



**INA GROUP
Q1 2021
FINANCIAL REPORT**

Zagreb, April 2021

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1 2021 results. This report contains unaudited consolidated financial statements for the period ending 31 March 2021 as prepared by the Management in accordance with the International Financial Reporting Standards.

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Management discussion and analysis

INA Group financial results (IFRS)

2020	HRK mln	Q1 2020	Q1 2021	%
14,788	Net sales revenues*	3,948	3,953	0
991	EBITDA ⁽¹⁾	(498)	467	n.a.
991	EBITDA excl. special items	(498)	467	n.a.
1,783	CCS EBITDA excl. special items	430	444	3
(1,298)	Profit/(loss) from operations	(900)	84	n.a.
(798)	Profit/(loss) from operations excl. special items ⁽²⁾	(900)	84	n.a.
(6)	CCS Profit/(loss) from operations excl. special items	28	61	116
(68)	Net (loss)/profit from financial activities	(80)	(14)	(83)
(1,138)	Profit/(loss) for the period attributable to Owners of the Company	(798)	50	n.a.
(638)	Profit/(loss) for the period excl. special items ⁽²⁾	(798)	50	n.a.
501	Simplified Free Cash Flow ⁽³⁾	235	216	(8)
2,233	Net operating cash flow	(46)	(151)	228
Earnings per share				
(113.8)	Basic and diluted gain/(loss) per share (HRK per share)	(79.8)	5.0	n.a.
1,608	Net debt	2,823	2,723	(4)
14.7	Net gearing (%)	21.4	22.4	
1,282	CAPEX total	195	228	17
1,161	Domestic	158	179	14
121	International	37	49	32

2020	USD mln ⁽⁴⁾	Q1 2020	Q1 2021	%
2,236	Net sales revenues*	582	630	8
150	EBITDA ⁽¹⁾	(73)	74	n.a.
150	EBITDA excl. special items	(73)	74	n.a.
270	CCS EBITDA excl. special items	63	71	12
(196)	Profit/(loss) from operations	(133)	13	n.a.
(121)	Profit/(loss) from operations excl. special items ⁽²⁾	(133)	13	n.a.
(1)	CCS Profit/(loss) from operations excl. special items	4	10	134
(10)	Net (loss)/profit from financial activities	(12)	(2)	(81)
(172)	Profit/(loss) for the period attributable to Owners of the Company	(118)	8	n.a.
(96)	Profit/(loss) for the period excl. special items ⁽²⁾	(118)	8	n.a.
76	Simplified Free Cash Flow ⁽³⁾	35	35	(1)
338	Net operating cash flow	(7)	(24)	255
Earnings per share				
(17.2)	Basic and diluted gain/(loss) per share (HRK per share)	(11.8)	0.8	n.a.
262	Net debt	411	422	3
194	CAPEX total	29	36	27
176	Domestic	23	29	23
18	International	5	8	43

* Related to Revenue from contracts with customers

(1) EBITDA = EBIT + Depreciation, amortization and impairment (net)

(2) 2020 result was negatively impacted by HRK (500) million of assets impairment

(3) Simplified free cash flow = CCS EBITDA excluding special items - CAPEX

(4) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1 2020 – 6.7838 HRK/USD; Q1 2021 – 6.2739 HRK/USD; for Q1-Q4 2020 – 6.6141 HRK/USD; as at 31 December 2020 – 6.1390 HRK/USD; as at 31 March 2021 – 6.4487 HRK/USD

Financial and operational highlights

Beginning of 2021 was marked by a more favorable external environment compared to 2020, which was one of the most challenging years for oil & gas industry. Although world economy is still far from recovery and demand is limited, impact of gradual easing of COVID-19 restrictions is visible.

EBITDA reached HRK 467 million and Profit for the period amounted to HRK 50 million, in contrast with the losses in 2020 caused by a large drop in hydrocarbon prices and consequent negative inventory revaluation. Exploration and production benefited from the increased hydrocarbon prices but natural decline continued with production level below 28 th boe/d, 12% lower compared to Q1 2020. This drove the segment's EBITDA to HRK 401 million, 5% lower compared to Q1 2020. In Q1 2021, INA entered a new concession in Egypt, following efforts to partly compensate for the natural decline of production on domestic fields. Refining and Marketing incl. Consumer services and Retail reached CCS EBITDA of HRK 138 million in Q1 2021. Despite the 3% lower fuel demand, Retail contribution remained strong.

Investment activities were 17% higher compared to Q1 2020. Strategic investments continue with Rijeka Refinery Upgrade as main project while constant financial discipline throughout the crisis resulted in stable net debt of HRK 2,723 million.



President of the Management Board comment

Mr. Sándor Fasimon, President of the Management Board comments on the results:

“After the year 2020, marked by an unseen crisis in the oil & gas industry, the start of 2021 shows some signs of segment recovery, although it is certain that the industry will not return to its previous power soon. Brent prices moved around USD 50 during Q1 2021 which positively affected the result, but doesn’t allow for a laid-back approach to operations. INA Group, with its timely reaction to crisis, managed to keep a stable financial position and ensured continuity in implementing strategic projects.

Q1 2021 Exploration & Production operations have seen a continued trend of decreased production, something that is expected given the mature structure of INA fields, which was partially offset with the mentioned increase in prices. On the other hand, a new transaction in Egypt, Block 10 concession area, was finalized which will allow for some upside in future production.

Refining operations have been adjusted to demand during 2020, with profitable import ensuring stable market supply, but with the relative easing of COVID-19 restrictions and some optimism in the macroenvironment, domestic processing started at the end of the first quarter. Retail sales volumes are roughly at previous year level, while non-fuel margin records a steady and strong growth.

Any forward-looking statements in an environment still burdened by pandemic restrictions are hard to make, but INA can and will work on its internal actions, including continuation of strategic projects as well as adjusting its operations quickly to any market development, to ensure stable cash generation in the future.”

Exploration and Production*

2020	Segment IFRS results (HRK mln)	Q1 2020	Q1 2021	%
2,188	Net sales revenues	820	688	(16)
1,013	EBITDA	424	401	(5)
1,013	EBITDA excl. special items **	424	401	(5)
220	Profit from operations	260	235	(10)
220	Profit from operations excl. special items **	260	235	(10)
571	Simplified Free Cash Flow***	317	307	(3)
442	CAPEX	107	94	(12)

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Adriagas S.r.l. Milano, INA, Adria BV. integrated in INA d.d. as of September 1st, 2020

** In reporting period, the result was not impacted by special items

*** Simplified free cash flow = EBITDA excluding special items – CAPEX

2020	Hydrocarbon production (boe/d)	Q1 2020	Q1 2021	%
13,165	Crude oil production (boe/d)	13,504	12,603	(7)
10,811	Croatia	11,132	10,301	(7)
1,838	Egypt	1,818	1,864	3
516	Angola	554	437	(21)
15,273	Natural gas production (boe/d)	16,833	14,219	(16)
4,663	Croatia – offshore	5,216	3,646	(30)
10,610	Croatia – onshore	11,617	10,573	(9)
1,067	Condensate (boe/d)	1,192	1,067	(10)
29,505	Total hydrocarbon production	31,529	27,888	(12)

2020	Average realised hydrocarbon price	Q1 2020	Q1 2021	%
32	Total hydrocarbon price (USD/boe)*	43	47	8

* Calculated based on total sales revenue including natural gas internal selling price as well

Q1 2021 vs. Q1 2020

Key drivers

- Higher prices impacted sales revenues positively by HRK 15 million. 22% higher realised Brent price resulted in HRK 9 million higher crude oil and condensate sales revenues, while higher gas prices resulted in additional HRK 5 million positive effect
- Domestic crude oil production decreased as a result of intensive natural decline and increased water cut
- International crude oil production:
 - Egypt: Slightly higher production related to the fields of North Bahariya concession
 - Angola: Lower volumes reflecting weaker wells performance and maintenance shutdown on Block 3/05 prior to workover campaign start
- Natural gas production decreased as a result of increased water cut and no production from Ivana D
- Lower onshore production mainly due to higher water cut on Deep Podravina and Međimurje area
- Condensate production was lower caused by natural decline

Capital expenditures

Q1 2021 (HRK mln)	Croatia	Egypt	Angola
Exploration	-	-	-
Development	25	22	3
Other	21	23	-
TOTAL	46	45	3

Lower investment level compared to 2020 as result of lower activities on onshore Croatia. Main activities in Q1 were related to:

- Drava-03: Seismic acquisition on Virovitica Jug polygons started in mid-January and finished in March
- In total 8 well workovers performed on onshore Croatia
- EOR project, Ivanić and Žutica: Continuation of CO₂ and H₂O injection in Žutica North, Žutica South and Ivanić oil fields
- Egypt, North Bahariya concession: 3 development wells drilled, out of which 2 wells completed and put in production as oil producers
- Egypt, East Damanhur concession: INA entered concession as a 20% working interest partner in March, after Egyptian Ministry of Petroleum and Mineral Resources cleared the Sales and Purchase agreement between INA and Wintershall DEA

Refining and Marketing, including Consumer Services and Retail*

2020	Segment IFRS results (HRK mln)	Q1 2020	Q1 2021	%
14,153	Net sales revenues	3,788	3,840	1
(153)	EBITDA	(945)	161	n.a.
(153)	EBITDA excl. special items	(945)	161	n.a.
639	CCS EBITDA excl. special items	(17)	138	n.a.
(1,231)	Profit/(loss) from operations	(1,139)	(16)	(99)
(936)	Profit/(loss) from operations excl. special items**	(1,139)	(16)	(99)
(144)	CCS Profit/(loss) from operations	(211)	(39)	(81)
(109)	Simplified Free Cash Flow***	(93)	11	n.a.
748	CAPEX	76	127	67

* Refers to Refining and Marketing including Consumer Services and Retail INA d.d. and the following subsidiaries: INA Maziva d.o.o., INA Slovenija d.o.o., HoldINA d.o.o. Sarajevo, INA Crna Gora d.o.o., INA d.o.o. Beograd, INA Kosovo d.o.o., Energopetrol d.d., INA MALOPRODAJNI SERVISI d.o.o., Croplin d.o.o.

** In 2020 the result was negatively impacted by HRK (295) mln of impairment of assets

*** Simplified free cash flow = CCS EBITDA excluding special items – CAPEX

2020	Refining processing (kt)	Q1 2020	Q1 2021	%
90	Domestic crude oil	11	9	(20)
1,889	Imported crude oil	311	225	(28)
-	Condensate	-	-	n.a.
757	Other feedstock	78	55	(30)
2,737	Total refining throughput	400	288	(28)
	Refining production (kt)			
153	LPG*	17	14	(18)
122	Naphtha	16	18	13
616	Gasoline	87	48	(44)
58	Kerosene	18	4	(77)
1,119	Diesel	150	106	(29)
79	Heating oil	24	9	(63)
247	Fuel oil	24	45	85
69	Other products**	13	9	(30)
2,464	Total	349	253	(27)
26	Refining loss	7	5	(33)
247	Own consumption	44	30	(31)
2,737	Total refining production	400	288	(28)
	Refined product sales by country (kt)			
1,803	Croatia	427	387	(9)
607	B&H	145	145	0
44	Slovenia	12	11	(8)
140	Italy	25	3	(88)
1,498	Other markets	237	340	43
4,093	Total	846	886	5
	Refined product sales by product (kt)			
227	LPG*	45	43	(4)
38	Naphtha	3	3	0
737	Gasoline	136	96	(29)
58	Kerosene	18	6	(67)
1,808	Diesel	396	372	(6)
123	Heating oil	40	31	(23)
252	Fuel oil	9	16	78
75	Bitumen	9	13	44
775	Other ***	190	306	61
4,093	Total	846	886	5
938	o/w Consumer services and Retail segment sales	216	209	(3)
894	Total natural gas sales (mln m3)	269	170	(37)
505	Total number of service stations	508	505	(1)

* LPG+propylene

**Other products = Benzene concentrate, liquid sulphur, coke, motor oils, industrial lubricants, other intermediates

***Other = Benzene concentrate, heavy naphtha, vacuum gas oil, liquid sulphur, coke, crude oil, motor oils, industrial lubricants

Q1 2021 vs. Q1 2020

Key drivers

- Optimized operations due to unfavourable external environment resulted in lower refinery processing by 112 kt. Market safely supplied from profitable import with Rijeka refinery start-up in March
- Refining margins remained under pressure with less favourable crack spreads of key products (middle distillates: diesel, jet, gasoil)
- Upward trend of crude and product prices positively influenced on reported result
- Total Retail sales volumes amounted to 209 kt, 3% below 2020 realisation related to the impact of coronavirus pandemic
- Non-fuel margin above 2020 by 15% primarily as a result of non-fuel offer adjustment to the new market conditions
- Clean CCS EBITDA result was HRK 155 million above the previous year driven by both R&M and Retail results

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 117 million:
 - Rijeka Refinery Upgrade Project - Issuance of engineering documentation as planned. (detailed design at 60% readiness, 3D model at 30%). Long lead items ordered, and manufacturing started. Excavation works for foundations completed and concrete works started. All building permits obtained
 - Biorefinery Project - project is included in the National plan for Recovery and resilience as a separate measure. Project idea submitted for Just transition fund regarding biomass supply chain establishment activities
- Consumer Services and Retail capital investments amounted to HRK 10 million in 2021 with a focus on reconstructions and the Fresh Corner concept roll-out

Main external parameters

2020	Crude oil and gas prices	Q1 2020	Q1 2021	%
42	Brent dtd (USD/bbl)	50	61	22
0.26	Brent-Ural spread (USD/bbl)	1.99	1.08	(46)
11	CEGH gas price (EUR/MWh)	12	20	70
FOB MED Products prices and crack spreads				
382	Gasoline - premium unleaded 10 ppm (USD/t)	462	561	21
362	Diesel – ULSD 10 ppm (USD/t)	457	488	7
216	Fuel oil 3.5% (USD/t)	224	338	51
395	LPG (USD/t)	454	597	32
65	Crack spread – gasoline (USD/t)	83	98	19
45	Crack spread – diesel (USD/t)	78	26	(67)
(101)	Crack spread – fuel oil 3.5% (USD/t)	(155)	(125)	(20)
78	Crack spread – LPG (USD/t)	75	135	81
(2.49)	Indicative refining margins (USD/bbl)*	0.40	(2.55)	n.a.
Foreign exchange				
6.61	HRK/USD average	6.78	6.27	(8)
6.14	HRK/USD closing	6.88	6.45	(6)
7.53	HRK/EUR average	7.48	7.57	1
7.54	HRK/EUR closing	7.61	7.57	(1)
0.65	3m USD LIBOR (%)	1.53	0.20	(87)
(0.43)	3m EURIBOR (%)	(0.41)	(0.54)	32

* Indicative refining margins based on 2018 Solomon yields, dated Ural price used for all feedstock

Condensed Consolidated Statement of Profit or Loss

For the period ended 31 March 2020 and 2021 (in HRK millions)

2020	Note	Q1 2020	Q1 2021	%
14,788	Revenue from contracts with customers	3,948	3,953	0
181	Other operating income	44	62	41
14,969	Total operating income	3,992	4,015	1
(686)	Changes in inventories of finished products and work in progress	(556)	576	n.a.
(5,710)	Costs of raw materials and consumables	(1,246)	(988)	(21)
(2,289)	Depreciation, amortisation and impairment (net)	(402)	(383)	(5)
(1,811)	Other material costs*	(433)	(421)	(3)
(434)	Service costs*	(122)	(110)	(10)
(1,613)	Staff costs*	(430)	(410)	(5)
(3,699)	Costs of other goods sold	(1,615)	(2,201)	36
(108)	Impairment charges (net)	(153)	-	n.a.
(203)	Provision for charges and risks (net)*	(8)	(37)	363
286	Capitalised value of own performance	73	43	(41)
(16,267)	Operating expenses	(4,892)	(3,931)	(20)
(1,298)	Profit/(loss) from operations	(900)	84	n.a.
165	Finance income	73	110	51
(233)	Finance costs*	(153)	(124)	(19)
(68)	Net (loss)/profit from financial activities	(80)	(14)	(83)
94	Share of net gain/(loss) of joint ventures accounted for using the equity method	5	(13)	n.a.
(1,272)	Profit/(loss) before tax	(975)	57	n.a.
135	Income tax benefit/(expense)	178	(7)	n.a.
(1,137)	Profit/(loss) for the period	(797)	50	n.a.
Attributable to:				
(1,138)	Owners of the Company	(798)	50	n.a.
1	Non-controlling interests	1	-	n.a.
(1,137)		(797)	50	n.a.
Earnings per share				
(113.8)	Basic and diluted earnings/(loss) per share (HRK per share)	(79.8)	5.0	n.a.

* Restatement of comparable previous periods was made – see on page 13

Condensed Consolidated Statement of Financial Position

At 31 December 2020 and 31 March 2021 (in HRK millions)

	Note	31 December 2020	31 March 2021	%
Assets				
Non-current assets				
Intangible assets	9	485	522	8
Property, plant and equipment	10	11,700	11,588	(1)
Right-of-use assets		304	294	(3)
Investments in associates and joint venture		254	242	(5)
Other Investments		17	17	(0)
Long-term receivables		843	877	4
Deferred tax assets		1,210	1,207	(0)
Non-current financial assets		560	567	1
Total non-current assets		15,373	15,314	(0)
Current assets				
Inventories	11	1,624	2,805	73
Trade receivables (net)	12	1,206	2,205	83
Other receivables*		192	165	(14)
Corporative Income tax receivables		5	8	60
Other current assets		89	170	91
Marketable securities		78	-	n.a.
Cash and cash equivalents		399	250	(37)
Current assets		3,593	5,603	56
Assets held for sale		30	23	(23)
Total current assets		3,623	5,626	55
Total assets	8	18,996	20,940	10
Equity and liabilities				
Capital and reserves				
Share capital	13	9,000	9,000	-
Legal reserves		199	199	-
Fair value reserves		202	208	3
Other reserves		1,529	1,555	2
(Accumulated losses)/Retained earnings		(1,586)	(1,536)	(3)
Equity attributable to the owners of the Company		9,344	9,426	1
Non-controlling interests		13	13	0
Total equity		9,357	9,439	1
Non-current liabilities				
Long-term loans		-	193	n.a.
Long-term lease liabilities		232	220	(5)
Other non-current liabilities		33	33	-
Employee benefits obligation		64	64	-
Provisions		3,696	3,718	1
Deferred tax liability		16	16	0
Total non-current liabilities		4,041	4,244	5
Current liabilities				
Bank loans		2,085	2,780	33
Current portion of long-term lease liabilities		77	81	5
Trade payables	15	1,426	2,760	94
Taxes and contributions		637	805	26
Other current liabilities		1,122	565	(50)
Employee benefits obligation		4	4	-
Provisions		247	262	6
Total current liabilities		5,598	7,257	30
Total liabilities	14	9,639	11,501	19
Total equity and liabilities		18,996	20,940	10

Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 31 March 2020 and 2021 (in HRK millions)

2020	Note	Q1 2020	Q1 2021	%
(1,137)		(797)	50	n.a.
Profit/(loss) for the period:				
Adjustments for:				
2,289		402	383	(5)
Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)				
(135)		(178)	7	n.a.
Income tax (benefit)/expense recognised in profit and loss				
108		153	-	n.a.
Impairment charges (net)				
(11)		(2)	-	n.a.
Loss/(Gain) on sale of property, plant and equipment				
16		70	56	(20)
Foreign exchange (gain)/loss				
(14)		5	3	(40)
Interest expense (net)				
(94)		(5)	13	n.a.
Share of joint ventures accounted for using the equity method				
12		(7)	(64)	814
Other finance (income)/expense recognised in profit				
(14)		4	34	750
(Increase)/decrease in provision				
56		13	19	46
Decommissioning interests and other provision				
242		9	45	400
Net (gain)/loss on derivative financial instruments and hedge transactions				
(3)		(1)	(2)	100
Other non-cash items				
1,315	16	(334)	544	n.a.
Operating cash flow before working capital changes				
Movements in working capital				
400		323	(1,235)	n.a.
Decrease/(increase) in inventories				
570		212	(1,071)	n.a.
(Increase)/decrease in receivables and prepayments				
(33)		(241)	1,617	n.a.
(Decrease)/increase in trade and other payables				
2,252		(40)	(145)	263
Cash generated from operations				
(19)		(6)	(6)	0
Taxes paid				
2,233		(46)	(151)	228
Net cash inflow/(outflow) from operating activities				
Cash flows used in investing activities				
(1,213)		(236)	(227)	(4)
Capital expenditures, exploration and development costs				
(74)		-	(31)	n.a.
Payment for intangible assets				
17		1	8	700
Proceeds from sale of non-current assets				
39		18	-	n.a.
Investment in securities				
9		-	-	n.a.
Dividends received from companies classified as non-current financial assets available for sale and from other companies				
39		3	8	167
Interest received and other financial income				
6		7	1	(86)
Loans and other investments (net)				
(1,177)	18	(207)	(241)	16
Net cash used for investing activities				
Cash flows from financing activities				
(332)		309	190	(39)
Change in long-term borrowings (net)				
(685)		443	648	46
Change in short-term borrowings (net)				
(38)		-	(585)	n.a.
Dividends paid				
(70)		14	-	n.a.
Change of principal portion of lease liabilities				
-		-	(8)	n.a.
Interest paid on long-term loans				
(97)		(13)	-	n.a.
Interest paid on short-term loans and other financing charges				
(1,222)		753	245	(67)
Net cash flows (used in)/ from financing activities				
(166)		500	(147)	n.a.
Net increase/(decrease) in cash and cash equivalents				
606		606	399	(34)
At the beginning of the period				
(36)		(3)	(2)	(33)
Effect of foreign exchange rate changes				
404		1,103	250	(77)
At the end of period				
(5)		15	-	n.a.
Overdrafts (net)				
399		1,118	250	(78)
Cash and cash equivalents in statement of financial position				

INA Group Summary Segmental Results of Operations

2020	(HRK mln)	Q1 2020	Q1 2021	%
Net sales revenues				
2,188	Exploration & Production	820	688	(16)
14,153	Refining & Marketing including Consumer services and Retail	3,788	3,840	1
1,543	Corporate and Other	376	289	(23)
(3,096)	Intersegment transfers and consolidation adjustments	(1,036)	(864)	(17)
14,788	Total	3,948	3,953	0
EBITDA*				
1,013	Exploration & Production	424	401	(5)
(153)	Refining & Marketing including Consumer services and Retail	(945)	161	n.a.
(52)	Corporate and Other	(33)	(33)	-
183	Intersegment transfers and consolidation adjustments	56	(62)	n.a.
991	Total	(498)	467	n.a.
EBITDA excluding special items				
1,013	Exploration & Production	424	401	(5)
(153)	Refining & Marketing including Consumer services and Retail	(945)	161	n.a.
(52)	Corporate and Other	(33)	(33)	-
183	Intersegment transfers and consolidation adjustments	56	(62)	n.a.
991	Total	(498)	467	n.a.
Profit/(loss) from operations				
220	Exploration & Production	260	235	(10)
(1,231)	Refining & Marketing including Consumer services and Retail	(1,139)	(16)	(99)
(472)	Corporate and Other	(77)	(73)	(5)
185	Intersegment transfers and consolidation adjustments	56	(62)	n.a.
(1,298)	Total	(900)	84	n.a.
Profit/(loss) from operations excluding special items				
220	Exploration & Production	260	235	(10)
(936)	Refining & Marketing including Consumer services and Retail	(1,139)	(16)	(99)
(267)	Corporate and Other	(77)	(73)	(5)
185	Intersegment transfers and consolidation adjustments	56	(62)	n.a.
(798)	Total	(900)	84	n.a.
Property, plant and equipment				
4,592	Exploration & Production	4,899	4,522	(8)
6,417	Refining & Marketing including Consumer services and Retail	6,548	6,390	(2)
1,177	Corporate and Other	1,442	1,164	(19)
(486)	Intersegment transfers and consolidation adjustments	(466)	(488)	5
11,700	Total	12,423	11,588	(7)

* EBITDA = EBIT + Depreciation, amortization and impairment (net)

Intersegment transfers and consolidation adjustments

Intersegment transfers and consolidation adjustments indicate unrealised profit/loss on domestic crude oil being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil or finished / semi-finished product. Intersegment EBITDA effect on results in Q1 2021 is HRK (62) million compared to HRK 56 million in Q1 2020.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in Q1 2021 amounted to HRK 3,953 million and is around the Q1 2020 level, supported by improvement in Brent price and product quotations
- 2 **Costs of raw materials and consumables** were 21% lower than Q1 2020 level at HRK (988) million, reflecting different dynamic of refinery operations
- 3 Other **operating costs** realized in Q1 2021 include:
- Other material costs in the amount of HRK (421) million were lower by 3% mainly driven by lower transportation and maintenance costs
 - Service costs in the amount of HRK (110) million were 10% lower than the Q1 2020 level mainly due to lower intellectual services in 2021
 - Depreciation, amortisation and impairment (net) in the amount of HRK (383) million were 5% lower compared to Q1 2020
 - In Q1 2021, impairment charges net impact was neutral compared to HRK (153) million in Q1 2020, primarily related to inventory impairment
 - Provision for charges and risk had a negative effect in the amount of HRK (37) million in Q1 2021 compared to HRK (8) million negative effect in Q1 2020
- 4 **Staff costs** in the amount HRK (410) million were 5% lower compared to Q1 2020
- 5 **Costs of other goods sold** in Q1 2021 increased by 36% compared to Q1 2020 and amounted to HRK (2,201) million resulting from higher import to ensure market supply and prices increase
- 6 **Net result from financial activities** is negative in Q1 2021 mainly as a result of:
- Net foreign exchange gain amounted HRK 5 million in Q1 2021, while in Q1 2020 loss reached HRK (55) million
 - Interest expense amounted to HRK (23) million and interest income to HRK 1 million in Q1 2021, while in Q1 2020 interest expense amounted to HRK (18) million and interest income to HRK 1 million
 - Other financial net gain amounted to HRK 3 million in Q1 2021 compared to the loss in amount of HRK (8) million in Q1 2020
- 7 **Income tax expense** in Q1 2021 amounted to HRK (7) million compared to HRK 178 million income tax benefit in Q1 2020. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 March 2021 and 31 March 2020.

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 31 March 2021 INA Group **total assets** amounted to HRK 20,940 million, 10% higher than 31 December 2020
- 9 In the period ended 31 March 2021, INA Group invested HRK 24 million in **intangible assets**. The effect of depreciation equals HRK 11 million
- 10 In the period ended 31 March 2021, INA Group invested HRK 204 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in amount of HRK 351 million
- 11 **Inventories** amounted to HRK 2,805 million and increased compared to HRK 1,624 million on 31 December 2020 mainly due to higher crude import and higher prices
- 12 **Trade receivables (net)** amounted to HRK 2,205 million which is 83% higher than 31 December 2020 mainly due to higher sales and improving price environment
- 13 **Share capital** as at 31 March 2021 amounted to HRK 9,000 million. There were no movements in the issued capital of the Company in either the current or the prior financial reporting
- 14 As at 31 March 2021 **total liabilities** amounted to HRK 11,501 million, 19% higher compared to 31 December 2020. INA Group **net debt** amounted to HRK 2,723 million and increased compared to 31 December 2020. **Net gearing** increased from 14.7% as at 31 December 2020 to 22.4% as at 31 March 2021
- 15 **Trade payables** increased compared to 31 December 2020 to HRK 2,760 million mainly driven by the higher prices of imported crude oil and refined products

Condensed Consolidated Cash Flow Statement (Indirect method)

Notes

- 16 The **operating cash flow before working capital changes** amounted to HRK 544 million in Q1 2021 representing an increase compared to Q1 2020, which is in line with the change in EBITDA performance excluding non-cash items
- 17 **Movements in working capital** affected the operating cash flow negatively by HRK (689) million, due to:
- Increase in value of inventories in the amount of HRK (1,235) million mainly related to higher prices together with higher crude oil and finished products inventories
 - Increase in receivables in the amount of HRK (1,071) million mainly related to higher sales volumes and prices
 - Increase in trade and other payables amounted to 1,617 HRK million mainly related to higher purchase prices and volumes in line with production dynamics
- 18 **Net cash used for investing activities** amounted to HRK (241) million of outflows, compared to HRK (207) million outflows in Q1 2020 mainly reflecting intensive investments in Refining operations



Reclassification

INA Management Board adopted at December 2020 the updated version of INA Group Accounting Policies and Procedures.

The updated version of INA Group Accounting Policies and Procedures policies have been consistently applied to all the periods presented, unless otherwise stated. If the items in the consolidated financial statements is amended, all comparative amounts are reclassified.

INA Group adjusted its classification between operating income and operating expense lines to align Group reporting standards, line Capitalised value of own performance was reclassified to Operating expenses in amount of HRK 286 million in period Q1-Q4 2020. Additionally, utilization of provisions in amount of HRK 212 million in Q1-Q4 2020 was reclassified to the same line as realized costs (HRK 63 million in Other material cost, HRK 31 million in Service costs and HRK 118 million in Staff costs).

Special items in operating profit and EBITDA (in HRK millions)

In addition to international accounting standards, international reporting standards and regulatory requests the company discloses special items to achieve a higher level of transparency and to provide better understanding of the usual business operations. Business events not occurring regularly and having significant effect on operations and results are considered as special items. INA has adopted the materiality level for the special items in the amount of USD 10 million or above. If special items reach materiality level on cumulative basis, previous quarters are restated. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period if impairment indicators are assessed to be significant.

In 2020, the result was impacted by impairment of refinery assets in Sisak in the amount of HRK (295) million, due to the concentration of refining operations in Rijeka refinery and impairment of INA Group oil service company Crosco Group assets due to the decreased demand for oil field services on the market in the amount of HRK (205) million.

In Q1 2021, there were no special items impacting the result.

Financial instruments and risk management

Risk Management procedures of INA Group are described in detail in Consolidated and separate Financial Statements of INA for the year ended 31 December 2020.

As of 31 March 2021 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in inventory levels, pricing periods and crack spreads.
- Contracted and available short-term credit lines amounted to HRK 2,633 million excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products
- Contracted and available long-term credit lines amounted to HRK 2,579 million

Changes in equity

HRK mln	Share capital	Legal reserves	Other reserves	Fair value reserves	(Accumulated losses)/ Retained earnings	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2020	9,000	166	1,590	241	207	11,204	12	11,216
Profit/(loss) for the period	-	-	-	-	(798)	(798)	1	(797)
Other comprehensive gain/(loss), net	-	-	44	(98)	-	(54)	-	(54)
Total comprehensive income/(loss) for the period	-	-	44	(98)	(798)	(852)	1	(851)
Balance at 31 March 2020	9,000	166	1,634	143	(591)	10,352	13	10,365
Balance at 1 January 2021	9,000	199	1,529	202	(1,586)	9,344	13	9,357
Profit/(loss) for the period	-	-	-	-	50	50	-	50
Other comprehensive gain/(loss), net	-	-	26	6	-	32	-	32
Total comprehensive income/(loss) for the period	-	-	26	6	50	82	-	82
Balance at 31 March 2021	9,000	199	1,555	208	(1,536)	9,426	13	9,439

Related party transactions

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and sale of gas and petroleum products. As a result of the strategic position of INA Group within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation.

During Q1 2021, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	Q1 2021	Q1 2021
Companies available for sale		
JANAF d.d. Zagreb	1	10
Strategic partner		
MOL Nyrt.	358	287
Companies controlled by strategic partner		
Tifon d.o.o.	108	2
MOL Slovenia d.o.o.	7	-
MOL Petrochemical	9	5
MOL Azerbaijan	-	286
Slovnaft, a.s.	-	23
MOL Commodity Trading Kft.	-	12
IES S.p.A	-	1
INA Group		
	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 March 2021	31 March 2021
Companies available for sale		
JANAF d.d. Zagreb	1	5
Strategic partner		
MOL Nyrt.	174	140
Companies controlled by strategic partner		
Tifon d.o.o.	70	2
MOL Petrochemicals	7	4
MOL Slovenia d.o.o.	2	-
MOL Azerbaijan	-	290
MOL Commodity Trading Kft.	-	12
Slovnaft, a.s.	-	9

Management representation

Consolidated financial statements of INA Group for Q1 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows.

A meeting of INA Supervisory Board was held on 29 January 2021 to appoint new members of the company's Management Board. New members of the INA Management Board are Ferenc Horváth and József Simola. They were appointed starting from February 1, 2021, until March 31, 2024.

Management Board:

- Sándor Fasimon – President of the Management Board
- Niko Dalić – Member of the Management Board
- Barbara Dorić – Member of the Management Board
- Ferenc Horváth – Member of the Management Board
- Darko Markotić – Member of the Management Board
- József Simola – Member of the Management Board