

# Annual Report for

# 2021 →



# Digital Supply Services today

- DSS TODAY
- DIGITAL SOLUTIONS
- PROCUREMENT  
OUTSOURCING
- FINANCIAL  
STATEMENTS

# Company Overview

Digital Supply Services, JSC is a joint venture of subsidiaries of Gazprom Neft and Gazprombank.

## I Isource Platform 2021

The Isource core framework comprises procurement and financial services providing **comprehensive support of supplies throughout the product life cycle**: from planning of needs and production to the control of delivery to the customer.

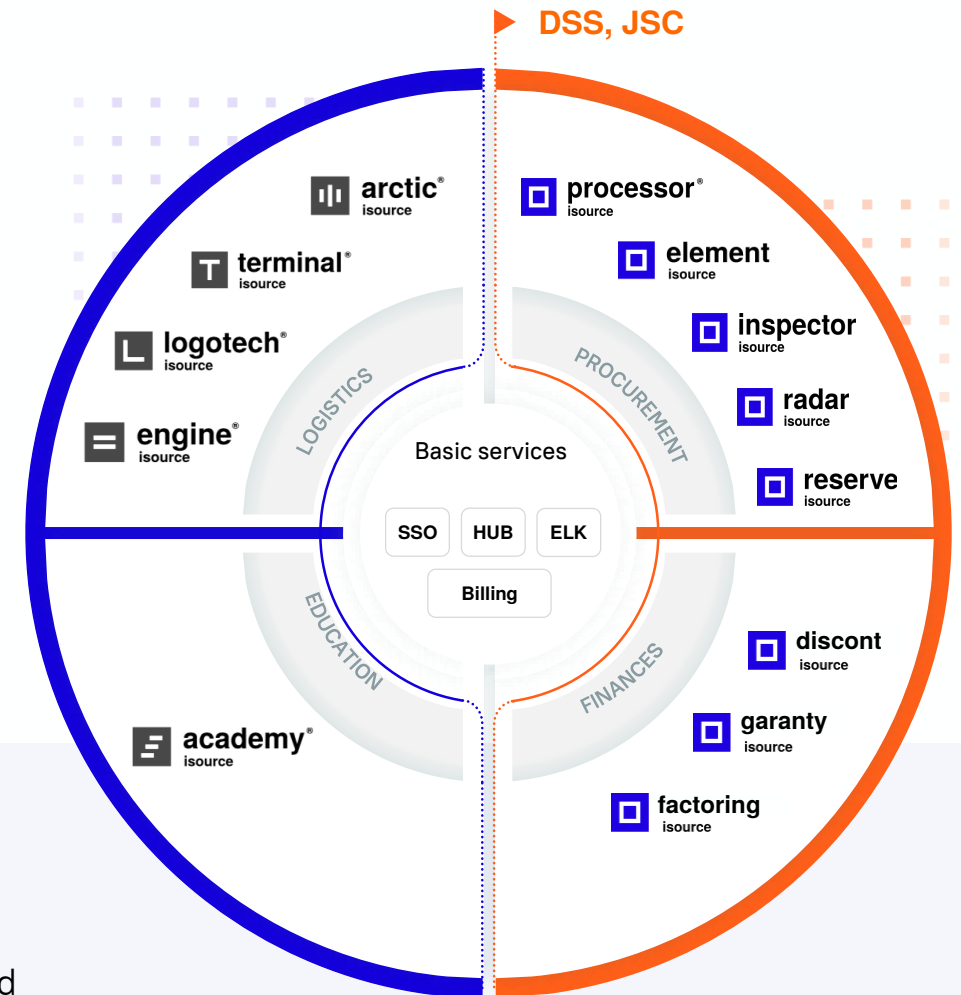
**The platform is based on unified system data exchange solutions** and includes a number of additional digital services of shareholders and partners, in particular, logistic and educational services, created to satisfy needs of customers in the course of procurement.



DSS, JSC unites competences and resources of JV members in the field of industrial procurement.



Isource platform procurement and financial solutions are developed on the basis of DSS, JSC.



# Key Indicators



Revenue in 2021

**2 517** mln rubles



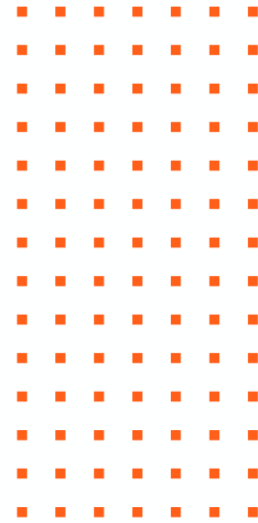
Number of customers

**79**



Number of product users

**3 721**



In 2021 the company **entered the market and launched two lines of business.**

Some services were available to customers early in 2021. The key ones are **Processor, Radar, Procurement Outsourcing, Reserve, and Inspector.**

During the year, **the following digital solutions for customers** were launched:

- ✓ Element, a normative reference date management service
- ✓ Financial products: Bank Guarantee, Factoring and Dynamic Discounting

**DSS, JSC is in the process of building up its bases of customers, suppliers, and experts,** including industrial, service and consulting companies, residents and nonresidents of the Russian Federation.

# Business Model

The business model of the company includes two lines of business.

1

**Digital Solutions** constitute a thorough cloud system designed to optimize the entire procurement process: from planning to management of inventories:

- Management of NRD
- Procurement planning and cost management
- Procurement procedure implementation / sourcing of suppliers
- Contract work
- Production control and supply monitoring
- Warehousing management
- Thorough analytics

2

**Procurement Outsourcing based on Isource digital solutions** is aimed at enhancing business efficiency and cutting costs:

- To focus management resources on the core business
- To optimize procurement function resources
- To spend the working capital on development of the core business



## Mission

Our business is aimed at ensuring sustainability and enhancing the efficiency of customer companies by the aid of a wide range of products and services designed for management of supply chains of industrial companies.

## Focus on the Customer

Each customer is important for us and in our business approach we aim to create value for anyone related to our company: customers, suppliers, shareholders, and employees.

## Comprehensive Solutions

We offer our customers services that help them speed up the procurement process and cut general procurement costs. Our customers can receive quality cargos right on time, use modern financial instruments, and sell assets not needed any longer.

# Key Events of the Year

■ Business Result

■ Client-focused improvements

## 2021



### Completing the first sale of Isource as a platform for procurement management

First users from the major gold mining company are connected to such products as Processor, Inspector, Radar, Element, and Reserve.



### Switching to category management for procurement purposes

To improve the service quality, the company structure now includes the **Category Procurement Unit**:

- Cabling and wiring products
- Rolled metal and tubular products
- Metal structures
- Fuel
- Non-metallic materials



### Introducing financial risk management system

It ensures business sustainability



### Creating the unified account for users of ETP GPB and Isource platforms

This allows users to switch between services of ETP GPB, LLC and DSS, JSC using one and the same account.



### Implementing technical and user support tools

- Connection of a call center and chats in messengers.
- Creation of the technical support system.
- Launching of virtual assistant Iva.



### Signing the cooperation agreement with the major construction contractor

- Procurement management centralization in the unified digital perimeter.
- Simplification and automation of routine procurement procedures.
- Reduction of the number of non-demanded products and risks of procurement doubling



### Improving product user experience

- A technical audit and reports functionality is implemented in Inspector.
- A mobile application for drivers is created in Radar.
- A virtual warehouse functionality is available in Reserve, etc.



### Entering the market of foreign EPC customers

Satisfaction of project needs of major EPC (Engineering, Procurement, Construction) contractors in the Russian Federation



### Witnessing the first market recognition of Isource

**Inspector** is the best industrial solution of the year.

**Reserve** is the most visited industrial marketplace of the year.

## 2022

# Industrial Procurement Market. Key Figures

## Russian Industrial Procurement Market



In general, only 14% of companies are close to completion of the procurement digitization process what creates the potential for growth of demand for solutions offered by DSS, JSC.



Industrial procurement market size

>20 tln rubles a year



Number of industrial companies

>80 thous.



Procurement financial services market size

>3 tln rubles a year



Number of procurement employees

>8 mln

## DSS, JSC position on the market



Over the year of its operating activity, DSS, JSC managed to make its presence felt on the industrial corporate procurement digitization market.



Number of customers

~80 customers per year



Number of users

>3 thousand users a year

DSS, JSC is a recognized leader in the field of industrial solutions

#1

Industrial marketplace of the year



Reserve

By estimate of Tadviser

#1

Digital industrial solution



Inspector

By estimate of ComNews Awards

# Market Potential and Development Outlook

## Market of SaaS products in the B2B segment

DSS, JSC operates on the Russian market of SaaS products in the B2B segment. **The Russian market accounts for approximately 0.4% of the world market**, however, it is predicted to grow at a faster rate (approximately 4 p.p.). The Russian SaaS market is likely to demonstrate stable **annual growth by 18.7% on average**.

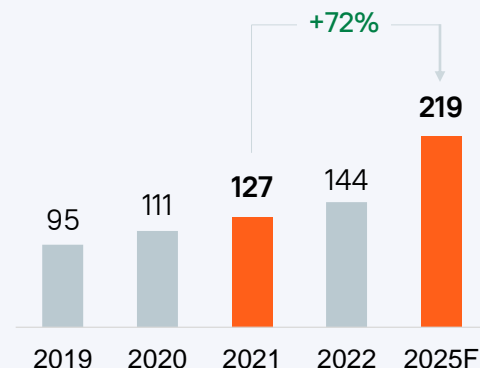
The annual market growth creates the potential for strengthening positions and increasing sales of digital solutions of DSS, JSC.

## Procurement and financial services

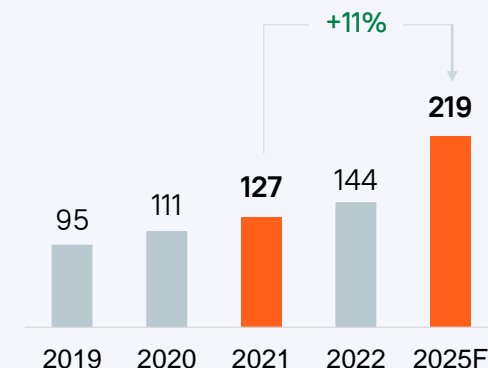
**Purchases made by industrial customers account for approximately 43% of the total volume thereof in the Russian Federation.** The market of commercial procurement that may be covered by solutions offered by DSS, JSC is supposed to be stable for a period up to 2024.

**The market of financial services is estimated to grow by 3% a year**, basically, due to growth of popularity of bank accompaniment and dynamic discounting services that are currently poorly developed in the Russian Federation.

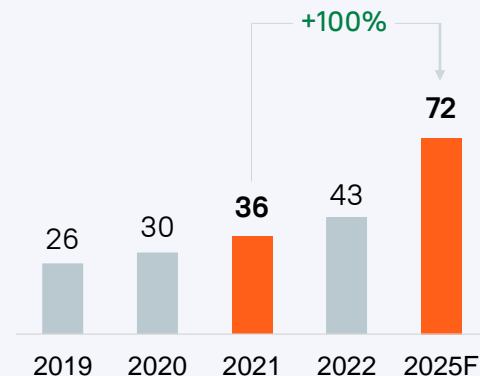
Dynamics of the world SaaS market volume, bln \$



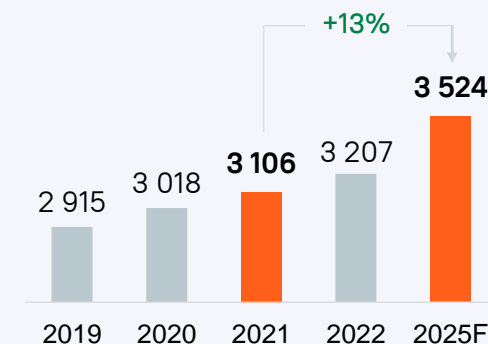
Assessment of the Russian industrial procurement market, tln rubles



Dynamics of the Russian SaaS market volume, bln rubles



Assessment of the market of financial services for industrial procurement<sup>1</sup>, bln rubles



<sup>1</sup> – market volumes total: bank guarantees, factoring, banking support, dynamic discounting



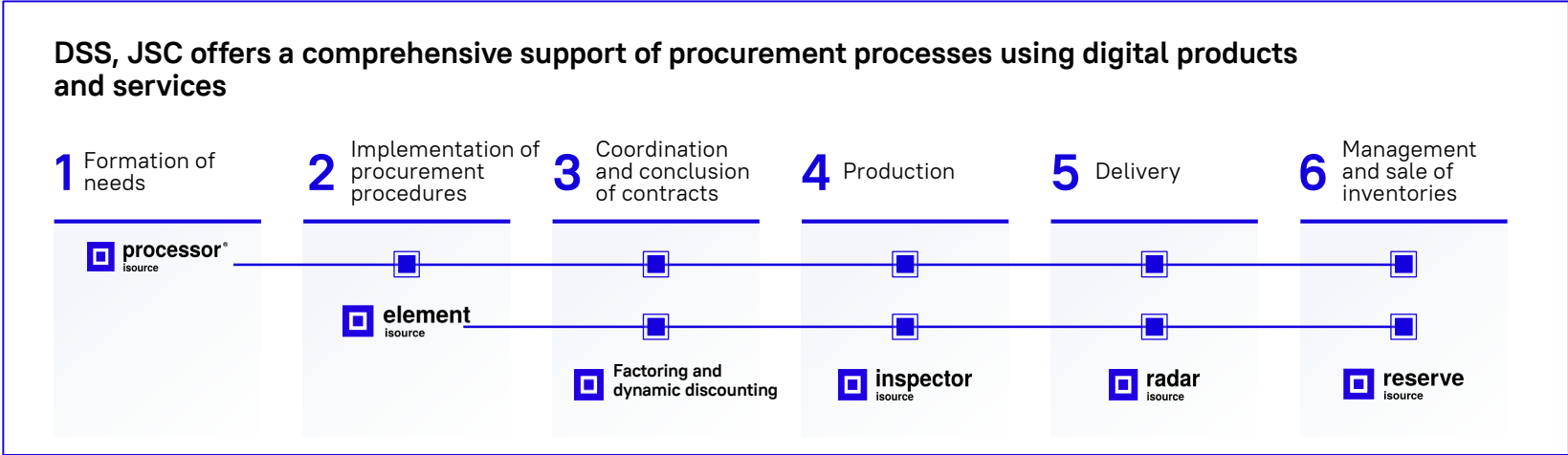


# Digital Solutions

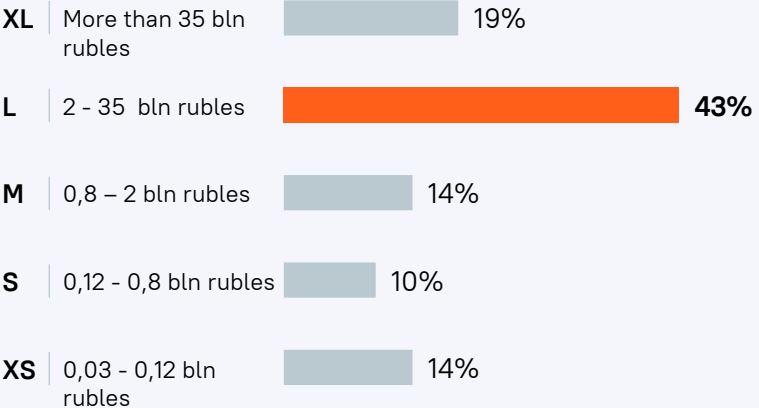
- DSS TODAY
- **DIGITAL SOLUTIONS**
- PROCUREMENT  
OUTSOURCING
- FINANCIAL  
STATEMENTS

# Customer Portfolio

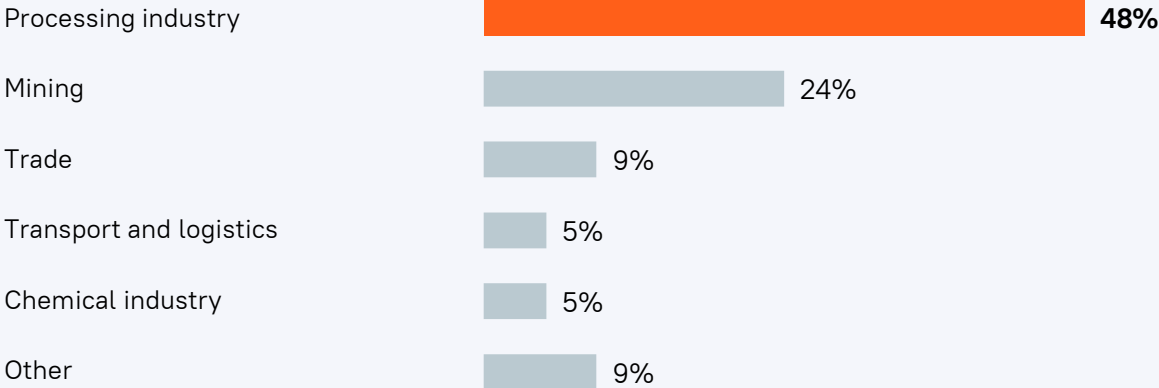
- The key customers of the Company are L-segment enterprises generating **up to 35 bln rubles** revenue.
- Most customers using digital products and Isource platform services are engaged in the **processing industry**.



## Breakdown of customer segments by revenue



## Industries of Customers



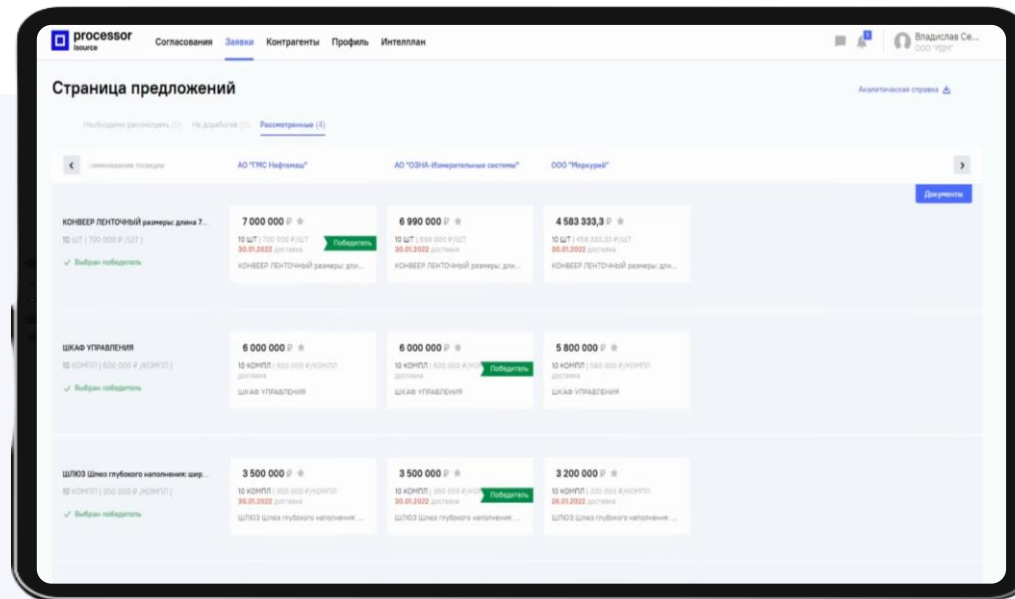
# Digital Solutions



**Procurement automation** – from planning of needs to the contract conclusion and mutual settlements with counterparties.

## Product Functionalities

- Planning of needs
- Conclusion of contracts with counterparties and control of fulfillment of obligations
- Implementation of procurement procedures
- Preparation of consolidated procurement reports



## Results for 2021

**3 000+**

Procurements since the beginning of 2021

**500 bln rubles**

Amount of placed procurement orders for 2021

## Functionality Development in 2021

- Processor and ETP GPB have been integrated to allow placing of procurement orders and give access to 800,000 suppliers.
- Typical documents, such as agreements, addenda and invoices are generated automatically.
- Users working with documents may sign them using the electronic digital signature.
- The product became available for foreign customers due to the multilingual interface (English and Serbian languages).
- If necessary, customers may set flexible itineraries for approval of procurement procedures and documents.

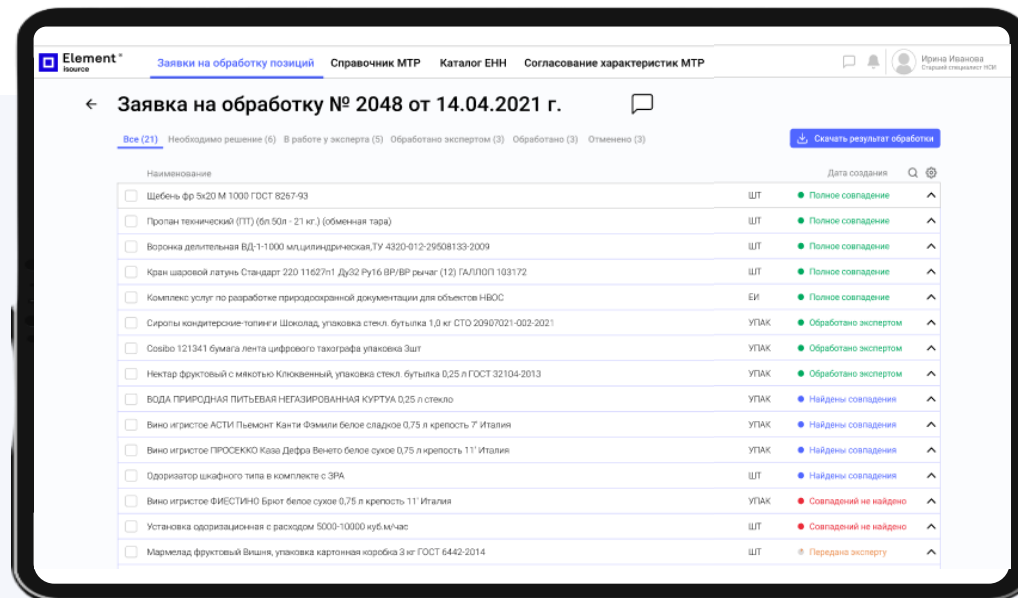
# Digital Solutions



Management of corporate handbooks and catalogs of products, works, and services of the company

## Product Functionalities

- Development of methodology and classifiers
- Development of templates and handbook normalization
- Updating of data and maintenance of corporate handbooks



## Results for 2021

**491 057**

positions in the handbook of materials

**97,5%**

Closing ratio on received and processed requisitions

**834**

acting companies

## Functionality Development in 2021

- Element now has a smart product search engine allowing one to find the position despite misprints, language, case, register, or ending errors in the description thereof.
- Element is integrated with other Isource system products and therefore the user of any other product may send the product description for normalization to Element and to receive back the processed proper name for the subsequent work.

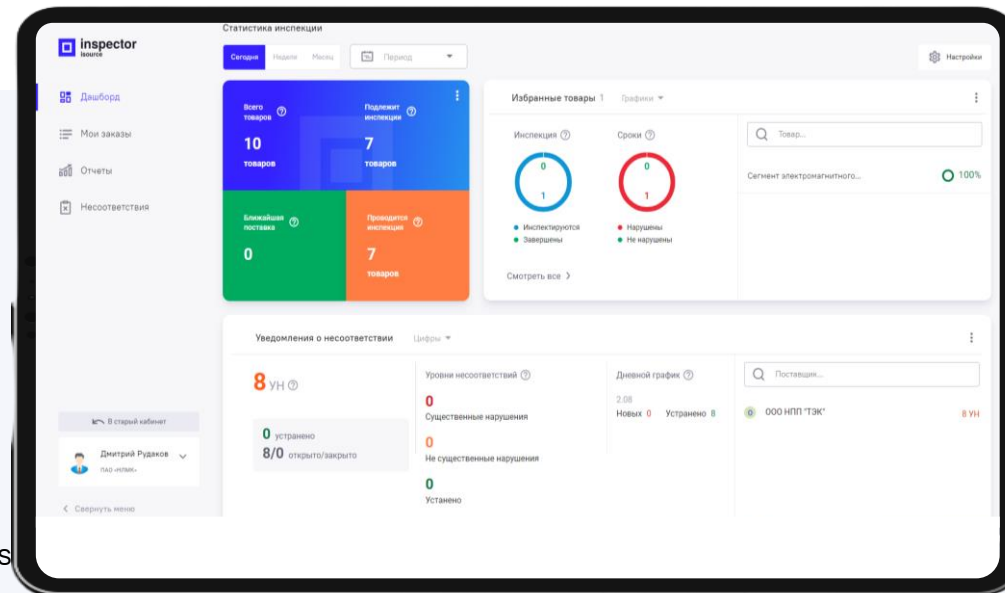
# Digital Solutions



Control of production processes and assessment of technical abilities of counterparties

## Product Functionalities

- Technical audit of suppliers and contractors to assess their abilities for the fulfillment of obligations to the customer.
- Inspection control at the supplier's production facilities.
- Production deadline supervision.
- Control of products delivered to the customer's warehouses.



## Results for 2021

**433**

Plants under inspection control

**1,8 млн**

Inspections performed

**691**

Inspectors engaged in the system

## Functionality Development in 2021

- For the inspection customer convenience, the distant acceptance functionality now is available to accept products using video conference tools (distant acceptance).
- The work of inspectors became more simple: all inspections are recorded in the system, control results are generated automatically.
- The account is now multilingual what allows one to work with foreign suppliers and inspectors.
- Now we can control production of equipment components at subcontractors' site.
- The audit questionnaire is generated in the system online and is available for all the parties, i.e. the customer, counterparty, and auditing firm.

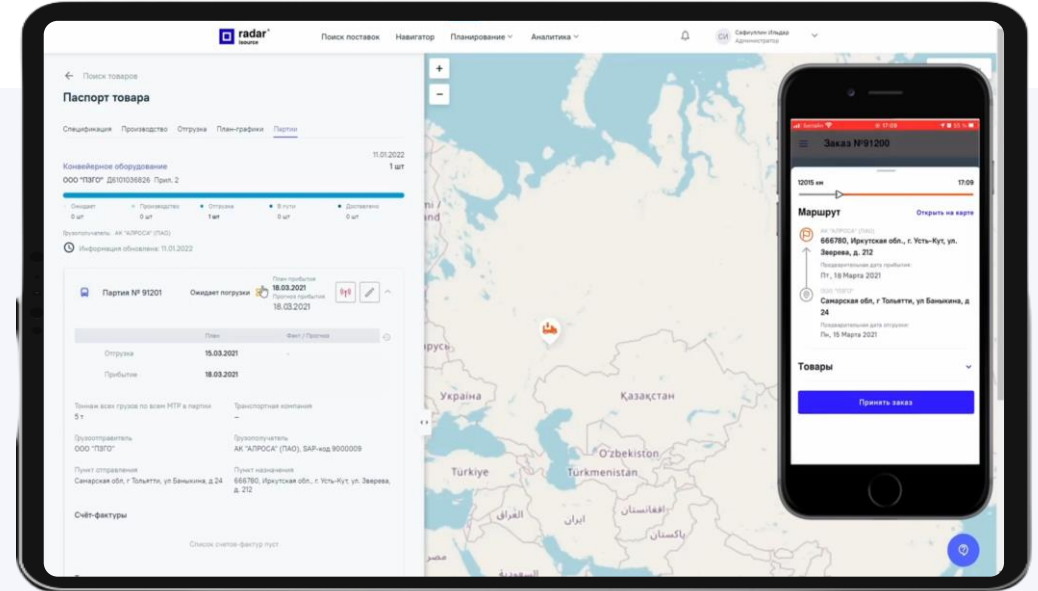
# Digital Solutions



Cargo tracking and delivery scheduling

## Product Functionalities

- Analysis of customer's freight traffic flows
- Integration with ERP systems of warehouses and management of their load intensity: from the requisition to the delivery to the warehouse.
- Notices of key events and violations (route changes, speeding, etc.)
- Cargo delivery date forecast



## Results for 2021

**30 000+**  
road hauls

**11 000+**  
railway deliveries

**1 000+**

Russian and foreign multi-modal hauls

## Functionality Development in 2021

- Radar became available for users of ETP GPB via the unified account.
- In order to efficiently integrate transport companies, a freight traffic data lake has been created.
- A flexible role model allows customers to differentiate user rights.
- The product with the new updated design became available for all the devices.
- The mobile application for drivers was launched (available in App Store and Google Play) what allows them to get information on the current cargo position, build a delivery itinerary and share transportation and consignment documents.

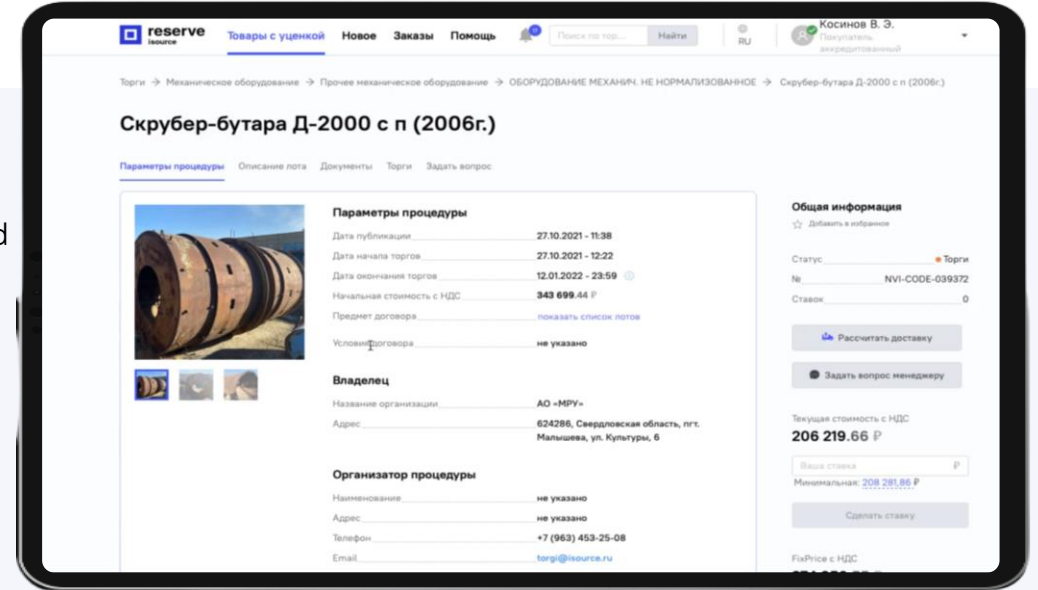
# Digital Solutions



Analysis, accounting, and redistribution of warehouse stock, purchase of new products and implementation of NVI

## Product Functionalities

- Purchase and sale of new as well as unclaimed products
- Management and redistribution of stocks
- Automatic creation of agreements
- Online calculation of the cost of product delivery
- Online payment for products



## Results for 2021

**255 000+**  
visitors – marketplace audience for 2021

**15+**  
categories of products

**1+ bln rubles**  
Sales of goods for 2021

**4 000+**  
bids

## Functionality Development in 2021

- Reserve became available for users of ETP GPB via the unified account.
- Major customers may redistribute stocks inside the group through the closed store.
- We have created a virtual warehouse for users of customers interested in stock management; such functionality allows one to track the quantity of available inventories.
- Customers acquiring NVI may simplify their work using a trade bot participating in bidding according to preset parameters.

# Examples of Introduced Digital Products



## Products



 Customer	 Problem	 Solution	 Results
--	---	--	---

<p>One of the major power engineering companies in South-Eastern Europe</p>	<p>While purchasing equipment for completing oil well drilling, the customer faced a long period of procurement and lack of expected services</p>	<ul style="list-style-type: none"> <li>▪ We implemented the supply monitoring system predicting the cargo delivery date.</li> <li>▪ We switched the procurement procedures to Processor.</li> <li>▪ We took heavy duties of the procurement department of the customer and engaged target suppliers.</li> <li>▪ We improved the competitive environment, expedited processes, and cut procurement costs.</li> <li>▪ We checked the equipment conformity to quality standards using the manufacturing plant platform.</li> </ul>	<p>Number of requisitions increased by <b>by 63%</b></p> <p>Procurement costs reduced <b>by 7%</b></p> <p>Procurement procedures expedited <b>by 50%</b></p>
---	---	---	--

<p>Major integrated petrochemical company of Russia</p>	<p>High costs for equipment acquisition</p>	<ul style="list-style-type: none"> <li>▪ We connected the customer to Reserve.</li> <li>▪ We improved the efficiency of use of warehouse spaces.</li> <li>▪ We redistributed inventories to subsidiaries.</li> <li>▪ We cut costs for acquisition of new equipment.</li> <li>▪ We implemented optimal solutions for each position of inventories subject to delivery.</li> </ul>	<p><b>21%</b> of positions to satisfy the needs found in NVI</p> <p><b>229 mln rubles</b> saved for acquisition of new equipment</p>
---	---	--	--



# Examples of Introduced Digital Products







## Products

 **inspector**  
isource



 **radar**  
isource

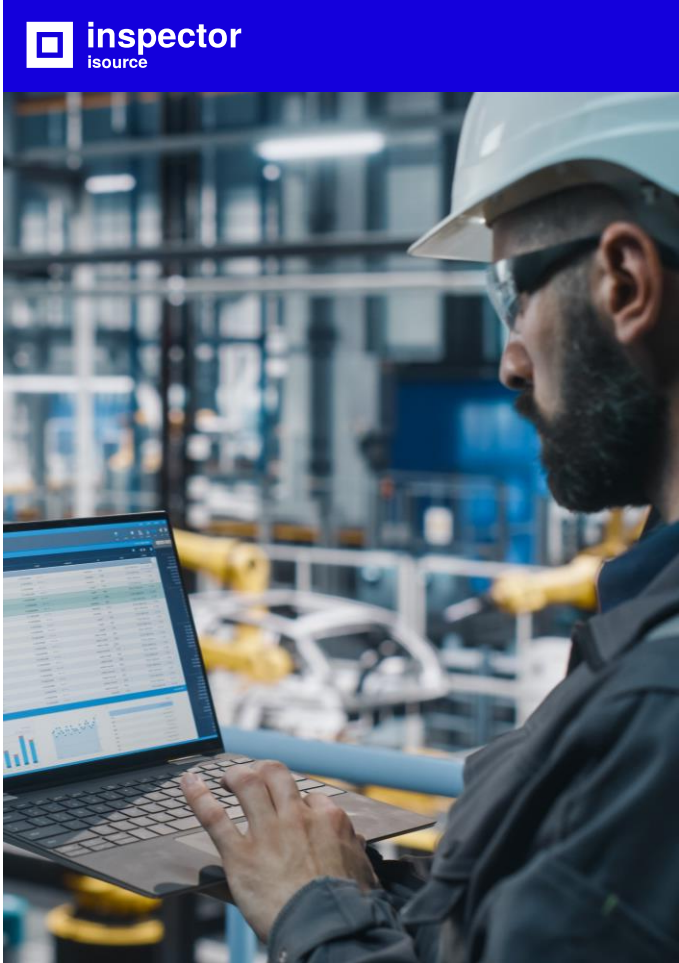





			
Customer	Problem	Solution	Results
International metallurgic company	Lack of efficient equipment production control in the PRC under conditions of the pandemic.	<ul style="list-style-type: none"> <li>▪ We arranged the remote production control system.</li> <li>▪ We arranged the video conferencing of all the key production and quality assurance stages.</li> <li>▪ We found an interpreter for the remote acceptance procedure.</li> </ul>	<p><b>99%</b> Reduction of manpower cost for production control</p> <p><b>100%</b> Success of final equipment tests</p>
International gold mining company	Lack of an accounting system reduced logistics efficiency	<ul style="list-style-type: none"> <li>▪ We optimized the operation of the freight handling special machinery.</li> <li>▪ We cut costs for control of special machinery fleet.</li> <li>▪ We created a quick contractor search system.</li> <li>▪ We integrated the service with SAP.</li> </ul>	<p><b>90%</b> savings for development of the own system</p> <p><b>95%</b> reduction of costs for special machinery search.</p>

# Examples of Introduced Digital Products



## Products



 Customer	 Problem	 Solution	 Results
Producer and supplier of thermal and electric power in Ural and Western Siberia regions	There is no unified system and standardization of NRD handbooks	<ul style="list-style-type: none"><li>▪ We normalized NRD and integrated it with the accounting systems.</li><li>▪ We developed a unified approach to NRD maintenance.</li><li>▪ We built the system of communication of the planning, procurement, warehouse inventory management and accounting departments.</li><li>▪ We cut time consumption and risks of procurement errors.</li></ul>	<p>After normalizing the handbook volume decreased</p> <p><b>by 77%</b></p> <p>Costs for NRD maintenance have been reduced</p> <p><b>by 60%</b></p>



# Procurement Outsourcing

- DSS TODAY
- DIGITAL SOLUTIONS
- **PROCUREMENT  
OUTSOURCING**
- FINANCIAL  
STATEMENTS

# Procurement Outsourcing

## Customer Portfolio

- The key customers of the Company are enterprises generating **up to 35 bln rubles** revenue.
- **Construction** companies were the key accounts in 2021. Their operations are mainly connected with the construction of **industrial facilities**.
- Over this year, we provided **more than 700 supplies** throughout Russia.

**30 %**

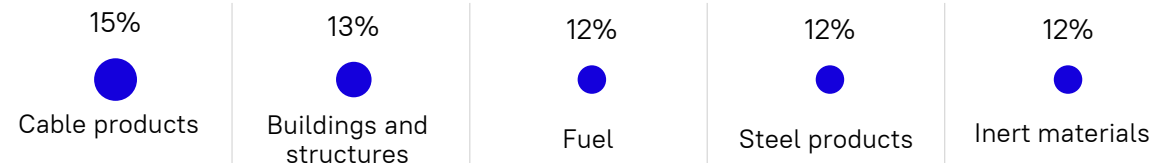
Closing ratio for the supply of products

**62 %**

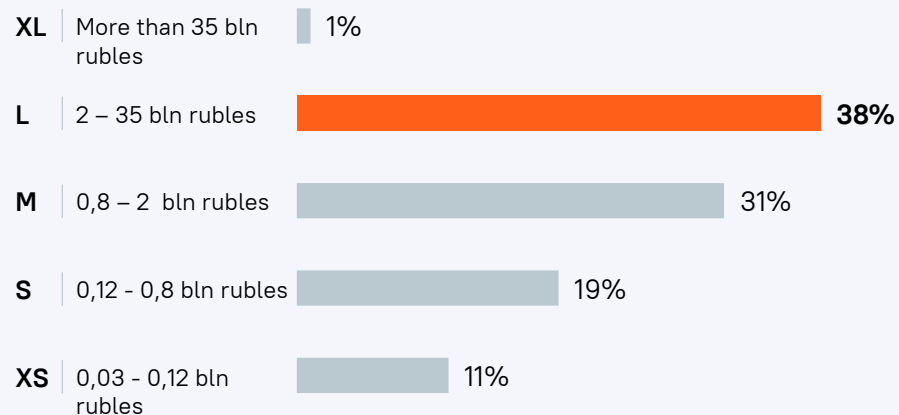
Share of second sales

For the segment, the company used a category approach for procurement of the most marketable groups of products.

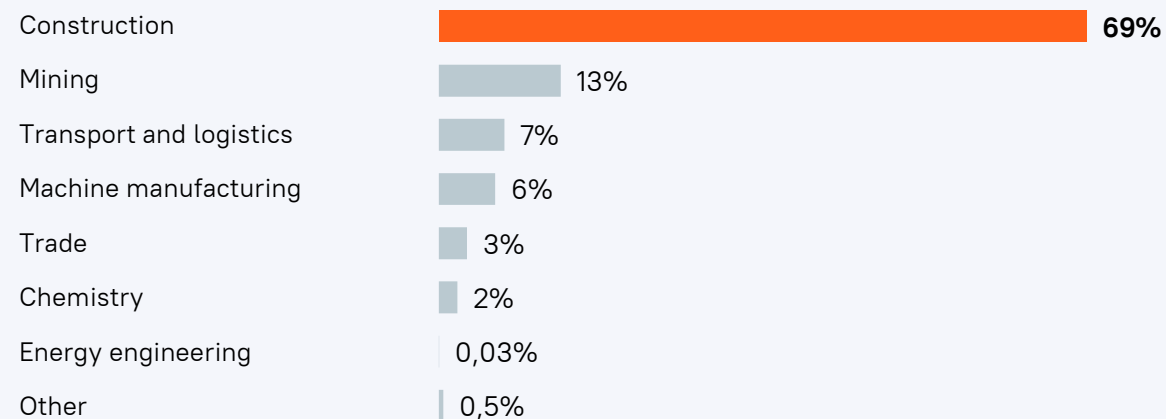
### TOP 5 Products



### Breakdown of customer segments by revenue



### Industries of Customers



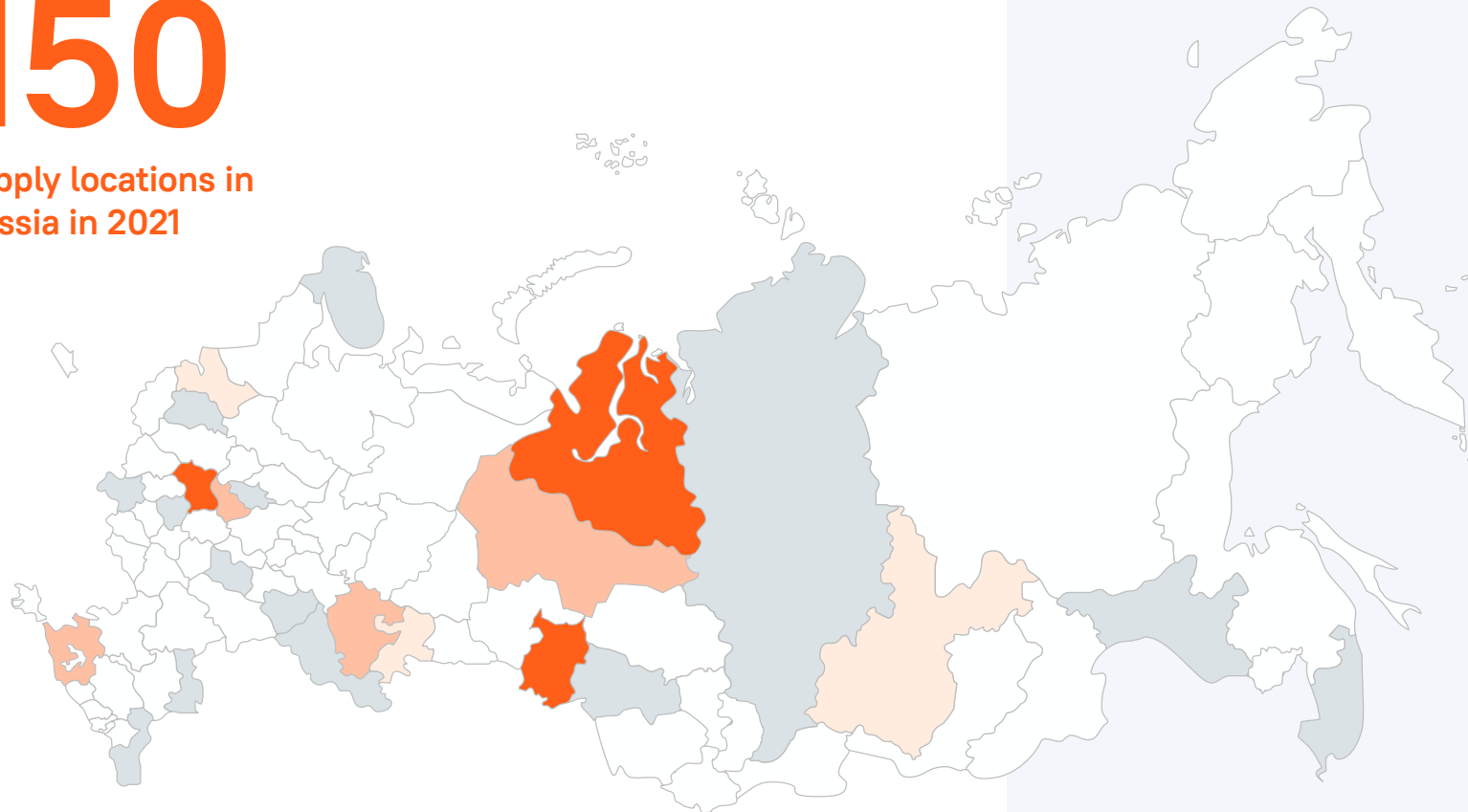
# Procurement Outsourcing Geography of Supplies

The Central and Ural Federal Districts account for the majority of supplies, with the Yamalo-Nenets Autonomous District and Omsk Region being the key regions with 37 and 30 points of destinations, accordingly.

The Far-Eastern Federal District accounts for the lowest number of supplies.

# 150

supply locations in  
Russia in 2021



Number of supply locations	Region of supply
25 and more	Yamalo-Nenets AD
	Omsk Region
10-25	Moscow and the Moscow Region
5-10	Khanty-Mansiisk AD
	Krasnodar Territory
	Republic of Bashkortostan
	Vladimir Region
2-4	Saint Petersburg and the Leningrad region
	Chelyabinsk Region
	Irkutsk Region
1	Novgorod Region
	Penza Region
	Saratov region
	Ivanovo Region
	Astrakhan region
	Primorskiy Region
	Bryansk region
	Republic of Dagestan
	Orenburg region
	Samara Region
	Krasnoyarsk region
	Tula Region
	Murmansk region
	Amur Region

# Procurement Outsourcing

## Customer Cases



### Segment

 Construction



### About the customer

- The customer is a company engaged in development of residential and commercial real estate, performing functions of the building owner and developer at construction sites in the Moscow region.
- The customer is a company servicing electric power supply systems of refineries.
- The customer is a company constructing industrial facilities (major pipelines, open wire circuits, site facilities, bridges, substations, roads).



### Purpose of supply

- Support of the thorough repairs of the linear main gas line portion for transportation of ethane containing gas
- Support of construction of electric power supply facilities for the oil refinery
- Gas condensate field infrastructure development



### Supplied products



- Winter and arctic diesel fuel oil, sedentary mineral rocky soil of fissure zones of the crust of fraction disintegration
- Closed distribution devices, integrated switchgear with SF6 gas insulation, cable products, vibration sensors, metal hose connector, hermetic metal hose, etc.
- Arctic diesel fuel, big-diameter pipe, metal structures, cable products, etc.

# Procurement Outsourcing Customer Cases



**Segment**

Mining and oilfield services



## About the customer

- The customer is a company engaged in development of the oil and gas cluster in the Yamalo-Nenets Autonomous District.
- The customer is a major company implementing a range of works for development of oil fields located in the Khanty-Mansiisk Autonomous District.
- The customer is a company rendering services related to assembly, repairs, and dismantling of drilling rigs in the Khanty-Mansiisk and Yamalo-Nenets Autonomous Districts



## Purpose of supply

- Support of construction of rotators' camps in the fields in the Yamalo-Nenets Autonomous District
- Site development for drilling rigs in the oil field in the Khanty-Mansiisk Autonomous District
- Fueling of special equipment used for development and repairs of wells in the field in the Yamalo-Nenets Autonomous District



## Supplied products

- Cable products, furniture, plates, electric equipment, etc.
- Ballast stone
- Diesel arctic oil



# Financial Statements

■ DSS TODAY

■ DIGITAL SOLUTIONS

■ PROCUREMENT  
OUTSOURCING

■ **FINANCIAL  
STATEMENTS**





# Balance Sheet



## ASSETS

Indicator	Code	As at December 31, 2020, Rub, '000
<b>I. NON-CURRENT ASSETS</b>		
Intangible assets	1110	174,645
Results of research and developments	1120	-
Intangible exploration assets	1130	-
Tangible exploration assets	1140	-
Fixed assets	1150	3,640
Income-bearing investments in tangible assets	1160	-
Financial investments	1170	-
Deferred tax assets	1180	1,845
Other non-current assets	1190	85,788
<b>Total section I</b>	<b>1100</b>	<b>265,918</b>
<b>II. CURRENT ASSETS</b>		
Inventory	1210	83
Value-added tax on acquired values	1220	3,823
Account receivable	1230	1,264,288
Financial investments (except cash equivalents)	1240	-
Cash and cash equivalents	1250	49,726
Other current assets	1260	2,212
<b>Total section II</b>	<b>1200</b>	<b>1,320,132</b>
<b>BALANCE</b>	<b>1600</b>	<b>1,586,050</b>

## EQUITY AND LIABILITIES

Indicator	Code	As at December 31, 2020, Rub, '000
<b>III. CAPITAL AND RESERVES</b>		
Authorized capital (share capital, authorized fund, contributions of partners)	1310	10
Own shares repurchased from shareholders	1320	-
Revaluation of non-current assets	1340	-
Additional paid-in capital (without revaluation)	1350	200,000
Reserve capital	1360	-
Retained earnings (accumulated loss)	1370	25,615
<b>Total section III</b>	<b>1300</b>	<b>225,625</b>
<b>IV. LONG-TERM LIABILITIES</b>		
Borrowings	1410	-
Deferred tax liabilities	1420	904
Estimated liabilities	1430	-
Other liabilities	1450	-
<b>Total section IV</b>	<b>1400</b>	<b>904</b>
<b>V. SHORT-TERM LIABILITIES</b>		
Borrowings	1510	-
Accounts payable	1520	1,351,078
Deferred income	1530	-
Estimated liabilities	1540	8,444
Other liabilities	1550	-
<b>Total section V</b>	<b>1500</b>	<b>1,359,522</b>
<b>BALANCE</b>	<b>1700</b>	<b>1,586,050</b>



# Statement of Financial Results



Indicator	Code	As at December 31, 2020 , Rub, '000
Revenue	2110	2,516,863
Cost of sales	2120	(2,351,506)
Gross profit (loss)	2100	165,357
Business expenses	2210	(5,499)
Administrative expenses	2220	(111,206)
<b>Profit (loss) from sales</b>	<b>2200</b>	<b>48,652</b>
Income from participation in other entities	2310	-
Interest receivable	2320	-
Interest payable	2330	(15,096)
Other income	2340	28,228
Other expenses	2350	(28,391)
<b>Profit (loss) before taxation</b>	<b>2300</b>	<b>33,393</b>
Profit tax	2410	(7,140)
including:		
current profit tax	2411	(791)
deferred profit tax	2412	774
Other	2460	(1)
<b>Net profit (loss)</b>	<b>2400</b>	<b>26,252</b>
Total financial result for the period	2500	26,252