

CONSOLIDATED ANNUAL BUSINESS REPORT FOR YEAR 2021

In Belgrade, April 2022

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1 BASIC COMPANY INFORMATION

1.1 Data on Consolidated Legal Entities

Consolidated Legal Entities:

- Nelt Co Ltd. – Belgrade
- Neoplanta Ltd.- Novi Sad
- Public Warehouses Ltd. – Subotica
- Nelt Angola LDA. – Angola
- Nelt Zambia Ltd.- Zambia
- Nelt Mozambique Ltd. – Mozambique
- Banim reklame Ltd. Belgrade
- Baby Food Factory - Belgrade
- Cenej Agrar Ltd.- Novi Sad

1.1.1. Nelt Co. Ltd. Dobanovci

A company for foreign and domestic trade and services Nelt Co. Ltd. Belgrade (hereinafter: Company) was founded on August 14th, 2000 by its founder Neregelia Trading Limited, Cyprus. The Company's headquarters are located in Dobanovci, Marsala Tita 226B. As of December 31th, 2021 the Company has 2,039 employees.

Nelt Group started its operations in 1992 as a company whose core activity is trade, with headquarters in Belgrade. Starting from a small wholesale business, today the Company has developed and become a leading distribution company on the territory of Serbia, the region and Africa.

The Company is primarily engaged in sales and provision of logistics services. Sales include distribution and marketing, and supply chain management services (distribution centers, storage, inventory planning, delivery, etc.) are provided within logistics.

The Distribution Agreement, which the Company had signed with Procter & Gamble in 1996, presented one of the most crucial moments in the Company's development. With this Agreement, the Company became the distributor of products of Procter & Gamble for the territory of former FR Yugoslavia.

In the early 2000s, the Company started distributing the products of two more large multinational companies on the territory of Serbia and Montenegro – Wrigley and Kraft Foods – Mondelez.

In 2006, the Company's headquarters were relocated to a new distribution center in Dobanovci, and the Company began the distribution of SSL International products. In addition to this, the Company started rendering logistics services. The first important client to whom the Company provided this group of services was the Merkur, a branch of the Mersteel Group.

In 2007, the Company became one of the owners of the meat production factory Joint Stock Company Neoplanta, and in 2013, a majority shareholder in this factory by acquiring a share of approximately 60%.

The logistics services provided by the Company were expanded in 2008, with the purchase of Public Warehouses Subotica, performing activities of storage of all types of goods, handling of goods in warehouses, leasing of warehouse space, as well as provision of parking services for cargo vehicles. In the same year, the Company started with the distribution of Neoplanta products, as well as with the distribution of pharmaceutical products of Hemofarm on the territory of Serbia. Also, as a novelty, noteworthy to mention is the fact that the Company began rendering "*trade marketing*" services to clients whose goods the Company distributed, as well as to third parties.

Today, Nelt Co. is a successful distributor for the following Principals: Procter&Gamble, Wrigley, Neoplanta, Dr. Oetker, Mars, Reckitt Benckiser, Sebapharma, Johnson & Johnson, etc.

The Company successfully provides logistics services to the following companies: Procter&Gamble, A1 Serbia, Concern Bambi, Ball Packaging and others.

It is also significant to mention that the Company started business operation in Africa in the year 2010, when it founded a daughter company in Angola, Nelt Angola LDA, performing activities of distribution and sales of consumer goods in that African country, and subsequently companies in Zambia and Mozambique.

By signing the Purchase Agreement with Atlantic Group, Nelt Group became the owner of the Baby Food brand, which includes a wide portfolio of products for kids and infants. The products of this brand have been marketed for over 35 years on the market of Russia and other members of the Commonwealth of Independent States (CIS), where they present a symbol of European quality in the kids' cereal segment.

The production of Baby products has continued in the Baby Food Factory plant in Dobanovci, well known for its Nutrino brand, where both brands are developed parallelly and marketed to different markets.

With the acquisition of the Baby Food Factory, Nelt Group has confirmed its strategic commitment to long-term development and international business expansion.

Name:	Nelt Co Ltd.
Address:	Marsala Tita 226 B
Activity Code :	4636 - wholesale of sugar, chocolate and sweets
Legal form:	Limited liability company
Registration number:	17304712
TIN:	100037645
Website:	www.nelt.com, www.nelt.rs
Number of employees:	2,039
Registered capital:	RSD 534,329,528.31
Types of contributions:	In cash and in kind
Parent Entity:	Neregelia Trading Limited, Cyprus
Share in Nelt Co. Ltd.	100%

1.1.2 Neoplanta Ltd. Novi Sad

Founded over 100 years ago, Neoplanta has grown from a small proprietary slaughterhouse in 1895, undergone various forms of transformations, and grown into one of the leading domestic industries for the production and processing of high-quality meat and meat products.

In the last quarter of 2007, Nelt became a shareholder in the ownership structure of Neoplanta, and in the first quarter of 2008 its majority shareholder, which created conditions for the restructuring and reorganization of Neoplanta, in the direction of upgrading of its business results.

In a period of less than three years, thanks to the quality of its products and innovative management, Neoplanta managed to win the leading position on the market of Vojvodina and at the same time ranked second on the overall market of Serbia.

Name:	Neoplanta Ltd., Meat Industry
Address:	Primorska 90, Novi Sad
Activity Code :	1011 - Processing and preservation of meat
Legal form:	Limited liability company
Registration number:	08142289
TIN:	102034237
Date of establishment:	December 13 th , 1989
Website:	www ww.neoplanta.co.rs
Number and date of Decision on Registration in the Business Register:	1-1382-00 Commercial Court; NS; December 13 th , 1989
Number of employees:	561

On July 24th, 2017, a spinoff and demerger status change was carried out and two new companies, «NEO MP» Ltd. and «CENEJ Agrar» Ltd. were founded out of Joint Stock Company NEOPLANTA Meat Industry. During 2018, Joint Stock Company Neoplanta had the status of controlling company in a subsidiary company, Veterinary Clinic Cenej Agrar Ltd. On September 3rd, 2018, Joint Stock Company Neoplanta sold 100% of its shares in the Veterinary Clinic to its affiliated company Cenej Agrar Ltd.

In January 8th, 2019 the Business Registers Agency issued a Decision number BD 160/2019 changing the legal form of Neoplanta from a joint-stock company to a limited liability company.

1.1.3 Baby Food Factory Ltd. Dobanovci

Baby Food Factory Ltd. from Dobanovci was founded on July 18th, 2016 as a limited liability company based on the Decision on Establishment. The majority shareholder is Nelt Co. Ltd. Belgrade with a 99.99% share in the capital and Charnesco Services Ltd. with a share of 0.01%. The core activity of the factory is the production of homogenized food preparations of dietary food (NACE code 1086). In 2021, the company opened a Representative Office in Russia.

On December 15th, 2021, a decision was made to increase the Company's share capital by converting the receivables of Nelt Co. Ltd into capital, which was registered with the Business Registers Agency on December 12th, 2021

Name:	Baby Food Factory Ltd.
Address:	Marsala Tita 206
Activity Code :	1086 – Manufacture of homogenized food preparations and dietetic food
Legal form:	Limited liability company
Registration number:	21212270
TIN:	109621330
Date of establishment:	July 18 th , 2016
Website:	www. babyfoodfactory.com
Number of employees:	185

1.1.4 Cenej Agrar Ltd.

The company's headquarters are in Cenej, in Salas street number 217. The core activity is the cultivation of grains (except rice), legumes and oilseeds (NACE code – 0111). The company is also registered for the cultivation of vegetables, melons and root vegetables; cultivation of other annual and biennial plants; cultivation of grapes; cultivation of apples and stone fruits; cultivation

of other fruit trees and shrubs and kernel fruits, cultivation of oleaginous fruits; cultivation of spices, aromatic and medicinal plants; pig breeding and other processing and canning of fruits and vegetables.

Name:	Cenej Agrar Ltd.
Address:	Salas 217, Cenej, Novi Sad
Activity Code :	0111 - Cultivation of cereals (except rice), leguminous crop and oil seeds
Legal form:	Limited liability company
Registration number:	21306622
TIN:	110149698
Date of establishment:	July 24 th , 2017
Number of employees	21

1.1.5 Public Warehouses Ltd.

Public Warehouses Ltd. is a company with over fifty years of successful business tradition in the field of providing logistics services, for all types of custom and non-customs goods (except flammable liquids and explosive substances) in ambient warehouses and warehouses under temperature regimes in compliance with the HACCP system, handling of goods (unloading, loading, transshipments), forwarding of freight, renting of warehouse space, forklift operation services outside the company premises, as well as the provision of parking ticket services for cargo vehicles.

The company owns a regularly maintained industrial track that gives it an advantage over the competition and enables the handling and storage of mass quantities of goods transported by rail, goods transported in containers and goods transported by organized rail transport – itinerary trains. The unloading capacity from the tracks is about 900 tons per day or 18-20 wagons per day, without major impact on other operations (shipping, transshipment, unloading, etc.).

Name:	Public Warehouses Ltd
Address:	Tuk Ugarnice bb, Subotica
Activity Code :	5210- Storage
Legal form:	Limited liability company
Registration number:	08049424
TIN:	100960569
Date of establishment:	December 29 th , 1960
Number of employees:	30

1.1.6 Nelt Angola LDA

On March 15th, 2010 Nelt Co. rendered the Decision on Establishment of Nelt Angola LOA, with headquarters in Angola. The predominant activity of the subsidiary is the wholesale of consumer products for general use, import and export activities, logistics services, storage, transport and other distribution services.

The Company owns a 99.99% share in the total capital of the subsidiary. The average number of employees in 2021 was 62.

1.1.7 NELT Zambia Ltd.

On April 4th, 2012 the Company rendered the Decision on Establishment of Nelt Zambia Limited, with the company headquarters in Lusaka. The predominant activity of the subsidiary is wholesale of consumer products for general use, import and export activities, logistics, storage, transport and other distribution services.

The average number of employees in 2021 was 127.

The Company owns a 77.78% share in the total capital of the subsidiary.

1.1.8 Nelt Mozambique Ltd.

On April 2nd, 2012. The Company rendered the Decision on Establishment of Nelt Mozambique Ltd., with the company headquarters located in Maputo, Mozambique. The predominant activity of the subsidiary is wholesale of consumer products for general use, import and export activities, logistics, storage, transport and other distribution services.

The average number of employees in 2021 was 135.

The Company owns a 89% share in the total capital of the subsidiary.

1.1.9 Banim reklame Ltd.

The Banim reklame Ltd. specializes in the field of design, production and assembly of advertising elements. The company was founded in 2007, and since 2015 it has been operating as part of the Nelt Group. The production plant is located in Kraljevo, and the Director Boban Durovic is responsible for the company's operations.

The activity of the company includes branding of objects, production of car graphics and truck tarps, manufacture of POS components, large format printing, production of metal structures, metal hardware, neon signs and 3D billboards, projecting and modeling, industrial graphic design, transport and assembly of advertising components, production of truck superstructures.

Name:	BANIM REKLAME
Address:	Ratina, Vladislava Marzik 9
Activity Code :	7311 - Advertising agency activities
Legal form:	Limited liability company
Registration number:	20356707
TIN:	105327503
Date of Establishment:	November 30 th , 2007
Number of employees:	88

Nelt Co. Ltd. is the owner of 88% of the capital of Banim reklame Ltd.

1.2 NELT GROUP

Nelt Co. Ltd. is the largest company within the Nelt Group. A chronological overview of the most important events for the Group is given in the following overview:

- 1992 – founding of Nelt Co. Ltd.;
- 1996 – founding of Neregelia in Montenegro and start of distribution of Procter & Gamble products on the market of Serbia and Montenegro;
- 2000 – Nelt Co. Ltd. commences distribution of Kraft Foods products on the markets of Serbia, Montenegro and Macedonia;
- 2001 – Nelt Co. Ltd. commences distribution of Wrigley products on the markets of Serbia and Montenegro;
- 2006 – Nelt Co. Ltd. opens a new distribution center in Dobanovci, Belgrade;
- 2007 – Nelt Co. Ltd. acquires an ownership interest in the Joint Stock Company Neoplanta;
- 2008 – Nelt Co. Ltd. becomes the owner of Joint Stock Company Public Warehouses Subotica, starts providing marketing services and distribution of Dr. Oetker products;
- 2009 – Corner Shop Ltd. was founded in Serbia by Nelt as one of its founders. Nelt Co. Ltd. implemented ISO 9001:2008 and HACCP certified quality systems into its business operations;
- 2010 – Nelt Co. Ltd. commences business operations on the African continent by establishing Nelt Angola in Angola;
- 2011 – Nelt Co. Ltd. commences distribution of Ambi Pur products, Neoplanta begins to export its products to Russia, and Nelt Angola starts distribution of P&G products;
- 2012 – Nelt Co. Ltd. establishes Nelt Zambia in Zambia, which begins distribution of P&G products. In the same year, SAP business software was implemented in Serbia;
- 2013 – Nelt Co. Ltd. establishes Nelt Mozambique in Mozambique, which begins distribution of P&G products. In the same year, Nelt Co. Ltd. began providing logistics services to Philip Morris International;
- 2014 – Nelt Co. Ltd. provides logistics services to Philip Morris Operations and commences distribution of Mars Foods and Hochland products in Serbia;
- 2015 – Nelt Co. Ltd. becomes the owner of the company Tako Lako Shop Ltd. and Banim reklame Ltd.;
- 2016 – Nelt Group sells the company Corner Shop Ltd. to Moj Kiosk Group;

- 2017 – Nelt Co. Ltd. launches a new brand, Helt, whose products contain a combination of dried fruits and nuts. In the same year, the companies Cenej Agrar Ltd. and Neo MP Ltd. demerged from Neoplanta by a status change;
- 2018 – the visual identity of the Company was redesigned to celebrate the 25th anniversary of business operations;
- 2019 – In mid 2019, the company Neo MP was sold and ceases to operate as part of the Nelt Group;
- 2020 – A Sales Agreement was signed with Atlantic Group and Nelt Group became the owner of the baby food brand Baby, work also began on the Candy Factory project, a factory for the production of confectionery sugar based products – lollipops, candies and chewing gums;
- 2021 – Baby Food Factory Ltd Dobanovci becomes a member of Nelt Group. Nelt Co. started distributing Nestle products.

Nelt Group is an international company with headquarters in Serbia. As an international Group it employs over 3,121 people in 10 companies, on markets of Europe and Africa. Nelt Group presents one of the regional leaders in the field of distribution of consumer goods, which strives to globalize its business operations.

Business activities which members of the Group perform are as follows: distribution of consumer goods, production of meat and meat products, storage of various types of goods, provision of logistics services, performing of retail services of consumer goods, provision of marketing services, distribution of pharmaceutical products.

Extensive experience and expertise in the aforementioned areas enable the Group to acquire a large number of customers on all markets in which it operates. Pertaining to mentioned activities, the target group of buyers are legal entities engaged in wholesale and retail and natural persons – final consumers.

Through horizontal integration, the Group harmonizes its resources and knowledge and capabilities of its members, thus contributing to the creation of value for the Group, its business partners and the society. The complexity of business and the growth of market demands have led to the necessity of implementation of HACCP standards, which members of the Group operating on the territory of Europe possess.

2. Business Activity Analysis

The registered core activity of the Company is wholesale trade of sugar, chocolate and sweets with the relevant NACE code 4636. According to the Regulation on the Classification of Economic Activities (Official Gazette of the Republic of Serbia, no. 54/2010), the mentioned activity is located within Sector G, wholesale trade and retail trade, repair of motor vehicles and motorcycles, and performs numerous other activities, primarily related to the distribution and sales of consumer goods and the provision of logistics services.

2.1 Distribution and Sales

Distribution and sales of consumer goods presents the core activity of the Company. The Company is able to offer a complete service to clients, from import and customs clearance of goods, through marketing activities, to sales and delivery. The Company's sales are organized according to the territorial and functional principle, taking into account the type and structure of customers. Namely, on all markets where the Company operates, all production channels and sales outlets are fully covered, the Company simultaneously cooperates with all market-oriented national and international retail chains, wholesalers, small and large private shops, kiosks, gas stations, pharmacies and similar. All employees in the Sales Department, working in all positions, starting from visual merchandisers, promoters, up to the management level, are trained in compliance with standards and manner of conducting business implemented by foreign partners of the Company. The main characteristic of the sales concept present sales services, specifically, quality distribution which enables products of Company's partners to always and everywhere be available to all consumers. In addition to sales, more and more emphasis is placed on «trade marketing» services which the Company provides to its clients. The Company provides these marketing services in the form of arrangement of products in stores, designing and implementation of promotional activities, branding of vehicles or production and placement of advertising material. The clients in the field of «trade marketing» are as follows: Procter & Gamble, Wrigley, Neoplanta, Mars, as well as many others. The Sales Department encompasses sales programs allocated into 5 Divisions (Mars/Wrigley/Mars Pet Care, Cosmetics, Neoplanta/Dr Oetker, PG + GDM, PMI).

2.2 Logistics Services and Supply Chain

In 2007, the Company started implementing the 3PL logistics project, i.e. providing a wide range of logistics services to third parties. The services provided by the Company to third parties are the services of domestic and international road transport, customs mediation and forwarding, storage and product finishing. Below are more detailed comments pertaining to each of these services.

2.3 Domestic and International Road Transport

Until December 2011, forwarding services were performed by Nelt Ltd. D.o.o., which was 100% owned by the Company. After the merger status change, on December 25th, 2011, the Company took over these jobs.

In order to provide high-quality transport services, the Company owns an adequate fleet of vehicles (hauler trucks with semi-trailers, trucks, refrigerator trucks) in which all fleet vehicles possess valid permits and certificates for international transport.

2.4 Customs Mediation and Forwarding

As a provider of logistics services, the Company properly declares goods, places them in customs warehouses and prepares documentation on that basis, as well as obtains all types of certificates (e.g. sanitary, veterinary).

2.5 Storage

The Company possesses modernly equipped storage facilities, able to meet various technological requirements, such as temperature-controlled storage, storage of oversized loads, high rack storage, etc. By adopting positive examples from its supply chain and implementation of WMS (warehouse management system implementing), the Company is able to monitor the goods from their point of entry in warehouse to their exit (warehouse positions, expiry dates, LOT positions, etc.), thus raising the storage services quality to the highest possible level. In the Central Distribution Center in Dobanovci, the Company is able to offer its clients storage of goods in a wide range of temperature regimes, from -25°C to +12°C. Recently a warehouse adapted for storage of pharmaceutical products, in compliance with the HACCP principles, has been put into operation.

2.6 Product Finishing Activities (Value Added Services)

Within the storage space, there is a special area utilized for different types of product finishing activities and adaptation of products to our clients' requirements. Product finishing involves wrapping of product with shrink-wrap. This entire process is standardized by appropriate standards (ISO and HACCP) and thus enables the handling of different types of goods, including food products. In addition to the services of creating packaging sets and collective packaging, the Company also provides services of product declarations and product labeling.

2.7 Container Terminal

The first private intermodal terminal (railway container terminal) in Belgrade was established in the Central Distribution Center in Dobanovci, on Nelt's premises. The initial storage capacity of the intermodal terminal is 400 TEU, with the possibility of expansion to a capacity of several thousand TEU. The services offered are as follows: processing of full and empty containers, i.e. reception, transshipment, disposal, storage and dispatch.

The Company is primarily engaged in the distribution and wholesale of consumer products (products frequently bought and quickly sold in large quantities), as well as providing logistics services.

Consumer products are most often divided into two large categories: food and non-food items. These products have a short shelf life due to high demand, or due to the rapid deterioration of products in question. The high demand for these products can result in quite high transportation and distribution costs. Since such products generally have a lower profit margin rate, large

quantities of products sold help companies in the industry to make significant profits. Consumer products can be grouped into 4 sub-groups: food & beverages (alcoholic and non-alcoholic) which belong to food products, and then household and personal care products and tobacco products which belong to the non-food category of products.

The Company is primarily engaged in the sale of products from the sub-group food and the sub-group household products. The Company is the General Distributor of several large global companies that manufacture and sell these products, among which Proctor & Gamble, Mondelez, Wrigley, SSL International and Dr. Oetker should be especially singled out. The Company is also the General Distributor of one of the leading processed meat producers in Serbia, Joint Stock Company Neoplanta.

All services provided by the Company, combined into one, comprise a quality solution for the successful business of clients who do not have the resources to perform all the previously mentioned services and who therefore entrust this phase in the value chain to an intermediary.

2.8 Production

The production of food products is carried out at Neoplanta in Novi Sad and the Baby Food Factory in Dobanovci. The most prominent Neoplanta brands are Neoplanta Delikates, Pipi and Gudi, Patelina, Prego and others. Baby Food Factory produces Nutrino, Nutrino Lab and Baby Premium brands. Production is carried out according to the leading edge standards, and continuous investments are made in the development and upgrading of quality.

2.9 Demand Factors

Demand trends of consumer goods are influenced by demographic and macroeconomic changes. The demand of consumer goods depends on the consumption of these goods as well as the available income for their consumption. Demographic and macroeconomic factors which can serve as an indicator of changes in demand, include the total population number and population growth rate as well as their characteristics, per capita income level and manner in which it is spent, which are also impacted by the overall economic growth and inflation.

3. Development

The Group strives to fully cover the markets in which it operates, expand sales and distribution as well as upgrade the provision of logistics services by implementing leading edge technology and standardization of operations.

Nelt wants to achieve maximum coverage of sales channels and sales outlets in all markets where it operates and to establish the highest standards in its business operations. We strive to cooperate with all market-oriented national and international retail chains, wholesalers, small and large private shops, kiosks, pharmacies, perfume and cosmetic shops, gas stations, etc.

Nelt endeavors to implement successful business models for sales activities which the Company has previously not performed, making maximum use of human and material resources engaged in existing business operations. In addition, constant efforts are made to remain leader in the use of advanced information technologies for sales (Hand Held and Tablet Computers, B2B portals), finance (e-banking), communications (IP telephony, IM, 3G+ data transmission from the field) and logistics (WMS and Dynamic Routing). The SAP business information system was implemented, with the aim of replacing the previously used ERP with a solution that can fully encompass and support the strategy of sustainable business expansion and upgrading of operations, as well as all processes within the Company.

4 Business Analysis

in RSD thousand

Description/business year	2020	2021
Operating income	82.458.737	87.126.267
Operating expense	81.347,756	86.620.565
Operating profit	1.110.981	505.702
Profit before tax	884.552	353.007
Current income tax	62.699	45.823
Net profit	865.991	248.331
Operating assets	33.527.098	37.637.630
Share capital	538.981	548.981
Retained earnings	13.432.972	17.227.748
Number of employees	2.870	3.121

in RSD thousand

Description/business year	31.12.2020	31.12.2020	31.12.2020
Fixed assets	19.194.807	18.080.287	20.863.157
Current assets	14.287.963	15.433.620	16.770.655
Long-term liabilities	3.231.125	2.638.847	3.694.881
Short-term liabilities	12.084.906	11.922.460	14.442.318
Retained earnings	12.155.227	13.432.972	17.227.748

Assets structure	31.12.2020	31.12.2021
Fixed assets	54%	55%
Intangible assets	1%	6%
Property, plants, equipment and biological resources	56%	49%
Long-term investments	7%	0%
Current assets	46%	45%
Inventories	14%	12%
Fixed assets held for sale and discontinued operations	0%	0%
Short-term receivables, investments and cash	32%	33%

5 Business Indicators

5.1 Liquidity

A company's liquidity is defined as the ability of the company to meet its obligations on time.

- The general liquidity ratio shows the degree of coverage of obligations due for payment pertaining to short-term liabilities - how many RSD of current capital cover RSD 1 of short-term liabilities
- The reduced liquidity ratio shows the degree of coverage of short-term liabilities with liquid, easily cashable assets
- The current liquidity ratio shows the degree of coverage of short-term liabilities with cash and cash equivalents, assets in monetary form.

Description/business year	31.12.2020	31.12.2021
General liquidity ratio	1,29	1,16
Reduced liquidity ratio	0,88	0,81
Current liquidity ratio	0,15	0,08

5.2 Profitability

Profitability is one of the basic principles of reproduction, which boils down to the requirement to achieve maximum profit and return utilizing the least possible resources in the business process.

- Operating profit margin - shows the gross profit margin that the company has realized in the form of operating profit percentage share in income from regular operations, i.e. it shows how much gross earnings are generated per RSD 100 of operating income, after covering business expenses in the current year.
- Net profit margin - net profit presents the final financial result that remains after covering all operating, financial and other expenses, income tax and after adjustments made pertaining to deferred tax expenses or income
- Return on assets employed - shows the ratio of increase of total engaged operating assets, i.e. amount of gain the Company has realized per RSD 100 of engaged of assets.
- Return on capital employed - shows the profitability of own capital, i.e. how much periodic gain the Company has realized per RSD 100 of invested capital.

Description/business year	31.12.2020	31.12.2021
Operating profit margin	1,36%	0,58%
Net profit margin	1,06%	0,29%
Return on assets employed	2,61%	0,70%
Return on capital employed	4,92%	1,34%

5.3 Group Efficiency

- Accounts receivable turnover ratio - shows how many times receivables from customers are collected during the year. The larger the ratio, the more liquid and profitable the company.
- Accounts payable turnover ratio - shows how many times during the year the obligations to suppliers are settled. The smaller the ratio, the more liquid and profitable the company.
- Inventory turnover rate - shows how many times during the year there is a turnover of the company's inventory. If that ratio is divided by the number of days in a year, the average turnover period is obtained.
- Cash conversion cycle - shows the average cash turnover period - the number of days in a year that elapse from the moment of effecting of cash payment for the purchase of products to the suppliers to the moment that cash is received based on the collection of receivables from customers.

Description/business year	31.12.2020	31.12.2021
Accounts receivable turnover ratio	10,77	10,65
Accounts payable turnover ratio	8,82	9,26
Inventory turnover rate	17,85	17,31
Cash conversion cycle	13,00	15,96

5.4 Financial Structure and Safety

- Degree of indebtedness - shows how much the company is financed from borrowed sources of financing - the lower the indicator, the better the financial structure, and the safer and more solvent the company.
- Equity ratio - shows how much the company is financed from its own sources of financing - the higher the indicator, the better the financial structure, and the safer and more solvent the company.
- Interest coverage ratio - shows to what degree business profit is burdened with expenses, i.e. how many RSD of business profit does the company have at its disposal to cover RSD 1 of interest expenses - the higher the indicator, the better the financial structure.

Description/business year	31.12.2020	31.12.2021
Degree of indebtedness	46%	50%
Equity ratio	54%	50%
Interest coverage ratio	10,75	2,72

6. Socially Responsible Business

Our corporate social responsibility policy is based on ethical business practices and our endeavor to help create a better environment for our employees, partners and the wider social community, while at the same time achieving good business results and a high degree of responsibility towards the environment.

The products we distribute are of high and consistent quality, and our entire business is focused on meeting the requirements of our clients and consumers, which is confirmed by the ISO 9001 certificate we possess. All our facilities are designed and constructed in a way which ensures that environmental protection, and occupational safety measures are observed within the entire Company. We build cooperation with our partners exclusively on the bases of mutual respect and trust.

We have launched a number of important projects, and as one of the most extensive we would single out the financing of the interchange in Dobanovci the construction of which had resulted in a significant easing of traffic congestion in the town center and hence a reduction of noise and pollution level and an increase in the quality of life of the local population.

Special attention is paid to children, who are continuously provided with various types of support. Efforts to support young people were initially focused on donations granted to schools and homes for orphans and abandoned children. The strategy of socially responsible business that Nelt Group has been implementing in the last few years involves supporting of and providing new opportunities to the most talented students studying in faculties in Serbia.

Our contribution to the improvement of the quality of life of our employees and the entire local community was and will remain one of the most important goals and guidelines when making business decisions.

7. Significant Business Events After Balance Sheet Date

In compliance with IAS 10, "Events after the reporting period", we have not determined the existence of any events which may affect or affect the truthfulness and objectivity of the financial statements for the year ended December 31st, 2021, nor would such events require corrections to the financial statements.

8. Risks and Uncertainties

According to the data of our Management, there are no risks and uncertainties that can significantly affect the Company's current position.

9. Business Risks

9.1 Market Risk

In its operations, the Company is exposed to financial risks from changes in foreign currency exchange rates and changes in interest rates. Exposure to market risk is assessed through sensitivity analysis. There were no significant changes in the Company's exposure to market risk, nor in the manner in which the Company manages or measures such risk.

9.1.1 Foreign Exchange Risk

The Company is exposed to foreign exchange risk primarily through cash and cash equivalents, receivables from customers, as well as long-term loans and liabilities to suppliers denominated in foreign currency. The Company uses financial instruments to hedge foreign exchange risk for the kwanza (Angola). For this purpose, state bonds were purchased in the total amount of RSD 1,903,952 thousand.

9.1.2 Interest Rate Risk

The Company is exposed to risk associated with changes of interest rate on assets and liabilities where the interest rate is variable. This risk depends on the financial market, and the Company does not have instruments available to mitigate its impact. The book value of financial assets and liabilities at the end of the observed period is given in the following overview

in RSD thousand	31.12.2021	31.12.2020
Financial assets		
Non-interest bearing		
Investments in capital of other legal entities	31.052	38.181
Receivables	3.521	2.322
Other long-term receivables	8.655.184	7.597.628
Other short-term receivables	7.753	7.026
Short-term financial investments	111.343	176.950
Cash and cash equivalents	1.289.687	287.238
	1.220.598	1.821.356
	11.319.138	9.930.701

With fixed interest rate		
Securities held to maturity	65.437	777.941
Short-term financial	254.358	271.472
Long-term financial investments in the country	-	1.632.425
	319.795	2.681.838
In total	11.638.933	12.612.539

Financial liabilities		
Non-interest bearing		
Other short-term financial liabilities	11.944	1.109
Operating liabilities	8.942.458	8.193.533
Other liabilities	57.646	38.771
	9.012.048	8.233.413

With a fixed interest rate		
Short-term loans and borrowings from parent companies and subsidiaries	270.439	353.441
Short-term loans in the country	1.015.038	306.319
	1.285.477	659.760

With a variable interest rate		
Long-term loans in the country	4.910.332	3.711.302
Short-term loans in the country	1.270.026	280.423
	6.180.358	3.991.725
In total	16.477.883	12.884.898

9.2 Credit Risk

The Company is exposed to credit risk, namely the risk that debtors will not be able to pay their debts to the Company in full and in a timely manner, which would result in a financial loss for the Company. The Company is exposed to this risk based on various types of financial instruments, such as receivables from customers, granted loans, etc. The maximum exposure to this risk is up to the amount of the book value of these financial assets which as of December 31st is as follows:

in RSD thousand	31.12.2021	31.12.2020.
Investments in the capital of other legal entities	31.052	38.181
Securities held to maturity	65.437	777.941
Long-term financial investments in the country	0	1.632.425
Other long-term financial investments	3.521	2.322
Receivables	8.655.184	7.597.628
Other long-term receivables	7.753	7.026
Other short-term receivables	111.342	176.950
Short-term financial investments	1.544.045	558.710
Cash equivalents and cash	1.220.598	1.821.356
Total financial assets	11.638.9334	12.612.539

The Company continuously monitors collections from clients and other business partners. If necessary, external sources are used for credit rating assessment. The Company's policy is to do business only with creditworthy partners.

The Company's management is of the opinion that all the stated financial assets, that have not already been devalued and due as of December 31st, have a good credit rating.

9.3 Liquidity Risk

The final responsibility for managing of liquidity risk rests with the Company's management, which has established an appropriate management system for the needs of the Company's short-term, mid-term and long-term financing as well as liquidity management. The Company manages liquidity risk by maintaining adequate cash reserves, continuously monitoring the planned and actual cash flow, as well as maintaining an adequate ratio of maturity of financial assets and liabilities.

10. Environmental Protection

With the aim of fully harmonizing our business with the principles of sustainability, we have recognized environmental protection as our long-term strategic direction. As part of the quality management system, we are continuously improving our environmental management system. We have defined priorities in this area. These are, above all, the rational use of natural resources, as well as the use of technology, equipment and materials that reduce harmful effects on the environment. In view of our primary impacts, which are realized through transport, we have implemented a number of initiatives to reduce harmful emissions. We pay special attention to waste care and promotion of this topic within relevant business associations.

10.1. Transport Optimization

In view of the nature of our core activity Nelt's greatest impact on the environment is realized through transport - international and domestic. Goods are transported by a large fleet of delivery vehicles, with different temperature regimes and load capacities. All vehicles are equipped with GPS devices, and the organization, control and monitoring of all transport and delivery routes is carried out using a modern software solution for the organization and optimization of transport. Since January 2022, we have implemented a new software solution for optimization of delivery and sales routes. During 2021, our multifunctional project team, together with our partner INFORA, worked on the development of a software solution that would enable us to be more efficient in optimizing sales and delivery routes. The project started on January 31st, 2022. With the automatization, which this new solution provides, we want to achieve greater efficiency, optimization and rationalization of time and other resources with the aim of upgrading of our service quality.

Delivery vehicles are equipped with PDA devices that enable our drivers to view in detail all parameters related to delivery, such as route details, overview of delivery notes, status of

delivery tasks, navigation according to delivery plan. In order to have a positive impact on the reduction of fuel consumption, route optimization software provides a plan for optimal vehicle movement routes. The program provides a proposal for the placement of goods within the vehicle according to established routes (last in - first out). This directly affects the length of the route and reduces the number of delivery vehicles to a minimum.

When it comes to international transport, our fleet includes different types of transport vehicles - hauler trucks and semi-trailers, carrying capacity up to 24 tons. Clients are provided with accurate and timely supply of their consumers in the territory of Central and Southeastern Europe. All vehicles are equipped with GPS devices, and the organization, control and monitoring of all transport and delivery routes is carried out using a modern software solution for the organization and optimization of transport.

In Nelt Group, we continuously keep ourselves informed about alternative types of fuel available on the market. In order to be integrated into the system, the new drive power has to support the existing performance of transport vehicles, and at the same time be cleaner, safer and must not present a cost-burden to the Company's business sustainability.

Nowadays there are many energy and power technologies available for vehicles. Some are in their initial phases of implementation, almost still in experimental phase. One of the solutions which is more advantages than the use of oil derivatives is compressed natural gas (CNG). Although it is a fossil fuel, it presents the cleanest fuel. The products of combustion of natural gas, in the largest percentage consist of methane, as well as a smaller percentage of carbon dioxide and water vapor, in contrast to oil derivatives, which produce significant amounts of carbon, nitrogen oxide and sulfur dioxide, which are far more damaging to the Earth's atmosphere.

10.2. Energy

Rational consumption of non-renewable energy sources presents an integral part of the strategy implemented by all companies belonging to Nelt Group. In addition to transport, significant energy consumption results from the use of natural gas for heating, as well as consumption of electricity.

The implemented SCADA system contributes to the optimization of gas use, and thus to the overall reduction of energy consumption. In order to further optimize and improve the processes, new smart devices and sensors were added to the SCADA system over time, which contributed to further reductions of the impact on the Company's carbon footprint. The elements of the system that independently monitor the internal and external temperature and decide when certain systems should be activated, have been connected. This resulted in the reduction of energy consumption for heating, cooling and ventilation in warehouses. It has been perfected to the extent that, if necessary, outside air is used to secure the desired conditions in the warehouse space. Temperature and humidity sensors have also been installed, which the system can report

on in the form of a tabular overviews of measured values. It is also possible to send notifications via SMS messages to responsible persons in Nelt Group in case of situations which require an urgent response.

For the purpose of heating of the new smart hall, put into operation in the second half of 2019, a heating system powered by a more energy-efficient fuel – pellets, was designed and executed. At the same time, the existing hall was connected to the new heating system, which, by changing the energy source, has reduced the impact on the environment due to the fact that pellets have a better energy potential than wood, as well as lower CO₂ emissions.

10.3. Waste Management and Recycling

Paying attention to waste care and consumption of non-renewable resources presents an integral part of our Company's business strategy and quality policy. We have been achieving national environmental protection goals for more than fifteen years, the last six of which in cooperation with Sekopak, an operator for packaging waste management.

Sekopak has awarded Nelt a certificate for its contribution to saving CO₂ emissions of 836.5 tons.

In 2020 recorded savings were at the same level as the previous year.

The participation of our Company in the system of packaging waste management operators contributes to the reduction of the amount of packaging waste that ends up in landfills, and thus the reduction of generated CO₂ emissions. The achievements realized in 2020 ensured the reuse of more than two thousand tons of collected waste.

The cooperation between Nelt and Sekopak dates back to 2016. In addition to the systematic management of waste flows, all Nelt employees contribute to environmental protection - from the employees in the warehouses, who collect and separate waste during the preparation of goods for distribution, to the employees in the offices who use separators installed in buildings and recycling islands installed at designated locations in Nelt's distribution logistics centers in Dobanovci, Nis, Novi Sad and Kraljevo. Waste classified in this way, together with packaging waste generated from the work process in the warehouses, is collected and pressed in the eco yard, located adjacent to Hall 2 in Dobanovci.

With the Digital Delivery project, which we launched in 2020, our logistics processes were significantly automated, with gradual withdrawal of hard copy documents from use, so that in the future, as a final result, we will be using exclusively digital documentation. At the end of 2021, we have already achieved a significant reduction in paper consumption. We use 80,000 sheets of copy printer paper weekly, i.e. 160 copy printer paper packs less, the total weight of which amounts to 400 kg. With a saving of almost 25% on corrected documents, it means that we use 1.6 tons of paper less per month. In this way, we save 444 trees per year which would be used for paper production.

11 Fight Against Corruption and Issues Related to Bribery

Doing business in compliance with the legal framework, including the right to competition, presents one of the basic values on which the business of all members of the Group is based. Our Antimonopoly Team, formed 15 years ago, has the primary task of continuously spreading the awareness of the importance of the Competition Law, bearing in mind the negative consequences that non-compliance can have on Nelt Group's operations. From its formation to the present, the Team has designed and implemented a large number of activities aimed at educating employees in the field of Competition Law. Special internal guidelines have been defined that regulate anti-corruption and competition protection fields. They are documented in the publications Rulebook on Conduct, Principles and Rules on Compliance with Anti-corruption Laws and Regulations, Rulebook on Protection of Competition.

The Rulebook of Conduct contains basic elements related to conflict of interest and competition and presents the basis of professional conduct. The Rulebook recognizes the conflicts of interest which may arise directly between the activities of the Company and its employees, and between the interests of the Company and other jobs or private interests in which the employee is involved outside of his/her job in the Company.

When it comes to the prevention of corruption, employees are obliged to work in the Company interest in relations with competitors, suppliers, clients and third parties, not to use their position in the Company or business and other information at their disposal in order to achieve personal benefit from these interested parties. Giving and promising bribes, providing incorrect information and statements, as well as concealing information are strictly prohibited. Collecting information about the competition, as well as products and services of the competition, solely within the limits defined by the Law, is permitted.

In addition, in cooperation with consulting firms specialized in this field, workshops are conducted for all Nelt Group's employees who, as part of their duties, participate in negotiations with principals.

11.1. Legal Compliance & Ethics Team of Nelt Group

Nelt Group's Legal Compliance & Ethics Team was formed in 2019 with the aim of monitoring Nelt Group's business compliance with laws, by-laws and other regulations, principal requirements and internal Company policies, as well as procedures and principles of good business practice. The purpose of the Team is to perform primarily preventive activities the goal of which is to legally protect the Group and avoid fines on any grounds whatsoever.

The Team provides legal advice, consulting services and answers to specific inquiries from all Departments. The Team also, on a regular basis, informs about adopted laws and changes in regulations of importance to Nelt Group and their practical consequences on business operations.

It consists of 14 legal representatives of the companies, including Neoplanta, and Baby Food Factory. Opinions on most complex legal questions are given by the Steering Committee, consisting of 5 most experienced members of the Team with finished bar exams. The Team incorporates the Antimonopoly and Anticorruption Team (2007), which has been expanded to include members from the Internal Audit Department, Distribution Department and Internal Communications Department, as well as the Contract Review Committee (2016), responsible for review, analysis and comments on contracts. Also, if necessary, Project Teams are formed for the implementation of the Group's legal compliance issues. Current projects relate to the implementation of GDPR and legal requirements regarding personal data, as well as the Legal Guide pertaining to the most important legal aspects of business.

11.2. Legal Publications of Nelt Group

Nelt Group is aware of how important it is to recognize business risks and possible consequences on time and direct resources to eliminate the risk or reduce it to the smallest possible level. The role and importance of the Legal Department in the modern corporation is therefore multifaceted. It ensures that business operations are carried out in compliance with legal regulations, represents the Company before competent authorities, gives legal opinions and advice, interprets laws and provides support in contracting processes.

One of the key tools for such preventive activities is to have business operations carried out in compliance with current laws, by-laws and other positive regulations. In order to provide timely and accurate information, the Legal Team has drafted and prepared the publication The Legal Informer. Each issue of The Legal Informer is carefully and dedicatedly prepared so that it presents a reviewed and clear cross-section of the changes in regulations in the previous period, comments and instructions for the implementation of the law, practices of state authorities responsible for the implementation and interpretation of the regulations, as well as answers to the most frequently asked questions in practice.

The Legal Team in addition to the Legal Guide to Nelt Group's business operations, issues the following publications: The Legal Informer, Work Activities-Law Handbook, Glossary of AMT Terms, Nelt Group's Compliance Program with the Law of Competition Protection as well as other instructive and binding acts and guides.

11.3. Internal Control and Internal Audit

Macroeconomic trends and changes have influenced the evolution of the internal audit profession. The risk scene in organizations outside of the Group is developing much faster than before, which means that internal audit is developing faster, enabling activities to be carried out at a speed in accordance with risk exposures.

The previous, "old" model focuses on three lines of defense consisting of operational management, risk monitoring and internal audit. The new model, applied in Nelt Group, includes all of this with a focus on cooperation and objective alignment of lines leading to a greater

security efficiency in business operations. The new model provides a timely evolution of a reliable tool. The word "defense" has disappeared in the new model. The emphasis is on the need for all parts of the organization to focus on the goal of management, assessment and reporting on the level of certainty of goal achievement.

With the new model, we insist on the regular interaction between the internal audit and the management. A significant change is actually the greater involvement of management bodies. The Three Lines Model clearly defines the roles and responsibilities of the governing body, as well as executive management and internal audit. These roles are not limited to risk management, but are focused on overall management of the Company. In addition, it emphasizes the importance of communication and cooperation of all parts of the organization. Internal audit, although an independent function is not isolated, because in order to perform its function it must understand the organization from the inside. Only, when all parts of the organization work together, with aligned goals, the Company will operate efficiently and will be able to achieve its goals.

12. Social and Personnel Issues and Respect of Human Rights

Satisfied and motivated employees make a Company successful. That's why in Nelt Group we strive to hire, develop and retain people with potential, as well as to create a pleasant and stimulating work environment that will inspire employees in their daily work.

The activities we carry out in the local communities where we operate are aimed at establishing strategic cooperation with faculties, by helping students gain insight into the real sector, applying in practice what they have learned, and organizing specialized programs for talented students.

Different types of support for venerable social groups present another, extremely important, area of socially responsible activities we are engaged in. We pay special attention to children from different social groups who need special care and support in the course of their upbringing.

12.1. Company Values

We are convinced that for the long-term success of the company, two factors are equally important: financial capital and human resources. We create a business culture that is based on clearly and precisely defined values that support the fulfillment of our vision, that is to say, values which distinctly express what we, as an organization, cherish the most. Corporate values define how we treat each other, our customers, partners, and the Company itself.

Nelt Group's values are:

1. Caring for others – Supporting each other in order to remain at the top - because we insist on respecting all people, no matter where they work, what position they hold.
2. Winning mentality - Always one step higher - because we want to keep winning.

3. Long-term perspective - The future starts today - because we want to remain on the scene for another 25 years.

4. Innovation - New ideas and new possibilities - because we must continue to apply new technologies and approach challenges with modern and efficient solutions.

5. Personal responsibility - Team starts with YOU - because each of us represents Nelt, wherever we are. We want to promote a positive attitude towards the Company and a responsible manner of doing business performed by diligent individuals.

Each of Nelt Group's values implies the following behavior that represented the stated values:

Caring for Others

- Motivates colleagues with positive attitudes, builds relationships based on trust and supports team work
- Treats colleagues the same way he/she would like to be treated
- Communicates clearly, openly and sincerely and respects different opinion

Winning Mentality

- Sets and accepts ambitious goals, possesses a +1 mentality trying to go at least one step further than expected
- Believes in joint success and emphasizes and praises it each day
- Undertakes sound risks, and looks on failures as experiences from which one can learn

Long-term Perspective

- Does that which is in compliance with the long-term interests of the Company and not that which is beneficial for just a short-term or easily achievable
- Builds and develops partnering relationships with everyone he/she collaborates with internally and externally
- Recognizes and understands the needs of our service users as well as the community in which he/she operates

Innovativeness

- Invests in personal development and development of colleagues through constant learning of new things and sharing of knowledge and experience
- Bravely proposes new ideas grounded on sound reasoning and encourages colleagues to do the same
- Supports innovations and accepts changes because he/she understands their importance for the further success of the Company

Personal Responsibility

- Treats Company resources like they were his/her own property
- Makes decisions in his/her jurisdiction, takes responsibility for them and is prepared to discuss the decisions he/she has made
- Takes care of his/her safety and the safety of his/her colleagues

Campaign "Praise Your Colleague"

The goal of this campaign is to recognize employees who exemplify desired corporate behavior and values which the Company wants to nurture. All employees are invited to praise colleagues whose behavior and work motivates and encourages them. About 4,000 filled-out forms were received at the Nelt Group level for the election of Best Colleague 2020, while as many as 6,500 forms with praise from colleagues were received for 2021. Year after year, our colleagues, fostering the culture of praise, encourage team spirit and collegial relations.

12.2. Safety and Health of Employees

The occupational safety and health system (OHS) pertaining to Nelt Group's employees is based on the prevention of occupational injuries, occupational diseases or damage to health. It is carried out at the workplace and in the working environment. The OSH Team consists of a coordinator, a deputy and nine members, compliant with the normative and legal regulations as well as best global practices, working in close collaboration with various state bodies and inspections. The OSH system aims to build and improve relations between employees, upgrade working conditions, and give a sense of safety and satisfaction at work by applying adequate measures, as essential prerequisites for the development, productivity and competitiveness of our Company on the market. Recording and analysis of the implementation of preventive and corrective measures, the number and type of injuries at work, and dangerous and harmful occurrences, present important activities and are followed by drafting of reports with conclusions and improvement proposals.

Employees have the possibility to at all times communicate personally, or via telephone or e-mail with Team members, in case they have suggestions and requests related to occupation safety and health.

Training in the Safe Use of Forklifts

Professional training for handling of forklifts provided to our colleagues from the Warehouse and Delivery Department is realized with the professional support of lecturers and instructors from partner companies, specialized for this type of training, and our Company's OSH Team. The method applied to explain the correct and safe use of forklifts in daily work activities, the approach to finding answers to numerous specificities of use and the way of facing accompanying challenges and risks in the work processes, has proven to be very effective.

12.3. Employee Health

All employees, regardless of the type of contract under which they are hired, are provided with health care, the right to maternity leave, and are insured against injuries and accidents during and outside of working hours, throughout the year.

Nelt Group provides support to all working mothers in the desire to provide them with conditions which will help them to, with more ease, establish a balance on the private and professional level. In all the companies of Nelt Group, working mothers on maternity leave are paid the full amount of the contracted salary for a period of up to 12 months. During the mentioned period, all employees on maternity leave, who earn a part of their salary through incentives, also receive a six-month average of achieved incentives. They are also able to keep all additional benefits, which they realize at their work position in the Company.

The Company focuses special care on the period of their return to work, when it is most important to establish a balance between work tasks and parental responsibilities. Upon returning to work, employees have the option to work 60% of the working time in the first month and earn 100% of their salary, while in the second month after their return, they have the option of working 80% of the working time for 80% of their salary. These benefits also apply to employees who are currently on maternity leave for the remaining period of their leave.

Caring for Employees During the Pandemic

Caring for people is one of our primary values, and in 2021, we devoted special attention to the health of our employees. In cooperation with MediGroup Clinics, a physical examination campaign was launched for all employees in Serbia who had expressed the desire to be examined. Over 800 general and specialist examinations were carried out from April to October 2021. The physical examinations for employees took over the role of our campaign, "Company Doctor". The current program of free examinations for employees presents a continuation of this initiative. This time, we have focused our attention on the state of health in the post COVID-19 period.

Vaccination With the Assistance of Nelt

One of the activities that we organized during the pandemic, in order to protect the health and safety of our employees, was vaccination with the assistance of our Company. Appointments and transportation to vaccination points were organized for all employees who expressed a desire to be vaccinated.

Education and Information From Relevant Sources

Since the announcement of the pandemic, Nelt Group's Crisis Team has been trying to provide timely and accurate information to employees in Nelt's large organization. We conducted additional activities when it was necessary to discuss the topic in more detail or better understand the current situation. We organized online meetings and spoke with virologists, infectious disease experts, and psychologists. We talked with our guests about the immunization

process in Serbia, the importance of vaccination, credible sources, scientific facts, but also the harmful impact of misinformation. They gave answers to questions related to the immunization process in Serbia, highlighted the harmful impact of misinformation on the formation of public opinion and drew attention to the importance of relevant, scientific sources.

Providing Free Fruits and Vitamins to Employees

Strengthening and maintaining immunity during the epidemic is one of the key recommendations of doctors. In addition to all precautionary measures, at Nelt we continuously implemented the action of providing fruits and vitamins to employees, primarily, to our most exposed - colleagues working in Warehouse and Delivery.

12.4. Training for Employees of Nelt Group

In order to realize the established goals and maintain the leading position in the very demanding and constantly changing market, it is necessary for employees to be motivated and possess the necessary knowledge and skills. That is why, pertaining to the development of Nelt's employees, Nelt Group's approach is to organize planned functional, professional and soft skills courses. In the aim of this internal workshops and courses are organized, as well as participations in external thematic events.

Take Your Career Into Your Own Hands

All employees, regardless of the Department in which they work, presents a part of implemented transformations and changes. When it comes to education, development and motivation of employees, the role of HR is to help them adapt more easily to changes in their environment. The high specialization and complexity of the system has resulted in the reduced understanding of the functioning of the Company as a whole, and we were faced with the challenge of how to change this situation. In order to somehow place all this in the framework of the real world of business, we listened very carefully to the needs of our organization and areas that needed improvement,

This is how the idea was born to launch a project which aims to provide employees with continuity in the process of learning and acquiring additional skills, create additional benefit in the context of development of employees and internal lecturers, create a greater sense of belonging within the Company, achieve greater cross-department connection and understanding of the wider business picture.

The project lasted one year and consisted of four modules, all well adapted to the needs of our employees. Each module contained several workshops dealing with one area (soft skills, finance, logistics, distribution) which were of open type. The duration of each workshop was 3 hours, and employees had the option to register at their own initiative for workshops which they want to attend.

During 2020, 94 workshops were held, with the attendance of as many as 2,177 employees. In 2021, 47 workshops were held, with the attendance of as many as 2,287 employees. The

workshops were held by our employees from different fields of expertise, and during these two years, as many as 80 of our employees found themselves in the role of lecturers.

Courses realized as part of the project Take Your Career Into Your Own Hands

<p>Soft skills 2020/2021:</p> <ul style="list-style-type: none"> • Managing Emotions and Emotional Intelligence • Presentation Skills • Management of Remote Teams • Resilience and Change Management • Stress Management • Project Management • Conflict Management • Overcoming of Procrastination and Self-motivation • Communication Skills • Team Management • Providing Feedback • Presentation Skills • EXCEL 	<p>Logistics 2020/2021</p> <ul style="list-style-type: none"> • Storage • Delivery • LSP • CRM • Maintenance • Digitization of Processes, Department of Maintenance and Delivery • Reporting in Logistics, Department of Storage and Delivery • Inventory Planning • Supply Chain - Function and Importance
<p>Finances 2020/2021</p> <ul style="list-style-type: none"> • Basic Financial Reports • Management Reporting • Budgeting Process and Profitability Analysis • Commercial Finance • Taxes • Wise Financial Management • Budgeting Process and Management Reporting • Risks and Insurance • Connection of all Departments With Finance 	<p>Distribution 2020/2021</p> <ul style="list-style-type: none"> • Basics of Sales • Trade Marketing • Negotiation Skills • Category Management • Finance in Sales • Analysis of Sales and Promo&Pricing • Pharmacy • E-commerce • Long-term Planning and the Importance of Sales Planning

CHARGE YOUR LEADERSHIP DEVELOPMENT PROGRAM

At Nelt Group, we strive to recognize and nurture our employee's talents. That's why we created a leadership skills development program called "Charge Your Leadership" for employees within the Nelt Group talent pool.

The aim of the program is to provide employees with the necessary knowledge in the domain of leadership, soft skills, functional skills and business.

Employees have the opportunity to continuously learn, develop, and acquire the necessary knowledge and skills for their future positions. Education is fully adapted to the needs of the organization. The program is implemented on several levels - depending on the level of development, current roles and responsibilities and includes different topics.

Some of the topics discussed during the program are: Active Listening, Assertive Communication, Communication Influence Skills, EQ and SQ, Stress Management - Adequate Response Techniques in Stressful Situations, Self-management in Times of Change, Situational Leadership Approach, Defining and Communicating of Goals, Monitoring and Implementation of Plans, Decision-Making, Employee Motivation, Workplace Coaching Approach, Strategic Thinking, Cross-Functional Collaboration, Innovation Methods, Change Management.

During 2020, 39 employees participated in the program, four modules were realized - thematic units, which presents almost 120 hours of educational content and work - both individual and in groups. In 2021, we expanded the program to a larger number of positions, and this year 79 employees were included in the program, 2 program modalities were realized, and 9 different modules implemented, which is close to 200 hours of educational and development content.

NELT SALES ACADEMY

Nelt Sales Academy presents a comprehensive and precise training program for employees in all positions within the Distribution Department. Training courses were created by combining materials, exercises and best practices of Nelt's partners with the knowledge and experience of our Company. These courses are interactive and contain examples and real-life situations occurring in work with customers.

Training programs are conducted by the Sales Capability Team, which consists of Sales Development Manager at Nelt Group, Executive Director of HR Department at Nelt Group and 16 internal lecturers, employed in various markets and positions within the Distribution Department.

ONBOARDING - the aim of the training course is to, via the E-learning platform, give the newly hired colleagues the opportunity to have basic training courses implementing one of our introductory programs - the Induction Program, which provides information about our Group, the principles we implement when building a partnership, the Group's vision and mission, quality control, as well as our 2020 vision, and our +1 Mentality.

RETAIL MATH - training with a focus on upgrading of business and financial skills, communication, sales math, claim resolving skills, building relationships with customers and presenting our initiatives through sales figures.

MERCHANDISING TRAINING PROGRAM AND MERCHANDISING WORKSHOP - created with the aim of upgrading of knowledge and skills of planning visits to sales outlets, better understanding and use of basic elements for quality positioning and strategic approach to sales promotion.

CUSTOMER TRAINING PROGRAM - aims to upgrade the skills of planning and organization, communication, sales, in-store activation, DPSM, SMART goal, resolving claims and building relationships with customers.

LEADERSHIP & ON THE JOB TRAINING PROGRAM - is intended for all employees who are team leaders. The focus is on the importance of the manager's role in employees development, skill assessment standards for Sales Team and devising of action plan. Practical exercises are also used to improve the standards of On the Job training.

COMMUNICATION SKILLS - deals with effective communication skills, active listening, non-verbal communication, means of internal communication, assertive communication and resolving claims.

SALES WORKSHOP - aims to upgrade skills related to product promotion, communication, sales, in-store activation, DPSM, SMART goal, resolving claims and building relationships with customers.

FOREIGN TRADE – has as its goal the organization and delivery of goods (international transport, insurance, forwarding, customs clearance, warehousing), i.e. the provision of services, transfer of rights, knowledge and technologies and the execution of work activities, study of domestic and foreign trade, establishing business contacts.

POWER BI is a set of business analytics tools for data sharing and analysis, which is automatically updated after every change, thus enabling access to the latest data. The aim of the training was to, in a single place, provide database access with the most important indicators, by reading reports, visualization and creating of fields through practical exercises.

CONTACT CENTER AND TELESALES – a training course which familiarizes employees with work of the Contact Center by providing information on requirements received by operators, exercises in mental preparation, active listening and manner of communication with clients, followed by instructions on how to recognize different types of customers, effective presentation of products and resolving of claims.

KEY ACCOUNT MANAGEMENT TRAINING

Consists of 14 specifically created training modules which include units which are of help in everyday work. The goal of the program is to upgrade planning and organization skills, as well as skills pertaining to business finance (P&L), communication, sales, effective negotiation, in-store activation, providing feedback and building relationships with customers. The training includes practical exercises with real-life on site examples from different fields

SUCCESSFUL SELLING SKILLS TRAINING

It consists of 5 training modules. The goal are getting better acquainted with the Group and people development methodology, upgrading of manner of product positioning in the pharmacy, sales skills, resolving claims as part of daily work activities.

Nelt Sales Academy in Africa

We transferred the long-term practice of the Nelt Sales Academy to the African markets where we operate. We worked on the skills of advanced planning, preparation, sales and implementation of agreements with customers. These programs are of exceptional importance because they provide insight into the basics of sales as the foundation of our sales organization and merchandising as one of the most important steps in the sales process. **End of entry**

Super Seller- Nelt's Application for Fun Learning in the Field of Sales

Launched in mid 2020, the educational application for smart phones "Super Seller" was designed for employees in our Distribution Department. It was designed as a tool for simple, interactive and interesting acquisition and refreshing of knowledge in the field of sales.

Super Seller is an Android quiz application with a palette of 150 questions, among which 100 are theoretical and 50 mathematical. The questions were taken from the training program of Nelt Sales Academy and additionally adjusted for a better user experience on the phone.

12.5. RESPONSIBILITY FOR THE WORKING ENVIRONMENT

All employees in companies of Nelt Group have equal rights, including the right to freely express their opinion, the right to safety at workplace and the right to work in a professional environment. It is the duty of every company to ensure an environment without discrimination. In accordance with the Rules of Conduct, all forms of mobbing are prohibited, as is the misuse of abuse protection right. The Company, as well as all employees who become aware of behavior that they justifiably believe constitutes abuse at work, have the right to initiate a procedure for protection against abuse at work via a reasoned request.

The success of the Company is achieved by good and motivated employees. That is why companies of Nelt Group aspire to hire, develop and retain people with potential, as well as to

create a pleasant and stimulating work environment that will inspire employees in their daily work. Caring for people, long-term perspective, innovation, personal responsibility and winning mentality are values that are promoted and present the basis of excellence and professional progress. Being employed at Nelt means being part of a renowned international system that provides its employees with various training and development programs. The possibility of employee advancement within the Company is one of the most important principles of Nelt Group. All employees who have been with the Company for a year can apply for newly opened job positions if they meet the specified requirements. All employees at Nelt are employed full-time. The Company does not permanently employ third parties. In Nelt, there is no Collective Agreement between the Company and employee representatives. When it comes to employment, Nelt offers equal opportunities to all candidates, encouraging and supporting diversity, without discrimination regarding gender, age, religion, nationality and race.

Ranko Socanac
Legal Representative
(Affixed handwritten signature)


Ranko Soćanac

Zakonski zastupnik

MilicaTrajkovic
Accounting and Tax Manager
(Affixed handwritten signature)


Milica Trajković
Menadžer računovodstva i
poreza

Affixed round seal: Nelt Co. Ltd.
Company for Foreign and Domestic Trade and Services

