



**INA GROUP
Q2 & H1 2021
FINANCIAL REPORT**

Zagreb, July 2021

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q2 and H1 2021 results. This report contains unaudited consolidated financial statements for the period ending 30 June 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)

Q2 2020	Q2 2021	HRK mln	H1 2020	H1 2021	%
3,132	5,317	Net sales revenues*	7,080	9,270	31
445	772	EBITDA ⁽¹⁾	(53)	1,239	n.a.
445	772	EBITDA excl. special items⁽³⁾	(53)	1,239	n.a.
366	633	CCS EBITDA excl. special items⁽²⁾	796	1,057	33
(82)	369	Profit/(loss) from operations	(982)	453	n.a.
(82)	369	Profit/(loss) from operations excl. special items ⁽³⁾	(982)	453	n.a.
(161)	230	CCS Profit/(loss) from operations excl. special items	(133)	271	n.a.
(3)	177	Net (loss)/profit from financial activities	(83)	163	n.a.
(167)	484	Profit/(loss) for the period attributable to Owners of the Company	(965)	534	n.a.
(168)	484	Profit/(loss) for the period excl. special items ⁽³⁾	(965)	534	n.a.
43	252	Simplified Free Cash Flow ⁽⁴⁾	278	448	61
648	1.016	Net operating cash flow	602	865	44
Earnings per share					
(16.7)	48.4	Basic and diluted gain/(loss) per share (HRK per share)	(96.5)	53.4	n.a.
2,543	2,011	Net debt	2,543	2,011	(21)
20.0	16.9	Net gearing (%)	20.0	16.9	
323	381	CAPEX total	518	609	18
297	321	Domestic	455	500	10
26	60	International	63	109	73

Q2 2020	Q2 2021	USD mln ⁽⁵⁾	H1 2020	H1 2021	%
455	851	Net sales revenues*	1,037	1,481	43
65	124	EBITDA ⁽¹⁾	(9)	198	n.a.
65	124	EBITDA excl. special items⁽³⁾	(9)	198	n.a.
53	101	CCS EBITDA excl. special items⁽²⁾	117	169	45
(12)	59	Profit/(loss) from operations	(145)	72	n.a.
(12)	59	Profit/(loss) from operations excl. special items ⁽³⁾	(145)	72	n.a.
(23)	37	CCS Profit/(loss) from operations excl. special items	(19)	43	n.a.
(0)	28	Net (loss)/profit from financial activities	(12)	26	n.a.
(24)	77	Profit/(loss) for the period attributable to Owners of the Company	(142)	85	n.a.
(24)	77	Profit/(loss) for the period excl. special items ⁽³⁾	(142)	85	n.a.
6	40	Simplified Free Cash Flow ⁽⁴⁾	41	72	75
94	163	Net operating cash flow	87	139	59
Earnings per share					
(2.4)	7.7	Basic and diluted gain/(loss) per share (USD per share)	(14.2)	8.5	n.a.
379	320	Net debt	379	320	(16)
47	61	CAPEX total	76	97	29
43	51	Domestic	66	80	20
4	10	International	10	17	89

* Related to Revenue from contracts with customers

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

(2) CCS calculation including CO2 adjustments aligned at MOL Group level, restatement of comparable periods was made

(3) In reporting period the result was not impacted by special items

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

(5) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q2 2020 – 6.8900 HRK/USD; Q2 2021 – 6.2464 HRK/USD; for H1 2020 – 6.8369 HRK/USD; for H1 2021 – 6.2602 HRK/USD; as at 31 December 2020 – 6.1390 HRK/USD; as at 30 June 2020 – 6.7076 HRK/USD; as at 30 June 2021 – 6.2904 HRK/USD

Financial and operational highlights

Second quarter of 2021 has shown further improvement in external environment with Brent prices well above USD 60 per barrel and CEGH gas price at 28 EUR per MWh. Product demand has increased close to pre-crisis levels in our core region, however the COVID-19 pandemic is not over yet, therefore economic recovery remains still fragile.

EBITDA of INA Group surpassed HRK 1,2 billion while profit for the first half of 2021 amounted to HRK 534 million. Exploration and Production segment benefited strongly from the higher hydrocarbon prices and increased its EBITDA contribution by 64% to HRK 911 million, despite 11% lower production caused mainly by natural decline. Refining and Marketing incl. Consumer services and Retail also benefited from the increased crude and product prices through positive inventory revaluation. Retail contribution remained strong as sales volumes increased by 11%, in line with the easing of travel restrictions and general market recovery, while non-fuel segment also shows constant growth.

Investment activities increased in all segments compared to H1 2020, strategic investments also continue with Rijeka Refinery Upgrade being the main project. Net profit impacted by received accumulated dividends from OMV Slovenia in the amount of HRK 160 million, which all resulted in strong financial position, with low debt level of HRK 2,011 million and net gearing of 16.9%.



President of the Management Board comment

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

“2021 continues to show a more optimistic forward-looking environment, which is no surprise after unseen difficulties that 2020 brought to the world economy. Recovery of oil & gas prices, with Brent prices even exceeding USD 70 in short periods, is a welcome sign not just for INA, but for entire oil & gas industry. Increase in INA revenues of 31% is a strong result, although this is still not up to the pre-crisis, first half 2019 level.

In such environment, Exploration & Production again took the position of the biggest cash generator, but we should not overlook that this return is driven by external factors. Continued trend of decreased production and mature portfolio of assets remain present challenge for Exploration & Production operations and continued efforts are needed in order to maintain its strong position.

Refining result also benefited from the increased price levels, although the COVID-19 pandemic still poses risk for future demand through the general economy outlook. Therefore, we must remain prepared for quick reactions should the market once again become more volatile. Strategic project of Rijeka Refinery Upgrade is ongoing, while the capital investments in Refining and Marketing amount for more than half of total INA investments.

End of second quarter showed the usual rise in Retail sales, related to better than expected tourist season, however at this moment it is hard to give any forward-looking estimate. The third quarter will show the full result of the increased consumption and give us a better estimate of the total 2021.”

Exploration and Production*

Q2 2020	Q2 2021	Segment IFRS results (HRK mln)	H1 2020	H1 2021	%
360	869	Net sales revenues	1,180	1,557	32
131	510	EBITDA	555	911	64
131	510	EBITDA excl. special items **	555	911	64
(167)	327	Profit from operations	93	562	504
(167)	327	Profit from operations excl. special items **	93	562	504
54	383	Simplified Free Cash Flow***	371	690	86
77	127	CAPEX	184	221	20

* 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

Q2 2020	Q2 2021	Hydrocarbon production (boe/d)	H1 2020	H1 2021	%
13,313	12,590	Crude oil production (boe/d)	13,409	12,596	(6)
10,987	10,311	Croatia	11,059	10,306	(7)
1,802	1,769	Egypt	1,810	1,816	0
524	510	Angola	540	474	(12)
16,022	13,765	Natural gas production (boe/d)	16,427	13,991	(15)
4,898	3,290	Croatia – offshore	5,057	3,467	(31)
11,124	10,475	Croatia – onshore	11,370	10,524	(7)
1,115	1,009	Condensate (boe/d)	1,154	1,037	(10)
30,450	27,364	Total hydrocarbon production	30,990	27,624	(11)

Q2 2020	Q2 2021	Average realised hydrocarbon price	H1 2020	H1 2021	%
20	56	Total hydrocarbon price (USD/boe)*	32	52	63

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

H1 2021 vs. H1 2020

Key drivers

- Higher prices impacted sales revenues positively by HRK 533 million. 63% higher realised Brent price brought an additional HRK 306 million crude oil and condensate sales revenues while increased gas prices added HRK 191 million positive effect
- Domestic crude oil production decreased mainly due to intensive natural decline and increased water cut
- International crude oil production is:
 - Egypt: Slightly higher production as result of higher contribution on North Bahariya concession
 - Angola: Lower due to weaker wells performance on Block 3/05 and unplanned production shutdown events
- Increased water cut, capsizing of Ivana D platform, maintenance activities on Ivana K compressors and in line inspection (ILI works) on Ivana field resulted with lower production on all offshore fields
- Lower onshore gas production mainly due to higher water cut on Deep Podravina and Međimurje area
- Condensate production lower due to natural decline

Capital expenditures

H1 2021 (HRK mln)	Croatia	Egypt	Angola
Exploration	3	24	-
Development	83	69	10
Other	32	-	-
TOTAL	118	93	10

Higher CAPEX level compared to H1 2020 mainly as result of higher Egypt exploration and development activities. Main activities in H1 were related to:

- Drava-02: Ždala-1 well drilling started end of July
- Drava-03: Seismic acquisition finished in March, seismic data processing in progress
- SZH-01: 3D seismic acquisition in progress
- In total 19 well workovers performed on onshore Croatia
- EOR Ivanić and Žutica project: Continuation of CO₂ and H₂O injection in Žutica North, Žutica South and Ivanić oil fields
- EOR Šandrovac: pilot project launched to identify possibilities for full-field application
- Egypt, North Bahariya concession: 6 development wells drilled, out of which 4 wells completed and put in production as oil producers
- Egypt, East Damanhur concession: INA entered concession as a 20% working interest partner in March. Preparations for drilling exploration well in progress

Refining and Marketing, including Consumer Services and Retail*

Q2 2020	Q2 2021	Segment IFRS results (HRK mln)	H1 2020	H1 2021	%
3,024	5,132	Net sales revenues	6,812	8,972	32
263	368	EBITDA	(682)	529	n.a.
263	368	EBITDA excl. special items**	(682)	529	n.a.
184	229	CCS EBITDA excl. special items**	167	347	107
79	190	Profit/(loss) from operations	(1,060)	174	n.a.
79	190	Profit/(loss) from operations excl. special items**	(1,060)	174	n.a.
0	51	CCS Profit/(loss) from operations	(211)	(8)	(96)
(43)	(15)	Simplified Free Cash Flow***	(136)	(24)	(82)
227	244	CAPEX	303	371	22

* 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 reporting period the result was not impacted by special items; CCS calculation including CO2 adjustments aligned at MOL Group level, restatement of comparable periods was made

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

Q2 2020	Q2 2021	Refining processing (kt)	H1 2020	H1 2021	%
30	38	Domestic crude oil	41	47	14
674	656	Imported crude oil	985	880	(11)
210	281	Other feedstock	288	336	17
914	975	Total refining throughput	1,314	1,263	(4)
Refining production (kt)					
49	60	LPG*	66	74	12
33	18	Naphtha	49	37	(25)
202	228	Gasoline	289	276	(5)
14	15	Kerosene	32	20	(39)
392	417	Diesel	542	523	(3)
30	15	Heating oil	54	24	(57)
90	104	Fuel oil	114	148	29
21	29	Other products**	35	38	12
832	886	Total	1,181	1,139	(4)
6	10	Refining loss	13	15	14
76	79	Own consumption	120	109	(9)
914	975	Total refining production	1,314	1,263	(4)
Refined product sales by country (kt)					
410	472	Croatia	837	859	3
145	178	B&H	290	323	11
15	43	Slovenia	27	54	100
32	17	Italy	57	20	(64)
523	409	Other markets	759	749	(1)
1,124	1,119	Total	1,970	2,005	2
Refined product sales by product (kt)					
59	62	LPG*	104	105	0
24	19	Naphtha	27	22	(19)
247	251	Gasoline	383	347	(9)
5	15	Kerosene	23	21	(9)
490	467	Diesel	886	839	(5)
41	19	Heating oil	81	50	(39)
97	125	Fuel oil	106	141	32
17	22	Bitumen	26	35	35
145	140	Other ***	334	445	33
1,124	1,119	Total	1,970	2,005	2
204	257	o/w Consumer services and Retail segment sales	420	466	11
217	130	Total natural gas sales (mln m3)	486	299	(38)
508	504	Total number of service stations	508	504	(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



H1 2021 vs. H1 2020

Key drivers

- Optimized operations in Q1 2021 due to less favourable external environment resulted in refinery startup in March. Rijeka refinery remained in stable operation from March
- Refining margins remained under pressure with unfavourable diesel and fuel oil crack spreads, as well as increased oil, gas and CO₂ prices
- Upward trend of crude and product prices positively impacted reported result mainly through inventory revaluation
- Captive market sales improved, further supported by strong commercial margins in Croatia
- Total Retail sales volumes amounted to 466 kt, 11% above 2020 realisation supported by visible trend of market recovery
- Non-fuel margin above 2020 level by 9% driven by expanded offering, Fresh Corner roll-out and improved tourist consumption in Croatia
- Accumulated dividend from OMV Slovenia received, HRK 160 million

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 325 million:
 - Rijeka Refinery Upgrade Project – Overall engineering at 75% (3D model at 90% for DCU). Concession agreement signed for port Urinj
 - Biorefinery Project - The European Commission has accepted the National Recovery and Resilience Plan for the Republic of Croatia, which includes HRK 1 billion funding for the Biorefinery project. Biomass supply chain project idea accepted for Just Transition Fund plan draft
- Consumer Services and Retail capital investments amounted to HRK 46 million in 2021 with focus on service station reconstructions and roll-out of Fresh Corner concept

Main external parameters

Q2 2020	Q2 2021	Crude oil and gas prices	H1 2020	H1 2021	%
29	69	Brent dtd (USD/bbl)	40	65	63
(0.3)	1.7	Brent-Ural spread (USD/bbl)	0.9	1.4	59
7	28	CEGH gas price (EUR/MWh)	10	24	148
FOB MED Products prices and crack spreads					
263	649	Gasoline - premium unleaded 10 ppm (USD/t)	367	604	65
266	550	Diesel – ULSD 10 ppm (USD/t)	365	519	42
145	366	Fuel oil 3.5% (USD/t)	186	352	89
294	514	LPG (USD/t)	377	560	49
43	127	Crack spread – gasoline (USD/t)	63	112	77
45	29	Crack spread – diesel (USD/t)	62	27	(56)
(76)	(155)	Crack spread – fuel oil 3.5% (USD/t)	(117)	(140)	20
73	(8)	Crack spread – LPG (USD/t)	74	69	(7)
(4.1)	(3.1)	Indicative refining margins (USD/bbl)*	(1.8)	(2.8)	58
Foreign exchange					
6.89	6.25	HRK/USD average	6.84	6.26	(9)
6.71	6.29	HRK/USD closing	6.71	6.29	(6)
7.58	7.53	HRK/EUR average	7.53	7.55	0
7.56	7.49	HRK/EUR closing	7.56	7.49	(1)
0.60	0.16	3m USD LIBOR (%)	1.07	0.18	(83)
(0.30)	(0.54)	3m EURIBOR (%)	(0.36)	(0.54)	50

*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 30 June 2020 and 2021 (in HRK millions)

Q2 2020	Q2 2021	Note	H1 2020	H1 2021	%
3,132	5,317	Revenue from contracts with customers	7,080	9,270	31
36	95	Other operating income	80	157	96
3,168	5,412	Total operating income	7,160	9,427	32
163	60	Changes in inventories of finished products and work in progress	(393)	636	n.a.
(1,511)	(3,083)	Costs of raw materials and consumables	(2,757)	(4,071)	48
(527)	(403)	Depreciation, amortisation and impairment (net)	(929)	(786)	(15)
(491)	(516)	Other material costs*	(924)	(937)	1
(109)	(109)	Service costs*	(231)	(219)	(5)
(361)	(490)	Staff costs*	(791)	(900)	14
(484)	(569)	Costs of other goods sold	(2,099)	(2,770)	32
93	1	Impairment charges (net)	(60)	1	n.a.
(69)	(5)	Provision for charges and risks (net)*	(77)	(42)	(45)
46	71	Capitalised value of own performance*	119	114	(4)
(3,250)	(5,043)	Operating expenses	(8,142)	(8,974)	10
(82)	369	Profit/(loss) from operations	(982)	453	n.a.
(1)	144	Finance income	66	254	285
(2)	33	Finance costs	(149)	(91)	(39)
(3)	177	Net (loss)/profit from financial activities	(83)	163	n.a.
40	6	Share of net gain/(loss) of joint ventures accounted for using the equity method	45	(7)	n.a.
(45)	552	Profit/(loss) before tax	(1,020)	609	n.a.
(123)	(68)	Income tax benefit/(expense)	55	(75)	n.a.
(168)	484	Profit/(loss) for the period	(965)	534	n.a.
		Attributable to:			
(167)	484	Owners of the Company	(965)	534	n.a.
(1)	-	Non-controlling interests	-	-	n.a.
		Earnings per share			
(16.7)	48.4	Basic and diluted earnings/(loss) per share (HRK per share)	(96.5)	53.4	n.a.

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

Condensed Consolidated Statement of Financial Position

At 31 December 2020 and 30 June 2021 (in HRK millions)

	Note	31 December 2020	30 June 2021	%
Assets				
Non-current assets				
Intangible assets	9	485	471	(3)
Property, plant and equipment	10	11,700	11,560	(1)
Right-of-use assets		304	274	(10)
Investments in associates and joint venture		254	247	(3)
Other Investments		17	17	(0)
Long-term receivables		843	868	3
Deferred tax assets		1,210	1,143	(6)
Non-current financial assets		560	567	1
Total non-current assets		15,373	15,147	(1)
Current assets				
Inventories	11	1,624	3,198	97
Trade receivables (net)	12	1,206	1,713	42
Other receivables		192	288	50
Corporative Income tax receivables		5	11	120
Other current assets		89	183	106
Marketable securities		78	-	n.a.
Cash and cash equivalents		399	744	86
Current assets		3,593	6,137	71
Assets held for sale		30	17	(43)
Total current assets		3,623	6,154	70
Total assets	8	18,996	21,301	12
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	1,546	1
(Accumulated losses)/Retained earnings		(1,586)	(1,052)	(34)
Equity attributable to the owners of the Company		9,344	9,901	6
Non-controlling interests		13	13	0
Total equity		9,357	9,914	6
Non-current liabilities				
Long-term loans		-	189	n.a.
Long-term lease liabilities		232	200	(14)
Other non-current liabilities		33	31	(6)
Employee benefits obligation		64	64	-
Provisions		3,696	3,722	1
Deferred tax liability		16	16	0
Total non-current liabilities		4,041	4,222	4
Current liabilities				
Bank loans		2,085	2,566	23
Current portion of long-term lease liabilities		77	78	1
Trade payables	15	1,426	2,555	79
Taxes and contributions		637	980	54
Other current liabilities		1,122	808	(28)
Employee benefits obligation		4	4	-
Provisions		247	174	(30)
Total current liabilities		5,598	7,165	28
Total liabilities	14	9,639	11,387	18
Total equity and liabilities		18,996	21,301	12

Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 30 June 2020 and 2021 (in HRK millions)

Q2 2020	Q2 2021	Note	H1 2020	H1 2021	%
(168)	484	Profit/(loss) for the period:	(965)	534	n.a.
		Adjustments for:			
527	403	Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)	929	786	(15)
123	68	Income tax (benefit)/expense recognised in profit and loss	(55)	75	n.a.
(93)	(1)	Impairment charges (net)	60	(1)	n.a.
-	(9)	Loss/(Gain) on sale of property, plant and equipment	(2)	(9)	350
(39)	(55)	Foreign exchange (gain)/loss	31	1	(97)
4	4	Interest expense (net)	9	7	(22)
(40)	(6)	Share of joint ventures accounted for using the equity method	(45)	7	n.a.
23	(145)	Other finance (income)/expense recognised in profit	16	(209)	n.a.
(26)	(70)	(Increase)/decrease in provision	(22)	(36)	64
13	19	Decommissioning interests and other provision	26	38	46
162	146	Net (gain)/loss on derivative financial instruments and hedge transactions	171	191	12
-	2	Other non-cash items	(1)	-	n.a.
486	840	Operating cash flow before working capital changes	16	1,384	811
		Movements in working capital	17		
(654)	(499)	Decrease/(increase) in inventories	(331)	(1,734)	424
214	(57)	(Increase)/decrease in receivables and prepayments	426	(1,128)	n.a.
607	743	(Decrease)/increase in trade and other payables	366	2,360	545
653	1,027	Cash generated from operations	613	882	44
(5)	(11)	Taxes paid	(11)	(17)	55
648	1,016	Net cash inflow/(outflow) from operating activities	602	865	44
		Cash flows used in investing activities			
(287)	(382)	Capital expenditures, exploration and development costs	(523)	(609)	16
(12)	(20)	Payment for intangible assets	(12)	(51)	325
4	19	Proceeds from sale of non-current assets	5	27	440
-	-	Investment in securities	18	-	n.a.
-	160	Dividends received from companies classified as non-current financial assets available for sale and from other companies	-	160	n.a.
12	4	Interest received and other financial income	15	12	(20)
(5)	-	Loans and other investments (net)	2	1	(50)
(288)	(219)	Net cash used for investing activities	18	(460)	(7)
		Cash flows from financing activities			
(635)	14	Change in long-term borrowings (net)	(326)	204	n.a.
(353)	(179)	Change in short-term borrowings (net)	90	469	421
(19)	(31)	Change of principal portion of lease liabilities	(5)	(31)	520
-	-	Dividends paid	-	(585)	n.a.
-	8	Interest paid on long-term loans	-	-	n.a.
(119)	(123)	Interest paid on short-term loans and other financing charges	(132)	(123)	(7)
(1,126)	(311)	Net cash flows (used in)/ from financing activities	(373)	(66)	(82)
(766)	486	Net increase/(decrease) in cash and cash equivalents	(266)	339	n.a.
1,118	250	At the beginning of the period	606	399	(34)
(9)	7	Effect of foreign exchange rate changes	(12)	5	n.a.
343	743	At the end of period	328	743	127
(19)	1	Overdrafts (net)	(4)	1	n.a.
324	744	Cash and cash equivalents in statement of financial position	324	744	130

INA Group Summary Segmental Results of Operations

Q2 2020	Q2 2021	(HRK mln)	H1 2020	H1 2021	%
Net sales revenues					
360	869	Exploration & Production	1,180	1,557	32
3,024	5,132	Refining & Marketing including Consumer services and Retail	6,812	8,972	32
315	302	Corporate and Other	691	591	(14)
(567)	(986)	Intersegment transfers and consolidation adjustments	(1,603)	(1,850)	15
3,132	5,317	Total	7,080	9,270	31
EBITDA*					
131	510	Exploration & Production	555	911	64
263	368	Refining & Marketing including Consumer services and Retail	(682)	529	n.a.
(83)	(33)	Corporate and Other	(116)	(66)	(43)
134	(73)	Intersegment transfers and consolidation adjustments	190	(135)	n.a.
445	772	Total	(53)	1,239	n.a.
EBITDA excluding special items					
131	510	Exploration & Production	555	911	64
263	368	Refining & Marketing including Consumer services and Retail	(682)	529	n.a.
(83)	(33)	Corporate and Other	(116)	(66)	(43)
134	(73)	Intersegment transfers and consolidation adjustments	190	(135)	n.a.
445	772	Total	(53)	1,239	n.a.
Profit/(loss) from operations					
(167)	327	Exploration & Production	93	562	504
79	190	Refining & Marketing including Consumer services and Retail	(1,060)	174	n.a.
(129)	(76)	Corporate and Other	(206)	(149)	(28)
135	(72)	Intersegment transfers and consolidation adjustments	191	(134)	n.a.
(82)	369	Total	(982)	453	n.a.
Profit/(loss) from operations excluding special items					
(167)	327	Exploration & Production	93	562	504
79	190	Refining & Marketing including Consumer services and Retail	(1,060)	174	n.a.
(129)	(76)	Corporate and Other	(206)	(149)	(28)
135	(72)	Intersegment transfers and consolidation adjustments	191	(134)	n.a.
(82)	369	Total	(982)	453	n.a.
Property, plant and equipment					
4,664	4,453	Exploration & Production	4,664	4,453	(5)
6,598	6,470	Refining & Marketing including Consumer services and Retail	6,598	6,470	(2)
1,421	1,130	Corporate and Other	1,421	1,130	(20)
(470)	(493)	Intersegment transfers and consolidation adjustments	(470)	(493)	5
12,213	11,560	Total	12,213	11,560	(5)

*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 result in H1 2021 is HRK (135) million compared to HRK 190 million in H1 2020.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in H1 2021 amounted to HRK 9,270 million and is 31% higher compared to H1 2020, supported by improvement in hydrocarbon prices and product quotations
- 2 **Costs of raw materials and consumables** were 48% higher than H1 2020 level at HRK (4,071) million, reflecting different dynamic of refinery operations and higher prices
- 3 Other **operating costs** realized in H1 2021 include:
 - Other material costs in the amount of HRK (937) million were higher by 1% mainly driven by higher geological service costs
 - Service costs in the amount of HRK (219) million were 5% lower than the H1 2020 level mainly due to lower intellectual costs
 - Depreciation, amortisation and impairment (net) in the amount of HRK (786) million were 15% lower compared to H1 2020
 - Impairment charges net impact had a positive effect in the amount of HRK 1 million in H1 2021 compared to HRK (60) million negative effect in H1 2020
 - Provision for charges and risk had a negative effect in the amount of HRK (42) million in H1 2021 compared to HRK (77) million negative effect in H1 2020
- 4 **Staff costs** in the amount HRK (900) million were 14% higher compared to H1 2020
- 5 **Costs of other goods sold** in H1 2021 increased by 32% compared to H1 2020 and amounted to HRK (2,770) million resulting from prices increase and higher import to ensure market supply
- 6 **Net result from financial activities** is positive in H1 2021 mainly as a result of:
 - Net foreign exchange gain amounted HRK 44 million in H1 2021, while in H1 2020 loss reached HRK (42) million
 - Interest expense amounted to HRK (45) million and interest income to HRK 1 million in H1 2021, while in H1 2020 interest expense amounted to HRK (37) million and interest income to HRK 2 million
 - Other financial net gain amounted to HRK 163 million in H1 2021 compared to the loss in amount of HRK (6) million in H1 2020
- 7 **Income tax expense** in H1 2021 amounted to HRK (75) million compared to HRK 55 million income tax benefit in H1 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 30 June 2021 and 30 June 2020

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 30 June 2021 INA Group **total assets** amounted to HRK 21,301 million, 12% higher than 31 December 2020
- 9 In the period ended 30 June 2021, INA Group invested HRK 41 million in **intangible assets**. The effect of depreciation equals HRK 25 million
- 10 In the period ended 30 June 2021, INA Group invested HRK 568 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in amount of HRK 720 million
- 11 **Inventories** amounted to HRK 3,198 million and increased compared to HRK 1,624 million on 31 December 2020 mainly due to higher crude import and higher prices.
 - During H1 2021, HRK (10) million was recognized as impairment of refined products and work in progress (H1 2020: reversal of impairment in amount of HRK 4 million) in Changes in inventories of finished products and work in progress line within statement of profit or loss
 - During H1 2021, HRK 2 million was recognized as reversal of impairment for merchandise (H1 2020: impairment of HRK (1) million) in Cost of other goods sold line within statement of profit or loss
- 12 **Trade receivables (net)** amounted to HRK 1,713 million which is 42% higher than 31 December 2020 mainly due to higher sales and improving price environment
- 13 **Share capital** as at 30 June 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 30 June 2021 **total liabilities** amounted to HRK 11,387 million, 18% higher compared to 31 December 2020. INA Group **net debt** amounted to HRK 2,011 million and increased compared to 31 December 2020. **Net gearing** increased from 14.7% as at 31 December 2020 to 16,9% as at 30 June 2021
- 15 **Trade payables** increased compared to 31 December 2020 to HRK 2,555 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 1,384 million in H1 2021 representing an increase compared to H1 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 (502) million, due to:
- Increase in value of inventories in the amount of HRK (1,734) million mainly related to higher prices together with higher crude oil volumes
 - Increase in receivables in the amount of HRK (1,128) million mainly related to higher sales volumes and prices
 - Increase in trade and other payables amounted to 2,360 HRK million mainly related to higher purchase prices and volumes in line with production dynamics and tourist season
- 18 **Net cash used for investing activities** amounted to HRK (460) million of outflows due to intensive investment in Refining operations and is 7% lower compared to HRK (495) million outflows in H1 2020

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. Also, CCS calculation including CO₂ adjustments was aligned at MOL Group level. If the items in the consolidated financial statements are amended, all comparative amounts are reclassified.

INA Group adjusted its classification between operating income and operating expense lines to align MOL Group reporting standards, line Capitalised value of own performance was reclassified to Operating expenses in amount of HRK 119 million in period H1 2020. Additionally, utilization of provisions in amount of HRK 100 million in H1 2020 was reclassified to the same line as realized costs (HRK 58 million in Other material cost, HRK 18 million in Service costs and HRK 24 million in Staff costs).

Special items in operating profit and EBITDA

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 H1 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 30 June 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 2,589 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 2,516 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	-	-	-	-	(965)	(965)	-	(965)
Transfer	-	-	-	-	(2)	(2)	-	(2)
Other comprehensive gain/(loss), net	-	-	8	(67)	-	(59)	-	(59)
Total comprehensive income/(loss) for the period	-	-	8	(67)	(967)	(1,026)	-	(1,026)
Balance at 30 June 2020	9,000	166	1,598	174	(760)	10,178	12	10,190
Balance at 1 January 2021	9,000	199	1,529	202	(1,586)	9,344	13	9,357
Profit/(loss) for the period	-	-	-	-	534	534	-	534
Other comprehensive gain/(loss), net	-	-	17	6	-	23	-	23
Total comprehensive income/(loss) for the period	-	-	17	6	534	557	-	557
Balance at 30 June 2021	9,000	199	1,546	208	(1,052)	9,901	13	9,914

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 H1 2021, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	H1 2021	H1 2021
Share in company as non-current financial assets		
JANAF d.d. Zagreb	-	24
Governing company		
MOL Nyrt.	713	737
Companies controlled by governing partner		
Tifon d.o.o.	253	5
MOL Serbia d.o.o.	47	-
MOL Petrochemical	31	5
MOL Slovenia d.o.o.	14	-
Slovnaft, a.s.	2	104
MOL Azerbaijan	-	572
MOL Commodity Trading Kft.	-	22
IES S.p.A	-	10
INA Group		
	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 June 2021	30 June 2021
Share in company as non-current financial assets		
JANAF d.d. Zagreb	-	7
Governing company		
MOL Nyrt.	90	329
Companies controlled by governing partner		
MOL Commodity Trading Kft.	216	214
Tifon d.o.o.	34	1
MOL Serbia d.o.o.	24	-
MOL Petrochemicals	7	1
MOL Slovenia d.o.o.	6	-
Slovnaft, a.s.	2	36
Petrolszolg Kft.	1	-
MOL Azerbaijan	-	285
IES S.p.A	-	4

Management representation

Consolidated financial statements of INA Group for H1 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.

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