



**INA GROUP  
Q3 & Q1-Q3 2021  
FINANCIAL REPORT**

Zagreb, October 2021

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q3 and Q1-Q3 2021 results. This report contains unaudited consolidated financial statements for the period ending 30 September 2021 as prepared by the Management in accordance with the International Financial Reporting Standards.

## Contents

Management discussion and analysis .....	3
INA Group financial results .....	3
Financial and operational highlights.....	3
President of the Management Board comment .....	4
Exploration and Production.....	5
Refining and Marketing, including Consumer Services and Retail .....	6
Main external parameters .....	7
Statement of Profit or Loss .....	8
Statement of Financial Position .....	9
Cash Flow Statement .....	10
Segmental Results of Operations .....	11
Financial overview and notes .....	12
Special items in operating profit and EBITDA.....	13
Financial instruments and risk management .....	14
Changes in equity.....	14
Related party transactions.....	14
Management representation.....	15

**Management discussion and analysis: INA Group financial results (IFRS)**

Q3 2020	Q3 2021	HRK mln	Q1-Q3 2020	Q1-Q3 2021	%
4,129	6,978	Net sales revenues*	11,209	16,248	45
525	1,102	EBITDA <sup>(1)</sup>	470	2,341	398
<b>525</b>	<b>1,102</b>	<b>EBITDA excl. special items<sup>(3)</sup></b>	<b>470</b>	<b>2,341</b>	<b>398</b>
<b>527</b>	<b>1,052</b>	<b>CCS EBITDA excl. special items<sup>(2)</sup></b>	<b>1,321</b>	<b>2,109</b>	<b>60</b>
(207)	700	Profit/(loss) from operations	(1,190)	1,153	n.a.
<b>88</b>	<b>700</b>	<b>Profit/(loss) from operations excl. special items <sup>(3)</sup></b>	<b>(895)</b>	<b>1,153</b>	<b>n.a.</b>
<b>90</b>	<b>650</b>	<b>CCS Profit/(loss) from operations excl. special items</b>	<b>(44)</b>	<b>921</b>	<b>n.a.</b>
26	(35)	Net (loss)/profit from financial activities	(56)	128	n.a.
(90)	563	Profit/(loss) for the period attributable to Owners of the Company	(1,055)	1,097	n.a.
<b>205</b>	<b>563</b>	<b>Profit/(loss) for the period excl. special items <sup>(3)</sup></b>	<b>(760)</b>	<b>1,097</b>	<b>n.a.</b>
295	758	Simplified Free Cash Flow <sup>(4)</sup>	571	1,206	111
<b>196</b>	<b>699</b>	<b>Net operating cash flow</b>	<b>798</b>	<b>1,564</b>	<b>96</b>
<b>Earnings per share</b>					
(9.0)	56.3	Basic and diluted gain/(loss) per share (HRK per share)	(105.5)	109.7	n.a.
2,503	1,639	Net debt	2,503	1,639	(35)
20.9	13.5	Net gearing (%)	20.9	13.5	
<b>232</b>	<b>294</b>	<b>CAPEX total</b>	<b>750</b>	<b>903</b>	<b>20</b>
212	253	Domestic	667	753	13
20	41	International	83	150	81

Q3 2020	Q3 2021	USD mln <sup>(5)</sup>	Q1-Q3 2020	Q1-Q3 2021	%
641	1,098	Net sales revenues*	1,678	2,580	54
82	173	EBITDA <sup>(1)</sup>	73	371	411
<b>82</b>	<b>173</b>	<b>EBITDA excl. special items<sup>(3)</sup></b>	<b>73</b>	<b>371</b>	<b>411</b>
<b>82</b>	<b>166</b>	<b>CCS EBITDA excl. special items<sup>(2)</sup></b>	<b>198</b>	<b>335</b>	<b>69</b>
(32)	110	Profit/(loss) from operations	(177)	183	n.a.
<b>14</b>	<b>110</b>	<b>Profit/(loss) from operations excl. special items <sup>(3)</sup></b>	<b>(131)</b>	<b>183</b>	<b>n.a.</b>
<b>14</b>	<b>102</b>	<b>CCS Profit/(loss) from operations excl. special items</b>	<b>(5)</b>	<b>146</b>	
4	(6)	Net (loss)/profit from financial activities	(8)	21	n.a.
(14)	89	Profit/(loss) for the period attributable to Owners of the Company	(156)	174	n.a.
<b>32</b>	<b>89</b>	<b>Profit/(loss) for the period excl. special items <sup>(3)</sup></b>	<b>(110)</b>	<b>174</b>	<b>n.a.</b>
46	119	Simplified Free Cash Flow <sup>(4)</sup>	87	191	120
<b>30</b>	<b>110</b>	<b>Net operating cash flow</b>	<b>118</b>	<b>249</b>	<b>111</b>
<b>Earnings per share</b>					
(1.4)	8.9	Basic and diluted gain/(loss) per share (USD per share)	(15.6)	17.4	n.a.
388	255	Net debt	388	255	(34)
<b>36</b>	<b>46</b>	<b>CAPEX total</b>	<b>112</b>	<b>144</b>	<b>29</b>
33	40	Domestic	99	120	21
3	6	International	12	24	91

\* Related to Revenue from contracts with customers

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

(2) CCS calculation including CO2 adjustments, restatement of comparable periods was made

(3) In Q1-Q3 2021 result was not impacted by special items, while in Q1-Q3 2020 result was negatively impacted by HRK (295) million of impairment of assets

(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 Q3 2020 – 6.4391 HRK/USD; Q3 2021 – 6.3528 HRK/USD; for Q1-Q3 2020 – 6.7043 HRK/USD; for Q1-Q3 2021 – 6.2910 HRK/USD; as at 31 December 2020 – 6.1390 HRK/USD; as at 30 September 2020 – 6.4530 HRK/USD; as at 30 September 2021 – 6.4266 HRK/USD

**2021 YTD Financial and operational highlights**

Economic recovery continued in the third quarter of 2021, but COVID-19 pandemic and other worldwide macroeconomic developments continue to pose a threat to future prospects.

EBITDA of INA Group for the first nine months of 2021 amounted to HRK 2.3 billion and net profit of HRK 1 billion, rebounding from a negative base. Exploration and Production segment is the main contributor to the results with EBITDA of HRK 1.6 billion, which represents an increase driven by improved average realized hydrocarbon price level of 58 USD/boe. Still, natural production decline continues across the asset base. Refining and Marketing incl. Consumer services and Retail results reached HRK 1 billion on the back of a better than expected tourist season.

Investment activities increased throughout the segments compared to first nine months of 2020. Rijeka Refinery Upgrade remains the major strategic investment, aimed at improving the Refining segment's long-term competitive position. At the same time building a profitable Egyptian Exploration and Production portfolio continues with exploration and development activities expected in the newly acquired share in Block 10. Financial position with net debt of HRK 1,639 million and net gearing of 13.5% enables INA Group to continue the ongoing intensive investment cycle.



## President of the Management Board comment

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

Following the unseen market turmoil during 2020, this year shows a more favorable environment but the disturbances in the world economy continue. Oil and gas prices not just recovered, but the sudden spike in demand pushed them well above expected levels, with Brent exceeding USD 70 during Q3 2021 and further growing in Q4. Such an environment increased INA Group revenue to more than HRK 16 billion. This spike in prices is the primary driver behind the strong results, especially in the Exploration & Production business, once again the biggest cash generator. Still, we need to be aware that this relief is externally driven, and the continued natural decline remains a challenge. To address this challenge INA will try to maximize its Croatian portfolio, onshore but also offshore, with a new drilling campaign aimed at increasing gas production.

Refining sales improved at captive markets, while Retail sales recorded a 14% recovery compared to first nine months 2020, which were mostly marked by the pandemic. This is the result of better than expected tourist season that also lasted longer, visible in both fuel and non-fuel part. Refining margins, although currently showing signs of recovery, remain a major factor affecting profitability of the business and represent a risk for the future market outlook.

Capital investments during the first nine months of 2021 increased by 20%, with roughly half spent in the Refining business.

We hope that the market turmoil, that we witness in this and previous year, will soon be stabilized. Regardless of the direction of the market situation, INA is committed to ensuring stable cash flow in order to carry out all the strategic projects that started.

### Exploration and Production\*

Q3 2020	Q3 2021	Segment IFRS results (HRK mln)	Q1-Q3 2020	Q1-Q3 2021	%
462	1,031	Net sales revenues	1,642	2,588	58
152	652	EBITDA	707	1,563	121
<b>152</b>	<b>652</b>	<b>EBITDA excl. special items **</b>	<b>707</b>	<b>1,563</b>	<b>121</b>
(9)	470	Profit from operations	84	1,032	1,129
<b>(9)</b>	<b>470</b>	<b>Profit from operations excl. special items **</b>	<b>84</b>	<b>1,032</b>	<b>1,129</b>
<b>53</b>	516	Simplified Free Cash Flow***	424	1,206	184
99	136	CAPEX	283	357	26

\* 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 1<sup>st</sup>, 2020

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

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

Q3 2020	Q3 2021	Hydrocarbon production (boe/d)	Q1-Q3 2020	Q1-Q3 2021	%
<b>13,033</b>	<b>12,567</b>	<b>Crude oil production (boe/d)</b>	<b>13,283</b>	<b>12,586</b>	<b>(5)</b>
10,695	10,383	Croatia	10,937	10,332	(6)
1,841	1,703	Egypt	1,820	1,778	(2)
498	481	Angola	525	476	(9)
<b>13,705</b>	<b>13,325</b>	<b>Natural gas production (boe/d)</b>	<b>15,513</b>	<b>13,767</b>	<b>(11)</b>
4,519	3,139	Croatia – offshore	4,876	3,356	(31)
9,186	10,187	Croatia – onshore	10,637	10,410	(2)
<b>876</b>	<b>930</b>	<b>Condensate (boe/d)</b>	<b>1,060</b>	<b>1,001</b>	<b>(6)</b>
<b>27,614</b>	<b>26,822</b>	<b>Total hydrocarbon production</b>	<b>29,856</b>	<b>27,354</b>	<b>(8)</b>

Q3 2020	Q3 2021	Average realised hydrocarbon price	Q1-Q3 2020	Q1-Q3 2021	%
30	70	Total hydrocarbon price (USD/boe)*	31	58	84

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

### Q1-Q3 2021 vs. Q1-Q3 2020

#### Key drivers

- Higher prices impacted sales revenues positively by HRK 1,125 million. 66% higher realised Brent price brought an additional HRK 528 million crude oil and condensate sales revenues while increased gas prices added HRK 520 million positive effect
- Domestic crude oil production decreased mainly due to intensive natural decline caused by increased water cut
- International crude oil production:
  - Egypt: Slightly lower mainly due to lower East Yidma contribution
  - 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, downtimes on Annamaria A and Ika 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

Q1-Q3 2021 (HRK mln)	Croatia	Egypt	Angola
Exploration	24	30	-
Development	124	93	16
Other	70	-	-
<b>TOTAL</b>	<b>218</b>	<b>123</b>	<b>16</b>

Higher CAPEX level compared to Q1-Q3 2020 mainly as result of higher Egypt exploration and development activities. Main activities in Q1-Q3 were related to:

#### Exploration:

- Drava-02: Ždala-1 well drilled end of August, no hydrocarbon shows, well is plugged and abandoned
- Drava-02: Bačkovica-1 well drilled in September with hydrocarbon shows, preparation for well test is ongoing
- Drava-03 and SZH-01: Seismic data processing in progress

#### Development:

- In total 30 well workovers performed on onshore Croatia.
- EOR Šandrovac: pilot project launched in Q2 to identify possibilities for full-field application, CO<sub>2</sub> pilot injection has been ongoing since
- Egypt, North Bahariya concession: 10 development wells drilled, out of which 8 wells completed and put in production as oil producers
- Egypt, East Damanhur concession: INA entered concession partnership with 20% working interest in March. Drilling of 2 exploration wells is planned, preparations for drilling the first well are in progress, spud-in planned for mid-October, the second well is due in 2022



**Refining and Marketing, including Consumer Services and Retail\***

Q3 2020	Q3 2021	Segment IFRS results (HRK mln)	Q1-Q3 2020	Q1-Q3 2021	%
3,997	6,884	Net sales revenues	10,809	15,856	47
348	531	EBITDA	(334)	1,060	n.a.
<b>348</b>	<b>531</b>	<b>EBITDA excl. special items**</b>	<b>(334)</b>	<b>1,060</b>	<b>n.a.</b>
350	481	CCS EBITDA excl. special items**	517	828	60
(145)	355	Profit/(loss) from operations	(1,205)	529	n.a.
<b>150</b>	<b>355</b>	<b>Profit/(loss) from operations excl. special items**</b>	<b>(910)</b>	<b>529</b>	<b>n.a.</b>
152	305	CCS Profit/(loss) from operations	(59)	297	n.a.
224	338	Simplified Free Cash Flow***	88	314	256
126	143	CAPEX	429	514	20

\* 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 Q1-Q3 2021 result was not impacted by special items, while in Q1-Q3 2020 result was negatively impacted by HRK (295) million of impairment of assets; CCS calculation including CO2 adjustments, restatement of comparable periods was made

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

Q3 2020	Q3 2021	Refining processing (kt)	Q1-Q3 2020	Q1-Q3 2021	%
33	33	Domestic crude oil	74	80	7
655	665	Imported crude oil	1,640	1,545	(6)
282	264	Other feedstock	570	600	5
<b>970</b>	<b>962</b>	<b>Total refining throughput</b>	<b>2,284</b>	<b>2,225</b>	<b>(3)</b>
		<b>Refining production (kt)</b>			
63	60	LPG*	128	133	4
46	13	Naphtha	95	49	(48)
219	233	Gasoline	509	509	(0)
21	43	Kerosene	53	63	18
412	396	Diesel	954	920	(4)
9	19	Heating oil	63	42	(33)
89	87	Fuel oil	203	235	16
23	24	Other products**	58	63	10
<b>882</b>	<b>875</b>	<b>Total</b>	<b>2,063</b>	<b>2,014</b>	<b>(2)</b>
8	9	Refining loss	21	24	13
80	78	Own consumption	200	187	(7)
<b>970</b>	<b>962</b>	<b>Total refining production</b>	<b>2,284</b>	<b>2,225</b>	<b>(3)</b>
		<b>Refined product sales by country (kt)</b>			
534	644	Croatia	1,370	1,503	10
159	210	B&H	449	533	19
7	47	Slovenia	34	100	198
57	27	Italy	114	47	(58)
399	393	Other markets	1,159	1,143	(1)
<b>1,156</b>	<b>1,321</b>	<b>Total</b>	<b>3,126</b>	<b>3,326</b>	<b>6</b>
		<b>Refined product sales by product (kt)</b>			
71	66	LPG*	175	170	(2)
10	14	Naphtha	37	36	(3)
242	252	Gasoline	625	599	(4)
27	58	Kerosene	50	79	58
494	588	Diesel	1,380	1,426	3
13	23	Heating oil	94	73	(22)
73	69	Fuel oil	179	210	17
24	19	Bitumen	50	55	9
202	232	Other ***	536	678	26
<b>1,156</b>	<b>1,321</b>	<b>Total</b>	<b>3,126</b>	<b>3,326</b>	<b>6</b>
293	268	o/w Consumer services and Retail segment sales	713	811	14
<b>208</b>	<b>141</b>	<b>Total natural gas sales (mln m3)</b>	<b>694</b>	<b>440</b>	<b>(37)</b>
<b>507</b>	<b>504</b>	<b>Total number of service stations</b>	<b>507</b>	<b>504</b>	<b>(1)</b>

\* 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-Q3 2021 vs. Q1-Q3 2020

### Key drivers

- Rijeka refinery in stable operation from March with operating level adjusted to market needs
- Refining margins remained under pressure with less favourable middle distillates (diesel, jet, gasoil) crack spreads with signs of crack recovery from mid summer
- 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 811 kt, 14% above 2020 realisation based on visible trend of market recovery from last year's severe coronavirus pandemic and improved touristic consumption
- Non-fuel margin increased over 17% driven by expanded non-fuel offering, Fresh Corner roll-out and improved sales

### Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 446 million:
  - Rijeka Refinery Upgrade Project - Overall Engineering at ~83% (3D model at 90% for all units), Coke drums steel structure expected at site by end of October 2021, Heat Exchangers and Columns ready for shipping from South Korea
- Consumer Services and Retail capital investments amounted to HRK 68 million in Q1-Q3 2021 with focus on service station reconstructions and roll-out of Fresh Corner concept, which has so far been implemented at 123 service stations

### Main external parameters

Q3 2020	Q3 2021	Crude oil and gas prices	Q1-Q3 2020	Q1-Q3 2021	%
43	74	Brent dtd (USD/bbl)	41	68	66
(0.4)	2.4	Brent-Ural spread (USD/bbl)	0.4	1.7	298
10	47	CEGH gas price (EUR/MWh)	10	30	212
<b>FOB MED Products prices and crack spreads</b>					
396	717	Gasoline - premium unleaded 10 ppm (USD/t)	377	643	71
353	600	Diesel – ULSD 10 ppm (USD/t)	361	547	52
236	396	Fuel oil 3.5% (USD/t)	203	367	81
358	681	LPG (USD/t)	371	605	63
71	161	Crack spread – gasoline (USD/t)	66	129	96
28	44	Crack spread – diesel (USD/t)	50	33	(35)
(90)	(160)	Crack spread – fuel oil 3.5% (USD/t)	(107)	(147)	37
32	124	Crack spread – LPG (USD/t)	60	91	52
(3.5)	0.2	Indicative refining margins (USD/bbl)*	(2.4)	(1.8)	(25)
<b>Foreign exchange</b>					
6.44	6.36	HRK/USD average	6.70	6.30	(6)
6.45	6.43	HRK/USD closing	6.45	6.43	(0)
7.65	7.49	HRK/EUR average	7.57	7.53	(1)
7.54	7.50	HRK/EUR closing	7.54	7.50	(1)
0.25	0.13	3m USD LIBOR (%)	0.79	0.16	(80)
(0.47)	(0.55)	3m EURIBOR (%)	(0.39)	(0.54)	39

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





**Condensed Consolidated Statement of Financial Position**

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

	Note	31 December 2020	30 September 2021	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	485	488	1
Property, plant and equipment	10	11,700	11,462	(2)
Right-of-use assets		304	290	(5)
Investments in associates and joint venture		254	255	0
Other investments		17	17	(0)
Long-term receivables		843	856	2
Deferred tax assets		1,210	1,030	(15)
Non-current financial assets		560	605	8
<b>Total non-current assets</b>		<b>15,373</b>	<b>15,003</b>	<b>(2)</b>
<b>Current assets</b>				
Inventories	11	1,624	2,758	70
Trade receivables (net)	12	1,206	2,035	69
Other receivables		192	239	24
Corporative income tax receivables		5	12	140
Other current assets		89	206	131
Marketable securities		78	-	n.a.
Cash and cash equivalents		399	410	3
<b>Current assets</b>		<b>3,593</b>	<b>5,660</b>	<b>58</b>
Assets held for sale		30	15	(50)
<b>Total current assets</b>		<b>3,623</b>	<b>5,675</b>	<b>57</b>
<b>Total assets</b>	<b>8</b>	<b>18,996</b>	<b>20,678</b>	<b>9</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	13	9,000	9,000	-
Legal reserves		199	199	-
Fair value reserves		202	239	18
Other reserves		1,529	1,551	1
(Accumulated losses)/Retained earnings		(1,586)	(489)	(69)
<b>Equity attributable to the owners of the Company</b>		<b>9,344</b>	<b>10,500</b>	<b>12</b>
Non-controlling interests		13	13	0
<b>Total equity</b>		<b>9,357</b>	<b>10,513</b>	<b>12</b>
<b>Non-current liabilities</b>				
Long-term loans		-	193	n.a.
Long-term lease liabilities		232	213	(8)
Other non-current liabilities		33	30	(9)
Employee benefits obligation		64	64	-
Provisions		3,696	3,792	3
Deferred tax liability		16	16	0
<b>Total non-current liabilities</b>		<b>4,041</b>	<b>4,308</b>	<b>7</b>
<b>Current liabilities</b>				
Bank loans		2,085	1,856	(11)
Current portion of long-term lease liabilities		77	81	5
Trade payables	15	1,426	1,895	33
Taxes and contributions		637	1,034	62
Other current liabilities		1,122	734	(35)
Employee benefits obligation		4	4	-
Provisions		247	253	2
<b>Total current liabilities</b>		<b>5,598</b>	<b>5,857</b>	<b>5</b>
<b>Total liabilities</b>	<b>14</b>	<b>9,639</b>	<b>10,165</b>	<b>5</b>
<b>Total equity and liabilities</b>		<b>18,996</b>	<b>20,678</b>	<b>9</b>

**Condensed Consolidated Cash Flow Statement (Indirect method)**

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

Q3 2020	Q3 2021	Note	Q1-Q3 2020	Q1-Q3 2021	%
(89)	563	<b>Profit/(loss) for the period:</b>	(1,054)	1,097	n.a.
		<b>Adjustments for:</b>			
731	402	Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)	1,660	1,188	(28)
(67)	109	Income tax (benefit)/expense recognised in profit and loss	(122)	184	n.a.
82	24	Impairment charges (net)	142	23	(84)
(3)	(9)	Loss/(gain) on sale of property, plant and equipment	(5)	(18)	260
(33)	(20)	Foreign exchange (gain)/loss	(2)	(19)	850
5	3	Interest (gain)/expense (net)	14	10	(29)
(25)	(7)	Share of (profit)/loss of joint ventures accounted for using the equity method	(70)	-	n.a.
(6)	34	Other finance (income)/expense recognised in profit	10	(175)	n.a.
2	205	(Increase)/decrease in provision	(20)	169	n.a.
9	18	Decommissioning interests and other provision	35	56	60
4	69	Net (gain)/loss on derivative financial instruments and hedge transactions	175	260	49
3	-	Other non-cash items	2	-	n.a.
<b>613</b>	<b>1,391</b>	<b>Operating cash flow before working capital changes</b>	<b>16</b>	<b>2,775</b>	<b>263</b>
		<b>Movements in working capital</b>	<b>17</b>		
170	307	Decrease/(increase) in inventories	(161)	(1,427)	786
(136)	(393)	(Increase)/decrease in receivables and prepayments	290	(1,521)	n.a.
(449)	(605)	(Decrease)/increase in trade and other payables	(83)	1,755	n.a.
<b>198</b>	<b>700</b>	<b>Cash generated from operations</b>	<b>811</b>	<b>1,582</b>	<b>95</b>
(2)	(1)	Taxes paid	(13)	(18)	38
<b>196</b>	<b>699</b>	<b>Net cash inflow/(outflow) from operating activities</b>	<b>798</b>	<b>1,564</b>	<b>96</b>
		<b>Cash flows used in investing activities</b>			
(100)	(352)	Capital expenditures, exploration and development costs	(623)	(961)	54
(123)	(29)	Payment for intangible assets	(135)	(80)	(41)
3	12	Proceeds from sale of non-current assets	8	39	388
17	-	Investment in securities	35	-	n.a.
9	9	Dividends received from companies classified as non-current financial assets available for sale and from other companies	9	169	1,778
6	6	Interest received and other financial income	21	18	(14)
3	1	Loans and other investments (net)	5	2	(60)
<b>(185)</b>	<b>(353)</b>	<b>Net cash used for investing activities</b>	<b>18</b>	<b>(813)</b>	<b>20</b>
		<b>Cash flows from financing activities</b>			
(6)	(1)	Change in long-term borrowings (net)	(332)	203	n.a.
(271)	(728)	Change in short-term borrowings (net)	(181)	(259)	43
(16)	17	Change of principal portion of lease liabilities	(21)	(14)	(33)
(38)	-	Dividends paid	(38)	(585)	1,439
76	42	Interest paid on short-term loans and other financing charges	(56)	(81)	45
<b>(255)</b>	<b>(670)</b>	<b>Net cash flows (used in)/ from financing activities</b>	<b>(628)</b>	<b>(736)</b>	<b>17</b>
(244)	(324)	Net increase/(decrease) in cash and cash equivalents	(510)	15	n.a.
324	744	At the beginning of the period	606	399	(34)
(22)	(10)	Effect of foreign exchange rate changes	(34)	(5)	(85)
-	-	At the end of period	62	409	560
50	-	Overdrafts (net)	46	1	(98)
<b>108</b>	<b>410</b>	<b>Cash and cash equivalents in statement of financial position</b>	<b>108</b>	<b>410</b>	<b>280</b>

**INA Group Summary Segmental Results of Operations**

Q3 2020	Q3 2021	(HRK mln)	Q1-Q3 2020	Q1-Q3 2021	%
<b>Net sales revenues</b>					
462	1,031	Exploration & Production	1,642	2,588	58
3,997	6,884	Refining & Marketing including Consumer services and Retail	10,809	15,856	47
361	346	Corporate and Other	1,052	937	(11)
(691)	(1,283)	Intersegment transfers and consolidation adjustments	(2,294)	(3,133)	37
<b>4,129</b>	<b>6,978</b>	<b>Total</b>	<b>11,209</b>	<b>16,248</b>	<b>45</b>
<b>EBITDA*</b>					
152	652	Exploration & Production	707	1,563	121
348	531	Refining & Marketing including Consumer services and Retail	(334)	1,060	n.a.
18	41	Corporate and Other	(98)	(25)	(74)
5	(122)	Intersegment transfers and consolidation adjustments	195	(257)	n.a.
<b>523</b>	<b>1,102</b>	<b>Total</b>	<b>470</b>	<b>2,341</b>	<b>398</b>
<b>EBITDA excluding special items</b>					
152	652	Exploration & Production	707	1,563	121
348	531	Refining & Marketing including Consumer services and Retail	(334)	1,060	n.a.
18	41	Corporate and Other	(98)	(25)	(74)
5	(122)	Intersegment transfers and consolidation adjustments	195	(257)	n.a.
<b>523</b>	<b>1,102</b>	<b>Total</b>	<b>470</b>	<b>2,341</b>	<b>398</b>
<b>Profit/(loss) from operations</b>					
(9)	470	Exploration & Production	84	1,032	1,129
(145)	355	Refining & Marketing including Consumer services and Retail	(1,205)	529	n.a.
(59)	(4)	Corporate and Other	(265)	(153)	(42)
5	(121)	Intersegment transfers and consolidation adjustments	196	(255)	n.a.
<b>(208)</b>	<b>700</b>	<b>Total</b>	<b>(1,190)</b>	<b>1,153</b>	<b>n.a.</b>
<b>Profit/(loss) from operations excluding special items</b>					
(9)	470	Exploration & Production	84	1,032	1,129
150	355	Refining & Marketing including Consumer services and Retail	(910)	529	n.a.
(59)	(4)	Corporate and Other	(265)	(153)	(42)
5	(121)	Intersegment transfers and consolidation adjustments	196	(255)	n.a.
<b>87</b>	<b>700</b>	<b>Total</b>	<b>(895)</b>	<b>1,153</b>	<b>n.a.</b>
<b>Property, plant and equipment</b>					
4,566	4,394	Exploration & Production	4,566	4,394	(4)
6,278	6,458	Refining & Marketing including Consumer services and Retail	6,278	6,458	3
1,307	1,109	Corporate and Other	1,307	1,109	(15)
(476)	(499)	Intersegment transfers and consolidation adjustments	(476)	(499)	5
<b>11,675</b>	<b>11,462</b>	<b>Total</b>	<b>11,675</b>	<b>11,462</b>	<b>(2)</b>

\*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 and natural gas being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil/natural gas or finished/semi-finished product. Intersegment EBITDA effect on result in Q1-Q3 2021 is HRK (257) million compared to HRK 195 million in Q1-Q3 2020.

## Financial overview and notes

### Condensed Consolidated Statement of Profit or Loss

#### Notes

- 1 **Revenue from contracts with customers** in Q1-Q3 2021 amounted to HRK 16,248 million and is 45% higher compared to Q1-Q3 2020, supported by improvement in hydrocarbon prices and product quotations
- 2 **Costs of raw materials and consumables** were 53% higher than Q1-Q3 2020 level at HRK (7,376) million, reflecting different dynamic of refinery operations and higher prices
- 3 Other **operating costs** realized in Q1-Q3 2021 include:
  - Other material costs in the amount of HRK (1,421) million were higher by 8% mainly driven by higher geological service and transportation costs
  - Service costs in the amount of HRK (331) million were 2% lower than the Q1-Q3 2020 level mainly due to lower intellectual costs
  - Depreciation, amortisation and impairment (net) in the amount of HRK (1,188) million were 28% lower compared to Q1-Q3 2020
  - Impairment charges net impact had a negative effect in the amount of HRK (23) million in Q1-Q3 2021 compared to HRK (142) million negative effect in Q1-Q3 2020
  - Provision for charges and risk had a negative effect in the amount of HRK (181) million in Q1-Q3 2021 compared to HRK (121) million negative effect in Q1-Q3 2020
- 4 **Staff costs** in the amount HRK (1,290) million were 12% higher compared to Q1-Q3 2020
- 5 **Costs of other goods sold** in Q1-Q3 2021 increased by 59% compared to Q1-Q3 2020 and amounted to HRK (4,318) million resulting from price increase and higher import to ensure market supply
- 6 **Net result from financial activities** is positive in Q1-Q3 2021 mainly as a result of:
  - Net foreign exchange gain amounted HRK 19 million in Q1-Q3 2021, while in Q1-Q3 2020 loss reached HRK (14) million
  - Interest expense amounted to HRK (67) million and interest income to HRK 1 million in Q1-Q3 2021, while in H1 2020 interest expense amounted to HRK (51) million and interest income to HRK 3 million
  - Other financial net gain amounted to HRK 175 million in Q1-Q3 2021 compared to the gain in the amount of HRK 6 million in Q1-Q3 2020
- 7 **Income tax expense** in Q1-Q3 2021 amounted to HRK (184) million compared to HRK 122 million income tax benefit in Q1-Q3 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 September 2021 and 30 September 2020

### Condensed Consolidated Statement of Financial Position

#### Notes

- 8 As at 30 September 2021 INA Group **total assets** amounted to HRK 20,678 million, 9% higher than 31 December 2020
- 9 In the period ended 30 September 2021, INA Group invested HRK 75 million in **intangible assets**. The effect of depreciation equals HRK 40 million
- 10 In the period ended 30 September 2021, INA Group invested HRK 828 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in amount of HRK 1,085 million
- 11 **Inventories** amounted to HRK 2,758 million and increased compared to HRK 1,624 million on 31 December 2020 mainly due to higher crude import and higher prices
  - During Q1-Q3 2021, HRK (4) million was recognized as impairment of refined products and work in progress (Q1-Q3 2020: impairment in amount of HRK (107) million) in line Changes in inventories of finished products and work in progress within statement of profit or loss
  - During Q1-Q3 2021, HRK 1 million was recognized as reversal of impairment for merchandise (Q1-Q3 2020: impairment of HRK (4) million) in line Cost of other goods sold within statement of profit or loss
- 12 **Trade receivables (net)** amounted to HRK 2,035 million which is 69% higher than 31 December 2020 mainly due to higher sales and improving price environment
- 13 **Share capital** as at 30 September 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 September 2021 **total liabilities** amounted to HRK 10,165 million, 5% higher compared to 31 December 2020. INA Group **net debt** amounted to HRK 1,639 million and increased compared to 31 December 2020. **Net gearing** decreased from 14.7% as at 31 December 2020 to 13.5% as at 30 September 2021
- 15 **Trade payables** increased compared to 31 December 2020 to HRK 1,895 million mainly driven by higher prices and volumes 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 2,775 million in Q1-Q3 2021 representing an increase compared to Q1-Q3 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 (1,193) million, due to:
- Increase in value of inventories in the amount of HRK (1,427) million mainly related to higher prices together with higher crude oil volumes
  - Increase in receivables in the amount of HRK (1,521) million mainly related to higher sales volumes and prices
  - Increase in trade and other payables amounted to 1,755 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 (813) million of outflows due to intensive investment in Refining operations and is 9% higher compared to HRK (680) million outflows in Q1-Q3 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 updated. 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, line Capitalised value of own performance was reclassified to Operating expenses in amount of HRK 194 million in period Q1-Q3 2020. Additionally, utilization of provisions in amount of HRK 140 million in Q1-Q3 2020 was reclassified to the same line as realized costs (HRK 61 million in Other material cost, HRK 25 million in Service costs and HRK 54 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 Q1-Q3 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.

In Q1-Q3 2021, there were no special items impacting the result.

HRK mln	Q1-Q3 2020	Q1-Q3 2021
<b>INA GROUP</b>		
Total impact of special items on net profit/(loss)	(295)	-
Total impact of special items on operating profit/(loss)	(295)	-
Total impact of special items on EBITDA	-	-
<b>Exploration &amp; Production</b>		
Total impact of special items on operating profit/(loss)	-	-
Total impact of special items on EBITDA	-	-
<b>Refining &amp; Marketing including Customer services and retail</b>		
Total impact of special items on operating profit/(loss)	(295)	-
Total impact of special items on EBITDA	-	-
<b>Corporate functions</b>		
Total impact of special items on operating profit/(loss)	-	-
Total impact of special items on EBITDA	-	-

## 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 September 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 3,224 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 2,570 million

## Changes in equity

	Share capital	Legal reserves	Other reserves	Fair value reserves	(Accumulated losses)/ Retained earnings	Attributable to equity holders of the parent company	Non controlling interest	Total
<b>Balance at 1 January 2020</b>	<b>9,000</b>	<b>166</b>	<b>1,590</b>	<b>241</b>	<b>207</b>	<b>11,204</b>	<b>12</b>	<b>11,216</b>
Transfer to legal reserves from retained earnings	-	33	-	-	(33)	-	-	-
Dividend paid	-	-	-	-	(623)	(623)	-	(623)
<b>Subtotal</b>	<b>9,000</b>	<b>199</b>	<b>1,590</b>	<b>241</b>	<b>(449)</b>	<b>10,581</b>	<b>12</b>	<b>10,593</b>
Profit/(loss) for the period	-	-	-	-	(1,055)	(1,055)	1	(1,054)
Transfer	-	-	-	-	(2)	(2)	-	(2)
Other comprehensive gain/(loss), net	-	-	(46)	(44)	-	(90)	-	(90)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>(44)</b>	<b>(1,057)</b>	<b>(1,147)</b>	<b>1</b>	<b>(1,146)</b>
<b>Balance at 30 September 2020</b>	<b>9,000</b>	<b>199</b>	<b>1,544</b>	<b>197</b>	<b>(1,506)</b>	<b>9,434</b>	<b>13</b>	<b>9,447</b>
<b>Balance at 1 January 2021</b>	<b>9,000</b>	<b>199</b>	<b>1,529</b>	<b>202</b>	<b>(1,586)</b>	<b>9,344</b>	<b>13</b>	<b>9,357</b>
Profit/(loss) for the period	-	-	-	-	1,097	1,097	-	1,097
Other comprehensive gain/(loss), net	-	-	22	37	-	59	-	59
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>37</b>	<b>1,097</b>	<b>1,156</b>	<b>-</b>	<b>1,156</b>
<b>Balance at 30 September 2021</b>	<b>9,000</b>	<b>199</b>	<b>1,551</b>	<b>239</b>	<b>(489)</b>	<b>10,500</b>	<b>13</b>	<b>10,513</b>

## 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-Q3 2021, INA Group entered into the following trading transactions with the following related parties:

<b>INA Group</b>	<b>Sales of goods</b>	<b>Purchase of goods</b>
HRK mln	Q1-Q3 2021	Q1-Q3 2021
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	4	57
<b>Governing company</b>		
MOL Nyrt.	1,271	1,037
<b>Companies controlled by governing company</b>		
Tifon d.o.o.	450	8
MOL Serbia d.o.o.	129	-
MOL Petrochemical	34	8
MOL Slovenia d.o.o.	33	-
Slovnaft, a.s.	8	185
Petrolszolg Kft.	2	-
MOL-LUB Kft.	1	1
MOL Azerbaijan	-	882
MOL Commodity Trading Kft.	-	22
IES-Italiana Energia e Servizi s.p.a.	-	14

<b>INA Group</b>	<b>Amounts owed from related parties</b>	<b>Amounts owed to related parties</b>
HRK mln	30 September 2021	30 September 2021
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	1	8
<b>Governing company</b>		
MOL Nyrt.	170	152
<b>Companies controlled by governing company</b>		
MOL Commodity Trading Kft.	236	240
Tifon d.o.o.	87	2
MOL Serbia d.o.o.	30	-
MOL Slovenia d.o.o.	6	-
Petrolszolg Kft.	2	-
Slovnaft, a.s.	-	17

## Management representation

Consolidated financial statements of INA Group for Q1-Q3 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