



Naftna industrija Srbije A.D.

Interim Condensed Financial Statements (Unaudited)

31 March 2021

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

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Interim Condensed Statement of Financial Position
(All amounts are in 000 RSD, unless otherwise stated)

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

Kirill Tyurdenev
 Chief Executive Officer
 26 April 2021

Anton Cherepanov
 Chief Financial Officer

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

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Interim Condensed Statement of Profit and Loss and Other Comprehensive Income

(All amounts are in 000 RSD, unless otherwise stated)

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

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

NIS a.d.**Interim Condensed Statement of Changes in Shareholders' Equity**

Three month period ended 31 March 2021 and 2020

*(All amounts are in 000 RSD, unless otherwise stated)**(unaudited)***Balance as at 1 January 2020**

Loss for the period

Other comprehensive income (loss)

Loss from investments in equity instruments

Total comprehensive income (loss) for the period**Balance as at 31 March 2020**

Share capital	Reserves	Retained earnings	Total
81,530,200	93,959	178,839,446	260,463,605
-	-	(123,161)	(123,161)
-	(981)	-	(981)
-	(981)	(123,161)	(124,142)
81,530,200	92,978	178,716,285	260,339,463

*(unaudited)***Balance as at 1 January 2021**

Profit for the period

Other comprehensive income (loss)

Loss from investments in equity instruments

Total comprehensive income (loss) for the period**Balance as at 31 March 2021**

Share capital	Reserves	Retained earnings	Total
81,530,200	93,664	168,484,750	250,108,614
-	-	2,309,239	2,309,239
-	(22)	-	(22)
-	(22)	2,309,239	2,309,217
81,530,200	93,642	170,793,989	252,417,831

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

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Interim Condensed Statement of Cash Flows¹

(All amounts are in 000 RSD, unless otherwise stated)

	Note	Three month period ended	
		31 March	
		2021	2020
		(unaudited)	(unaudited)
Cash flows from operating activities		3,102,113	(277,406)
Profit (loss) before income tax			
Adjustments for:			
Finance expenses	24	392,175	412,656
Finance income	23	(221,364)	(198,645)
Net unrealised foreign exchange (gain) loss		47,131	142,031
Depreciation, depletion and amortization		5,693,103	5,014,810
Other non-cash items		126,530	124,190
Operating cash flow before changes in working capital		9,139,688	5,217,636
Changes in working capital:			
Accounts receivables		(1,818,447)	4,088,634
Inventories		(1,957,327)	7,045,225
Other assets		(127,237)	(1,458,159)
Accounts payables and other current liabilities		(6,763,622)	(13,969,691)
Taxes payable		(317,999)	(414,370)
Total effect on working capital changes		(10,984,632)	(4,708,361)
Income taxes paid		-	(1,056,265)
Interest paid		(331,879)	(374,605)
Interest received		75,123	99,799
Net cash used in operating activities		(2,101,700)	(821,796)
Cash flows from investing activities			
Net cash outflow on acquisition of subsidiaries		-	(41)
Loans issued		(602,648)	(541,265)
Loan proceeds received		782,707	1,724,140
Capital expenditures ²		(4,342,005)	(8,230,919)
Proceeds from sale of property, plant and equipment		117,204	92,698
Net cash used in investing activities		(4,044,742)	(6,955,387)
Cash flows from financing activities			
Proceeds from borrowings	14,18	11,406,060	6,940,175
Repayment of borrowings	14,18	(6,472,879)	(4,646,603)
Repayment of lease liabilities	19	(97,760)	(36,878)
Net cash generated from financing activities		4,835,421	2,256,694
Net decrease in cash and cash equivalents		(1,311,021)	(5,520,489)
Effect of foreign exchange on cash and cash equivalents		(1,945)	(64,826)
Cash and cash equivalents as of the beginning of the period		7,949,785	13,501,827
Cash and cash equivalents as of the end of the period		6,636,819	7,916,512

¹ Company's policy is to present cash flow inclusive of related VAT.

² CF from investing activities includes VAT in the amount of 0,5 bln RSD (2020: 0,9 bln RSD)

The accompanying notes are an integral part of these Interim Condensed Financial Statements.

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

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

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

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

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

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

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

(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 Financial Statements are consistent with those applied during the preparation of Financial Statements as of and for the year ended 31 December 2020, except for those described in the Application of new IFRS paragraph.

3. NEW ACCOUNTING STANDARDS

Application of amendments to the existing standards

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

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

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

The following new standards and amendments to the existing standards are not expected to have any material impact on the Condensed Interim 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).

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

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

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

	Three month period ended 31 March 2021		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	-	-
Sale of gas	115,897	-	115,897
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	115,897	-	115,897
Sale of petroleum products	33,055,662	7,634,284	40,689,946
<i>Through a retail network</i>	12,491,685	-	12,491,685
<i>Wholesale activities</i>	20,563,977	7,634,284	28,198,261
Sale of electricity	516,528	46,631	563,159
Lease revenue	81,664	1,212	82,876
Other sales	2,349,097	68,629	2,417,726
Total sales	36,118,848	7,750,756	43,869,604
	Three month period ended 31 March 2020		
	Domestic market	Export and International sales	Total
Sale of crude oil	-	416,925	416,925
Sale of gas	61,206	-	61,206
<i>Through a retail network</i>	-	-	-
<i>Wholesale activities</i>	61,206	-	61,206
Sale of petroleum products	37,190,477	8,852,621	46,043,098
<i>Through a retail network</i>	14,165,063	-	14,165,063
<i>Wholesale activities</i>	23,025,414	8,852,621	31,878,035
Sale of electricity	192,663	12,658	205,321
Lease revenue	79,784	1,155	80,939
Other sales	1,805,017	54,780	1,859,797
Total sales	39,329,147	9,338,139	48,667,286

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

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

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

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

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

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

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

5. CASH AND CASH EQUIVALENTS

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

6. SHORT-TERM FINANCIAL ASSETS

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

7. TRADE AND OTHER RECEIVABLES

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

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

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

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

	31 March 2021	31 December 2020
RSD	19,395,189	18,697,088
EUR	5,022,256	3,851,810
USD	256,113	245,377
Other	40	-
	24,673,598	22,794,275

8. INVENTORIES

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

9. OTHER CURRENT ASSETS

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

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

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

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

Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

11. RIGHT-OF-USE ASSETS

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

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

12. LONG-TERM FINANCIAL ASSETS

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

13. OTHER NON-CURRENT ASSETS

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

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

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

15. TRADE AND OTHER PAYABLES

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

As at 31 March 2021 trade payables amounting to 15,436,689 thousand RSD (31 December 2020: 20,843,294 thousand RSD) mainly relate to payables for crude oil in the amount of 4,452,473 thousand RSD (31 December 2020: 9,413,234 thousand RSD), to the most significant suppliers Petraco Oil Company LLP, London in the amount of 4,400,476 thousand RSD (31 December 2020 2,641,621 thousand RSD) and Gazprom Neft, St Petersburg in the amount of 0 thousand RSD (31 December 2020: 3,200,890 thousand RSD).

16. OTHER CURRENT LIABILITIES

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

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

17. OTHER TAXES PAYABLE

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

18. LONG-TERM DEBT

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

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

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

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

As at 31 March 2021 long-term loan - Gazprom Neft amounting to 12,304,894 thousand RSD (31 December 2020: 13,672,117 thousand RSD), with current portion of 5,468,841 thousand RSD (2020: 5,468,847 thousand RSD), relate to loan from Gazprom Neft granted based on the Agreement for Sale and Purchase of shares signed on 24 December 2008. The stated liabilities shall be settled in quarterly instalments starting from December 2012 until 15 May 2023.

(b) *Bank loans*

	31 March 2021	31 December 2020
Domestic	52,598,372	51,785,404
Foreign	22,586,764	17,324,449
	75,185,136	69,109,853
Current portion of long-term loans	(4,808,510)	(6,117,142)
	70,376,626	62,992,711

The maturity of bank loans was as follows:

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

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

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

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

19. LEASE LIABILITIES

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

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

	Three month period ended 31 March	
	2021	2020
As at 1 January	1,358,795	811,424
Repayment	(97,760)	(36,878)
Non-cash transactions	30,903	592,852
Foreign exchange difference (note 22)	271	(11,725)
As at 31 March	1,292,209	1,355,673

Amounts recognized in profit and loss:

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

20. PRODUCTION AND MANUFACTURING EXPENSES

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

22. NET FOREIGN EXCHANGE GAIN (LOSS)

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

23. FINANCE INCOME

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

24. FINANCE EXPENSES

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

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

(All amounts are in 000 RSD, unless otherwise stated)

25. FAIR VALUE MEASUREMENT

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

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

26. CONTINGENCIES AND COMMITMENTS

Economic environment in the Republic of Serbia

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

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

Environmental protection

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

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

Taxes

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

Capital commitments

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

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

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

27. RELATED PARTY TRANSACTIONS

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

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

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

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

	Subsidiaries	Parent company	Joint ventures, associates and parent's subsidiaries and associates
As at 31 March 2021			
Short-term financial assets	8,227,235	-	-
Trade and other receivables	4,774,517	-	379,710
Other current assets	2,996	-	387
Right of use assets	45,725	-	78
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	22,009,397	-	-
Trade and other payables	(3,641,212)	-	(1,040,701)
Other current liabilities	(50,816)	-	(4,417)
Short-term debt and current portion of long-term debt	(2,007,438)	(5,468,841)	-
Current lease liabilities	(2,114)	-	(50)
Long-term debt	-	(6,836,053)	-
Non-current lease liabilities	(45,581)	-	-
	42,738,336	(12,304,894)	373,807
As at 31 December 2020			
Short-term financial assets	6,522,880	-	-
Trade and other receivables	3,485,689	-	1,582,736
Other current assets	2,359	-	25,095
Right of use assets	46,396	-	125
Investments in subsidiaries, associates and joint ventures	13,425,627	-	1,038,800
Long-term financial assets	23,753,095	-	-
Trade and other payables	(3,465,869)	(3,204,199)	(1,115,667)
Other current liabilities	(54,150)	-	(4,530)
Short-term debt and current portion of long-term debt	(1,757,459)	(5,468,847)	-
Current lease liabilities	(2,249)	-	(84)
Long-term debt	-	(8,203,270)	-
Non-current lease liabilities	(46,076)	-	-
	41,910,243	(16,876,316)	1,526,475

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Notes to the Interim Condensed Financial Statements for the three month period ended 31 March 2021

(All amounts are in 000 RSD, unless otherwise stated)

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

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

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

Transactions with Key Management Personnel

For the three month period ended on 31 March 2021 and 2020 the Company recognized 232,072 thousand RSD and 228,485 thousand RSD, respectively, as compensation for key management personnel (Chief Executive Officer, members of the Board of Directors and Advisory Board and Corporate Secretary). Key management remuneration includes salaries, bonuses and other contributions.

28. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

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

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**Notes to the Interim Condensed Financial Statements for the three month period ended
31 March 2021**

(All amounts are in 000 RSD, unless otherwise stated)

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