



# QUARTERLY REPORT FOR FIRST QUARTER OF 2021

The Quarterly Report for First Quarter of 2021 presents a factual overview of NIS Group's activities, development and performance in first three months of 2020. The Report covers and presents data for NIS Group, comprising NIS j.s.c. Novi Sad and its subsidiaries. If the data pertain only to certain individual subsidiaries or only NIS j.s.c. Novi Sad, it is so noted in the Report. The terms: 'NIS j.s.c. Novi Sad' and 'the Company' denote the parent company NIS j.s.c. Novi Sad, whereas the terms 'NIS' and 'NIS Group' pertain to NIS j.s.c. Novi Sad with its subsidiaries.

The Quarterly Report for first quarter of 2021 is compiled in Serbian, English and Russian. In case of any discrepancy, the Serbian version shall be given precedence.

The Quarterly Report for First Quarter of 2021 is also available online on the corporate website. For any additional information on NIS Group, visit the corporate website [www.nis.eu](http://www.nis.eu).

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## Foreword

In the first quarter of 2021, the NIS Group operated in circumstances of prolonged instability as a consequence of the COVID-19 pandemic. However, measures implemented to increase operational efficiency and financial discipline at all Company levels, as well as higher oil prices on the global market, together with a slight recovery of oil demand, gave way to financial results that are many times better than those achieved in the first quarter of last year. The average price of Brent crude oil in the period January to March 2021 was 60.9 dollars per barrel, which is 21% more than in the comparable reporting period.

In such circumstances, the net profit generated by NIS Group in the first three months of the current year was 1.5 billion RSD, which is much better than last year's result, when a net loss of 1.1 billion RSD was recorded. EBITDA indicator rose to 9.4 billion RSD, which is 81% more than achieved in the first quarter of 2020. At the same time, NIS continued to implement development projects and invested 4.1 billion RSD in the period from January to March. NIS Group's liabilities for taxes and other public revenues amounted to 44.6 billion RSD, which is a 12% increase from the first quarter of last year.

When it comes to operational indicators, in the first quarter of 2021, the total volume of production amounted to 292 thousand tonnes of oil and oil equivalent, which is an 8% decrease compared to the same period last year. At the same time, NIS continued to develop its assets in Serbia and the region, while Naftagas Naftni servisi, a subsidiary of NIS, successfully implemented a 3D seismic survey project in southeastern Turkey, for the Turkish national oil company Turkiye Petrolleri Anonim Ortakligi (TPAO). In the Obudovac region of Republika Srpska, 2D seismic surveys were started.

In the first quarter of 2021, the Pancevo Oil Refinery processed 752 thousand tonnes of oil and semi-finished products, which is 13% lower than in the same period last year. The reduced volume of processing is a consequence of the scheduled downtime in the Refinery in March for implementing investment maintenance projects. The third phase of modernisation of the Refinery began in 2021. Its primary goal is to implement the transition from the technology of the fluid catalytic cracking plant (FCC) to modern INDMAX technology, as well as to build a new ETBE (Ethyl tert-butyl ether) plant, also by introducing new technology.

The total turnover of the NIS Group in the first quarter amounted to 782 thousand tonnes, which is a 0.3% increase from the turnover in the period January to March last year. Also, the modernisation and development of the NIS retail network were continued. The Sjenica 2 petrol station was opened, and the construction of Sokolići 1 petrol station was started, which is scheduled to open this year on the "Miloš Veliki" Expressway. In the first quarter of 2021, the development of the mobile Drive.Go application allowing its users to pay for fuel was continued, and additional functionalities were developed - personalised offers and notifications.

In the field of energy, the construction of TE-TO Pancevo was continued in cooperation with the company "Gazprom energoholding", and its commissioning is expected this year. The speed of implementation of this project is still under a significant impact of the circumstances related to the coronavirus pandemic.

In this reporting period, NIS continued its cooperation with the community it operates in. A new season of student internship program called "NIS Calling" was started, enabling students to get internships in the company. Likewise, the Company endorsed the procurement of equipment for the computer science classroom in the Mathematical Gymnasium in Belgrade, and for the Russian language study room in the Šabac Gymnasium. The Faculty of Electronics in Niš awarded NIS a certificate of appreciation for outstanding contribution to the work and development of that faculty.

Having in mind that the business operations of NIS are continuing amid complex macroeconomic circumstances, its priority for the rest of the year will be to maintain financial discipline and strive to improve systemic efficiency in all areas. These measures, together with the continued implementation of capital projects, will pave the way for further development of NIS for the benefit of its shareholders, employees and the wider community.

# Business report

## Highlights

### January - March



- Completed drilling of 12 development wells and 9 development wells commissioned
- Seismic works completed (production) on the 3D Varinca project in Turkey
- A new deposit was opened in the Iđoš field
- Beginning of seismic works (production) on the 2D project Obudovac in Bosnia & Herzegovina

- Completed complex seismic geological interpretation of 3D seismic data Mokrin-Kikinda-Phase 1
- Beginning of overhaul works related to BVS-1 in Romania
- Provision of the necessary supplies, due to uninterrupted dispatch and regular supply of the market with all types of products during the plant stoppage in March 2021
- Planned overhaul stoppage of the plant carried out
- Implementation of 12 investment maintenance projects during the planned stoppage
- The beginning of the third phase of the modernization of the Refinery - a contract was signed with the renowned company "Amec Foster Wheeler Italiana Srl" (Wood Group) on the preparation of the FEED (Front End Engineering Design) documentation for the purposes of the FCC reconstruction project and the construction of a new ETBE plant
- Continuity in the use of the "CE" marking for polymer modified bitumen is ensured, thus enabling the continued marketing of this product in the European Union
- The previously rented and rebranded Sjenica 2 petrol station was put in operation under the NIS brand.
- The company started construction of new highway petrol station, Sokolici 1, under the Gazprom brand along Corridor 11.
- New Agro Blue card developed in cooperation with Credit Agricole bank offered users up to 6 months of payment deferral with no interest
- Termination of the DODO contract for the Sjenica petrol station
- Start of the comprehensive reconstruction of the Mionica petrol station (under the NIS brand)
- NIS and the Crédit Agricole Bank have created a new AgroBlue credit card for deferred payment for fuel, intended for agricultural households, for the purchase of fuel at NIS Petrol and GAZPROM



- Kirill Turdenev, the CEO of NIS, held talks in March with the Prime Minister of the Republic of Serbia, Ana Brnabić, about the Company's 2020 performance and the investments planned for the following period
- NIS has launched a new season of student internships called "NIS Calling", which allows students to gain internships in the company

- In the research of the PR agency "Pragma", in which 200 domestic journalists participated, NIS was chosen as the company that had the best communication with the media in 2020 in the category of for-profit (economic) organizations
- NIS is the winner of the PC Press magazine award - Top 50 best online content, in the LinkedIn category.



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## NIS Group

NIS Group is one of largest vertically integrated energy systems in Southeast Europe. It employs approximately 11,000 employees in Serbia and the region. The headquarters and main assets of the NIS Group are located in the Republic of Serbia, but the Group also has subsidiaries and representative offices in several other countries.

NIS' core activities include exploration, production and refining of oil and natural gas, sale and distribution of a wide range of petroleum and gas products, as well as the implementation of energy- and petrochemistry-related projects.

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

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

## Business activities

Business activities of NIS Group are organized within the parent company, NIS j.s.c. Novi Sad, under Exploration and Production Block<sup>1</sup> and DOWNSTREAM<sup>2</sup>. Nine Functions provide support to the core activities of NIS j.s.c. Novi Sad, parent company. These are: Finance, Economics, Planning and Accounting Function; Strategy and Investments Function; Procurement Function; Organizational Affairs Function; HSE Function, Legal and Corporate Affairs Function; Corporate Security Function, Government Relations and Corporate Communications Function and Internal Audit and Risk Management Function. One of the Deputy CEO's is in charge of petrochemicals operations.

## Exploration and production Block

### Exploration and production

NIS is the only company in the Republic Serbia engaged in the exploration and production of oil and gas. NIS' activities in this field also include operative support to production, managing oil and gas reserves, managing the development of oil and gas reservoirs, so as major exploration and production projects.

In the segment of Exploration and Production, as well as in other business areas, NIS is committed to the constant introduction of modern technologies, modernization of equipment, and application of new scientific knowledge. Scientific and technological support to NIS in the field of research and production is provided by the subsidiary - Scientific and Technological Centre (NTC) NIS Naftagas LLC Novi Sad.

Most of NIS' reservoirs are located in Serbia, while exploration is also being undertaken in Romania and Bosnia and Herzegovina, where experimental production has begun. NIS' oldest concession is in Angola, where oil exploitation started as far back as 1985.

Within the Exploration and Production business segment operates an Elemir-based plant for the preparation of natural gas, production of LPG and natural gasoline and CO<sub>2</sub> capture. An amine plant for natural gas processing, that uses HiPACT technology (High Pressure Acidgas Capture Technology) is also located in Elemir. This method of gas processing is such that it completely prevents the release of carbon dioxide into the atmosphere. NIS also has a modern training center in Elemir, for training its workers in

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<sup>1</sup> Exploration and production and subsidiary companies – STC NIS – Naftagas LLC Novi Sad, Naftagas – Oil Services LLC Novi Sad, Naftagas – Transport LLC Novi Sad.

<sup>2</sup> Refining Block, Block Sales and Distribution, Energy Department and subsidiary company Naftagas – Technical Services LLC Zrenjanin.



the oil industry. It is a unique compound equipped with modern equipment in which the training is performed in real conditions, with the possibility of simulating all the tasks that oil workers encounter in the process of production, preparation and shipment of oil and gas.

### Services

NIS has its own service capacities, which fully meet the Group's demands in the area of oil and gas exploration and production and allow NIS to provide services to third parties. Services provide services such as geophysical surveying, well drilling, outfitting and workover, as well as specialized operations and measurements on wells.

Additionally, equipment maintenance services are provided, as well as construction and maintenance of oil and gas systems and facilities.

Owing to its experienced personnel, cutting-edge equipment and continued investment in its modernization, the Services had the opportunity to work in other countries (Egypt, Turkmenistan, UAE, Russia and many others). Currently, Services are engaged in Bosnia and Herzegovina and Romania.

The goal of this business unit is to strengthen its presence in the region and the international market, which is why its priorities include equipment modernization, improving service quality level, and increasing technical and technological efficiency and increase in capacity utilization in NIS and other companies.

## DOWNSTREAM

The DOWNSTREAM consists of the Refining Block, Sales and distribution Block and the Energy Area.

### Refining

NIS manages the Pančevo Oil Refinery with maximum projected capacity of 4.8 million tonnes of crude oil per year. More than EUR 800 mln have been invested in the modernization of the Refinery since 2009, and in November 2020, the Bottom-of the-Barrel unit with delayed coking technology was ceremoniously put into operation. The successful completion of this project, worth more than EUR 300 mln, enables NIS to increase the production of the most valuable fuels - diesel, gasoline and liquefied petroleum gas, as well as expanding the range through the beginning of the production of petroleum coke. In addition, the energy efficiency of the Refinery has been improved and the safety of production processes has been strengthened. The Bottom-of the-Barrel project also brings significant environmental benefits, above all the cessation of the production of fuel oil with a high sulphur content, which contributes to Serbia fulfilling its obligations to the Energy Community to limit the percentage of sulphur in certain liquid fuels. In addition, the emissions of sulphur and nitrogen oxides, as well as dusty substances have been significantly reduced, which further improves the environmental conditions the whole of Serbia.

The oil refinery in Pancevo is the first power plant in the Republic of Serbia to receive an IPPC permit from the competent state authorities on integrated prevention and control of environmental pollution. In this way, NIS actively confirms that investments in environmental protection are one of the priorities in the process of plant modernization.

### Sales and distribution

In Serbia and the countries of the region, NIS operates a network of over 400 petrol stations, out of which more than 90 are outside the borders of the home country. In Serbia, NIS manages the largest retail network on the market, and is developing business in this area in the neighbouring countries of the region - Bosnia and Herzegovina, Bulgaria and Romania.

NIS operates on the market with two retail brands: NIS Petrol and GAZPROM, a premium brand in this segment. NIS petrol stations are synonymous for the quality fuels on offer and the additional product portfolio, as well as for the modern services that meet the needs of consumers.

In addition to the retail sale of finished petroleum products, liquefied petroleum gas and a number of related products, the turnover structure of NIS includes export and domestic wholesale deliveries of crude oil, gas and petroleum products. As special business directions, NIS develops the supply of aviation fuel, the supply of vessels with fuel, the trade of lubricants and bitumen.

All types of fuels undergo strict and regular laboratory control and meet the requirements of domestic and international standards.

## Energy

NIS develops investment projects in power and heat generation from conventional, renewable and alternative energy sources. The Company is also involved in the procurement, sale and management of natural gas portfolio, production and sale of compressed natural gas, natural gas sales, electricity trade, development and implementation of strategically important energy and related environmental projects, development and implementation of projects aimed at boosting energy efficiency.

The key project in this area is the construction of the Pancevo Thermal and Power Plant, which NIS is implementing in cooperation with the Russian company Gazprom Energoholding. Construction of this plant continued in 2020, and commissioning is expected during 2021. The new power plant will produce heat energy for the needs of the Pancevo Oil Refinery, while a part of the produced electricity will be directed towards the energy system of Serbia.

Since 2013, in the oil and gas fields at eight locations in Serbia, NIS has put into operation a small power plant with a nominal electric capacity of 14.5 MWe. The energetic, ecological and economic advantage of using these plants is in the production of electricity and heat from gas that was not previously used due to the large amount of carbon dioxide and nitrogen that could not be valorised due to the lack of gas infrastructure. Electricity production is also carried out at the Jimbolia gas field in Romania. NIS is also developing electricity trade, and in addition to the Serbian market, it is also present on regional markets.

## NIS worldwide

Expanding the business and becoming more competitive on the regional market are NIS' strategic goals. In addition to Serbia, NIS develops its business in neighbouring countries and regional expansion has two main directions – the field of oil and gas exploration and production (in Romania and Bosnia and Herzegovina) and the development of our retail network (in Bosnia and Herzegovina, Bulgaria and Romania). Moreover, NIS is an active trader on the electricity market, where, in addition to Serbia, it is also present on regional markets.

The oldest NIS concession is in Angola, where oil exploitation began in 1985.



## NIS Group Business Structure



<sup>3</sup>Under the Law on Tourism of the Republic of Serbia, if hospitality services are not the core activity of a company, then such company is obliged to establish a branch (premises outside its registered seat) and register it accordingly, or otherwise establish an organisational unit that is registered in the Tourism Registry. To this end, the Company registered all petrol stations where it provides hospitality services as separate branches. The list of petrol stations which are registered as branches is available at <http://ir.nis.eu/en/corporate-governance/group-structure/>.

<sup>4</sup>The process of liquidation has been initiated.

<sup>5</sup>On 31<sup>st</sup> March 2020, NIS j.s.c. Novi Sad increased its stake in the equity from 66% to 100%.

<sup>6</sup>On 12<sup>th</sup> April 2021 in Business Registers Agency the company NIS-Svetlost LLC Bujanovac changed name to NIS-Svetlost LLC Bujanovac-in bankruptcy.

## Risk Management

### Integrated Risk Management System

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

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

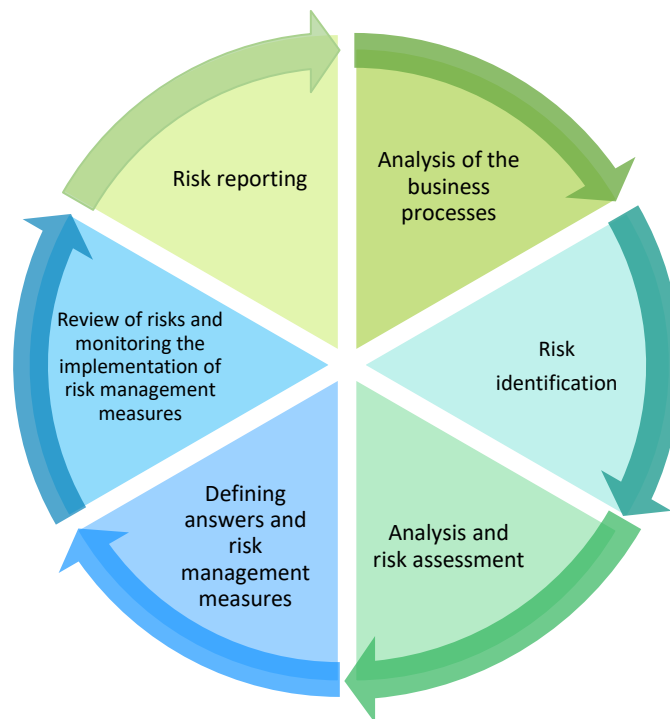
Company has defined its risk management objectives and has an integrated risk management system (IRMS) in place. The Company's objective in the field of risk management is to increase the effectiveness and efficiency of managerial decisions by identifying, analysing and assessing risks which arising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

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

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

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

## IRMS Business Process Flow at NIS



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

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

Risks are identified and assessed by analysing data sources (internal and external databases, key risk indicators), through interviews, risk sessions, etc. They are ranked in line with the Risk Matrix and defined based on risk propensity. Assessment can be carried out using either the quantitative or the qualitative method.

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

### ISUR in business planning process

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

measures, financial resources needed to implement the measures – are incorporated into the adopted business plans.

Through its operations, the Group is exposed to the following risk categories:

- Non-financial risks:
  - Operational risks,
  - Project risks,
  - Political risks,
  - Strategic risks,
  - Compliance risks,
  - Reputational risks,
  - Legal risks.
  
- Financial risks:
  - Credit risks,
  - Liquidity risks,
  - Commodity-price risks,
  - Currency/foreign exchange risks,
  - Interest rate risks.

## Non-financial risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
<b>Operational risks</b>	
<b>HSE risks</b>	
Due to the nature of its activity, the Company is exposed to health, safety and environmental risks.	<p>The Company continuously monitors working processes, employees, operating facilities, working and environmental conditions with a view to protecting employees, equipment and plants and the environment. In order to fulfil legal obligations the Company also adapts normative and methodological documents in accordance with the changes in legislation of the Republic of Serbia in a timely manner and controls the compliance with it. It carries out timely implementation of corrective measures ordered through the observation system deriving from investigation of HSE incidents, corporate oversight and external inspections. The Company continuously carries out HSE training in the areas of legal regulations, on-the-job training, use of the HSE management system, and emergency response. Campaigns and educational activities, forums and healthy lifestyle training, physical and recreational activities aimed at improving health and well-being of employees are conducted through written information to employees, ie. in online format, in order to maintain a safe distance and preserve health.</p> <p>During the first quarter of 2021, the process of collective immunization of NIS employees has begun, whereas informing and surveying interested employees has been done, lists of employees with family members who are</p>

interested in being vaccinated with the possibility of choosing a vaccine have been formed. Vaccination is expected to be performed by the competent health institution.

Due to the COVID-19 pandemic and the crisis scenario statutory health examinations of employees are organized.

The implementation of all measures and the health condition of employees who are positive for the virus, as well as their contacts, are monitored daily and it is reported at the meetings of the Crisis Team. NIS Group invests huge funds and efforts in order to protect employees and in combating the consequences of coronavirus.

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### ***HR risks***

Highly qualified personnel is a key prerequisite of efficient operations of the Company.

The Company is implementing a broad spectrum of activities aimed at attracting and retaining qualified staff. Early recruitment programs (cooperation with educational establishments, scholarships), NIS Calling, Serbia Repatriation are just some of the examples of Company's recruitment effort.

Along with employee motivation program inclusive of management by objectives, quarterly and annual bonuses, bonuses for production and technical units, sales incentives, special and project-based bonuses, continuous implementation and improvement of non-material motivation system and long-term motivation, the Company strives to enhance its image by means of the Employer branding project.

Employee retention programs include Talent management program, Talent development program, professional/specialized courses, management training and introduction of a unique talent management program.

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### ***IT risks***

The Company is becoming increasingly aware of the growing dependence of business processes on the quality of IT, automation and telecommunications. Furthermore, oil and gas industry is considerably exposed to cyber threats.

The Company manages these risks by applying a number of measures including IT security standards, security tools, the monitoring of threat detection, a tracking system and testing of its recovery procedures. Continuous staff training programmes are put in place in order to build awareness of IT risks, whereas the exchange of incident information with management enables continuous learning.

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### ***Information security risks***

The Company is exposed to business risks emanating from potential violation of integrity, confidentiality and availability of information.

Protection of information at the Company manifests in a variety of activities that, by adequate handling of the information, have a positive impact on performance by maintaining continuity of business processes and minimising business risks.

The Company's system of information protection is a comprehensive array of rules prescribed by executive and normative-methodological documents, suitable organisational and technical solutions and activities aimed at implementation and control of security measures.



## Project risks

A consistent and clear risk management process has been established within the NIS Group for the implementation of investment projects, which is fully aligned with PMI (Project Management Institute) standards. Effective project risk management is reflected by the increase of the probability and impact of positive events, that is, by reducing the likelihood and impact of negative events on the projects, which also enables creating more realistic project management plans and increases the certainty of achieving set project objectives. The five dominant project risks that the teams who implement investment projects in NIS Inc. come across are: compliance with the planned deadlines for equipment delivery, objectivity of meeting the planned deadlines for the execution of field works, ensuring adequate competitiveness in the process of procuring goods and services, the risk of the occurrence of subsequent and additional works (expanding the scope of the projects) and risk in securing the conditions necessary for the realisation of the project (e.g. timeliness of obtaining the necessary permits and approvals, ensuring technical and technological conditions for the implementation of project activities, such as coordination of the suspension of technological systems with the deadlines for project realisation).

A detailed risk management plan is developed within the planning and preparation phase for each investment project. Special attention is paid to identification of risks that are of interest to a particular investment project, analysis of identified risks (qualitative and quantitative analysis), planning of a “response strategy“, that is, adequate measures (by defining preventive activities, contingency (corrective) plans and backup action plans), determination of the level of tolerance to identified risks, as well as defining responsible people for the implementation of these measures and people for the review of project risks on a regular basis. All of the above is combined into a Project Risk Register. Furthermore, during the realisation of the project itself the emphasis is on the continuous control/review of project risks, updating the Risk Register and effective monitoring of the project, both within the project team itself and through quarterly report to investment committees at the Block level, on a regular basis. Of particular interest is also the continuous consideration of the influence of current project risks on approved project parameters throughout the project life. The implementation of the above mentioned concept of project risk management, ensures timely identification/detection of potential deviations in project performance, which initiate the implementation of predefined measures (from the “response strategy“) and returning the project to the „planned progress line“ that ensures the achievement of predicted efficiency, set project and business goals, crucial KPI indicators, as well as investment performance indicators (RIP and OID indicators). These two investment performance indicators (RIP and OID) are included in the production contract of NIS Inc. through the management by objectives process (MBO system), as well as in all production contracts of the Blocks, which significantly contributes to the high degree of fulfilment/realisation of rather demanding investment plans within the Company's Business Plans.

## Political risks

### *Risk of EU and US Economic Restrictions on Gazprom Neft Group*

As a result of the introduction of EU-US economic restrictive measures, Gazprom Neft Group faces limited opportunities for long-term borrowing with commercial banks belonging to banking groups headquartered in the EU and the US.

The Company performs continual analysis of possible political and economic risks and evaluates the consequences for the Company. In line with permitted exemption from the sanctions (long-term loans are possible only if intended for funding the import of goods and services from the EU), the Company's operations are continuously being adjusted by increasing the volume of imported goods and services from EU suppliers. In this way, funds are provided for financing the

In addition, the Company is also exposed to the indirect consequences of sanctions, that is, the potential inability to obtain materials, equipment and services from foreign suppliers.

Company's long-term development despite the limitations of the sanctions regime.

In order to manage the risk, the Company creates strategic stocks for key material and technical resources, identifies alternative suppliers in relation to existing ones and considers alternative technologies that are responsible for meeting the Company's objectives.

## Financial risks

### RISK DESCRIPTION

### RISK MANAGEMENT MEASURES

#### Credit risks

It occurs in cash funds, deposits with banks and financial institutions, intercompany loans/loans to third parties, as well as in the sale of oil derivatives with deferred payment.

Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad).

With regard to accounts receivable, there is a credit limit methodology in place which serves to define the level of exposure in relation to individual customers, depending on their financial indicators.

#### Liquidity risks

Liquidity risk denotes a risk of NIS Group encountering difficulty in meeting its due liabilities. It is the risk of not having suitable funds to finance the NIS Group's business operations.

NIS Group continually monitors liquidity in order to provide sufficient cash to meet its operational, investment and financial performance requirements. To this end, the Group continually contracts and secures sufficient lines of credit and security instruments, ensuring that the maximum loan debt level is not exceeded (the parent company sets the limit) and that all its obligations under commercial bank arrangements (covenants) are met.

Since mid-September 2014, the Company has been exposed to the risk of limited external funding due to the sectoral sanctions imposed by the EU and the US on the largest Russian-owned energy companies and their subsidiaries incorporated outside the EU. The sanctions prevent the Company from borrowing from EU or US banks for a period longer than 30 days. The exemption from the EU sanctions includes for a period longer than 30 days from EU banks exclusively if the loan is intended for the payment of non-sanctioned goods and services imported from the EU.

In order to secure the necessary funds for future transactions, in 2020, NIS negotiated/contracted over EUR 600 million in lines of credit with Serbian banks for general purpose funding and with Serbia-based European banks for funding imports from the EU (financing for a period longer than 30 days is allowed if the funds are used to import goods or services from the EU), as well as changes in the conditions for existing loans (price and maturity). Thus, in order to improve its loan portfolio, NIS secured the

necessary funds for timely repayment of loans in 2020 and 2021, as well as for early repayment of expensive loans in order to improve the characteristics of the loan portfolio. By improving its portfolio and restructuring the loan portfolio, NIS has reduced the mandatory loan repayments for the next four years, and redirected the cash flow towards the implementation of planned investments and the regular operation of the Company.

Moreover, in order to further improve its loan portfolio and secure additional lines of funding in 2022, during the first quarter of 2021, the Company started a tender for refinancing the loan portfolio in order to extend the average maturity of the portfolio, while maintaining the optimal price, as well as to optimize the covenant package for loans in the total amount of EUR 265 million. Apart from the above, additional limits were obtained for bank loans that do not apply sanctions, in the amount of EUR 10.8 million. The use of these sources of financing will enable early repayment of loans with short maturities, as well as maintaining the average portfolio price within optimal limits, in order to maintain the average remaining maturity of the loan portfolio at the level of over three years at the end of 2021.

### Commodity-price risks

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

These risks are partly offset by adjusting petroleum product selling prices to the changes in oil and petroleum product prices. The need to use some commodity hedging instruments in the Group's subsidiaries, including NIS j.s.c. Novi Sad as a subsidiary, is at the discretion of Gazprom Neft Group.

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

- annual planning based on multiple scenarios, planned follow-up and timely adjustment of operating plans for crude oil procurement;
- regular sessions of NIS j.s.c. Novi Sad Committee in charge of crude oil purchase/sale to discuss all major topics related to crude oil purchase and sale (sale of oil from Angola-Palanca crude oil);
- entering into long-term crude oil purchase contracts at the most favourable commercial terms with longer payment terms on an open account basis, and with sales contracts which would exempt NIS j.s.c. Novi Sad, in line with current intergovernmental agreements, from paying customs duties for imports, based on preferential status;
- expansion of the supplier portfolio, successful cooperation with EU-based companies, stronger competitive advantage in import tenders and more prominent progress regarding purchase prices;
- expansion/diversification of the crude oil basket for prospective import and provision of samples of the crude oil types that have not been used for processing at the Pančevo Oil Refinery;

- constant efforts to optimize processes and achieve the optimum economic effects and indicators;
- occasional benchmarking to survey the market and price trends and to analyze the commercial capacities of major prospective suppliers of crude oil, reputable companies which are dominant and reliable in crude oil trading.

### Foreign Exchange Risks

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

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

### Interest Rate Risks

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

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

In order to reduce the uncertainties associated with interest rate risk, when collecting offers from banks for financing, the Company insists on collecting offers with fixed interest rates in order to compare interest rates with variable and fixed interest rates and make a selection in accordance with the current policy on interest rate related expenditure management. In addition, the analysis of

interest rate movements in the financial market is continuously being carried out, as well as analysis of restrictions and possibilities of using interest rate hedging instruments (interest rate swaps, options, etc.).

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## Business environment<sup>7</sup>

### World

The International Energy Agency (IEA) has significantly raised its estimate of world oil demand for 2021, pointing to additional signs that the global economy is recovering faster than previously expected, especially in the United States and China. The agency estimates that oil consumption will increase in the second half of 2021 compared to the first, because of the expected stronger recovery of the world economy under the positive impact of vaccination. The agency expects the global oil demand to increase up to 96.7 million b/d in 2021.

Data for the first quarter show a decline in gasoline consumption compared to previous months, while the easing of production cuts and the increased demand, commonly expected in the traditional summer season, should boost global gasoline consumption even more. However, consumption of gasoline in the summer months is still not expected to exceed the 2019 level due to the challenges associated with COVID-19. At the same time, OPEC predicts that diesel consumption will be driven by the development of major incentive programs that are subsidized in many economies, particularly in the United States. These programs are expected to stimulate industry and infrastructure growth, especially in Asian economies, including the construction of buildings and roads and increased demand for agricultural produce.

In a report released in early April, Russia's deputy energy minister also predicted similar growth in demand in 2021. As for the next period, Russia expects the effects of the pandemic on the global consumption of oil and petroleum products to last until 2023-2024.

One of the events that marked the first quarter of 2021 is certainly the grounding of the ship Ever Given in the Suez Canal at the end of March causing more than 370 ships to wait to transit the canal, thus resulting in damage estimated at tens of billions of dollars. Lloyd's values the canal's westbound traffic at roughly \$5.1 billion a day, and eastbound traffic at around \$4.5 billion a day. The canal is a vital route between East and West and is especially important for the oil and natural gas trade. Approximately 12% of the total global trade, or about 20% of Asian oil, is moving through this channel towards Europe and North America. This blockage has caused an increase in the oil prices, with Brent crude oil seeing a rise of 6% during the blockage.

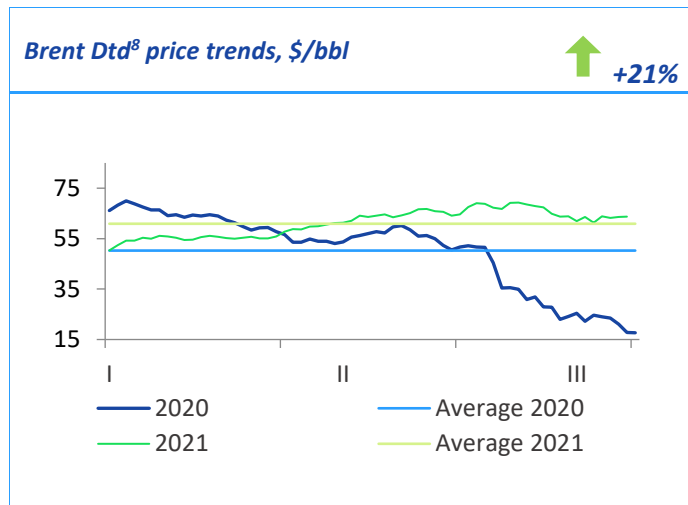
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<sup>7</sup> Sources for World, Oil price and Macroparamteres: Reports Wood Mackenzie, IHS, Bloomberg, Reuters, National Petroleum Committee of Serbia, EU Commission

Data sources for Serbia: Reports National bank of Serbia, papers: Danas, Bizlife, Blic Business.

## Oil price

Oil prices have increased by about 21% since the beginning of the year, ranging from \$50.3 to \$69.3 per barrel. In March, the average price of one barrel of Brent crude oil was \$65.63, which is roughly twice the average monthly price in the year before. In its April issue, the Oxford Institute for Energy Studies (OIES Oil Monthly) notes that the market dynamics and oil prices have improved significantly, but that the degree of uncertainty about the outlook remains high. IHS also lowered the projection of the price of Brent crude oil in the second half of the year to 66 \$/barrel due to the increase in COVID-19 cases. IHS also believes that should the expected increase in demand fail to materialize, OPEC+ would defend the price of \$50 per barrel by cutting the crude production.



Higher oil prices exerted pressure on OPEC and non-OPEC countries to consider a more flexible production strategy for the coming months but also directed the countries into a fight to acquire a market share and increase their own output.

A year after the pandemic and the discord within OPEC + countries over the production cuts have brought the oil prices down, the future of the American shale industry is still uncertain. Analysts agree that no major changes in the situation are expected for now, because the American industry as a whole will maintain the promised spending discipline. As a sign that spending outside of cash flows is a thing of the past, major producers now say that "growth for the sake of growth" would be a big mistake. Instead, they vouched to earn a better return for their shareholders.

U.S. oil production may never return to its weekly peak of 13 million b/d just before last year's market crash. But it is already moving at around 11 million b/d, which is a million barrels a day above the lowest point in May 2020.

## Macroeconomic trends

Analysts agree that the recovery from the COVID-19 crisis will take a long time and that many economic changes brought by the pandemic will be permanent, but even the most optimistic were baffled by the announcement that the economy of Germany will suffer the consequences of the coronavirus pandemic at least until 2025.

It is a fact that Europe's recovery would be much slower than China's or the United States due to different circumstances large economies found themselves in when the crisis broke out. However, the budget and monetary support have ensured that the financial position of European economies remains stable with a relatively slight increase in the unemployment rate, though there are branches that will not be able to regain what was lost (such as retail, business services, restaurants and cafes, transportation and aviation).

Despite great uncertainties about the course of the pandemic, the IMF sees a clear way out of this health and economic crisis, and its semi-annual report, Global Economic Outlook, published in April, improved

<sup>8</sup> Source: *Platts*.

the projections for global economic growth for 2021 to 6%. The global economy is stimulated by the strong growth of the U.S. economy, which saw incentive programs closely follow one after another and which is projected to grow 6.4% in 2021. Unlike the Chinese economy, which reached its pre-pandemic level as early as 2020, the U.S. economy is only expected to reach it this year.

The growth forecast for the Eurozone has also been increased to 4.4% because Europe should benefit from the U.S. incentive plan. The United Kingdom, which left the EU in early January, will recover faster due to a higher vaccination rate than the EU, while its GDP is expected to increase by 5.3% this year. However, the IMF believes that the economic activity of the EU and the UK this year will struggle below its level as at the end of 2019, and will remain so until 2022.

Global consulting companies see the post-pandemic period as a major challenge for the global economy. McKinsey, a consulting firm, cites "speed and resilience" as priorities for successful recovery. The speed was a key feature of the COVID-19 pandemic - the virus was spreading rapidly, hurtling most of the world into a lockdown just months after it was first discovered. Companies responded quickly by reorganising the supply chains, adopting remote work models, and accelerating the decision-making process at a staggering rate. Vaccines have been developed at a speed never seen before. The speed will also be at the centre of whatever happens next - with one important difference at play: to maintain long-term resilience, the companies need to ensure that the speed of their response during the pandemic remains sustainable in the future. To do so, organizations will need to take into account not only the potential workload on production and other capacities but also the mental health of their workforce and the burnout that employees often experience.

## Serbia

Serbia's economy proved somewhat more resilient to the health crisis compared to other European countries and the decline in GDP in 2020 was 1%, while in Central and Eastern European countries it averaged 3.9% and in the EU countries as much as 6.6%. One thing in common for countries that have fared relatively well in the crisis is that activities such as tourism and automotive industry, which have been hit particularly hard by the crisis have relatively low share in the economy, while those activities with large share have not been affected by the crisis. In Serbia, agriculture and food industry, on which the pandemic has had minor consequences, account for about 12% of the economy.

The National Bank of Serbia expects the GDP growth to range from 5.0% to 6.0% in 2021, in line with the IMF estimate released in mid-April (5%). The adopted economic policy measures (€ 5.8 billion in 2020 and an expected additional package of around € 2 billion in 2021) have succeeded in limiting the impact of the crisis and minimizing the economic downturn, which will contribute to a rapid return of GDP to pre-crisis levels in 2021, as well as sustainable growth of around 4% in the medium term.

The January and February 2021 data show that economic activity is on the rise, and one of the most significant indicators is the dynamics of industrial production.

The total industrial production in February 2021 increased by 2.6% year-on-year, which is also the increase in the period January-February. The main factor of this increase is electricity production, with an annual increase of 10.2% in February and 11.0% in the first two months. The seasonally adjusted index of the total industrial production rose by 7% in December, January and February.

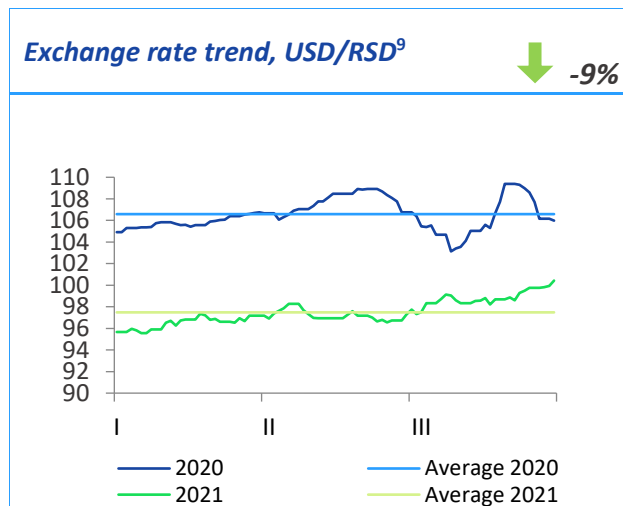
Highly upward trends in the processing industry from the group of the ten largest by share, which exceeded last year's average in February, were recorded in food industry, production of electrical equipment, oil industry and non-metallic mineral products.



In January, the debt-to-GDP ratio stood at 53.7% of GDP. A 12-year Euro-denominated bond worth 1 billion euros was first issued in February. Strengthening national currency related to public debt continued to grow in 2021 (from 30.5% at the end of 2020 to 31.2% in January). The reference interest rate was restrained at 1.0%, and among the reasons stated were developments in the international financial and commodity markets requiring caution in the conduct of monetary policy. As of 30 June 2021, RSD bonds of the Republic of Serbia will be included in the renowned J.P. Morgan GBI-EM bond index.

In January, February and March 2021, monthly inflation rates of 0.4%, 0.6% and 0.5%, and annual inflation of 1.1% and 1.2% were recorded. Thus, in February 2021, year-to-year inflation rate was for the third consecutive month below the target threshold (1.5% on annual basis). Inflation rose slightly in March to 1.8%.

The average gross earnings for January 2021 increased by 5.1% in nominal terms, and by 4.0% in real terms compared to the same month last year, while the average net earnings increased by 5.3% in nominal terms, or by 4.2% in real terms.



- Average USD/RSD in first quarter of 2021 was lower by RSD 9.1, i.e. 9% lower compared to the average exchange rate in the same period of 2020.
- During the first three months of 2021 USD/RSD exchange rate increased by RSD 4.76 or 5%.
- During first three months of 2020 USD/RSD exchange rate increased by RSD 1.76 or 2%.

<sup>9</sup>Source: NBS.

## Performance analyses

### Market share<sup>10</sup>

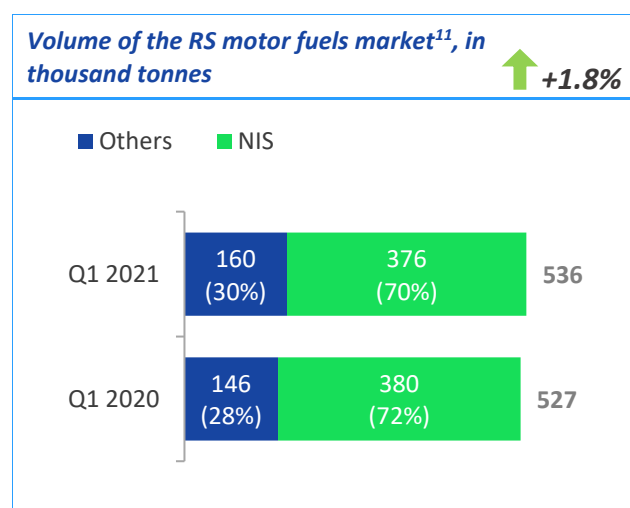
Different trends are evident in fuel consumption in the countries in the region, the main cause being the different measures these countries introduced in the first quarter of 2021.

More rigorous and long-lasting measures in effect in Bulgaria and Romania have had a negative impact on consumption, while it is recovering somewhat in other countries, mostly because of the very low level it hit in the last two weeks of March 2020 (the beginning of the the pandemic).

A mild increase in the fuel consumption has been recorded in Serbia.

Having dropped in the first two months, the fuel consumption made a recovery in March resulting in a mild overall increase in the entire quarter. The mild winter had a positive effect, as it provided for the continuity of works in the construction industry and accelerated the beginning of agricultural activities.

### Market share in the Serbian market



A slight recovery of the motor fuel market - mainly under the impact of the construction industry and agriculture.

The change in the consumption noted in the second half of March last year had an adverse effect on the entire first quarter of 2020. Thus, a moderate growth in the first quarter of 2021 indicates that the consumption of motor fuels is on the path of slight recovery.

Agricultural works have started a little earlier, while major export of cereals from last year's harvest and the uninterrupted works in the construction industry because of the mild winter additionally contributed to higher consumption.

Speculative and importers' stocks made by certain business companies and end users during the period of low prices in the previous year, had negative impact on NIS's participation in motor fuels market for the period.

In order to maintain its optimal refining processes, the refineries in the area produced larger quantities of derivatives than really needed at the domestic market, which was mostly limited by measures to combat the pandemic, so surpluses were delivered to the warehouses of their subsidiaries in the region, often including Serbia too.

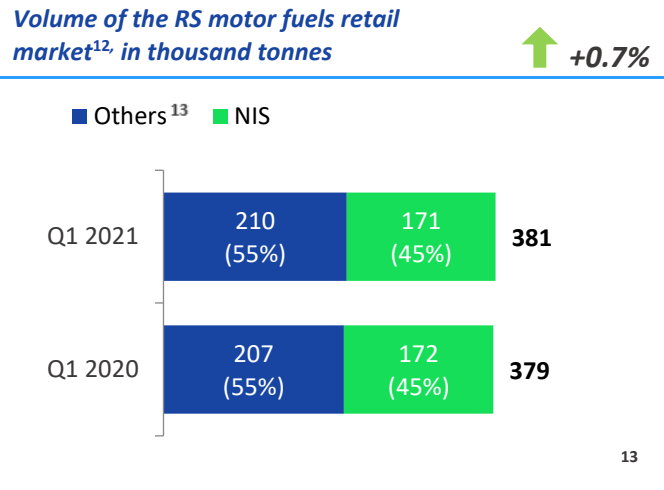
<sup>10</sup>Data sources for the projections: for Serbia – Sales and Distribution Block's internal analyzes and estimates; for consumption estimates for Bulgaria and Romania– PFC and Eurostat; for Bosnia-Herzegovina – PFC and internal estimates. Any deviations in percentages and aggregate values result from rounding. The presented percentages of change were obtained on the basis of values that were not rounded to billions of RSD.

<sup>11</sup> Data for Q1 2021 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

The same trend is visible in retail - there is a slight recovery compared to the first quarter of last year.

NIS's market share remained at the level of the first quarter of last year.

The seasonality of demand, modernization of the network, innovative marketing solutions and improved assortment contributed to that.



<sup>12</sup> The sales of NIS and other competitors include motor fuels (auto-gas, CNG – motor fuel, motor gasoline and diesel). LPG cylinders are not included. Data for 2021 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

<sup>13</sup> Retail of other market participants is supplied from the wholesale of NIS and other participants of the Serbian wholesale market.

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## Market share in Bosnia and Herzegovina, Bulgarian and Romania

### Bosnia and Herzegovina

Due to incorrect transposition and implementation of the Sulfur in Fuel Directive and the Directive on Energy End-Use Efficiency and Energy Services, the decisions of the Ministerial Council of the Energy Community (EnC) established the violations of obligations under the Energy Community Treaty, while permanent and serious breaches of obligations regarding the Directive on Common Rules for the Internal Market in Natural Gas, the Council of Ministers decided to apply disciplinary measures against Bosnia and Herzegovina. The Minister of Foreign Trade and Economic Relations in the Council of Ministers, Staša Košarac, states that Bosnia and Herzegovina has not made a decision on the quality of oil and liquid oil derivatives, and that this process is at a standstill.

The Board of Directors of the Indirect Taxation Authority of Bosnia and Herzegovina has adopted a Decision on the exemption from tolls for diesel fuel for 2021, which will cover mines, thermal power plants and railways in the Federation of Bosnia and Herzegovina and the Republika Srpska. The session saw the discussion on the Decision on marking liquid fuels, achieving the protection of legal flows on the market and ensuring better fuel quality. Following the given remarks, the Board of Directors adopted the conclusion that after correcting the proposed text, the decision should be resubmitted for comment.

The Government of the Federation of Bosnia and Herzegovina adopted the information on the implementation of the Technical and Technological Remediation and Modernization Program of the NTF Ploče (Oil Terminals of the Federation) infrastructure with the Plan for the period 2019-2021 (January 2021), as well as information of the OTF Sarajevo (Operators Terminals of the Federation) on the use of financial resources and monitoring of the project implementation plan. The Government agrees with the request made by this company to invest in the NTF in the amount of KM 4 million, and that this amount be secured from the FBiH budget for 2021.

At the meeting of representatives of the Hifa Oil Group and the Tuzla Canton, development and investment projects planned by the Hifa Group in the area of this canton were discussed. The meeting presented the project of building an aviation fuel depot and increasing the security of fuel delivery for the needs of the Tuzla International Airport. Representatives of the authorities have said that they will help speed up the activities and remove the administrative barriers in order to implement this investment as soon as possible.

The Brod Refinery has implemented a key phase of the gasification project - a gas pipeline under the Sava River Basin has been constructed and will enable the connection of the main gas pipeline from the Republic of Croatia with the previously constructed gas pipeline network in the territory of the town of Brod, according to the Optima Group. The implementation of the gas pipeline under the Sava River was carried out by Crodux gas, using modern horizontal drilling technology. The final phase in the construction of the direct gas pipeline will be the construction of valve assemblies on both sides of the Sava River, a connection to the existing gas network in the Refinery, testing of the gas pipeline, adjustment of the management system and trial commissioning, which is foreseen for the second quarter of 2021. On the other side of the Sava River, the Croatian gas operator completed the construction of a new section of the direct gas pipeline and connected it to the gas transmission system of the Republic of Croatia near the village of Slobodnica and obtained permission to connect to the system. The refinery has been shut down for almost two years after the big fire.

In the first quarter of this year, Bosnia and Herzegovina recorded a recovery in the motor fuel market and a slight recovery in retail turnover compared to the corresponding period of the previous year, although

for the most part, it was about the last two weeks of March, when pandemic-related measures began in 2020, which are significantly looser this year, affecting also consumption.

NIS has 40 petrol stations in Bosnia and Herzegovina (and 2 petrol stations in the DODO regime). 5 new leased stations have been included in the network, which contributed positively to the results of the first quarter.

The NIS market share in the total motor fuel market is 31.6%, while the retail market share is 9.3%.

### **Bulgaria**

The Bulgarian oil refinery Lukoil Neftochim Burgas is planning to invest EUR 173 million in the upgrade of its thermal power plant by 2024, said Bulgaria's energy regulator in the company's 2020-2024 investment program report. The company plans to buy new turbines this year and new boilers in 2022, and the investment is to be financed as a combination of own funds and loan capital.

The new Fuel Law is in place in Bulgaria, a document seeking to guarantee market competition, limiting the grey economy and boosting the state budget revenue. The new Fuel Law prescribes that the minimum capital level of companies engaged in the wholesale of petroleum products shall amount to 1% of the company's net revenue. The Law stipulates the penalty of prohibition of operation for petrol stations and fuel depots if they sell fuel illegally, while tank trucks transporting illegal fuel will be excluded from traffic for one year. Farmers are also subject to sanctions if they purchase fuel without registering for this activity.

The Bulgarian Government decided to cancel the tender for exploration of natural gas and oil in Block 1-26 Tervel in the Black Sea. No candidates have expressed interest in the project before the bid submission deadline, says the Government in a statement issued after the meeting.

Due to the coronavirus epidemic in Bulgaria and epidemiological measures taken to contain the epidemic, motor fuel sales have decreased as well as retail sales in the first quarter of this year compared to the corresponding period of the previous year.

NIS operates 34 petrol stations in Bulgaria and a petroleum products depot in the town of Kostinbrod. The Kalotina Station has been closed.

The NIS share in the total motor fuel market is 4.8 %, while its retail market share is 4.5%.

### **Romania**

The Romanian Ministry of Finance has announced new, increased amounts of excise duties on fuels in force since 1 January 2021. Motor fuels in Romania are more and more expensive, and prices have reached their pre-coronavirus levels. Oil companies say that the increase in motor fuel prices is caused by increased excise duties and rising crude oil prices on the global market.

Romp petrol Rafinare, owner of Petromidia and Vega refineries, controlled by KMG International, purchased crude oil for a period of five years from a trader owned by its parent company in Switzerland - KazMunayGas Trading. Thus, on the first day of this year, this company concluded a futures contract for the purchase of crude oil for the period between 1 January 2021 and 31 December 2025. The total value of the transaction is estimated at over USD 10.31 billion.

Romania's national road infrastructure administration company CNAIR announced the winners of the tender procedure for the construction of 26 new petrol stations on the A1 and A2 highways in Romania. The future signatories of this agreement, to be in force for 20 years, will be Rompetrol and MOL. It envisages the construction of new petrol stations with services ranging from charging electric vehicles, refueling to restaurants and shops.

The Shell company will start direct commercial road transport in Romania, starting in April. Over the past 15 years, services have been provided through a local agent. A team of 57 people will support Romanian "B2B" buyers from an office located in Bucharest.

Enel X installed six charging stations for electric vehicles in the city of Constanța in Romania, so the network reached 53 stations. The stations allow 12 vehicles to be charged simultaneously. Enel X Romania has the largest public e-mobility infrastructure plan in the country, which includes the installation of approximately 2,500 charging points across all of the country's regions, constituting an investment between 15 and 20 million euros.

Romania's OMV Petrom announced a drastic reduction in the investment budget in 2021. An amount of 2.9 billion lei is foreseen for investments (595.6 million euros). In comparison, in 2020, the company had an investment budget of 5.8 billion lei (1.2 billion euros), out of which only 56% was implemented.

OMV Petrom has invested 1.5 million euros in the Petrobrazi refinery to set up a new lighting system for ten industrial depots where oil and raw materials are unloaded and finished products are loaded. The old lighting system has been removed and conventional luminaires have been replaced with about 1,000 new LED lamps.

Kamelia Ene (Camelia Ene), executive director of MOL Romania, said that MOL Romania sees great potential for further growth and development in the local market. MOL digitization projects in Romania accelerated last year. In the future, there will be many projects leading to the transformation of MOL Romania from fuel retail to offering multiple services to its customers.

Due to the coronavirus epidemic in Romania and epidemiological measures taken to counter the epidemic, motor fuel sales have decreased as well as retail sales in the first quarter of this year compared to the corresponding period of the previous year.

NIS operates 19 petrol stations in Romania. The NIS market share in the total motor fuel market is 1.4 %, while its retail market share is 1.6%.

## Key Performance Indicators

Indicator	Unit of measure	Q1 2021	Q1 2020	Δ <sup>14</sup>
<b>Brent Dtd</b>	\$/bbl	60.9	50.3	+21%
<b>Sales revenue<sup>15</sup></b>	RSD billion	48.2	52.6	-8%
<b>Net profit</b>	RSD billion	1.5	-1.1	+244%
<b>EBITDA<sup>16</sup></b>	RSD billion	9.4	5.2	+81%
<b>OCF</b>	RSD billion	-0.5	-1.6	+71%
<b>CAPEX<sup>17</sup></b>	RSD billion	4.1	7.7	-47%
<b>Accrued liabilities for taxes and other public revenue<sup>18</sup></b>	RSD billion	44.6	39.90	+12%
<b>Total bank indebtedness<sup>19</sup></b>	EUR million	641	619	+4%
<b>LTIF<sup>20</sup></b>	%	1.25	1.68	-26%

<sup>14</sup> Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

<sup>15</sup> Consolidated operating income.

<sup>16</sup> EBITDA = Sales revenues (exclusive of excise duties) – costs of inventories (oil, petroleum products and other products) – Operating Expenses (OPEX) – other costs that may be controlled by the management.

<sup>17</sup> CAPEX amounts are exclusive of VAT.

<sup>18</sup> Taxes, fees, charges and other public revenue calculated for the reporting period. The overview is inclusive of the liabilities of NIS for taxes and other public revenue in Serbia and other countries of operation.

<sup>19</sup> Total bank indebtedness = Total debt to banks + Letters of Credit. As at 31 March 2021, this was EUR 641 million of total debt to banks.

<sup>20</sup> Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The indicator shown refers to NIS j.s.c. Novi Sad with its subsidiaries: Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical services LLC Zrenjanin and Naftagas – Transport LLC Novi Sad.

## Operating indicators

### Exploration and production

Indicators	Unit of measure	Q1 2021	Q1 2020	$\Delta^{21}$
Oil and gas output <sup>22</sup>	Thousand t.o.e.	292	319	-8%
Domestic oil output <sup>23</sup>	Thousand tonnes	198	210	-6%
LTIF <sup>24</sup>	%	1.85	2.34	-21%
EBITDA	RSD billion	6.0	5.3	+13%
CAPEX <sup>25</sup>	RSD billion	2.6	4.7	-45%

The main goal in the first quarter of 2021 in the Exploration and Production Block was to fulfill the hydrocarbon production plan and increase the efficiency of geological and technological activities.

In the first quarter of 2021, a total production volume of 283.5 thousand t.o.e. was achieved at deposits in Serbia. The total volume of production for the first quarter of this year, including concessions, amounts to 291.8 thousand t.o.e.

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

#### *Geological exploration and well engineering*

As part of the development drilling, the Is-19 well market the opening of a new deposit in the Iđoš field. Trial production has been initiated, the well shows high potential, current oil production is 15 t/day.

At the end of the first quarter after the geological and technological activities, 36 oil and 8 gas wells were commissioned. 9 new oil wells were commissioned. Nine studies on UV reserves, the Report on the state of reserves and resources of oil, gas and condensate and the Groundwater Reserve Book for 2020 have been completed and submitted to the competent authorities in accordance with the legal obligation.

#### *2/3D seismics*

Complex seismic and geological interpretations of 3D seismic data recorded at the exploration areas of Ada and Kikinda–Mokrin have been completed, while the seismic and geological interpretation of the aggregated 3D polygons Majdan–Srpski Krstur, Martonoš-Velebit and Čoka is underway.

#### *License obligations*

The necessary conditions are provided for the continuation of geological exploration works, for the period 2021–2023 in the licensing areas in Vojvodina.

<sup>21</sup> Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

<sup>22</sup> Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

<sup>23</sup> With natural gasoline.

<sup>24</sup> *Lost Time Injury Frequency* – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The specified indicator is calculated cumulatively, from the beginning of the year, and the indicated data represent the current status as of 31 December 2020. Therefore, there is no difference between year 2021 and Q1.

<sup>25</sup> Financing, exclusive of VAT.



### Projects abroad

The Company's operations in Romania in the Upstream part are carried out with the resources of NIS Petrol s.r.l. from Romania (a subsidiary, the sole owner of which being NIS a.d. Novi Sad) on six concession blocks. The operator on the blocks is NIS Petrol s.r.l.

#### Key events in the first quarter of 2021 in Romania:

- Blocks EX-7 and 8: NAMR (Romanian National Agency for Mineral Resources) has issued a formal document harmonizing the technological scheme of development (feasibility study) of the "Teremia North" deposit. The design of the infrastructure for the development of the "Teremia North" deposit is underway. Beginning of the overhaul of the Beba Veche Sud 1000 well;
- Jimbolia (Žombolj) Block: Experimental production of natural gas is underway.

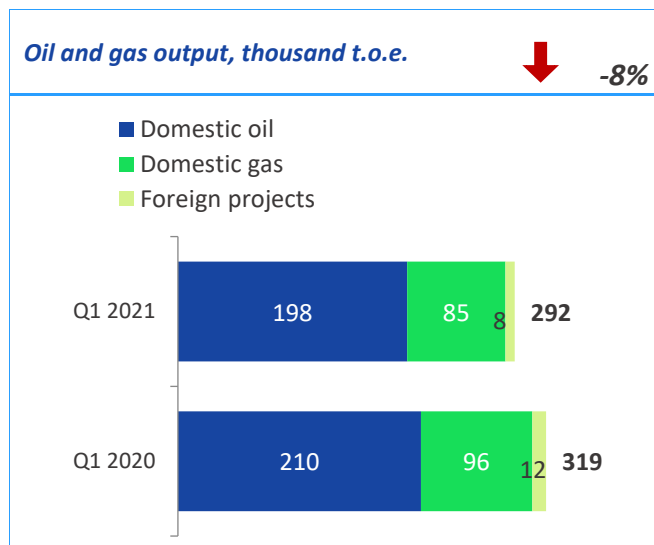
The Company's operations in the Republika Srpska (Bosnia and Herzegovina) in the Upstream part are carried out with the resources of Jadran Naftagas from Banja Luka.

#### Key events in the first quarter of 2021 in Bosnia and Herzegovina:

- In February 2021, 2D seismic imaging began in the Obudovac region. The works are carried out by Oilfield Services LLC Novi Sad. The defined circumference is 134 kilometers of 2D profile.

### Operating indicators

In the first quarter of 2021 the total production was 292 thousand tonnes of oil and equivalent of oil and gas, which is 8% less than in the first quarter of last year.



## Downstream

### Refining

Key indicators	Unit of measure	Q1 2021	Q1 2020	$\Delta^{26}$
<b>Volume of refining of crude oil and semi-finished products</b>	Thousand tonnes	752	860	-13%
<b>LTIF<sup>27</sup></b>	%	4.05	2.23	+82%
<b>EBITDA<sup>28</sup></b>	RSD billion	3.5	-4.4	+178%
<b>CAPEX<sup>29</sup></b>	RSD billion	1.0	2.6	-61%

During the first quarter of 2021 the Refining Block ensured the processing of oil and the production of petroleum products in accordance with market plans and requirements, as well as the implementation of a planned overhaul stoppage in March. The emphasis during the first two months of the quarter was on increased production volume and provision of the necessary supplies, in order to maintain uninterrupted dispatch and regular supply of the market with all types of products during the plant stoppage in March 2021.

The planned stoppage in March 2021, in addition to the basic work, also included the implementation of 12 investment maintenance projects.

During this planned stoppage, the key activity was at the S-4450 plant (new Klaus) where the BF-44501 boiler was completed replaced with a new one, which increase the reliability of the plant's operations essential for the work of the refinery.

Part of the anti-erosion lining on cyclones FC-2302 on the reactor-regenerating section of the so-called "blue section" of the FCC plant was also replaced, in order to increase reliability.

The investment project „Replacement of 6kV plant in substation N1“ was implemented, in order to increase the reliability of the power supply of the S-2100/2200 plant (Atmospheric and Vacuum distillation).

As part of the planned stoppage, 13 heat exchangers were overhauled and cleaned, and additional 23 air coolers cleaned. A six-column audit and overhaul, inspection and cleaning of more than 20 containers, opening and deflection of 13 furnaces were carried out, and a number of previously agreed technical and technological changes were carried out at the plants, in order to increase the overall efficiency of refinery processing and improve operation during summer.

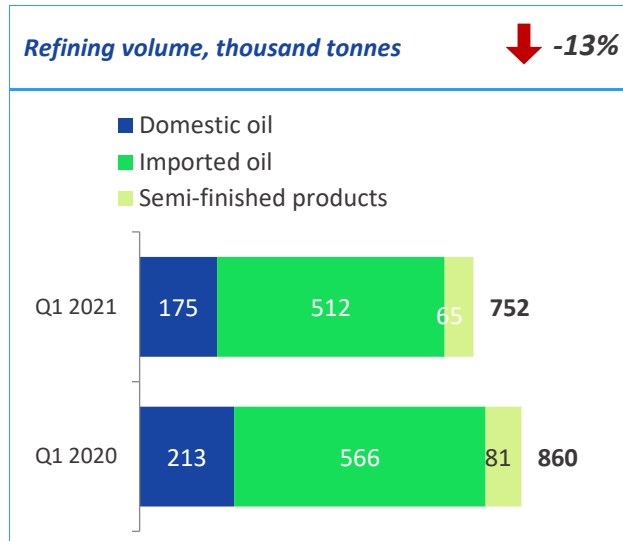
<sup>26</sup> Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

<sup>27</sup> Lost Time Injury Frequency – injury indicator with lost time (days). The ratio of the number of employees' injuries to the total number of work hours multiplied by a million.

<sup>28</sup> EBITDA of the Refining Block includes the power plant in RNP.

<sup>29</sup> Financing, exclusive of VAT.

### Refining Activities and Volume



In Q1 of 2021 the production of petroleum products decreased, compared to the Q1 of 2020 by 13% as a result of capital overhaul conducted in March 2021.

### Projects

The beginning of the third phase of the modernization of the Refinery - a contract was signed with the renowned company "Amec Foster Wheeler Italiana Srl" (Wood Group) on the preparation of the FEED (Front End Engineering Design) documentation for the purposes of the FCC reconstruction project and the construction of a new ETBE plant. The FCC/ETBE project is a key investment in the third phase of the refinery modernization, the main aim of which is to change the fluid catalytic cracking plant (FCC) technology to modern INDMAX technology, as well as the construction of a new ETBE plant (Ethyl tert-butyl ether) also by new technology.

This project is important for several reasons:

- These technologies will contribute to increasing the production of propylene by the FCC plant, as well as isobutylene, which will be processed as raw material together with bioethanol at the newly built ETBE plant. In this way, a high-octane bio-component will be obtained, which would be mixed with gasoline
- More efficient production of gasoline with bio-component will also be enabled
- After the reconstruction and application of new technologies, the FCC plant will be able to operate both in the propylene and gasoline modes, depending on market needs. This allows for greater flexibility and optimization of the technological process
- The finalization of this project, which is planned in 2024, will also mean improvement of environmental protection by reducing particulate matter emissions.

The Refining Block ensures the continuity in the use of the "CE" marking for polymer-modified bitumen, a marking of compliance with the requirements of the European Construction Products Regulation CPR 305/2011, thus enabling the continued marketing of this product in the European Union. In mid-March, the Refining Block in Pančevo, in cooperation with the Department for Standardization of Business Processes and Services for Standardization and Mapping of Business Processes from NIS Business Services, conducted the first supervisory check of compliance of the factory control of polymer modified bitumen production with the requirements of the reference standard EN 14023:2010. In this way, our company has ensured continuity in the use of the "CE" marking for all types of polymer-modified bitumen – polymer modified bitumen 45/80-65 and 25/55-55, which gives it the opportunity to continue marketing it in the European Union.

During the first quarter of 2021, the Refining Block continued to work on the implementation of digital projects, which will enable a more efficient and reliable operation of the Refinery. In particular, one of the digital projects in the implementation phase is the predictive maintenance of the system, and this is one of the most important tools within the strategy meaning the transition from corrective to proactive maintenance.

Successful practice of the Refining Block aggregated into a single electronic shift log system, digital structural tours, electronic work permits and CMMS (computerized maintenance management system) into a single system was also continued.

Other projects, such as mobile operator, ECONS, digital trainings, aimed at improving further the efficiency and safety of the work processes in the Refinery are also being intensively worked on.

Sales and distribution

Key indicators	Unit of measure	Q1 2021	Q1 2020	$\Delta^{30}$
<b>Total sales volume of petroleum products</b>	Thousand tonnes	782	779	+0.3%
<b>Retail Serbia</b>	Thousand tonnes	170	171	-1%
<b>Wholesale Serbia<sup>31</sup></b>	Thousand tonnes	258	266	-3%
<b>Retail Foreign Assets</b>	Thousand tonnes	43	45	-4%
<b>Wholesale Foreign Assets</b>	Thousand tonnes	71	41	+76%
<b>Transit, export and BU<sup>32</sup></b>	Thousand tonnes	239	257	-7%
<b>Motor fuels<sup>33</sup></b>	Thousand tonnes	528	516	+2%
<b>EBITDA<sup>34</sup></b>	RSD billion	3.5	3.6	-3%
<b>CAPEX<sup>35</sup></b>	RSD billion	0.4	0.3	+5%
<b>LTIF<sup>36</sup></b>	%	0.57	1.66	-66%

Points of Sale<sup>37</sup> and Logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 325 retail sites are located in the Republic of Serbia. In addition to 10 petrol stations for NIS use only, NIS owns 315 public petrol stations (24 under GAZPROM brand). In the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina (31 under GAZPROM brand), 34 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

The company started construction of a new highway petrol station, Sokolici 1, under the Gazprom brand. It is located along Corridor 11 and will be put in operation in may 2021. The company has also started the comprehensive reconstruction of the Mionica petrol station under the NIS brand, which will be put in operation in May 2021.

<sup>30</sup> Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

<sup>31</sup> It includes the sale of KPG of the Energy Block and the sale of oils and lubricants to the lubricant production plant

<sup>32</sup> Business unit includes the sale of canal bitumen, bunker and aviation fuel.

<sup>33</sup> Total sales of motor fuels in Serbia and in foreign assets.

<sup>34</sup> Block Sales EBITDA.

<sup>35</sup> Block Sales CAPEX, financing, exclusive of VAT.

<sup>36</sup> Lost Time Injury Frequency – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. The specified indicator is calculated cumulatively, from the beginning of the year, and the indicated data represent the current status as of 31 March 2021. Therefore, there is no difference between year 2021 and Q1.

<sup>37</sup> As at 31 March 2021.

### Loyalty program and Marketing Activities

In the first quarter of 2021, the company has held over 40 marketing campaigns in Serbia to develop consumer brands, promote loyalty programs, increase sales of fuel and non-fuel goods, and to introduce new products to the market. Over 20 marketing campaigns took place in other countries of the region.

As part of the On the Road with Us loyalty program it is important to point out the implementation of the new On the Road with Us mobile app that makes it possible for the users to activate their loyalty cards online and to use the virtual card instead of a plastic one, all within the loyalty program app.

NIS continues its cooperation with its long-term On the Road with Us partners Tehnomanija, Gigatron, and Intersport through digital campaigns, in order to achieve even better results.

In 2021 we also continue and develop redeem and spend-and-get programs with such companies as Tehnomanija, Nelt, and KIT Commerce. With these companies we have organized "redeem" and "spand & get" programs.

As for branded fuels, in late 2020 and early 2021 NIS held promotion campaigns for the winter G-Drive diesel fuel in order to familiarize consumers with the benefits of this fuel type.

Large projects implemented over the last quarter include:

- Jazak water – a national image campaign to support off-trade distribution, increase brand awareness, and bring the product closer to consumer.  
The campaign included the following:
  - TV – a 15-second TV commercial (on the RTS and TV Prva channels), a 30-second commercial on FOX, block bumper on RTS, sponsorship of weather forecast on RTS,
  - Radio – nation-wide coverage, a prize game on HIT FM,
  - Outdoor advertising – billboards in Belgrade and Novi Sad,
  - PR support,
  - WEB – animated banners on most visited websites,
  - DIGITAL – sponsorships, cooperation with influencers,
  - POSM
- New Agro Blue card offered in cooperation with Credit Agricole bank with a possibility of interest-free 6-month payment deferral,
- Spring Agro campaign offering users of Agro cards additional discounts on diesel fuel,
- Drive.Go and VISA – discount of 3 RDS per liter for payments in the Grive.Go app using Visa cards,
- Drive.Go account activation – firs-time app users get 300 bonus points after the first transaction. The same campaign was repeated foe the second time with 500 bonus points.

Key digitalization projects include:

- **Drive.Go** – Pay at Pump service. In early April 2020 NIS introduced the Drive.Go mobile app for NIS Petrol and GAZPROM clients with the pay at the pump service, which is the first time this service is offered in Serbia. In view of the pandemic, this service has proven crucial for client safety while also offering quick and effective way of payment. In December 2020 the app was active on 156 petrol station, and in Q1 of 2021 on 170. In the beginning of the year the app was updated to add personalized offers and notifications.
- **Instant payment – innovative way of payment at fuel stations**  
New service was launched at the end of 2020 in cooperation with the Poštanska Štedionica bank. Clients can now pay by showing am IPS QR code generated by the National Bank of Serbia via the

mBanking app. NIS was the first petroleum company in Serbia to introduce this simple and quick cashless way of payment. The marketing campaign was launched in 2021.

- **On the Road with Us mobile app in Bosnia**

In 2020, loyalty cards in Serbia became digital with bonus points tracked in the mobile app by scanning a QR code at the checkout counter. Same change was implemented in Bosnia in the first quarter of 2021.

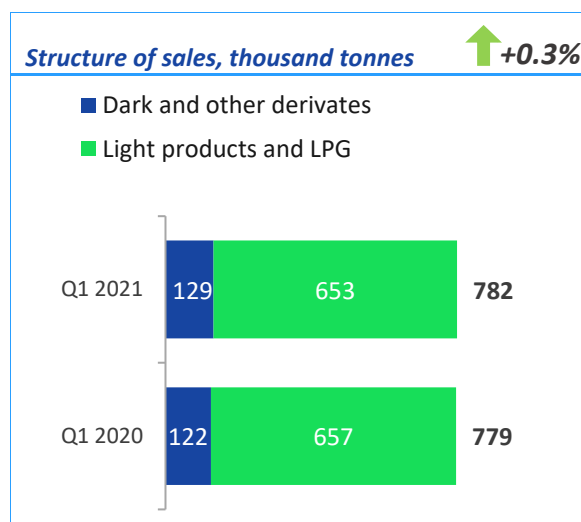
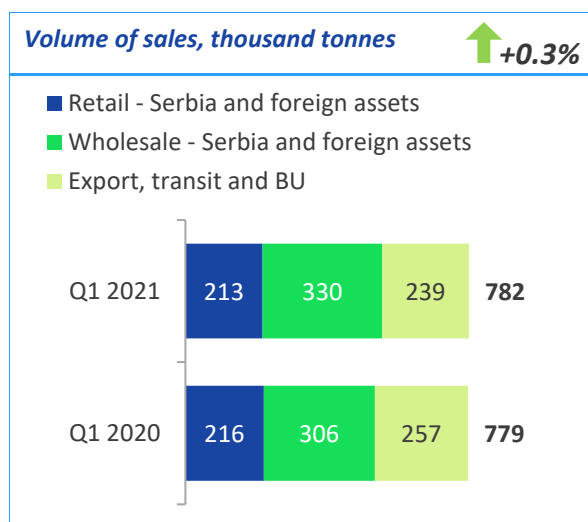
- **Cash withdrawal at NIS Petrol and GAZPROM fuel stations**

Users of Mastercard and Dina cards can now withdraw up to 5,000 dinars in cash from their bank account during payment at the POS terminal at all NIS petrol stations. This service is useful to all clients, but especially to those in areas with an underdeveloped ATM network. In 2019, this service first became available for Mastercard users, then in October 2020 to Dina card users. In 2021 VISA users will be able to benefit from the service, as in Q1 NIS started working on the further development of this function.

Operating indicators

The first quarter of 2021 saw a sales growth of 0.3% comparing to Q1 2020, with the total sales of 782 thousand tonnes.

- Retail in Serbia and foreign assets – a retail drop by 1% is a result of decrease in motor and energy fules
- Wholesale in Serbia and foreign assets<sup>38</sup>– an increase of 6% mostly due to motor fuels
- Export, transit and BU<sup>39</sup> – a decrease by 7% as a result of decreasing energy and non-energy fuel exports.



<sup>38</sup> It includes the sale of KPG of the Energy Block and the sale of oils and lubricants to the lubricant production plant

<sup>39</sup> Business units include the sale of canal bitumen, bunker and aviation fuels.



### Energy

#### CCPP Pančevo

As of the 31<sup>st</sup>, March 2021, design implementation stands at 97.14%. Cumulative implementation of engineering activities (design and other documentation) is equal to 94.30%. Mechanical, electrical and construction works on power plant's facilities are under way, as well as connecting pipes with the power block of the Pancevo Refinery and connection to the electrical grid, with a degree of implementation of 96.84%. Principal equipment of the power plant is mostly delivered, the degree of implementation equals 99.00%. Commissioning activities have started (implementation: 82%).

The COVID-19 virus pandemic has significantly affected and still affects the dynamics of the Project implementation.

#### Natural gas

In order to assure the security of supply and organize and balance the natural gas portfolio of NIS j.s.c. Novi Sad, in Q1 the following contracts were signed: Annual contract on natural gas distribution with the distribution system operator and natural gas transportation contracts on a monthly basis with the natural gas transmission system operator in accordance with the requirements of internal customers at NIS.

#### CNG – commercial aspect

CNG shipments from the Ostrovo oil field were carried out properly and with no delays, and there is a mutual interest in renewing the CNG Sale Agreement in the following year as well. We have completed feasibility studies for new CNG projects.

#### Electricity trade

NIS is present on the electricity markets of Serbia, Bosnia and Herzegovina, Romania and Hungary. Apart from these markets, NIS trades with North Macedonia, Bulgaria and Croatia as well. NIS trades on the electricity markets in Serbia (SEPEX) and Romania (OPCOM). We have commenced the process of registration of NIS Petrol Eood for the electricity trade in Bulgaria. The procurement of a specialized software for the trade of electricity and gas is underway.

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

The program of measures to reduce energy consumption and improve energy efficiency at NIS achieved the energy saving of 777 toe in Q1 2021. The savings amount to 24.5 million dinars.

An internal team for energy audits was established, and a regulatory and methodological framework was formulated. Pilot inspections were carried out in the facilities of the Sales and Distribution Block and the Refining Block. NIS has developed measures aimed at improving energy efficiency and formulated the operating plan for 2021.

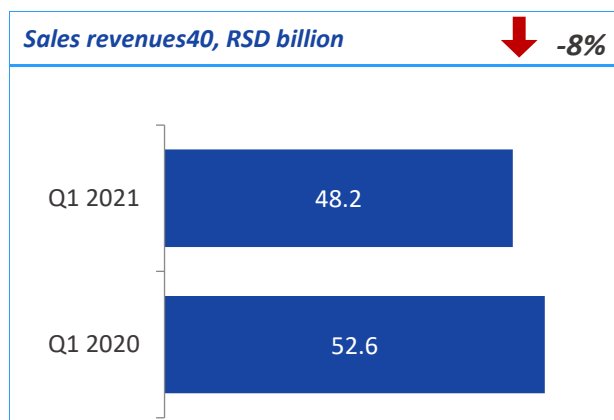
The implementation of measures to improve energy efficiency has been initiated, including: the use of flue gas heat at the gas compressors of the upstream unit, changes in the heating system of facilities and the introduction of a condensate return system at the facilities of the Sales and distribution Block.

#### Trade in the right to reduce emissions CO<sub>2</sub>

NIS has built small power plants for electricity generation and small co-generation power plants in oil fields, whereby it can avoid the burning of dissolved gas at the flare.

## Financial indicators

### Sales revenue



During the first quarter of 2021, NIS achieved a 8-percent drop in sales revenue<sup>41</sup> compared to the same period previous year.

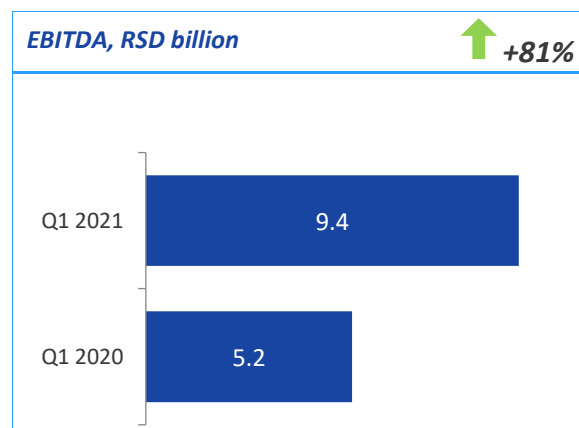
The decrease in sales revenue in the first quarter of this year compared to the same period last year is largely due to lower crack spreads on derivatives and a lower dollar exchange rate in 2021, as well as changes in the sales structure.

### EBITDA

EBITDA for the first quarter of 2021 was 81% higher than in the same period last year and amounted to RSD 9.36 billion.

The EBITDA increased in the first quarter of this year in comparison to the same period last year owing to:

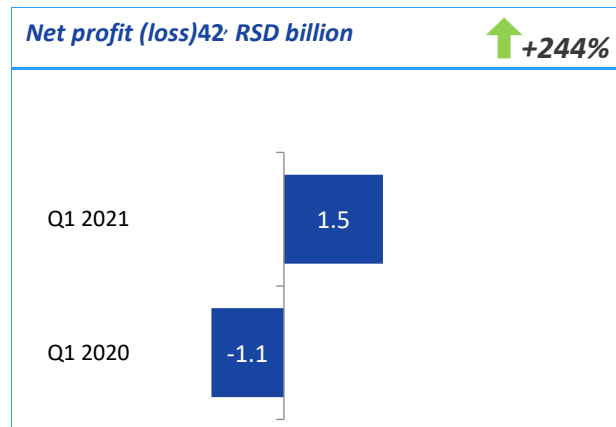
- Cheaper inventory in the refining sector in the previous periods, as well as the positive effect of rising oil prices compared to the first quarter of the previous year
- Cost optimization and measures implemented by the management.



<sup>40</sup>Consolidated operating revenue. Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

<sup>41</sup> Consolidated operating revenue.

## Net profit (loss)



Net profit realised in Q1 2021 is RSD 1.5 billion, a 244% increase compared to the same period last year.

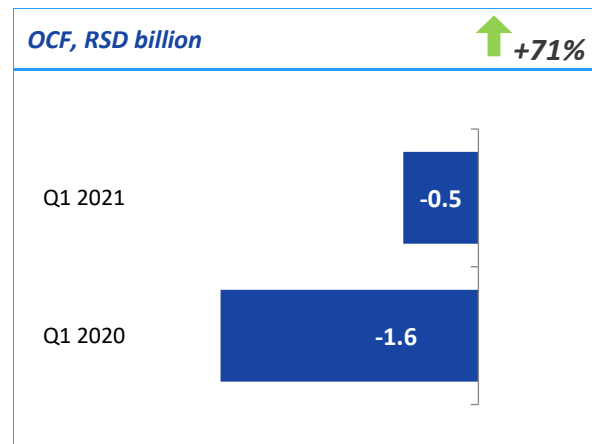
The main causes of the increase in the net result:

- increase of EBITDA indicator.

## OCF

In the first quarter of 2021, the operating cash flow amounts to RSD -0.5 billion, 71% increase compared to the same period last year:

- lower operating costs (oil, OPEX, customs), but also lower inflows from customers.

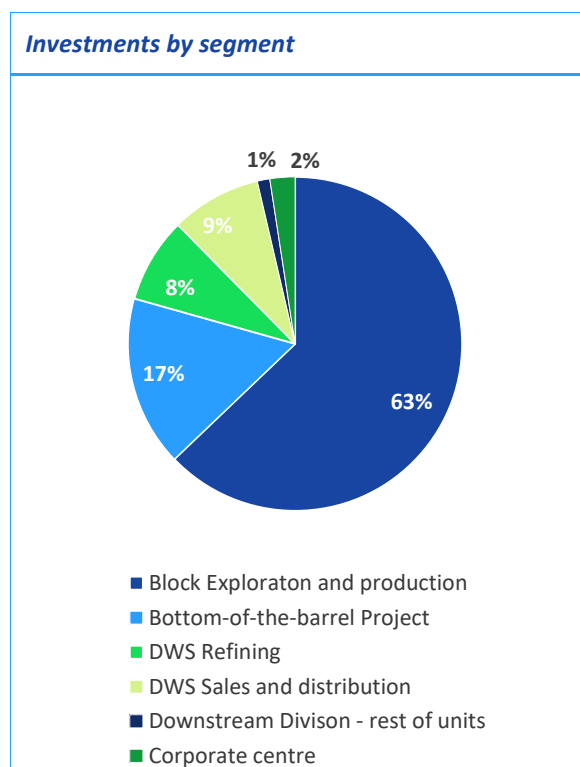
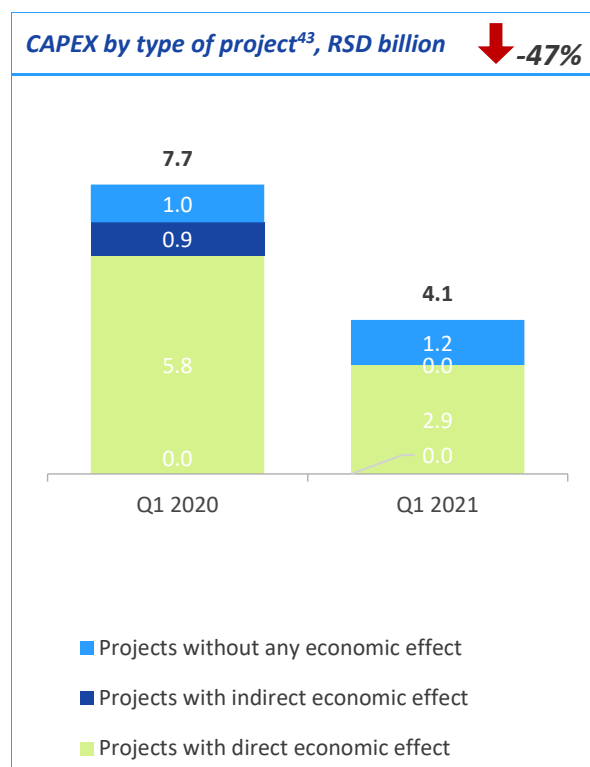


<sup>42</sup> Any potential deviations in percentages and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.

## CAPEX

In the first three months of 2021, the main investment directions were oriented towards the realization of projects in the production of oil and gas. A significant part of the investment was set aside for the finalization of payments for the project of improving the depth of refinery processing. In addition, during first quarter, NIS invested in refining, sales and distribution, energy, and service projects, as well as a number of projects in the corporate center.

During the first three months of 2021, RSD 4.1 billion was allocated to finance investments, which is 47% less than allocated last year.



<sup>43</sup> All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

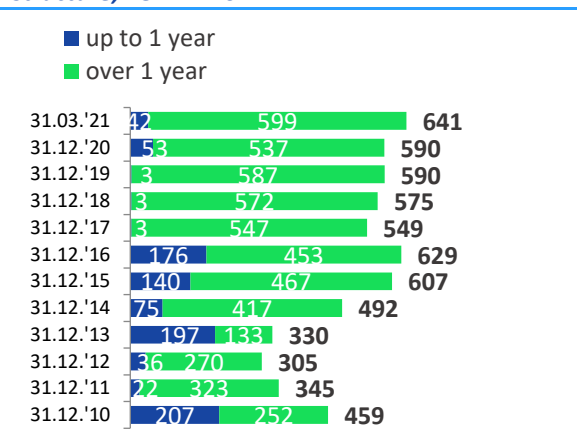
Organisational unit	Major projects
<b>Exploration and production</b>	<ul style="list-style-type: none"> <li>• drilling of development wells</li> <li>• investing in geological and technical activities</li> <li>• investing in basic infrastructure</li> <li>• investing in concession rights</li> <li>• program of 3D seismic surveys and drilling of exploration wells in the Republic of Serbia</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>• replacement of the equipment for drilling tool handling</li> <li>• replacement of cement tanks</li> <li>• general workover of id-6 drilling rig assemblies</li> <li>• replacement of obsolete HDM equipment</li> </ul>
<b>Bottom-of-the-Barrel Project</b>	<ul style="list-style-type: none"> <li>• modernisation of the refining process – finalization of works on the project Bottom-of-the-barrel</li> </ul>
<b>Refining</b>	<ul style="list-style-type: none"> <li>• program of investment maintaining of Refining Block</li> <li>• projects aimed at ensuring compliance with legal norms and regulations</li> <li>• projects to increase production efficiency</li> <li>• reconstruction of the fcc (catalytic cracking plant) and the construction of a new etbe plant (high-octane gasoline components)</li> <li>• capital investments related to environmental protection</li> <li>• cnergy projects</li> </ul>
<b>Sales and distribution</b>	<ul style="list-style-type: none"> <li>• retail network development in Serbia (petrol station construction and reconstruction)</li> <li>• transport projects (procurement of tractors and semi-trailers, capital overhaul of tang wagons)</li> <li>• development of the retail network in Bosnia and Herzegovina (technical protection of the retail network in Bosnia and Herzegovina)</li> <li>• other retail projects in serbia and the region</li> </ul>
<b>Rest of Downstream projects (Energy, Technical services)</b>	<ul style="list-style-type: none"> <li>• procurement of specialised software for electricity trading, gas and risk management (ETRM)</li> <li>• locksmith tool restoration</li> <li>• central compressor for process air</li> </ul>
<b>Corporate centre</b>	<ul style="list-style-type: none"> <li>• projects of corporate security (replacement of video surveillance system on petrol stations)</li> <li>• projects with information technology component (the improvement of cloud infrastructure, digitalization of multimedia archives, sap success)</li> </ul>

## Indebtedness

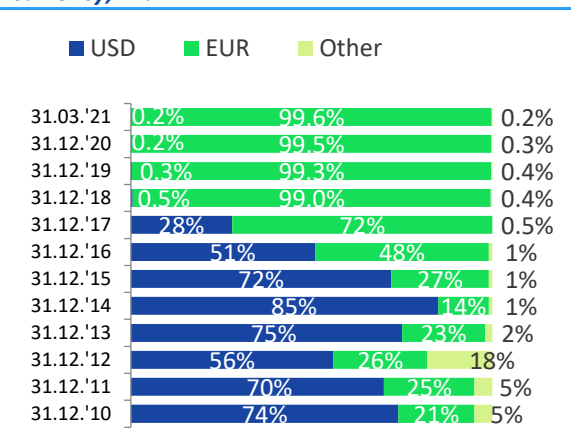
At the end of the first quarter of 2021, the debt to banks increased when compared to the end of 2020 to the level of EUR 641 million. This increase in debt is a consequence of the schedule of the loan portfolio restructuring and the need to repay and withdraw bank loans at a time when there is a basis for loan withdrawal (imports from the EU, in accordance with the exemptions from sanctions). Thus, during the first quarter, the loan was withdrawn in the amount of EUR 68.1 million and repaid the total of EUR 16.7 million, out of which EUR 12 million prematurely. Repayment of loans with less favorable conditions is planned during the second quarter, in accordance with the possibilities of the cash flow, and the level of debt by the end of 2021 will not be higher than at the end of 2020 and will amount to a maximum of EUR 590 million. During the first quarter, a tender for the restructuring of the loan portfolio was launched with the aim of extending the average maturity of the portfolio to over 3 years at the end of 2021, while maintaining the optimal price level. During the second quarter, contracting is expected with banks whose bids will be accepted.

In addition, the debt to the parent company PJSC "Gazprom Neft", amounted to EUR 104.7 million, was reduced and at the end of the first quarter of 2021.

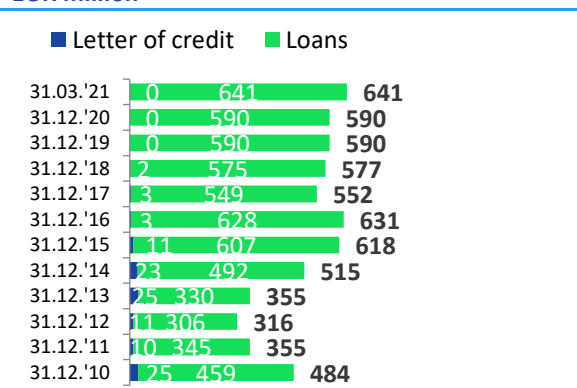
**Total bank debt trends with maturity structure, EUR million<sup>44</sup>**



**Total bank debt structure, by currency, in %**



**Total bank indebtedness<sup>45</sup>, EUR million**



<sup>44</sup> Any deviations in percentages and aggregate values result from rounding.

<sup>45</sup> In addition to the bank debt and Letters of Credit NIS j.s.c. Novi Sad also holds issued bank guarantees in the amount of EUR 29.2 million, corporate guarantees in the amount of EUR 76.3 million and Letters of Intent signed with banks in the amount of EUR 3.4 million and financial leasing in the amount of EUR 20.1 million as at 31 March 2021.

**Taxes and Other Public Revenue<sup>46</sup>**

<b>NIS j.s.c. Novi Sad</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>%<sup>47</sup></b>
Social insurance contributions paid by employer	0.47	0.43	9%
Energy efficiency fee <sup>48</sup>	0.08	0.08	-7%
Corporate tax	0.72	0.00	-
Value-added tax	7.10	4.13	72%
Excise duties	27.20	28.05	-3%
Commodity reserves fee	1.31	1.42	-7%
Customs duties	0.17	0.17	-2%
Royalty	0.26	0.27	-4%
Other taxes	0.34	0.35	-2%
<b>Total</b>	<b>37.65</b>	<b>34.91</b>	<b>8%</b>
<b>NIS subsidiaries in Serbia<sup>49</sup></b>			
Social insurance contributions paid by employer	0.33	0.21	52%
Corporate tax	0.09	-0.01	-1.025%
Value-added tax	0.64	0.29	122%
Excise duties	0.00	0.00	-
Customs duties	0.01	0.02	-56%
Royalty	0.00	0.00	-
Other taxes	0.03	0.02	40%
<b>Total</b>	<b>1.09</b>	<b>0.53</b>	<b>106%</b>
<b>Total NIS j.s.c. Novi Sad with subsidiaries in Serbia</b>	<b>38.74</b>	<b>35.44</b>	<b>9%</b>
<b>NIS regional subsidiaries and Angola</b>			
Social insurance contributions paid by employer	0.01	0.01	11%
Corporate tax	0.00	0.05	-96%
Value-added tax	0.19	0.25	-21%
Excise duties	3.54	2.82	26%
Customs duties	2.07	1.29	61%
Royalty	0.00	0.01	-60%
Other taxes	0.02	0.03	-25%
<b>Total</b>	<b>5.85</b>	<b>4.46</b>	<b>31%</b>
<b>Deferred taxes (total for Group)</b>			
<b>Total NIS Group<sup>50</sup></b>	<b>44.59</b>	<b>39.90</b>	<b>12%</b>

Accrued liabilities for public revenue payable by NIS j.s.c. Novi Sad along with its subsidiaries deriving from its organisational structure in Serbia totalled RSD 38.74 billion in Q1 2021.

The amount of accrued liabilities for public revenue payable by NIS Group in Q1 2021 totalled RSD 44.59 billion, an increase of 12% on the same period in 2020.

<sup>46</sup> In RSD billion.

<sup>47</sup> Any deviations in percentages and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

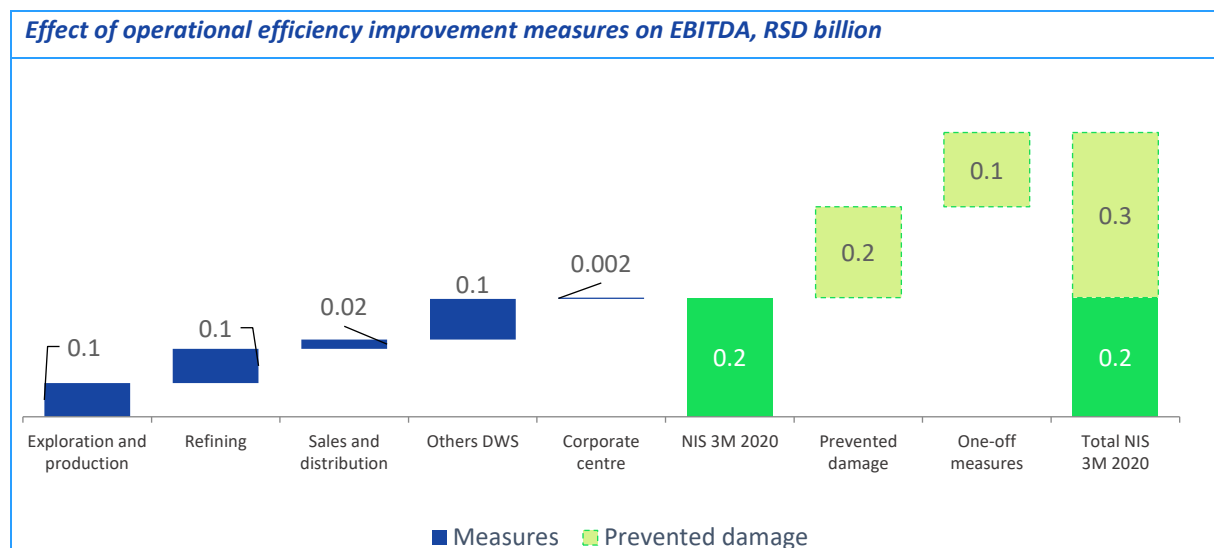
<sup>48</sup> Calculated from 1 July 2019.

<sup>49</sup> Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and NTC NIS Naftagas LLC Novi Sad and NIS Petrol a.d. Belgrade.

<sup>50</sup> Including taxes and other liabilities for public revenues for subsidiaries in the region, corporate tax in Angola and deferred taxes.

## Operational Efficiency Improvement

The effect of operational efficiency improvement measures on EBITDA in first quarter of 2021 is RSD 0.2 billion.



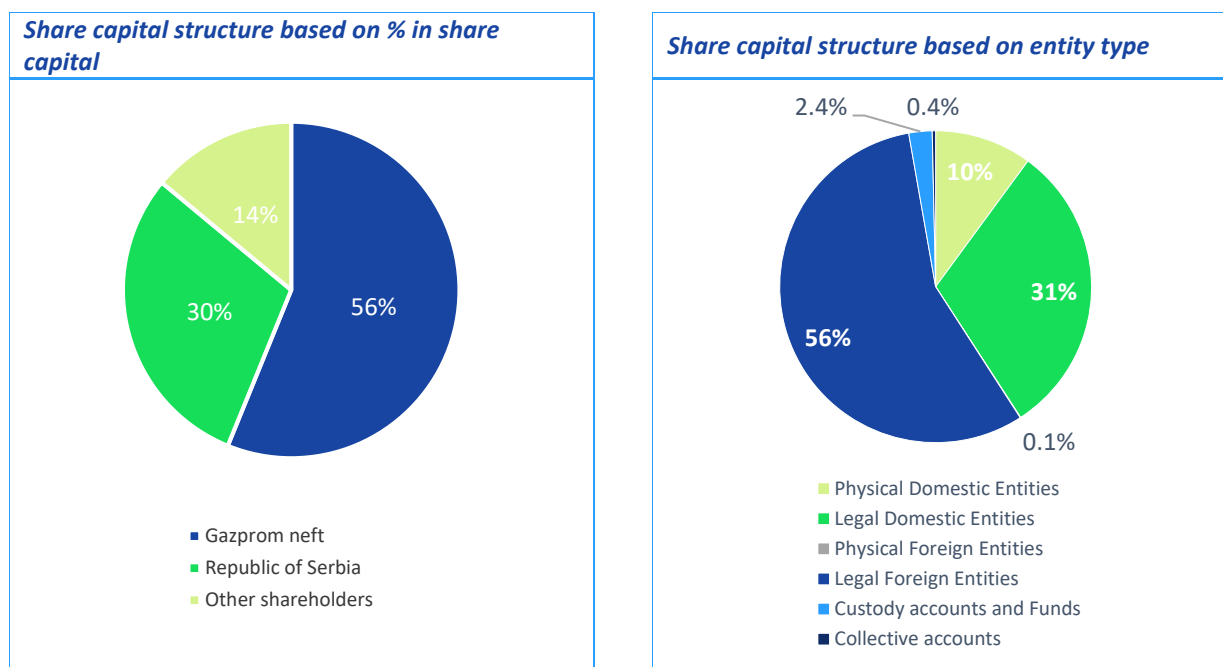


## Securities

### Share Capital Structure

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

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

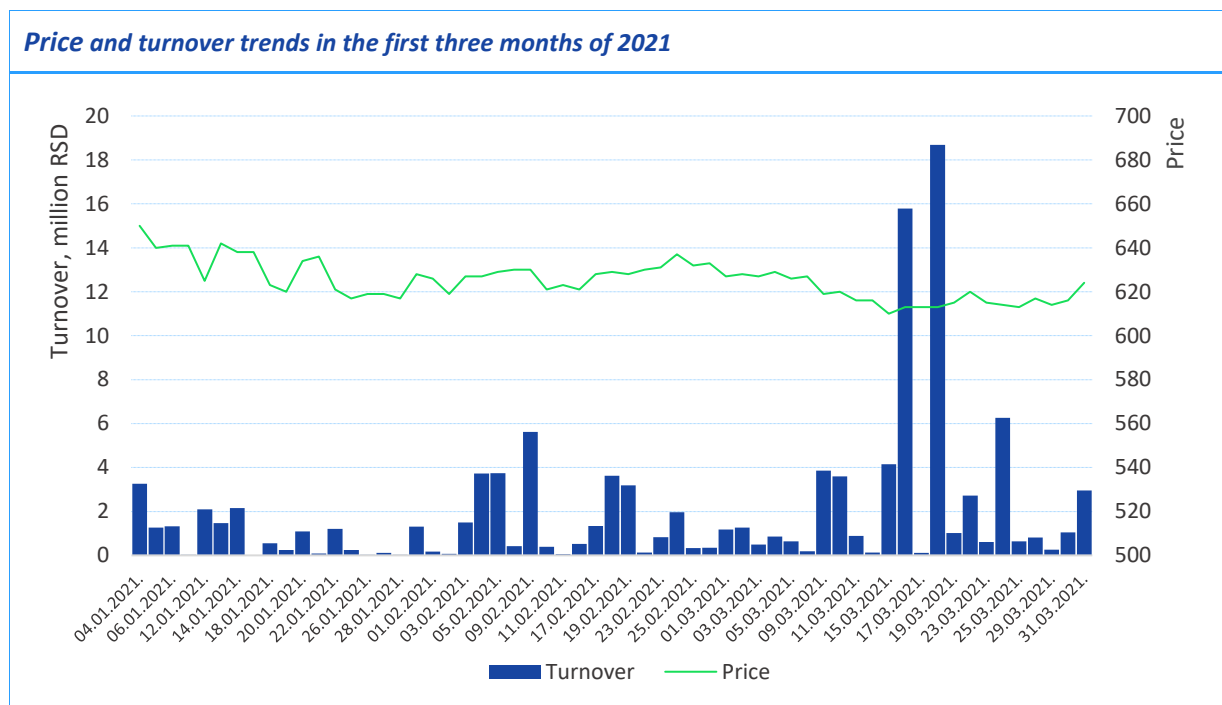


The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

Shareholder	Number of shares	% in share capital
<b>PJSC Gazprom Neft</b>	91,565,887	56.15%
<b>Republic of Serbia</b>	48,712,159	29.87%
<b>OTP banka Srbija a.d. – custody account – fund</b>	2,538,804	1.56%
<b>OTP banka Srbija a.d.– custody account – fund</b>	998,990	0.61%
<b>Dunav osiguranje a.d.o.</b>	394,229	0.24%
<b>Convest a.d. Novi Sad – collective account</b>	224,440	0.14%
<b>Raiffeisen banka a.d. – custody account</b>	183,483	0.11%
<b>Aktiv-fond d.o.o.</b>	182,098	0.11%
<b>Unicredit bank Srbija a.d. – custody account</b>	164,796	0.10%
<b>Unicredit bank Srbija a.d. – collective account</b>	141,792	0.09%
<b>Other shareholders</b>	17,953,722	11.01%
<b>Total number of shareholders as at 31 March 2021:</b>		<b>2,066,596</b>

## Share Trading and Indicators per Share

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



### Overview of trading in NIS j.s.c. Novi Sad shares at Belgrade Stock Exchange in first quarter of 2021

Last price (31 March 2021)	624 RSD
High (4 January 2021)	650 RSD
Low (15 March 2021)	610 RSD
Total turnover	112,584,851 RSD
Total volume (number of shares)	181,077 shares
Total number of transactions	1,231 transactions
Market capitalization as at 31 March 2021	101,749,689,600 RSD
EPS	14.16
Consolidated EPS	9.35
P/E ratio	44.06
Consolidated P/E ratio	66.70
Book value as at 31 March 2021	1,548.00
Consolidated book value as at 31 March 2021	1,498.49
P/BV ratio	0.40
Consolidated P/BV ratio	0.42

In Q1 2021 the Company did not acquire any treasury shares.

## Dividends

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

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

At the 12<sup>th</sup> Ordinary Meeting of the Shareholders' Assembly NIS j.s.c. Novi Sad, the decision on profit distribution for 2019, Dividend Payment and Determining the Total Amount of Retained Profit of NIS j.s.c. Novi Sad was adopted. The dividends for 2019 were paid to shareholders on November 27, 2020.

	Net profit (loss), RSD bn <sup>51</sup>	Total amount of dividend, RSD bn	Payment ratio	Earnings per share, RSD	Dividend per share, gross, RSD	Share price as at 31 December, RSD	Shareholders' dividend yield, in % <sup>52</sup>
2009	-4.4	0	-	-	0	-	-
2010	16.5 <sup>53</sup>	0	-	101.1	0	475	-
2011	40.6 <sup>54</sup>	0	-	249	0	605	-
2012	49.5	12.4	25%	303.3	75.83	736	10.3
2013	52.3	13.1	25%	320.9	80.22	927	8.7
2014	30.6	7.6	25%	187.4	46.85	775	6
2015	16.1	4	25%	98.8	24.69	600	4.1
2016	16.1	4	25%	98.6	24.66	740	3.3
2017	27.8	6.9	25%	170.43	42.61	724	5.9
2018	26.1	6.5	25%	159.86	39.97	690	5.8
2019	17.7	4.4	25%	108.55	27.14	749	3.6

## Overview of Financial Instruments Used by the Group

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

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

<sup>51</sup> Net profit of NIS j.s.c. Novi Sad.

<sup>52</sup> Calculated as the ratio of gross dividend and year-end share price.

<sup>53</sup> Net profit used to cover accumulated losses.

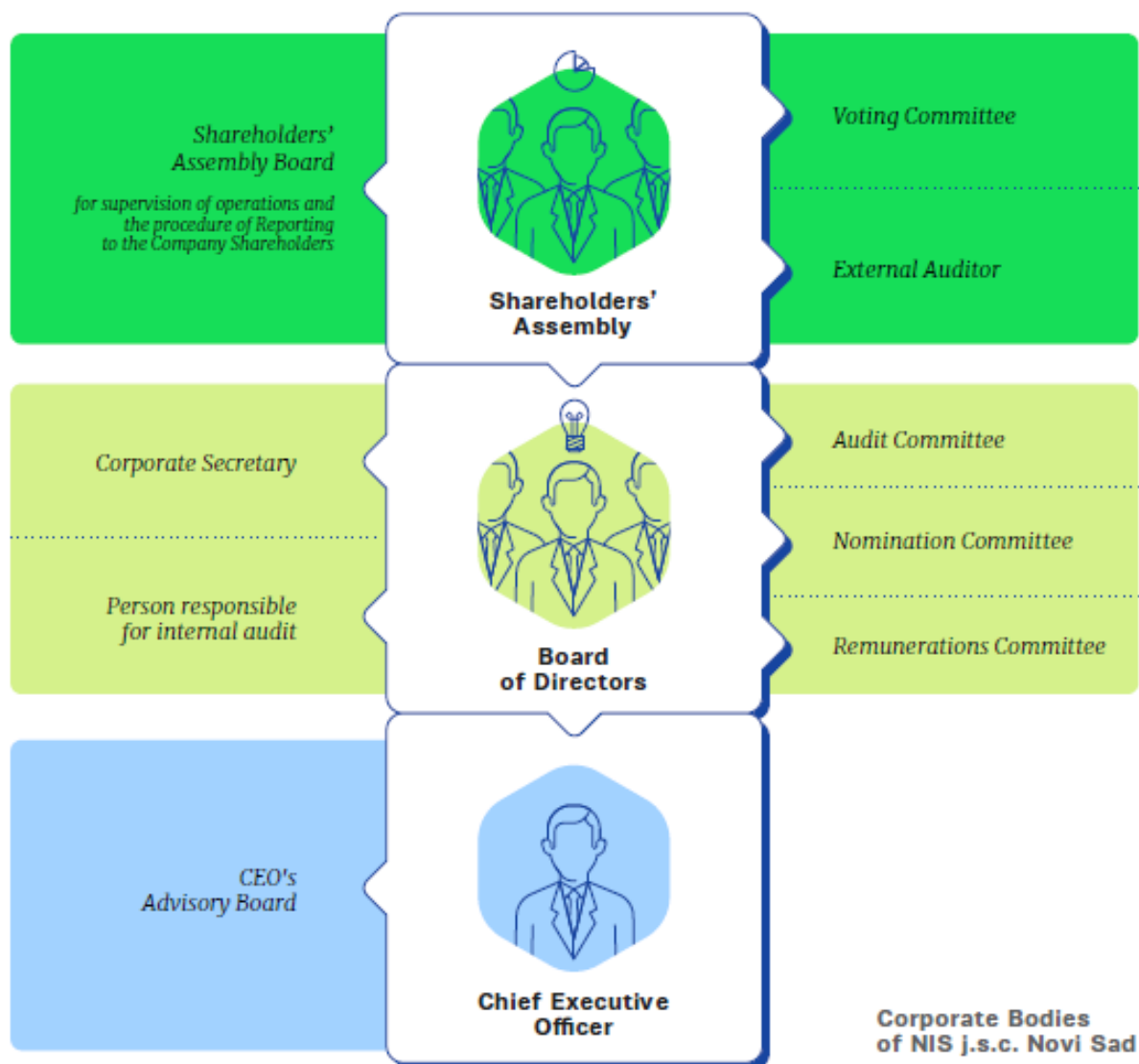
<sup>54</sup> Net profit used to cover accumulated losses.

## Corporate Governance

### Corporate Governance System

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

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



## Shareholders' Assembly and Shareholders' Rights

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders. All NIS j.s.c. Novi Sad shares are ordinary shares that give their owners the same rights, wherein one share carries one vote.

## Board of directors

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

The Board of Directors has 11 members appointed by the Shareholders Assembly. The members elect the Chairperson of the Board of Directors, while the responsibilities of the Board of Directors' Chairperson and the CEO are clearly divided.

## Members of the Board of Directors

The members of the Board of Directors shall be appointed and dismissed at a General Meeting by a simple majority vote of the present voting shareholders.

The 12<sup>th</sup> regular Shareholders' Assembly on June 30, 2020, appointed the following Board members: Vadim Yakovlev, Kirill Tyurdenev, Danica Drašković, Aleksey Yankevich, Pavel Oderov, Aleksandr Krylov, Dragutin Matanović, Dejan Radenković, Aleksandr Chepurin, Anatoly Cherner and Olga Vysotskaya.

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

## Board of Directors' Members as of 31 March 2021



### Vadim Yakovlev

#### Chairman of NIS j.s.c. Novi Sad Board of Directors

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

Born in 1970.

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

During his employment with PricewaterhouseCoopers from 1995 to 2000, Mr. Yakovlev held various positions, starting from a Consultant to being promoted to Audit Manager. In the period from 2001 to 2002, he served

as Deputy Head of Financial and Economics Department, YUKOS EP c.j.s.c. From 2003 to 2004, he was Financial Director of Yugansk Neftgaz, NK Yukos. From 2005 to 2006, Mr. Yakovlev held the position of Deputy General Director in charge of economy and finance at SIBUR-Russian Tyres. From 2007 to 2010 – „Gazprom neft“ PJSC Deputy CEO in charge for economics and finance. From 2007 – Deputy Chairman of the Management Board of „Gazprom neft“ PJSC. From 2010 to 2011 – First Deputy CEO – „Gazprom neft“ PJSC Financial Director. From 2011 he was at the post of the „Gazprom neft“ PJSC First Deputy CEO.

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

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



### **Kirill Tyurdenev**

**CEO of NIS j.s.c. Novi Sad**

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

Member of the Nomination Committee

Born in 1977.

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

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

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

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



**Danica Drašković**  
**Member of NIS j.s.c. Novi Sad Board of Directors**

Born in 1945.

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

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

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



**Alexey Yankevich**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
*Deputy CEO for Economics and Finance PJSC "Gazprom Neft"*

Born in 1973.

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

Mr. Yankevich was employed with CARANA, a consulting company from 1998 to 2001. In the period from 2001 to 2005 he served as Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM o.j.s.c. (business unit responsible for logistics and downstream operations). In 2004, he became a Certified Management Accountant (CMA). From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group). From 2007 to 2011 he held the post of Head of the Planning and Budgeting Department, and was Head of Economics and Corporate Planning Department at "Gazprom Neft" PJSC.

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

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



**Pavel Oderov**

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

*Deputy CEO for Foreign economic activities PJSC "Gazprom Neft"*

Born in 1979.

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

In 2002, he graduated from the National University of Oil and Gas "Gubkin University", Faculty of Management;

In the period from October 2002 to June 2007 He held positions such as leading expert, head of a section, deputy heat of Department in the field of marketing of Lukoil-Neftekhim ZAO.

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

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

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

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



**Alexander Krylov**

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

*Director of the Division for Regional Sales in PJSC "Gazprom Neft"*

Born in 1971.

In 1992, Mr. Krylov graduated from LMU (Leningrad) and graduated from the Faculty of Law of Saint Petersburg State University in 2004. In 2007, he earned MBA degree from Moscow International Business School MIRBIS, specializing in Strategic management and Entrepreneurship.

From 1994 to 2005 Mr. Krylov held managerial positions in the field of real estate sales (Chief Executive Officer, Chairman) in the following companies: Russian-Canadian SP "Petrobild"; c.j.s.c. "Alpol". From 2005 – 2007 he was deputy director in the Division for implementation in "Sibur" Ltd. In April 2007, Mr. Krylov was appointed Head of the Division for Petroleum Product Supply, head of the Regional Sales Division and Director of the Regional Sales Department at "Gazprom Neft" PJSC.

Mr. Krylov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 29 November 2010.



**Dragutin Matanović**

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

**Chairman of the Nomination Committee**

Born in 1954.

Batchelor of Electric Engineering (BEE).

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

Director of the Company „Lola računari“ in Belgrade.



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



**Dejan Radenković**  
**Member of NIS j.s.c. Novi Sad Board of Directors**  
**Member of the Audit Committee**

Born in 1971.

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

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

He is a member of the Board for supervision of operations of the „MTS bank“ j.s.c. Belgrade at the present.

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

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



**Alexander Chepurin**  
**Independent Member of NIS j.s.c. Novi Sad Board of Directors**  
**Member of Nomination Committee**

Born in 1952.

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

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

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

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

From 2012 to June 2019, he served as Ambassador of the Russian Federation to Serbia. He has the rank of Ambassador Extraordinary and Plenipotentiary and several Russian and Serbian state orders and medals. In 2009, he was awarded a PhD Degree in Political Science.

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

He is a member of the Russian international affairs council.

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



#### **Anatoly Cherner**

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

**Chairman of the Remuneration Committee**

*Deputy Chairman of the PJSC "Gazprom Neft" Executive Board,*

*Deputy CEO for Logistics, Refining and Sales at PJSC "Gazprom Neft"*

Born in 1954.

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

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

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



#### **Olga Vysotskaia**

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

**Chairman of the Audit Committee**

**Member of the Remuneration Committee**

Born 1961.

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

She held the position of Chair of the Board of Directors (BoD), CEO, Chair of science and production companies from 1988 to 1995, and she was Director of many private companies. From 1995 to 2003 she held various partner positions with KPMG in New York and Moscow. From 2003 to 2005 she was person in charge of Internal audit Directorate of "Yukos", Moscow.

From 2005 to 2008 she was Consulting services Executive partner of Deloitte&Touche, From 2006 to 2013 she held positions of independent member of the BoD, Chair of the Audit Commission, member of the Strategy Commission, member of the Remuneration Commission of "EM - alliance" and "KIT Finance", as well as independent member of the Audit Commission of OJSC "Baltika". From 2012 to 2013 she was a partner in PricewaterhouseCoopers (PwC) and from 2013 to 2014 - independent member of the CJSC "NefteTransService" Board of Directors, Chair of the Audit Commission, member of Remuneration Commission. As of 2013 she is holding position of independent member of LTD "İNK" BoD and from 2015 to 2018 she held position of independent member of BoD of JSC "SUEK".

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

#### *Membership in Other Companies' Boards of Directors or Supervisory Boards*

Vadim Yakovlev	<ul style="list-style-type: none"> <li>● PJSC NGK "Slavneft"</li> <li>● Salym Petroleum Development N.V. (Chairman of Supervisory Board)</li> <li>● FGAOU „Tyumen State University (member of the Supervisory board)</li> <li>● LTD „UT IT“, „Novaya Industriya“ (Chairman of the BoD)</li> </ul>
Kirill Tyurdenev	<ul style="list-style-type: none"> <li>● -</li> </ul>
Danica Drašković	<ul style="list-style-type: none"> <li>● -</li> </ul>
Alexey Yankevich	<ul style="list-style-type: none"> <li>● PJSC "NGK Slavneft"</li> <li>● "Gazprom Neft Lubricants Italia s.p.a." (Chairman of the BoD)</li> </ul>
Pavel Oderov	<ul style="list-style-type: none"> <li>● South Stream Serbia AG (Chairman of the BoD)</li> <li>● Overgaz Inc. AD</li> <li>● Shtokman Development AG (Chairman of the BoD)</li> <li>● South Stream Bulgaria JSC (Chairman of the BoD)</li> <li>● SOUTH STREAM GREECE NATURAL GAS PIPELINE S.A. (Chairman of the BoD)</li> <li>● South Stream Hungary Ltd. (Deputy Chairman of the BoD)</li> <li>● TÜRKAKIM GAZ TAŞIMA ANONİM ŞİRKETİ</li> <li>● JSC „System of transit gas pipelines“ „EuRoPol GAZ s.a." (SGT EuRoPol GAZ s.a.)“</li> <li>● JSC „Football club „Zenit“</li> <li>● LTD „Basketball club „Zenit“</li> </ul>
Alexander Krylov	<ul style="list-style-type: none"> <li>● Association Hockey Club „Avangard“ (Chairman of the BoD)</li> <li>● LTD „KHL“</li> </ul>
Dragutin Matanović	<ul style="list-style-type: none"> <li>● -</li> </ul>
Dejan Radenković	<ul style="list-style-type: none"> <li>● -</li> </ul>

Alexander Chepurin	<ul style="list-style-type: none"> <li>-</li> </ul>
Anatoly Cherner	<ul style="list-style-type: none"> <li>PJSC NGK "Slavneft"</li> <li>PJSC "Slavneft-YANOS"</li> <li>Saint Petersburg International Mercantile Exchange</li> <li>"Gazprom Neft Lubricants Italia s.p.a."</li> </ul>
Olga Vysotskaia	<ul style="list-style-type: none"> <li>Nonprofit organization «Serebryanoe vremya» (Chair of the Supervisory Board, Director)</li> <li>LTD INK (independent member of the BoD, Chair of the Audit Commission)</li> </ul>

<b>Total amount paid to Board of Directors members in Q1 2021, net RSD</b>	
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<b>Members of BoD</b>	59,477,012 RSD
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## Board of Directors' Committees

In order to complete its obligations more efficiently, the Board of Directors founded 3 permanent committees as advisory and professional bodies, which support its work, especially in terms of consideration of the questions under its jurisdiction, preparation and supervision of implementation of the decisions and acts adopted by BoD, as well as conduction of certain expert activities necessary for the Board of Directors.

On August 6, 2020, the Board of Directors appointed its committees for the ongoing term as follows:

- Audit Committee:
  - Olga Vysotskaya, chairman,
  - Dejan Radenković, member,
  - Aleksey Urusov, member,
- Remuneration Committee:
  - Anatoly Cherner, chairman,
  - Olga Vysotskaya, member,
  - Zoran Grujičić, member,
- Nomination Committee:
  - Dragutin Matanović, chairman,
  - Aleksandr Chepurin, member,
  - Kirill Tyurdenev, member.

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

## Shareholders' Assembly Board

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

The 12<sup>th</sup> regular Shareholders' Assembly on June 30, 2020, appointed the following Shareholders' Assembly Board members Zoran Grujičić, Dragan Bračika and Aleksey Urusov.

## Members of the Shareholders' Assembly Board as at 31 March 2021



### Zoran Grujičić

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

Born in 1955.

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

From 1980 to 1994, he was employed by the "Cer" heat transfer appliances plant in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of Interkomerc, Belgrade. From February 1998 to June 2004, he

was Managing Director of MNG Group d.o.o., Čačak. From June 2004 to February 2007, he was Director of the trading company Agrostroj j.s.c. Čačak, Director of the limited partnership company Leonardo from Čačak and Director of the Vojvodina Highway Centre. Since February 2007, Mr. Grujičić has been employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department in Jugopetrol, Head of RC Čačak at the Retail Department – Čačak Region, Manager of Retail Network Development in the Development Department, Sales and Distribution. From October 2012 to January 2016, he had served as Advisor to the Sales and Distribution Director and from February 2016 to October 2017 has been an Advisor to the Function for External Affairs and Government Relations Director.

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



#### **Dragan Bračika**

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

Born in 1982.

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

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

From 2016 to the present he serves as Director of Ceptor Andrevlje.

Mr Bračika was appointed as a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 27.06.2019.



#### **Alexey Urusov**

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

**Member of the Audit Committee**

*Director of Economics and Corporate Planning Department in "Gazprom Neft" PJSC*

Born in 1974.

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

From 2006 to 2008, he worked as Executive Vice-President for planning and performance management in the Integra Group. From 2002 to 2006, he was employed at TNK-BP, being a member of TNK BoD's Group for

Monitoring and Control from 2002 to 2003, and CFO of TNK-BP Ukraine from 2004 to 2006. From 2009 to 2012, Mr Urusov was employed with NIS j.s.c. Novi Sad as Chief Finance Officer. From 2012, he has been employed as a Director for economics and corporate planning with PJSC "Gazprom Neft".

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

### Membership in the Board of Directors or Supervisory Boards of Other Companies

Zoran Grujičić	• -
Dragan Bračika	<ul style="list-style-type: none"> <li>• Board of Directors member, Specialized hospital for prevention, treatment of lung diseases and rehabilitation Sokobanja</li> <li>• Director, Center for economy and technology development Ceptor Andrevlje</li> </ul>
Alexey Urusov	<ul style="list-style-type: none"> <li>• Board of Directors member, Gazpromneft - Catalytic systems LLC;</li> <li>• Board of Directors member Gazpromneft – Energoservice LLC;</li> <li>• Board of Directors member, GPN CR LLC</li> <li>• Board of Directors member, GPN ITO LLC</li> </ul>

#### Total amount of fees paid to SAB members in first quarter of 2021, net in RSD

Members of SAB	3,527,274 RSD
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### Number and Percentage of NIS j.s.c. Novi Sad Shares Owned by SAB members

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

### Chief executive officer

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

### Advisory Board of the CEO

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities. The composition of the Advisory Board was determined by the Decision of the CEO, and it includes the First Deputy CEO – Head of Downstream Division, the First Deputy CEO – Head of Exploration and Production Block, Heads of the Refining and Sales and Distribution Blocks, as well as heads of the Company's Functions, as well as the director of the company Naftagas-Oil Services LLC Novi Sad. In addition to issues related to the business management of the Company, the Advisory Board deals with the strategy and development policy whose basis is set by the Shareholders' Assembly and the Board of Directors of the Company.

### Related-Party Transactions

In the year ended 31 March 2021 and in the same period in 2020, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy. An outline of related-party transactions is part of the Notes to the Financial Statements.



## Human resources

The beginning of 2021 was marked with a number of positive changes in the field of employee development and care initiated by NIS two years ago, a new human resources strategy and the transformation of corporate culture. Despite the challenges posed by the coronavirus, NIS is consistent to remain a reliable employer and provide the necessary conditions for its employees to be dedicated to work.

One of the initiatives to improve corporate culture and create a positive working environment is the introduction of the platform "Respect, first and foremost". The goal of the platform is to provide employees with several forms of support when their dignity is threatened, when they identify bad behavioral examples, or need psychological support due to their situation.

As a continuation of the integration of new company values into business processes, the company has launched a pilot project to assess employee competencies, based on new company values (transparency, expertise, innovation and accountability). The aim of this pilot program is to provide employees with guidance for their further professional development, and the company with a clearer picture of the learning and development needs of its employees.

One of the company's primary goals is to invest in young people and provide them their first working experience; this is why we started the first season of the program for hiring young graduates and master students, NIS Energy, in February 2021. NIS Energy is a 12-month paid program intended to provide training for young graduates and master students to take over specialist/expert job positions in the company. Twenty young people make their first career steps through the program every year and the job positions are defined in line with business requirements – all job positions come from business blocks.

We continued the implementation of the "NIS Calling" seasonal internship program, which enables students to acquire their first work experience during 320 hours of internship, with flexible working hours they are allowed to organize around their faculty commitments. A recruitment campaign for the program was launched in February, and after two weeks of advertising, more than 900 students applied. The program is planned to start in the second quarter.

## Employee Number and Structure

Organisational unit	3/31/2021			3/31/2020		
	Direct	Leasing	Total	Direct	Leasing	Total
<b>NIS j.s.c Novi Sad</b>	<b>5,186</b>	<b>0</b>	<b>5,186</b>	<b>5,234</b>	<b>75</b>	<b>5,309</b>
Exploration and Production Block	1,107	0	1,107	1,103	0	1,103
Downstream Division	2,563	0	2,563	2,522	75	2,597
Refining Block	997	0	997	960	0	960
Sales and Distribution Block	1,341	0	1,341	1,403	75	1,478
Energy Directorate	30	0	39	41	0	41
the rest of Downstream Division <sup>55</sup>	186	0	186	118	0	118
Corporate Centre	995	0	995	1,164	0	1,164
Multifunctional Shared Service Center <sup>56</sup>	516	0	516	414	0	414
Representative and Branch Offices	5	0	5	31	0	31
<b>Local subsidiaries</b>	<b>5,812</b>	<b>0</b>	<b>5,812</b>	<b>5,784</b>	<b>0</b>	<b>5,784</b>
Naftagas – Oil Services LLC Novi Sad	1,811	0	1,811	1,991	0	1,991
Naftagas – Technical Services LLC Zrenjanin	393	0	393	343	0	343
Naftagas – Transport LLC Novi Sad	369	0	369	367	0	367
STC NIS – Naftagas LLC Novi Sad	381	0	381	373	0	373
NIS Petrol j.s.c. Belgrade <sup>57</sup>	2,858	0	2,858	2,710	0	2,710
<b>Subsidiaries abroad</b>	<b>137</b>	<b>0</b>	<b>137</b>	<b>112</b>	<b>2</b>	<b>114</b>
NIS Petrol e.o.o.d. Sofia (Bulgaria)	50	0	50	49	0	49
NIS Petrol s.r.l. Bucharest (Romania)	77	0	77	56	0	56
NIS Petrol LLC Banja Luka (Bosnia and Herzegovina)	4	0	4	4	0	4
Jadran Naftagas LLC Banja Luka (Bosnia and Herzegovina)	6	0	6	3	0	3
Panon Naftagas k.f.t. Budapest (Hungary)	0	0	0	0	2	2
<b>Other subsidiaries included in consolidation</b>	<b>493</b>	<b>0</b>	<b>493</b>	<b>459</b>	<b>0</b>	<b>459</b>
O Zone j.s.c. Belgrade <sup>58</sup>	0	0	0	0	0	0
NIS Overseas o.o.o. Saint Petersburg (Russian Federation)	3	0	3	4	0	4
NIS Svetlost LLC Bujanovac	0	0	0	0	0	0
G Petrol LLC Sarajevo (Bosnia and Herzegovina)	490	0	490	455	0	455
<b>TOTAL:</b>	<b>11,628</b>	<b>0</b>	<b>11,628</b>	<b>11,589</b>	<b>77</b>	<b>11,666</b>

<sup>55</sup> The rest of the Downstream Division consists of: Director of Division's Office, Department for Crude Oil, Department of Planning, Optimization and Analysis of Production and Sales, Department of Metrology and Group for Administration and Documentation Support and Department of procurement DWS.

<sup>56</sup> At the end of 2019, the Multifunctional Share Service Center is set to be established, which is particularly prominent because of its specificity.

<sup>57</sup> O zone a.d. Belgrade changes its business name from March 2020 and becomes NIS Petrol j.s.c. Belgrade. Considering that part of the Sales and distribution Block from NIS j.s.c. (retail) transferred to NIS Petrol j.s.c. Belgrade, we are showing it with other subsidiaries in the country.

<sup>58</sup> O zone a.d. Belgrade changes its business name from March 2020 and becomes NIS Petrol j.s.c. Belgrade. Considering that part of the Sales and distribution Block from NIS j.s.c. (retail) transferred to NIS Petrol j.s.c. Belgrade, we are showing it with other subsidiaries in the country.

## Causes of Employment Termination

In first three months of 2021, a total of 310 employees left NIS<sup>59</sup>: 18 employees retired, 23 employees left NIS after termination of employment by mutual agreement, while the employment of 269 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy).

Cause of employment termination	NIS j.s.c. Novi Sad <sup>60</sup>	Subsidiaries <sup>61</sup>
Retirement	10	8
Termination by mutual agreement	17	6
Other	53	216
<b>Total</b>	<b>80</b>	<b>230</b>

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<sup>59</sup> NIS j.s.c. Novi Sad with the subsidiaries Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

<sup>60</sup> Including Representative Offices and Branches. Out of the total number of departures, 18 departures from representative offices and branches.

<sup>61</sup> Naftagas – Oil Services LLC Novi Sad, Naftagas – Technical Services LLC, Zrenjanin, Naftagas – Transport LLC Novi Sad and STC NIS – Naftagas LLC Novi Sad and NIS Petrol j.s.c. Belgrade.

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## Research and Development

STC NIS Naftagas d.o.o. Novi Sad, a 100% owned subsidiary of NIS a.d., provides scientific, technical and innovative support to its parent company in the area of oil and gas exploration and production. The research and development activity in STC NIS Naftagas also involves working on concepts, coordination, and execution of scientific research.

Implementation and development of new technologies, scientific and research activity, as well as the improvement of the efficiency of oil and gas exploration, production and refining remain the focal point of the management and employees of STC. These activities are realised in several directions.

In the terms of geological exploration in the first quarter of 2021, many seismic interpretation projects were completed, seismic materials for 4 areas were consolidated on a regional level and a surface area of 1520 km<sup>2</sup> was surveyed by processing 3D seismic data cubes, including a series of activities taken towards the digital transformation of geological research.

Geological and deposit development activities in the first quarter of 2021 are activities aimed at the preparation and defence of several studies on hydrocarbon reserves, the defence of final mining designs, and the analysis of geological composition and engineering of the Mokrin and Maljurevac-Bubušinac fields. There is also active cooperation established between NIS STC and the Sand Control Centre to develop technical documents for forming the Gravel Pack system and, in accordance with the previously adopted program for the digital transformation of geology and deposit development, 7 projects were activated.

In the area of oil and gas production, in the previous period, activities were focused on the project for the engineering and testing of our own chemical products, technologies and processes and, under this project, several chemicals and technological processes were tested for application in reservoirs in Serbia. In the area of oil and gas production technology and equipment, the focus rested on testing new technologies, as well as on digital projects in this area, whereas in the area of well development design, a large number of projects were prepared for the developmental and wildcat wells in Serbia and Romania.

In terms of infrastructure design, in the first quarter of 2021, activities were focused on the development of infrastructure projects and conceptual design, as well as on monitoring and control of technical documentation for the development of FEED. Likewise, actions have been taken to conclude a Framework Agreement with the Refining Block and activities related to the use of geodetic "unmanned aerial vehicle" for seismic surveying purposes in the project in Republika Srpska were continued.

In the first quarter of 2021, the Downstream Laboratory made preparations for the accreditation of petroleum coke testing, which is to be conducted by mid-2021, and focused its activities on improving work processes and operational efficiency, as well as on increasing external revenues from laboratory services.

As part of the digitalisation of its business operations, a model for automatic lithotype recognition was created, based on the machine learning classification algorithm (XGBoost) and the model was integrated into Schlumberger's speciality software to optimise petrophysical interpretation as well as to save time and resources.

These activities have been realised thanks to the continuous improvement of professional competencies of the employees and investment in information technologies, where both are key conditions for the development of NIS j.s.c.

# Financial Statements

## Stand-Alone Financial Statements

### Statement of Financial Position

Assets	Note	31 March 2021	31 December 2020
<b>Current assets</b>		<i>(unaudited)</i>	
Cash and cash equivalents	5	6,636,819	7,949,785
Short-term financial assets	6	8,227,236	6,522,880
Trade and other receivables	7	24,673,598	22,794,275
Inventories	8	25,802,711	23,823,048
Current income tax prepayments		313,601	1,034,617
Other current assets	9	4,843,500	4,879,209
Non-current assets held for sale		43,937	42,631
<b>Total current assets</b>		<b>70,541,402</b>	<b>67,046,445</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	274,566,500	276,491,824
Right-of-use assets	11	1,504,240	1,422,877
Investment property		1,695,980	1,688,837
Intangible assets		2,987,835	2,966,576
Investments in joint venture		1,038,800	1,038,800
Investments in subsidiaries		13,425,627	13,425,627
Trade and other non-current receivables		2,822	78,459
Long-term financial assets	12	22,120,231	23,863,665
Deferred tax assets		2,486,745	2,565,957
Other non-current assets	13	1,177,208	1,120,623
<b>Total non-current assets</b>		<b>321,005,988</b>	<b>324,663,245</b>
<b>Total assets</b>		<b>391,547,390</b>	<b>391,709,690</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	12,384,456	13,419,540
Current lease liabilities	19	322,452	321,155
Trade and other payables	15	19,392,589	24,827,894
Other current liabilities	16	6,654,474	8,431,806
Other taxes payable	17	8,725,341	9,043,254
Provisions for liabilities and charges		2,348,452	2,349,296
<b>Total current liabilities</b>		<b>49,827,764</b>	<b>58,392,945</b>
<b>Non-current liabilities</b>			
Long-term debt	18	77,212,679	71,195,981
Non-current lease liabilities	19	969,757	1,037,640
Other non-current financial liabilities		846,400	841,847
Provisions for liabilities and charges		10,272,959	10,132,663
<b>Total non-current liabilities</b>		<b>89,301,795</b>	<b>83,208,131</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		93,642	93,664
Retained earnings		170,793,989	168,484,750
<b>Total equity</b>		<b>252,417,831</b>	<b>250,108,614</b>
<b>Total liabilities and shareholder's equity</b>		<b>391,547,390</b>	<b>391,709,690</b>

in 000 RSD

## Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended	
		2021	2020
		(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		40,805,843	46,521,229
Other revenues		3,063,761	2,146,057
<b>Total revenue from sales</b>	4	<b>43,869,604</b>	<b>48,667,286</b>
Purchases of oil, gas and petroleum products		(22,309,269)	(31,681,888)
Production and manufacturing expenses	20	(6,019,605)	(5,265,695)
Selling, general and administrative expenses	21	(5,158,952)	(5,238,020)
Transportation expenses		(244,223)	(255,424)
Depreciation, depletion and amortization		(5,693,103)	(5,014,810)
Taxes other than income tax		(1,066,125)	(1,046,132)
Exploration expenses		-	(3,579)
<b>Total operating expenses</b>		<b>(40,491,277)</b>	<b>(48,505,548)</b>
Other income (expenses), net		(85,835)	(83,102)
<b>Operating profit</b>		<b>3,292,492</b>	<b>78,636</b>
Net foreign exchange gain (loss)	22	(19,568)	(142,031)
Finance income	23	221,364	198,645
Finance expenses	24	(392,175)	(412,656)
<b>Total other expense</b>		<b>(190,379)</b>	<b>(356,042)</b>
<b>Profit (loss) before income tax</b>		<b>3,102,113</b>	<b>(277,406)</b>
Current income tax expense		(713,663)	(44,786)
Deferred tax income (expense)		(79,211)	199,031
<b>Total income tax expense</b>		<b>(792,874)</b>	<b>154,245</b>
<b>Profit (loss) for the period</b>		<b>2,309,239</b>	<b>(123,161)</b>
<b>Other comprehensive income (loss):</b>			
<b>Items that will not be reclassified to profit (loss)</b>			
Gains (losses) from investments in equity instruments		(22)	(981)
<b>Other comprehensive income (loss) for the period</b>		<b>(22)</b>	<b>(981)</b>
<b>Total comprehensive income (loss) for the period</b>		<b>2,309,217</b>	<b>(124,142)</b>
Earnings (Loss) per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		14.16	(0.76)
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Statement of Changes in Shareholders' Equity

Three month period ended 31 March 2021 and 2020

<i>(unaudited)</i>	Share capital	Reserves	Retained earnings	Total
<b>Balance as at 1 January 2020</b>	<b>81,530,200</b>	<b>93,959</b>	<b>178,839,446</b>	<b>260,463,605</b>
Loss for the period	-	-	(123,161)	(123,161)
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(981)	-	(981)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>(981)</b>	<b>(123,161)</b>	<b>(124,142)</b>
<b>Balance as at 31 March 2020</b>	<b>81,530,200</b>	<b>92,978</b>	<b>178,716,285</b>	<b>260,339,463</b>
<b>Balance as at 1 January 2021</b>	<b>81,530,200</b>	<b>93,664</b>	<b>168,484,750</b>	<b>250,108,614</b>
Profit for the period	-	-	2,309,239	2,309,239
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(22)	-	(22)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>(22)</b>	<b>2,309,239</b>	<b>2,309,217</b>
<b>Balance as at 31 March 2021</b>	<b>81,530,200</b>	<b>93,642</b>	<b>170,793,989</b>	<b>252,417,831</b>

*in 000 RSD*

Statement of Cash Flows<sup>62</sup>

	Note	Three month period ended 31 March	
		2021 (unaudited)	2020 (unaudited)
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		<b>3,102,113</b>	<b>(277,406)</b>
<b>Adjustments for:</b>			
Finance expenses	24	392,175	412,656
Finance income	23	(221,364)	(198,645)
Net unrealised foreign exchange (gain) loss		47,131	142,031
Depreciation, depletion and amortization		5,693,103	5,014,810
Other non-cash items		126,530	124,190
<b>Operating cash flow before changes in working capital</b>		<b>9,139,688</b>	<b>5,217,636</b>
<b>Changes in working capital:</b>			
Accounts receivables		(1,818,447)	4,088,634
Inventories		(1,957,327)	7,045,225
Other assets		(127,237)	(1,458,159)
Accounts payables and other current liabilities		(6,763,622)	(13,969,691)
Taxes payable		(317,999)	(414,370)
<b>Total effect on working capital changes</b>		<b>(10,984,632)</b>	<b>(4,708,361)</b>
Income taxes paid		-	(1,056,265)
Interest paid		(331,879)	(374,605)
Interest received		75,123	99,799
<b>Net cash used in operating activities</b>		<b>(2,101,700)</b>	<b>(821,796)</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of subsidiaries		-	(41)
Loans issued		(602,648)	(541,265)
Loan proceeds received		782,707	1,724,140
Capital expenditures <sup>63</sup>		(4,342,005)	(8,230,919)
Proceeds from sale of property, plant and equipment		117,204	92,698
<b>Net cash used in investing activities</b>		<b>(4,044,742)</b>	<b>(6,955,387)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,1 8	11,406,060	6,940,175
Repayment of borrowings	14,1 8	(6,472,879)	(4,646,603)
Repayment of lease liabilities	19	(97,760)	(36,878)
<b>Net cash generated from financing activities</b>		<b>4,835,421</b>	<b>2,256,694</b>
Net decrease in cash and cash equivalents		(1,311,021)	(5,520,489)
Effect of foreign exchange on cash and cash equivalents		(1,945)	(64,826)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>7,949,785</b>	<b>13,501,827</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>6,636,819</b>	<b>7,916,512</b>

in 000 RSD

<sup>62</sup> Company's policy is to present cash flow inclusive of related VAT.<sup>63</sup> CF from investing activities includes VAT in the amount of 0,5 bln RSD (2020: 0,9 bln RSD)



## Notes to the Financial Statements<sup>64</sup>

### 1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije, Novi Sad (the “Company”) is a vertically integrated oil company operating predominantly in the Republic of 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
- Electricity generation and trading.

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

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

The Company is a public joint stock company listed on the Belgrade Stock Exchange.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. Basis of preparation

The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by Serbian legislation. The accompanying Interim Condensed Financial Statements were primarily derived from the Company’s statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS).

The Interim Condensed Financial Statements have been prepared in accordance with International Accounting Standard **IAS 34 Interim Financial Reporting**. IAS 34 for interim financial reporting does not require all disclosures that would be necessarily required by IFRS.

The Company does not disclose information which would substantially duplicate the disclosures contained in its audited Financial Statements for 2020, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Company believes that the disclosures in these Interim Condensed Financial Statements are adequate to make the information presented not misleading if these Interim Condensed Financial Statements are read in conjunction with the Company’s Financial Statements for 2020.

The Company continues to monitor the impact of the coronavirus pandemic (COVID-19) and the related preventive measures which lead to decrease in the economic activity of market participants, as well as persistent volatility in the currency and commodity markets on the critical accounting estimates which are used by the Company in the Condensed Interim Financial Statements preparation. In the first quarter of 2021, the specified macroeconomic factors did not result in change of these estimates by the Company.

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<sup>64</sup> All amounts are in 000 RSD, unless otherwise stated

The results for the three month period ended 31 March 2021 are not necessarily indicative of the results expected for the full year.

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

## 2.2. Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2020, except for those described in the Application of new IFRS paragraph.

## 3. NEW ACCOUNTING STANDARDS

### Application of amendments to the existing standards

The following amendments to the existing standards which become effective did not have any material impact on the Company:

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

### New standards and amendments to the existing standards that are not yet effective

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

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
  - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities – Amendments to IFRS 9;
  - Subsidiary as a First-time Adopter – Amendment to IFRS 1;
  - Taxation in Fair Value Measurements – Amendment to IAS 41;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023).

#### 4. SEGMENT INFORMATION

Presented below is information about the Company's operating segments for the three month period ended 31 March 2021 and 2020. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Company manages its operations in 2 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 are presented within the Downstream segment.

Eliminations and other adjustments section encompasses elimination of inter-segment sales and related unrealised 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 ongoing 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 three month period ended 31 March 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	8,776,310	43,985,492	(8,892,198)	43,869,604
Intersegment	8,765,118	127,080	(8,892,198)	-
External	11,192	43,858,412	-	43,869,604
EBITDA (Segment results)	5,785,748	3,254,407	-	9,040,155
Depreciation, depletion and amortization	(2,980,329)	(2,712,774)	-	(5,693,103)
Net foreign exchange loss	(12,258)	(7,310)	-	(19,568)
Finance expenses, net	(7,359)	(163,452)	-	(170,811)
Income tax	-	(792,874)	-	(792,874)
<b>Segment profit /(loss)</b>	<b>2,758,394</b>	<b>(449,155)</b>	<b>-</b>	<b>2,309,239</b>

Reportable segment results for the three month period ended 31 March 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	9,576,349	48,393,961	(9,303,024)	48,667,286
Intersegment	9,144,573	158,451	(9,303,024)	-
External	431,776	48,235,510	-	48,667,286
EBITDA (Segment results)	5,372,006	(199,232)	-	5,172,774
Depreciation, depletion and amortization	(2,821,383)	(2,193,427)	-	(5,014,810)
Net foreign exchange loss	(30,090)	(111,941)	-	(142,031)
Finance expenses, net	(13,533)	(200,478)	-	(214,011)
Income tax	(44,786)	199,031	-	154,245
<b>Segment profit /(loss)</b>	<b>2,462,524</b>	<b>(2,585,685)</b>	<b>-</b>	<b>(123,161)</b>

EBITDA for the three month period ended 31 March 2021 and 2020 is reconciled below:

	Three month period ended 31 March	
	2021	2020
Profit (loss) for the period	2,309,239	(123,161)
Income tax	792,874	(154,245)
Finance expenses	392,175	412,656
Finance income	(221,364)	(198,645)
Depreciation, depletion and amortization	5,693,103	5,014,810
Net foreign exchange loss (gain)	19,568	142,031
Other expense, net	85,835	83,102
Other non-operating income, net	(31,275)	(3,774)
<b>EBITDA</b>	<b>9,040,155</b>	<b>5,172,774</b>

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

	Three month period ended 31 March 2021		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	-	-
Sale of gas	115,897	-	115,897
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	115,897	-	115,897
Sale of petroleum products	33,055,662	7,634,284	40,689,946
<i>Through a retail network</i>	12,491,685	-	12,491,685
<i>Wholesale activities</i>	20,563,977	7,634,284	28,198,261
Sale of electricity	516,528	46,631	563,159
Lease revenue	81,664	1,212	82,876
Other sales	2,349,097	68,629	2,417,726
<b>Total sales</b>	<b>36,118,848</b>	<b>7,750,756</b>	<b>43,869,604</b>

	Three month period ended 31 March 2020		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	416,925	416,925
Sale of gas	61,206	-	61,206
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	61,206	-	61,206
Sale of petroleum products	37,190,477	8,852,621	46,043,098
<i>Through a retail network</i>	14,165,063	-	14,165,063
<i>Wholesale activities</i>	23,025,414	8,852,621	31,878,035
Sale of electricity	192,663	12,658	205,321
Lease revenue	79,784	1,155	80,939
Other sales	1,805,017	54,780	1,859,797
<b>Total sales</b>	<b>39,329,147</b>	<b>9,338,139</b>	<b>48,667,286</b>

Out of the amount of 28,198,261 thousand RSD (2020: 31,878,035 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 4,869,587 thousand RSD (2020: 4,873,751 thousand RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations for 2,208,562 thousand RSD (2020: 1,383,162 thousand RSD).

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 revenue from external customers in the Republic of Serbia is 35,994,547 thousand RSD (2020: 39,329,147 thousand RSD), and the total revenue from external customer from other countries is 7,875,057 thousand RSD (2020: 9,338,139 thousand RSD).

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

	Three month period ended	
	31 March	
	2021	2020
Sale of crude oil	-	416,925
Sale of petroleum products (retail and wholesale)		
Bosnia and Herzegovina	3,790,520	2,861,714
Bulgaria	1,107,728	1,841,499
Great Britain	449,071	361,929
Romania	367,802	784,411
Croatia	317,253	536,471
Switzerland	289,249	154,486
Northern Macedonia	121,343	272,431
Hungary	73,056	335,237
All other markets	1,118,262	1,704,443
	7,634,284	8,852,621
Sale of electricity	46,631	12,658
Lease revenue	1,212	1,155
Other sales	68,629	54,780
	<b>7,750,756</b>	<b>9,338,139</b>

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

## 5. CASH AND CASH EQUIVALENTS

	31 March	31 December
	2021	2020
Cash in bank and in hand	2,079,279	5,151,570
Deposits with original maturity of less than three months	4,250,000	2,530,000
Cash held on escrow account	7,600	8,071
Cash equivalents	299,940	260,144
	<b>6,636,819</b>	<b>7,949,785</b>

**6. SHORT-TERM FINANCIAL ASSETS**

	31 March 2021	31 December 2020
Short-term loans	2,122	170,007
Current portion of long-term investments (note 12)	14,614,337	12,742,101
Less impairment loss provision	(6,389,223)	(6,389,228)
	<b>8,227,236</b>	<b>6,522,880</b>

**7. TRADE AND OTHER RECEIVABLES**

	31 March 2021	31 December 2020
Trade receivables	33,622,633	31,745,192
Other receivables	91,596	91,786
Accrued assets	125	259
<i>Less credit loss allowance for trade receivables</i>	(8,996,581)	(8,996,923)
<i>Less credit loss allowance for other receivables</i>	(44,175)	(46,039)
<b>Total trade and other receivables</b>	<b>24,673,598</b>	<b>22,794,275</b>

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, specific and other receivables are fully recoverable.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	31 March 2021	31 December 2020
RSD	19,395,189	18.697.088
EUR	5,022,256	3.851.810
USD	256,113	245.377
Other	40	-
	<b>24,673,598</b>	<b>22.794.275</b>

**8. INVENTORIES**

	31 March 2021	31 December 2020
Crude oil	15,054,343	14,084,875
Petroleum products	10,556,491	9,809,004
Materials and supplies	4,048,852	3,770,150
Other	771,426	820,094
<i>Less impairment provision</i>	(4,628,401)	(4,661,075)
	<b>25,802,711</b>	<b>23,823,048</b>

**9. OTHER CURRENT ASSETS**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Advances paid	381,738	407,865
Deferred VAT	1,878,547	1,823,813
Prepaid expenses	308,985	230,996
Prepaid custom duties	72,764	76,921
Prepaid excise	1,981,365	2,201,437
Other current assets	7,773,505	7,690,856
<i>Less impairment provision</i>	<i>(7,553,404)</i>	<i>(7,552,679)</i>
	<b>4,843,500</b>	<b>4,879,209</b>

Deferred VAT as at 31 March 2021 amounting to 1,878,547 thousand RSD (31 December 2020: 1,823,813 thousand RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2021 amounting to 1,981,365 thousand RSD (31 December 2020: 2,201,437 thousand RSD) relates to the excise paid for finished products stored in non-excise warehouse.

Other current assets mainly relate to claims in dispute which are impaired.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2020</b>						
Cost	174,428,161	119,078,761	51,810,197	16,384,499	58,002,489	419,704,107
Depreciation and impairment	(52,478,788)	(51,705,166)	(28,785,148)	(8,504,734)	(1,985,930)	(143,459,766)
<b>Net book value</b>	<b>121,949,373</b>	<b>67,373,595</b>	<b>23,025,049</b>	<b>7,879,765</b>	<b>56,016,559</b>	<b>276,244,341</b>
<b>Period ended 31 March 2020</b>						
Additions	-	-	-	-	6,123,069	6,123,069
Changes in decommissioning obligations	65,848	-	-	-	-	65,848
Transfer from assets under construction	4,116,683	1,333,748	506,285	100,067	(6,056,783)	-
Impairment	-	-	(3,031)	-	(10,206)	(13,237)
Depreciation	(2,799,466)	(1,459,296)	(431,731)	(145,017)	-	(4,835,510)
Disposals and write-off	(208)	(4,431)	(24,713)	(3,142)	(10,326)	(42,820)
Transfer to non-current assets held for sale	-	-	-	(70,558)	-	(70,558)
Other transfers	(43,445)	(272,780)	34,666	281,560	375	376
	<b>123,288,785</b>	<b>66,970,836</b>	<b>23,106,525</b>	<b>8,042,675</b>	<b>56,062,688</b>	<b>277,471,509</b>
<b>As at 31 March 2020</b>						
Cost	178,451,775	120,095,527	52,330,135	16,488,269	58,056,828	425,422,534
Depreciation and impairment	(55,162,990)	(53,124,691)	(29,223,610)	(8,445,594)	(1,994,140)	(147,951,025)
<b>Net book value</b>	<b>123,288,785</b>	<b>66,970,836</b>	<b>23,106,525</b>	<b>8,042,675</b>	<b>56,062,688</b>	<b>277,471,509</b>
<b>As at 1 January 2021</b>						
Cost	189,297,949	160,908,071	54,118,866	16,582,366	18,329,919	439,237,171
Depreciation and impairment	(63,463,518)	(57,807,804)	(30,128,250)	(8,838,112)	(2,507,663)	(162,745,347)
<b>Net book value</b>	<b>125,834,431</b>	<b>103,100,267</b>	<b>23,990,616</b>	<b>7,744,254</b>	<b>15,822,256</b>	<b>276,491,824</b>
<b>Period ended 31 March 2021</b>						
Additions	-	-	-	-	3,866,940	3,866,940
Changes in decommissioning obligations	30,173	-	-	-	-	30,173
Transfer from assets under construction	4,388,166	1,006,911	124,849	85,215	(5,605,141)	-
Impairment	-	-	-	-	(717)	(717)
Depreciation	(2,940,160)	(1,979,661)	(434,244)	(124,865)	-	(5,478,930)
Disposals and write-off	(868)	(4,902)	(19,509)	(285)	-	(25,564)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Transfer to investment property	(7,150)	-	7	-	-	(7,143)
Transfer to non-current assets held for sale	-	-	-	(6,489)	-	(6,489)
Other transfers	(2,492)	496,015	(361,998)	(131,525)	(150,167)	(150,167)
	<b>127,302,100</b>	<b>102,618,630</b>	<b>23,146,294</b>	<b>7,566,305</b>	<b>13,933,171</b>	<b>274,566,500</b>
<b>As at 31 March 2021</b>						
Cost	193,583,501	162,786,136	53,176,036	16,478,087	16,441,550	442,465,310
Depreciation and impairment	(66,281,401)	(60,167,506)	(30,029,742)	(8,911,782)	(2,508,379)	(167,898,810)
<b>Net book value</b>	<b>127,302,100</b>	<b>102,618,630</b>	<b>23,146,294</b>	<b>7,566,305</b>	<b>13,933,171</b>	<b>274,566,500</b>

Capitalized borrowing costs for the three months ended 31 March 2021 include interest expense in the amount of 0 RSD (31 March 2020: 34,877 RSD).



## 11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the three months ended 31 March 2021 and 2020 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
<b>As at 1 January 2020</b>	-	<b>489,299</b>	<b>274,626</b>	<b>179,910</b>	<b>943,835</b>
Additions	7,509	83,270	-	495,176	585,955
Depreciation	(626)	(13,400)	(15,192)	(15,248)	(44,466)
Disposals	-	(1,356)	-	(3,976)	(5,332)
<b>As at 31 March 2020</b>	<b>6,883</b>	<b>557,813</b>	<b>259,434</b>	<b>655,862</b>	<b>1,479,992</b>
<b>As at 1 January 2021</b>	<b>5,006</b>	<b>519,681</b>	<b>167,526</b>	<b>730,664</b>	<b>1,422,877</b>
Additions	-	18,751	2,540	29	21,320
Depreciation	(626)	(11,967)	(20,656)	(59,484)	(92,733)
Transfers from property, plant and equipment	-	153,427	-	-	153,427
Disposals	-	-	-	(650)	(650)
<b>As at 31 March 2021</b>	<b>4,380</b>	<b>679,892</b>	<b>149,409</b>	<b>670,559</b>	<b>1,504,240</b>

## 12. LONG-TERM FINANCIAL ASSETS

	31 March 2021	31 December 2020
LT loans issued	39,444,669	39,312,769
Financial assets at FVTPL	841,846	841,847
Financial assets at FVTOCI	163,953	163,975
Other LT placements	30,341	30,055
<i>Less Current portion of LT loans issued (note 6)</i>	(14,614,337)	(12,742,101)
<i>Less provision of other LT placements</i>	(3,746,241)	(3,742,880)
	<b>22,120,231</b>	<b>23,863,665</b>

## 13. OTHER NON-CURRENT ASSETS

	31 March 2021	31 December 2020
Advances paid for PPE	324,989	271,340
Prepaid expenses	113,494	126,564
Other assets	1,150,357	1,126,857
<i>Less allowance for Other assets</i>	(390,269)	(382,775)
<i>Less allowance for advances paid</i>	(21,363)	(21,363)
	<b>1,177,208</b>	<b>1,120,623</b>

## 14. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	31 March 2021	31 December 2020
Short-term loans	2,005,821	1,756,036
Interest liabilities	101,284	77,515
Current portion of long-term loans (note 18)	10,277,351	11,585,989
	<b>12,384,456</b>	<b>13,419,540</b>

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

	Three month period ended	
	31 March	
	2021	2020
Short-term loans at 1 January	1,756,035	1,594,072
Proceeds	3,897,159	6,474,222
Repayment	(3,647,373)	(3,444,671)
<b>Short-term loans at 31 March</b>	<b>2,005,821</b>	<b>4,623,623</b>

## 15. TRADE AND OTHER PAYABLES

	31 March	31 December
	2021	2020
Trade payables	15,436,689	20,843,294
Dividends payable	3,784,555	3,785,017
Other accounts payable	171,345	199,583
	<b>19,392,589</b>	<b>24,827,894</b>

As at 31 March 2021 trade payables amounting to 15,436,689 thousand RSD (31 December 2020: 20,843,294 thousand RSD) mainly relate to payables for crude oil in the amount of 4,452,473 thousand RSD (31 December 2020: 9,413,234 thousand RSD), to the most significant suppliers Petraco Oil Company LLP, London in the amount of 4,400,476 thousand RSD (31 December 2020 0 thousand RSD) and Gazprom Neft, St Petersburg in the amount of 0 thousand RSD (31 December 2020: 3,200,890 thousand RSD).

## 16. OTHER CURRENT LIABILITIES

	31 March	31 December
	2021	2020
Contract liabilities arising from contracts with customers:		
- Advances received	1,829,005	4,045,584
- Customer loyalty	677,622	693,356
Payables to employees	4,133,920	3,675,411
Other current non-financial liabilities	13,927	17,455
	<b>6,654,474</b>	<b>8,431,806</b>

Revenue in the amount of 3,590,326 thousand RSD (31 March 2020: 1,500,154 thousand RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2021, of which 3,354,997 thousand RSD (31 March 2020: 1,257,775 thousand RSD) related to advances and 235,329 thousand RSD (31 March 2020: 242,379 thousand RSD) to customer loyalty programme.

## 17. OTHER TAXES PAYABLE

	31 March	31 December
	2021	2020
Mineral extraction tax	263,704	210,991
VAT	3,333,605	2,011,510
Excise tax	3,770,838	5,379,743
Contribution for buffer stocks	178,959	266,499
Custom duties	48,160	31,517
Energy efficiency fee	20,077	30,687
Other taxes	1,109,998	1,112,307
	<b>8,725,341</b>	<b>9,043,254</b>

**18. LONG-TERM DEBT**

	31 March 2021	31 December 2020
Long-term loan - Gazprom Neft	12,304,894	13,672,117
Bank loans	75,185,136	69,109,853
Less Current portion (note 14)	(10,277,351)	(11,585,989)
	<b>77,212,679</b>	<b>71,195,981</b>

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

	Three month period ended 31 March	
	2021	2020
<b>Long-term loans at 1 January</b>	<b>82,781,970</b>	<b>88,350,505</b>
Proceeds	7,508,901	465,953
Repayment	(2,825,506)	(1,201,932)
Non-cash transactions	22,247	-
Foreign exchange difference (note 23)	2,418	(57,076)
<b>Long-term loans at 31 March</b>	<b>87,490,030</b>	<b>87,557,450</b>

*a) Long-term loan - Gazprom Neft*

As at 31 March 2021 long-term loan - Gazprom Neft amounting to 12,304,894 thousand RSD (31 December 2020: 13,672,117 thousand RSD), with current portion of 5,468,841 thousand RSD (2020: 5,468,847 thousand 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 March 2021	31 December 2020
Domestic	52,598,372	51,785,404
Foreign	22,586,764	17,324,449
	75,185,136	69,109,853
Current portion of long-term loans	(4,808,510)	(6,117,142)
	<b>70,376,626</b>	<b>62,992,711</b>

The maturity of bank loans was as follows:

	31 March 2021	31 December 2020
Between 1 and 2 years	12,967,572	9,920,841
Between 2 and 5 years	45,529,318	41,197,751
Over 5 years	11,879,736	11,874,119
	<b>70,376,626</b>	<b>62,992,711</b>

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

	31 March 2021	31 December 2020
USD	146,583	157,858
EUR	74,856,351	68,740,978
RSD	299	339
JPY	181,903	210,678
	<b>75,185,136</b>	<b>69,109,853</b>

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

The loan agreements contain financial covenants that require the Company's ratio of Indebtedness to EBITDA. Management believes the Company is in compliance with these covenants as of 31 March 2021 and 31 December 2020, respectively.

## 19. LEASE LIABILITIES

	31 March 2021	31 December 2020
Non-current lease liabilities	969,757	1,037,640
Current lease liabilities	322,452	321,155
	<b>1,292,209</b>	<b>1,358,795</b>

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

	Three month period ended 31 March	
	2021	2020
As at 1 January	<b>1,358,795</b>	<b>811,424</b>
Repayment	(97,760)	(36,878)
Non-cash transactions	30,903	592,852
Foreign exchange difference (note 23)	271	(11,725)
As at 31 March	<b>1,292,209</b>	<b>1,355,673</b>

Amounts recognized in profit and loss:

	Three month period ended 31 March	
	2021	2020
Interest expense (included in finance cost)	8,531	6,210
Expense relating to short-term leases	23,056	102,401
Expense relating to leases of low value assets that are not shown above as short-term leases	5,932	37,266
Expense relating to variable lease payments not included in lease liabilities	274,072	287,189

## 20. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 31 March	
	2021	2020
Employee costs	927,205	897,617
Materials and supplies (other than purchased oil, petroleum products and gas)	156,426	182,459
Repair and maintenance services	1,169,309	910,227
Electricity for resale	429,766	82,247
Electricity and utilities	600,276	622,501
Safety and security expense	82,209	116,103
Insurance services	84,596	61,460
Transportation services for production	459,872	501,442
Other	2,109,946	1,891,639
	<b>6,019,605</b>	<b>5,265,695</b>

## 21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	2021	31 March 2020
Employee costs	2,691,371	2,745,329
Commission and agency fees	875,357	283,967
Legal, audit and consulting services	232,938	219,501
Current repair cost	172,128	187,716
Costs on advertising and marketing	45,681	49,420
Rent expense	26,116	45,998
Business trips expense	14,391	33,933
Safety and security expense	120,946	114,741
Insurance expense	15,540	17,133
Transportation and storage	24,454	43,194
Allowance for doubtful accounts	(135)	(119,968)
Other	940,165	1,617,056
	<b>5,158,952</b>	<b>5,238,020</b>

## 22. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended	
	2021	31 March 2020
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain	190,323	258,912
- foreign exchange loss	(193,012)	(190,111)
Net foreign exchange gain (loss) on operating activities	(16,879)	(210,832)
	<b>(19,568)</b>	<b>(142,031)</b>

## 23. FINANCE INCOME

	Three month period ended	
	2021	31 March 2020
Interest on bank deposits	11,784	24,153
Interest income on loans issued	170,371	174,492
Gains on restructuring of loans issued	39,209	-
	<b>221,364</b>	<b>198,645</b>

## 24. FINANCE EXPENSES

	Three month period ended	
	2021	31 March 2020
Interest expense	381,232	446,173
Losses on restructuring of borrowings	22,037	-
Decommissioning provision: unwinding of the present value discount	19,419	20,803
Financial assets: unwinding of discount	(30,513)	(19,443)
Less: interest expense capitalised on qualifying assets	-	(34,877)
	<b>392,175</b>	<b>412,656</b>

Interest expense includes expenses on lease liabilities in amount of 8,531 thousand RSD for the three months ended 31 March 2021 (6,210 thousand RSD for the three months ended 31 March 2020, accordingly).

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## 25. FAIR VALUE MEASUREMENT

The following assets are measured at fair value in the Interim Condensed Financial Statements: investment properties and financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Financial Statements as of 31 December 2020. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2021 the carrying value of financial assets approximates their fair value.

## 26. CONTINGENCIES AND COMMITMENTS

### *Economic environment in the Republic of Serbia*

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

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

### *Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Company's management recognised an environmental provision in the amount of 394,787 thousand RSD (31 December 2020: 408,540 thousand 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 March 2021.

### *Capital commitments*

As of 31 March 2021 the Company has entered into contracts to purchase property, plant and equipment for 1,711,961 thousand RSD (31 December 2020: 1,536,920 thousand RSD).

There were no other material contingencies and commitments of the Company.

## 27. RELATED PARTY TRANSACTIONS

For the purpose of these Interim Condensed 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.

The majority owner of the Company is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest owned by various minority shareholders are traded on the Belgrade Stock Exchange and are owned by various shareholders. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

In the three month period ended 31 March 2021 and in the same period in 2020, the Company entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 31 March 2021 and 31 December 2020 the outstanding balances, net of impairment, with related parties were as follows:

As at 31 March 2021	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	8,227,235	-	-
Trade and other receivables	4,774,517	-	379,710
Other current assets	2,996	-	387
Right of use assets	45,725	-	78
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	22,009,397	-	-
Trade and other payables	(3,641,212)	-	(1,040,701)
Other current liabilities	(50,816)	-	(4,417)
Short-term debt and current portion of long-term debt	(2,007,438)	(5,468,841)	-
Current lease liabilities	(2,114)	-	(50)
Long-term debt	-	(6,836,053)	-
Non-current lease liabilities	(45,581)	-	-
	42,738,336	(12,304,894)	373,807

As at 31 December 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
Short-term financial assets	6,522,880	-	-
Trade and other receivables	3,485,689	-	1,582,736
Other current assets	2,359	-	25,095
Right of use assets	46,396	-	125
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	23,753,095	-	-
Trade and other payables	(3,465,869)	(3,204,199)	(1,115,667)
Other current liabilities	(54,150)	-	(4,530)
Short-term debt and current portion of long-term debt	(1,757,459)	(5,468,847)	-
Current lease liabilities	(2,249)	-	(84)
Long-term debt	-	(8,203,270)	-
Non-current lease liabilities	(46,076)	-	-
	41,910,243	(16,876,316)	1,526,475

For the three month period ended 31 March 2021 and 31 March 2020 the following transaction occurred with related parties:

Three month period ended 31 March 2021	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Petroleum products and oil and gas sales	4,059,367	-	5,101,639
Other revenues	285,470	1,455	13,391
Purchases of oil, gas and petroleum products	(159,214)	-	(88,407)
Production and manufacturing expenses	(1,015,099)	-	(103,678)
Selling, general and administrative expenses	(1,034,907)	-	-
Transportation expenses	(24)	-	-
Depreciation	(671)	-	(47)
Other income (expenses), net	(3,170)	-	(44)
Finance income	207,368	-	-
Finance expense	(5,291)	(50,773)	-
	<b>2,333,829</b>	<b>(49,318)</b>	<b>4,922,854</b>

Three month period ended 31 March 2020	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries, and associates
Petroleum products and oil and gas sales	3,596,452	-	5,000,740
Other revenues	190,271	-	5,628
Purchases of oil, gas and petroleum products	(331,539)	(14,647,442)	(5,265,753)
Production and manufacturing expenses	(911,324)	-	(89,195)
Selling, general and administrative expenses	(458,548)	-	(2,301)
Transportation expenses	(722)	-	-
Depreciation	(2,286)	-	-
Other income (expenses), net	(15,071)	5,233	(104)
Finance income	171,812	-	-
Finance expense	(8,272)	(82,536)	-
	<b>2,230,773</b>	<b>(14,724,745)</b>	<b>(350,985)</b>

### *Transactions with Key Management Personnel*

For the three month period ended on 31 March 2021 and 2020 the Company recognized 232,072 thousand RSD and 228,485 thousand 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.

## **28. EVENTS AFTER THE REPORTING DATE**

There are no material events after the reporting date.

Subsequent events occurring after 31 March 2021 were evaluated through 26 April 2021, the date these Interim Condensed Financial Statements were authorised for issue.



## Consolidated Financial Statements

### Consolidated Statement of Financial Position

Assets	Note	31 March 2021 <i>(unaudited)</i>	31 December 2020
<b>Current assets</b>			
Cash and cash equivalents	5	8,033,400	8,488,302
Short-term financial assets	6	248,968	266,224
Trade and other receivables	7	22,188,254	20,898,742
Inventories	8	29,781,146	27,748,226
Current income tax prepayments		247,236	1,012,225
Other current assets	9	6,234,259	6,117,761
Non-current assets held for sale		40,452	39,146
<b>Total current assets</b>		<b>66,773,715</b>	<b>64,570,626</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	304,394,835	306,479,078
Right-of-use assets	11	2,675,797	2,660,794
Investment property		1,581,741	1,574,329
Goodwill and other intangible assets		4,485,747	4,485,734
Investments in associates and joint ventures	12	1,710,607	1,747,430
Trade and other non-current receivables		2,822	78,459
Long-term financial assets		110,834	110,571
Deferred tax assets		2,233,942	2,313,438
Other non-current assets	13	1,276,002	1,209,728
<b>Total non-current assets</b>		<b>318,472,327</b>	<b>320,659,561</b>
<b>Total assets</b>		<b>385,246,042</b>	<b>385,230,187</b>
<b>Liabilities and shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	14	10,377,016	11,662,083
Current lease liabilities	19	617,924	610,725
Trade and other payables	15	18,502,492	23,501,690
Other current liabilities	16	8,425,303	9,887,618
Other taxes payable	17	10,088,895	10,110,787
Provisions for liabilities and charges		2,379,461	2,382,745
<b>Total current liabilities</b>		<b>50,391,091</b>	<b>58,155,648</b>
<b>Non-current liabilities</b>			
Long-term debt	18	77,295,760	71,269,506
Non-current lease liabilities	19	1,743,260	1,868,666
Other non-current financial liabilities		846,400	841,847
Provisions for liabilities and charges		10,608,168	10,332,213
<b>Total non-current liabilities</b>		<b>90,493,588</b>	<b>84,312,232</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		456,813	383,186
Retained earnings		162,354,672	160,829,243
<b>Equity attributable to the Company's owners</b>		<b>244,341,685</b>	<b>242,742,629</b>
Non-controlling interest		19,678	19,678
<b>Total equity</b>		<b>244,361,363</b>	<b>242,762,307</b>
<b>Total liabilities and shareholder's equity</b>		<b>385,246,042</b>	<b>385,230,187</b>

in 000 RSD

## Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended 31 March	
		2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		44,470,701	49,778,153
Other revenues		3,707,584	2,788,785
<b>Total revenue from sales</b>	<b>4</b>	<b>48,178,285</b>	<b>52,566,938</b>
Purchases of oil, gas and petroleum products		(25,180,998)	(34,021,960)
Production and manufacturing expenses	20	(6,051,488)	(5,548,634)
Selling, general and administrative expenses	21	(5,857,760)	(6,211,630)
Transportation expenses		(267,645)	(278,455)
Depreciation, depletion and amortization		(6,224,670)	(5,490,034)
Taxes other than income tax		(1,453,094)	(1,340,564)
Exploration expenses		-	(3,579)
<b>Total operating expenses</b>		<b>(45,035,655)</b>	<b>(52,894,856)</b>
Other expenses, net		(57,771)	(76,080)
<b>Operating profit (loss)</b>		<b>3,084,859</b>	<b>(403,998)</b>
Share of loss of associates and joint ventures		(36,823)	(55,738)
Net foreign exchange gain (loss)	22	(230,708)	(318,764)
Finance income	23	15,048	36,454
Finance expenses	24	(420,055)	(436,375)
<b>Total other expense</b>		<b>(672,538)</b>	<b>(774,423)</b>
<b>Profit (loss) before income tax</b>		<b>2,412,321</b>	<b>(1,178,421)</b>
Current income tax expense		(807,681)	(52,347)
Deferred tax income (expense)		(79,211)	168,968
<b>Total income tax</b>		<b>(886,892)</b>	<b>116,621</b>
<b>Profit (loss) for the period</b>		<b>1,525,429</b>	<b>(1,061,800)</b>
<b>Other comprehensive income (loss):</b>			
<b>Items that will not be reclassified to profit</b>			
Gains (loss) from investments in equity instruments		(23)	(981)
		(23)	(981)
<b>Items that may be subsequently reclassified to profit</b>			
Currency translation differences		73,650	62,638
		73,650	62,638
<b>Other comprehensive income (loss) for the period</b>		<b>73,627</b>	<b>61,657</b>
<b>Total comprehensive income (loss) for the period</b>		<b>1,599,056</b>	<b>(1,000,143)</b>
<b>Profit (loss) attributable to:</b>			
- Shareholders of Naftna Industrija Srbije		1,525,429	(1,061,800)
- Non-controlling interest		-	-
<b>Profit (loss) for the period</b>		<b>1,525,429</b>	<b>(1,061,800)</b>
<b>Total comprehensive income (loss) attributable to:</b>			
- Shareholders of Naftna Industrija Srbije		1,599,056	(1,000,143)
- Non-controlling interest		-	-
<b>Total comprehensive income (loss) for the period</b>		<b>1,599,056</b>	<b>(1,000,143)</b>
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije			
Basic earnings (RSD per share)		9.35	(6.51)
Weighted average number of ordinary shares in issue (in millions)		163	163

in 000 RSD

Consolidated Statement of Changes in Shareholders' Equity

<i>(unaudited)</i>	Equity attributable to the Company's owners			Total
	Share capital	Reserves	Retained earnings	
<b>Balance as at 1 January 2020</b>	<b>81,530,200</b>	<b>271,614</b>	<b>173,153,889</b>	<b>254,955,703</b>
Profit (loss) for the period	-	-	(1,061,800)	(1,061,800)
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(981)	-	(981)
Currency translation differences	-	62,638	-	62,638
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>61,657</b>	<b>(1,061,800)</b>	<b>(1,000,143)</b>
New investments in shares	-	-	(280,589)	(280,589)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(280,589)</b>	<b>(280,589)</b>
<b>Balance as at 31 March 2020</b>	<b>81,530,200</b>	<b>333,271</b>	<b>171,811,500</b>	<b>253,674,971</b>
<b>Balance as at 1 January 2021</b>	<b>81,530,200</b>	<b>383,186</b>	<b>160,829,243</b>	<b>242,742,629</b>
Profit (loss) for the period	-	-	1,525,429	1,525,429
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(23)	-	(23)
Currency translation differences	-	73,650	-	73,650
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>73,627</b>	<b>1,525,429</b>	<b>1,599,056</b>
<b>Balance as at 31 March 2021</b>	<b>81,530,200</b>	<b>456,813</b>	<b>162,354,672</b>	<b>244,341,685</b>

in 000 RSD

Consolidated Statement of Cash Flows<sup>65</sup>

	Note	Three month period ended 31 March	
		2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		2,412,321	(1,178,421)
<b>Adjustments for:</b>			
Share of loss of associates and joint ventures		36,823	55,738
Finance expenses	24	420,055	436,375
Finance income	23	(15,048)	(36,454)
Net unrealised foreign exchange (loss) gain, net		(55,984)	83,610
Depreciation, depletion and amortization		6,224,670	5,490,034
Other non-cash items		96,693	131,919
<b>Operating cash flow before changes in working capital</b>		<b>9,119,530</b>	<b>4,982,801</b>
<b>Changes in working capital:</b>			
Accounts receivable		(1,227,687)	2,666,301
Inventories		(2,011,779)	7,090,131
Other assets		(118,434)	(1,233,739)
Accounts payables and other current liabilities		(5,830,067)	(13,206,458)
Taxes payable		(21,683)	(430,634)
<b>Total effect on working capital changes</b>		<b>(9,209,650)</b>	<b>(5,114,399)</b>
Income taxes paid		(50,055)	(1,099,279)
Interest paid		(327,278)	(367,384)
Interest received		12,764	38,980
<b>Net cash (used in)/generated from operating activities</b>		<b>(454,689)</b>	<b>(1,559,281)</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of subsidiaries		-	(41)
Capital expenditures <sup>66</sup>		(4,674,543)	(8,621,734)
Proceeds from sale of property, plant and equipment		159,801	88,416
Bank deposits repayment (placements), net		17,449	1,598,297
Other outflow		(17,638)	(17,638)
<b>Net cash used in investing activities</b>		<b>(4,514,931)</b>	<b>(6,952,700)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,18	8,008,901	3,465,953
Repayment of borrowings	14,18	(3,325,505)	(1,201,932)
Repayment of lease liabilities	19	(166,514)	(96,626)
<b>Net cash generated from (used in) financing activities</b>		<b>4,516,882</b>	<b>2,167,395</b>
Net decrease in cash and cash equivalents		(452,738)	(6,344,586)
Effect of foreign exchange on cash and cash equivalents		(2,164)	(66,638)
<b>Cash and cash equivalents as of the beginning of the period</b>		<b>8,488,302</b>	<b>15,295,810</b>
<b>Cash and cash equivalents as of the end of the period</b>		<b>8,033,400</b>	<b>8,884,586</b>

in 000 RSD

<sup>65</sup> Group policy is to present cash flow inclusive of related VAT.<sup>66</sup> CF from investing activities includes VAT in the amount of 0,5 bln RSD (2020: 0,9 bln RSD).

## Notes to the Consolidated Financial Statements<sup>67</sup>

### 1. GENERAL INFORMATION

Open Joint Stock Company Naftna Industrija Srbije (the “Company”) and its subsidiaries (together refer to as the “Group”) is a vertically integrated oil company operating predominantly in Serbia. The Group’s principal activities include:

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

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

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

The Company is a public joint stock company listed on the Belgrade Stock Exchange.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.3. Basis of preparation

The Group maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily Serbian). The accompanying Interim Condensed Consolidated Financial Statements were primarily derived from the Group’s statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS).

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard **IAS 34 Interim Financial Reporting**. IAS 34 for interim financial reporting does not require all disclosures that would be necessarily required by IFRS.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements for 2020, such as significant accounting policies, significant estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. Management of the Group believes that the disclosures in these Interim Condensed Consolidated Financial Statements are adequate to make the information

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<sup>67</sup> All amounts are in 000 RSD, unless otherwise stated

presented not misleading if these Interim Condensed Consolidated Financial Statements are read in conjunction with the Group's Consolidated Financial Statements for 2020.

The Group continues to monitor the impact of the coronavirus pandemic (COVID-19) and the related preventive measures which lead to decrease in the economic activity of market participants, as well as persistent volatility in the currency and commodity markets on the critical accounting estimates which are used by the Group in the Condensed Interim Consolidated Financial Statements preparation. In the first quarter of 2021, the specified macroeconomic factors did not result in change of these estimates by the Group.

The results for the three month period ended 31 March 2021 are not necessarily indicative of the results expected for the full year.

The Group as a whole is not subject to significant seasonal fluctuations.

#### **2.4. Changes in significant accounting policies**

Significant accounting policies, judgements and estimates applied while preparing these Interim Condensed Consolidated Financial Statements are consistent with those applied during the preparation of Consolidated Financial Statements as of and for the year ended 31 December 2020, except for those described in the Application of new IFRS paragraph.

### **3. NEW ACCOUNTING STANDARDS**

#### Application of amendments to the existing standards

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

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

#### New standards and amendments to the existing standards that are not yet effective

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

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Updating References to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);

- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022):
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities – Amendments to IFRS 9;
  - Subsidiary as a First-time Adopter – Amendment to IFRS 1;
  - Taxation in Fair Value Measurements – Amendment to IAS 41;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023).

#### **4. SEGMENT INFORMATION**

Presented below is information about the Group's operating segments for the three month periods ended 31 March 2021 and 2020. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available.

The Group manages its operations in 2 operating segments: Upstream and Downstream.

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

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

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

Reportable segment results for the three month period ended 31 March 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	8,994,949	48,179,098	(8,995,762)	48,178,285
Intersegment	8,866,806	128,956	(8,995,762)	-
External	128,143	48,050,142	-	48,178,285
<b>EBITDA (Segment results)</b>	<b>5,957,374</b>	<b>3,401,101</b>	<b>-</b>	<b>9,358,475</b>
Depreciation, depletion and amortization	(3,368,638)	(2,856,032)	-	(6,224,670)
Share of loss of associates and joint ventures	-	(36,823)	-	(36,823)
Net foreign exchange loss	(138,489)	(92,219)	-	(230,708)
Finance (expenses) income, net	722	(405,729)	-	(405,007)
Income tax	(92,089)	(794,803)	-	(886,892)
Segment profit (loss)	2,265,620	(740,191)	-	1,525,429

Reportable segment results for the three month period ended 31 March 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	9,789,657	52,284,778	(9,507,497)	52,566,938
Intersegment	9,341,420	166,077	(9,507,497)	-
External	448,237	52,118,701	-	52,566,938
<b>EBITDA (Segment results)</b>	<b>5,276,808</b>	<b>(105,091)</b>	<b>-</b>	<b>5,171,717</b>
Depreciation, depletion and amortization	(3,055,082)	(2,434,952)	-	(5,490,034)
Share of loss of associates and joint ventures	-	(55,738)	-	(55,738)
Net foreign exchange loss	(131,312)	(187,452)	-	(318,764)
Finance expenses, net	(20,688)	(379,233)	-	(399,921)
Income tax	(44,834)	161,455	-	116,621
Segment profit (loss)	1,892,562	(2,954,362)	-	(1,061,800)

EBITDA for the three month period ended 31 March 2021 and 2020 is reconciled below:

	Three month period ended 31 March	
	2021	2020
Profit (Loss) for the period	1,525,429	(1,061,800)
Income tax	886,892	(116,621)
Finance expenses	420,055	436,375
Finance income	(15,048)	(36,454)
Depreciation, depletion and amortization	6,224,670	5,490,034
Share of loss of associates and joint ventures	36,823	55,738
Net foreign exchange (gain) loss	230,708	318,764
Other expense (income), net	57,771	76,080
Other non-operating expense (income), net	(8,825)	9,601
<b>EBITDA</b>	<b>9,358,475</b>	<b>5,171,717</b>



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

	Three month period ended 31 March 2021		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	-	-
Sale of gas	113,927	-	113,927
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	113,927	-	113,927
Sale of petroleum products	32,931,361	11,425,413	44,356,774
<i>Through a retail network</i>	12,323,514	2,912,764	15,236,278
<i>Wholesale activities</i>	20,607,847	8,512,649	29,120,496
Sale of electricity	516,527	93,707	610,234
Lease revenue	78,369	2,927	81,296
Other sales	2,230,470	785,584	3,016,054
<b>Total sales</b>	<b>35,870,654</b>	<b>12,307,631</b>	<b>48,178,285</b>

	Three month period ended 31 March 2020		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	416,925	416,925
Sale of gas	50,928	-	50,928
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	50,928	-	50,928
Sale of petroleum products	36,982,975	12,327,325	49,310,300
<i>Through a retail network</i>	14,165,063	3,565,133	17,730,196
<i>Wholesale activities</i>	22,817,912	8,762,192	31,580,104
Sale of electricity	192,663	45,223	237,886
Lease revenue	75,097	1,054	76,151
Other sales	1,792,161	682,587	2,474,748
<b>Total sales</b>	<b>39,093,824</b>	<b>13,473,114</b>	<b>52,566,938</b>

Out of the amount of 29,120,496 thousand RSD (2020: 31,580,104 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 4,869,587 thousand RSD (2020: 4,873,751 thousand RSD) are derived from a single domestic customer HIP Petrohemija. These revenue are attributable to wholesale activities within Downstream segment.

Other sales mainly relate to sales of non-fuel products at petrol stations in the amount of 2,272,640 thousand RSD (2020: 1,914,541 thousand RSD).

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

The Group is domiciled in the Republic of Serbia. The revenue from external customers in the Republic of Serbia is 35,870,654 thousand RSD (2020: 39,093,824 thousand RSD), and the total revenue from external customer from other countries is 12,307,631 thousand RSD (2020: 13,473,114 thousand RSD).

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

	Three month period ended	
	31 March	
	2021	2020
Sale of crude oil	-	416,925
Sale of petroleum products (retail and wholesale)		
Bulgaria	2,643,145	2,962,760
Bosnia and Herzegovina	4,455,227	3,724,476
Romania	2,217,032	2,551,924
Switzerland	289,249	154,486
Croatia	317,253	536,471
Northern Macedonia	121,343	272,431
Hungary	73,056	335,237
Great Britain	449,071	361,929
All other markets	860,037	1,427,611
	11,425,413	12,327,325
Sale of electricity	93,707	45,223
Lease revenue	2,927	1,054
Other sales	785,584	682,587
	<b>12,307,631</b>	<b>13,473,114</b>

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

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	31 March	31 December
	2021	2020
Serbia	286,752,447	288,696,880
Romania	12,391,045	12,430,336
Bosnia and Herzegovina	7,653,128	7,649,494
Bulgaria	6,341,500	6,423,225
	<b>313,138,120</b>	<b>315,199,935</b>

## 5. CASH AND CASH EQUIVALENTS

	31 March	31 December
	2021	2020
Cash in bank and in hand	2,901,999	5,576,619
Deposits with original maturity of less than three months	4,823,605	2,643,210
Cash held on escrow account	7,856	8,329
Cash equivalents	299,940	260,144
	<b>8,033,400</b>	<b>8,488,302</b>

## 6. SHORT-TERM FINANCIAL ASSETS

	31 March 2021	31 December 2020
Short-term loans	2,019	2,019
Deposits with original maturity more than 3 months less than 1 year	248,968	266,224
Less impairment loss provision	(2,019)	(2,019)
	<b>248,968</b>	<b>266,224</b>

As at 31 March 2021 deposits with original maturity more than 3 months less than 1 year amounting to 248,968 thousand RSD (31 December 2020: 266,224 thousand RSD) relates to bank deposits placements with interest rates to 0.50% to 2.40% p.a. denominated in RSD and EUR (31 December 2020: 0.50% to 2.80% p.a. denominated in RSD and EUR ).

## 7. TRADE AND OTHER RECEIVABLES

	31 March 2021	31 December 2020
Trade receivables	31,011,848	29,709,881
Other receivables	90,034	91,781
Accrued assets	37,082	55,204
<i>Less credit loss allowance for trade receivables</i>	(8,906,535)	(8,912,085)
<i>Less credit loss allowance for other receivables</i>	(44,175)	(46,039)
<b>Total trade and other receivables</b>	<b>22,188,254</b>	<b>20,898,742</b>

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

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

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 March 2021	31 December 2020
RSD	18,886,718	18,381,025
EUR	874,617	833,832
USD	256,113	245,377
Other	2,170,806	1,438,508
	<b>22,188,254</b>	<b>20,898,742</b>

## 8. INVENTORIES

	31 March 2021	31 December 2020
Crude oil	15,080,222	14,118,415
Petroleum products	12,162,039	11,279,391
Materials and supplies	6,126,289	5,904,420
Other	1,135,988	1,203,773
<i>Less impairment provision</i>	(4,723,392)	(4,757,773)
	<b>29,781,146</b>	<b>27,748,226</b>

## 9. OTHER CURRENT ASSETS

	31 March 2021	31 December 2020
Advances paid	521,103	515,693
VAT receivables	84,235	117,430
Deferred VAT	2,270,772	2,111,479
Prepaid expenses	369,396	248,940
Prepaid custom duties	73,491	77,694
Prepaid excise	2,050,395	2,271,345
Other current assets	8,436,010	8,344,888
<i>Less impairment provision</i>	(7,571,143)	(7,569,708)
	<b>6,234,259</b>	<b>6,117,761</b>

Deferred VAT as at 31 March 2021 amounting to 2,270,772 thousand RSD (31 December 2020: 2,111,479 thousand RSD) represents VAT inputs claimed on invoices received and accounted for in the current period, while the inputs will be allowed in the following accounting period.

Prepaid excise as at 31 March 2021 amounting to 2,050,395 thousand RSD (31 December 2020: 2,271,345 thousand RSD) relates to the excise paid for finished products stored in non-excise warehouse.

Other current assets mainly relate to claims in dispute which are impaired.

**10. PROPERTY, PLANT AND EQUIPMENT**

	Oil and gas properties	Refining assets	Marketing and distribution assets	Other assets	Assets under construction	Total
<b>As at 1 January 2020</b>						
Cost	185,208,089	119,078,761	70,157,189	19,406,385	69,075,268	462,925,692
Depreciation and impairment	(58,573,177)	(51,705,166)	(34,354,810)	(10,321,625)	(2,036,347)	(156,991,125)
<b>Net book value</b>	<b>126,634,912</b>	<b>67,373,595</b>	<b>35,802,379</b>	<b>9,084,760</b>	<b>67,038,921</b>	<b>305,934,567</b>
<b>Period ended 31 March 2020</b>						
Additions	-	-	-	-	6,700,315	6,700,315
Changes in decommissioning obligations	65,848	-	-	-	-	65,848
Transfer from assets under construction	4,257,704	1,333,748	745,777	100,279	(6,437,508)	-
Impairment	-	-	(3,031)	-	(10,411)	(13,442)
Depreciation	(2,969,420)	(1,459,296)	(604,760)	(187,259)	(1,182)	(5,221,917)
Disposals and write-off	(207)	(4,431)	(26,218)	(4,087)	(10,322)	(45,265)
Other transfers	(43,603)	(272,780)	34,666	211,001	4,202	(66,514)
Translation differences	(3)	-	(36,162)	(13)	(91,927)	(128,105)
	<b>127,945,231</b>	<b>66,970,836</b>	<b>35,912,651</b>	<b>9,204,681</b>	<b>67,192,088</b>	<b>307,225,487</b>
<b>As at 31 March 2020</b>						
Cost	189,437,548	120,095,527	70,855,460	19,501,064	69,226,846	469,116,445
Depreciation and impairment	(61,492,317)	(53,124,691)	(34,942,809)	(10,296,383)	(2,034,758)	(161,890,958)
<b>Net book value</b>	<b>127,945,231</b>	<b>66,970,836</b>	<b>35,912,651</b>	<b>9,204,681</b>	<b>67,192,088</b>	<b>307,225,487</b>
<b>As at 1 January 2021</b>						
Cost	201,221,015	160,908,071	72,666,132	19,440,677	29,971,204	484,207,099
Depreciation and impairment	(70,509,519)	(57,807,804)	(36,316,450)	(10,542,208)	(2,552,040)	(177,728,021)
<b>Net book value</b>	<b>130,711,496</b>	<b>103,100,267</b>	<b>36,349,682</b>	<b>8,898,469</b>	<b>27,419,164</b>	<b>306,479,078</b>
<b>Period ended 31 March 2021</b>						
Additions	-	-	-	-	4,188,142	4,188,142
Changes in decommissioning obligations	163,183	-	-	-	-	163,183
Transfer from assets under construction	7,782,273	1,006,911	227,704	101,691	(9,118,579)	-
Impairment	-	-	-	-	(717)	(717)
Depreciation	(3,174,191)	(1,979,661)	(589,796)	(167,467)	(1,171)	(5,912,286)
Disposals and write-off	(867)	(4,902)	(19,684)	(285)	-	(25,738)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,492)	496,015	(361,992)	(138,302)	(148,229)	(155,000)
Translation differences	(31,590)	-	(29,916)	1	(119,477)	(180,982)
	<b>135,447,812</b>	<b>102,618,630</b>	<b>35,422,571</b>	<b>8,694,107</b>	<b>22,219,133</b>	<b>304,402,253</b>
<b>As at 31 March 2021</b>						
Cost	209,074,969	162,786,136	71,778,266	19,230,076	24,765,328	487,634,775
Depreciation and impairment	(73,627,157)	(60,167,506)	(36,355,695)	(10,535,969)	(2,553,613)	(183,239,940)
<b>Net book value</b>	<b>135,447,812</b>	<b>102,618,630</b>	<b>35,422,571</b>	<b>8,694,107</b>	<b>22,211,715</b>	<b>304,394,835</b>

Movements in right-of-use assets for the three months ended 31 March 2021 and 2020 are as follows:

	Land	Property	Plant and equipment	Vehicles	Total
<b>As at 1 January 2020</b>	<b>148,676</b>	<b>1,023,199</b>	<b>438,495</b>	<b>263,429</b>	<b>1,873,799</b>
Additions	7,509	86,155	-	601,560	695,224
Depreciation of right-of-use assets	(626)	(60,425)	(17,938)	(25,633)	(104,622)
Disposals	-	(1,897)	-	(4,518)	(6,415)
Foreign currency translation	(1,531)	1,694	(1,995)	(63)	(1,895)
<b>As at 31 March 2020</b>	<b>154,028</b>	<b>1,048,726</b>	<b>418,562</b>	<b>834,775</b>	<b>2,456,091</b>
<b>As at 1 January 2021</b>	<b>143,732</b>	<b>1,299,970</b>	<b>338,324</b>	<b>878,768</b>	<b>2,660,794</b>
Additions	-	29,632	2,900	684	33,216
Depreciation of right-of-use assets	(2,410)	(65,862)	(23,490)	(73,711)	(165,473)
Transfer from PPE	-	153,427	-	-	153,427
Disposals	-	(361)	-	(1,933)	(2,294)
Foreign currency translation	1,127	(574)	(4,376)	(50)	(3,873)
<b>As at 31 March 2021</b>	<b>142,449</b>	<b>1,416,232</b>	<b>313,358</b>	<b>803,758</b>	<b>2,675,797</b>

## 11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying values of the investments in associates and joint ventures as of 31 March 2021 and 31 December 2020 are summarised below:

		Ownership percentage	31 March 2021	31 December 2020
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	909,019	915,921
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	801,588	831,509
HIP Petrohemija a.d. Pančevo	Associate	20.86%	11,572,197	11,572,197
Less Impairment provision			(11,572,197)	(11,572,197)
<b>Total investments</b>			<b>1,710,607</b>	<b>1,747,430</b>

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

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

### NIS MET Energowind d.o.o. Beograd

In 2013 the Group acquired 50% of interest in a joint venture Energowind d.o.o. which was intended to be used as a vehicle for operation of future wind farm "Plandiste" with total capacity of 102 MW. During March 2019, MET Renewables AG acquired from third parties 50% of share in the project and became a joint partner on the project that has been renamed to NIS MET Energowind d.o.o. Beograd. On the date of the issuance of these Interim Condensed Consolidated Financial Statements there has been no significant business activity. NIS MET Energowind d.o.o. is a private company and there is no available quoted market price.

### Gazprom Energoholding Serbia d.o.o. Novi Sad

In 2015, the Group and Centrenergoholding OAO Russian Federation established the holding company Gazprom Energoholding Serbia LLC, through which they would jointly operate with the Thermal and Heating Power Plant Gazprom Energoholding Serbia "TE-TO" Pancevo with a projected capacity of 208

MW. In October 2017 the contract with Shanghai Electric Group Co., Ltd. was signed on a "turnkey" basis and the design phase started. The project is mostly financed from the loan from Gazprombank (140 mln EUR) with the loan tenor of 12 years and corporate loan from CEH in amount of 41 mln EUR. Handing over CHP TE-TO Pancevo is expected to be completed during 2021. Analysis of the influence of the coronavirus pandemic (COVID-19) to completion of the project is in progress. A significant extension is not expected.

### **HIP Petrohemija**

In accordance with the laws in force in the Republic of Serbia, at the beginning of October 2017 all the condition were met for the full implementation of the earlier prepared plan for restructuring of the company HIP Petrohemija a.d. Pancevo. In accordance with the adopted plan, the structure of the share capital of the company HIP Petrohemija has been changed, whereby 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.

The summarised financial information for the joint ventures as of 31 March 2021 and 31 December 2020 and for the years ended 31 March 2021 and 31 March 2020 is presented in the table below:

	NIS MET Energowind	Gazprom Energoholding Serbia
<b>31 March 2021</b>		
Current assets	44,670	456,703
Non-current assets	3,162,299	17,353,506
Current liabilities	(973,686)	(163,952)
Non-current liabilities	-	(16,019,621)
<b>31 December 2020</b>		
Current assets	36,102	399,874
Non-current assets	3,162,171	16,016,723
Current liabilities	(951,167)	(211,951)
Non-current liabilities	-	(14,563,190)

	NIS MET Energowind	Gazprom Energoholding Serbia
<b>31 March 2021</b>		
Other income	1,115	3,955
Loss for the year	(13,804)	(61,063)
<b>31 March 2020</b>		
Other income	1,014	1,583
Loss for the year	(14,992)	(98,454)

## **12. OTHER NON-CURRENT ASSETS**

	31 March 2021	31 December 2020
Advances paid for PPE	429,160	365,823
Prepaid expenses	113,494	126,564
Other assets	1,150,358	1,126,857
<i>Less allowance of other assets</i>	(390,269)	(382,775)
<i>Less allowance for advances paid</i>	(26,741)	(26,741)
	<b>1,276,002</b>	<b>1,209,728</b>

**13. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Interest liabilities	99,665	76,094
Current portion of long-term loans (note 18)	10,277,351	11,585,989
	<b>10,377,016</b>	<b>11,662,083</b>

Movements on the Group's liabilities from short-term finance activities are as follows:

	<b>Three month period ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Short-term loans at 1 January</b>	-	-
Proceeds	500,000	3,000,000
Repayment	(500,000)	-
<b>Short-term loans at 31 March</b>	-	<b>3,000,000</b>

**14. TRADE AND OTHER PAYABLES**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Trade payables	14,527,288	19,497,552
Dividends payable	3,784,555	3,785,017
Other accounts payable	190,649	219,121
	<b>18,502,492</b>	<b>23,501,690</b>

As at 31 March 2021 trade payables amounting to 14,527,288 thousand RSD (31 December 2020: 19,497,552 thousand RSD) mainly relate to payables for crude oil in the amount of 4,400,476 thousand RSD to the supplier Petraco Oil Company LLP, London (31 December 2020 2,641,621 thousand RSD).

**15. OTHER CURRENT LIABILITIES**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Contract liabilities arising from contracts with customers:		
- Advances received	1,948,885	4,164,685
- Customer loyalty	761,257	770,993
Payables to employees	5,700,370	4,933,413
Other current non-financial liabilities	14,791	18,527
	<b>8,425,303</b>	<b>9,887,618</b>

Revenue in the amount of 3,672,598 thousand RSD was recognized in the current reporting period (31 March 2020: 1,648,542 thousand RSD) related to the contract liabilities as at 1 January 2020, of which of 3,437,269 thousand RSD (31 March 2020: 1,406,163 thousand RSD) related to advances and 235,329 thousand RSD (31 March 2020: and 242,379 thousand RSD) to customer loyalty programme.



**16. OTHER TAXES PAYABLE**

	31 March 2021	31 December 2020
Mineral extraction tax	268,283	214,971
VAT	3,674,449	2,333,069
Excise tax	4,116,853	5,713,647
Contribution for buffer stocks	178,959	266,499
Custom duties	244,591	63,541
Energy efficiency fee	20,077	30,687
Other taxes	1,585,683	1,488,373
	<b>10,088,895</b>	<b>10,110,787</b>

**17. LONG-TERM DEBT**

	31 March 2021	31 December 2020
Long-term loan - Gazprom Neft	12,304,894	13,672,117
Bank loans	75,185,102	69,109,887
Other long-term borrowings	83,115	73,491
<i>Less Current portion (note 14)</i>	<i>(10,277,351)</i>	<i>(11,585,989)</i>
	<b>77,295,760</b>	<b>71,269,506</b>

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

	Three month period ended 31 March	
	2021	2020
<b>Long-term loans at 1 January</b>	<b>82,782,004</b>	<b>89,044,212</b>
Proceeds	7,508,901	465,953
Repayment	(2,825,505)	(1,201,932)
Non-cash transactions	21,593	(693,188)
Foreign exchange difference (note 22)	3,003	(57,584)
<b>Long-term loans at 31 March</b>	<b>87,489,996</b>	<b>87,557,461</b>

**(a) Long-term loan - Gazprom Neft**

As at 31 March 2021 long-term loan - Gazprom Neft amounting to 12,304,894 thousand RSD (31 December 2020: 13,672,117 thousand RSD), with current portion of 5,468,841 thousand RSD (31 December 2020: 5,468,847 thousand 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 March 2021	31 December 2020
Domestic	52,598,338	51,785,438
Foreign	22,586,764	17,324,449
	75,185,102	69,109,887
Current portion of long-term loans	(4,808,509)	(6,117,142)
	<b>70,376,593</b>	<b>62,992,745</b>

The maturity of bank loans was as follows:

	31 March 2021	31 December 2020
Between 1 and 2 years	12,967,572	9,920,841
Between 2 and 5 years	45,529,318	41,197,751
Over 5 years	11,879,703	11,874,153
	<b>70,376,593</b>	<b>62,992,745</b>

The carrying amounts of bank and other long-term loans are denominated in the following currencies:

	31 March 2021	31 December 2020
USD	146,583	157,858
EUR	74,856,351	68,740,978
RSD	265	373
JPY	181,903	210,678
	<b>75,185,102</b>	<b>69,109,887</b>

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

The loan agreements contain financial covenants that require the Group's ratio of Consolidated Indebtedness to Consolidated EBITDA. Management believes the Group is in compliance with these covenants as of 31 March 2021 and 31 December 2020, respectively.

## 18. LEASE LIABILITIES

	31 March 2021	31 December 2020
Non-current lease liabilities	1,743,260	1,868,666
Current lease liabilities	617,924	610,725
	<b>2,361,184</b>	<b>2,479,391</b>

Amounts recognized in profit and loss:

	Three month period ended 31 March	
	2021	2020
Interest expense (included in finance cost)	23,710	20,584
Expense relating to short-term leases	130,837	250,116
Expense relating to leases of low value assets that are not shown above as short-term leases	13,385	57,125
Expense relating to variable lease payments not included in lease liabilities	383,707	436,886

Movements on the Group's liabilities from lease activities are as follows:

	Three month period ended	
	2021	31 March 2020
As at 1 January	2,479,391	1,703,441
Repayment	(166,514)	(96,626)
Non-cash transactions	49,038	704,073
Foreign exchange difference (note 22)	(731)	(7,630)
<b>As at 31 March</b>	<b>2,361,184</b>	<b>2,303,258</b>

## 19. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended	
	2021	31 March 2020
Employee costs	2,150,800	1,922,943
Cost of service organization	8,776	414,883
Materials and supplies (other than oil and gas and petroleum products)	411,980	508,833
Repair and maintenance services	780,851	959,161
Electricity and utilities	1,327,550	1,051,192
Safety and security expense	82,352	116,103
Transportation services for production	345,713	428,160
Other	943,466	147,359
	<b>6,051,488</b>	<b>5,548,634</b>

## 20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three month period ended	
	2021	31 March 2020
Employee costs	3,961,949	3,573,367
Cost of service organization	1,668	673,519
Commission and agency fees	189,119	228,235
Legal, audit and consulting services	163,541	223,677
Current repair cost	180,818	208,017
Costs on advertising and marketing	53,280	55,063
Rent expense	46,017	55,602
Business trips expense	16,572	37,060
Safety and security expense	136,535	139,147
Insurance expense	18,253	20,500
Transportation and storage	34,823	41,866
Allowance for doubtful accounts	(4,484)	(120,102)
Other	1,059,669	1,075,679
	<b>5,857,760</b>	<b>6,211,630</b>

## 21. NET FOREIGN EXCHANGE GAIN (LOSS)

	Three month period ended	
	2021	31 March 2020
Foreign exchange gain (loss) on financing activities including:		
- foreign exchange gain (note 18 and 19)	205,946	272,366
- foreign exchange loss (note 18 and 19)	(208,218)	(207,152)
Net foreign exchange gain (loss) on operating activities	(228,436)	(383,978)
	<b>(230,708)</b>	<b>(318,764)</b>

**22. FINANCE INCOME**

	Three month period ended 31 March	
	2021	2020
Interest on bank deposits	12,836	33,774
Interest income on loans issued	2,212	2,680
	<b>15,048</b>	<b>36,454</b>

**23. FINANCE EXPENSES**

	Three month period ended 31 March	
	2021	2020
Interest expense	409,112	471,265
Losses on restructuring of borrowings	22,037	-
Decommissioning provision: unwinding of the present value discount	19,419	20,803
Financial assets: unwinding of discount	(30,513)	(19,443)
Less: interest expense capitalised on qualifying assets	-	(36,250)
	<b>420,055</b>	<b>436,375</b>

Interest expense includes expenses on lease liabilities in the amount of 23,710 thousand RSD for the three months ended 31 March 2021 (20,584 thousand RSD for the three months ended 31 March 2020 accordingly).

**24. FAIR VALUE MEASUREMENT**

The following assets are measured at fair value in the Interim Condensed Consolidated Financial Statements: investment properties, financial investments classified as available for sale and other non-current financial asset and liabilities. The valuation techniques and inputs used in fair value measurements are on the same basis as disclosed in the Consolidated Financial Statements as of 31 December 2020. There were no transfers between the levels of the fair value hierarchy during the interim period.

As of 31 March 2021 the carrying value of financial assets approximates their fair value.

**25. CONTINGENCIES AND COMMITMENTS***Taxes*

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 March 2021.

*Economic environment in the Republic of Serbia*

The Group operates primarily in the Republic of Serbia and is therefore exposed to risks related to the state of the economy and financial markets of the Republic of Serbia. Before the pandemic crisis, the country's credit rating was at BB+ level with stable national currency rate. The development of the coronavirus pandemic (COVID-19) in 2020 and the measures taken in this regard to prevent the spread

of coronavirus infection lead to negative economic consequences. The Government of the Republic of Serbia has prepared a set of measures to mitigate these negative impacts through delays in payment of tax liabilities, grants and credit arrangements. The situation in the financial markets is currently stable. This operating environment has a significant impact on the Group's operations and financial position.

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

### *Environmental protection*

Based on an internal assessment of compliance with the Republic of Serbia environmental legislation as at the reporting date, the Group's management recognised an environmental provision in the amount of 415,059 thousand RSD (31 December 2020: 428,813 thousand RSD).

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

### *Capital commitments*

As of 31 March 2021 the Group has entered into contracts to purchase property, plant and equipment 1,706,738 thousand RSD (31 December 2020: 1,531,697 thousand RSD) and drilling and exploration works estimated to 57.59 USD million (31 December 2020: 57.89 USD million).

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

## **26. RELATED PARTY TRANSACTIONS**

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

The majority owner of the Group is Gazprom Neft, St Petersburg, Russian Federation, with 56.15% shares of the Company. The second largest shareholder with 29.87% interest is Republic of Serbia, while remaining 13.98% of interest owned by various minority shareholders are traded on the Belgrade Stock Exchange and are owned by various shareholders. The Russian Federation is the ultimate controlling party.

In the three month period ended 31 March 2021 and in the same period in 2020, the Group entered into business transactions with its related parties. The most significant transactions with related parties in the mentioned periods related to supply/delivery of crude oil, petroleum products and energy.

As at 31 March 2021 and 31 December 2020 the outstanding balances, presented net of impairment, with related parties were as follows:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
<b>As at 31 March 2021</b>			
Trade and other receivables	-	197,479	220,956
Investments in joint venture and associates	-	-	1,710,607
Other current assets	-	482,076	-
Right of use assets	-	78	-
Trade and other payables	-	(77,632)	(970,593)
Other current liabilities	-	(41)	(4,376)
Short-term debt and current portion of long-term debt	(5,468,841)	-	-
Current lease liabilities	-	(50)	-
Long-term debt	(6,836,053)	-	-
	<b>(12,304,894)</b>	<b>601,910</b>	<b>956,594</b>
<b>As at 31 December 2020</b>			
Trade and other receivables	-	184,545	1,462,758
Investments in joint venture and associates	-	-	1,747,430
Other current assets	-	25,095	-
Right of use assets	-	125	-
Trade and other payables	(3,204,199)	(216,612)	(942,413)
Other current liabilities	-	(37)	(4,493)
Short-term debt and current portion of long-term debt	(5,468,847)	-	-
Current lease liabilities	-	(84)	-
Long-term debt	(8,203,270)	-	-
	<b>(16,876,316)</b>	<b>(6,968)</b>	<b>2,263,282</b>

For the three month period ended 31 March 2021 and 2020 the following transaction occurred with related parties:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
<b>Three month period ended 31 March 2021</b>			
Petroleum products and oil and gas sales	-	231,711	4,869,928
Other revenues	1,455	11,814	7,852
Purchases of oil, gas and petroleum products	-	(88,407)	-
Production and manufacturing expenses	-	(58,568)	(55,023)
Depreciation, depletion and amortization	-	(47)	-
Selling, general and administrative expenses	-	-	-
Other income (expenses), net	-	-	(44)
Finance expense	(50,773)	-	-
	<b>(49,318)</b>	<b>96,503</b>	<b>4,822,713</b>

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
<b>Three month period ended 31 March 2020</b>			
Petroleum products and oil and gas sales	-	126,586	4,874,154
Other revenues	-	1,341	10,067
Purchases of oil, gas and petroleum products	(14,647,442)	(264,096)	-
Production and manufacturing expenses	-	(48,494)	(43,914)
Selling, general and administrative expenses	-	(1,707)	(594)
Other income (expenses), net	5,233	(104)	-
Finance expense	(82,536)	-	-
	<b>(14,724,745)</b>	<b>(186,474)</b>	<b>4,839,713</b>

***Transactions with Key Management Personnel***

For the three month period ended on 31 March 2021 and 2020 the Group recognized 232,072 thousand RSD and 228,485 thousand 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.

**27. EVENTS AFTER THE REPORTING DATE**

There are no material events after the reporting date.

Subsequent events occurring after 31 March 2021 were evaluated through 26 April 2021, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

## Statement of individuals responsible for the preparation of financial statements

We hereby state that, to our best knowledge, the interim financial reports have been prepared in compliance with the international financial reporting standards and that they show true and objective information on the assets, liabilities, profit and loss, financial position and operations of the Company, including subsidiaries encompassed by the consolidated statements.

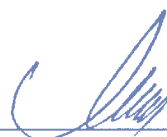
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## Glossary

Abbreviation	Meaning
3D	Three-dimensional
2D	Two-dimensional
a.d.o.	Insurance joint stock company
ALARP	As low as reasonably possible
B&H	Bosnia and Herzegovina
BC	Business Centre
bn	billion
BoD	Board of Directors
BV	Book Value
CAPEX	Capital Expenditures
CCPP	Combined-Cycle Power Plant
CMMS	Computerized maintenance management system
CNG	Compressed natural gas
CO	Carbon Oxide
CO <sub>2</sub>	Carbon Dioxide
DCU	Delayed Coking Unit
DWS	Downstream
EBITDA	Earnings before interest, Taxes, depreciation and amortisation
e.o.o.d.	Solely owned limited liability company (in Bulgaria)
EPS	Earnings per share
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offer Rate
GDP	Gross Domestic Product
GPN	PJSC Gazprom Neft
GTA	Geological-technical activities
GU	Gasoline unleaded
GWh	Gigawatt hours
HiPACT	High Pressure Acid Gas Capture Technology
HR	Human Resources
HSE	Health, Safety and the Environment
IMF	International Monetary Fund
IRMS	Integrated Risk Management System
IT	Information Technology
j.s.c. or JSC	Joint Stock Company
k.f.t.	Limited liability company (in Hungary)
km	kilometre
LIBOR	London Interbanking Offer Rate
LLC or llc	Limited Liability Company
LPG	Liquefied Petroleum Gas
LTIF	Lost Time Injury Frequency
m <sup>2</sup>	Square meter
m <sup>3</sup>	Cubic meter
MHC/DHT	Mild hydrocracking and hydro treating unit
mn	million
MW	Megawatt, SI unit of electricity
MWh	Megawatt hour, unit of electricity
N <sub>2</sub>	Nitrogen
NBS	National Bank of Serbia
NMD	Regulatory methodology document
OCF	Operating Cash Flow

<b>Abbreviation</b>	<b>Meaning</b>
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company
POS	Point of sale
P/BV	Price/Book Value
P/E	Price/EPS
RNP	Pančevo Oil Refinery
RSD	Serbian Dinar
SNNP	Sa nama na putu cart (On the road with us card)
s.r.l.	Limited liability company (in Romania)
STC	Scientific and Technological Centre
t.o.e.	Tonnes of oil equivalent
USD	US dollar
USD/bbl	US dollars per barrel
VAT	Value Added Tax

The Report contains statements on uncertain future events. Statements on uncertain future events involve statements which are not historical facts, statements with regard to the NIS Group's intentions, beliefs or current expectations related to, inter alia, the NIS Group's business results, financial standing and liquidity, prospects, growth, strategies and industrial sectors in which the NIS Group does business. For the reason that they relate to the events and depend on the circumstances which may or may not realize in the future, statements on uncertain future events by their nature involve risks and uncertainty, including, but without limitation to risks and uncertainties that the NIS Group has identified in other publicly available documents. NIS Group hereby warns that there are no guarantees that the statements on uncertain future events will be realized in the future and that actual business results, financial standing and liquidity, as well as the development of the industrial sector in which the NIS Group does business, may considerably differ from the ones represented or assumed by statements on uncertain future events. In addition, even if the NIS Group's business results, its financial standing and liquidity, and the development of the industrial sector in which the NIS Group does business happen to comply with the statements on uncertain future events contained herein, the results and development are not indicative of the results and development in upcoming periods. The information contained herein has been presented on the date of the Report and may be changed without prior announcement.