ANNUAL REPORT 2021

NIS
GAZPROM NEFT
FUTURE AT WORK

Annual Report 2021

FUTURE
AT WORK

The Annual Report for 2021 gives a factual overview of activities, development and performance of the NIS Group in 2021. 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 2021 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 2021 is also available online on the corporate website. For any additional information on NIS Group, you may visit the corporate website www.nis.rs.

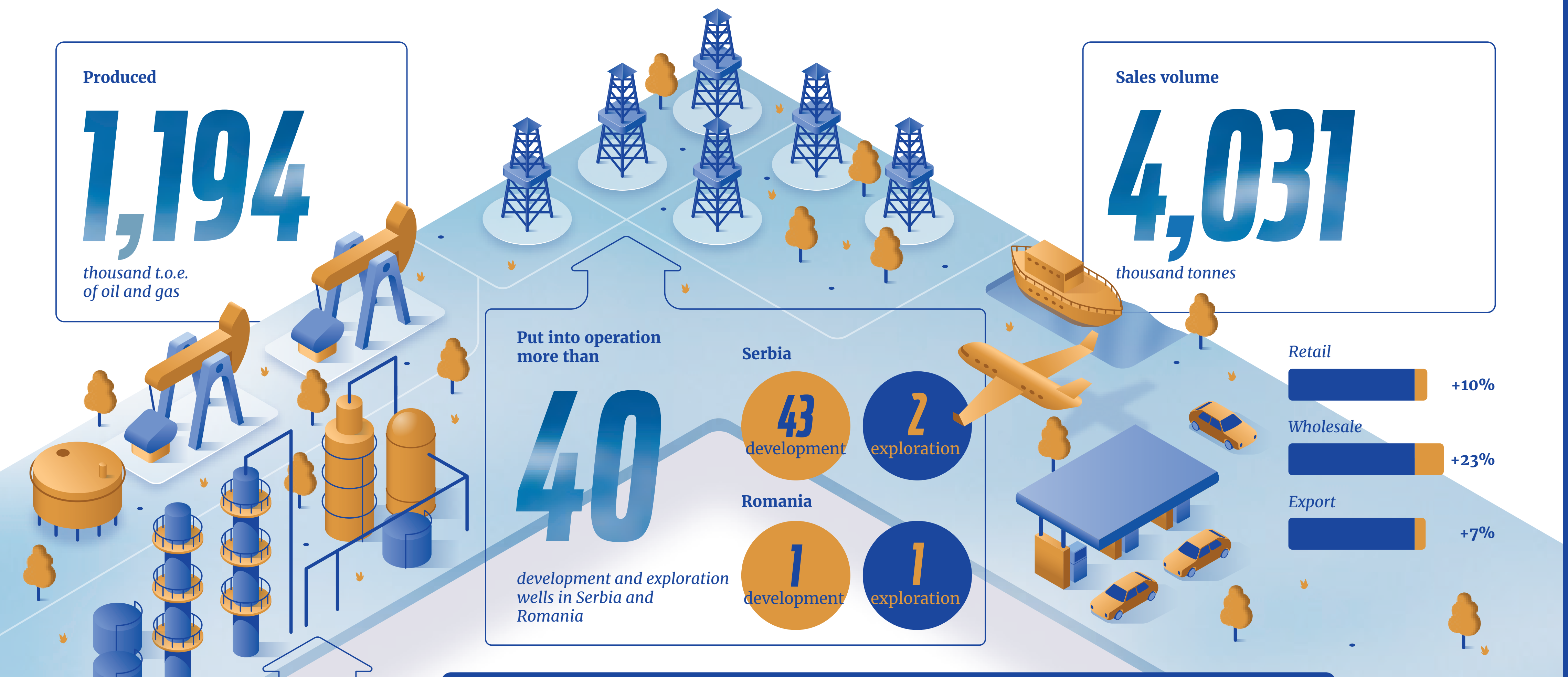
The Annual Report contains information explained in more detail in other sections of this Report, other reports or on the corporate website pages. In addition, the explanations of the abbreviations and acronyms used are given in the glossary at the end of the Report.

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 2021



Net profit	EBITDA	CAPEX
21	53	20
bln RSD	*bln RSD*	*bln RSD*

Awards and recognitions

NIS won the fifth level of excellence and the award "Champion of Excellence 2021" in the business excellence - "Oscar for Quality" for 2021, organized by the Foundation for Quality Culture and Excellence.

Kirill Tyurdenev, the CEO of NIS, is the winner of the Saint Sava Award for 2021, for his outstanding contribution to strengthening the cooperation with educational and scientific institutions through support to the most successful students and for the promotion of science.

NIS won first place at the "OSH National Awards Contest" in the category "28 April" Charter, organized by the Occupational Safety and Health Directorate of the Ministry of Labour, Employment, Veteran and Social Affairs.

Drive.Go, mobile application of NIS, is the winner of "Innovation Award" as part of the event “Hot Spot eCommerce Awards 2021”, organized by the eCommerce Association of Serbia.

The NISOTEC brand won the Grand Champion Cup, along with 10 gold medals at the International Agricultural Fair in Novi Sad.

NIS’ applications "On the Road with Us" and "Drive.Go" ranked first and second respectively among the TOP 10 free business applications on the Google Play list.

NIS is the winner of the "PC Press" magazine’s award - Top 50 best online contents, in the LinkedIn category.

Realization of key projects

RECONSTRUCTION OF FCC AND CONSTRUCTION OF NEW ETBE UNIT

The principal objective of the project is to modernize the fluid catalytic cracking unit (FCC) based on the modern INDMAX technology, licensed by Lummus Technology, and construct a new ETBE unit based on CDEtbe technology, with a view to increasing the propylene production and obtaining a quality biocomponent to be blended with gasoline. Increasing the production of high-margin products, taking into account the market demand for petrochemical monomers and biocomponents for motor fuels, will be instrumental to acheving the maximum EBITDA.

After the development of the basic design package, in the first stage of the project, the FEED project stage was successfully completed during 2021.

The Front-End Enginnering Design (FEED) was developed by Wood Italiana S.r.l in the period from 8 March 2021 to 2 November 2021. During the FEED project stage, a complete FEED documentation package was prepared:

- PEP - Project Execution Plan;
- CAPEX Estimate based on OBCE (Open Book Cost Estimate) principle;
- Laser 3D scanning of the FCC unit;
- detailed L3 schedule for the project execution stage (EPCm);
- Constructability study for the construction stage;
- Technically acceptable and commercially efficient contractors were selected for the long lead items (LLI) for the purpose of drafting technical specifications;
- The urban planning design was submitted for approval;
- The conceptual design was prepared in accordance with the FEED project scope.

Further execution of the project is scheduled for 2022.

TE-TO PANČEVO

TE-TO Pančevo is a gas-steam combined cycle power plant with an estimated power 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%.

The total estimated value of the project is arround EUR 180 million.

The start of operation of TE-TO Pančevo is expected in 2022.

DIGITAL TRANSFORMATION

As in previous years, digital transformation remains one of NIS' key directions. Advances in the domain, adoption of digital solutions and technologies giving an edge to its business activities, enhancement of competencies, as well as the focus on safety of our employees constitute the main priorities of digital transformation. Digital transformation is recognized as one of the key elements to achieving NIS' strategic business goals, where the synergy of these elements will make a significant impact on the further economic development of the Company.

In 2021, digital transformation included eight key elements: digital vision and DT strategy, project portfolio management, innovative center and digital technologies (R&D), platforms and data flows, interaction with the ecosystem and partnerships, digital culture and competencies and cooperation with Gazprom Neft.

The priorities and digital tools have been set for each business block (Exploration and Production, Refining and Sales and Distribution), with the aim to, through the application of innovative technologies, increase the efficiency of operations and efficiency of oil and gas exploration and production, along with raising the level of training of our employees, increase the safety and reliability of plant operation, provide additional services and improve communication with consumers. The portfolio of digital transformation of the company comprises more than 110 projects and initiatives for the purposes of all business blocks and other organizational units that provide support to the business. These projects and initiatives are at different stages of the life cycle: from an idea to the "implementation (commissioning)". In 2021, about 30 new initiatives were registered, and about 20 projects were completed.

Within the digital laboratory, which is part of the NIS Scientific and Technological Centre, and where our experts carry out scientific research work related to the application of digital technologies in the oil industry, more than 26 digital initiatives were successfully launched in 2020-2021, with some of the complete R&D projects including: Advanced Petrophysics, Micro-Imager Result Analysis, Advanced Seismic Analysis, Automatic Fault Extraction and Assessment of Their Conductivity, Tool-Box of Oil Engineers and Others, with the application of digital technologies, such as Machine Learning, Big Data, Advanced Analytics, Business Intelligence.

Data management, data availability and quality –all of them represent the important success factors of digital transformation and also the prerequisite for the key strategic digital initiatives of NIS. To solve the tasks of improving the efficiency of using and extracting data values, NIS developed its "Data Management Strategy" in 2021. In the next 5 years, a set of comprehensive data initiatives will be implemented at the NIS level, such as the Data Analysis and Processing Platform, Self-Service Analytics, Data Academy, etc. A decision has been made to launch several pilot projects to demonstrate the effects of data management elements in practice and test the approach, with the overall aim to prepare for the full-scale implementation.

Constant work on improving the necessary skills and knowledge of our employees will continue in the upcoming period as well. In 2021, a number of sessions, seminars and lectures were held with participation of internal and external experts in the field of digitization and digital technologies, with more than 1,000 participants who underwent the training courses. A 2022 plan for the further development of digital competences and culture was developed, which includes lectures, training and preparation of employees for the new challenges in the field of digital transformation.

The cooperation was established with the leading universities in the field of digitalization: the Faculty of Electronic Engineering in Niš, the Faculty of Electrical Engineering in Belgrade, and the Faculty of Technical Sciences in Novi Sad. The signed Memoranda of Cooperation envisage the exchange of expert knowledge of the experts from NIS, and professors and students from the faculties. NIS experts delivered several guest lectures to the students of partner faculties. In cooperation with Gazprom Neft and ITMO University in St. Petersburg, an international online hackathon "Hackaton Applied AI Challenge: Oil and Gas Industry Case" was organized in 2021. The cooperation with faculties continues, as part of which the three above mentioned partner faculties will provide training sessions for NIS employees in the upcoming period.

In the field of external partnerships, our Company continues creating the basis for cooperation both with IT companies and with specialists from specific areas, start-up companies, and the IT community of Serbia. In the coming periods, our focus remains on building the image of NIS as a company that digitizes its business and that is seen as a reliable and preferable collaborator by all those having ideas, entrepreneurial spirit and creatings innovations. The commissioning of the "TechEngine powered by NIS" platform stands out as a major result in this area in 2021.

As part of the cooperation with Gazprom Neft, the project "Tech Radar" was implemented - the business scenarios formulated by Gazprom Neft were analyzed, along with those formulated by NIS. The digital technology development concepts and digital initiative planning methodologies, defined by Gazprom Neft, were applied.

In view of the current achievements and plans, NIS continues to remain consistent with the selected strategic direction in the field of digital transformation, including the improvement of business processes and models of application of digital technologies, the introduction of new formats of interaction with clients and decision-making capabilities, as well as the implementation of digital platforms and products for more efficient business operation.

Letter to shareholders

Dear Friends,

The year behind us was difficult and complicated. It was the first since the global crisis caused by the coronavirus pandemic. We entered 2021 with a financial loss, which was an expected consequence of market turmoil. Notwithstanding this, we had a clear-cut goal - the consolidation of our business, despite the long-term instability, and preparation of new investments and development of NIS in the coming period.

Although we usually cannot choose the circumstances in which we live and work, we can determine the way of reacting to adverse situations. As for NIS, we can rightly say that we have successfully responded to the obstacles of 2021 by creating a business model that has allowed us to overcome all difficulties more easily. Our main strengths along the way were strict financial discipline, careful planning and focus on priorities, the competence of employees and management, as well as a strong desire to implement all these measures. We particularly emphasize the importance of our shareholders support in implementing all necessary measures to maintain NIS' liquidity in a difficult environment. Thanks to all of the above, we can now say with satisfaction that the way we have conducted business in challenging conditions has allowed us not only to maintain stability, but also to further diversify our business. The results we have achieved clearly reflect this.

By the end of 2021, we have successfully completed negotiations with our friends from the Government of the Republic of Serbia and signed a Strategic Partnership Agreement with HIP-Petrohemija j.s.c. Pancevo. This opens the door to a new business sector, opens up new development prospects and brings fresh experience to the NIS Group. And since the development of NIS is an indisputable indicator of the success of the partnership between Gazprom Neft and the Republic of Serbia in the modernization of the Serbian oil sector, we are convinced that now we will jointly develop HIP-Petrohemija j.s.c. Pancevo with the same success.

In addition, in the context of the epidemic, we continued the construction of a combined-cycle power plant in Pančevo. The start of commercial operation of this plant this year remains our priority, especially since most of the generated electricity will be sent to the market and will contribute to the energy stability of Serbia and the region.

We have also worked hard to develop our core business. In addition to the assets in Serbia, significant funds have been invested in further promoting concessions in Romania and Bosnia and Herzegovina, from which we expect positive results in the coming years when it comes to oil and gas production. We have also begun

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

preparations for the third phase of the Pančevo Refinery Modernization, focusing on the modernization of the catalytic cracking unit (FCC) and further expansion of the refined product mix. In the retail sector, we continued to modernize our refueling stations and even opened 10 new or renovated sites in Serbia.

In addition to good business results, we have achieved significant financial success. The NIS Group ended 2021 with a net profit of 21 billion dinars and an EBITDA of 53.2 billion, a result that is even better than the figure in the pre-crisis 2019. We also invested 20.2 billion dinars in the development of NIS, while we paid out just over a billion dinars to shareholders in the form of dividends for 2020.

We have also remained a reliable source of revenue for the state budget, given that the NIS Group's liabilities for taxes and other state revenues amount to 217.8 billion dinars, which is 21 percent more than in 2020. If we add to this that we simultaneously increased the volume of processing by 9 percent, and the turnover by as much as 14 percent compared to the previous year, then we can rightfully say that we have a successful business year behind us.

In addition to business development, we have not given up on supporting community development. Over the past year, we have invested more than 315 million dinars in socially responsible projects and in support of professional sports, while our focus remains on supporting the long-term development of Serbia through investments in youth, their education and healthcare.

Nevertheless, the market is still volatile, and there are a number of challenges in store for us in 2022. To maintain the value of all the successes achieved during a difficult period, we must remain equally committed to our priorities. This means maintaining financial discipline and improving operational efficiency at all levels of the NIS Group. We will also maintain a high level of investment, which will ensure further modernization of NIS. At the same time, we must be flexible and ready to respond to all opportunities that come our way. With a view to accomplish this, we need to further strengthen the professionalism and strengthen the training of our employees, as well as be ready to monitor the market, closely study all trends and implement new technologies and practices. In addition, HSE (Health, Safety, and Environment) improvements and continued digital transformation remain our top priorities.

Undoubtedly, a prerequisite for all future success of NIS is the preservation of health and safety, so we once again urge all colleagues to comply strictly with all epidemiological recommendations and sanitary protocols. Only if we preserve our health and life, we will be able to implement plans for the further development of our joint company and support the progress of the whole society. Therefore, despite the very difficult circumstances, we have already shown that we have enough strength, experience and will to strengthen the competitiveness of NIS in the domestic and regional markets, regardless of the tasks we face.

1 BUSINESS REPORT 2021

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Independent Auditor's Report

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Naftna Industrija Srbije a.d. (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Law on Auditing in the Republic of Serbia. Our responsibilities under this law are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Auditing in the Republic of Serbia that are relevant to our audit of the consolidated financial statements in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Auditing in the Republic of Serbia.

PricewaterhouseCoopers d.o.o.
Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia
T:: +381 11 3302 100, F:+381 11 3302 101, *www.pwc.rs*

Our audit approach

Overview

- Overall Group materiality: 924 million Serbian dinars (hereafter “RSD”), which represents 5% of the average result before tax for the past three years, being absolute values of profit before tax for the current year and year ended on 31 December 2019 and loss before tax for year ended on 31 December 2020.

- We conducted audit work at 5 reporting units in 4 countries.
- The Group engagement team audited the Serbian subsidiaries and performed specified procedures for the Bulgarian and Romanian subsidiaries with the involvement of PwC network firms in the respective countries. Based on the engagement team’s instructions, PwC network firm performed directed audit procedures over specific financial statement line items for subsidiary in Bosnia and Herzegovina.
- Our audit scope addressed 95% of the Group’s revenues and 98% of the Group’s absolute value of underlying result before tax.

- Estimation of decommissioning and environmental protection provision

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RSD 924 million
How we determined it	5% of the average result before tax for the past three years, being absolute values of profit before tax for the current year and year ended on 31 December 2019 and loss before tax for year ended on 31 December 2020.
Rationale for the materiality benchmark applied	We determined that our materiality should be based on three-year average result before taxation. This benchmark is supported by the significant fluctuations in the financial result due to the change of crude oil prices. We have chosen 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with the those charged with governance that we would report to them misstatements identified during our audit above RSD 46 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Key audit matter	How our audit addressed the key audit matter
Estimation of decommissioning and environmental protection provisions	
Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 21 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Note 2 and Note 3. The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities. The decommissioning of oil and gas infrastructure is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Group’s consolidated balance sheet.	We critically assessed management’s annual review of provisions recorded as at 31 December 2021. In particular, we focused on those assets where changes to the cost estimate directly impacted the consolidated income statement rather than being recognised as an asset. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration. Of particular note, we performed the following procedures: - Identified and tested the cost assumptions which have the most significant impact on provisions by reviewing the actual costs incurred during the year and comparing them to the prior years;

Management reviews decommissioning and environmental protection provisions on an annual basis for upstream and refining assets. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, maturity of liabilities and the effects of changes in exchange rates.	- Used valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models; - Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant & equipment; - Verified the change in oil well status compared to the prior year as the change in oil well status has a material impact on decommissioning provision calculation; - Tested the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations and concluded that the results were not materially different and were within a tolerable range.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the group scope of our audit work, we determined the nature and extent of work to be performed both at the reporting units and at the consolidated level. Where the work is performed by the local reporting unit auditors, we perform consolidated level oversight and review procedures to ensure sufficient evidence has been obtained to support our opinion on the consolidated financial statements taken as a whole. All reporting unit audit work was undertaken by us and PwC network firms.

Our approach to determining the scope of the audit of the Group is a three-step process whereby reporting units are deemed to be within the scope for audit testing based on meeting one or more of the following criteria:

1) Significant contribution, greater than 15%, to result before taxation, revenue or total assets. These reporting units are subject to full scope audits;
2) The presence of a significant risk, either at the reporting unit as a whole or relating to a specific financial statement line item. This includes financial statement line items impacted by the risks of material misstatement identified in our planning; or
3) The most significant other reporting units that enable us to satisfy our coverage criteria on each financial statement line item and to add elements of unpredictability in our scope.

Based on this process, we identified 5 reporting units in four countries that, in our view, required either full scope audit (Naftna Industrija Srbije a.d.) or directed audit procedures over specific financial statement line items. Together, these reporting units accounted for 95% of the Group's revenue and 98% of the Group's absolute value of underlying result before tax.

As a result of its structure and size, the Group also has several small reporting units that are individually immaterial but, in aggregate, make up a material portion of its loss before taxation, revenue or total assets. These are covered by the work that we perform at the consolidated level, which includes three main components:

1) Overall analytical review procedures: A significant proportion of the remaining reporting units not selected for procedures at an individual component level were subject to analysis of year-on-year movements at the consolidated level, with a focus on higher risk balances and unusual movements. The reporting units not subject to the above overall analytical review procedures were individually, and in the aggregate, immaterial.
2) Tests of financial systems, processes and controls: We tested entity level controls applied at the consolidated level. Our audit work, in which we tested the design and operating effectiveness of systems and controls applicable for all subsidiaries in scope, was led by our group audit team. The results from this testing are reviewed throughout the year and considered in our continuous update of group audit scope.
3) Testing of specific transactions: In addition, at the consolidated level we performed transaction testing of material financial statement lines, including impairment of goodwill, cash balances and litigations.

Reporting on the other information including the consolidated Annual Report

Management is responsible for the other information. The other information comprises consolidated Annual report (but does not include the consolidated financial statements and our auditor's report thereon).

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.

With respect to the consolidated Annual Report we also performed procedures required by the Law on Accounting in the Republic of Serbia. Those procedures include considering whether the consolidated Annual Report includes the disclosures required by the Law on Accounting in the Republic of Serbia.

Based on the work undertaken in the course of our audit, in our opinion:

- the consolidated Annual Report has been prepared in accordance with the requirements of the Law on Accounting in the Republic of Serbia; and
- the information given in the consolidated Annual Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

In addition, considering the knowledge and understanding of the Group and its environment obtained during the audit, we are required to report if we have identified material misstatements in the consolidated Annual Report. We have nothing to report in this regard.

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 in 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.

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 Auditing in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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.

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

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

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

The licensed auditor engaged as partner on the audit resulting in this independent auditor's report is Sonja Ralenac.

Ralenac Sonja

Sonja Ralenac
Licensed Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 3 March 2022

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Nonfinancial Reporting

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Highlights

January - March

- Drilling of 12 development wells completed and 9 developmpment wells put into operation in Serbia
- Seismic works completed on the 3D project Varinca in Turkey
- A new reservoir opened in the Iđoš field
- Beginning of seismic works under the 2D project Obudovac in Bosnia and Herzegovina
- A complex seismic and geological interpretation of 3D seismic data of Mokrin-Kikinda-Phase 1 completed
- The scheduled downtime for the overhaul of refinery units carried out in March
- 12 investment maintenance projects implemented during the scheduled downtime
- The beginning of the third phase of Refinery modernization – the contract for the preparation of the FEED (Front End Engineering Design) documentation under the project of FCC Reconstruction and Construction of New ETBE Unit signed with the renowned company Amec Foster Wheeler Italiana Srl (Wood Group)
- The continuity in using the "CE" marking for polymer modified bitumen was secured, thus enabling further placement of this product in the market of the European Union
- The rented and rebranded (NIS brand) Sjenica 2 petrol station put in operation
- Start of construction of a new highway petrol station, Sokolići 1 (GAZPROM brand), on Corridor 11
- NIS and Crédit Agricole Bank created a new AgroBlue credit card for deferred payment of fuel, designed for agricultural households, for purchasing fuel at NIS Petrol and GAZPROM petrol stations
- Start of the full reconstruction of Mionica petrol station (NIS brand).

April - June

- 13 development wells drilled and 12 development wells put into operation in Serbia
- Seismic works on 2D project Obudovac in Bosnia and Herzegovina completed
- The final stage of contract signing for two new seismic projects (3D Dogu Varinca and 3D Cizre) with TRAO Turkish National Company (TURKISH PETROLEUM CORPORATION)
- The activities under the project Reconstruction of FCC and Construction of a New ETBE Unit continued in line with the project stages
- Implementation of digital projects:
    - improvement of operational availability (Predictive Maintenance with Mashine Learning);
    - improvement of technological process efficiency (improving the system of monitoring operational availability parameters and APC availability (unit level) parameters)
- Rebranding and re-inclusion of Zrenjanin 5 petrol station in the NIS retail network
- Start of the operation of the newly built Sokolici 1 petrol station
- Start of the operation of the reconstructed Zagubica petrol station
- In the field of preparation and serving of food and beverages, the food safety system was certified in accordance with ISO 22000:2018 for five restaurants at the petrol stations with the highest frequency of visits
- The 13th general meeting of the NIS Shareholders' Assembly was held, at which, among other things, decisions were adopted on the distribution of profits from the previous years, covering the loss of NIS j.s.c. Novi Sad for 2020, payment of dividends and determination of the total amount of retained earnings of NIS j.s.c. Novi Sad, and the appointment of members to the Board of Directors
- In cooperation with VISA and Banka Poštanska štedionica, NIS enabled its customers to withdraw cash at all NIS Petrol and GAZPROM petrol stations
- Under the program "Together for the Community 2021", a Memorandum of Cooperation was signed with the Ministry of Mining and Energy and the Ministry of Environmental Protection of the Republic of Serbia on the joint implementation of environmental project and agreements were were signed with 12 municipalities and cities participating in this program.

July - September

- 13 wells drilled and 14 development and 2 exploration wells put into operation in Serbia and one exploration well in Romania put into operation
- Turnaround of Elemir Gas Refinery completed
- Interpretation of seismic data undet the Obudovac project completed
- Start of production under the 3D seismic project in Turkey
- A new confirmation of the aviation fuel qualitycompliance with the requirements of the EI/JIG 1530 standard by the certified body SGS from Belgrade, accompanied by the issuance of the Limited Assurance Statement
- Start of production of Eurodiesel with a biocomponent (Eurodiesel B7) and the first shipment to Romania
- Activities related to opening of 3 new petrol stations (Petlovo Brdo, Zaječar 5, and Bački Petrovac)
- Support to digital projects: Virtual SNNP (On the Road with Us) Card, Drive GO and IPS payment on PSs
- Reconstruction of petrol stations: Zmaj 1 and Novi Bečej; works on construction of new the new petrol stations: Stara Pazova 3 and Zrenjanin Center
- NIS and Banka Poštanska štedionica enabled the bill payment service at all NIS Petrol and GAZPROM petrol stations in Serbia using the of IPS QR code issued by the National Bank of Serbia
- Pursuant to the decision of its Shareholders' Assembly, NIS j.s.c. paid dividends to about 2.06 million shareholders in the gross amount of RSD 1,001,190,856
- The study of KPMG audit firm on the economic impact of NIS in the Republic of Serbia in the period 2010-2020 was presented to the public in which it is stated that the average direct annual contribution of NIS to the national GDP is 5.1%
- In cooperation with the Coordination Body for Gender Equality of the Government of Serbia and the UN Agency for Gender Equality and Empowerment of Women (UN Women), NIS organized a conference titled "Energy, Gender Equality and Sustainable Development", with the aim to highlight the importance of gender equality in the energy sector.

October - December

- Drilling of 5 development wells, 1 exploration well in Serbia and 1 development well in Romania completed, with 8 development wells in Serbia and 1 development well in Romania put into operation.
- Teremia North: with the finalisation of the reservoir engineering design, the project entered in the “Implementation” stage
- Seismic works under the 3D project in Turkey continued
- Drilling of Ob-003 exploration well in Bosnia and Herzegovina started
- Refining of new crude Johan Sverdrup started
- The audit of compliance of the factory controls of road bitumen production with the requirements of the reference standard EN 12591:2009 successfully completed, thus ensuring the continuity of using the “CE” marking for road bitumen
- Start of operation of two new petrol stations: Stara Pazova 3 and Zrenjanin Center
- Reconstruction work on Čantavir, Novi Bečej, Zmaj 1 and Despotovac petrol stations completed
- In the Transportation Sector, Sales and Distribution Block, in the field of providing petroleum product and liquid petroleum gas road transportation services, the road traffic safety management system was certified in accordance with ISO 39001:2012
- The Ministry of Economy, on behalf of the Government of the Republic of Serbia, NIS and HIP-Petrohemija signed a Strategic Partnership Agreement under NIS increase its stake in HIP-Petrohemija to 90% of the share capital.
- The Board of Directors of NIS j.s.c. Novi Sad adopted the Business Plan for 2022, which envisages the investments of RSD 25 billion.
- Kiril Tyurdenev, the CEO of NIS and Vice President of the Assembly of the National Petroleum Committee of Serbia, participated in the strategic session of the CEO Panel entitled "Digital Transformation" held at the 23rd World Petroleum Congress in Houston.
- The reconstructed Zmaj 1 petrol station in Belgrade was put into operation under the GAZPROM brand, noting that more than EUR 3 million was invested in its modernization.

Highlights after reporting date

Since late 2021 ongoing political tension escalated as a result of further developments of the situation with Ukraine which have negatively impacted volatility in the financial and commodity markets. On 24 February 2022 oil prices increased to over US$100 per barrel. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out. A number of sanctions have been announced to restrict Russian entities from having access to the Euro and US$ financial markets including removing access to the international SWIFT system and in such a situation this could further impact the Group’s ability to transfer or receive funds. It is not possible for management to predict with any degree of certainty the impact of all this uncertainty on the future operations of the Group.

However, the Group has no major external liabilities and there were no business interruptions, including to supply chains, due to sanctions, military conflict, commodity and broader market instability. Whilst these uncertainties may impact the future dividend income of the shareholders and their ability to make payments to the Company in the near future it does not impact upon the ability of the Group to continue to operate in the foreseeable future.

Subsequent events occurring after 31 December 2021 were evaluated through 1 March 2022, the date this Annual Report for 2021 was authorised for issue.

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 Balkan region. The most valuble asset of the NIS Group is a team of more than 11,000 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's 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.

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,
- Internal Audit and Risk Management Function and
- MSSC.

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

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

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

Exploration and Production Block

Exploration and Production

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

Aware of the importance of innovation in all business areas, NIS is committed to the continuous introduction of up-to-date technologies in the exploration and production segment, equipment modernization and the application of new scientific knowledge, with scientific and technological support coming from its subsidiary Scientific and Technological Centre (NTC) NIS Naftagas Ltd Novi Sad.

The majority of oil and gas fields owned by NIS are located in Serbia, including that the company is also involved in exploration works in Romania and Bosnia and Herzegovina. The oldest foreign NIS' concession is in Angola, which 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, operates as part of the Exploration and Production. An amine unit for natural gas processing, which uses the HiPACT technology (High Pressure Acidgas Capture Technology), is also located in Elemir. The method of gas processing used completely prevents carbon dioxide emissions into the atmosphere and, in addition to the business effects, significant environmental benefits are derived. The Exploration and Production Block also engages in the production of electricity and thermal energy from conventional and renewable sources and the production of compressed natural gas.

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.

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 crude 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 consists of the Refining Block, Sales and Distribution Block, and the Energy.

Refining

Pančevo Oil Refinery is one of the leading state-of-the-art refineries in the region. More than 800 million EUR has been invested in its modernization since 2009, and a delayed coking unit was ceremonially commissioned in November 2020. This project, worth 300 million EUR, has enabled NIS to increase the output of the most valued fuels - diesel, gasoline, and liquified petroleum gas, and to start the domestic production of petroleum coke. In 2021, the third phase of the Refinery modernization was initiated, with the reconstruction of the FCC (catalytic cracking unit) and the construction of a new ETBE (high-octane gasoline components) unit as its capital project.

Another priority of the NIS Refining Block is the implementation of environmental improvement projects, which is why Pančevo Oil Refinery is the first energy plant in the Republic of Serbia that has been granted an integrated pollution prevention and control permit (IPPC permit) from the competent government authorities. In this way, NIS effectively confirms that the investments in environmental protection remain among its priorities in the process of modernization.

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 this area 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.

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 activity includes the generation of electricity and thermal energy from conventional and renewable sources, the production and sale of compressed natural gas, sale of natural gas, electricity trading, development and introduction of strategically important energy projects, including the development and implementation of energy efficiency improvement projects.

The key project in the field of energy is the construction of Pančevo Combined Cycle Power Plant, implemented by NIS in cooperation with the Russian company Gazprom Energoholding d.o.o. The construction of the plant continued in 2021, the commissioning stage began in the fourth quarter of 2021, and commissioning is expected in 2022. The main feature of TE-TO Pančevo is that it will produce heat and the start-up is scheduled for 2022. The main feature of TE-TO Pančevo is that it will generate heat and electricity primarily to meet the needs of Pančevo Oil Refinery, while a portion of the generated electricity will be sent to the national power grid.

Since 2013, NIS has commissioned the mini power plants with a maximum power of 14.5 MWe on eight locations on its oil and gas fields throughout Serbia. The environmental advantage of these plants is the production of electrical and thermal energy using gas, which could not be previously utilised due to the high content of carbon dioxide and nitrogen or could not be valorized due to the absence of adequate gas infrastructure. The generated electricity is supplied to NIS for its own needs but is also put on sale in the market. In addition, the electricity is generated at the gas field Jimbolia in Romania, which is sold in the local market.

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 expan-sion.

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 cogene-ration 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 develop-ment 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
Activities on the Bottom-of-the-Barrel Project and TE-TO Pančevo continued.

The 10th anniver-sary 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 int Pančevo Oil Refinery.

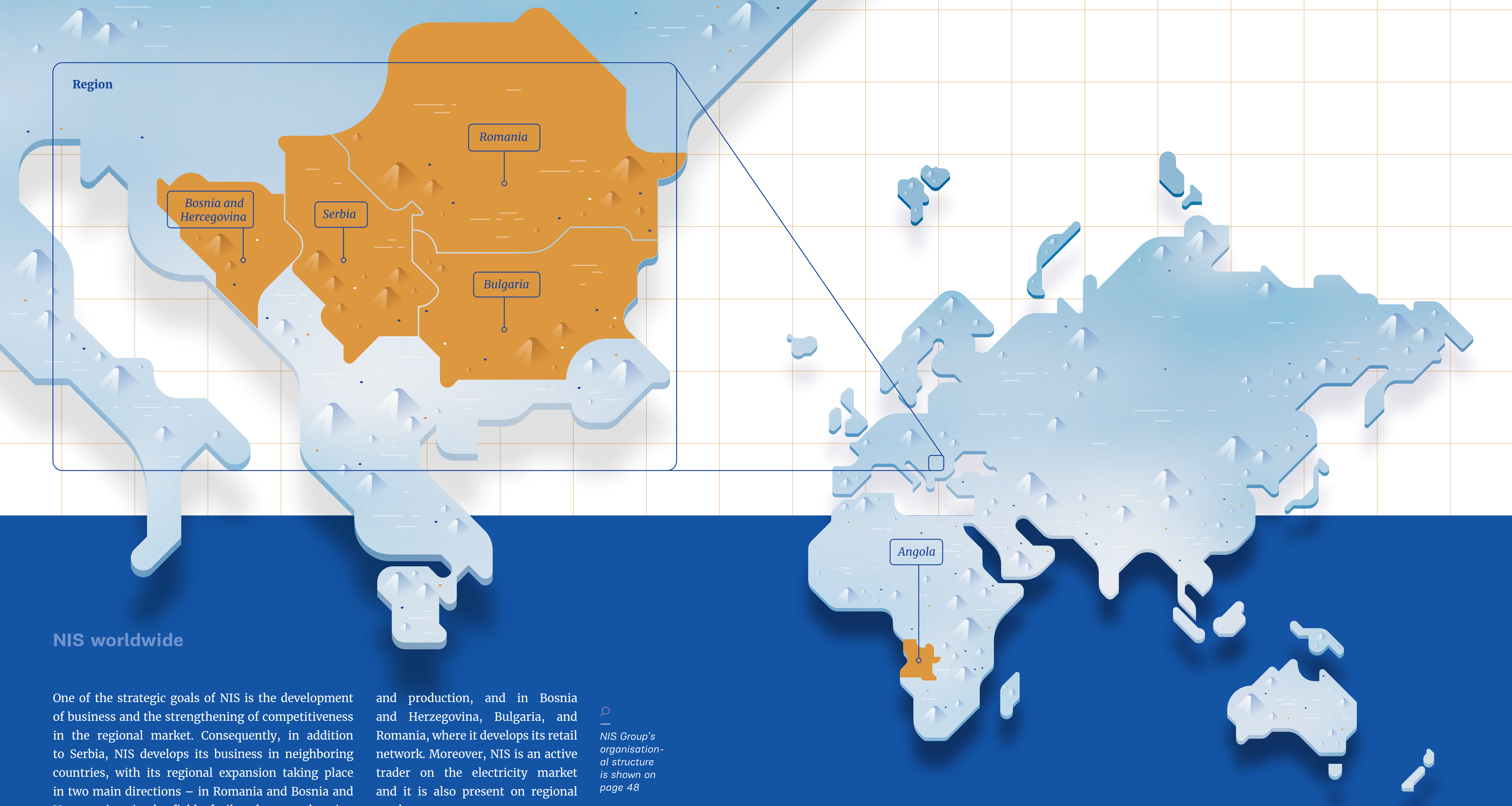
The construction of TE-TO Pančevo continued.

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 construction of TE-TO Pančevo continued.

The third phase of the Pančevo Oil Refinery modernisa-tion project was initiated, the Reconstruction of FCC and Construc-tion of New ETBE Unit as its capital project.

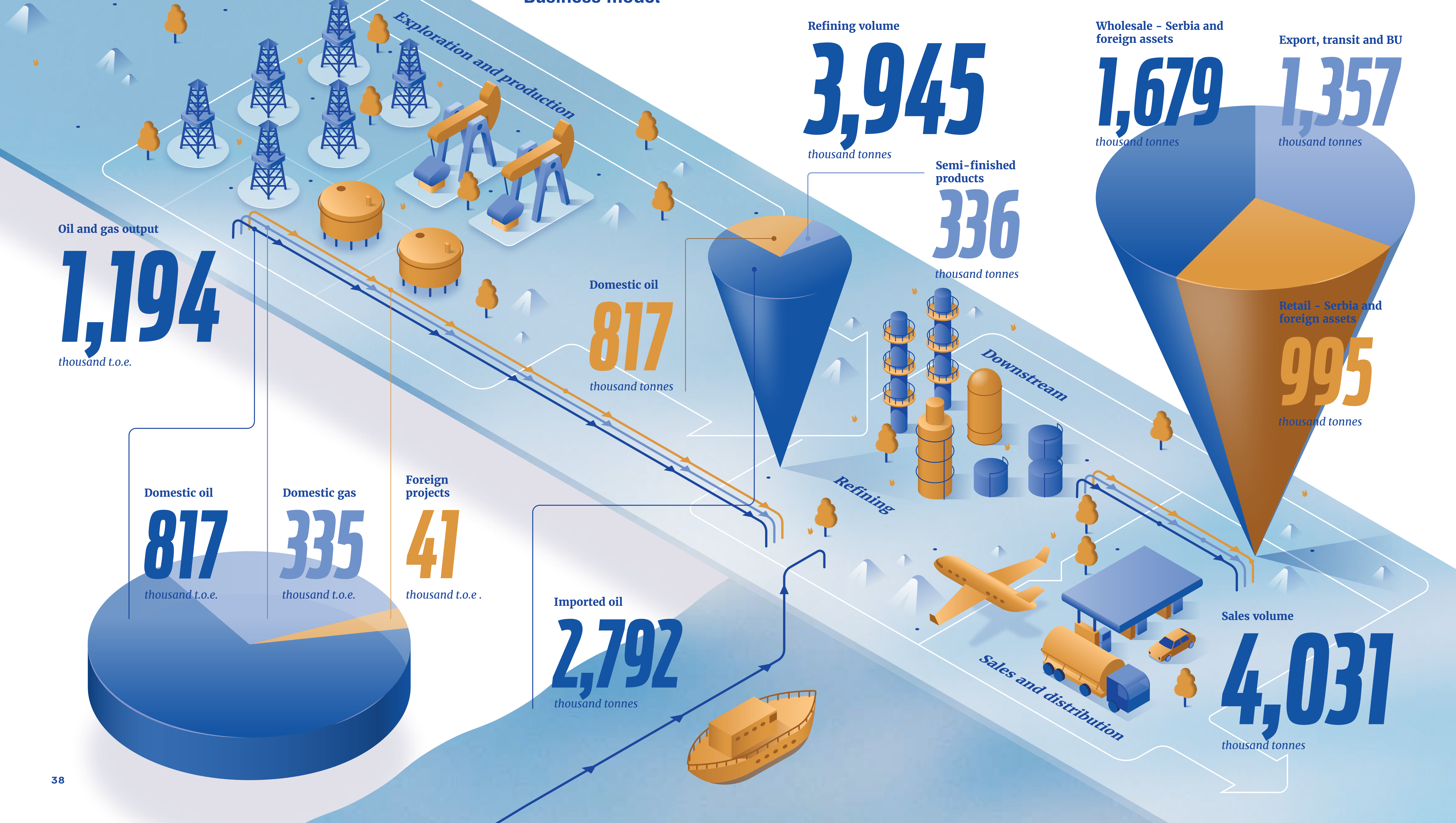


NIS worldwide

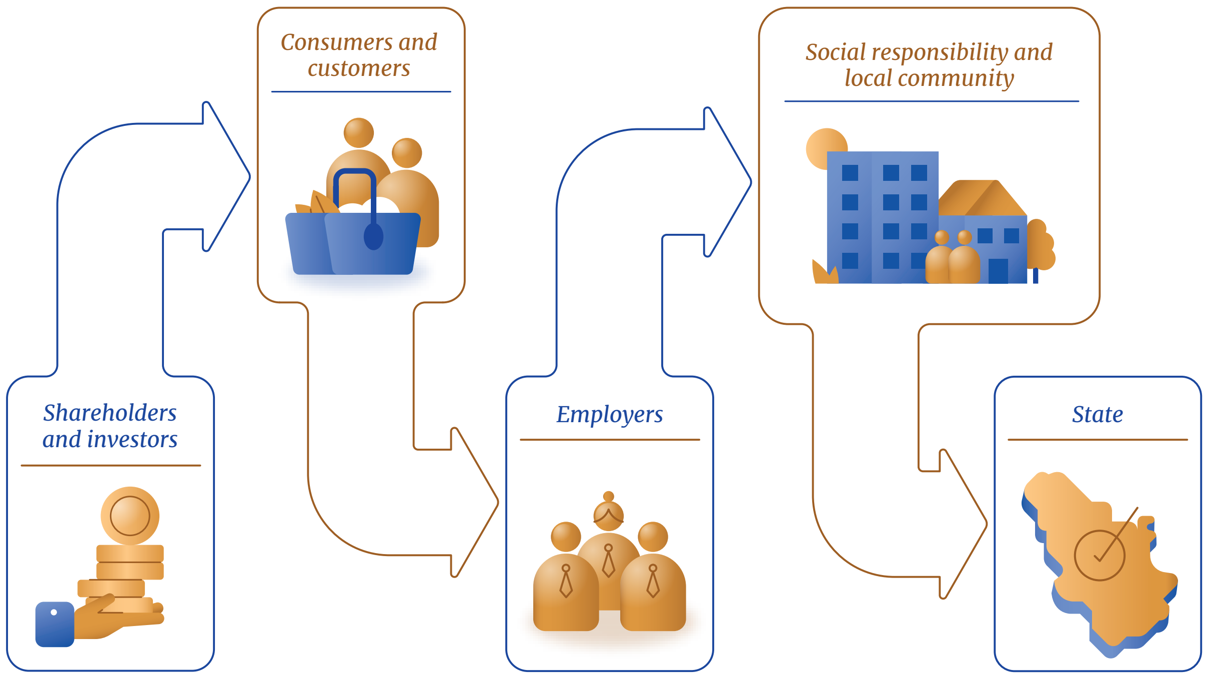
One of the strategic goals of NIS is the development of business and the strengthening of competitiveness in the regional market. Consequently, in addition to Serbia, NIS develops its business in neighboring countries, with its regional expansion taking place in two main directions – in Romania and Bosnia 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 48

Business model



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 the form of dividends. By the end of 2021, NIS paid to its Shareholders from 2013 over RSD 60 billion in dividends
- Strict compliance with all the shareholders' rights and meeting the high standards in informing and communing with shareholders.

Results for 2021

- The price a NIS' share amounted to 620 RSD as at 31 December 2021
- In 2021, NIS shares ranked first by the turnover among all shares listed in the Prime Listing, and third by the turnover in the Belgrade Stock Exchange
- Dividend pay-out to 2.06 million shareholders in the total amount of RSD 1,001,190,856.

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 byers

Values

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

Results for 2021

- Drive.Go is a mobile app that enables users to pay the pump quickly, easily and safely, without going to the cash register
- The service of payment of utility bills by using the IPS QR code issued by the National Bank of Serbia is enabled at all NIS Petrol and GAZPROM petrol stations in Serbia
- The new Agro Blue credit card allows farmers to defer the payment of fuel purchased at NIS Petrol and GAZPROM petrol stations
- G-Drive nation-wide campaign aimed at promoting our premium G-Drive fuel
- "On the Road with Us" loyalty program.

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.

Employees

Values

- 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 of its employees.

Results for 2021

- "NIS Energy" and "My First Salary" programs
- Introduction of flexible work arrangements
- 2,870 trainings were organized, with 2,849 employees
- "Respect in the first place" platform
- In 2021, NIS invested efforts to keep the position of one of the top employers in Serbia, by constantly adapting to the labour market, employees' expectations and the needs of the business.

Our activities

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

Social responsibility and local community

Values

- Continuous implementation of corporate social responsibility projects support to sustainable development of local communities
- Establishing strategic partnerships with local communities in which the company operates and fostering values that promote the development of each individual and society as a whole
- Listening to and understanding the needs of local communities and acting together to address issues of importance for their development
- Building a prosperous, fair and free society for all citizens
- The company is professional, efficient, innovative, humane and responsible towards the local community.

Results for 2021

- Strategic cooperation with the Ministry of Environmental Protection and the Ministry of Mining and Energy, as well as with 12 local self-governments, in the field of ecology
- RSD 107.5 million invested for the implementation of 29 environmental projects as part of the programme "Common Cause Community"
- 500 seedlings planted on the territory of the City of Pančevo worth RSD 5 million
- Donation of sports equipment and accessories for 1,500 students in 10 elementary schools in the territory of Kosovo and Metohija
- 122,000 liters of Jazak water donated for covid hospitals and health facilities across Serbia worth more than RSD 7 million
- In the Volunteer Club, 519 employees performed 10 volunteer activities, equal to 760 volunteer hours.

What have we been doing?

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

State

Impact

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

Our liabilities

- The liabilities of NIS and its subsidiaries in Serbia on the basis of public revenues in 2021 amounted to RSD 190.4 billion, so that the amount of these liabilities compared to the budget of the Republic of Serbia amounted to 13%.
- The total amount of calculated liabilities based on public revenues for the NIS Group in 2021 amounted to RSD 217.8 billion. Liabilities based on public revenues are settled within the statutory maturity dates.

Intersegment pricing

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".
- The intersegment price of natural gas corresponds to the selling price of natural gas at which NIS sells natural gas to PE Srbijagas.
- 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:

- Liquefied petroleum gas
- Motor gasoline
- Aviation fuels (jet fuel and aviation gasoline)
- Diesel fuel
- Propylene, aromatics, naphtha for pyrolysis
- Bitumen
- Fuel oils
- Petroleum coke
- Other petroleum products (sulfur and other hydrocarbons);
- "Jazak" water
- Energy generating products (electricity in Serbia and Romania, natural gas in Serbia).

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, and
- other services.

NIS j.s.c. Novi Sad organisational structure

Representative offices and branches

Downstream

Administartive and documentation support group

Procurement DWS Department
- Production and commercial operations planning, optimization and analysis department
- Supply and mixing raw materials Department

Directorate of Energy

Block Rafinery
- Production Directorate
- Technical Directorate
- PEC Department
- Development and Investment Department
- Refining Block OMS Project office
- HSE Sector
- HR Sector
- Administrative documentation support Group

Sales Block
- Commercial activites Directorate
- Logistics Directorate
- Retail Directorate
- Business development Department
- Sales Coordination Department
- Department for quality and performance controle of gas gathering stations and warehouses
- Organizational Affairs Department
- PEC Department
- HSE Sector
- Center for digital transformation
- Potable Water Production Unit

Metrology Sector

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

Corporate center
- Organisational Affairs
- Procurement
- Corporate Security
- Legal and Corporate Affairs
- Strategy and Investments
- Function for internal audit and risk management
- HSE
- Finance, Economics Planning and Accounting
- Governmental relations and corporate comunication
- Department for Petrochemical Affairs

Multifunctional shared services center
- Accounting and financial services group
- HR services group
- IT services group
- Warehousing sevices group
- Transport services
- Front office
- Customer relations services
- Operational Efficiency and Development Sector
- Legal support services
- Translation services
- Document management services
- Standardization and process mapping services

NIS Group business 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 the state-of-the-art technology, supply the people of the Balkan region with the energy for making progress.

VISION

NIS j.s.c. Novi Sad will be a recognizable leader of the Balkan region in its field of business activity, owing to the dynamics of sustainable development and efficiency increase, by showing a high level of social and environmental responsibility as well as contemporary standards of providing services to the clients.

VALUES.

RESPONSIBILITY

Our result and safety are my responsibility!

A responsible company and employees who use resources effectively for the common good.

INNOVATIVENESS

Awaken your curiosity!

We find and support new and consistently better solutions to continually improve ourselves and remain the industry leaders.

TRANSPARENCY

Open towards each other!

Only through open and fair communication, we can create a transparent working environment.

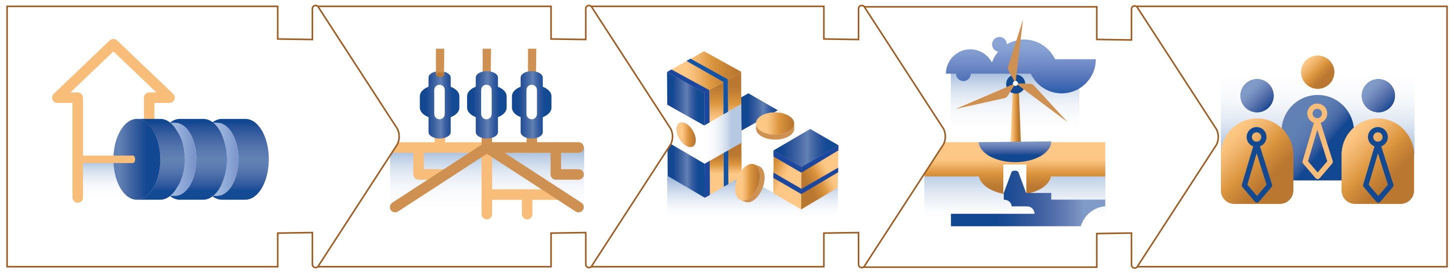
EXPERTISE

Knowledge creates our future!

Everything we create is based on our expertise that inspires change throughout the community.

Strategy

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

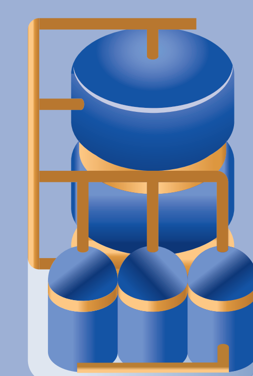
To diversify the business by building new electricity generation capacities

To optimise operating performances

Exploration and production

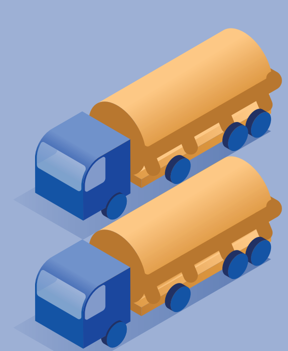
Most of the investments planned by NIS by 2025 will be allocated for the exploration and production segment. In the upcoming period, NIS expects a slight decline in base oil and gas production compared to the previous period, but this will be compensated by the development of the existing reservoirs, geological exploration in Serbia, further development of the most profitable foreign concessions (primarily in Romania), as well as a steady operational efficiency increase..

Refining



The development of NIS refining through the modernisation of the Oil Refinery in Pančevo and the increase in energy and operational efficiency in this segment is one of the main tasks of NIS by 2025. Construction of the Delayed Coker Unit was completed at the Pancevo Oil Refinery, a project worth over EUR 300 million. The operation of new facilities will contribute to increasing the depth of refining, while the product structure will be diversified and changed in favour of light products.

Sales and distribution



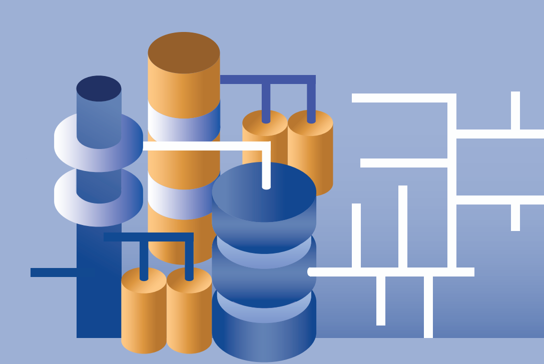
The strategy lays the foundations for the modernisation of the retail network and an increase in its profitability by growing branded fuel sales and developing additional assortment, as well as increasing the efficiency and volume of wholesale and development in foreign sales markets. In the upcoming period, NIS will devote itself to the development and improvement in operating the specialised product business lines – by raising the level of specialised logistics and improving the quality of products and related services.

Energy

The growth of electricity production and increasing the efficiency of the Energy Block are the main goals of NIS in the energy segment. Key projects in this business segment will be comissioning of a new TE-TO Pančevo, further increasing electricity production from small power plants, and significantly increasing electricity trade. The project envisaging the installation of solar panels at eight petrol stations is underway.

What has been done so far?

Start-up of the delayed coking unit

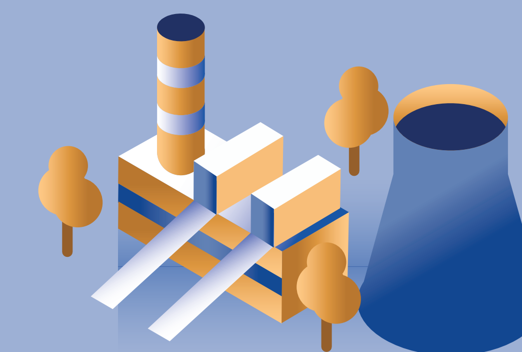


"Our refinery is one of the most modern and greenest in the region."

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

Investment value of over **300** mln EUR

TE-TO Pančevo precommissioning test phase



"Up to 65% of the generated electricity will be sent to the Serbian electrical grid."

up to **200** Mw

Investment value of around **180** mln EUR

2017 Start of construction of the delayed coking unit

2019 Launch of the TE-TO Pančevo project

2020 18 November Ceremonial opening of the delayed coking unit

2021 Launch of the FCC project

2022 Commissioning of TE-TO Pančevo

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.

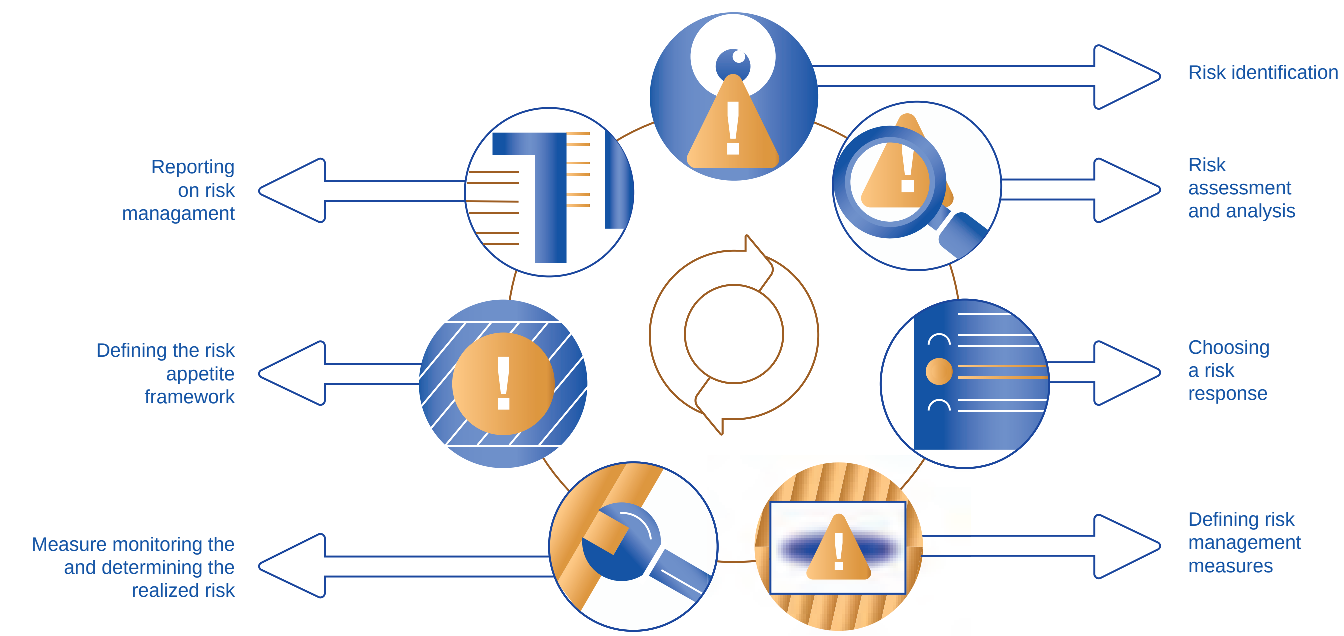
Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness and efficiency of managerial decisions by identifying, analysing and assessing risks which arising 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, i.e., risk groups:

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.	The Company continuously monitors working processes, employees, operating facilities, working and environmental conditions with a view to protecting employees, equipment and plants and the environment. In order to fulfil legal obligations the Company also adapts normative and methodological documents in accordance with the changes in legislation of the Republic of Serbia in a timely manner and controls the compliance with it. It carries out timely implementation of corrective measures ordered through the observation system deriving from investigation of HSE incidents, corporate oversight and external inspections. The Company carries out HSE training in the areas of legal regulations, on-the-job training, use of the HSE management system, and emergency response. Campaigns and educational activities, forums and healthy lifestyle training, physical and recreational activities aimed at improving health and well-being of employees are conducted through written information to employees, ie. in online format, in order to maintain a safe distance and preserve health. During the first and second quarters of 2021, the Company's employees were provided with collective immunization at the Company's locations and vaccines of their choice. During the second quarter, the procurement was completed and the implementation of periodic inspections for jobs with increased risk was initiated. In the third quarter of 2021, the procurement was completed and the realization of systematic and specialist examinations was initiated. In accordance with the Plan, periodic vision examinations were performed for administrative workers. During the fourth quarter, the participation of NIS Group employees in GPN humanitarian running was implemented, where 12 employees participated, and 5 awards for achievements were won, and the main goal was to run as many kilometers as possible because the same number of liters of fuel was given to those most in need. The implementation of all measures and the health condition of employees who were found to be positive for the coronavirus, as well as their contacts, is monitored daily, and the status of Top Management is reported. NIS Group invests important resources and efforts in order to protect employees and combat the consequences of coronavirus.

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. Early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, NIS Energy, Serbia Repatriation are just some of the examples of Company's recruitment effort. Along with employee motivation program inclusive of management by objectives, quarterly and annual bonuses, bonuses for production and technical units, sales incentives, special and project-based bonuses, continuous implementation and improvement of non-material motivation system and long-term motivation, the Company strives to enhance its image by means of the Employer branding project. Talent management program, Talent development program, professional/professional training of employees, calibration program - identifying talents and defining a succession plan for key positions in the Company, management training and the introduction of a unified talent management system.

IT risks	
The Company is becoming increasingly aware of the growing dependence of business processes on the quality of IT, automation and telecommunications. Furthermore, oil and gas industry is considerably exposed to cyber threats.	The Company manages these risks by applying a number of measures including IT security standards, security tools, the monitoring of threat detection, a tracking system and testing of its recovery procedures. Continuous staff training programmes are put in place in order to build awareness of IT risks, whereas the exchange of incident information with management enables continuous learning.

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. The five dominant project risks that the teams who implement investment projects in NIS Inc. come across are: compliance with the planned deadlines for equipment delivery, objectivity of meeting the planned deadlines for the execution of field works, ensuring adequate competitiveness in the process of procuring goods and services, the risk of the occurrence of subsequent and additional works (expanding the scope of the projects) and risk in securing the conditions necessary for the realisation of the project (e.g. timeliness of obtaining the necessary permits and approvals, ensuring technical and technological conditions for the implementation of project activities, such as coordination of the suspension of technological systems with the deadlines for project realisation).	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. Furthermore, during the realisation of the project itself the emphasis is on the continuous control/review of project risks, updating the Risk Register and effective monitoring of the project, both within the project team itself and through quarterly report to investment Commissions at the Block level, on a regular basis. Of particular interest is also the continuous consideration of the influence of current project risks on approved project parameters throughout the project life. The implementation of the above mentioned concept of project risk management, ensures timely identification/detection of potential deviations in project performance, which initiate the implementation of predefined measures (from the "response strategy") and returning the project to the „planned progress line" that ensures the achievement of predicted efficiency, set project and business goals, crucial KPI indicators, as well as investment performance indicators (RIP and OID indicators). These two investment performance indicators (RIP and OID) are included in the production contract of NIS Inc. through the management by objectives process (MBO system), as well as in all production contracts of the Blocks, which significantly contributes to the high degree of fulfilment/realisation of rather demanding investment plans within the Company's Business Plans.

Political risks	
Risk of EU and US Economic Restrictions on Gazprom Neft Group	
As a result of the introduction of EU-US economic restrictive measures, Gazprom Neft Group faces limited opportunities for long-term borrowing with commercial banks belonging to banking groups headquartered in the EU and the US. In addition, the Company is also exposed to the indirect consequences of sanctions, that is, the potential inability to obtain materials, equipment and services from foreign suppliers.	The Company performs continual analysis of possible political and economic risks and evaluates the consequences for the Company. In line with permitted exemption from the sanctions (long-term loans are possible only if intended for funding the import of goods and services from the EU), the Company's operations are continuously being adjusted by increasing the volume of imported goods and services from EU suppliers. In this way, funds are provided for financing the Company's long-term development despite the limitations of the sanctions regime. In order to manage the risk, the Company creates strategic stocks for key material and technical resources, identifies alternative suppliers in relation to existing ones and considers alternative technologies that are responsible for meeting the Company's objectives.

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 risk	
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. Since mid-September 2014, the Company has been exposed to the risk of limited external funding due to the sectoral sanctions imposed by the EU and the US on the largest Russian-owned energy companies and their subsidiaries incorporated outside the EU. The sanctions prevent the Company from borrowing from EU or US banks for a period longer than 30 days. The exemption from the EU sanctions includes for a period longer than 30 days from EU banks exclusively if the loan is intended for the payment of non-sanctioned goods and services imported from the EU. In order to secure the necessary funds for future transactions, in 2021, Company negotiated/contracted over EUR 600 million in lines of credit. Credit lines have been agreed with Serbian banks for general purpose funding and with Serbia-based European banks for funding imports from the EU (financing for a period longer than 30 days is allowed if the funds are used to import goods or services from the EU), as well as changes in the conditions for existing loans (price and maturity). Thus, in order to improve its loan portfolio, NIS secured the necessary funds for timely repayment of loans in 2021 and 2022, as well as for early repayment of expensive loans in order to improve the characteristics of the loan portfolio. By improving its portfolio and restructuring the loan portfolio, NIS has reduced the mandatory loan repayments for the next three and a half years, and redirected the cash flow towards the implementation of planned investments and the regular operation of the Company. During 2021, the Company implemented a tender for refinancing the loan portfolio in order to extend the average maturity of the portfolio, while maintaining the optimal price, as well as to optimize the covenant package for loans in the total amount of EUR 305.3 million. Apart from the above, additional limits were obtained for bank loans that do not apply sanctions, in the amount of EUR 70 million and EUR 199.2 million from European banks. The use of these sources of financing enabled early repayment of loans with short maturities, as well as the average portfolio price within optimal limits, in order to maintain the average remaining maturity of the loan portfolio at the level of over three years at the end of 2021.

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. The need to use some commodity hedging instruments in the Group's subsidiaries, including NIS j.s.c. Novi Sad as a subsidiary, is at the discretion of Gazprom Neft Group.

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);
- Entering into long-term crude oil purchase contracts at the most favourable commercial terms with longer payment terms on an open account basis, and with sales contracts which would exempt NIS j.s.c. Novi Sad, in line with current intergovernmental agreements, from paying customs duties for imports, based on preferential status;
- Expanding the circle of suppliers, successful cooperation with EU companies, increasing competitiveness, ie increasing number of participants in the regular, annual tender procedure for the procurement of crude oil from imports and increasingly visible results of shifts in the range of participants (bidders) and opportunities / conditions offered ;
- Expanding/diversifying the range of oil for potential imports, purchasing new types of oil that we have not previously processed (such as the purchase of crude oil in 2021 Johan Sverdrup originating in Norway), providing samples of those types of oil that are so far they did not process in the Pancevo Oil Refinery;
- 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.).

YEAR OF STABILIZATION

Growth despite challenges

Despite numerous challenges, in 2021 we continued to develop NIS. After a turbulent period, we made this period a year of stabilization.

Thanks to strong financial discipline, increased operational efficiency and focus on priorities, with improved market conditions, the net profit in 2021 is

21 billion dinars

while we have invested

20.2 billion dinars

in modernization.

The way we did business in challenging circumstances entitles us to plan further progress

with optimism.

1.2.5

Business environment[1]

World[2]

The trend of extremely high energy prices did not subside until the end of 2021. The causes are numerous, from the objective reduction of electricity generation from renewable sources, to the transition from coal to natural gas due to decarbonization, but also shortages caused by political reasons. Natural gas shortages in Europe and Asia, rising fuel prices in the United States and the electricity grid stability issues, pose difficult challenges for politicians and the industry alike, when defining plans for the transition to low-carbon energy sources. The prices of coupons (taxes) for carbon dioxide emissions, which under the influence of the European Commission, also had an impact. Natural gas is a "transitional" energy source and the demand for it is groving at a rapid rate. China and India are switching from coal to gas, and sincne these countries are large, their needs are extremely large as well.

1 Data sources for the World, Oil Price and Macroeconomics trends: Reports by Wood Mackenzie, IHS, Bloomberg, Reuters, National Petroleum Committee of Serbia, EU Commission. Data sources for Serbia: NBS reports, newspaper articles: Danas, Bizlife, Blic Biznis
2 Source: EIA, OPEC, Oil&Gas Journal, IHS, Wood Mackenzie

The Secretary General of OPEC believes that the reducing the investment in oil and gas is an error, with almost 12 thousand billion dollars needed by 2025 to ensure a normal of oil and gas supply. In the absence of these investments, the world will face long-term energy security issues, which will affect both the producers and the consumers.

The Vice President of IHS Markit has a similar view, believing that an energy transition with underinvestment in oil and gas could create the recurrent energy crises of the kind we saw in Asia and Europe over the last few months.

At the Congress of the World Petroleum Counsil held in Houston in December 2021, it was pointed out that oil and gas companies are ready to face the energy transition. Altough there is a need to continue oil and gas production, the companies are working to reduce all emissions from oil and gas production, but also in the entire supply chain.

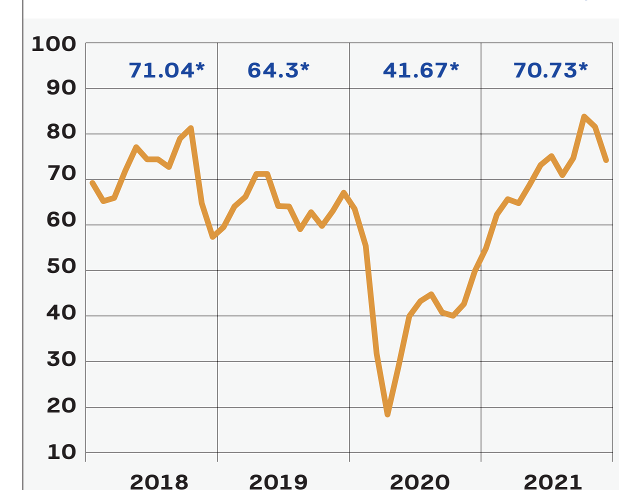
OPEC and its allies have agreed to step up production. An alliance of 23 countries headed by Saudi Arabia and Russia approved an increase of 400,000 barrels of oil per day in early 2022. OPEC+ presses on with their planned gradual revival of production halted during the pandemic, after their analysts estimated that the surplus in the first quarter of 2022 will be lower than previously expected.

The IEA has a similar opinion. The global oil demand rose in 2021 when the world started recovering from the COVID-19 pandemic, and the total world consumption could potentially reach a new record in 2022. The IEA expects crude oil consumption to reach 99.53 million barrels (mbd) a day in 2022, compared to 96.2 mbd this year. That is still lower than the daily consumption in 2019 of 99.55 million barrels.

Oil

After a starting price of $ 50.3 per barrel, Brent DTD crude oil rose steadily until October 2021, when it was priced

Brent Dtd price trends, $/bbl**



* Average annual price
** Source: Platts.

at $ 86.1 (as at 25 October), only to reach an average of $ 74.1 per barrel for December, at the end of the year.

The average price of crude oil recorded in 2021 was about 70% higher than the average in 2020 (71 $/bbl versus $ 42/bbl).

The recovery of the largest economies in 2021 came as a surprise to the oil and petroleum product suppliers, raising the tensions between big oil producing countries and the world's largest consumers, such as the US, China, and India. The US President urged the OPEC+ members to increase their total output.

However, the production capacities of the OPEC countries are limited due to insufficient investment in the previous years. In addition, the US shale industry failed to meet the increased demand, due to the pressure from investors to limit spending.

Most forecasters expect the prices to continue their upward trajectory in 2022, unless the supply increases by more than expected. Bank of America's researchers estimate that Brent will cost 85 dollars per barrel on average in 2022, due to low inventories and a lack of spare capacities. Slightly lower forecasts are coming from Danske Bank, which believes that the lower medium-term investments made over the past years will keep the prices at higher levels, with Brent around 75 dollars per barrel in 2022 and up to 80 dollars in 2023. At this point, the price is nearly stable, but in the long run it could lead to a higher output from non-OPEC+ producers, which could cause excess production and price decrease.

Macroeconomic trends

The IMF has downgraded its global economic growth projections due to emergence of the Omicron variant of the coronavirus, which is spreading rapidly and increasing uncertainty regarding the time frame for overcoming the pandemic.

In the report published in October, the IMF lowered its previous estimate of the global growth in 2021, citing debt risk, inflation and post-COVID-19 discrepant economic developments in different countries. After a rapid increase in the number of COVID-19 inflections due to the Delta variant in many parts of the world during the summer and a higher-than-expected inflation, in addition to the problems in global supply chains, the IMF was forced to lower its projections. Even though the global economy is recovering, the main obstacle is the extremely low availability of COVID-19 vaccines in many countries. According to the IMF forecast, the developed economies will return to the pre-pandemic levels in 2022, but most emerging and developing economies will need many more years to recover.

The World Bank is also not optimistic in its global growth estimates, as published in early 2022 in the Global Economic Prospects report. According to the report, the forecasted growth in 2022 is lower than in the year before, and even lower in 2023 (4.1% and 3.2%, respectively). The IMF also downgraded its global growth projections at the beginning of 2022 to 4.4%, which is lower by 1.5% compared to the global growth in 2021.

Most analysts believe that one of the problems that the policymakers should tackle is the high inflation rate in the US. The increase in the US consumer prices reached the highest level in nearly forty years in December 2021, which bolstered the expectations that the Federal Reserve will start raising interest rates as early as March.Last month, the US consumer prices were higher by 7% than in December 2020, which is the highest annual rise in inflation since June 1982. The Fed chairman said that the US central bank was determined to do everything that was necessary to prevent the high inflation from becoming "entrenched". On the other hand, such strong price pressures have not been reported in an equal measure in other parts of the world, which allows other large economies to change their policies at their own pace. The annual inflation at the EU level was 5%, and it varied by countries from 2.65 to 12%.

Increased energy prices and supply discruptions led to a higher-than-expected inflation rate in the majority of countries, particularly in many less developed markets and emerging economies. Even though China's economy reported a growth of 8.1% last year, it slowed down by the end of 2021, suggesting that the problems were still present.

Although Omicron seems to be less serious than the Delta variant of the virus, it could still have a strong impact on the global economy. Any new lockdowns, travel cancellations, new problems for the global supply chains, and overwhelmed hospitals due to the new variant, further complicate the global situation, already hit by the growing inflation and the fear of rising interest rates. One thing is certain: the unpredictable pandemic makes all predictions far more difficult.

Serbia[1]

According to the official data made public so far, the economic policy in the Republic of Serbia has adequately responded to the crisis caused by the coronavirus pandemic, and the two years of battling in the fields of healthcare and economy have yielded satisfactory results. Fiscal policy has provided a comprehensive set of measures to aid of the economy and the population, and its positive effects are reflected on the macroeconomic indicators. The prolonged duration of an unfavorable epidemic situation in 2021 has led to a new set of widespread support measures for businesses and individuals, which, along with the mass vaccination and bringing the epidemic under control, was aimed to ensure the conditions for a full economic recovery and growth. The value of the set of measures in support of businesses and individuals in 2021 reached 4.2% of the GDP (in 2020 it amounted to 12.8% of the GDP).

However, Serbia is yet to undertake reforms addressing youth unemployment rate, efficient use of energy with a further opening of the energy market and the "green" transformation, administration of public finances, digital transformation, and improved competitiveness.

According to the Statistical Office of the Republic of Serbia, the country's gross domestic product in 2021 saw a real growth of 7.5%. The growth was driven by the recovery in the services sector, and a growth in construction and industry. After the GDP growth of 1.6% in the first quarter, 13.7% in the second, and 7.7% in the third quarter, the GDP in the fourth quarter is most likely to record a growth of 6.9%. In the years to come, due to the new investment cycle,

1 Source: NBS, Republican Bureau of Statistics, magazine Danas, IMF.

the GDP is expected to grow within the range of 4%-5% and return to the sustainable growth trajectory in the medium term.

The annual inflation rate has reached 7.9%. Around three quarters of the annual inflation comes from the prices of food (increased by 20%) and fuel (23%). The causes of such high inflation are global and essentially come as the consequences of the pandemic. The economy was forced to pause for several months in 2020, and after the relaxation of measures, there was an increase in the energy demand. The epidemic has caused discruptions in the supply chains of many industries, creating bottlenecks that additionally increase costs. Also, many resorted to raising the prices of their products and services in order to repair their balance sheets as much as possible. As most countries, Serbia has injected billions of euros to the economy and the citizens, so the NBS can be expected to “increase the cost of money” i.e. raise the benchmark interest rate, and consequently, the interest rates that apply to individuals and businesses as well. In addition to this, inflation has already led to an increase in excise rates and prices of excise products, compromising the real growth of salaries and pensions.

According to the NBS, inflation will return within the limits of allowed deviation from the target around mid-2022, and stabilize by the end of the year near the central value of the target range. For the time being, the benchmark interest rate remains low, at 1.0%.

The average net salary paid in the period from January to November 2021 amounted to RSD 65.058, which is higher by 9.3% in nominal terms (5.4% in real terms) and was driven by faster growth of salaries in the private sector. The unemployment rate in the third quarter of 2021 according to the Labor Force Survey was 10.5%.

In 2021, Moody’s raised the credit rating of Serbia (March), Fitch affirmed it (September), while S&P (December) revised its investment grade outlook from stable to positive.

After almost two years of living and working in the conditions of a pandemic, most members of the business community believe that COVID is not a short-term crisis, but something that can be regarded as a permanent condition, i.e. changed conditions of business, and that they have to adapt their business to the new circumstances. It is certain that further turbulences in the energy market can be expected and that this price increase will directly affect everyday activities. They also point out that there can be no growth without investments, and that, in order to improve the investment climate and business environment in Serbia in 2022, the focus should be placed on a more transparent and consistent regulatory framework, development of human resources, and increased share of domestic investment.

According to the Fiscal Council of Serbia, the most important task in Serbia in 2022 will be to control and stop inflation, this being both an economic and a social issue. Although the inflation so far was mostly the result of external influences, it depends on the local policies if the imported inflation would be further exacerbated in Serbia, or it would remain under control and decrease gradually by the end of 2022. The main instrument to put a permanent brake on inflation is rational budget spending. In 2022, the budget deficit is planned and, consequently, the government borrowing, of approximately EUR 1.7bn, while the Fiscal Council suggests that the deficit should be reduced to EUR 1bn, which would reduce both inflation and the new government debt.

Exchange rate trend, USD/RSD**

** Average annual value of the exchange rate USD/RSD*
*** Source: NBS.*

- Average USD/RSD exchange rate in 2021 was lower by RSD 3.8, i.e. 4% compared to the average exchange rate in the same period of 2020.
- In 2021, USD/RSD exchange rate increased by RSD 8.3 or 8.6%.

Legislative changes

In 2021, the legislative activity of the state authorities took the direction of digitalization of the process in finance, additional regulation of environmental protection in mining and energy. In the reporting period, the National Assembly adopted the following laws that have an impact on the Company's operations: Law on Amendments to the Law on Energy, Law on Amendments to the Law on Mining and Geological Research, Law on Use of Renewable Energy Sources, Law on Energy Efficiency and Rational Use of Energy, Law on Electronic Invoicing, Law on Climate Change, Law on Amendments to the Law on Nature Protection, Law on Technical Requirements for Products and Compliance Assessment, Law on Protection of Business Secrets, Law on Consumer Protection, Law on Amendments and Supplements to the Law on Companies and Law on Capital Market.

Particular importance is given to the adoption of a set of laws that additionally regulate mining and energy, regulating in detail the issue of using renewable energy sources and energy efficiency, and additionally improve the legal framework for other forms of energy (oil and gas, electricity, etc.) as well as mining and geological exploration. A particular novelty is the definition of the legal basis for the introduction of the electronic method of communication and the submission of requests and documents in administrative procedures for obtaining licenses and approvals required by these laws.

In 2021, the adopted by-laws that are relevant for the Company's operations are primarily in the field of renewable energy sources and mining and geological exploration and are the result of the above-mentioned amendments to energy laws (Regulation on Market Premium and Feed-in Tariff, Regulation on the Market Premium Contract Template, Regulation on Quota in the Market Premium System for Wind Power Plants, Regulation on Determining the Value of Excavated Mineral or Other Geological Resources without Approvals, Rulebook on the Content and Form of the Professional Supervision Log, etc.). This trend is expected to continue in 2022 as well, taking into account the scope of amendments to all the four laws that need to be further regulated by secondary legislation.

The regulations that were discussed publicly or were submitted to the Company for review and suggestions were analysed by NIS in detail, and relevant comments and suggestions for improvement were sent in return.

NIS shall continue its efforts to give its utmost contribution to improving the positive business environment in Serbia, and in particular, raising awareness of the importance of harmonising the regulations and strategies in order to facilitate their smooth and full implementation.

1.2.6

Performance analyses

Market share[1]

As expected, the consumption of motor fuels continued to recover and in 2021 it will increase in all countries of the region compared to 2020.

The main factors in the recovery of consumption include the growth of transport, the growth of the construction industry and the recovery of tourism.

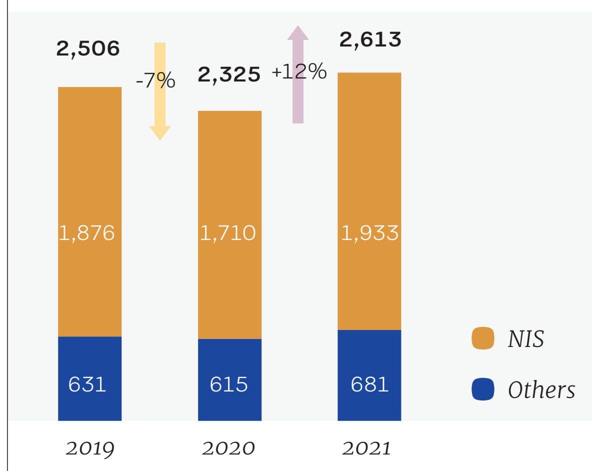
Intensive infrastructure works, construction industry project, but also the recovery of road transport, excellent tourist season, transit and good agricultural season have a positive effect on the growth of consumption in Serbia.

Market share in the Serbian market

In 2021, the consumption of motor fuels in Serbia increased by 12.4% compared to 2020, and 4.3% compared to 2019.

The consumption of diesel and gasoline was higher primarily due to the growth of transport. With diesel, an important factor is transit traffic and infrastructure works - construction and road industry, but also growth of mining activities and good agricultural seasons.

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



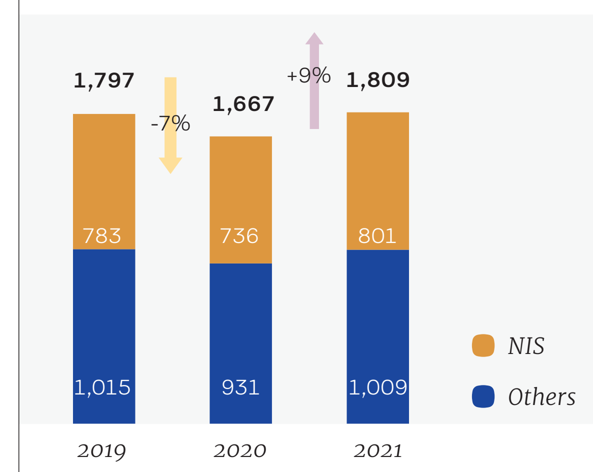
* Data for 2021 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

1 Sources of information on the basis of which the projections were created: for Serbia - internal analyses and assessments of the Sales and Distribution Block; for consumption estimates in Bulgaria and Romania - PFC and Eurostat and for Bosnia and Herzegovina - PFC and internal estimates. Any deviations in percentages and aggregate values result from rounding.

Retail: In 2021, the consumption marked a year-on-year by 8.5%, while it increased slightly compared to 2019 (0.7%).

Agricultural works that went as expected, the return of employees to the office, and primarily the recovery of road transport and transit traffic, contributed to a higher consumption.

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 2021 are 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

At its session on 1 April, the Government of the Federation of Bosnia and Herzegovina passed a Decision to set the maximum margins in trading petroleum products. Wholesale trade businesses were assigned a maximum margin in the absolute amount of 0.06 KM/l of petroleum products, while retail trade businesses were prescribed a maximum margin in the absolute amount of 0.25 KM/l of petroleum products.

Sarajevo Canton transferred the ownership of oil terminals to the Government of the Federation of Bosnia and Herzegovina.

It was announced that the citizens of Republika Srpska will be provided with an application enabling them to check the fuel prices at any petrol station in Republika Srpska. As part of the same project, it is planned to connect each retail point - petrol station with the central information system.

Near Sarajevo's airport, Hifa Oil has begun preparatory work for construction of an aviation fuel terminal, petrol stations with a car wash, hotels and other ancillary facilities.

Bosnia and Herzegovina is the only country in Europe that does not have mandatory stocks of oil and oil products, which the EU has been warning about for more than a decade, but without results. Namely, one of the most important European obligations in the field of energy for every country that wants to become an EU member is that it must store these stocks in the amount of at least three months of regular consumption. Bosnia and Herzegovina was again warned of this in the report of the Energy Community, which again pointed out that Bosnia-Herzegovina has no required reserves.

Despite many legal obstacles, Bosnia and Herzegovina has 145 EV charging stations (connectors), about 40 of them completely public, and the rest semi-private, predominantly belonging to shopping malls, hotel parking lots, and the like. Compared to the region, Bosnia and Herzegovina lags far behind in electric mobility, and especially so compared to the European Union. The rate of registered environmentally friendly vehicles is three times lower in Bosnia and Herzegovina - only 4 percent as opposed to the European Union. Thre are only 41 electric vehicles and 890 hybrid vehicles are registered in Bosnia and Herzegovina.

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NIS operates 40 petrol stations (and 2 DODO mode petrol stations) in Bosnia and Herzegovina.

NIS's share in the overall market of motor fuels increased by 9.4 percentage points in 2021 compared to 2020 and amounts to 33.9% due to the implementation of the wholesale development project. Retail market share is 11.3% in 2021.

Bulgaria

A new Fuel Law is in force in Bulgaria, a document that seeks to warrent market competition by limiting the gray sector and increasing state budget revenues.

The Bulgarian company Lukoil Neftochim Burgas made known that it had announced a public tender for a feasibility study for the production of green hydrogen by electrolysis. Lukoil Neftohim Burgas announced that it plans to invest 339 million levs (173 million euros) in the upgrade of its thermal power plant by 2024.

The Bulgaria's Commission for Protection of Competition disclosed that it has approved fuel retailer Shell Bulgaria to gtake control of five petrol stations through a ten-year lease agreements with local companies Stella-Aruzh, Europetrol and Europetroyl. The transaction will not result in taking or strengthening a dominant position in the local retail fuel market, according to a decision published on the website of the Bulgaria's Commission for Protection of Competition.

In 2021, Bulgaria saw a recovery of the motor fuel market and retail sales as opposed to the previous year.

NIS in Bulgaria operates 34 petrol stations and a petroleum products depot in Kostin Brod.

NIS's share in the overall market of motor fuels is 4.0%, while its share in the retail market is 3.7%.

Romania

At the beginning of the year, following a public tendering procedure, MOL was awarded seven service concession contracts for equipping, operating and maintaining service spaces for seven double lots (14 service spaces) for the purpose of development and construction of petrol stations, as follows: 10 locations on the route Nadlac - Sibiu A1), 2 locations on the route Pitesti - Bucharest (A1), and 2 locations on the route Cernavoda - Constanta (A2). MOL started preparations for the construction of 6 out of 14 petrol stations and has obtained building permits for 4 lots, i.e. 8 petrol stations. MOL estimates the value of the investment at 2 million euros per station, i.e. the total project budget of 28 million euros. The opening is scheduled for the second half of 2022. After 25 years of presence, MOL operates a network of 245 petrol stations in Romania.

Enel X commissioned 6 EV charging stations in Constanta in Romania, and the network has grown to comprise 53 stations. The stations allow charging of 12 vehicles at the same time. Enel X Romania has a grandiose plan for the electric mobility infrastructure in the country, which includes the installation of about 2,500 charging stations in all regions of the country in the next few years, an investment of 15 to 20 million euros.

OMV Petrom will invest 70 million euros in the Petrobrazi refinery, to replace 4 coking drums between 2021 and 2023, and only in 2021 the value of the investment is 11 million euros. Drum replacement is a project of highly complex project, and the new units will contribute to increasing the efficiency and safety of OMV Petrom. Petrobrazi has an oil refining capacity of 4.5 million tons per year, and since 2005 OMV Petrom has invested 1.8 billion euros in the refinery, or one a third of this investment.

Romania's OMV Petrom announced that, together with Auchan Retail Romania, it will open 400 stores at OMV Petrom petrol stations in Romania between 2021 and 2024. The value of the investment is estimated at more than 50 million euros. Late in November, it was revealed that the MyAuchan chain of stores comprises 100 units at Petrom petrol stations, at 59 locations, in 14 districts, with another 25 stores due to be opened by the end of the year.

OMV Petrom will install at least 40 EV charging stations by the end of 2022, in partnership with Renovatio, the operator of the largest network of EV charging stations in Romania. All locations will have at least one charging station with a minimum power of 50 kW, and 20 will have chargers with a power of 350 kW. The latter will form the largest network of ultrafast charging stations in Romania. The aim is to allow electric vehicle drivers to be back on the road in less than 20 minutes. The charging stations will be located along the Trans-European Transport Network (TEN-T) corridor in Romania and in urban areas.

Romanian oil company Rompetrol, a member of the KMG International Group, opened 10 new petrol stations in several regions of the country. Two of them, a station on Zetarilor Street in Bucharest and one in Lugoj, Timis district, were launched under the auspices of the Kazakhstan-Romania Energy Investment Fund (FIEKR). These two petrol stations will cover areas with high traffic, given that the closest petrol station is located in the southern part of the capital, while Lugoj 2 transit station is located on the outskirts. 8 more petrol stations were opened under the Rompetrol franchise. Currently, the Kazakhstan-Romania Energy Investment Fund has developed a network of over 30 petrol stations operated under the Rompetrol brand, and the plan is to reach 84 petrol stations in Romania by the end of 2023, including modernization of the existing stations and development of new ones. This, according to the company, will create more than 1,000 jobs, with over 5,000 people involved in various stages of development (design, execution, actual construction), and over 1,200 business partners.

In 2021, Romania saw a recovery of the motor fuel market and retail trade as opposed to the previous year.

NIS operates 19 petrol stations in Romania. NIS's share in the overall market of motor fuels is 1.7%, and its share in the retail market is 1.4%.

Key performance indicators

Q4 2021	Q4 2020	Δ[1]	Indicator	Unit of measurement	2021	2020	Δ[2]
79.7	44.2	+80%	Brent Dtd	$/bbl	**70.7**	41.7	+70%
94.9	48.5	+96%	Sales revenue[3]	RSD billion	**295.2**	183.8	+61%
7.6	0.7	+935%	Net profit (loss)	RSD billion	**21.0**	-7.6	+377%
14.9	5.5	+173%	EBITDA[4]	RSD billion	**53.2**	15.8	+236%
21.8	10.1	+117%	OCF	RSD billion	**42.2**	29.7	+42%
7.2	4.6	+57%	CAPEX[5]	RSD billion	**20.2**	25.3	-20%
62.1	47.7	+30%	Accrued liabilities for taxes and other public revenues[6]	RSD billion	**217.8**	179.5	+21%
589.9	589.5	0%	Total bank indebtedness[7]	EUR million	**589.9**	589.5	0%
1.4	1.5	-10%	LTIF[8]	%	**1.4**	1.5	-10%

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 2021, this was EUR 589.9 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. The indicator shown refers to NIS j.s.c. Novi Sad with its subsidiaries: Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical services LLC Zrenjanin and Naftagas – Transport LLC Novi Sad. The specified indicator is calculated cumulatively, from the beginning of the year, and the indicated data represent the current status as of 31 December 2021. Therefore, there is no difference between 12M and Q4.*

Exploration and Production

Key indicators

In 2021, 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 research projects and improvement of operational efficiency of all business segments, and particularly the efficiency of geological and technical activities and internal oil services. Of course, the absolute priority this year was to preserve the health of all our employees and achieve business goals in the complex pandemic environment.

Q4 2021	Q4 2020	Δ[1]	Indicator	Unit of measurement	2021	2020	Δ[2]
304.1	306.5	-1%	Oil and gas output[3]	thousand t.o.e.	**1,193.9**	1,258.7	-5%
208.4	206.5	+1%	Domestic oil output[4]	thousand tonnes	**817.4**	837.2	-2%
2.2	2.0	+12%	LTIF[5]	%	**2.2**	2.0	+12%
8.1	3.5	+131%	EBITDA	RSD billion	**30.4**	16.2	+88%
4.5	2.2	+105%	CAPEX[6]	RSD billion	**13.3**	15.1	-12%

1 *Any deviations in percentages and aggregate values result from rounding.*
2 *Any deviations in percentages and aggregate values result from rounding.*
3 *The domestic oil ouput includes natural gasoline, while the gas output includes 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 refer to Exploration and Production Block (including Services).*
6 *Financing, exclusive of VAT.*

Exploration and production

The main objective in 2021 in the Exploration and Production Block was to fulfill the hydrocarbon production plan and improve the efficiency of geological and technological activities.

In 2021, the total production output from the reservoirs in Serbia was 1,153 thousand t.o.e. The total production output for 2021, including the concessions, amounts to 1,194 thousand t.o.e.

In the field of geology and reservoir engineering, the emphasis is given to maintaining the high quality of the performed geological and technological activities, aimed at increasing the oil and gas production.

Geological research and reservoir engineering

As part of the development drilling, five new reservoirs were opened in the northern part of the Kikinda field. A new reservoir was opened in the Idjoš field with the Is-19 well. The test production was started and the well showed a high potential.

In 2021, 45 oil wells were put into operation. The documentation on hydrocarbons and groundwater is being prepared.

As part of the development drilling, additional research was actively conducted, including determination of the oil saturation limits of active reservoirs and adding new wells to the network. Based on a detailed analysis of the geology and reservoir engineering, highly productive wells were drilled and put into operation in the Kikinda and Iđoš reservoirs at the previously omitted facilities.

The deployment of RIR technology in 2021 was highly successful, as much as 26% higher than planned. The decrease of -574 m³/day in fluid production was recorded, whereas the increase in oil production amounted to +129t/day. Given the highly successful deployment of RIR technology in the Velebit field, its use is planned in the Kikinda varoš, Iđoš, Kelebija fields.

Furthermore, in 2021, exceptional results were achieved from the NO_2 operations with the performance of 89% beyond planned. Oil saturation at the L complex of Kikinda oilfield was confirmed, and three NO_2 operations were performed with a mean increase of 11 t/day, which is 4 times more than planned.

Exploration drilling and well testing

The exploration well Kisz-X-002/1 was drilled as part of the geological research works of the Exploration and Production Block in Serbia, in the period October and November. The testing is in progress.

2/3D seismics

Complex seismic geological interpretation of 3D seismic data from Mokrin-Kikinda-Phase 1 was completed, while the seismic and geological interpretation of the unified 3D polygons Majdan-Srpski Krstur, Martonoš-Velebit and Čoka is underway.

License obligations

Geological research designs were developed and the exploration works reported in accordance with the law, for the purpose of obtaining the requirements for drilling wells in the approved exploitation fields Velebit and Palić. For the North Bačka exploration area, the geological research design was annexed as to include the exploration and appraisal well testing, and the decision of the competent Provincial Secretariat, approving the continuation of oil and gas geological research in this exploration area, was obtained on 24 June 2021.

For the Iđoš exploitation field, the approval of the Provincial Secretariat was obtained for the construction and mining works under the Main Mining Design (GRP), for the engineering and exploitation of oil and dissolved gas – Bd-1a and Bd-1b reservoirs.

In the third quarter, in order to obtain the requirements for drilling the wells in the approved exploitation field Mokrin, the geological research design was developed and exploration works reported in accordance with the legal regulations.

For the exploitation fields Bradarac-Maljurevac and Kasidol, requests were submitted for technical inspection and issuance of the approval for use of the constructed mining facilities.

Pursuant to the Decision of the Ministry of Mining and Energy on entrusting the tasks of the technical inspection, the technical inspection activities were initiated on the Bradarac-Maljurevac and Kasidol exploitation fields in the fourth quarter, with the aim of obtaining the decisions to approve use of the mining facilities built in the said exploitation fields.

With a view to obtaining the requirements for the appraisal and exploration well drilling in the approved exploitation field Iđoš, the geological research design was developed and the exploration works reported in accordance with the provisions of the Law on Mining and Geological Research.

The geological research designs for the North Banat, Middle Banat, South Banat, North Bačka, and South Bačka exploration areas were annexed to include changes in the type, scope, and timeline of the exploration works, and the requests for obtaining the decisions of the competent Provincial Secretariat, approving the continuation of oil and gas geological research in these exploration areas, were filed.

For the exploitation field Boka, a request for issuance of the decision on the construction of mining facilities and the execution of mining works in line with the completed Main Mining Design was filed with the competent Provincial Secretariat.

For the purpose of expanding the exploitation field Iđoš, a request for issuance of the permit to change the boundaries of the exploitation field and the approval for gas exploitation was filed with the Provincial Secretariat for Energy, Construction and Transport.

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 shareholder 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.

Highlights in Romania in 2021:

- Teremia North: The infrastructure design for reservoir engineering was completed and the project entered the Implementation Stage;
- Block EX-7: In Beba Veche Sud 1000 exploration well, the reservoir stimulation operation was performed in the conditions of high pressure and high temperature, gas and light oil inflow was achieved and experimental production operations were initiated;
- Block EX-7: As part of the fortification project for the development of Teremia North field, Teremia 1004 development well was drilled, workover operations were started, as well as drilling of the Teremia 1003 development well;
- Block EX-8: Drilling of Teremia 1201 well was completed as part of the license obligations.

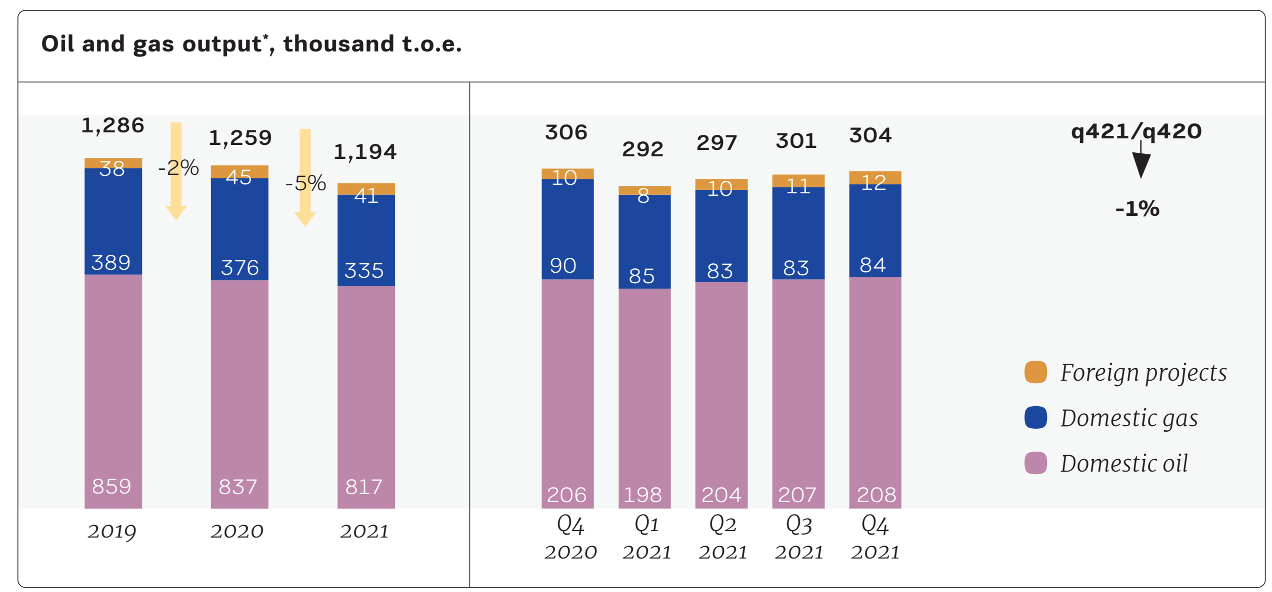
Highlights in Bosnia and Herzegovina in 2021:

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

- The interpretation of seismic data completed, the point for exploratory drilling of Ob-3 approved
- Drilling of Ob-3 exploration well, Obudovac, Republika Srpska, started.

Operating indicators

In 2021, the total of 1,194 thousand t.o.e. of oil and gas was produced, which is 5% lower on the year before.



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

Downstream

Refining

Key indicators

Q4 2021	Q4 2020	Δ[1]	Key indicators	Unit of measurement	2021	2020	Δ[2]
1,077.7	976.2	+10%	**Volume of refining of crude oil and semi-finished products**	thousand tonnes	3,945.1	3,613.2	+9%
1,130	998.7	+13%	**Total sales volume of petroleum products**	thousand tonnes	4,031.0	3,541.4	+14%
209.5	195.1	+7%	*Retail Serbia*	thousand tonnes	794.9	731.5	+9%
404.4	326.6	+24%	*Wholesale Serbia[3]*	thousand tonnes	1,343.7	1,151.0	+17%
50.6	45.8	+10%	*Retail Foreign Assets*	thousand tonnes	200.4	176.3	+14%
95.8	64.3	+49%	*Wholesale Foreign Assets*	thousand tonnes	334.9	217.0	+54%
369.5	367.0	+1%	Transit, export and BU[4]	thousand tonnes	1,357.1	1,265.6	+7%
727.8	609.0	+20%	**Motor fuels sales volumes[5]**	thousand tonnes	2,658.2	2,271.0	+17%
9.3	3.7	+150%	**EBITDA DWS[6]**	RSD billion	31.4	3.7	+753%
4.8	0.7	+592%	*EBITDA Refining[7]*	RSD billion	16.0	-12.3	+230%
4.3	3.5	+23%	*EBITDA Sales and Distribution[8]*	RSD billion	16.1	16,3	-1%
2.4	2.4	+3%	**CAPEX DWS[9]**	RSD billion	6.4	9.8	-35%
0.8	1.9	-55%	*CAPEX Refining*	RSD billion	3.2	7.8	-59%
1.4	0.5	+206%	*CAPEX Sales and distribution*	RSD billion	2.9	1.9	+53%
1.1	1.6	-32%	**LTIF DWS[10]**	%	1.1	1.6	-32%
2.6	2.2	22%	*LTIF Refining*	%	2.6	2.2	+22%
0.9	1.7	-49%	*LTIF Sales and distribution*	%	0.9	1.7	-49%

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 include EBITDA of the Refining Block, EBITDA of the Block Sales and Distribution Block and EBITDA of the rest Downstream*
7 *EBITDA of the Refining Block includes the power plant in RNP.*
8 *EBITDA of the Block 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. The specified indicator is calculated cumulatively, from the beginning of the year, and the indicated data represent the current status as of 31 December. Therefore, there is no difference between 12 months and Q4.*

In 2021, the Refining Block refined oil and produced petroleum products in accordance with the plans and market demand, taking into consideration the scheduled downtime due to the turnaround in March 2021. The focus in the first two months of 2021 was placed on increasing the production output and providing the required stocks, in order to ensure the uninterrupted shipment and regular supply of the market with all types of petroleum products during the downtime of the units in March 2021.

The scheduled downtime in March 2021, in addition to the basic tasks, also included the implementation of 12 investment maintenance projects.

The key activity was at the S-4450 unit (the new sulphur recovery unit), where the BF-44501 boiler was completely replaced with a new one, which increased the reliability of the unit operation, which affects the operation of the entire refinery.

A part of the anti-erosion coating was replaced on FC-2302 cyclones, in the reactor and generator section, the so-called “Blue Section” of the FCC unit, in order to improve the reliability.

The investment project “Replacement of 6kV Unit in N1 Substation” was completed, aimed at improving the reliability of power supply of S-2100/2200 units (atmospheric and vacuum distillation).

13 heat exchangers were overhauled and cleaned and 23 air coolers were cleaned. Six columns were inspected and overhauled, more than 20 vessels were inspected and cleaned, 13 furnaces were opened and inspected for defects, and a number of previously approved technical and technological changes were carried out at the units, in order to increase the overall efficiency of refinery processing and improve operation during summer.

In the first quarter, the continuity in using the "CE" marking for polymer modified bitumen was ensured, which is a marking of compliance with the requirements of the European Construction Products Regulation CPR 305/2011, thus enabling further marketing of this product in the European Union. In mid-March, the Refining Block in Pančevo, in cooperation with the Business Process Standardisation Sector and the Business Process Standardization and Mapping Services within the NIS Business Services, conducted the first audit of compliance of the factory control of polymer modified bitumen production with the requirements of the reference standard EN 14023:2010. In this way, our company ensured the continuity in using the "CE" marking for all types of polymer modified bitumen – polymer modified bitumen 45/80-65 and 25/55-55, enabling it to continue marketing this product in the European Union.

In July, the GAP analysis of compliance with the requirements of the EI/JIG 1530 standard was successfully carried out by the expert team of the SGS certification body from Belgrade. This standard defines the quality assurance requirements for the production, storage, and distribution of aviation fuel to the airport. During the inspection, no non-compliance was identified, the expert team observed significant improvements at critical points in the JET A1 jet fuel quality assurance system and, as the confirmation and proof of compliance with the requirements of the standard, our Company was issued the Limited Assurance Statement.

In September, production of Eurodiesel with a biocomponent (Eurodiesel B7) began and the first quantities of this fuel were shipped to Romania. The start of production of Eurodiesel B7 is important for our Company, because the Government of the Republic of Serbia is expected to adopt the Decree

regulating the mandatory share of biofuels on the market of the Republic of Serbia.

In October 2021, refining of new crude Johan Sverdrup commenced.

Early in November 2021, the OMS Committee meeting was held in the Refining Block, with the participation of the CEO and the Company's top management. The event was centered around touring the “etalon” facilities in our refinery – the FCC unit and the DCU. The “etalon” facilities are conceived as the most important units where all available OMS practices and methodologies would be applied, and which would serve as a role model (“etalon”) for other facilities (to reach the same level in the future). During the tour, the managers of the “etalon” units presented the applied practices and their importance, with an overview of the key achievements.

In November 2021, the audit of compliance of road bitumen production factory control with the requirements of the reference standard EN 12591:2009 was successfully completed.

At the beginning of December 2021, Mensor and GPN representatives conducted a scheduled inspection in connection with the risk assessment in the Refining Block, with an aim of compiling the report on the status of recommendations, which, among other things, affects the Refinery’s insurance premiums in the next period, starting from 15 March 2022.

With a view to improving the environmental protection, the Refinery employees and members of the Volunteers’ Club planted 500 seedlings in Pančevo Oil Refinery and its surroundings. These seedlings were sycamore maple and silver maple, around 3.5 meters high, worth five million dinars. In addition to embellishing the part of Pančevo where the Refinery is located, the new trees lines, almost 2.5 km long, will have a beneficial effect on the air quality in this city.

The testing laboratory within the Downstream Laboratory Department, Pančevo Oil Refinery, was successfully reassessed by the Accreditation Body of Serbia against the requirements of the standard SRPS ISO/IEC 17025:2017. As a result, the current scope of accreditation was kept and additionally extended for new crude and petroleum products testing methods. The novelty compared to the previous period is that now the Laboratory is accredited for the assessment of conformity of petroleum coke – a new product of Pančevo Oil Refinery.

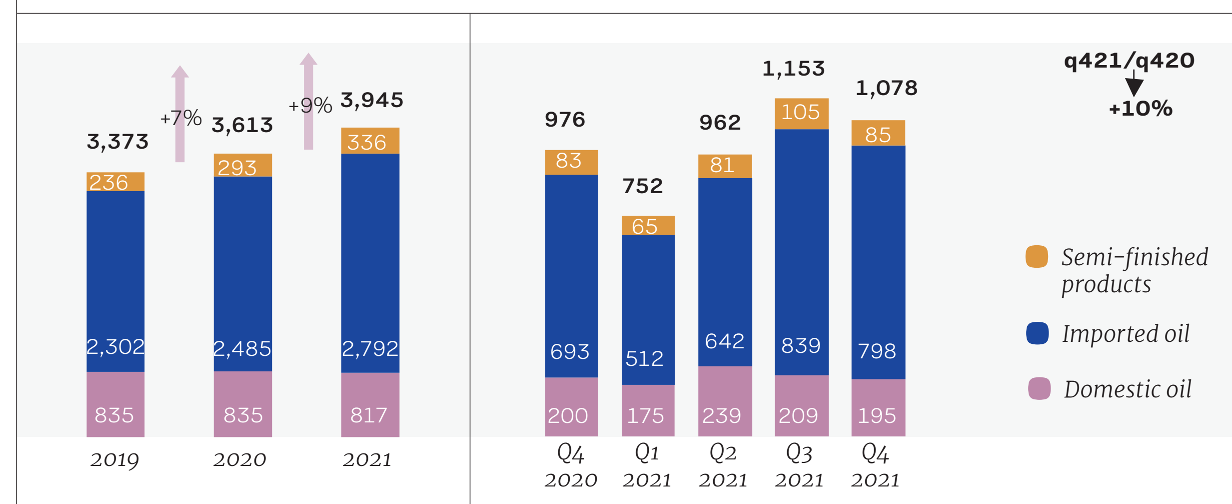
Refining activities and volume

The same as other organization units of the Company, the Refining Block started the year with highly conservative expectations, but finished it with excellent results. The economic recovery affected the demand for petroleum products and the refining volume. In 2021, the Refinery achieved a record high annual refining and reprocessing volume for the last 12 years, in the amount of 3.945 mn tons.

It is important to note the start of export of the biodiesel, which is blended in Pančevo Oil Refinery, to the Romanian market, as well as the start of upgrade of the FCC. The latter has a special importance for the connection with HIP-Petrohemija JSC Pančevo, which will be a new business direction of NIS starting from 2022.

Though the market is still volatile, the DCU provides the Refinery with the flexibility to adjust its operations and adapt to the changes in any moment, which gives it an optimistic outlook on future refining and reprocessing.

Refining volume*, thousand tonnes



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

2021 saw a 9% year-on-year increase in the petroleum products output, as a result of market stabilization compared to 2020, when there was a drop in demand due to the coronavirus pandemic.

Other projects

The Refining Block is continuously working on the implementation of digital projects, which will enable more efficient and reliable operation of the Refinery. In particular, one of the digital projects that is in the implementation phase is predictive maintenance, as one of the most important tools provided for by the strategy that involves the transition from corrective to proactive maintenance. In addition, considerable efforts are invested in improving the efficiency of technological processes through the improvement of the monitoring system of operational availability parameters and APC (unit level) availability parameters.

Employee are trained in safe performance of high-risk jobs, according to the HSE modules, including practical training on the training ground of the HSE Training Center. After each near miss or potential HSE event, employees are informed thereof during the time-out for safety.

The employee training process is supported by an online Active Learner platform, which enables production workers to acquire theoretical knowledge and take a self-test. Training simulators (OTS) are also available, which provide control panel operators with the opportunity to be trained in operating the process using the software that is a true copy of the actual plant. In addition to professional and technical training, soft skills training is also available to the employees.

Representatives of the Refining Block also participated in the first expert workshop as part of the project "BIO4BLEND – The Impact of Legislation on Biofuels on the Serbian Market“.

Sales and Distribution

Points of Sale[1] and Logistics

The NIS Group owns over 400 active retail sites. Most of them, i.e. 329 retail sites are located in the Republic of Serbia (with 26 of them under GAZPROM brand). In the countries of the region, NIS owns 42 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 2021, 4 newly built PSs were put into operation: Sokolići 1 (GAZPROM brand), Zaječar 5 (NIS brand), Stara Pazova 3 (NIS brand), Zrenjanin center (NIS brand) and 6 reconstructed PSs: Mionica (NIS brand), Žagubica (NIS brand), Čantavir (NIS brand), Despotovac (NIS brand), Zmaj 1 (GAZPROM brand) and Novi Bečej (NIS brand).

1 As at 31 December 2021.

The Sales and Distribution Block manages the following logistics facilities: 4 warehouses of white derivatives, 5 LPG filling stations, 4 LPG bottle filling stations and 7 transport bases in Serbia, 1 warehouse in Bulgaria and 1 warehouse and 1 terminal in Bosnia. The organization of secondary transport operates through 115 own tank trucks, primary logistics has 331 tank cars.

During 2021, within the project of reconstruction of the warehouse Nis, the PIP phase for the project of reconstruction of the NBH was approved and completed, the construction permit was obtained, the first phase of the project of reconstruction of the warehouse in the town of Niš was defended at the NIS Investment Comittee session.

Map of new PS construction and recostruction projects in Serbia in 2021

2021: PS put into operation

4 New construction

6 Reconstruction

New construction

- 01 PS Sokolici 1
- 02 PS Zajecar 5
- 03 PS Stara Pazova 3
- 04 PS Zrenjanin centar

Reconstruction

- 05 PS Mionica
- 06 PS Zagubica
- 07 PS Čantavir
- 08 PS Despotovac
- 09 PS Zmaj 01
- 10 PS Novi Becej

Loyalty program and Marketing Activities

In 2021, the company has held over 296 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.

In 2021, we would like to single out the most important marketing activities in Serbia that marked this year:

- **Drive.GO image campaign** is an application that allows consumers to pay for fuel without going to the checkout. By the end of 2021, Drive.Go application was available at a total of 297 NIS Petrol and GAZPROM stations.
- **G-Drive national campaign** with the objective to promote our premium G-Drive fuel.
- **Cash withdrawal at cash registers** - allows payment card users to withdraw cash from their bank accounts at the POS terminals, when paying at all NIS petrol stations.
- Pa**yment of citizens' bills at the fuel station cash registers by reading the NBS IPS QR code** - In September, NIS enabled all NIS Petrol and GAZPROM fuel stations in Serbia the payment of bills using the IPS QR code issued by the National Bank of Serbia. This innovative method of payment is available for the first time at petrol stations in Serbia and it is a simple, fast and reliable solution that allows users to pay bills by having their NBS IPS QR code scaned by the cashier, in just a few steps, without typing data in the payment order and without waiting at the counters of payment institutions.
- As part of the loyalty program "**On the Road with Us**", the campaign of virtual membership was conducted. The goal of this campaign was to increase the user base of the "On the Road with Us" (SNNP) loyalty program through application downloads and online membership, highlighting the benefits provided by the virtual loyalty card).
- **Jazak water** – in March we launched a major national campaign for Jazak water. The campaign aimed to acquaint consumers in more detail with Jazak water, as well as to attract new consumers and followers on social networks.
- **Social networks/Partners for creating online content**: During the year 2021, 15 new episodes were created within the content "On the Road with Us through Serbia", where readers of our website and followers on social networks could read detailed recommendations on locations in Serbia that they could visit. Also different cooperation with partners "Used Cars", "Testosteeron", and "Challenge Adventure".

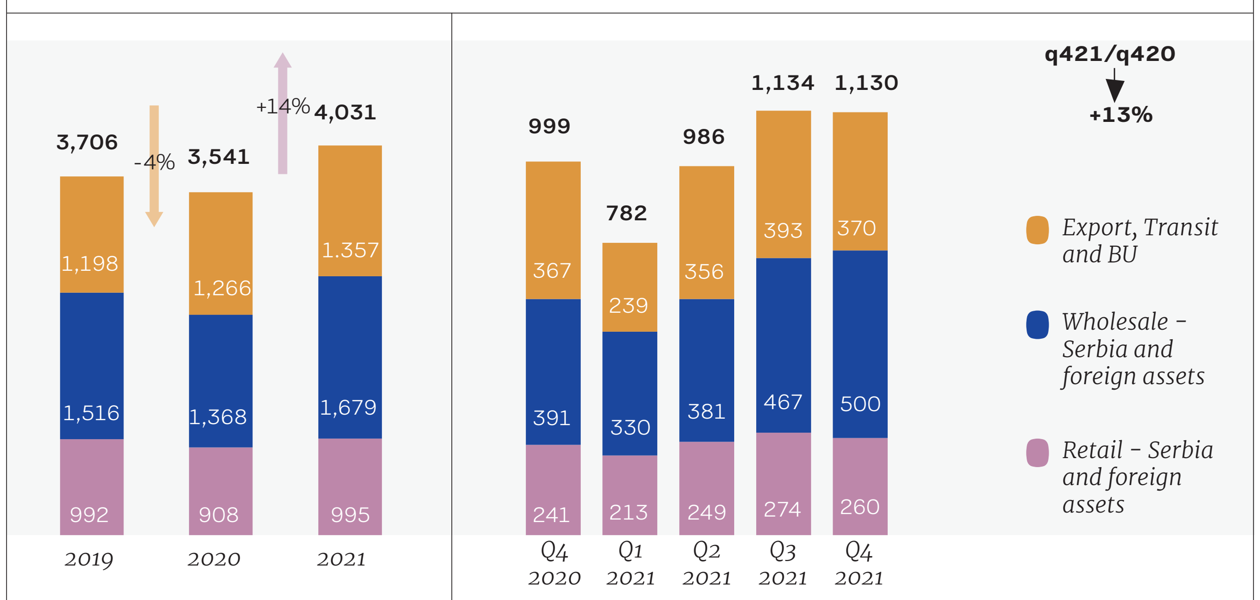
Operating indicators

2021 year saw a sales growth of 14% comparing to 2020, with the total sales of 4,031 thousand tonnes.

- Retail in Serbia and foreign assets - a growth of 10% resulting from the increase in consumption of diesel and gasoline, which occurred after lifting of the restrictions due to COVID-19 and also owing to the development of the retail network;
- Wholesale volume in Serbia and foreign assets[1]– a growth resulting from the increase in the sales of Eurodiesel, LPG and low-sulphur fuel oil in Serbia and the development of the wholesale project in Bosnia;
- Exports, transit and Business Units[2] - a growth of the aviation fuel sales (related to lifting of the restrictions due to COVID-19) and also a growth of the bitumen and coke sales.

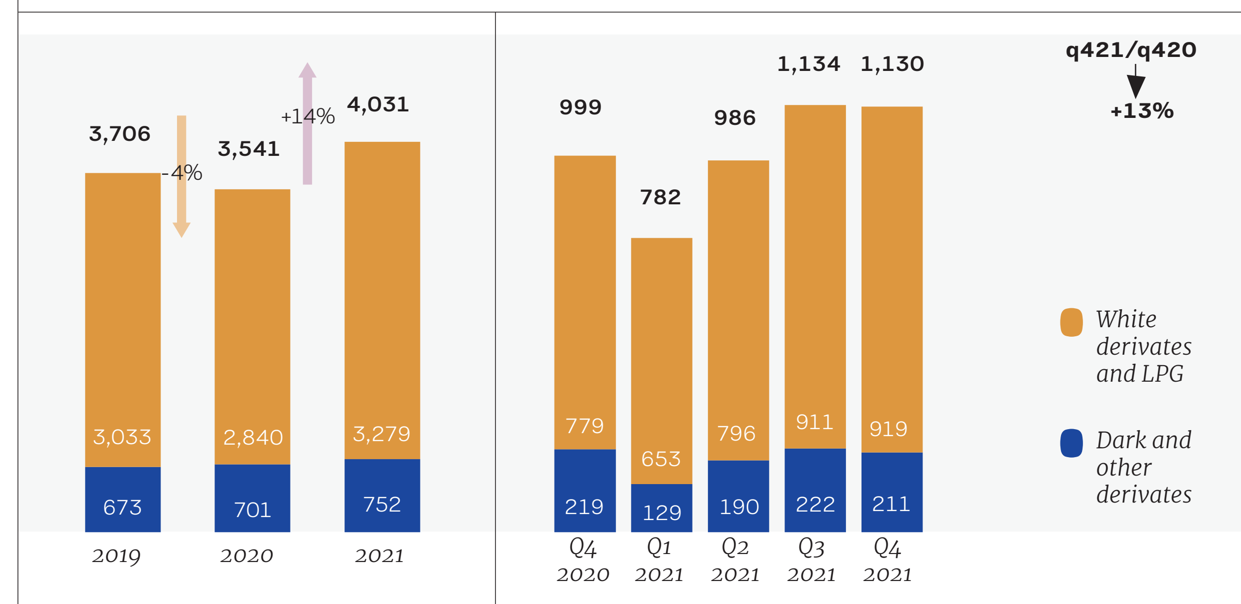
1 Includes the sale of CNG of the Energy Block and the sale of oils and lubricants of the Lubricant Production Plant.
2 Business units include the sale of the bitumen, bunkering and aviation fuel channels.

Volume of sales*, thousand tonnes



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

Structure of sales*, thousand tonnes



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

Energy

TE-TO Pančevo Project

As of 31 December 2021, the project completion rate is 99.53% compared to the planned 100%. The preparation of the certificates and technical documentation is in the final stage (98.75% compared to the planned 100%). The final mechanical, electrical and construction works are being performed on the units and facilities of the power plant, pipelines for connection with the Pančevo Oil Refinery, and connection to the electric power system, with the completion rate of 99.32%. The manufacturing and delivery of the power plant equipment are completed in the full scope. The power plant commissioning activities are underway (completion rate of 96.9%). The activities of test run monitoring and synchronization of the gas turbine generators GTG # 2 and GTG # 1 with the power system are in progress. The boilers-utilizers are ready for operation. The permit for the test run of the steam turbine unit was obtained on 24 December 2021. The final works on the installation of thermal insulation and heating tracing of the associated installations are in progress.

Natural gas

In order to ensure the security of supply, organizing and balancing the natural gas portfolio for NIS j.s.c. Novi Sad in the third quarter of 2021, contracts on natural gas transport were signed with the Natural Gas Transmission System Operator for the Gas Year 2021/2022, in accordance with the requirements of NIS internal users, as well as annual contracts on natural gas sales with NIS subsidiaries.

CNG – commercial aspect

CNG shipments from the Ostrovo oil field were sent on schedule, with no delays, with a mutual interest to renew the CNG Sale Agreement in the next year as well. Feasibility studies for the new CNG projects were completed.

Electricity trading

NIS is present on the electricity markets of Serbia, Bosnia and Herzegovina, Romania and Bulgaria. Apart from these markets, NIS trades on the boarders with Hungary, Croatia, Slovenia, North Macedonia and Montenegro. NIS trades on the electricity markets in Serbia (SEEPEX) and Romania (OPCOM). The process of registration of NIS Petrol Eood for the electricity trading in Bulgaria has been completed. The implementation of specialized electricity and gas trading software has been completed, which will enable an increased volume of transactions in a transparent and controlled environment.

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

The program of measures to reduce energy consumption and increase energy efficiency in NIS in 2021 is expected to achieved energy savings of 9,321 toe. The expected value of the savings is RSD 285.3 million.

An internal energy audit team has been established, as well as the regulatory and methodological framework. Two electrical safety barriers were inspected by GPN. The barrier success rates in the Blocks and subsidiaries was 98 and 95.7% respectively.

Measures to improve energy efficiency have been developed and a pool of EE "quick wins" projects has been set up, and the implemention of 7 measures to improve energy efficiency has commenced.

The project of external energy audit at the petroleum product terminal in Novi Sad was completed and the Report on the condition of the water vapor system and condensate recovery was obtained, with a proposal of measures to increase energy efficiency.

The activities related to the implementation of two actions to increase energy efficiency are ongoing, which are expected to ensure annual savings in the amount of RSD 12 million. In addition, two more steps are undergoing the procurement stage. The expected annual effect of savings is RSD 20 million.

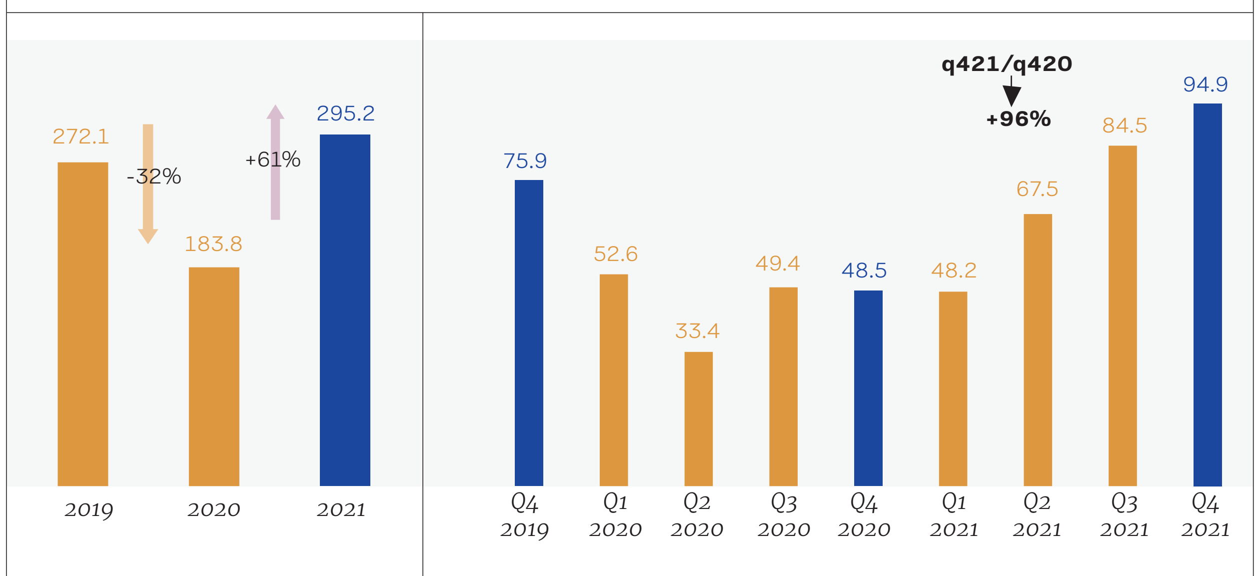
Financial indicators

Sales revenues

In 2021, NIS achieved a 61% growth in sales revenues[1] compared to the same period previous year, and the total amount of sales revenues is RSD 295.2 billion.

1 *Consolidated sales revenues*

Sales revenues*, RSD billion



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

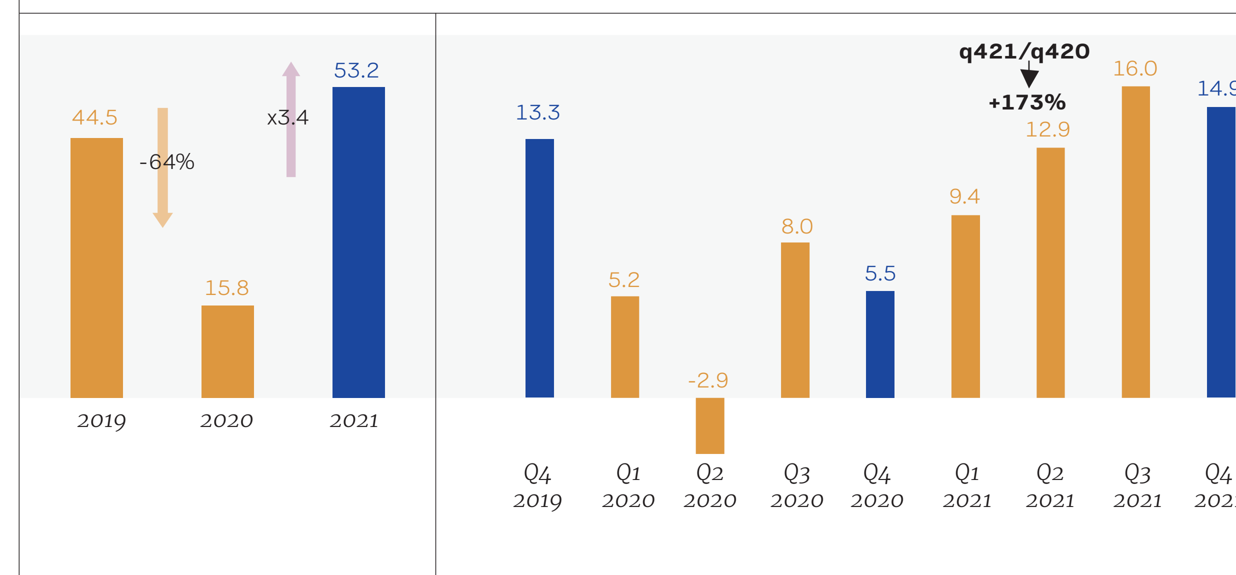
EBITDA

The EBITDA indicator in 2021 is 3.4 times higher than in last year and amounted to RSD 53.2 billion.

The EBITDA increased due to:

- The positive effect of rising oil prices as well as cheaper inventories of previous periods in refining compared to 2020
- Higher sales and refining volume.

EBITDA*, RSD billion



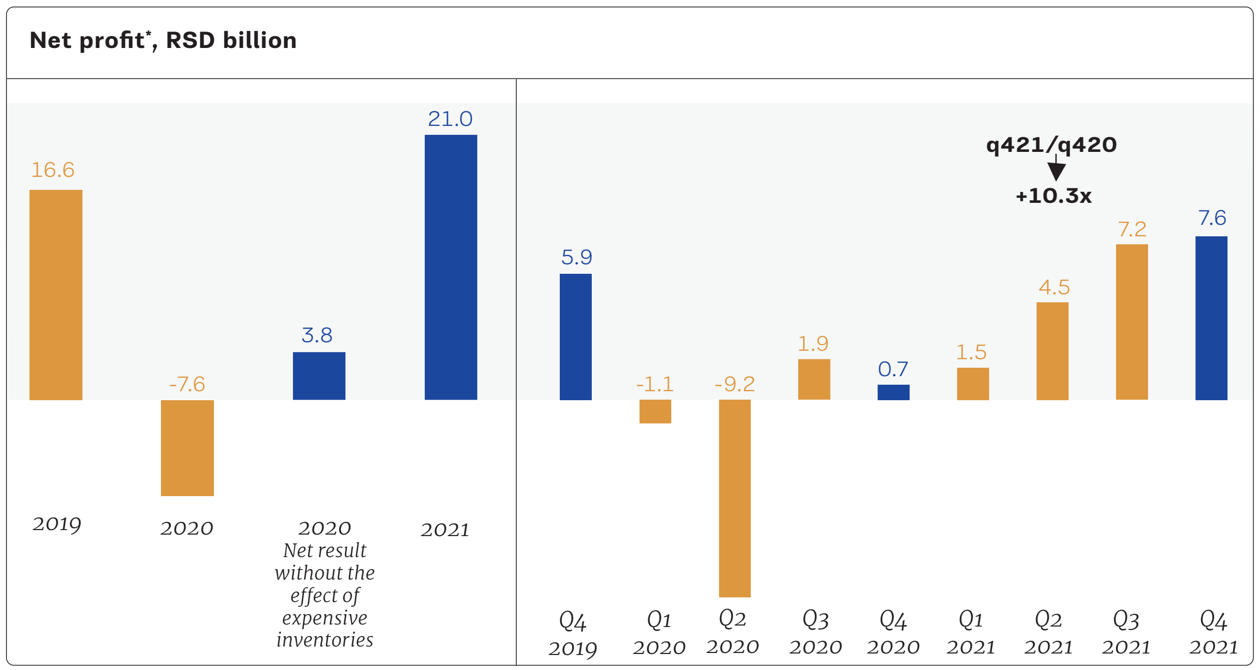
* *Consolidated sales revenues. Any deviations in percentages and aggregate values result from rounding.*

Net profit (loss)

The net profit in 2021 amounts to RSD 20.96 billion, which is almost 4 times higher than in the previous business year.

The growth of net results was mostly influenced by:

- The growth of EBITDA, at higher depreciation costs.



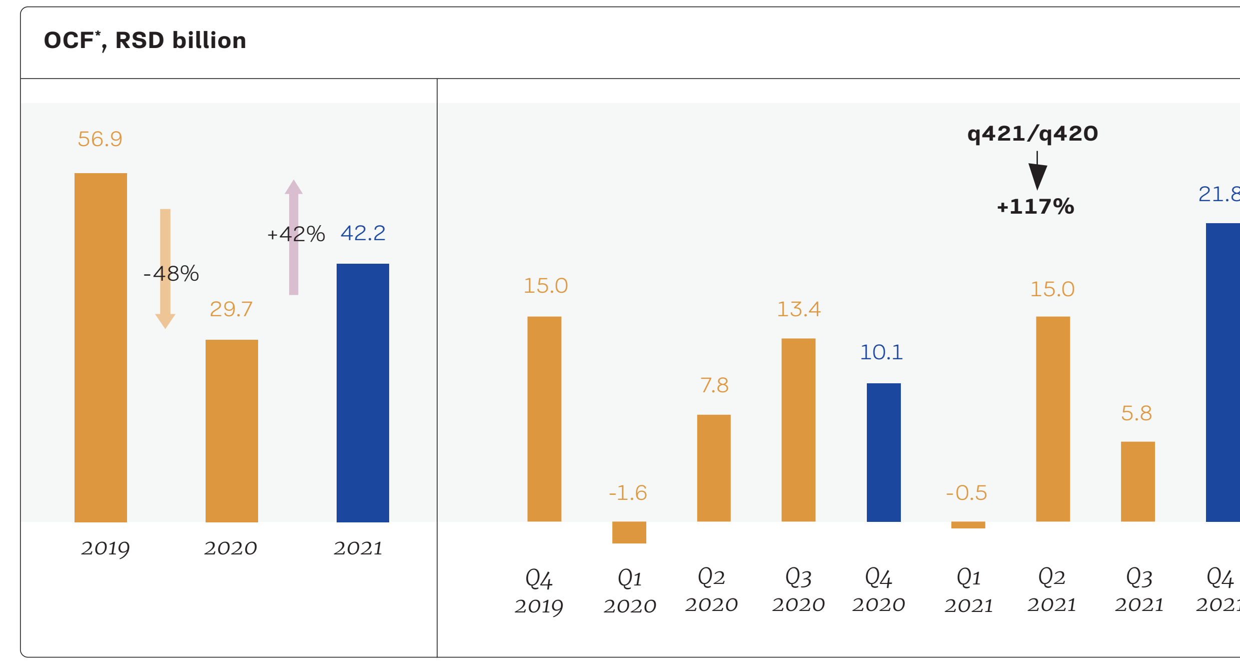
* Any deviations in percentages and aggregate values result from rounding.

OCF

In 2021, the operating cash flow amounts to RSD 42.2 billion, 42% increase compared to 2020.

The growth of the OCF indicators was mostly impacted by:

- Higher inflows from customers, but also higher operating costs.



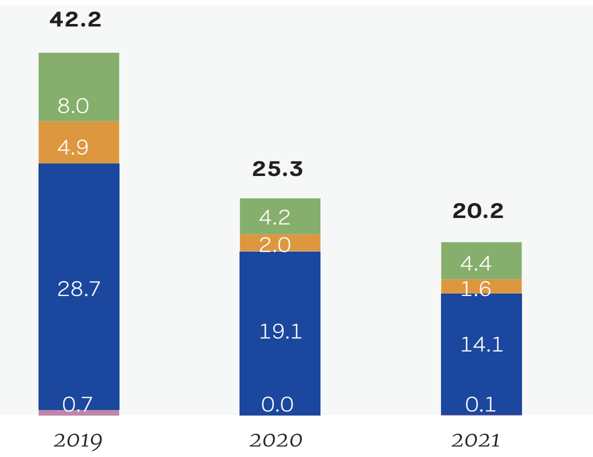
* Any deviations in percentages and aggregate values result from rounding.

CAPEX

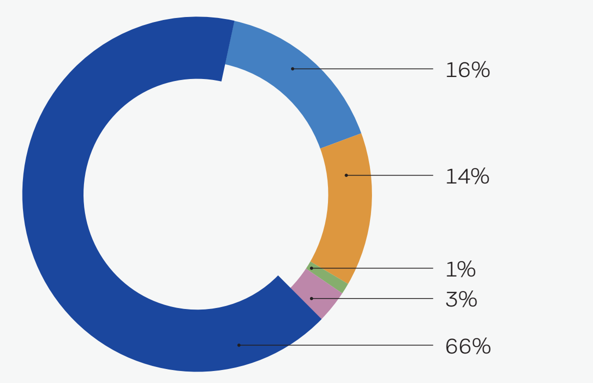
In 2021, the main investments were directed towards the realization of oil and gas production projects. A significant part of the investments consists of the investment in concessions (Romania, North Teremia). In addition, NIS invested in refining, sales and distribution, energy, and services projects, as well as a number of projects in the corporate center.

In 2021, 20.2 billion dinars was earmarked to fund investments, which is 20% less than the amount earmarked in 2020.

CAPEX by type of project*, RSD billion



Investments by segment



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

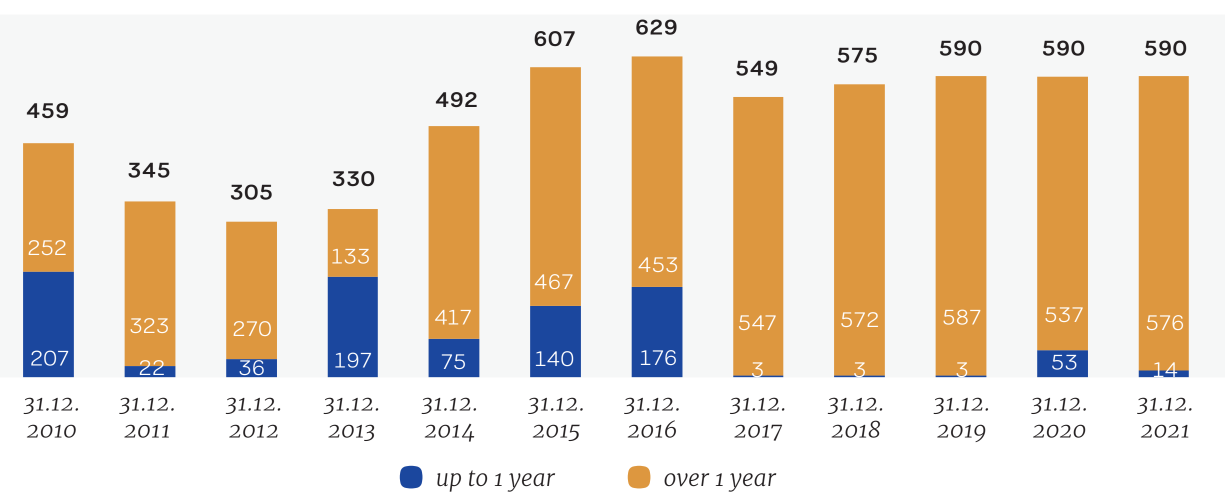
Organisational unit	Major projects
Exploration and production	• drilling of development wells • investing in geological and technical activities • investing in concession rights
Services	• BOP equipment replacement in the Workover Unit (investment maintenance) • replacement of old HDM equipment • general overhaul of Id-6 drilling rig assemblies
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 • investment in reconstruction of the FCC unit with construction of a new ETBE unit
Sales and distribution	• retail network development in Serbia (petrol station construction and reconstruction) • logistics projects (reconstruction of the connecting track of the Pančevo Oil Refinery, overhaul of tank wagons, General overhaul of 32 semi-trailers for white goods) • other retail projects in Serbia and the region
Rest of Downstream projects (Energy, Technical services)	• Energy – procurement of specialized software for electricity and gas trading and risk management • processing systems and storage facilities maintenence projects
Corporate centre	• projects with information technology component (SAP Success Factors, reconstruction of conference room 332, replacement of SAP infrastructure) • video surveillance system replacement project

Indebtedness

At the end of 2021, the debt to banks remain at the level of debt at the end of 2020, and it amounts to EUR 589.9 million. In 2021, the loan was withdrawn in the amount of EUR 146.5 million, and repaid in the total amount of EUR 146.2 million, out of which EUR 92.1 million prematurely. The maturity was extended for EUR 305.3 million. The total amount of restructuring at the annual level was over EUR 450 million. The tender for the restructuring of the loan portfolio was run with the aim of extending the average maturity of the portfolio to over 3 years at the end of 2021, with maintenance of the optimal price level and the relaxation of the covenant package, and this aim was fully met.

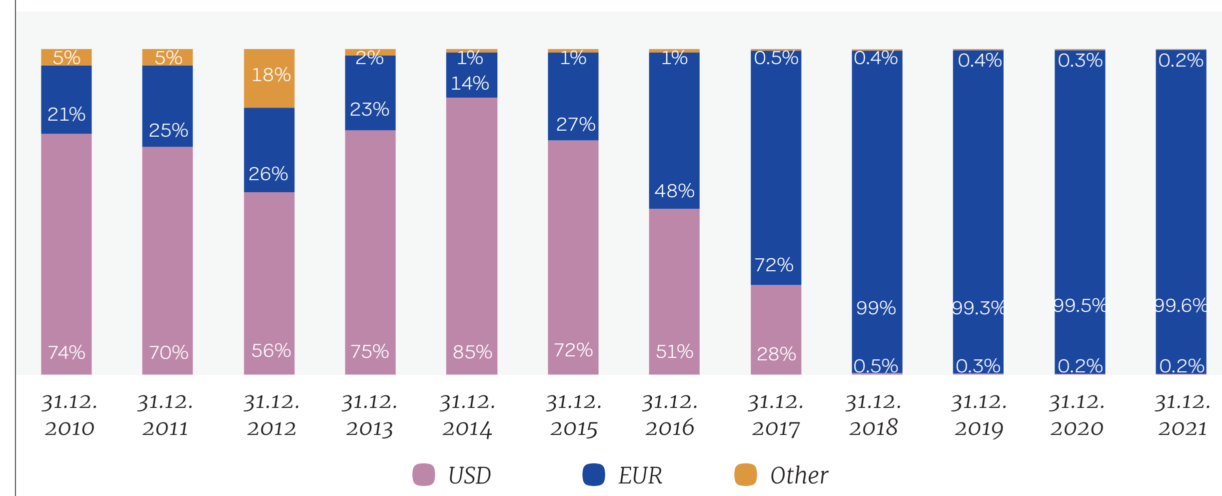
In addition, the debt to the parent company PJSC Gazprom Neft, was reduced and at the end of 2021, it amounted to EUR 69.84 million.

Total bank debt trends with maturity structure*, EUR million

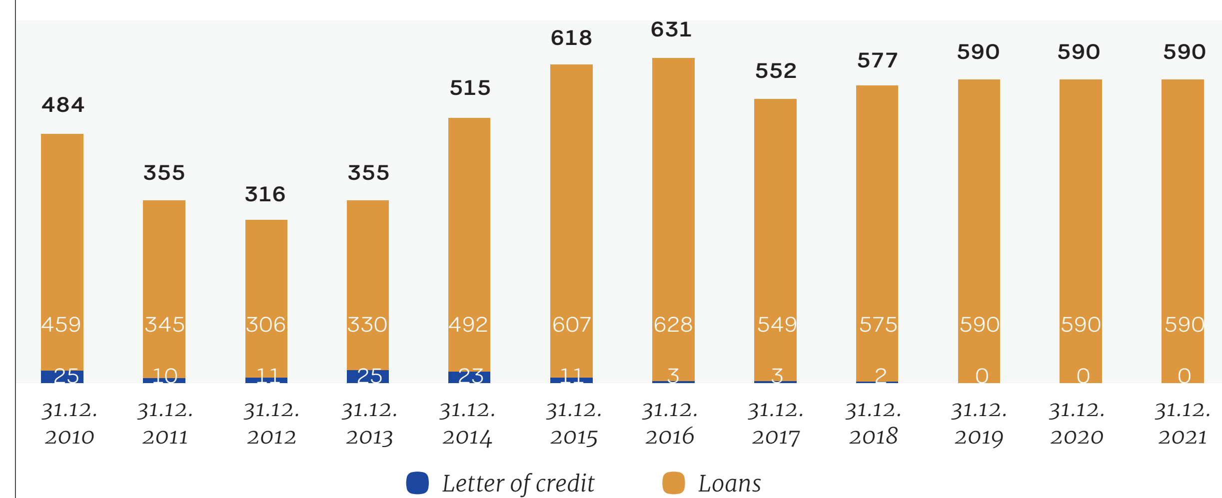


* *Any deviations in percentages and aggregate values result from rounding.*

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 2021, NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of EUR 57.8 million, corporate guarantees in the amount of EUR 101.4 million, Letters of Intent signed with banks in the amount of EUR 0.03 million and financial leasing in the amount of EUR 19.9 million.*

Taxes and other public revenue[1]

NIS j.s.c. Novi Sad	2021	2020	%[2]
Social insurance contributions paid by employer	2.0	1.9	+4%
Energy efficiency fee[3]	0.4	0.3	+11%
Corporate tax	4.1	-0.2	+25x
Value-added tax	29.9	24.7	+21%
Excise duties	139.5	122.6	+14%
Commodity reserves fee	6.6	6.0	+11%
Customs duties	1.2	0.7	+86%
Royalty	1.3	0.9	+48%
Other taxes	1.3	0.8	+71%
Total	**186.3**	**157.6**	**+18%**
NIS subsidiaries in Serbia[4]			
Social insurance contributions paid by employer	1.3	1.2	+14%
Corporate tax	0.1	0.2	-37%
Value-added tax	2.5	1.8	+43%
Excise duties	0.0	0.0	-
Customs duties	0.0	0.1	-49%
Royalty	0.0	0.0	-
Other taxes	0.1	0.1	+12%
Total	**4.1**	**3.3**	**+25%**
Total NIS j.s.c. Novi Sad with subsidiaries in Serbia	**190.4**	**160.8**	**18%**
NIS regional subsidiaries and Angola			
Social insurance contributions paid by employer	0.0	0.1	-13%
Corporate tax	0.1	0.0	+118%
Value-added tax	1.2	1.0	+23%
Excise duties	16.3	12.4	+32%
Customs duties	9.7	6.7	+44%
Royalty	0.0	0.0	+85%
Other taxes	0.1	0.1	+27%
Total	**27.5**	**20.3**	**+36%**
Deferred taxes (total for Group)	0.0	-1.6	-
Total NIS Group[5]	**217.8**	**179.5**	**+21%**

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 payable by NIS j.s.c. Novi Sad along with its subsidiaries deriving from its organisational structure in Serbia totalled RSD 190.4 billion in 2021.

The amount of accrued liabilities for public revenues payable by the NIS Group in 2021 totalled RSD 217.8 billion, which is an increase of 21% on the same period in 2020.

Ratio indicators[1]

Profitability ratios	2021	2020[11]	2020
Gross profit margin (*EBITDA* margin)[2]	+17%	+8%	+9%
Net profit margin[3]	+7%	-4%	-4%
Return on assets (*ROA*)[4]	+5%	-2%	-2%
Return on equity (*ROE*)[5]	+9%	-3%	-3%
Liquidity ratios			
Current ratio[6]	+152%	+111%	+111%
Quick ratio[7]	+92%	+63%	+63%
Net working capital ratio[8]	+8%	+2%	+2%
Leverage ratios			
Leverage coefficient[9]	+33%	+34%	+34%
Net Debt/EBITDA[10]	1.12	4.91	4.91

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.*
11 *Restated indicators for 2020 : In accordance with the applicable Law on Accounting of the Republic of Serbiathe Rulebook on the Chart of Accounts and the Rulebook on the Content of Forms of Financial Statements the structure of the financial statements used for calculation of some racios have been changed. In line with this racios for 2020 have been restated.*

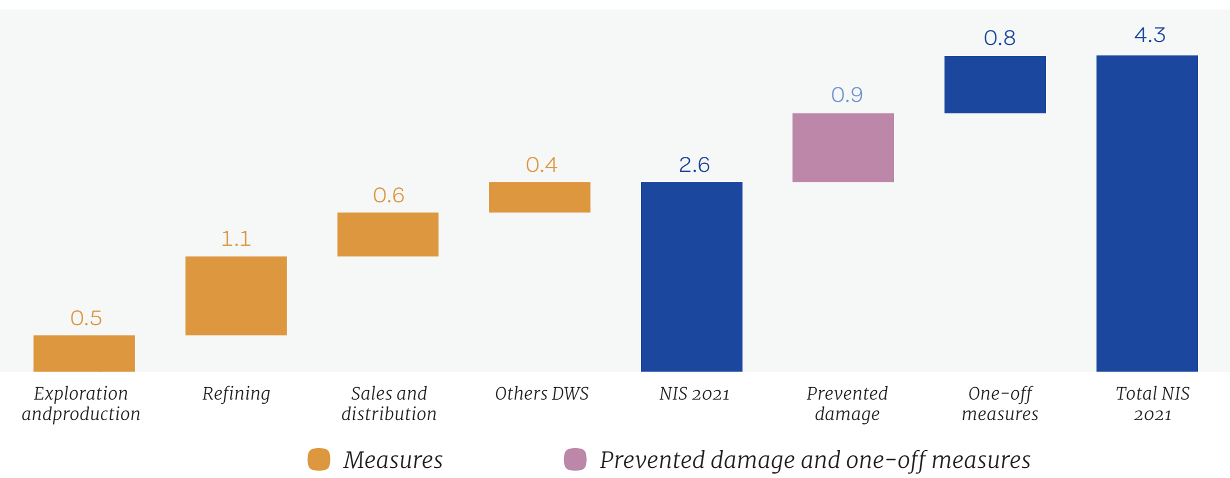
Operational efficiency improvement

In 2021, 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 2021 on EBITDA equals RSD 2.6 billion.

Operational efficiency programs in all parts of NIS will continue to be a key 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.

Effect of operational efficiency improvement measures on EBITDA, RSD billion



The motivation program "I have an Idea" allows each employee to suggest ideas that can improve business and thus directly affect efficiency. In December 2021, bonuses were paid and points were awarded for the period March 2020 - October 2021, when the payment of prizes was suspended.

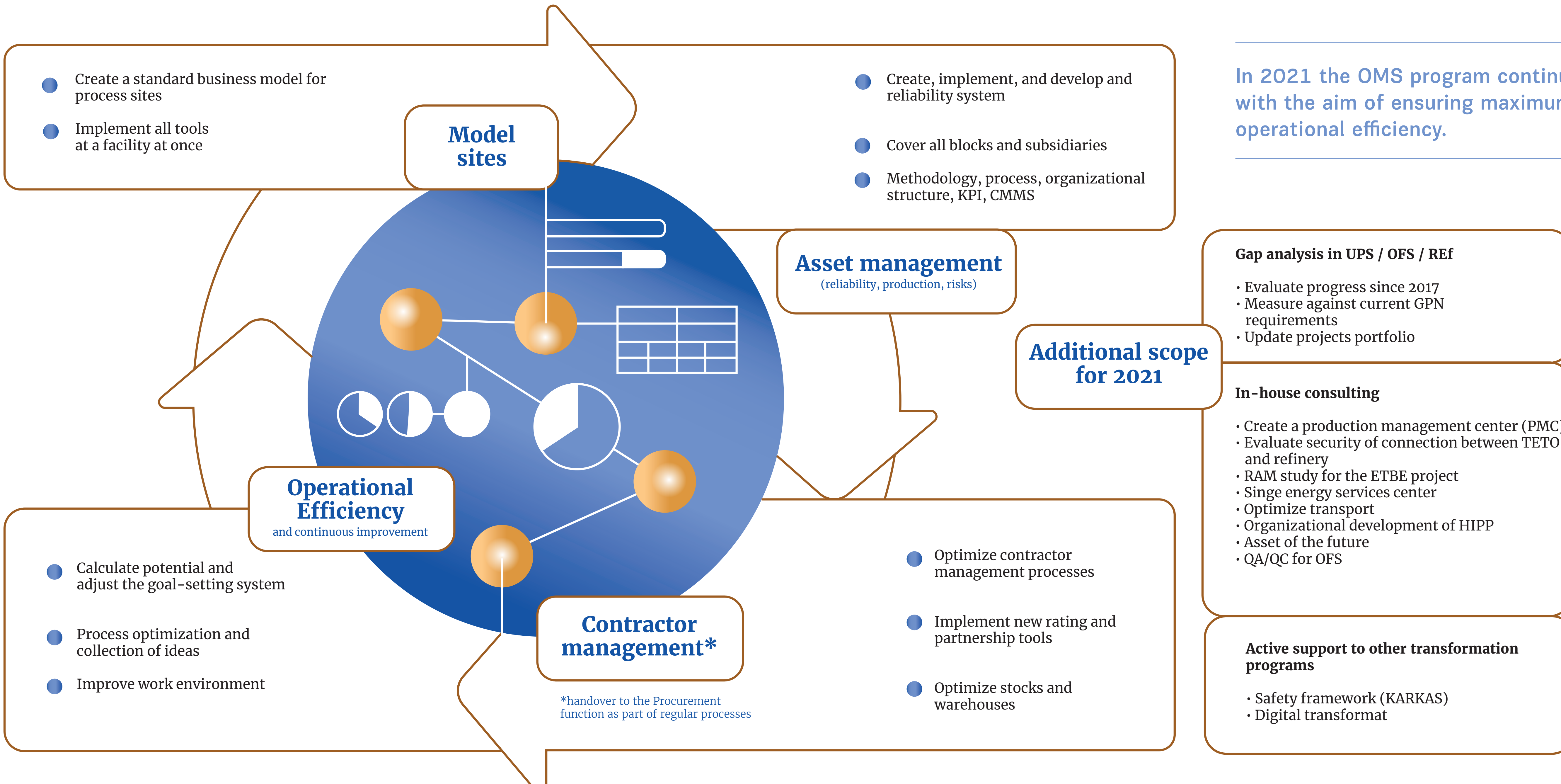
127 ideas were put forward within 'I have an Idea!' program in 2021, and their effect amounted to over RSD 73.04 million.

1.2.7

OMS Etalon

The OMS program, which was started in NIS in 2017, with the aim of ensuring 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 2021.

In 2021 the OMS program continued with the aim of ensuring maximum operational efficiency.



The key activities in 2021 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;
- Contractor and supplier management.

The positive experience of recent years, related to etalon facilities, confirms the great applicability in the system integration of all practices on a particular facility. At the end of 2021, 8 facilities in the Upstream division were already declared as etalon facilities from the aspect of OMS, and there were 4 such facilities in the Downstream division, including the units in the Pančevo Oil Refinery and oil and petroluem product terminals of the Sales and Distribution Block. 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, and potentially HIP-Petrohemija JSC Pančevo in these activities.

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 2021, we managed the following:

- To stop the decline and improve trends in the part of basic reliability KPIs (operational readiness and oil wells exploitation coefficient);
- To apply reliability practices in 60% production units;
- To create a special reliability structure in the Exploration and Production Block, update the existing one in the Refining Block, and complete the analysis of future structures in the Sales and Distribution Block and Naftagas – Oil Services LLC Novi Sad;
- To assess the current level of selected KPIs, set long-term targets in the Exploration and Production Block and the Refining Block, and to analyze variances regularly;
- To connect through the CMMS system the digital structural walkarounds, electronic shift log and electronic work permit;
- To increase the number of potential events by 50% and reduce the number of minor events by 30%;
- To reduce the number of emergency orders by 25% and increase the ratio of scheduled/unscheduled maintenance work from 25/75% to 55/45%.

Regarding the management of contractors and suppliers, the following key tasks have been completed:

- The application of new approaches to the contract implementation management on selected critical contracts of the Company through the adoption of normative and methodological support, as well as organizational preparation for assigning a new role of a contracted engineer;
- Compiling the first rating of contractors, defining systemic criteria for the evaluation and determining the future methods of motivation;
- Optimization of the Company's inventories and warehousing using instruments such as RAM (reliability availability modeling) and ROP (reorder point).

Exploration and Production

In 2021, a complex approach to the application of OMS practices and instruments was implemented in the Exploration and Production Block, in the Elemir Gas Refinery.

The result of implementing the operational efficiency measures (OEM) in 2021 amounts to RSD 747 million.

A risk assessment was carried out at five facilities of the Exploration and Production Block.

Refining

The focus of the OMS Etalon in 2021 was on the application of methodologies and practices of the key OMS elements in the Refining Block.

The continuous improvements in accordance with the OMS strategy include increasing the reliability of equipment and plant operation by applying the RCM (Reliability Centered Maintenance) methodology, further improvement in the CMMS information system, using industrial tablets for digital structural tours and plant controls by operators with an aim to improve the production processes, improving contractor and supplier management, and continuous operational efficiency improvement and increase through active work with the working groups of the Technical and Production Directorate.

The most important program is the application of all available methodologies and practices on the new DCU and the largest complex among the older plants – FCC complex.

Significant improvements were made in keeping the Electronic Shift Log, visualizing the criticality of equipment in the field with the use of QR codes, managing the complex oil application system on the machines in the production plants with the application of the unique developed Color-Code Marking.

A new approach to managing flange joints and establishing the leakage control on dismantlable flange joints with the help of digital tools is being developed, an automated calculation of the reliability KPI from the IBM Maximo database for operational reliability using the BI analysis system has been developed. A special Electronic Permit-to-Work System has been developed and tested, which should significantly improve the safe execution of works in the refinery plants, but also increase the efficiency and effectiveness of the process, which is the main task for the next year.

SOP (Standard Operating Procedures) and visualizations on plants are actively developed and set up, aimed at the increase and sustainability of the quality work of operators in the Refining Block.

Sales and Distribution

In 2021, a series of OMS initiatives were implemented within the Sales and Distribution Block in several directions:

- As part the Element "Equipment Reliability and Integrity Management", the planned RCM analyses at Ovča and Smederevo warehouses and the criticality classification of technological equipment in the retail were fully implemented, in accordance with the plan. Appropriate maintenance strategies were outlined at Ovča and Smederevo warehouses and the critical equipment was visualized.
- The LPG Warehouse in Belgrade (Ovča) was the first standard facility in the Sales and Distribution Block to apply the OMS tools through a complex and comprehensive approach to improving the operational business, safety, and improving the workspace and the employees' organizational culture. The implemented measures and improvements were also presented to the top management of the Company at the OMS Committee meeting, which was held at the facility in July 2021.
- The implementation and application of the shift handover methodology and the methodology for structural walkarounds continued based on the plans adopted in 2019.
- The employees attended two training sessions on the application of the "Change Management" procedure at the facilities of the Sales and Distribution Block. The plan for implementing the instructions on change management in production process safety was developed, and the schedule, roles, and persons responsible for implementation were defined.
- The OMS projects results are reviewed by the Project Committee of the Sales and Distribution Block and, during the Committee sessions, all the listed initiatives are presented, monitored, assessed, and closed.
- As part of the initiative of the Element "Operational Risks", the risk studies were conducted using the HAZID methodology at Požega petroleum product depot and Čačak LPG depot.

1.2.8

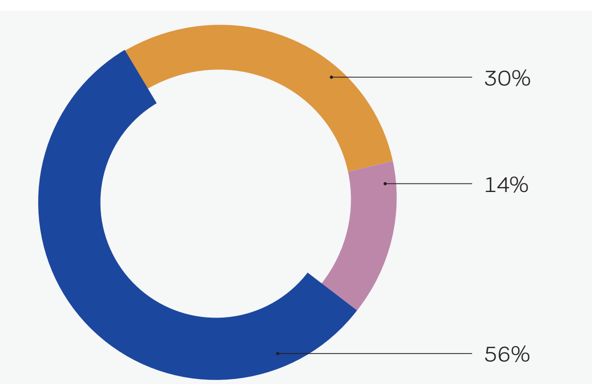
Securities

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:

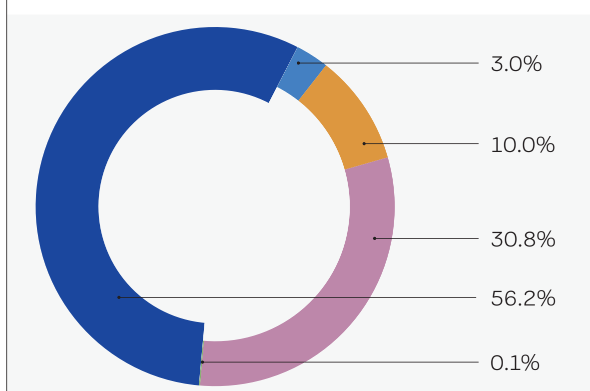
- right to participate and vote at the assembly meetings, according to one-share-one-vote rule;
- right to receive dividends in compliance with applicable legislation;
- right to participate in the distribution of the company assets remaining after liquidation or of a bankrupt's estate in compliance 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.

Share capital structure based on % in share capital



Gazprom neft
Republic of Serbia
Other shareholders

Share capital structure based on entity type



Physical Domestic Entities
Legal Domestic Entities
Physical Foreign Entities
Legal Foreign Entities
Custody accounts, Joint accounts and Funds

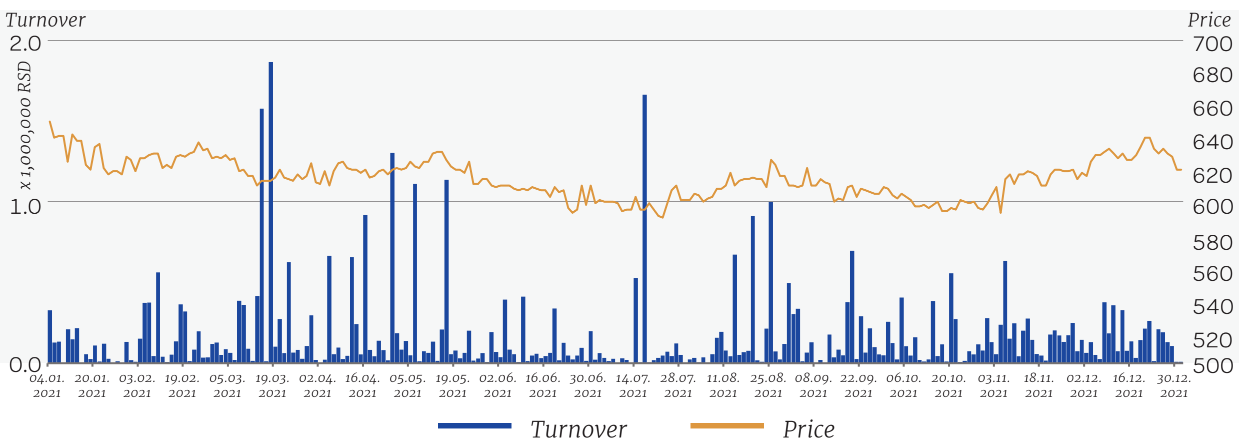
The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

Shareholder	Number of shares	% in share capital
PJSC Gazprom Neft	91,565,887	56.15%
Republic of Serbia	48,712,522	29.87%
OTP banka Srbija a.d. – custody account – fund	2,638,611	1.62%
OTP banka Srbija a.d.– custody account – fund	1,049,901	0.64%
Dunav osiguranje a.d.o.	394,229	0.24%
Convest a.d. Novi Sad – collective account	214,956	0.13%
Raiffeisen banka a.d. – custody account	208,638	0.13%
DDOR Novi Sad a.d.o.	182,335	0.11%
Unicredit bank Srbija a.d. – custody account	155,796	0.10%
Unicredit bank Srbija a.d. – collective account	141,792	0.09%
Other shareholders	17,795,733	10.91%
Total number of shareholders as at 31 December 2021:		2,060,667

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 2021



Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in 2021	
Last price (31st December)	620
High (4th January)	650
Low (30th June)	530
Total turnover, RSD	418,271,511
Total volume, number of shares	679,322
Total number of transaction, number of transactions	5,617
Market capitalization as at 31 December 2021, in RSD	101,097,448,000
EPS	141.86
Consolidated *EPS*	128.52
P/E ratio	4.37
Consolidated *P/E* ratio	4.82
Book value as at 31 December 2021	1,669.61
Consolidated book value as at 31 December 2021	1,611.89
P/BV ratio	0.37
Consolidated *P/BV* ratio	0.38

In 2021 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 that 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 2021 Shareholders' Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit from previous years, coverage of loss of NIS j.s.c. Novi Sad for 2020, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. Pursuant to the Decision, the dividend is to be paid to NIS j.s.c. Novi Sad shareholders in cash, in the total gross amount of RSD 1,001,190,856.

	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

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 organizes presentations of its performance results, at the end of each quarter. In 2021, the same as in the previous year, in compliance with the measures to prevent the spread of coronavirus, the performance results presentations were held via video conference, where the representatives of the top management, in direct communication with the investors, gave a detailed analysis of business and performance results. NIS j.s.c. Novi Sad participates in investment conferences held by the Erste Group, the Belgrade Stock Exchange (in 2021 the Belgrade Stock Exchange Investment conference was not organized) and WOOD&Co investment company. Our door is always open for those who wish to learn more at one-on-one meetings.

Every year, NIS j.s.c. Novi Sad organizes the Investor's Day in the Company's offices, where it presents its important and key projects. This year, the same as last year, due to compliance with the measures to prevent the spread of coronavirus epidemic, the Investors' Day was not organized.

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 finacial 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.

Being the parent company of the entire Gazprom Neft Group, which includes NIS j.s.c. Novi Sad and its subsidiaries, PJSC 'Gazprom Neft' manages commodity-hedging instruments at the level of Gazprom Neft Group and decides when it is necessary to use specific commodity hedging instruments.

Rating

Rating assigned by	Member of Group	Previous rating		Rating score	
		Rating	Date	Rating	Date
Business Registers Agency – Republic of Serbia	–	BB Very good	26 November 2020	BB Very good	22 November 2021
Bisnode d.o.o. Belgrade, Serbia	*Dun&Breadstreet*	5A1 *Strong DOWN*	8 January 2021	5A1	23 December 2021
	Bisnode AB, Stockholm, Sweden	B1	8 January 2021	C2	23 December 2021

Record achievements

THE ENERGY OF SUCCESS

In 2021, yet again, we achieved record results.

The first quantities of Euro diesel with bio component were produced and exported to the regional market.

The Pančevo Oil Refinery processed

3.9 million

tons of oil, and the total sales volume is more than

4 million tons.

The decisive development of the retail network continued, with the commissioning of

10 new and reconstructed facilities.

NIS is the first company to open a gas station on the “Milos Veliki” highway and provide consumers with innovative services and the highest quality products.

1.2.9

Corporate Governance

Statement on Application of Corporate Governance Code

Corporate Governance Report

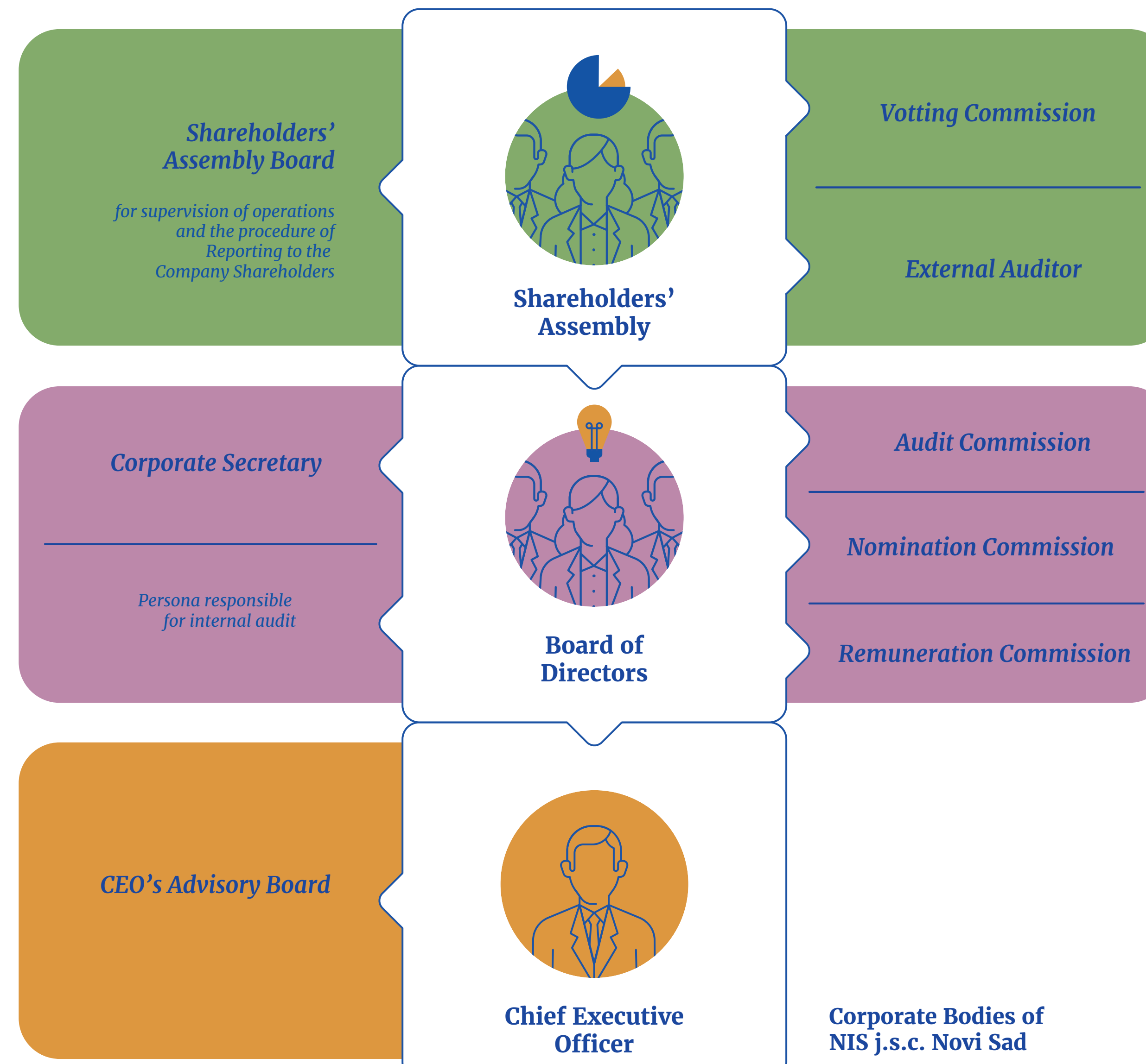
In accordance with Article 368 of the Company Law ("The Law") and Article 35 of the Law on Accounting, NIS j.s.c. Novi Sad hereby states that it applies the Code of Corporate Governance of NIS j.s.c. Novi Sad (hereinafter "The Code") which is available on the company website. This Statement contains 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' Assembly and Shareholders' Right

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.

Both the notice about the Board of Directors' decision to call a meeting of the Shareholders' Assembly and the draft agenda are 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). A meeting of the Shareholders' Assembly may be called on the Company's website (www.nis.rs), on the company register's website (www.apr.gov.rs), on 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 participate in the operation of the Shareholders' Assembly

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 2.06 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 with at least 5% of the voting shares may submit a proposal to the Board of Directors with: additional agenda items to be discussed at a Shareholders Assembly meeting, additional items to be decided on by the Assembly and other decisions on the existing items on the agenda, provided that such proposals are explained and that the text of the proposed decisions is attached (if a decision of the Shareholders' Assembly is proposed).

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 General Meeting 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 2021

In 2021, XIII General Annual Shareholder Assembly (29 June 2021) was held in Belgrade, at the NIS Corporate Headquarters, at Milentija Popovica 1 Street, and there were no extraordinary meetings.

At the 13th general meeting, the Shareholders' Assembly adopted the financial and consolidated financial statements of the Company for 2020 and the auditor's opinion, and elected the auditor for the period of 3 years (2021-2023) - PricewaterhouseCoopers d.o.o. Beograd. The Company's 2020 Annual Report, the Report on the Audit of the Annual Report, the Report on the Performance Analysis of the Board of Directors and Its Commissions, the Board of Directors' Annual Report on accounting practices, financial reporting practices in compliance with laws and other regulations, and the Report on the Performance of the Shareholders' Assembly Board were all adopted. The Shareholders' Assembly adopted the Report on the suitability of the Board of Directors' composition and the number of members in relation to company needs and the Report on the estimate of the amount and structure of remunerations for the members of the Board of Directors of NIS j.s.c. Novi Sad, which were prepared with the assistance of external experts. The Shareholders Assembly also adopted the results of the Program of the Long-Term Stimulation for non-executive directors and members of the governing bodies of NIS j.s.c. Novi Sad for the 2018-2020 cycle.

In addition to the above, the Shareholders Assembly adopted the Decision on the distribution of profits in previous years, the coverage of losses for 2020, payment of dividends and on determining the total amount of retained earnings of the Company. The decision defined that the dividend would be paid from an amount of retained earnings from the previous years, i.e., it was decided that the shareholders of the Company be paid the total of RSD 1 billion.

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

More information on Investor Relations on page 122

In addition to the reports NIS is legally required to publish as a joint stock company, and which are publicly available to all interested parties (including performance reports presented to shareholders at Shareholders' Assembly meetings), the Company has also established a two-way communication with shareholders and investors. Both parties can receive all necessary information about the Company's operations all year round through the Offices for Minority Shareholders Affairs in Novi Sad and Belgrade, dedicated call centre or e-mail service through which each shareholder may ask questions and receive answers electronically, as well as through the Investor Relations Service.

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 five-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. The board of directors is responsible for 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 General Meeting, appointing and dismissing the Chief Executive Officer and Chairperson of the Board of Directors, and making decisions on the establishment or liquidation of companies where the Company has a share in capital (decisions regarding the increase of capital, purchase and sale of shares or stakes in these Companies).

General Meeting the Board of Directors shall also issue the price of convertible bonds and warrants, if the General Meeting 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 acquisition of its own shares 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 General Meeting 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.

Apointment and members of the Board of directors

The members of the Board of Directors shall be appointed and dismissed at a General Meeting by a simple majority vote of the present voting shareholders. At the 13th General Annual Shareholder Assembly held on June 29, 2021, 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 General Meeting 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.

Changes in the composition of the Board of Directors in 2021

At the XIII regular session of the Shareholders Assembly of NIS, held on 29 June 2021, the following were the appointed members of the Board of Directors: Vadim Yakovlev, Kirill Tyurdenev, Danica Draskovic, Alexey Yankevich, Pavel Oderov, Dmitry Shepelsky, Dejan Radenkovic, Dragutin Matanovic, Alexander Chepurin, Anatoly Cherner and Olga Vysotskaia, while the membership of Alexander Krylov in the Board of Directors of NIS j.s.c. Novi Sad stopped on the day of the said session of the Shareholders Assembly of NIS.

Board of Directors' Members as of 31 December 2021

Vadim Yakovlev

Chairman of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

Deputy Chairman of PJSC Gazprom Neft Management Board,
Deputy of PJSC Gazprom Neft CEO in charge of exploration and production including offshore, strategic planning and mergers and acquisitions

Born in 1970.

In 1993, Mr. Yakovlev graduated from the Moscow Engineering Physics Institute, Department of Applied Nuclear Physics. Mr. Yakovlev graduated from the Faculty of Finance at the International University in Moscow in 1995. Since 1999, he has been a qualified member of the ACCA (Chartered Association of Certified Accountants). In 2009, he earned a degree from the British Institute of Directors (IoD).

During his employment with PricewaterhouseCoopers from 1995 to 2000, Mr. Yakovlev held various positions, starting from a Consultant to being promoted to Audit Manager. In the period from 2001 to 2002, he served as Deputy Head of Financial and Economics Department, YUKOS EP c.j.s.c. From 2003 to 2004, he was Financial Director of Yugansk Neftegaz, NK Yukos. From 2005 to 2006, Mr. Yakovlev held the position of Deputy General Director in charge of economy and finance at SIBUR-Russian Tyres. From 2007 to 2010 – Gazprom neft PJSC Deputy CEO in charge for economics and finance. From 2007 – Deputy Chairman of the Management Board of Gazprom neft PJSC. From 2010 to 2011 – First Deputy CEO – Gazprom neft PJSC Financial Director. From 2011 he was at the post of the Gazprom neft PJSC First Deputy CEO.

As of 2019 he holds the post of the Gazprom neft PJSC Deputy CEO in charge of exploration and production.

Mr. Yakovlev was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10 February 2009. and he was elected Chairman of the NIS j.s.c. Novi Sad Board of Directors as of 31 July 2009.

Date of the first appointment into BoD: February 10, 2009

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- PJSC NGK Slavneft
- Salym Petroleum Development N.V. (Chairman of Supervisory Board)
- FGAOU Tyumen State University (member of the Supervisory board)
- LTD UT IT Novaya Industriya (Chairman of the BoD)

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

Born in 1977.

He undertook studies at the Moscow State Institute of International Relations (MGIMO), graduating from the Faculty of International Relations with a Bachelor's degree in Political Science and International Relations (with honors), and subsequently earning his Master's degree in International Law (with honors). He also obtained a Master of Laws (LL.M) degree from the University of Manchester and completed executive education programs at INSEAD and London Business School.

From 2000 to 2004, Mr. Tyurdenev worked for A.T. Kearney and Unilever and in 2004 he joined McKinsey & Co. From 2007 to 2012, Mr. Tyurdenev worked for Sibur Fertilizers as Deputy CEO for Strategy and Business Development. From 2012, he served as Executive Vice President and member of the Management Board of JSFC Sistema. Prior to joining NIS j.s.c. Novi Sad, Kirill Tyurdenev held positions of President and Chairman of the Management Board at United Petrochemical Company, which at that time was part of the JSFC Sistema group, and of Chairman of the Board of Directors of Ufaorgsintez.

In April 2016, Kirill Tyurdenev joined NIS j.s.c. Novi Sad as First Deputy CEO for Refining and Sales.

In December 2016, he was elected member of the Board of Directors. In March 2017 he was appointed CEO of NIS j.s.c. Novi Sad.

Date of the first appointment into BoD: December 8, 2016

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- -

Danica Drašković

Member of NIS j.s.c. Novi Sad Board of Directors
Non-executive director

Born 1945.

Ms. Drašković graduated from the Faculty of Law, University of Belgrade in 1968.

From 1968 to 1990, she worked in the field of finance in the banking sector, and in the field of law and commerce within the economy sector, and as a Belgrade City Magistrate. Ms. Drašković is the owner of the publishing house "Srpska reč", founded in 1990. She is the author of three books written in the opinion journalism style.

From 1 April 2009 to 18 June 2013, Ms. Danica Drašković was a member of the NIS j.s.c. Novi Sad Board of Directors, being re-elected on 30 June 2014.

Date of the first appointment into BoD: April 1, 2009

Citizenship: Serbian

Membership in the Board of Directors or Supervisory Boards of other companies:
- -

1 *A member of the Board of Directors of NIS a.d. Novi Sad (formerly the Management Board) untill June 18, 2013, and she was re-appointed as a member of the Board of Directors on June 30, 2014.*

Alexey Yankevich

Member of NIS j.s.c. Novi Sad Board of Directors

Non-executive director

Chairman of the Remuneration Commission

Deputy CEO for Economics and Finance PJSC Gazprom Neft

Born in 1973.

In 1997, Mr. Yankevich graduated from Saint-Petersburg State Electrical Engineering University (“LETI”), majoring in optical and electronic instruments and systems. In 1998, he completed a course at LETI-Lovanium International School of Management in Saint-Petersburg.

Mr. Yankevich was employed with CARANA, a consulting company from 1998 to 2001. In the period from 2001 to 2005 he served as Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM o.j.s.c. (business unit responsible for logistics and downstream operations). In 2004, he became a Certified Management Accountant (CMA).

From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group). From 2007 to 2011 he held the post of Head of the Planning and Budgeting Department, and was Head of Economics and Corporate Planning Department at Gazprom Neft PJSC.

Since August 2011 he has served as acting Deputy CEO for Economics and Finance at Gazprom Neft PJSC. Mr. Yankevich has been a member of the Management Board of Gazprom Neft PJSC and Deputy CEO Gazprom Neft PJSC for Economics and Finance since March 2012.

Mr. Yankevich was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 18 June 2013.

Date of the first appointment into BoD:
June 18, 2013

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- PJSC NGK Slavneft”
- Gazprom Neft Lubricants Italia s.p.a. (Chairman of the BoD)
- Gazprom Neft Lubricants Italia Management s.p.a. (Chairman of the BoD)

Pavel Oderov

Member of NIS j.s.c. Novi Sad Board of Directors

Non-executive director

Deputy CEO for Foreign economic activities PJSC Gazprom Neft

Born in 1979.

In 2000, Mr. Oderov graduated from the National University of Oil and Gas "Gubkin University", Faculty of Economics.

In 2002, he graduated from the National University of Oil and Gas "Gubkin University", Faculty of Management. In the period from October 2002 to June 2007 he held positions such as leading expert, head of a section, deputy heat of Department in the field of marketing of Lukoil-Neftekhim ZAO.

From September 2007 to February 2020 he held various managerial positions within the Gazprom Group.

Since 23.06.2017, Mr. Oderov is Chairman of the Board of Directors of South Stream Serbia AG.

From February 2020 to the present he has served as JSC Gazprom neft Deputy CEO for Foreign economic activities, since the May 2020 he is a member of Management board of PJSC Gazprom – neft.

Mr. Oderov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 25 March 2020.

Date of the first appointment into BoD:
March 25, 2020

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- Overgaz Inc. AD
- Shtokman Development AG (Chairman of the BoD)
- South Stream Bulgaria JSC (Chairman of the BoD)
- SOUTH STREAM GREECE NATURAL GAS PIPELINE S.A. (Chairman of the BoD)
- South Stream Hungary Ltd. (Deputy Chairman of the BoD)
- TÜRKAKIM GAZ TAŞIMA ANONİM ŞİRKETİ
- JSC System of transit gas pipelines EuRoPol GAZ s.a. (SGT EuRoPol GAZ s.a.)“
- JSC Football club „Zenit
- LTD Basketball club Zenit

Dmitry Shepelsky

Member of NIS j.s.c. Novi Sad Board of Directors

Non-executive director

Head of Department for coordination of Sales of petroleum products, PJSC Gazprom Neft

Born in 1970.

In 1993, Mr. Shepelsky graduated from the Moscow Institute of Radio Engineering, Electronics and Automation.

In the early stage of his career, Mr. Shepelsky held positions of Deputy Head of Department for supply of petroleum products – Head of Directorate PJSC Gazprom Neft.

At the present Mr. Shepelsky serves as Head of Department for coordination of Sales of petroleum products, PJSC Gazprom Neft.

Mr. Shepelsky was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 29 June 2021.

Date of the first appointment into BoD: June 29, 2021

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- -

Dragutin Matanović

Member of NIS j.s.c. Novi Sad Board of Directors

Non-executive director

Chairman of the Appointment and Government Commission

Born 1954.

Bachelor of Electric Engineering (BEE).

He was employed at the position of electric engineer at the Company Lola računari in Belgrade.

Director of the Company Lola računari in Belgrade.

He was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 06.09.2019.

Date of the first appointment into BoD: September 6, 2019

Citizenship: Serbian

Membership in the Board of Directors or Supervisory Boards of other companies:
- -

Dejan Radenković

Member of NIS j.s.c. Novi Sad Board of Directors

Non-executive director

Member of the Audit Commission

Born in 1971.

Elementary and high education completed in Priština, graduated from the Economy faculty in Priština and awarded a Master degree in the field of Economy from the EDUCONS University.

Mr Radenković has started his professional experience with Company for trade and services Balkan auto in Priština and CC PTT Serbia. As of 2005 he was at the post of Director of Orbita j.s.c. and from 2010 he was with the Ratko Mitrović j.s.c., at the post of General manager, Executive manager and member of the Board of Directors. He held the post of member of the Board of Directors of the Economy faculty in Priština, Deputy General manager of the First Global Brokers company from Belgrade. He was Chairman of the Board for supervision of operations and Member of the Board of Directors of Dunav Bank j.s.c. Zvečan, where he also held the post of the Chairman of the Board of Directors. From 2013 to 2017 he was a member of the Supervisory Board of the JV „Lasta“ j.s.c. Belgrade.

From 2015 to 2021 he was a member of the Board for supervision of operations of the MTS bank j.s.c. Belgrade.

He is a member of the Socialist Party of Serbia and he was elected member of the Parliament of Republic of Serbia in 2008, 2012, 2014, 2016 and 2020.

He was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 27.06.2019.

Date of the first appointment into BoD: June 27, 2019

Citizenship: Serbian

Membership in the Board of Directors or Supervisory Boards of other companies:
- -

Alexander Chepurin

Independent Member of NIS j.s.c. Novi Sad Board of Directors

Non-executive director

Member of Nomination Commission

Born in 1952.

Graduated from the Moscow State Institute of International Relations (MGIMO University) in 1975.

A career diplomat, from 1975 onwards Mr. Chepurin worked at the Ministry of Foreign Affairs of the USSR and later, the Ministry of Foreign Affairs of the Russian Federation.

From 1986 to 1992, he headed the Economy group of the Embassy of the USSR (Russia) in Italy. From 1994 to 1996, he was Director of one of the leading Departments in the Ministry, the Human Ressources Department. From 1994 to 1997 he was also a member of the United Nations International Civil Service Commission in New York (ICSC). As from 1996 to 2000 he was Ambassador Extraordinary and Plenipotentiary of the Russian Federation in Denmark.

From 2005 to 2012, Mr. Chepurin was Director of the Russian Federation Ministry of Foreign Affairs Department for Relations with Compatriots Abroad.

From 2012 to June 2019, he served as Ambassador of the Russian Federation to Serbia. He has the rank of Ambassador Extraordinary and Plenipotentiary and several Russian and Serbian state orders and medals.

In 2009, he was awarded a PhD Degree in Political Science.

From 2012 to 2019 Mr. Chepurin closely dealt with issues of cooperation development between Russian energy companies and the Republic of Serbia, focusing on strengthening cooperation between Russian and Serbian energy companies.

He is a member of the Russian international affairs council.

Mr. Chepurin was elected independent member of the NIS j.s.c. Novi Sad Board of Directors as of 27.06.2019.

Date of the first appointment into BoD
June 27, 2019

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- -

Anatoly Cherner

Member of NIS j.s.c. Novi Sad Board of Directors

Non-executive director

Chairman of the PJSC Gazprom Neft Executive Board, Deputy CEO for Logistics, Refining and Sales at PJSC Gazprom Neft

Born 1954.

Mr. Cherner graduated from Grozny Oil Institute in 1976 with a degree in chemical oil and gas engineering.

In the same year he was employed at the Sheripov Grozny Refinery, starting as an operator to become refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of the company. He joined SibNeft (from June 2006 – Gazprom Neft PJSC) as Vice-Chairman for refining and marketing in April 2006. In December 2007 he was appointed Deputy CEO for logistics, refining and sales in Gazprom Neft PJSC.

Mr. Cherner was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10 February 2009.

Date of the first appointment into BoD:
February 10, 2009

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- PJSC NGK Slavneft
- PJSC Slavneft-YANOS
- Saint Petersburg International Mercantile Exchange
- Gazprom Neft Lubricants Italia s.p.a.
- Gazprom Neft Lubricants Italia Management s.p.a.

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

Born in 1961.

Graduated cum laude from the Leningrad State University in 1984, from the Department of Economy Cybernetics, with specialisation in economic mathematics. Post-graduate studies in mathematical cybernetics at the Institute of social and economic studies of the USSR Academy of science, Leningrad division, in 1987. Completed the MBA at Bristol University in 1998. Earned the Professional independent director diploma from the London Institute of Directors in 2009.

She held the position of Chair of the Board of Directors (BoD), CEO, Chair of science and production companies from 1988 to 1995, and she was Director of many private companies. From 1995 to 2003 she held various partner positions with KPMG in New York and Moscow. From 2003 to 2005 she was person in charge of Internal audit Directorate of Yukos, Moscow. From 2005 to 2008 she was Consulting services Executive partner of Deloitte&Touche, From 2006 to 2013 she held positions of independent member of the BoD, Chair of the Audit Commission, member of the Strategy Commission, member of the Remuneration Commission of EM - alliance and KIT Finance, as well as independent member of the Audit Commission of OJSC Baltika. From 2012 to 2013 she was a partner in PricewaterhouseCoopers (PwC) and from 2013 to 2014 - independent member of the CJSC NefteTransService Board of Directors, Chair of the Audit Commission, member of Remuneration Commission. From 2013 to 2021 she held position of independent member of LTD ÏNK BoD and from 2015 to 2018 she held position of independent member of BoD of JSC SUEK.

Ms Vysotskaia was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 21 June 2018.

Date of the first appointment into BoD
June 21, 2018

Citizenship: Russian

Membership in the Board of Directors or Supervisory Boards of other companies:
- Nonprofit organization Serebryanoe vremya (Chair of the Supervisory Board, Director)

Board of Directors' Activities in 2021

The Board of Directors held 4 sessions with the personal presence of members and 18 written sessions. All meetings of the Board of Directors were attended by all the members, with a maximum average attendance of 99.58%.

The agenda of the session of Board of Directors involved regular activities related to the deliberation of the annual report of NIS j.s.c. Novi Sad, financial statements and consolidated financial statements of the Company for 2020, the adoption of periodic (quarterly) reports of the Company in 2021, convening a regular session of the Shareholders Assembly, the adoption of the Company's business plan, determining the day, procedure and manner of payment of dividends to shareholders. In addition, Decisions were made on the approval of the acquisition of shares in the base equity of HIP-Petrohemija Pancevo, and the approval of the conclusion of the Agreement on subordinated and financial loans between NIS a.d. Novi Sad and subsidiaries abroad (NIS PETROL E.O.O.D, Republic of Bulgaria, NIS PETROL S.R.L. Romania and NIS PETROL d.o.o. Banja Luka), in order to consolidate the concluded contracts. The Board of Directors also approved proposals for dismissal from the position and approval of candidacy for the position of the directors of subsidiaries Naftagas-Oilfield Services LLC, Novi Sad and NIS PETROL, LLC Banja Luka, as well as proposal for the the approval of the nomination for the position of the Audit Commission member in Jadran-Naftagas LLC, Banja Luka, and the Board also appointed members of the Commissions of the Company's Board of Directors, namely, the Audit Commission and the Commission for Remuneration and Appointments for the current term of office. For the purpose of achieving the projected goals of the Company, reviewing the performance of the Company and the quality of corporate governance, the Board of Directors considered quarterly reports on business analyzes in the reporting period, with business estimates of NIS j.s.c. Novi Sad until the end of 2021. For the purpose of reviewing its own performance, the Board of Directors also analyzed its own work and in this regard, submitted an appropriate Report for the XIII regular session of the Shareholders Assembly. Likewise, the Board discussed the results in achieving the key business indicators for 2020, as well as the system of evaluation of key business indicators for 2021, the results of the NIS Long-Term Motivation Program for the 2018-2020 cycle, and determined the results of the Program of Long-term Stimulation for non-executive directors and members of the governing bodies of NIS for the same cycle.

In 2021, the Board of Directors adopted 67 decisions, while the implementation of these decisions is monitored through periodic reports on the implementation of decisions and orders of the Board of Directors.

Attendance at the Meetings of the Board of Directors and Board of Directors' Commissions in 2021

BoD Member	Board of Directors		Audit Commission		Remuneration Committtee		Nomination Commission	
	% of attendance	Number of meetings	% of attendance	Number of meetings	% of attendance	Number of meetings	% of attendance	Number of meetings
Vadim Yakovlev *Chairperson of the BoD*	100%	22/22	–	–	–	–	–	–
Kirill Tyurdenev *CEO*	100%	22/22	–	–	–	–	100%	4/4
Alexey Yankevich[1]	100%	22/22	–	–	–	–	–	–
Alexander Krylov[2]	100%	11/11	–	–	–	–	–	–
Dmitry Shepelsky[3]	100%	11/11	–	–	–	–	–	–
Pavel Oderov	100%	22/22	–	–	–	–	–	–
Danica Drašković	95.45%	21/22	–	–	–	–	–	–
Anatoly Cherner[4]	100%	22/22	–		100%	3/3	–	–
Olga Vysotskaia	100%	22/22	100%	10/10	100%	3/3	–	–
Dejan Radenković	100%	22/22	100%	10/10	–	–	–	–
Alexander Chepurin	100%	22/22	–	–	–	–	100%	4/4
Dragutin Matanović	100%	22/22	–	–	–	–	100%	4/4
Members of the BoD's Commissions who are not members of the BoD								
Zoran Grujičić	–	–	–	–	100%	3/3	–	–
Alexey Urusov	–	–	100%	10/10	–	–	–	–

1 *President of the Remuneration Committee from July 23, 2021.*
2 *Member of the Board of Directors since June 29, 2021.*
3 *Member of the Board of Directors since June 29, 2021.*
4 *President of the Remuneration Committee Commission until June 29, 2021.*

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 fiscal 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) in accordance with internal corporate documents.

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 2021, 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 letter, it defined the appropriate Report, which was adopted at the XIII regular session of the Shareholders Assembly, held on 29 June 2021. 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.

Total amount paid to Board of Directors members in 2021, net *RSD*	
BoD Members	243,241,143 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 XIII regular session held on 29 June 2021, the Shareholders Assembly adopted the Decision on the Adoption of the Results of the Program of Long-term Stimulation for non-executive directors and members of the governing bodies of NIS j.s.c. Novi Sad for the 2018-2020 cycle.

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

Documents Equality Policy, Corporate Governance Code of NIS j.s.c. 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

Taking into account 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; having 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 document 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.

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, Chair of the Audit Commission,
- Dejan Radenković, Member of the Audit Commission and
- Alexey Urusov, Member of the Audit Commission.

The chair and members of the Audit Commission were appointed by the decision of the Board of Directors dated 23 July, 2021, and all three members performed the above functions in the Audit Commission in the previous term.

In 2021, the Audit Commission held three meetings where the members were personally present, as well as seven written sessions. Among other things, the Commission analyzed the Quarterly Report, the Financial Statements and the Consolidated Financial Statements for the Q1, Q2 and Q3 of 2021 and subsequently made appropriate recommendations to the Board of Directors. The Audit Commission also analyzed the 2020 Annual Report as well as the report of an independent auditor, PricewaterhouseCoopers d.o.o. Beograd, on the audit of this report. The Commission has considered the proposal for selection of an auditor which would audit the Company's Financial Reports and Consolidated Financial Reports and provide other auditing services for a 3 year period (2021-2023), and provided its opinion on the qualifications and independent position of the auditors at Pricewaterhouse Coopers d.o.o. Belgrade in relation to the Company and given its approval to enter into an agreement with the auditor. Also, the Audit Commission adopted the Plan for conducting the audit procedure and determining the key issues to be audited and determined the Annual Plan for conducting internal audit at NIS j.s.c. Novi Sad for 2021, as well as changes to this Plan. It also considered the audit findings and significant audit issues for 2020, and monitored the status of the implementation of the auditor's recommendations given in the Letter Points to the Management of NIS j.s.c. Novi Sad for 2020, with the status as of 30 June 2021, and 31 August 2021. The Audit Commission considered the Report of the Internal Audit and Risk Management Function with the results of the internal supervision of NIS j.s.c. Novi Sad for 2020 and for three and six months in 2021.

Remuneration Commission

Members of the Remuneration Commission are:

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

The President and members of the Commission for Remuneration were appointed by the decision of the Board of Directors dated 23 July 2021, while the function of the Chairperson of the Commission for Remuneration in the previous term of office was performed by Anatoly Cherner (until 29 June 2021).).

In the course 2021, the Commission for Remuneration held one session in person, and two correspondence sessions. The Commission reviewed the results of key indicators fulfillment for 2020, as well as the system of evaluation and indicators for the needs of remuneration for 2021, and determined the proposed fee for the auditor of financial and consolidated financial statements of NIS j.s.c. Novi Sad as well as for performing other audit services for the period of 3 years (2021-2023). In addition, the Commission determined the results of the NIS long-term motivation program for the 2018-2020 cycle, as well as the results of the Program of the Long-term Stimulation of non-executive directors and members of the governing bodies of NIS for the same cycle. The Remuneration Commission also prepared the Report on the Assessment of the Amount and Structure of Remuneration for the members of the Board of Directors of NIS j.s.c. Novi Sad, which was submitted to the Shareholders Assembly for its consideration at the session held on 29 June 2021.

Nomination Commission

Members of the Nomination Commission are:

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

The chair and members of the Nomination Commission were appointed by the decision of the Board of Directors dated 23 July, 2021, and all three members served on the Nomination Commission in the previous term.

In 2021, the Commission for Nominations and Appointments held four correspondence sessions. The Commission considered proposals for dismissal from the position and approval of candidacy for the position of directors of subsidiaries Naftagas-Naftni servisi doo Novi Sad and NIS PETROL doo Banja Luka, as well as a proposal for approval of candidacy for the position of member of the Audit Commission Jadran-Naftagas d.o.o. . Banja Luka. Also, the Commission for Nominations and Appointments prepared a Report on the 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, in line with the needs of NIS j.s.c. Novi Sad, which was submitted to the Shareholders Assembly for its consideration at the session held on 29 June 2021.

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 2021

The Board of the Shareholders has 3 (three) members, one of whom is the Chairman of the Board of the Shareholders Assembly. The Shareholders Assembly appoints simultaneously both the Chairman and the members of the Board of the Shareholders Assembly by a special decision. The mandate of the Chairman 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 Chairman and / or member of the Board of the Shareholders Assembly at any time.

At the 13th General Annual Shareholder Assembly held on 29 June 2021, all members of the Board of the Shareholders’ Assembly Board whose term of office ended were re-elected, so that in 2021 there was no change in the composition of the Board of the General Meeting of Shareholders, and the composition is as follows:

- Zoran Grujičić (Chairman),
- 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

Born in 1955.

Mr Grujičić graduated from the Faculty of Mechanical Engineering of the University of Belgrade.

From 1980 to 1994, he was employed by the Cer heat transfer appliances plant in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of Interkomerc, Belgrade. From February 1998 to June 2004, he was Managing Director of MNG Group d.o.o., Čačak. From June 2004 to February 2007, he was Director of the trading company Agrostroj j.s.c. Čačak, Director of the limited partnership company Leonardo from Čačak and Director of the Vojvodina Highway Centre. Since February 2007, Mr. Grujičić has been employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department in Jugopetrol, Head of RC Čačak at the Retail Department – Čačak Region, Manager of Retail Network Development in the Development Department, Sales and Distribution. From October 2012 to January 2016, he had served as Advisor to the Sales and Distribution Director and from February 2016 to October 2017 has been an Advisor to the Function for External Affairs and Government Relations Director.

From 30.06.2014 to 27.06.2019, Mr Grujičić was a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders. As of 27 June 2019 he was appointed as a Chairman of the the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders.

Citizenship: Serbian

Membership in Other Companies' Boards of Directors or Supervisory Boards:
- -

Dragan Bračika

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

Born in 1982.

Mr Bračika graduated from the Faculty for business and industrial management of the Union University in Belgrade, Department for industrial and economy management and holds a BSc degree in management.

From 2013 to 2015, he was Advisor to General manager of the Novi Sad Fair.

From 2016 to the present he serves as Director of Ceptor Andrevlje. Mr Bračika was appointed as a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 27.06.2019.

Citizenship: Serbian

Membership in Other Companies' Boards of Directors or Supervisory Boards:
- Board of Directors member, Specialized hospital for prevention, treatment of lung deseases and rehabilitation Sokobanja;
- Director, Center for economy and technology development Ceptor Andrevlje

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

Director of Economics and Corporate Planning Department in Gazprom Neft PJSC

Born in 1974.

Mr Urusov graduated from the Tyumen State University (specializing in finance) and the University of Wolverhampton in the United Kingdom (BA (Hons) Business Administration). He furthermore holds an MSc degree in Sociology.

From 2006 to 2008, he worked as Executive Vice-President for planning and performance management in the Integra Group. From 2002 to 2006, he was employed at TNK-BP, being a member of TNK BoD's Group for Monitoring and Control from 2002 to 2003, and CFO of TNK-BP Ukraine from 2004 to 2006. From 2009 to 2012, Mr Urusov was employed with NIS j.s.c. Novi Sad as Chief Finance Officer. From 2012, he has been employed as a Director for economics and corporate planning with PJSC "Gazprom Neft".

He was appointed member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 25 June 2012.

Citizenship: Russian

Membership in Other Companies' Boards of Directors or Supervisory Boards:
- Board of Directors member, Gazpromneft - Catalytic systems LLC;
- Board of Directors member Gazpromneft – Energoservice LLC;
- Board of Directors member, GPN CR LLC
- Board of Directors member, GPN ITO LLC

Total amount paid to SAB members in 2021, net *RSD*	
Members of SAB	13,817,465 RSD

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

Name and surname	Number of shares:	% participation in the total number of shares
Dragan Bračika	5	0.000003066%

Activities of the Shareholders' Assembly Board in 2021

In 2021, the Board of the Shareholders Assembly held one session with the personal presence of members and eight correspondence sessions. The Board of the Shareholders Assembly considered the annual financial and consolidated financial statements of the Company for 2020, as well as periodic (quarterly), financial and consolidated financial statements for the first, second and third quarters of 2021. The Board of the Shareholders Assembly considered also the reports of the independent auditor on the audit of the Company's financial statements, the proposal on the selection and remuneration of auditors of financial and consolidated financial statements and other audit services for a period of 3 years (2021-2023). It also deliberated on the manner of the distribution of profits of previous years, coverage of the Company's losses and payment of dividends for 2020, and submitted a Report on its work to the Shareholders Assembly of the Company. In addition to the above, the Board of the Shareholders Assembly also considered proposals for acquiring a share in the equity of HIP-Petrohemija Pancevo, and the approval of the conclusion of the Agreement on Subordinated and Financial Loans between NIS j.s.c. Novi Sad and subsidiaries abroad (NIS PETROL E.O.O.D., Republic of Bulgaria, NIS PETROL S.R.L. Romania and NIS PETROL LLC. Banja Luka), in order to consolidate the concluded contracts. In 2021, the Board of the Shareholders Assembly passed 34 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 composition of the Advisory Board was determined by the Decision of the CEO, and it includes the First Deputy CEO – Head of Exploration and Production Block, the First Deputy CEO – Head of Downstream Division, Heads of the Refining and Sales and Distribution Blocks, as well as heads of the Company's Functions, as well as the director of the company Naftagas-Oil Services LLC Novi Sad. In addition to issues related to the business management of the Company, the Advisory Board deals with the strategy and development policy whose basis 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 2021, members of Advisory Board of the CEO were:

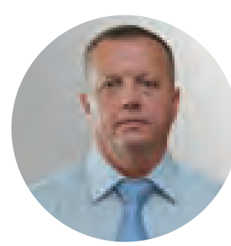
Gennady Lubin
First Deputy CEO for Exploration and Production

Andrey Tuchnin
First Deputy CEO – Head of Downstream Division

Vladimir Gagić
Head of Refining Block

Alexey Chernikov
Head of Sales and Distribution Block

Viacheslav Zavgorodnii
Deputy CEO, Head of Strategy and Investment Function



Igor Chernov
Deputy CEO, Director of Corporate Security Function

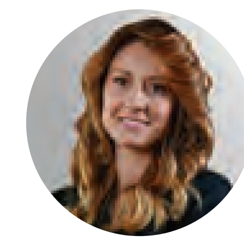
Anton Cherepanov
Deputy CEO, Director of Finance, Economics, Planning and Accounting

Sergey Fominykh
Deputy CEO, Director of Legal and Corporate Affairs Function

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

Mikhail Ryazanov
HSE Director

Nikola Radmilović
Director of Naftagas – Oil Services LLC Novi Sad

Activities of the Advisory Board in 2021

During 2021, there were 16 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 Division Downstream;
- reports presenting monthly financial results of operations and
- reports on statuses of the key open issues within Functions.

In addition, the reports showing Company's quarterly results of operations, reports on operations of different boards in the Company, 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 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 insiders, 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 insiders are specifically regulated by the Company's internal acts.

Pursuant to Article 84a of 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 employed as managers in the Company, as well as related parties (as defined by the Law), are obliged to report any acquisition or sale of the Company's shares for their own account to the Securities and Exchange Commission within 5 days, if these individual acquisitions or sales exceed the amount of RSD 100,000, and also if the total value of individual acquisitions or sales in one calendar year exceeds RSD 500,000.

In 2021, 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;
- 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 2020 were adopted on 29 June 2021 at the XIII regular session of the Shareholders Assembly, which was attended by the auditor of the company "KPMG" d.o.o. 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 "Pricewaterhouse Coopers" d.o.o. Belgrade, to audit the financial statements and consolidated financial statements for the period of 3 years (2021-2023).

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 informing the Audit Commission about the additional services the auditor provided to the Company. The statement was a part of the material for the 13th General Annual Shareholder 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 mapping procedure. All identified BP of the Company are classified and presented in the Classifier of Business Processes and within the business system 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 2021, 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 2021, 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].

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.

1 More information on related party transactions can be found on page. 454

INNOVATION FOR THE FUTURE

Technologies for modern consumers

Further development of NIS is based on constant introduction of innovations and application of new technologies.

Driven by the fact that our priority is customer satisfaction, we have remained committed to developing new services and innovative solutions.

In 2021, we also received external awards for our activities. We won two prestigious awards in the business excellence competition

“Oscar of Quality”.

Drive.Go mobile application,

which allows you to pay for fuel without going to the payroll, was named the innovation of the year.

1.2.10

Human resources

In 2021, NIS sought to maintain its position as one of the top employers in Serbia, while constantly adapting to the labour market conditions, the employees' expectations, and the needs of the business. The greatest effort was invested in the stability of the Company as an employer, the programs designed for attracting and developing young people, the new motivation models, learning, development, and promotion of the corporate culture of respect.

After many years of efforts to improve as an employer, ensuring its readiness to face diverse challenges, in 2021, NIS received three awards for one of the most attractive employers in Serbia. In addition, the platform called "Respect Above All" was declared one of the best HR projects in Serbia.

NIS' long-term goal is to improve the engagement of its employees and HR practices, which will provide NIS employees with the best possible work experience. For this reason, in 2021, we continued investments in improving the employees' engagement and we initiated various activities based on the results of the latest employee engagement survey and the Company's strategic plans. We also continued the implementing the "Engagement Academy", which aims to develop leaders within the Company and thus ensure committed and motivated teams.

Our HR strategy, new Company values and value propositions of NIS as an employer (the Diversity and Inclusion Initiative, the Employer's Brand Strategy and the Learning and Development Strategy) gave rise to a large number of HR projects and initiatives, the implementation of which will improve the experiences of both candidates and employees of NIS, from recruitment to rewarding, employee remuneration and benefits, development and promotion.

Professional development of employees

Learning from the last year's experiences, we successfully maintained stability in providing a full support to employee development and learning in this year's long-standing challenges on a global scale. We continually worked on the development and implementation of the Engagement Academy, academy for the first-time managers, leadership programs, digital competencies development programs, as well as vitally important academies, programs and training courses aimed at the professional and technical development of our employees.

Throughout 2021, we continually provided support to the digital transformation of our Company in several segments. This year, a special segment was the implementation of the SAP Success Factors, a solution that provides a very good integration of talent processes, but also development tools both at the individual and team level and at the Company level. With the implementation of the four modules of this solution – Learning, Performance Management, Career Planning and Succession Planning, the employee training and development has acquired a new quality and provides for a more transparent engaging of employees and managers in their own development and development of their teams.

Also, in cooperation with the digital team and external partners from the country and abroad, the Training and Development Sector organised the planned educational activities for different groups of employees in the field of digitization. By the end of the year, the evaluation of digital competencies of the digitization teams was conducted and it was included in the team education plan for the next year.

This year, the focus was also on further defining of professional and technical competency models for targeted development of employees on their current and for future positions, and the professional competency models for positions within NIS Business Service were created outside the business.

In 2021, in cooperation with external providers 2,870 training courses were organized, which were attended by 5,226 participants, i.e. 2,849 employees. The hours of training totalled 63,373, with the total cost of RSD 187.5 million.

Our employees broadened their professional knowledge with the support of the world's leading companies (NExT Schlumberger, Apave Mare, Yokogawa, Aspentech, Telaxe, IMD Business School, COTRUGLI Business School, Tomsk State University, Siemens) and some of the top domestic companies: Institute of Nuclear Sciences Vinča, Tehpro, Prevention Institute, Project Management Center, GI Group, Omega Consulting, HR Center, Mokra Gora School of Management, TIM Center and many others. The training courses facilitated the development of both professional and personal skills necessary for successful team management.

The Foreign Language Learning Program was also realized this year through group classes of the Russian language delivered to over 150 employees.

To promote the learning culture, the additional motivation and rewarding program was also developed for all those who participated in activities that contribute to and promote the exchange of knowledge, whether as an internal trainer, mentor or otherwise.

Corporate university

Following the concept of continuous learning, the Corporate University completed the sixth cycle of the employee training program.

In 2021, the activities of the Corporate University were focused on the creation and development of new development programs for all employees, but also for specific groups of employees, on the promotion and development of the culture of learning as one of the most important segments of NIS corporate culture, all with the aim of responding to the needs of the business in a flexible and an appropriate manner, while keeping track of the current global digital trends.

As the follow-up and continuation of the internal trainer program, we launched the “Learning Driver” Program – a motivation and rewards (material and non-material) program for all those who take the role of internal trainers, mentors or take part in other activities that contribute to and promote the exchange of knowledge. The employees now become “Learning Drivers” and ambassadors of this new motivation program dedicated to continuous learning and development. The employees can earn rewards by collecting points, which, in time, they can redeem for in-kind rewards of their own choice (the more points earned, the better the reward). In order to earn points as a learning driver, the employees need to provide internal training, be mentors and promote the culture of learning, and those who provide internal training or rank among the top three winners on internal professional competitions also receive a material reward.

A special focus is placed on futher implementation of the “Engagement Academy”, intended for NIS leaders. Its goal is to improve the employee engagement at the Company level through diverse internal development activities, ranging from the onboarding training for new employees, organization of workshops with managers, to engaging top managers in the panels dedicated to the engagement drivers. One of the initiatives of this program included the engagement workshops. The workshops were attended by more than 320 employees holding senior and middle management positions, and the aim was to empower managers and their teams to create an encouraging environment that will contribute to the accomplishment of strategic Company goals, but also strengthen internal relations within teams.

In 2021, the job shadowing program, designed specifically in response to the need to improve the results of intersectoral cooperation, was continued. The program involved 49 colleagues from the Scientific and Technological Center and the Refining Block in the role of shadowing partners. Along with their workplace activities, they accomplished over 2,000 hours of work in over 140 days. The main benefits of job shadowing, surfaced after the project was completed and they are related to the improvement of business operation, the way of doing business, efficiency and effectiveness, along with the development of diverse business initiatives upon familiarising with the business activities of their colleagues from other organizational units. An especially significant effect was the internal transfer of knowledge and easier communication, which further gave way to an increased transparency within the Company and the improvement of business processes.

The “First-Time Manager” development program for new leaders was launched. Their "new beginning" is a new chance for us to boost the leadership potential in the Company and thus create a workplace environment in which the committed leaders inspire their colleagues. This program aims to empower and support new managers during the period of adjustment to the new job, and above all, to create the leaders who will contribute to the further development of the Company. 61 participants, mostly from business, took part in the first cycle of this program. Relying primarily on internal expertise and knowledge, 4 modules were defined, divided into 5 workshops, covering the key topics relevant for the new managers. Another benefit offered at the workshops was the participation of "guest" managers during each workshops, transferring the "first-hand" experience related to the topic, and the opportunity to get involved in internal job rotations, i.e. job shadowing. We designed this program to empower our future leaders and prepare them for the role of a manager who will enjoy the trust of employees and inspire other colleagues to improve.

We are aware of the fact that the ways we learn and transfer knowledge must be adapted to the era of digitization and that it takes a comprehensive approach in order to ensure that the Company is capable of responding to the challenges and taking advantage of the benefits of digitization. For that reason, our Company particularly focuses on educational activities supporting the improvement of the digital culture and achieving digital transformation. In 2021, educational activities targeted all employee categories. Topics in four key areas of digitization were covered: Digital Transformation, Data Management, Digital Technologies and Project and Product Management. 935 employees attended different forms of training courses, from online digital sessions to classical lectures, knowledge exchange workshops, interactive training, etc.

In 2021, we launched the Drive Program aimed at supporting middle managers who represent a key link in the operational governance of the Company. Our colleagues – thirty-one of them, attended this new learning and development program. In the demanding selection process, they demonstrated their readiness to open up a new chapter in their career that will enable them to strengthen their leadership skills over a one-year period. During twelve months, participants from all Blocks and Functions are givent the opportunity to work interactively to develop their leadership skills and knowledge and strengthen their teams – through lectures provided by world-class business experts, mentoring from our top managers, networking with colleagues, panel discussions, and undertaking new initiatives. The first two modules of this program were completed in 2021.

The first of the three planned modules within the development program for the Company's top managers was completed in 2021. The development program for top managers is implemented in cooperation with the international IMD Business School.

Together with the HR colleagues, the Corporate University team participated in the creation and launch of the "Respect Above All" Program. This program is intended to support all NIS employees when they feel that they are treated with disrespect or when they feel that they are enduring or experiencing situations that threaten their dignity, employment rights and feelings. The program consists of three support centres: Psychological Support Team, Ethics Advisor and Mobbing Support. Depending on the employees' circumstances, they can contact one of these three support centres.

Professional development of employees in business blocks

In the Refining Block, an improved process of technical competency assessment was implemented. The testing, an expert assessment team, and periodic competency verification were introduced. HSE competencies were integrated in the Training Book, which will be tested in addition to technical competencies relevant for operational job positions, with the aim of increasing employee safety. In addition, the core competencies for operational job positions have been defined in the Training Book. This year, the focus was placed on the development of video training for the defined core competencies. Relying on own resources, 70 video training sessions have been created for a part of units and published on the Active Learning platform in the form of a training course. We will keep up this practice in 2022 as well.

We have clearly defined the career path advancement rules for employees in the Production Directorate. The Energy Sector and the "Bottom-of-the-Barrel" personnel are also included in the career path.

These improvements were presented specifically to the members of the Trade Union Executive Board and the plant managers, in order to raise awareness and understand the need of employee development through acquiring competencies and through the career path.

The "Best in Profession", an internal prize competition in 5 categories, was organised in July. The four winners qualified for the "Best in Profession" competition to be held in Moscow. Our team had excellent results, and the exchange of knowledge and experience was at a high level. Important contacts were established with colleagues from Gazprom Neft, and that cooperation has been continued in the effort to improve the employee internal training and knowledge exchange programs.

Our employees took part in 3 major conferences: Petrochemical and Refining Congress (PRC) - online, Oil & Gas Automation and Digitalization Congress (AUTOMA) - online, and European Refining Technology Conference (ERTC) - live.

External professional and technical training courses are still predominantly organised online, noting that the plan was 100% fulfilled.

The most important training courses were organized live at the Refinery, including the advanced training course for the "Bottom-of-the-Barrel" personnel (Telaxe), Bently Nevada and System 1 maintenance (Turbomechanic), statutory training on the erection and maintenance of devices and installations in the explosion-prone environments (Prevention Institute, Novi Sad), training in lubrication of industrial bearings (SKF), FOXBORO DSC user training (Eurofox inženjering), statutory training for steam turbine mechanics (Association of Energy Engineers of Serbia), advanced training on Yokogawa RACE software (Yokogawa).

Some important online training courses include Planning and Scheduling (IDCON), training in API 510 standard for pressure vessels (Veritas), Improving Refinery Energy Efficiency Course - Virtual Training Mechanical Integrity and Reliability of Coke Drums (EUROTEK REFCOMM), training for engineers responsible for flanged joints according to SRPS EN 1591-4 (TÜV Rheinland InterCert), Advanced Damage Mechanisms and Materials (Fleming), RCA Facilitators Course (RCA Facilitators Course).

In addition to scheduled internal training at the plants conducted by instructors and internal trainers, the e-learning culture has come to life this year too.

As part of the cooperation with educational institutions, our experts held a series of lectures at the Faculty of Technology in Novi Sad and at the Secondary School of Chemistry in Pančevo, where the first generation of the newly formed oil and gas processing department will complete their education in 2022. A cooperation was established with three secondary schools in Pančevo: Secondary School of Mechanical Engineering, Secondary Technical School, and Secondary School of Electrical Engineering, and the plans were made for further steps in cooperation with female colleagues from the Energy of Knowledge. In addition, the training in Basics of Statistics and Statistical Methods in Oil Refining was organised for the OMS team in cooperation with the Faculty of Technology.

The Sales and Distribution Block has a highly developed internal training system in place – from development training for starting positions to the Academy for Retail Managers. In 2021, the internal training courses in the Sales and Distribution Block were attended by 1,449 employees, with the total of 3,015 hours of internal training.

With a view to improving the internal training system and responding to the changes caused by the pandemic, most of teaching material was converted to the video e-learning format, to ensure that the employees can continue their training online. The video training courses were recorded and edited by the employees from the Training and Development Section, who worked on their own and relying on internal resources. In addition to this novelty, additional internal training courses were organized on the following topics: teamwork, creating and managing successful teams, leadership, communication and presentation skills, time management, effective meetings, all with the aim of providing employees with the necessary knowledge to further their professional and individual growth.

By listening to the needs of individuals and teams related to both professional and personal growth, the importance of improving personal and teamwork was recognized, and consequently, the pool of internal training courses was expanded with individual and team coaching, as well as the “Excel Academy of the Sales and Distribution Block”, which offers the beginner and advanced levels, with direct effects on facilitating, accelerating, and improving the work of our colleagues to a higher level.

Another thing to highlight and pride ourselves on in 2021 is the implementation of an internal project that was focused on successor development in the Retail Department.

In 2021, great emphasis was placed on the continued development of our colleagues from G-Petrol, through internal training courses. A set of modular training courses covered the topics of Leadership and Teamwork. Team coaching was implemented in G-Petrol, the same as in the Sales and Distribution Block.

A three-year program aimed at developing skills and competencies of young specialists (YS) working in the Exploration and Production Block, NTC NIS – Naftagas LLC Novi Sad, Naftagas – Oil Services LLC Novi Sad and Naftagas – Transport LLC Novi Sad was formed and launched in the Exploration and Production Block. The “UPSTREAM Academy” development program consists of numerous activities, training courses and sessions distributed across three years. The goal of developing young specialists through this program is to establish a unique systematic approach to their integration, skills and competency development, rational and innovative thinking, corporate engagement, and to identify young specialists with high potential. For the duration of the Program, more than 20 training courses (200.5 hours of training) with more than 200 participants - young UPSTREAM specialists, were implemented, in cooperation with external providers and internal trainers. To support the colleagues, a Council of Young Specialists was established as an independent association, created on a voluntary basis, with the aim to increase the efficiency of young specialists' involvement in the Company's professional and social life: support for faster adaptation and integration of young specialists; help in realization of their scientific and technical potential; corporate engagement; help in promotion of corporate culture and values; launching and implementation of young specialists' initiatives.

From 25 to 27 August, the 4th Scientific and Technical Conference of Young Scientists and Specialists of the Exploration and Production Block, NTC and Oilfield Services was held in the remote format, in Novi Sad. Participants-exhibitors (32 of them) were young specialists and young scientists up to 35 old. The conference took place on a virtual platform and involved more than 100 participants (presenters, mentors, members of commissions for different sections of the Scientific and Technical Conference from NIS and GNP).

Ten of our winners from the Exploration and Production Block, NTC NIS – Naftagas LLC Novi Sad and the Naftagas – Oil Services LLC Novi Sad presented eight scientific papers at the final 11th Scientific and Technical Conference organised in November by the Exploration and Production Block of Gazprom Neft, where NIS representatives won six awards in seven sections.

Aiming to improve the employee skills and competencies, develop staff potential, and monitor the level of preparation, a team of colleagues from the Exploration and Production Block and NTC NIS – Naftagas LLC Novi Sad participated, via video call, in the “PetroCup” tournament for GPN group of companies, which was staged from 15 to 16 December.

After the last year's break due to the epidemiological situation, the Exploration and Production Block resumed the implementation of the Rotation and Internship Program in 2021, according to which colleagues are referred for professional training at GPN and GPN daughter companies, with the aim to improve their competencies and exchange knowledge and practices. On its part, the Exploration and Production Block continued its cooperation with GPN under this program and supported the internship of colleagues from the GPN Group in the Exploration and Production Block.

The Technical Training Section within the Exploration and Production Block carried out 45 theoretical training sessions (152 hours) and 4 practical training sessions (378 hours), in 2 categories, for a total of 56 operators. Based on the results of the GAP analysis of competency testing in 2021, 53 different training courses (712 hours) were conducted for 429 operators, in 10 categories. 6 different training courses (16 hours) were carried out for 2 newly employed engineers at the Exploration and Production Block. One training (1 hour) was carried out for 18 engineers under the "NIS Energy" program. 11 technologists from the Block participated in the "2021 Best Technologist" competition under the "NIS Calling" program, 2 students received an 8-hour long training session. Six 16-hour training sessions were carried out for 29 students of Secondary Technical School in Zrenjanin. The training on operating automatic measuring devices was organised for 8 employees over 10 days (40 theoretical and practical classes with the knowledge test at the end of the training).

Technical competencies were developed for 205 engineering and technical positions in the administration of the Exploration and Production Block. 263 competencies were defined and described and 5,459 questions were prepared for competency testing. A total of 385 employees working on engineering and technical positions in the administration were tested, including 550 operating personnel in the production units.

The "Best in Profession 2021" competition was held in the online format, with 4 days dedicated to theory (16 hours) and 10 days (80 hours) dedicated to practical demonstrations of the operators who took part in the competition. The practical part of the competition was organized at the Training Center in Elemir, using the simulator model for the well with an ESP. The contestants achieved remarkable results. Marko Bubulj received the recognition "Best Accomplished Practical Task - Measuring Dynamic Fluid Levels in Borehole".

The "Strongest Link 2021" competition was organized and implemented in 2 phases. 8 competitors (4 geologists and 4 technologists) took part in "Лучшее звено" (Phase I), a competition for geologist and technologist teams, organized in an online format. In the second phase, which was the final competition at the GPN level, Filip Matović and Lazarela Kovacević competed on behalf of NIS. They competed in individual categories for technologists and geologists, and as a team, in the multidisciplinary category, where practical problems in oil and gas exploitation had to be solved. The final phase of the competition also took place online.

The "new normal" affected digitization and training within the Oilfield Services. Given that health care is an imperative, both colleagues and external providers have adapted when it comes to training. In 2021, several training courses were successfully organized, aimed at the professional and technical development of employees. Training courses were organized in person, online and in a combined format, depending on the specifics of the area in which the training is conducted. Most notable training courses were carried out by MODURESOURCES EA B.V,(RIG INSPECTION), HOT ENGINEERING GMBH (Wireline and LWD Log Quality Control), SOLFINS (Catia software), with a total of over 100 hours of training. The Well Control training was carried out for 103 of our colleagues.

In 2021, within the Technical Training Section of the Oil Services Department, 73 employees underwent the training for the position of Derrickman 2, which took 289 working days (2312 hours). Six different training courses (16 hours) were run for 29 students of the Secondary Technical School in Zrenjanin. Also, lectures on the topics of Drilling and Workover were held at the Mihajlo Pupin Technical Faculty, which lated 4 working days.

The Well Control Level 2 training was held for 47 employees working on the position of Derrickman 1 and 2, over a two-day period (752 hours). Also, preparation training was held for the state examinations in operating mining machinery and unitsin the oil and gas exploitation process, for 2,022 workers (888 hours).

As part of the business initiative under the Performance Contract of Naftagas - Oilfield Services, the program of competency improvement, competency levels, and competency-related issues, was implemented in the first half of 2021.

The Technical Training Section defined the formats and prepared materials for program development; the material was prepared in coordiantion with the experts delegated from the organizational units and finally approved by the managers. The project includes the following organizational units: Group of Services for Drilling, Workover and Mud, Group of Services for Cementation, Flow Stimulation and Special Works, Group of Services for Mud Logging, Well Logging and Slickline Equipment, Group of Services for Maintenance and Tubing Center, and the Seismic Services Unit.

Technical competencies for 143 engineering-technical positions were developed, as well as technical competencies for 80 field worker positions. A total of 143 employees holding engineering-technical positions in the administration are being tested, including a total of 771 field workers.

In 2021, the Technical Training Section also prepared and adapted materials for electronic testing of employees on the GPN platform, specifically for employee training purposes. A total of 49 tests were created, out of which 13 for field workers and 36 for engineers.

The "Best in Profession 2021" competition was held in the online format, with the practical part of the competition organized at the premises of the Maintenance Unit, in the metalworking workshop). The competition lasted 10 days (80 hours) and included practical training for machinists and welders who took part in the competition. The competitors achieved remarkable results. Aleksandar Stanić, our welder, received the recognition for the Best Performed Practical Task – Welding of Casing Pipes.

In Naftagas – Technical services LLC Zrenjanin, 113 employees were trained and certified in handling flanged joints according to SRPS EN 1591-4 standard, and 32 employees received advance training for flanged joints inspectors. The aforementioned training courses will significantly contribute to raising the employee competencies and the overall quality of works.

In the Pančevo Process System Maintenance and Manipulation Unit, training and certification for leakage remediation, by applying special remediation methods, was organised for 12 employees, which will enable remediation of leakages with the units in operation.

In the Laboratory Control Unit, employees were certified for the advanced level of thermal imaging, which enabled this Section to be accredited by the Accreditation Body of Serbia for the use of this method.

A total of 7 professional and technical training courses were provided to 157 employees, significantly contributing to improving the technical expertise of employees in Naftagas – Technical services LLC Zrenjanin.

Talent development

Inspired by the award for the best employer in Serbia that we received in 2020 from Infostud, based on the Talent X Survey, in 2021 we have continued pursuing one of our main goals – employee development. Lead by the idea that each of our employees is a unique talent, we implemented, jointly with our talents, several key processes in 2021 that resulted in the creation of new development areas. These processes ensure the continuity of operation of our Company while allowing us to identify the sucessors who will take over the job positions that are vital for the business. During 2020, we developed and implemented the methodology for performance and potential assessment for more than 70 employees holding senior management positions in the Company, and in 2021 we expanded the program to include even more employees. As a result, in addition to senior management, this year's performance and potential assessment procedure was expanded to additionally include over 200 employees in middle management positions, thus increasing the participants in the talent assessment process to almost 300 employees. This process made it possible to identify talents and successors for taking over key positions in a more objective, transparent and efficient manner, as well as 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, all with the aim to ensure that the employees receive a feedback from their line managers after the talent session, as one of the steps in this procedure. During the feedback, employees and their managers analysed their strong sides, but also agreed on areas to be developed and the goals to work on in the upcoming period. After the feedback meetings, we organized more than 20 individual sessions and over 10 group workshops for 120 participants. We wanted to provide additional support to the participants in creating their individual development plans – a personal development tool enabling the employees to systematically improve and expand their expertise and achieve their career goals. In building their career, the employees will have partners - their line managers and the HR Division.

As a result, the talent session process resulted in the creation of nearly 300 individual development plans (IDPs) for senior and middle managers, and their active implementation is underway. When defining their development goals, the employees used the "70% - 20% - 10%" ratio, which is a combination of learning and development: 70% is development through work, 20% development through the exchange of experiences and learning from others, and 10% development through formal training.

By involving more employees in the performance and potential assessment procedure, as the starting point for talent management, the Company will have an objective and structured approach to defining individual development needs and determining further career development.

Given that the corporate competencies were revised last year, when some novelties were introduced, the beginning of this year was reserved for the pilot project of annual employee competency-based assessment, aiming to introduce the participants, in a systematic way, to the novelties that have enhanced the process. More than 4,000 employees took part in the pilot project and positively assessed all changes and novelties based on which, in the last quarter of the year, the Training and Development Sector organized the employee competency-based assessment for 2021. The process covered more than 4,500 employees. Upon completion of the competency-based assessment, the employees have a regular annual meeting with their managers, during which they receive a feedback on their performance in the year behind us. This process, which plays an important part in promoting culture and conduct in line with the Company values and in reinforcing its strategic business direction, enables us to identify strong areas and areas for improvement, both at the individual and the Company level, as well as to define clear development goals rearding the improvement of employees' knowledge and skills.

Considering that advancements in our Company are a daily event and considering that many colleagues have become managers for the first time this year, we have organized workshops titled "First-Time Assessor", to familiarize them with the annual assessment process, but also to prepare them for their new role of an assessor. The workshops were attended by about 100 of our new managers who, through intereactive work, completed all the steps of the process.

Also, in order to provide each of our talents with individual development experience, but also to be as objective as possible, in 2021 we organized dozens of assessments in cooperation with external consultants in order to provide employees with additional information about behavioural tendencies in the corporate environment, including instructions regarding personal and professional development.

Care for employees social welfare

NIS provides high-level social protection for its employees as regulated by the Collective Agreement and internal policies, which exceeds the social protection 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 the 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 service in the Company.

Material and non-material motivation

Employee motivation is crucial for achieving high business standards, for inspiring creativity, creation and innovation, for professional development and retention of employees. As one of the most attractive employers in the region, NIS provides its employees with the conditions for more efficient work and a good working atmosphere through several employee rewards and motivation programs.

Regular bonus programs are divided into three categories by types of job positions: bonuses in the production and technical organizational units, bonuses in sales, and quarterly and annual bonuses for administration workers. The employee bonuses depend on the levelo of achievement of the collective and individual goals and enable employees to relate their work to the Company's goals.

In 2021, NIS implemented a system of additional motivation, which unifies the possibility for managers and the Company to recognize and reward employees for major achievements in their work and compliance with the Company's values. It operates through employee motivation programs and the opportunities for employees to be involved in the activities under the "Success in Action" program.

The "Success in Action" program, an umbrella additional motivation program, includes the rewarding of employees for all activities that have value and importance for the Company's advancement and which are divided into four separate programs:

- Leader in Safety
- Learning Driver
- Innovator at Work
- Working Together on Projects

The managers, withing their organisational units, play a key role in the development of non-material motivation with the help of non-material motivation and employee reward programs: "Bravo Reward", "Best Employee", "Best Manager", Gazprom and Gazprom Neft campaigns, and special premiums.

Non-material motivation 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, with the aim of promoting best work practices and creating new value for the Company.

Employer brand and candidate recruitment and selection

Guided by the slogan “The Future Starts with You”, NIS believes that its future starts with the addition of every new colleague to a team of over 11,000 employees. In NIS, the recruitment and selection of candidates 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, and they forbid 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 2021, the team of the Recruitment and Selection Sector hired about 482 candidates of different profiles.

In 2021, the Employer Brand strategy was defined and approved, with the defined goals and the desired reputation by 2024, aiming to increase the employee retention rate and attract a larger number of experts to meet the business needs. As its ultimate goal, the strategy aims to enable the implementation of the HR Strategy, the Corporate Brand Strategy, as well as the Company's business strategies.

In 2021, we received 3 awards: 1. Top 3 most attractive employers for young people – Manpower Group; 2. Top 3 most attractive employers for young people – student organization Ajsek; 3. Top 3 best HR projects in Serbia for the platform "Respect Above All" – Infostud Group.

NIS has continued the tradition of organising internships for the most talented and ambitious students this year as well. We continued the implementation of the “NIS Calling” seasonal internship program, which enables students to acquire their first work experience by doing 320 hours of internship, with flexible work hours which they are allowed to organise around their faculty commitments. This year, we completed two seasons of this program for 55 young people. The program was adapted to comply with the new measures, which is why the majority of students completed their practice from home. The selected students were mainly future mining engineers and geologists, mechanical, process and electrical engineers, future economists, psychologists and lawyers. The Company has been organising the “NIS Calling” internship program since 2019 aimed at exchanging resources and knowledge and promoting science and research. The goal of this program is to motivate the students eager for knowledge and experience and introduce them to the best global practices in this field.

Investing in young people and providing opportunities for their first work experience is one of the priorities of our Company, so in 2021, in addition to the seasonal internship program, we have formed "NIS Energy" program for employment of young graduates and master's students. "NIS Energy" is a paid program that lasts 12 months, with the aim of training young graduates and master's students to take of specialist/expert-level positions in the Company. Every year, twenty young people make their first career steps through this program, and jobs are determined in accordance with business needs - all job positions are in Business Blocks. In the course of the program, in addition to practical work with an assigned mentor, all participants get the opportunity to develop through lectures on business, soft skills workshops, field trips, as well as through work on an individual project task. In 2020, the concept of the program and the brand identity ware created and the campaign was launched. 1,560 candidates applied for the competition, and the 16 best ones started off in February 2021.

In 2021, the digital campaign "Expert Behind NIS" was launched, which, in addition to being the reponse of the business, was one of the first steps of the Employer Brand Strategy. More than fifty colleagues from all organizational units of the Company took part in the campaign. This campaign aimed to draw attention to people as the pillar of our business, as well as the importance of expertise for the Company as the employer. NIS has continued to strengthen its position as an attractive employer through successful participation in over 30 online job fairs, conferences, workshops and forums organised this year, such as the "ESTIEM Case Study Show", "Soft Skills Academy for Engineers", "Genuine Conversations", "On Familiar Terms with the Company", "HR Week 2021", "HR Enter", "Serbian HR Community" panels and others.

In addition, under the Diversity and Inclusion Initiative, we started cooperation with the AFA organization and the Forum of Young People with Disabilities, with which we also implemented the first practical training for young people with disabilities. We also took part in a project with SOS Children's Villages – integrating users into the labour market. In addition, we also took part in the Gender Equality Survey conducted by the Ministry of Mining and Energy.

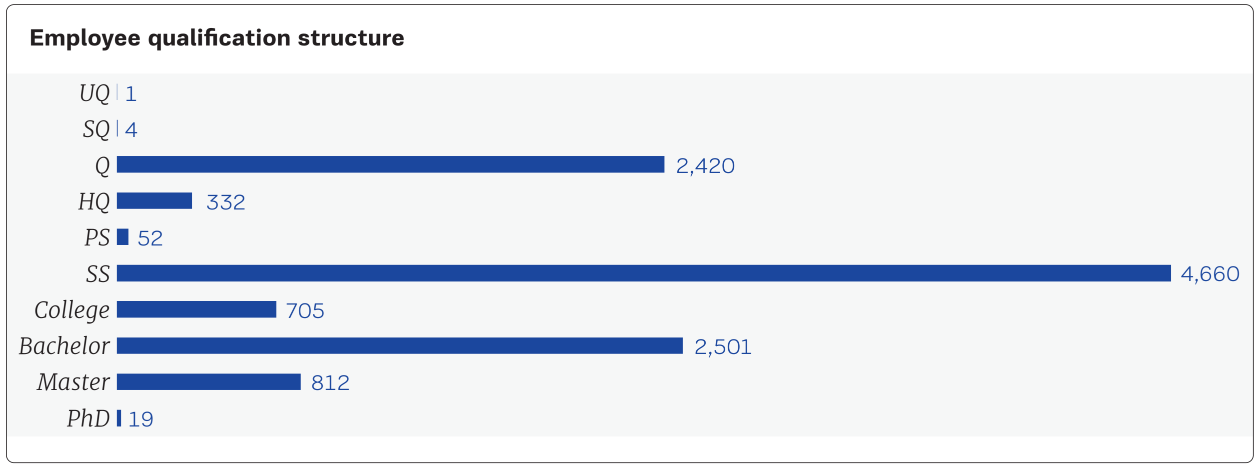
By setting ambitious goals, positioning the Company on the labour market and continually improving the experience of candidates who undergo the recruitment and selection process, as well as the experience of Company employees we have been able to achieve the results that place us at the top, while our good practices become a role model for other companies.

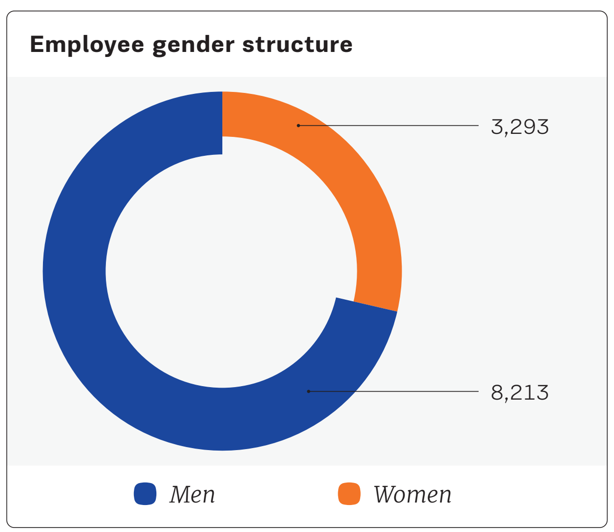
Headcount and employee structure

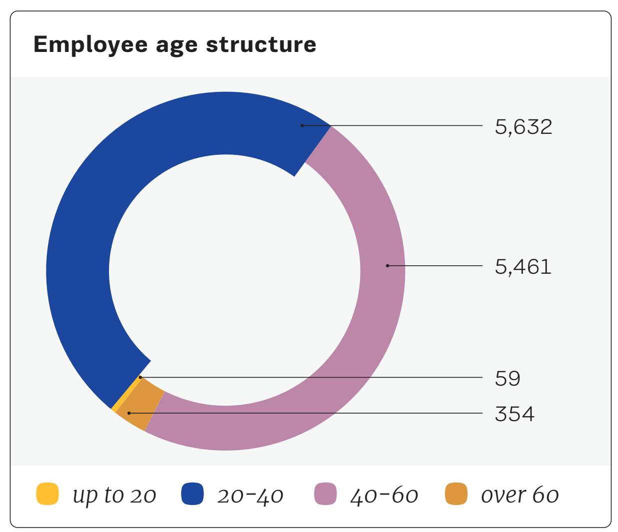
	12/31/2021			12/31/2020		
Organisational unit	**Direct**	**Leasing**	**Total**	**Direct**	**Leasing**	**Total**
NIS j.s.c. Novi Sad[1]	**5,038**	**0**	**5,038**	**5,173**	**25**	**5,198**
Exploration and Production Block	1,081	0	1,081	1,081	0	1,092
Downstream Division	2,508	0	2,508	2,542	25	2,567
Refining Block	956	0	956	978	0	978
Sales and Distribution Block	1,331	0	1,331	1,396	25	1,421
Energy Directorate	36	0	36	40	0	40
the rest of Downstream Division[2]	185	0	185	128	0	128
Corporate Centre	954	0	954	1,016	0	1,016
Multifunctional Shared Service Center[3]	491	0	491	518	0	518
Representative and Branch Offices[4]	4	0	4	5	0	5
Local subsidiaries	**5,835**	**0**	**5,835**	**5,832**	**0**	**5,832**
Naftagas – Oil Services LLC Novi Sad	1,784	0	1,784	1,879	0	1,879
Naftagas – Technical Services LLC Zrenjanin	385	0	385	391	0	391
Naftagas – Transport LLC Novi Sad	369	0	369	368	0	368
NTC NIS – Naftagas LLC Novi Sad	369	0	369	385	0	385
NIS Petrol j.s.c. Belgrade[5]	2,928	0	2,928	2,809	0	2,809
Subsidiaries abroad	**139**	**0**	**139**	**136**	**0**	**136**
NIS Petrol e.o.o.d. Sofia (Bulgaria)	52	0	52	52	0	52
NIS Petrol s.r.l. Bucharest (Romania)	77	0	77	74	0	74
NIS Petrol LLC Banja Luka (Bosnia and Herzegovina)	4	0	4	4	0	4
Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina)	6	0	6	6	0	6
Other subsidiaries included in consolidation	**494**	**0**	**494**	**504**	**0**	**504**
NIS Overseas o.o.o. Saint Petersburg (Russian Federation)	3	0	3	3	0	3
NIS Svetlost LLC Bujanovac[6]			0			0
G Petrol LLC Sarajevo Bosnia and Herzegovina)	491	0	491	501	0	501
TOTAL:	**11,506**	**0**	**11,506**	**11,645**	**25**	**11,670**

1 *In December, NIS j.s.c. has 41 employees hired through the Contract of Services*
2 *The rest of the Downstream Division includes: Office of Division Director, Crude Oil Sector, Production and Commercial Operations Planning, Optimization, and Analysis Department , Metrology Sector, Group for Administration and Documentation Support, DWS Procurement Department, and Project Office for Implementation of New Projects in DWS.*
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 Russia. In addition to the Representative Office in Russia, the Representative Office in Angola and the Balakanabat Branch in Turkmenistan are also active.*
5 *O zone a.d. Belgrade changes its business name as of March 2020 into NIS Petrol j.s.c. Belgrade. Considering that a part of functions of the Sales and Distribution Block was transferred from NIS j.s.c. (Retail) to NIS Petrol j.s.c. Belgrade, it is shown under other subsidiaries in the country.*
6 *On 29 March 2021, a bankruptcy proceedings were initiated for NIS Svetlost LLC Bujanovac.*

Employee qualifications, gender and age structure[1]







1 Includes both direct employees and leased employees at NIS j.s.c. Novi Sad, including representative offices and branches, subsidiaries in the country, subsidiaries abroad, and subsidiaries undergoing consolidation.

Employment terminations

In 2021, a total of 1,286 employees left NIS j.s.c.[1] 95 employees retired, 176 employees left NIS after termination of employment by mutual consent, while the employment of 1,015 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[1]	Subsidiaries[2]
Retirement	55	40
Termination by mutual consent	149	27
Other	206	809
Total	**410**	**876**

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.

NIS' long-term goal is to improve the engagement of its employees and HR practices, which will provide NIS employees with the best possible work experience.

New knowledge and markets

DEVELOPMENT PARTNERSHIP

In the history of NIS, the year 2021 will be entered as a period in which we have strongly stepped into further diversification of business.

Following the trends in the global oil industry, we signed a

Strategic Partnership Agreement

with the Ministry of Economy of Serbia and HIP Petrohemija.

In addition to further strengthening cooperation with the Republic of Serbia, this business step brings new expertise to the NIS Group, opens the door to different markets and offers

new development opportunities.

1.2.11

Environmental protection, industrial and occupational Safety

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

In 2021, so as in 2020, the year marked by the coronavirus pandemic, activities were focused on employee health protection and related preventive measures undertaken to sustain the Company's business in these peculiar circumstances.

Environmental protection

Responsibly, in a measurable, controlled and efficient way, NIS j.s.c. Novi Sad continuously improves the environmental performance of processes, develops the environmental awareness of employees, and encourages the application of the best available techniques and technologies in investment projects that have a direct or indirect impact on the environment.

Reducing the emissions of pollutants into the air has improved the air quality and indirectly increased the level of satisfaction of Pančevo residents.

The level of compliance with the requirements of the legislation of the Republic of Serbia has been raised and the management of the environmental protection system in NIS has been improved.

NIS takes care to protect the environment through various projects aimed at strict compliance with the highest environmental standards, the efficient and responsible use of available resources, by increasing energy efficiency and using renewable energy sources. NIS activities and performance in the field of environmental protection are constantly being improved, with the aim of increasing the environmental awareness of individuals and the entire community.

In 2021, RSD 355.6 million were invested in environmental projects.

In 2021, the Strategy for Environmental Protection until 2030 was drafted at NIS. As a part of the activities within the development of the Strategy, RS and the EU regulations were analyzed and the investment for ensuring compliance with prescribed obligations estimated, the long-term goals for reducing the negative impact on the environment were defined (reduction of carbon intensity, reduction of other emissions and use of resources), the projects were identified and necessary investments estimated.

In 2021, the Republic of Serbia passed the Law on Climate Change, which has established the legal framework for monitoring, reporting and verification of GHG emissions. In order to prepare for this commitment and to define the impact of the Company's activities on climate change in 2021, an external consultant commenced the Study of GHG Emissions Projections until 2030, including the analysis of technical measures for reducing GHG emissions and establishing the monitoring and reporting system in NIS.

A significant part of the Environmental Protection Strategy until 2030 concerns the management of GHG emissions in the Company. The analysis of technical and technological measures that can reduce GHG emissions shows that, in the future, the focus will be on improving energy efficiency in all business segments, using better and cleaner fuels (natural gas), establishing a system for monitoring and reporting on emissions of greenhouse gases in accordance with the requirements of the EU ETS Directive, and analyzing the possibilities of geological storage of CO_2 (injection of CO_2 into geological formations).

Disposal of most waste continued through umbrella agreements signed on a three-year basis with authorized waste management operators. This method of contracting has significantly accelerated the waste management process - shorter time of procurement of permanent disposal services, high requirements for bidders in terms of reputation and technology, reduced disposal costs and enabled safe removal of waste from sites within a very short time after its generation.

NIS j.s.c. Novi Sad regularly monitors and settles legal obligations related to the payment of fees. In 2021, RSD 281.5 million was paid for taxes and fees in the field of environmental protection.

Overview of charges and fees in 2021	Water charges (RSD million)	Environmental protection charges and fees (RSD million)	Total (RSD million)
NIS j.s.c. Novi Sad	79.2	198.4	277.6
Subsidiaries[1]	0.4	3.5	3.9
Total	**79.6**	**201.9**	**281.5**

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 LLC Belgrade.*

Fire protection

The consequences caused by the Covid pandemic affected business in all areas, including fire protection. However, that did not stop us from reorganizing, setting priorities according to the situation, and continuing to improve the fire protection system at the Company level.

A new fire unit has been formed in accordance with the provisions of legal regulations at the location of the Požega petroleum terminal, and now, at the Company level, there are 11 fire units in total, at various locations. Within the above mentioned unit, for the first time, we have one female employee in the fire service.

In the field of training, the year was very successful, as shown by the following indicators:

- 147 HSE drills were conducted in which the Company fire units practiced tactical action in case of various emergencies;
- Based on previous qualification competitions, three Company teams, from the fire units Elemir, Pančevo and Novi Sad, participated, in the State Firefighting Competition – in the category of professional firefighting units, organized by the Firefighting Association of Serbia. The team from the Pančevo Fire Unit won the 1st place, which qualified them for the International Firefighting Olympics organized by CTIF (The International Association of Fire & Rescue Services), which will be held in Slovenia in 2022;
- Cooperation with the Russian-Serbian Humanitarian Center of Niš has been renewed;
- 6 fire units of the Company took participation in the drill "SYSTEM 2021", organized by the Sector for Emergency Situations of the Serbian Ministry of Interior, aimed at checking the preparedness of the entire protection and rescue system (fire and rescue units of the Ministry of Interior, civil protection, emergency headquarters, economic entities of special importance for protection and rescue, etc.) at the level of the Republic of Serbia.

Given the specificity of the Company's technological process, fires, notwitstanding all the applied preventive protection measures, are due to occur in a certain number and scope. Thus, during 2021, there were 35 fires, wich, due to their scope, required the intervention of the Company fire units, and all of them were successfully extinguished, thus preventing greater material damage and environmental pollution. In this field, the interventions of extinguishing fires on the facilities of other economic entities are important and, on the request of the representatives of RS Ministry of Interior fire and rescue units, the assistance was provided in the following actions: HIP-Petrohemija a.d. Pančevo plant, truck on the Kovin-Smederevo bridge, roof structure of a residential building in Novi Sad, Minakva water factory, railway wagons in Kikinda. By taking part in these actions, once again, we proved as a Company, though in somewhat different mannar, that we are a reliable partner to the institutions and local community.

Process safety

Process safety is an area that focuses on preventing fires, explosions and accidental release of hazardous and non-hazardous substances from tanks, pipelines, and equipment within the technical and technological process such as units in chemical industry, refineries, petroleum product depots, i.e. NIS Downstream and Upstream facilities. This is achieved by applying the principles of proper design, engineering, operation and maintenance.

In the course of 2021, in the field of process safety, workshops were organized in which engineers - specialists of different profiles participated to implement an effective tool - management of technical and technological changes (Management of change), in petroleum product terminals, in accordance with the adopted procedure UP 09.02.02- 005: Change Management in Process Safety. After these workshops, persons with specific roles and responsibilities were appointed for the operational implementation of this tool. New HSE Golden Rules have been adopted, which are aimed at high-risk work activities. 6 Golden HSE rules have been defined, drafted in the format of bans (previously mandatory rules and bans), which will prevent any misinterpretation. Within these rules, a communication flow chart with roles has been defined, in situations when a violation of a rule is identified. As a novelty, commissions have been formed at the level of each organizational unit, which will deal with the issues that may arise in the process of applying the rules, as well as the development of effective measures for further improvement. The conducted risk analyzes with the use of Bow-Tie tool allowed us to review the effectiveness of the existing work barriers at our production facilities, as well as to define the measures to prevent adverse events.

We continue the practice of reviewing and updating normative and methodological documents, which are being improved according to the best global practices. Upon the adoption of normative and methodological documents, employee training plans are made.

Emergencies

The emergency preparedness system and civil defence at the Company level are focused on enabling the Company to respond successfully to emergencies and disasters – crises. The prescribed norms are defined by the provisions of the Law on Disaster Risk Reduction and Emergency Management, other relevant laws and by-laws, but also by good industrial practice, as well as the Company's technical standards. By performing the obligations arising from the Decision on Designation of Parties of Special Importance for Protection and Rescue in the Republic of Serbia, adopted by the Government of the Republic of Serbia, we have strengthened the Company's resilience to emergencies and crises, but also increased the safety of employees, the environment and material goods, both at the Company level and in the local community, in which we operate.

During 2021, the business process continued to improve emergency preparedness and civil protection in the Company. The preparation of the Disaster Risk Assessment for three organizational units of NIS j.s.c Novi Sad in accordance with the law and bylaws, to which the consent of the Sector for Emergency Situations, the Ministry of Internal Affairs of the Republic of Serbia was obtained.

An analysis of the locations of NIS j.s.c. Novi Sad which may be endangered by floods of waters of the I and II order, in accordance with the Law on Waters. Since no operational flood protection plans for legal entities have been prepared in the Republic of Serbia so far, cooperation has been established with the Public Enterprise Vode Vojvodine and a pilot project for drafting an Operational Flood Defense Plan for US Tisa, of Exploration and Production Block has been jointly implemented.

The harmonization of the Company's civil protection process with the newly adopted bylaws regulating the given area has been done, which has additionally permanently strengthened the Company's system of resilience to emergency events and crises. The mentioned harmonization is reflected in the revision of internal normative - methodological documents that define the preparation and implementation of civil protection. Also, the procurement of a part of the defined equipment for the needs of the Commissioner for Civil Protection was realized, as well as the marking of the vests for the members of the Civil Protection, all in accordance with the law and bylaws.

THE MOST DESIRABLE EMPLOYER

Experts in their realm

NIS has been among the most desirable employers in Serbia for years.

We follow trends in the labour market, listen to the needs of our employees and attract young talent to the company.

We want our colleagues to be leaders in the fields they deal with, and that is why we have organized 2,870 trainings in the year behind us, which were attended by

2,849

employees.

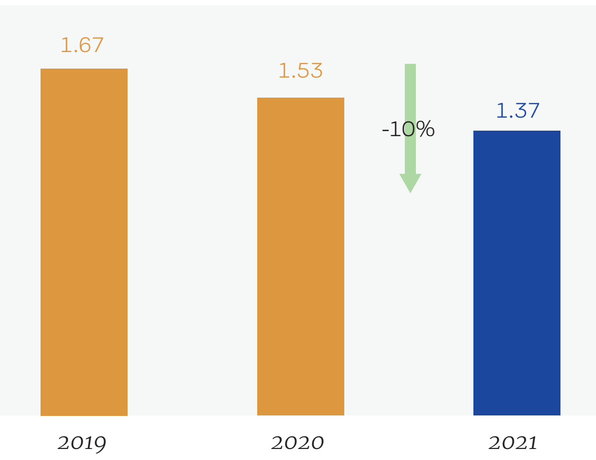
Increasing employee commitment is our priority in the area of

human resource management.

Occupational safety

In 2021, the LTIF indicator decreased by 10% compared to 2020. In 12 months of 2020, we recorded 29 LTI injuries, and in 12 months of 2021, 26 LTI injuries of Company employees, which is considered a positive trend.

LTIF indicator*



** The ratio of the number of employee injuries with sick leave and total number of working hours multiplied by 1 million (total NIS j.s.c. Novi Sad with subsidiaries Naftagas –Technical Services LLC Zrenjanin, Naftagas – Oil Services LLC Novi Sad, Naftagas – Transport LLC Novi Sad, NTC NIS – Naftagas LLC Novi Sad).*

Occupational safety risk management

By the end of 2021, the procedure of amendmending the act on risk assessment in the workplace and work environment at NIS j.s.c. and subsidiaries was completed. The amendments included a new approach to and concept of risk assessment, all in accordance with the requirements of the legislation of the Republic of Serbia in the field of occupational safety and health.

The procedure of harmonizing the process of providing employees with personal protective equipment at NIS j.s.c. with Gazprom Neft was completed in 2021.

In 2021, in the area of risk management during performance of high-risk activities, the focus was on harmonizing the requirements of the NIS j.s.c. management system against the requirements of the GPN and the unified minimum safety criteria under the Karkas Safety Shield program. In addition, the work on further improving the existing risk assessment tools, implementing new ones (such as Bow Tie - where licenses for key users and training are provided), and optimizing the permit-to-work system continued, in order to enable effective risk management in the performance of high-risk activities.

HSE incident management

The process of HSE Event Management involves transparent notification and reporting of HSE events, investigating the causes of HSE events, monitoring financial impacts, as well as sharing lessons, that is, learning from HSE events.

HSE events mean events that have consequences (such as injuries at work, deterioration of health or disease), fires, traffic accidents, equipment failures that may affect human safety and/or have an adverse impact on the environment. Accordingly, the basic objectives of HSE event management are as follows:

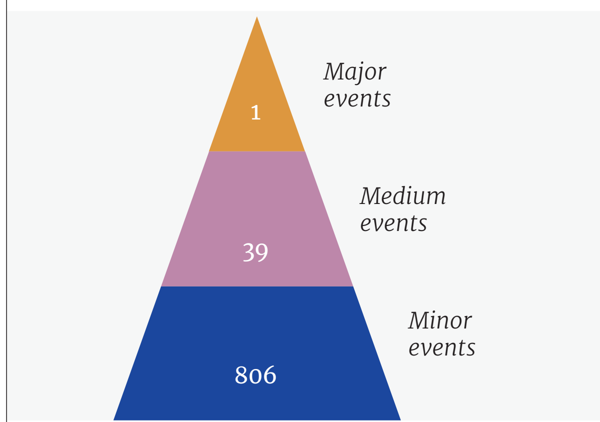
- To timely respond and mitigate the consequences of the occured HSE events;
- To act preventively, that is, apply measures that will prevent the recurrence of similar events;
- To improve the HSE management system;
- To learn and share lessons learned from the events with our employees and work contractors.

According to the HSE Event Classifier, all HSE events are classified into major, medium, minor, near-misses, 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 gives great attention to the investigation of all major, medium and HiPo events, in order to identify fallen barriers that failed and define systemic corrective actions, in order to react preventively and prevent future HSE events.

The figure below presents the transparency pyramid showing the number of HSE events in the Company in 2021:

Transparency pyramide



Karkas safety shield project

This project originated within Gazprom Neft and is aimed to eliminate injuries, accidents, incidents and adverse environmental impacts, promote HSE culture, prevent fatal and other injuries to employees and contractors, and to reduce financial losses resulting from incidents and accidents.

During 2021, the application and implementation of the “Karkas Safety Shield 1” Program continued, diagnostic for "Karkas 2”, “Karkas 3” was conducted, and the budget proposal for the implementation of the program was defined. In addition, two inspections were carried out by Gazprom Neft, where our Company was rated the highest regarding the progress in barrier functionality.

In addition, the preparations for the diagnostics of "Karkas 4(4)", which will be conducted during 2022, are underway.

The implementation of the program of measures for establishing the functionality of barriers in order to reduce the risk of injuries to employees and contractors, accidents and incidents at the level of NIS and subsidiaries continues.

Contractor and third parties management

One of the goals of NIS j.s.c. is continuous work on the improvement of contractors, which is reflected in the constant cooperation and continuous raiseing of awareness of the HSE culture, as well as of the safe work performance.

In 2021, NIS j.s.c. was constantly working to improve the contractor management process. Our company has been successfully managing contractors for eight years in order to improve the practice in the field of OSH (Occupational Safety and Health), EP (Environmental Protection) and FP (Fire Protection).

The previous year was the year in which the process of evaluation/rating of contractors was started, along with the harmonization of requirements for the Contractors against the requirements of GPN standards.

Employee health care

2020 was particularly difficult and challenging due to the outbreak of the COVID-19 Coronavirus infection, but we continue to live with the pandemic that continues to pose significant challenges to societies and health systems around the world, and our Company is no exception. In 2021, we continued to apply protocols and prescribed measures to reduce the risk and control the spread of COVID-19 infection in the Company's business environment. In accordance with the prescribed measures and recommendations of the experts of the Institute of Public Health Batut, the Instruction on the procedure in case of experiencing the symptoms of the infection was updated for employees, line managers and HSE personnel. The instructions are posted on the Company's Intranet portal and are available to all employees.

Good cooperation has continued with medical institutions, such as the Institute of Public Health of Serbia Dr Milan Jovanovic Batut, the Institute of Virology, Vaccines and Serums Torlak, the Institute of Biocides and Medical Ecology of Belgrade, the Institute of Public Health of Vojvodina, the Institute of Public Health of Kragujevac, etc., in which tests were performed for the presence of SARS-CoV2 virus and the presence of antibodies during the year.

With the beginning of mass immunization against the SARS Cov-2 virus in the Republic of Serbia, in April and May 2021, a collective immunization (vaccination and re-vaccination) of employees and members of their families was performed in Company’s facilities, in the cooperation with Krajovic Occupational Medicine Institute of Serbia , Public Health Insitute of Pančevo and Public Health Institute of Zrenjanin, whereby the total of about 650 people were fully vaccinated.

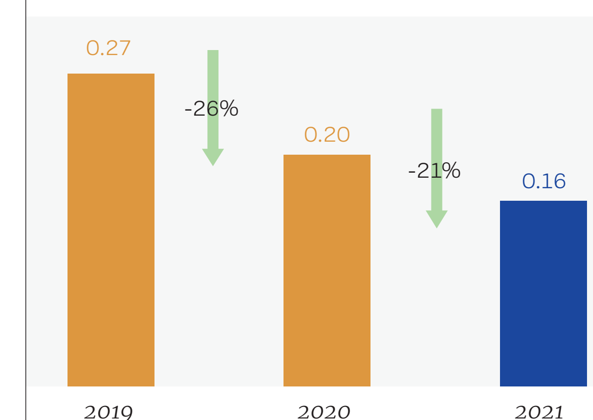
The new situation has changed the priorities in regular activities, focusing on the measures to prevent the spread of the infection among employees, protect the physical and mental health of workers, prevent the negative effects of changes on the mental health of employees. However, cardiovascular diseases remain one of the ongoing and very important topics for employee education. Consequently, during 2021, 4 health campaigns were conducted on the topics "How to recognize and help people with heart failure", "How to recognize and help people with stroke". We marked the "World Heart Day" and "World Breast Cancer Awareness Day". The topics were communicated through Intranet portal, bulletin boards and HSE meetings.

Traffic safety

NIS employees travel about 40 million kilometres per year on average and consequently are exposed to many traffic risks. In order to minimise these risks, the Company pays great attention to road traffic safety of its employees by means of practical and theoretical training, continuous monitoring of vehicles and driving style using IVMS (In-Vehicle Monitoring System), providing advisers for the safe transport of dangerous goods, rewarding the best drivers, organising campaigns and providing employees with the information about risks, dangers and road safety advice, as well as by informing the management, developing normative documents, etc.

RAR (Road Accident Rate) is a ratio of road accidents. In 2021, the RAR coefficient was reduced by 21% compared to 2020, i.e. from 0.20 to 0.16. During 12 months of 2019, there were 11 RAR injuries in the Company, in 2020 we registered 7, and in 2021 6 RAR injuries, which can be considered a significant improvement, i.e. a positive trend.

RAR Indicator*



* *The ratio of traffic accidents per kilometres travelled multiplied by 1 million.*

HSE culture improvement

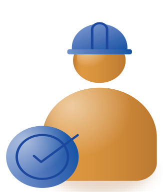
With the adoption of NIS' HSE Strategy for the period 2017-2030, the improvement of HSE Culture became the focus of the HSE management system, and the implementation of the HSE Culture Improvement Program began in early 2018.

After two years of cooperation with the Dekra from the United Kindgom, during which 112 workshops were organized for about 2,650 participants, more than 600 coaching sessions for about 250 leaders, and special workshops for all HSE personnel and future champions – agents of change, starting from March 2020, the activities HSE culture improvement have been implemented exclusively by engaging internal resources.

In 2021, in the conditions of financial restrictions and unstable pandemic situation, direct communication difficulties, and avoidance of personal contact, workshops for leaders were organized internally, in smaller groups, and coaching and thematic meetings of the champions were mostly held remotely. As part of the annual action "Building the HSE culture together", at the suggestion of NIS employees, 95 HSE role models from business were awarded, and more than 500 NIS employees, contractors and third parties received symbolic branded gifts for their contribution to the development of HSE culture. In this way, the Program itself was promoted, as well as desirable behavior in the field of HSE.

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

With a view to improving HSE competencies, the HSE competency model was developed in 2021, which included requirements regarding the knowledge, skills and desirable behaviors of employees in the area of HSE. As an integral part of the Model, the HSE Competence Catalogue and HSE Competence Maps for employees in the administration and HSE profiles were developed, based on the requirements for knowledge, skills and abilities required to perform work activities in a safe and healthy manner, arising from the HSE legislation, regulations governing HSE areas, and best HSE practices. In 2021, the real challenge for HSE training was to maintain the continuity of training courses in compliance with prevention measures. 28,498 employees received training in the field of HSE, i.e., 138,226 hours were spent on HSE training.

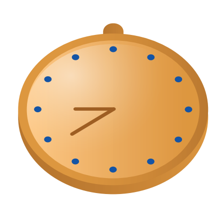


28,498

employees of HSE trainings courses

8,065

trained contractors



138,226

hours spent on HSE trainings

HSE motivation

Due to the coronavirus pandemic, all HSE motivation programs were stopped due to the crisis scenario that continued during 2021. A new Instruction - Motivation for the implementation of the "Safety Leader" program was developed and applications were changed accordingly (a new application was developed).

HSE inspections

The systematic monitoring of inspections by the competent authorities in all HSE areas showed that during 2021, due to the situation with the SARS Cov-2 epidemic, which is still ongoing, the number of inspections at our locations was slightly higher compared to the previous year, and the number of ordered measures increased accordingly. The inspection at our locations was mostly conducted confirmation activites.

HSE indicators

HSE indicators	2020	2021	% change
Injuries	86	102	+19%
Lost-time injuries	29	26	-10%
Fire	20	24	+20%
Traffic accidents	7	5	-29%
Environmental pollution	5	10	+100%
Inspection visits coefficient	0.22	0.20	-9%
Visits by inspection bodies	637	754	+18%
Measures oredered during inspections	138	148	+7%

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 behavior or fraudulent activities.

The Policy provides conditions for timely detection, prevention and mitigation of the risk of illegal, unethical and corrupt behavior 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 who has detected 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, 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 approval of contractual and normative-methodological documents.

With a view to preventing any possible occurrence of corrupt behavior, the Company has taken measures to educate the employees on how to timely identify the signs of corrupt activities. The members of 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 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 employees from the organizational unit of the Company in charge of detection of corrupt and other unlawful behavior assume crucial importance. In 2021, the employees of this organisational unit received the following training courses including, but not limited to:

- Mechanisms to prevent corruption and conflict of interests;
- ISO 31 000 / Risk Management System Audit;
- Detection of fraud in business – financial forensics;

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

In 2021, 1,460 potential employment candidates were verified at NIS j.s.c. 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 in the fight against 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 2021, 47 proposals for initiating disciplinary or misdemeanor proceedings against employees whose actions or failures to act had harmful consequences for the Company, which basically did not result from corrupt motives, were submitted to competent managers and resulted in disciplinary measures. In 10 cases, the employment contract with the employee was terminated.

In 2021, in 9 cases, the contract with a business partner was terminated or the existing cooperation contract was not renewed. The reasons included non-professional attitude towards the undertaken contractual obligations, failure to fulfill or substandard fulfillment of contractual obligations, failure to fulfill financial obligations/settle debts in foreign currency (bad debt) towards the Company or its subsidiaries, etc.

All employees have a permanent and mandatory task to implement planned anti-corruption measures aimed at protecting business through continuous education and exchange of experience and good practices with management and employees of the Company, and especially with the organizational units engaged in procurement and sale of goods and services.

GREEN AGENDA

Ecology as a priority

In the year behind us, we continued to invest in environmental protection, guided by the motto that we have borrowed the country in which we live from generations to come.

We planted

500 maple and plane trees

in Pančevo, wanting to contribute to an even better ecological image of the city, which is the heart of the NIS group.

In 2021 alone, we have invested

355.6 million dinars

in environmental projects and on the example of NIS we have shown that further business development is inseparable from additional improvement of environmental protection.

1.2.13

Corporate social responsibility

Corporate social responsibility and community development

The success of a company can only be complete if it contributes to the development of the community. Having in mind this fact, NIS has been striving for many years to contribute to the general progress in Serbia, focusing on the needs of all members of society, especially the youngest ones, who are the bearers of future development.

NIS continued to nurture such a relationship in 2021, by supporting projects and actions that improve the community and society. In 2021, more than RSD 315 million were invested in corporate social responsibility projects and support for professional sports.

By implementing the "Common Cause - Community" social responsibility programme, NIS has been supporting the development and progress of 12 partner cities and municipalities for 13 years. Aware of the importance of investing in ecology and careful monitoring of the needs of the community in which it operates, the focus of NIS within the "Common Cause - Community 2021" programme is on environmental protection and environmental projects. This cycle of the programme is realized in cooperation with the Ministry of Environmental Protection and the Ministry of Mining and Energy of the Republic of Serbia, and the company has allocated RSD 107.5 million for the implementation of 29 projects. The objective of the support is to improve the energy and environmental infrastructure of educational, health, sports and cultural institutions that are at the service of and of interest to all citizens of local communities. In a number of facilities, heating

boilers will be replaced with new ones that use more environmentally friendly energy sources, then thermal insulation, dilapidated carpentry or lighting will be replaced, solar lighting and smart benches will be installed, new indigenous seedlings of deciduous and coniferous trees will be planted by creating an ecological park and installing innovative ecological park elements, which will contribute to savings in electricity consumption, and at the same time reduce environmental pollution.

In 2021, the NIS continued to support health institutions throughout our country in the fight against the coronavirus epidemic. The Company donated more than 120 thousand litres of "Jazak" water to COVID hospitals across the country, as well as to the Institute of Oncology and Radiology of Serbia and the General Hospital in Čačak, while Dr Milan Jovanović Batut Institute of Public Health of Serbia received support in financial donation for the purpose of examining the characteristics of the immune response among persons vaccinated against COVID-19. In 2021, there was no lack of support for health institutions that are not in the COVID system, and which have also borne a heavy burden due to the epidemic. Among other things, the Institute of Radiology and Oncology of Serbia was donated funds for the purchase of reagents for prostate cancer patients, the Emergency Centre in Belgrade was provided with the funds to purchase bedding for hospital beds, while a patronage vehicle required for the home care of gerontological and oncological patients was donated to the Care Unit of the Čukarica Health Centre, including consumables and protective equipment for the needs of institutions that treat the youngest patients.

Guided by the belief that humanity and empathy are the most important human values, members of the NIS Volunteer Club provided active support to the community in 2021 as well. These humane individuals participated in the actions of packaging and delivery of Jazak drinking water to health institutions, and devoed special attention to children, who are the focus of socially responsible business of NIS. The employees of the Company are the first volunteers who planted organic vegetables and herbs in NURDOR's garden in Valjevska Kamenica and thus contributed to these gifts of nature reaching the children in NURDOR Parents' Houses. In order to make the beginning of the new school year lovelier and easier for socially vulnerable children and children without parental care, NIS employees provided school equipment and supplies for more than 600 students at the beginning of September. The volunteers wished a successful start of the new school year, with the symbolic handing over of packages with school supplies, to the users of the Shelter for Children of Belgrade, the Centre for Protection of Infants, Children and Youth Zvečanska, then the users of the Shelter for Children in Belgrade and the Shelter for Children and Youth of Novi Sad, as well as to the children without parental care placed in the SOS Children's Village in Kraljevo.

NIS volunteers also participated in improving the appearance of Milica Stojadinović Srpkinja elementary school in Vrdnik, by painting the school facade, and provided support to to young people from the alternative care system to enable them to better prepare for the employment process and finding of a suitable job, by joining the "Youth Can!" programme, which is jointly run by the “Strong Youth” Centre and SOS Children's Villages of Serbia.

With the intention to contribute to the improvement of environmental protection, NIS employees, members of the Volunteer Club in cooperation with Zelenilo Public Utility Company in Pančevo, planted 500 maple and silver maple trees in the Pančevo Oil Refinery and its surroundings, in the total length of almost 2.5 kilometres. This campaign, in addition to beautifying the part of Pančevo where the refinery is located, will have a beneficial effect on the air quality in this city.

In 2021, NIS remained a reliable partner to its long-term associates. Thus, the Company continued its cooperation with the Partizan Basketball Club, in the field of culture, it provided support to the Belgrade Game Festival and, in the field of science, to the Science Festival in Belgrade, which was held on digital platforms due to the epidemiological situation.

In 2021, the Company published the 11th regular, verified Sustainable Development Report, informing the public in a comprehensive and transparent manner about the Company's activities in the field of business development, investment in corporate social responsiblity projects, environmental protection, health and safety at work, and development of human resources. In the field of sustainable development, NIS is guided by the global objectives of the United Nations and, in its Report, recognizes 12 out of 17 objectives, which it strives to achieve in its business operations.

The end of the year was marked by gifting the youngest members of our community. In a bid to make enjoyable holidays for students from Kosovo and Metohija, as well as to motivate them to take up sports, NIS donated sports equipment and props to 18 primary schools from 10 municipalities in Kosovo and Metohija. The project was completed in cooperation with the Office for Kosovo and Metohija of the Government of the Republic of Serbia and the Sportstars Association. The allocated funds in the amount of almost RSD 2 million were intended for equipping sports halls and open playgrounds of primary schools that are attended by more than 1,500 students in Serbian enclaves in the municipalities of Gnjilane, Vitina, Novo Brdo, Kosovska Kamenica, Lipljan, Obilic, Srbica, Vučitrn, Peć-Goraždevac and Istok-Osojane.

Within the "Energy of Knowledge" program, NIS continued to cooperate with educational and scientific institutions in the country and abroad. Thus, in 2021, with the support of NIS, an information cabinet was equipped at the Mathematical Gymnasium in Belgrade, which is of great importance for competitions in natural sciences and online teaching, as well as a cabinet for the Russian language at the Šabac Gymnasium. Since 2012, NIS has adapted over 50 classrooms and laboratories in schools and faculties throughout Serbia.

A significant continuous activity of the programme is also the scholarship for Serbian students, with the aim of ensuring future experts and investing in long-term development. To date, NIS has provided scholarships to about 130 students, of which alomst 60 of them are already employed with the Company. In 2021, 6 Serbian scholarship holders from Russian universities were employed and 6 new scholarships were awarded.

During 2021, NIS signed a Memorandum of Cooperation with the Faculty of Philosophy in Niš in order to popularize the Russian language, as well as a Memorandum of Cooperation with the Faculty of Technology and Metallurgy in Belgrade.

In order to help students and adults quickly master the basics of the Russian language in a modern way, NIS supported the publication of a unique textbook "Ни пуха ни пера!". The textbook came out as a result of close cooperation of the Centre of the Russian Geographical Society in Serbia and NIS. In 2021, the textbook was promoted in numerous educational, scientific and cultural institutions throughout Serbia and the regions where the Russian language is studied, in Serbian-Russian cultural centres, faculties and high schools that participated in the development, in many events in Russia, and in the media.

NIS continued encouraging the development of the Russian language through support for bilingual teaching in Jovan Jovanović Zmaj Secondary School and Jovan Popović Elementary School in Novi Sad, and the High School in Aleksinac.

NIS cooperates with leading faculties in Serbia in the field of digitalization. During 2021, the creation a joint prototype of the Chat Bot software was started with the Faculty of Technical Sciences. The cooperation with the Faculty of Electronics in Niš was related to the use of computer vision technology - development of a prototype of a seismic research supervison system. The Tech Engine platform was launched, in cooperation with the ICT Hub, as the "point" of contact with start-ups and experts in the field of digitalization.

NIS experts delivered thirty guest lectures to the students of seven partner faculties of the Universities of Belgrade, Novi Sad and Niš. The lectures continued in the online format due to the coronavirus pandemic, the same as the previous year.

Further support for the NIS Olympiad in the Russian language and competitions in the field of natural sciences, in which Serbian students won a total of 11 medals this year.

WE BUILD A COMMUNITY TOGETHER

The future is in action

In 2021, we continued to care for the community, aware that together we can more easily achieve our priorities.

We were with the health workers, trying to thank them once again for everything they did during the coronavirus epidemic.

Through the “Common Cause - Community” program, we have provided funds for the digitalization of the teaching process and a safer environment for almost

46,000

students in 83 schools in our country.

We are especially proud of our employees, members of the NIS Volunteer Club, who have more than

5,550 hours

of volunteer work and an inexhaustible desire to help the community.

1.2.13

Communication

Public relations

In 2021, the NIS Press Service continued to develop channels of communication with the general public in order to achieve its strategic goals – timely and transparent notification of the NIS Group's business and other activities, including two-way communication with stakeholders. To this end, the Digital Press Center was launched on the company's website (www.nis.rs), which enables journalists and other interested parties to obtain the desired contacts, as well as a lot of information about the NIS Group, its business achievements and corporate social responsiblity projects, as well as about the published reports on business performance and sustainable development. In addition, press releases, top managers' interviews, professional and author texts are available to the public through the company's website. Also, the visitors of the corporate website can also obtain information about investors, data on the key development projects, career development opportunities in NIS, as well as information on open tenders and procurement procedures. The website is adapted for use on all devices, and one can also find electronic versions of annual reports and sustainable development reports, as well as the "Magazine" platform, offering content in the field of culture, education, environmental protection, and sustainable development. In order to constantly improve its communication with all persons interested, NIS continually reinforces its presence on social networks. During 2021, "Digital Only" campaigns were launched, designed to familiarize NIS followers on social networks with the work of the Energy Sector and present, in a simplified form, NIS core activities, business operations, and interesting facts about the oil business and the Company's history. Also, NIS continued to develop its corporate blog, following contemporary trends in this area. The efforts of NIS in the field of external communications were also recognized in public and, as a result, the Press Section received two significant recognitions during 2021. In the traditional survey "Journalist – Your Friend" conducted by the PR agency Pragma, NIS was rated as the company that had the best communication with the media in 2020 in the category of profit (business) organizations. 200 local media journalists participated in the survey. Also, NIS is the winner of the award of the "PC Press" magazine – Top 50 best online content, in the LinkedIn category. These recognitions were awarded for the 24th time and represent the only official selection of the best pages on social networks, websites, and applications in Serbia. These awards are an incentive for NIS to continue further improving its work in the field of public relations.

More information on Investor Relations on page 122

Informing employees

2021 was also marked by the continuation of communication in the conditions of the COVID-19 virus pandemic, with a focus on informing employees about the current situation and changes in the Company and Serbia, as well as the continuation of the promotion of protection measures.

In addition to timely informing employees about all current events, an important task of internal communications is to support the improvement of corporate culture in the Company. Thus, in 2021, the campaign for the promotion of NIS' corporate values was launched, which will continue in 2022. Through clear promotion of desirable behaviours of individuals and teams that define these values, and understanding the broader role of the values in all business practices, the goal of the campaign is to closely familiarise our colleagues with our values and help them maximally apply those values in their everyday work.

Listening to the needs of employees and following up the trends in the profession resulted in the development and launching of a mobile version of the Company's Intranet portal - mPortal. This application is primarily intended for our colleagues in the field, but also for everyone else, to keep them timely informed and connected to each other, regardless of their place of work.

Governmental relations

Cooperation with business associations

In 2021, NIS cooperated with the professional association National Petroleum Committee of Serbia, a national body of the World Petroleum Council (NPCS - WPC), and business associations Foreign Investors Council (FIC), American Chamber of Commerce in Serbia (AmCham) and Serbian Chamber of Commerce (SCC). Additionally, representatives of the Company regularly participated in the working groups and board meetings of the aforementioned associations.

Given that the process of mandatory blending of biofuels into motor fuels is due to start from 1 July 2022, the project "BIO4BLEND – Impact of biofuels legislation on the Serbian market: Overcoming problems and transferring best practices from the EU countries at an early stage of implementation of biofuels on the Serbian market" stands out as particularly important. The above project was implemented by the NPCS – WPC, together with the Faculty of Mechanical Engineering of the University of Belgrade, the Chamber of Commerce of Serbia, and the Serbian Oil and Gas Association ("SNAGA"), and also in cooperation with the University of Chemistry and Technology of Prague, Czech Republic. Within the BIO4BLEND project, representatives of the Company familiarized themselves with the legislation and the procedures for blending biocomponents in the EU.

In addition, in cooperation with the NNKS-WPC, the NIS CEO attended the 23rd World Petroleum Congress (https://www.23wpchouston.com/), a major global event in the oil and gas sectors, held in Houston, United States of America, in December 2021. As one of the participants in the "Digital Transformation" plenary panel, the CEO talked about digital trends in the industry and presented the Company's projects in this area.

Bearing in mind the common interest in continuous improvement of the business environment in the country, NIS will continue to actively cooperate with representatives of the business community next year as well.

Curbing the grey market

NIS is supportive of the state's activities in the fight against the grey market and further improvement of the inspection system. The envisaged application and the start of using new fiscal and electronic invoicing systems, regulated by the adoption of applicable regulations in 2021, are highly important for further suppression of the shadow economy in the country.

Corporate culture

Being one of the best employers in Serbia and preserving this position implies a constant commitment to improving the working environment, working conditions, and creating a corporate culture that will attract and retain the best employees. Based on its long-term HR strategy, labor market trends, surveys for employees and on business needs, during 2021, NIS worked on the creation and implementation of various initiatives aimed at improving the Company's corporate culture and strengthening the NIS' position of an attractive employer. The pillar of corporate culture is made of its values, so 2021 was marked by the promotion of new corporate values among employees (expertise, responsibility, transparency, and innovation) and their integration into business practices. The target corporate culture of NIS implies strengthening the learning culture, highlighting the opportunities, and providing different programs and models of learning and development of employees. Therefore, in 2021, different programs were launched with this goal, from better communication about the significance of learning and creating learning pathways for employees, through the setup of a new model of competency-based assessment founded on corporate values, to specially created development programs for different groups of employees. The indicator and the foundations of a healthy corporate culture is the mutual respect of employees. One of the projects we are particularly proud of is the launch of the platform "Respect Above All", which aims to promote respect in the workplace and prevent inappropriate behaviors. This platform was named one of the best 3 projects in the field of human resources in Serbia, according to the assessment of the professional community within the framework of the HR event organized by Infostud.

1.2.14

Research and Development

In all segments of its business, NIS is dedicated to continual technological development and introducing innovations into business.

NTC NIS-Naftagas LLC Novi Sad, as a wholly owned subsidiary of NIS, provides scientific and 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 NIS-Naftagas have a dual role – coordination and performance of scientific and research work.

The implementation and development of new technologies, scientific and research activities, as well as increasing the efficiency of oil and gas exploration, production and refining remain in the focus of the NTC management and employees. It is organized in several directions. During the previous year, in the field of geological research, the report for the project "Development of Seismic Geological Models and Geological Support to Works on the AchNNG project" was completed. Works on the project "Processing of Seismic Data from MOGT 2D within the Perimeter of Gazpromneft NNG Area of Activity" are in progress, and the project Program for the revision of historical cores in the length of 2,400m was completed. For the puposes of external clients, the projects Laboratory Tests of Corrosion Inhibitors, Calcine Inhibitors for Gazpromneft Arctic and Complex Laboratory Tests of Sarqala Field Cores for Gazpromneft Middle East were completed, and a technical session was held together with Gazprom neft representatives.

In the field of reservoir engineering and oil and gas production, intensive efforts were made in the course of the year to find the optimal solution to prevent the extraction of sand from loose reservoir rocks, the right choice of polymers for reservoirs with heavy and viscous oil in order to increase the recovery factor, as well as to develop the method of installing buffer gel during the well workover, in order to avoid the contamination of the near-wellbore zone. Also the development of a new approach to solving problems in the entire oil field through integrated modelling and the creation of a digital twin was initiated. In the field of oil and gas production technique and technology, a new direction of integrated asset modeling was successfully initiated, while cooperation in this direction continued with the external client from Iraq. Together with digital technologies, this direction will enable the creation of virtual digital twins for entire fields. Within the project "New technologies", new types of underground equipment for downhole pumping – Linear drive and Hydraulic drive.

In accordance with the strategic plans of the Company, the Downstream Laboratory, following comprehensive preparations, provided the necessary resources and performed quality control of the biocomponent and biofuels, for the dispatch of a new refinery product – Euro Diesel B7. In addition, several external audits were also conducted: a) Production quality assurance, storage and distribution of jet fuel to the airport; b) Factory control of the production of polymer modified bitumen; c) Factory control of the production of road bitumen; d) Supervision evaluation of the laboratory quality management system. As part of the laboratory modernization project, 3 new pieces of leading-edge test equipment were installed and commissioned, and the laboratory personnel were trained to use the equipment.

Within the direction of infrastructure design, for the needs of UPS, two conceptual projects for Srpska Crnja and Kisz-h oil and gas fields were realized. In parallel, activities on the preparation of the investment design and technical documentation for the purposes of UPS, the revision of design and technical documentation (FEED & DDE) for the project of construction of gathering stations in Romania were implemented, and proposals were made for optimization of project solutions with an economic effect of about USD 500,000.00. For the puproses of investment construction and maintenance in RNP, two projects for new contracts were launched and successfully completed in 2021.

In addition to the aforementioned activities, NTC is also actively engaged in the development of digital technologies, as well as the application of information and communication technologies in its core business. Within this direction, NTC implements a large number of digital projects for the oil industry in the fields of seismics, advanced petrophysics, geology and reservoir engineering, production analysis and sales of petroleum products, and implements new infrastructure and software solutions, to meet the needs of the Company's core business. In the field of application of new technologies, projects aer implemented in the field of Data Science, Machine Learning, Business Intelligence, Database Development, Software Development. The results of work on the projects "Drone Seismic Supervising" and "Advanced Petrophysics" were particularly noteworthy. In addition, the projects "Recommendation Workover System" and "Predictive Analytics for Electric Centrifugal Pump" presented a realistic effect in oil production expressed in tons of oil and reduction of the intervals between two workover operations. One of the important goals of digital transformation is spreading of knowledge that can be applied in everyday work, which is made possible due to constant improvement of professional competencies of employees and investment in information technologies, as the key prerequisites for the development of the Company.

1.2.15

Further development

Exploration and Production Block

Exploration and Production

- Implementation of exploration and development drilling program in Serbia and Romania
- Maintaining high intensity of GTA in Serbia to support the level of production
- Comprehensive employment of 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
- Implementation of 2D seismic research project in Bosnia and Herzegovina
- Possible continuation of collaboration with Turkish national company in the field of seismic research
- Continuation of works on capital reconstruction of oil and gas production and transportation facilities
- Development of the Teremia North field in Romania
- Implementation of the "Smart Asset" project.

Downstream Division

Refining Block

In 2022, in the field of production of the Refining Block, the focus will be on the following activities:

- Continuous operation of the DCU, including increasing of the refining depth and output of white petroleum products
- Production of biofuels
- Change of sources of power supply (purchase of steam from TE-TO Pančevo)
- Revision of the IPPC permit for the operation of the existing units and the new DCU
- Implementation of KARKAS Safety Shield Program 1, 2, and 3 based on completed diagnostics and the approved budget
- Implementation of projects and measures aimed at increasing operational efficiency
- Preparation for the 2023 turnaround
- Integration with HIP-Petrohemija JSC Pančevo.

As part of investment projects in 2022, the focus will be on the project "Reconstruction of FCC Unit and Construction of New ETBE Unit".

Activities on other projects are also planned:

- Reconstruction of the corrosion prevention system on the atmospheric distillation
- Expansion of the MES system to include other modes of transport
- Installation of the system for automatic dosing and adding markers and additives to motor fuels at the RNP tank truck loading terminal
- Implementation of investment maintenance projects
- Implementation of digital transformation and OMS projects is also planned:
  - Implementation of predictive maintenance tools (Predictive Maintenance with Machine learning)
  - Remote Analytics Testing (Remote Analytics of Platformer Unit)
  - Further development and implementation of advanced analytics tools (BI Tools)
  - Roll out of the OMS Etalon Unit project to the entire Refining Block
  - Program for improving refinery units reliability and integrity (Reliability Acceleration Program).

Sales and Distribution Block

Goals:

- Increasing share in retail and motor fuel market in Serbia, as a result of proactive activities in the wholesale and retail channels
- Development of wholesale in foreign assets and sales of light petroleum products and coke
- Implementation of the strategic project of reconstruction and modernization of petroleum product terminals
- Development of sales of non-fuel goods and services, primarily restaurants and coffee.

Investments:

- Construction of three facilities: 2 petrol stations under NIS Petrol brand and 1 petrol station under GAZPROM brand
- Start of operation of 5 petrol stations under NIS Petrol brand, after the total reconstruction
- Execution of the first stage of the project of modernization of petroleum product terminal in Niš.

Digital transformation projects:

- DRIVE.GO mobile app – functionality development:
  - prepaid payment model
  - paying for coffee
  - paying for partner's services and products
- Stimulating the introduction of virtual cards – an additional channel to attract new customers
- Development of the web portal of the Regional Wholesale Department
- Goods receipt automation at petrol stations (Mobile PDA)
- Development of dispatching software
- G–Manager
- Order and pay stands on highway petrol stations
- Aviation fuel receipt and storage automation
- Improvement and development of new functionalities in the mobile application for corporate clients.

2 FINANCIAL STATEMENTS

2021

2.01
Stand-Alone Financial Statements

Independent Auditor's report on Stand-Alone Financial Statements

Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Naftna Industrija Srbije a.d. (the "Company") as at 31 December 2021, and the Company's financial performance and cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2021;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Law on Auditing in the Republic of Serbia. Our responsibilities under this law are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Auditing in the Republic of Serbia that are relevant to our audit of the financial statements in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Auditing in the Republic of Serbia.

PricewaterhouseCoopers d.o.o.
Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia
T:: +381 11 3302 100, F:+381 11 3302 101, *www.pwc.rs*

Our audit approach

Overview

Materiality	• Overall Company materiality: 949 million Serbian dinars (hereafter "RSD"), which represents 5% of the average result before tax for the past three years, being absolute values of profit before tax for the current year and year ended on 31 December 2019 and loss before tax for year ended on 31 December 2020.
Key audit matters	• Estimation of decommissioning and environmental protection provision

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	RSD 949 million
How we determined it	5% of the average result before tax for the past three years, being absolute values of profit before tax for the current year and year ended on 31 December 2019 and loss before tax for year ended on 31 December 2020.
Rationale for the materiality benchmark applied	We determined that our materiality should be based on three-year average result before taxation. This benchmark is supported by the significant fluctuations in the financial result due to the change of crude oil prices. We have chosen 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with the those charged with governance that we would report to them misstatements identified during our audit above RSD 46 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Key audit matter	How our audit addressed the key audit matter
Estimation of decommissioning and environmental protection provisions	
Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 23 to the financial statements; a description of the accounting policy and key judgements and estimates is included in Note 2 and Note 3. The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities. The decommissioning of oil and gas infrastructure is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Company's balance sheet.	We critically assessed management's annual review of provisions recorded as at 31 December 2021. In particular, we focused on those assets where changes to the cost estimate directly impacted the income statement rather than being recognised as an asset. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration. Of particular note, we performed the following procedures: - Identified and tested the cost assumptions which have the most significant impact on provisions by reviewing the actual costs incurred during the year and comparing them to the prior years;

Management reviews decommissioning and environmental protection provisions on an annual basis for upstream and refining assets. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, maturity of liabilities and the effects of changes in exchange rates.	- Used valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models; - Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant & equipment; - Verified the change in oil well status compared to the prior year as the change in oil well status has a material impact on decommissioning provision calculation; - Tested the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations and concluded that the results were not materially different and were within a tolerable range.

Reporting on the other information including the consolidated Annual report

Management is responsible for the other information. The other information comprises consolidated Annual report (but does not include the financial statements and our auditor's report thereon).

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.

With respect to the consolidated Annual Report we also performed procedures required by the Law on Accounting in the Republic of Serbia. Those procedures include considering whether the consolidated Annual Report includes the disclosures required by the Law on Accounting in the Republic of Serbia.

Based on the work undertaken in the course of our audit, in our opinion:

- the consolidated Annual Report has been prepared in accordance with the requirements of the Law on Accounting in the Republic of Serbia; and
- the information given in the consolidated Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In addition, considering the knowledge and understanding of the Company and its environment obtained during the audit, we are required to report if we have identified material misstatements in the consolidated Annual Report. We have nothing to report in this regard.

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 in 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.

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 Auditing in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

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

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

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

The licensed auditor engaged as partner on the audit resulting in this independent auditor's report is Sonja Ralenac.

Sonja Ralenac
Licensed Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 3 March 2022

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Balance sheet

		AOP	Note	31 December 2021	31 December 2020
A.	**SUBSCRIBED CAPITAL UNPAID**	**0001**		**-**	**-**
B.	**NON-CURRENT ASSETS (0003+0009+0017+0018+0028)**	**0002**		**322,464,878**	**321,970,723**
I.	**INTANGIBLE ASSETS (0004+0005+0006+0007+0008)**	**0003**	**8**	**16,256,358**	**16,678,505**
	1. Development investments	0004		11,832,783	11,770,445
	2. Concessions, licenses, software and other rights	0005		3,093,897	2,732,671
	3. Goodwill	0006		-	-
	4. Intangible assets in lease and under development	0007		1,329,678	2,175,389
	5. Advances for intangible assets	0008		-	-
II.	**PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)**	**0009**	**9**	**262,655,361**	**266,141,584**
	1. Land and buildings	0010		162,589,004	160,590,338
	2. Machinery and equipment	0011		83,522,917	88,042,251
	3. Investment property	0012		1,778,608	1,688,837
	4. Property, plant and equipment in lease and construction in progress	0013		14,287,075	15,357,808
	5. Other property, plant and equipment and investments in leased PP&E	0014		204,197	212,374
	6. Advances for PP&E - domestic	0015		190,021	22,477
	7. Advances for PP&E - foreign	0016		83,539	227,499
III.	**BIOLOGICAL ASSETS**	**0017**		**-**	**-**
IV.	**LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)**	**0018**		**43,553,159**	**39,150,634**
	1. Investments in legal entities (except those evaluated using the equity method)	0019	10	13,517,527	13,520,943
	2. Investments in legal entities evaluated by equity method	0020	11	1,038,800	1,038,800
	3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021	12	-	79,697
	4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties- foreign	0022	12	27,188,599	22,831,551
	5. Long-term investments - domestic	0023		9,515	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	13	1,798,718	1,670,128
V.	**LONG - TERM ACCRUED AND DEFERRED INCOME**	**0028**		**-**	**-**
C.	**DEFFERED TAX ASSETS**	**0029**	**14**	**2,564,817**	**2,565,957**

In 000 RSD

		AOP	Note	31 December 2021	31 December 2020
G.	CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	0030		94,310,479	67,173,010
I.	INVENTORY (0032+0033+0034+0035+0036)	0031	15	33,475,271	24,080,932
	1. Materials, spare parts and tools	0032		15,646,047	10,772,971
	2. Work in progress and finished goods	0033		15,696,766	11,522,102
	3. Merchandise	0034		1,820,030	1,527,975
	4. Advances for inventory and services - domestic	0035		226,522	228,424
	5. Advances for inventory and services - foreign	0036		85,906	29,460
II.	FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	0037		47,493	42,631
III	TRADE RECEIVABLES (0039+0040+0041+0042+0043)	0038	16	30,962,130	22,531,568
	1. Trade receivables - domestic	0039		21,818,232	17,091,064
	2. Trade receivables - foreign	0040		1,238,566	432,569
	3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		2,446,726	1,925,543
	4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		5,458,606	3,082,392
	5. Other trade receivables	0043		-	-
IV.	OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	0044	17	1,796,245	2,712,481
	1. Other receivables	0045		1,723,086	1,586,858
	2. Receivables for overpaid income tax	0046		-	1,034,617
	3. Receivables from overpaid other taxes and contributions	0047		73,159	91,006
VI.	SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	0048	18	1,954,526	5,342,977
	1. Short-term loans and investments - parent and subsidiaries	0049		148,298	167,941
	2. Short-term loans and investments – other related parties	0050		-	-
	3. Short-term loans and investments - domestic	0051		1,806,228	1,806,816
	4. Short-term loans and investments - foreign	0052		-	3,368,220
	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		-	-
VI.	CASH AND CASH EQUIVALENTS	0057	19	20,336,901	7,949,785
VII.	PREPAYMENTS AND ACCRUED INCOME	0058	20	5,737,913	4,512,636
D.	TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	0059		419,340,174	391,709,690
E.	OFF-BALANCE SHEET ASSETS	0060	21	120,411,350	117,990,463
A.	EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	0401	22	272,247,874	250,108,611
I.	EQUITY	0402		81,530,200	81,530,200
II.	SUBSCRIBED CAPITAL UNPAID	0403		-	-

In 000 RSD

		AOP	Note	31 December 2021	31 December 2020
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		256,504	248,578
VI.	UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	0407		58,151	58,478
VII.	RETAINED EARNINGS (0409+0410)	0408		190,519,321	174,296,809
	1. Retained earnings from previous years	0409		167,387,576	174,296,809
	2. Retained earnings from current year	0410		23,131,745	-
VIII.	NON-CONTROLLING INTEREST	0411		-	-
IX.	LOSS (0413+0414)	0412		-	5,908,498
	1. Loss from previous years	0413		-	-
	2. Loss from current year	0414		-	5,908,498
B.	LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	0415		84,315,286	83,208,132
I.	LONG-TERM PROVISIONS (0417+0418+0419)	0416	23	12,029,890	10,132,664
	1. Provisions for employee benefits	0417		955,156	389,708
	2. Provisions for warranty claims	0418		-	-
	3. Other long term provisions	0419		11,074,734	9,742,956
II.	LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	0420	24	72,285,396	73,075,468
	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	8,203,270
	4. Long-term loans and finance lease liabilities - domestic	0424		47,074,541	46,899,708
	5. Long-term loans and finance lease liabilities - foreign	0425		21,630,304	17,130,643
	6. Liabilities for issued securities	0426		-	-
	7. Other long-term liabilities	0427		846,083	841,847
III.	LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	0428		-	-
C.	DEFFERED TAX LIABILITIES	0429	14	-	-
D.	LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	0430		-	-
E.	SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	0431		62,777,014	58,392,947
I.	SHORT-TERM PROVISIONS	0432	23	1,575,245	2,349,296
II.	SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	0433	25	9,567,495	13,663,179

In 000 RSD

		AOP	Note	31 December 2021	31 December 2020
	1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		2,188,400	1,756,035
	2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		5,468,935	5,468,846
	3. Short-term loans and borowings from other parties	0436		330,579	321,155
	4. Short-term loans from domestic banks	0437		1,296,026	5,923,336
	5. Short-term loans, borowings and liabilities - foreign	0438		283,555	193,807
	6. Liabilities on short-term securities	0439		-	-
	7. Liabilities based on financial derivatives	0440		-	-
III.	**ADVANCES RECEIVED**	**0441**		**3,014,225**	**4,051,170**
IV.	**TRADE PAYABLES (0443+0444+0445+0446+0447+0448)**	**0442**	**26**	**25,792,739**	**20,653,938**
	1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		6,296,090	4,409,916
	2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		1,020,672	3,372,579
	3. Trade payables - domestic	0445		6,299,767	4,871,113
	4. Trade payables - foreign	0446		12,153,357	7,833,988
	5. Liabilities on promissory notes	0447		-	-
	6. Other operating liabilities	0448		22,853	166,342
V.	**OTHER SHORT-TERM LIABILITIES (450+451+452)**	**0449**	**27**	**19,401,280**	**14,235,329**
	1. Other short-term liabitilies	0450		5,653,717	5,909,202
	2. Liabilities for VAT and other taxes	0451		9,602,948	8,326,127
	3. Profit tax liabilities	0452		4,144,615	-
VI.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS**	**0453**		**-**	**-**
VII.	**SHORT-TERM ACCRUED EXPENSES**	**0454**	**28**	**3,426,030**	**3,440,035**
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**		**419,340,174**	**391,709,690**
H.	**OFF-BALANCE SHEET LIABILITIES**	**0457**	**21**	**120,411,350**	**117,990,463**

In 000 RSD

Income statement

		AOP	Note	Year ended 31 December 2021	Year ended 31 December 2020
	INCOME AND EXPENSES FROM OPERATING ACTIVITIES				
A.	**OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)**	**1001**	**7**	**281,048,041**	**168,429,822**
I.	**INCOME FROM THE SALE OF GOODS (1003+1004)**	**1002**		**21,753,006**	**8,668,186**
	1. Income from sale of goods on domestic market	1003		20,853,118	8,514,818
	2. Income from sale of goods on foreign market	1004		899,888	153,368
II.	**INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)**	**1005**		**252,871,221**	**160,806,365**
	1. Income from sales of products and services on domestic market	1006		196,912,872	128,544,279
	2. Income from sales of products and services on foreign market	1007		55,958,349	32,262,086
III.	**WORK PERFORMED BY THE ENTITY AND CAPITALIZED**	**1008**		**1,622,071**	**1,511,825**
IV.	**INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS**	**1009**		**4,174,664**	**-**
V.	**DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS**	**1010**		**-**	**2,973,687**
VI.	**OTHER OPERATING INCOME**	**1011**		**367,487**	**328,273**
I.	**INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)**	**1012**	**29**	**259,592**	**88,860**
B.	**OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)**	**1013**		**252,422,316**	**176,226,996**
I.	**COST OF GOODS SOLD**	**1014**		**18,768,162**	**7,417,948**
II.	**COST OF MATERIAL, FUEL AND ENERGY**	**1015**	**30**	**165,947,034**	**106,735,392**
III.	**COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES**	**1016**	**31**	**17,279,387**	**17,811,513**
	1. Cost of salaries and fringe benefits	1017		14,326,304	14,342,015
	2. Cost of tax and contributions on wages and salaries	1018		1,955,945	1,885,100
	3. Other personal expenses	1019		997,138	1,584,398
IV.	**DEPRECIATION, DEPLETION AND AMORTIZATION**	**1020**	**8,9**	**22,685,589**	**20,866,040**
V.	**EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)**	**1021**	**32**	**819,860**	**809,902**

In 000 RSD

		AOP	Note	Year ended 31 December 2021	Year ended 31 December 2020
VI.	COST OF PRODUCTION SERVICES	1022	33	15,180,045	13,295,670
VII.	COST OF PROVISION	1023		824,266	210,016
VIII.	NON-PRODUCTION COSTS	1024	34	10,917,973	9,080,515
C.	OPERATING GAIN (1001-1013)>=0	1025		28,625,725	-
D.	OPERATING LOSS (1013-1001)>=0	1026		-	7,797,174
E.	FINANCE INCOME (1028+1029+1030+1031)	1027	35	2,581,777	3,243,326
F.	FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1028		1,829,712	1,685,856
II.	INTEREST INCOME	1029		216,833	292,710
III.	FOREIGN EXCHANGE GAIN	1030		488,922	1,260,344
IV.	OTHER FINANCIAL INCOME	1031		46,310	4,416
G.	FINANCE EXPENSES (1033+1034+1035+1036)	1032	36	3,951,373	4,122,889
H.	FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		1,871,988	1,469,626
II.	INTEREST EXPENSE	1034		1,581,071	1,491,628
III.	FOREIGN EXCHANGE LOSS	1035		490,640	1,134,501
IV.	OTHER FINANCIAL EXPENSE	1036		7,674	27,134
I.	PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	1037		-	-
J.	LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	1038		1,369,596	879,563
K.	INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	37	332,221	251,975
L.	LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	38	365,976	156,111
M.	OTHER INCOME	1041	39	1,011,075	1,987,010
N.	OTHER EXPENSE	1042	40	945,285	1,029,573
O.	TOTAL INCOME (1001+1027+1039+1041)	1043		284,973,114	173,912,133
P.	TOTAL EXPENSE (1013+1032+1040+1042)	1044		257,684,950	181,535,569
Q.	OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		27,288,164	-
R.	OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		-	7,623,436

In 000 RSD

		AOP	Note	Year ended 31 December 2021	Year ended 31 December 2020
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		27,288,164	-
V.	LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		-	7,623,436
W.	INCOME TAX				
	I. CURRENT INCOME TAX	1051	41	4,155,337	(111,229)
	II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	41	671,385	-
	III. DEFERRED TAX INCOME FOR THE PERIOD	1053	41	670,303	1,603,709
X.	PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y.	NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		23,131,745	-
Z.	NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	5,908,498
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 2021	Year ended 31 December 2020
A.	**NET PROFIT/LOSS**				
I.	**NET PROFIT (AOP 1055)**	**2001**		**23,131,745**	**-**
II.	**NET LOSS (AOP 1056)**	**2002**		**-**	**5,908,498**
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		-	20,739
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		-	295
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**	**-**

In 000 RSD

		AOP	Note	Year ended 31 December 2021	Year ended 31 December 2020
II	**OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0**	**2020**		**-**	**21,034**
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**		**-**	**21,034**
C.	**TOTAL NET COMPREHENSIVE PROFIT**				
I.	**TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0**	**2025**		**23,140,454**	**-**
II.	**TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0**	**2026**		**-**	**5,929,532**
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 2021	2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
I.	**Cash inflow from operating activities (1 to 4)**	**3001**		**491,100,307**	**363,097,125**
	1. Sales and advances received - domestic	3002		435,668,088	327,176,816
	2. Sales and advances received - foreign	3003		54,578,018	35,143,735
	3. Interest from operating activities	3004		486,714	448,301
	4. Other inflow from operating activities	3005		367,487	328,273
II.	**Cash outflow from operating activities (1 to 8)**	**3006**		**451,588,590**	**334,114,963**
	1. Payments and prepayments to suppliers - domestic	3007		64,307,109	51,101,926
	2. Payments and prepayments to suppliers - foreign	3008		158,970,886	92,665,495
	3. Salaries, benefits and other personal expenses	3009		17,468,884	15,694,561
	4. Interest paid - domestic	3010		902,182	966,177
	5. Interest paid - foreign	3011		538,086	729,529
	6. Income tax paid	3012		134,760	1,162,365
	7. Payments for other public revenues	3013		208,971,364	171,794,910
	8. Other payments from operating activities	3014		295,319	-
III.	**Net cash inflow from operating activities (I - II)**	**3015**		**39,511,717**	**28,982,162**
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**		**4,790,939**	**968,195**
	1. Sale of shares	3018		-	-
	2. Proceeds from sale of intangible assets, property, plant and equipment	3019		372,507	488,186
	3. Other financial investments	3020		4,374,543	475,735
	4. Interest from investing activities	3021		-	-
	5. Dividend received	3022		43,889	4,274
II.	**Cash outflow from investing activities (1 to 3)**	**3023**		**25,638,451**	**25,557,981**
	1. Acquisition of subsidiaries or other business	3024		-	41
	2. Purchase of intangible assets, property, plant and equipment	3025		20,661,113	25,557,940
	3. Other financial investments	3026		4,977,338	-
III.	**Net cash inflow from investing activities (I - II)**	**3027**		**-**	**-**
IV.	**Net cash outflow from investing activities (II - I)**	**3028**		**20,847,512**	**24,589,786**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
I.	**Cash inflow from financing activities (1 to 7)**	**3029**		**32,081,880**	**29,849,039**
	1. Increase in share capital	3030		-	-
	2. Proceeds from long-term borrowings - domestic	3031	24	11,438,785	6,182,912
	3. Proceeds from long-term borrowings - foreign	3032	24	5,290,915	-
	4. Proceeds from short-term borrowings - domestic	3033	24	15,352,180	23,666,127
	5. Proceeds from short-term borrowings - foreign	3034		-	-
	6. Other long-term liabilities	3035		-	-
	7. Other short-term liabilities	3036		-	-
II.	**Cash outflow from financing activities (1 to 8)**	**3037**		**38,461,093**	**39,872,958**
	1. Purchase of own shares	3038		-	-
	2. Repayment of long-term borrowings - domestic	3039	24	15,991,610	375,338
	3. Repayment of long-term borrowings - foreign	3040	24	6,165,092	11,287,997
	4. Repayment of short-term borrowings - domestic	3041	24	14,919,815	23,504,161
	5. Repayment of short-term borrowings - foreign	3042		-	-
	6. Repayment of other liabilities	3043		-	-
	7. Financial lease	3044	24	383,385	280,003
	8. Dividend distribution	3045	22	1,001,191	4,425,459
III.	**Net cash inflow from financing activities (I - II)**	**3046**		**-**	**-**
IV	**Net cash outflow from financing activities (II - I)**	**3047**		**6,379,213**	**10,023,919**
D.	**TOTAL CASH INFLOW (3001+3017+3029)**	**3048**		**527,973,126**	**393,914,359**
E.	**TOTAL CASH OUTFLOW (3006+3023+3037)**	**3049**		**515,688,134**	**399,545,902**
F.	**NET CASH INFLOW (3048-3049)>=0**	**3050**		**12,284,992**	**-**
G.	**NET CASH OUTFLOW (3049-3048)>=0**	**3051**		**-**	**5,631,543**
H.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**	**3052**		**7,949,785**	**13,501,827**
I.	**CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS**	**3053**		**332,156**	**309,535**
J.	**CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS**	**3054**		**230,032**	**230,034**
K.	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)**	**3055**	**19**	**20,336,901**	**7,949,785**

In 000 RSD

Statement of changes in equity

	Equity components									
	AOP	Share capital	AOP	Reserves	AOP	Retained earnings	AOP	Loss	AOP	Total (equals AOP 0401)
1. Balance as at 01 January 2020	**4001**	**81,530,200**	**4037**	**211,134**	**4046**	**178,722,268**	**4055**	**–**	**4073**	**260,463,602**
2. Adjustments of material errors and changes in accounting policies	4002		4038	–	4047	–	4056	–	4074	–
3. Restated opening balance as at 1 January 2020	**4003**	**81,530,200**	**4039**	**211,134**	**4048**	**178,722,268**	**4057**	**–**	**4075**	**260,463,602**
4. Net changes in 2020	4004		4040	(21,034)	4049	(4,425,459)	4058	5,908,498	4076	(10,354,991)
5. Balance as at 31.December 2020.	**4001**	**81,530,200**	**4041**	**190,100**	**4050**	**174,296,809**	**4059**	**5,908,498**	**4077**	**250,108,611**
6. Adjustments of material errors and changes in accounting policies	4006	–	4042	–	4051	–	4060	–	4078	–
7. Restated opening balance as at 01 January 2021	**4007**	**81,530,200**	**4043**	**190,100**	**4052**	**174,296,809**	**4061**	**5,908,498**	**4079**	**250,108,611**
8. Net changes in 2021	4008	–	4044	8,253	4053	16,222,512	4062	(5,908,498)	4080	22,139,263
9. Balance as at 31 December 2021	**4009**	**81,530,200**	**4045**	**198,353**	**4054**	**190,519,321**	**4063**	**–**	**4081**	**272,247,874**

In 000 RSD

Notes to 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.

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

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

These Financial Statements have been approved and authorized for issue by Chief Executive Officer and will be presented to Shareholders' Assembly for approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements for the year ended 31 December 2021 were prepared in accordance with the applicable Law on Accounting of the Republic of Serbia, which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

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

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

The preparation of financial statements in conformity with the Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Financial Statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Company will be able to continue to operate as a going concern in the foreseeable future (refer to note 3.1 for Going Concern and Implications of COVID-19) and, therefore, this principle should be applied in the preparation of these Financial Statements.

At the date of signing Financial Statements, crude oil price increased since 31 December 2021 from 77.020 $/barrel to 103.200 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. Basis of measurement

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

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the General Manager Advisory Board. The main indicator for assessing performance of operating segments is EBITDA, which is regularly reported to the chief operating decision-maker. The information on segment assets and liabilities are not regularly provided to the chief operating decision-maker.

2.4. Seasonality of Operations

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

* *All amounts are in RSD 000, unless otherwise stated.*

2.5. 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 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 2021.

2.6. 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'.

2.7. 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).

2.8. 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.

2.9. 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 39 and 40).

2.10. Leases

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

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

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

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

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

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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 income statement as part of income/expenses from valuation of assets (except financial) (note 29 and 32).

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.

2.13. 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 Company classifies its financial assets in the following measurement categories:

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

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

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

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

Debt instruments

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

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

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

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separately.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest (''SPPI''), are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented separately.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

Trade and other receivables. Trade and other receivables are recognized initially at fair value and are subsequently carried at amortized cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Equity instruments

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

(c) Write-off

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

(d) Recognition and derecognition

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

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

2.14. 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 expense (note 40).

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 Company, as well as receivables/payables relating to collaterals received/given 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 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.

2.18. 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.

2.19. 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.

2.20. 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 23).

2.21. 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 28.

(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.

2.22. 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.

2.23. 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. Implication of COVID-19

Given the recent volatility in global oil and commodity prices and potential impact on demand as a result of the COVID-19 virus management has considered the impact of the COVID-19 virus on the Companies's future sales and specifically the Companies's cash flow.

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

- Assessment of going concern is based on cash flow projections and approved business plans. Cash flow projection is analysed under note 6 – section related to liquidity risk;
- Compliance with debt covenants (note 6 – liquidity risk section);
- Management assess ability to secure financing. Despite the situation with the COVID 19 pandemic, during 2020 and 2021 additional optimization of the loan portfolio indicator was performed in terms of reducing the cost of financing. A significant part of loan portfolio was restructured (early repayment of existing loans with withdrawal of new ones on more favourable terms and correction of conditions of existing loans, in terms of lowering the interest rate and / or extending the maturity, as well as regular repayments);
- During 2021, performance significantly improved thanks to the oil price increase and in addition management was performed successfully optimisation of operational expenses and prioritization of the investments.

3.2. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. The Company estimates its oil and gas reserves in accordance with rules promulgated by the US Securities and Exchange Commission (SEC) for proved and probable reserves. Accounting measures such as depreciation, depletion and amortization charges and impairment assessments that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements, most notably depreciation, depletion and amortization as well as impairment expenses.

Depreciation rates on oil and gas assets using the units-of-production method for each field are based on proved developed reserves for development costs, and total proved reserves for costs associated with the acquisition of proved properties. Moreover, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is present.

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

3.3. Useful Lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2021 would be to increase/decrease it by RSD 2,066,109 thousand (2020: RSD 1,886,343 thousand).

3.4. Employee benefits

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for employee benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to calculate the present value of estimated future cash outflows which are expected to be required to settle the employee benefits obligations. In determining the appropriate discount rate, the Company takes into consideration the interest rates of Serbian Treasury bonds which are denominated in the currency in which pension liabilities will be settled and whose maturity dates approximate the maturity date of the related pension liability.

If the discount rate used to calculate the present value of employee benefit obligations had been 4.70% (rather than 3.70% per year, the past service liability (DBO) for the Company would decrease by about 7.30% for retirement indemnity and 2.88% 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 7.75% for the retirement indemnity and 3.26% 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 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 4.49% (rather than 3.49%) per year, the present liability would have decreased by approx. RSD 1,015,618 thousand (31 December 2020: 5.30% (rather than 4.30%) per year the present liability would have decreased by approx. RSD 721,372 thousand).

3.6. Contingencies

Certain conditions may exist as of the date of these financial statements are issued that may result in a loss to the Company, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Company or unasserted claims that may result in such proceedings, the Company, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 42).

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

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

The 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 60.6 bln RSD (31 December 2020: 57.2 bln RSD).

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

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

4. APPLICATION OF NEW IFRS

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

- Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021);
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 (issued in March 2021 and effective for annual periods on or after 1 April 2021).

5. NEW ACCOUNTING STANDARDS

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

- IFRS 17 - Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2021);
- Classification of Liabilities as Current or Non-Current - Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after 1 January 2022);
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework - Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities - Amendments to IFRS 9;
  - Subsidiary as a First-time Adopter - Amendment to IFRS 1;
  - Taxation in Fair Value Measurements - Amendment to IAS 41;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

6. FINANCIAL RISK MANAGEMENT

6.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Finance, Economics, Planning and Accounting (further "FEPA") which under the policies approved by the Company identifies and evaluates financial risks in close co-operation with the Company's operating units.

In the normal course of its operations the Company has exposure to the following financial risks::

a) market risk (including currency risk, interest rate risk and commodity price risk);
b) credit risk and
c) liquidity risk.

Market risk

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

Currency risk

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

Management has set up a policy to manage its currency risk against its functional currency. In order to manage its currency risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Currency risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company functional currency.

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

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

As of 31 December 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)**

As of 31 December 2020	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	95,316	-	-	-	95,316
Long-term investments in subsidiaries domestic	-	79,697	-	-	79,697
Long-term investments in subsidiaries foreign	-	22,831,551	-	-	22,831,551
Long-term loans provided – domestic	9,515				9,515
Other long-term investments	84,195	1,580,193	5,740	-	1,670,128
Current					
Trade receivables	18,627,387	3,808,757	95,424	-	22,531,568
Other receivables	120,333	1,313,425	152,808	292	1,586,858
Short term financial investments	179,617	5,163,360	-	-	5,342,977
Cash and cash equivalents	4,526,215	3,173,675	243,184	6,711	7,949,785
Financial liabilities					
Non-current					
Long-term liabilities	(14,199)	(72,780,867)	(120,107)	(160,295)	(73,075,468)
Current					
Short-term financial liabilities	(1,770,865)	(11,801,674)	(37,751)	(52,889)	(13,663,179)
Trade payables	(9,462,425)	(7,834,253)	(3,324,991)	(32,269)	(20,653,938)
Other short-term liabilities	(5,674,847)	(79,851)	(152,390)	(2,114)	(5,909,202)
Net exposure	**4,370,946**	**(54,545,987)**	**(3,138,083)**	**(240,564)**	**(53,553,688)**

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2021	31 December 2020
EUR	117.5821	117.5802
USD	103.9262	95.6637

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 2021, 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 RSD 429,512 thousand (2020: RSD 545,460 thousand) higher/lower, mainly as a result of foreign exchange gains/(losses) on translation of EUR – denominated borrowings.

As at 31 December 2021, 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 RSD 9,134 thousand (2020: RSD 62,762 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Commodity price risk

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

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

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Company to cash flow interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR) has a proportionate impact on the Company's results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2021 would have been RSD 550,486 thousand (2020: RSD 667,008 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

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

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

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

	31 December	
	2021	2020
Financial instrument at FVTOCI	91,900	95,316
Long-term investments in subsidiaries domestic	-	79,697
Long-term investments in subsidiaries foreign	27,188,599	22,831,551
Long term loans provided - domestic	9,515	9,515
Other long-term investments	1,798,718	1,670,128
Trade receivables	30,962,130	22,531,568
Other receivables	1,796,245	2,712,481
Short term financial investments	1,954,526	5,342,977
Cash and cash equivalents	20,336,901	7,949,785
Total maximum exposure to credit risk	**84,138,534**	**63,223,018**

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 2021 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 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**

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

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

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
	Individually impaired	Collectively impaired		
As at 1 January 2020	**2,442,854**	**3,276,526**	**52,831**	**5,772,211**
Provision for receivables impairment (note 37)	–	90,356	5,126	95,482
Unused amounts reversed (note 38)	–	(112,728)	(11,634)	(124,362)
Receivables written-off during the year as uncollectible	–	(609,621)	(285)	(609,906)
Other	–	4	–	4
As at 31 December 2020	**2,442,854**	**2,644,537**	**46,038**	**5,133,429**
Provision for receivables impairment (note 37)	–	35,497	582	36,079
Unused amounts reversed (note 38)	(5,000)	(23,708)	(5,485)	(34,193)
Receivables written-off during the year as uncollectible	–	(287,633)	–	(287,633)
Other	17,000	(16,712)	–	288
As at 31 December 2021	**2,454,854**	**2,351,981**	**41,135**	**4,847,970**

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.

As of 31 December 2021 receivables from specific operations amounting RSD 1,827,401 thousand (31 December 2020: RSD 2,177,080 thousand) are mostly impaired in the amount of RSD 1,555,715 thousand (31 December 2020: RSD 1,921,210 thousand).

Movements on the provision for other receivables:

	Interest on long –term placements (current part)	Other Interest receivables	Other receivables	Specific receivables	Total
As at 1 January 2020	**382,218**	**2,065,051**	**7,401,900**	**1,947,055**	**11,796,224**
Provision for other receivables impairment	–	8,165	2,006	4,594	14,765
Unused amounts reversed (note 38)	–	(38,415)	(369)	(466)	(39,250)
Reclassification from non-current to current part	(2,365)	–	–	–	(2,365)
Exchange differences	(42)	–	–	–	(42)
Receivables written off during the year as uncollectible and other	–	(46,480)	(837)	(29,973)	(77,290)
As at 31 December 2020	**379,811**	**1,988,321**	**7,402,700**	**1,921,210**	**11,692,042**
Provision for other receivables impairment	–	3,455	1,774	1,051	6,280
Unused amounts reversed (note 38)	–	(11,994)	(417)	(285,617)	(298,028)
Reclassification from non-current to current part	(11,925)	(6,235)	–	(36,000)	(54,160)
Exchange differences	5	–	–	–	5
Receivables written off during the year as uncollectible and other	–	(44,483)	(69,348)	(44,929)	(158,760)
As at 31 December 2021	**367,891**	**1,929,064**	**7,334,709**	**1,555,715**	**11,187,379**

Other financial assets at amortised cost

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

	Total
As at 1 January 2020	**2,300,154**
Remeasurement of expected credit losses	–
Reclassification from non-current to current part	1,359,610
Exchange differences	(344)
As at 31 December 2020	**3,659,420**
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**

Movements on the provision for short-term placements:

	Short-term financial loans - Domestic	Current portion of long-term placements	Total
As at 1 January 2020	**2,019**	**7,347,506**	**7,349,525**
Remeasurement of expected credit losses	–	17,822	17,822
Unused amounts reversed	–	–	–
Reclassification from non-current to current part	–	(1,357,245)	(1,357,245)
Exchange differences	–	(685)	(685)
As at 31 December 2020	**2,019**	**6,007,398**	**6,009,417**
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**

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 31 December 2021				
Cash and cash equivalents	8,764,259	8,137,869	3,434,773	**20,336,901**
As at 31 December 2020				
Cash and cash equivalents	2,310,366	3,888,729	1,750,690	**7,949,785**

As at 31 December 2021 and 2020 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 2021 and 2020 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 2021					
Financial liabilities	81,006,808	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	-	-
	110,583,652	115,140,533	**40,449,282**	**72,930,789**	**1,760,462**
As at 31 December 2020					
Financial liabilities	85,896,800	90,216,843	15,008,689	62,413,869	12,794,285
Trade payables and dividends payable	24,438,955	24,438,955	24,438,955	-	-
	110,335,755	**114,655,798**	**39,447,644**	**62,413,869**	**12,794,285**

6.2. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On the Company level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Company's net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December2021	31 December2020
Total borrowings	81,852,891	86,738,647
Less: cash and cash equivalents (note 19)	(20,336,901)	(7,949,785)
Net debt	**61,515,990**	**78,788,862**
EBITDA	51,540,715	14,110,653
Net debt to EBITDA	**1.19**	**5.58**

The Company has committed (at the level of Gazprom Neft Group) 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.

6.3. Fair value estimation

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

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

7. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the years ended 31 December 2021 and 2020. 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 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 29 and 32)	(50,858)	(509,410)	-	(560,269)
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**

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	29,495,217	169,879,540	(29,571,933)	169,802,824
Intersegment	29,007,674	564,259	(29,571,933)	-
External	487,543	169,315,281	-	169,802,824
Adjusted EBITDA (Segment results)	**15,334,689**	**(1,224,036)**	**-**	**14,110,653**
Depreciation, depletion and amortization	(11,455,129)	(9,410,911)	-	(20,866,040)
Impairment losses/ /Revaluation surpluses (note 29 and 32)	331	(721,373)	-	(721,042)
Write-off of exploration works (note 9)	(136,994)	-	-	(136,994)
Finance expenses, net	(79,509)	(800,054)	-	(879,563)
Income tax	(50,469)	1,765,407	-	1,714,938
Segment profit (loss)	**4,415,459**	**(10,323,957)**	**-**	**(5,908,498)**

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of RSD 6,925,941 thousand for the year ended 31 December 2021 (31 December 2020: negative EBITDA in the amount of RSD 6,150,081 thousand). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December	
	2021	2020
Adjusted EBITDA after allocation of Corporate centre	21,214,249	(1,224,036)
Corporate centre EBITDA	(6,925,941)	(6,150,081)
Adjusted EBITDA prior allocation of Corporate centre	**28,140,190**	**4,926,045**

Adjusted EBITDA for the year ended 31 December 2021 and 2020 is reconciled below:

	Year ended 31 December	
	2021	2020
Profit (loss) for the year	23,131,745	(5,908,498)
Income tax expenses	4,156,419	(1,714,938)
Other expenses	945,285	1,029,573
Other income	(1,011,075)	(1,987,010)
Loss from valuation of assets at fair value through profit and loss	365,976	156,111
Income from valuation of assets at fair value through profit and loss	(332,221)	(251,975)
Finance expense	3,951,373	4,122,889
Finance income	(2,581,777)	(3,243,326)
Depreciation, depletion and amortization	22,685,589	20,866,040
Other non operating expenses, net*	229,401	1,041,787
EBITDA	**51,540,715**	**14,110,653**

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

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

	Year ended 31 December 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	10,468,297	396,793	10,865,090
Total sales	**218,133,477**	**56,858,237**	**274,991,714**

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

Out of the amount of RSD 190,170,150 thousand (2020: RSD 110,044,149 thousand) revenue from sale of petroleum products (wholesale), the amount of RSD 28,673,855 thousand (2020: RSD 16,743,010 thousand) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Electric Power Industry of Serbia in the amount of 1,154,381 RSD (2020: Network for Trading in the amount 504,652 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 RSD 218,133,477 thousand (2020: 137,387,370 thousand), and the total of revenue from external customer from other countries is RSD 56,858,237 thousand (2020: RSD 32,415,454 thousand).

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

	Year ended 31 December	
	2021	2020
Sale of crude oil	1,212,510	445,567
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	19,078,100	10,627,713
Bulgaria	6,933,105	6,741,459
Romania	7,705,681	4,398,452
Croatia	2,597,274	1,656,265
Great Britain	4,517,034	903,215
Northern Macedonia	502,952	790,710
Hungary	947,185	779,414
Switzerland	1,880,060	453,057
All other markets	10,490,111	5,231,621
	54,651,502	31,581,906
Lease revenue	5,321	4,642
Sales of electricity	592,111	80,034
Other sales	396,793	303,305
	56,858,237	**32,415,454**

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 2021 and 2020:

	Year ended 31 December	
	2021	2020
Sales revenue	422,812,999	297,313,937
Excise duties	(147,821,285)	(127,511,113)
Net sales revenue	**274,991,714**	**169,802,824**

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

8. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Other intangibles	Intangible assets under development	Total
At 1 January 2020					
Cost	14,769,431	9,013,191	967,444	3,125,788	27,875,854
Accumulated amortisation and impairment	(3,329,601)	(7,224,160)	(138,923)	(24,347)	(10,717,031)
Net book amount	**11,439,830**	**1,789,031**	**828,521**	**3,101,441**	**17,158,823**
Year ended 31 December 2020					
Additions	-	-	-	1,095,013	1,095,013
Transfer from assets under development	1,474,226	655,092	6,635	(2,135,953)	-
Amortization	(1,143,611)	(527,554)	(19,054)	-	(1,690,219)
Transfer to PP&E (note 9)	-	-	-	173,829	173,829
Disposals and write-off	-	-	-	(58,941)	(58,941)
Closing net book amount	**11,770,445**	**1,916,569**	**816,102**	**2,175,389**	**16,678,505**
As at 31 December 2020					
Cost	16,243,658	9,664,728	973,761	2,258,677	29,140,824
Accumulated amortization and impairment	(4,473,213)	(7,748,159)	(157,659)	(83,288)	(12,462,319)
Net book amount	**11,770,445**	**1,916,569**	**816,102**	**2,175,389**	**16,678,505**
At 1 January 2021					
Cost	16,243,658	9,664,728	973,761	2,258,677	29,140,824
Accumulated amortization and impairment	(4,473,213)	(7,748,159)	(157,659)	(83,288)	(12,462,319)
Net book amount	**11,770,445**	**1,916,569**	**816,102**	**2,175,389**	**16,678,505**
Year ended 31 December 2021					
Additions	-	-	-	1,149,011	1,149,011
Transfer from assets under development	1,289,752	485,504	311,595	(2,086,851)	-
Amortization	(1,227,414)	(412,345)	(22,521)	-	(1,662,280)
Impairment (note 32)	-	-	-	(1,008)	(1,008)
Transfer to PP&E (note 9)	-	-	-	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**

Intangible assets under development as at 31 December 2021 amounting to RSD 1,329,678 thousand (31 December 2020: RSD 2,175,389 thousand) mostly relate to investments in explorations (unproved reserves) in the amount of RSD 987,191 thousand (31 December 2020: RSD 1,887,368 thousand).

9. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment carried at cost

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
At 1 January 2020								
Cost	10,639,193	213,989,196	121,515,375	55,160,985	78,734	496,173	358,551	402,238,207
Accumulated depreciation and impairment	(298,333)	(72,551,692)	(64,785,052)	(1,985,930)	(1,117)	(360,455)	(21,363)	(140,003,942)
Net book amount	**10,340,860**	**141,437,504**	**56,730,323**	**53,175,055**	**77,617**	**135,718**	**337,188**	**262,234,265**
Year ended 31 December 2020								
Additions	–	345,084	–	20,756,791	–	–	1,010,635	22,112,510
Transfer from assets under development	17,882	19,093,734	39,789,691	(58,915,497)	4,090	10,100	–	–
Impairment charge (note 32)	–	(3,025)	–	(655,359)	–	–	–	(658,384)
Depreciation	–	(10,695,994)	(8,152,301)	–	–	(15,139)	–	(18,863,434)
Transfer from intangible assets (note 8)	–	–	–	(173,829)	–	–	–	(173,829)
Transfer to assets held for sale	(77,770)	(1,284)	(70,190)	–	–	–	–	(149,244)
Disposals and write-off	(1,205)	(32,944)	(87,776)	(252,227)	(12)	–	(1,097,847)	(1,472,011)
Other transfers	4,407	163,089	(167,496)	–	–	–	–	–
Closing net book amount	**10,284,174**	**150,306,164**	**88,042,251**	**13,934,934**	**81,695**	**130,679**	**249,976**	**263,029,873**
At 31 December 2020								
Cost	10,578,355	233,341,485	159,941,116	16,442,597	82,811	506,273	271,339	421,163,976
Accumulated depreciation and impairment	(294,181)	(83,035,321)	(71,898,865)	(2,507,663)	(1,116)	(375,594)	(21,363)	(158,134,103)
Net book amount	**10,284,174**	**150,306,164**	**88,042,251**	**13,934,934**	**81,695**	**130,679**	**249,976**	**263,029,873**
Investment property (note 9c)	–	1,688,837	–	–	–	–	–	1,688,837
Right of use assets (note 9b)	5,006	519,681	898,187	–	–	–	–	1,422,874
Total	**10,289,180**	**152,514,682**	**88,940,438**	**13,934,934**	**81,695**	**130,679**	**249,976**	**266,141,584**
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	–	–	–	18,782,200	–	–	1,527,676	20,309,876
Transfer from assets under development	28,717	13,823,074	4,918,868	(18,777,326)	–	6,667	–	–
Impairment charge (note 32)	–	–	–	(743,396)	–	–	–	(743,396)
Depreciation	–	(11,175,833)	(9,470,535)	–	–	(14,722)	–	(20,661,090)
Transfer from intangible assets (note 8)	–	–	–	(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 ROUA	–	(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**
Investment property (note 9c)	–	1,778,608	–	–	–	–	–	1,778,608
Right of use assets (note 9b)	**2,503**	**771,742**	**763,511**	**–**	**–**	**–**	**–**	**1,537,756**
Total	**10,011,901**	**155,129,956**	**84,286,428**	**12,749,319**	**81,574**	**122,623**	**273,560**	**262,655,361**

In 2021, the Company capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to RSD 17,223 thousand (2020: RSD 118,773 thousand).

Of the total amount of activations in 2021 in the amount of RSD 18,777,326 thousand, the most significant part refers to activation of oil&gas properties in the amount of RSD 14,947,943 thousand. In 2020 the amount of 58,915,497 thousand, the most significant part refers to the completion and commissioning of the Bottom of the Barrel Project at the Pancevo Refinery in the amount of RSD 38,844,486 thousand. The Bottom of the Barrel Project ensure optimal utilization of the capacities of the Pancevo Oil Refinery and an increase in the depth of refining to 99.2 per cent (up from 86 per cent in 2017). This implies increased output of high-quality fuels – diesel, gasoline and liquid petroleum gas, as well as the start of production of petroleum coke. This will give Company a competitive edge in the market and trigger its further growth.

As at 31 December 2021, 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 RSD 743,396 thousand (2020: RSD 658,384) 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 most significant amount refers to the impairment of the temporary suspended Base Oil Project in Refinery Novi Sad in amount of RSD 731,532 thousand (2020: RSD 683,196 thousand).

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 of assets

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2020	**-**	**489,299**	**274,626**	**179,910**	**943,835**
Additions	7,509	83,270	215,988	495,615	802,382
Depreciation	(2,503)	(51,532)	(99,763)	(158,589)	(312,387)
Transfers	-	-	(223,326)	223,326	-
Effect of contract modifications and changes in estimates	-	(1,356)	-	(9,600)	(10,956)
As at 31 December 2020	**5,006**	**519,681**	**167,525**	**730,662**	**1,422,874**
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**

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:

	2021	2020
As at 1 January	1,688,837	1,694,307
Fair value gain (note 29 and 32)	83,736	-
Transfers from PPE	21,673	-
Disposals	(15,638)	(5,470)
As at 31 December	**1,778,608**	**1,688,837**

As at 31 December 2021, investment properties amounting to RSD 1,778,608 thousand (31 December 2020: RSD 1,688,837 thousand) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Company's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2021 and 2020. The revaluation loss was debited to other expenses (note 40).

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 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**

Fair value measurements at 31 December 2020 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements Land and buildings			
– Shops and other facilities for rents	–	838,837	–
– Gas stations	–	–	735,442
Total	**–**	**838,837**	**735,442**

Valuation techniques used to derive level 2 fair values

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

Fair value measurements using significant unobservable inputs (Level 3)

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

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

	2021	2020
Long term growth rate	0%	0%
Discount rate	12%	12%

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

	2021	2020
Assets as at 1 January	**735,442**	**735,442**
Changes in fair value measurement:		
Gains recognised in profit or loss, fair value measurement	80,125	–
Other	(5,902)	–
Total increase in fair value measurement, assets	74,223	–
Assets as at 31 December	**809,665**	**735,442**

d) Oil and gas production assets

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

	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 2020						
Cost	11,741,893	3,538,542	15,280,435	174,428,161	24,376	189,732,972
Depreciation and impairment	-	-	-	(52,478,788)	(20,345)	(52,499,133)
Net book amount	**11,741,893**	**3,538,542**	**15,280,435**	**121,949,373**	**4,031**	**137,233,839**
Year ended 31 December 2020						
Additions	1,351,329	9,462,898	10,814,227	345,084	-	11,159,311
Transfer from asset under construction	(2,772,074)	(12,233,741)	(15,005,815)	15,005,815	-	-
Other transfers	30,446	290,724	321,170	(44,287)	382	277,265
Impairment	-	(431)	(431)	-	-	(431)
Depreciation and depletion	-	-	-	(11,331,021)	-	(11,331,021)
Unsuccessful exploration expenditures derecognised (note 7)	(136,994)	-	(136,994)	-	-	(136,994)
Disposals and write-off	(32,469)	(6,511)	(38,980)	(90,534)	-	(129,514)
	10,182,131	**1,051,481**	**11,233,612**	**125,834,430**	**4,413**	**137,072,455**
As at 31 December 2020						
Cost	10,182,131	1,051,481	11,233,612	189,297,948	24,761	200,556,321
Depreciation and impairment	-	-	-	(63,463,518)	(20,348)	(63,483,866)
Net book amount	**10,182,131**	**1,051,481**	**11,233,612**	**125,834,430**	**4,413**	**137,072,455**
Year ended 31 December 2021						
Additions	1,180,548	11,155,914	12,336,462	1,408,562	-	13,745,024
Transfer from asset under construction	(2,721,999)	(12,225,944)	(14,947,943)	14,657,646	-	(290,297)
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 (note 7)	(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**

Unsuccessful exploration expenditures derecognised in the amount of RSD 11,001 thousand (2020: RSD 136,994 thousand) mainly relate to exploration assets located in Serbia due to uncertain viability of commercial production.

10. INVESTMENTS IN SUBSIDIARY

	31 December 2021	31 December 2020
Investments in subsidiaries:		
- In shares	3,457,576	3,457,576
- In stakes	11,157,359	11,157,359
	14,614,935	14,614,935
Less: Provision	(1,189,308)	(1,189,308)
	13,425,627	**13,425,627**
Other financial assets available for sales	91,900	95,316
	13,517,527	**13,520,943**

Investments in subsidiaries as at 31 December 2021 relate to the following companies:

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

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying value of the investments in associates and joint ventures as of 31 December 2021 and 2020 is presented below:

		Ownership percentage	31 December 2021	31 December 2020
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	1,038,800	1,038,800
HIP Petrohemija ad Pančevo	Associate	20.86%	11,572,197	11,572,197
Less: Provision			(11,572,197)	(11,572,197)
			1,038,800	**1,038,800**

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

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

Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Company and Centrenergoholding OAO Russian Federation established the holding company Gazprom Energoholding, through which they will jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years and corporate loan from CEH in amount of 41 mln EUR. Handing over CHP TE-TO Pancevo is expected to be completed during Q1 2022. Analysis of the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby 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 is 1 July 2022. 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 2021 (unaudited) and 2020 and for the years ended 31 December 2021 (unaudited) and 2020 is presented in the table below:

	Gazprom Energoholding Serbia	HIP Petrohemija a.d. Pančevo
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
31 December 2020		
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

12. LONG-TERM INVESTMENTS IN PARENT AND SUBSIDIARIES

	31 December 2021	31 December 2020
LT loans - Subsidiaries - Domestic	-	79,697
LT loans - Subsidiaries - Foreign	35,282,900	26,490,971
	35,282,900	26,570,668
Less: Impairment	(8,094,301)	(3,659,420)
	27,188,599	**22,911,248**

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

	Currency	31 December 2021	31 December 2020
Domestic			
NIS Petrol a.d. Belgrade, Serbia	EUR	-	79,697
		-	79,697
Foreign			
NIS Petrol e.o.o.d. Sofija, Bulgaria	EUR	10,603,184	5,794,933
NIS Petrol SRL, Bucharest, Romania	EUR	19,456,784	17,896,740
NIS Petrol d.o.o. Banja Luka, BiH	EUR	5,059,344	2,681,713
Jadran - Naftagas d.o.o. Banja Luka, BiH	EUR	163,588	117,585
		35,282,900	26,490,971
		35,282,900	**26,570,668**

Long-term loans to foreign subsidiaries are approved at the fixed rate (2,1% p.a.) for a period of 7 to 11 years from the date of payment of the last tranche. The carrying value of long-term loans is equal to their fair value.

13. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31 December 2021	31 December 2020
Other LT investments	262,864	8,621
LT loans given to employees	1,086,538	1,126,857
Other LT investments at FV	841,861	841,847
LT receivables	-	75,637
Less: Impairment	(392,545)	(382,834)
	1,798,718	**1,670,128**

Loans to employees as at 31 December 2021 amounting to RSD 1,086,538 thousand (31 December 2020: RSD 1,126,857 thousand) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of RSD 392,486 thousand.

Other long-term investments at fair value in the amount of RSD 841,861 thousand (31 December 2020: RSD 841,847 thousand) are recognised in accordance with Novation agreement and Assignement agreement concluded between ZN, NIS and Jadran Naftagas (note 24).

14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Consolidated Financial Statements are attributable to the following:

	Assets	Liabilities	Net
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**
As at December 31, 2020			
Provisions	902,260	-	902,260
Property, plant and equipment	-	(13,425)	(13,425)
Impairment losses	1,205,119	-	1,205,119
Tax losses	488,483	-	488,483
Fair value gains	10,368	-	10,368
Revaluation reserve	-	(26,848)	(26,848)
	2,606,230	**(40,273)**	**2,565,957**

Movements in temporary differences during the period:

	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**

	As at December 31, 2019	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2020
Provisions	914,793	(12,576)	–	43	902,260
Property, plant and equipment	(1,794,412)	1,780,983	–	4	(13,425)
Impairment losses	1,858,300	(653,181)	–	–	1,205,119
Tax losses	–	488,483		–	488,483
Fair value gains	10,316	–	52	–	10,368
Revaluation reserve	(26,848)	–	–	–	(26,848)
Investment credit	47	–	–	(47)	–
Total	**962,196**	**1,603,709**	**52**	**-**	**2,565,957**

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.

15. INVENTORY

	31 December 2021	31 December 2020
Materials, spare parts and tools	20,171,561	15,401,060
Work in progress	5,778,096	4,130,289
Finished goods	9,918,670	7,391,813
Goods for sale	1,830,296	1,560,961
Advances	459,979	407,864
Less: impairment of inventory	(4,535,780)	(4,661,075)
Less: impairment of advances	(147,551)	(149,980)
	33,475,271	**24,080,932**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2020	**4,670,632**	**149,250**	**4,819,882**
Provision for inventories and advances (note 32)	55,080	3,453	58,533
Unused amounts reversed (note 29)	(36,147)	(31)	(36,178)
Write-off and other	(28,490)	(2,692)	(31,182)
Balance as of 31 December 2020	**4,661,075**	**149,980**	**4,811,055**
Provision for inventories and advances (note 32)	1,971	–	1,971
Unused amounts reversed (note 29)	(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**

16. TRADE RECEIVABLES

	31 December 2021	31 December 2020
Parents and subsidiaries - domestic	431,422	396,649
Parents and subsidiaries - foreign	5,379,962	3,032,362
Other related parties - domestic	2,049,634	1,563,227
Other related parties - foreign	78,645	50,030
Trade receivables domestic – third parties	26,612,818	22,171,216
Trade receivables foreign – third parties	1,257,619	451,513
	35,810,100	**27,664,997**
Less: Impairment	(4,847,970)	(5,133,429)
	30,962,130	**22,531,568**

17. OTHER RECEIVABLES

	31 December 2021	31 December 2020
Receivables from specific operations	1,827,401	2,177,080
Interest receivables	3,598,038	3,631,461
Receivables from employees	19,843	75,712
Other receivables	7,464,541	7,394,006
Income tax prepayment	–	1,034,617
Prepaid taxes and contributions	73,801	91,647
Less: Impairment	(11,187,379)	(11,692,042)
	1,796,245	**2,712,481**

18. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2021	31 December 2020
ST loans and placements - Parent and subsidiaries	148,298	167,941
ST loans and placements - Domestic	2,019	2,019
Current portion of LT placements - Parent and subsidiaries	3,360,601	11,105,589
Other ST financial placements	76,228	76,845
Less: Impairment	(1,632,620)	(6,009,417)
	1,954,526	**5,342,977**

19. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in bank and in hand	12,776,096	5,151,570
Deposits with original maturity of less than three months	7,533,623	2,530,000
Cash with restriction	–	8,071
Cash equivalents	27,182	260,144
	20,336,901	**7,949,785**

20. PREPAYMENTS AND ACCRUED INCOME

	31 December 2021	31 December 2020
Deferred input VAT	3,126,172	1,823,813
Prepaid expenses	276,026	186,100
Accrued revenue	51,279	44,896
Prepaid excise duty	1,969,728	2,188,620
Housing loans and other prepayments	314,708	269,207
	5,737,913	**4,512,636**

Deferred input VAT as at 31 December 2021 amounting to RSD 3,126,172 thousand (31 December 2020: RSD 1,823,813 thousand) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2021 amounting to RSD 1,969,728 thousand (31 December 2020: RSD 2,188,620 thousand) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

21. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Issued warranties and bills of exchange	79,772,819	79,165,987
Received warranties and bills of exchange	14,590,445	14,817,223
Properties in ex-Republics of Yugoslavia	5,358,990	5,357,687
Receivables from companies from ex-Yugoslavia	6,380,931	5,873,647
Third party merchandise in NIS warehouses	10,180,619	9,302,871
Assets for oil fields liquidation in Angola	1,361,966	1,361,966
Mortgages and pladges recived	2,465,428	1,880,676
Other off-balance sheet assets and liabilities	300,152	230,406
	120,411,350	**117,990,463**

22. SHARE CAPITAL

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

Share capital as of 31 December 2021 and 31 December 2020 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2020, amounted to 1,001,191 RSD or 6.14 RSD per share (31 December 2019: 4,425,459 RSD or 27.14 RSD per share) were approved on the General Assembly Meeting held on 29 June 2021 and paid on 31 August 2021.

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

	Year ended 31 December	
	2021	2020
Profit/(loss) attributable to the ordinary equity holder	23,131,745	(5,908,498)
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings (loss) per share (in RSD 000)	**0.142**	**(0.036)**

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

23. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommi-ssioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
As at 1 January 2020	**10,671,714**	**488,858**	**396,933**	**788,435**	**478,216**	**12,824,156**
Charged to the income statement	88,078	-	84,032	125,984	-	298,094
New obligation incurred and change in estimates	345,084	-	-	-	-	345,084
Release of provision (note 39)	(695,704)	-	-	-	(1,582)	(697,286)
Actuarial loss charged to other comprehensive income	-	-	20,739	-	-	20,739
Settlement and other	(70,708)	(80,317)	(58,783)	-	(99,019)	(308,827)
As at 31 December 2020	**10,338,464**	**408,541**	**442,921**	**914,419**	**377,615**	**12,481,960**
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 39)	(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**

Analysis of total provisions:

	31 December 2021	31 December 2020
Non-current	12,029,890	10,132,664
Current	1,575,245	2,349,296
	13,605,135	**12,481,960**

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 RSD 376,734 thousand (31 December 2020: RSD 408,541 thousand) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

c) Long-term incentive program

In 2011, the Company started setting-up a long-term incentive program for Company managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2021 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 411,075 thousand (2020: RSD 914,419 thousand).

d) Legal claims provisions

As at 31 December 2021, 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 RSD 82,789 thousand (released provision in 2020: RSD 1,582 thousand) for proceedings which were assessed to have negative (in 2020 positive) 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 2021.

e) Provision for employee benefits

Employee benefits:

	31 December 2021	31 December 2020
Retirement allowances	392,619	150,464
Jubilee awards	308,205	292,457
	700,824	**442,921**

The principal actuarial assumptions used were as follows:

	31 December 2021	31 December 2020
Discount rate	3.7%	4.3%
Future salary increases	0.00%	0.07%
Future average years of service	17.86	15

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2020	**123,679**	**273,254**	**396,933**
Benefits paid directly	(34,844)	(23,939)	(58,783)
Actuarial loss charged to other comprehensive income	20,739	-	20,739
Debited to the income statement	40,890	43,142	84,032
Balances as at 31 December 2020	**150,464**	**292,457**	**442,921**
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**

The amounts recognized in the Income Statement are as follows:

	Year ended 31 December	
	2021	2020
Current service cost	47,195	72,825
Past service cost	206,267	-
Interest cost	26,854	17,942
Curtailment loss	18,612	35,126
Actuarial (gain)/loss (jubilee awards)	23,229	(41,861)
	322,157	**84,032**

24. LONG-TERM LIABILITIES

	31 December 2021	31 December 2020
Long-term loan - Gazprom Neft	8,203,403	13,672,117
Bank loans	69,276,624	69,109,853
Lease liabilities	1,338,381	1,358,795
Other non-current financial liabilities	841,861	841,847
Other long-term borowings	4,222	-
	79,664,491	**84,982,612**
Less Current portion (note 25)	(7,379,095)	(11,907,144)
	72,285,396	**73,075,468**

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

	Long-term loans	Short-term loans (note 25)	Lease	Total
As at 1 January 2020	**88,350,506**	**1,594,072**	**811,424**	**90,756,002**
Proceeds	6,182,912	23,666,127	-	29,849,039
Repayment	(11,663,203)	(23,504,160)	(280,003)	(35,447,366)
Non-cash transactions	(53,823)	(4)	830,606	776,779
Foreign exchange difference	(34,422)	-	(3,232)	(37,654)
As at 31 December 2020	**82,781,970**	**1,756,035**	**1,358,795**	**85,896,800**
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**

a) Long-term loan - Gazprom Neft

As at 31 December 2021 long-term loan - Gazprom Neft amounting to RSD 8,203,403 thousand (31 December 2020: RSD 13,672,117 thousand), with current portion of RSD 5,468,935 thousand (31 December 2020: RSD 5,468,847 thousand), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

b) Bank loans

	31 December 2021	31 December 2020
Domestic	47,362,765	51,785,404
Foreign	21,913,859	17,324,449
	69,276,624	69,109,853
Current portion of long-term loans	(1,579,581)	(6,117,142)
	67,697,043	**62,992,711**

The maturity of non-current loans was as follows:

	31 December 2021	31 December 2020
Between 1 and 2 years	2,946,179	9,920,841
Between 2 and 5 years	63,486,742	41,197,751
Over 5 years	1,264,122	11,874,119
	67,697,043	**62,992,711**

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

	31 December 2021	31 December 2020
USD	83,512	157,858
EUR	69,093,193	68,740,979
RSD	95	338
JPY	99,824	210,678
	69,276,624	**69,109,853**

The Company repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Company has floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Company will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Company's ratio (GPN Group ratio) of indebtedness to EBITDA (note 6). The Company is in compliance with these covenants as of 31 December 2021 and 31 December 2020 respectively.

c) Lease liabilities

Amounts recognized in profit and loss:

	2021	2020
Interest expense (included in finance cost)	33,134	30,967
Expense relating to short-term leases (note 32)	91,723	342,528
Expense relating to leases of low value assets that are not shown above as short-term leases (note 32)	10,117	126,666
Expense relating to variable lease payments not included in lease liabilities (note 32)	1,094,702	780,141

d) Other non-current financial liabilities

Other non-current financial liabilities in the amount of RSD 841,861 thousand (31 December 2020: RSD 841,847 thousand) in total represent deferred consideration to PJSC Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obiligation depends on occurance of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignement agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

25. SHORT-TERM FINANCE LIABILITIES

	31 December 2021	31 December 2020
Short-term loans from subsidiaries	2,188,400	1,756,035
Current portion of long-term loans (note 24)	7,379,095	11,907,144
	9,567,495	**13,663,179**

26. TRADE PAYABLES

As at 31 December 2021 payables in a amount of RSD 25,792,739 thousand (31 December 2020: RSD 20,653,938 thousand) include payables to parents and subsidiaries in the amount of RSD 7,316,762 thousand (31 December 2020: RSD 7,782,495 thousand), mainly relate to payables to the supplier Naftagas-Naftni servisi d.o.o. Novi Sad in amount of RSD 1,874,823 thousand (31 December 2020: RSD 3,204,199 thousand to the Gazprom Neft, St Petersburg), mostly based on services provided (31 December 2020 mostly for crude oil purchased) and trade payables – foreign amounting to RSD 12,153,357 thousand (31 December 2020: RSD 7,833,988 thousand) mostly relate to payables for crude oil Petraco Oil Company LLP, London in the amount of RSD 9,855,088 thousand (31 December 2020 2,641,621 RSD thousand), Hipp Petrhohemija in the amount of 1,155,586 RSD (31 December 2020: RSD 942,412 thousand) for operating expenses and Gazprom Marketing and Trading in the amount of RSD 731,189 thousand (31 December 2020: RSD 56,524) for electricity.

27. OTHER SHORT-TERM LIABILITIES

	31 December 2021	31 December 2020
Specific liabilities	181,267	166,877
Liabilities for unpaid wages and salaries, gross	1,051,236	1,125,281
Interest liabilities	85,507	216,927
Dividends payable	3,784,105	3,785,017
Other payables to employees	491,575	556,244
VAT	2,057,339	1,952,868
Excise tax	6,303,828	5,379,743
Contribution for buffer stocks	286,795	257,505
Energy efficiency fee	33,653	30,168
Income tax	4,144,615	-
Other taxes payables	921,333	705,843
Other current liabilities	60,027	58,856
	19,401,280	**14,235,329**

28. ACCRUED EXPENSES

Accrued expenses as at 31 December 2021 amounting to RSD 3,426,030 thousand (31 December 2020: RSD 3,440,035 thousand) mainly relate to accrued employee bonuses of RSD 1,815,305 thousand (31 December 2020: RSD 2,033,852 thousand), and contract liabilities arising from contracts with customers related to customer loyalty programme in amount RSD 776,791 thousand (31 December 2020: RSD 693,356 thousand).

Revenue in the amount of RSD 4,369,748 thousand (31 December 2020: RSD 1,916,116 thousand) was recognized in the current reporting period related to the contract liabilities as at 1 January 2021, of which RSD 3,835,100 thousand (31 December 2020: RSD 1,488,701 thousand) related to advances and RSD 534,648 thousand (31 December 2020: RSD 427,415 thousand) to customer loyalty programme.

29. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2021	2020
Release of impairment:		
- PPE	24,619	49,590
- Investment property	148,042	-
- Inventory	86,640	36,147
- Other property	291	3,123
	259,592	**88,860**

30. COST OF MATERIAL FUEL AND ENERGY

	Year ended 31 December	
	2021	2020
Costs of raw materials	161,346,556	102,579,543
Overheads and other costs	201,328	183,886
Fuel and energy cost	3,898,387	3,636,226
Other	500,763	335,737
	165,947,034	**106,735,392**

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

	Year ended 31 December	
	2021	2020
Wages and salaries (gross)	14,326,304	14,342,015
Taxes and contributions on wages and salaries paid by employer	1,955,945	1,885,100
Cost of service agreement	99,180	111,215
Cost of other personal wages	13,804	9,497
Fees paid to board of directors and general assembly board	134,090	132,140
Termination costs	342,681	38,976
Cost of service organizations	402	737,175
Other personal expenses	406,981	555,395
	17,279,387	**17,811,513**

32. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2021	2020
Impairment:		
- IA	1,008	58,941
- PPE	743,396	658,384
- Investment property	64,306	–
- Assets held for sale	9,179	34,044
- Inventory	1,971	55,080
- Other property	–	3,453
	819,860	**809,902**

33. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2021	2020
Cost of production services	2,584,055	2,167,321
Transportation services	3,216,249	3,034,457
Maintenance	5,719,883	4,730,810
Rental costs	1,196,542	1,249,335
Fairs	5,440	–
Advertising costs	720,207	529,421
Exploration expenses	86,603	218,527
Cost of other services	1,651,066	1,365,799
	15,180,045	**13,295,670**

34. NON-PRODUCTION COSTS

	Year ended 31 December	
	2021	2020
Costs of non-production services	3,172,398	2,682,287
Representation costs	41,242	45,766
Insurance premium	466,349	472,343
Bank charges	363,081	271,923
Cost of taxes	1,140,802	1,101,105
Mineral extraction tax	1,289,755	872,606
Franchisor commission	3,736,668	3,047,061
Other non-production expenses	707,678	587,424
	10,917,973	**9,080,515**

Cost of non-production services for the year ended 31 December 2021 amounting to RSD 3,172,398 thousand (2020: RSD 2,682,287 thousand), mostly relate to project management costs of RSD 1,220,237 thousand (2020: RSD 1,101,821 thousand), security costs of RSD 514,032 thousand (2020: RSD 533,601 thousand) and consulting service costs of RSD 191,085 thousand (2020: RSD 143,504 thousand).

35. FINANCE INCOME

	Year ended 31 December	
	2021	**2020**
Finance income - related parties		
- foreign exchange differences	1,049,596	1,004,211
- modification gain	95,841	-
- other finance income	684,275	681,645
Interest income	197,347	200,692
Modification gain	–	53,673
Income from discounting of receivables	19,486	38,345
Foreign exchange gains	488,922	1,260,344
Other finance income	46,310	4,416
	2,581,777	**3,243,326**

36. FINANCE EXPENSE

	Year ended 31 December	
	2021	**2020**
Finance expenses – related parties		
- foreign exchange differences	1,678,301	1,083,428
- modification loss	–	66,293
- other finance expense	193,687	319,905
Interest expenses	1,383,193	1,403,550
Decommissioning provision: unwinding of the present value discount	79,637	88,078
Amortization of non-current finacial instruments	118,241	-
Foreign exchange losses	490,640	1,134,501
Other finance expense	7,674	27,134
	3,951,373	**4,122,889**

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

	Year ended 31 December	
	2021	**2020**
Reversal of impairment of LT financial investments	–	88,363
Income from valuation:		
- trade receivables (note 6)	319,810	124,828
- short-term investments	–	–
- other receivables (note 6)	12,411	38,784
	332,221	**251,975**

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

	Year ended 31 December	
	2021	2020
Impairment of LT financial investments	55,729	28,042
Loss from valuation:		
- trade receivables (note 6)	37,130	100,076
- other receivables (note 6)	1,774	2,006
- short term investment	–	17,822
- interest	3,455	8,165
Other impairment	267,888	–
	365,976	**156,111**

39. OTHER INCOME

	Year ended 31 December	
	2021	2020
Gains on disposal – PPE	63,355	45,557
Gains on disposal – materials	42,068	21,552
Gain on disposal – equity instruments and securitas	1,216	–
Surpluses from stock count	369,348	176,298
Payables written off	333,000	965,918
Release of long-term provisions (note 23)	143,899	697,286
Penalty interest	38,143	51,673
Other income	20,046	28,726
	1,011,075	**1,987,010**

Payables written off in amount of RSD 333,000 thousand (2020: RSD 965,918 thousand) refers to the write-off of liabilities for which there is no legal basis for repayment.

40. OTHER EXPENSES

	Year ended 31 December	
	2021	2020
Loss on disposal - PPE	115,781	107,666
Loss on disposal – materials	121,271	19,435
Loss from hedge accounting through PL	–	332
Shortages from stock count	481,925	355,234
Write-off receivables	6,245	17,253
Write-off inventories	43,488	35,247
Other expenses	176,575	494,406
	945,285	**1,029,573**

41. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2021	2020
Income tax for the year	4,155,337	(111,229)
Deferred income tax for the period		
Origination and reversal of temporary differences (note 14)	1,082	(1,603,709)
	4,156,419	**(1,714,938)**

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	
	2021	2020
Profit (loss) before tax	**27,288,164**	**(7,623,436)**
Tax calculated at domestic tax rates – 15%	4,093,225	(1,143,515)
Tax effect on:		
Revenues exempt from taxation	(12,886)	(325,200)
Expenses not deductible for tax purposes		
- Tax paid in Angola	84,312	(50,469)
- Other expenses not deductable	437,895	(135,256)
Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	(437,735)	262
Tax credit used	(51,945)	
Other tax effects for reconciliation between accounting profit and tax expense	43,553	(60,760)
	4,156,419	**(1,714,938)**
The weighted average effective income tax rate	15.23%	0%

42. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The Group operates primarily in the Republic of Serbia and is therefore exposed to risks related to the state of the economy and financial markets of the Republic of Serbia. Before the pandemic crisis, the country's credit rating was at BB+ level with stabile national currency rate.

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Government of the Republic of Serbia implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is relatively low, and there is a risk that the Serbian authorities would impose additional restrictions in subsequent periods, including due to emerging new variants of the virus.

The situation in the financial markets is currently stable. This operating environment has a significant impact on the Group's operations and financial position.

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 Company 's management recognised an environmental provision in the amount of RSD 376,734 thousand (31 December 2020: RSD 408,541 thousand).

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

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 December 2021.

Capital commitments

As of 31 December 2021 the Company has entered into contracts to purchase property, plant and equipment for RSD 383,637 thousand (31 December 2020: RSD 1,536,920 thousand).

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

43. RELATED PARTIES TRANSACTIONS

The majority owner of the Company is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest owned by various minority shareholders are traded on the Belgrade Stock Exchange and are owned by various shareholders. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

During 2021 and 2020, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As of 31 December 2021 and 31 December 2020 the outstanding balances with related parties were as follows:

	Subsidiary	Parent	Entities under common control and associates	Total
As at 31 December 2021				
Right of use assets	43,712	–	414	44,126
Investments in subsidiaries, associates and joint ventures	13,425,627	–	1,038,800	14,464,427
Long-term loans	27,188,599	–	–	27,188,599
Other long-term investments	841,861	–	–	841,861
Advances for inventory and services	2,323	–	29,788	32,111
Trade receivables	5,807,273	601	2,097,458	7,905,332
Other receivables	1,365,171	–	128	1,365,299
Short-term investments	1,855,115	–	–	1,855,115
Long-term liabilities	(44,068)	(2,734,468)	(209)	(2,778,745)
Short-term financial liabilities	(2,190,722)	(5,468,935)	(142)	(7,659,799)
Advances received	(31,504)	–	(944)	(32,448)
Trade payables	(4,865,339)	(3,000)	(2,448,423)	(7,316,762)
Other short-term liabilities	(1,195)	(13)	–	(1,208)
Other current liabilities	(54,157)	–	–	(54,157)
	43,342,696	**(8,205,815)**	**716,870**	**35,853,751**

	Subsidiary	Parent	Entities under common control and associates	Total
As at 31 December 2020				
Right of use assets	46,395	–	125	46,520
Investments in subsidiaries, associates and joint ventures	13,425,627	–	1,038,800	14,464,427
Long-term loans	22,911,248	–	–	22,911,248
Other long-term investments	841,847	–	–	841,847
Advances for inventory and services	2,359	–	25,095	27,454
Trade receivables	3,425,501	–	1,582,434	5,007,935
Other receivables	1,316,935	–	303	1,317,238
Short-term investments	5,266,132	–	–	5,266,132
Long-term liabilities	(46,076)	(8,203,270)	–	(8,249,346)
Short-term financial liabilities	(1,758,283)	(5,468,847)	(84)	(7,227,214)
Advances received	(54,151)	–	(4,530)	(58,681)
Trade payables	(3,462,629)	(3,204,199)	(1,115,667)	(7,782,495)
Other short-term liabilities	(1,423)	–	–	(1,423)
Other current liabilities	(3,239)	–	–	(3,239)
	41,910,243	**(16,876,316)**	**1,526,476**	**26,560,403**

For the year ended 31 December 2021 and 2020 the following transaction occurred with related parties:

	Subsidiary	Parent	Entities under common control and associates	Total
Year ended 31 December 2021				
Sales revenue	26,996,004	2,056	30,075,178	57,073,238
Other operating income	43,329	–	7,356	50,685
Cost of goods sold	(306,374)	–	(1,226,923)	(1,533,297)
Cost of material	(430,405)	(22,565,852)	(1,016,670)	(24,012,927)
Employee benefits expenses	(19)	–	–	(19)
Production services	(4,910,175)	–	(230,186)	(5,140,361)
Depreciation	(2,683)	–	(115)	(2,798)
Non-material expense	(4,530,526)	(3,395)	(61,836)	(4,595,757)
Finance income	780,262	–	(2)	780,260
Finance expense	(19,154)	(174,840)	(59)	(194,053)
Loss from valuation of assets at fair value through profit and loss	(110,307)	–	–	(110,307)
Other income	446	–	–	446
	17,510,398	**(22,742,031)**	**27,546,743**	**22,315,110**

	Subsidiary	Parent	Entities under common control and associates	Total
Year ended 31 December 2020				
Sales revenue	13,138,607	–	17,170,435	30,309,042
Other operating income	36,852	–	8,602	45,454
Cost of goods sold	(53,346)	–	(236,321)	(289,667)
Cost of material	(382,798)	(24,674,912)	(996,914)	(26,054,624)
Fuel and energy expenses	(89)	–	–	(89)
Employee benefits expenses	(19,814)	–	–	(19,814)
Production services	(4,003,482)	–	(198,978)	(4,202,460)
Depreciation	(4,298)	–	(188)	(4,486)
Non-material expense	(3,783,590)	(3,118)	(34,079)	(3,820,787)
Finance income	681,591	–	56	681,647
Finance expense	(90,795)	(295,405)	–	(386,200)
Loss from valuation of assets at fair value through profit and loss	(17,822)	–	–	(17,822)
Other income	285	6,475	–	6,760
Other expenses	(797)	(50,164)	(260)	(51,221)
	5,500,504	**(25,017,124)**	**15,712,353**	**(3,804,267)**

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

	Entities under common control and associates	Other
As at 31 December 2021		
Trade and other receivables (gross)		
• HIP Petrohemija	1,905,004	–
• Srbijagas	–	111,545
• AIR Serbia	–	287,512
Trade and other payables		
• HIP Petrohemija	(1,551,586)	–
• Srbijagas	–	(605,123)
Other current liabilities		
• HIP Petrohemija	(2,852)	–
	350,566	**(206,066)**
As at 31 December 2020		
Trade and other receivables (gross)		
• HIP Petrohemija	1,461,095	–
• Srbijagas	–	256,036
• AIR Serbia	–	87,447
Trade and other payables		
• HIP Petrohemija	(942,412)	–
• Srbijagas	–	(302,531)
Other current liabilities		
• HIP Petrohemija	(3,532)	–
	515,151	**40,952**

	Entities under common control and associates	Other
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**
As at 31 December 2020		
Operating income		
• HIP Petrohemija	16,746,580	–
• Srbijagas	–	380,042
• AIR Serbia	–	1,685,134
Operating expenses		
• HIP Petrohemija	(193,856)	–
• Srbijagas	–	(782,731)
	16,552,724	**1,282,445**

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 2021 and 2020 the Company recognized RSD 1,033,696 thousand and RSD 997,434 thousand respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

44. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with the Accounting Law, the Company reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. The total amount of unreconciled account receivables amounts to RSD 29,757 thousand (22 customers) which is 1.43% of the total amount of receivables (trade, from specific business operations and other receivables). The total amount of unreconciled account payables amounts to RSD 539,141 thousand (110 suppliers) which is 1.34% of the total amount of trade payables.

45. EVENTS AFTER THE REPORTING DATE

Since late 2021 ongoing political tension escalated as a result of further developments of the situation with Ukraine which have negatively impacted volatility in the financial and commodity markets. On 24 February 2022 oil prices increased to over US$100 per barrel. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out. A number of sanctions have been announced to restrict Russian entities from having access to the Euro and US$ financial markets including removing access to the international SWIFT system and in such a situation this could further impact the Group's ability to transfer or receive funds. It is not possible for management to predict with any degree of certainty the impact of all this uncertainty on the future operations of the Company.

However, the Company has no major external liabilities and there were no business interruptions, including to supply chains, due to sanctions, military conflict, commodity and broader market instability. Whilst these uncertainties may impact the future dividend income of the shareholders and their ability to make payments to the Company in the near future it does not impact upon the ability of the Company to continue to operate in the foreseeable future.

Subsequent events occurring after 31 December 2021 were evaluated through 1 March 2022, the date these Financial Statements were authorised for issue.

2.02 Consolidated Financial Statements

Independent Auditor's report on Consolidated Financial Statements

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Naftna Industrija Srbije a.d. (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Law on Auditing in the Republic of Serbia. Our responsibilities under this law are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Auditing in the Republic of Serbia that are relevant to our audit of the consolidated financial statements in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Auditing in the Republic of Serbia.

PricewaterhouseCoopers d.o.o.
Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia
T:: +381 11 3302 100, F:+381 11 3302 101, *www.pwc.rs*

Our audit approach

Overview

- Overall Group materiality: 924 million Serbian dinars (hereafter "RSD"), which represents 5% of the average result before tax for the past three years, being absolute values of profit before tax for the current year and year ended on 31 December 2019 and loss before tax for year ended on 31 December 2020.

- We conducted audit work at 5 reporting units in 4 countries.
- The Group engagement team audited the Serbian subsidiaries and performed specified procedures for the Bulgarian and Romanian subsidiaries with the involvement of PwC network firms in the respective countries. Based on the engagement team's instructions, PwC network firm performed directed audit procedures over specific financial statement line items for subsidiary in Bosnia and Herzegovina.
- Our audit scope addressed 95% of the Group's revenues and 98% of the Group's absolute value of underlying result before tax.

- Estimation of decommissioning and environmental protection provision

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

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Overall Group materiality	RSD 924 million
How we determined it	5% of the average result before tax for the past three years, being absolute values of profit before tax for the current year and year ended on 31 December 2019 and loss before tax for year ended on 31 December 2020.
Rationale for the materiality benchmark applied	We determined that our materiality should be based on three-year average result before taxation. This benchmark is supported by the significant fluctuations in the financial result due to the change of crude oil prices. We have chosen 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with the those charged with governance that we would report to them misstatements identified during our audit above RSD 46 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Key audit matter	How our audit addressed the key audit matter
Estimation of decommissioning and environmental protection provisions	
Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 21 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Note 2 and Note 3. The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities. The decommissioning of oil and gas infrastructure is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Group's consolidated balance sheet.	We critically assessed management's annual review of provisions recorded as at 31 December 2021. In particular, we focused on those assets where changes to the cost estimate directly impacted the consolidated income statement rather than being recognised as an asset. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration. Of particular note, we performed the following procedures: - Identified and tested the cost assumptions which have the most significant impact on provisions by reviewing the actual costs incurred during the year and comparing them to the prior years;

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Management reviews decommissioning and environmental protection provisions on an annual basis for upstream and refining assets. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, maturity of liabilities and the effects of changes in exchange rates.	- Used valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models; - Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant & equipment; - Verified the change in oil well status compared to the prior year as the change in oil well status has a material impact on decommissioning provision calculation; - Tested the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations and concluded that the results were not materially different and were within a tolerable range.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the group scope of our audit work, we determined the nature and extent of work to be performed both at the reporting units and at the consolidated level. Where the work is performed by the local reporting unit auditors, we perform consolidated level oversight and review procedures to ensure sufficient evidence has been obtained to support our opinion on the consolidated financial statements taken as a whole. All reporting unit audit work was undertaken by us and PwC network firms.

Our approach to determining the scope of the audit of the Group is a three-step process whereby reporting units are deemed to be within the scope for audit testing based on meeting one or more of the following criteria:

1) Significant contribution, greater than 15%, to result before taxation, revenue or total assets. These reporting units are subject to full scope audits;
2) The presence of a significant risk, either at the reporting unit as a whole or relating to a specific financial statement line item. This includes financial statement line items impacted by the risks of material misstatement identified in our planning; or
3) The most significant other reporting units that enable us to satisfy our coverage criteria on each financial statement line item and to add elements of unpredictability in our scope.

Based on this process, we identified 5 reporting units in four countries that, in our view, required either full scope audit (Naftna Industrija Srbije a.d.) or directed audit procedures over specific financial statement line items. Together, these reporting units accounted for 95% of the Group's revenue and 98% of the Group's absolute value of underlying result before tax.

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As a result of its structure and size, the Group also has several small reporting units that are individually immaterial but, in aggregate, make up a material portion of its loss before taxation, revenue or total assets. These are covered by the work that we perform at the consolidated level, which includes three main components:

1) Overall analytical review procedures: A significant proportion of the remaining reporting units not selected for procedures at an individual component level were subject to analysis of year-on-year movements at the consolidated level, with a focus on higher risk balances and unusual movements. The reporting units not subject to the above overall analytical review procedures were individually, and in the aggregate, immaterial.
2) Tests of financial systems, processes and controls: We tested entity level controls applied at the consolidated level. Our audit work, in which we tested the design and operating effectiveness of systems and controls applicable for all subsidiaries in scope, was led by our group audit team. The results from this testing are reviewed throughout the year and considered in our continuous update of group audit scope.
3) Testing of specific transactions: In addition, at the consolidated level we performed transaction testing of material financial statement lines, including impairment of goodwill, cash balances and litigations.

Reporting on the other information including the consolidated Annual Report

Management is responsible for the other information. The other information comprises consolidated Annual report (but does not include the consolidated financial statements and our auditor's report thereon).

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.

With respect to the consolidated Annual Report we also performed procedures required by the Law on Accounting in the Republic of Serbia. Those procedures include considering whether the consolidated Annual Report includes the disclosures required by the Law on Accounting in the Republic of Serbia.

Based on the work undertaken in the course of our audit, in our opinion:

- the consolidated Annual Report has been prepared in accordance with the requirements of the Law on Accounting in the Republic of Serbia; and
- the information given in the consolidated Annual Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

In addition, considering the knowledge and understanding of the Group and its environment obtained during the audit, we are required to report if we have identified material misstatements in the consolidated Annual Report. We have nothing to report in this regard.

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 in 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.

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 Auditing in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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.

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

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

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

The licensed auditor engaged as partner on the audit resulting in this independent auditor's report is Sonja Ralenac.

Sonja Ralenac
Licensed Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 3 March 2022

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Consolidated balance sheet

		AOP	Note	31 December 2021	31 December 2020
A.	**SUBSCRIBED CAPITAL UNPAID**	**0001**		-	-
B.	**NON-CURRENT ASSETS (0003+0009+0017+0018+0028)**	**0002**		**313,317,925**	**318,219,559**
I.	**INTANGIBLE ASSETS (0004+0005+0006+0007+0008)**	**0003**	**8**	**23,356,993**	**23,940,194**
	1. Development investments	0004		13,075,534	11,770,444
	2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005		3,222,010	2,929,069
	3. Goodwill	0006		1,293,132	1,322,704
	4. Intangible assets in lease and under development	0007		5,766,317	7,917,977
	5. Advances for intangible assets	0008		-	-
II.	**PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)**	**0009**	**9**	**287,163,900**	**291,598,823**
	1. Land and buildings	0010		173,558,588	174,346,498
	2. Machinery and equipment	0011		91,366,040	96,252,426
	3. Investment property	0012		1,728,395	1,574,329
	4. Property, plant and equipment in lease and construction in progress	0013		19,943,295	18,837,242
	5. Other property, plant and equipment and investments in leased PP&E	0014		251,416	249,246
	6. Advances for PP&E - domestic	0015		266,090	97,092
	7. Advances for PP&E - foreign	0016		50,076	241,990
III.	**BIOLOGICAL ASSETS**	**0017**		-	-
IV.	**LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)**	**0018**		**2,797,032**	**2,680,542**
	1. Investments in legal entities (except those evaluated using the equity method)	0019		91,900	95,316
	2. Investments in legal entities evaluated by equity method	0020	10	1,582,900	1,747,430
	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		9,515	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	11	1,112,717	828,281
V.	**LONG - TERM ACCRUED AND DEFERRED INCOME**	**0028**		-	-
C.	**DEFFERED TAX ASSETS**	**0029**	**12**	**2,343,219**	**2,313,438**
G.	**CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)**	**0030**		**95,364,013**	**64,738,800**

In 000 RSD

		AOP	Note	31 December 2021	31 December 2020
I.	**INVENTORY (0032+0033+0034+0035+0036)**	**0031**	**13**	**37,503,380**	**28,113,841**
	1. Materials, spare parts and tools	0032		17,302,902	13,429,199
	2. Work in progress and finished goods	0033		16,416,537	11,623,707
	3. Merchandise	0034		3,231,683	2,695,319
	4. Advances for inventory and services - domestic	0035		432,170	326,364
	5. Advances for inventory and services - foreign	0036		120,088	39,252
II.	**FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION**	**0037**		**44,008**	**39,146**
III	**TRADE RECEIVABLES (0039+0040+0041+0042+0043)**	**0038**	**14**	**28,405,044**	**20,615,680**
	1. Trade receivables - domestic	0039		24,777,305	18,487,194
	2. Trade receivables - foreign	0040		1,432,922	481,486
	3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		2,019,633	1,525,369
	4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		175,184	121,631
	5. Other trade receivables	0043		-	-
IV.	**OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)**	**0044**	**15**	**1,482,846**	**2,110,594**
	1. Other receivables	0045		1,376,625	962,724
	2. Receivables for overpaid income tax	0046		28,829	1,053,837
	3. Receivables from overpaid other taxes and contributions	0047		77,392	94,033
VI.	**SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)**	**0048**	**16**	**104,451**	**343,069**
	1. Short-term loans and investments - parent and subsidiaries	0049		-	-
	2. Short-term loans and investments – other related parties	0050		-	-
	3. Short-term loans and investments - domestic	0051		76,176	76,845
	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		28,275	266,224
VI.	**CASH AND CASH EQUIVALENTS**	**0057**	**17**	**21,283,274**	**8,488,302**
VII.	**PREPAYMENTS AND ACCRUED INCOME**	**0058**	**18**	**6,541,010**	**5,028,168**
D	**TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)**	**0059**		**411,025,157**	**385,271,797**
E	**OFF-BALANCE SHEET ASSETS**	**0060**	**19**	**124,420,216**	**120,346,882**
A.	**EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0**	**0401**	**20**	**262,836,211**	**242,762,307**
I.	**EQUITY**	**0402**	**20.1**	**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 2021	31 December 2020
V.	**POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT**	**0406**		**658,797**	**541,518**
VI.	**UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT**	**0407**		**58,150**	**58,477**
VII.	**RETAINED EARNINGS (0409+0410)**	**0408**		**180,685,686**	**168,295,391**
	1. Retained earnings from previous years	0409		159,728,653	168,295,391
	2. Retained earnings from current year	0410		20,957,033	-
VIII.	**NON-CONTROLLING INTEREST**	**0411**		**19,678**	**19,678**
IX.	**LOSS (0413+0414)**	**0412**		**-**	**7,566,003**
	1. Loss from previous years	0413		-	-
	2. Loss from current year	0414		-	7,566,003
B.	**LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)**	**0415**		**85,503,686**	**84,312,231**
I.	**LONG-TERM PROVISIONS (0417+0418+0419)**	**0416**	**21**	**12,430,855**	**10,332,213**
	1. Provisions for employee benefits	0417		1,175,803	536,608
	2. Provisions for warranty claims	0418		-	-
	3. Other long term provisions	0419		11,255,052	9,795,605
II.	**LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)**	**0420**	**22**	**73,072,831**	**73,980,018**
	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	8,203,270
	4. Long-term loans and finance lease liabilities - domestic	0424		47,762,057	47,730,769
	5. Long-term loans and finance lease liabilities - foreign	0425		21,630,304	17,130,642
	6. Liabilities for issued securities	0426		-	-
	7. Other long-term liabilities	0427		945,987	915,337
III.	**LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES**	**0428**		-	-
C.	**DEFFERED TAX LIABILITIES**	**0429**	**12**	**-**	**-**
D.	**LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED**	**0430**		**-**	**-**
E.	**SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)**	**0431**		**62,685,260**	**58,197,259**
I.	**SHORT-TERM PROVISIONS**	**0432**	**21**	**1,646,631**	**2,382,745**
II.	**SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)**	**0433**	**23**	**7,689,172**	**12,196,715**
	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		5,468,935	5,468,847

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		AOP	Note	31 December 2021	31 December 2020
	3. Short-term loans and borowings from other parties	0436		640,656	610,725
	4. Short-term loans from domestic banks	0437		1,296,026	5,923,336
	5. Short-term loans, borowings and liabilities - foreign	0438		283,555	193,807
	6. Liabilities on short-term securities	0439		-	-
	7. Liabilities based on financial derivatives	0440		-	-
III.	**ADVANCES RECEIVED**	**0441**		**3,163,934**	**4,170,271**
IV.	**TRADE PAYABLES (0443+0444+0445+0446+0447+0448)**	**0442**	**24**	**24,575,663**	**19,278,679**
	1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		1,677,244	975,060
	2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		807,220	3,388,162
	3. Trade payables - domestic	0445		9,748,498	6,767,096
	4. Trade payables - foreign	0446		12,316,499	7,981,985
	5. Liabilities on promissory notes	0447		-	-
	6. Other operating liabilities	0448		26,202	166,376
V.	**OTHER SHORT-TERM LIABILITIES**	**0449**	**25**	**21,535,022**	**16,028,258**
	1. Other short-term liabilities	0450		6,644,265	6,868,682
	2. Liabilities for VAT and other taxes	0451		10,652,549	9,117,964
	3. Profit tax liabilities	0452		4,238,208	41,612
VI.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS**	**0453**		**-**	**-**
VII.	**SHORT-TERM ACCRUED EXPENSES**	**0454**	**26**	**4,074,838**	**4,140,591**
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**		**411,025,157**	**385,271,797**
H.	**OFF-BALANCE SHEET LIABILITIES**	**0457**	**19**	**124,420,216**	**120,346,882**

In 000 RSD

Consolidated income statement

		AOP	Note	Year ended 31 December 2021	2020
	INCOME AND EXPENSES FROM OPERATING ACTIVITIES				
A.	OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	1001		310,238,277	190,956,570
I.	INCOME FROM THE SALE OF GOODS (1003+1004)	1002	7	61,104,658	29,785,309
	1. Income from sale of goods on domestic market	1003		20,932,020	8,509,017
	2. Income from sale of goods on foreign market	1004		40,172,638	21,276,292
II.	INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	1005	7	233,694,415	153,705,504
	1. Income from sales of products and services on domestic market	1006		196,253,868	128,244,842
	2. Income from sales of products and services on foreign market	1007		37,440,547	25,460,662
III.	WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1008		10,444,184	9,964,736
IV.	INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1009		4,274,201	-
V.	DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	1010		-	2,993,931
VI.	OTHER OPERATING INCOME	1011	7	390,273	337,096
I.	INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1012	27	330,546	157,856
B.	OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		281,835,685	199,087,265
I.	COST OF GOODS SOLD	1014		31,872,318	16,499,875
II.	COST OF MATERIAL, FUEL AND ENERGY	1015	28	171,669,316	110,480,616
III.	COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1016	29	28,841,346	28,390,730
	1. Cost of salaries and fringe benefits	1017		23,932,262	22,755,892
	2. Cost of tax and contributions on wages and salaries	1018		3,352,235	3,114,396
	3. Other personal expenses	1019		1,556,849	2,520,442
IV.	DEPRECIATION, DEPLETION AND AMORTIZATION	1020		24,958,601	22,805,904
V.	EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	1021	30	783,229	884,425
VI.	COST OF PRODUCTION SERVICES	1022	31	14,423,239	12,661,812
VII.	COST OF PROVISION	1023		981,522	263,945
VIII.	NON-PRODUCTION COSTS	1024	32	8,306,114	7,099,958
C.	OPERATING GAIN (1001-1013)>=0	1025		28,402,592	-
D.	OPERATING LOSS (1013-1001)>=0	1026		-	8,130,695
E.	FINANCE INCOME (1028+1029+1030+1031)	1027	33	1,994,554	2,775,056
I.	FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1028		1,222,970	1,158,564
II.	INTEREST INCOME	1029		220,899	311,272
III.	FOREIGN EXCHANGE GAIN	1030		504,244	1,300,804
IV.	OTHER FINANCIAL INCOME	1031		46,441	4,416
F.	FINANCE EXPENSES (1033+1034+1035+1036)	1032	34	4,733,811	4,816,945

In 000 RSD

		AOP	Note	Year ended 31 December 2021	2020
I.	FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		2,319,059	1,878,480
II.	INTEREST EXPENSE	1034		1,720,542	1,623,164
III.	FOREIGN EXCHANGE LOSS	1035		522,006	1,184,496
IV.	OTHER FINANCIAL EXPENSE	1036		172,204	130,805
I.	PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	1037		-	-
J.	LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	1038		2,739,257	2,041,889
K.	INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1039	35	339,236	259,147
L.	LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1040	36	330,521	154,834
M.	OTHER INCOME	1041	37	1,151,128	2,138,667
N.	OTHER EXPENSE	1042	38	1,622,598	1,200,796
O.	TOTAL INCOME (1001+1027+1039+1041)	1043		313,723,195	196,129,440
P.	TOTAL EXPENSE (1013+1032+1040+1042)	1044		288,522,615	205,259,840
Q.	OPERATING PROFIT BEFORE TAX (1043-1044)>=0	1045		25,200,580	-
R.	OPERATING LOSS BEFORE TAX (1044-1043)>=0	1046		-	9,130,400
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		25,200,580	-
V.	LOSS BEFORE TAX (1046-1045+1048-1047)>=0	1050		-	9,130,400
W.	INCOME TAX				
I.	CURRENT INCOME TAX	1051	39	4,273,671	51,298
II.	DEFERRED TAX EXPENSE FOR THE PERIOD	1052	39	673,583	285
III.	DEFERRED TAX INCOME FOR THE PERIOD	1053	39	703,707	1,615,980
X.	PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y.	NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		20,957,033	-
Z.	NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	7,566,003
I.	NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	1057		-	-
II.	NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		20,957,033	-
III.	NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	1059		-	-
IV.	NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		-	7,566,003
V.	EARNINGS PER SHARE				
	1. Basic earnings per share	1061		0.13	(0.05)
	2. Diluted earnings per share	1062		-	-

In 000 RSD

Consolidated statement of other comprehensive income

		AOP	Note	Year ended 31 December 2021	2020
A.	**NET PROFIT/(LOSS)**				
I.	**PROFIT, NET (AOP 1064)**	**2001**		**20,957,033**	**-**
II.	**LOSS, NET (AOP 1065)**	**2002**		**-**	**7,566,003**
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		-	52,595
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		105,223	111,866
	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		-	294

In 000 RSD

		AOP	Note	Year ended 31 December 2021	2020
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**	**58,977**
II	**OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0**	**2020**		**-**	**-**
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**	**58,977**
VI.	**TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0**	**2024**		**-**	**-**
C.	**TOTAL NET COMPREHENSIVE PROFIT**				
I.	TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0	2025		21,075,095	-
II.	TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	2026		-	7,507,026
D.	**TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2028+2029)=AOP 2025>=0 or AOP 2026>0**	**2027**		**21,075,095**	**7,507,026**
	1. Attributable to shareholders	2028		21,075,095	7,507,026
	2. Attributable to non-controling interest	2029		-	-

In 000 RSD

Consolidated statement of cash flows

		AOP	Note	Year ended 31 December 2021	2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
I.	**Cash inflow from operating activities (1 to 4)**	**3001**		**546,109,833**	**399,595,497**
	1. Sales and advances received - domestic	3002		415,107,521	296,009,642
	2. Sales and advances received - foreign	3003		130,526,658	103,123,859
	3. Interest from operating activities	3004		85,381	124,900
	4. Other inflow from operating activities	3005		390,273	337,096
II.	**Cash outflow from operating activities (1 to 8)**	**3006**		**503,934,376**	**369,891,800**
	1. Payments and prepayments to suppliers - domestic	3007		45,713,226	39,258,170
	2. Payments and prepayments to suppliers - foreign	3008		184,721,021	107,702,782
	3. Salaries, benefits and other personal expenses	3009		28,693,700	25,193,207
	4. Interest paid - domestic	3010		885,066	943,265
	5. Interest paid - foreign	3011		538,086	729,529
	6. Income tax paid	3012		280,739	1,346,537
	7. Payments for other public revenues	3013		242,834,798	194,718,310
	8. Other payments from operating activities	3014		267,740	-
III.	**Net cash inflow from operating activities (I - II)**	**3015**		**42,175,457**	**29,703,697**
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**		**618,326**	**3,368,338**
	1. Sale of shares	3018		-	-
	2. Proceeds from sale of intangible assets, property, plant and equipment	3019		410,959	518,404
	3. Other financial investments	3020		163,478	2,845,660
	4. Interest from investing activities	3021		-	-
	5. Dividend received	3022		43,889	4,274
II.	**Cash outflow from investing activities (1 to 3)**	**3023**		**22,937,199**	**29,455,610**
	1. Acquisition of subsidiaries or other business	3024		-	41
	2. Purchase of intangible assets, property, plant and equipment	3025		22,773,565	28,254,179
	3. Other financial investments	3026		163,634	1,201,390
III.	**Net cash inflow from investing activities (I - II)**	**3027**		**-**	**-**
IV.	**Net cash outflow from investing activities (II - I)**	**3028**		**22,318,873**	**26,087,272**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
I.	**Cash inflow from financing activities (1 to 7)**	**3029**		**17,229,700**	**17,682,783**
	1. Increase in share capital	3030		-	-
	2. Proceeds from long-term borrowings - domestic	3031	22	11,438,785	6,182,783
	3. Proceeds from long-term borrowings - foreign	3032	22	5,290,915	-

In 000 RSD

		AOP	Note	Year ended 31 December 2021	2020
	4. Proceeds from short-term borrowings - domestic	3033	22	500,000	11,500,000
	5. Proceeds from short-term borrowings - foreign	3034		-	-
	6. Other long-term liabilities	3035		-	-
	7. Other short-term liabilities	3036		-	-
II.	**Cash outflow from financing activities (1 to 8)**	**3037**		**24,386,574**	**28,177,682**
	1. Purchase of own shares	3038		-	-
	2. Repayment of long-term borrowings - domestic	3039	22	15,991,604	375,205
	3. Repayment of long-term borrowings - foreign	3040	22	6,165,093	11,287,997
	4. Repayment of short-term borrowings - domestic	3041	22	500,000	11,500,000
	5. Repayment of short-term borrowings - foreign	3042		-	-
	6. Repayment of other liabilities	3043		-	-
	7. Financial lease	3044	22	728,686	589,021
	8. Dividend distribution	3045	20.1	1,001,191	4,425,459
III.	**Net cash inflow from financing activities (I - II)**	**3046**		**-**	**-**
IV	**Net cash outflow from financing activities (II - I)**	**3047**		**7,156,874**	**10,494,899**
D.	**TOTAL CASH INFLOW (3001+3017+3029)**	**3048**		**563,957,859**	**420,646,618**
E.	**TOTAL CASH OUTFLOW (3006+3023+3037)**	**3049**		**551,258,149**	**427,525,092**
F.	**NET CASH INFLOW (3048-3049)>=0**	**3050**		**12,699,710**	**-**
G.	**NET CASH OUTFLOW (3049-3048)>=0**	**3051**		**-**	**6,878,474**
H.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**	**3052**		**8,488,302**	**15,295,810**
I.	**CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS**	**3053**		**270,815**	**312,207**
J.	**CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS**	**3054**		**175,553**	**241,241**
K.	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)**	**3055**	**17**	**21,283,274**	**8,488,302**

In 000 RSD

Consolidated statement of changes in equity

	Equity components										
	AOP	Share capital	AOP	Reserves	AOP	Retained earnings	AOP	Loss	AOP	Non-controling interest	AOP	Total
1. Balance as at 1 January 2020	**4001**	**81,530,200**	**4037**	**424,064**	**4046**	**173,008,695**	**4055**	**-**	**4064**	**(268,167)**	**4073**	**254,694,792**
2. Adjustments of material errors and changes in accounting policies	4002		4038	-	4047	-	4056	-	4065	-	4074	-
3. Restated opening balance as at 1 January 2020	**4003**	**81,530,200**	**4039**	**424,064**	**4048**	**173,008,695**	**4057**	**-**	**4066**	**(268,167)**	**4075**	**254,694,792**
4. Net changes in 2020	4004	-	4040	58,977	4049	(4,713,304)	4058	7,566,003	4067	287,845	4076	(11,932,485)
5. Balance as at 31 December 2020	**4005**	**81,530,200**	**4041**	**483,041**	**4050**	**168,295,391**	**4059**	**7,566,003**	**4068**	**19,678**	**4077**	**242,762,307**
6. Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4069	-	4078	-
7. Restated opening balance as at 1 January 2021	**4007**	**81,530,200**	**4043**	**483,041**	**4052**	**168,295,391**	**4061**	**7,566,003**	**4070**	**19,678**	**4079**	**242,762,307**
8. Net changes in 2021	4008	-	4044	117,606	4053	12,390,295	4062	(7,566,003)	4071	-	4080	20,073,904
9. Balance as at 31 December 2021	**4009**	**81,530,200**	**4045**	**600,647**	**4054**	**180,685,686**	**4063**	**-**	**4072**	**19,678**	**4081**	**262,836,211**

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

The Company is a public joint stock company listed on the Belgrade Stock Exchange.

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 SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements for the year ended 31 December 2021 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 (refer to note 3.1 for Implications of Going Concern and Implications of COVID-19) and, therefore, 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 2021 from 77.020 $/barrel to 103.200 $/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.

* *All amounts are in RSD 000, unless otherwise stated.*

2.4. Seasonality of Operations

The Group as a whole is not subject to significant seasonal fluctuation.

2.5. Comparative Data

In the enclosed financial statements, the Group reclassified the comparative data in the balance sheet and income statement items, in accordance with the 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 2021.

2.6. 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''). 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.

2.7. 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.

2.8. 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.

2.9. 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.

2.10. 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 8).

(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).

2.11. 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.

2.12. 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 37 and 38).

2.13. 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.

2.14. 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 27 and 30).

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.

2.15. 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").

a) Classification and measurement

From 1 January 2018, 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.

2.16. 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 38).

2.17. 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.

2.18. Share capital

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

2.19. 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.

2.20. 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.

2.21. 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.

2.22. 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 21).

2.23. 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 26.

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.

2.24. 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.

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

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the 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.

2.25. 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.

2.26. 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. Going concern and Implications of COVID-19

Given the recent volatility in global oil and commodity prices and potential impact on demand as a result of the COVID-19 virus management has considered the impact of the COVID-19 virus on the Group's future sales and specifically the Group's cash flow.

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

- Assessment of going concern is based on cash flow projections and approved business plans. Contractual cash flows is analysed under note 6 – section related to liquidity risk;
- Compliance with debt covenants (note 6 – liquidity risk section);
- Management assess ability to secure financing. Despite the situation with the COVID 19 pandemic, during 2020 and 2021 additional optimization of the loan portfolio indicator was performed in terms of reducing the cost of financing. A significant part of loan portfolio was restructured (early repayment of existing loans with withdrawal of new ones on more favourable terms and correction of conditions of existing loans, in terms of lowering the interest rate and / or extending the maturity, as well as regular repayments);
- During 2021, performance significantly improved thanks to the oil price increase and in addition management was performed successfully optimisation of operational expenses and prioritization of the investments.

3.2. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. The Group estimates its oil and gas reserves in accordance with rules promulgated by the US Securities and Exchange Commission (SEC) for proved and probable reserves. Accounting measures such as depreciation, depletion and amortization charges and impairment assessments that are based on the estimates of proved reserves are subject to change based on future changes to estimates of oil and gas reserves.

Proved reserves are defined as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic conditions. In some cases, substantial new investment in additional wells and related support facilities and equipment will be required to recover such proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Oil and gas reserves have a direct impact on certain amounts reported in the 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.

3.3. Useful Lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2021 would be to increase/decrease it by RSD 2,231,099 thousand (2020: RSD 2,041,522 thousand).

3.4. 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 8).

3.5. 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 4.70% (rather than 3.70%) per year, the past service liability (DBO) for the whole NIS Group would decreased by about 7.30% for retirement indemnity and 2.88% 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 8.69% 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 7.75% for the retirement indemnity and 3.26% for the jubilee benefit.

3.6. 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 21) 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 4.49% (rather than 3.49%) per year, the present liability would have decreased by approx. 1,015,618 RSD (31 December 2020: 5.30% (rather than 4.30%) per year the present liability would have decreased by approx. 721,372 RSD).

3.7. 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 40).

3.8. 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 60.6 bln (31 December 2020: RSD 57.2 bln).

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

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

4. APPLICATION OF NEW IFRS

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

- Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021);
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 (issued in March 2021 and effective for annual periods on or after 1 April 2021).

5. NEW ACCOUNTING STANDARDS

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

- IFRS 17 - Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2021);
- Classification of Liabilities as Current or Non-Current - Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after 1 January 2022);
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework - Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities - Amendments to IFRS 9;
  - Subsidiary as a First-time Adopter - Amendment to IFRS 1;
  - Taxation in Fair Value Measurements - Amendment to IAS 41;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

6. FINANCIAL RISK MANAGEMENT

6.1. 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 follows:

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 and receivables	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 liabilities					
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)**

As of 31 December 2020	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	95,316	-	-	-	95,316
LT loans issued	9,515	-	-	-	9,515
Other long-term financial investments	84,336	738,205	5,740	-	828,281
Current assets					
Trade receivables	18,293,378	797,131	95,424	1,429,747	20,615,680
Other receivables	245,531	497,988	153,173	66,032	962,724
Short term financial investments	116,181	226,888	-	-	343,069
Cash and cash equivalents	4,571,789	3,318,178	243,231	355,104	8,488,302
Financial liabilities					
Non-current					
Long-term liabilities	(14,198)	(72,721,977)	(120,107)	(1,123,736)	(73,980,018)
Current liabilies					
Short-term financial liabilities	(14,831)	(11,877,242)	(37,751)	(266,891)	(12,196,715)
Trade payables	(6,721,073)	(7,973,347)	(3,329,805)	(1,254,454)	(19,278,679)
Other short-term liabilities	(6,642,855)	(79,884)	(15,239)	(130,704)	(6,868,682)
Net exposure	**10,023,089**	**(87,074,060)**	**(3,005,334)**	**(924,902)**	**(80,981,207)**

The following exchange rates applied during the period:

	Reporting date spot rate	
	31 December 2021	31 December 2020
EUR	117.5821	117.5802
USD	103.9262	95.6637

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 2021, 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 RSD 780,787 thousand (2020: RSD 870,741 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings and account payables.

As at 31 December 2021, 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 RSD 14,644 thousand (2020: RSD 60,107 thousand) 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 2021 would have been RSD 550,485 thousand (2020: RSD 667,008 thousand) 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	
	2021	2020
Financial instrument at FVTOCI	91,900	95,316
Other long-term investments (note 11)	1,112,717	828,281
Long term loans issued	9,515	9,515
Trade receivables (note 14)	28,405,044	20,615,680
Other receivables (note 15)	1,482,846	2,110,594
Short term financial investments (note 16)	104,451	343,069
Cash and cash equivalents (note 17)	21,283,274	8,488,302
Total maximum exposure to credit risk	**52,489,747**	**32,490,757**

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 2021 and 60 months before 1 January 2021 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 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 270 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**

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

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade and other receivables
Trade and other receivables				
- current	0.03%	21,223,175	(2,548)	21,220,627
- less than 30 days overdue	0.17%	941,970	(4)	941,966
- 31 to 90 days overdue	0.88%	106,502	(3,371)	103,131
- 91 to 270 days overdue	3.69%	158,376	(55,610)	102,766
- over 270 days overdue	98.53%	16,664,957	(16,307,173)	357,784
Total trade and other receivables		**39,094,980**	**(16,368,706)**	**22,726,274**

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
	Individually impaired	Collectively impaired		
As at 1 January 2020	**2,340,318**	**3,487,719**	**52,831**	**5,880,868**
Provision for receivables impairment (note 36)	4,402	101,789	5,126	111,317
Unused amounts reversed (note 35)	(6,660)	(113,101)	(11,634)	(131,395)
Receivables written off during the year as uncollectible	(87)	(609,650)	(284)	(610,021)
Other	(35)	(4,196)	–	(4,231)
As at 31 December 2020	**2,337,938**	**2,862,561**	**46,039**	**5,246,538**
As at 1 January 2021	**2,337,938**	**2,862,561**	**46,039**	**5,246,538**
Provision for receivables impairment (note 36)	5,530	36,956	582	43,068
Unused amounts reversed (note 35)	(7,303)	(27,936)	(5,485)	(40,724)
Receivables written off during the year as uncollectible	(456)	(287,647)	–	(288,103)
Other	(12,641)	10,016	(1)	(2,626)
As at 31 December 2021	**2,323,068**	**2,593,950**	**41,135**	**4,958,153**

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 2020	1,740,393	2,064,841	7,418,826	11,224,060
Provision for other receivables impairment (note 36)	5,126	8,260	2,089	15,475
Unused amounts reversed (note 35)	(552)	(38,421)	(370)	(39,343)
Receivables written off during the year as uncollectible	(30,209)	(46,524)	(1,129)	(77,862)
Other	175	(541)	204	(162)
As at 31 December 2020	1,714,933	1,987,615	7,419,620	11,122,168
As at 1 January 2021	1,714,933	1,987,615	7,419,620	11,122,168
Provision for other receivables impairment (note 36)	3,283	3,558	2,997	9,838
Unused amounts reversed (note 35)	(286,082)	(12,013)	(417)	(298,512)
Receivables written off during the year as uncollectible	(44,929)	(44,485)	(69,361)	(158,775)
Other	(36,053)	(6,246)	(410)	(42,709)
As at 31 December 2021	1,351,152	1,928,429	7,352,429	10,632,010

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 2021				
Cash and cash equivalents (note 17)	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 16)	-	-	28,275	**28,275**
Deposits with original maturity more than 1 year (note 11)	-	-	155,857	**155,857**
As at December 2020				
Cash and cash equivalents (note 17)	2,362,115	4,247,736	1,878,451	**8,488,302**
Deposits with original maturity more than 3 months less than 1 year (note 16)	-	-	266,224	**266,224**

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

As of 31 December 2021 and 2020 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.

As at 31 December 2021	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
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
As at 31 December 2020					
Financial liabilities	86,176,733	90,113,828	13,520,395	63,382,156	13,211,277
Trade payables and dividends	23,063,696	23,063,696	23,063,696	-	-
	109,240,429	**113,177,524**	**36,584,091**	**63,382,156**	**13,211,277**

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 2021	31 December 2020
Total borrowings (notes 22 and 23)	80,762,003	86,176,733
Less: cash and cash equivalents (note 17)	(21,283,274)	(8,488,302)
Net debt	**59,478,729**	**77,688,431**
EBITDA	53,173,984	15,824,303
Net debt to EBITDA	**1.12**	**4.91**

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.

7. SEGMENT INFORMATION

Presented below is information about the Group's operating segments for the years ended 31 December 2021 and 2020. 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 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 27 and 30)	6,081	(555,308)	-	(549,227)
Writte off exploration works (note 9)	(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 (loss)	16,004,070	4,952,963	-	20,957,033

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

	Upstream	Downstream	Eliminations	Total
Segment revenue	30,291,847	183,607,101	(30,071,039)	183,827,909
Intersegment	29,491,961	579,078	(30,071,039)	-
External	799,886	183,028,023	-	183,827,909
Adjusted EBITDA (Segment results)	**16,154,650**	**(330,347)**	**-**	**15,824,303**
Depreciation, depletion and amortization	(12,770,569)	(10,035,335)	-	(22,805,904)
Impairment losses/Revaluation surpluses (note 27 and 30)	61,646	(771,504)	-	(709,858)
Writte off exploration works (note 9)	(136,812)	-	-	(136,812)
Share of loss of associates and joint ventures	-	(103,671)	-	(103,671)
Finance expenses, net	(276,348)	(1,661,870)	-	(1,938,218)
Income tax	(193,607)	1,758,004	-	1,564,397
Segment profit (loss)	3,367,063	(10,933,066)	-	(7,566,003)

Adjusted EBITDA for the Downstream segment includes Corporate centre EBITDA in the negative amount of RSD 6,925,941 thousand for the year ended 31 December 2021 (31 December 2020: negative EBITDA in the amount of RSD 6,150,081 thousand). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December	
	2021	2020
Adjusted EBITDA after allocation of Corporate centre	22,751,603	(330,347)
Corporate centre EBITDA	(6,925,941)	(6,150,081)
Adjusted EBITDA prior allocation of Corporate centre	**29,677,544**	**5,819,734**

Adjusted EBITDA for the year ended 31 December 2021 and 2020 is reconciled below:

	Year ended 31 December	
	2021	2020
Profit for the year	20,957,033	(7,566,003)
Income tax	4,243,547	(1,564,397)
Other expenses	1,622,598	1,200,796
Other income	(1,151,128)	(2,138,667)
Losses from valuation of assets at fair value through profit and loss	330,521	154,834
Income from valuation of assets at fair value through profit and loss	(339,236)	(259,147)
Finance expense	4,733,811	4,816,945
Finance income	(1,994,554)	(2,775,056)
Depreciation, depletion and amortization	24,958,601	22,805,904
Other non-operating expenses, net*	(187,209)	1,149,094
EBITDA	**53,173,984**	**15,824,303**

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

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

	Year ended 31 December 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	10,058,003	4,118,866	14,176,869
Total sales	**217,576,161**	**77,613,185**	**295,189,346**

	Year ended 31 December 2020		
	Domestic market	Export and international sales	Total
Sale of crude oil	–	445,567	445,567
Sale of gas	362,369	–	362,369
Wholesale activities	362,369	–	362,369
Sale of petroleum products	127,044,342	43,165,194	170,209,536
Through a retail network	49,100,165	10,910,927	60,011,092
Wholesale activities	77,944,177	32,254,267	110,198,444
Sales of electricity	1,160,202	298,446	1,458,648
Lease revenue	291,237	6,106	297,343
Other sales	8,232,649	2,821,797	11,054,446
Total sales	**137,090,799**	**46,737,110**	**183,827,909**

Out of the amount of RSD 190,671,014 thousand (2020: RSD 110,198,444 thousand) revenue from sale of petroleum products (wholesale), the amount of RSD 28,673,855 thousand (2020: RSD 16,743,010 thousand) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Electric Power Industry of Serbia in the amount of RSD 1,154,381 thousand (2020: Network for trading d.o.o. Belgrade RSD 504,652 thousand).

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of RSD 10,813,030 thousand (2020: RSD 8,758,716 thousand).

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 Group is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is RSD 217,576,161 thousand (2020: RSD 137,090,799 thousand), and the total of revenue from external customer from other countries is RSD 77,613,185 thousand (2020: RSD 46,737,110 thousand).

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

	Year ended 31 December	
	2021	2020
Sale of crude oil	1,212,510	445,567
Sale of petroleum products (retail and wholesale)		
Bulgaria	13,181,739	10,190,296
Bosnia and Herzegovina	24,814,896	13,463,146
Romania	16,857,738	10,903,430
Switzerland	1,880,060	453,057
Croatia	2,597,274	1,656,265
Northern Macedonia	502,952	790,710
Hungary	947,185	779,414
Great Britain	4,517,034	903,215
Germany	1,340,491	985,633
All other markets	5,273,442	3,040,028
	71,912,811	43,165,194
Sales of electricity	350,428	298,446
Lease revenue	18,570	6,106
Other sales	4,118,866	2,821,797
	77,613,185	**46,737,110**

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 2021 and 2020:

	2021	2020
Sales revenue	446,970,836	316,031,560
Excise duties	(151,781,490)	(132,203,651)
Net sales revenue	**295,189,346**	**183,827,909**

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 2021	31 December 2020
Serbia	283,450,792	288,696,880
Romania	12,330,207	12,430,336
Bosnia and Herzegovina	8,342,150	7,649,494
Bulgaria	6,081,578	6,423,225
	310,204,727	**315,199,935**

8. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Goodwill	Other intangibles	Intangible assets under development	Total
At 1 January 2020						
Cost	14,769,430	10,033,485	2,233,762	1,252,029	8,760,424	37,049,130
Accumulated amortization and impairment	(3,329,601)	(8,044,554)	(879,254)	(327,073)	(55,415)	(12,635,897)
Net book amount	**11,439,829**	**1,988,931**	**1,354,508**	**924,956**	**8,705,009**	**24,413,233**
Year ended 31 December 2020						
Additions	-	-	-	-	1,335,647	1,335,647
Transfer from assets under development	1,474,226	661,805	-	9,946	(2,145,977)	-
Amortization	(1,143,611)	(610,561)	-	(46,584)	(4,719)	(1,805,475)
Impairment (note 30)	-	-	(26,506)	-	(58,941)	(85,447)
Transfer to PP&E (note 9)	-	-	-	-	122,924	122,924
Other transfers	-	782	-	-	49,464	50,246
Translation differences	-	(77)	(5,298)	(129)	(85,430)	(90,934)
Closing net book amount	**11,770,444**	**2,040,880**	**1,322,704**	**888,189**	**7,917,977**	**23,940,194**
As at 31 December 2020						
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**
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	-	-	-	-	2,257,456	2,257,456
Transfer from assets under development	2,714,210	505,162	-	322,439	(3,541,811)	-
Amortization	(1,400,835)	(482,222)	-	(51,280)	(4,695)	(1,939,032)
Impairment (note 30)	-	-	(25,243)	-	(1,008)	(26,251)
Transfer to PP&E (note 9)	-	-	-	-	(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**

Intangible assets under development as at 31 December 2021 amounting to RSD 5,766,317 thousand (31 December 2020: RSD 7,917,977 thousand) mostly relate to investments in explorations (unproved reserves) in the amount of RSD 5,307,832 thousand (31 December 2020: RSD 7,749,359 thousand).

Impairment test for goodwill

Goodwill is monitored by the management on an individual CGU basis or groups of CGUs. Groups of CGUs relate to the whole retail network of one subsidiary in Bosnia and Herzegovina where goodwill is allocated on this basis. The recoverable amount of each CGUs has been determined by independent appraisal based on higher of value-in-use and fair value less cost to disposed calculations. These calculations use pre-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:

	2021	2020
Average gross margin	21.7%	23.3%
Growth rate	1%	1%
Discount rate		
- Romania market	7.60%	6.72%
- Bulgaria market	6.00%	5.84%
- Bosnia and Herzegovina market	9.40%	7.71%

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 pre-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
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**
2020					
Bosnia and Herzegovina	482,387	-	-	(51)	482,336
Romania	278,560	-	-	(5,183)	273,377
Bulgaria	593,561	-	(26,506)	(64)	566,991
	1,354,508	**-**	**(26,506)**	**(5,298)**	**1,322,704**

Except recognised impairment loss in Bulgaria in the amount of RSD 25,243 thousand (2020: RSD 26,506 thousand), impairment test in Bosnia and Romania shows that the recoverable amount calculated based on value in use / fair value exceeds carrying value.

If the revised estimated growth rate would be 0.5% instead of 1% and if applied discounted rate would be 1% 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 11.04%.

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:

	2021		2020	
	Used assumption on average gross fuel margin	Decrease in pp	Used assumption on average gross fuel margin	Decrease in pp
Romania market	23.5%	0.83pp	24.3%	12.6pp
Bulgaria market	21.9%	3.1pp	25.0%	8.3pp
Bosnia and Herzegovina market	19.9%	0.84pp	20.7%	0.3pp

9. PROPERTY, PLANT AND EQUIPMENT

e) 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 2020								
Cost	17,202,401	224,462,317	139,661,505	57,064,616	91,807	547,316	372,108	439,402,070
Accumulated depreciation and impairment	(300,856)	(75,752,550)	(74,596,094)	(2,000,528)	(1,990)	(394,991)	(26,742)	(153,073,751)
Net book amount	**16,901,545**	**148,709,767**	**65,065,411**	**55,064,088**	**89,817**	**152,325**	**345,366**	**286,328,319**
Year ended 31 December 2020								
Additions	–	345,084	–	22,746,197	–	–	1,354,232	24,445,513
Transfer from assets under development	124,786	19,241,134	41,074,162	(60,468,951)	4,090	24,779	–	–
Impairment charge (note 30)	(45,771)	(3,025)	–	(655,841)	–	–	–	(704,637)
Depreciation	–	(10,875,319)	(9,517,841)	–	–	(22,059)	–	(20,415,219)
Transfer from intangible assets (note 8)	–	–	–	(122,924)	–	–	–	(122,924)
Transfer to non-current assets held for sale	(77,770)	(1,284)	(72,246)	–	–	–	–	(151,300)
Disposals and write-off	(32,023)	(60,891)	(106,497)	(256,424)	(578)	–	(1,360,417)	(1,816,830)
Other transfers	21,264	146,231	(186,276)	(49,527)	–	–	–	(68,308)
Translation differences	(19,484)	(27,746)	(4,287)	(80,170)	874	(2)	(99)	(130,914)
Closing net book amount	**16,872,547**	**157,473,951**	**96,252,426**	**16,176,448**	**94,203**	**155,043**	**339,082**	**287,363,700**
At 31 December 2020								
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**
Investment property (note 9b)	–	1,574,329	–	–	–	–	–	1,574,329
Right of use assets (note 9d)	143,732	1,299,970	1,217,092	–	–	–	–	2,660,794
Total	**17,016,279**	**160,348,250**	**97,469,518**	**16,176,448**	**94,203**	**155,043**	**339,082**	**291,598,823**
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	–	1,540,421	–	18,306,597	–	–	1,644,028	21,491,046
Transfer from assets under development	28,717	13,749,224	5,889,192	(19,689,619)	–	22,486	–	–
Impairment charge (note 30)	–	–	–	(743,396)	–	–	–	(743,396)
Depreciation	–	(11,448,032)	(10,841,222)	–	–	(21,740)	–	(22,310,994)
Transfer from intangible assets (note 8)	–	–	–	528,644	–	–	–	528,644
Transfer from investment property (note 9c)	–	(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**
Investment property (note 9b)	–	1,728,395	–	–	–	–	–	1,728,395
Right of use assets (note 9d)	124,884	1,556,283	902,797	–	–	–	–	2,583,964
Total	**16,706,063**	**160,262,087**	**92,268,837**	**17,359,331**	**94,082**	**157,334**	**316,166**	**287,163,900**

In 2021, the Group capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to RSD 17,233 thousand (2020: RSD 120,146 thousand).

Of the total amount of activations in 2021 in the amount of RSD 19,689,619 thousand, the most significant part refers to activation on oil&gas properties in the amount of RSD 17,927,832 thousand. In 2020 the amount of RSD 60,468,951 thousand, the most significant part refers to the completion and commissioning of the Bottom of the Barrel Project at the Pancevo Refinery in the amount of RSD 38,844,486 thousand. The Bottom of the Barrel Project ensure optimal utilization of the capacities of the Pancevo Oil Refinery and an increase in the depth of refining to 99.2 per cent (up from 86 per cent in 2017). This implies increased output of high-quality fuels – diesel, gasoline and liquid petroleum gas, as well as the start of production of petroleum coke. This will give Group a competitive edge in the market and trigger its further growth.

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 2021, the Group assessed impairment indicators of cash generating units ("CGU") – refer to note 3.8 for details. In addition, Group has assessed and recognized impairment losses in amount RSD 743,396 thousand (2020: RSD 704,637 thousand) 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 most significant amount refers to the impairment of the temporary suspended Base Oil Project in Refinery Novi Sad in amount of RSD 731,532 thousand (2020: RSD 683,196 thousand).

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:

	2021	2020
As at 1 January	**1,574,329**	**1,579,798**
Fair value income (note 27)	149,346	-
Transfer from PP&E carried at cost (note 9a)	29,603	-
Disposals	(24,883)	(5,469)
As at 31 December	**1,728,395**	**1,574,329**

As at 31 December 2021, investment properties amounting to RSD 1,728,395 thousand (31 December 2020: RSD 1,574,329 thousand) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Group's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2021 and 2020. The revaluation gain was credited to income from assets valuation (note 27).

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 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	-	918,730	-
- Gas stations	-	-	809,664
Total	**-**	**918,730**	**809,664**

Fair value measurements at 31 December 2020 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements Land and buildings			
– Shops and other facilities for rents	–	838,887	–
– Gas stations	–	–	735,442
Total	**–**	**838,887**	**735,442**

Valuation techniques used to derive level 2 fair values

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

Fair value measurements using significant unobservable inputs (Level 3)

Level 3 fair values of gas stations have been derived using value-in-use approach where fair value of gas station is determined as the present value of future net benefits which will belong to the 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.

	2021	2020
Long term growth rate	0%	0%
Discount rate	12%	12%

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

	2021	2020
Assets as at 1 January	**735,442**	**735,442**
Changes in fair value measurement:		
Gains (loss) recognised in profit or loss, fair value measurement	80,125	–
Other	(5,903)	–
Total increase in fair value measurement, assets	74,222	–
Assets as at 31 December	**809,664**	**735,442**

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 2.10).

	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 2020						
Cost	22,229,550	3,727,699	25,957,249	185,208,089	40,956	211,206,294
Depreciation and impairment	(36,133)	(27)	(36,160)	(58,573,177)	(20,345)	(58,629,682)
Net book amount	**22,193,417**	**3,727,672**	**25,921,089**	**126,634,912**	**20,611**	**152,576,612**
Year ended 31 December 2020						
Additions	2,252,926	10,407,399	12,660,325	–	–	12,660,325
Changes in decommissioning obligations	–	–	–	345,084	–	345,084
Transfer from asset under construction	(2,692,111)	(13,257,831)	(15,949,942)	15,935,291	14,651	–
Impairment	–	(713)	(713)	–	–	(713)
Other transfers	30,446	355,800	386,246	(108,434)	382	278,194
Depreciation and depletion	(4,719)	–	(4,719)	(12,044,001)	(3,175)	(12,051,895)
Unsuccessful exploration expenditures derecognised (note 7)	(136,812)	–	(136,812)	–	–	(136,812)
Disposals and write-off	(32,469)	(6,511)	(38,980)	(51,330)	–	(90,310)
Translation differences	(161,463)	–	(161,463)	(26)	(67)	(161,556)
	21,449,215	**1,225,816**	**22,675,031**	**130,711,496**	**32,402**	**153,418,929**
As at 31 December 2020						
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**
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	2,361,992	11,777,979	14,139,971	–	–	14,139,971
Changes in decommissioning obligations	–	–	–	1,540,421	–	1,540,421
Transfer from asset under construction	(5,401,911)	(12,525,921)	(17,927,832)	17,927,832	–	–
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 7)	(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**

Unsuccessful exploration expenditures derecognised in the amount of 948,281 RSD mainly in the amount of 942,614 RSD relate to exploration assets located in Romania due to uncertain viability of commercial production (2020: amount of 136,812 RSD mainly relate to exploration assets located in Serbia).

Jimbolia exploration area in Romania (total value of exploration investment on 31 December 2021 is 1,803,130 RSD) is currently in the phase of Evaluation of research results and confirmation of these results by the National Agency for Mineral Resources is expected during the first half of 2022. When assessing the status of this investment as at 31 December 2021 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. The reason for combining these two fields in assessment is the fact that additional gas from Teremia North field is to be transferred to Jimbolia field and its monetization is planned starting from 2022. Based on the analysis performed as at 31 December 2021 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 for Jimbolia field it will be in production phase and impairment indicators will be reassessed.

d) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2020	**148,676**	**1,023,199**	**438,495**	**263,429**	**1,873,799**
Additions	7,509	565,671	247,685	614,888	1,435,753
Depreciation	(9,722)	(242,249)	(121,726)	(211,513)	(585,210)
Transfers	-	-	(223,326)	223,326	-
Disposals	-	(41,300)	-	(12,289)	(53,589)
Effect of contract modifications and changes in estimates	-	(4,990)	-	1,082	(3,908)
Translation differences	(2,731)	(361)	(2,804)	(155)	(6,051)
As at 31 December 2020	**143,732**	**1,299,970**	**338,324**	**878,768**	**2,660,794**
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**

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of the investments in associates and joint ventures as of 31 December, 2021 and 2020 are summarised below:

		Ownership percentage	31 December 2021	31 December 2020
NIS MET Energowind d.o.o. Belgrade	Joint venture	50%	888,445	915,921
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	694,455	831,509
HIP Petrohemija ad Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
Total investments			**1,582,900**	**1,747,430**

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 has been submitted for the extension of the status of privileged electricity producer for additional three years. On the date of the issuance of these Consolidated Financial Statements there has been no significant business activity. 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. Handing over CHP TE-TO Pancevo is expected to be completed during Q1 2022. Analysis of the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

HIP Petrohemija a.d. 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 a.d. 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 is 1 July 2022. 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 2021 (unaudited) and 2020 and for the years ended 31 December 2021 (unaudited) and 2020 is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia	HIP Petrohemija a.d. Pančevo
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
31 December 2020			
Current assets	36,102	399,874	15,722,159
Non-current assets	3,162,171	16,016,723	11,005,097
Current liabilities	951,167	211,951	3,059,080
Non-current liabilities	-	14,563,190	619,412
Revenue	7,437	17,193	29,437,208
Profit/(Loss) for the year	(60,575)	(149,762)	106,199

11. OTHER LONG-TERM FINANCIAL INVESTMENTS AND LONG TERM RECEIVABLES

	31 December 2021	31 December 2020
Deposits with original maturity more than 1 year	155,857	-
Other long-term financial investments	262,867	8,621
LT loans given to employees	1,086,538	1,126,857
LT receivables	-	75,637
Less provision	(392,545)	(382,834)
	1,112,717	**828,281**

Loans to employees as at 31 December 2021 amounting to RSD 1,086,538 thousand (31 December 2020: RSD 1,126,857 thousand) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of RSD 392,486 thousand.

12. 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, 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**
As at December 31, 2020			
Provisions	902,262	-	902,262
Property, plant and equipment	-	(278,719)	(278,719)
Impairment losses	1,205,119	-	1,205,119
Tax losses	488,483	-	488,483
Fair value gains	10,368	-	10,368
Revaluation reserve	-	(14,075)	(14,075)
	2,606,232	**(292,794)**	**2,313,438**

Movements in temporary differences during the period:

	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**

	As at December 31, 2019	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2020
Provisions	914,793	(12,578)	-	47	902,262
Property, plant and equipment	(2,071,692)	1,792,971	-	2	(278,719)
Impairment losses	1,858,300	(653,181)	-	-	1,205,119
Tax losses	-	488,483	-	-	488,483
Fair value gains	10,316	-	52	-	10,368
Revaluation reserve	(14,075)	-	-	-	(14,075)
Investment credit	47	-	-	(47)	-
Total	**697,689**	**1,615,695**	**52**	**2**	**2,313,438**

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.

13. INVENTORY

	31 December 2021	31 December 2020
Materials, spare parts and tools	21,911,904	17,535,373
Work in progress	5,778,096	4,130,186
Finished goods	10,638,441	8,112,133
Goods for sale	3,241,949	2,728,305
Advances	699,828	515,693
Less: impairment of inventory	(4,619,268)	(4,757,772)
Less: impairment of advances	(147,570)	(150,077)
	37,503,380	**28,113,841**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2020	**4,775,984**	**149,287**	**4,925,271**
Provision for inventories and advances (note 30)	56,758	3,530	60,288
Unused amounts reversed (note 27)	(43,546)	(31)	(43,577)
Writte off during the year	-	(2,709)	(2,709)
Other	(31,424)	-	(31,424)
Balance as of 31 December 2020	**4,757,772**	**150,077**	**4,907,849**
Provision for inventories and advances (note 30)	4,403	-	4,403
Unused amounts reversed (note 27)	(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**

14. TRADE RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables - parent - foreign	600	-
Trade receivables - other related parties - domestic	2,019,633	1,525,369
Trade receivables - other related parties - foreign	174,584	121,631
Trade receivables domestic – third parties	29,716,402	23,714,788
Trade receivables foreign – third parties	1,451,978	500,430
	33,363,197	25,862,218
Less: Impairment	(4,958,153)	(5,246,538)
	28,405,044	**20,615,680**

15. OTHER SHORT-TERM RECEIVABLES

	31 December 2021	31 December 2020
Receivables from specific operations	1,585,650	1,932,574
Interest receivables	1,935,428	1,994,243
Receivables from employees	29,438	84,901
Other receivables	8,078,867	7,952,160
Income tax prepayment	28,829	1,053,837
Prepaid taxes and contributions	80,919	97,617
Receivables for VAT	375,725	117,430
Less: Impairment	(10,632,010)	(11,122,168)
	1,482,846	**2,110,594**

16. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2021	31 December 2020
Deposits with original maturity more than 3 months less than 1 year	28,275	266,224
Other short-term financial assets	76,176	76,845
	104,451	**343,069**

As at 31 December 2021 deposits with original maturity more than 3 months less than 1 year amounting to RSD 28,275 thousand (2020: RSD 266,224 thousand) relates to bank deposits placements with interest rates 2.40% p.a. denominated in RSD (2020: from 0.50% to 2.80% p.a. denominated in RSD and EUR).

17. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in bank and in hand	13,439,285	5,576,620
Deposits with original maturity of less than three months	7,816,553	2,643,210
Cash with restriction	254	8,328
Cash equivalents	27,182	260,144
	21,283,274	**8,488,302**

18. PREPAYMENTS AND ACCRUED INCOME

	31 December 2021	31 December 2020
Deferred input VAT	3,611,624	2,111,479
Prepaid expenses	403,158	204,044
Prepaid excise duty	2,038,498	2,258,271
Housing loans and other prepayments	487,730	454,374
	6,541,010	**5,028,168**

Deferred input VAT as at 31 December 2021 amounting to RSD 3,611,624 thousand (31 December 2020: RSD 2,111,479 thousand) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2021 amounting to RSD 2,038,498 thousand (31 December 2020: RSD 2,258,271 thousand) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

19. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Issued warranties and bills of exchange	80,638,766	79,867,366
Received warranties and bills of exchange	17,691,255	16,426,088
Properties in ex-Republics of Yugoslavia	5,358,990	5,357,687
Receivables from companies from ex-Yugoslavia	6,380,931	5,873,647
Third party merchandise in NIS warehouses	10,342,388	9,402,918
Assets for oil fields liquidation in Angola	1,361,966	1,361,966
Mortgages and pledges received	2,465,428	1,880,676
Other off-balance sheet assets and liabilities	180,492	176,534
	124,420,216	**120,346,882**

20. EQUITY

	Equity attributable to owners of the Group								Non-controlling interest	Total Equity
	Share capital	Other capital	Revaluation reserves	Retained earnings (loss)	Translation reserves	Unrealised gains (losses) from securities	Actuarial gain (loss)	Total		
Balance as at 1 January 2020	**81,530,200**	**-**	**79,755**	**173,008,695**	**250,073**	**(58,183)**	**152,419**	**254,962,959**	**(268,167)**	**254,694,792**
Loss for the year	-	-	-	(7,566,003)	-	-	-	(7,566,003)	-	(7,566,003)
Loss from securities	-	-	-	-	-	(294)	-	(294)	-	(294)
Dividend distribution	-	-	-	(4,425,459)	-	-	-	(4,425,459)	-	(4,425,459)
Actuarial loss	-	-	-	-	-	-	(52,595)	(52,595)	-	(52,595)
Other	-	-	-	(287,845)	111,866	-	-	(175,979)	287,845	111,866
Balance as at 31 December 2020	**81,530,200**	**-**	**79,755**	**160,729,388**	**361,939**	**(58,477)**	**99,824**	**242,742,629**	**19,678**	**242,762,307**
Balance as at 1 January 2021	**81,530,200**	**-**	**79,755**	**160,729,388**	**361,939**	**(58,477)**	**99,824**	**242,742,629**	**19,678**	**242,762,307**
Profit for the year	-	-	-	20,957,033	-	-	-	20,957,033	-	20,957,033
Gains from securities	-	-	-	-	-	783	-	783	-	783
Dividend distribution	-	-	-	(1,001,191)	-	-	-	(1,001,191)	-	(1,001,191)
Actuarial gain	-	-	-	-	-	-	12,056	12,056	-	12,056
Other	-	-	-	456	105,223	(456)	-	105,223	-	105,223
Balance as at 31 December 2021	**81,530,200**	**-**	**79,755**	**180,685,686**	**467,162**	**(58,150)**	**111,880**	**262,816,533**	**19,678**	**262,836,211**

Non-controlling interest in the amount of RSD 19,678 thousand relates to following balance sheet lines: share capital in the amount of RSD 18,730 thousand, retained earning in the amount of RSD 3,328 thousand and translation reserves in the amount of RSD (2,380) thousand.

20.1. 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 2021 and 31 December 2020 comprise of 163,060,400 of ordinary shares.

Dividend declared for the year ended 31 December 2020, amounted to RSD 1,001,191 thousand or 6.14 RSD per share (31 December 2019: RSD 4,425,459 thousand or 27.14 RSD per share) were approved on the General Assembly Meeting held on 29 June 2021 and paid on 31 August 2021.

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

	Year ended 31 December	
	2021	2020
Profit/(loss) attributable to the ordinary equity holder of the parent entity	20,957,033	(7,566,003)
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD 000)	**0.129**	**(0.046)**

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.

21. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommi-ssioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
As at 1 January 2020	**10,671,715**	**509,129**	**512,903**	**808,349**	**508,931**	**13,011,027**
Charged to the income statement	88,078	–	119,210	131,486	13,249	352,023
New obligation incurred and change in estimates	345,084	–	–	–	–	345,084
Release of provision (note 37)	(695,704)	–	(8)	(8,362)	(2,306)	(706,380)
Actuarial loss charged to other comprehensive income	–	–	52,595	–	–	52,595
Settlement	(70,709)	(80,316)	(79,684)	–	(108,532)	(339,241)
Other	–	–	–	–	(150)	(150)
As at 31 December 2020	**10,338,464**	**428,813**	**605,016**	**931,473**	**411,192**	**12,714,958**
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 37)	(143,899)	–	(1,459)	–	(4,551)	(149,909)
Actuarial loss 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**

Analysis of total provisions:

	31 December 2021	31 December 2020
Non-current	12,430,855	10,332,213
Current	1,646,631	2,382,745
	14,077,486	**12,714,958**

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 RSD 397,764 thousand (31 December 2020: RSD 428,813 thousand) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

c) Long-term incentive program

In 2011, the 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 2021 the management made an assessment of present value of liabilities related to new three-year employee incentives (2021-2023) in amount of RSD 427,124 thousand (2020: RSD 931,473 thousand).

d) Legal claims provisions

As at 31 December 2021, 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 RSD 87,337 thousand (2020: RSD 13,249 thousand) for proceedings which were assessed to have negative outcome. The Group estimated that the outcome of all legal proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2021.

e) Provision for employee benefits

Employee benefits:

	31 December 2021	31 December 2020
Retirement allowances	557,326	253,488
Jubilee awards	375,956	351,528
	933,282	**605,016**

The principal actuarial assumptions used were as follows:

	31 December 2021	31 December 2020
Discount rate	3.7%	4.3%
Future salary increases	0%	0.07%
Future average years of service	17.86	14.4

	Retirement allowances	Jubilee awards	Total
Balances as at 1 January 2020	**188,783**	**324,120**	**512,903**
Benefits paid directly	(47,286)	(32,398)	(79,684)
Actuarial loss (gain) charged to other comprehensive income	52,828	(233)	52,595
Debited to the income statement	59,163	60,039	119,202
Balances as at 31 December 2020	**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**

The amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December	
	2021	2020
Current service cost	59,719	83,783
Interest cost	35,856	22,964
Curtailment loss	22,060	47,774
Actuarial (gain)/loss (jubilee awards)	35,226	(35,319)
Amortisation of past service cost	263,330	-
	416,191	**119,202**

22. LONG-TERM LIABILITIES

	31 December 2021	31 December 2020
Long-term loan - Gazprom Neft	8,203,418	13,672,117
Bank loans	69,276,624	69,109,888
Lease liabilities	2,335,974	2,479,391
Other non-current financial liabilities	841,861	841,847
Other long-term borrowings	104,126	73,490
	80,762,003	86,176,733
Less Current portion (note 23)	(7,689,172)	(12,196,715)
	73,072,831	**73,980,018**

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 2020	**89,044,212**	**-**	**1,703,441**	**90,747,653**
Proceeds	6,182,783	11,500,000	-	17,682,783
Repayment	(11,663,202)	(11,500,000)	(589,021)	(23,752,223)
Non-cash transactions	(747,499)	-	1,365,708	618,209
Foreign exchange difference	(34,289)	-	(737)	(35,026)
As at 31 December 2020	**82,782,005**	**-**	**2,479,391**	**85,261,396**
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**

a) Long-term loan – Gazprom Neft

As at 31 December 2021 long-term loan – Gazprom Neft amounting to RSD 8,203,418 thousand (2020: RSD 13,672,117 thousand), with current portion of RSD 5,468,935 thousand (2020: RSD 5,468,847 thousand), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

b) Bank loans

	31 December 2021	31 December 2020
Domestic	47,362,765	51,785,439
Foreign	21,913,859	17,324,449
	69,276,624	69,109,888
Current portion of long-term loans	(1,579,581)	(6,117,143)
	67,697,043	**62,992,745**

The maturity of non-current loans was as follows:

	31 December 2021	31 December 2020
Between 1 and 2 years	3,004,092	9,920,841
Between 2 and 5 years	63,430,071	41,197,751
Over 5 years	1,262,880	11,874,153
	67,697,043	**62,992,745**

The carrying amounts of the Group's bank and other long-term loans are denominated in the following currencies:

	31 December 2021	31 December 2020
USD	130,480	157,858
EUR	68,989,968	68,740,978
RSD	210	374
JPY	155,966	210,678
	69,276,624	**69,109,888**

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 (GPN Group) of consolidated indebtedness to consolidated EBITDA (note 6). The Group is in compliance with these covenants as of 31 December 2021 and 31 December 2020 respectively.

c) Lease liabilities

	31 December 2021	31 December 2020
Non-current portion of lease liabilities	1,695,318	1,868,666
Current portion of lease liabilities	640,656	610,725
	2,335,974	**2,479,391**

Amounts recognized in profit and loss:

	31 December 2021	31 December 2020
Interest expense (included in finance cost) (note 34)	92,608	87,363
Expense relating to short-term leases (note 31)	603,562	818,707
Expense relating to leases of low value assets that are not shown above as short-term leases (note 31)	76,390	201,931
Expense relating to variable lease payments not included in lease liabilities (note 31)	1,574,386	1,237,012

d) Other non-current financial liabilities

Other non-current financial liabilities in the amount of RSD 841,861 thousand (2020: RSD 841,847 thousand) represents 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 RSD 41 thousand. These transactions of shares acquisition and transfer of liabilities should be consider together.

23. SHORT-TERM FINANCE LIABILITIES

	31 December 2021	31 December 2020
Current portion of long-term loans (note 22)	7,048,516	11,585,990
Current portion of lease liabilities (note 22)	640,656	610,725
	7,689,172	**12,196,715**

24. TRADE PAYABLES

	31 December 2021	31 December 2020
Trade payables – parents and subsidiaries	3,000	3,204,200
Trade payables – other related parties	2,481,464	1,159,022
Trade payables - domestic	9,748,498	6,767,096
Trade payables - foreign	12,316,499	7,981,985
Trade payables - other	26,202	166,376
	24,575,663	**19,278,679**

25. OTHER SHORT-TERM LIABILITIES

	31 December 2021	31 December 2020
Specific liabilities	219,887	183,324
Liabilities for unpaid wages and salaries, gross	1,642,350	1,710,219
Interest liabilities	84,312	215,504
Dividends payable	3,784,105	3,785,017
Other payables to employees	827,031	891,317
VAT	2,555,013	2,270,118
Excise tax	6,699,841	5,713,647
Contribution for buffer stocks	286,795	257,505
Energy efficiency fee	33,653	30,168
Income tax	4,238,208	41,612
Other taxes payables	1,077,247	846,526
Other current liabilities	86,580	83,301
	21,535,022	**16,028,258**

26. ACCRUED EXPENSES

Accrued expenses as at 31 December 2021 amounting to RSD 4,074,838 thousand (31 December 2020: RSD 4,140,591 thousand) mainly relate to accrued employee bonuses of RSD 2,285,733 thousand (31 December 2020: RSD 2,473,886 thousand) and contract liabilities arising from contracts with customers related to customer loyalty RSD 853,461 thousand (31 December 2020: RSD 770,993 thousand).

Revenue in the amount of RSD 4,444,262 thousand was recognized in the current reporting period (31 December 2020: 2,192,358 thousand RSD) related to the contract liabilities as at 1 January 2021, of which RSD 3,909,614 thousand (31 December 2020: RSD 1,764,943 thousand) related to advances and RSD 534,648 thousand (31 December 2020: RSD 427,415 thousand) to customer loyalty programme.

27. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	2021	2020
Relase of impairment – PPE (note 9)	80,253	111,187
Relase of impairment – Investment property (note 9)	149,346	-
Relase of impairment – Inventory (note 13)	100,596	43,546
Relase of impairment – Other	351	3,123
	330,546	**157,856**

28. COST OF MATERIAL

	Year ended 31 December	
	2021	2020
Costs of raw materials	165,316,006	104,716,293
Overheads and other costs	289,990	237,684
Fuel and energy cost	4,917,934	4,597,008
Other	1,145,386	929,631
	171,669,316	**110,480,616**

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

	Year ended 31 December	
	2021	2020
Wages and salaries (gross)	23,932,262	22,755,892
Taxes and contributions on wages and salaries paid by employer	3,352,235	3,114,396
Cost of service agreement	104,714	113,035
Cost of other personal wages	16,852	14,372
Fees paid to board of directors and general assembly board	134,090	132,140
Termination costs	410,842	51,880
Cost of service organization	27,944	1,113,795
Other personal expenses	862,407	1,095,220
	28,841,346	**28,390,730**

30. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	2021	2020
Impairment - intangible assets (note 8)	26,251	85,447
Impairment - PPE (note 9)	743,396	704,637
Impairment - inventory (note 13)	4,403	56,758
Impairment - other	9,179	37,583
	783,229	**884,425**

31. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2021	2020
Cost of production services	2,050,470	1,669,556
Transportation services	2,778,768	2,670,195
Maintenance	3,931,642	3,831,426
Rental costs (note 22)	2,254,338	2,257,650
Fairs	5,440	-
Advertising costs	796,465	573,153
Exploration expenses	1,026,241	218,524
Cost of other services	1,579,875	1,441,308
	14,423,239	**12,661,812**

32. NON-PRODUCTION COSTS

	Year ended 31 December	
	2021	2020
Costs of non-production services	2,899,217	2,390,354
Representation costs	43,842	47,206
Insurance premium	534,692	542,321
Bank charges	464,045	336,952
Cost of taxes	1,350,783	1,290,948
Mineral extraction tax	1,332,811	894,335
Other non-production expenses	1,680,724	1,597,842
	8,306,114	**7,099,958**

Costs of non-production services for the year ended 31 December 2021 amounting to RSD 2,899,217 thousand (2020: RSD 2,390,354 thousand) mainly relate to security cost of RSD 621,005 thousand (2020: RSD 558,546 thousand); project management costs of RSD 445,757 thousand (2020: RSD 396,242 thousand) and consulting service costs of RSD 232,541 thousand (2020: RSD 171,940 thousand).

33. FINANCE INCOME

	Year ended 31 December	
	2021	2020
Finance income - related parties		
- foreign exchange differences	1,222,970	1,158,564
Interest income	201,413	219,254
Amortisation income – discount of receivables	19,486	38,345
Gains on restructuring of borrowings	–	53,673
Foreign exchange gains	504,244	1,300,804
Other finance income	46,441	4,416
	1,994,554	**2,775,056**

34. FINANCE EXPENSE

	Year ended 31 December	
	2021	2020
Finance expenses – related parties		
- foreign exchange differences	2,144,217	1,583,074
- other finance expense	174,842	295,406
Interest expenses	1,521,033	1,535,086
Decommissioning provision: unwinding of the present value discount	81,268	88,078
Loss on restructuring of borrowings	118,241	–
Foreign exchange losses	522,006	1,184,496
Share of loss of associates and joint ventures	164,530	103,671
Other finance expenses	7,674	27,136
	4,733,811	**4,816,945**

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

	Year ended 31 December	
	2021	2020
Reversal of impairment of LT financial investments	–	88,363
Income from valuation:		
- trade receivables (note 6)	40,724	131,395
- receivables from specific operations (note 6)	286,082	552
- short-term investments	–	46
- other receivables (note 6)	12,430	38,791
	339,236	**259,147**

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

	Year ended 31 December	
	2021	2020
Impairment of impairment of LT financial investments	9,728	28,042
Allowance provision expense:		
- trade receivables (note 6)	43,068	111,317
- receivables from specific operations (note 6)	3,283	5,126
- other receivables (note 6)	2,997	2,089
- interest receivables	3,558	8,260
Impairment financial instruments through FV	267,887	–
	330,521	**154,834**

37. OTHER INCOME

	Year ended 31 December	
	2021	2020
Gains on disposal - PPE	92,947	51,765
Gains on disposal - materials	51,477	28,714
Surpluses from stock count	416,658	242,634
Payables written off	357,798	976,748
Release of long-term provisions (note 21)	149,909	706,380
Penalty interest	50,868	96,137
Other income	31,471	36,289
	1,151,128	**2,138,667**

Payables written off in amount of RSD 357,798 thousand (2020: RSD 976,748 thousand) refers to the write-off of liabilities for which there is no legal basis for repayment.

38. OTHER EXPENSES

	Year ended 31 December	
	2021	2020
Loss on disposal - PPE	130,760	177,673
Loss on disposal - material	186,276	21,560
Shortages from stock count	558,399	419,137
Write-off receivables	12,415	23,331
Write-off inventories	82,576	51,932
Other expenses	652,172	507,163
	1,622,598	**1,200,796**

39. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2021	2020
Income tax for the year	4,273,671	51,298
Deferred income tax for the period (note 12)		
Origination and reversal of temporary differences	(30,124)	(1,615,695)
	4,243,547	**(1,564,397)**

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 ended31 December	
	2021	2020
Profit (loss) before income tax	**25,200,580**	**(9,130,400)**
Tax expense (income) at applicable domestic tax rate (15%)	3,780,087	(1,369,560)
Effect of unrecognized tax losses and tax rates in foreign jurisdictions	493,888	186,376
Tax effects of:		
- Revenues exempt from taxation	(14,730)	(328,081)
- Expenses not deductible for tax purposes		
- Tax paid in Angola	84,312	(50,469)
- Other expenses not deductible	343,605	128,123
- Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	(525,171)	(62,100)
- Other tax effects for reconciliation between accounting profit and tax expense	81,556	(68,686)
	4,243,547	**(1,564,397)**
The weighted average effective tax rate	17%	0%

40. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The Group operates primarily in the Republic of Serbia and is therefore exposed to risks related to the state of the economy and financial markets of the Republic of Serbia. Before the pandemic crisis, the country's credit rating was at BB+ level with stabile national currency rate.

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Government of the Republic of Serbia implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is relatively low, and there is a risk that the Serbian authorities would impose additional restrictions in subsequent periods, including due to emerging new variants of the virus.

The situation in the financial markets is currently stable. This operating environment has a significant impact on the Group's operations and financial position.

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 RSD 397,764 thousand (31 December 2020: RSD 428,813 thousand) (note 21).

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 2021.

Capital commitments

As of 31 December 2021 the Group has entered into contracts to purchase property, plant and equipment for RSD 383,637 thousand (31 December 2020: RSD 1,531,697 thousand) and drilling and exploration works estimated to 101.44 USD million (31 December 2020: 57.89 USD million).

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

41. GROUP ENTITIES

The consolidated financial statements of below listed subsidiaries are consolidated as at 31 December 2021 and 31 December 2020:

			Share %	
Subsidiary	Country of incorporation	Nature of business	31-Dec 2021	31-Dec 2020
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
Svetlost, Bujanovac in bankruptcy	Serbia	Trade	51	51

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.

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

42. RELATED PARTIES TRANSACTIONS

The majority owner of the Group is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest owned by various minority shareholders are traded on the Belgrade Stock Exchange and are owned by various shareholders. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

During 2021 and 2020, 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 2021 and 31 December 2020 the outstanding balances with related parties other than state and state own companies were as follows:

	Associates and joint venture	Parent	Parent's subsidiaries and associates
As at 31 December 2021			
Right of use assets	-	-	414
Investments in associates and joint ventures	1,582,900	-	-
Trade receivables	1,961,141	600	233,076
Other receivables	540,616	-	-
Advances paid	-	-	29,788
Long-term liabilities	-	(2,734,483)	(210)
Short-term financial liabilities	-	(5,468,935)	(142)
Advances received	(935)	-	(388)
Trade payables	(1,551,586)	(3,000)	(929,878)
Other short-term liabilities	-	(13)	-
	2,532,136	**(8,205,831)**	**(667,340)**
As at 31 December 2020			
Right of use assets	-	-	125
Investments in associates and joint ventures	1,747,430	-	-
Trade receivables	1,462,469	-	184,531
Other receivables	290	-	13
Advances paid	-	-	25,095
Long-term liabilities	-	(8,203,270)	-
Short-term financial liabilities	-	(5,468,847)	(84)
Advances received	(4,493)	-	(37)
Trade payables	(942,412)	(3,204,199)	(216,611)
	2,263,284	**(16,876,316)**	**(6,968)**

For the year ended 31 December 2021 and 2020 the following transaction occurred with related parties:

	Associates and Joint venture	Parent	Parent's subsidiaries and associates
Year ended 31 December 2021			
Sales revenue	28,761,451	2,056	1,580,398
Other operating income	7,356	-	-
Cost of goods sold	(170,129)	-	(1,121,165)
Cost of material	-	(22,565,852)	(1,016,670)
Cost of production services	(230,089)	-	(4,538)
Depreciation, depletion and amortisation expenses	-	-	(115)
Non-material expense	-	(3,395)	(119,031)
Finance expense	-	(174,840)	(2)
	28,368,589	**(22,742,031)**	**(681,123)**
Year ended 31 December 2020			
Sales revenue	16,772,500	-	557,309
Other operating income	7,364	-	1,237
Cost of goods sold	-	-	(255,403)
Cost of material	-	(24,674,912)	(996,914)
Cost of production services	(193,856)	-	(12,896)
Depreciation, depletion and amortisation expenses	-	-	(188)
Non-material expense	-	(3,118)	(78,316)
Finance income	-	-	56
Finance expense	-	(295,406)	-
Other income	-	6,475	-
Other expenses	-	(50,164)	(260)
	16,586,008	**(25,017,125)**	**(785,375)**

Main balances and transactions with state and state owned companies are shown below:

	Associates and joint venture	Other
As at 31 December 2021		
Trade and other receivables (gross)		
• HIP Petrohemija	1,905,004	–
• Srbijagas	–	111,545
• AIR Serbia	–	287,512
Trade and other payables		
• HIP Petrohemija	(1,551,586)	–
• Srbijagas	–	(605,123)
Other current liabilities		
• HIP Petrohemija	(2,852)	–
	350,566	**(206,066)**
As at 31 December 2020		
Trade and other receivables (gross)		
• HIP Petrohemija	1,461,095	–
• Srbijagas	–	256,036
• AIR Serbia	–	87,447
Trade and other payables		
• HIP Petrohemija	(942,412)	–
• Srbijagas	–	(302,531)
Other current liabilities		
• HIP Petrohemija	(3,532)	–
	515,151	**40,952**

	Associates and joint venture	Other
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**
As at 31 December 2020		
Operating income		
• HIP Petrohemija	16,746,580	–
• Srbijagas	–	380,042
• AIR Serbia	–	1,685,134
Operating expenses		
• HIP Petrohemija	(193,856)	–
• Srbijagas	–	(782,731)
	16,552,724	**1,282,445**

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 2021 and 2020 the Group recognized RSD 1,033,696 thousand and RSD 997,434 thousand; respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

43. 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.

44. EVENTS AFTER THE REPORTING DATE

Since late 2021 ongoing political tension escalated as a result of further developments of the situation with Ukraine which have negatively impacted volatility in the financial and commodity markets. On 24 February 2022 oil prices increased to over US$100 per barrel. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out. A number of sanctions have been announced to restrict Russian entities from having access to the Euro and US$ financial markets including removing access to the international SWIFT system and in such a situation this could further impact the Group's ability to transfer or receive funds. It is not possible for management to predict with any degree of certainty the impact of all this uncertainty on the future operations of the Group. However, the Group has no major external liabilities and there were no business interruptions, including to supply chains, due to sanctions, military conflict, commodity and broader market instability. Whilst these uncertainties may impact the future dividend income of the shareholders and their ability to make payments to the Company in the near future it does not impact upon the ability of the Group to continue to operate in the foreseeable future.

Subsequent events occurring after 31 December 2021 were evaluated through 1 March 2022, the date these Consolidated Financial Statements were authorised for issue.

Report on payments to governmental authorities

for the year ending on December 31, 2021

Articles 39 and 40 of the Law on Accounting ("Official Gazette", No. 73/2019) 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 withinthe 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 common shares. These payments were not identified within NIS Group in 2021.

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 2021, 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 2021.

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 2021, 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	0	1,120,956	0	0	0	0
Angola	0	134,500	0	0	0	0	0
Bosnia and Herzegovina							
Romania	0	0	23,225	0	0	0	0
Total	**0**	**134,500**	**1,144,181**	**0**	**0**	**0**	**0**

1 License fees, lease fees, entry fees and other licenses and/or concessions

In 000 RSD

Payments to governmental authorities

Serbia

Payments by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[1]	Infrastructure improvement payments
Ministry of Finance Treasure Department		0	1,120,956				
Ministry of Finance, Tax administration, Center for Large Taxpayers		0					
Total	**0**	**0**	**1,120,956**	**0**	**0**	**0**	**0**

1 License fees, lease fees, entry fees and other licenses and/or concessions

In 000 RSD

Angola

Payments by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees[1]	Infrastructure improvement payments
NAMR National Agency for Mineral Resources		134,500					
Total	0	134,500	0	0	0	0	0

1 *License fees, lease fees, entry fees and other licenses and/or concessions*

In 000 RSD

Romania

Payments by countries	Right to production	Taxes	Benefits	Dividends	Bonus	Fees[1]	Infrastructure improvement payments
NAMR National Agency for Mineral Resources			23,225				
Total	0	0	23.225	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 by countries	Right to production	Taxes	Benefits	Dividends	Bonuses	Fees	Infrastructure improvement payments
Angola Block3		134.500					
Total	0	134.500	0	0	0	0	0

1 *License fees, lease fees, entry fees and other licenses and/or concessions*

In 000 RSD

3.01 Statement of individuals responsible for the preparation of financial statements

We hereby declare that, to the best of our knowledge, the annual Financial Statements are compiled against relevant International Financial Reporting Standards and in compliance with the Law on Accounting of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 73/2019 and 44/2021 – other law), stipulating that financial statements be prepared in compliance with all IFRSs and regulations issued by the Ministry of Finance of the Republic of Serbia[1] and that they provide accurate and objective information on the assets and liabilities and financial standing and performance, profits and losses, cash flows and changes in equity of the public company, including the companies which are part of the consolidated statements.

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

[1] Considering the differences between the two regulations, these Financial Statements depart from the IFRS in the following:
- Group compiled the Financial Statements using the templates prescribed by the Ministry of Finance of the Republic of Serbia, which are not in compliance with the requirements of IAS 1 – Presentation of Financial Statements.
- Off-balance Sheet Assets and Liabilities are presented on the Balance Sheet Template. As defined by the IFRS, these items are neither assets nor liabilities.

4.01

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 2021):	PricewaterhouseCoopers LLC Belgrade 88a Omladinskih brigada 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

4.02

Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensioal
a.d.o.	Insurance joint stock company
ALARP	As low as reasonably possible
AMCHAM	American Chamber of Commerce
ANRM	National Agency for Mineral Resources
APC	Advanced Process Control
BAM	Convertible, Bosnia and Herzegovina currency
BAT	Best Available Techniques
B&H	Bosnia and Herzegovina
BC	Business Centre
bn	billion
BoD	Board of Directors
BPGA	Bulgarian Petrol and Gas Association
BV	Book Value
CAC/RCP	Codex Alimentarius Commission/Recommended Code of Practice
CAPEX	Capital Expenditures
CCIS	Chamber of Commerce and Industry of Serbia
CCPP	Combined-Cycle Power Plant
CEEC	Central-Eastern Europe and Caspian
CEMS	Continuous Emission Monitoring System
CFA	Certified Financial Analyst
CIS	Commonwealth of Independent States
CJSM	Closed joint stock company
CMMS	Computerized maintenance management system
CNG	Compressed Natural Gas

Abbreviation	Meaning
CO2	Carbon Dioxide
CSM	Contractor Safety Management
DCU	Delayed Coking Unit
DT	Digital Transformation
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
ELV	Emission limit values
EIA	Energy Information Administration
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPCm	Engineering, procurement and construction management
EPS	Earnings per share
PS	Primary School
EIP	Efficiency Improvement Program
EnMS	Energy Management System
ETF	Faculty of Electrical Engineering
ETBE	Ethyl tert-butyl ether
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offer Rate
EU ETS	EU Emissions Trading System
FB&H	Federation of Bosnia and Herzegovina
FCC	Fluid Catalytic Cracker
FIC	Foreign Investors Council
FMECA	Failure mode, effects and cricicality analysis
FTN	Faculty of Technical Sciences
FU	Firefighting Unit
FYR Macedonia	Former Yugoslav Republic Macedonia
GDP	Gross Domestic Product
GPN	PJSC Gazprom Neft
GTA	Geological-technical activities

Abbreviation	Meaning
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
HS	High School
HSE	Health, Safety and the Environment
HVGO	Heavy vacuum gas oil
IAF	International Accounting Standard
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
k.f.t.	Limited liability company (in Hungary)
km	kilometre
KPI	Key Performance Indicator
KRI	Key risk indicator
kW	Kilowatt, unit for measuring electrical energy
LFP	Law on Fire Protection
LIBOR	London Interbanking Offer Rate
LLC or llc	Limited Liability Company
LNG	Liquefied natural gas
LOTO	Lockout-tagout safety procedure

Abbreviation	Meaning
LPG	Liquefied Petroleum Gas
LSP	Leading Safety Performance
LTD	Limited
LTI	Lost Time Injury
LTIF	Lost Time Injury Frequency
m2	Square meter
m3	Cubic meter
MSc/MA	Master of Science/Master of Arts
MBA	Master of Business Administration
MHC/DHT	Mild hydrocracking and hydro treating unit
mn	million
MoC	Management of Change
MT and SS	Material,technical and service support
MTSS and CC	Material, technical and service support and capital construction
MW	Megawatt, SI unit of electricity
MWA	Management walk-around
MWe	Megawatt electrical – a unit of electrical generating capacity
MWh	Megawatt hour, unit of electricity
N2	Nitrogen
NALED	National Alliance for Local Economic Development
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
NPCS-WPC	National Petroleum Commission of Serbia - World Petroleum Council
OCF	Operating Cash Flow
OF	Oil field
OHSAS	Occupational Health and Safety Standard

Abbreviation	Meaning
OID	Evaluation of investment activity
OJSC	Open joint stock company
OMS	Operating Management System
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
OTS	Operator Training Simulators
PDW	Project and design works
PJSC	Public Joint Stock Company
P/BV	Price/Book Value
P/E	Price/EPS
PE	Public Enterprise
PEC	Planning, Economics and Controlling
PhD	Doctor of Philosophy
PS	Primary school
Q	Qualified worker
R&D	Research and Development
RAG	Red, Amber, Green
RAR	Road Accident Rate
RC	Research Centre or Regional Centre
RCM	Reliability-centered maintenance
RCSC	Russian Centre for Science and Culture
RF	Russian Federation
RIP	Realization of Investment Project
RMP	Regular Management Practice
RNP	Pančevo Oil Refinery
ROA	Return on Assets
ROE	Return on Equity
RS	Republic of Serbia
RCLT/TTLT	Rail car loading terminal, tank truck loading terminal

Abbreviation	Meaning
RSD	Serbian Dinar
SAB	Shareholders' Assembly Board for the Supervision of Operations and Reporting to the Company's Shareholders
SARU	Spent Acid Regeneration Unit
SEVESO	HSE-related Directive
SMSB	Safe Mind Safe Body
SO2	Sulphur Dioxide
SORS	Statistical Office of the Republic of Serbia
SQ	Semi-qualified worker
s.r.l.	Limited liability company (in Romania)
SRU	Sulphur Recovery Unit
SS	Secondary School
STC	Scientific and Technological Centre
STEM	Science, Technology, Engineering and Mathematics
SUV	Sport utility vehicle or suburban utility vehicle
THS	Technical Services
t.o.e.	Tonnes of oil equivalent
TWh	Terawatt hour – unit of electricity
UB	University of Belgrade
UNS	University of Novi Sad
UPS	Upstream
UQ	Unqualified worker
USA	United States of America
USA	United States of America
UQ	Unqualified worker
US	United States
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax
WTI	West Texas Intermediate

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Contacts

NIS j.s.c. Novi Sad

e-mail: office@nis.rs

12, Narodnog fronta St.
21000 Novi Sad, Serbia
(+381 21) 481 1111

1, Milentija Popovića St.
11000 Belgrade, Serbia
(+381 11) 311 3311

Investor Relations Services

e-mail: Investor.Relations@nis.rs

12, Narodnog fronta St.
21000 Novi Sad, Serbia

Sector for Minority Shareholders Affairs

e-mail: servis.akcionara@nis.rs

12, Narodnog fronta St.
21000 Novi Sad, Serbia
Info Service: (+381 11) 22 000 55