NIS A.D. – Naftna industrija Srbije
Novi Sad

Financial Statements and
Independent Auditor's Report

31 December 2022

Novi Sad, 28 February 2023

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

Contents

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following key audit matter:

Estimation of decommissioning and environmental protection provisions

Information on applied accounting policies and estimates of provisions associated with the decommissioning and environmental protection are disclosed in note 2, note 3 and note 22 to the financial statements. As described in the notes to the financial statements, the Company recognized provisions in the amount of RSD 11,275,101 thousand.

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Key Audit Matters (Continued)

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

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

Audit approach:

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

We have also performed the following audit procedures:

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Other Matter

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

Other Information

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- ✓ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its associates and jointly controlled entities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

Belgrade, March 01, 2023

FINEXPERTIZA d.o.o. BEOGRAD

Srđan Božović

The engagement partner on audit project

Licensed auditor

(All amounts are in RSD 000 unless otherwise stated)

BALANCE SHEET

	AOP	Note	31 December 2022	31 December 2021
A. SUBSCRIBED CAPITAL UNPAID	**0001**		**-**	**-**
B. NON-CURRENT ASSETS (0003+0009+0017+0018+0028)	**0002**		**321,293,674**	**322,464,878**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008)	**0003**	**7**	**15,715,351**	**16,256,358**
1. Development investments	0004		10,830,934	11,832,783
2. Concessions, licenses, software and other rights	0005		3,474,961	3,093,897
3. Goodwill	0006		-	-
4. Intangible assets in lease and under development	0007		1,409,456	1,329,678
5. Advances for intangible assets	0008		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0010+0011+0012+0013+0014+0015+0016)	**0009**		**260,732,530**	**262,655,361**
1. Land and buildings	0010	8a	164,408,322	162,589,004
2. Machinery and equipment	0011	8a	78,317,642	83,522,917
3. Investment property	0012	8c	1,605,254	1,778,608
4. Property, plant and equipment in lease and construction in progress	0013	8a,8b	15,138,208	14,287,075
5. Other property, plant and equipment and investments in leased PP&E	0014	8a	221,174	204,197
6. Advances for PP&E - domestic	0015	8a	987,949	190,021
7. Advances for PP&E - foreign	0016	8a	53,981	83,539
III. BIOLOGICAL ASSETS	**0017**		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019+0020+0021+0022+0023+0024+0025+0026+0027)	**0018**		**44,845,793**	**43,553,159**
1. Investments in legal entities (except those evaluated using the equity method)	0019	9	13,517,853	13,517,527
2. Investments in legal entities evaluated by equity method	0020	10	1,038,800	1,038,800
3. Long-term investments and long-term receivables in parent, subsidiaries and other related parties - domestic	0021	11	1,868,080	-
4. Long-term investments and long-term receivables in parent, subsidiaries and other related parties- foreign	0022	11	26,772,569	27,188,599
5. Long-term investments - domestic	0023		9,367	9,515
6. Long-term investments - foreign	0024		-	-
7. Long-term financial investments (securities valued at amortized cost)	0025		-	-
8. Purchased own shares	0026		-	-
9. Other long-term financial investments and long-term receivables	0027	12	1,639,124	1,798,718
V. LONG - TERM ACCRUED AND DEFERRED INCOME	0028		-	-
C. DEFFERED TAX ASSETS	**0029**	**13**	**2,971,445**	**2,564,817**
G. CURRENT ASSETS (0031+0037+0038+0044+0048+0057+0058)	**0030**		**198,703,857**	**94,310,479**
I. INVENTORY (0032+0033+0034+0035+0036)	**0031**	**14**	**54,744,384**	**33,475,271**
1. Materials, spare parts and tools	0032		26,598,827	15,646,047
2. Work in progress and finished goods	0033		25,900,463	15,696,766
3. Merchandise	0034		1,664,301	1,820,030
4. Advances for inventory and services - domestic	0035		363,593	226,522
5. Advances for inventory and services - foreign	0036		217,200	85,906

(continued)

The accompanying notes on pages 9 to 61 are an integral part of these financial statements.

(All amounts are in RSD 000 unless otherwise stated)

BALANCE SHEET (continued)

	AOP	Note	31 December 2022	31 December 2021
II. FIXED ASSETS HELD FOR SALE AND BUSINESS TERMINATION	**0037**		**27,318**	**47,493**
III TRADE RECEIVABLES (0039+0040+0041+0042+0043)	**0038**	**15**	**42,732,319**	**30,962,130**
1. Trade receivables - domestic	0039		31,630,516	21,818,232
2. Trade receivables - foreign	0040		1,042,078	1,238,566
3. Trade receivables - parent, subsidiaries and other related parties - domestic	0041		2,122,276	2,446,726
4. Trade receivables - parent, subsidiaries and other related parties - foreign	0042		7,937,449	5,458,606
5. Other trade receivables	0043		-	-
IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	**0044**	**16**	**2,590,493**	**1,796,245**
1. Other receivables	0045		2,472,177	1,723,086
2. Receivables for overpaid income tax	0046		-	-
3. Receivables from overpaid other taxes and contributions	0047		118,316	73,159
VI. SHORT-TERM FINANCIAL INVESTMENTS (0049+0050+0051+0052+0053+0054+0055+0056)	**0048**	**17**	**6,473,739**	**1,954,526**
1. Short-term loans and investments - parent and subsidiaries	0049		201,993	148,298
2. Short-term loans and investments – other related parties	0050		-	-
3. Short-term loans and investments - domestic	0051		75,226	1,806,228
4. Short-term loans and investments - foreign	0052		192,821	-
5. Securities evaluted at amortized cost	0053		-	-
6. Financial assets evaluated through profit or loss	0054		-	-
7. Purchased own shares	0055		-	-
8. Other short-term financial investments	0056		6,003,699	-
VI. CASH AND CASH EQUIVALENTS	**0057**	**18**	**83,083,255**	**20,336,901**
VII. PREPAYMENTS AND ACCRUED INCOME	**0058**	**19**	**9,052,349**	**5,737,913**
D TOTAL ASSETS = OPERATING ASSETS (0001+0002+0029+0030)	**0059**		**522,968,976**	**419,340,174**
E OFF-BALANCE SHEET ASSETS	**0060**	**20**	**127.991.900**	**120,411,350**
A. EQUITY (0402+0403+0404+0405+0406-0407+0408+0411-0412)>= 0	**0401**	**21**	**359,816,117**	**272,247,874**
I. EQUITY	**0402**		**81,530,200**	**81,530,200**
II. SUBSCRIBED CAPITAL UNPAID	**0403**		-	-
III. SHARE PREMIUM	**0404**		-	-
IV. RESERVES	**0405**		-	-
V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFITS FROM FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0406**		**154,012**	**256,504**
VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	**0407**		**62,225**	**58,151**
VII. RETAINED EARNINGS (0409+0410)	**0408**		**278,194,130**	**190,519,321**
1. Retained earnings from previous years	0409		184,737,199	167,387,576
2. Retained earnings from current year	0410		93,456,931	23,131,745
VIII. NON-CONTROLLING INTEREST	**0411**		-	-
IX. LOSS (0413+0414)	**0412**		-	-
1. Loss from previous years	0413		-	-
2. Loss from current year	0414		-	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	**0415**		**75,724,966**	**84,315,286**
I. LONG-TERM PROVISIONS (0417+0418+0419)	**0416**	**22**	**11,150,060**	**12,029,890**
1. Provisions for employee benefits	0417		694,752	955,156
2. Provisions for warranty claims	0418		-	-
3. Other long term provisions	0419		10,455,308	11,074,734

(continued)

The accompanying notes on pages 9 to 61 are an integral part of these financial statements.

BALANCE SHEET (continued)

	AOP	Note	31 December 2022	31 December 2021
II. LONG-TERM LIABILITIES (0421+0422+0423+0424+0425+0426+0427)	**0420**	**23**	**64,574,906**	**72,285,396**
1. Liabilities convertible to equity	0421		-	-
2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422		-	-
3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423		-	2,734,468
4. Long-term loans and finance lease liabilities - domestic	0424		47,311,599	47,074,541
5. Long-term loans and finance lease liabilities - foreign	0425		16,412,357	21,630,304
6. Liabilities for issued securities	0426		-	-
7. Other long-term liabilities	0427		850,950	846,083
III. LONG-TERM ACCRUED INCOME AND DEFERRED REVENUES	**0428**		**-**	**-**
C. DEFFERED TAX LIABILITIES	**0429**	**13**	**-**	**-**
D. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED	**0430**		**-**	**-**
E. SHORT-TERM PROVISIONS AND LIABILITIES (0432+0433+0441+0442+0449+0453+0454)	**0431**		**87,427,893**	**62,777,014**
I. SHORT-TERM PROVISIONS	**0432**	**22**	**1,899,914**	**1,575,245**
II. SHORT-TERM FINANCIAL LIABILITIES (0434+0435+0436+0437+0438+0439+0440)	**0433**	**24**	**11,654,705**	**9,567,495**
1. Short-term loans from parent, subsidiaries and other related parties - domestic	0434		4,036,953	2,188,400
2. Short-term loans from parent, subsidiaries and other related parties - foreign	0435		2,728,428	5,468,935
3. Short-term loans and borowings from other parties	0436		498,203	330,579
4. Short-term loans from domestic banks	0437		3,582,756	1,296,026
5. Short-term loans, borowings and liabilities - foreign	0438		808,365	283,555
6. Liabilities on short-term securities	0439		-	-
7. Liabilities based on financial derivatives	0440		-	-
III. ADVANCES RECEIVED	**0441**		**11.298.696**	**3,014,225**
IV. TRADE PAYABLES (0443+0444+0445+0446+0447+0448)	**0442**	**25**	**25.456.060**	**25,792,739**
1. Trade payables - parent, subsidiaries and other related parties - domestic	0443		7,796,328	6,296,090
2. Trade payables - parent, subsidiaries and other related parties - foreign	0444		67,847	1,020,672
3. Trade payables - domestic	0445		6,266,698	6,299,767
4. Trade payables - foreign	0446		11,309,738	12,153,357
5. Liabilities on promissory notes	0447		-	-
6. Other operating liabilities	0448		15,449	22,853
V. OTHER SHORT-TERM LIABILITIES (450+451+452)	**0449**	**26**	**33,575,224**	**19,401,280**
1. Other short-term liabitilies	0450		6,061,073	5,653,717
2. Liabilities for VAT and other taxes	0451		13,521,458	9,602,948
3. Profit tax liabilities	0452		13,992,693	4,144,615
VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS ATTRIBUTABLE TO TERMINATED BUSINESS	**0453**		-	-
VII. SHORT-TERM ACCRUED EXPENSES	**0454**	**27**	**3,543,294**	**3,426,030**
F. LOSS EXCEEDING EQUITY (0415+0429+0430+0431-0059)>=0=(0407+0412-0402-0403-0404-0405-0406-0408-0411)>=0	0455		-	-
G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430-0431-0455)	0456		**522,968,976**	**419,340,174**
H. OFF-BALANCE SHEET LIABILITIES	**0457**	**20**	**127,991,900**	**120,411,350**

Novi Sad, 28 February 2023

M.P.

Kirill Tyurdenev
Chief Executive Officer

Anton Cherepanov
Chief Financial Officer

The accompanying notes on pages 9 to 61 are an integral part of these financial statements.

(All amounts are in RSD 000 unless otherwise stated)

INCOME STATEMENT

	AOP	Note	Year ended 31 December 2022	2021
A. OPERATING INCOME (1002+1005+1008+1009-1010+1011+1012)	**1001**		**499,132,440**	**281,048,041**
I. INCOME FROM THE SALE OF GOODS (1003+1004)	**1002**	**6**	**38,615,427**	**21,753,006**
1. Income from sale of goods on domestic market	1003		37,488,527	20,853,118
2. Income from sale of goods on foreign market	1004		1,126,900	899,888
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1006+1007)	**1005**	**6**	**447,922,186**	**252,871,221**
1. Income from sales of products and services on domestic market	1006		379,672,743	196,912,872
2. Income from sales of products and services on foreign market	1007		68,249,443	55,958,349
III. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	**1008**		**1,793,652**	**1,622,071**
IV. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1009**		**10,203,697**	**4,174,664**
V. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS	**1010**		-	-
VI. OTHER OPERATING INCOME	**1011**	**6**	**407,556**	**367,487**
VII. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1012**	**28**	**189,922**	**259,592**
B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	**1013**		**387,362,877**	**252,422,316**
I. COST OF GOODS SOLD	**1014**		**35,828,930**	**18,768,162**
II. COST OF MATERIAL, FUEL AND ENERGY	**1015**	**29**	**279,608,303**	**165,947,034**
III. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	**1016**	**30**	**18,902,369**	**17,279,387**
1. Cost of salaries and fringe benefits	1017		15,831,403	14,326,304
2. Cost of tax and contributions on wages and salaries	1018		2,121,658	1,955,945
3. Other personal expenses	1019		949,308	997,138
IV. DEPRECIATION, DEPLETION AND AMORTIZATION	**1020**	**7,8**	**23,122,898**	**22,685,589**
V. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)	**1021**	**31**	**207,208**	**819,860**
VI. COST OF PRODUCTION SERVICES	**1022**	**32**	**17,070,182**	**15,180,045**
VII. COST OF PROVISION	**1023**		**597,595**	**824,266**
VIII. NON-PRODUCTION COSTS	**1024**	**33**	**12,025,392**	**10,917,973**
C. OPERATING GAIN (1001-1013)>=0	**1025**		**111,769,563**	**28,625,725**
D. OPERATING LOSS (1013-1001)>=0	**1026**		**-**	**-**
E. FINANCE INCOME (1028+1029+1030+1031)	**1027**	**34**	**5,432,711**	**2,581,777**
I. FINANCIAL INCOME FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1028**		**2,806,138**	**1,829,712**
II. INTEREST INCOME	**1029**		**2,055,522**	**216,833**
III. FOREIGN EXCHANGE GAIN	**1030**		**531,965**	**488,922**
IV. OTHER FINANCIAL INCOME	**1031**		**39,086**	**46,310**
G. FINANCE EXPENSES (1033+1034+1035+1036)	**1032**	**35**	**6,797,866**	**3,951,373**
I. FINANCIAL EXPENSE FROM PARENT, SUBSIDIARIES AND OTHER RELATED PARTIES	**1033**		**3,661,266**	**1,871,988**
II. INTEREST EXPENSE	**1034**		**1,665,039**	**1,581,071**
III. FOREIGN EXCHANGE LOSS	**1035**		**1,404,121**	**490,640**
IV. OTHER FINANCIAL EXPENSE	**1036**		**67,440**	**7,674**
I. PROFIT FROM FINANCING OPERATIONS (1027-1032)>=0	**1037**		**-**	**-**
J. LOSS FROM FINANCING OPERATIONS (1032-1027)>=0	**1038**		**1,365,155**	**1,369,596**

(continued)

INCOME STATEMENT (continued)

	AOP	Note	Year ended 31 December 2022	2021
K. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1039**	**36**	**697,015**	**332,221**
L. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1040**	**37**	**465,281**	**365,976**
M. OTHER INCOME	**1041**	**38**	**1,243,447**	**1,011,075**
N. OTHER EXPENSE	**1042**	**39**	**1,132,715**	**945,285**
O. TOTAL INCOME (1001+1027+1039+1041)	**1043**		**506,505,613**	**284,973,114**
P. TOTAL EXPENSE (1013+1032+1040+1042)	**1044**		**395,758,739**	**257,684,950**
Q. OPERATING PROFIT BEFORE TAX (1043-1044)>=0	**1045**		**110,746,874**	**27,288,164**
R. OPERATING LOSS BEFORE TAX (1044-1043)>=0	**1046**		-	-
S. POSITIVE NET EFFECT ON RESULTS BASED ON PROFIT FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	**1047**		-	-
T. NEGATIVE NET EFFECT ON RESULTS BASED ON LOSS FROM TERMINATED BUSINESS, CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	**1048**		-	-
U. PROFIT BEFORE TAX (1045-1046+1047-1048)>=0	**1049**		**110,746,874**	**27,288,164**
V. LOSS BEFORE TAX (1046-1045+1048-1047)>=0	**1050**		**-**	**-**
W. INCOME TAX				
I. CURRENT INCOME TAX	1051	40	17,696,181	4,155,337
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1052	40	221,765	671,385
III. DEFERRED TAX INCOME FOR THE PERIOD	1053	40	628,003	670,303
X. PERSONAL INCOME PAID TO EMPLOYER	1054		-	-
Y. NET PROFIT (1049-1050-1051-1052+1053-1054)>=0	1055		**93,456,931**	**23,131,745**
Z. NET LOSS (1050-1049+1051-1052-1053+1054)>=0	1056		-	-
I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLING INTEREST	1057		-	-
II. NET PROFIT ATTRIBUTABLE TO PARENT COMPANY	1058		-	-
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLING INTEREST	1059		-	-
IV. NET LOSS ATTRIBUTABLE TO PARENT COMPANY	1060		-	-
V. EARNINGS PER SHARE			-	-
1. Basic earnings per share	1061		-	-
2. Diluted earnings per share	1062		-	-

The accompanying notes on pages 9 to 61 are an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

	AOP	Note	Year ended 31 December 2022	2021
A. NET PROFIT/LOSS				
I. NET PROFIT (AOP 1055)	**2001**		**93,456,931**	**23,131,745**
II. NET LOSS (AOP 1056)	**2002**		-	-
B. OTHER COMPREHENSIVE PROFIT/LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase of revaluation reserves	2003		-	-
b) decrease of revaluation reserves	2004		-	-
2. Actuarial gains (losses) of post employmet benefit obligations				
a) gains	2005		-	7,926
b) losses	2006		106,836	-
3. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
a) gains	2007		-	-
b) losses	2008		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains and losses arising from equity investments				
a) gains	2009		-	-
b) losses	2010		-	-
2. Gains (losses) from currency translation differences				
a) gains	2011		-	-
b) losses	2012		-	-
3. Gains (losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
4. Gains (losses) on hedging in a cash flow hedge				
a) gains	2015		-	-
b) losses	2016		-	-
5. Gains (losses) from change in value of available-for-sale financial assets				
a) gains	2017		-	783
b) losses	2018		-	-
I OTHER COMPREHENSIVE GAIN BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	**2019**		**-**	**8,709**
II OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017)>=0	**2020**		**106,836**	**-**
III DEFERRED TAX EXPENSE ONR OTHER COMPREHENSIVE PROFIT (LOSS)	**2021**		-	-
IV DEFERRED TAX INCOME ON OTHER COMPREHENSIVE PROFIT (LOSS)	**2022**		-	-
V. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021+2022)>=0	**2023**		**-**	**8,709**
VI. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021-2022)>=0	**2024**		**106,836**	-
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2023-2024)>=0	2025		**93,350,095**	**23,140,454**
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2024-2023)>=0	2026		**-**	**-**
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2028+2029)=AOP 2025>=0 or AOP 2026>0	**2027**		-	-
1. Attributable to shareholders	2028		-	-
2. Attributable to non-controling interest	2029		-	-

The accompanying notes on pages 9 to 61 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	AOP	Note	Year ended 31 December 2022	2021
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 4)	**3001**		**763,679,874**	**491,100,307**
1. Sales and advances received - domestic	**3002**		724,322,139	435,668,088
2. Sales and advances received - foreign	3003		35,277,407	54,578,018
3. Interest from operating activities	3004		1,590,841	486,714
4. Other inflow from operating activities	3005		2,489,487	367,487
II. Cash outflow from operating activities (1 до 8)	**3006**		**657,822,045**	**451,588,590**
1. Payments and prepayments to suppliers - domestic	3007		89,620,209	64,307,109
2. Payments and prepayments to suppliers - foreign	3008		281,917,634	158,970,886
3. Salaries, benefits and other personal expenses	3009		17,661,415	17,468,884
4. Interest paid - domestic	3010		1,029,995	902,182
5. Interest paid - foreign	3011		483,418	538,086
6. Income tax paid	3012		7,858,372	134,760
7. Payments for other public revenues	3013		259,251,002	208,971,364
8. Other payments from operating activities	3014		-	295,319
III. Net cash inflow from operating activities (I - II)	**3015**		**105,857,829**	**39,511,717**
IV. Net cash outflow from operating activities (II - I)	**3016**		-	-
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3017**		**4,984,810**	**4,790,939**
1. Sale of shares	3018		-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3019		388,704	372,507
3. Other financial investments	3020		4,596,106	4,374,543
4. Interest from investing activities	3021		-	-
5. Dividend received	3022		-	43,889
II. Cash outflow from investing activities (1 to 3)	**3023**		**34,464,322**	**25,638,451**
1. Acquisition of subsidiaries or other business	3024		-	-
2. Purchase of intangible assets, property, plant and equipment	3025		23,644,635	20,661,113
3. Other financial investments	3026		10,819,687	4,977,338
III. Net cash inflow from investing activities (I - II)	**3027**		-	-
IV. Net cash outflow from investing activities (II - I)	**3028**		**29,479,512**	**20,847,512**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 7)	**3029**		**21,933,670**	**32,081,880**
1. Increase in share capital	3030		-	-
2. Proceeds from long-term borrowings - domestic	3031	23	3,905,907	11,438,785
3. Proceeds from long-term borrowings - foreign	3032	23	593,845	5,290,915
4. Proceeds from short-term borrowings - domestic	3033	23	16,946,590	15,352,180
5. Proceeds from short-term borrowings - foreign	3034		487,328	-
6. Other long-term liabilities	3035		-	-
7. Other short-term liabilities	3036		-	-
II. Cash outflow from financing activities (1 to 8)	**3037**		**34,526,466**	**38,461,093**
1. Purchase of own shares	3038		-	-
2. Repayment of long-term borrowings - domestic	3039	23	2,957,319	15,991,610
3. Repayment of long-term borrowings - foreign	3040	23	11,105,986	6,165,092
4. Repayment of short-term borrowings - domestic	3041	23	14,273,781	14,919,815
5. Repayment of short-term borrowings - foreign	3042		-	-
6. Repayment of other liabilities	3043		-	-
7. Financial lease	3044	23	407,258	383,385
8. Dividend distribution	3045	21	5,782,122	1,001,191
III. Net cash inflow from financing activities (I - II)	**3046**		-	-
IV Net cash outflow from financing activities (II - I)	**3047**		**12,592,796**	**6,379,213**
D. TOTAL CASH INFLOW (3001+3017+3029)	**3048**		**790,598,354**	**527,973,126**
E. TOTAL CASH OUTFLOW (3006+3023+3037)	**3049**		**726,812,833**	**515,688,134**
F. NET CASH INFLOW (3048-3049)>=0	**3050**		**63,785,521**	**12,284,992**
G. NET CASH OUTFLOW (3049-3048)>=0	**3051**		-	-
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3052**		**20,336,901**	**7,949,785**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3053**		**50,761**	**332,156**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3054**		**1,089,928**	**230,032**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3050-3051+3052+3053-3054)	**3055**	**18**	**83,083,255**	**20,336,901**

The accompanying notes on pages 9 to 61 are an integral part of these financial statements.

(All amounts are in RSD 000 unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

		Equity components									
		AOP	**Share capital**	**AOP**	**Rev. reserves and unr. gains and losses**	**AOP**	**Retained earnings**	**AOP**	**Loss**	**AOP**	**Total (equals AOP 0401)**
1.	**Balance as at 01 January 2021**	**4001**	**81,530,200**	**4037**	**190,100**	**4046**	**174,296,809**	**4055**	**5,908,498**	**4073**	**250,108,611**
2.	Adjustments of material errors and changes in accounting policies	4002	-	4038	-	4047	-	4056	-	4074	-
3.	**Restated opening balance as at 1 January 2021**	**4003**	**81,530,200**	**4039**	**190,100**	**4048**	**174,296,809**	**4057**	**5,908,498**	**4075**	**250,108,611**
4.	Net changes in 2021	4004	-	4040	8,253	4049	16,222,512	4058	(5,908,498)	4076	22,139,263
5.	**Balance as at 31 December 2021**	**4001**	**81,530,200**	**4041**	**198,353**	**4050**	**190,519,321**	**4059**	**-**	**4077**	**272,247,874**
6.	Adjustments of material errors and changes in accounting policies	4006	-	4042	-	4051	-	4060	-	4078	-
7.	**Restated opening balance as at 01 January 2022**	**4007**	**81,530,200**	**4043**	**198,353**	**4052**	**190,519,321**	**4061**	**-**	**4079**	**272,247,874**
8.	Net changes in 2022	4008	-	4044	(106,566)	4053	87,674,809	4062	-	4080	87,568,243
9.	**Balance as at 31 December 2022**	**4009**	**81,530,200**	**4045**	**91,787**	**4054**	**278,194,130**	**4063**	**-**	**4081**	**359,816,117**

The accompanying notes on pages 9 to 61 are an integral part of these financial statements.

1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the "Company") is a vertically integrated oil company operating predominantly in Serbia. The Company's principal activities include:

- Exploration, production and development of crude oil and gas,
- Production of refined petroleum products,
- Petroleum products and gas trading and
- Electric generation and trading.

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

On 6 May 2022, PJSC Gazprom acquired 6.15% of the Company's shares. In relation to the company Gazprom, NIS is a member of the Gazprom Group on the grounds that legal entities (included in one group of entities), by virtue of their joint participation, have more than fifty percent of the total number of votes attributable to voting shares in the authorized capital of the Company (PJSC Gazprom - 6.15% of the authorized capital of NIS, PJSC Gazprom Neft - 50% of the authorized capital of NIS).

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements for the year ended 31 December 2022 were prepared in accordance with the applicable Law on Accounting of the Republic of Serbia, which requires full scope of International Financial Reporting Standards (IFRS) to be applied as translated into Serbian and the other regulations issued by the Ministry of Finance of the Republic of Serbia. The translation of IFRS which is confirmed and published by the Ministry of Finance comprises the basic texts of IAS and IFRS as published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they are published and which do not include basis for conclusions, illustrative examples, guidelines, comments, opposing opinions, developed examples and other additional explanatory materials which can be adopted in respect of the standards or interpretations, unless it is explicitly stated that they are integral to the standard or interpretation. Also, the Law on Accounting establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

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

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

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

The Financial Statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Company will be able to continue to operate as a going concern in the foreseeable future, this principle should be applied in the preparation of these Financial Statements.

At the date of signing Financial Statements, crude oil price increased since 31 December 2022 from 81.325 $/barrel to 81.47 $/barrel. Management is monitoring situation on the market and in parallel preparing different scenarios to respond to any major fluctuation of crude oil prices.

2.2. Basis of measurement

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

2.3. Segment reporting

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

2.4. Comparative Data

In the enclosed financial statements, the Company reclassified the comparative data in the balance sheet and income statement items, in accordance with the amendments to the Rulebook on Chart of Accounts and the Content of Accounts in the Chart of Accounts for Companies, Cooperatives and Entrepreneurs ("Official Gazette of the Republic of Serbia" No. 89/2020) and amendments to the Rulebook on the Content and Form of Financial Statements and the Content and Form of Statistical Report for Companies, Cooperatives and Entrepreneurs ("Official Gazette of the Republic of Serbia" No. 89/2020) applying to the preparation of financial statements as at 31 December 2022.

2.5. Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Serbian dinars (“RSD”), which is the Company’s functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

2.6. Intangible assets

(a) *Licenses and rights (concessions)*

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives (average useful life is 5 years).

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

(b) *Software*

These include primarily the costs of implementation the (SAP) computer software program. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised over their estimated useful lives (not to exceed 8 years).

2.7. Oil and Gas properties

(a) *Exploration and evaluation expenditure*

The Company follows the successful efforts method of accounting for its exploration and evaluation assets.

Acquisition costs include amounts paid for the acquisition of exploration and development licenses.

Exploration and evaluation assets include:

- Costs of topographical, geological, and geophysical studies and rights of access to properties to conduct those studies;
- Costs of carrying and retaining undeveloped properties;
- Bottom hole contribution;
- Dry hole contribution; and
- Costs of drilling and equipping exploratory wells.

The costs incurred in finding, acquiring, and developing reserves are capitalised on a ‘field by field' basis. On discovery of a commercially-viable mineral reserve, the capitalised costs are allocated to the discovery. If a discovery is not made, the expenditure is charged as an expense. Exploratory drilling costs and dry and bottom hole contributions are temporarily capitalised under the successful effort method and treated as Oil and gas assets within Property, plant and equipment.

Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies are temporarily considered as part of oil and gas assets until it is determined that the reserves are proved and are commercially viable.

If no reserves are found, the exploration asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, that may include drilling of further wells, are likely to be developed commercially; then the costs continue to be carried as Oil and gas asset as long as some sufficient/continued progress is being made in assessing the commerciality of the hydrocarbons. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Other exploration costs are charged to expense when incurred.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, before reclassification.

(b) *Development costs of fixed and intangible assets*

Development costs are incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing oil and gas. They include the costs of development wells to produce proven reserves as well as costs of production facilities.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within construction in progress according to its nature. When development is completed, it is transferred to production assets. No depreciation and/or amortisation are charged during development.

(c) *Oil and gas production assets*

Oil and gas production assets comprise exploration and evaluation assets as well as development costs associated with the production of proved reserves.

(d) *Depreciation/amortization*

Oil and gas properties/intangible assets are depleted using the unit-of-production method. The unit-of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(e) *Impairment – exploration and evaluation assets*

Exploration property leasehold acquisition costs are assessed for impairment when there are indications of impairment. For the purpose of impairment testing, exploration property leasehold acquisition costs subject to impairment testing are grouped with existing cash-generating units (CGUs) of related production fields located in the same geographical region.

(f) *Impairment – proved oil and gas properties and intangible assets*

Proven oil and gas properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8. Property, plant and equipment

As of the date of establishment, the Company's property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and works of art are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other income/(expenses)" in the income statement (notes 38 and 39).

2.9. Leases

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

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

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

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

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

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

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

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

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

2.10. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11. Investment property

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

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

Investment property is carried at fair value. Changes in fair values are recorded in the income statement as part of income/expenses from valuation of assets (except financial) (note 28 and 31).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.12. Financial instruments

(a) *Key measurement terms*

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

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

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

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

(b) *Classification and measurement*

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

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

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

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

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

Debt instruments

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

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

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

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

2.13. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The impairment test of inventories i.e. spare parts due to damage or obsolescence is performed quarterly. Impairment losses are recognized as Other expense (note 39).

2.14. Off-balance sheet assets and liabilities

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

2.15. Share capital

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

2.16. Earnings per share

The Company calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

2.17. Provisions

Provisions for environmental restoration, asset retirement obligation and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as cost of provision and charged to income statement.

2.18. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.19. Employee benefits

(a) *Pension obligations*

The Company operates a defined contribution pension plan. The Company pays contributions to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee benefits provided by the Collective Agreement*

The Company provides jubilee, retirement and other employee benefit schemes in accordance with the Collective Agreement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

(c) *Bonus plans*

The Company recognises a liability and an expense for bonuses and profit-sharing based on an Individual performance assessment. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

In 2020, the Company has made decision to introduce new three-year (2021-2023) program for Company's managers which will be based on the Key Performance Indicators ("KPI") reached during the program (note 22).

2.20. Revenue recognition from contracts with customers

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

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

Revenue is shown net of returns, rebates and discounts.

Sales taxes

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

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

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

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

(a) *Sales - wholesale*

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

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

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

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

(b) *Sales – retail*

The Company operates a chain of Petrol Stations. Sales of goods are recognised when the Company sells a product to the customer. Retail sales are usually in cash or by credit card. Company offers customer incentives mostly in the form of loyalty programs described under section d).

(c) *Sales of electricity*

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

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

(d) *Customer loyalty program*

The Company operates a loyalty program where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial transaction. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognized at the time of the sale. Contract liabilities arising from customer loyalty program are presented in the note 27.

(e) *Interest income*

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

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

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

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

2.21. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

2.22. Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. All other borrowing costs are expensed in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparing financial statements required Management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other facts that can reasonably be used to assess the book values of assets and liabilities. Adjustments to accounting estimates are recognised in the period in which the estimates is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In addition to judgments involving estimations, Management also makes other judgments in the process of applying the Company's accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

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

3.1. Estimation of Oil and Gas Reserves

Engineering estimates of oil and gas reserves are inherently uncertain and are subject to future revisions. Effective 1 October 2020, the Group estimates its oil and gas reserves in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously the Group estimated its oil and gas reserves in accordance with the rules promulgated by the US Securities and Exchange Commission (SEC).

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

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

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

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

3.2. Useful Lives of Property, Plant and Equipment

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

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

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2022 would be to increase/decrease it by 2,090,570 RSD (2021: 2,066,109 RSD).

3.3. Employee benefits

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

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

If the discount rate used to calculate the present value of employee benefit obligations had been 7.80% (rather than 6.80% per year, the past service liability (DBO) for the Company would decrease by about 7.73% for retirement indemnity and 5.20% for jubilee benefit). If pay increased by 1% higher than assumed on an annual basic, than the past service liability (DBO) for the Company would increase by amount 9.11% for the retirement indemnity.

3.4. Decommissioning and environmental protection provision

Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future asset retirement obligations is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Company's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

If the discount rate used to calculate the present value of decommissioning obligations had been 7.80% (rather than 6.80%) per year, the present liability would have decreased by approx. 1,163,584 RSD (31 December 2021: 4.49% (rather than 3.49%) per year the present liability would have decreased by approx. 1,015,618 RSD).

3.5. Contingencies

Certain conditions may exist as of the date of these financial statements are issued that may result in a loss to the Company, but one that will only be realised when one or more future events occur or fail to occur. Management makes an assessment of such contingent liabilities that is based on assumptions and is a matter of judgement. In assessing loss contingencies relating to legal or tax proceedings that involve the Company or unasserted claims that may result in such proceedings, the Company, after consultation with legal and tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.
If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If loss contingencies cannot be reasonably estimated, management recognises the loss when information becomes available that allows a reasonable estimation to be made. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities of an unusual nature which, in the judgment of Management and its legal counsel, may be of interest to shareholders or others (note 41).

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

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

The Company assessed crude oil price volatility as main impairment indicator. If the actual crude oil price would decrease for 10$/barrel below the forecasted crude oil prices, sensitivity analysis shows that the recoverable amount is still above the carrying value of Company's PPE by 58.5 bln RSD (31 December 2021: 60.6 bln RSD).

Oil prices are based on the available forecasts from globally recognized research.

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

4. APPLICATION OF AMENDMENTS TO THE EXISTING STANDARDS

The amendments to the existing standards which became effective on 1 January 2022 did not have any material impact on the Financial Statements.

Preparing these Financial Statements the Group adopted early the amendments to IAS 1 with regard to the disclosure of accounting policies that become effective for annual periods beginning on or after 1 January 2023. In accordance with these amendments instead of short review of significant accounting policies which would substantially duplicate or summarise the IFRS requirements the Group disclosed the material accounting policy information relating to material transactions and includes approaches chosen by the Group from alternatives permitted by the IFRS and includes approaches developed by the Group in the absence of an IFRS Standard that specifically applies and relating to areas where the Group is required to make significant judgements and assumptions while applying the accounting policy.

5. FINANCIAL RISK MANAGEMENT

5.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the finance and finance control department within the Company's Function for Finance, Economics, Planning and Accounting (further "FEPA") which under the policies approved by the Company identifies and evaluates financial risks in close co-operation with the Company's operating units.

In the normal course of its operations the Company has exposure to the following financial risks:

(a) market risk (including currency risk, interest rate risk and commodity price risk);
(b) credit risk and
(c) liquidity risk.

Market risk

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

<u>Currency risk</u>

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

Management has set up a policy to manage its currency risk against its functional currency. In order to manage its currency risk arising from future transactions and recognised assets and liabilities, responsible persons in the finance department within the FEPA negotiate the best possible exchange rates for the purchase of foreign currency to be contracted on a daily basis based on the exchange rate applicable on the day the purchase is made. Currency risks arise when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company functional currency.
The Company has borrowings denominated in foreign currency mainly in EUR which predominantly expose Company to the currency translation risk. Currency exposure arising from the borrowings is managed

through the participation of the borrowing denominated in functional currency of the Company in the total credit portfolio.

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

As of 31 December 2022

	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	92,226	-	-	-	92,226
Long-term investments in subsidiaries foreign	-	26,772,569	-	-	26,772,569
Long term loans provided - domestic	-	1,868,080	-	-	1,868,080
LT loans issued	9,367	-	-	-	9,367
Other long-term investments	289,397	1,343,118	6,609	-	1,639,124
Current					
Trade receivables	31,881,669	10,850,610	-	40	42,732,319
Other receivables	169,147	2,128,601	173,912	517	2,472,177
Short term financial investments	6,217,169	256,570	-	-	6,473,739
Cash and cash equivalents	72,784,633	10,279,219	272	19,131	83,083,255
Financial liabilities					
Non-current					
Long-term liabilities	(15,887)	(64,487,868)	(31,524)	(39,627)	(64,574,906)
Current					
Short-term financial liabilities	(3,895,740)	(7,633,832)	(56,991)	(68,142)	(11,654,705)
Trade payables	(14,133,228)	(10,815,551)	(478,454)	(28,827)	(25,456,060)
Other short-term liabilities	(5,747,106)	(140,831)	(172,959)	(177)	(6,061,073)
Net exposure	**87,651,647**	**(29,579,315)**	**(559,135)**	**(117,085)**	**57,396,112**

As of 31 December 2021

	RSD	EUR	USD	Other	Total
Financial assets					
Non-current					
Financial instrument at FVTOCI	91,900	-	-	-	91,900
Long-term investments in subsidiaries foreign	-	27,188,599	-	-	27,188,599
Long-term loans provided – domestic	9,515	-	-	-	9,515
Other long-term investments	301,068	1,491,413	6,236	1	1,798,718
Current					
Trade receivables	23,391,662	7,413,290	157,139	39	30,962,130
Other receivables	109,410	1,355,261	257,898	517	1,723,086
Short term financial investments	159,494	1,795,031	-	1	1,954,526
Cash and cash equivalents	10,643,133	8,934,634	750,211	8,923	20,336,901
Financial liabilities					
Non-current					
Long-term liabilities	(5,454)	(72,086,250)	(83,512)	(110,180)	(72,285,396)
Current					
Short-term financial liabilities	(2,097,561)	(7,351,695)	(46,968)	(71,271)	(9,567,495)
Trade payables	(13,860,182)	(11,606,435)	(311,480)	(14,642)	(25,792,739)
Other short-term liabilities	(5,399,326)	(85,025)	(167,161)	(2,205)	(5,653,717)
Net exposure	**13,343,659**	**(42,951,177)**	**562,363**	**(188,817)**	**(29,233,972)**

The following exchange rates applied during the period:

	Reporting date spot rate **31 December 2022**	**31 December 2021**
EUR	117.3224	117.5821
USD	110.1515	103.9262

Sensitivity analysis

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

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

As at 31 December 2022, if the currency had strengthened/weaken by 1% against the EUR with all other variables held constant, pre-tax profit for the year and equity would have been 295,793 RSD (2021: 429,512 RSD) higher/lower, mainly as a result of foreign exchange gains/(losses) on translation of EUR – denominated borrowings.

As at 31 December 2022, if the currency had strengthened/weaken by 2% against the USD with all other variables held constant, pre-tax profit and equity for the year would have been 11,183 RSD (2021:11,247 RSD) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD – denominated accounting payables.

Commodity price risk

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

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

Interest rate risk

Borrowings withdrawn at variable interest rates expose the Company to cash flow interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR) has a proportionate impact on the Company’s results. If interest rates on foreign currency denominated borrowings, with floating interest rate, had been 1% higher/lower with all other variables held constant, pre-tax profit and equity for 2022 would have been 420,664 RSD (2021: 550,485 RSD) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

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

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

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

	31 December 2022	2021
Financial instrument at FVTOCI	92,226	91,900
Long-term investments in subsidiaries domestic (note 11)	1,868,080	-
Long-term investments in subsidiaries foreign (note 11)	26,772,569	27,188,599
Long term loans provided - domestic	9,367	9,515
Other long-term investments (note 12)	1,639,124	1,798,718
Trade receivables (note 15)	42,732,319	30,962,130
Other receivables (note 16)	2,590,493	1,796,245
Short term financial investments (note 17)	6,473,739	1,954,526
Cash and cash equivalents (note 18)	83,083,255	20,336,901
Total maximum exposure to credit risk	**165,261,172**	**84,138,534**

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

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

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

Trade and Other receivables

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

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

At 31 December 2022 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, and other receivables
Trade and other receivables				
- current	0.01%	36,280,416	(4,861)	36,275,556
- less than 30 days overdue	0.03%	2,907,463	(946)	2,906,517
- 31 to 90 days overdue	0.54%	691,364	(3,733)	687,631
- 91 to 270 days overdue	2.46%	4,141,170	(101,856)	4,039,314
- over 270 days overdue	91.41%	16,464,269	(15,050,474)	1,413,794
Total trade and other receivables		**60,484,682**	**(15,161,870)**	**45,322,812**

At 31 December 2021 the provision matrix is based on the number of days that an asset is past due:

	Loss rate	Gross carrying amount	Lifetime ECL	Total trade, and other receivables
Trade and other receivables				
- current	0.03%	30,150,940	(8,394)	30,142,546
- less than 30 days overdue	0.15%	1,220,641	(1,795)	1,218,846
- 31 to 90 days overdue	0.91%	118,440	(1,072)	117,368
- 91 to 270 days overdue	1.29%	91,502	(1,183)	90,319
- over 270 days overdue	93.09%	17,212,201	(16,022,905)	1,189,296
Total trade and other receivables		**48,793,724**	**(16,035,349)**	**32,758,375**

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

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

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

Movements on the Company's provision for impairment of trade receivables and lease receivables are as follows:

	Trade receivables	Lease receivables	Total
As at 1 January 2021	**5,087,391**	**46,038**	**5,133,429**
Provision for receivables impairment (note 37)	35,497	582	36,079
Unused amounts reversed (note 36)	(28,708)	(5,485)	(34,193)
Receivables written off during the year as uncollectible	(287,633)	-	(287,633)
Other	288	-	288
As at 31 December 2021	**4,806,835**	**41,135**	**4,847,970**
As at 1 January 2022	**4,806,835**	**41,135**	**4,847,970**
Provision for receivables impairment (note 37)	100,918	1,534	102,452
Unused amounts reversed (note 36)	(35,840)	(4,539)	(40,379)
Receivables written off during the year as uncollectible	(291,991)	(3,704)	(295,695)
Other	11,999	-	11,999
As at 31 December 2022	**4,591,921**	**34,426**	**4,626,347**

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

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

Movements on the provision for other receivables:

	Receivables from specific operations	Interest receivables	Other receivables	Total
As at 1 January 2021	**1,921,210**	**2,368,135**	**7,402,700**	**11,692,045**
Provision for other receivables impairment (note 37)	1,051	3,455	1,774	6,280
Unused amounts reversed (note 36)	(285,617)	(11,994)	(417)	(298,028)
Receivables written off during the year as uncollectible and other	-	(44,483)	(69,348)	(113,831)
Other	(80,929)	(18,157)	(1)	(99,087)
As at 31 December 2021	**1,555,715**	**2,296,956**	**7,334,708**	**11,187,379**
As at 1 January 2022	**1,555,715**	**2,296,956**	**7,334,708**	**11,187,379**
Provision for other receivables impairment (note 37)	264	5,827	3,909	10,000
Unused amounts reversed (note 36)	(601,580)	(4,211)	(436)	(606,227)
Receivables written off during the year as uncollectible and other	(1,718)	(37,438)	(1)	(39,157)
Other	-	(16,472)	-	(16,472)
As at 31 December 2022	**952,681**	**2,244,662**	**7,338,180**	**10,535,523**

Other financial assets at amortised cost

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

	Total
As at 1 January 2021	**3,659,420**
Remeasurement of expected credit losses	46,001
Reclassification from non-current to current part	4,388,749
Exchange differences	132
As at 31 December 2021	**8,094,302**
As at 1 January 2022	**8,094,302**
Remeasurement of expected credit losses	15,694
Reclassification from non-current to current part	-
Exchange differences	(17,913)
As at 31 December 2022	**8,092,083**

Movements on the provision for short-term placements:

	Short-term financial loans - Domestic	Current portion of long-term placements	Total
As at 1 January 2021	**2,019**	**6,007,398**	**6,009,417**
Remeasurement of expected credit losses	-	-	-
Unused amounts reversed	-	-	-
Reclassification from non-current to current part	-	(4,376,823)	(4,376,823)
Exchange differences	-	26	26
As at 31 December 2021	**2,019**	**1,630,601**	**1,632,620**
Remeasurement of expected credit losses	-	-	-
Unused amounts reversed	-	-	-
Reclassification from non-current to current part	-	-	-
Exchange differences	-	(3,601)	(3,601)
As at 31 December 2022	**2,019**	**1,627,000**	**1,629,019**

Credit quality of financial assets

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

	BBB and higher	Less than BBB	Without rating	Total
As at December 2022				
Cash and cash equivalents (note 18)	51,811,804	8,532,397	22,739,054	**83,083,255**
Deposits with original maturity more than 3 months less than 1 year (note 17)	-	6,003,699	-	**6,003,699**
As at December 2021				
Cash and cash equivalents (note 18)	8,764,259	8,137,869	3,434,773	**20,336,901**

As at December 31 2022 and 2021 there were no deposits with original maturity more than three months.

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

As of 31 December 2022 and 2021 no significant credit loss allowance for impairment in respect of these assets was recognized.

Liquidity risk

Cash flow forecasting is performed as aggregated at the Company's level. The Company's finance function monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Company over and above the balance required for working capital management is invested as surplus cash in time deposits.

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

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

As at 31 December 2022	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 - 5 years**	**Over 5 years**
Financial liabilities	76,229,611	83,218,732	13,825,536	63,659,921	5,733,275
Trade payables and dividends payable	29,239,878	29,239,879	29,239,879	-	-
	105,469,489	**112,458,611**	**43,065,415**	**63,659,921**	**5,733,275**
As at 31 December 2021					
Financial liabilities	81,852,891	85,563,689	10,872,438	72,930,789	1,760,462
Trade payables and dividends payable	29,576,844	29,576,844	29,576,844	-	-
	111,429,735	**115,140,533**	**40,449,282**	**72,930,789**	**1,760,462**

5.2. Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On the Company level capital is monitored on the basis of the net debt to EBITDA ratio. Net debt to EBITDA is calculated as net debt divided by EBITDA. Net debt is calculated as total debt, which includes long and short term loans, less cash and cash equivalents and short term deposits. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortisation, other finance income (expenses) net, other non-operating income (expenses).

The Company’s net debt to EBITDA ratios at the end of the reporting periods were as follows:

	31 December 2022	**31 December 2021**
Total borrowings (note 23 and 24)	76,229,611	81,852,891
Less: cash and cash equivalents (note 18)	(83,083,255)	(20,336,901)
Net debt	**(6,853,644)**	**61,515,990**
Adjusted EBITDA	135,177,263	51,540,715
Net debt to adjusted EBITDA ratio at the end of the year	**(0.05)**	**1.19**

The Company has committed to maintain debt cover ratio of total indebtedness and EBITDA not exceeding 4.0 during the terms of long-term borrowings agreements with certain commercial banks. Company is constantly monitoring the established commitments to maintain the height of debt cover ration and there has been no breach of these obligation.

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

5.3. Fair value estimation

The fair value of financial instruments traded in an active market (such as available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine

fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.
The carrying amount of trade, specific and other receivables and trade and other payable due to their short-term nature is considered to be the same as their fair value. For the majority of the non-current financial assets and non-current financial liabilities the fair values are also not significantly different to their carrying amounts.

6. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the years ended 31 December 2022 and 2021. Operating segments are components are engaged in business activities which may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Company manages its operations in two operating segments: Upstream and Downstream.

Upstream segment (exploration and production) includes the following Company operations: exploration, development and production of crude oil and natural gas and oil field services. Downstream segment (refining and marketing) processes crude oil into refined products and purchases, sells and transports crude and refined petroleum products (refining and marketing). Corporate centre and Energy business activities expenses are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealized profits, mainly from the sale of crude oil and products, and other adjustments. Intersegment revenues are based upon estimated market prices.

EBITDA represents the Company's EBITDA. Management believes that EBITDA represents useful means of assessing the performance of the Company's on-going operating activities, as it reflects the Company's earnings trends without showing the impact of certain charges. EBITDA is defined as earnings before interest, income tax expense, depreciation, depletion and amortization, finance income (expenses) net and other non-operating income (expenses). EBITDA is a supplemental non-IFRS financial measure used by management to evaluate operations.

Reportable segment results for the year ended 31 December 2022 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	60,886,851	485,483,224	(59,424,906)	486,945,169
Intersegment	58,790,033	634,873	(59,424,906)	-
External	2,096,818	484,848,351	-	486,945,169
Adjused EBITDA (Segment results)	**45,019,579**	**90,157,684**	**-**	**135,177,263**
Depreciation, depletion and amortization	(12,252,881)	(10,870,017)	-	(23,122,898)
Impairment losses/ Revaluation surpluses (note 28 and 31)	(89,355)	72,069	-	(17,286)
Finance expenses, net	(69,178)	(1,295,977)	-	(1,365,155)
Income tax	(155,950)	(17,133,993)	-	(17,289,943)
Segment profit	**32,672,133**	**60,784,798**	**-**	**93,456,931**

Reportable segment results for the year ended 31 December 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	44,496,394	274,245,256	(43,749,936)	274,991,714
Intersegment	43,239,667	510,269	(43,749,936)	-
External	1,256,727	273,734,987	-	274,991,714
Adjusted EBITDA (Segment results)	**30,326,466**	**21,214,249**	**-**	**51,540,715**
Depreciation, depletion and amortization	(11,920,187)	(10,765,402)	-	(22,685,589)
Impairment losses/ Revaluation surpluses (note 28 and 31)	(50,858)	(509,410)	-	(560,268)
Finance expenses, net	(119,061)	(1,250,535)	-	(1,369,596)
Income tax	(144,696)	(4,011,723)	-	(4,156,419)
Segment profit	**18,198,385**	**4,933,360**	**-**	**23,131,745**

Adjusted EBITDA for the downstream segment includes Corporate centre EBITDA in the negative amount of 7,207,900 RSD for the year ended 31 December 2022 (31 December 2021: negative EBITDA in the amount of 6,925,941 RSD). Adjusted EBITDA for Downstream segment prior allocation of Corporate centre EBITDA is presented in the following table:

	Year ended 31 December 2022	2021
Adjusted EBITDA after allocation of Corporate centre	90,157,684	21,214,249
Corporate centre EBITDA	(7,207,900)	(6,925,941)
Adjusted EBITDA prior allocation of Corporate centre	**97,365,584**	**28,140,190**

Adjusted EBITDA for the year ended 31 December 2022 and 2021 is reconciled below:

	Year ended 31 December 2022	2021
Profit for the year	93,456,931	23,131,745
Income tax expenses	17,289,943	4,156,419
Other expenses	1,132,715	945,285
Other income	(1,243,447)	(1,011,075)
Loss from valuation of assets at fair value through profit and loss	465,281	365,976
Income from valuation of assets at fair value through profit and loss	(697,015)	(332,221)
Finance expense	6,797,866	3,951,373
Finance income	(5,432,711)	(2,581,777)
Depreciation, depletion and amortization	23,122,898	22,685,589
Other non operating expenses, net*	284,802	229,401
EBITDA	**135,177,263**	**51,540,715**

*Other non-operating income, net mainly relate to other provision for non-fulfilment of contractual obligations for the O&G minimum work programs, impairment of fixed assets, excess and deficiencies of assets revealed, fines, penalties and other.

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

	Year ended 31 December 2022		
	Domestic Market	**Export and international sales**	**Total**
Sale of crude oil	2,560,156	2,042,795	4,602,951
Sale of gas	150,365	-	150,365
Through a retail network	-	-	-
Wholesale activities	150,365	-	150,365
Sale of petroleum products	392,167,667	66,364,504	458,532,171
Through a retail network	131,285,607	-	131,285,607
Wholesale activities	260,882,060	66,364,504	327,246,564
Lease revenue	350,568	5,482	356,050
Sales of electricity	9,462,697	472,030	9,934,727
Other sales and other operating income	12,877,373	491,532	13,368,905
Total sales and other income	**417,568,826**	**69,376,343**	**486,945,169**

	Year ended 31 December 2021		
	Domestic market	**Export and international sales**	**Total**
Sale of crude oil	1,397,819	1,212,510	2,610,329
Sale of gas	274,677	-	274,677
Through a retail network	-	-	-
Wholesale activities	274,677	-	274,677
Sale of petroleum products	203,213,794	54,651,502	257,865,296
Through a retail network	67,695,146	-	67,695,146
Wholesale activities	135,518,648	54,651,502	190,170,150
Lease revenue	330,396	5,321	335,717
Sales of electricity	2,448,494	592,111	3,040,605
Other sales and other operating income	10,468,297	396,793	10,865,090
Total sales and other income	**218,133,477**	**56,858,237**	**274,991,714**

Out of the amount of 327,246,564 RSD (2021: 190,170,150 RSD) revenue from sale of petroleum products (wholesale), the amount of 39,105,621 RSD (2021: 28,673,855 RSD) are derived from a single domestic customer, HIP Petrohemija. These revenues are attributable to wholesale activities within Downstream segment.

Sales of electricity mainly relates to trading with Electric Power Industry of Serbia in the amount of 7,967,626 RSD (2021: 1,154,381 RSD).

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

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

The Company is domiciled in the Republic of Serbia. The result of its revenue from external customers in the Republic of Serbia is 417,568,826 RSD thousand (2021: 218,133,477 RSD thousand), and the total of revenue from external customer from other countries is 69,376,343 RSD (2021: 56,858,237 RSD).

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

	Year ended 31 December	
	2022	**2021**
Sale of crude oil	2,042,795	1,212,510
Sale of petroleum products (retail and wholesale)		
Bulgaria	5,228,462	6,933,105
Bosnia and Herzegovina	28,948,258	19,078,100
Romania	6,842,138	7,705,681
Switzerland	514,708	1,880,060
Croatia	2,379,044	2,597,274
Northern Macedonia	580,624	502,952
Hungary	2,141,950	947,185
Great Britain	5,787,187	4,517,034
Germany	3,114,943	3,114,943
United states	2,205,910	2,205,910
Austria	2,157,156	2,157,156
All other markets	6,464,124	3,012,102
	66,364,504	54,651,502
Lease revenue	5,482	5,321
Sales of electricity	472,030	592,111
Other sales and other operating income	491,532	396,793
	69,376,343	**56,858,237**

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

Presentation of excise duties

The following table presents sales revenue earned and related calculated excise duties for 2022 and 2021:

	Year ended 31 December	
	2022	**2021**
Sales revenue and other income	646,700,451	422,812,999
Excise duties	(159,755,282)	(147,821,285)
Net sales revenue and other income	**486,945,169**	**274,991,714**

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

7. INTANGIBLE ASSETS

	Development investments	Concessions, patents, licenses, software and other rights	Other intangibles	Intangible assets under development	Total
At 1 January 2021					
Cost	16,243,658	9,664,728	973,761	2,258,677	29,140,824
Accumulated amortisation and impairment	(4,473,213)	(7,748,159)	(157,659)	(83,288)	(12,462,319)
Net book amount	**11,770,445**	**1,916,569**	**816,102**	**2,175,389**	**16,678,505**
Year ended 31 December 2021					
Additions	1,289,752	485,504	311,595	(937,840)	1,149,011
Amortization	(1,227,414)	(412,345)	(22,521)	-	(1,662,280)
Impairment (note 31)	-	-	-	(1,008)	(1,008)
Transfer to PP&E (note 8)	-	-	-	92,387	92,387
Disposals and write-off	-	(934)	(73)	750	(257)
Closing net book amount	**11,832,783**	**1,988,794**	**1,105,103**	**1,329,678**	**16,256,358**
As at 31 December 2021					
Cost	17,533,410	10,135,597	1,285,355	1,412,966	30,367,328
Accumulated amortization and impairment	(5,700,627)	(8,146,803)	(180,252)	(83,288)	(14,110,970)
Net book amount	**11,832,783**	**1,988,794**	**1,105,103**	**1,329,678**	**16,256,358**
At 1 January 2022					
Cost	17,533,410	10,135,597	1,285,355	1,412,966	30,367,328
Accumulated amortization and impairment	(5,700,627)	(8,146,803)	(180,252)	(83,288)	(14,110,970)
Net book amount	**11,832,783**	**1,988,794**	**1,105,103**	**1,329,678**	**16,256,358**
Year ended 31 December 2022					
Additions	253,847	948,558	21,952	81,230	1,305,587
Amortization	(1,255,696)	(565,783)	(21,119)	-	(1,842,598)
Impairment (note 31)	-	-	-	(4,724)	(4,724)
Transfer to PP&E (note 8)	-	-	-	(22,346)	(22,346)
Disposals and write-off	-	(2,544)	-	-	(2,544)
Other transfer	-	21,554	(21,554)	25,618	25,618
Closing net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**
As at 31 December 2022					
Cost	17,787,257	11,032,863	1,284,857	1,473,121	31,578,098
Accumulated amortization and impairment	(6,956,323)	(8,642,284)	(200,475)	(63,665)	(15,862,747)
Net book amount	**10,830,934**	**2,390,579**	**1,084,382**	**1,409,456**	**15,715,351**

Intangible assets under development as at 31 December 2022 amounting to 1,409,456 RSD (31 December 2021: 1,329,678 RSD) mostly relate to investments in explorations (unproved reserves) in the amount of 992,539 RSD (31 December 2021: 987,191 RSD).

8. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment carried at cost

	Land	Buildings	Machinery and equipment	Construction in Progress	Other PP&E	Investments in leased PP&E	Advances to suppliers	Total
At 1 January 2021								
Cost	10,578,355	233,341,485	159,941,116	16,442,597	82,811	506,273	271,339	421,163,976
Accumulated depreciation and impairment	(294,181)	(83,035,321)	(71,898,865)	(2,507,663)	(1,116)	(375,594)	(21,363)	(158,134,103)
Net book amount	**10,284,174**	**150,306,164**	**88,042,251**	**13,934,934**	**81,695**	**130,679**	**249,976**	**263,029,873**
Year ended 31 December 2021								
Additions	28,717	13,823,074	4,918,868	4,874	-	6,667	1,527,676	20,309,876
Impairment charge (note 31)	-	-	-	(743,396)	-	-	-	(743,396)
Depreciation	-	(11,175,833)	(9,470,535)	-	-	(14,722)	-	(20,661,090)
Transfer to intangible assets (note 7)	-	-	-	(92,387)	-	-	-	(92,387)
Transfer to assets held for sale	(21,262)	(651)	-	-	-	-	-	(21,913)
Transfer to investment property	-	(21,673)	-	-	-	-	-	(21,673)
Transfer to right of use assets	-	(153,427)	-	-	-	-	-	(153,427)
Disposals and write-off	(282,231)	(92,397)	(73,318)	(354,706)	(121)	(1)	(1,504,092)	(2,306,866)
Other transfers	-	(105,651)	105,651	-	-	-	-	-
Closing net book amount	**10,009,398**	**152,579,606**	**83,522,917**	**12,749,319**	**81,574**	**122,623**	**273,560**	**259,338,997**
At 31 December 2021								
Cost	10,303,574	246,328,252	164,185,695	15,727,270	82,688	512,940	294,923	437,435,342
Accumulated depreciation and impairment	(294,176)	(93,748,646)	(80,662,778)	(2,977,951)	(1,114)	(390,317)	(21,363)	(178,096,345)
Net book amount	**10,009,398**	**152,579,606**	**83,522,917**	**12,749,319**	**81,574**	**122,623**	**273,560**	**259,338,997**
At 1 January 2022								
Cost	10,303,574	246,328,252	164,185,695	15,727,270	82,688	512,940	294,923	437,435,342
Accumulated depreciation and impairment	(294,176)	(93,748,646)	(80,662,778)	(2,977,951)	(1,114)	(390,317)	(21,363)	(178,096,345)
Net book amount	**10,009,398**	**152,579,606**	**83,522,917**	**12,749,319**	**81,574**	**122,623**	**273,560**	**259,338,997**
Year ended 31 December 2022								
Additions	62,850	13,879,211	4,325,856	18,030,481	(268.030)	30,594	997	18,031,478
Changes in decommissioning obligations	-	(745,466)	-	-	-	-	-	(745,466)
Impairment charge (note 31)	-	-	-	(120,481)	-	-	(32)	(120,513)
Depreciation	-	(11,511,632)	(9,380,478)	-	-	(13,589)	-	(20,905,699)
Transfer from intangible assets (note 7)	-	-	-	22,346	-	-	-	22,346
Transfer to assets held for sale	(37,898)	(2,315)	-	-	-	-	-	(40,213)
Transfer from investment property	100,936	152,826	-	-	-	-	-	253,762
Disposals and write-off	(4,046)	(75,888)	(174,930)	(5,156)	(27)	-	-	(260,047)
Other transfers	(1)	741	24,277	(66,316)	(1)	-	767,405	726,105
Closing net book amount	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**
At 31 December 2022								
Cost	10,423,471	259,174,345	167,389,337	15,405,954	82,660	543,535	1,063,325	454,082,627
Accumulated depreciation and impairment	(292,232)	(104,897,262)	(89,071,695)	(3,094,272)	(1,114)	(403,907)	(21,395)	(197,781,877)
Total	**10,131,239**	**154,277,083**	**78,317,642**	**12,311,682**	**81,546**	**139,628**	**1,041,930**	**256,300,750**

In 2022, the Company capitalised borrowing costs directly attributable to the acquisition, construction and production of qualifying asset, as part of its cost, amounting to 20,974 RSD (2021: 17,223 RSD).

Of the total amount of activations in 2022 in the amount of 18,298,511 RSD, the most significant part refers to activation on oil&gas properties in the amount of 13,600,452 RSD. In 2021 the amount of 18,777,326 RSD, the most significant part refers to to activation on oil&gas properties in the amount of 13,745,024 RSD.

As at 31 December 2022, the Company assessed impairment indicators of cash generating units ("CGU") – refer to note 3.7 for details. In addition, Company has assessed and recognized impairment losses in amount 120,513 RSD (2021: 743,396 RSD) for the asset which has disposed due to obsolete, physically damage or for assets under constructions for which exist indication that expected recoverable amounts would not recover carrying value of the assets.

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

b) Right of use assets

	Land	Property	Plant and equipment	Vehicles	Total
As at 1 January 2021	**5,006**	**519,681**	**167,525**	**730,662**	**1,422,874**
Additions	-	183,611	138,483	18,275	340,369
Depreciation	(2,503)	(69,863)	(86,696)	(203,157)	(362,219)
Transfers	-	153,427	923	(923)	153,427
Disposal	-	-	-	(1,362)	(1,362)
Effect of contract modifications and changes in estimates	-	(15,114)	(79)	(140)	(15,333)
As at 31 December 2021	**2,503**	**771,742**	**220,156**	**543,355**	**1,537,756**
As at 1 January 2022	**2,503**	**771,742**	**220,156**	**543,355**	**1,537,756**
Additions	-	156,256	94,141	1,445,262	1,695,659
Depreciation	(2,503)	(85,230)	(85,846)	(201,022)	(374,601)
Transfers					
Disposal	-	-	(3,408)	(28,513)	(31,921)
Effect of contract modifications and changes in estimates	-	(47)	(320)	-	(367)
As at 31 December 2022	**-**	**842,721**	**224,723**	**1,759,082**	**2,826,526**

c) Investment property – carried at fair value

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

Movements on the account were as follows:

	2022	2021
As at 1 January	**1,778,608**	**1,688,837**
Fair value gain (note 28 and 31)	85,766	83,736
Transfers from/to PPE	(253,762)	21,673
Other transfer	856	-
Disposals	(6,214)	(15,638)
As at 31 December	**1,605,254**	**1,778,608**

As at 31 December 2022, investment properties amounting to 1,605,254 RSD (31 December 2021: 1,778,608 RSD) mainly relate to the petrol stations and business facilities that have been rented out under long-term lease agreements, and are valued at fair value as at the reporting date.

Fair value of investment properties

Valuation of the Company's investment properties comprised of rented petrol stations and other business facilities was performed to determine the fair value as at 31 December 2022 and 2021. The revaluation gain was credited to income from assets valuation.

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

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

Fair value measurements at 31 December 2022 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
− Shops and other facilities for rents	-	1,020,117	-
− Gas stations	-	-	585,138
Total	**-**	**1,020,117**	**585,138**

Fair value measurements at 31 December 2021 using:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings			
− Shops and other facilities for rents	-	968,943	-
− Gas stations	-	-	809,665
Total	**-**	**968,943**	**809,665**

Valuation techniques used to derive level 2 fair values

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

Fair value measurements using significant unobservable inputs (Level 3)

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

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

	2022	2021
Long term growth rate	0%	0%
Discount rate	10.98%	12%

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

	2022	2021
Assets as at 1 January	**809,665**	**735,442**
Transfer from/to PPE	(248,162)	-
Changes in fair value measurement:		
Fair value income	29,370	80,125
Other	(5,735)	(5,902)
Total increase in fair value measurement, assets	23,635	74,223
Assets as at 31 December	**585,138**	**809,665**

d) Oil and gas production assets

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

	Capitalised exploration and evaluation expenditure	Capitalised development expenditure	Total - asset under construction (exploration and development expenditure)	Production assets	Other business and corporate assets	Total
As at 1 January 2021						
Cost	10,182,131	1,051,481	11,233,612	189,297,948	24,761	200,556,321
Depreciation and impairment	-	-	-	(63,463,518)	(20,348)	(63,483,866)
Net book amount	**10,182,131**	**1,051,481**	**11,233,612**	**125,834,430**	**4,413**	**137,072,455**
Year ended 31 December 2021						
Additions	(1,541,451)	(1,070,030)	(2,611,481)	14,656,644	-	12,045,163
Changes in decomisioning obligations	-	-	-	1,409,564	-	1,409,564
Other transfers	(403,361)	353,462	(49,899)	(6,804)	641	(56,062)
Impairment	-	(5,823)	(5,823)	-	-	(5,823)
Depreciation and depletion	-	-	-	(11,794,986)	-	(11,794,986)
Unsuccessful exploration expenditures derecognised	(11,001)	-	(11,001)	-	-	(11,001)
Disposals and write-off	-	-	-	(64,648)	-	(64,648)
	8,226,318	**329,090**	**8,555,408**	**130,034,200**	**5,054**	**138,594,662**
As at 31 December 2021						
Cost	8,226,318	329,090	8,555,408	204,856,328	25,403	213,437,139
Depreciation and impairment	-	-	-	(74,822,128)	(20,349)	(74,842,477)
Net book amount	**8,226,318**	**329,090**	**8,555,408**	**130,034,200**	**5,054**	**138,594,662**
Year ended 31 December 2022						
Additions	(129,496)	1,267,614	1,138,118	12,464,745	-	13,602,863
Changes in decomisioning obligations	-	-	-	(745,466)	-	(745,466)
Impairment	(77,594)	(34,738)	(112,332)	-	-	(112,332)
Depreciation and depletion	-	-	-	(12,143,810)	-	(12,143,810)
Transfer to intangible assets	13,015	(13,150)	(135)	-	-	(135)
Other transfer	(4,584,569)	3,765,248	(819,321)	8,463	528	(810,330)
Disposals and write-off	-	640	640	(128,299)	(1)	(127,660)
	3,447,674	**5,314,704**	**8,762,378**	**129,489,833**	**5,581**	**138,257,792**
As at 31 December 2022						
Cost	3,525,268	5,349,443	8,874,711	215,586,310	25,934	224,486,955
Depreciation and impairment	(77,594)	(34,739)	(112,333)	(86,096,477)	(20,353)	(86,229,163)
Net book amount	**3,447,674**	**5,314,704**	**8,762,378**	**129,489,833**	**5,581**	**138,257,792**

9. INVESTMENTS IN SUBSIDIARY

	31 December 2022	31 December 2021
Investments in subsidiaries:		
- In shares	3,457,576	3,457,576
- In stakes	11,140,314	11,157,359
	14,597,890	14,614,935
Less: Provision	(1,172,263)	(1,189,308)
	13,425,627	**13,425,627**
Other financial assets available for sales	92,226	91,900
	13,517,853	**13,517,527**

Investments in subsidiaries as at 31 December 2022 relate to the following companies:

Company	Share %	Investment	Impairment	Net book value
NIS Petrol a.d., Belgrade, Serbia	100%	3,457,576	(1,172,263)	2,285,313
NIS Petrol e.o.o.d. Sofija, Bulgaria	100%	28,938	-	28,938
NIS Petrol SRL, Bucharest, Romania	100%	997	-	997
NIS Petrol doo, Banja Luka, BiH	100%	1,030	-	1,030
NTC NIS-Naftagas d.o.o. Novi Sad, Serbia	100%	905,000	-	905,000
Naftagas-Tehnicki servisi d.o.o. Zrenjanin, Serbia	100%	1,177,032	-	1,177,032
Naftagas-Naftni servisi d.o.o. Novi Sad, Serbia	100%	7,300,000	-	7,300,000
Naftagas-Transport d.o.o. Novi Sad, Serbia	100%	1,717,349	-	1,717,349
NIS Oversiz, Russia	100%	9,856	-	9,856
Jadran-Naftagas d.o.o. Banja Luka, BiH	100%	112	-	112
		14,597,890	**(1,172,263)**	**13,425,627**

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying value of the investments in associates and joint ventures as of 31 December 2022 and 2021 is presented below:

		Ownership percentage	31 December 2022	31 December 2021
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	1,038,800	1,038,800
HIP Petrohemija doo Pančevo	Associate	20.86%	11,572,197	11,572,197
Less: Provision			(11,572,197)	(11,572,197)
			1,038,800	**1,038,800**

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

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

Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Gazprom Energoholding Serbia LLC, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208 MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd, was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years and corporate loan from CEH in amount of 41 mln EUR. "TE-TO" Pancevo began commercial operation in the 4th quarter of 2022 and it is planned to meet the growing needs of the Oil Refinery in Pancevo for electricity and thermal energy — technological steam.

HIP Petrohemija

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija d.o.o. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby NIS increased its equity interest. After conversion, NIS holds, directly 20.86% of the voting power of the HIP Petrohemija. Also, NIS has representatives on the BoD and Supervisory boards. On 9 September 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model by which the future partner would acquire a share of no more than 90% of the capital. NIS a.d. submitted an offer within the deadline. In December 2021, NIS and HIPP signed the Strategic Partnership Agreement. With this Agreement, NIS will increase the ownership share in HIP Petrohemija from the previous 20.86% to 90% of shares with the obligation of a monetary recapitalization in the amount of EUR 150 million and the construction of a polypropylene production plant with a capacity of at least 140,000 tonnes per year within six years. The transition period is ongoing until the closing of transaction when all preconditions are expected to be met. The deadline for closing the transaction has been extended until June 30, 2023. At the date of publication of these financial statements, the procedure is still ongoing.

The summarised financial information for the joint ventures as of 31 December 2022 (unaudited) and 2021 and for the years ended 31 December 2022 (unaudited) and 2021 is presented in the table below:

	Gazprom Energoholding Serbia	HIP Petrohemija doo Pančevo
31 December 2022		
Current assets	399,874	15,722,159
Non-current assets	16,016,723	11,005,097
Current liabilities	211,951	3,059,080
Non-current liabilities	14,563,190	619,412
Revenue	17,193	29,437,208
Profit (Loss) for the year	(149,762)	106,199
31 December 2021		
Current assets	1,620,559	21,602,657
Non-current assets	20,628,326	10,712,595
Current liabilities	447,260	3,168,077
Non-current liabilities	20,393,628	510,394
Revenue	88,012	45,571,220
Profit (Loss) for the year	(279,702)	5,588,017

11. LONG-TERM INVESTMENTS IN PARENT AND SUBSIDIARIES

	31 December 2022	31 December 2021
LT loans - Subsidiaries - Domestic	1,868,080	-
LT loans - Subsidiaries - Foreign	34,864,652	35,282,900
	36,732,732	35,282,900
Less: Impairment	(8,092,083)	(8,094,301)
	28,640,649	**27,188,599**

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

	Currency	31 December 2022	31 December 2021
Domestic			
NIS Petrol a.d. Belgrade, Serbia	EUR	1,868,080	-
		1,868,080	-
Foreign			
NIS Petrol e.o.o.d. Sofija, Bulgaria	EUR	10,586,973	10,603,184
NIS Petrol SRL, Bucharest, Romania	EUR	19,031,924	19,456,784
NIS Petrol d.o.o. Banja Luka, BiH	EUR	4,761,488	5,059,344
Jadran - Naftagas d.o.o. Banja Luka, BiH	EUR	484,267	163,588
		34,864,652	35,282,900
		36,732,732	**35,282,900**

Long-term loans to foreign subsidiaries are approved at the fixed rate (2,1% p.a.) and variable interest rate (6M Euribor + 2,9% p.a.) and due in the period of 2 up to 7 years. The carrying value of long-term loans is equal to their fair value.

12. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
Other LT investments	263,231	262,864
LT loans given to employees	877,470	1,086,538
Other LT investments at FV	840,001	841,861
Less: Impairment	(341,578)	(392,545)
	1,639,124	**1,798,718**

Loans to employees as at 31 December 2022 amounting to 877,470 RSD (31 December 2021: 1,086,538 RSD) represent interest-free loans or loans at the interest rate of 0.5% and 1.5% given to employees for housing purposes, and are repaid through monthly instalments. These loans are impaired in amount of 341,578 RSD.

Other long-term investments at fair value in the amount of 840,001 RSD (31 December 2021: 841,861 RSD) are recognised in accordance with Novation agreement and Assignement agreement concluded between ZN, NIS and Jadran Naftagas (note 23).

13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities in the Financial Statements are attributable to the following:

	Assets	Liabilities	Net
As at December 31, 2022			
Provisions	704,723	-	704,723
Property, plant and equipment	1,916,114	-	1,916,114
Impairment losses	367,129	-	367,129
Fair value gains	10,327	-	10,327
Revaluation reserve	-	(26,848)	(26,848)
	2,998,293	**(26,848)**	**2,971,445**
As at December 31, 2021			
Provisions	664,770	-	664,770
Property, plant and equipment	1,221,934	-	1,221,934
Impairment losses	694,650	-	694,650
Fair value gains	10,311	-	10,311
Revaluation reserve	-	(26,848)	(26,848)
	2,591,665	**(26,848)**	**2,564,817**

Movements in temporary differences during the period:

	As at December 31, 2021	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2022
Provisions	664,770	39,576	374	3	704,723
Property, plant and equipment	1,221,934	694,183	-	(3)	1,916,114
Impairment losses	694,650	(327,521)	-	-	367,129
Fair value gains	10,311	-	16	-	10,327
Revaluation reserve	(26,848)	-	-	-	(26,848)
Total	**2,564,817**	**406,238**	**390**	**-**	**2,971,445**

	As at December 31, 2020	Recognised in profit or loss	Recognised in other comprehensive income	Other	As at December 31, 2021
Provisions	902,260	(237,490)	-	-	664,770
Property, plant and equipment	(13,425)	1,235,359	-	-	1,221,934
Impairment losses	1,205,119	(510,469)	-	-	694,650
Tax losses	488,483	(488,483)	-	-	-
Fair value gains	10,368	1	(58)	-	10,311
Revaluation reserve	(26,848)	-	-	-	(26,848)
Total	**2,565,957**	**(1,082)**	**(58)**	**-**	**2,564,817**

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

14. INVENTORY

	31 December 2022	31 December 2021
Materials, spare parts and tools	31,026,782	20,171,561
Work in progress	6,600,656	5,778,096
Finished goods	19,299,807	9,918,670
Goods for sale	1,692,376	1,830,296
Advances	729,280	459,979
Less: impairment of inventory	(4,456,030)	(4,535,780)
Less: impairment of advances	(148,487)	(147,551)
	54,744,384	**33,475,271**

Movement on inventory provision is as follows:

	Impairment of inventories	Impairment of Advances	Total
Balance as of 1 January 2021	**4,661,075**	**149,980**	**4,811,055**
Provision for inventories and advances (note 31)	1,971	-	1,971
Unused amounts reversed (note 28)	(86,640)	(291)	(86,931)
Write-off and other	(40,626)	(2,138)	(42,764)
Balance as of 31 December 2021	**4,535,780**	**147,551**	**4,683,331**
Provision for inventories and advances (note 31)	29,072	1,219	30,291
Unused amounts reversed (note 28)	(78,108)	(282)	(78,390)
Write-off and other	(30,714)	(1)	(30,715)
Balance as of 31 December 2022	**4,456,030**	**148,487**	**4,604,517**

15. TRADE RECEIVABLES

	31 December 2022	31 December 2021
Parents and subsidiaries - domestic	489,044	431,422
Parents and subsidiaries - foreign	7,937,449	5,379,962
Other related parties - domestic	1,667,563	2,049,634
Other related parties - foreign	-	78,645
Trade receivables domestic – third parties	36,161,871	26,612,818
Trade receivables foreign – third parties	1,102,739	1,257,619
	47,358,666	**35,810,100**
Less: Impairment	(4,626,347)	(4,847,970)
	42,732,319	**30,962,130**

16. OTHER RECEIVABLES

	31 December 2022	31 December 2021
Receivables from specific operations	1,232,745	1,827,401
Interest receivables	4,324,600	3,598,038
Receivables from employees	54,006	19,843
Other receivables	7,395,709	7,464,541
Prepaid taxes and contributions	118,956	73,801
Less: Impairment	(10,535,523)	(11,187,379)
	2,590,493	**1,796,245**

17. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2022	31 December 2021
ST loans and placements - Parent and subsidiaries	201,993	148,298
ST loans and placements - Domestic	2,019	2,019
Current portion of LT placements - Parent and subsidiaries	1,819,821	3,360,601
Other ST financial placements	75,226	76,228
Deposits with original maturity more than 3 months less than 1 year	6,003,699	-
Less: Impairment	(1,629,019)	(1,632,620)
	6,473,739	**1,954,526**

18. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in bank and in hand	16,821,378	12,776,096
Deposits with original maturity of less than three months	66,259,919	7,533,623
Cash with restriction	-	-
Cash equivalents	1,958	27,182
	83,083,255	**20,336,901**

As at 31 December 2022 deposits with original maturity of less than three months amounting to 66,259,919 RSD (2021: 7,533,623 RSD) relates to bank deposits placements with interest rates from 6.75% p.a. to 8.00% p.a. denominated in EUR and RSD (2021: from 2.30% p.a. to 3.30% denominated in RSD).

19. PREPAYMENTS AND ACCRUED INCOME

	31 December 2022	31 December 2021
Deferred input VAT	4,198,144	3,126,172
Prepaid expenses	197,969	276,026
Accrued revenue	53,189	51,279
Prepaid excise duty	4,147,831	1,969,728
Housing loans and other prepayments	455,216	314,708
	9,052,349	**5,737,913**

Deferred input VAT as at 31 December 2022 amounting to 4,198,144 RSD (31 December 2021: 3,126,172 RSD) represents VAT claimed on invoices received and accounted for in the current period, whilst inputs will be allowed in the following accounting period.

Prepaid excise duty as at 31 December 2022 amounting to 4,147,831 RSD (31 December 2021: 1,969,728 RSD) relates to the excise paid for finished products stored in non-excise warehouse and excise paid for imported products used in further production process which will be refunded in the near future.

20. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Issued warranties and bills of exchange	73,561,849	79,772,819
Received warranties and bills of exchange	22,534,767	14,590,445
Properties in ex-Republics of Yugoslavia	5,358,820	5,358,990
Receivables from companies from ex-Yugoslavia	6,763,139	6,380,931
Third party merchandise in NIS warehouses	14,895,635	10,180,619
Assets for oil fields liquidation in Angola	1,361,966	1,361,966
Mortgages and pladges recived	3,097,224	2,465,428
Other off-balance sheet assets and liabilities	418,498	300,152
	127,991,900	**120,411,350**

21. SHARE CAPITAL

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

Share capital as of 31 December 2022 and 31 December 2021 comprise of 163,060,400 ordinary shares.

Dividend declared for the year ended 31 December 2021, amounted to 5,782,122 RSD or 35.46 RSD per share (31 December 2020: 1,001,191 RSD or 6.14 RSD per share) were approved on the General Assembly Meeting held on 29 June 2022 and paid on 22 August 2022.

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

	Year ended 31 December	
	2022	**2021**
Profit attributable to the ordinary equity holder	93,456,931	23,131,745
Weighted average number of ordinary shares	163,060,400	163,060,400
Earnings per share (in RSD)	**573**	**142**

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

22. LONG – TERM PROVISIONS

Movements on the long-term provisions were as follow:

	Decommi-ssioning	Environmental protection	Employees benefits provision	Long-term incentive program	Legal claims provisions	Total
As at 1 January 2021	**10,338,464**	**408,541**	**442,921**	**914,419**	**377,615**	**12,481,960**
Charged to the income statement	193,772	-	322,157	305,186	82,789	903,904
New obligation incurred and change in estimates	1,409,564	-	-	-	-	1,409,564
Release of provision (note 38)	(143,899)	-	-	-	-	(143,899)
Actuarial gain charged to other comprehensive income	-	-	(7,926)	-	-	(7,926)
Settlement and other	(58,717)	(31,807)	(56,328)	(808,530)	(83,086)	(1,038,468)
As at 31 December 2021	**11,739,184**	**376,734**	**700,824**	**411,075**	**377,318**	**13,605,135**
As at 1 January 2022	**11,739,184**	**376,734**	**700,824**	**411,075**	**377,318**	**13,605,135**
Charged to the income statement	186,270	145,407	32,436	233,086	37,372	634,571
New obligation incurred and change in estimates	(745,466)	-	-	-	-	(745,466)
Release of provision (note 38)	(368,474)	-	-	-	-	(368,474)
Actuarial gain charged to other comprehensive income	-	-	106,853	-	-	106,853
Settlement and other	(24,473)	(34,081)	(69,224)	(3)	(54,864)	(182,645)
As at 31 December 2022	**10,787,041**	**488,060**	**770,889**	**644,158**	**359,826**	**13,049,974**

Analysis of total provisions:

	31 December 2022	31 December 2021
Non-current	11,150,060	12,029,890
Current	1,899,914	1,575,245
	13,049,974	**13,605,135**

(a) *Decommissioning*

The Company's Management estimates future cash outflows for restoration of natural resources (land) on oil and gas wells based on previous experience in similar projects.

(b) *Environmental protection*

The Company has to comply with environmental protection regulations. At the reporting date Company recorded provision for environmental protection of 488,060 RSD (31 December 2021: 376,734 RSD) based on the management assessment of necessary costs for cleaning up sites and remediation of polluted facilities.

(c) *Long-term incentive program*

In 2011, the Company started setting-up a long-term incentive program for Company managers. Following the program's approval, cash incentives were paid out based on the Key Performance Indicators ("KPI") reached over the past three-year periods. As at 31 December 2022 the management made an assessment of present value of liabilities related to new three-year employee incentives (2021-2023) in the total amount of RSD 644,158 thousand (2021: 411,075 RSD).

(d) *Legal claims provisions*

As at 31 December 2022, the Company assessed the probability of negative outcomes of legal procedures, as well as the amounts of probable losses. The Company charged provision for litigation amounting to 37,372 RSD (charged to provision in 2021: 82,789 RSD) for proceedings which were assessed to have negative outcome. The Company estimated that the outcome of all legal proceedings would not lead to material losses exceeding the amount of provision as at 31 December 2022.

(e) *Provision for employee benefits*

Employee benefits:	**31 December 2022**	**31 December 2021**
Retirement allowances	521,896	392,619
Jubilee awards	248,993	308,205
	770,889	**700,824**

The principal actuarial assumptions used were as follows:

	31 December 2022	**31 December 2021**
Discount rate	6.8%	3.7%
Future salary increases	4.72%	0.00%
Future average years of service	18.44	17.86

	Retirement allowances	**Jubilee awards**	**Total**
Balances as at 1 January 2021	**150,464**	**292,457**	**442,921**
Benefits paid directly	(19,696)	(36,632)	(56,328)
Actuarial gain charged to other comprehensive income	(7,926)	-	(7,926)
Debited to the income statement	269,777	52,380	322,157
Balances as at 31 December 2021	**392,619**	**308,205**	**700,824**
Benefits paid directly	(36,930)	(32,294)	(69,224)
Actuarial gain charged to other comprehensive income	106,853	-	106,853
Debited to the income statement	59,354	(26,918)	32,436
Balances as at 31 December 2022	**521,896**	**248,993**	**770,889**

The amounts recognized in the Income Statement are as follows:

	Year ended 31 December	
	2022	**2021**
Current service cost	58,300	47,195
Past service cost	2,467	206,267
Interest cost	23,617	26,854
Curtailment loss	16,264	18,612
Actuarial (gain)/loss (jubilee awards)	(68,212)	23,229
	32,436	**322,157**

23. LONG-TERM LIABILITIES

	31 December 2022	**31 December 2021**
Long-term loan - Gazprom Neft	2,728,428	8,203,403
Bank loans	65,009,756	69,276,624
Lease liabilities	2,295,379	1,338,381
Other non-current financial liabilities	847,172	841,861
Other long-term borowings	3,778	4,222
	70,884,513	79,664,491
Less Current portion (note 24)	(6,309,607)	(7,379,095)
	64,574,906	**72,285,396**

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

	Long-term loans	Short-term loans (note 24)	Lease	Total
As at 1 January 2021	**82,781,970**	**1,756,035**	**1,358,795**	**85,896,800**
Proceeds	16,729,700	15,352,180	-	32,081,880
Repayment	(22,156,823)	(14,919,694)	(383,385)	(37,459,902)
Non-cash transactions	118,239	(121)	364,210	482,328
Foreign exchange difference	6,941	-	(1,239)	5,702
As at 31 December 2021	**77,480,027**	**2,188,400**	**1,338,381**	**81,006,808**
As at 1 January 2022	**77,480,027**	**2,188,400**	**1,338,381**	**81,006,808**
Proceeds	4,499,752	17,433,918	-	21,933,670
Repayment	(14,063,305)	(14,273,781)	(407,258)	(28,744,344)
Non-cash transactions	(12,959)	-	1,364,704	1,351,745
Foreign exchange difference	(165,331)	(3,439)	(448)	(169,218)
As at 31 December 2022	**67,738,184**	**5,345,098**	**2,295,379**	**75,378,661**

a) Long-term loan - Gazprom Neft

As at 31 December 2022 long-term loan - Gazprom Neft amounting to 2,727,428 RSD (31 December 2021: 8,203,403 RSD), with current portion of 2,728,428 RSD (31 December 2021: 5,468,935 RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

b) Bank loans

	31 December 2022	31 December 2021
Domestic	48,275,922	47,362,765
Foreign	16,733,834	21,913,859
	65,009,756	69,276,624
Current portion of long-term loans	(3,082,976)	(1,579,581)
	61,926,780	**67,697,043**

The maturity of non-current loans was as follows:

	31 December 2022	31 December 2021
Between 1 and 2 years	9,707,939	2,946,179
Between 2 and 5 years	47,889,786	63,486,742
Over 5 years	4,329,055	1,264,122
	61,926,780	**67,697,043**

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

	31 December 2022	31 December 2021
USD	88,819	83,512
EUR	64,824,628	69,093,193
RSD	4,268	95
JPY	92,041	99,824
	65,009,756	**69,276,624**

The Company repays loans in accordance with agreed dynamics, i.e. determined annuity plans. The Company has floating interest rates with the creditors. Floating interest rates are connected with Euribor and Libor. Management expects that the Company will be able to fulfil its obligations within agreed timeframe.

The loan agreements contain financial covenants that require the Company's ratio of indebtedness to EBITDA (note 5). The Company is in compliance with these covenants as of 31 December 2022 and 31 December 2021 respectively.

c) Lease liabilities

	31 December 2022	31 December 2021
Current portion of lease liabilities	498,203	330,579
Non-current finance lease liabilities	1,797,176	1,007,802
	2,295,379	**1,338,381**

Amounts recognized in profit and loss:

	2022	2021
Interest expense (included in finance cost)	40,099	33,134
Expense relating to short-term leases (note 32)	64,148	91,723
Expense relating to leases of low value assets that are not shown above as short-term leases (note 32)	19,703	10,117
Expense relating to variable lease payments not included in lease liabilities (note 32)	1,118,267	1,094,702

d) Other non-current financial liabilities

Of the total amount of other non-current financial liabilities in the amount of 847,172 RSD (31 December 2021: 841,861 RSD) the most significant part relates to deferred consideration to PJSC Zarubeznjeft (further ZN) for O&G exploration project that is ongoing through subsidiary Jadran Naftagas. This obiligation depends on occurance of uncertain future events that are beyond the control of both the issuer (ZN) and a holder of instrument (NIS). In accordance with Novation agreement and Assignement agreement concluded between ZN, NIS and Jadran Naftagas, all ZN rights and obligations are assigned to NIS for consideration equal to outstanding loan liabilities of Jadran Naftagas towards ZN and Naftegazinkor prior the novation. Consideration cannot exceed the amount of said liabilities.

24. SHORT-TERM FINANCE LIABILITIES

	31 December 2022	31 December 2021
ST loans - Parent and subsidiaries	4,036,953	2,188,400
ST loans – Domestic	821,257	-
ST loans – Foreign	486,888	-
Current portion of long-term liablities (note 23)	5,811,404	7,048,516
Current portion of long-term financial lease (note 23)	498,203	330,579
	11,654,705	**9,567,495**

25. TRADE PAYABLES

	31 December 2022	31 December 2021
Trade payables – parents and subsidiaries	4,189,599	4,868,340
Trade payables – other related parties	3,674,576	2,448,423
Trade payables - domestic	6,266,698	6,299,767
Trade payables - foreign	11,309,738	12,153,357
Trade payables - other	15,449	22,852
	25,456,060	**25,792,739**

26. OTHER SHORT-TERM LIABILITIES

	31 December 2022	31 December 2021
Specific liabilities	235,657	181,267
Liabilities for unpaid wages and salaries, gross	1,133,530	1,051,236
Interest liabilities	155,501	85,507
Dividends payable	3,783,818	3,784,105
Other payables to employees	645,843	491,575
VAT	3,897,528	2,057,339
Excise tax	7,814,476	6,303,828
Contribution for buffer stocks	885,898	286,795
Energy efficiency fee	92,527	33,653
Income tax	13,992,693	4,144,615
Other taxes payables	831,029	921,333
Other current liabilities	106,724	60,027
	33,575,224	**19,401,280**

27. ACCRUED EXPENSES

Accrued expenses as at 31 December 2022 amounting to 3,543,294 RSD (31 December 2021: 3,426,030 RSD) mainly relate to accrued employee bonuses of 2,087,194 RSD (31 December 2021: 1,815,305 RSD), and contract liabilities arising from contracts with customers related to customer loyalty programme in amount 686,933 RSD (31 December 2021: 776,791 RSD).

Revenue in the amount of 3,269,023 RSD (31 December 2021: 4,369,748 RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2022, of which 2,699,433 RSD (31 December 2021: 3,835,100 RSD) related to advances and 569,590 RSD (31 December 2021: 534,648 RSD) to customer loyalty programme.

28. INCOME FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December 2022	2021
Release of impairment:		
- PPE	-	24,619
- Investment property	111,686	148,042
- Inventory	78,108	86,640
- Other property	128	291
	189,922	**259,592**

29. COST OF MATERIAL FUEL AND ENERGY

	Year ended 31 December 2022	2021
Costs of raw materials	270,662,355	161,346,556
Overheads and other costs	207,146	201,328
Fuel and energy cost	8,299,522	3,898,387
Other	439,280	500,763
	279,608,303	**165,947,034**

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

	Year ended 31 December	
	2022	2021
Wages and salaries (gross)	15,831,403	14,326,304
Taxes and contributions on wages and salaries paid by employer	2,121,658	1,955,945
Cost of service agreement	100,123	99,180
Cost of other personal wages	18,755	13,804
Fees paid to board of directors and general assembly board	131,997	134,090
Termination costs	27,494	342,681
Cost of service organizations	4,195	402
Other personal expenses	666,744	406,981
	18,902,369	**17,279,387**

31. EXPENSE FROM VALUATION OF ASSETS (EXCEPT FINANCIAL)

	Year ended 31 December	
	2022	2021
Impairment:		
- IA	4,724	1,008
- PPE	146,367	743,396
- Investment property	25,920	64,306
- Assets held for sale	-	9,179
- Inventory	29,072	1,971
- Other property	1,125	-
	207,208	**819,860**

32. COST OF PRODUCTION SERVICES

	Year ended 31 December	
	2022	2021
Cost of production services	3,028,069	2,584,055
Transportation services	3,915,818	3,216,249
Maintenance	6,340,226	5,719,883
Rental costs (note 23)	1,202,118	1,196,542
Fairs	7,701	5,440
Advertising costs	786,280	720,207
Exploration expenses	36,704	86,603
Cost of other services	1,753,266	1,651,066
	17,070,182	**15,180,045**

33. NON-PRODUCTION COSTS

	Year ended 31 December	
	2022	2021
Costs of non-production services	2,798,604	3,172,398
Representation costs	81,533	41,242
Insurance premium	426,251	466,349
Bank charges	582,145	363,081
Cost of taxes	1,153,120	1,140,802
Mineral extraction tax	1,753,558	1,289,755
Franchisor commission	4,491,902	3,736,668
Other non-production expenses	738,279	707,678
	12,025,392	**10,917,973**

Cost of non-production services for the year ended 31 December 2022 amounting to 2,798,604 RSD (2021: 3,172,398 RSD)), mostly relate to project management costs of 1,229,892 RSD (2021: 1,220,237 RSD), security costs of 569,820 RSD (2021: 514,032 RSD) and consulting service costs of 164,447 RSD (2021: 191,085 RSD).

34. FINANCE INCOME

	Year ended 31 December 2022	2021
Finance income - related parties		
- foreign exchange differences	2,089,842	1,049,596
- modification gain	23,158	95,841
- other finance income	693,138	684,275
Interest income	2,055,391	197,347
Modification gain	-	-
Income from discounting of receivables	131	19,486
Foreign exchange gains	531,965	488,922
Other finance income	39,086	46,310
	5,432,711	**2,581,777**

35. FINANCE EXPENSE

	Year ended 31 December 2022	2021
Finance expenses – related parties		
- foreign exchange differences	3,456,222	1,678,301
- modification loss	-	-
- other finance expense	205,043	193,687
Interest expenses	1,513,230	1,383,193
Amortization of long-term liabilities	36,976	-
Amortisation expense – discount of receivables	90,101	79,637
Modification Loss (third parties)	24,732	118,241
Foreign exchange losses	1,404,122	490,640
Other finance expense	67,440	7,674
	6,797,866	**3,951,373**

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

	Year ended 31 December 2022	2021
Reversal of impairment of LT financial investments	50,409	-
Income from valuation:		
- trade receivables (note 5)	40,379	34,193
- specific receivables (note 5)	601,580	285,617
- other receivables (note 5)	4,647	12,411
	697,015	**332,221**

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

	Year ended 31 December 2022	2021
Impairment of LT financial investments and other AFS securities	-	55,729
Loss from financial instruments at fair value through Profit and loss	352,829	267,888
Loss from valuation:		
- trade receivables (note 5)	102,452	36,079
- specific receivables (note 5)	264	1,051
- other receivables (note 5)	9,736	5,229
	465,281	**365,976**

38. OTHER INCOME

	Year ended 31 December	
	2022	**2021**
Gains on disposal – PPE	201,156	63,355
Gains on disposal – materials	41,053	42,068
Gain on disposal – equity instruments and securitas	-	1,216
Surpluses from stock count	523,574	369,348
Payables written off	13,354	333,000
Release of long-term provisions (note 22)	368,474	143,899
Penalty interest	72,616	38,143
Other income	23,220	20,046
	1,243,447	**1,011,075**

39. OTHER EXPENSES

	Year ended 31 December	
	2022	**2021**
Loss on disposal – PPE	149,018	115,781
Loss on disposal – materials	79,420	121,271
Loss from hedge accounting through PL	-	-
Shortages from stock count	584,631	481,925
Write-off receivables	1,644	6,245
Write-off inventories	91,242	43,488
Other expenses	226,760	176,575
	1,132,715	**945,285**

40. INCOME TAXES

Components of income tax expense:

	Year ended 31 December	
	2022	**2021**
Income tax for the year	17,696,181	4,155,337
Deferred income tax for the period		
Origination and reversal of temporary differences (note 13)	(406,238)	1,082
	17,289,943	**4,156,419**

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

	Year ended 31 December 2022	2021
Profit (loss) before tax	**110,746,874**	**27,288,164**
Tax calculated at domestic tax rates – 15%	16,612,031	4,093,225
Tax effect on:		
Revenues exempt from taxation	(66,249)	(12,886)
Expenses not deductible for tax purposes		
- Tax paid in Angola	155,950	84,312
- Other expenses not deductable	(469,078)	437,895
Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	-	(437,735)
Tax credit used	-	(51,945)
Other tax effects for reconciliation between accounting profit and tax expense	1,057,289	43,553
	17,289,943	**4,156,419**
The weighted average effective income tax rate	15.61%	15.23%

41. COMMITMENTS AND CONTINGENT LIABILITIES

Economic environment in the Republic of Serbia

The exacerbation of geopolitical situation as a result of further developments of the situation with Ukraine led to amplified volatility at commodity and financial markets. The average cost of Oil prices during 2022 was US $ 101,2 per barrel which is more than 43% from the same period in 2021 that resulted in introduction of short-term restrictions on the sale prices of refinery products by the Government of the Republic of Serbia. It is not possible to determine how long this increased volatility will last. A number of sanctions have been announced to restrict Russian entities operations and in such a situation, this could further impact the Company operations.

Currently the Company is continuing the assessment of the new sanctions' impact on the Company's operations.

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

Environmental protection

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company 's management recognised an environmental provision in the amount of 488,060 RSD (31 December 2021: 376,734 RSD).

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

Taxes

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 December 2022.

Capital commitments

As of 31 December 2022 the Company has entered into contracts to purchase property, plant and equipment for 311,970 RSD (31 December 2021: 383,637 RSD).

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

42. RELATED PARTIES TRANSACTIONS

For the purpose of these Financial Statements parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operational decision as defined by IAS 24 Related Party disclosure.

In the year ended 31 December 2022 and in the same period in 2021, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As of 31 December 2022 and 31 December 2021 the outstanding balances with related parties were as follows:

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2022			
Right of use assets	41,030	-	-
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term loans	28,640,649	-	-
Other long-term investments	840,001	-	-
Advances for inventory and services	220	-	22,259
Trade receivables	8,422,984	-	1,636,741
Other receivables	2,123,237	-	265
Short-term investments	394,814	-	-
Long-term liabilities	(41,884)	-	(50)
Short-term financial liabilities	(4,039,193)	-	(2,728,552)
Advances received	(67,543)	-	(3,121)
Trade payables	(4,187,837)	(1,762)	(3,674,576)
Other short-term liabilities	(10,624)	-	(25)
	45,541,481	**(1,762)**	**(3,708,259)**

	Subsidiary	Parent	Entities under common control and associates
As at 31 December 2021			
Right of use assets	43,712	-	414
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term loans	27,188,599	-	-
Other long-term investments	841,861	-	-
Advances for inventory and services	2,323	-	29,788
Trade receivables	5,807,273	601	2,097,458
Other receivables	1,365,171	-	128
Short-term investments	1,855,115	-	-
Long-term liabilities	(44,068)	(2,734,468)	(209)
Short-term financial liabilities	(2,190,722)	(5,468,935)	(142)
Advances received	(31,504)	-	(944)
Trade payables	(4,865,339)	(3,000)	(2,448,423)
Other short-term liabilities	(1,195)	(13)	-
Other current liabilities	(54,157)	-	-
	43,342,696	**(8,205,815)**	**716,870**

For the year ended 31 December 2022 and 2021 the following transaction occurred with related parties:

	Subsidiary	Parent	Entities under common control and associates
Year ended 31 December 2022			
Revenues from sales of products and services	36,438,469	-	40,931,151
Expenses based on procurement of products and services	(12,375,169)	(7,292)	(125,392,130)
Other expenses	683,311	-	(151,160)
	24,746,611	**(7,292)**	**(84,612,139)**

	Subsidiary	Parent	Entities under common control and associates
Year ended 31 December 2021			
Revenues from sales of products and services	27,039,333	2,056	30,082,534
Expenses based on procurement of products and services	(10,177,499)	(22,569,246)	(2,535,615)
Other expenses	648,564	(174,840)	(176)
	17,510,398	**(22,742,030)**	**27,546,743**

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

	Entities under common control and associates	Other
As at 31 December 2022		
Trade and other receivables (gross)		
• *HIP Petrohemija*	1,433,784	-
• *Srbijagas*	-	24,831
• *AIR Serbia*	-	762,548
Advances paid		
• *Srbijagas*	-	445
Trade and other payables		
• *HIP Petrohemija*	(1,259,596)	-
• *Srbijagas*	-	(725,804)
Other current liabilities		
• *HIP Petrohemija*	(2,506)	-
• *Srbijagas*	-	(24)
	171,682	**61,996**
As at 31 December 2021		
Trade and other receivables (gross)		
• *HIP Petrohemija*	1,905,004	-
• *Srbijagas*	-	111,545
• *AIR Serbia*	-	287,512
Advances paid		
• *Srbijagas*	-	445
Trade and other payables		
• *HIP Petrohemija*	(1,551,586)	-
• *Srbijagas*	-	(605,123)
Other current liabilities		
• *HIP Petrohemija*	(2,852)	-
	350,566	**(205,621)**

	Entities under common control and associates	Other
As at 31 December 2022		
Operating income		
• *HIP Petrohemija*	39,107,255	-
• *Srbijagas*	-	219,746
• *AIR Serbia*	-	9,592,537
Operating expenses		
• *HIP Petrohemija*	(279,921)	-
• *Srbijagas*	-	(340,454)
	38,827,334	**9,471,829**
As at 31 December 2021		
Operating income		
• *HIP Petrohemija*	28,673,855	-
• *Srbijagas*	-	224,146
• *AIR Serbia*	-	3,232,714
Operating expenses		
• *HIP Petrohemija*	(230,133)	-
• *Srbijagas*	-	(205,962)
	28,443,722	**3,250,898**

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

Transactions with Key Management Personnel

In the year ended 31 December 2022 and 2021 the Company recognized 1,024,263 RSD and 1,033,696 RSD respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

43. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with the Accounting Law, the Company reconciled account receivables and payables with the customers and the suppliers before preparing financial statements. There were no unreconciled account receivables. The total amount of unreconciled account payables amounts to 443,058 RSD (76 suppliers) which is 1.74% of the total amount of trade payables.

44. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

Subsequent events occurring after 31 December 2022 were evaluated through 28 February 2023, the date these Financial Statements were authorised for issue.

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