits with original maturity more than 3 months less than 1 year (note 15)	–	6,003,699	59,984	**6,063,683**
Deposits with original maturity more than 1 year (note 10)	–	155,516	59,984	**215,500**
As at December 2021				
Cash and cash equivalents (note 16)	9,347,610	8,282,565	3,653,099	**21,283,274**
Deposits with original maturity more than 3 months less than 1 year (note 15)	–	–	28,275	**28,275**
Deposits with original maturity more than 1 year (note 10)	–	–	155,857	**155,857**

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

As of 31 December 2022 and 2021 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 Group's level. The Company's finance function monitors rolling forecasts of the Group'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 times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group'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 Group over and above balance required for working capital management are invested as surplus cash in time deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

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.

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
As at 31 December 2022					
Financial liabilities	73,169,890	80,914,679	10,086,420	64,539,892	6,288,367
Trade payables and dividends	27,808,416	27,808,416	27,808,416	-	-
	100,978,306	**108,723,095**	**37,894,836**	**64,539,892**	**6,288,367**
As at 31 December 2021					
Financial liabilities	80,762,003	85,318,886	8,994,118	73,534,610	2,790,158
Trade payables and dividends	28,359,768	28,359,768	28,359,768	-	-
	109,121,771	**113,678,654**	**37,353,886**	**73,534,610**	**2,790,158**

The Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, revise its investment program, attract new or repay existing loans or sell certain non-core assets.

On the Group 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 Group's net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2022	31 December2021
Total borrowings (notes 21 and 22)	73,169,890	80,762,003
Less: cash and cash equivalents (note 16)	(88,131,045)	(21,283,274)
Net debt	**(14,961,155)**	**59,478,729**
Adjusted EBITDA	136,192,257	53,173,984
Net debt to adjusted EBITDA ratio at the end of the year	**(0.11)**	**1.12**

The Group has committed to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 4.0 during the terms of long-term borrowings agreements with certain commercial banks. Group 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 Group’s approach to capital management during the year.

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 Group 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 Group 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 carrying amount of trade and other receivables, other current assets 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 receivables and non-current payables the fair values are also not significantly different to their carrying amounts.

6. SEGMENT INFORMATION

Presented below is information about the Group’s operating segments for the years ended 31 December 2022 and 2021. Operating segments are components that engaged in business activities that 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 Group manages its operations in 2 operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Group 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 Group’s EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Group's on-going operating activities, as it reflects the Group'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 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	63,484,308	511,768,618	(61,249,404)	514,003,522
Intersegment	60,524,458	724,946	(61,249,404)	-
External	2,959,850	511,043,672	-	514,003,522
Adjusted EBITDA (Segment results)	**44,787,199**	**91,405,058**	**-**	**136,192,257**
Depreciation, depletion and amortization	(14,174,382)	(11,304,810)	-	(25,479,192)
Impairment losses/Revaluation surpluses (note 26 and 29)	(23,193)	(92,005)	-	(115,198)
Share of profit of associates and joint ventures	-	1,283,825	-	1,283,825
Finance (expenses) income, net	(209,360)	(1,799,475)	-	(2,008,835)
Income tax	(270,711)	(17,192,601)	-	(17,463,312)
Segment profit	30,138,877	62,235,776	-	92,374,653

Reportable segment results for the year ended 31 December 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	45,522,440	293,808,619	(44,141,713)	295,189,346
Intersegment	43,608,846	532,867	(44,141,713)	-
External	1,913,594	293,275,752	-	295,189,346
Adjusted EBITDA (Segment results)	**30,422,381**	**22,751,603**	**-**	**53,173,984**
Depreciation, depletion and amortization	(13,263,998)	(11,694,603)	-	(24,958,601)
Impairment losses/Revaluation surpluses (note 26 and 29)	6,081	(555,308)	-	(549,227)
Writte off exploration works (note 8)	(948,281)	-	-	(948,281)
Share of loss of associates and joint ventures	-	(164,530)	-	(164,530)
Finance expenses, net	(547,317)	(2,027,410)	-	(2,574,727)
Income tax	(144,696)	(4,098,851)	-	(4,243,547)
Segment profit	16,004,070	4,952,963	-	20,957,033

Adjusted EBITDA for the Downstream segment includes Corporate centre EBITDA in the negative amount of 7,207,900 RSD for the year ended 31 December 2022 (31 December 2021: negative EBITDA in the amount of 6,925,941 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December	
	2022	2021
Adjusted EBITDA for the Downstream segment after allocation of Corporate centre	91,405,058	22,751,603
Corporate centre EBITDA	(7,207,900)	(6,925,941)
Adjusted EBITDA prior allocation of Corporate centre	**98,612,958**	**29,677,544**

Adjusted EBITDA for the year ended 31 December 2022 and 2021 is reconciled below:

	Year ended 31 December	
	2022	2021
Profit for the year	92,374,653	20,957,033
Income tax	17,463,312	4,243,547
Other expenses	1,420,052	1,622,598
Other income	(1,419,176)	(1,151,128)
Losses from valuation of assets at fair value through profit and loss	477,301	330,521
Income from valuation of assets at fair value through profit and loss	(699,716)	(339,236)
Finance expense	7,128,152	4,733,811
Finance income	(6,403,142)	(1,994,554)
Depreciation, depletion and amortization	25,479,192	24,958,601
Other non-operating expenses, net*	371,629	(187,209)
EBITDA	**136,192,257**	**53,173,984**

* Other non-operating income, net mainly relate to other provision for non-fulfilment of contractual obligations for the O&G minimum work programs (note 21), impairment of fixed assets, excess and deficiencies of assets revealed, fines, penalties and other.

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

	Year ended 31 December 2022		
	Domestic market	Export and international sales	Total
Sale of crude oil	2,560,156	2,042,795	4,602,951
Sale of gas	147,142	–	147,142
Wholesale activities	147,142	–	147,142
Sale of petroleum products	391,164,016	90,169,211	481,333,227
Through a retail network	131,285,607	24,913,098	156,198,705
Wholesale activities	259,878,409	65,256,113	325,134,522
Sales of electricity	318,619	34,193	352,812
Lease revenue	9,462,697	836,187	10,298,884
Other sales and other operating income	12,542,286	4,726,220	17,268,506
Total sales and other income	**416,194,916**	**97,808,606**	**514,003,522**

	Year ended 31 December 2021		
	Domestic market	Export and international sales	Total
Sale of crude oil	1,397,819	1,212,510	2,610,329
Sale of gas	273,246	–	273,246
Wholesale activities	273,246	–	273,246
Sale of petroleum products	202,705,120	71,912,811	274,617,931
Through a retail network	67,695,146	16,251,771	83,946,917
Wholesale activities	135,009,974	55,661,040	190,671,014
Sales of electricity	2,839,332	350,428	3,189,760
Lease revenue	302,641	18,570	321,211
Other sales and other operating income	10,058,003	4,118,866	14,176,869
Total sales and other income	**217,576,161**	**77,613,185**	**295,189,346**

Out of the amount of 325,134,522 RSD (2021: 190,671,014 RSD) revenue from sale of petroleum products (wholesale), the amount of 39,105,621 RSD (2021: 28,673,855 RSD) 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 Electric Power Industry of Serbia in the amount of 7,967,626 RSD (2021: Electric Power Industry of Serbia in the amount 1,154,381 RSD).

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 12,510,750 RSD (2021: 10,813,030 RSD).

The Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 416,194,916 RSD (2021: 217,576,161 RSD), and the total of revenue from external customer from other countries is 97,808,606 RSD (2021: 77,613,185 RSD).

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

	Year ended 31 December	
	2022	2021
Sale of crude oil	2,042,795	1,212,510
Sale of petroleum products (retail and wholesale)		
Bulgaria	13,428,226	13,181,739
Bosnia and Herzegovina	35,957,855	24,814,896
Romania	15,437,292	16,857,738
Switzerland	514,708	1,880,060
Croatia	2,379,044	2,597,274
Northern Macedonia	580,624	502,952
Hungary	2,141,950	947,185
Great Britain	5,787,187	4,517,034
Germany	3,114,943	1,340,491
United States	2,205,910	-
Austria	2,157,156	-
All other markets	6,464,316	5,273,442
	90,169,211	71,912,811
Sales of electricity	836,187	350,428
Lease revenue	34,193	18,570
Other sales and other operating income	4,726,220	4,118,866
	97,808,606	**77,613,185**

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 2022 and 2021:

	2022	2021
Sales revenue and other income	677,203,206	446,970,836
Excise duties	(163,199,684)	(151,781,490)
Net sales revenue and other income	**514,003,522**	**295,189,346**

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 Group assessed that for excise duties levied in wholesale it bears no inventory risk nor significant credit risk. In retail sales, the Group 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 Group bears no significant risks in both cases, excise duties are collected on behalf of tax authority and consequently deducted from revenue.

Non-current assets, other than financial instruments, deferred income tax assets, investments in joint venture and other non-current assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	31 December 2022	31 December 2021
Serbia	279,704,928	283,450,792
Romania	12,365,241	12,330,207
Bosnia and Herzegovina	8,374,408	8,342,150
Bulgaria	5,801,293	6,081,578
Other	704	-
	306,246,574	**310,204,727**

7. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Goodwill	Other intangibles	Intangible assets under development	Total
At 1 January 2021						
Cost	16,243,657	10,694,203	2,220,431	1,253,796	8,036,878	38,448,965
Accumulated amortization and impairment	(4,473,213)	(8,653,323)	(897,727)	(365,607)	(118,901)	(14,508,771)
Net book amount	**11,770,444**	**2,040,880**	**1,322,704**	**888,189**	**7,917,977**	**23,940,194**
Year ended 31 December 2021						
Additions	2,714,210	505,162	–	322,439	(1,284,355)	2,257,456
Amortization	(1,400,835)	(482,222)	–	(51,280)	(4,695)	(1,939,032)
Impairment (note 29)	–	–	(25,243)	–	(1,008)	(26,251)
Transfer to PP&E (note 8)	–	–	–	–	(528,644)	(528,644)
Other transfers	–	(931)	–	(76)	(265,491)	(266,498)
Translation differences	(8,285)	(54)	(4,329)	(97)	(67,467)	(80,232)
Closing net book amount	**13,075,534**	**2,062,835**	**1,293,132**	**1,159,175**	**5,766,317**	**23,356,993**
As at 31 December 2021						
Cost	18,948,626	11,098,845	2,209,413	1,576,120	5,889,747	39,722,751
Accumulated amortization and impairment	(5,873,092)	(9,036,010)	(916,281)	(416,945)	(123,430)	(16,365,758)
Net book amount	**13,075,534**	**2,062,835**	**1,293,132**	**1,159,175**	**5,766,317**	**23,356,993**
At 1 January 2022						
Cost	18,948,626	11,098,845	2,209,413	1,576,120	5,889,747	39,722,751
Accumulated amortization and impairment	(5,873,092)	(9,036,010)	(916,281)	(416,945)	(123,430)	(16,365,758)
Net book amount	**13,075,534**	**2,062,835**	**1,293,132**	**1,159,175**	**5,766,317**	**23,356,993**
Year ended 31 December 2022						
Additions	1,196,617	973,789	–	29,119	(1,194,797)	1,004,728
Amortization	(1,496,271)	(611,212)	–	(47,869)	–	(2,155,352)
Impairment (note 29)	–	–	(26,537)	–	(4,724)	(31,261)
Transfer to PP&E (note 8)	–	–	–	–	(22,346)	(22,346)
Disposals and write-off	–	(2,544)	–	(293)	–	(2,837)
Other transfers	–	21,553	–	(21,554)	25,620	25,619
Translation differences	16,573	72,631	(2,835)	(5,470)	192,799	273,698
Closing net book amount	**12,792,453**	**2,517,052**	**1,263,760**	**1,113,108**	**4,762,869**	**22,449,242**
As at 31 December 2022						
Cost	20,160,174	12,133,953	1,263,760	1,574,316	4,826,534	39,958,737
Accumulated amortization and impairment	(7,367,721)	(9,616,901)	–	(461,208)	(63,665)	(17,509,495)
Net book amount	**12,792,453**	**2,517,052**	**1,263,760**	**1,113,108**	**4,762,869**	**22,449,242**

Intangible assets under development as at 31 December 2022 amounting to 4,762,869 RSD (31 December 2021: 5,766,317 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 4,026,196 RSD (31 December 2021: 5,307,832 RSD).

Impairment test for goodwill

Goodwill is monitored by the management on an individual CGU basis and geographic location. The recoverable amount of each CGUs has been determined based on higher of value-in-use and fair value less cost to disposed calculations. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a five-year period.

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

	2022	2021
Average gross margin	16.0%	21.7%
Growth rate	1%	1%
Price/sales ratio	0.77	0.85
Discount rate		
- Romania market	10.52%	7.60%
- Bulgaria market	9.80%	6.00%
- Bosnia and Herzegovina market	11.15%	9.40%

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relation to the relevant CGU. The following is a summary of goodwill allocation:

	Opening balance	Addition	Impairment	Translation differences	Closing balance
2022					
Bosnia and Herzegovina	482,344	-	-	(1,078)	481,266
Romania	269,030	-	-	(546)	268,484
Bulgaria	541,758	-	(26,537)	(1,211)	514,010
	1,293,132	**-**	**(26,537)**	**(2,835)**	**1,263,760**
2021					
Bosnia and Herzegovina	482,336	-	-	8	482,344
Romania	273,377	-	-	(4,347)	269,030
Bulgaria	566,991	-	(25,243)	10	541,758
	1,322,704	**-**	**(25,243)**	**(4,329)**	**1,293,132**

Impairment test in Bosnia and Romania shows that the recoverable amount calculated based on higher of value-in-use and fair value less cost to disposed exceeds carrying value.

If the revised estimated growth rate would be 0.5% instead of 1% and if applied discounted rate would be 1pp higher than the figures used in recoverable amounts calculation, the recoverable amount of tested assets where impairment initially has not been determined, still exceeds its carrying amount. If growth rate would be 0% in a combination with the applied discount rate as stated in the table above, recoverable amount also exceeds respective carrying amounts. With respect to the discount rate, impairment test is most sensitive for the Bosnia and Hercegovina market, where value in use exceeds carrying amounts of related assets at discount rate higher than 11.5%.

Regarding the calculation of fair value less cost to disposed, a P/S ratio of 0.77 was used based on publicly available data and the internal database of renowned external consultants. The impairment test for the market of Bosnia and Herzegovina is the least sensitive to the change of the P/S indicator, where the value in use is below the current value of the corresponding asset when this indicator is lower than 0.35, for the market of Romania below 0.26 and for the market of Bulgaria below 0.53.

The management considers the average fuel gross margin as a part of the overall average gross margin to be the key assumption which affects the sensitivity of value in use calculation. The following table shows sensitivity of this calculation against the change in this assumption by showing how much the average fuel gross margin should decrease in order for value in use to be equal to the carrying amount of tested assets:

	2022		2021	
	Used assumption on average gross fuel margin	Decrease in pp	Used assumption on average gross fuel margin	Decrease in pp
Romania market	16.5%	7pp	23.5%	0.83pp
Bulgaria market	16.5%	5.4pp	21.9%	3.1pp
Bosnia and Herzegovina market	15.1%	4.8pp	19.9%	0.84pp

8. 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 2021								
Cost	17,214,976	243,861,639	178,964,414	18,688,125	95,319	553,404	365,823	459,743,700
Accumulated depreciation and impairment	(342,429)	(86,387,688)	(82,711,988)	(2,511,677)	(1,116)	(398,361)	(26,741)	(172,380,000)
Net book amount	**16,872,547**	**157,473,951**	**96,252,426**	**16,176,448**	**94,203**	**155,043**	**339,082**	**287,363,700**
Year ended 31 December 2021								
Additions	28,717	15,289,645	5,889,192	(1,383,022)	–	22,486	1,644,028	21,491,046
Impairment charge (note 29)	–	–	–	(743,396)	–	–	–	(743,396)
Depreciation	–	(11,448,032)	(10,841,222)	–	–	(21,740)	–	(22,310,994)
Transfer from intangible assets (note 7)	–	–	–	528,644	–	–	–	528,644
Transfer from investment property (note 8b)	–	(21,673)	–	(7,930)	–	–	–	(29,603)
Transfer to non-current assets held for sale	(21,262)	(651)	(4,071)	–	–	–	–	(25,984)
Disposals and write-off	(282,230)	(259,456)	(77,102)	(1,035,430)	(122)	1	(1,666,946)	(3,321,285)
Other transfers	–	(4,018,043)	151,348	3,865,151	–	1,544	–	–
Translation differences	(16,593)	(38,332)	(4,531)	(41,134)	1	–	2	(100,587)
Closing net book amount	**16,581,179**	**156,977,409**	**91,366,040**	**17,359,331**	**94,082**	**157,334**	**316,166**	**282,851,541**
At 31 December 2021								
Cost	16,923,564	254,303,454	183,873,058	20,340,817	95,196	577,452	342,907	476,456,448
Accumulated depreciation and impairment	(342,385)	(97,326,045)	(92,507,018)	(2,981,486)	(1,114)	(420,118)	(26,741)	(193,604,907)
Net book amount	**16,581,179**	**156,977,409**	**91,366,040**	**17,359,331**	**94,082**	**157,334**	**316,166**	**282,851,541**
At 1 January 2022								
Cost	16,923,564	254,303,454	183,873,058	20,340,817	95,196	577,452	342,907	476,456,448
Accumulated depreciation and impairment	(342,385)	(97,326,045)	(92,507,018)	(2,981,486)	(1,114)	(420,118)	(26,741)	(193,604,907)
Net book amount	**16,581,179**	**156,977,409**	**91,366,040**	**17,359,331**	**94,082**	**157,334**	**316,166**	**282,851,541**
Year ended 31 December 2022								
Additions	98,841	14,728,314	4,945,830	158,184	–	30,594	848	19,962,611
Changes in decommissioning obligations	–	(675,619)	–	–	–	–	–	(675,619)
Impairment charge (note 29)	–	–	–	(120,481)	–	–	(32)	(120,513)
Depreciation	–	(11,807,532)	(10,735,791)	–	–	(19,146)	–	(22,562,469)
Transfer from intangible assets (note 7)	–	–	–	22,346	–	–	–	22,346
Transfer from investment property (note 8b)	100,936	152,826	–	–	–	–	–	253,762
Transfer to non-current assets held for sale	(37,898)	(2,315)	–	–	–	–	–	(40,213)
Disposals and write-off	(13,144)	(92,839)	(178,052)	(45,575)	(36)	–	–	(329,646)
Other transfers	15	(105,443)	15,590	(345,868)	(74)	72	864,613	428,905
Translation differences	(14,051)	(13,872)	(1,490)	(9,853)	–	(48)	(8)	(39,322)
Closing net book amount	**16,715,878**	**159,160,929**	**85,412,127**	**17,018,084**	**93,972**	**168,806**	**1,181,587**	**279,751,383**
At 31 December 2022								
Cost	17,056,211	269,382,451	187,471,805	20,115,586	95,086	604,777	1,208,348	495,934,264
Accumulated depreciation and impairment	(340,333)	(110,221,522)	(102,059,678)	(3,097,502)	(1,114)	(435,971)	(26,761)	(216,182,881)
Net book amount	**16,715,878**	**159,160,929**	**85,412,127**	**17,018,084**	**93,972**	**168,806**	**1,181,587**	**279,751,383**

In 2022, the Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to 20,974 RSD (2021: 17,233 RSD).

Of the total amount of activations in 2022 in the amount of 19,804,427 RSD, the most significant part refers to activation on oil&gas properties in the amount of 14,811,779 RSD. In 2021 the amount of 19,689,619 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 17,927,832 RSD.

The management of the Group 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 2022, the Group assessed impairment indicators of cash generating units ("CGU") – refer to note 3.7 for details. In addition, Group has assessed and recognized impairment losses in amount 120,513 RSD (2021: 743,396 RSD) for the 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.

b) 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:

	2022	2021
As at 1 January	**1,728,395**	**1,574,329**
Fair value income (note 26 and 29)	62,430	149,346
Transfer to/from PP&E carried at cost (note 8a)	(253,762)	29,603
Other transfer	856	-
Disposals	(6,214)	(24,883)
As at 31 December	**1,531,705**	**1,728,395**

As at 31 December 2022, investment properties amounting to 1,531,705 RSD (31 December 2021: 1,728,395 RSD) 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 Group's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2022 and 2021. The revaluation gain was credited to income from assets valuation (note 26).

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 2022 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	-	946,567	-
- Gas stations	-	-	585,138
Total	**-**	**946,567**	**585,138**

Fair value measurements at 31 December 2021 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	–	918,731	–
– Gas stations	–	–	809,664
Total	**–**	**918,731**	**809,664**

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 Group 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:

	2022	2021
Long term growth rate	0%	0%
Discount rate	10.98%	12%

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

	2022	2021
Assets as at 1 January	**809,664**	**735,442**
Transfer to PPE	(248,162)	-
Changes in fair value measurement:		
Gains recognised in profit or loss, fair value measurement	29,370	80,125
Other	(5,734)	(5,903)
Total increase in fair value measurement assets	23,636	74,222
Assets as at 31 December	**585,138**	**809,664**

c) 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 2.9).

	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 2021						
Cost	21,489,893	1,226,125	22,716,018	201,221,015	55,925	223,992,958
Depreciation and impairment	(40,678)	(309)	(40,987)	(70,509,519)	(23,523)	(70,574,029)
Net book amount	**21,449,215**	**1,225,816**	**22,675,031**	**130,711,496**	**32,402**	**153,418,929**
Year ended 31 December 2021						
Additions	(3,039,919)	(747,942)	(3,787,861)	17,927,832	-	14,139,971
Changes in decommissioning obligations	-	-	-	1,540,421	-	1,540,421
Impairment	-	(5,823)	(5,823)	-	-	(5,823)
Other transfers	(408,417)	75,425	(332,992)	(6,804)	641	(339,155)
Depreciation and depletion	(4,695)	-	(4,695)	(12,822,628)	(2,931)	(12,830,254)
Unsuccessful exploration expenditures derecognised (note 6)	(948,281)	-	(948,281)	-	-	(948,281)
Disposals and write-off	-	-	-	(66,297)	-	(66,297)
Translation differences	(135,512)	1	(135,511)	(16,981)	-	(152,492)
	16,912,391	**547,477**	**17,459,868**	**137,267,039**	**30,112**	**154,757,019**
As at 31 December 2021						
Cost	16,957,599	547,513	17,505,112	220,374,273	56,567	237,935,952
Depreciation and impairment	(45,208)	(36)	(45,244)	(83,107,234)	(26,455)	(83,178,933)
Net book amount	**16,912,391**	**547,477**	**17,459,868**	**137,267,039**	**30,112**	**154,757,019**
As at 1 January 2022						
Cost	16,957,599	547,513	17,505,112	220,374,273	56,567	237,935,952
Depreciation and impairment	(45,208)	(36)	(45,244)	(83,107,234)	(26,455)	(83,178,933)
Net book amount	**16,912,391**	**547,477**	**17,459,868**	**137,267,039**	**30,112**	**154,757,019**
Year ended 31 December 2022						
Additions	(1,137,456)	1,425,443	287,987	14,811,779	-	15,099,766
Changes in decommissioning obligations	-	-	-	(675,629)	-	(675,629)
Impairment	(77,594)	(34,738)	(112,332)	-	-	(112,332)
Depreciation and depletion	-	-	-	(13,459,311)	(5,861)	(13,465,172)
Transfer to intangible assets (note 7)	13,015	(13,150)	(135)	-	-	(135)
Disposals and write-off	-	(39,781)	(39,781)	(143,375)	(1)	(183,157)
Other transfers	(5,090,156)	4,248,946	(841,210)	373,129	4,250	(463,831)
Translation differences	(15,993)	(1,073)	(17,066)	(7,605)	-	(24,671)
	10,604,207	**6,133,124**	**16,737,331**	**138,166,027**	**28,500**	**154,931,858**
As at 31 December 2022						
Cost	10,724,715	6,167,892	16,892,607	235,638,513	57,889	252,589,009
Depreciation and impairment	(120,508)	(34,768)	(155,276)	(97,472,486)	(29,389)	(97,657,151)
Net book amount	**10,604,207**	**6,133,124**	**16,737,331**	**138,166,027**	**28,500**	**154,931,858**

Jimbolia exploration area in Romania (total value of exploration investment on 31 December 2022 is 1,807,515 RSD) is currently in the phase of Evaluation of research results and confirmation of these results by the National Agency for Mineral Resources was not received as expected until the end of 2022, but was transferred to 2023. When assessing the status of this investment as at 31 December 2022 impairment indicators were analysed by observing this area together with the Teremia North field as one operation area which is allowed in accordance with IFRS 6. Based on the analysis performed as at 31 December 2022 the Group assessed that there were no indicators of impairment and is continuing to assess the possibility of commercial production on Jimbolia field. Once National Agency for Mineral Resources confirms results impairment indicators will be reassessed.

d) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2021	**143,732**	**1,299,970**	**338,324**	**878,768**	**2,660,794**
Additions	-	406,441	160,818	20,860	588,119
Depreciation	(9,600)	(293,292)	(145,158)	(260,525)	(708,575)
Transfers	(7,121)	160,548	923	(923)	153,427
Disposals	-	(1,443)	(5,209)	(4,645)	(11,297)
Effect of contract modifications and changes in estimates	-	(15,114)	(78,314)	(140)	(93,568)
Translation differences	(2,127)	(827)	(1,881)	(101)	(4,936)
As at 31 December 2021	**124,884**	**1,556,283**	**269,503**	**633,294**	**2,583,964**
As at 1 January 2022	**124,884**	**1,556,283**	**269,503**	**633,294**	**2,583,964**
Additions	-	231,352	194,247	1,487,124	1,912,723
Depreciation	(9,581)	(326,576)	(166,452)	(258,762)	(761,371)
Disposals	-	(152)	(20,141)	(16,811)	(37,104)
Effect of contract modifications and changes in estimates	-	(28)	(656)	-	(684)
Translation differences	(210)	(1,508)	143	(127)	(1,702)
As at 31 December 2022	**115,093**	**1,459,371**	**276,644**	**1,844,718**	**3,695,826**

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of the investments in associates and joint ventures as of 31 December, 2022 and 2021 are summarised below:

		Ownership percentage	31 December 2022	31 December 2021
NIS MET Energowind d.o.o. Belgrade	Joint venture	50%	847,018	888,445
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	2,019,706	694,455
HIP Petrohemija d.o.o. Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
Total investments			**2,866,724**	**1,582,900**

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

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

NIS MET Energowind d.o.o. Belgrade

In 2013 the Group acquired 50% of interest in a joint venture Energowind d.o.o. which was intended to be used as a vehicle for operation of future wind farm ''Plandiste'' with total capacity of 102 MW. During March 2019, MET Renewables AG acquired from third parties 50% of share in the project and became a joint partner on the project that has been renamed to NIS MET Energowind d.o.o. Beograd. Request for the extension of the preliminary privileged power producer (4P) status for additional 3 years has been submitted to the relevant authority in 2021. On the date of the issuance of these Consolidated Financial Statements the project is in the development and project optimization phase. NIS MET Energowind d.o.o. is a private company and there is no available quoted market price.

Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Gazprom Energoholding Serbia LLC, through which they would 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. "TE-TO" Pancevo began commercial operation in the 4th quarter of 2022 and it is planned to meet the growing needs of the Oil Refinery in Pancevo for electricity and thermal energy - technological steam.

HIP Petrohemija d.o.o. Pancevo

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 d.o.o. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds, directly 20,86% of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory boards. On 9 September 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model by which the future partner would acquire a share of no more than 90% of the capital. NIS a.d. submitted an offer within the deadline. In December 2021, NIS and HIPP signed the Strategic Partnership Agreement. With this Agreement, NIS will increase the ownership share in HIP Petrohemija from the previous 20.86% to 90% of shares with the obligation of a monetary recapitalization in the amount of EUR 150 million and the construction of a polypropylene production plant with a capacity of at least 140,000 tonnes per year within six years. The transition period is ongoing until the closing of transaction when all preconditions are expected to be met. The deadline for closing the transaction has been extended until June 30, 2023. At the date of publication of these consolidated financial statements, the procedure is still ongoing.

The summarised financial information for the joint ventures as of 31 December 2022 (unaudited) and 2021 and for the years ended 31 December 2022 (unaudited) and 2021 is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia	HIP Petrohemija d.o.o. Pančevo
31 December 2022			
Current assets	212,773	2,846,397	19,448,667
Non-current assets	3,353,426	22,570,357	11,696,836
Current liabilities	1,466,962	2,947,801	3,483,177
Non-current liabilities	-	18,327,837	1,700,400
Revenue	13,475	8,488,261	57,493,404
Profit/(Loss) for the year	(82,852)	2,704,593	397,040
31 December 2021			
Current assets	106,485	1,620,559	21,602,657
Non-current assets	3,187,934	20,628,326	10,712,595
Current liabilities	1,102,285	447,260	3,168,077
Non-current liabilities	-	20,393,628	510,394
Revenue	5,368	88,012	45,571,220
Profit/(Loss) for the year	(54,952)	(279,702)	5,588,017

10. OTHER LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES

	31 December 2022	31 December 2021
Deposits with original maturity more than 1 year	215,500	155,857
Other long-term financial investments	263,231	262,867
LT loans given to employees	877,470	1,086,538
LT receivables	7,000	-
Less provision	(348,578)	(392,545)
	1,014,623	**1,112,717**

Loans to employees as at 31 December 2022 amounting to 877,470 RSD (31 December 2021: 1,086,538 RSD) 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 341,519 RSD.

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Consolidated Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31, 2022			
Provisions	704,723	–	704,723
Property, plant and equipment	1,916,117	(217,555)	1,698,562
Impairment losses	367,129	–	367,129
Fair value gains	10,327	–	10,327
Revaluation reserve	–	(14,075)	(14,075)
	2,998,296	**(231,630)**	**2,766,666**
As at December 31, 2021			
Provisions	664,773	–	664,773
Property, plant and equipment	1,221,934	(234,374)	987,560
Impairment losses	694,650	–	694,650
Fair value gains	10,311	–	10,311
Revaluation reserve	–	(14,075)	(14,075)
	2,591,668	**(248,449)**	**2,343,219**

Movements in temporary differences during the period:

	As at December 31, 2021	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2022
Provisions	664,773	39,576	374	–	704,723
Property, plant and equipment	987,560	711,066	–	(64)	1,698,562
Impairment losses	694,650	(327,521)	–	–	367,129
Fair value gains	10,311	–	16	–	10,327
Revaluation reserve	(14,075)	–	–	–	(14,075)
Total	**2,343,219**	**423,121**	**390**	**(64)**	**2,766,666**

	As at December 31, 2020	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2021
Provisions	902,262	(237,490)	–	1	664,773
Property, plant and equipment	(278,719)	1,266,566	–	(287)	987,560
Impairment losses	1,205,119	(510,469)	–	–	694,650
Tax losses	488,483	(488,483)	–	–	–
Fair value gains	10,368	–	(58)	1	10,311
Revaluation reserve	(14,075)	–	–	–	(14,075)
Total	**2,313,438**	**30,124**	**(58)**	**(285)**	**2,343,219**

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

12. INVENTORY

	31 December 2022	31 December 2021
Materials, spare parts and tools	32,813,090	21,911,904
Work in progress	6,600,656	5,778,096
Finished goods	20,169,440	10,638,441
Goods for sale	3,165,090	3,241,949
Advances	1,059,350	699,828
Less: impairment of inventory	(4,513,662)	(4,619,268)
Less: impairment of advances	(148,529)	(147,570)
	59,145,435	**37,503,380**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2021	**4,757,772**	**150,077**	**4,907,849**
Provision for inventories and advances (note 29)	4,403	-	4,403
Unused amounts reversed (note 26)	(100,596)	(350)	(100,946)
Writte off during the year	-	(2,156)	(2,156)
Other	(42,311)	(1)	(42,312)
Balance as of 31 December 2021	**4,619,268**	**147,570**	**4,766,838**
Provision for inventories and advances (note 29)	31,295	1,264	32,559
Unused amounts reversed (note 26)	(85,867)	(304)	(86,171)
Writte off during the year	(51,033)	-	(51,033)
Other	(1)	(1)	(2)
Balance as of 31 December 2022	**4,513,662**	**148,529**	**4,662,191**

13. TRADE RECEIVABLES

	31 December 2022	31 December 2021
Trade receivables - parent – foreign	-	600
Trade receivables - other related parties - domestic	1,673,553	2,019,633
Trade receivables - other related parties - foreign	171,959	174,584
Trade receivables domestic – third parties	37,267,410	29,716,402
Trade receivables foreign – third parties	1,351,155	1,451,978
	40,464,077	33,363,197
Less: Impairment	(4,770,429)	(4,958,153)
	35,693,648	**28,405,044**

14. OTHER SHORT-TERM RECEIVABLES

	31 December 2022	31 December 2021
Receivables from specific operations	996,950	1,585,650
Interest receivables	1,922,507	1,935,428
Receivables from employees	65,876	29,438
Other receivables	8,327,459	8,078,867
Income tax prepayment	-	28,829
Prepaid taxes and contributions	126,895	80,919
Receivables for VAT	601,319	375,725
Less: Impairment	(9,993,604)	(10,632,010)
	2,047,402	**1,482,846**

15. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Deposits with original maturity more than 3 months less than 1 year	6,063,683	28,275
Other short-term financial assets	111,228	76,176
	6,174,911	**104,451**

As at 31 December 2022 deposits with original maturity more than 3 months less than 1 year amounting to 6,063,683 RSD (2021: 28,275 RSD) relates to bank deposits placements with interest rates 7.50% p.a. denominated in RSD (2021: 2.40% p.a. denominated in RSD and EUR).

16. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in bank and in hand	18,906,061	13,439,285
Deposits with original maturity of less than three months	69,222,772	7,816,553
Cash with restriction	254	254
Cash equivalents	1,958	27,182
	88,131,045	**21,283,274**

As at 31 December 2022 deposits with original maturity of less than three months amounting to 69,170,832 RSD (2021: 7,816,553 RSD) relates to bank deposits placements with interest rates from 6.75% p.a. to 8.00% p.a. denominated in EUR and RSD (2021: from 2.30% p.a. to 3.30% denominated in RSD).

17. PREPAYMENTS AND ACCRUED INCOME

	31 December 2022	31 December 2021
Deferred input VAT	4,405,141	3,611,624
Prepaid expenses	273,018	403,158
Prepaid excise duty	4,197,429	2,038,498
Housing loans and other prepayments	546,479	487,730
	9,422,067	**6,541,010**

Deferred input VAT as at 31 December 2022 amounting to 4,405,141 RSD (31 December 2021: 3,611,624 RSD) 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 2022 amounting to 4,197,429 RSD (31 December 2021: 2,038,498 RSD) 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.

18. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Issued warranties and bills of exchange	74,436,005	80,638,766
Received warranties and bills of exchange	24,449,180	17,691,255
Properties in ex-Republics of Yugoslavia	5,358,820	5,358,990
Receivables from companies from ex-Yugoslavia	6,763,139	6,380,931
Third party merchandise in NIS warehouses	15,056,497	10,342,388
Assets for oil fields liquidation in Angola	1,361,966	1,361,966
Mortgages and pladges received	3,097,224	2,465,428
Other off-balance sheet assets and liabilities	250,868	180,492
	130,773,699	**124,420,216**

19. EQUITY

	Equity attributable to the Company's owners							
	Note	Share capital	Rev. reserves and unr. gains and losses		Retained earnings (losses)	Total	Non-controlling interest	Total equity
Balance as at 1 January 2021		**81,530,200**	**483,041**		**160,749,066**	**242,762,307**	**-**	**242,762,307**
Profit for the period		–	–		20,957,033	20,957,033	–	20,957,033
Other comprehensive income								
Remeasurements of post-employment benefit obligations	20	–	12,056		–	12,056	–	12,056
Gain from investments in equity instruments		–	783		–	783	–	783
Currency translation differences		–	105,223		–	105,223	–	105,223
Total comprehensive income for the year		**-**	**118,062**		**20,957,033**	**21,075,095**	**-**	**21,075,095**
Dividend distribution	19.1	–	–		(1,001,191)	(1,001,191)	–	(1,001,191)
Other		–	(456)		456	-	–	–
Balance as at 31 December 2021		**81,530,200**	**600,647**		**180,705,364**	**262,836,211**	**-**	**262,836,211**
Balance as at 1 January 2022		**81,530,200**	**600,647**		**180,705,364**	**262,836,211**	**-**	**262,836,211**
Profit for the period		–	–		92,374,653	92,374,653	–	92,374,653
Other comprehensive income (loss)								
Remeasurements of post-employment benefit obligations	20	–	(181,751)		–	(181,751)	–	(181,751)
Loss from investments in equity instruments		–	(104)		–	(104)	–	(104)
Currency translation differences		–	59,715		5,782	65,497	–	65,497
Total comprehensive income for the year		**-**	**(122,140)**		**92,380,435**	**92,258,295**	**-**	**92,258,295**
Dividend distribution	19.1	–	–		(5,782,122)	(5,782,122)	–	(5,782,122)
Other		–	25,918		(110,665)	(84,747)	–	(84,747)
Balance as at 31 December 2022		**81,530,200**	**504,425**		**267,193,012**	**349,227,637**	**-**	**349,227,637**

19.1. 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 2022 and 31 December 2021 comprise of 163,060,400 of ordinary shares.

Dividend declared for the year ended 31 December 2021, amounted to 5,782,122 RSD or 35.46 RSD per share (31 December 2020: 1,001,191 RSD or 6.14 RSD per share) were approved on the General Assembly Meeting held on 29 June 2022 and paid on 22 August 2022.

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

	Year ended 31 December	
	2022	2021
Profit attributable to the ordinary equity holder of the parent entity	92,374,653	20,957,033
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	**567**	**129**

The Group 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.

20. 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 and other provisions	Total
As at 1 January 2021	**10,338,464**	**428,813**	**605,016**	**931,473**	**411,192**	**12,714,958**
Charged to the income statement	238,322	-	417,650	319,480	87,337	1,062,789
New obligation incurred and change in estimates	1,540,421	-	-	-	-	1,540,421
Release of provision (note 36)	(143,899)	-	(1,459)	-	(4,551)	(149,909)
Actuarial gain charged to other comprehensive income	-	-	(12,056)	-	-	(12,056)
Settlement	(59,473)	(31,049)	(75,869)	(823,829)	(88,678)	(1,078,898)
Other	276	-	-	-	(95)	181
As at 31 December 2021	**11,914,111**	**397,764**	**933,282**	**427,124**	**405,205**	**14,077,486**
As at 1 January 2022	**11,914,111**	**397,764**	**933,282**	**427,124**	**405,205**	**14,077,486**
Charged to the income statement	189,128	145,407	67,396	247,701	2,851,815	3,501,447
New obligation incurred and change in estimates	(675,618)	-	-	-	-	(675,618)
Release of provision (note 36)	(368,473)	-	-	(652)	(206)	(369,331)
Actuarial loss charged to other comprehensive income	-	-	181,767	-	-	181,767
Settlement	(26,936)	(34,839)	(97,646)	-	(56,188)	(215,609)
Other	(539)	-	(212)	-	328,734	327,983
As at 31 December 2022	**11,031,673**	**508,332**	**1,084,587**	**674,173**	**3,529,360**	**16,828,125**

Analysis of total provisions:

	31 December 2022	31 December 2021
Non-current	14,814,651	12,430,855
Current	2,013,474	1,646,631
	16,828,125	**14,077,486**

a) Decommissioning

The Group's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

b) Environmental protection

The Group has to comply with environmental protection regulations. At the reporting date Group recorded provision for environmental protection of 508,332 RSD (31 December 2021: 397,764 RSD) 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 Group started setting-up a long-term incentive program for Group 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 2022 the management made an assessment of present value of liabilities related to new three-year employee incentives (2021-2023) in amount of 674,173 RSD (2021: 427,124 RSD).

d) Legal claims and other provisions

As at 31 December 2022, the Group assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Group charged provision for litigation amounting to 2,851,815 RSD (2021: 87,337 RSD) for proceedings which were assessed to have negative outcome. The most significant amount of increase of provision relates to the reservation based on the potential compensation for non-fulfillment of contractual obligations for the O&G minimum work programs that Group obliged on current research projects. The Group estimated that the outcome of all legal and other proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2022.

e) Provision for employee benefits

Employee benefits:

	31 December 2022	31 December 2021
Retirement allowances	768,865	557,326
Jubilee awards	315,722	375,956
	1,084,587	**933,282**

The principal actuarial assumptions used were as follows:

	31 December 2022	31 December 2021
Discount rate	6.8%	3.7%
Future salary increases	4.72%	0%
Future average years of service	18.44	17.86

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2021	**253,488**	**351,528**	**605,016**
Benefits paid directly	(38,756)	(37,113)	(75,869)
Actuarial gain charged to other comprehensive income	(12,056)	-	(12,056)
Debited to the income statement	354,650	61,541	416,191
Balances as at 31 December 2021	**557,326**	**375,956**	**933,282**
Benefits paid directly	(57,649)	(39,997)	(97,646)
Actuarial loss charged to other comprehensive income	181,767	-	181,767
Debited to the income statement	87,530	(20,134)	67,396
Translation reserves	(109)	(103)	(212)
Balances as at 31 December 2022	**768,865**	**315,722**	**1,084,587**

The amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December	
	2022	2021
Current service cost	76,807	59,719
Interest cost	30,825	35,856
Curtailment loss	22,951	35,226
Actuarial (gain)/loss (jubilee awards)	(70,914)	22,060
Amortisation of past service cost	7,727	263,330
	67,396	**416,191**

21. LONG-TERM LIABILITIES

	31 December 2022	31 December 2021
Long-term loan - Gazprom Neft	2,728,428	8,203,418
Bank loans	65,009,756	69,276,624
Lease liabilities	3,149,589	2,335,974
Other non-current financial liabilities	847,172	841,861
Other long-term borrowings	126,800	104,126
	71,861,745	**80,762,003**
Less Current portion (note 22)	(6,547,322)	(7,689,172)
	65,314,423	**73,072,831**

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

	Long-term loans	Short-term loans	Finance lease	Total
As at 1 January 2021	**82,782,005**	**-**	**2,479,391**	**85,261,396**
Proceeds	16,729,700	500,000	-	17,229,700
Repayment	(22,156,697)	(500,000)	(728,686)	(23,385,383)
Non-cash transactions	118,056	-	584,901	702,957
Foreign exchange difference	6,978	-	368	7,346
As at 31 December 2021	**77,480,042**	**-**	**2,335,974**	**79,816,016**
As at 1 January 2022	**77,480,042**	**-**	**2,335,974**	**79,816,016**
Proceeds	4,499,752	1,311,584	-	5,811,336
Repayment	(14,063,305)	-	(814,876)	(14,878,181)
Non-cash transactions	(12,974)	-	1,630,618	1,617,644
Foreign exchange difference	(165,331)	(3,439)	(2,127)	(170,897)
As at 31 December 2022	**67,738,184**	**1,308,145**	**3,149,589**	**72,195,918**

a) Long-term loan – Gazprom Neft

As at 31 December 2022 long-term loan - Gazprom Neft amounting to 2,728,428 RSD (2021: 8,203,418 RSD), with current portion 2,728,428 RSD (2021: 5,468,935 RSD), 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 2022	31 December 2021
Domestic	48,275,922	47,362,765
Foreign	16,733,834	21,913,859
	65,009,756	69,276,624
Current portion of long-term loans	(3,082,976)	(1,579,581)
	61,926,780	**67,697,043**

The maturity of non-current loans was as follows:

	31 December 2022	31 December 2021
Between 1 and 2 years	9,707,939	3,004,092
Between 2 and 5 years	47,889,786	63,430,071
Over 5 years	4,329,055	1,262,880
	61,926,780	**67,697,043**

The carrying amounts of the Group's bank and other long-term loans are denominated in the following currencies:

	31 December 2022	31 December 2021
USD	88,819	130,480
EUR	64,824,628	68,989,968
RSD	4,268	210
JPY	92,041	155,966
	65,009,756	**69,276,624**

The Group repays loans in accordance with agreed dynamics, i,e, determined annuity plans. The Group has floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Group will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Group's ratio of consolidated indebtedness to consolidated EBITDA (note 5). The Group is in compliance with these covenants as of 31 December 2022 and 31 December 2021 respectively.

c) Lease liabilities

	31 December 2022	31 December 2021
Non-current portion of lease liabilities	735,918	1,695,318
Current portion of lease liabilities	2,413,671	640,656
	3,149,589	**2,335,974**

Amounts recognized in profit and loss:

	31 December 2022	31 December 2021
Interest expense (included in finance cost) (note 33)	98,355	92,608
Expense relating to short-term leases (note 30)	401,482	603,562
Expense relating to leases of low value assets that are not shown above as short-term leases (note 30)	118,858	76,390
Expense relating to variable lease payments not included in lease liabilities (note 30)	1,940,663	1,574,386

d) Other non-current financial liabilities

Of the total amount of other non-current financial liabilities in the amount of 847,172 RSD (2021: 841,861 RSD), the most significant part relates to 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, in 2020 the Company acquired additional 34% of share in Jadran Naftagas for consideration of 41 RSD. These transactions of shares acquisition and transfer of liabilities should be consider together.

22. SHORT-TERM FINANCE LIABILITIES

	31 December 2022	31 December 2021
Short-term loans - domestic	821,257	-
Short-term loans - foreign	486,888	-
Current portion of long-term loans (note 21)	5,811,404	7,048,516
Current portion of lease liabilities (note 21)	735,918	640,656
	7,855,467	**7,689,172**

23. TRADE PAYABLES

	31 December 2022	31 December 2021
Trade payables – parents and subsidiaries	1,762	3,000
Trade payables – other related parties	3,695,885	2,481,464
Trade payables - domestic	8,278,322	9,748,498
Trade payables - foreign	12,016,177	12,316,499
Trade payables - other	32,452	26,202
	24,024,598	**24,575,663**

24. OTHER SHORT-TERM LIABILITIES

	31 December 2022	31 December 2021
Specific liabilities	299,927	219,887
Liabilities for unpaid wages and salaries, gross	1,744,239	1,642,350
Interest liabilities	144,947	84,312
Dividends payable	3,783,818	3,784,105
Other payables to employees	1,078,452	827,031
VAT	4,209,049	2,555,013
Excise tax	7,994,286	6,699,841
Contribution for buffer stocks	885,898	286,795
Energy efficiency fee	122,399	33,653
Income tax	14,013,449	4,238,208
Other taxes payables	1,033,672	1,077,247
Other current liabilities	142,880	86,580
	35,453,016	**21,535,022**

25. ACCRUED EXPENSES

Accrued expenses as at 31 December 2022 amounting to 4,713,428 RSD (31 December 2021: 4,074,838 RSD) mainly relate to accrued employee bonuses of 2,876,426 RSD (31 December 2021: 2,285,733 RSD) and contract liabilities arising from contracts with customers related to customer loyalty 774,596 RSD (31 December 2021: 853,461 RSD).

Revenue in the amount of 3,444,759 RSD was recognized in the current reporting period (31 December 2021: 4,444,262 RSD) related to the contract liabilities as at 1 January 2022, of which 2,817,697 RSD (31 December 2021: 3,909,614 RSD) related to advances and 630,062 RSD (31 December 2021: 534,648 RSD) to customer loyalty programme.

26. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2022	2021
Relase of impairment – PPE (note 8)	–	80,253
Relase of impairment – Investment property (note 8b)	88,350	149,346
Relase of impairment – Inventory (note 12)	85,867	100,596
Relase of impairment – Other	128	351
	174,345	**330,546**

27. COST OF MATERIAL

	Year ended 31 December	
	2022	2021
Costs of raw materials	275,871,856	165,316,006
Overheads and other costs	278,016	289,990
Fuel and energy cost	10,030,611	4,917,934
Other	1,075,497	1,145,386
	287,255,980	**171,669,316**

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

	Year ended 31 December	
	2022	2021
Wages and salaries (gross)	26,853,527	23,932,262
Taxes and contributions on wages and salaries paid by employer	3,731,825	3,352,235
Cost of service agreement	111,986	104,714
Cost of other personal wages	23,982	16,852
Fees paid to board of directors and general assembly board	131,997	134,090
Termination costs	31,081	410,842
Cost of service organization	6,403	27,944
Other personal expenses	1,299,513	862,407
	32,190,314	**28,841,346**

29. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2022	2021
Impairment - intangible assets (note 7)	31,261	26,251
Impairment - PPE (note 8)	146,367	743,396
Impairment – investment property (note 8b)	25,920	-
Impairment - inventory (note 12)	31,295	4,403
Impairment - other	1,165	9,179
	236,008	**783,229**

30. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2022	2021
Cost of production services	2,511,116	2,050,470
Transportation services	3,430,557	2,778,768
Maintenance	4,479,679	3,931,642
Rental costs (note 21)	2,461,003	2,254,338
Fairs	7,701	5,440
Advertising costs	858,008	796,465
Exploration expenses	31,672	1,026,241
Cost of other services	1,668,608	1,579,875
	15,448,344	**14,423,239**

31. NON-PRODUCTION COSTS

	Year ended 31 December	
	2022	2021
Costs of non-production services	2,683,719	2,899,217
Representation costs	90,505	43,842
Insurance premium	503,644	534,692
Bank charges	717,500	464,045
Cost of taxes	1,437,767	1,350,783
Mineral extraction tax	1,950,839	1,332,811
Other non-production expenses	1,748,382	1,680,724
	9,132,356	**8,306,114**

Costs of non-production services for the year ended 31 December 2022 amounting to 2,683,719 RSD (2021: 2,899,217 RSD) mainly relate to security cost of 689,189 RSD (2021: 621,005 RSD); project management costs of 465,187 RSD (2021: 445,757 RSD) and consulting service costs of 192,480 RSD (2021: 232,541 RSD).

32. FINANCE INCOME

	Year ended 31 December	
	2022	2021
Finance income - related parties		
- foreign exchange differences	2,142,450	1,222,970
Interest income	2,138,838	201,413
Income from net profit share of equity accounted investments	1,325,251	-
Amortisation income – discount of receivables	131	19,486
Foreign exchange gains	757,386	504,244
Other finance income	39,086	46,441
	6,403,142	**1,994,554**

33. FINANCE EXPENSE

	Year ended 31 December	
	2022	2021
Finance expenses – related parties		
- foreign exchange differences	3,508,316	2,144,217
- other finance expense	151,488	174,842
Interest expenses	1,645,100	1,521,033
Amortisation expense – discount of receivables	90,101	-
Decommissioning provision: unwinding of the present value discount	39,835	81,268
Loss on restructuring of borrowings	24,732	118,241
Foreign exchange losses	1,559,619	522,006
Share of loss of associates and joint ventures	-	164,530
Other finance expenses	108,961	7,674
	7,128,152	**4,733,811**

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

	Year ended 31 December	
	2022	2021
Reversal of impairment of LT financial investments	50,409	-
Income from valuation:		
- trade receivables (note 5)	43,074	40,724
- receivables from specific operations (note 5)	601,580	286,082
- other receivables (note 5)	4,653	12,430
	699,716	**339,236**

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

	Year ended 31 December	
	2022	2021
Impairment of impairment of LT financial investments	-	9,728
Allowance provision expense:		
- trade receivables (note 5)	113,760	43,068
- receivables from specific operations (note 5)	360	3,274
- other receivables (note 5)	2,681	201
- other (note 5)	7,671	6,361
Impairment financial instruments through FV	352,829	267,889
	477,301	**330,521**

36. OTHER INCOME

	Year ended 31 December	
	2022	2021
Gains on disposal - PPE	214,331	92,947
Gains on disposal - materials	58,574	51,477
Surpluses from stock count	592,552	416,658
Payables written off	41,715	357,798
Release of long-term provisions (note20)	369,331	149,909
Penalty interest	87,942	50,868
Other income	54,731	31,471
	1,419,176	**1,151,128**

37. OTHER EXPENSES

	Year ended 31 December	
	2022	2021
Loss on disposal - PPE	158,117	130,760
Loss on disposal - material	183,230	186,276
Shortages from stock count	706,099	558,399
Write-off receivables	2,966	12,415
Write-off inventories	117,799	82,576
Other expenses	251,841	652,172
	1,420,052	**1,622,598**

38. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2022	2021
Income tax for the year	17,886,433	4,273,671
Deferred income tax for the period (note 11)		
Origination and reversal of temporary differences	(423,121)	(30,124)
	17,463,312	**4,243,547**

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

	Year ended 31 December	
	2022	2021
Profit before income tax	**109,837,965**	**25,200,580**
Tax expense at applicable domestic tax rate (15%)	16,475,695	3,780,087
Effect of unrecognized tax losses and tax rates in foreign jurisdictions	78,602	493,888
Tax effects of:		
- Revenues exempt from taxation	(66,887)	(14,730)
- Tax paid in Angola	155,950	84,312
- Other expenses not deductible	(44,257)	343,605
- Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	(235,484)	(525,171)
- Other tax effects for reconciliation between accounting profit and tax expense	1,099,693	81,556
	17,463,312	**4,243,547**
The weighted average effective tax rate	15.9%	16.8%

39. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices during 2022 was US $ 101,2 per barrel which is more than 43% from the same period in 2021 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Group operations.

Currently the Group is continuing the assessment of the new sanctions' impact on the Group's operations

The management is taking necessary measures to ensure sustainability of the Group'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 Group's management recognised an environmental provision in the amount of 508,332 RSD (31 December 2021: 397,764 RSD) (note 20).

The Group'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 Group's management. As result, some transactions may be disputed by tax authorities and the Group 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 Group has paid all tax liabilities as of 31 December 2022.

Capital commitments

As of 31 December 2022 the Group has entered into contracts to purchase property, plant and equipment for 311,970 RSD (31 December 2021: 383,637 RSD) and drilling and exploration works estimated to 96.93 USD million (31 December 2021: 101.44 USD million).

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

40. GROUP ENTITIES

The consolidated financial statements of below listed subsidiaries are consolidated as at 31 December 2022 and 31 December 2021:

			Share %	
Subsidiary	**Country of incorporation**	**Nature of business**	**31-Dec 2022**	**31-Dec 2021**
NIS Petrol d.o.o., Banja Luka	Bosnia and Herzegovina	Trade	100	100
NIS Petrol e.o.o.d., Sofija	Bulgaria	Trade	100	100
NIS Petrol SRL, Bucharest	Romania	Trade	100	100
NIS Oversiz, St Petersburg	Russia	Other	100	100
Naftagas-Naftni servisi d.o.o. Novi Sad	Serbia	O&G activity	100	100
NTC NIS-Naftagas d.o.o. Novi Sad	Serbia	O&G activity	100	100
Naftagas-Tehnicki servisi d.o.o. Zrenjanin	Serbia	O&G activity	100	100
Naftagas-Transport d.o.o. Novi Sad	Serbia	Transport	100	100
NIS Petrol a.d., Belgrade	Serbia	Other	100	100
G Petrol d.o.o. Sarajevo	Bosnia and Herzegovina	Trade	100	100
Jadran - Naftagas d.o.o. Banja Luka	Bosnia and Herzegovina	O&G activity	100	100

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

From 2022, the company Svetlost d.o.o. Bujanovac which is in the process of bankruptcy from march 2021 and which has no business activities since 2016 is excluded from consolidation. Group has ownership in the amount of 51% and the effects of deconsolidation are not materially significant.

41. RELATED PARTIES TRANSACTIONS

For the purpose of these Consolidated Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the year ended 31 December 2022 and in the same period in 2021, the Group 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 2022 and 31 December 2021 the outstanding balances with related parties other than state and state own companies were as follows:

	Parent	Parent's subsidiaries and associates	Associates and joint venture
As at 31 December 2022			
Right of use assets	–	197	–
Investments in associates and joint ventures	–	–	2,866,724
Advances paid	–	22,259	–
Trade receivables	–	367,944	1,446,747
Other receivables	–	5,741	709,408
Short-term investments	–	36,214	–
Long-term liabilities	–	(49)	–
Short-term financial liabilities	–	(2,728,428)	–
Advances received	–	(312)	(3,101)
Trade payables	(1,762)	(642,009)	(3,053,876)
Other short-term liabilities	–	(37)	(1)
	(1,762)	**(2,938,480)**	**1,965,901**
As at 31 December 2021			
Right of use assets	–	414	–
Investments in associates and joint ventures	–	–	1,582,900
Advances paid	–	29,788	–
Trade receivables	600	233,076	1,961,141
Other receivables	–	–	540,616
Long-term liabilities	(2,734,483)	(210)	–
Short-term financial liabilities	(5,468,935)	(142)	–
Advances received	–	(388)	(935)
Trade payables	(3,000)	(929,878)	(1,551,586)
Other short-term liabilities	(13)	–	–
	(8,205,831)	**(667,340)**	**2,532,136**

For the year ended 31 December 2022 and 2021 the following transaction occurred with related parties:

	Parent	Parent's subsidiaries and associates	Associates and Joint venture
Year ended 31 December 2022			
Revenues from sales of products and services	–	1,964,551	39,357,392
Expenses based on procurement of products and services	(7,292)	(116,893,430)	(8,696,807)
Other expenses	–	(147,867)	663
	(7,292)	**(115,076,746)**	**30,661,248**
Year ended 31 December 2021			
Revenues from sales of products and services	2,056	1,580,398	28,768,807
Expenses based on procurement of products and services	(22,569,246)	(2,254,117)	(230,089)
Other expenses	(174,840)	(117)	(44)
	(22,742,030)	**(673,836)**	**28,538,674**

Main balances and transactions with state and state owned companies are shown below:

	Associates and joint venture	Other
As at 31 December 2022		
Trade and other receivables (gross)		
• *HIP Petrohemija*	1,433,784	-
• *Srbijagas*	-	24,831
• *AIR Serbia*	-	762,548
Advances paid		
• *Srbijagas*	-	445
Trade and other payables		
• *HIP Petrohemija*	(1,259,596)	-
• *Srbijagas*	-	(725,804)
Other current liabilities		
• *HIP Petrohemija*	(2,506)	-
• *Srbijagas*	-	(24)
	171,682	**61,996**
As at 31 December 2021		
Trade and other receivables (gross)		
• *HIP Petrohemija*	1,905,004	-
• *Srbijagas*	-	111,545
• *AIR Serbia*	-	287,512
Advances paid		
• *Srbijagas*	-	445
Trade and other payables		
• *HIP Petrohemija*	(1,551,586)	-
• *Srbijagas*	-	(605,123)
Other current liabilities		
• *HIP Petrohemija*	(2,852)	-
	350,566	**(205,621)**

	Associates and joint venture	Other
As at 31 December 2022		
Operating income		
• *HIP Petrohemija*	39,107,255	-
• *Srbijagas*	-	219,746
• *AIR Serbia*	-	9,592,537
Operating expenses		
• *HIP Petrohemija*	(279,921)	-
• *Srbijagas*	-	(340,454)
	38,827,334	**9,471,829**
As at 31 December 2021		
Operating income		
• *HIP Petrohemija*	28,673,855	-
• *Srbijagas*	-	224,146
• *AIR Serbia*	-	3,232,714
Operating expenses		
• *HIP Petrohemija*	(230,133)	-
• *Srbijagas*	-	(205,962)
	28,443,722	**3,250,898**

Transactions with state and state owned companies 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. Transaction with HIP Petrohemija are included in Associates and joint venture in related party transactions.

Transactions with Key Management Personnel

In the year ended 31 December 2022 and 2021 the Group recognized 1,024,263 RSD and 1,033,696 RSD, 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 Group reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. There are no material unconfirmed receivables or payables in the Group.

43. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2022 were evaluated through 28 February 2023, the date these Consolidated Financial Statements were authorised for issue.

3.

REPORT ON PAYMENTS TO GOVERNMENTAL AUTHORITIES

3.01

Report on payments to governmental authorities

for the year ending on December 31, 2022

Articles 39 and 40 of the Law on Accounting (“Official Gazette”, No. 73/2019 and 44/2021 – other Laws) require the companies of public interest operating in the extractive or primary forest felling industries to compile and publish a report or consolidated report on payments to governmentar authorities on an annual basis.

Information about the preparation (preparation rules) of the Report on payments to governmental authorities:

Legal entities subject to reporting

Pursuant to the Law on Accounting, NIS j.s.c. Novi Sad as a legal entity operating in the extractive industry is required to prepare a consolidated Report on Payments to Governmental Authorities for every completed business year, both for NIS and all of its subsidiaries (engaged in the extractive industry) subject to consolidation within the Consolidated Financial Statements of NIS Group.

Payments included in the Report on payments to governmental authorities

All payments of NIS Group made the governmental authorities during the indicated business year for activities including exploration, prospecting, discovery, development and extraction of coal, crude oil and natural gas, metal ores, non-ferrous, other mining and quarrying of stone, sand, clay, gravel, etc. are presented in this Report.

Within the meaning of the law, payment represents an amount paid in money, goods, services or rights for activities of legal entities operating in the extractive industry or engaged in felling of primary forests.

Types of payments subject to this Report are as follows:

Right to production – The right to production includes the share of production that belongs to the state during the reporting period. As a rule, this payment is made in kind. These payments were not identified within NIS Group.

Income, production or profit tax of legal entities excluding consumption taxes such as value added tax, personal income tax or excise duties – The Report on Payments to Governmental Authorities includes all payments related to income tax and production tax. VAT, excise duties and property tax are not shown in this Report. Payments based on environmental protection fees and not included.

Benefits – Include royalty-related payments.

Dividends – All dividends paid out to the Republic of Serbia except for dividends paid out on the basis of ownership rights from ordinary shares. These payments were not identified within NIS Group in 2022. RSD 1,727,346,562.02 was paid to the Republic of Serbia in the name of dividends based on ownership rights from ordinary shares in 2022.

Signing, discovery and production bonuses – It includes bonuses paid out after signing of an agreement or a contract, or when a commercial discovery is announced, or when production started, or when production reached a milestone. In 2022, there were no payments of this type.

License fees, lease fees, entry fees and other licenses and/or concessions – It includes fees and other amounts paid as fees to obtain access to a certain area where extractive activities are carried out. Administrative fees that are not specifically related to the extractive sector or access to the extractive resources are excluded. Payments in exchange of services provided by the

Government are also excluded. Payments of this type were not identified within NIS Group in 2022.

Infrastructure improvement payments – Include payments for development and improvement of the local infrastructure (roads, bridges or railway), except when infrastructure is used exclusively for operational purposes. Socially significant payments (construction of schools and hospitals) are not included. In 2022, there were no payments of this type within the NIS Group.

The Report on Payments to Governmental Authorities includes payments in excess of EUR 100,000 in dinar equivalent.

Governmental Authorities

In terms of this law, Governmental authorities are any national, regional or local authorities of the Republic of Serbia, a member state or a third country. This includes a department, agency or company that controls such authorities as per provisions of Articles 39 and 40 of the Law on Accounting.

Project

A Project represents operational activities regulated by a single contract, license, lease, concession or similar agreement and forms the basis for payment of obligations to authorities. If several such contracts are considerably interconnected, they are considered a single project.

Reporting currency

All amounts presented in this Report are expressed in dinars (RSD).

Total amount by payment type

Payments, by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[1]	Infrastructure improvement payments
Republic of Serbia	0	7,697,689	1,740,262	0	0	0	0
Angola	0	159,977	0	0	0	0	0
Bosnia and Herzegovina	0	0	0	0	0	0	0
Romania	0	0	159,766	0	0	0	0
Total	**0**	**7,857,666**	**1,900,028**	**0**	**0**	**0**	**0**

in 000 RSD

1 *License fees, lease fees, entry fees and other licenses and/or concessions.*

Payments, to governmental authorities

Serbia

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[1]	Infrastructure improvement payments
Ministry of Finance Treasure Department	0	0	1,740,262	0	0	0	0
Ministry of Finance, Tax administration, Center for Large Taxpayers	0	7,697,689	0	0	0	0	0
Total	**0**	**7,697,689**	**1,740,262**	**0**	**0**	**0**	**0**

in 000 RSD

1 *License fees, lease fees, entry fees and other licenses and/or concessions.*

Angola

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[1]	Infrastructure improvement payments
NAMR National Agency for Mineral Resources	0	159,977	0	0	0	0	0
Total	**0**	**159,977**	**0**	**0**	**0**	**0**	**0**

1 *License fees, lease fees, entry fees and other licenses and/or concessions.*

in 000 RSD

Romania

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[1]	Infrastructure improvement payments
NAMR National Agency for Mineral Resources	0	0	159,766	0	0	0	0
Total	**0**	**0**	**159,766**	**0**	**0**	**0**	**0**

1 *License fees, lease fees, entry fees and other licenses and/or concessions.*

in 000 RSD

Payments, by projects

Angola

Payments	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[1]	Infrastructure improvement payments
Angola Block3	0	159,977	0	0	0	0	0
Total	**0**	**159,977**	**0**	**0**	**0**	**0**	**0**

1 *License fees, lease fees, entry fees and other licenses and/or concessions.*

in 000 RSD

4. STATEMENT OF INDIVIDUALS RESPONSIBLE FOR PREPARATION OF REPORT

4.01 Statement of individuals responsible for the preparation of report

We hereby declare that, to the best of our knowledge, the annual report has been prepared in accordance with applicable accounting standards and that it provides a true and objective overview of the assets, liabilities, financial position, profits and losses, revenues and expenditures of the Company, including all companies included in the group with which the Company forms an economic entity, and that the management report on the operations of the Company provides a fair insight into the development and course of its operations, as well as its position and the position of its companies in the group with which it forms an economic entity, together with a description of the main risks and uncertainties to which they are exposed.

Kirill Tyurdenev
CEO
NIS j.s.c. Novi Sad

5. APPENDICES

5.01

Appendices

General Information about NIS j.s.c. Novi Sad

Business name:	NIS j.s.c. Novi Sad
Company Registration No:	20084693
Address:	12 Narodnog fronta Street, Novi Sad
TIN:	104052135
Website:	www.nis.rs
Email:	office@nis.rs
Core activity:	0610 – Crude Oil Exploitation
Date of Establishment:	1 October 2005
Audit Company which audited the last financial report (as at 31 December 2022):	FinExpertiza LLC Belgrade 90a Kneza Miloša Street 11000 Belgrade
Organized market where shares of the Issuer are traded in:	Belgrade Stock Exchange a.d. 1 Omladinskih brigada Street 11070 Novi Beograd

5.02

Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensioal
a.d.o.	Insurance joint stock company
AMCHAM	American Chamber of Commerce
APC	Advanced Process Control
B&H	Bosnia and Herzegovina
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CFA	Certified Financial Analyst
CMMS	Computerized maintenance management system
CNG	Compressed Natural Gas
CO_2	Carbon Dioxide
CSM	Contractor Safety Management
DCU	Delayed Coking Unit
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
EIA	Energy Information Administration
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
ETBE	Ethyl tert-butyl ether
EU	European Union
EUR	Euro
FCC	Fluid Catalytic Cracker

Abbreviation	Meaning
FIC	Foreign Investors Council
FU	Firefighting Unit
GDP	Gross Domestic Product
GPN	PJSC Gazprom Neft
GTA	Geological-technical activities
GWh	Gigawatt hours
HAZID	Hazard Identification Study
HAZOP	Hazard Operational Analysis
HiPACT	High Pressure Acid Gas Capture Technology
HQ	Highly-qualified worker
HR	Human Resources
HSE	Health, Safety and the Environment
IC	Investment Commission
IMF	International Monetary Fund
IMS	Integrated Management System
IPPC	Integrated Pollution Prevention and Control
IRMS	Integrated Risk Management System
ISO	International Standardisation Organisation
IT	Information Technology
IVMS	In-Vehicle Monitoring System
j.s.c. or JSC	Joint Stock Company
km	kilometre
KM	Bosnia-Herzegovina Convertible Mark
KPI	Key Performance Indicator
kW	Kilowatt, unit for measuring electrical energy
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTD	Limited
LTI	Lost Time Injury

Abbreviation	Meaning
LTIF	Lost Time Injury Frequency
m^2	Square meter
m^3	Cubic meter
MBA	Master of Business Administration
mn	million
MW	Megawatt, SI unit of electricity
MWe	Megawatt electrical – a unit of electrical generating capacity
MWh	Megawatt hour, unit of electricity
N_2	Nitrogen
NAMR	National Agency of Mineral Resources
NATO	North Atlantic Treaty Organisation/North Atlantic Alliance
NBS	National Bank of Serbia
NMD	Regulatory methodology document
NOX	Nitrogen Oxides
OCF	Operating Cash Flow
OF	Oil field
OMS	Operating Management System
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
P/BV	Price/Book Value
P/E	Price/EPS
PE	Public Enterprise
PhD	Doctor of Philosophy
PS	Petrol Station
Q	Qualified worker
RAR	Road Accident Rate

5.03

Financial Calendar

Reporting period	Proposed date of publication of results in 2023.
FY 2022	February 21, 2023
Q1 2023	April 27, 2023
Q2 2023	July 27, 2023
Q3 2023	October 26, 2023 on the day of the Investor's Day

* *If Belgrade Stock Exchange Conference will be held in 2023 (bearing in mind that the Conference wasn't held in the previous three years:2021, 2020 and 2019), the date of the Investor Day may be postponed until October 30th at the latest, taking into account the new legal regulation (Capital Market Law) which regulates the publication deadlines of quarterly business results.*

5.04

Contacts

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NIS FUTURE AT WORK