

# QUARTERLY REPORT FOR THIRD QUARTER OF 2021



The Quarterly Report for Third Quarter of 2021 presents a factual overview of NIS Group's activities, development and performance in third quarter of 2021. 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 Third 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 Third 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 Q3 2021, despite frequent oscillations on the global oil market, NIS Group pursued its effort to improve business and operational results. With regards to financial indicators, the positive trend was underpinned by the continued recovery in demand on the petroleum product market, higher oil prices and dedication to carry through efficiency measures across all levels of NIS Group. The average Brent price stood at 67.7 USD/bbl in first nine months this year, i.e. a 66-percent increase on the price in the same period last year.

NIS Group's net profit for 9M 2021 is equal to 13.3 bn dinars, a multifold improvement on last year when a loss of 8.3 bn dinars was recorded. At the same time, EBITDA at 38.2 bn dinars also saw a multiple increase over the same reporting period last year in the amount of 10.4 bn dinars. As far as operational cashflow is concerned, it is equal to 20.4 bn dinars, four times the result in the same reporting period 2020. Investments in January-September amounted to 13.1 bn dinars. At the same time, liabilities of NIS Group based on tax and other public revenues are equal to 155.7 bn dinars, i.e. 18% higher than in the same period last year.

Most operational indicators marked improvement, too; overall turnover of petroleum products for 9M 2021 stands at 2,901 thousand tons, which is an increase of 14% on the same period last year. Turnover of petroleum products saw a prominent rise in the foreign subsidiaries, with a 57% growth in the wholesale segment and a 10% growth in export compared with the same reporting period last year. Total oil and gas production reached 890 thousand tons of oil equivalent, refining of crude and semi-finished products was 2,867 thousand tons, i.e. an improvement of 9% over last year.

NIS Group has sustained its practice to pay out dividends, and in Q3 over a billion dinars was distributed (1,001,190,856 dinars) as dividends. It is the ninth consecutive year NIS has paid dividends to its shareholders, over 60 bn dinars have been paid out to this end since 2013. At the same time, we have continued our investments in business processes. In Q3 the Pancevo oil Refinery produced the first Euro diesel quantities with bio-component and supplied them to the Romanian market, while within the quality improvement program in our retail network NIS introduced the service of paying monthly utility bills with the help of IPS QR, a service brought to life as a joint effort of collaboration of the Postanska Stedionica bank and the National Bank of Serbia.

In this reporting period, NIS remained committed to investing in the community in which the company operates. Within "Together for the community" NIS will invest 107.5 mn dinars in projects in 12 local communities to support the environmental protection improvement.

Till year end, NIS will remain focused on further boosting its business indicators and will implement key investment projects that will bring the maximum benefit in the future and pave the way for further development of NIS Group.

# Business report

## Highlights

### July - September

- 13 exploration wells were drilled and 14 exploration wells were put into operation in Serbia
- Start of preparatory work for the 3D seismic project in Turkey
- Completed overhaul of Elemir Gas Refinery
- Workover operations under way on BVS-1000 well
- Drilling of the Teremija 1201 (EX-8) well has started
- Interpretation of seismic data within the Obudovac project completed
- Start of production on a 3D seismic project in Turkey
- New confirmation of compliance of aviation fuel quality with the requirements of the EI / JIG 1530 standard by the certified body SGS from Belgrade, accompanied by the issuance of the Limited Assurance Statement
- The Pancevo Oil Refinery produced the first quantities of Eurodiesel with a biocomponent, which were shipped to the Romanian market
- Participation of the representatives of the Refining Block in the first expert workshop within the project "BIO4BLEND - Impact of legislation in the field of biofuels on the Serbian market"
- The continuation of activities on the project "The Reconstruction of the FCC Plant and the Construction of a new ETBE Plant", in accordance with the project stages.
- Activities on the opening of 3 new facilities (Petlovo Brdo, Zaječar 5, and Bački Petrovac)
- Support to digital projects: Virtual SNNP (On the Road with Us) Card, Drive GO and IPS payment on PSs
- Reconstruction of the PSs: Zmaj 1 and Novi Bečej; works on construction of new the new PS: Stara Pazova 3 and Zrenjanin center
- The applications "On The Road With Us " and "Drive.Go" of NIS were on the first and second place among the TOP 10 free business applications on the Google Play list
- NIS and Poštanska Štedionica Bank have enabled the service of paying bills at all NIS Petrol and GAZPROM petrol stations in Serbia, with the help of the IPS QR code, issued by the National Bank of Serbia
- In just over a year of operation of the innovative "Drive.Go" application, NIS has sold more than 4 million liters of fuel through that application
- The NISOTEC brand won the Grand Champion Cup, as well as 10 gold medals at the International Agricultural Fair in Novi Sad
- Based on the decision of the Shareholders Assembly, NIS paid 1,001,190,856 RS dinars in dividends to shareholders
- NIS and its employees continued their humanitarian activities with a donation to the Simo Milošević Health Center in Belgrade, as well as the purchase of school equipment and supplies for children from shelters and community centers in Belgrade
- The study of the auditing company KPMG on the economic impact of NIS in the Republic of Serbia in the period 2010-2020 was presented to the public. in which it is stated that the average direct annual contribution of NIS to domestic GDP is 5.1%
- In cooperation with the Coordination Body for Gender Equality of the Government of Serbia and the UN Agency for Gender Equality and Women's Empowerment (UN Women), NIS organized a conference entitled "Energy, Gender Equality and Sustainable Development", the aim of which was to highlight the importance of gender equality in energy sector
- NIS has announced the results of the competition of the "Together to the Communities" program for 2021, which will support 29 environmental projects in 12 local communities in the total value of 107.5 million RS dinars.

## 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 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.

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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.

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## 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 at the end of 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 29<sup>th</sup> March 2021 bankruptcy proceedings have been opened.

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## 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, 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.

### Nonfinancial risks

RISK DESCRIPTION	RISK MANAGEMENT MEASURES
<b>Operational risks</b>	
<b>HSE risks</b>	
<p>Due to the nature of its activity, the Company is exposed to health, safety and environmental risks.</p>	<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 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 and second quarters of 2021, the Company's employees were provided with collective immunization at the Company's locations and vaccines of their choice. During the second quarter, the procurement was completed and the implementation of periodic inspections for jobs with increased risk was initiated. In the third quarter of 2021, the procurement was completed and the realization of systematic and specialist examinations was initiated. In accordance with the Plan, periodic vision examinations were performed for administrative workers.</p> <p>The implementation of all measures and the health condition of employees who were found to be positive for the coronavirus, as well as their contacts, is monitored daily, and the status of Top Management is reported. NIS Group invests important resources and efforts in order to protect employees and combat the consequences of coronavirus.</p>

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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, NIS Energy, Serbia Repatriation are just some of the examples of Company's recruitment effort.

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

Talent management program, Talent development program, professional/professional training of employees, calibration program - identifying talents and defining a succession plan for key positions in the Company, management training and the introduction of a unified talent management system.

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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.

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### **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

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

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).

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.

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

The Company performs continual analysis of possible political and economic risks and evaluates the consequences for the Company. In line with permitted exemption from the sanctions (long-term loans are possible only if intended for funding the import of goods and services from the EU), the Company's operations are continuously being adjusted by increasing the volume of imported goods and services from EU suppliers. In this way, funds are provided for financing the Company's long-term development despite the limitations of the sanctions regime. In order to manage the risk, the Company creates strategic stocks for key material and technical resources, identifies alternative suppliers in relation to existing ones and considers alternative technologies that are responsible for meeting the Company's objectives.

### Financial risks

#### RISK DESCRIPTION

#### RISK MANAGEMENT MEASURES

#### Credit risks

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

Credit risk management is established at the level of the NIS Group. With respect to credit limits, banks are ranked according to adopted methodologies applicable to major and other banks, in order to determine the maximum extent of bank exposure of the Company at any given time (through deposits, documentary

instruments: bank guarantees, Letters of Credit, etc. issued for the benefit of NIS j.s.c. Novi Sad).

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

### Liquidity 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 nine months of 2021, the Company implemented a tender for refinancing the loan portfolio in order to extend the average maturity of the portfolio, while maintaining the optimal price, as well as to optimize the covenant package for loans in the total amount of EUR 260 million, of which, at the end of the third quarter, offers for extension of maturity were accepted in the amount of EUR 215 million. Apart from the above, additional limits were obtained for bank loans that do not apply sanctions, in the amount of EUR 26.8 million and EUR 68 million from European banks. 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 and successive purchases of foreign exchange, which help reduce the impact of foreign currency losses in the event of depreciation of the national currency against the EUR (following the imposition of sanction constraints Company pays the majority of its foreign currency liabilities in this currency).

Other measures include the balancing of the foreign exchange equilibrium in terms of adjusting the currencies in which export transactions are denominated to the currencies of foreign exchange liabilities; managing the currency structure of the loan portfolio, etc.

### Interest Rate Risks

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

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

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

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## Business environment<sup>6</sup>

### World

The prices of all energy products in the world are rising, especially gas and oil. Europe is shaken by the "price gas fever", prices are record-breaking, and the reason for that is the low state of natural gas in Europe's underground storage facilities - the lowest in the last 10 years.

The global decline in gas production, the delays in renewable energy sources, and the slowest wind in the North Sea in the last 20 years and the turbines that stand still, contributed to the rise in the prices of all energy sources. Countries on Europe's northern shores (Great Britain, Germany and the Scandinavian countries) have become leaders in wind power generation and related technology, and the share of this energy accounts for about 15% of total energy. As much as 44% of the total amount of electricity in Spain comes from the wind and the sun. Therefore, these countries are very dependent on energy sources that balance the uneven production of renewable electricity.

Energy prices have "gone wild" as a result of the global gradual recovery from the pandemic. At the same time as the market demand grew sharply, the supply declined. Coal-fired power plants are slowly shutting down, gas supplies are much lower than usual, and the dependence of the entire European continent on renewable energy sources seems to be becoming a weakness. Even with mild weather conditions, gas was traded on 1 October at prices as high as 400% higher than at the beginning of this year.

Consequently, the price of oil also increases. Goldman Sachs recently updated its oil price forecast for the fourth quarter of this year. It now expects Brent to reach USD 90 a barrel amid the energy crisis. The Bank of America has even more drastic forecasts warning that if the winter in the northern hemisphere turns out to be extremely cold, and due to the energy crisis, crude oil could reach USD 100 per barrel by the end of the year. Moreover, the Bank of America predicts an increase in the price of oil not only in the short term, but also in the long term, due to the chronic underinvestment in new stocks, driven by last year's crisis and the low liabilities of energy companies and governments.

The pressure on oil prices also comes from major production disruptions on the US coast of the Gulf of Mexico following hurricanes Ida and Nicholas, which led to a sharp decline in supplies in the US and the world. According to Rystad Energy, US refineries have sought a substitute for oil from the Gulf of Mexico from producers in Iraq and Canada. Disruptions have already led to a sharp decline in US supplies and could take several months. In addition, some OPEC members have problems with increasing production due to insufficient or delayed plant maintenance work during the COVID-19 pandemic.

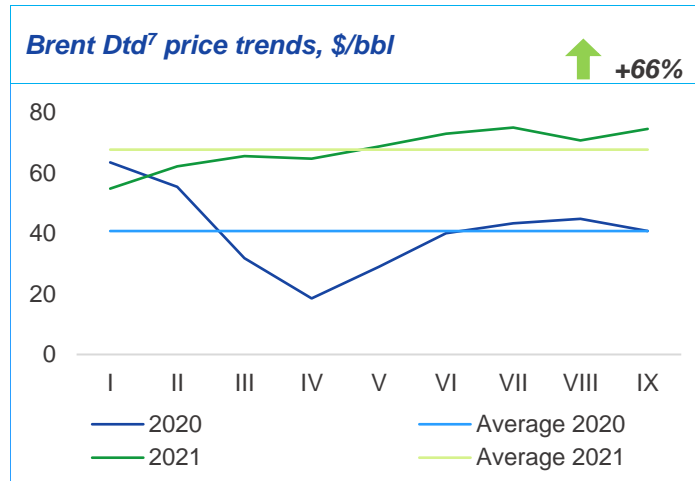
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<sup>6</sup> Sources for World, Oil price and Macroparamteres: Reports Wood Mackenzie, IHS, Bloomberg, Reuters, National Petroleum Committee of Serbia, EU Commission

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

## Oil price

The price of oil was relatively stable during the third quarter, mostly slightly higher than USD 70 per barrel, but at the end of September the price increased, so the Brent oil barrel reached the highest level on the London market since November 2018, while on the US market the WTI oil barrel rose to the highest level this year. The average price of Brent was two thirds higher in the first 9 months compared to the same period in 2020 (about 68 versus 41 USD per barrel), while the price difference in the third quarter of this year and the same period last year was even higher, as high as 71% (about 73 versus 43 USD per barrel).



In October, a barrel of Brent jumped to more than USD 81 per barrel, after OPEC+ decided at the October meeting not to increase its monthly production more than the agreed 400,000 barrels per day from the beginning of the year. Although this is not surprising, the cartel's decision was contrary to some expectations, i.e. hopes that oil output would increase. The US and India have demanded that OPEC+ offset the strong recovery in oil demand with larger deliveries and halt the increase.

JTD Energy Services assessed the OPEC+ decision as "very reasonable" given the ongoing energy crisis and supply disruptions. Oil prices could see an additional spike as winter approaches, and OPEC and its allies stick to their agreement on oil production. However, JTD Energy Services also warned of a possible crisis within the entire system of oil and other energy supplies during the coming winter. Oil prices may rise to USD 100 a barrel, but that is not sustainable, according to JTD Energy Services. The crisis in energy supply in China and Europe, with massive shortages of natural gas in warehouses, may lead to an increase in oil demand ahead of winter, analysts warned.

The head of Lukoil recently said that oil prices from USD 65 to 75 per barrel were "comfortable" for consumers and that the group of the leading oil countries, OPEC+, is trying to maintain that range by regulating production. It also believes that the price of oil should be kept below USD 100 per barrel in order to avoid investing in inefficient projects. The president and CEO of Lukoil said that limiting oil production would depend on market conditions.

## Macroparameters

In its latest report published in October, the IMF reduced the global growth estimate in 2021 to just under 6.0%, and the reasons are the risk of debts, inflation and the gap of economic developments between countries after the COVID-19 pandemic. After the surge in COVID-19 cases due to the delta variant over the summer in many parts of the world and higher than expected inflation, with the problem of global supply chains, the IMF had to reduce projections. While the global economy is recovering, the main obstacle is the fact that many countries' access to COVID-19 vaccines is extremely low. The IMF predicts a return of developed economies to pre-pandemic levels by 2022, but that most emerging and developing economies will need many more years to recover. The US and China remain vital engines of growth, and Italy and Europe show a strengthening recovery, but economic growth is deteriorating in other regions.

There is a danger that higher than expected inflation could lead central banks to raise interest rates and thus pull economic growth down even further. The rise in food prices is particularly worrying as global food prices have risen 30% over the past year, while higher energy prices are also putting pressure on households.

The global level of debt, which now stands at around 100% of the world's gross domestic product (GDP), means that many developing countries have a very limited ability to issue new debt on favourable terms. If the

<sup>7</sup> Source: Platts.

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large gap in vaccination rates between developed economies and poorer countries is not remedied, it could halt the global recovery and result in an overall global loss of GDP.

The upcoming annual meetings of the IMF and the World Bank will aim to address the growing risks in a coordinated manner to improve the global economy's prospects.

## Serbia

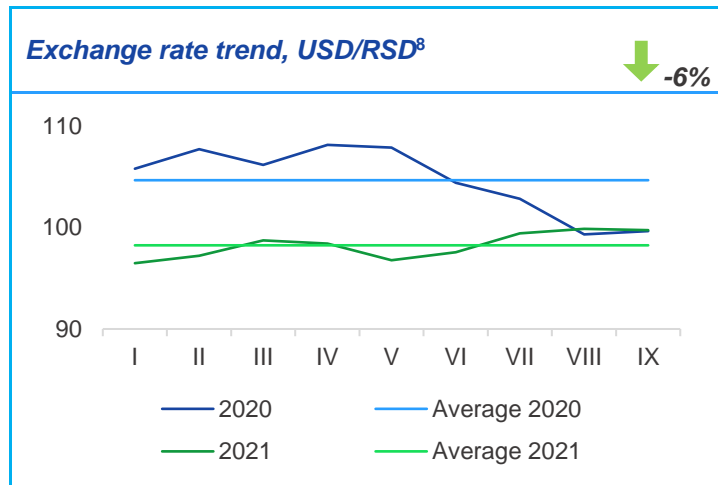
According to preliminary estimates of economic parameters of the Republic of Serbia in the first nine months of this year, it can be noted that certain economic goals of Serbia have been achieved, but that there is also room for further improvement of economic activity. After a slightly slower growth of Serbia's economic activity in the first quarter of 2021 of 1.8%, an acceleration of economic growth of 13.7% was achieved in the second quarter, which will significantly contribute to the total economic growth of Serbia in the current year. The NBS initially planned a GDP growth of 6%, but good results encouraged the revision of the original projections upwards, so the NBS raised the growth estimate to 6.5% in August 2021. In the new report on the economic activity of the countries of Europe and Central Asia, the World Bank also estimated that the growth in Serbia in 2021 will be 6% (1% more than in the forecast published in June this year).

The new investment cycle and planned infrastructure projects in the next ten-year period of ten years have also initiated an increase in the estimate of GDP growth in the medium term from 4% to a range of 4% to 5%. Similar expectations lie with the IMF, which in its recently published World Economic Outlook Report predicts that Serbia will grow by 4.5% next year and by 4% in 2023. The IMF also expects that Serbia's current account deficit will amount to 4.1% this year, and in the next two years it will increase slightly to 4.4% and 4.6% respectively.

In October, the IMF will implement the first Mission as part of a regular review of Serbia's new arrangement with the IMF, under which Serbia has been granted 627.6 million special drawing rights equivalent to EUR 760 million. This is very cheap money that the IMF has allocated to all Member States to help them with the coronavirus pandemic. The interest on these funds is only 0.05%.

Inflation in the period January-September 2021, compared to the same period in 2020, was 3.0%. According to the NBS projection, inflation will continue to move in the upper half of the target range of 3.0% ± 1.5% for some time to come, while inflation is expected to return to the lower half of the range in mid-2022. At the same time, the IMF estimates that inflation in the current year will be 3.0% in Serbia, after which it will drop to 2.7% in 2022.

Industrial production in the period January - August 2021, compared to the same period in 2020, is higher by 6.9%. Observed by sectors, in August 2021, compared to August 2020, the Mining sector grew by 2.3%, the Manufacturing sector increased by 1.3%, and the Electricity, gas, steam and climatization supply sector, saw a decline of 6.2%. The labor market is relatively stable. According to the Labor Force Survey, in the second quarter of 2021, the unemployment rate was 11.1% while maintaining a high formal employment rate. The average gross salary calculated for the period January-July 2021 amounted to RSD 88,759, while the average net salary amounted to RSD 64,358.



- Average USD/RSD in the first nine months of 2021 was lower by RSD 6.4, i.e. 6% lower compared to the average exchange rate in the same period of 2020.
- During the first nine months of 2021 USD/RSD exchange rate increased by RSD 5.6 or 5.9%.
- During the first nine months of 2020 USD/RSD exchange rate decreased by RSD 4.7 or 4.5%.

<sup>8</sup> Source: NBS.

## Performance analyses

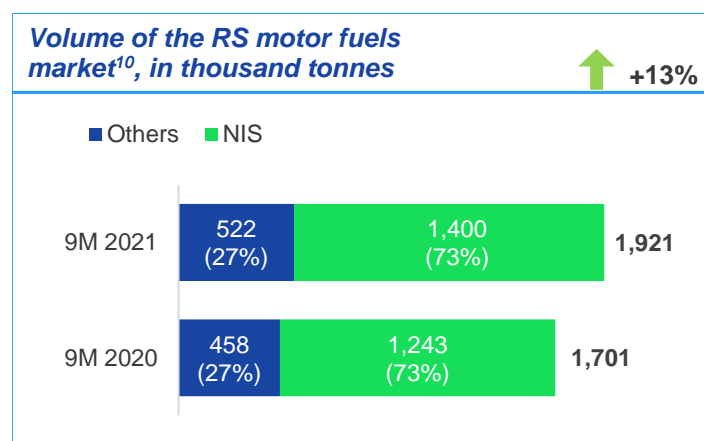
### Market share<sup>9</sup>

The consumption of motor fuels is, as expected, increased in all countries of the region compared to the same period in 2020.

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

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

### Market share in the Serbian market

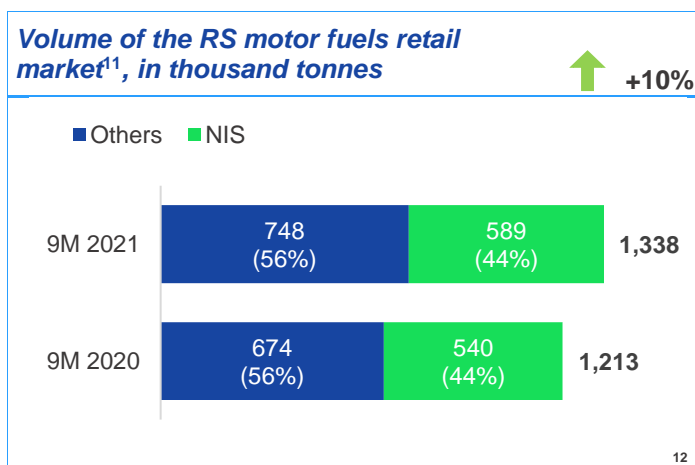


In the first nine months of 2021, the consumption of motor fuels in Serbia increased by 13% compared to the same period last year, while observed compared to the same period in 2019, the increase was 4.5%.

The biggest contribution to such an increase is the growth of diesel and gasoline consumption. Consumption of diesel and gasoline is increasing primarily due to the growth of transit traffic and infrastructure works - construction and road industry, as well as good agricultural season.

Retail: consumption recorded a significant increase of 10% in the first nine months compared to the same period last year, while it grew slightly compared to 2019 (0.8%).

Due to changes in the dynamics of consumption of Serbia in the segment of sales of corporate clients and somewhat changed seasonality of consumption, NIS's market share is stable.



<sup>9</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>10</sup>Data for 2021 are given on the basis of estimates. Any deviations in percentages and aggregate values result from rounding.

<sup>11</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>12</sup>Retail of other market participants is supplied from the wholesale of NIS and other participants of the Serbian wholesale market.

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

### Bosnia and Herzegovina

At its session on April 1, the Government of FBiH passed the Decision by which it determined the maximum margins in trade for oil derivatives. Companies that carry out wholesale trade are prescribed a maximum margin in the absolute amount of 0.06 KM/l of petroleum products, and those that carry out retail trade are prescribed a maximum margin in the absolute amount of 0.25 KM/l of petroleum products. The decision was published in the FBiH Official Gazette on April 2nd and took effect the next day. The day after the FBiH Government and the Government of Republika Srpska adopted the Decree on Margin Determination in the Formation of Petroleum Products Prices, which prescribes wholesalers a maximum wholesale margin in the absolute amount of 0.06 KM/l of petroleum products, while retailers are prescribed a maximum retail margin in the absolute amount of 0.25 KM/l.

The Sarajevo Canton transferred ownership of the oil terminals to the FBiH government.

The construction of gas factories in Zvornik worth EUR 70 million is planned for this year, and after the start of works, the complete plant should be completed in a year, JSC GazHolodTehnologiy announced. With the realization of this investment, the amount of gas during liquefaction is reduced 600 times, which enables efficient transport of natural gas. After production, LNG can be transported in special cryogenic containers, sea tankers or land transport tankers, which enables solving the problem of gas supply in such directions where it is technically impossible or economically impractical to use the main gas pipelines – to areas far from the pipeline or which have complex geographical conditions. The source of raw materials for the plant will be natural gas that is delivered to the Republic of Srpska by the main pipeline.

An application will be available to citizens of Republika Srpska through which they will be able to check fuel prices at any petrol station in Republika Srpska. Within the same project, it is envisaged to connect each retail outlet – petrol stations with the central information system.

Near Sarajevo's Hifa Oil Airport, it has started preparatory work on the construction of an aviation fuel terminal, a petrol station with a car wash, a hotel, and other accompanying facilities. The company received the approval for this investment at the beginning of 2020. The land area on which the facilities will be built is 8,500 m<sup>2</sup>, and the name of the project is - Commercial and Business Complex Hifa-Oil Airport. The business complex is being built along the Sarajevo-Foča highway. The kerosene terminal will have a capacity of 1,000 m<sup>3</sup> with a transfer station and accompanying facilities for workers. In the second unit, a petrol station with accompanying facilities is envisaged, as well as the administration of the kerosene terminal and the entire complex.

In the period of nine months of this year, Bosnia and Herzegovina recorded a recovery in the motor fuel market as well as a recovery in retail turnover compared to the corresponding period of the previous year, although for the most part, it was about the second and third quarters, when pandemic-related measures were implemented in 2020, which are significantly looser this year, affecting the rate of consumption growth.

NIS has 40 petrol stations in Bosnia and Herzegovina (and 2 petrol stations in the DODO regime).

NIS's market share in the total motor fuel market is 33.3%, while its share in the retail market is 10.9%.

### Bulgaria

A new Fuel Law is in force in Bulgaria, a document that seeks to guarantee market competition, limiting the gray sector and increasing the state budget revenues. According to the new Fuel Law, the level of minimum capital of companies engaged in the wholesale of petroleum products is prescribed in the amount of 1% of the company's net income. 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 trade in fuel without registration for the activity.

Border police, tax inspectors and customs officers have begun inspecting Lukoil's oil terminal near the Bulgarian Black Sea city of Burgas. Authorities will verify that the company has correctly reported the corporation tax, and in particular that the oil is first transferred to another country and then to Bulgaria at higher prices. This would allow the company to hide the profits made in the country where the oil is actually used.



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Lukoil, who owns the largest oil refinery on the Balkan Peninsula, which is also located near Bourgas, paid almost no income tax in the last decade and usually ends the year with a loss.

The Bulgarian company Lukoil Neftohim Burgas (Lukoil Neftochim Burgas) informed that it has announced a public tender for a feasibility study on the production of green hydrogen by electrolysis. Lukoil Neftohim Burgas announced that the company is planning to invest 339 million leva (EUR 173 million) in the upgrade of its thermal power plant by 2024.

Bulgaria's Competition Commission announced that it has granted fuel to Shell Bulgaria (Shell Bulgaria) to acquire control of five petrol stations through a ten-year lease agreement with local companies Stella-Aruzh, Europetrol and Europetroyl. The transaction will not result in the establishment or strengthening of a dominant position in the local retail fuel market, according to a decision published on the Bulgarian Competition Commission's website.

The Bulgarian government announced that it has decided to cancel the tender for the 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.

In the period of 9 months this year, Bulgaria recorded a recovery in the motor fuel market and retail sales and distribution compared to the same period last year.

NIS operates 34 petrol stations in Bulgaria and a petroleum products depot in the town of Kostinbrod.

NIS's market share in the total motor fuel market is 4.1%, while its share in the retail market is 3.9%.

## 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.

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 for 20 years are the companies Rompetrol and MOL. It envisages the construction of new petrol stations with services ranging from charging electric vehicles, refueling to restaurants and shops.

Enel X put into operation 6 charging stations for electric vehicles in Constanta in Romania, and 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.

OMV Petrom will invest EUR 70 million in the Petrobras refinery to replace 4 coking drums between 2021 and 2023, and this year it will invest EUR 11 million. Replacement of drums is a project of high complexity, and the new units will contribute to increasing the efficiency and safety of OMV Petrom. Petrobras has an oil refining capacity of 4.5 million t per year, and since 2005 OMV Petrom has invested 1.8 billion euros in the refinery, which is a third of this investment.

Romania's OMV Petrom announced that this company and Auchan Retail Romania will open 400 shops at OMV Petrom petrol stations in Romania between 2021 and 2024. The value of the investment is estimated at more than EUR 50 million. Currently, OMV Petrom and Auchan Retail Romania collaborate at 22 petrol stations under the Petrom brand.

By the end of 2022, OMV Petrom will install at least 40 charging stations for electric cars in partnership with Renovatio, the operator of the largest network of charging stations for electric vehicles in Romania. All locations will have at least one charging station with a minimum power of 50 kW, and 20 will have 350 kW chargers. The last ones will form the biggest network of ultra-fast charging stations in Romania. The goal is to allow electric vehicle drivers to return to the road in less than 20 minutes. Charging stations will be positioned along the Trans-European Transport Network (TEN-T) corridor in Romania and in urban areas.

Rompetrol Rafinare has completed most of the overhaul of the production units on the Petromidia platform and is performing technical checks to restart the production activity. Installations will run in phases and are expected to achieve optimal operating efficiency by the end of October. Following the incident that occurred on July 2, 2021 at the HPM (Diesel Hydrofining) plant, production was suspended and a number of works for the renovation of the affected installations were initiated. Rompetrol Rafinare operates 2 refineries, Petromidia Navodari and Vega Ploiesti (the only producer of bitumen and hexane in Romania) and the only petrochemical division in the country.

Romanian Energy Minister Virgil Popescu said there are no problems with fuel supplies after a working meeting with Rompetrol representatives. OMV Petrom increased diesel production and tripled kerosene production to cover the market deficit after the closure of the Petromidia Refinery.

The Romanian oil company Rompetrol (Rompetrol), a member of the KMG International Group (KMG International Group), has opened 10 new petrol stations in several regions of the country. Two of them, a station on Zetarilor Street in Bucharest and one in Lugoj, Timis county, were launched under the auspices of the Kazakh-Romanian Energy Investment Fund (FIEKR). These two gas stations will serve areas with high traffic because the first gas station is located in the southern part of the capital, while Lugoj 2, a transit station is located in the city belt. Another 8 new petrol stations were opened under the Rompetrol franchise. Currently, the Kazakh-Romanian Energy Investment Fund has developed a network of more than 30 gas stations operating under the Rompetrol brand, and the plan is to reach the number of 84 gas stations in Romania by the end of 2023, which includes the modernization of the existing stations, as well as the development of new stations, through which the company says more than 1,000 jobs will be created, with more than 5,000 people involved in the various stages of development (design, execution, actual construction) and more than 1,200 business partners.

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.

In the period of 9 months of this year, a slight recovery of the market of motor fuels was recorded in Romania, as well as the turnover in retail compared to the same period of the previous year.

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

## Key indicators

Q3 2021	Q3 2020	$\Delta^{13}$	Indicator	Unit of measure	9M 2021	9M 2020	$\Delta^{14}$
73.5	43.0	71%	Brent Dtd	\$/bbl	67.7	40.8	66%
84.5	49.4	71%	Sales revenue <sup>15</sup>	RSD billion	200.2	135.3	48%
7.2	1.9	273%	Net profit	RSD billion	13.3	-8.3	260%
16.0	8.0	99%	EBITDA <sup>16</sup>	RSD billion	38.2	10.4	269%
5.8	13.4	-56%	OCF	RSD billion	20.4	19.6	4%
4.4	6.3	-30%	CAPEX <sup>17</sup>	RSD billion	13.1	20.7	-37%
60.3	47.9	26%	Accrued liabilities for taxes and other public revenue <sup>18</sup>	RSD billion	155.7	131.8	18%
588.7	635.9	-7%	Total bank indebtedness <sup>19</sup>	EUR million	588.7	635.9	-7%
1.4	1.7	-21%	LTIF <sup>20</sup>	%	1.4	1.7	-21%

<sup>13</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>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 Sales revenue.

<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 30 September 2021, this was EUR 588.7 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. The specified indicator is calculated cumulatively, from the beginning of the year, and the indicated data represent the current status as of 30 September 2021. Therefore, there is no difference between 9M and Q3.

## Operating indicators

### Exploration and production

Q3 2021	Q3 2020	$\Delta^{21}$	Indicator	Unit of measure	9M 2021	9M 2020	$\Delta^{22}$
301.1	316.7	-5%	Oil and gas output <sup>23</sup>	thousand t.o.e.	889.9	952.2	-7%
206.6	209.9	-2%	Domestic oil output <sup>24</sup>	thousand tonnes	609.1	630.7	-3%
1.9	2.2	-14%	LTIF <sup>25</sup>	%	1.9	2.2	-14%
8.9	4.6	92%	EBITDA	RSD billion	22.3	12.6	77%
3.3	3.8	-11%	CAPEX <sup>26</sup>	RSD billion	8.8	13.0	-32%

The main goal during 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 nine months of 2021, a total production volume of 861 thousand t.o.e. was achieved at deposits in Serbia. The total volume of production for the first nine months of this year, including concessions, amounts to 890 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 Idoš field. Trial production has been initiated, the well shows high potential.

In the first nine months this year, 34 oil wells put into operation. The documentation for hydrocarbons and groundwater is being prepared.

Within the development drilling, additional research and determination of oil saturation limits on active deposits and thickening of the well network were actively conducted. Based on a detailed analysis of the geology and development of the deposit, a highly productive well was drilled and put into operation at the Kikinda and Idoš deposits at previously skipped facilities.

In 2021, the successful application of repair and insulation works in the wells in the fields of Kelebija, Velebit and Kikinda Varoš continued. In part NO2, successful operations were performed on old boreholes that were put into operation with high production over 5 t/day.

#### *2/3D seismics*

There is ongoing seismic and geological interpretation of the aggregated 3D polygons Majdan-Srpski Krstur, Martonoš-Velebit and Čoka.

<sup>21</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>22</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>23</sup> Domestic oil output includes natural gasoline, whereas gas output takes into account commercial gas output and light condensate.

<sup>24</sup> With natural gasoline.

<sup>25</sup> *Lost Time Injury Frequency* – Ratio of employee injuries with sick leaves to the total number of working hours multiplied by one million. Data refer to Block Exploration and production (including Services).

<sup>26</sup> Financing, exclusive of VAT.

### *License obligations*

In order to ensure the conditions for drilling wells in the approved exploitation fields "Velebit" and "Palić", Geological Exploration Projects were carried out and exploration works were reported in accordance with legislation. For the "North Bačka" exploration area, an Annex to the project of geological exploration was made for the purpose of testing exploration and contour-exploration wells and on June 24, 2021, the Decision of the competent Provincial Secretariat was obtained, approving the continuation of geological exploration of oil and gas in this exploration area.

For the "Iđoš" exploitation field, the approval of the Provincial Secretariat for the construction and execution of mining works was obtained according to the GRP for the development and exploitation of oil and dissolved gas – Bd-1a and Bd-1b deposits.

In the third quarter, in order to provide conditions for drilling wells in the approved exploitation field "Mokrin", a project of geological research was done and exploration works were reported in accordance with the legal regulations.

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

### *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 third quarter of 2021 in Romania:*

- Block EX-7: The second phase of well testing of the Beba Veche Sud 1000 well has begun as part of the fulfillment of license obligations;
- Block EX-8: As part of the license obligations, drilling of the Teremia 1201 well on block EX-8 has begun.

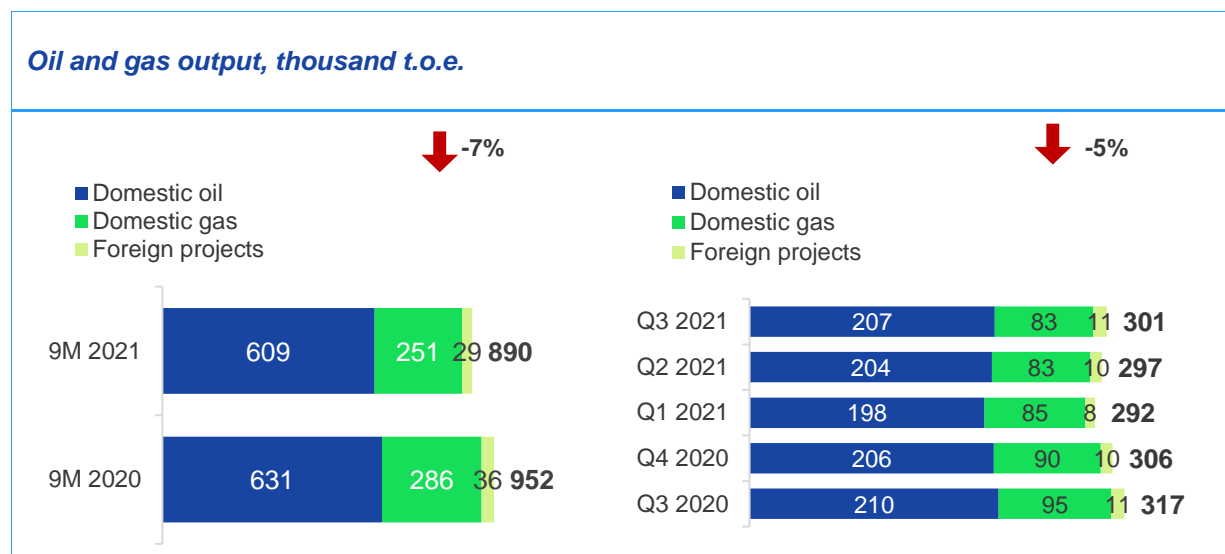
#### *Key events in the third quarter of 2021 in Bosnia and Herzegovina:*

- Completed interpretation of seismic data, harmonized point for exploratory drilling Ob-3
- Located exploration well Ob-3, Obudovac, Republika Srpska.

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.

Operating indicators

In the first nine months of 2021 the total production was 890 thousand tonnes of oil and equivalent of oil and gas.



## Downstream

## Key indicators

Q3 2021	Q3 2020	$\Delta^{27}$	Key indicators	Unit of measure	9M 2021	9M 2020	$\Delta^{28}$
1,153.3	1,007.3	14%	<b>Volume of refining of crude oil and semi-finished products</b>	Thousand tonnes	2,867.4	2,636.9	9%
1,133.6	984.5	15%	<b>Total sales volume of petroleum products</b>	Thousand tonnes	2,901.2	2,542.7	14%
216.0	204.3	6%	<i>Retail Serbia</i>	Thousand tonnes	585.4	536.4	9%
373.4	294.2	27%	<i>Wholesale Serbia</i> <sup>29</sup>	Thousand tonnes	939.3	824.4	14%
57.6	49.9	15%	<i>Retail Foreign Assets</i>	Thousand tonnes	149.8	130.5	15%
94.0	58.0	62%	<i>Wholesale Foreign Assets</i>	Thousand tonnes	239.1	152.7	57%
392.6	378.1	4%	<b>Transit, export and BU</b> <sup>30</sup>	Thousand tonnes	987.5	898.6	10%
761.1	628.0	21%	<b>Motor fuels</b> <sup>31</sup>	Thousand tonnes	1,930.4	1,662.0	16%
8.8	5.2	70%	<b>EBITDA DWS</b> <sup>32</sup>	RSD billion	22.1	-0.04	x562
4.2	-1.2	464%	<i>EBITDA Refining</i> <sup>33</sup>	RSD billion	11.3	-13.0	-187%
5.0	6.1	-34%	<i>EBITDA Sales and Distribution</i>	RSD billion	11.8	12.8	-15%
1.0	2.3	-57%	<b>CAPEX DWS</b> <sup>34</sup>	RSD billion	4.0	7.5	-47%
0.5	1.6	-71%	<i>CAPEX Refining</i>	RSD billion	2.4	6.0	-60%
0.5	0.7	-26%	<i>CAPEX Sales and Distribution</i>	RSD billion	1.5	1.4	3%
1.2	1.8	-32%	<b>LTIF DWS</b> <sup>35</sup>	number	1.2	1.8	-32%
3.6	3.0	21%	<i>LTIF Refining</i>	number	3.6	3.0	21%
0.8	1.7	-55%	<i>LTIF Sales and distribution</i>	number	0.8	1.7	-55%

<sup>27</sup> Any deviations in percentage and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

<sup>28</sup> Any deviations in percentage and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

<sup>29</sup> It includes sales of CNG of the Energy Block and sales of oils and lubricants to the Lubricant Production Plant.

<sup>30</sup> Business unit includes sales of bitumen, bunkering and aviation fuel channels.

<sup>31</sup> Total sales of motor fuels in Serbia and in foreign assets.

<sup>32</sup> EBITDA of the Refining Block includes the Energy plant in RNP.

<sup>33</sup> EBITDA of the Sales and Distribution Block.

<sup>34</sup> Financing, excluding VAT.

<sup>35</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 30 September. Therefore, there is no difference between 9M and Q3.

## Refining

During the first nine months 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 turnaround in March 2021. The emphasis during the first two months of 2021 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 shutdown in March 2021.

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

During this planned turnaround, the key activity was at the S-4450 plant (new Klaus) where the BF-44501 boiler was completely replaced with a new one, which increased the reliability of the plant's operations essential to the work of the entire 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 with a view to increasing 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 shutdown, 13 heat exchangers were overhauled and cleaned and additional 23 air coolers cleaned. Audit and overhaul of six towers, 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 implemented on the plants in order to increase the overall efficiency of refinery processing and improve operation during summer.

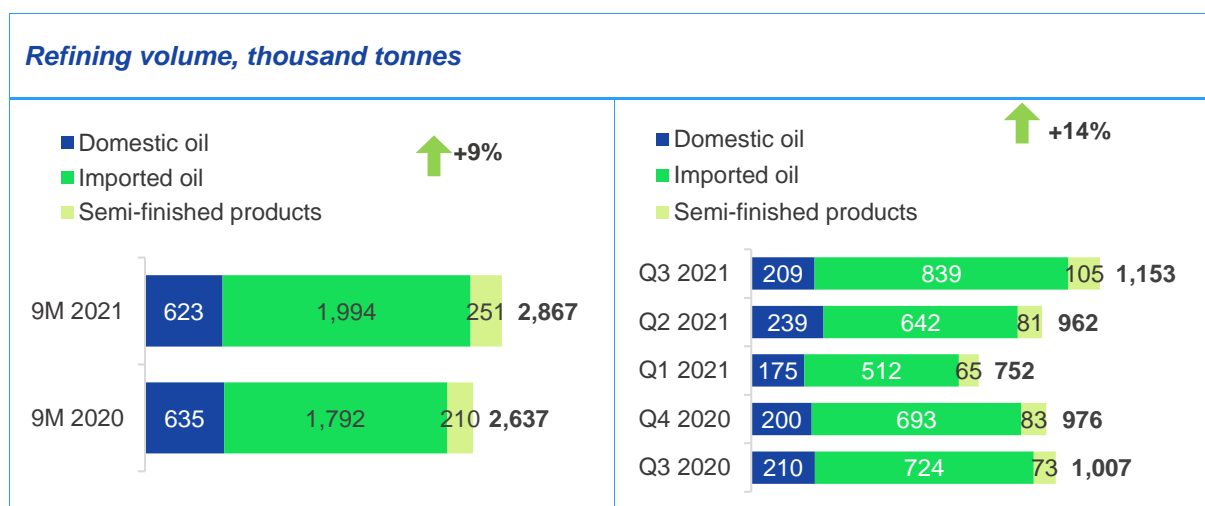
During the first quarter, continuity was ensured in the use of the "CE" mark for polymer modified bitumen, a mark of compliance with the requirements of the European Construction Products Regulation CPR 305/2011, which enabled the continuous placement of this product on the European Union market. In mid-March, in the Refining Block in Pančevo, in cooperation with the Business Process Standardization Sector and Business Process Standardization and Mapping Services from NIS Business Service, the first supervisory check of compliance of factory control of polymer modified bitumen production with the requirements of reference standard EN 14023:2010 was conducted. In this way, our company has ensured continuity in the use of the "CE" mark for all types of polymer modified bitumen - Polymer modified bitumen 45/80-65 and 25/55-55 thus assuring the right to place the product in the EU.

In July, a GAP analysis of compliance with the requirements of the EI/JIG 1530 standard was successfully conducted by the expert team of the SGS certification body from Belgrade. This standard defines the quality assurance requirements to the production, storage and distribution of aviation fuel to the airport. During the inspection, no non-compliance was found, the expert team noted significant improvements in critical places in the JET A1 fuel quality assurance system, and as confirmation and proof of compliance with the requirements of the standard, our company was issued a Limited Assurance Statement.

In September, the production of Eurodiesel with a biocomponent (Euro Diesel B7) started and the first quantities of this fuel were shipped to Romania. The beginning of the production of Euro Diesel B7 is important for our company, because the Government of the Republic of Serbia is expected to pass the Decree on the obligatory share of biofuels on the Serbian market.



## Refining activities and volume



During the first nine months of 2021, the production of petroleum products increased by 9% vs. the same period last year as a result of market stabilization compared to 2020 when there was a marked decline in demand due to the coronavirus pandemic.

## Projects

The third phase of modernization of the Pančevo Oil Refinery has started with the project of reconstruction of the FCC plant and 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 replace the fluid catalytic cracking plant (FCC) technology with a modern INDMAX one, as well as to build a new ETBE plant (ethyl tert-butyl ether) also applying a 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 a raw material together with bioethanol at the newly built ETBE plant. In this way, a high-octane biocomponent will be obtained, to be subsequently mixed with gasoline;
- It paves the way for more efficient production of gasoline with biocomponent;
- 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 will also mean improvement of environmental protection by reducing particulate matter emissions.

During the Q1 of 2021, a Contract was signed with the renowned company "Amec Foster Wheeler Italiana Srl" (Wood Group) for the development of FEED (Front End Engineering Design) documentation, along with the elaboration of PEP (Project Execution Plan) and OCBE (Cost Estimate for realization phase), for the needs of the project for existing FCC reconstruction and the construction of a new ETBE plant; the identification of potential risks (HAZID) has been completed; pipeline and instrumentation diagrams (P&ID) for FCC and ETBE delivered; project boundaries (Plot plan) for FCC and ETBE agreed; bids for LLI (Long Lead Items) collected. Technical-commercial harmonization of bids has been completed; budget bids for the procurement of equipment and the execution of works collected; the term plan for the implementation of the next phase of the project has been agreed; the value of the project OBCE 1 (Open Book Cost Estimate) +15/-15% obtained; the Project Execution Plan - PEP with all accompanying documents has been delivered.

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 predictive maintenance, one of the most important tools within the strategy aimed at transition from corrective to proactive maintenance. We are also actively working on boosting the efficiency of technological processes through the improvement of the system for monitoring of operational availability parameters and APC availability parameters (unit level).

Employee trainings are conducted according to the HSE training modules for safe performance of high-risk activities with practical trainings on site of HSE Training Center. Each avoided or potential HSE event is communicated to employees through the STOP hour.

In the process of employee training, an online Active Learner platform is available, through which our production workers can acquire theoretical knowledge and self-test. Besides, control panel operators have a chance to work on training simulators (OTS) and to train to manage production processes on the software that is a replica of the actual unit. In addition to professional and technical training, soft skills training is also available to employees.

Representatives of the Refining Block have participated in the first expert workshop within the project "BIO4BLEND - Impact of Legislation in the Field of Biofuels on the Serbian Market".

### *Sales and Distribution*

#### Points of Sale<sup>36</sup> and logistics

NIS Group owns over 400 active retail sites. Most of them, i.e. 326 retail sites are located in the Republic of Serbia. The largest number of them, more precisely 326 public petrol stations are located in the Republic of Serbia (of which 25 are in the GAZPROM brand). In the countries of the region, NIS owns 42 petrol stations in Bosnia and Herzegovina (31 under GAZPROM brand), 34 petrol stations in Bulgaria (all of them under GAZPROM brand) and 19 petrol stations in Romania (all of them under GAZPROM brand).

In the past quarter, a new highway Zaječar 5 petrol station (NIS brand) was put into operation, and works on the total reconstruction of the Zmaj 1 PS (NIS brand) and Novi Bečej PS (NIS brand) have begun. Also, we have started construction works of a new station Stara Pazova (NIS brand).

#### Loyalty program and marketing activities

In the first nine months of 2021, the company has held over 200 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.

An overview of the most important marketing activities that marked Q3 2021 in Serbia is given below:

- **Drive.GO image campaign** is an application that allows consumers to pay for fuel without going to the checkout. Throughout 2021, we have had a continuous image Drive.GO campaign created with the aim of enhancing the brand awareness of the Drive.GO application and its inherent benefits, increasing the application traffic and boosting the number of downloads of the Drive.GO application.
- **G-Drive national campaign** designed to promote our premium G-Drive fuel. We used the following communication channels: Youtube Bumper advertisement, with over 150,000 views in the period from 5 August to 21 August 2021; Facebook and Instagram social networks, with 1.1 million of achieved reach in the period from 13 July to 7 September 2021; and Google Display Network (GDN), in the period from 4 August to 7 September 2021.
- In order to promote the appeal of our PS offer, improve the co-ownership experience and attract new consumers, the **IPS bill payment** system was introduced. This is a new service at all NIS Petrol and Gazprom stations, which we are implementing in cooperation with the Poštanska Štedionica Bank and the National Bank of Serbia. Thanks to the new service, the consumers can now pay their monthly bills via a QR code with the indication "NBS IPS". Payment can be made in cash, by NIS gift card, checks and IPS "show" method. This service has been active since 28 September 2021.

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<sup>36</sup> As at 30 September 2021.

- During the third quarter, we added **3 new petrol stations** to our retail network: PS Zaječar 5, PS Petlovo Brdo and PS Bački Petrovac. We organized promotional campaigns to accompany the official opening of these stations and provided our consumers with benefits such as a gift of their choice with purchased fuel, promotional prices of Drive Cafe coffee and equal prices of premium and standard fuel.
- Within *Sa nama na putu* loyalty program, a campaign was conducted - virtual membership. The goal of this campaign is to increase the user base of SNNP loyalty programs through applications downloads and online membership, highlighting the benefits provided by the virtual loyalty card. Within this campaign, social networks were used as communication channels - FB and IG, sites, POSM and GDN (google display network).

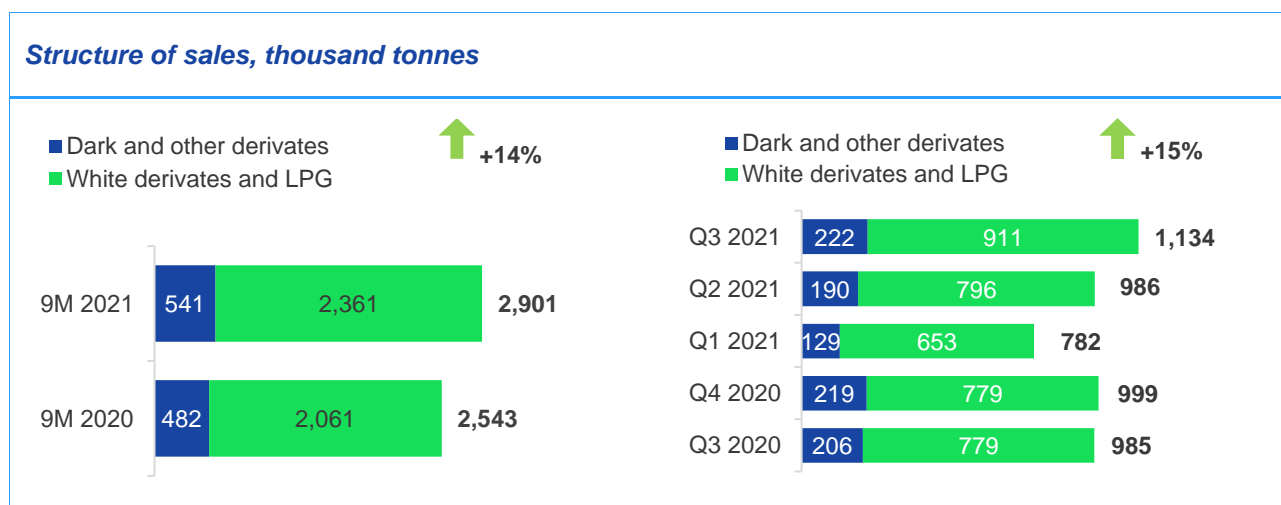
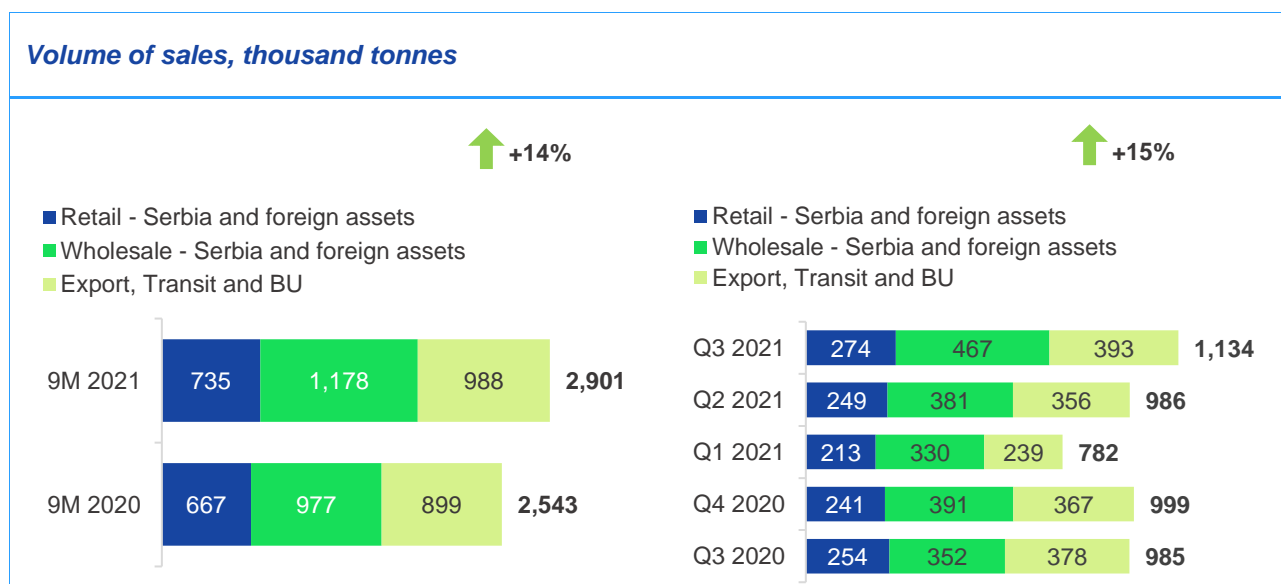
An overview of the most important digitalization projects is given below:

- Drive.GO - pay for fuel without going to the checkout. In early April 2020, we introduced the mobile application Drive.Go which provides the possibility of paying for fuel at the refueling point. For the first time in Serbia, it is available to consumers at NIS Petrol and GAZPROM petrol stations. In the third quarter, the application is active at 242 petrol stations, and by the end of 2021, the application will be available to users at all petrol stations. We are developing new functionalities that will enable users to pay for other services using this application, both at our petrol stations and for the purchase of services from partners.
- Virtual membership in the loyalty program - functionality has been developed within the mobile application *Sa nama na putu* to enable users to access the *Sa nama na putu* loyalty program via the mobile application for free, without going to the petrol station.
- Cash withdrawal at the cash register – users of payment cards can withdraw cash from their bank account at the POS terminal when making payments at all NIS petrol stations.
- In 2019, this service was introduced for users of Master cards, in October 2020 - users of Dina cards, and since June 2021, this service has also been available to users of VISA payment cards. The cash withdrawal service is a comfortable solution for all consumers, especially for the population in areas with a poorly developed ATM network.
- Payment of bills at the cash register of a petrol station by scanning the NBS IPS QR code - In September, NIS enabled payment of bills using the IPS QR code issued by the National Bank of Serbia at all NIS Petrol and GAZPROM stations in Serbia. This innovative method of payment is available for the first time at petrol stations across Serbia and it is a simple, fast and reliable solution that allows users to pay their bills in just a few steps by having their NBS IPS QR code scanned by a cashier and without typing any data into the payment order and waiting at the counters of payment institutions. The payment is immediately registered with the recipient, which is another advantage over the payment institutions.

### Operating indicators

The first nine months of 2021 saw a sales growth of 14% comparing to the same period of previous year, with the total sales of 2,901 thousand tonnes.

- Retail in Serbia and foreign assets - growth by 10% due to increased consumption of diesel and gasoline as a result of the abolition of restrictive measures caused by COVID-19
- Growth of wholesale volume (Serbia + foreign assets)<sup>37</sup> – as a result of the increase in the sales of Eurodiesel, LPG and low-sulphur fuel oil in Serbia and the development of the wholesale project in Bosnia;
- Growth in sales volume for Transit, Exports and Business Units<sup>38</sup> - growth in the sales of Aviation Fuels (related to the abolition of measures caused by COVID-19) and in the sales of bitumen.



<sup>37</sup> It includes sales of CNG of the Energy Block and sales of oils and lubricants to the Lubricant Production Plant.

<sup>38</sup> Business units includes sale of bitumen, bunkering and aviation fuels channels.

## Energy

### CCPP Pančevo

According to Shanghai Electric, the project realization stands at 99.83% as of 30 September 2021. Engineering works (design and other documentation) were 100% completed. Final mechanical, electrical and construction works are under way on the power plant, as well as works on connecting pipelines of the Pančevo refinery and connection to the power system, with the degree of implementation close to 100%. The main equipment of the power plant was delivered 100.00%. Activities on the commissioning of the power plant have started (completion rate 96.5%). On 19 August 2021, the energization of the 220 kV connection and distribution plant was successfully completed and the certificate obtained from the Technical Inspection Commission for commissioning. The handover of the 220kV connection and distribution plant between TE-TO Pančevo and EMS a.d was performed. The facility was successfully put into operation. The handover of the GMS facility between TE-TO Pancevo and Srbijagas was completed. A permit for the release of natural gas was obtained. The permit for power supply for own needs of TE-TO Pančevo was obtained as well. Gas compressors were delivered, installed, and a successful early test was performed. The installation of the steam turbine, auxiliary equipment including cooling towers and pumping station for cooling water, final closing of the housing, the precommissioning of auxiliary equipment were all completed. The hydrotest of the boiler successfully conducted.

### Natural gas

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

### 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 Bulgaria. Apart from these markets, NIS trades with Hungary, Croatia, Slovenia, North Macedonia and Montenegro. 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 increase energy efficiency in NIS for 9M 2021 achieved energy savings of 2,916 toe. The value of the savings is 104.4 million dinars.

An internal energy audit team has been set up and a regulatory and methodological framework has been established. Pilot inspections were carried out in the facilities of the Exploration and Production Block, the Sales and Distribution Block and the Refining Block.

Measures for improving energy efficiency have been developed and a pool of projects for quick win in EE put together; we have started implementation of 7 measures aimed at boosting energy efficiency.

The project of external energy audit at the Novi Sad Petroleum Products Warehouse has been completed and the Report on the condition of the water vapor system and condensate recovery was issued featuring energy efficiency improvement proposals.

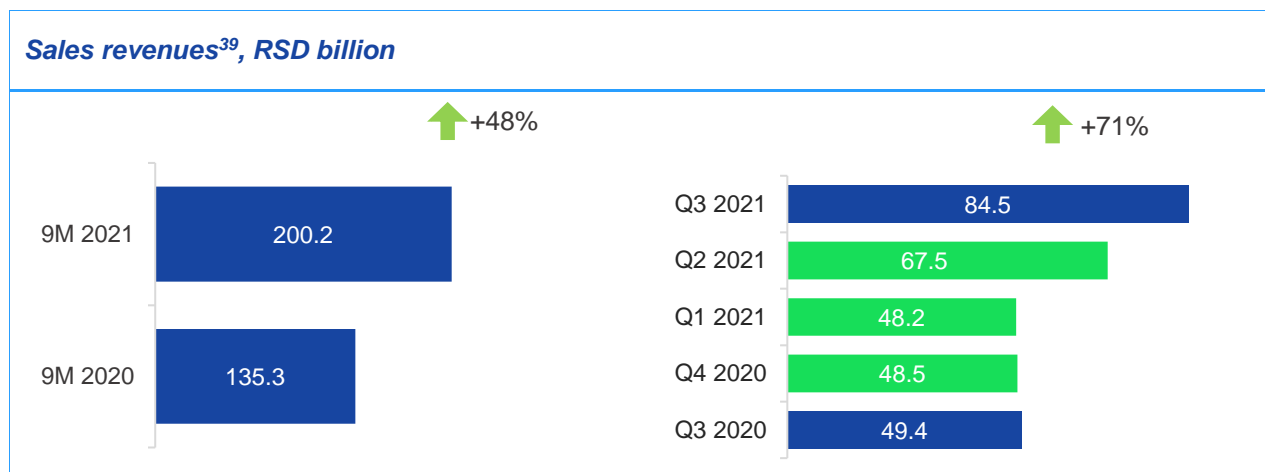
Preparations are underway for implementation of 1 measure according to the Energy Inspection Report related to the condensate recovery, as well as the Project for changing the method of heating and reducing the steam line for lubricants at the Novi Sad Petroleum Products Warehouse.

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

NIS has built small power plants for electricity generation and small power plants for electricity and heat generation in oil fields, thus avoiding the combustion of dissolved gas at the flare.

## Financial indicators

### Sales revenue



During the first nine months of 2021, NIS achieved a 48-percent growth in sales revenue compared to the same period previous year.

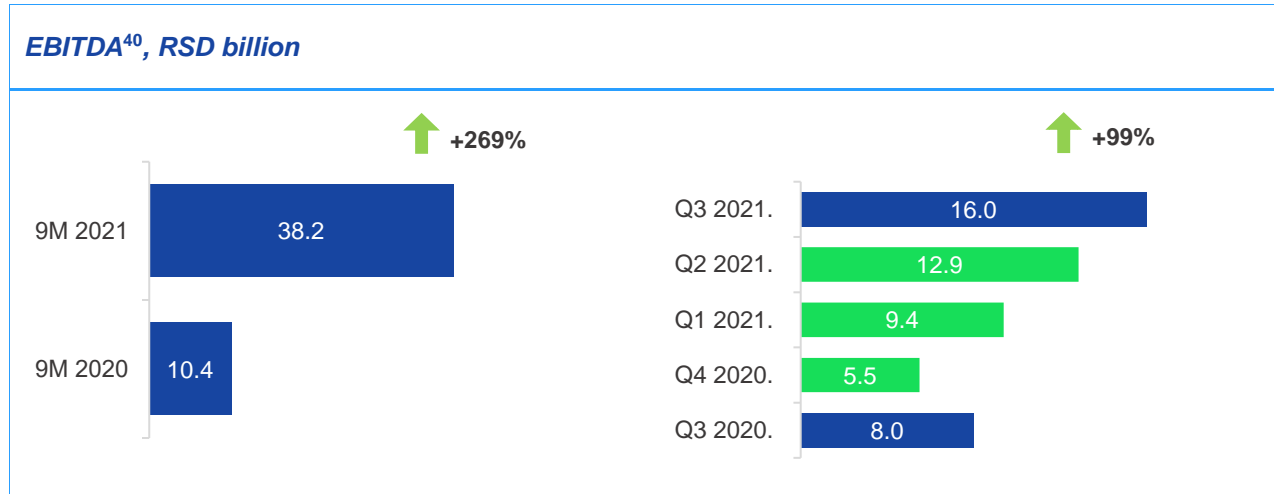
### EBITDA

EBITDA for 9M 2021 at RSD 38.2 billion is 269% higher than in the same period last year.

The EBITDA increased in the first nine months of this year vs. the same period last year owing to:

- mostly, the growth of global oil prices and a positive impact of oil stocks of the earlier period; and
- an increase in the crude refining volume and sales of fuel and non-fuel goods, which compensates for the decline in the basic production of the Exploration and Production Block and increasing costs due to the return of business to regular operations.

<sup>39</sup>Consolidated sales revenue. Any deviations in percentage and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

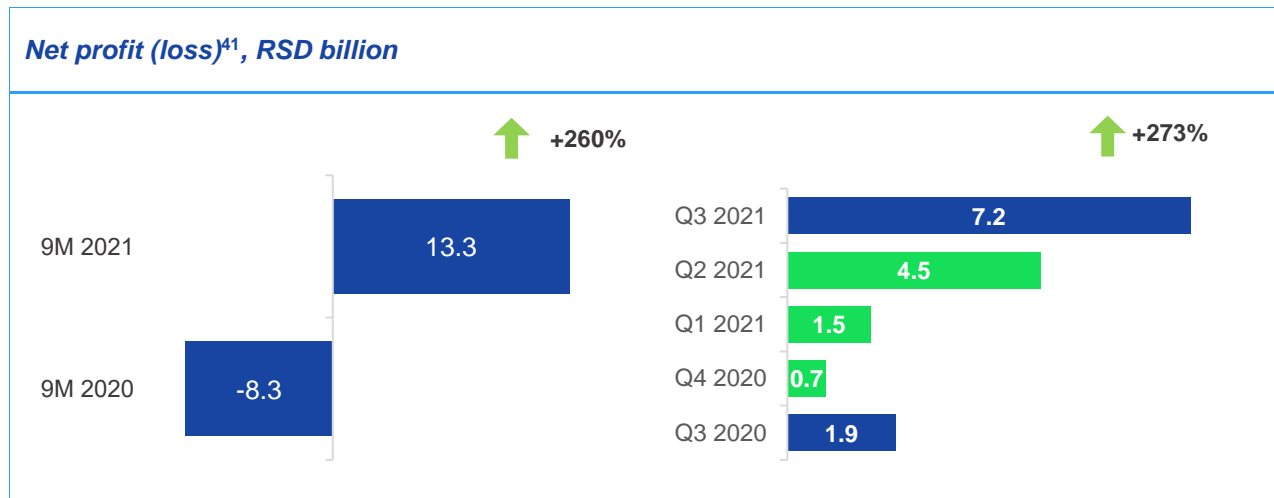


**Net profit (loss)**

Net profit achieved in the first nine months of 2021 is RSD 13.3 billion, a 260% increase on the same period last year.

The main causes of the increase in the net result:

- growth of EBITDA indicator, at higher depreciation costs.



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

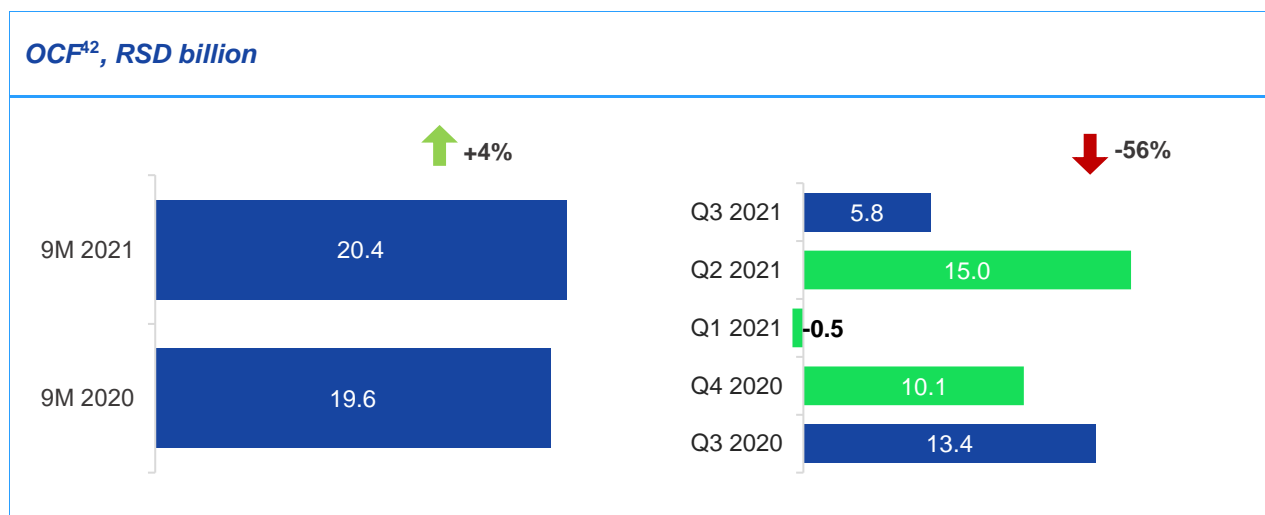
<sup>41</sup>Any potential deviations in percentage and aggregate values result from rounding. The change percentages shown have been obtained on the basis of values not rounded to RSD billion.



**OCF**

In the first nine months of 2021, the operating cash flow amounts to RSD 20.4 billion, 3.7% increase compared to the same period last year:

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

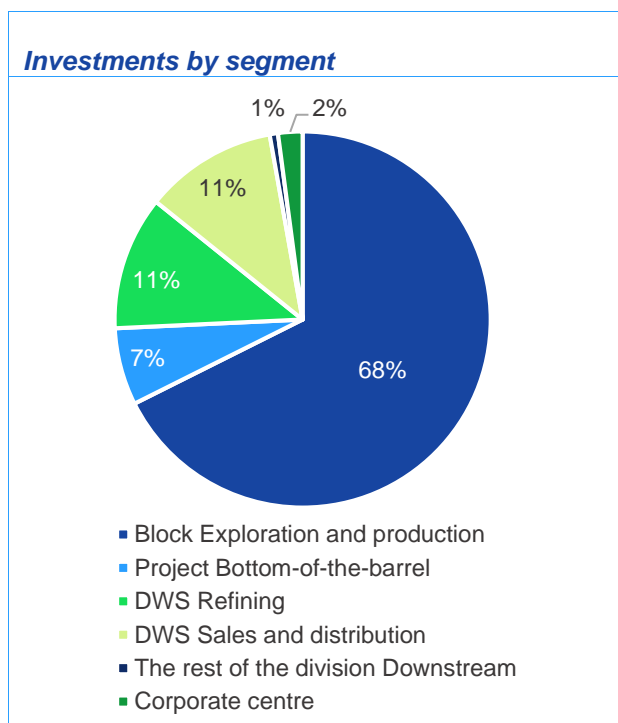
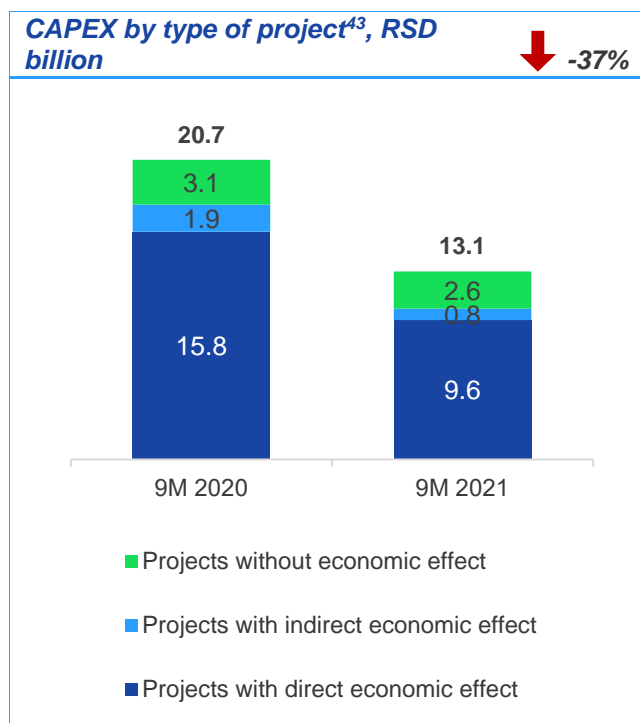


<sup>42</sup>Any deviations in percentage and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

**CAPEX**

In the first nine months of 2021, company's major investments were directed towards implementation of projects in the production of oil and gas. A significant part of the investment pertains to the reconstruction of the FCC plant with the construction of a new ETBE plant. In addition, during first nine months, 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 nine months of 2021, RSD 13.1 billion was allocated to finance investments, which is 37% less than allocated last year.



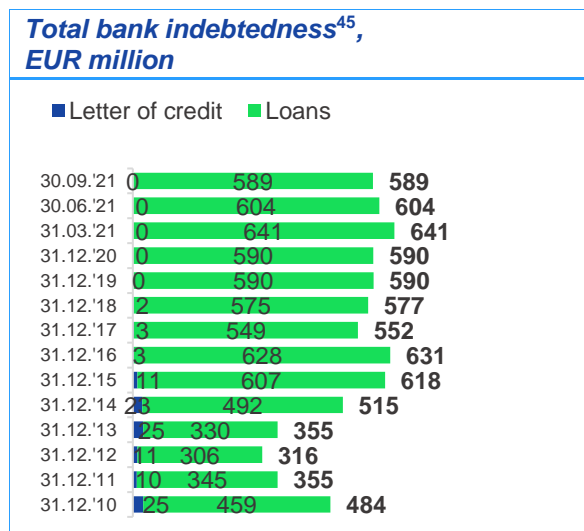
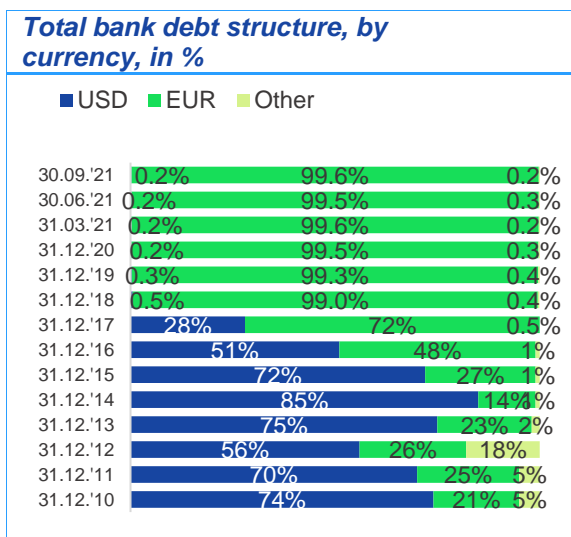
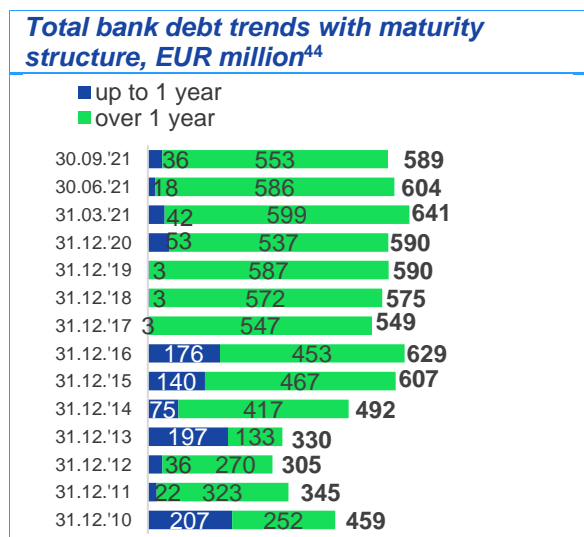
<sup>43</sup> All amounts are expressed in RSD billion, excluding VAT. Any deviations in percentage and aggregate values result from rounding. The change percentages shown are obtained from values not rounded to RSD billion.

Organisational unit	Major projects
<b>Exploration and Production</b>	<ul style="list-style-type: none"> <li>● drilling of development wells</li> <li>● investments in geological and technical activities</li> <li>● investments in basic infrastructure</li> <li>● investments in concession rights</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>● replacement of BOPEquipment for drilling tool handling</li> <li>● procurement of operational tubing and drill pipes</li> <li>● replacement of outdated HDM equipment</li> </ul>
<b>Bottom-of-the-Barrel Project</b>	<ul style="list-style-type: none"> <li>● investment in reconstruction of the FCC unit with construction of a new ETBE unit</li> </ul>
<b>Refining</b>	<ul style="list-style-type: none"> <li>● investment maintenance program of the Refining Block</li> <li>● projects of compliance with legal norms and regulations</li> <li>● projects to increase production efficiency</li> <li>● capital investments related to environmental protection</li> <li>● energy 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 (overhaul of 32 semi-trailers for light products, procurement of 32 tractor units for transport of light products)</li> <li>● other retail projects in Serbia and the region</li> </ul>
<b>Other Downstream projects (Energy, Technical services)</b>	<ul style="list-style-type: none"> <li>● procurement of specialized software for gas and electricity trading and risk management (ETRM)</li> <li>● process system maintenance and manipulation projects</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 third quarter of 2021, the bank debt is lower than at the end of 2020 and stands at EUR 588.7 million. This debt reduction is a consequence of the dynamics of loan portfolio restructuring, early loan repayments, and withdrawal of bank loans at the moment when there is a basis for withdrawal (imports from the EU, in accordance with the exemptions from sanctions). Thus, during the first nine months, EUR 116.5 million of the loan was withdrawn, and a total of EUR 117.4 million repaid, out of which EUR 103.4 million was early repayment. By the end of 2021, the bank debt will not exceed the level at the end of 2020 and will amount to a maximum of EUR 590 million. During the first nine months, a tender for the restructuring of the loan portfolio was realized 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 and the relaxation of the covenant package.

In addition, the debt to the parent company Gazprom Nef PJSC was reduced and is equal to EUR 81.4 million at the end of the third quarter of 2021.



<sup>44</sup> Any deviations in percentage 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 36.2 million, corporate guarantees in the amount of EUR 75.3 million, Letters of Intent signed with banks in the amount of EUR 0.0 million and financial leasing in the amount of EUR 19.2 million as of 30 September 2021.

Taxes and other public revenue<sup>46</sup>

<b>NIS j.s.c. Novi Sad</b>	<b>9M 2021</b>	<b>9M 2020</b>	<b>%<sup>47</sup></b>
Social insurance contributions paid by employer	1.48	1.41	5%
Energy efficiency fee <sup>48</sup>	0.28	0.25	12%
Corporate tax	2.90	0.05	5648%
Value-added tax	20.14	18.20	11%
Excise duties	100.52	88.92	13%
Commodity reserves fee	4.79	4.28	12%
Customs duties	0.79	0.43	84%
Royalty	0.91	0.66	38%
Other taxes	1.03	1.02	1%
<b>Total</b>	<b>132.85</b>	<b>115.21</b>	<b>15%</b>
<b>NIS subsidiaries in Serbia<sup>49</sup></b>			
Social insurance contributions paid by employer	1.00	0.86	17%
Corporate tax	0.09	0.00	N/A
Value-added tax	1.82	1.19	52%
Excise duties	0.00	0.00	N/A
Customs duties	0.03	0.08	-62%
Royalty	0.00	0.00	N/A
Other taxes	0.08	0.07	14%
<b>Total</b>	<b>3.01</b>	<b>2.19</b>	<b>37%</b>
<b>Total NIS j.s.c. Novi Sad with subsidiaries in Serbia</b>	<b>135.86</b>	<b>117.41</b>	<b>16%</b>
<b>NIS regional subsidiaries and Angola</b>			
Social insurance contributions paid by employer	0.04	0.04	3%
Corporate tax	0.01	0.00	288%
Value-added tax	0.91	0.74	23%
Excise duties	11.77	8.89	32%
Customs duties	7.07	4.65	52%
Royalty	0.02	0.02	8%
Other taxes	0.06	0.06	7%
<b>Total</b>	<b>19.88</b>	<b>14.41</b>	<b>38%</b>
Deferred taxes (total for Group)	0.00	0.00	N/A
<b>Total NIS Group<sup>50</sup></b>	<b>155.74</b>	<b>131.81</b>	<b>18%</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 135.9 billion in 9M 2021.

The amount of accrued liabilities for public revenue payable by NIS Group in 9M 2021 totalled RSD 155.7 billion, an increase of 18% on the same period in 2020.

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

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

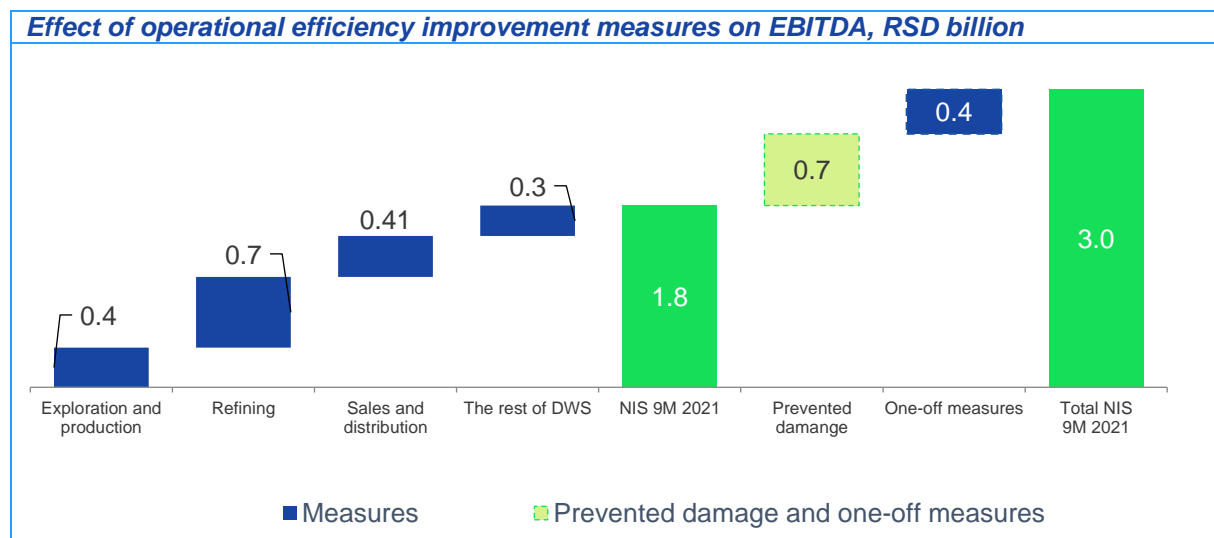
<sup>48</sup> Calculated from 1 July 2019.

<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 the first nine months of 2021 is RSD 1.8 billion.



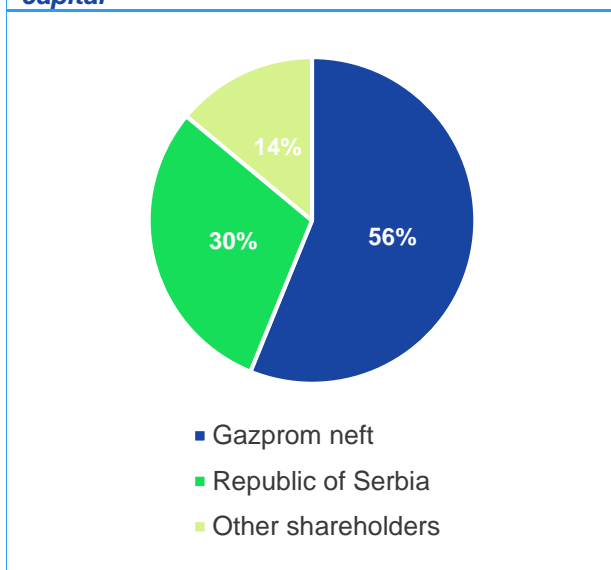
## Securities

### Share capital structure

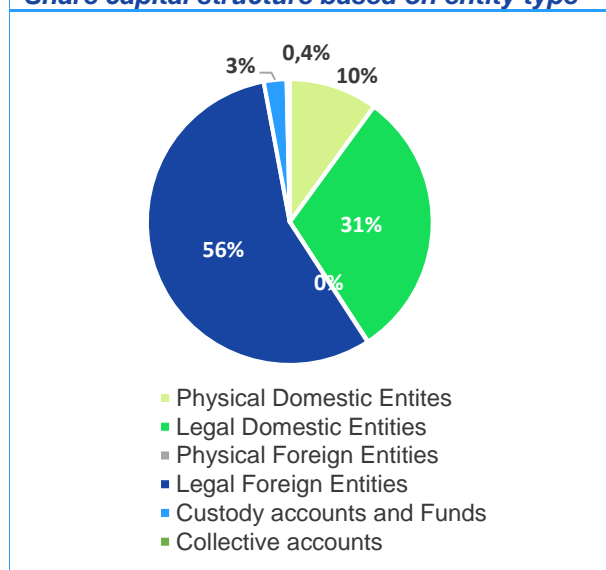
NIS share capital is RSD 81.53 billion and is divided into a total of 163,060,400 shares with a nominal value of RSD 500. All issued shares are ordinary shares, vesting their holders with the following rights:

- 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.

**Share capital structure based on % in share capital**



**Share capital structure based on entity type**

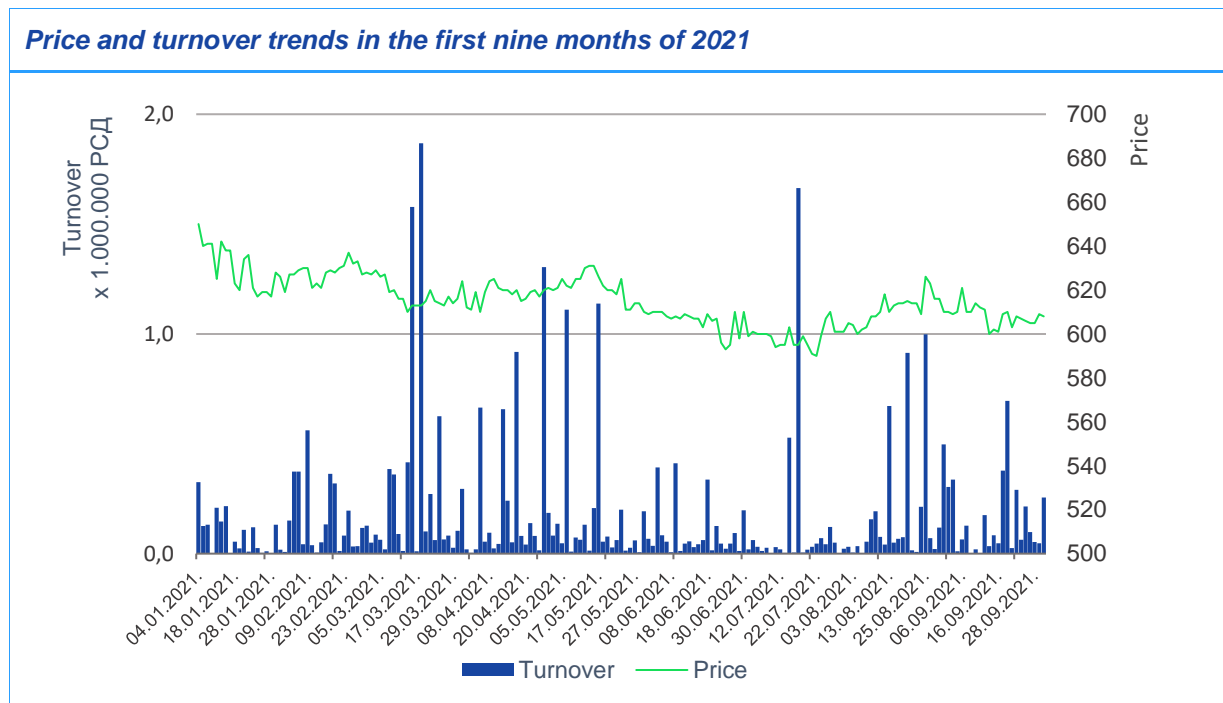


The structure of top 10 shareholders with the largest stake in equity capital is shown in the table below:

Shareholder	Number of shares	% in share capital
Gazprom Neft PJSC	91,565,887	56.15%
Republic of Serbia	48,712,517	29.87%
OTP banka Srbija a.d. – custody account – fund	2,579,285	1.58%
OTP banka Srbija a.d.– custody account – fund	1,049,901	0.64%
Dunav osiguranje a.d.o.	394,229	0.24%
Convest a.d. Novi Sad – collective account	226,690	0.14%
Raiffeisen banka a.d. – custody account	208,638	0.13%
DDOR Novi Sad	176,541	0.11%
Unicredit bank Srbija a.d. – custody account	161,879	0.10%
Unicredit bank Srbija a.d. – collective account	141,792	0.09%
Other shareholders	17,843,041	10.94%
<b>Total number of shareholders as of 30 September 2021:</b>		<b>2,062,819</b>

## 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 the Belgrade Stock Exchange in the first nine months of 2021

<b>Last price (30 September 2021)</b>	608
<b>High (4th January 2021)</b>	650
<b>Low (30th June, 2021)</b>	590
<b>Total turnover, RSD</b>	322,775,392
<b>Total volume, number of shares</b>	523.960
<b>Total number of transaction, number of transactions</b>	4,078
<b>Market capitalization as of 30 September, 2021, in RSD</b>	99,140,723,200
<b>EPS</b>	88.48
<b>Consolidated EPS</b>	81.68
<b>P/E ratio</b>	6.87
<b>Consolidated P/E ratio</b>	7.44
<b>Book value as of 30 September 2021</b>	1,616.19
<b>Consolidated book value as of 30 September 2021</b>	1,564.99
<b>P/BV ratio</b>	0.38
<b>Consolidated P/BV ratio</b>	0.39

In the first nine months of 2021 the Company did not acquire any treasury shares.



## Dividends

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

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

On 29 June 2021 Shareholders Assembly of NIS j.s.c. Novi Sad has adopted the Decision on distribution of profit from previous years, coverage of loss of NIS j.s.c. Novi Sad for 2020, dividend payment and determining the total amount of retained profit of NIS j.s.c. Novi Sad. According to the Decision, the dividend will be paid to NIS j.s.c. Novi Sad shareholders in cash, in the gross amount of RSD 1,001,190,856.

	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 of 31 December, RSD	Shareholders' dividend yield, in % <sup>52</sup>
<b>2009</b>	-4.4	0	-	-	0	-	-
<b>2010</b>	16.5 <sup>53</sup>	0	-	101.1	0	475	-
<b>2011</b>	40.6 <sup>54</sup>	0	-	249	0	605	-
<b>2012</b>	49.5	12.4	25%	303.3	75.83	736	10.3
<b>2013</b>	52.3	13.1	25%	320.9	80.22	927	8.7
<b>2014</b>	30.6	7.6	25%	187.4	46.85	775	6
<b>2015</b>	16.1	4	25%	98.8	24.69	600	4.1
<b>2016</b>	16.1	4	25%	98.6	24.66	740	3.3
<b>2017</b>	27.8	6.9	25%	170.43	42.61	724	5.9
<b>2018</b>	26.1	6.5	25%	159.86	39.97	690	5.8
<b>2019</b>	17.7	4.4	25%	108.55	27.14	749	3.6
<b>2020</b>	-5.9	1	-	-36.24	6.14	644	1

## Overview of financial instruments used by the Group

Due to its exposure to the foreign exchange risk, the NIS Group practices forward transactions and successive purchases in the foreign exchange market as a risk management tool.

Being the parent company of the entire Gazprom Neft Group, which includes NIS j.s.c. Novi Sad and its subsidiaries, Gazprom Neft PJSC manages commodity-hedging instruments at the level of the 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> Net profit used to cover accumulated losses.

<sup>53</sup> Calculated as the ratio of gross dividend and year-end share price

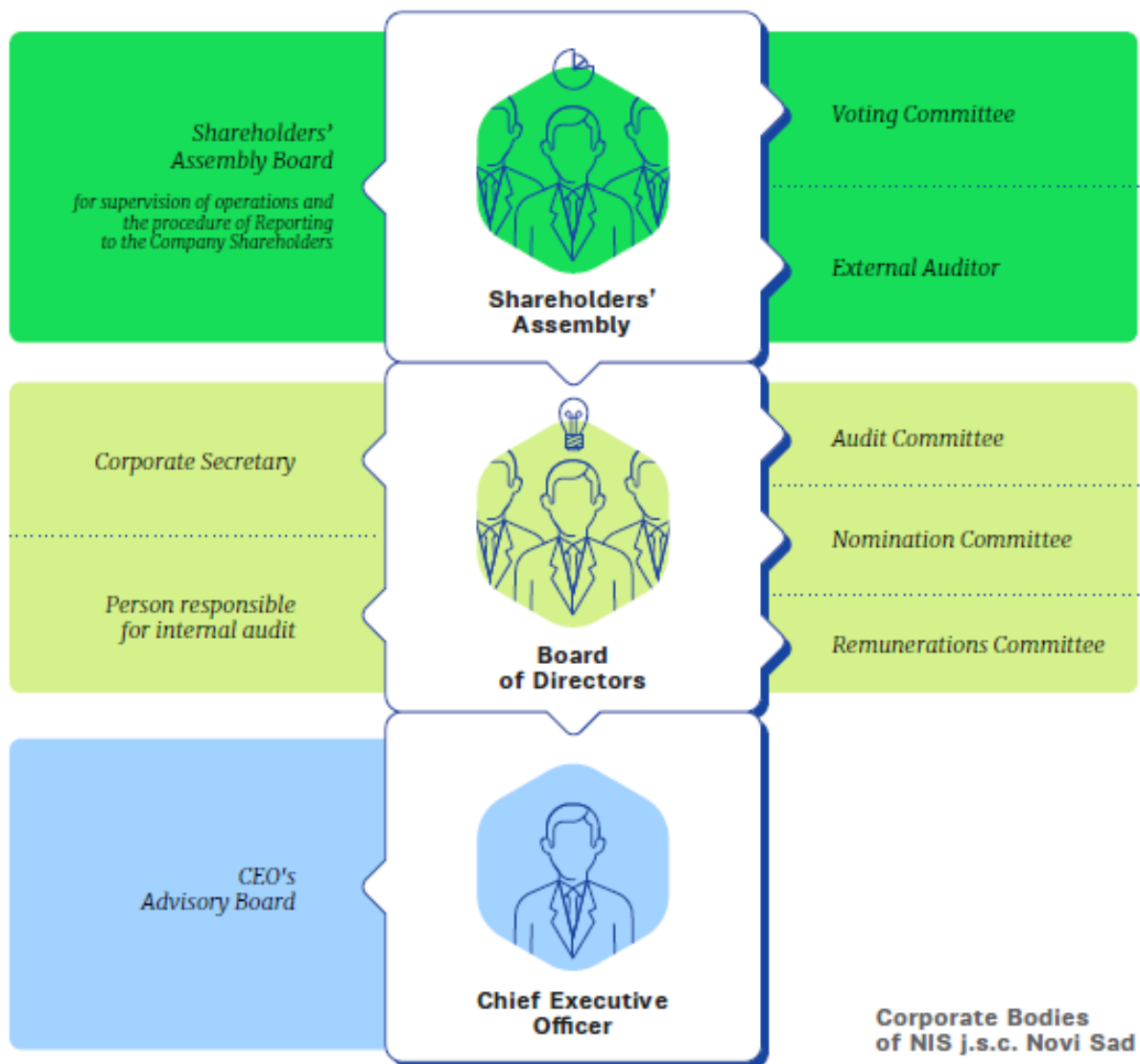
<sup>54</sup> Net profit used to cover accumulated losses.

## 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 are appointed and dismissed by the General Shareholders' Assembly by a simple majority vote of the present voting shareholders.

The 13<sup>th</sup> regular Shareholders Assembly on 29 June 2021 appointed the following Board members: Vadim Yakovlev, Kirill Tyurdenev, Danica Drašković, Aleksey Yankevich, Pavel Oderov, Dmitry Shepelsky, 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 30 September 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 1970.

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

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

Management Board of „Gazprom neft“ PJSC. From 2010 to 2011 – First Deputy CEO – „Gazprom neft“ PJSC Financial Director. From 2011 he was at the post of the „Gazprom neft“ PJSC First Deputy CEO.

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

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



**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 member of the Management Board of JSFC Sistema. Prior to joining NIS j.s.c. Novi Sad, Kirill Tyurdenev held positions of President and Chairman of the Management Board at United Petrochemical Company, which at that time was part of the JSFC Sistema group, and of Chairman of the Board of Directors of Ufaorgsintez.

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

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



**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**

**Chairman of the Remuneration Commission**

**Deputy CEO for Economics and Finance PJSC "Gazprom Neft"**

Born in 1973.

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

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

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

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



### **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.



**Dmitry Shepelsky**

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

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

Born 1970.

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

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

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

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



**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.

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

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

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



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

Born in 1972.

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**  
*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 in 1961.

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

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

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## 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>
Dmitry Shepelski	<ul style="list-style-type: none"> <li>• -</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> </ul>

### Total amount paid to Board of Directors members in the first nine months 2021, net RSD

<b>Members of BoD</b>	<b>172,038,742</b>
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### Board of Directors' Committees

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

On 23 July 2021, the Board of Directors appointed members of the Commission of the Board of Directors for the current mandate in the following composition:

- Audit Committee:
  - Olga Vysotskaya, chairman,
  - Dejan Radenković, member,

- Aleksey Urusov, member,
- Remuneration Committee:
  - Alexey Yankevich, chairman,
  - Olga Vysotskaya, member,
  - Zoran Grujičić, member,
- Nomination Committee:
  - Dragutin Matanović, chairman,
  - Aleksandr Chepurin, member,
  - Kirill Tyurdenev, member.

Whenever required, the Board of Directors appoints new members of its Committees and establishes new regular or ad hoc committees to support its activities.

### 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 Shareholders Assembly with respect to its activities and review of issues within its remit. Members of the Shareholders Assembly Board report to the Shareholders Assembly which appoints them and relieves them of duty.

The 13<sup>th</sup> regular Shareholders Assembly of 29 June 2021 appointed the following Shareholders Assembly Board members: Zoran Grujičić, Dragan Bračika and Aleksey Urusov.

### Members of the Shareholders' Assembly Board as of 30 September 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 Shareholders Assembly Board members in the first six months of 2021, net in RSD**

Members of SAB	10.290.326
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Number and percentage of shares 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 Chief Executive Officer. CEO coordinates the activities of executive members of the Board of Directors and organizes the company's activities. In addition to this, CEO performs daily management and is authorized to decide on matters which do not fall under the competence of the Shareholders Assembly and the Board of Directors. Chief Executive Officer is a legal representative of NIS j.s.c. Novi Sad.

**CEO Advisory Board**

The CEO Advisory Board is a professional body that helps Chief Executive Officer in his activities and in consideration of matters within his responsibilities. The composition of the Advisory Board was determined by the Decision of CEO, and it includes the First Deputy CEO – Head of Exploration and Production Block, the First Deputy CEO – Head of Downstream Division, Heads of the Refining and Sales and Distribution Blocks, as well as heads of the company's Functions and director of Naftagas-Oilfield 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 30 September 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 saw the continuation of numerous positive changes in the field employee development and care which NIS initiated two years ago with its new Human Resources Strategy and transformation of the corporate culture. Despite the challenges posed by coronavirus, NIS consistently remains a reliable employer and provides working conditions necessary for a committed workforce.

One of the initiatives aimed at improving the corporate culture and creating a positive work environment is the introduction of the *Respect, Above All* platform. The goal of the platform is to support employees who find themselves in a situation where their dignity is endangered, when they recognize bad examples of behavior or need psychological support in some circumstances which they face.

We believe that nurturing diversity enhances the business of our company on many levels: it strengthens the company with diverse experiences, enriches with different cultures, provides a vast variety of ideas and views and ensures market competitiveness; therefore, we strive to create an environment in which everyone can fully express their potential. During the second and third quarters of this year, we adopted the Diversity and Inclusion Strategy which represents our structured approach to this important issue.

Investing in young people and providing them with the first employment opportunities is one of the priorities of our company, and in February 2021, we started the first season of *NIS Energy*, an employment program for young graduates and post graduate students. It is a 12-month remunerated program designed to train young graduates and post graduates to take specialist/expert-level positions in the company. Every year, a new group of young people makes their first career steps through the program. All positions are defined in accordance with our business needs and come from the business Blocks.

We pursue the seasonal internship program *NIS Calling* which allows students to gain their first work experience during 320 hours of internship, with flexible working hours that can be combined with their university commitments. In the fourth season, 25 students completed their internship in July, and in September, a recruitment campaign was launched for the fifth season. After two weeks of advertising, 800 students applied to participate in this competition. The program is scheduled to begin in November.

## Employee Number and structure

Organisational unit	09/30/2021			09/30/2020		
	Direct	Leasing	Total	Direct	Leasing	Total
<b>NIS j.s.c. Novi Sad</b>	<b>5,064</b>	<b>0</b>	<b>5,064</b>	<b>5,200</b>	<b>47</b>	<b>5,247</b>
Exploration and Production Block	1,086	0	1,086	1,101	0	1,101
Downstream Division	2,523	0	2,523	2,540	47	2,587
Refining Block	971	0	971	985	0	985
Sales and Distribution Block	1,333	0	1,333	1,388	47	1,435
Energy Directorate	36	0	36	41	0	41
the rest of Downstream division <sup>55</sup>	183	0	183	126	0	126
Corporate centre	956	0	956	1,034	0	1,034
Multifunctional Shared Service Center <sup>56</sup>	495	0	495	520	0	520
Representative offices and branches <sup>57</sup>	4	0	4	5	0	5
<b>Subsidiaries in Serbia</b>	<b>5,801</b>	<b>0</b>	<b>5,801</b>	<b>5,766</b>	<b>0</b>	<b>5,766</b>
Naftagas – Oil Services LLC Novi Sad	1,792	0	1,792	1,899	0	1,899
Naftagas – Technical Services LLC Zrenjanin	385	0	385	392	0	392
Naftagas – Transport LLC Novi Sad	370	0	370	373	0	373
NTC NIS – Naftagas LLC Novi Sad	371	0	371	366	0	366
NIS Petrol j.s.c. Belgrade <sup>58</sup>	2,883	0	2,883	2,736	0	2,736
<b>Subsidiaries abroad</b>	<b>138</b>	<b>0</b>	<b>138</b>	<b>130</b>	<b>0</b>	<b>130</b>
NIS Petrol e.o.o.d. Sofia (Bulgaria)	52	0	52	50	0	50
NIS Petrol s.r.l. Bucharest (Romania)	76	0	76	73	0	73
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) <sup>59</sup>	0	0	0	0	0	0
<b>Other subsidiaries included in consolidation</b>	<b>509</b>	<b>0</b>	<b>509</b>	<b>504</b>	<b>0</b>	<b>504</b>
NIS Overseas LLC Saint Petersburg	3	0	3	3	0	3
NIS Svetlost LLC Bujanovac <sup>60</sup>	0	0	0			0
G Petrol LLC Sarajevo (Bosnia and Herzegovina)	506	0	506	501	0	501
<b>TOTAL:</b>	<b>11,512</b>	<b>0</b>	<b>11,512</b>	<b>11,600</b>	<b>47</b>	<b>11,647</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 Shared Service Center was established, which is highlighted here due to its specificity.

<sup>57</sup> The headcount of Representative offices and branches refers to the employees in the representative office in Russia. In addition to this office, the representative office in Angola and the Balakanabat branch in Turkmenistan are also active.

<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 (Retail) is transferred from NIS j.s.c. to NIS Petrol j.s.c. Belgrade, we are showing it with other subsidiaries in Serbia.

<sup>59</sup> Panon Naftagas k.f.t. Budapest, which is listed in the table in the section *Subsidiaries abroad*, was deleted from the register on October 14, 2020.

<sup>60</sup> On 29 March 2021 bankruptcy proceedings for NIS Svetlost LLC Bujanovac started.

## Causes of employment termination

In first nine months of 2021, a total of 1,001 employees left NIS<sup>61</sup>: 62 employees retired, 170 employees left NIS by mutual agreement, while the employment of 769 people was terminated on other grounds (involuntary termination, voluntary termination, redundancy).

Cause of employment termination	NIS j.s.c. Novi Sad <sup>62</sup>	Subsidiaries <sup>63</sup>
Retirement	32	30
Termination by mutual agreement	145	25
Other	154	615
<b>Total</b>	<b>331</b>	<b>670</b>

<sup>61</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>62</sup> Including Representative Offices and Branches. Out of the total number of departures, 18 departures from representative offices and branches.

<sup>63</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.

## Research and development

NIS is committed to continuous technological development and introduction of innovations across all business segments.

Scientific Technological Center - NTC NIS-Naftagas LLC Novi Sad, a 100% subsidiary of NIS, provides scientific, technical and innovative support to its parent company in the field of oil and gas exploration and production. NTC NIS-Naftagas has a dual role in the research and development activities: it coordinates and executes scientific research.

Implementation and development of new technologies, R&D activities and boosting the efficiency of oil and gas exploration, production and refining are a constant focus of management and employees of NTC. Center's activity is organized in several domains. In the field of geological exploration, the supervision in the field of 2D seismic surveying in Obudovac in the Republic of Srpska, B&H, was completed, where 133 running kilometers were recorded and handed over for processing. The processing was completed including reprocessing of existing 2D profiles with a total length of 775 km, within an exceptionally short period of 2.5 months, which enabled the data submission for interpretation as early as July. After the interpretation, also performed very promptly, locations for exploration drilling were determined and agreed with Gazprom Neft followed by an approval of the drilling plan (drilling to be started in December 2021). In addition, a joint team consisting of NIS NTC, the Institute of Petroleum Geology of the Russian Academy of Sciences and Gazprom Neft's NTC has created tools for forecasting fractured rocks based on 3D seismic data. The newly-created module has been integrated into Petrel, which gives seismic interpreters the opportunity to apply the tool in their daily work. In the field of reservoir engineering and oil and gas production, we are focused on seeking the optimal sand control solution for poorly bound formation rocks, the best choice of polymers for heavy and viscous oil reservoirs, in order to increase the utilization coefficient and develop methods of placing buffer gel during well workover to avoid the pollution of the wellbore zone. Furthermore, we have started developing a new approach to solving problems in the entire oil field through integrated modeling and the creation of a "digital twin". We are working on the optimization of the demulsifier used in preparation of the produced oil for transportation to the refinery in order to separate the water faster and shorten the preparation process. In line with company's strategic plans, the Downstream Laboratory, following comprehensive preparations, provided all the necessary resources for quality control of biocomponents and biofuels, and after the start of production in Q3 2021, the first quantities of Euro Diesel B7 were shipped for export from the NIS refining complex in Pančevo. Besides, several external audits were conducted in the DWS Laboratory: by SGS, it is a quality assurance process for the production, storage and distribution of jet fuel to the airport in accordance with the requirements of EI JIG 1530 JET A1, which confirmed the compliance of all laboratory activities; by ATS, it is the first regular supervisory assessment and the evaluation for the purpose of expanding the scope of accreditation (14 test methods, for coke and other petroleum products). The compliance of the quality management system in the laboratory with all the requirements of SRPS ISO/IEC 17025: 2017 was confirmed thus validating the competence of the laboratory to assess the compliance of the entire range of refinery products, including coke, our new product. As a part of the laboratory modernization project, 3 new items of the latest-generation test equipment were installed and put into operation in the past period. Laboratory employees have been trained to work on it.

NTC is also actively involved in development of digital technologies, as well as application of information and communication technologies in the core business. Within this direction, digital projects in the field of Data Science, Machine learning, Business Intelligence, Software Development are under way. In addition, NTC implements a large number of digital projects for the oil industry in the areas of seismic surveying, advanced petrophysics, geology and reservoir development, analysis of production and trade of petroleum products, and introduces new infrastructure and software solutions in accordance with the needs of our core business.

This technological development relies heavily on the continuous upgrade of professional competencies of employees and investment in information technologies, which pave the way for further development of NIS.



## Financial Statements

### Standalone financial statements

#### Statement of Financial Position

<b>Assets</b>	Note	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Current assets</b>		<i>(unaudited)</i>	
Cash and cash equivalents	5	6,736,957	7,949,785
Short-term financial assets	6	12,070,217	6,522,880
Trade and other receivables	7	34,364,751	22,794,275
Inventories	8	42,159,264	23,823,048
Current income tax prepayments		-	1,034,617
Other current assets	9	5,390,130	4,879,209
Non-current assets held for sale		44,152	42,631
<b>Total current assets</b>		<b>100,765,471</b>	<b>67,046,445</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	271,496,839	276,491,824
Right-of-use assets	11	1,501,459	1,422,877
Investment property		1,693,821	1,688,837
Intangible assets		2,967,238	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		2,821	78,459
Long-term financial assets	12	18,864,942	23,863,665
Deferred tax assets		1,973,784	2,565,957
Other non-current assets	13	1,169,681	1,120,623
<b>Total non-current assets</b>		<b>314,135,012</b>	<b>324,663,245</b>
<b>Total assets</b>		<b>414,900,483</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	11,525,954	13,419,540
Current lease liabilities	19	326,446	321,155
Trade and other payables	15	37,030,582	24,827,894
Other current liabilities	16	6,300,617	8,431,806
Current income tax payable		3,048,682	-
Other taxes payable	17	10,127,374	9,043,254
Provisions for liabilities and charges		1,449,597	2,349,296
<b>Total current liabilities</b>		<b>69,809,252</b>	<b>58,392,945</b>
<b>Non-current liabilities</b>			
Long-term debt	18	69,052,505	71,195,981
Non-current lease liabilities	19	970,837	1,037,640
Other non-current financial liabilities		846,032	841,847
Provisions for liabilities and charges		10,685,217	10,132,663
<b>Total non-current liabilities</b>		<b>81,554,591</b>	<b>83,208,131</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		94,049	93,664
Retained earnings		181,912,391	168,484,750
<b>Total equity</b>		<b>263,536,640</b>	<b>250,108,614</b>
<b>Total liabilities and shareholder's equity</b>		<b>414,900,483</b>	<b>391,709,690</b>

in 000 RSD

## Statement of Profit and Loss and Other Comprehensive Income

	Note	Three month period ended		Nine month period ended	
		30 September		30 September	
		2021	2020	2021	2020
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of petroleum products, oil and gas		74,808,137	42,903,123	175,433,462	117,958,121
Other revenues		3,572,684	2,751,417	10,011,727	7,020,549
<b>Total revenue from sales</b>	4	<b>78,380,821</b>	<b>45,654,540</b>	<b>185,445,189</b>	<b>124,978,670</b>
Purchases of oil, gas and petroleum products		(50,044,987)	(26,241,554)	(109,487,284)	(80,507,714)
Production and manufacturing expenses	20	(6,607,977)	(5,946,804)	(19,038,695)	(16,346,145)
Selling, general and administrative expenses	21	(5,106,915)	(5,363,618)	(16,275,469)	(15,598,816)
Transportation expenses		(338,796)	(252,704)	(884,481)	(721,681)
Depreciation, depletion and amortization		(5,638,848)	(5,116,951)	(17,006,419)	(15,290,492)
Taxes other than income tax		(1,163,693)	(974,845)	(3,352,886)	(2,999,973)
Exploration expenses		(4,413)	-	(11,001)	(3,579)
<b>Total operating expenses</b>		<b>(68,905,629)</b>	<b>(43,896,476)</b>	<b>(166,056,235)</b>	<b>(131,468,400)</b>
Other income (expenses), net		2,984	485,443	(61,136)	30,787
<b>Operating profit (loss)</b>		<b>9,478,176</b>	<b>2,243,507</b>	<b>19,327,818</b>	<b>(6,458,943)</b>
Net foreign exchange gain (loss)	22	(372,818)	36,733	(622,580)	(106,604)
Finance income	23	218,919	199,969	651,594	592,777
Finance expenses	24	(467,176)	(412,596)	(1,275,774)	(1,352,257)
<b>Total other expense</b>		<b>(621,075)</b>	<b>(175,894)</b>	<b>(1,246,760)</b>	<b>(866,084)</b>
<b>Profit (loss) before income tax</b>		<b>8,857,101</b>	<b>2,067,613</b>	<b>18,081,058</b>	<b>(7,325,027)</b>
Current income tax expense		(1,539,570)	-	(3,060,509)	(50,472)
Deferred tax income (expense)		(79,211)	142,780	(592,173)	620,314
<b>Total income tax</b>		<b>(1,618,781)</b>	<b>142,780</b>	<b>(3,652,682)</b>	<b>569,842</b>
<b>Profit (loss) for the period</b>		<b>7,238,320</b>	<b>2,210,393</b>	<b>14,428,376</b>	<b>(6,755,185)</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		(570)	916	841	(259)
<b>Other comprehensive income (loss) for the period</b>		<b>(570)</b>	<b>916</b>	<b>841</b>	<b>(259)</b>
<b>Total comprehensive income (loss) for the period</b>		<b>7,237,750</b>	<b>2,211,309</b>	<b>14,429,217</b>	<b>(6,755,444)</b>
Earnings (Loss) per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		44.39	13.56	88.48	(41.43)
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

in 000 RSD

## Statement of Changes in Shareholders' Equity

Nine month period ended 30 September 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	-	-	(6,755,185)	(6,755,185)
<b>Other comprehensive income (loss)</b>				
Loss from investments in equity instruments	-	(259)	-	(259)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>(259)</b>	<b>(6,755,185)</b>	<b>(6,755,444)</b>
Dividend distribution	-	-	(4,425,459)	(4,425,459)
<b>Balance as at 30 September 2020</b>	<b>81,530,200</b>	<b>93,700</b>	<b>167,658,802</b>	<b>249,282,702</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	-	-	14,428,376	14,428,376
<b>Other comprehensive income (loss)</b>				
Gain from investments in equity instruments	-	841	-	841
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>841</b>	<b>14,428,376</b>	<b>14,429,217</b>
Dividend distribution	-	-	(1,001,191)	(1,001,191)
Other	-	(456)	456	-
<b>Balance as at 30 September 2021</b>	<b>81,530,200</b>	<b>94,049</b>	<b>181,912,391</b>	<b>263,536,640</b>

in 000 RSD

Condensed Statement of Cash Flows<sup>64</sup>

	Note	Nine month period ended 30 September	
		2021 (unaudited)	2020 (unaudited)
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		<b>18,081,058</b>	<b>(7,325,027)</b>
<b>Adjustments for:</b>			
Finance expenses	24	1,275,774	1,352,257
Finance income	23	(651,594)	(592,777)
Net unrealised foreign exchange loss		414,641	118,546
Depreciation, depletion and amortization		17,006,419	15,290,492
Other non-cash items		166,331	(307,234)
<b>Operating cash flow before changes in working capital</b>		<b>36,292,629</b>	<b>8,536,257</b>
<b>Changes in working capital:</b>			
Accounts receivables		(11,204,026)	5,266,057
Inventories		(18,308,264)	20,040,645
Other assets		(1,113,730)	(545,356)
Accounts payables and other current liabilities		10,602,301	(14,982,304)
Taxes payable		2,237,608	2,710,853
<b>Total effect on working capital changes</b>		<b>(17,786,111)</b>	<b>12,489,895</b>
Income taxes paid		(134,759)	(1,162,365)
Interest paid		(1,073,159)	(1,276,430)
Interest received		373,064	316,480
<b>Net cash generated from operating activities</b>		<b>17,671,664</b>	<b>18,903,837</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of subsidiaries		-	(41)
Loans issued		(3,442,104)	(4,866,980)
Loan proceeds received		3,152,469	5,660,508
Capital expenditures <sup>65</sup>		(13,454,728)	(21,061,814)
Proceeds from sale of property, plant and equipment		228,283	434,365
Dividends received		-	4,274
<b>Net cash used in investing activities</b>		<b>(13,516,080)</b>	<b>(19,829,688)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,18	24,010,298	26,429,421
Repayment of borrowings	14,18	(28,121,111)	(24,940,041)
Repayment of lease liabilities	19	(285,848)	(135,662)
Dividends paid		(1,001,191)	-
<b>Net cash used in financing activities</b>		<b>(5,397,852)</b>	<b>1,353,718</b>
Net increase (decrease) in cash and cash equivalents		(1,242,268)	427,867
Effect of foreign exchange on cash and cash equivalents		29,440	73,998
<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>6,736,957</b>	<b>14,003,692</b>

in 000 RSD

<sup>64</sup> Company's policy is to present cash flow inclusive of related VAT.

<sup>65</sup> CF from investing activities includes VAT in the amount of 1.6 bln RSD (2020: 2.2 bln RSD)

## 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 Interim Condensed Financial Statements preparation. In the first half of 2021, the specified macroeconomic factors did not result in change of these estimates by the Company.

The results in these Interim Condensed Financial Statements for the three and nine months ended 30 September 2021 are not necessarily indicative of the Company’s 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 became effective did not have any material impact on the Interim Condensed Financial Statements:

- Interest Rate Benchmark Reform (Phase 2) – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021);
- Covid-19-Related Rent Concessions beyond 30 September 2021 – Amendments to IFRS 16 (issued in March 2021 and effective for annual periods on or after 1 April 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 Interim Condensed 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);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

## 4. SEGMENT INFORMATION

Presented below is information about the Company’s operating segments for the nine month period ended 30 September 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 nine month period ended 30 September 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	31,603,222	184,564,465	(30,722,498)	185,445,189
Intersegment	30,359,065	363,433	(30,722,498)	-
External	1,244,157	184,201,032	-	185,445,189
<b>EBITDA (Segment results)</b>	<b>21,464,877</b>	<b>14,975,190</b>	<b>-</b>	<b>36,440,067</b>
Depreciation, depletion and amortization	(8,918,571)	(8,087,848)	-	(17,006,419)
Net foreign exchange loss	(35,933)	(586,647)	-	(622,580)
Finance expenses, net	(56,654)	(567,526)	-	(624,180)
Income tax	(135,898)	(3,516,784)	-	(3,652,682)
<b>Segment profit</b>	<b>12,287,512</b>	<b>2,140,864</b>	<b>-</b>	<b>14,428,376</b>

Reportable segment results for the nine month period ended 30 September 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	22,467,675	124,933,668	(22,422,673)	124,978,670
Intersegment	21,985,728	436,945	(22,422,673)	-
External	481,947	124,496,723	-	124,978,670
<b>EBITDA (Segment results)</b>	<b>12,325,036</b>	<b>(2,985,010)</b>	<b>-</b>	<b>9,340,026</b>
Depreciation, depletion and amortization	(8,504,714)	(6,785,778)	-	(15,290,492)
Net foreign exchange loss	(22,478)	(84,126)	-	(106,604)
Finance expenses, net	(56,073)	(703,407)	-	(759,480)
Income tax	(44,786)	614,628	-	569,842
<b>Segment profit /(loss)</b>	<b>3,679,729</b>	<b>(10,434,914)</b>	<b>-</b>	<b>(6,755,185)</b>

EBITDA for the three and nine month period ended 30 September 2021 and 2020 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Profit (loss) for the period	7,238,320	2,210,393	14,428,376	(6,755,185)
Income tax	1,618,781	(142,780)	3,652,682	(569,842)
Finance expenses	467,176	412,596	1,275,774	1,352,257
Finance income	(218,919)	(199,969)	(651,594)	(592,777)
Depreciation, depletion and amortization	5,638,848	5,116,951	17,006,419	15,290,492
Net foreign exchange loss (gain)	372,818	(36,733)	622,580	106,604
Other expense (income), net	(2,984)	(485,443)	61,136	(30,787)
Other non-operating expense (income), net	48,908	524,661	44,694	539,264
<b>EBITDA</b>	<b>15,162,948</b>	<b>7,399,676</b>	<b>36,440,067</b>	<b>9,340,026</b>

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

	Nine month period ended 30 September 2021		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	1,212,510	1,212,510
Sale of gas	221,054	-	221,054
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	221,054	-	221,054
Sale of petroleum products	135,596,302	38,403,596	173,999,898
<i>Through a retail network</i>	47,741,008	-	47,741,008
<i>Wholesale activities</i>	87,855,294	38,403,596	126,258,890
Sale of electricity	1,298,061	323,667	1,621,728
Lease revenue	246,634	3,943	250,577
Other sales	7,863,741	275,681	8,139,422
<b>Total sales</b>	<b>145,225,792</b>	<b>40,219,397</b>	<b>185,445,189</b>

	Nine month period ended 30 September 2020		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	445,567	445,567
Sale of gas	323,161	-	323,161
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	323,161	-	323,161
Sale of petroleum products	93,534,081	23,655,313	117,189,394
<i>Through a retail network</i>	36,781,829	-	36,781,829
<i>Wholesale activities</i>	56,752,252	23,655,313	80,407,565
Sale of electricity	603,673	35,965	639,638
Lease revenue	236,075	3,405	239,480
Other sales	5,980,984	160,446	6,141,430
<b>Total sales</b>	<b>100,677,974</b>	<b>24,300,696</b>	<b>124,978,670</b>

Out of the amount of 126,258,890 thousand RSD (2020: 80,407,565 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 18,524,299 thousand RSD (2020: 11,572,961 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 5,983,948 thousand RSD (2020: 4,691,267 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 145,225,792 thousand RSD (2020: 100,677,974 thousand RSD), and the total revenue from external customer from other countries is 40,219,397 thousand RSD (2020: 24,300,696 thousand RSD).

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

	Nine month period ended	
	30 September	
	2021	2020
Sale of crude oil	1,212,510	445,567
Sale of petroleum products (retail and wholesale)		
Bulgaria	13,519,651	5,230,520
Romania	5,357,395	3,432,961
Bosnia and Herzegovina	4,825,867	7,426,560
Great Britain	3,138,391	578,586
Croatia	1,845,548	1,235,983
Switzerland	1,381,466	441,009
Hungary	577,509	595,251
Northern Macedonia	412,734	596,691
All other markets	7,345,035	4,117,752
	38,403,596	23,655,313
Sale of electricity	323,667	35,965
Lease revenue	3,943	3,405
Other sales	275,681	160,446
	<b>40,219,397</b>	<b>24,300,696</b>

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

## 5. CASH AND CASH EQUIVALENTS

	30 September	31 December
	2021	2020
Cash in bank and in hand	5,382,906	5,151,570
Deposits with original maturity of less than three months	1,100,000	2,530,000
Cash held on escrow account	-	8,071
Cash equivalents	254,051	260,144
	<b>6,736,957</b>	<b>7,949,785</b>

## 6. SHORT-TERM FINANCIAL ASSETS

	30 September	31 December
	2021	2020
Short-term loans	472,940	170,007
Current portion of long-term investments (note 12)	18,642,701	12,742,101
Less impairment loss provision	(7,045,424)	(6,389,228)
	<b>12,070,217</b>	<b>6,522,880</b>

**7. TRADE AND OTHER RECEIVABLES**

	30 September 2021	31 December 2020
Trade receivables	42,888,861	31,745,192
Other receivables	92,463	91,786
Accrued assets	-	259
<i>Less credit loss allowance for trade receivables</i>	(8,575,627)	(8,996,923)
<i>Less credit loss allowance for other receivables</i>	(40,946)	(46,039)
<b>Total trade and other receivables</b>	<b>34,364,751</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:

	30 September 2021	31 December 2020
RSD	27,082,249	18,697,088
EUR	7,112,304	3,851,810
USD	170,158	245,377
Other	40	-
	<b>34,364,751</b>	<b>22,794,275</b>

**8. INVENTORIES**

	30 September 2021	31 December 2020
Crude oil	26,526,684	14,084,875
Petroleum products	15,496,011	9,809,004
Materials and supplies	3,947,457	3,770,150
Other	784,769	820,094
<i>Less impairment provision</i>	(4,595,657)	(4,661,075)
	<b>42,159,264</b>	<b>23,823,048</b>

**9. OTHER CURRENT ASSETS**

	30 September 2021	31 December 2020
Advances paid	436,055	407,865
Deferred VAT	2,484,247	1,823,813
Prepaid expenses	439,592	230,996
Prepaid custom duties	67,332	76,921
Prepaid excise	1,818,506	2,201,437
Other current assets	7,699,515	7,690,856
<i>Less impairment provision</i>	(7,555,117)	(7,552,679)
	<b>5,390,130</b>	<b>4,879,209</b>

Deferred VAT as at 30 September 2021 amounting to 2,484,247 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 30 September 2021 amounting to 1,818,506 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 30 September 2020</b>						
Additions	-	-	-	-	16,669,378	16,669,378
Changes in decommissioning obligations	223,136	-	-	-	-	223,136
Transfer from assets under construction	11,735,559	2,890,972	2,620,437	183,351	(17,430,319)	-
Transfer to non-current assets held for sale	-	-	(3,031)	-	(31,099)	(34,130)
Impairment	(8,425,916)	(4,537,136)	(1,351,367)	(417,540)	-	(14,731,959)
Depreciation	(43,328)	(12,131)	(33,834)	(7,906)	(44,142)	(141,341)
Disposals and write-off	(45,468)	-	(24,467)	(79,006)	-	(148,941)
Other transfers	(44,023)	(272,139)	28,952	287,210	(7,830)	(7,830)
	<b>125,349,333</b>	<b>65,443,161</b>	<b>24,261,739</b>	<b>7,845,874</b>	<b>55,172,547</b>	<b>278,072,654</b>
<b>As at 30 September 2020</b>						
Cost	185,977,366	121,472,490	54,061,403	16,546,804	57,187,580	435,245,643
Depreciation and impairment	(60,628,033)	(56,029,329)	(29,799,664)	(8,700,930)	(2,015,033)	(157,172,989)
<b>Net book value</b>	<b>125,349,333</b>	<b>65,443,161</b>	<b>24,261,739</b>	<b>7,845,874</b>	<b>55,172,547</b>	<b>278,072,654</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 30 September 2021</b>						
Additions	-	-	-	-	11,786,628	11,786,628
Changes in decommissioning obligations	147,697	-	-	-	-	147,697
Transfer from assets under construction	11,453,813	1,562,624	909,036	110,847	(14,036,320)	-
Impairment	-	-	-	-	(11,864)	(11,864)
Depreciation	(8,821,522)	(5,921,774)	(1,292,657)	(372,915)	-	(16,408,868)
Disposals and write-off	(25,426)	(17,306)	(98,483)	-	(12,922)	(154,137)
Transfer to investment property	-	-	-	-	(7,149)	(7,149)
Transfer to non-current assets held for sale	-	-	-	(16,366)	-	(16,366)
Transfer to Right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,913)	496,291	(471,888)	(21,489)	(177,500)	(177,499)
	<b>128,586,080</b>	<b>99,220,102</b>	<b>22,883,197</b>	<b>7,444,331</b>	<b>13,363,129</b>	<b>271,496,839</b>
<b>As at 30 September 2021</b>						
Cost	200,513,412	163,300,269	53,446,747	16,588,211	15,884,607	449,733,246
Depreciation and impairment	(71,927,332)	(64,080,167)	(30,563,550)	(9,143,880)	(2,521,478)	(178,236,407)
<b>Net book value</b>	<b>128,586,080</b>	<b>99,220,102</b>	<b>22,883,197</b>	<b>7,444,331</b>	<b>13,363,129</b>	<b>271,496,839</b>

**11. RIGHT-OF-USE ASSETS**

Movements in right-of-use assets for the nine months ended 30 September 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	-	495,425	586,204
Depreciation	(1,877)	(38,821)	(33,519)	(104,863)	(179,080)
Disposals	-	(1,355)	-	(3,976)	(5,331)
<b>As at 30 September 2020</b>	<b>5,632</b>	<b>532,393</b>	<b>241,107</b>	<b>566,496</b>	<b>1,345,628</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	-	183,611	21,166	9,467	214,244
Depreciation	(1,877)	(51,909)	(63,680)	(154,645)	(272,111)
Transfer from PPE	-	153,427	-	-	153,427
Effect of contract modifications and changes in estimates	-	(15,114)	(53)	-	(15,167)
Disposals	-	-	-	(1,811)	(1,811)
<b>As at 30 September 2021</b>	<b>3,129</b>	<b>789,696</b>	<b>124,959</b>	<b>583,675</b>	<b>1,501,459</b>

**12. LONG-TERM FINANCIAL ASSETS**

	30 September 2021	31 December 2020
LT loans issued	39,563,270	39,312,769
Financial assets at FVTPL	841,699	841,847
Financial assets at FVTOCI	154,512	163,975
Other LT placements	30,393	30,055
<i>Less Current portion of LT loans issued (note 6)</i>	<i>(18,642,701)</i>	<i>(12,742,101)</i>
<i>Less provision of other LT placements</i>	<i>(3,082,231)</i>	<i>(3,742,880)</i>
	<b>18,864,942</b>	<b>23,863,665</b>

**13. OTHER NON-CURRENT ASSETS**

	30 September 2021	31 December 2020
Advances paid for PPE	367,216	271,340
Prepaid expenses	108,738	126,564
Other assets	1,101,238	1,126,857
<i>Less allowance for Other assets</i>	<i>(386,148)</i>	<i>(382,775)</i>
<i>Less allowance for advances paid</i>	<i>(21,363)</i>	<i>(21,363)</i>
	<b>1,169,681</b>	<b>1,120,623</b>

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

	30 September 2021	31 December 2020
Short-term loans	1,842,189	1,756,036
Interest liabilities	102,709	77,515
Current portion of long-term loans (note 18)	9,581,056	11,585,989
	<b>11,525,954</b>	<b>13,419,540</b>

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

	Nine month period ended 30 September	
	2021	2020
<b>Short-term loans at 1 January</b>	<b>1,756,035</b>	<b>1,594,072</b>
Proceeds	10,808,181	20,246,637
Repayment	(10,722,027)	(20,092,013)
<b>Short-term loans at 30 September</b>	<b>1,842,189</b>	<b>1,748,696</b>

## 15. TRADE AND OTHER PAYABLES

	30 September 2021	31 December 2020
Trade payables	33,147,646	20,843,294
Dividends payable	3,784,224	3,785,017
Other accounts payable	98,712	199,583
	<b>37,030,582</b>	<b>24,827,894</b>

As at 30 September 2021 trade payables amounting to 33,147,646 thousand RSD (31 December 2020: 20,843,294 thousand RSD) mainly relate to payables for crude oil in the amount of 20,612,623 thousand RSD (31 December 2020: 9,413,234 thousand RSD), to the suppliers Gazprom Neft, St Petersburg in the amount of 5,308,423 thousand RSD (31 December 2020: 3,200,890 thousand RSD), Petraco Oil Company LLP, London in the amount of 10,166,435 thousand RSD (31 December 2020: 2,641,621 thousand RSD) and OMW Supply and Trading Ltd in the amount 4,552,499 thousand RSD (31 December 2020: 697,793 thousand RSD).

## 16. OTHER CURRENT LIABILITIES

	30 September 2021	31 December 2020
Contract liabilities arising from contracts with customers:		
- Advances received	2,626,581	4,045,584
- Customer loyalty	722,771	693,356
Payables to employees	2,933,237	3,675,411
Other current non-financial liabilities	18,028	17,455
	<b>6,300,617</b>	<b>8,431,806</b>

As at 30 September 2021 revenue in the amount of 4,239,463 thousand RSD (30 September 2020: 1,829,743 thousand RSD) was recognized in the current reporting period related to the contract liabilities as at 1 January 2021, of which 3,767,610 thousand RSD (30 September 2020: 1,432,819 thousand RSD) related to advances and 471,853 thousand RSD (30 September 2020: 396,924 thousand RSD) to customer loyalty programme.

## 17. OTHER TAXES PAYABLE

	30 September 2021	31 December 2020
Mineral extraction tax	336,710	210,991
VAT	2,152,097	2,011,510
Excise tax	6,159,541	5,379,743
Contribution for buffer stocks	307,493	266,499
Custom duties	4,329	31,517
Energy efficiency fee	34,524	30,687
Other taxes	1,132,680	1,112,307
	<b>10,127,374</b>	<b>9,043,254</b>

**18. LONG-TERM DEBT**

	30 September 2021	31 December 2020
Long-term loan - Gazprom Neft	9,568,797	13,672,117
Bank loans	69,064,764	69,109,853
Less Current portion (note 14)	(9,581,056)	(11,585,989)
	<b>69,052,505</b>	<b>71,195,981</b>

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

	Nine month period ended 30 September	
	2021	2020
<b>Long-term loans at 1 January</b>	<b>82,781,970</b>	<b>88,350,506</b>
Proceeds	13,202,117	6,182,784
Repayment	(17,399,084)	(4,848,028)
Non-cash transactions	59,423	-
Foreign exchange difference (note 22)	(10,865)	(21,830)
<b>Long-term loans at 30 September</b>	<b>78,633,561</b>	<b>89,663,432</b>

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

As at 30 September 2021 long-term loan - Gazprom Neft amounting to 9,568,797 thousand RSD (31 December 2020: 13,672,117 thousand RSD), with current portion of 5,467,884 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*

	30 September 2021	31 December 2020
Domestic	47,124,995	51,785,404
Foreign	21,939,769	17,324,449
	69,064,764	69,109,853
Current portion of long-term loans	(4,113,172)	(6,117,142)
	<b>64,951,592</b>	<b>62,992,711</b>

The maturity of bank loans was as follows:

	30 September 2021	31 December 2020
Between 1 and 2 years	15,626,354	9,920,841
Between 2 and 5 years	47,788,836	41,197,751
Over 5 years	1,536,402	11,874,119
	<b>64,951,592</b>	<b>62,992,711</b>

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

	30 September 2021	31 December 2020
USD	127,174	157,858
EUR	68,781,008	68,740,978
RSD	238	339
JPY	156,344	210,678
	<b>69,064,764</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 30 September 2021 and 31 December 2020, respectively.

## 19. LEASE LIABILITIES

	30 September 2021	31 December 2020
Non-current lease liabilities	970,837	1,037,640
Current lease liabilities	326,446	321,155
	<b>1,297,283</b>	<b>1,358,795</b>

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

	Nine month period ended 30 September	
	2021	2020
<b>As at 1 January</b>	<b>1,358,795</b>	<b>811,424</b>
Repayment	(285,848)	(135,662)
Non-cash transactions	223,163	604,202
Foreign exchange difference (note 22)	1,173	240
<b>As at 30 September</b>	<b>1,297,283</b>	<b>1,280,204</b>

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2021	2020
Interest expense (included in finance cost)	25,844	23,507
Expense relating to short-term leases	59,452	322,472
Expense relating to leases of low value assets that are not shown above as short-term leases	16,555	87,627
Expense relating to variable lease payments not included in lease liabilities	815,303	831,603

## 20. PRODUCTION AND MANUFACTURING EXPENSES

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Employee costs	916,702	910,625	2,829,404	2,743,907
Materials and supplies (other than purchased oil, petroleum products and gas)	199,704	167,760	513,241	415,307
Repair and maintenance services	1,115,415	1,089,648	3,271,548	2,906,914
Electricity for resale	225,760	183,431	1,155,490	295,633
Electricity and utilities	666,819	708,553	1,916,333	1,936,979
Safety and security expense	178,812	92,094	351,578	304,237
Insurance services	87,402	84,026	259,340	243,360
Transportation services for production	422,787	456,187	1,341,774	1,389,358
Other	2,794,576	2,254,480	7,399,987	6,110,450
	<b>6,607,977</b>	<b>5,946,804</b>	<b>19,038,695</b>	<b>16,346,145</b>

**21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Employee costs	2,604,859	2,594,740	8,370,750	7,993,223
Commission and agency fees	878,559	1,021,621	2,887,171	2,105,459
Legal, audit and consulting services	341,269	384,565	898,767	935,285
Current repair cost	221,314	207,315	618,954	564,744
Costs on advertising and marketing	62,608	32,338	174,960	114,708
Rent expense	29,253	76,373	71,946	163,541
Business trips expense	31,261	7,510	71,195	55,665
Safety and security expense	157,768	126,950	419,263	336,261
Insurance expense	19,280	16,179	51,718	48,240
Transportation and storage	38,622	22,898	96,937	88,837
Allowance for doubtful accounts	(317,294)	(15,772)	(382,773)	(112,274)
Other	1,039,416	888,901	2,996,581	3,305,127
	<b>5,106,915</b>	<b>5,363,618</b>	<b>16,275,469</b>	<b>15,598,816</b>

**22. NET FOREIGN EXCHANGE GAIN (LOSS)**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain	245,865	190,757	653,397	1,310,070
- foreign exchange loss	(248,115)	(191,397)	(643,705)	(1,288,480)
Net foreign exchange gain (loss) on operating activities	(370,568)	37,373	(632,272)	(128,194)
	<b>(372,818)</b>	<b>36,733</b>	<b>(622,580)</b>	<b>(106,604)</b>

**23. FINANCE INCOME**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Interest on bank deposits	24,316	22,882	53,230	70,542
Interest income on loans issued	175,414	172,813	518,293	517,961
Dividend income	-	4,274	-	4,274
Gains on restructuring borrowings	19,189	-	80,071	-
	<b>218,919</b>	<b>199,969</b>	<b>651,594</b>	<b>592,777</b>

**24. FINANCE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Interest expense	402,176	428,154	1,173,939	1,424,056
Decommissioning provision: unwinding of the present value discount	20,671	22,362	59,690	66,189
Losses on restructuring of borrowings	18,902	-	59,423	-
Financial assets: unwinding of discount	25,427	(1,274)	(17,278)	(30,804)
Less: interest expense capitalised on qualifying assets	-	(36,646)	-	(107,184)
	<b>467,176</b>	<b>412,596</b>	<b>1,275,774</b>	<b>1,352,257</b>



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Interest expense includes expenses on lease liabilities in amount of 25,844 thousand RSD for the nine months ended 30 September 2021 (23,507 thousand RSD for the nine months ended 30 September 2020, accordingly).

## 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 30 September 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 383,419 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 30 September 2021.

### *Capital commitments*

As of 30 September 2021 the Company has entered into contracts to purchase property, plant and equipment for 1,190,020 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 nine month period ended 30 September 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 30 September 2021 and 31 December 2020 the outstanding balances, net of impairment, with related parties were as follows:

<b>As at 30 September 2021</b>	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries and associates</b>
Short-term financial assets	12,070,206	-	-
Trade and other receivables	5,666,017	-	863,904
Other current assets	2,806	-	5,999
Right of use assets	44,384	-	458
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	18,757,442	-	-
Trade and other payables	(4,232,412)	(5,308,470)	(1,087,565)
Other current liabilities	(16,678)	-	(1,873)
Short-term debt and current portion of long-term debt	(1,843,759)	(5,467,884)	-
Current lease liabilities	(2,303)	-	(142)
Long-term debt	-	(4,100,913)	-
Non-current lease liabilities	(44,570)	-	(248)
	<b>43,826,760</b>	<b>(14,877,267)</b>	<b>819,333</b>

<b>As at 31 December 2020</b>	<b>Subsidiaries</b>	<b>Parent company</b>	<b>Joint ventures, associates and parent's subsidiaries and associates</b>
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)	-	-
	<b>41,910,243</b>	<b>(16,876,316)</b>	<b>1,526,475</b>

For the nine month period ended 30 September 2021 and 30 September 2020 the following transaction occurred with related parties:

Nine month period ended 30 September 2021	Joint ventures, associates and parent's subsidiaries, and associates		
	Subsidiaries	Parent company	
Petroleum products and oil and gas sales	17,013,263	-	19,395,903
Other revenues	819,503	1,455	45,792
Purchases of oil, gas and petroleum products	(280,409)	(18,085,257)	(1,067,302)
Production and manufacturing expenses	(3,351,241)	(49)	(460,024)
Selling, general and administrative expenses	(3,065,422)	118	(7,654)
Transportation expenses	(348)	-	(222)
Depreciation	(2,012)	-	(70)
Other income (expenses), net	(3,164)	7,427	(44)
Finance income	591,622	-	-
Finance expense	(14,943)	(138,514)	(1)
	<b>11,706,849</b>	<b>(18,214,820)</b>	<b>17,906,378</b>

Nine month period ended 30 September 2020	Joint ventures, associates and parent's subsidiaries, and associates		
	Subsidiaries	Parent company	
Petroleum products and oil and gas sales	9,069,244	-	11,804,450
Other revenues	557,931	-	18,683
Purchases of oil, gas and petroleum products	(343,272)	(27,028,061)	(850,203)
Production and manufacturing expenses	(2,687,265)	-	(314,427)
Selling, general and administrative expenses	(2,747,073)	-	(9,222)
Transportation expenses	(925)	-	-
Depreciation	(3,403)	-	(125)
Other income (expenses), net	(17,806)	5,769	(220)
Finance income	510,953	-	-
Finance expense	(19,552)	(236,390)	-
	<b>4,318,832</b>	<b>(27,258,682)</b>	<b>10,648,936</b>

### **Transactions with Key Management Personnel**

For the nine month period ended on 30 September 2021 and 2020 the Company recognized 717,175 thousand RSD and 686,728 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**

On September 9, 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model by which the future partner would acquire a share of no more than 90% of the capital. NIS a.d. submitted an offer within the deadline. The evaluation of the documentation and the offer is in progress, after which the Government of the Republic of Serbia should make a decision. At the date of publication of these financial statements, the procedure is still ongoing.

Subsequent events occurring after 30 September 2021 were evaluated through 27 October 2021, the date these Interim Condensed Financial Statements were authorised for issue.

## Consolidated financial statements

## Statement of Financial Position

Assets	Note	30 September 2021 <i>(unaudited)</i>	31 December 2020
<b>Current assets</b>			
Cash and cash equivalents	5	8,754,640	8,488,302
Short-term financial assets	6	28,275	266,224
Trade and other receivables	7	31,263,570	20,898,742
Inventories	8	45,893,791	27,748,226
Current income tax prepayments		-	1,012,225
Other current assets	9	7,146,292	6,117,761
Non-current assets held for sale		40,667	39,146
<b>Total current assets</b>		<b>93,127,235</b>	<b>64,570,626</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	301,391,455	306,479,078
Right-of-use assets	11	2,513,784	2,660,794
Investment property		1,579,301	1,574,329
Goodwill and other intangible assets		4,421,129	4,485,734
Investments in associates and joint ventures	12	1,674,396	1,747,430
Trade and other non-current receivables		2,821	78,459
Long-term financial assets		263,330	110,571
Deferred tax assets		1,719,069	2,313,438
Other non-current assets	13	1,199,879	1,209,728
<b>Total non-current assets</b>		<b>314,765,164</b>	<b>320,659,561</b>
<b>Total assets</b>		<b>407,892,399</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	9,682,194	11,662,083
Current lease liabilities	19	625,232	610,725
Trade and other payables	15	35,903,160	23,501,690
Other current liabilities	16	7,922,150	9,887,618
Current income tax payable		3,112,536	-
Other taxes payable	17	11,337,719	10,110,787
Provisions for liabilities and charges		1,459,566	2,382,745
<b>Total current liabilities</b>		<b>70,042,557</b>	<b>58,155,648</b>
<b>Non-current liabilities</b>			
Long-term debt	18	69,145,757	71,269,506
Non-current lease liabilities	19	1,627,959	1,868,666
Other non-current financial liabilities		847,232	841,847
Provisions for liabilities and charges		11,040,705	10,332,213
<b>Total non-current liabilities</b>		<b>82,661,653</b>	<b>84,312,232</b>
<b>Equity</b>			
Share capital		81,530,200	81,530,200
Reserves		490,444	383,186
Retained earnings		173,147,867	160,829,243
<b>Equity attributable to the Company's owners</b>		<b>255,168,511</b>	<b>242,742,629</b>
Non-controlling interest		19,678	19,678
<b>Total equity</b>		<b>255,188,189</b>	<b>242,762,307</b>
<b>Total liabilities and shareholder's equity</b>		<b>407,892,399</b>	<b>385,230,187</b>

in 000 RSD

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

	Note	Three month period ended 30 September		Nine month period ended 30 September	
		2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>	2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
Sales of petroleum products, oil and gas		79,580,776	45,741,550	187,450,200	126,182,106
Other revenues		4,924,745	3,635,804	12,764,131	9,138,642
<b>Total revenue from sales</b>	4	<b>84,505,521</b>	<b>49,377,354</b>	<b>200,214,331</b>	<b>135,320,748</b>
Purchases of oil, gas and petroleum products		(53,673,260)	(28,242,260)	(118,686,965)	(86,330,452)
Production and manufacturing expenses	20	(7,201,000)	(6,437,662)	(19,909,028)	(17,092,112)
Selling, general and administrative expenses	21	(5,729,530)	(5,581,614)	(17,944,040)	(17,310,533)
Transportation expenses		(370,155)	(279,524)	(967,093)	(791,831)
Depreciation, depletion and amortization		(6,255,513)	(5,610,529)	(18,752,682)	(16,735,220)
Taxes other than income tax		(1,567,349)	(1,316,901)	(4,540,314)	(4,027,335)
Exploration expenses		(4,413)	-	(11,001)	(3,579)
<b>Total operating expenses</b>		<b>(74,801,220)</b>	<b>(47,468,490)</b>	<b>(180,811,123)</b>	<b>(142,291,062)</b>
Other income (expenses), net		(27,354)	413,719	(40,698)	15,108
<b>Operating profit (loss)</b>		<b>9,676,947</b>	<b>2,322,583</b>	<b>19,362,510</b>	<b>(6,955,206)</b>
Share of gain (loss) of associates and joint ventures		13,857	(20,572)	(73,034)	(63,189)
Net foreign exchange (loss)	22	(455,511)	(74,153)	(924,329)	(455,882)
Finance income	23	27,325	30,346	62,800	93,527
Finance expenses	24	(495,506)	(438,911)	(1,359,588)	(1,427,155)
<b>Total other expense</b>		<b>(909,835)</b>	<b>(503,290)</b>	<b>(2,294,151)</b>	<b>(1,852,699)</b>
<b>Profit (loss) before income tax</b>		<b>8,767,112</b>	<b>1,819,293</b>	<b>17,068,359</b>	<b>(8,807,905)</b>
Current income tax (expense) income		(1,450,150)	(16,169)	(3,154,913)	(67,539)
Deferred tax income (expense)		(72,905)	141,450	(594,087)	571,447
<b>Total income tax</b>		<b>(1,523,055)</b>	<b>125,281</b>	<b>(3,749,000)</b>	<b>503,908</b>
<b>Profit (loss) for the period</b>		<b>7,244,057</b>	<b>1,944,574</b>	<b>13,319,359</b>	<b>(8,303,997)</b>
<b>Other comprehensive income (loss):</b>					
<b>Items that will not be reclassified to profit (loss)</b>					
Gains (loss) from investments in equity instruments		(571)	916	840	(259)
<b>Items that may be subsequently reclassified to profit (loss)</b>					
Currency translation differences		29,170	35,671	106,874	112,328
<b>Other comprehensive income (loss) for the period</b>		<b>28,599</b>	<b>36,587</b>	<b>107,714</b>	<b>112,069</b>
<b>Total comprehensive income (loss) for the period</b>		<b>7,272,656</b>	<b>1,981,161</b>	<b>13,427,073</b>	<b>(8,191,928)</b>
<b>Profit (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		7,244,057	1,944,574	13,319,359	(8,303,997)
- Non-controlling interest		-	-	-	-
<b>Profit (loss) for the period</b>		<b>7,244,057</b>	<b>1,944,574</b>	<b>13,319,359</b>	<b>(8,303,997)</b>
<b>Total comprehensive income (loss) attributable to:</b>					
- Shareholders of Naftna Industrija Srbije		7,272,656	1,981,161	13,427,073	(8,191,928)
- Non-controlling interest		-	-	-	-
<b>Total comprehensive income (loss) for the period</b>		<b>7,272,656</b>	<b>1,981,161</b>	<b>13,427,073</b>	<b>(8,191,928)</b>
Earnings (loss) per share attributable to shareholders of Naftna Industrija Srbije					
Basic earnings (RSD per share)		44.43	11.93	81.68	(50.93)
Weighted average number of ordinary shares in issue (in millions)		163	163	163	163

In 000 RSD

## Consolidated Statement of Changes in Shareholders' Equity

<i>(unaudited)</i>	Equity attributable to the Company's owners					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
<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>	<b>(260,911)</b>	<b>254,694,792</b>
Profit (loss) for the period	-	-	(8,303,997)	(8,303,997)	-	(8,303,997)
<b>Other comprehensive income (loss)</b>						
Loss from investments in equity instruments	-	(259)	-	(259)	-	(259)
Currency translation differences	-	112,328	-	112,328	-	112,328
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>112,069</b>	<b>(8,303,997)</b>	<b>(8,191,928)</b>	<b>-</b>	<b>(8,191,928)</b>
New investments in shares	-	-	(280,589)	(280,589)	280,589	-
Dividend distribution	-	-	(4,425,459)	(4,425,459)	-	(4,425,459)
<b>Total transaction with owners, recorded in equity</b>	<b>-</b>	<b>-</b>	<b>(4,706,048)</b>	<b>(4,706,048)</b>	<b>280,589</b>	<b>(4,425,459)</b>
<b>Balance as at 30 September 2020</b>	<b>81,530,200</b>	<b>383,683</b>	<b>160,143,844</b>	<b>242,057,727</b>	<b>19,678</b>	<b>242,077,405</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>	<b>19,678</b>	<b>242,762,307</b>
Profit (loss) for the period	-	-	13,319,359	13,319,359	-	13,319,359
<b>Other comprehensive income (loss)</b>						
Gain from investments in equity instruments	-	840	-	840	-	840
Currency translation differences	-	106,874	-	106,874	-	106,874
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>107,714</b>	<b>13,319,359</b>	<b>13,427,073</b>	<b>-</b>	<b>13,427,073</b>
Dividend distribution	-	-	(1,001,191)	(1,001,191)	-	(1,001,191)
Other	-	(456)	456	-	-	-
<b>Total transaction with owners, recorded in equity</b>	<b>-</b>	<b>(456)</b>	<b>(1,000,735)</b>	<b>(1,001,191)</b>	<b>-</b>	<b>(1,001,191)</b>
<b>Balance as at 30 September 2021</b>	<b>81,530,200</b>	<b>490,444</b>	<b>173,147,867</b>	<b>255,168,511</b>	<b>19,678</b>	<b>255,188,189</b>

Statement of Cash Flows<sup>66</sup>

	Note	Nine month period ended 30 September	
		2021 (unaudited)	2020 (unaudited)
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		<b>17,068,359</b>	<b>(8,807,905)</b>
<b>Adjustments for:</b>			
Share of loss of associates and joint ventures		73,034	63,189
Finance expenses	24	1,359,588	1,427,155
Finance income	23	(62,800)	(93,527)
Net unrealised foreign exchange loss (gain), net		(262,308)	90,306
Depreciation, depletion and amortization		18,752,682	16,735,220
Other non-cash items		172,094	(186,414)
<b>Operating cash flow before changes in working capital</b>		<b>37,100,649</b>	<b>9,228,024</b>
<b>Changes in working capital:</b>			
Accounts receivable		(10,002,900)	4,582,630
Inventories		(18,129,580)	19,647,716
Other assets		(883,979)	(696,780)
Accounts payables and other current liabilities		11,088,584	(13,591,691)
Taxes payable		2,450,720	2,955,860
<b>Total effect on working capital changes</b>		<b>(15,477,155)</b>	<b>12,897,735</b>
Income taxes paid		(257,719)	(1,309,039)
Interest paid		(1,059,838)	(1,258,144)
Interest received		60,954	79,895
<b>Net cash generated from operating activities</b>		<b>20,366,891</b>	<b>19,638,471</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of subsidiaries		-	(41)
Capital expenditures <sup>67</sup>		(14,698,692)	(23,224,435)
Proceeds from sale of property, plant and equipment		292,606	423,074
Bank deposits repayment, net		76,231	1,661,911
Dividends received		-	4,274
Other outflow		(76,422)	(17,643)
<b>Net cash used in investing activities</b>		<b>(14,406,277)</b>	<b>(21,152,860)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	14,18	13,702,117	17,682,783
Repayment of borrowings	14,18	(17,899,082)	(16,348,028)
Repayment of lease liabilities	19	(522,946)	(342,244)
Dividends paid		(1,001,191)	-
<b>Net cash (used in) generated from financing activities</b>		<b>(5,721,102)</b>	<b>992,511</b>
Net increase/(decrease) in cash and cash equivalents		239,512	(521,878)
Effect of foreign exchange on cash and cash equivalents		26,826	66,288
<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>8,754,640</b>	<b>14,840,220</b>

in 000 RSD

<sup>66</sup> Group policy is to present cash flow inclusive of related VAT.<sup>67</sup> CF from investing activities includes VAT in the amount of 1,7 bln RSD (2020: 1,7 bln RSD)

## Notes to the Financial Statements<sup>68</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

#### 2.1. 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 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 half of 2021, the specified macroeconomic factors did not result in change of these estimates by the Group.

The results in these Condensed Interim Consolidated Financial Statements for the three and nine months ended 30 September 2021 are not necessarily indicative of the Group’s results expected for the full year. The Group as a whole is not subject to significant seasonal fluctuations.

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<sup>68</sup> All amounts are in 000 RSD, unless otherwise stated



## 2.2. 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);
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 (issued in March 2021 and effective for annual periods on or after 1 April 2021).

### 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);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

## 4. SEGMENT INFORMATION

Presented below is information about the Group’s operating segments for the nine month periods ended 30 September 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 nine month period ended 30 September 2021 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	32,549,594	198,667,202	(31,002,465)	200,214,331
Intersegment	30,632,140	370,325	(31,002,465)	-
External	1,917,454	198,296,877	-	200,214,331
<b>EBITDA (Segment results)</b>	<b>22,328,259</b>	<b>15,898,848</b>	<b>-</b>	<b>38,227,107</b>
Depreciation, depletion and amortization	(10,238,235)	(8,514,447)	-	(18,752,682)
Share of loss of associates and joint ventures	-	(73,034)	-	(73,034)
Net foreign exchange loss	(214,438)	(709,891)	-	(924,329)
Finance expenses, net	(242,211)	(1,054,577)	-	(1,296,788)
Income tax	(214,390)	(3,534,610)	-	(3,749,000)
<b>Segment profit</b>	<b>11,399,901</b>	<b>1,919,458</b>	<b>-</b>	<b>13,319,359</b>

Reportable segment results for the nine month period ended 30 September 2020 are shown in the table below:

	Upstream	Downstream	Eliminations	Total
Segment revenue	23,042,505	135,140,649	(22,862,406)	135,320,748
Intersegment	22,410,084	452,322	(22,862,406)	-
External	632,421	134,688,327	-	135,320,748
<b>EBITDA (Segment results)</b>	<b>12,649,336</b>	<b>(2,299,203)</b>	<b>-</b>	<b>10,350,133</b>
Depreciation, depletion and amortization	(9,230,101)	(7,505,119)	-	(16,735,220)
Share of loss of associates and joint ventures	-	(63,189)	-	(63,189)
Net foreign exchange loss	(225,787)	(230,095)	-	(455,882)
Finance expenses, net	(74,814)	(1,258,814)	-	(1,333,628)
Income tax	(63,057)	566,965	-	503,908
<b>Segment profit (loss)</b>	<b>2,663,555</b>	<b>(10,967,552)</b>	<b>-</b>	<b>(8,303,997)</b>

EBITDA for the three and nine month period ended 30 September 2021 and 2020 is reconciled below:

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Profit (loss) for the period	7,244,057	1,944,574	13,319,359	(8,303,997)
Income tax	1,523,055	(125,281)	3,749,000	(503,908)
Finance expenses	495,506	438,911	1,359,588	1,427,155
Finance income	(27,325)	(30,346)	(62,800)	(93,527)
Depreciation, depletion and amortization	6,255,513	5,610,529	18,752,682	16,735,220
Share of loss (gain) of associates and joint ventures	(13,857)	20,572	73,034	63,189
Net foreign exchange loss	455,511	74,153	924,329	455,882
Other expense (income), net	27,354	(413,719)	40,698	(15,108)
Other non-operating expense, net	45,734	515,965	71,217	585,227
<b>EBITDA</b>	<b>16,005,548</b>	<b>8,035,358</b>	<b>38,227,107</b>	<b>10,350,133</b>

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

	Nine month period ended 30 September 2021		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	1,212,510	1,212,510
Sale of gas	225,472	-	225,472
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	225,472	-	225,472
Sale of petroleum products	135,229,021	50,783,197	186,012,218
<i>Through a retail network</i>	47,741,008	11,456,819	59,197,827
<i>Wholesale activities</i>	87,488,013	39,326,378	126,814,391
Sale of electricity	1,298,061	465,243	1,763,304
Lease revenue	225,976	14,517	240,493
Other sales	7,811,870	2,948,464	10,760,334
<b>Total sales</b>	<b>144,790,400</b>	<b>55,423,931</b>	<b>200,214,331</b>

	Nine month period ended 30 September 2020		
	Domestic market	Export and international sales	Total
Sale of crude oil	-	445,567	445,567
Sale of gas	311,257	-	311,257
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	311,257	-	311,257
Sale of petroleum products	93,123,225	32,302,057	125,425,282
<i>Through a retail network</i>	36,781,829	8,309,629	45,091,458
<i>Wholesale activities</i>	56,341,396	23,992,428	80,333,824
Sale of electricity	603,673	186,222	789,895
Lease revenue	220,814	7,145	227,959
Other sales	6,005,725	2,115,063	8,120,788
<b>Total sales</b>	<b>100,264,694</b>	<b>35,056,054</b>	<b>135,320,748</b>

Out of the amount of 126,814,391 thousand RSD (2020: 80,333,824 thousand RSD) revenue from sale of petroleum products (wholesale), the amount of 18,524,299 thousand RSD (2020: 11,570,590 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 8,128,620 thousand RSD (2020: 6,461,800 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 144,790,400 thousand RSD (2020: 100,264,694 thousand RSD), and the total revenue from external customer from other countries is 55,423,931 thousand RSD (2020: 35,056,054 thousand RSD).

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

	Nine month period ended 30 September	
	2021	2020
Sale of crude oil	1,212,510	445,567
Sale of petroleum products (retail and wholesale)		
Bulgaria	9,454,340	7,783,449
Bosnia and Herzegovina	17,534,553	9,792,474
Romania	11,671,314	8,279,592
Switzerland	1,381,466	441,009
Croatia	1,845,548	1,235,983
Northern Macedonia	412,734	596,691
Hungary	577,509	595,251
Great Britain	3,138,391	578,586
Germany	933,433	720,351
All other markets	3,833,909	2,278,671
	50,783,197	32,302,057
Sale of electricity	465,243	186,222
Lease revenue	14,517	7,145
Other sales	2,948,464	2,115,063
	<b>55,423,931</b>	<b>35,056,054</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:

	30 September 2021	31 December 2020
Serbia	283,366,399	288,696,880
Romania	12,730,423	12,430,336
Bosnia and Herzegovina	7,624,030	7,649,494
Bulgaria	6,184,817	6,423,225
	<b>309,905,669</b>	<b>315,199,935</b>

## 5. CASH AND CASH EQUIVALENTS

	30 September 2021	31 December 2020
Cash in bank and in hand	6,623,308	5,576,619
Deposits with original maturity of less than three months	1,877,027	2,643,210
Cash held on escrow account	254	8,329
Cash equivalents	254,051	260,144
	<b>8,754,640</b>	<b>8,488,302</b>

## 6. SHORT-TERM FINANCIAL ASSETS

	30 September 2021	31 December 2020
Short-term loans	2,019	2,019
Deposits with original maturity more than 3 months less than 1 year	28,275	266,224
Less impairment loss provision	(2,019)	(2,019)
	<b>28,275</b>	<b>266,224</b>

As at 30 September 2021 deposits with original maturity more than 3 months less than 1 year amounting to 28,275 thousand RSD (31 December 2020: 266,224 thousand RSD) relates to bank deposits placements with interest rates to 2.40% p.a. denominated in RSD (31 December 2020: 0.50% to 2.80% p.a. denominated in RSD and EUR ).

## 7. TRADE AND OTHER RECEIVABLES

	30 September 2021	31 December 2020
Trade receivables	39,703,544	29,709,881
Other receivables	89,875	91,781
Accrued assets	-	55,204
<i>Less credit loss allowance for trade receivables</i>	(8,488,903)	(8,912,085)
<i>Less credit loss allowance for other receivables</i>	(40,946)	(46,039)
<b>Total trade and other receivables</b>	<b>31,263,570</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:

	30 September 2021	31 December 2020
RSD	26,454,010	18,381,025
EUR	2,019,578	833,832
USD	179,519	245,377
Other	2,610,463	1,438,508
	<b>31,263,570</b>	<b>20,898,742</b>

## 8. INVENTORIES

	30 September 2021	31 December 2020
Crude oil	26,602,109	14,118,415
Petroleum products	16,956,097	11,279,391
Materials and supplies	5,870,349	5,904,420
Other	1,150,063	1,203,773
<i>Less impairment provision</i>	(4,684,827)	(4,757,773)
	<b>45,893,791</b>	<b>27,748,226</b>

## 9. OTHER CURRENT ASSETS

	30 September 2021	31 December 2020
Advances paid	585,649	515,693
VAT receivables	196,527	117,430
Deferred VAT	2,975,936	2,111,479
Prepaid expenses	525,447	248,940
Prepaid custom duties	68,256	77,694
Prepaid excise	1,892,903	2,271,345
Other current assets	8,474,875	8,344,888
Less impairment provision	(7,573,301)	(7,569,708)
	<b>7,146,292</b>	<b>6,117,761</b>

Deferred VAT as at 30 September 2021 amounting to 2,975,936 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 30 September 2021 amounting to 1,892,903 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 30 September 2020</b>						
Additions	-	-	-	-	18,244,365	18,244,365
Changes in decommissioning obligations	223,136	-	-	-	-	223,136
Transfer from assets under construction	12,492,045	2,890,972	2,974,494	283,004	(18,640,515)	-
Impairment	-	-	(48,805)	-	(31,304)	(80,109)
Depreciation	(8,955,652)	(4,537,136)	(1,864,093)	(539,414)	(3,542)	(15,899,837)
Disposals and write-off	(43,327)	(12,041)	(95,510)	(8,225)	(44,052)	(203,155)
Other transfers	(106,290)	(272,229)	4,383	205,514	82,159	(86,463)
Translation differences	(35)	-	(51,126)	4	(165,351)	(216,508)
	<b>130,244,789</b>	<b>65,443,161</b>	<b>36,721,722</b>	<b>9,025,643</b>	<b>66,480,681</b>	<b>307,915,996</b>
<b>As at 30 September 2020</b>						
Cost	197,684,876	121,472,490	72,594,795	19,544,986	68,549,686	479,846,833
Depreciation and impairment	(67,440,087)	(56,029,329)	(35,873,073)	(10,519,343)	(2,069,005)	(171,930,837)
<b>Net book value</b>	<b>130,244,789</b>	<b>65,443,161</b>	<b>36,721,722</b>	<b>9,025,643</b>	<b>66,480,681</b>	<b>307,915,996</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 30 September 2021</b>						
Additions	-	-	-	-	13,185,111	13,185,111
Changes in decommissioning obligations	279,807	-	-	-	-	279,807
Transfer from assets under construction	14,950,596	1,562,624	1,089,936	128,062	(17,731,218)	-
Impairment	-	-	-	-	(11,874)	(11,874)
Depreciation	(9,658,892)	(5,921,774)	(1,749,506)	(500,929)	(3,523)	(17,834,624)
Disposals and write-off	(26,163)	(17,306)	(100,329)	42	(12,952)	(156,708)
Transfer to right of use assets	-	-	(153,427)	-	-	(153,427)
Other transfers	(2,913)	496,291	(471,889)	(38,186)	(184,953)	(201,650)
Translation differences	(23,394)	(1)	(43,352)	(1)	(127,510)	(194,258)
	<b>136,230,537</b>	<b>99,220,101</b>	<b>34,921,115</b>	<b>8,487,457</b>	<b>22,532,245</b>	<b>301,391,455</b>
<b>As at 30 September 2021</b>						
Cost	216,218,419	163,300,268	72,092,380	19,293,886	25,101,262	496,006,215
Depreciation and impairment	(79,987,882)	(64,080,167)	(37,171,265)	(10,806,429)	(2,569,017)	(194,614,760)
<b>Net book value</b>	<b>136,230,537</b>	<b>99,220,101</b>	<b>34,921,115</b>	<b>8,487,457</b>	<b>22,532,245</b>	<b>301,391,455</b>

## 11. RIGHT-OF-USE ASSETS

Movements in right-of-use assets for the nine months ended 30 September 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	511,897	-	603,820	1,123,226
Depreciation of right-of-use assets	(1,877)	(187,809)	(38,934)	(142,851)	(371,471)
Disposals	-	(41,300)	-	(6,416)	(47,716)
Effect of contract modifications and changes in estimates	-	(5,170)	-	-	(5,170)
Foreign currency translation	(185)	(173)	(5,945)	(32)	(6,335)
<b>As at 30 September 2020</b>	<b>154,123</b>	<b>1,300,644</b>	<b>393,616</b>	<b>717,950</b>	<b>2,566,333</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	-	287,007	23,661	12,052	322,720
Depreciation of right-of-use assets	(7,216)	(211,400)	(103,018)	(196,917)	(518,551)
Transfer from PPE	-	153,427	-	-	153,427
Disposals	-	-	-	(5,497)	(5,497)
Effect of contract modifications and changes in estimates	-	(16,256)	(78,457)	-	(94,713)
Foreign currency translation	(2,166)	(784)	(1,397)	(49)	(4,396)
<b>As at 30 September 2021</b>	<b>134,350</b>	<b>1,511,964</b>	<b>179,113</b>	<b>688,357</b>	<b>2,513,784</b>

## 12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying values of the investments in associates and joint ventures as of 30 September 2021 and 31 December 2020 are summarised below:

		Ownership percentage	30 September 2021	31 December 2020
NIS MET Energowind d.o.o. Beograd	Joint venture	50%	894,630	915,921
Gazprom Energoholding Serbia d.o.o. Novi Sad	Joint venture	49%	779,766	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>1,674,396</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 mIn EUR) with the loan tenor of 12 years and corporate loan from CEH in amount of 41 mIn 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 30 September 2021 and 31 December 2020 and for the nine month period ended 30 September 2021 and 30 September 2020 is presented in the table below:

	<b>NIS MET Energowind</b>	<b>Gazprom Energoholding Serbia</b>
<b>30 September 2021</b>		
Current assets	131,837	1,649,300
Non-current assets	3,167,403	18,728,508
Current liabilities	(1,094,739)	(269,237)
Non-current liabilities	-	(18,526,468)
<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)

	<b>NIS MET Energowind</b>	<b>Gazprom Energoholding Serbia</b>
<b>30 September 2021</b>		
Other income	4,321	73,819
Loss for the year	(42,582)	(105,597)
<b>30 September 2020</b>		
Other income	2,822	15,140
Loss for the year	(44,342)	(83,710)

**13. OTHER NON-CURRENT ASSETS**

	30 September 2021	31 December 2020
Advances paid for PPE	402,792	365,823
Prepaid expenses	108,738	126,564
Other assets	1,101,237	1,126,857
<i>Less allowance of other assets</i>	(386,148)	(382,775)
<i>Less allowance for advances paid</i>	(26,740)	(26,741)
	<b>1,199,879</b>	<b>1,209,728</b>

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

	30 September 2021	31 December 2020
Interest liabilities	101,138	76,094
Current portion of long-term loans (note 18)	9,581,056	11,585,989
	<b>9,682,194</b>	<b>11,662,083</b>

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

	Nine month period ended 30 September	
	2021	2020
<b>Short-term loans at 1 January</b>	-	-
Proceeds	500,000	11,500,000
Repayment	(500,000)	(11,500,000)
<b>Short-term loans at 30 September</b>	-	-

**15. TRADE AND OTHER PAYABLES**

	30 September 2021	31 December 2020
Trade payables	31,994,139	19,497,552
Dividends payable	3,784,224	3,785,017
Other accounts payable	124,797	219,121
	<b>35,903,160</b>	<b>23,501,690</b>

As at 30 September 2021 trade payables amounting to 31,994,139 thousand RSD (31 December 2020: 19,497,552 thousand RSD) mainly relate to payables for crude oil in the amount of 20,553,986 thousand RSD to the suppliers Gazprom Neft in the amount 5,308,423 thousand RSD (31 December 2020 3,200,890 thousand RSD) and Petraco Oil Company LLP, London in the amount 10,166,435 thousand RSD (31 December 2020 2,641,621 thousand RSD) and OMW Supply and Trading Ltd in the amount 4,552,499 thousand RSD (31 December 697,793 thousand RSD).

**16. OTHER CURRENT LIABILITIES**

	30 September 2021	31 December 2020
Contract liabilities arising from contracts with customers:		
- Advances received	2,781,116	4,164,685
- Customer loyalty	840,176	770,993
Payables to employees	4,280,881	4,933,413
Other current non-financial liabilities	19,977	18,527
	<b>7,922,150</b>	<b>9,887,618</b>

Revenue in the amount of 4,225,505 thousand RSD was recognized in the current reporting period (30 September 2020: 2,069,935 thousand RSD) related to the contract liabilities as at 1 January 2020, of which of 3,753,652 thousand RSD (30 September 2020: 1,673,011 thousand RSD) related to advances and 471,853 thousand RSD (30 September 2020: and 396,924 thousand RSD) to customer loyalty programme.

#### 17. OTHER TAXES PAYABLE

	30 September 2021	31 December 2020
Mineral extraction tax	347,139	214,971
VAT	2,414,046	2,333,069
Excise tax	6,600,301	5,713,647
Contribution for buffer stocks	307,493	266,499
Custom duties	26,411	63,541
Energy efficiency fee	34,524	30,687
Other taxes	1,607,805	1,488,373
	<b>11,337,719</b>	<b>10,110,787</b>

#### 18. LONG-TERM DEBT

	30 September 2021	31 December 2020
Long-term loan - Gazprom Neft	9,568,797	13,672,117
Bank loans	69,064,753	69,109,887
Other long-term borrowings	93,263	73,491
Less Current portion (note 14)	(9,581,056)	(11,585,989)
	<b>69,145,757</b>	<b>71,269,506</b>

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

	Nine month period ended 30 September	
	2021	2020
<b>Long-term loans at 1 January</b>	<b>82,782,004</b>	<b>89,044,212</b>
Proceeds	13,202,117	6,182,783
Repayment	(17,399,082)	(4,848,028)
Non-cash transactions	59,276	(693,252)
Foreign exchange difference (note 22)	(10,765)	(22,277)
<b>Long-term loans at 30 September</b>	<b>78,633,550</b>	<b>89,663,438</b>

#### (c) Long-term loan - Gazprom Neft

As at 30 September 2021 long-term loan - Gazprom Neft amounting to 9,568,797 thousand RSD (31 December 2020: 13,672,117 thousand RSD), with current portion of 5,467,884 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.

#### (d) Bank loans

	30 September 2021	31 December 2020
Domestic	47,124,984	51,785,438
Foreign	21,939,769	17,324,449
	69,064,753	69,109,887
Current portion of long-term loans	(4,113,172)	(6,117,142)
	<b>64,951,581</b>	<b>62,992,745</b>

The maturity of bank loans was as follows:

	30 September 2021	31 December 2020
Between 1 and 2 years	15,626,350	9,920,841
Between 2 and 5 years	47,788,825	41,197,751
Over 5 years	1,536,406	11,874,153
	<b>64,951,581</b>	<b>62,992,745</b>

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

	30 September 2021	31 December 2020
USD	127,174	157,858
EUR	68,780,993	68,740,978
RSD	242	373
JPY	156,344	210,678
	<b>69,064,753</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 30 September 2021 and 31 December 2020, respectively.

## 19. LEASE LIABILITIES

	30 September 2021	31 December 2020
Non-current lease liabilities	1,627,959	1,868,666
Current lease liabilities	625,232	610,725
	<b>2,253,191</b>	<b>2,479,391</b>

Amounts recognized in profit and loss:

	Nine month period ended 30 September	
	2021	2020
Interest expense (included in finance cost)	68,656	62,931
Expense relating to short-term leases	402,370	706,753
Expense relating to leases of low value assets that are not shown above as short-term leases	41,205	142,089
Expense relating to variable lease payments not included in lease liabilities	1,186,387	1,204,262

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

	Nine month period ended 30 September	
	2021	2020
As at 1 January	2,479,391	1,703,441
Repayment	(522,946)	(342,244)
Non-cash transactions	295,434	1,038,388
Foreign exchange difference (note 22)	1,312	(9,523)
<b>As at 30 September</b>	<b>2,253,191</b>	<b>2,390,062</b>

**20. PRODUCTION AND MANUFACTURING EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Employee costs	2,183,483	2,107,619	6,618,757	6,229,645
Materials and supplies (other than oil and gas and petroleum products)	498,809	376,363	1,367,732	1,214,765
Repair and maintenance services	760,692	829,405	2,203,469	2,423,112
Electricity for resale	293,852	195,789	1,292,045	312,030
Electricity and utilities	929,085	895,169	2,724,324	2,667,721
Safety and security expense	178,567	92,177	351,629	304,342
Insurance services	87,481	84,284	259,482	243,618
Transportation services for production	294,500	339,634	966,155	1,105,518
Other	1,974,531	1,517,222	4,125,435	2,591,361
	<b>7,201,000</b>	<b>6,437,662</b>	<b>19,909,028</b>	<b>17,092,112</b>

**21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Employee costs	3,801,085	3,699,426	12,171,332	11,037,918
Commission and agency fees	217,040	218,524	609,446	642,901
Legal, audit and consulting services	209,473	161,651	486,904	578,060
Current repair cost	235,439	218,704	647,071	612,132
Costs on advertising and marketing	80,119	40,852	206,063	131,297
Rent expense	39,602	84,535	121,938	193,517
Business trips expense	35,294	10,023	80,984	64,058
Safety and security expense	170,155	143,217	463,581	388,908
Insurance expense	23,559	20,542	61,874	57,739
Transportation and storage	52,298	21,928	128,468	93,725
Allowance for doubtful accounts	(314,887)	(16,101)	(383,726)	(113,925)
Other	1,180,353	978,313	3,350,105	3,624,203
	<b>5,729,530</b>	<b>5,581,614</b>	<b>17,944,040</b>	<b>17,310,533</b>

**22. NET FOREIGN EXCHANGE GAIN (LOSS)**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Foreign exchange gain (loss) on financing activities including:				
- foreign exchange gain (note 18 and 19)	250,669	329,323	725,630	1,479,398
- foreign exchange loss (note 18 and 19)	(253,617)	(315,961)	(716,177)	(1,447,598)
Net foreign exchange gain (loss) on operating activities	(452,563)	(87,515)	(933,782)	(487,682)
	<b>(455,511)</b>	<b>(74,153)</b>	<b>(924,329)</b>	<b>(455,882)</b>

**23. FINANCE INCOME**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Interest on bank deposits	25,056	23,965	56,059	82,245
Interest income on loans issued	2,269	2,107	6,741	7,008
Dividend income	-	4,274	-	4,274
	<b>27,325</b>	<b>30,346</b>	<b>62,800</b>	<b>93,527</b>

**24. FINANCE EXPENSES**

	Three month period ended 30 September		Nine month period ended 30 September	
	2021	2020	2021	2020
Interest expense	429,963	454,469	1,256,667	1,500,327
Losses on restructuring of borrowings	18,902	-	59,423	-
Decommissioning provision: unwinding of the present value discount	21,214	22,362	60,776	66,189
Financial assets: unwinding of discount	25,427	(1,274)	(17,278)	(30,804)
Less: interest expense capitalised on qualifying assets	-	(36,646)	-	(108,557)
	<b>495,506</b>	<b>438,911</b>	<b>1,359,588</b>	<b>1,427,155</b>

Interest expense includes expenses on lease liabilities in the amount of 68,656 thousand RSD for the nine month period ended 30 September 2021 (62,931 thousand RSD for the nine month period ended 30 September 2020 accordingly).

**25. 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 30 September 2021 the carrying value of financial assets approximates their fair value.

**26. 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 30 September 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 403,691 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 30 September 2021 the Group has entered into contracts to purchase property, plant and equipment 1,184,798 thousand RSD (31 December 2020: 1,531,697 thousand RSD) and drilling and exploration works estimated to 59,85 USD million (31 December 2020: 57.89 USD million).

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

## **27. 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. PJSC Gazprom, owns 95.7% of the shares in the Gazprom Neft. The Russian Federation is the ultimate controlling party.

In the nine month period ended 30 September 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 30 September 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 30 September 2021</b>			
Trade and other receivables	-	254,549	698,407
Investments in joint venture and associates	-	-	1,674,396
Other current assets	-	5,999	540,384
Right of use assets	-	458	-
Trade and other payables	(5,308,470)	(190,860)	(910,418)
Other current liabilities	-	(20)	(1,853)
Short-term debt and current portion of long-term debt	(5,467,884)	-	-
Current lease liabilities	-	(142)	-
Long-term debt	(4,100,913)	-	-
Non-current lease liabilities	-	(248)	-
	<b>(14,877,267)</b>	<b>69,736</b>	<b>2,000,916</b>

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
<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 nine month period ended 30 September 2021 and 2020 the following transaction occurred with related parties:

	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
<b>Nine month period ended 30 September 2021</b>			
Petroleum products and oil and gas sales	-	868,184	18,527,719
Other revenues	1,455	161,168	29,135
Purchases of oil, gas and petroleum products	(18,085,257)	(1,067,302)	-
Production and manufacturing expenses	(49)	(367,017)	(156,390)
Depreciation, depletion and amortization	-	(70)	-
Transportation expenses	-	-	(222)
Selling, general and administrative expenses	-	(6,399)	(1,255)
Other income (expenses), net	7,427	-	(44)
Finance expense	(138,514)	(1)	-
	<b>(18,214,938)</b>	<b>(411,437)</b>	<b>18,398,943</b>
<b>Nine month period ended 30 September 2020</b>			
Petroleum products and oil and gas sales	-	232,836	11,571,614
Other revenues	-	65,594	29,744
Purchases of oil, gas and petroleum products	(27,028,061)	(849,517)	-
Production and manufacturing expenses	-	(192,939)	(140,088)



Selling, general and administrative expenses	-	(7,603)	(1,619)
Depreciation, depletion and amortization	-	(125)	-
Other income (expenses), net	5,769	(220)	-
Finance expense	(236,390)	(1)	-
	<b>(27,258,682)</b>	<b>(751,975)</b>	<b>11,459,651</b>

***Transactions with Key Management Personnel***

For the nine month period ended on 30 September 2021 and 2020 the Group recognized 717,175 thousand RSD and 686,728 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**

On September 9, 2021, the Ministry of Economy of the Republic of Serbia opened a public invitation for the privatization of the joint stock company HIP Petrohemija with a strategic partnership model by which the future partner would acquire a share of no more than 90% of the capital. NIS a.d. submitted an offer within the deadline. The evaluation of the documentation and the offer is in progress, after which the Government of the Republic of Serbia should make a decision. At the date of publication of these financial statements, the procedure is still ongoing.

Subsequent events occurring after 30 September 2021 were evaluated through 27 October 2021, the date these Interim Condensed Consolidated Financial Statements were authorised for issue.

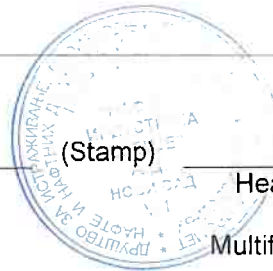
## Statement of individuals responsible for the preparation of financial statements

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.

Anton Cherepanov



Deputy General Director,  
Head of Function for Finance,  
Economics, Planning and Accounting  
NIS j.s.c. Novi Sad



Branko Mitrović



Head of Accounting and Financial  
Services  
Multifunctional Shared Service Center  
NIS j.s.c. Novi Sad

## 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 Ilc	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
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operational Expenditure
PJSC	Public Joint Stock Company

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

## Contacts

### **NIS j.s.c. Novi Sad**

E-mail: [office@nis.eu](mailto:office@nis.eu)

12, Narodnog fronta St.  
21000 Novi Sad, Serbia  
(+381 21) 481 1111

1, Milentija Popovića St.  
11000 Belgrade, Serbia  
(+381 11) 311 3311

### **Investor Relations Services**

E-mail: [Investor.Relations@nis.eu](mailto:Investor.Relations@nis.eu)

12, Narodnog fronta St.  
21000 Novi Sad, Serbia

### **Sector for Minority Shareholders Affairs**

E-mail: [servis.akcionara@nis.eu](mailto:servis.akcionara@nis.eu)

12, Narodnog fronta St.  
21000 Novi Sad, Serbia  
Info Service: (+381 11) 22 000 55

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.