INA GROUP and

INA - INDUSTRIJA NAFTE, d.d.

Consolidated and separate

Financial Statements for the year ended

31 December 2020

Together with Independent Auditors' Report

Content

Responsibility for the financial statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, which give a true and fair view of the state of affairs and results of INA - Industrija nafte, d.d. ("the Company") and its subsidiaries ("the Group") for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed and
- the financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and must also ensure that the financial statements comply with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Signed on behalf of the Company and the Group:

Sándor Fasimon, President of the Management Board of INA, d.d.

Niko Dalić, member of the Management Board

Ferenc Horváth, member of the Management Board

Barbara Dorić, member of the Management Board

Darko Markotić, member of the Management Board

József Simola, member of the Management Board

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17 March 2021

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of INA – Industrija Nafte, d.d.

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate financial statements of INA – Industrija Nafte, d.d. (the Company), and consolidated financial statements of INA – Industrija Nafte, d.d. and its subsidiaries (together -the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2020, the separate and consolidated statement of profit or loss and the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and Group as at 31 December 2020 and of its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report.
We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

Key Audit Matter	How we addressed Key Audit Matter
Estimation of hydrocarbon reserves A description of the key judgements and estimates regarding estimation of hydrocarbon reserves are included in Note 3 Significant accounting judgements and estimates in the separate and consolidated financial statements. The estimation of hydrocarbon reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company's and the Group's share of reportable volumes. Hydrocarbon reserves are also a fundamental indicator of the future potential of the Company's and the Group's performance and these estimates affect significant amounts in the separate and consolidated statement of financial position and the separate and consolidated statement of profit or loss. Therefore, we believe that estimation of hydrocarbon reserves is a key audit matter.	Audit procedures included understanding of the process for determination of the hydrocarbon reserves and walkthrough of controls implemented in the process. We also assessed the competence and objectivity of the Company's and the Group's technical experts to evaluate whether they are appropriately qualified to carry out the hydrocarbon reserve volumes estimation. We performed specific inquiry to the management of the Company and the Group in respect of consistency of the applied methodology for reserves estimate with previous year. For the significant changes in reserve volumes we tested whether the appropriate methodology was applied, the assumptions used are reasonable and adequately supported by underlying information provided by the management. We also performed analytical procedures on movements in hydrocarbon reserves during the year and reviewed that all significant changes were approved by the "Reserves and Resources Committee" and are in line with our expectations. We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.
Impairments of the Company's and the Group's long lived assets Impairments of the Company's and the Group's long lived assets are disclosed in Note 6 Depreciation, amortization and impairment (net) and in respective notes disclosing the underlying assets in the separate and consolidated financial statements; a description of the accounting policy and key judgements and estimates are included in Note 2 Accounting policies and Note 3 Significant accounting judgements and estimates, respectively. Movements in oil and gas prices and the recent volatility caused by COVID -19 pandemic, can have a significant effect on the carrying value of the Company's and the Group's long lived assets including upstream offshore and onshore, refining, retail and service related long lived assets as well as goodwill. A significant and rapid drop in prices also quickly impacts the Company's and the Group's operations and cash flows.	We performed understanding of the process and walked through the controls designed and operated by the Company and the Group relating to the assessment of the carrying value of respective long lived assets. We examined the methodology used by management to assess the carrying value of respective long lived assets, to evaluate its compliance with accounting standards and consistency of application. For the upstream and retail assets where the impairment indicators were not identified by the Company and the Group, we evaluated the management's impairment indicators assessment by comparing the assumptions used in prior year to the achieved results in the current year.

Key Audit Matter	How we addressed Key Audit Matter
Impairments of the Company's and the Group's long lived assets (continued) Furthermore, during 2020 management decision on transformation of traditional refining process and conservation of units in the Sisak Refinery was made. This decision resulted in the need to review all assets of Sisak Refinery for impairment and identify those becoming idle. Due to complexity and judgement used in the assessment of impairment indicators and impairment models, impairment of Company's and Group's long lived assets is a key audit matter.	We also evaluated the assumptions used in the current year assessment of impairment indicators and tested whether these assumptions are in line with the results achieved in the current year as well as current development in the industry and the Company's and the Group's expectations for the key inputs to the impairment models. In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in the impairment analysis, the most significant being future market oil and gas prices and discount rates. We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis, tested the appropriateness of discount rates used in the calculation with the assistance of the specialists and performed procedures to assess the completeness of the impairment charges. We reviewed the decision made by management that triggered the impairment of Sisak Refinery asset. We performed inquiries with the management and with the responsible departments to understand the transformation process. As part of our testing, we performed additional evaluation and test of details on a sample to check management's reasoning on adjusting or not adjusting value of items. We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.
Estimation of decommissioning provisions Provisions associated with decommissioning of the assets are disclosed in Note 30 Provisions to the separate and consolidated financial statements; a description of the accounting policy and key judgements and estimates are included in Note 2 Accounting policies and Note 3 Significant accounting judgements and estimates, respectively.	Audit procedures involved understanding of the mandatory or constructive obligations with respect to the decommissioning of each asset based on the contractual arrangements and relevant local regulation to validate the appropriateness of the cost estimate.

Key Audit Matter	How we addressed Key Audit Matter
Estimation of decommissioning provisions (continued) Management reviews decommissioning provisions on an annual basis. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates and discount rates. Decommission assets are recorded in an amount equal to the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets. If there is no related asset, the change in provision estimate will be charged to the separate and consolidated statement of profit or loss. The calculation of decommissioning provisions requires significant management judgement because of the inherent complexity in estimating future costs and is therefore considered as a key audit matter.	We obtained calculation of decommissioning provision from the Company and the Group and tested that all of the required fields are included in the calculation, tested the appropriateness of discount rates used in the calculation, tested actual expenses that occurred during the current accounting period, inspected that decommissioning provision for the similar types of assets is in line with the expenses occurred in the current accounting period and assessed that the last year of production is aligned with the evaluation of reserves. As a part of our testing, we considered the competence and objectivity of the Company's and the Group's experts who produced the cost estimates. We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.

Other information included in the Company's and the Group's Annual Report for year 2020

Management is responsible for the other information. Other information consists of the information included in the Company's and the Group's 2020 Annual Report which includes the Management report, Corporate Governance Statement and Report on payments to governments, other than the separate and consolidated financial statements and our auditor's report thereon. The Company's and the Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate and consolidated financial statements does not cover the Other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and Audit Committee for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.
Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's responsibilities for the audit of the separate and consolidated financial statements (continued)

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Company by the General Meeting of Shareholders on 24 June 2014. Our appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 26 August 2020, representing a total period of uninterrupted engagement appointment of 7 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 17 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate and consolidated financial statements.

Report on Regulatory requirements

The partner in charge of the audit resulting in this independent auditor's report is Berislav Horvat.

Berislav Horvat, President of the Management Board and certified auditor
Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia
17 March 2021

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from contracts with customers	4	14,788	22,597
Capitalised value of own performance		286	466
Other operating income	5	181	234
Total operating income		**15,255**	**23,297**
Changes in inventories of finished products and work in progress		(686)	(160)
Cost of raw materials and consumables		(5,710)	(8,460)
Depreciation, amortisation and impairment (net)	6	(2,289)	(2,134)
Other material costs		(1,874)	(2,125)
Service costs		(465)	(629)
Staff costs	7	(1,731)	(1,970)
Cost of other goods sold		(3,699)	(7,114)
Impairment charges (net)	8	(108)	(109)
Provision for charges and risks (net)	9	9	126
Total operating expenses		**(16,553)**	**(22,575)**
(Loss)/Profit from operations		**(1,298)**	**722**
Finance income	10	165	104
Finance costs	10	(233)	(177)
Net loss from financial activities		**(68)**	**(73)**
Share of profit of joint ventures accounted for using the equity method	16	**94**	**10**
(Loss)/Profit before tax		**(1,272)**	**659**
Income tax gain/(expense)	11	135	(170)
(Loss)/Profit for the year		**(1,137)**	**489**
Attributable to:			
Owners of the Company		(1,138)	486
Non-controlling interests		1	3
		(1,137)	**489**
(Loss)/Earnings per share			
Basic and diluted (loss)/earnings per share (HRK per share)	12	(113.82)	48.52

The accompanying accounting policies and notes form an integral part of this consolidated statement of profit or loss.

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
(Loss)/Profit for the year		**(1,137)**	**489**
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	34	2	12
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	34	(60)	34
(Loss)/Gain on non-current financial assets	33	(39)	106
Other comprehensive (loss)/gain, net of income tax		**(97)**	**152**
Total comprehensive (loss)/income for the year		**(1,234)**	**641**
Attributable to:			
Owners of the Company		(1,235)	638
Non-controlling interests		1	3

The accompanying accounting policies and notes form an integral part of this consolidated statement of other comprehensive income.

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Revenue from contracts with customers	4	13,758	21,096
Capitalised value of own performance		28	14
Other operating income	5	166	320
Total operating income		**13,952**	**21,430**
Changes in inventories of finished products and work in progress		(660)	(179)
Cost of raw materials and consumables		(5,665)	(8,348)
Depreciation, amortisation and impairment (net)	6	(1,963)	(1,825)
Other material costs		(1,834)	(1,927)
Service costs		(728)	(859)
Staff costs	7	(803)	(918)
Cost of other goods sold		(3,344)	(6,577)
Impairment charges (net)	8	(80)	(79)
Provision for charges and risks (net)	9	11	56
Total operating expenses		**(15,066)**	**(20,656)**
(Loss)/Profit from operations		**(1,114)**	**774**
Finance income	10	175	173
Finance costs	10	(202)	(155)
Net (loss)/gain from financial activities		**(27)**	**18**
Share of profit of joint ventures accounted for using the equity method		**94**	**10**
(Loss)/Profit before tax		**(1,047)**	**802**
Income tax gain/(expense)	11	114	(146)
(Loss)/Profit for the year		**(933)**	**656**

The accompanying accounting policies and notes form an integral part of this separate statement of profit or loss.

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
(Loss)/Profit for the year		**(933)**	**656**
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	34	-	12
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	34	(43)	18
(Loss)/Gain on non-current financial assets	33	(39)	106
Other comprehensive (loss)/gain, net of income tax		**(82)**	**136**
Total comprehensive (loss)/income for the year		**(1,015)**	**792**

The accompanying accounting policies and notes form an integral part of this separate statement of other comprehensive income.

(all amounts are presented in HRK millions)

ASSETS	**Note**	**31 December 2020**	**31 December 2019**
Non-current assets			
Intangible assets	13	485	635
Property, plant and equipment	14	11,700	12,567
Right-of-use asset	28	304	342
Investments in associates and joint venture	16	254	160
Other investments	17	17	17
Long-term receivables	18	843	898
Deferred tax assets	11	1,210	1,035
Marketable securities		-	39
Non-current financial assets	19	560	607
Total non – current assets		**15,373**	**16,300**
Current assets			
Inventories	20	1,624	2,299
Trade receivables (net)	21,37	1,206	2,026
Other receivables	22	192	167
Corporate income tax receivables		5	16
Other current assets	23	89	112
Marketable securities		78	-
Cash and cash equivalents	24	399	606
		3,593	**5,226**
Assets classified as held for sale		30	6
Total current assets		**3,623**	**5,232**
TOTAL ASSETS		**18,996**	**21,532**

The accompanying accounting policies and notes form an integral part of this consolidated statement of financial position.

(all amounts are presented in HRK millions)

EQUITY AND LIABILITIES	**Note**	**31 December 2020**	**31 December 2019**
Capital and reserves			
Share capital	32	9,000	9,000
Legal reserves		199	166
Fair value reserves	33	202	241
Other reserves	34	1,529	1,590
(Accumulated losses)/Retained earnings	35	(1,586)	207
Equity attributable to owners of the Company		**9,344**	**11,204**
Non-controlling interest	36	13	12
TOTAL EQUITY		**9,357**	**11,216**
Non – current liabilities			
Long-term lease liabilities	28	232	276
Other non-current liabilities	29	33	40
Employee benefit obligation	31	64	70
Provisions	30	3,696	3,716
Deferred tax liabilities	11	16	15
Total non–current liabilities		**4,041**	**4,117**
Current liabilities			
Bank loans	25,27	2,085	3,160
Current portion of long-term lease liabilities	28	77	68
Trade payables	26,37	1,426	1,511
Taxes and contributions	26	637	650
Other current liabilities	26	1,122	624
Employee benefit obligation	31	4	7
Provisions	30	247	179
Total current liabilities		**5,598**	**6,199**
Total liabilities		**9,639**	**10,316**
TOTAL EQUITY AND LIABILITIES		**18,996**	**21,532**

The accompanying accounting policies and notes form an integral part of this consolidated statement of financial position.

(all amounts are presented in HRK millions)

ASSETS	Note	31 December 2020	31 December 2019
Non-current assets			
Intangible assets	13	415	420
Property, plant and equipment	14	10,417	10,960
Right-of-use asset	28	473	529
Investment in subsidiaries	15	1,827	2,089
Investments in associates and joint venture	16	254	160
Other investments	17	767	745
Long-term receivables	18	850	902
Deferred tax assets	11	1,054	929
Marketable securities		-	39
Non-current financial assets	19	560	607
Total non–current assets		**16,617**	**17,380**
Current assets			
Inventories	20	1,399	2,025
Intercompany receivables	37	173	298
Trade receivables (net)	21,37	866	1,663
Other receivables	22	155	110
Other current assets	23	98	108
Marketable securities		78	-
Cash and cash equivalents	24	351	502
		3,120	**4,706**
Assets classified as held for sale		7	**-**
Total current assets		**3,127**	**4,706**
TOTAL ASSETS		**19,744**	**22,086**

The accompanying accounting policies and notes form an integral part of this separate statement of financial position.

(all amounts are presented in HRK millions)

EQUITY AND LIABILITIES	**Note**	**31 December 2020**	**31 December 2019**
Capital and reserves			
Share capital	32	9,000	9,000
Legal reserves		199	166
Fair value reserves	33	202	241
Other reserves	34	1,171	1,214
(Accumulated losses)/Retained earnings	35	(241)	1,273
TOTAL EQUITY		**10,331**	**11,894**
Non–current liabilities			
Long-term lease liabilities	28	379	441
Other non-current liabilities	29	33	39
Employee benefit obligation	31	17	19
Provisions	30	3,862	3,874
Total non–current liabilities		**4,291**	**4,373**
Current liabilities			
Bank loans	25,27	1,873	2,935
Current portion of long-term lease liabilities	28	100	90
Intercompany payables	37	346	645
Trade payables	26,37	1,104	1,089
Taxes and contributions	26	554	554
Other current liabilities	26	965	387
Employee benefit obligation	31	2	3
Provisions	30	178	116
Total current liabilities		**5,122**	**5,819**
Total liabilities		**9,413**	**10,192**
TOTAL EQUITY AND LIABILITIES		**19,744**	**22,086**

The accompanying accounting policies and notes form an integral part of this separate statement of financial position.

(all amounts are presented in HRK millions)

	Share capital	Legal reserves	Fair value reserves	Other reserves	(Accumulated losses) /Retained earnings	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2019	**9,000**	**99**	**135**	**1,544**	**1,036**	**11,814**	**9**	**11,823**
Transfer	-	-	-	-	2	2	-	2
Transfer to legal reserves from retained earnings	-	67	-	-	(67)	-	-	-
Dividend paid	-	-	-	-	(1,250)	(1,250)	-	(1,250)
Subtotal	**9,000**	**166**	**135**	**1,544**	**(279)**	**10,566**	**9**	**10,575**
Profit for the year	-	-	-	-	486	486	3	489
Other comprehensive gain, net	-	-	106	46	-	152	-	152
Total comprehensive income for the year	**-**	**-**	**106**	**46**	**486**	**638**	**3**	**641**
Balance at 31 December 2019	**9,000**	**166**	**241**	**1,590**	**207**	**11,204**	**12**	**11,216**
Transfer	-	-	-	-	(2)	(2)	-	(2)
Transfer to legal reserves from retained earnings	-	33	-	(3)	(30)	-	-	-
Dividend paid	-	-	-	-	(623)	(623)	-	(623)
Subtotal	**9,000**	**199**	**241**	**1,587**	**(448)**	**10,579**	**12**	**10,591**
Loss for the year	-	-	-	-	(1,138)	(1,138)	1	(1,137)
Other comprehensive loss, net	-	-	(39)	(58)	-	(97)	-	(97)
Total comprehensive (loss)/gain for the year	**-**	**-**	**(39)**	**(58)**	**(1,138)**	**(1,235)**	**1**	**(1,234)**
Balance at 31 December 2020	**9,000**	**199**	**202**	**1,529**	**(1,586)**	**9,344**	**13**	**9,357**

The accompanying accounting policies and notes form an integral part of this consolidated statement of changes in equity.

INA, d.d. Separate Statement of Changes in Equity

For the year ended 31 December 2020

(all amounts are presented in HRK millions)

	Share capital	Legal reserves	Fair value reserves	Other reserves	(Accumulated losses) /Retained earnings	Total
Balance at 1 January 2019	**9,000**	**99**	**135**	**1,184**	**1,934**	**12,352**
Transfer to legal reserves from retained earnings	**-**	67	-	-	(67)	**-**
Dividend paid	**-**	-	-	-	(1,250)	**(1,250)**
Subtotal	**9,000**	**166**	**135**	**1,184**	**617**	**11,102**
Profit for the year	-	-	-	-	656	656
Other comprehensive gain, net	-	-	106	30	-	136
Total comprehensive income for the year	**-**	**-**	**106**	**30**	**656**	**792**
Balance at 31 December 2019	**9,000**	**166**	**241**	**1,214**	**1,273**	**11,894**
Transfer to legal reserves from retained earnings	**-**	33	-	-	(33)	**-**
Profit brought forward from legal merger	**-**	-	-	-	75	**75**
Dividend paid	**-**	-	-	-	(623)	(623)
Subtotal	**9,000**	**199**	**241**	**1,214**	**692**	**11,346**
Loss for the year	-	-	-	-	(933)	(933)
Other comprehensive loss, net	-	-	(39)	(43)	-	(82)
Total comprehensive loss for the year	**-**	**-**	**(39)**	**(43)**	**(933)**	**(1,015)**
Balance at 31 December 2020	**9,000**	**199**	**202**	**1,171**	**(241)**	**10,331**

The accompanying accounting policies and notes form an integral part of this separate statement of changes in equity.

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
(Loss)/Profit for the year		**(1,137)**	**489**
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)		2,289	2,134
Income tax (gain)/expense recognised in profit and loss		(135)	170
Impairment charges (net)		108	109
Gain on sale of property, plant and equipment		(11)	(11)
Foreign exchange loss		16	43
Interest (gain)/expense (net)		(16)	22
Share of profit of joint ventures accounted for using the equity method		(94)	(10)
Other finance (gain)/expense recognised in profit		12	(26)
Decrease in provisions		(14)	(135)
Decommissioning interests and other provision		56	49
Net loss on derivative financial instruments		242	8
Other non-cash items		(3)	(2)
		1,313	**2,840**
Movements in working capital			
Decrease in inventories		402	322
Decrease/(increase) in receivables and prepayments		570	(389)
(Increase)/decrease in trade and other payables		(33)	358
Cash generated from operations		**2,252**	**3,131**
Taxes paid		(19)	(41)
Net cash inflow from operating activities		**2,233**	**3,090**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(1,213)	(2,442)
Payments for intangible assets		(74)	(143)
Proceeds from sale of non-current assets		17	20
Investment in securities		39	(12)
Dividends received from companies classified as non-current financial assets and from other companies		9	10
Interest received and other financial income		39	9
Loans and other investments (net)		6	42
Net cash used for investing activities		**(1,177)**	**(2,516)**

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from financing activities			
Change in long-term borrowings		(332)	208
Change in short-term borrowings (net)		(685)	823
Payment of principal portion of lease liabilities (net)		(70)	(60)
Dividends paid		(38)	(1,250)
Interest paid on long-term loans		-	(1)
Interest paid on short-term loans and other interest charges		(97)	(121)
Net cash used in financing activities		**(1,222)**	**(401)**
Net increase/(decrease) in cash and cash equivalents		**(166)**	**173**
At 1 January		606	422
Effect of foreign exchange rate changes		(36)	6
At 31 December	24	**404**	**601**
Overdrafts		(5)	5
Cash and cash equivalents in statement of financial position		**399**	**606**

The accompanying accounting policies and notes form an integral part of this consolidated statement of cash flow.

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
(Loss)/Profit for the year		**(933)**	**656**
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)		1,963	1,825
Income tax (gain)/expense recognised in profit and loss		(114)	146
Impairment charges (net)		80	79
Gain on sale of property plant and equipment		(10)	(8)
Income from capital increase of subsidiary		-	(112)
Foreign exchange (gain)/loss		21	17
Interest (income)/expense (net)		(38)	1
Share of profit of joint ventures accounted for using the equity method		(94)	(10)
Other finance gain recognised in profit and loss		(15)	(84)
Decrease in provisions		(17)	(64)
Decommissioning interests and other provision		58	50
Net loss on derivative financial instruments		242	8
Other non-cash items		(5)	-
		1,138	**2,504**
Movements in working capital			
Decrease in inventories		376	230
Decrease/(increase) in receivables and prepayments		735	(321)
Increase in trade and other payables		128	237
Cash generated from operations		**2,377**	**2,650**
Taxes paid		(3)	(12)
Net cash inflow from operating activities		**2,374**	**2,638**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(1,189)	(1,822)
Payment for intangible assets		(71)	(128)
Proceeds from sale of non-current assets		16	12
Acquisition of subsidiary		-	(10)
Investment in securities		39	(12)
Dividends received from companies classified as non-current financial assets and from other companies		9	10
Payments received from subsidiaries		-	1
Interest received and other financial income		61	29
Loans and other investments (net)		(19)	(193)
Net cash used in investing activities		**(1,154)**	**(2,113)**

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from financing activities			
Change in long-term borrowings		(332)	208
Change in short-term borrowings (net)		(783)	885
Payment of principal portion of lease liabilities		(96)	(80)
Dividends paid		(38)	(1,250)
Interest paid on long-term loans		-	(1)
Interest paid on short-term loans and other interest charges		(97)	(123)
Net cash used in financing activities		**(1,346)**	**(361)**
Net increase/(decrease) in cash and cash equivalents		**(126)**	**164**
At 1 January		502	335
Effect of foreign exchange rate changes		(25)	3
At 31 December	24	**351**	**502**

The accompanying accounting policies and notes form an integral part of this separate statement of cash flow.

(all amounts are presented in HRK millions)

1. GENERAL

History and incorporation

INA-Industrija nafte, d.d. was founded on 1 January 1964 through the merger of Naftaplin Zagreb (oil and gas exploration and production company) with the Rijeka Oil Refinery and the Sisak Oil Refinery. Today, INA, d.d. is a medium-sized European oil company with the leading role in Croatian oil business and a strong position in the region in oil and gas exploration, refining and distribution of oil and oil derivatives.

INA-Industrija nafte, d.d. is a joint stock company owned by the Hungarian oil company MOL Nyrt (49.08%), the Republic of Croatia (44.84%) and institutional and private investors (6.08%). On 30 January 2009, MOL Nyrt and the Government of Croatia signed the Amendment to the Shareholders Agreement. Under the Amendment MOL Nyrt delegates five out of the nine members in the Supervisory Board and three out of six members of the Management Board including the President of the Management Board.

The company MOL Nyrt, (Hungary, Oktober huszonharmadika u. 18. Budapest) prepares the consolidated financial statements for the larger Group of companies, in which INA, d.d. and INA Group are included as a MOL Group subsidiaries. The consolidated financial statements of the MOL Group are available on official website: www.molgroup.info

The ownership structure* of the INA Group as of 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Number of shares	**Ownership in %**	**Number of shares**	**Ownership in %**
Zagrebačka banka d.d./Unicreditbank Hungary Zrt, for MOL Nyrt, Hungary	4,908,207	49.08	4,908,207	49.08
Government of the Republic of Croatia	4,483,552	44.84	4,483,552	44.84
Institutional and private investors	608,241	6.08	608,241	6.08
	10,000,000	**100**	**10,000,000**	**100**

*Source: Central Depository & Clearing Company Inc.

Principal activities

Principal activities of INA, d.d. and its subsidiaries (the Group) are:

(i) exploration and production of oil and gas deposits, primarily onshore and offshore within Croatia and other than that INA, d.d has concessions held abroad: Angola and Egypt;

(ii) import of natural gas and sale of imported and domestically produced natural gas to industrial consumers and municipal gas distributors;

(iii) refining and production of oil products through refinery located at Rijeka (Urinj) and Zagreb lubricants plants;

(iv) distribution of fuels and associated products through a chain of 506 service stations in operation as of 31 December 2020 (of which 390 in Croatia and 116 outside Croatia);

(v) trading in petroleum products through a network of foreign subsidiaries and representative offices, principally in Sarajevo, Ljubljana and Podgorica; and

(vi) service activities incidental to onshore and offshore oil extraction through its drilling and oilfield services subsidiary Crosco d.o.o.

(all amounts are presented in HRK millions)

1. GENERAL (CONTINUED)

The Group has dominant positions in Croatia over oil and gas exploration and production, oil refining, and the sale of gas and petroleum products. INA, d.d. also holds an 11.795% interest in JANAF d.d., the company that owns and operates the Adria pipeline system.

Headquarter of the Group is located in Zagreb, Avenija V. Holjevca 10, Croatia. As at 31 December 2020, there were 9,829 employees at the Group (10,575 as at 31 December 2019). As at 31 December 2020, there were 3,411 employees at INA, d.d. (3,677 as at 31 December 2019).

During 2020, the average number of employees of the INA Group was 10,174 (2019: 10,758 employees), while the average number of employees of INA, d.d. was 3,536 (2019: 3,863 employees).

The Group comprises a number of wholly and partially owned subsidiaries operating largely within the Republic of Croatia. Foreign subsidiaries include a number of trading subsidiaries that generally act as distributors of INA Group products and as representative offices within their local markets.

Supervisory Board, Management Board and Council of Directors at the date of approval of these financial statements

Supervisory Board

Damir Vanđelić	President of the Supervisory Board *(since 19 December 2016 until 17 June 2021)*
József Molnár	Vice President of the Supervisory Board *(since 14 June 2017 until 17 December 2024)*
Luka Burilović	Member of the Supervisory Board *(since 14 June 2017 until 17 June 2021)*
Damir Mikuljan	Member of the Supervisory Board *(since 14 June 2017 until 17 June 2021)*
László Uzsoki	Member of the Supervisory Board *(since 14 June 2017 until 17 December 2024)*
Zsuzsanna Ortutay	Member of the Supervisory Board *(since 18 December 2020 until 17 December 2024)*
Gabriel Szabó	Member of the Supervisory Board *(since 18 December 2020 until 17 December 2024)*
Domokos Szollár	Member of the Supervisory Board *(since 18 December 2020 until 17 December 2024)*
Jasna Pipunić	Representative of employees in the Supervisory Board *(since 5 May 2020 until 5 May 2024)*

Management Board

Sándor Fasimon	President of the Management Board *(since 1 July 2018 until 31 March 2024)*
Niko Dalić	Member of the Management Board *(since 1 April 2020 until 31 March 2025)*
Barbara Dorić	Member of the Management Board *(since 1 April 2020 until 31 March 2025)*
Darko Markotić	Member of the Management Board *(since 1 April 2020 until 31 March 2025)*
Ferenc Horváth	Member of the Management Board *(since 1 February 2021 until 31 March 2024)*
József Simola	Member of the Management Board *(since 1 February 2021 until 31 March 2024)*

Council of Directors

Members of the Council of Directors appointed by the decision of the Management Board:

Vlatko Dujanić	Operating Director of Consumer Services and Retail
Gábor Horváth	Chief Financial Officer
Goran Pleše	Operating Director of Refining and Marketing
Goran Pavlović	Operating Director of Industrial Services
Tvrtko Perković	Operating Director of Exploration and Production

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Presentation of the financial statements

These consolidated and separate financial statements are prepared on the consistent presentation and classification basis. When the presentation or classification of items in the consolidated and separate financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable.

The Company's and the Group's financial statements are prepared in millions of HRK, which is the Company's functional currency.

Basis of accounting

The Company maintains its accounting records in Croatian language, in Croatian kuna, in accordance with Croatian law and the accounting principles and practices observed by enterprises in Croatia. The accounting records of the Company's subsidiaries in Croatia and abroad are maintained in accordance with the requirements of the respective local jurisdictions.

The Company's and the Group's financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities under conditions of hyperinflation in the period to 1993 and except for certain financial instruments that are measured at fair values at the end of each reporting period, and in accordance with International Financial Reporting Standards as adopted by European Union (EU) (IFRS).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would consider those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the EU are effective for the current period:

2. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations effective in the current period (continued)

- **Amendment to IFRS 16** *Leases Covid 19-Related Rent Concessions*, issued on 28 May 2020 (effective date for annual periods beginning on or after 1 June 2020).
- **Amendments to IFRS 3** *Business Combinations,* issued on 22 October 2018 (effective date for annual periods beginning on or after 1 January 2020).
- **Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7),** issued on 26 September 2019 (effective date for annual periods beginning on or after 1 January 2020).
- **Amendments to IAS 1 and IAS 8** *Definition of Material*, issued on 31 October 2018 (effective date for annual periods beginning on or after 1 January 2020).
- **Amendments to References to the Conceptual Framework in IFRS Standards**, issued on 29 March 2018 (effective date for annual periods beginning on or after 1 January 2020).

The adoption of these Standards and Interpretations had no significant impact on the financial statements of the Company and the Group.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- **Amendments to IFRS 9**, **IAS 39**, **IFRS 7**, **IFRS 4** and **IFRS 16** *Interest Rate Benchmark Reform – Phase 2*, issued on 27 August 2020 (effective date for annual periods beginning on or after 1 January 2021).
- **Amendments to IFRS 4** *Insurance Contracts* – deferral of IFRS 9, issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2021).

2. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU. The endorsement might be expected in 2021:

- **IFRS 17** *Insurance contracts*, issued on 18 May 2017; including Amendments to IFRS 17 issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 1** *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date*, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IFRS 3** *Business Combinations*; **IAS 16** *Property, Plant and Equipment*; **IAS 37** *Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020*, all issued on 14 May 2020 (effective date for annual periods beginning on or after 1 January 2022).

- **Amendments to IAS 1** Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 8** Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

The Company and the Group does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on the financial statements of the Company and the Group.

Going concern in COVID-19 pandemic

The COVID-19 pandemic had a massive negative impact on the global economy as well as the society at large. Social distancing and lockdown measures were adopted to reduce the spread of the pandemic. The virus exposed INA Group, its employees, customers and partners to significant health and safety risks, it created unseen operational challenges during the lockdown and put INA Group financial flexibility and strength to the test too. The oil and gas industry were particularly hit hard as a combination of demand and supply-side shocks occurring at the same time. Since petroleum products are considered a necessity, the industry remained operative.

The Management Board consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. The impact of COVID-19 and the current economic environment has been considered as part of the going concern assessment. The management determined that there are no material uncertainties in relation to going concern.

2. ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries in Parent Company financial statement (INA, d.d.)

In the Company's financial statements, investments in subsidiaries are accounted for at cost and reduced for impairment.

Basis of consolidated financial statements (INA Group)

The consolidated financial statements incorporate the financial statements of INA, d.d. (the Company) and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of a control, is accounted for as equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidated financial statements (INA Group) (continued)

The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

Legal merger

In a case of legal merger of the companies in the Group, pooling of interest method is applied, balances of company that is merged are carried at net book values to a company, which is legal successor, and no restatements of prior periods are done.

Business combination

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attribute amount of goodwill is included in the determination of the gain or loss on disposal.

Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that ultimately controls the Group are accounted for using pooling of interest accounting at the date of acquisition. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the parent group. The components of equity of the acquired entities are added to the same components within the Group equity except for issued capital. Consolidated financial statements reflect the results of combining entities from the date of acquisition.

Business combinations under common control are accounted for based on carrying values, with any effects directly recognised in equity.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement and legal entity whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

An investment in an associate or a joint venture is accounted for using the equity method on separate and consolidated financial statements from the date on which the investee becomes an associate or a joint venture. The Company and the Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

2. ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which the Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Oil and gas properties

Exploration and appraisal costs

Exploration and appraisal costs are accounted for on the successful efforts method. Costs relating to exploration and appraisal drilling are initially capitalised as intangible oil and gas assets pending determination of the commercial viability of the relevant oil and gas properties.

License and data provision costs and costs associated with geological and geophysical activities are charged to the statement of profit or loss in the period in which they are incurred.

If prospects are subsequently deemed unsuccessful on completion of evaluation, the associated costs are charged to the statement of profit or loss in the period. If the prospects are deemed commercially viable, such costs are transferred to oil and gas properties. Management Board reviews the status of such prospects regularly.

Fields under development

Oil and gas field development costs are capitalised as tangible oil and gas assets.

Depreciation

Capitalised exploration and development costs of producing domestic and foreign oil and gas properties are depreciated using a unit of production method, in the proportion of actual production for the period to the total estimated remaining commercial reserves of the field.

Commercial reserves

Commercial reserves are proved developed oil and gas reserves. Changes in the commercial reserves of fields affecting unit of production calculations are dealt with prospectively over the revised remaining reserves. The Group performed reserves determination in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) guidelines.

2. ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately are capitalized at cost and intangible assets acquired from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method, except intangible assets on oil and gas fields are charged with a unit of production method. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage cannot be amortized. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment are shown at historical cost or valuation less accumulated depreciation and any accumulated impairment loss, except for land, which is stated at cost less any accumulated impairment loss. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.

Expenditures incurred after property, plant and equipment have been put into operation are normally charged to statement of profit or loss in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalised as an additional cost of property, plant and equipment. Costs eligible for capitalisation include costs of periodic, planned significant inspections and overhauls necessary for further operation.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Depreciation, Depletion and Amortisation

Intangible assets and property, plant and equipment in use (excluding oil and gas properties) are depreciated on a straight-line basis on the following basis:

Software	5	years
Buildings	5 - 50	years
Refineries and chemicals manufacturing plants	3 - 15	years
Service stations	30	years
Telecommunication and office equipment	2 - 10	years

The residual values, useful lives and depreciation methods are reviewed at least annually.

2. ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill

At least annually and whenever there is an indication that the assets may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

The Company and the Group assess contracts to evaluate whether a contract contains a lease or not. That is, lease is a contract (or part of a contract), that conveys the right to use an asset (the underlying asset), for specified period in exchange for consideration.

The Company and the Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. There are two key aspects:

1. *Right-of-use assets*

The Company and the Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

2. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as presented in *Property, plant and equipment.* If ownership of the leased asset transfers to the Company and the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are presented as seperate line in the statement of financial position.
The right-of-use assets are also subject to impairment. Refer to the accounting policies depreciation shall be calculated as for *Property, plant and equipment* in accordance with IAS 16.

2. *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease liabilities are presented as seperated lines in the statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less). A lease that contains a purchase option cannot be classified as a short-term lease. The Company and the Group apply recognition exemption to office equipment lease that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. ACCOUNTING POLICIES (CONTINUED)

Receivables from customers

Trade receivables are carried at amortised cost less impairment. Receivables from customers are shown in amounts identified in the invoices issued to the customers in accordance with the agreement, order, delivery note and other documents which serves as basis for invoicing, decreased with impairment of receivables.
Accrued revenues are recorded at the end of reporting period for delivered goods or services if they have not been invoiced yet.

The Group recognises an allowance for forward-looking exspected credit loss (*ECL*) for all debt instruments not held at fair value through profit or loss and contract assets.

Expected credit loss model is used for calculation of impairment of receivables. The model incorporates forward-looking factors into assessment of impairment. INA Group applies the simplified approach for receivables. This means that allowance for the full lifetime expected credit loss is accounted for upon recognition of the financial instrument.

According to the impairment policy, following events are considered as objective evidence on impairment:

- legal claim against the customer;
- default of the issuer;
- total or partial release of claim;
- claim is under external connection;
- >180 days overdue;
- disappearance of an active market.

The calculation of loss rate:

- in case of performing third party items under simplified approach, loss rates are used to calculate the expected credit loss on these items at initial recognition;
- the loss rate is the arithmetic average of the yearly historical loss rates of the last three years. Upon calculating the historical loss rate for a given year, only receivables originated in given year are considered in the calculation;
- this average of yearly historical loss rates is adjusted by the forward-looking macroeconomic element.

Receivables that are a subject of a court process (court dispute, bankruptcy, liquidation) are written off from accounting records.

Inventories

Inventories of crude oil, finished and semi-finished products and natural gas are valued as follows:

- Crude oil is carried at the weighted average cost or the production cost. If finished i.e. refined products are impaired, a calculation is used to reduce the crude oil reserve by an aliquot share to its net recoverable amount.
- Finished products are valued at the lower of cost or approximately 98.32% of future average sales price, which approximates the net recoverable amount.

2. ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)

- Semi-finished products are measured using a calculation method, by which they are impaired to the extent that finished products on the basis of actual inventories at the period-end are impaired i.e. when the calculation shows that their net realisable value may not be recovered, by applying the impairment percentage to each individual semi-finished product on stock at the period-end.
- Imported natural gas held in underground storage is valued at the lower of cost, based on the price of imported gas at year-end including transport costs and weighted average sales price based on year-end prices.
- Domestic natural gas held in underground storage is valued at the lower of average sales price and cost.
- Other inventories, which comprise mainly spare parts, materials and supplies, are valued at the lower of cost or valuation and net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank, and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Used capitalisation rate for 2020 was 1% and for 2019, it was 0.88%.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The individual financial statements of each Company and the Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Croatian kuna (HRK), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In the financial statements of the individual Group entities, transactions in currencies other than the entity's functional currency are translated to the functional currency of entity at the rates of exchange prevailing on the dates of the transactions.

At each statement of financial position date, monetary items denominated in foreign currencies are retranslated to the functional currency of the entity at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Croatian kuna using exchange rates prevailing on the statement of financial position date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising from year-end translation, if any, are classified as equity and transferred to the Group's other reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

The foreign concessions of INA, d.d. meet the definition of foreign operation and are treated as such.

Business activities of INA, d.d. in Egypt and Angola are carried out with a significant degree of autonomy so the functional currency is US dollar (USD) except on gas field Isabella, (located in international waters in the North Adriatic Sea) where the functional currency is euro (EUR). The total revenue of a foreign operation (from the sale of crude oil and natural gas) is denominated in that currency (USD or EUR), as most of the costs. Capital expenditures are planned and presented in dollars or euros. Although they are not separate legal entities, they meet the definition of a foreign operation in accordance with IAS 21.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Retirement Benefit and Jubilee Costs

For defined benefit plans for retirement and jubilee awards, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each annual reporting period.
Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment.

2. ACCOUNTING POLICIES (CONTINUED)

Retirement Benefit and Jubilee Costs (continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. A liability for a termination benefit is recognised when the entity can no longer withdraw the offer of the termination benefit or when the entity recognises any related restructuring costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's and the Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets are recognised where it is more likely than not the assets will be realised in the future. At each date, the Company re-assessed unrecognised deferred tax assets and the carrying amount of deferred tax assets. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intend to settle its current tax assets and liabilities.

2. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the accounting for a business acquisition, the tax effect is included in accounting for the business combination.

Financial assets

Initial measurement of financial instruments

Financial assets are divided into two main categories, those measured at amortized cost and those measured at fair value. Fair value measurement is further divided into fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Subsequent measurement of financial assets

Financial assets are classified in four categories:

Financial assets at amortized cost (debt instruments)

A debt instrument that meets the following two conditions is measured at amortized cost:

- Business model test: The financial asset is held to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes); and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income (debt instruments)

A debt instrument that meets the following two conditions must be measured at FVTOCI unless the asset is designated at FVTPL under the fair value option:

- Business model test: The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's and the Group's debt instruments at FVTOCI includes only investments in long-term quoted debt marketable securities with very low credit risk.

Financial assets at fair value through profit or loss (debt instruments)

All other debt instruments must be measured at FVTPL (including derivatives).

2. ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company and Group can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

The Company and the Group elected to classify its listed equity investments under this category (see note 40).

Derecognition of financial assets

The basic premise for the derecognition model is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety;
- specifically identified cash flows from an asset (or a group of similar financial assets);
- fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets); or
- fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

Impairment

The impairment model is based on the premise of providing for expected losses.

General approach

With the exception of purchased or originated credit impaired financial assets, expected credit losses are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date);
- or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

Simplified approach

The Company and the Group apply the simplified approach for the following financial assets: trade receivables, IFRS 15 contract assets and lease receivables. For all other financial instruments, general approach is applied.

Independently of the two approaches mentioned above, the impairment method stayed the same under the new standard in case of financial assets where there is an objective evidence on impairment. These are required to be assessed on a case-by-case basis. The maximum amount of impairment accounted for by the Company and Group is 100% of unsecured part of the financial asset.

2. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's and the Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company and the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Company and the Group do not have financial liabilities at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company and the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs.

Derecognition of financial liabilities

A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

The Company and the Group do not have any financial instrument whose classification has changed as a result of applying IFRS 9 and does not have any instrument that the Company and the Group designated upon initial recognition as at fair value through profit or loss in order to reduce a measurement or recognition inconsistency.

Impairment is only accounted for trade receivables. No impairment is recognised on the remaining financial instruments based on materiality, history and expectations.

2. ACCOUNTING POLICIES (CONTINUED)

Segmental information

IFRS 8 *Operating segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Provisions for decommissioning and other obligations

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the discount factor, which is calculated as CPI (Consumer Price Index), and real interest rate. When discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provision relating to the decommissioning and removal of assets, such as an oil and gas production facility are initially treated as part of the cost of the related property, plant and equipment. Subsequent adjustments to the provision arising from changes in estimates as decommissioning costs, reserves and production of oil and gas, risk free interest such as discount rate and inflation rate are also treated as an adjustment to the cost of the property, plant and equipment and thus dealt with prospectively in the statement of profit or loss through future depreciation of the asset. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets.

Provision for emission quotas

Liability for emission is not recognized until the amount of actual emission reaches the amount of quota allocated free of charge. This approach is due to the fact that allocated emission allowances are not recorded as intangibles, their asset value is zero. When actual emission exceeds the amount of emission rights granted, provision should be made on the actual market price for the exceeding emission allowances. It also means that it is not possible to record a provision earlier than the date when emissions reach the amount of allowances granted, nor is it possible to spread the expected shortfall through the calendar years.

Settlement with Government is carried out by offsetting the purchased rights with the provision recorded for the exceeding emissions. Penalty will be accounted for if the shortfall is not covered by purchased quotas.

Provision should be calculated for each installation separately and recorded on emitting segment.

Revenue from Contracts with Customers

Under IFRS 15 the Company and the Group recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company and Group expect to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework.

The Company and the Group consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

2. ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (continued)

In determining the transaction price, the Company and the Group consider the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer.

Presentation and disclosure

Contracts with customers are presented in statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the performance of the Company and the Group and the customer's payment.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the performing by transferring the related good or service to the customer.

Where the Company and the Group have performed the obligation by transferring a good or service to the customer and the customer has not yet paid the related consideration, a contract asset or a receivable is presented in the statement of financial position, depending on the nature of right to consideration. A contract asset is recognised when the Company’s and the Group’s right to consideration is conditional on something other than the passage of time, for example future performance of the Company and the Group. A receivable is recognised when the Company’s and the Group’s right to consideration is unconditional except for the passage of time.

Company’s and Group’s sales contracts generally comprise of only one performance obligation with the exception of loyalty points programme. As such, the Company and the Group do not disclose information about the allocation of the transaction price.

Excise duties

Excise duty is part of amounts collected on behalf of third parties and is excluded from revenues.

Construction – maintenance and service contracts

For each performance obligation satisfied over time, the Company and the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Management elected to use input method of calculating progress (costs incurred to date) in revenue recognition from construction contracts.

Loyalty points programme

The Company and the Group have an INA Loyalty Programme, Loyalty Points, which allows customers to accumulate points and reach certain status. Each status achived enables customer to receive certain benefits. The Loyalty Points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the benefits are used. Revenue is recognised upon usage of benefits by the customer.

When estimating the stand-alone selling price of the loyalty points, Company and the Group conside the likelihood that the customer will use the benefit. The Company and the Group updates its estimates of the benefits that will be used by the customers on a monthly basis and any adjustments to the contract liability balance are charged against revenue.

2. ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company and the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. The Group has chosen to present grants related to income to be deducted with related expense in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements and estimates in applying accounting policies

In the application of the accounting policies, which are described in note 2, Management made certain judgements and estimates that had a significant impact on the amounts reported in the financial statements (irrespective of the underlying estimates).

The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to employee benefits, impairment of assets, determination of fair values of assets and liabilities, estimated decommissioning costs, environmental provision and provision for legal cases as well as carrying value of investments and given loans to subsidiaries and contract balances. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

These judgements and estimates are provided in detail in the accompanying notes. However, the critical judgements and estimates relate to the following areas:

Consequences of certain legal actions

The Group is involved in number of litigations arisen from the regular course of business. If there is a present obligation as a result of a past event (taking into account all available evidence, including the opinion of law experts) for which it is probable that outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation, provisions are recorded (see note 30).

Carrying value of property, plant and equipment

The impairment calculation requires the estimate of the value in use of the cash generating units. Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are expected oil and gas prices, production volumes, operating and capital expenditures, discount rates, period of cash flow projections, as well as assumptions and judgments used in determining cash receipts and payments. The net impairment of assets in the consolidated statement of profit or loss amounted to HRK 490 million in 2020 at INA Group and 353 million at INA, d.d. (2019: INA Group HRK 325 million and INA, d.d.187 million HRK).

Carrying value of goodwill

In 2020 impairment of goodwill was recognised in amount of 94 million (2019 there was no goodwill impairment). The carrying amount of goodwill amounted to HRK 58 million as of 31 December 2020 (31 December 2019: 152 million (see note 13).

Carrying value of intangible exploration and appraisal assets

The carrying amount of intangible exploration and appraisal assets amounted to HRK 209 million as of 31 December 2020 and HRK 245 million as of 31 December 2019 (see note 13). In 2020 write-off of negative wells is reported in amount of HRK 1 million at INA Group and INA, d.d. In 2019 no impairment was reported.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Carrying value of production oil and gas assets

The carrying amount of production oil and gas assets amounted to HRK 4,024 million as of 31 December 2020 (2019: HRK 3,224 million) (see note 14). In 2020 the Group recognized impairment of production oil and gas assets for HRK 94 million and asset impairment reversals for HRK 96 million for 2020 in line with the industry and MOL Group practice to estimate the future cash flows based on the Proved and Probable (2P) reserve level, which is a more accurate basis for determining management's best estimate of future cash flows instead of earlier used Proved (1P) reserve level (2019: HRK 289 million impairment) (see note 14). As of 31 December 2020, write-off of negative wells in the amount of HRK 57 million was recognized (2019: no write-off of negative wells).

Carrying value of Refining and Marketing assets

The carrying amount of Refining and Marketing assets amounted to HRK 6,278 as of 31 December 2020 and HRK 6,547 million as of 31 December 2019. In 2020 the Group and INA, d.d. recognized impairment of Refinery Sisak in the amount of HRK 295 million (2019: HRK 36 million).

Key assumptions used

Refining and Marketing

INA's management conducted an analysis of potential impairment triggers, in order to identify whether the key value drivers of the business (market demand, crack spreads, oil price) turned considerably to the worse and whether there have been significant changes in business operation which could disrupt future cash flows.

Due to the Refining and Marketing restructuring and decision to suspend the operation of major part of Sisak Refinery units for an indefinite period, INA's management saw the indication that Sisak Refinery assets, which will be no longer in use, should be impaired. Identification of assets that will no longer be in use was made based on detailed asset by asset analysis, conducted by multidisciplined team, separating the assets that will still be in use and bring future value for the Refining & Marketing CGU from the assets that will no longer be in use in its current state and will not generate future cash flows starting from October 2020. Impairment of identified unutilized Sisak Refinery assets was conducted in Q3 2020 in the amount of HRK 295 million, meaning that such assets was fully impaired to zero net book value.

Further on, due to the longer lasting and remarkable impact of COVID-19 pandemic and consequent economic crisis on crude derivatives demand and margins, triggering event for impairment test was identified at the Refining & Marketing CGU. Impairment test was performed on the entire Refining & Marketing segment CGU level with the conclusion that there was no need for further impairment of Refining & Marketing assets.

Exploration and Production

Following the disruption of oil and gas prices caused by the temporary suspension of part of the economic activities due to the COVID-19 pandemic, an indicator for testing the impairment of INA's oil and gas fields was identified in Q2 2020. Impairment of assets in the amount of HRK 44 million was recorded as at 30 June 2020.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Key assumptions used (continued)

Exploration and Production (continued)

As part of standard practice, resources and reserves level wass assessed at the year end. Within the most relevant profiles, no fields with negative reserves change above materiality threshold have been identified. However, in line with the industry and MOL Group practice the Proved and Probable (2P) reserve level is a more accurate basis for determining management's best estimate on future cash flows instead of earlier used Proved (1P) reserve level. Therefore, trigger exists for the reversal of earlier accounted impairment. Impairment test was performed as at 31 December 2020, with HRK 96 million reversal and HRK 50 million impairment recorded. The write-off of negative wells in amount of HRK 57 million were recorded during 2020.

At 31 December 2020, the total effect of impairment test and value adjustments in Exploration & Production resulted in HRK 151 million of impairment and HRK 96 million reversal of impairment.

Investments in Syria

Since 1998 INA, d.d. has had six (6) commercial discoveries on the Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadira and Mazrur) with significant oil, gas and condensate reserves. INA, d.d. temporarily suspended all business activities in Syria on 26 February 2012 by announcing Force Majeure to comply with the relevant sanctions of the US and the EU.

Current situation

Main production activities have been taken over by Hayan Petroleum Company's local workforce, which INA, d.d. considers illegal.

Company has assessed situation in Syria and identified no material change compared to previous years. EU sanctions remain in place and the political situation has not changed significantly either for the better of worse from INA's investment perspective. INA, d.d. expects similar costs and benefits in case of return to operation of Syrian fields. Therefore, no triggering event for asset impairment was identified in 2020.

In line with the Petroleum Resources Management System (PRMS) rules, and the fact that Syrian assets are under Force Majeure and INA, d.d. has no control for a period of almost 8 years, the reserves are shifted from 2P to 2C category in 2017. No changes in 2020.

Political developments in Egypt

Concerning the INA, d.d. operations in Egypt the key uncertainty of business is the timing of receivables collection. At 31 December 2020 gross book value of Egyptian General Petroleum Corporation receivables amounted to HRK 165 million out of which HRK 61 million was value adjusted. During 2020, INA, d.d. managed to collect previously value adjusted receivables in the amount of HRK 47 million. Improvement in collection of receivables is due to better market environment in Egypt.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Quantification and determination of the decommissioning obligations for oil and gas properties

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to legal and regulatory requirements, new technologies becoming available and experience of decommissioning other assets. The expected timing, scope, expenditure and risk profile may also change. Therefore, significant estimates and assumptions are made in determining decommissioning provisions. The provision estimate requires significant management judgement and is reviewed on annual basis.

Management makes estimates of future expenditure in connection with decommissioning obligations using prices by reference to prior similar activities, as well as other assumptions like the estimated effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates and discount rates. Furthermore, the time determined for the cash flows reflects the current estimates of priorities, technical equipment requirements and urgency of the obligations. The obligation with respect to the decommissioning provision for oil and gas properties amounted to HRK 3,369 for INA, d.d. and HRK 3,146 million at INA Group as at 31 December 2020 (31 December 2019: HRK 3,301 million INA, d.d. and HRK 3,086 INA Group) (see note 30).

The level of provisioning for environmental obligations

The applicable regulations, specifically the environmental protection legislation, do not specify the exact scope of activities or technology to be applied in provision based environmental liabilities. Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Generally, the timing of provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. In determining the level of provisions for environmental obligations, the management relies on prior experience and their own interpretation of the related legislation. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. At 31 December 2020 INA Group recognized environmental provision in the amount of HRK 327 million (2019: HRK 361 million) and INA, d.d in the amount of HRK 323 million (2019: HRK 356 million) (see note 30), which covers investigation to determine the extent of contamination at specific site, treatment of accumulated waste generated by former activity, preliminary site investigation with corresponding laboratory analyses, soil excavation and replacement during the reconstruction of service stations and provision for emission quotas. It does not cover the cost of remediation in lack of detailed National regulations.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Availability of taxable profit against which the deferred tax assets can be utilised

A deferred tax asset is recognized for unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning savings. Determining the amount of deferred taxes that can be recognised requires a significant level of judgement, which is based on the probable quantification of the time and level of future taxable profits, together with the future tax planning strategy.

Management believes that deferred tax asset recognized is recoverable. At 31 December 2020 the carrying amount of deferred tax assets of the INA Group amounted to HRK 1,210 million (2019: HRK 1,035 million) and deferred tax liabilities amounted to HRK 16 million at 31 December 2020 (2019: HRK 15 million). At 31 December 2020 the carrying amount of deferred tax assets of INA, d.d. amounted to HRK 1,054 million, (31 December 2019: HRK 929 million respectively) (see note 11). If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by HRK 19 million at 31 December 2020 (31 December 2019: HRK 28 million).

Actuarial estimates used determining the retirement bonuses

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions of discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates. Provisions for retirement bonuses and jubilee awards for INA Group amounted to HRK 68 million as at 31 December 2020 (31 December 2019: HRK 77 million), and INA, d.d. amounted to HRK 19 million as at 31 December 2020 (31 December 2019: HRK 22 million) (see note 31).

Useful life of the assets

The INA Group and INA, d.d. review the estimated useful lives of property, plant and equipment at the end of each reporting period. Estimation of useful life is considered to be a significant accounting estimation that effects on the change in depreciation rates. The new review of asset useful life at the end of 2020 had no significant changes compared to the previous estimate.

Lease term duration estimates

The Company and the Group has applied judgement to determine the lease term for all lease contracts that include renewal or termination options. The assessment of whether the Company or Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and leased assets recognised. A change in the scope of a lease includes adding or terminating the right to use one or more underlying assets or shortening the contractual lease term. A lease payment holiday or lease payment reduction caused by COVID-19 alone is a change in consideration for a lease and is not, a change in the scope of a lease.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Estimates of incremental borrowing rate for lease contracts

The Company and the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). INA, d.d and INA Group review the estimated borrowing rates on quarterly basis.

Hydrocarbon reserves

Exploration and development projects involve many uncertainties and business risks that may give rise to significant expenditures. Exploration and development projects of the Company and the Group may be delayed or unsuccessful for many various reasons, including budgeted cost overrun, geological issues, difficulties in meeting the requirements of competent bodies, lacks of equipment and technical problems. These projects, particularly those pertaining to the wells in continental areas or other demanding terrain, often require deployment of new and advanced technologies, the development, purchase and installation of which may be expensive and that may not operate as expected.

Oil and natural gas exploration and drilling activities are subject to a wide range of inherent risks, including the risk of eruption, deposit damage, loss of control over the wells, perforation, craters, fire and natural disasters.

The Company and the Group estimate and report hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. Estimation of hydrocarbon reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company's and the Group's share of reportable volumes.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may affect the Company's and the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil and gas properties; property, plant and equipment; and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortization charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the Units of Production (UOP) method, or where the useful life of the related assets change;
- Provisions for decommissioning may require revision where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

As part of standard practice, resources and reserves level were assessed at the year end. Within the most relevant profiles, no fields with negative reserves change above materiality threshold have been identified. However, in line with the industry practice the Proved and Probable (2P) reserve level is a more accurate basis for determining management's best estimate on future cash flows instead of earlier used Proved (1P) reserve level.

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Carrying value of investments and given loans to subsidiaries (INA, d.d.)

The carrying amount of the investment in subsidiaries amounts to HRK 1,827 million as at 31 December 2020 and HRK 2,089 million as at 31 December 2019. The carrying amount of loans granted to subsidiaries amounts to HRK 793 million as at 31 December 2020 and HRK 768 million at 31 December 2019.

Due to the significance exposure to subsidiaries (calculated as the sum of carrying value of investment and given loans, net) the existence of impairment indicators requires significant Management judgment in determining the appropriate approach for testing impairment.

Contract balances

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
Trade receivables	1,206	2,026	866	1,663
Contract asset	-	7	-	-
Contract liabilities	22	99	-	38

Trade receivables are non-interest bearing and are generally on terms of 3 to 30 days.

Contract assets are initially recognised for revenue earned from construction services as receipt of consideration is conditional on successful completion of construction. Upon completion of construction services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities include short-term advances received for construction services in amount of HRK 22 million in 2020 as well as HRK 99 million in 2019. The remaining performance obligations are expected to be recognised in following year.

Contract assets and contract liabilities are not presented in separate line in statement of financial position because they are not considered to be significant for the Company and the Group. Contract assets are presented in line other current asset while contract liabilities are presented in line other current liabilities in statement of financial position.

Performance obligations

Revenue from the sale and transportation of crude oil, natural gas, petroleum products and other merchandise is recognised when the customer obtains control of the goods, which is normally when title passes to the customer and the customer takes the physical possession, based on the contractual terms of the agreements.

Sales agreements mainly represent one performance obligation and the Company and the Group principally satisfies its performance obligations at a point in time.

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Reclassification position of profit and loss and statement of financial position account

In 2020 INA Group and INA, d.d. reclassified interest arising from tax liabilities and contributions from financial expenses to service costs. Reclassification was made for accounts of margining receivables that are reclassified from line Other current asset to line Other receivables in amount of HRK 24 million. The reclassification is performed in accordance with new INA Group Accounting policies and procedures and the comparable periods restated.

The effect of reclassification of account of profit and loss and statement of financial position are as follows:

INA Group

	31 December 2019 before reclassification	Reclassification	31 December 2019 reclassified
Service costs	(626)	(3)	(629)
Financial expenses	(180)	3	(177)
Total	**(806)**	**-**	**(806)**
Other receivables	143	24	167
Other current assets	136	(24)	112
Total	**279**	**-**	**279**

INA, d.d.

	31 December 2019 before reclassification	Reclassification	31 December 2019 reclassified
Service costs	(859)	-	(859)
Financial expenses	(155)	-	(155)
Total	**(1,014)**	**-**	**(1,014)**
Other receivables	86	24	110
Other current assets	132	(24)	108
Total	**218**	**-**	**218**

4. SEGMENT INFORMATION

The INA Group operates through three core business segments. The strategic business segments offer different products and services. Reporting segments, which in INA Group represent business operations, have been defined along value chain standard for the oil companies:

- Exploration and Production - exploration, production and selling of crude oil;
- Refining and Marketing - crude oil processing, wholesale of refinery products, selling of natural gas, selling of fuels and commercial goods in retail stations and logistics; and
- Corporate and other - in addition to the core segments above, the operations of INA Group provides services for core activities.

Information regarding the results of each reportable segment is included below. Profit from operations is used to measure performance, as management believes that such information is the most relevant in evaluating the result of certain segments. However, Group financing (including finance costs and finance income) and income taxes are managed on Group basis and are not relevant to making business decisions at the level of business segments.

Intersegment transfer represents the effect of unrealized profit arising in respect of transfers of inventories from Exploration and Production to Refining and Marketing. Evaluation of inventories of domestic crude, finished and semi-finished products in Refining and Marketing is based on the transfer price from Exploration and Production to Refining and Marketing. Elimination of unrealized profit (difference between transfer price and cost of domestic crude) is performed through intersegment transfer. For segmental reporting purposes, the transferor segment records a profit immediately at the point of transfer. However, at the Company level profit is only reported when the related third party sale has taken place.

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

The following table presents information on revenues and expenditures of INA Group operations for 2020:

31 December 2020	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Sales to external customers	210	14,083	495	-	14,788
Intersegment sales	1,978	70	1,048	(3,096)	-
Total revenue	**2,188**	**14,153**	**1,543**	**(3,096)**	**14,788**
Operating expenses, net of other operating income	(1,968)	(15,384)	(2,015)	3,281	(16,086)
Profit/(loss) from operations	**220**	**(1,231)**	**(472)**	**185**	**(1,298)**
Net finance loss					(68)
Share of net profit of joint ventures accounted for using the equity method					94
Loss before tax					(1,272)
Income tax gain					135
Loss for the year					**(1,137)**

The following table presents information on revenues and expenditures of INA Group operations for 2019:

31 December 2019	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Sales to external customers	389	21,473	735	-	22,597
Intersegment sales	3,356	57	1,402	(4,815)	-
Total revenue	**3,745**	**21,530**	**2,137**	**(4,815)**	**22,597**
Operating expenses, net of other operating income	(2,596)	(21,760)	(2,293)	4,774	(21,875)
Profit/(loss) from operations	**1,149**	**(230)**	**(156)**	**(41)**	**722**
Net finance loss					(73)
Share of net profit of joint ventures accounted for using the equity method					10
Profit before tax					659
Income tax expense					(170)
Profit for the year					**489**

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

The following table presents information of financial position of INA Group operations for 2020:

31 December 2020 Assets and liabilities	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Intangible assets	229	44	212	-	485
Property, plant and equipment	4,592	6,417	1,177	(486)	11,700
Right-of-use asset	11	257	41	(5)	304
Investments in associates and joint venture	-	254	-	-	254
Inventories	166	1,343	220	(105)	1,624
Trade receivables, net	116	944	334	(188)	1,206
Not allocated assets					3,423
Total assets					**18,996**
Trade payables	196	1,064	353	(187)	1,426
Not allocated liabilities					8,213
Total liabilities					**9,639**
Other segment information					
Property, plant and equipment	426	747	64	(24)	1,213
Intangible assets	16	1	52	-	69
Capital expenditure:	**442**	**748**	**116**	**(24)**	**1,282**
Depreciation, amortisation (net)	739	783	279	(2)	1,799
Impairment of tangible and intangible assets (net)	54	295	141	-	490
Impairment charges (net)*	22	58	24	4	108

The following table presents information of financial position of INA Group operations for 2019:

31 December 2019 Assets and liabilities	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Intangible assets	276	76	283	-	635
Property, plant and equipment	4,932	6,674	1,422	(461)	12,567
Right-of-use asset	13	283	52	(6)	342
Investments in associates and joint venture	-	160	-	-	160
Inventories	170	2,212	231	(314)	2,299
Trade receivables, net	199	1,730	455	(358)	2,026
Not allocated assets					3,503
Total assets					**21,532**
Trade payables	289	1,138	443	(359)	1,511
Not allocated liabilities					8,805
Total liabilities					**10,316**
Other segment information					
Property, plant and equipment	608	1,329	135	(54)	2,018
Intangible assets	79	7	46	-	132
Capital expenditure:	**687**	**1,336**	**181**	**(54)**	**2,150**
Depreciation, amortisation (net)	918	712	180	(1)	1,809
Impairment of tangible and intangible assets (net)	289	36	-	-	325
Impairment charges (net)*	5	(87)	(19)	(8)	(109)

* See note 8

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

BY GEOGRAPHICAL

INA Group

31 December 2020	Republic of Croatia	Egypt	Angola	Syria	Other countries	Total
Intangible assets	397	-	-	-	88	485
Property, plant and equipment	10,408	130	54	242	866	11,700
Right-of-use asset	285	-	-	-	19	304
Investments in associates and joint venture	-	-	-	-	254	254
Inventories	1,461	9	45	-	109	1,624
Trade receivables, net	823	114	-	-	269	1,206
Not allocated assets						3,423
Total assets						**18,996**
Other segment information						
Property, plant and equipment	1,092	82	12	-	27	1,213
Intangible assets	69	-	-	-	-	69
Capital expenditure:	**1,161**	**82**	**12**	**-**	**27**	**1,282**

INA Group

31 December 2019	Republic of Croatia	Egypt	Angola	Syria	Other countries	Total
Intangible assets	451	-	-	-	184	635
Property, plant and equipment	11,040	224	56	263	984	12,567
Right-of-use asset	317	-	-	-	25	342
Investments in associates and joint venture	160	-	-	-	-	160
Inventories	2,099	10	16	-	174	2,299
Trade receivables, net	1,181	182	-	-	663	2,026
Not allocated assets						3,503
Total assets						**21,532**
Other segment information						
Property, plant and equipment	1,758	99	8	-	153	2,018
Intangible assets	71	60	-	-	1	132
Capital expenditure:	**1,829**	**159**	**8**	**-**	**154**	**2,150**

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

INA Group

	Revenues from external customers	
	2020	**2019**
Republic of Croatia	8,819	13,100
Bosnia and Hercegovina	1,834	3,251
Hungary	1,618	869
Switzerland	695	434
Italy	282	1,066
Montenegro	257	387
Great Britain	204	1,014
Other countries	1,079	2,476
	14,788	**22,597**

INA, d.d.

	Revenues from external customers	
	2020	**2019**
Republic of Croatia	8,630	13,008
Hungary	1,434	632
Bosnia and Hercegovina	1,419	2,698
Switzerland	695	432
Italy	282	1,066
Montenegro	270	478
Great Britain	204	1,014
Other countries	824	1,768
	13,758	**21,096**

Information about major customers

In 2020 and 2019 there was no single third party customer that would contribute to 10% or more of the Company and the Group's revenue.

5. OTHER OPERATING INCOME

	INA Group		**INA, d.d.**	
	2020	**2019**	**2020**	**2019**
Income from rental activities	52	49	56	47
Profit from sale of assets	21	20	12	16
Surpluses	18	29	16	26
Commission fee and charges	17	29	16	27
Income from sediment reduction	15	-	15	-
Payment in kind	10	10	9	8
Rebates and grants	5	13	5	11
Penalty interest from customers	5	6	4	5
Income from legal cases	4	3	3	2
Income from revaluation of emission quotas	-	11	-	11
Income from contribution of asset to subsidiary	-	-	2	112
Other	34	64	28	55
Total	**181**	**234**	**166**	**320**

(all amounts are presented in HRK millions)

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT (NET)

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
Depreciation of property, plant and equipment (note 14 b)	1,572	1,701	1,464	1,511
Impairment of tangible and intangible assets (net) (note 13 and 14)	588	325	355	187
Amortisation of right -of-use asset	76	56	98	81
Amortisation of intangible assets (note 13)	45	45	43	42
Write-off PP&E, net	8	7	3	4
	2,289	**2,134**	**1,963**	**1,825**

7. STAFF COSTS

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
Net payroll	950	1,056	437	479
Tax and contributions for pensions and health insurance	557	640	288	325
Other payroll related costs	224	274	78	114
	1,731	**1,970**	**803**	**918**

INA Group have met criteria for Croatian Government's job preservation measures for mitigation the effects of special circumstances caused by COVID-19. At INA Group total amount of HRK 23 million was paid out as employment protection measures, while at INA, d.d. amount of HRK 20 million was paid out.
INA, d.d., IMS d.o.o. and Hostin d.o.o. are the entities within INA Group that have used the government grant. The amount paid out as employment proteciton measures was deducted from the staff cost.

INA Group and INA, d.d. employs the following number of employees, the majority of whom work within the Republic of Croatia:

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
	Number of employees	Number of employees	Number of employees	Number of employees
Refining and Marketing	5,801	6,023	1,916	2,122
Corporate and other	3,076	3,496	544	528
Exploration and Production	952	1,056	951	1,027
	9,829	**10,575**	**3,411**	**3,677**

(all amounts are presented in HRK millions)

8. IMPAIRMENT CHARGES (NET)

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
Impairment of inventory, net	83	107	65	96
Impairment of trade receivables, net*	10	(7)	10	(24)
Other impairment, net	15	9	5	7
	108	**109**	**80**	**79**

*see note 3

9. PROVISIONS FOR CHARGES AND RISKS (NET)

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
Provision for incentives	28	5	21	8
Provision/(utilisation of provision) for renewable energy	3	(63)	3	(63)
Utilisation of provision for emission rights	(25)	(51)	(25)	(51)
Utilisation of provision for environmental liabilities	(15)	(6)	(14)	(4)
Utilisation of provision for legal claims	(8)	(29)	(4)	(23)
(Utilisation of provision)/provision for retirement and jubilee benefits	(5)	7	(2)	-
Provision for decommissioning charges	-	-	-	69
Other provisions	13	11	10	8
	(9)	**(126)**	**(11)**	**(56)**

(all amounts are presented in HRK millions)

10. FINANCE INCOME AND FINANCE COST

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
Foreign exchange gains from trade receivables and payables	69	44	29	27
Foreign exchange gains from loans and cash	59	20	58	19
Interest received and other financial income	28	30	53	54
Dividends received	9	10	9	10
Profit allocation received from subsidiaries	-	-	25	62
Reversal of impairment from investment	-	-	1	1
Finance income	**165**	**104**	**175**	**173**
Foreign exchange losses from trade receivables and payables	103	40	71	17
Interest expense	71	76	77	80
Foreign exchange losses from loans and cash	41	42	38	40
Fees on bank loans	18	11	18	11
Interest lease for right-of-use asset	4	3	3	2
Capitalized borrowing costs	(7)	(5)	(7)	(5)
Foreign exchange losses from provisions	-	7	-	7
Interest for long-term loans	-	1	-	1
Other financial costs	3	2	2	2
Finance costs	**233**	**177**	**202**	**155**
Net (loss)/gain from financial activities	**(68)**	**(73)**	**(27)**	**18**

(all amounts are presented in HRK millions)

11. TAXATION

	INA Group		INA, d.d.	
	2020	2019	2020	2019
Current tax expense	31	31	3	12
Deferred tax charge related to origination and reversal of temporary differences	(166)	139	(117)	134
Income tax gain/(expense)	**(135)**	**170**	**(114)**	**146**

Tax on profit generated in Croatia is determined by applying the rate of 18 percent, on pre-tax profit for the year.

Income taxes are recorded based on estimated taxable income in accordance with the fiscal laws prevailing in the country in which they originate. INA, d.d. is subject to corporate income tax on its taxable profits in Croatia.

The income tax, determined on the basis of the accounting profit, is assessed as follows:

	INA Group		INA, d.d.	
	2020	2019	2020	2019
(Loss)/profit before tax	(1,272)	659	(1,047)	802
Expense tax calculated at 18%	(229)	119	(188)	144
Adjustment of deferred tax assets as a result of new estimation of utilization	93	47	99	5
Tax effect of previous years	11	-	-	-
Income tax expense of entities operating in other jurisdictions	4	14	3	12
Tax effect of permanent differences, net	(14)	(10)	(28)	(15)
Income tax gain/(expense)	**(135)**	**170**	**(114)**	**146**

Deferred tax assets and liabilities are measured by applying tax rates to be implemented in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or put into effect at the end of the reporting period.

Movements in deferred tax assets are set out in the following table:

(all amounts are presented in HRK millions)

11. TAXATION (CONTINUED)

INA Group	Impairment of current assets	Impairment of tangible and intangible assets	Reversal of depreciation for impaired asset	Other provisions	Impairment of financial investments	Tax losses	Deferred taxes on fair value	Total
Balance at 1 January 2019	**66**	**1,274**	**(635)**	**166**	**174**	**148**	**(8)**	**1,185**
Charge directly to equity	-	-	-	(3)	(23)	-	-	(26)
Reversal of temporary differences	(23)	(8)	(88)	(65)	(95)	(11)	-	(290)
Origination of temporary differences	7	48	-	48	-	47	1	150
Balance at 31 December 2019	**50**	**1,314**	**(723)**	**146**	**56**	**184**	**(7)**	**1,020**
Charge directly to equity	-	-	-	-	8	-	-	8
Reversal of temporary differences	(4)	(19)	(75)	(36)	-	(128)	-	(262)
Origination of temporary differences	10	131	-	34	23	230	-	428
Balance at 31 December 2020	**56**	**1,426**	**(798)**	**144**	**87**	**286**	**(7)**	**1,194**

State aid measures

INA Group used the measure of deferral of payment of tax liabilities due in the period from 1 April 2020 until 20 June 2020. The deferral of payment was granted for a period of three months from the statutory due dates of each individual tax liability. The measures were applied to personal income tax and contributions, corporation income tax and tourist bord membership. Total amount of deferred payments were HRK 105 million. Companies that used the measure are INA, d.d., Crosco, naftni servisi d.o.o., STSI, Integrirani tehnički servisi d.o.o., Hostin d.o.o., INA Maloprodajni servisi d.o.o., Petrol d.d, Plavi tim d.o.o. and INA Vatrogasni servisi d.o.o.

Furthermore, the measure of deferral of VAT payment for the amount of due tax liability that is higher than the amount for which taxpayer would be responsible in case that taxpayer calculated the value added tax in accordance with the gradual taxation according to the collected fees, and the measures of reporting for VAT arising on import as accounting categories. The effect of the measures is not relevant due to the temporary nature of these measures. Companies that used the measures were as follow: INA, d.d., Crosco, naftni servisi d.o.o., STSI, Integrirani tehnički servisi d.o.o., INA Maloprodajni servisi d.o.o. and Hostin d.o.o. Crosco, naftni servisi d.o.o. used the measure of partial deferred tax liabilities write-off in the amount of HRK 8 million.

(all amounts are presented in HRK millions)

11. TAXATION (CONTINUED)

INA, d.d.	Impairment of current assets	Impairment of tangible and intangible assets	Reversal of depreciation for impaired asset	Other provisions	Impairment of financial investments	Tax losses	Total
Balance at 1 January 2019	**61**	**1,270**	**(635)**	**151**	**117**	**125**	**1,089**
Charge directly to equity	-	-	-	(3)	(23)	-	(26)
Reversal of temporary differences	(22)	(7)	(88)	(57)	(93)	(5)	(272)
Origination of temporary differences	5	48	-	38	-	47	138
Balance at 31 December 2019	**44**	**1,311**	**(723)**	**129**	**1**	**167**	**929**
Charge directly to equity	-	-	-	-	8	-	8
Reversal of temporary differences	(3)	(18)	(75)	(28)	-	(126)	(250)
Origination of temporary differences	8	113	-	27	6	213	367
Balance at 31 December 2020	**49**	**1,406**	**(798)**	**128**	**15**	**254**	**1,054**

12. (LOSS)/EARNINGS PER SHARE

	INA Group	
	31 December 2020	**31 December 2019**
Basic and diluted (loss)/earnings per share (HRK per share)	**(113.82)**	**48.52**

Earnings

	INA Group	
	31 December 2020	**31 December 2019**
(Loss)/earnings used in the calculation of total basic earnings per share	(1,138)	486
	(1,138)	**486**

Number of shares

	INA Group	
	31 December 2020	**31 December 2019**
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

On 26 August 2020 Regular Shareholders' Assembly of INA, d.d. was held and decision on dividend pay-out in amount of HRK 623 million was voted (HRK 62.27 per share) and in 2019 it was HRK 1,250 million (HRK 125.00 per share).

(all amounts are presented in HRK millions)

13. INTANGIBLE ASSETS

INA Group	Oil and gas properties	Software	Patents, Licences and other rights	Intangible assets under construction	Goodwill	Total
Balance at 1 January 2019	**229**	**122**	**92**	**49**	**152**	**644**
Additions	16	-	-	116	-	132
Amortisation	-	(42)	(3)	-	-	(45)
Foreign exchange translation of foreign operations	1	-	-	-	-	1
Emission allowances (net)	-	-	(28)	-	-	(28)
Transfer	(1)	25	5	(98)	-	(69)
Balance at 31 December 2019	**245**	**105**	**66**	**67**	**152**	**635**
Additions	13	-	-	56	-	69
Amortisation	-	(42)	(3)	-	-	(45)
Foreign exchange translation of foreign operations	(2)	-	-	-	-	(2)
Disposal and impairment	(1)	-	(1)	-	(94)	(96)
Emission allowances (net)	-	-	(32)	-	-	(32)
Transfer	(46)	13	1	(12)	-	(44)
Balance at 31 December 2020	**209**	**76**	**31**	**111**	**58**	**485**

(all amounts are presented in HRK millions)

13. INTANGIBLE ASSETS (CONTINUED)

INA, d.d.	Oil and gas properties	Software	Patents, Licences and other rights	Intangible assets under construction	Total
Balance at 1 January 2019	**181**	**121**	**86**	**43**	**431**
Additions	15	-	-	113	128
Amortisation	-	(41)	(1)	-	(42)
Foreign exchange translation of foreign operations	1	-	-	-	1
Emission allowances (net)	-	-	(29)	-	(29)
Transfer	(1)	24	-	(92)	(69)
Balance at 31 December 2019	**196**	**104**	**56**	**64**	**420**
Additions	13	-	-	54	67
Amortisation	-	(42)	(1)	-	(43)
Foreign exchange translation of foreign operations	(2)	-	-	-	(2)
Disposal and impairment	(1)	-	-	-	(1)
Emission allowances (net)	-	-	(32)	-	(32)
Transfer	(46)	13	2	(12)	(43)
Effect of merger of subsidiary	49	-	-	-	49
Balance at 31 December 2020	**209**	**75**	**25**	**106**	**415**

(all amounts are presented in HRK millions)

13. INTANGIBLE ASSETS (CONTINUED)

Goodwill

Investment of Crosco, d.o.o. in Rotary Zrt. Hungary

	INA Group	
	31 December 2020	**31 December 2019**
Cost	202	202
Accumulated impairment losses	(144)	(50)
Net book value	**58**	**152**

End of 2020 goodwill relating to the company Rotary Zrt. was tested for impairment and the test showed that the impairment of HRK 94 million is required.

After impairment, the carrying amount of goodwill decreased from HRK 152 million to HRK 58 million as of 31 December 2020.

The recoverable amount of Rotary Zrt. business as at 31 December 2020, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by Company management covering a five-year period. The discount rate applied to cash flow projections is 8.1% (2019 is 8.6%) and cash flows beyond the five-year period are prepared taking into consideration utilization days of Rotary's assets, average daily rates based on past experience and future predictions in the projected period. The growth rates are based on industry growth forecasts and Upstream segment assumptions, where for this particular case no long-term growth rate is foreseen in line with expectations. Expenses are determined also in relation to the utilization of the assets.

The calculation of Rotary's net present value is most sensitive to the following assumptions:

- Daily rates
- Utilization
- Discount rates
- Employee cost.

Change in the estimates of these premises would influence the net present value (NPV) of the CGU, having an impact on the amount of impairment recognized in relation to Rotary's net realisable value. Under the current circumstances and main assumptions currently applied, change in any of the main factors may lead to further impairment: -1.5% decrease in daily rate, -10% decrease in utilisation, +1% increase in discount rate and +2% higher employee costs.

Forecast daily rate prices and utilization days are based on management's estimates and available market data. Discount rates represent the current market assessment of the risks specific to Rotary Zrt., taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT

a) By business operations

INA Group	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Total**
Balance at 31 December 2019				
Cost	45,578	23,329	6,205	**75,112**
Accumulated depreciation	40,885	16,782	4,878	**62,545**
Net book value	**4,693**	**6,547**	**1,327**	**12,567**
Balance at 31 December 2020				
Cost	45,757	23,987	5,931	**75,675**
Accumulated depreciation	41,416	17,709	4,850	**63,975**
Net book value	**4,341**	**6,278**	**1,081**	**11,700**

INA, d.d.	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Total**
Balance at 31 December 2019				
Cost	40,057	22,003	1,878	**63,938**
Accumulated depreciation	35,286	16,102	1,590	**52,978**
Net book value	**4,771**	**5,901**	**288**	**10,960**
Balance at 31 December 2020				
Cost	46,157	22,650	1,885	**70,692**
Accumulated depreciation	41,642	17,017	1,616	**60,275**
Net book value	**4,515**	**5,633**	**269**	**10,417**

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type

INA Group	**Oil and gas properties**	**Land and buildings**	**Plant and machinery**	**Vehicles and office equipment**	**Collective Consumption assets**	**Assets under construction**	**Total**
At cost							
Balance at 1 January 2019	**40,504**	**13,079**	**14,381**	**2,457**	**47**	**2,604**	**73,072**
Additions	-	-	-	-	-	2,018	2,018
Change in capitalised decommissioning costs	218	-	-	-	-	-	218
Assets put in use, Transfer	641	423	1,205	121	-	(2,390)	-
Transfer to assets held for sale	-	(28)	(2)	1	(1)	-	(30)
Transfer from intangible asset	-	-	8	-	-	61	69
Share capital increase of subsidiary	-	(7)	(90)	(6)	-	-	(103)
Disposals	-	(17)	(169)	(41)	(8)	(33)	(268)
Currency translation	158	(4)	(11)	-	-	1	144
Other	-	1	(31)	16	6	-	(8)
Balance at 31 December 2019	**41,521**	**13,447**	**15,291**	**2,548**	**44**	**2,261**	**75,112**
Additions	384	-	-	-	-	829	1,213
Change in capitalised decommissioning costs	21	-	-	-	-	-	21
Assets put in use, Transfer	1,003	263	427	178	-	(1,871)	-
Transfer to assets held for sale	-	(40)	(142)	(6)	-	-	(188)
Transfer from intangible asset	81	2	2	-	-	(6)	79
Disposals	(2)	(46)	(148)	(32)	-	(2)	(230)
Currency translation, FX of foreign operations	(36)	(209)	(73)	(14)	-	-	(332)
Other	-	-	2	(2)	-	-	-
Balance at 31 December 2020	**42,972**	**13,417**	**15,359**	**2,672**	**44**	**1,211**	**75,675**

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

INA Group **Accumulated depreciation**	**Oil and gas properties**	**Land and buildings**	**Plant and machinery**	**Vehicles and office equipment**	**Collective Consumption assets**	**Assets under construction**	**Total**
Balance at 1 January 2019	**37,013**	**9,635**	**11,756**	**2,187**	**43**	**154**	**60,788**
Charge for the year	914	257	433	91	-	-	1,695
Impairment	289	-	-	-	-	-	289
Impairment of assets under construction	-	-	-	-	-	36	36
Transfer to assets held for sale	-	(28)	(2)	2	(1)	-	(29)
Share capital increase of subsidiary	-	(8)	(89)	(6)	-	-	(103)
Disposals	(50)	(2)	(159)	(41)	(4)	-	(256)
Currency translation	122	2	(9)	-	1	(1)	115
Other	9	4	(15)	11	1	-	10
Balance at 31 December 2019	**38,297**	**9,860**	**11,915**	**2,244**	**40**	**189**	**62,545**
Charge for the year	721	197	578	76	-	-	1,572
Impairment	151	105	322	3	-	5	586
Reversal of impairment	(96)	-	-	-	-	-	(96)
Transfer to assets held for sale	-	(30)	(127)	(5)	-	-	(162)
Transfer	(10)	24	(46)	26	-	42	36
Disposals	(1)	(39)	(143)	(32)	-	-	(215)
Currency translation, FX of foreign operations	-	(184)	(108)	(2)	-	-	(294)
Other	3	-	1	(1)	-	-	3
Balance at 31 December 2020	**39,065**	**9,933**	**12,392**	**2,309**	**40**	**236**	**63,975**

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

INA Group	Oil and gas properties	Land and buildings	Plant and machinery	Vehicles and office equipment	Collective Consumption assets	Assets under construction	Total
Carrying amount							
Balance at 31 December 2020	3,907	3,484	2,967	363	4	975	11,700
Balance at 31 December 2019	3,224	3,587	3,376	304	4	2,072	12,567

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

INA, d.d.	**Oil and gas properties**	**Land and buildings**	**Plant and machinery**	**Vehicles and office equipment**	**Collective Consumption assets**	**Assets under construction**	**Total**
At cost							
Balance at 1 January 2019	**35,655**	**10,366**	**11,426**	**1,944**	**43**	**2,758**	**62,192**
Additions	-	-	-	-	-	1,822	1,822
Change in capitalised decommissioning costs	174	-	-	-	-	-	174
Share capital increase of subsidiary	-	(1)	(92)	(6)	-	-	(99)
Assets put in use	641	283	1,000	102	-	(2,026)	-
Disposals	-	(26)	(128)	(30)	(1)	(33)	(218)
Other	-	-	7	(1)	-	61	67
Balance at 31 December 2019	**36,470**	**10,622**	**12,213**	**2,009**	**42**	**2,582**	**63,938**
Additions	380	-	-	-	-	792	1,172
Change in capitalised decommissioning costs	25	-	-	-	-	-	25
Foreign exchange translation of foreign operations	(37)	-	-	-	-	-	(37)
Share capital increase of subsidiary	-	(2)	-	-	-	-	(2)
Assets put in use, Transfer	1,059	238	412	171	-	(1,802)	78
Disposals	(2)	(35)	(19)	(32)	-	(3)	(91)
Effect of merger of subsidiary	5,607	-	32	-	-	-	5,639
Other	-	(30)	-	-	-	-	(30)
Balance at 31 December 2020	**43,502**	**10,793**	**12,638**	**2,148**	**42**	**1,569**	**70,692**

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

INA, d.d.	**Oil and gas properties**	**Land and buildings**	**Plant and machinery**	**Vehicles and office equipment**	**Collective Consumption assets**	**Assets under construction**	**Total**
Accumulated depreciation							
Balance at 1 January 2019	**32,292**	**7,625**	**9,789**	**1,704**	**40**	**156**	**51,606**
Charge for the year	813	188	425	78	-	-	1,504
Impairment	151	-	-	-	-	-	151
Impairment of assets under construction	-	-	-	-	-	36	36
Share capital increase of subsidiary	-	-	(89)	(6)	-	-	(95)
Recapitalization of subsidiary	-	-	1	1	(1)	(1)	-
Disposals	(33)	(21)	(126)	(30)	-	-	(210)
Other	(13)	-	-	(1)	-	-	(14)
Balance at 31 December 2019	**33,210**	**7,792**	**10,000**	**1,746**	**39**	**191**	**52,978**
Charge for the year	707	186	497	74	-	-	1,464
Impairment	151	74	217	1	-	5	448
Reversal of impairment	(96)	-	-	-	-	-	(96)
Recapitalization of subsidiary	-	(2)	-	-	-	-	(2)
Transfers	(14)	28	(49)	28	-	42	35
Disposals	(1)	(30)	(19)	(32)	-	-	(82)
Effect of merge of subsidiary	5,516	-	32	-	-	-	5,548
Other	5	(23)	-	-	-	-	(18)
Balance at 31 December 2020	**39,478**	**8,025**	**10,678**	**1,817**	**39**	**238**	**60,275**

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

INA, d.d.	**Oil and gas properties**	**Land and buildings**	**Plant and machinery**	**Vehicles and office equipment**	**Collective Consumption assets**	**Assets under construction**	**Total**
Carrying amount							
Balance at 31 December 2020	**4,024**	**2,768**	**1,960**	**331**	**3**	**1,331**	**10,417**
Balance at 31 December 2019	**3,260**	**2,830**	**2,213**	**263**	**3**	**2,391**	**10,960**

I) Oil and gas reserves

The ability of INA Group and INA, d.d. to realise the net book value of oil and gas properties (see 14b above) in the future is dependent upon the extent to which commercially recoverable oil and gas reserves are available. During 2020, Exploration and Production performed assessment of the quantities of the Company's remaining proved and probable developed oil and gas reserves which were commercially recoverable.

II) Ownership of land and buildings

Due to political developments in Croatia since 1990, certain local municipal land registers have not been fully established. The Company is in the process of registering of ownership, through the local courts in Croatia. Until the date of issuing of these financial statements, no claims have been made against the Company concerning its title to these assets.

III) Collective consumption assets

Collective consumption assets refers to domestic residential accommodation for the workforce of the Company and some of its subsidiaries.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IV) Carrying value of property, plant and equipment

The Management Board performed identification and assessment of indicators in accordance with IAS 36. Impairment test was performed on assets where indicators of impairment have been identified.

The total net impairment charge of INA Group is HRK 494 million and INA, d.d. is HRK 350 million in 2020 (2019: INA Group HRK 325 million, INA, d.d HRK 187 million).

a) Exploration and Production recorded an impairment of property, plant and equipment in amount of HRK 151 million and reversal of impairment in amount of HRK 96 million at 31 December 2020 at INA Group and INA, d.d. (compared to impairment in amount of HRK 289 million in 2019).

- Following the disruption of oil prices caused by the temporary suspension of part of the economic activities due to the COVID-19 pandemic, an indicator for testing the impairment of INA's oil and gas fields was identified in Q2 2020. Oil price assumptions used in the value in use models used for impairment testing were the following: 51 to 53 USD/barrel for the years from 2021 to 2023 and the long term oil price assumed for the years after 2023 was 65 USD / barrel. Gas price assumptions used in the value in use models used for impairment testing were the following: 15 to 17 EUR/MWh the years from 2021 to 2023 and the long term gas price assumed for the years after 2023 was 19 EUR/MWh. Based on the value in use calculation following impairment by CGU has been determined at 30 June 2020:
  - Egypt concession – assessed recoverable amount of HRK 29 million (Egypt RQ HRK 15 million; Egypt NB HRK 14 million). Impairment of HRK 15 million was recorded on field Egypt North Bahariya.
  - Croatia onshore – assessed recoverable amount of HRK 3,926 million (cumulative for 43 tested fields). Total impairment amounted to HRK 29 million was recorded on fields Hampovica Čepelovac (HRK 7 million), Bunjani (HRK 7 million), Mramor Brdo (HRK 6 million), Bilogora (HRK 4 million), Zebanec (HRK 3 million) and Lupoglav (HRK 2 million).
- As part of standard practice, resources and reserves level is assessed at each year end. Within the most relevant profiles, no fields with negative reserves change above materiality threshold have been identified. However, in line with the industry and MOL Group practice, using the proved and probable (2P) reserve level is a more accurate basis for determining management's best estimate on future cash flows instead of earlier used Proved (1P) reserve level, therefore a trigger for impairment reversal was identified. Oil price assumptions used in the value in use models used for impairment testing were the following: 51 to 52 USD / barrel for the years from 2021 to 2023 and the long term oil price assumed for the years after 2023 was 69 USD / barrel. Gas price assumptions used in the value in use models used for impairment testing were the following: 13 to 17 EUR/MWh for the years from 2021 to 2023 and the long term gas price assumed for the years after 2023 was 23 EUR/MWh. Based on the value in use calculation following impairment by CGU has been determined at 31 December 2020:
  - Croatia offshore – assessed recoverable amount of HRK 282 million (Ivana D no recoverable amount; NACA HRK 224 million; ALCA HRK 58 million). Impairment amounted to HRK 28 million was recorded on Ivana D field. Total reversal of impairment in the amount of HRK 67 million was recorded on NACA (HRK 66 million) and ALCA (HRK 1 million).

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IV) Carrying value of property, plant and equipment (continued)

- Egypt concession – assessed recoverable amount of HRK 175 million (Egypt NB HRK 156 million; Egypt RQ HRK 19 million). Total reversal of impairment amounted to HRK 7 million on the field Egypt North Bahariya
- Angola concession – assessed recoverable amount of HRK 62 million (Angola Blok 3/05 HRK 50 million; Angola Blok 3/05a HRK 12 million). Total reversal of impairment amounted to HRK 11 million was recorded on fields Angola Blok 3/05 (HRK 2 million) and Angola 3/05a field (HRK 9 million).
- Croatia onshore – assessed recoverable amount of HRK 3,193 million (cumulative for 19 tested fields). Total impairment amounted to HRK 22 million was recorded on fields Križ Bunjani (HRK 11 million), Beničanci (HRK 8 million), Crnac (HRK 2 million) and Števkovica (HRK 1 million). Total reversal of impairment amounted to HRK 11 million was recorded on fields Zebanec (HRK 3 million), Kozarice (HRK 2 million), Kućanci Kapelna (HRK 1 million), Mramor Brdo (HRK 1 million), Lupoglav field (HRK 1 million) and HRK 3 million on other fields.
- Croatia onshore - impairment of assets under construction in amount of HRK 57 million (Legrad HRK 32 million, Selnica HRK 25 million).

b) Refining and Marketing recorded impairment of assets in use in Refinery Sisak in the amount of HRK 290 million and impairment of asset of under construction was recorded in Refinery Sisak in the amount of HRK 5 million (in 2019 impairment of assets under construction was recorded in Refinery Sisak in amount of HRK 36 million).

c) Corporate and other recorded impairment of Crosco d.o.o. assets in the amount of HRK 104 million to the recoverable amount of HRK 130 million, impairment of platform Labin in the amount of HRK 36 million to the recoverable amount of HRK 51 million and other (Rotary HRK 2 million, Hostin HRK 1 million and INA, d.d. impairment in the amount of HRK 1 million) in 2020. In 2019 no impairment or reversal of impairment was recorded.

Discount rates used in the current assessment in 2020 and for 2019 are assets specific and are as follows:

	December 2020	June 2020	December 2019
Exploration and Production			
Croatia	8.1%	8.8%	8.5%
Egypt	12.6%	12.3%	12.3%
Angola	18.6%	12.3%	12.3%
Refining and marketing			
Croatia	7.7%	9.7%	9.7%

A risk factor is included in the discount rates considering the individual country risk (see note 3).

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

V) Internal labour capitalisation

Capitalised internal labour are all direct costs of labor that can be identified or associated with and are properly allocable to the construction, modification, or installation of specific items of capital assets and, as such can be amortized. In 2020 INA Group capitalised labour in amounts of HRK 27 million (2019: HRK 22 million). In 2020 INA, d.d. capitalised labour in amounts of HRK 27 million (2019: HRK 20 million).

VI) Review of the residual value

The Group has reviewed the residual value for depreciation purposes to reflect the changes in the definition of the residual value provided in IAS 16 and no need for any adjustment to the residual values related to the current or prior periods has been established. Useful life of decommissioning assets has been adjusted to reflect the economic life of fields.

VII) Assets classified as held for sale

Management expects that sales transactions will be closed within the following twelve months.

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Assets classified as held for sale				
Property, plant and equipment	30	6	7	-
Assets classified held for sale	**30**	**6**	**7**	**-**

(all amounts are presented in HRK millions)

15. INVESTMENTS IN SUBSIDIARIES (in separate financial statement of INA, d.d.)

	INA, d.d.	
	31 December 2020	31 December 2019
Investments in subsidiaries	1,827	2,089

	INA, d.d.	
	31 December 2020	31 December 2019
Investments in subsidiaries at 1 January	**2,089**	**1,960**
Holdina Sarajevo d.o.o. - share capital increase	2	-
INA Adria - merger to INA, d.d.	(264)	-
INA Industrijski servisi d.o.o. - investment	-	915
INA Vatrogasni servisi d.o.o. - investment	-	23
STSI d.o.o. - share capital increase	-	10
CROSCO - transfer of shares to INA Industrijski servisi d.o.o.	-	(634)
STSI - transfer of shares to INA Industrijski servisi d.o.o.	-	(185)
Balance at 31 December 2020	**1,827**	**2,089**

15. INVESTMENTS IN SUBSIDIARIES (in separate financial statement of INA, d.d.) (CONTINUED)

The following portfolio changes were recorded in 2020:

Based on the decision of the Commercial Court dated 2 January 2020 INA, d.d. recorded the merger of INA Jadran d.o.o.

Based on the decision of the Commercial Court from 1 September 2020 INA, d.d. recorded the merger of INA Adria d.o.o. Net share in books of INA, d.d. at the time of the merger in amounted HRK 265 million and were netted with retained earnings transferred in the books of INA, d.d. Netted efect of transaction is HRK 75 million.

On 7 October 2020 INA, d.d. increase the share capital in the Holdina Sarajevo d.o.o. by registering ownership of one property.

In the books of INA d.d. assets in amount HRK 0.2 million were derecognised, while the share in Holdina Sarajevo was increased by an estimated value of HRK 2.2 million. The difference of HRK 2 million was recognized within other operating income.

The following portfolio changes were recorded in 2019:

By the Commercial Court decision at 19 June 2019, INA, d.d. established the company INA Vatrogasni Servisi d.o.o., owned 100%. The investment of INA Vatrogasni Servisi d.o.o. was made in cash in the amount of HRK 10 million and assets in the estimated value of HRK 22.5 million. The difference between the estimated fair value and the carrying amount of the asset was recognised as income of HRK 9.2 million in separate financial statements of INA, d.d.

By share purchase agreement between INA Adria B.V. and INA, d.d. from 18 September 2019, INA, d.d. purchased the remaining 50% of investment in INA Jadran, for HRK 0.1 million. At 30 September 2019 the Commercial Court registrated INA, d.d. as the only member of INA Jadran d.o.o.

At 26 September 2019 the Commercial Court registrated the liquidation of INA Naftaplin International Exploration and Production Limited. The net investment value at the time of liquidation amounted to zero.

By the Commercial Court decision from 13 December 2019, INA, d.d. established the company INA Industrijski Servisi d.o.o., owned 100%. The investment of INA Industrijski Servisi d.o.o. was made in cash in the amount of HRK 0.25 million and by transferring the investments of CROSCO d.o.o., STSI d.o.o. and Plavi tim d.o.o. at estimated fair value of HRK 915 million. The difference between the estimated value and the carrying amount of the investment was recognised as income of HRK 97 million in separate financial statements of INA, d.d.

The following are subsidiaries in which the Company has a share (* subsidiary directly owned by the Company):

(all amounts are presented in HRK millions)

15. INVESTMENTS IN SUBSIDIARIES (in separate financial statement of INA, d.d.) (CONTINUED)

Composition of the Group

The name of subsidiary	Principal activity	Place of incorporation and operation	**Proportion of ownership interest and voting power held by the Group** 31 December 2020	31 December 2019
Oilfield services				
CROSCO, naftni servisi d.o.o.	Oilfield services	Croatia	100%	100%
Crosco B.V.	Oilfield services	Netherland	100%	100%
NORDIC SHIPPING LIMITED	Lease of drilling platforms	Marshall Islands	100%	100%
SEA HORSE SHIPPING Inc	Lease of drilling platforms	Marshall Islands	100%	100%
Rotary Zrt.	Oilfield services	Hungary	100%	100%
CROSCO UKRAINE LLC.	Oilfield services	Ukraine	100%	100%
Crosco S.A. DE C.V.	Oilfield services	Mexico	99.90%	99.90%
ROTARY D&WS S.R.L.	Oilfield services	Romania	100%	-
CROSCO International d.o.o.	Oilfield services	Bosnia and Herzegovina	-	100%
Oil exploration and production				
*INA ADRIA B.V.	Extraction of natural gas	Netherland	-	100%
*INA Jadran d.o.o.	Extraction of natural gas	Croatia	-	100%
Tourism				
*Hostin d.o.o.	Asset management, tourism	Croatia	100%	100%
Ancillary services				
STSI Integrirani tehnički servisi d.o.o.	Technical services	Croatia	100%	100%
*Top Računovodstvo Servisi d.o.o.	Accounting services	Croatia	100%	100%
Plavi tim d.o.o.	Informatics service	Croatia	100%	100%
*INA Vatrogasni Servisi d.o.o.	Firefighting	Croatia	100%	100%
*INA Industrijski Servisi d.o.o.	Holding company	Croatia	100%	100%
Production and trading				
*INA MAZIVA d.o.o.	Production and lubricants trading	Croatia	100%	100%
Trading				
*INA Slovenija d.o.o. Ljubljana	Foreign trading	Slovenia	100%	100%
*INA BH d.d. Sarajevo	Foreign trading	Bosnia and Herzegovina	100%	100%
*Holdina d.o.o. Sarajevo	Foreign trading	Bosnia and Herzegovina	100%	100%
*INA d.o.o. Beograd	Foreign trading	Serbia	100%	100%
*INA Kosovo d.o.o.	Foreign trading	Kosovo	100%	100%
*Adrigas S.r.l. Milano	Pipeline project company	Italy	100%	100%
*INA Crna Gora d.o.o. Podgorica	Foreign trading	Montenegro	100%	100%
*PETROL d.d.	Trading	Croatia	100%	100%
*CROPLIN d.o.o.	Production of gas, distribution network of gas fuels	Croatia	100%	100%
*INA Maloprodajni servisi d.o.o.	Trade agency in the domestic and foreign market	Croatia	100%	100%
*ENERGOPETROL d.d.	Retail (oil and lubricant)	Bosnia and Herzegovina	88.66%	88.66%
*INA BL d.o.o. Banja Luka	Trading	Bosnia and Herzegovina	100%	100%

(all amounts are presented in HRK millions)

15. INVESTMENTS IN SUBSIDIARIES (in separate financial statement of INA, d.d.) (CONTINUED)

At 31 December 2020 and 31 December 2019 Croplin d.o.o. had 9.1% ownership in Energo d.o.o. Rijeka and 40% ownership in Plinara Istočne Slavonije d.o.o. Vinkovci.

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Investments in associates and joint ventures	254	160	254	160
	254	**160**	**254**	**160**

The Company has interests in other entities as follows:

Name of company	**Activity**	**Place of incorporation and operation**	**INA Group and INA, d.d.** 31 December 2020	**INA Group and INA, d.d.** 31 December 2019
Hayan Petroleum Company*	Operating company (oil exploration, development and production)	Damascus, Syria	50%	50%
ED INA d.o.o. Zagreb*	Research, development and hydrocarbon production	Zagreb, Croatia	50%	50%
Marina Petroleum Company *	Exploration and production oil operator	Cairo, Egypt	50%	50%
TERRA MINERALNA GNOJIVA d.o.o.	Purchase and sale of goods	Zagreb, Croatia	50%	50%
Belvedere d.d.	Hotel trade	Dubrovnik, Croatia	31.80%	31.80%
ELEKTROMETAL d.d	Installing and mounting works, production of fire-proof elements, gas distribution	Bjelovar, Hrvatska	30.75%	30.75%

*investments that are joint operations in INA, d.d. and INA Group

(all amounts are presented in HRK millions)

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Non-material associates and joint operations are as follows: Hayan Petroleum Company, Belvedere d.d., ED - INA d.o.o. Zagreb, Marina Petroleum Company and ELEKTROMETAL d.d.

The following table summarises, in aggregate, the financial information of all individually non-material associates and joint ventures in which the Group has interests:

	INA Group and INA, d.d.	
	31 December 2020	**31 December 2019**
Aggregate carrying amount of the interests in these associates and joint ventures	-	-
The Group's share of profit from interest in non individually material associates and joint ventures	-	-
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive income	**-**	**-**

In 2020, by equity method INA, d.d. recorded a share of profit in the amount of HRK 94 million (2019: HRK 10 milion) presented in the line *Share of profit of joint ventures accounted for using the equity method* of Statement of Profit and Loss.

Based on the decision of the Commercial Court from 7 October 2020 the company Terra mineralna gnojiva d.o.o. was recapitalized in the amount of HRK 100 thousand.

By decision of the Commercial Court in Zagreb from 14 May 2019 the liquidation process of the company Terme Zagreb d.o.o was completed and in the books of INA, d.d. investment was written off. The net investment value at the time of liquidation amounted to zero.

(all amounts are presented in HRK millions)

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Summarised statements of financial position and comprehensive income of Terra mineralna gnojiva d.o.o. - consolidated (INA, d.d. share 50%)

Place of business	Zagreb, Republic of Croatia	Zagreb, Republic of Croatia
	2020*	**2019***
Non-current assets	589	645
Current assets	894	757
Non-current liabilities	(206)	(586)
Current liabilities	(590)	(476)
Net assets	**687**	**340**
Group's share of assets	**187**	**93**
Goodwill	67	67
Carrying amount of the investment	**254**	**160**
Total operating income	1,423	1,649
Profit from operations	330	138
Net profit	346	36
Net profit attributable to Terra mineralna gnojiva d.o.o. after non-controlling interest	188	20
INA, d.d. share of profit (50%)	**94**	**10**
INA Group share of profit	**94**	**10**

* based on the latest available information from September

17. OTHER INVESTMENTS

	INA Group		**INA, d.d.**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial assets at fair value through profit or loss	10	10	8	8
Deposits	7	7	7	7
Long-term loans given to subsidiaries	-	-	752	730
	17	**17**	**767**	**745**

In total, the amount of long-term loans relates to given loans to subsidiaries (see note 37).

(all amounts are presented in HRK millions)

18. LONG-TERM RECEIVABLES AND OTHER ASSETS

INA Group	**31 December 2020**	**31 December 2019**
Receivables from long-term contracts	461	473
Prepayments for property, plant and equipment	336	363
Receivables for apartments sold	28	39
Prepayments for intangible assets	18	13
Other long-term receivables	-	10
	843	**898**

INA, d.d.	**31 December 2020**	**31 December 2019**
Receivables from long-term contracts	461	473
Prepayments for property, plant and equipment	334	360
Receivables for apartments sold	28	38
Prepayments for intangible assets	18	13
Long-term receivables from related party	9	9
Other long-term receivables	-	9
	850	**902**

Prior to 1996, the Company sold apartments it owned to its employees as provided by the laws of the Republic of Croatia. The properties were generally sold on credit and the related housing receivables are repayable on monthly instalments over periods of 20-35 years. The amounts payable to Croatian state, accounting for 65% of the value of sold apartments, are included in other non-current liabilities (see note 29). The receivables are secured with mortgage over the sold apartments. The principle is presented in the receivable amounts. The amounts do not include the interest portion.

(all amounts are presented in HRK millions)

19. NON-CURRENT FINANCIAL ASSETS

Equity instruments

Name of the Company	Activity	Place of incorporation and operation	INA Group and INA, d.d. 31 December 2020	31 December 2019
Jadranski Naftovod d.d.	Pipeline ownership and operations	Zagreb, Croatia	11.795%	11.795%
OMV Slovenia d.o.o. Koper	Oil trading	Koper, Slovenia	7.75%	7.75%
Plinara d.o.o. Pula	Distribution and oil trading	Pula, Croatia	49.00%	49.00%
BINA-FINCOM d.d. Zagreb	Construction of highways and other roads, airfields airports	Zagreb, Croatia	5.00%	5.00%
HOC Bjelolasica d.o.o. Ogulin	Operations of sports facilities	Ogulin, Croatia	7.17%	7.17%

	2020	2019
Balance at the beginning of the year Jadranski Naftovod d.d.	559	431
Remeasurement recognistion in OCI, gross of income tax	(48)	128
Balance at the end of the year Jadranski Naftovod d.d.	**511**	**559**
Other investments	49	48
Balance at the end of the year non-current financial assets	**560**	**607**

As explained in note 37, a substantial portion of the trading income of JANAF d.d. is derived from INA, d.d.

The value of equity share in JANAF was reported by reference to the market value of a share as quoted on the Zagreb Stock Exchange as of 31 December 2020. The net book value of the equity investment in JANAF decreased by HRK 48 million compared to the balance as of 31 December 2019 due to decrease in the market value of the JANAF shares on Zagreb Stock Exchange. The market value of the shares (118,855 shares) as of 31 December 2020 amounted to HRK 4,300 per share (31 December 2019: HRK 4,700 per share).

(all amounts are presented in HRK millions)

20. INVENTORIES

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Refined products	459	911	419	844
Work in progress	221	408	219	407
Crude oil	251	392	252	392
Merchandise	326	248	275	188
Raw material	195	155	150	105
Spare parts, materials and supplies	172	185	84	89
	1,624	**2,299**	**1,399**	**2,025**

Inventories are measured at the lower of cost or net realizable value.

During 2020, HRK 6 million was recognized reversal of impairment for refined products and work in progress for INA Group and INA, d.d. (2019: reversal of impairment in amount of HRK 91 million). This reversal of impairment of refined products and work in progress is recognized in Changes in inventories of finished products and work in progress line within consolidated and separate statement of profit or loss.

During 2020, HRK 3 million was recognized as impairment for merchandise for INA Group and INA, d.d. (2019: HRK 8 million was recognized as reversal of impairment for merchandise for INA Group and INA, d.d.). This impairment of merchandise is recognized in Cost of other goods sold line within consolidated and separate statement of profit or loss.

21. TRADE RECEIVABLES, NET

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Trade receivables	1,662	2,498	1,164	1,965
Impairment of trade receivables	(456)	(472)	(298)	(302)
	1,206	**2,026**	**866**	**1,663**

Receivables classified as performing are impaired by using the ECL rate. The effect of impairment losses using ECL for performing receivables of 0.04 % is HRK 1 million in 2020 (2019: ECL: 0.04%).
Impairment of trade receivables:

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Balance at beginning of the year	472	495	302	339
Impairment losses recognised on receivables	65	69	64	55
Amounts written off as uncollectible	(18)	(21)	(10)	(20)
Reversal of impairment on amounts recovered	(63)	(71)	(58)	(72)
Balance at end of the year	**456**	**472**	**298**	**302**

Trade receivables, net balance of INA Group above also includes related party receivables of HRK 151 million as of 31 December 2020 (2019: HRK 356 million) with related party entities out of INA Group (see note 37).

(all amounts are presented in HRK millions)

22. OTHER RECEIVABLES

	INA Group		INA, d.d.	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Margining receivables	70	24	70	24
Foreign concessions receivables	33	59	33	59
Tax prepayments	19	31	1	(3)
Prepayment receivables	15	4	14	2
Other receivables	55	49	37	28
	192	**167**	**155**	**110**

23. OTHER CURRENT ASSET

	INA Group		INA, d.d.	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Prepayments for customs, duties and other charges	40	59	16	32
Positive fair value of derivatives	26	27	26	27
Accrued income	5	4	5	4
Other short-term receivables	3	9	1	1
Short-term loans and deposits	2	2	20	1
Current portion of long terms loans	-	-	20	35
Other	13	11	10	8
	89	**112**	**98**	**108**

24. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Demand deposits are placed within financial institutions that can be withdrawn on demand, without prior notice being required or a penalty being charged.

	INA Group		INA, d.d.	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Demand deposit	366	442	324	345
Deposits until three months	2	106	-	105
Cash on hand	31	58	27	52
Cash and cash equivalents in statement of financial position	**399**	**606**	**351**	**502**
Overdrafts	5	(5)	-	-
Cash and cash equivalents in statement of cash flows	**404**	**601**	**351**	**502**

(all amounts are presented in HRK millions)

25. BANK LOANS

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Bank loans	2,085	2,825	1,873	2,600
Current portion of long-term loans	-	335	-	335
	2,085	**3,160**	**1,873**	**2,935**

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Unsecured bank loans in EUR	1,107	2,057	1,066	2,017
Unsecured bank loans in USD	557	503	557	503
Unsecured bank loans in HRK	402	231	250	80
Unsecured bank loans in HUF	19	34	-	-
	2,085	**2,825**	**1,873**	**2,600**

The most significant short-term loans as at 31 December 2020 are credit facilities for the financing of crude oil and petroleum products purchase (''trade finance'') concluded with the first class banks, framework agreements for granting loans, issuing bank guarantees and opening letters of credits concluded with domestic banks, as well as short-term credit lines with foreign creditors.

Short-term loans are contracted as multicurrency lines with variable interest rates. INA, d.d. short-term loans are unsecured and do not contain financial covenants.

In order to secure INA Group subsidiaries short–term credit facilities, INA, d.d. issued corporate guarantees.

(all amounts are presented in HRK millions)

26. TRADE PAYABLES, TAXES AND CONTRIBUTIONS AND OTHER CURRENT LIABILITIES

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Trade payables	1,426	1,511	1,104	1,089
Production and sales and other taxes payable	595	599	534	529
Dividend payables	585	-	585	-
Payroll payables	139	172	94	119
Accrued bonuses	128	122	85	73
Negative fair value of derivatives	116	62	116	62
Payroll taxes and contributions	42	51	20	25
Advance payments	36	62	26	38
Contract liabilities	22	99	-	-
Mining fee	19	29	19	29
Accrued unused holiday	12	45	4	22
Accrued expenses	4	10	-	-
Accrued interest for long-term loans	2	2	2	2
Other	59	21	34	42
	3,185	**2,785**	**2,623**	**2,030**

The management considers that the carrying amount of trade payables approximates their fair values.

Trade payables, net balance also includes payables of HRK 181 million as of 31 December 2020 (2019: HRK 158 million) with related party entities out of INA Group (see note 37).

Accruals for unused holiday is determined based on actual data (number of employees, unused days, payroll) taken into calculation.

Auditor's fee for INA Group amounts to HRK 3 million for 2020 and 2019.

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS

Long-term loans can be utilized in different foreign currencies and are subject to different interest rates. Long-term loans of INA, d.d. are unsecured and contain financial covenants which are fulfilled.

The outstanding loans of the Group are analysed as follows:

Purpose of the loan	Loan currency	31 December 2020	31 December 2019
General corporate purpose	USD, EUR	-	-
Project financing	USD, EUR	-	335
		-	**335**
Due within one year		-	(335)
Total long-term loans INA, d.d.		**-**	**-**
Obligation under finance lease		-	-
Other long-term loans INA Group	USD, EUR	-	335
		-	**335**
Due within one year		-	(335)
Total long-term loans INA Group		**-**	**-**

INA Group	Weighted average interest rate **31 December 2020**	Weighted average interest rate **31 December 2019**	**31 December 2020**	**31 December 2019**
	%	%		
Bank loans in USD	-	2.60	-	-
Bank loans in EUR	-	0.90	-	335
Obligation under finance lease			-	-
Total			**-**	**335**
Payable within one year			-	(335)
Total long-term loans			**-**	**-**

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS (CONTINUED)

INA, d.d.	Weighted average interest rate **31 December 2020**	Weighted average interest rate **31 December 2019**	**31 December 2020**	**31 December 2019**
	%	%		
Bank loans in USD	-	-	-	-
Bank loans in EUR	-	0.90	-	335
Total			**-**	**335**
Payable within one year			-	(335)
Total long-term loans			**-**	**-**

The maturity of the loans may be summarised as follows:

	INA Group		**INA, d.d.**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Current portion of long-term debt	-	335	-	335
Total	**-**	**335**	**-**	**335**

The movement in long-term loans during the year is summarized as follows:

	INA Group	**INA, d.d.**
Balance at 1 January 2019	**129**	**125**
New borrowings	335	335
Amounts repaid	(127)	(127)
Foreign exchange losses	(2)	2
Balance at 31 December 2019	**335**	**335**
Payable within one year (included within bank loans – note 25)	335	335
Payable after more than one year	-	-
Balance at 1 January 2020	**335**	**335**
New borrowings	644	644
Amounts repaid	(976)	(976)
Foreign exchange losses	(3)	(3)
Balance at 31 December 2020	**-**	**-**

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS (CONTINUED)

The principal long-term loans outstanding at 31 December 2020 and loans agreements contracted in 2020 were as follows:

ING BANK N.V., LONDON BRANCH

In 2018 INA, d.d. signed a long-term multi-currency revolving credit facility agreement for general corporate purposes in the amount of USD 300 million. Lenders are banking groups represented by both international and domestic banks. The Agent is ING Bank N.V., London Branch. Maturity of the credit facility is 3 years with an option for 1+1 year extension. First extension option was executed in 2019, extending the final maturity of the loan in the amount of USD 300 million for one year. Second extension option was executed in 2020, extending the final maturity of the loan in the amount of USD 255 million until 2023. As at 31 December 2020 the loan was not utilized.

MOL Group

In 2018 INA, d.d. signed an amendment to the intragroup long-term multi-currency revolving loan agreement for general corporate purposes provided from MOL Group in the amount of USD 100 million and with loan agreement maturity of 3 years. Final maturity of the loan was extended in 2019 for year. In 2020 the final maturity of the loan was extended for one additional year, until 2023. As at 31 December 2020 the loan was not utilized.

Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities arising from financial activities, including both cash and noncash changes, and for which the INA Group and INA, d.d. assess to be materially significant. Liabilities arising from financial activities are those for which cash flows were, or future cash flows will be, classifies in the consolidated and standalone statements of cash flows as cash flows from financial activities.

INA Group

	1 January 2020	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2020
Short-term loans	3,160	(1,012)	(50)	-	(13)	2,085
Repayment of lease liabilities	344	(35)	-	-	-	309
Dividend payable	-	(38)	-	-	-	(38)
Derivatives	61	27	-	28	-	116
Total liabilities	**3,565**	**(1,058)**	**(50)**	**28**	**(13)**	**2,472**

INA, d.d.

	1 January 2020	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2020
Short-term loans	2,935	(1,012)	(50)	-	-	1,873
Loans from related parties	282	(151)	-	-	-	131
Repayment of lease liabilities	531	(52)	-	-	-	479
Dividend payable	-	(38)	-	-	-	(38)
Derivatives	61	27	-	28	-	116
Total liabilities	**3,809**	**(1,226)**	**(50)**	**28**	**-**	**2,561**

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS (CONTINUED)

INA Group

	1 January 2019	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2019
Short-term loans	2,087	1,030	38	-	5	3,160
Long-term loans	4	(4)	-	-	-	-
Repayment of lease liabilities	-	344	-	-	-	344
Dividend payable	-	(1,250)	-	-	1,250	-
Derivatives	91	(34)	-	4	-	61
Total liabilities	**2,182**	**86**	**38**	**4**	**1,255**	**3,565**

INA, d.d.

	1 January 2019	Cash flow	Foreign exchange movement	Changes in fair values	Other	31 December 2019
Short-term loans	1,893	1,005	37	-	-	2,935
Loans from related parties	194	88	-	-	-	282
Long-term loans	-	-	-	-	-	-
Repayment of lease liabilities	-	531	-	-	-	531
Dividend payable	-	(1,250)	-	-	1,250	-
Derivatives	91	(34)	-	4	-	61
Total liabilities	**2,178**	**340**	**37**	**4**	**1,250**	**3,809**

Compliance with loan agreements

During 2020, as well as in 2019 INA Group members and INA, d.d repaid all of their liabilities in respect of the loans (principal, interest and fees) on a timely basis, without any delays or defaults.

28. LEASES

As a lessee

As a lessee, the Company and the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company and the Group recognise the right-of-use assets and lease liabilities for all leases except low-value leases and short-term leases.

The Company and the Group have lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 2 and 20 years, while motor vehicles generally have lease terms up to 5 years. The obligations under its leases are secured by the lessor’s title to the leased assets. Generally, the Company and the Group are restricted from assigning and subleasing the leased assets. Several lease contracts include extension options and variable lease payments. The Company and the Group also have certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. However, the Company and the Group have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company and the Group recognise the lease payments associated with these leases as expense on a straight-line basis over the lease term.

(all amounts are presented in HRK millions)

28. LEASES (continued)

The Company and the Group present right-of-use assets from leases in separate line item of statement of financial position. The recognised right-of-use assets relate to the following types of assets and the movements during the period:

INA GROUP	**Land and buildings**	**Vehicles**	**Plant and machinery, office equipment and other**	**Total**
Additions and capitalisations due to new standard (IFRS 16) at 1 January 2019	28	72	56	**156**
Additions in period due to new contracts	83	152	12	**247**
Depreciation for the period	(7)	(34)	(15)	**(56)**
Other decreasing (i.e. impairment, termination)	(4)	-	(1)	**(5)**
Balance at 31 December 2019	**100**	**190**	**52**	**342**
Additions in period due to new contracts	27	13	(2)	**38**
Depreciation for the period	(13)	(45)	(14)	**(72)**
Other decreasing (i.e. impairment, termination)	-	(3)	(1)	**(4)**
Balance at 31 December 2020	**114**	**155**	**35**	**304**

INA, d.d.	**Land and buildings**	**Vehicles**	**Plant and machinery, office equipment and other**	**Total**
Additions and capitalisations due to new standard (IFRS 16) at 1 January 2019	277	62	58	**397**
Additions in period due to new contracts	75	121	17	**213**
Depreciation for the period	(34)	(29)	(18)	**(81)**
Balance at 31 December 2019	**318**	**154**	**57**	**529**
Additions in period due to new contracts	32	13	(2)	**43**
Depreciation for the period	(41)	(39)	(18)	**(98)**
Other decreasing (i.e. impairment, termination)	(1)	-	-	**(1)**
Balance at 31 December 2020	**308**	**128**	**37**	**473**

Lease liabilities

Maturity analysis contractual undiscounted cash flow as at 31 December 2020 and 31 December 2019:

	INA Group		**INA, d.d.**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Analysed as:				
Liabilities within 1 year	81	76	104	95
Liabilities between 1-5 years	185	231	282	319
Liabilities over 5 years	54	54	109	136
Total undiscounted liabilities	**320**	**361**	**495**	**550**

(all amounts are presented in HRK millions)

28. LEASES (continued)

Total carrying amounts of lease liabilities (including under interest bearing loans and borrowings) in the statement of financial position:

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
Leasee liabilities at 1 January	344	156	531	384
Additions	37	247	42	226
Accretion of interest	4	3	5	3
Payments	(74)	(63)	(101)	(83)
Foreign exchange difference	(2)	1	2	1
Leasee liabilities at 31 December	**309**	**344**	**479**	**531**
Analysed as:				
Current liabilities for lease	77	68	100	90
Non-current liabilities for lease	232	276	379	441

The following are the amounts recognised in the profit and loss:

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Depreciation of right -of-use asset	76	56	98	81
Interest expense of lease for right-of-use asset	4	3	5	3
Expenses for the period relating to short-term leases or leases of low-value assets	74	81	62	40
Expense for the period relating to variable lease payments not included in the measurement of lease liabilities	-	14	-	-
	154	**154**	**165**	**124**

29. OTHER NON-CURRENT LIABILITIES

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Liabilities to Government for sold apartments	15	21	15	21
Deferred income for sold apartments	2	2	2	2
Other long-term liabilities	16	17	16	16
	33	**40**	**33**	**39**

The long-term payable to the government relates to obligation arising on the sale of housing units to employees under the government program (see note 18). According to the law, 65% of the proceeds from the sale of apartments to employees were payable to the state when the proceeds were collected by the Company and the Group. According to the law, INA, d.d. has no liability to remit the funds unless and until they are collected from the employee.

(all amounts are presented in HRK millions)

30. PROVISIONS

INA Group	**Decommissioning charges**	**Environmental provision**	**Legal claims**	**Renewable energy provision**	**Redundancy costs**	**Other**	**Total**
Balance at 1 January 2019	**2,839**	**412**	**141**	**75**	**11**	**287**	**3,765**
Charge for the year	-	101	14	12	60	20	**207**
Effect of change in estimates	218	11	-	**-**	-	-	**229**
Unwinding of discount	38	4	-	**-**	-	6	**48**
Provision utilised/reversed during the year	(9)	(167)	(43)	(75)	(55)	(5)	**(354)**
Balance at 31 December 2019	**3,086**	**361**	**112**	**12**	**16**	**308**	**3,895**
Charge for the year	-	55	14	14	143	25	**251**
Effect of change in estimates	16	-	-	-	-	-	**16**
Unwinding of discount	45	6	-	-	-	-	**51**
Provision utilised/reversed during the year	(1)	(95)	(22)	(11)	(114)	(27)	**(270)**
Balance at 31 December 2020	**3,146**	**327**	**104**	**15**	**45**	**306**	**3,943**

(all amounts are presented in HRK millions)

30. PROVISIONS (CONTINUED)

INA, d.d.	Decommissioning charges	Environmental provision	Legal claims	Renewable energy provision	Redundancy costs	Other	Total
Balance at 1 January 2019	**3,029**	**408**	**30**	**75**	**2**	**284**	**3,828**
Charge for the year	-	97	5	12	60	20	**194**
Effect of change in estimates	232	11	-	**-**	-	-	**243**
Unwinding of discount	40	4	-	**-**	-	6	**50**
Provision utilised/reversed during the year	-	(164)	(28)	(75)	(52)	(6)	**(325)**
Balance at 31 December 2019	**3,301**	**356**	**7**	**12**	**10**	**304**	**3,990**
Charge for the year	-	50	8	14	77	15	**164**
Effect of change in estimates	21	(7)	-	-	-	(20)	**(6)**
Unwinding of discount	48	6	-	-	-	5	**59**
Provision utilised/reversed during the year	(1)	(82)	(12)	(12)	(56)	(4)	**(167)**
Balance at 31 December 2020	**3,369**	**323**	**3**	**14**	**31**	**300**	**4,040**

	INA Group		INA, d.d.	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Analysed as:				
Current liabilities	247	179	178	116
Non-current liabilities	3,696	3,716	3,862	3,874
	3,943	**3,895**	**4,040**	**3,990**

30. PROVISIONS (CONTINUED)

Decommissioning charges

The Company and the Group record provisions at present value of estimated future costs of abandoning oil and gas production facilities estimated at the end of production. The estimate of provisions is based on the applicable legal regulations, technology and price levels. Decommission assets are created in an amount equal to the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets. In case there is no related asset, the change in provision estimate is charged to profit and loss statement.

As of 31 December 2020, INA, d.d. recognised a decommissioning provision for 45 oil and gas production fields, 7 non-production fields, 10 positive non-production fields and 357 dry non-production wells. As of 31 December 2019, INA, d.d. recognised a decommissioning provision for 45 oil and gas production fields, 7 non-production fields, 10 positive non-production fields and 357 dry non-production wells.

Environmental provision

The environmental provision recorded by INA Group is HRK 327 million as of 31 December 2020 (31 December 2019: HRK 361 million). The environmental provision covers treatment of accumulated waste generated by former activity, soil excavation and replacement during the reconstruction of service stations and comprehensive investigation to determine the extent of the soil and groundwater contaminations.

Emission allowances

Under European Union Emission Trading Scheme, INA, d.d. plants receive a certain amount of emission allowances for free. The allowances are received on an annual basis, and in return, INA, d.d. is required to submit allowances equal to its actual verified emissions. The number of emission allowances allocated for free is calculated by the European Commission filled in by installations, and submitted to Ministry of Environmental and Nature protection by 31 December of the current year for that year.

INA, d.d. has adopted the net liability approach to the emission allowances granted. Therefore, a provision is recognised only when actual emissions exceed the allocated emission allowances. Provision recorded for exceeding amount of emission rights granted should be charged with purchased rights. The emission costs are recognised as other material costs. Detail explanation on the accounting and provision calculation is regulated by internal Regulation on greenhouse gas and emission allowances management in INA, d.d.

Free Emission allowances are granted with respect to one-year period and are distributed by competent authority.

Legal claims

Provisions for legal claims are based on the legal counsel and management estimate, taking into consideration claim value and probability that outflow of resources will be required to settle the obligation

Renewable energy provision

Renewable energy provision relates to the potential compliance cost which can arise from the Act on bio fuels for transports and further regulated by Regulation on special environmental fee.

(all amounts are presented in HRK millions)

30. PROVISIONS (CONTINUED)

Other provisions

Other provisions of INA, d.d. in amount of HRK 300 million relate to provision for contractual liability for investments in Iran of HRK 248 million initially recognized in 2012. INA, d.d. is committed to spending certain resources by Production Agreement. Since Iran activities have been discontinued, the difference between contractual liability and actual funds spent was recognized as provisions. Remaining amount relates to provision for Sisak Refinery conservation, sediment and non-pumpable inventories in the total amount of HRK 51 million.

31. RETIREMENT AND OTHER EMPLOYEE BENEFITS

According to the Collective Agreement, the Group bears the obligation to pay jubilee awards, retirement and other benefits to employees. The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to an early retirement benefit in the net amount of HRK 20,000 of which HRK 12,000 represent taxable portion. No other post-retirement benefits are provided. Jubilee awards are paid out according to Collective Agreement in the following fixed amounts and anniversary dates for total service in the Company and the Group:

Anniversary of continuous services - years	**10**	**15**	**20**	**25**	**30**	**35**	**40** and every **5** more years
Fixed amounts - HRK	1,500	2,000	2,500	3,000	3,500	4,000	5,000

The net amounts specified above, in terms of tax regulations are non-taxable. Defined amounts of jubilee awards are effective for Collective Agreement signed in 2020.

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2020 and 2019 by independent actuarial expert. In 2020, the Company made a provision of HRK 13 million in respect of jubilee awards and HRK 7 million for regular retirement allowance, whereas in 2019 Company made provision in respect of jubilee awards in amount of HRK 15 million and for regular retirement HRK 7 million.

(all amounts are presented in HRK millions)

31. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The present values of the defined benefit obligation, the related current service cost and past service cost were determined using the projection method based on the total number of employees.

Actuarial estimates were derived based on the following key assumptions:

	Valuation at	
	31 December 2020	**31 December 2019**
Discount rate	1.05%	0.8%
Average longevity at retirement age for current pensioners (years)		
males	15.55	15.50
females	19.09	18.94
Average longevity at retirement age for current employees (future pensioners) (years)		
males	15.55	15.50
females	19.09	18.94
Mortality	Statistical Yearbook HR 2010-2012	Statistical Yearbook HR 2010-2012

The amounts recognised in other comprehensive income related to retirement and other employee benefits are as follows:

	INA Group		**INA, d.d.**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Service cost:				
Cost of current period	3	9	1	1
Interest	-	2	-	1
Past service cost, including losses/(gains) on curtailments	-	(4)	-	-
Components of defined benefit costs recognized in profit and loss:	**3**	**7**	**1**	**2**
Remeasurement of the net defined benefit liability:				
Actuarial gains and losses arising from changes in demographic assumptions	5	(12)	5	(8)
Actuarial gains and losses arising from changes in financial assumptions	-	7	-	-
Actuarial gains and losses arising from experience adjustments	(10)	(7)	(6)	(6)
Components of defined benefit costs recognised in profit and loss account and other comprehensive income:	(5)	(12)	(1)	(14)
Total	**(2)**	**(5)**	**-**	**(12)**

(all amounts are presented in HRK millions)

31. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The change of the present value of defined benefit obligation may be analysed as follows:

	INA Group		INA, d.d.	
	2020	**2019**	**2020**	**2019**
At 1 January	77	82	22	36
Cost of current period	3	9	1	1
Interest	-	2	-	1
Actuarial (gains) or losses				
Actuarial gains and losses arising from changes in demographic assumptions	5	(12)	5	(8)
Actuarial gains and losses arising from changes in financial assumptions	-	7	-	-
Actuarial gains and losses arising from experience adjustments	(10)	(7)	(6)	(6)
Past service cost, including losses/(gains) on curtailments	-	(4)	-	-
Benefit paid	(7)	-	(3)	(2)
Closing defined benefit obligation	**68**	**77**	**19**	**22**

32. SHARE CAPITAL

	INA Group and INA, d.d.	
	31 December 2020	**31 December 2019**
Issued and fully paid:		
10 million shares (HRK 900 each)	**9,000**	**9,000**

The Company’s share capital consists of 10 million authorised and issued shares of par value HRK 900 each. Each share carries one vote and is entitled to dividends.

33. FAIR VALUE RESERVES

	INA Group and INA, d.d.	
	31 December 2020	**31 December 2019**
Balance at the beginning of the year	241	135
Increase/(decrease) arising on revaluation of long-term financial asset (Janaf)	(48)	129
Deferred tax effect	9	(23)
Balance at the end of the year	**202**	**241**

In 2020, decrease of fair value reserves was recorded due to decrease of JANAF shares, therefore a decrease on fair value reserves was recorded, while in 2019, increase of fair value reserves was recorded due to increase of JANAF shares.

(all amounts are presented in HRK millions)

34. OTHER RESERVES

The amount of combined reserves of the Company and the Group includes amounts in respect of accumulated surpluses and deficits, revaluations of property, plant and equipment and foreign exchange gains and losses which have arisen over many years prior to 1993. For several years, the Croatian economy was subject to hyperinflation and, prior to 31 December 1993, neither the Company nor the Group had been subject to audit. For these reasons, it was not practicable to analyse the composition of the reserves of the Company or the Group as at 31 December 1993 into their constituent parts.

Movements on reserves during the year were as follows:

INA Group	**Combined reserves at 31 December 1993**	**Foreign currency translation reserves**	**Reserve of defined benefit obligation**	**Other reserves**	**Total**
Balance at 1 January 2019	**492**	**566**	**39**	**447**	**1,544**
Movements during 2019	**-**	34	12	**-**	46
Balance at 31 December 2019	**492**	**600**	**51**	**447**	**1,590**
Movements during 2020	-	(60)	2	(3)	(61)
Balance at 31 December 2020	**492**	**540**	**53**	**444**	**1,529**

INA, d.d.	**Combined reserves at 31 December 1993**	**Foreign currency translation reserves**	**Reserve of defined benefit obligation**	**Other reserves**	**Total**
Balance at 1 January 2019	**27**	**841**	**31**	**285**	**1,184**
Movements during 2019	-	18	12	-	30
Balance at 31 December 2019	**27**	**859**	**43**	**285**	**1,214**
Movements during 2020	-	(43)	-	-	(43)
Balance at 31 December 2020	**27**	**816**	**43**	**285**	**1,171**

(all amounts are presented in HRK millions)

35. RETAINED EARNINGS

	INA Group	INA, d.d.
	(Accumulated losses) / Retained earnings	(Accumulated losses) / Retained earnings
Balance at 1 January 2019	**1,036**	**1,934**
Transfer	2	-
Transfer to legal reserves from retained earnings	(67)	(67)
Profit for the year	486	656
Dividend paid	(1,250)	(1,250)
Balance at 31 December 2019	**207**	**1,273**
Transfer	(2)	-
Transfer to legal reserves from retained earnings	(30)	(33)
Profit brought forward from legal merger	-	75
Loss for the year	(1,138)	(933)
Dividend paid	(623)	(623)
Balance at 31 December 2020	**(1,586)**	**(241)**

On the regular general shareholders' meeting of INA, d.d. which took place on 26 August 2020 profit for the year 2019 in amount of HRK 656 million is distributed to legal reserves in the amount of HRK 33 million, retain earnings in the amount of 92 thousands and dividend payment in the amount of HRK 623 million (i.e. HRK 62.27 per share).

On the regular general shareholders' meeting of INA, d.d. which took place on 12 June 2019 profit for the year 2018 in amount of HRK 1,334 million is distributed to legal reserves in the amount of HRK 67 million, retain earnings in the amount of 18 million and dividend payment in the amount of HRK 1,250 million (i.e. HRK 125.00 per share).

36. NON-CONTROLLING INTEREST

	INA Group	
	31 December 2020	31 December 2019
Balance at the beginning of the year	12	9
Share of profit for the year	1	3
Balance at the end of the year	**13**	**12**

(all amounts are presented in HRK millions)

36. NON-CONTROLLING INTEREST (CONTINUED)

Proportion of equity interest of Energopetrol d.d.:

Name	**Country of incorporation and operation**	**2020**	**2019**
Government of the Federation of Bosnia and Herzegovina	Federation of Bosnia and Herzegovina	7.61%	7.61%
Small shareholders		3.73%	3.73%

The table below is presenting financial information for subsidiary Energopetrol d.d. that has non-controlling interests that are material to INA Group. The amounts disclosed for Energopetrol d.d. are before intercompany eliminations.

	31 December 2020	**31 December 2019**
	Energopetrol d.d.	**Energopetrol d.d.**
Current assets	45	57
Current liabilities	121	138
Non-current assets	205	217
Non-current liabilities	75	91
Operating income after the acquisition date	11	480
Gain/(loss) for the period after the acquisition date	8	25
Total comprehensive gain/(loss) for the period after the acquisition date	**8**	**25**

37. RELATED PARTY TRANSACTIONS

The company has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the Company's strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is performed 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. Details of transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, INA Group entered into the following trade transactions with related parties:

INA Group	Sales of goods and services		Purchase of goods and services	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Share in company as non-current financial assets				
JANAF d.d. Zagreb	5	8	59	42
Governing company				
MOL Nyrt.	1,508	790	800	1,106
Companies controlled by governing company				
Tifon d.o.o.	380	609	9	9
MOL Petrochemicals Co. Ltd.	57	21	8	3
MOL Commodity Trading Kft.	42	19	13	134
MOL Slovenija d.o.o.	32	49	11	69
MOL Serbia d.o.o.	5	78	-	-
Geoinform Kft.	1	2	-	-
MOL Norge AS	1	2	-	-
MOL-LUB Kft.	1	1	2	4
MOL Azerbaijan Ltd.	-	-	662	-
SLOVNAFT, a.s.	-	34	120	221
MOL Austria Handels GmbH	-	17	-	-
IES - Italiana Energia e Servizi S.p.A	-	-	-	7
FGSZ Zrt.	-	-	-	3

As of statement of financial position date, INA Group had the following outstanding balances with related parties:

INA Group	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Share in company as non-current financial assets				
JANAF d.d. Zagreb	-	1	2	2
Governing company				
MOL Nyrt.	67	230	88	60
Companies controlled by governing company				
MOL Commodity Trading Kft.	75	48	80	49
Tifon d.o.o.	5	70	3	3
MOL Petrochemicals Co. Ltd.	2	-	3	-
MOL Norge AS	1	-	-	-
MOL Slovenija d.o.o.	1	5	-	6
MOL Serbia d.o.o.	-	1	-	-
Geoinform Kft.	-	1	-	-
SLOVNAFT, a.s.	-	-	3	36
IES - Italiana Energia e Servizi S.p.A	-	-	1	1
MOL Austria GmbH	-	-	1	-
MOL-LUB Kft.	-	-	-	1

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

INA, d.d. has provided loans at rates comparable to those that prevail in arm's length transactions. The loans from the ultimate controlling party are unsecured.

During the year, INA, d.d. entered into the following trade transactions with related parties:

INA, d.d.	**Sales of goods and services**		**Purchase of goods and services**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Related companies				
Holdina d.o.o. Sarajevo	1,404	2,624	-	-
INA Crna Gora d.o.o. Podgorica	254	444	-	-
INA Slovenija d.o.o. Ljubljana	69	99	-	-
STSI, Integrirani tehnički servisi d.o.o.	23	27	442	757
Plavi tim d.o.o.	13	9	84	72
CROSCO, naftni servisi d.o.o.	10	13	212	275
INA Maloprodajni servisi d.o.o.	7	7	306	305
INA MAZIVA d.o.o.	4	7	62	57
Top Računovodstvo Servisi d.o.o.	4	3	37	49
INA Adria B.V.	3	4	-	120
INA Vatrogasni Servisi d.o.o.	3	3	79	42
Hostin d.o.o.	1	1	-	-
INA Jadran d.o.o.	-	22	-	67
Energopetrol d.d.	-	4	-	-
Adrigas S.r.l. Milano	-	-	2	3
INA d.o.o. Banja Luka	-	-	1	1
INA Kosovo d.o.o.	-	-	-	1
Share in company as non-current financial assets				
JANAF d.d. Zagreb	1	6	59	42
Governing company				
MOL Nyrt.	1,334	581	714	944
Companies controlled by governing company				
Tifon d.o.o.	379	607	9	9
MOL Petrochemicals Co. Ltd.	57	21	5	-
MOL Commodity Trading Kft.	43	19	13	134
MOL Slovenija d.o.o.	26	49	-	-
MOL Serbia d.o.o.	5	78	-	-
MOL Norge AS	1	2	-	-
MOL Azerbaijan Ltd.	-	-	662	-
SLOVNAFT, a.s.	-	34	118	219
MOL Austria	-	17	-	-
Geoinform Kft.	-	1	-	-
IES - Italiana Energia e Servizi S.p.A	-	-	7	7
FGSZ ZRT	-	-	-	3

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

As of statement of financial position date, INA, d.d. had the following outstanding balances with related parties:

INA, d.d.	**Amounts owed by related parties**		**Amounts owed to related parties**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Related companies				
Holdina d.o.o. Sarajevo	115	203	-	1
INA Crna Gora d.o.o. Podgorica	33	52	-	-
INA Beograd d.o.o.	8	-	-	-
INA Slovenija d.o.o. Ljubljana	7	11	-	-
STSI, Integrirani tehnički servisi d.o.o.	5	9	104	199
CROSCO, naftni servisi d.o.o.	3	14	28	59
Plavi tim d.o.o.	3	3	22	16
INA MAZIVA d.o.o.	2	3	11	9
INA Maloprodajni servisi d.o.o.	1	3	43	38
Top Računovodstvo Servisi d.o.o.	1	2	1	-
INA Jadran d.o.o.	-	2	-	14
INA Adria B.V.	-	1	-	16
INA Vatrogasni Servisi d.o.o.	-	-	5	11
Adrigas S.r.l. Milano	-	-	1	-
Share in company as non-current financial assets				
JANAF d.d. Zagreb	-	-	3	2
Governing company				
MOL Nyrt.	30	198	64	43
Companies controlled by governing company				
MOL Commodity Trading Kft.	75	48	80	49
Tifon d.o.o.	5	70	3	3
MOL Petrochemicals Co. Ltd.	2	-	2	-
MOL Norge AS	1	-	-	-
MOL Slovenija d.o.o.	-	5	1	5
MOL Serbia d.o.o.	-	1	-	-
SLOVNAFT, a.s.	-	-	2	35
IES - Italiana Energia e Servizi S.p.A	-	-	1	1

Receivables of INA, d.d. are presented net of impairment of bad and doubtful receivables.

In 2020 and 2019 INA, d.d. has not recognised impairment on receivables from related parties.

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

Loan to and from related parties:

INA, d.d.	Amounts of loans owed by related parties		Amounts of loans owed to related parties	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Related companies				
Hostin d.o.o.	405	423	-	10
INA Crna Gora d.o.o. Podgorica	140	144	-	-
CROSCO, naftni servisi d.o.o.	132	104	-	-
Energopetrol d.d.	60	68	-	-
INA Slovenija d.o.o. Ljubljana	19	17	-	-
Holdina d.o.o. Sarajevo	19	11	-	-
STSI, Integrirani tehnički servisi d.o.o.	19	-	-	15
INA BH d.d., Sarajevo	2	2	-	-
INA MAZIVA d.o.o.	-	-	35	30
INA Vatrogasni Servisi d.o.o.	-	-	26	-
INA Maloprodajni servisi d.o.o.	-	-	25	21
INA Industrijski Servisi d.o.o.	-	-	15	-
Adrigas S.r.l. Milano	-	-	12	12
Top Računovodstvo Servisi d.o.o.	-	-	9	3
Plavi tim d.o.o.	-	-	5	5
Croplin d.o.o.	-	-	3	1
Petrol d.d.	-	-	1	-
INA Adria B.V.	-	-	-	185

Hedge transactions with related parties:

INA Group and INA, d.d.	Expense from hedge transactions -net effect	
	31 December 2020	31 December 2019
Companies controlled by governing company		
MOL Commodity Trading Kft.	224	56

Product sales and purchases between related parties were made at the usual prices of the Group, reduced by discounts and rebates depending on each particular relationship.

For oil products sales to related parties, INA, d.d. does not require payment security instruments, except in case of sales on foreign markets, in order to be compliant with the Foreign Exchange Act.

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	INA, d.d.	
	31 December 2020	**31 December 2019**
Short-term employee benefits	30	41
Termination bonuses	1	3
Total	**31**	**44**

The amount included above refers to the remuneration of the Management Board Members and directors of second and third level organizational units.

A number of key management in INA, d.d. or their related parties, hold positions in other companies of INA Group that result in them having control or significant influence over these companies.

38. COMMITMENTS

The Company and the Group have a number of continuing operational and financial commitments in the normal course of their businesses including:

- exploration and development commitments arising under production sharing agreements;
- exploratory drilling and well commitments abroad;
- take or pay contract, gas transportation contract and gas selling contract;
- guarantees, performance bonds and letters of credit with Croatian and foreign banks;
- completion of the construction of certain assets.

(all amounts are presented in HRK millions)

38. COMMITMENTS (CONTINUED)

Gas Transportation contracts

At 31 December 2020 the future gas transportation contracted commitments with PPD Vukovar and Met Austria until 1 October 2021 amount to HRK 27 million.

At 31 December 2019 the future gas transportation contracted commitments with Met Croatia and PPD Vukovar, until 1 October 2020 amount to approximately HRK 40 million in total.

Gas purchase contract obligations (Take or pay)

INA, d.d concluded a Gas Purchase Obligation (*Take or pay*). The obligation refers to one-year natural gas import contract signed for gas year. Through this contract INA, d.d. will procure the quantities of gas needed to cover the gap in the sales. At 31 December 2020, the future contractual obligations for natural gas concluded with Met Austria until 1 October 2021 amount to HRK 73 milion. At 31 December 2019, the future contractual obligations for natural gas concluded with Met Croatia until 1 October 2020 amount to HRK 176 million.

Lease contracts

The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments under non-cancellable lease contracts outside INA Group are as follows:

	INA Group		INA, d.d.	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
within 1 year	32	18	22	17
between 1 - 5 years	56	17	37	17
beyond 5 years	-	-	-	-
	88	**35**	**59**	**34**

Out of the outstanding operating lease liabilities as of 31 December 2020 HRK 59 million were contracted by INA, d.d., while for 31 December 2019 HRK 8 million were contracted by INA, d.d., HRK 2 million were contracted by Plavi tim d.o.o.

Guarantees

The Group has guaranteed the performance under the respective contract. The total value of guarantees undertaken to third parties is contractually HRK 2,560 million, which is the maximum amount the Group is exposed to. In the event of default, the terms of the contract contain a maximum compensation payment to the unrelated party. Based on expectations at the end of the reporting period, the Group considers that no liability is expected to arise. The contractual maturity is based on the earliest date on which the Group may be required to pay.

39. CONTINGENT LIABILITIES

Environmental matters

The principal activities of the Company and the Group, comprising oil and gas exploration, production, transportation, refining and distribution, can have inherent effects on the environment in terms of emissions into soil, water and air. Both, the Company and the Group regularly record, monitor and report on environmental emissions in accordance with their obligations specified in applicable laws.

Safeguarding the environment is one of the biggest imperatives of our time. Businesses across every size, geography and sectors are rising up to the challenge and setting the pace through ambitious commitments and actions to reduce their environmental footprint and integrate sustainability into their core operations. In a changing regulatory environment, the impact on the business must be continuously assessed in order to identify the most cost effective measures for complying with increasingly stringent legal requirements. By implementing such measures in production and refining, we are reducing our impact on the environment. At the same time, we are improving reporting obligations, implementation and enforcement of environmental regulation at every organizational level.

Environmental permit revision process for 4 INA's facilities is still in progress. All requested documentation for revision has been submitted to relevant regulatory authority, and main proposed change in refineries environmental permit is implementation of integrated SOx and NOx emission management (bubble concept), complying with one emission limit value for SOx and one for NOx instead of harmonizing each emission sources individually. Baseline reports for refineries have also been prepared in phases as required by the competent authority.

European Union Emissions Trading System, EU ETS, is one of the fundamental mechanisms of the European Union in the fight against climate change. Inside the System, a part of the emission allowances (one allowance = 1 tonne of CO2) are allocated to installations for free and they are used to "cover" the emissions from the previous year. If the installation has a shortage of allowances in respect to verified emissions, the rest must be bought on the market through auctioning. To achieve the EU's overall greenhouse gas emissions reduction target for 2030, the sectors covered by the EU ETS must reduce their emissions. All four INA's ETS installations conducted preparation for the revised EU ETS Directive, which will apply for the period 2021 until 2030.

The Company and the Group continued to implement best available techniques, invest in renewable energy sources (two smaller solar power plants have been installed) and energy efficiency projects. Also, with the decision to invest in Rijeka Refinery Upgrade project (DCU complex), the refinery business will be more profitable and sustainable in the long term.

Environmental provisions

Environmental obligations are the obligations of a company to recover pollutions caused by the company's operations. They can be divided into two categories: environmental provisions and contingencies. Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the amount recognised is the best estimate of the expenditure required. In case of long-term liability, the present value of the estimated future expenditure is recognised. Typical provision based actions are soil and groundwater pollution assessment, remediation, monitoring actions in order to control the long-term compliance and re-cultivation of old waste storage depots. Provision based environmental liabilities are audited in every quarter using internal resource, and in 2020 revision of provision based environmental liability calculation has been conducted.

39. CONTINGENT LIABILITIES (CONTINUED)

Environmental matters (continued)

Environmental provisions (continued)

At 31 December 2020, INA, d.d. made environmental provisions in the amount of HRK 323 million, whereas the provisions at the Group level amounted to HRK 327 million, while at 31 December 2019, INA, d.d. made environmental provisions in the amount of HRK 356 million, whereas the provisions at the Group level amounted to HRK 361 million.

At 31 December 2020, contingencies at INA, d.d. was estimated at HRK 340 million and for INA Group level was estimated at HRK 542 million, while at 31 December 2019 contingencies at INA, d.d. was estimated at HRK 391 million and for INA Group level was estimated at HRK 599 million. The estimates were not recognised because the timing of the event is uncertain and there is no evidence of pollution.

Litigation

The Group is exposed to various legal claims. The following claims are considered as contingencies and no provision is recognised in the financial statements in their respect.

GWDF

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-Industrija nafte, d.d. and INA-Naftaplin International Exploration, Channel Islands, before the Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of app HRK 60 million incurred due to ungrounded termination of negotiations. On 10 March 2016 the judgment was rendered and the plaintiff's claim was dismissed in its entirety. On 18 March 2016 the plaintiff filed an appeal against the judgment of the court of first instance. In its judgment rendered on 7 November 2018, the High Commercial Court of the Republic of Croatia rejected the plaintiff's appeal and confirmed the judgement of the court of first instance. Therefore, the proceedings are concluded with a judgment that is final and binding. On 10 January 2019 the plaintiffs filed a petition with the Supreme Court of the Republic of Croatia for extraordinary legal remedy (revision) against the final and binding judgment of the High Commercial Court. On 23 September 2019 the Commercial Court in Zagreb delivered a copy of the aforementioned plaintiff's revision to the defendants which, subsequently, filled their reply to the revision on 3rd October 2019. There were no changes in 2020.

EKO MEDIA d.o.o.

In September 2012 INA, d.d. entered into an agreement with company EKO MEDIA d.o.o. EKO MEDIA failed to regularly comply with its obligations. INA, d.d. terminated the agreement with EKO MEDIA d.o.o. at the beginning of 2014. On 19 December 2014 EKO MEDIA d.o.o. filed a lawsuit against INA, d.d. in which EKO MEDIA d.o.o. specified its claim in the amount of HRK 106 million. INA, d.d. filed its official reply to such EKO MEDIA's lawsuit and filed a counterclaim for the return of unjust enrichment and asked for the issuance of interim measure for prohibition of use of advertising boards. The first instance procedure is in progress and the court expert for finances delivered his opinion in which he determined the amount of the claim towards EKO MEDIA at the moment of termination of the agreement. A financial expert conducted an evaluation in relation to the circumstance of lost profit. Since bankruptcy proceeding has been initiated against the company EKO MEDIA d.o.o., INA has submitted a claim in the bankruptcy proceeding, while the litigation had to be formally stopped and then continuated against EKO MEDIA d.o.o. – in bankruptcy.

39. CONTINGENT LIABILITIES (CONTINUED)

Litigation (continued)

LJUBLJANSKA BANKA

The claims of plaintiff Ljubljanska banka, Ljubljana, Slovenia against INA, d.d. in amount of HRK 60 million have arisen from two contracts of 1982 on the use of short-term foreign currency loan abroad which were concluded between INA, d.d. - Rafinerija nafte Rijeka and Ljubljanska banka - Osnovna banka Zagreb. The outcome of the procedure is still uncertain due to the complexity of the legal matter (claims for altered default interest). The Supreme Court has rendered a decision which was not yet delivered to INA, d.d.

Belvedere cases (CLEOSTONE claim included)

In 2005 INA, d.d. and Belvedere d.d. concluded the Loan agreement on notarial insurance of the claim by establishing lien over the real estate of Belvedere d.d. for the purpose of ensuring loan repayment. Since the loan was not repaid, INA, d.d. initiated the procedure of real estate sale, and the real estate was sold to company Vila Larus d.o.o., whereby INA, d.d. collected HRK 24 million on behalf of principle amount and contractual interest rate.

The plaintiff initiated the proceeding to proclaim the real estate sale and purchase agreement as null and void, as well as the proceeding to cancel the enforceability clause on the Fiduciary Agreement. The first instance proceeding for the annulment of the agreement on the sale and purchase of real estate has been finalized in favour of INA, d.d. and upon an appeal filed by the plaintiff, the first instance decision became legally binding after the High Commercial Court of the Republic of Croatia rejected the appeal and confirmed the judgment. The Supreme Court of the Republic of Croatia has also rejected the plaintiff`s review.

Belvedere – HRK 24 million, 018-11/17

The plaintiff has filed a claim with the Commercial Court in Zagreb, seeking reimbursement of funds received for the sale of “Hotel Belvedere”, claiming that the sale of the real estate, encumbered by INA’s liens – fiduciary, is illegal. The plaintiff alleges that INA, d.d. had no right to collect its claims by selling the real estate, because the plaintiff was in crisis at the moment of loan placement, so the loan was actually a loan substituting the capital which is settled in a bankruptcy proceeding as a lower payment priority claim. It is also stated that the notary public violated other legal regulations. The response to the claim has been submitted, in which the plaintiff’s allegations have been contested, i.e. that the loan was not actually a loan substituting the capital. A preparatory hearing was held, as well as hearings at which witnesses were heard. The first instance court reached a judgment in favour of the plaintiff, against which an appeal was lodged. Based on INA`s appeal, the appellate court reversed the judgement and rejected the plaintff`s request. The Plaintiff filed a request for granting a second instance appeal.

Belvedere – HRK 220 million, 018-14/17

The plaintiff has filed a claim with the Commercial Court in Zagreb, seeking reimbursement of damages, claiming that INA, d.d. has caused damage to the plaintiff by selling its real estate encumbered by INA’s liens – fiduciary, whereby the plaintiff was prevented from continuing its business operations. The plaintiff claims that the damage is evident from the fact that the loan was actually a loan substituting the capital which is settled in a bankruptcy proceeding as a lower payment priority claim. INA, d.d. submitted its response to the lawsuit in which it contested all the plaintiff’s allegations, both in relation to the grounds and the amount and stated that the collection of the concerned claims was in any case insured by a separate satisfaction right, granting the creditor in bankruptcy the right to a separate settlement. The court granted a stay at the first hearing untill the proceeding 018-11/17 is finished.

39. CONTINGENT LIABILITIES (CONTINUED)

Litigation (continued)

Labour procedure against Energopetrol d.d.

At Municipal Court in Sarajevo, 449 plaintiffs filed labour lawsuits against Energopetrol for which, depending on the prospect of success as well as the legal basis of the claim, Energopetrol reserved amounts of 10% and 30% respectively of the value of the dispute.

The total principal amount of these disputes amounts to HRK 68 million. The lawsuits were filed in period 2018 till 2019, and the plaintiffs are seeking payment of salary differences in line with the Branch Collective Agreement and payment based on discrimination for the workers who did not file lawsuits for the period 2015 till 2018.

The Company expects that the plaintiff's attorney will specify all the claims in the course of the procedure, in accordance with the findings of the financial expert. During 2020, preparatory hearings were held and the procedure was adjourned until final decision is reached in the case which represents the base for the payment of the salary differences (for 3 cases), and for other cases (5 merged cases into 1). The preliminary hearing was not held due to the illness of the judge, therefore a new hearing has to be appointed.

MOL Plc. and INA vs Federation of the Bosnia and Herzegovina (FBIH)

MOL Plc. and INA initiated arbitration against FBIH in year 2012, in front of ICC Zurich. Case was in abeyance till November 2019.

INA/MOL claim:

In the Energopetrol (EP) Recapitalization Agreement, signed September 2006, FBIH gave representations and warranties to the Consortium in respect of EP’s compliance with legal regulations relating to labour and employment matters, that there was no risk of legal proceedings to be brought against EP. Following the closing of the transaction, a significant number of then former and existing employees started lawsuits against EP.

FBIH counterclaim:

According to the EP Recapitalization Agreement (RA), INA and MOL Plc. obligation was to provide for the investments in the EP. According to the text of RA, investment means to ensure necessary funds, including, without limitation, the loans, to the EP, with a purpose to renew and expand the existing network of PS, as foreseen in the Investment plan which was enclosed to the RA. Deloitte, who was engaged by the parties to the RA to confirm performance of the agreed RA provisions, confirmed the Consortium has performed its investment obligations.

Hearing is likely to be set during the second half of 2021.

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Gearing ratio

The primary objective of INA Group in managing its capital is to ensure good capital ratios in order to support all business activities and maximize the value to all shareholders through optimization of the ratio between the debt and equity.

The capital structure of INA Group consists of debt part which includes borrowings as detailed in notes 25 and 27 offset by cash and bank balances as well as short-term marketable securities (so-called net debt) and shareholder equity comprising of issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 35 and 36.

Capital structure of the INA Group is reviewed quarterly. As a part of the review, the cost of capital is considered and risks are associated with each class of capital. Internally, maximum gearing ratio of INA Group is determined.

The gearing ratio at the end of the reporting period was as follows:

	INA Group		INA, d.d.	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Debt:	**2,085**	**3,160**	**1,873**	**2,935**
Long term loans	-	-	-	-
Short term loans	2,085	3,160	1,873	2,935
Short-term marketable securities	(78)	-	(78)	-
Cash and cash equivalents	(399)	(606)	(351)	(502)
Net debt	**1,608**	**2,554**	**1,444**	**2,433**
Equity	9,357	11,216	10,331	11,894
Equity and net debt	10,965	13,770	11,775	14,327
Gearing ratio	**15%**	**19%**	**12%**	**17%**

Debt is defined as short-term borrowings and credit lines (excluding derivatives and financial guarantee contracts), as described in notes 25 and 27.

Total equity includes capital, reserves, retained earnings or transferred loss and non-controlling interests of the Group that are managed as capital.

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	Carrying amount			
	INA Group		INA, d.d.	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial assets				
Cash and cash equivalents	399	606	351	502
Loans and receivables	2,490	3,272	4,927	6,019
Non-current financial assets	560	607	560	607
Positive fair value of derivatives	26	27	26	27
Financial assets designated as at fair value through profit and loss	9	9	7	7
Financial liabilities				
Loans and borrowings	2,085	3,160	1,873	2,935
Lease liabilities	309	344	478	531
Trade payables	1,426	1,511	1,450	1,734
Negative fair value of derivatives	116	62	116	62

Financial risk management objectives

INA Group continuously monitors and manages financial risks. In accordance with internal procedures INA, d.d. and its consolidated subsidiaries manage and maintain commodity, foreign exchange and interest rate risk at an acceptable level, allowing to achieve its strategic objectives while protecting the future financial stability and flexibility of INA Group. INA, d.d. integrates financial risks in the financial risk model using Monte Carlo simulation and scenario analyses, which can include changes in a single quotation, but also significant changes in external environment as well, as was the case in 2020. Analysis of financial risks allows quantification of their effects on INA Group's overall business activities and selection of appropriate measures in order to minimize negative effects. Senior management regularly reviews the financial risk reports.

By taking this general approach, INA, d.d. assumes the business activities as a well-balanced integrated portfolio and does not hedge individual elements of its exposure to financial risks in a normal course of business. Therefore, INA, d.d. actively manages its financial risk exposure for the following purposes:

- corporate level – maintaining financial ratios, covering exposure to significant monetary transactions, etc.;
- business operations level – decreasing the exposure to market prices fluctuation in case of deviations from the normal course of business (e.g. planned regular shutdown of refinery units for the purpose of overhaul).

INA, d.d. Treasury carries out finance activities of INA, d.d., coordinates finance operations of INA Group on domestic and international financial markets, monitors and manages the financial risks related to the operations of INA Group. The most significant risks, together with methods used for management of these risks are described below.

INA Group used derivative financial instruments to a very limited extent in order to manage financial risks. Derivative financial instruments are regulated by signing an ISDA (International Swaps and Derivatives Association) Agreement with counterparties. INA Group does not use derivative financial instruments for speculative purposes.

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

Commodity price risk management

The volatility of crude oil and gas prices is the prevailing element in the business environment of INA Group. INA Group buys crude oil mostly through short-term arrangements in USD at the current spot market price. Necessary natural gas quantities in 2020 INA Group imported in EUR based on spot price.

In addition to exploration and production, and refinery operations, one of the main core activities of INA, d.d. are marketing and sale of refinery products and natural gas. Prices of crude products were determined weekly based on market principles, which enables quicker responses to market prices fluctuations.

In accordance with internal procedures, for the purpose of hedging financial risk exposure on corporate and business operations level, INA, d.d. may use forward, swap and option instruments. In 2020, INA, d.d. entered into short-term forward swap transactions to hedge its exposure on changes in inventory levels, changes in pricing periods and crack spreads. The transactions were initiated to reduce exposures to potential fluctuations in prices over the period of decreasing inventories at the refineries, as well as to match the pricing period of purchased crude oil and crude products with the crude oil processing and refinery product retail pricing periods.

At 31 December 2020 and 31 December 2019, there is no fair value based on hedged transaction related to the price of the goods.

Foreign currency risk management

As INA Group operates both in Croatia and abroad, many of its transactions are denominated and executed in foreign currencies, hence INA, d.d. is exposed to exchange rate risks.

INA Group has a net long USD and EUR, and a net short HRK operating cash flow position. Generally, INA Group manages its currency risk using natural hedging, which is based on the principle that the combination of currencies in the debt portfolio should reflect the currency position of INA Group's free cash flow. Furthermore, in order to avoid excessive exposures to fluctuations in the foreign exchange rate with respect to a single currency (i.e. USD), INA, d.d. applies a portfolio-based approach while selecting the currency mix for its debt portfolio.

INA, d.d. may use a cross-currency swap to adjust its currency mix in the debt portfolio. At 31 December 2020 and 31 December 2019 there were no outstanding cross-currency transactions.

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The carrying amounts of INA Group and INA, d.d. foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

INA Group

	Liabilities		Assets	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Currency EUR	1,566	2,440	490	608
Currency USD	1,027	1,206	613	986
	2,593	**3,646**	**1,103**	**1,594**

INA, d.d.

	Liabilities		Assets	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Currency EUR	1,290	2,189	740	1,044
Currency USD	1,007	1,175	579	929
	2,297	**3,364**	**1,319**	**1,973**

Foreign currency sensitivity analysis

INA Group is mainly exposed to currency risk related to change of HRK exchange rate against USD and EUR, due to the fact that crude oil and natural gas trading on international markets and INA Group's debt portfolio are denominated in the mentioned currencies.

The following table details INA Group's and INA, d.d.'s sensitivity to a 10% weakening of HRK at 31 December 2020 (same sensitivity rate used for preceding period) against the relevant foreign currencies. The sensitivity rates used represent management's assessment of the usual change in foreign exchange rates. The sensitivity analysis includes monetary assets and liabilities in foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates expressed as percentage. A negative number below indicates a decrease in profit where HRK changes against the relevant currency by the percentage specified above. For the same change of HRK versus the relevant currency in the opposite direction, there would be an equal and opposite impact on the profit.

INA Group

	Currency USD Impact		Currency EUR Impact	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Loss	(41)	(22)	(108)	(183)
	(41)	**(22)**	**(108)**	**(183)**

INA, d.d.

	Currency USD Impact		Currency EUR Impact	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Loss	(43)	(25)	(55)	(115)
	(43)	**(25)**	**(55)**	**(115)**

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency sensitivity analysis (continued)

The exposure on the 10% fluctuation in the exchange rates for the currencies presented above is mostly attributable to the outstanding liabilities towards suppliers and borrowings denominated in USD and EUR.

Interest rate risk management

INA Group is exposed to interest rate risk, since entities in INA Group generally borrow funds at floating interest rates.

INA Group does not speculate on fluctuations in interest rates, and therefore primarily chooses floating interest rates. However, in certain instruments and certain macro environment, there is a possibility of selecting the fixed interest rate and utilization of longer interest periods.

INA, d.d. in accordance with internal procedures can use interest rate swap transactions in order to manage the relative level of exposure to interest rate risk on cash flows related to borrowings with floating interest rates. As of 31 December 2020 there were no outstanding interest rate swap transactions.

Interest rate risk analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 or 200 basis point increase or decrease is used when reporting interest rate risk internally, and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates would be 200 basis points higher/lower and all other variables were held constant, the changes in interest expense of INA Group and INA, d.d. would be as presented below.

	INA Group		**INA, d.d.**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Short-term interest expense change	42	57	37	52
Long-term interest expense change	-	7	-	7
Total change:	**42**	**64**	**37**	**59**

If interest rates would be 200 basis points higher, INA Group's interest expenses in 2020 would increase by HRK 42 million, while with a change of 50 basis points the increase would be HRK 10 million (in 2019: increase by HRK 64 million had the interest rated been 200 basis points higher, and by HRK 16 million had the interest rates been 50 basis points higher).

At the same time INA, d.d.'s interest expenses in 2020 would increase by HRK 37 million if interest rates had been 200 basis points higher, while the increase would be HRK 9 million with a change of 50 basis points (2019: increase by HRK 59 million had the interest rates been 200 basis points higher, and by HRK 15 million had the interest rates been 50 basis points higher). Equivalent decrease of interest rates would result in decreased interest expenses by equal amounts.

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Other price risks

INA Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher:

- net profit for the year ended at 31 December 2020 would have been unaffected as the equity investments are classified as non-current financial assets; and
- other equity reserves of INA, d.d. would increase by HRK 51 million as a result of the changes in fair value of non-current financial assets.

If equity prices had been 10% lower, there would be an equal and opposite impact on equity.

Credit risk management

Sales of products and services with deferred payment gives rise to credit risk, risk of default or non-performance of contractual obligations by INA Group customers. Overdue receivables have an adverse effect on the liquidity of INA Group, whereas impaired overdue receivables have a negative impact on the financial results of INA Group as well. Under currently valid internal procedures, measures are taken as a precaution against the risk of default. Customers are classified into risk groups by reference to their financial indicators and the trading records with INA Group, and appropriate measures to provide protection against credit risk are taken for each group. The information used to classify the customers into risk groups is derived from the official financial statements and is obtained from independent rating agencies. The exposure and the credit ratings of customers are continuously monitored and credit exposure is controlled by credit limits that are reviewed at least on an annual basis. In 2020, credit risk management was under additional scrutiny, taking into account potential decrease of market liquidity caused by COVID-19 pandemic. Whenever possible, INA Group collects collaterals (payment security instruments) from customers in order to minimize risk of collection of payments arising from contractual liabilities of customers.

The exposure of INA Group and the credit ratings of its customers are continuously monitored to mitigate the risk of default (see note 21).

INA Group transacts with a large number of customers from various industries and of various size. A portion of goods sold with deferred payment includes government institutions and customers owned by the state and local self-governments that do not provide any payment security instruments. Regarding other customers, provided collaterals are mainly debentures, being the most frequently used payment security instrument on the Croatian market, and bank guarantees and insurance of receivables is used as well, whereas from foreign customers are mostly obtained letters of credit, and to a lesser extent bank and corporate guarantees and exceptionally bills of exchange.

There is no significant credit risk exposure of INA Group that is not covered with collateral, other than those to the above-mentioned institutions and entities controlled by the state, local self-government, and those arising from certain foreign concession agreements.

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management

Responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of INA Group's short and long-term funding and liquidity management requirements. INA Group manages liquidity risk by maintaining and utilizing adequate reserves and credit facilities with monitoring of due dates of receivables and liabilities. On operative level within INA Group, liquidtiy optimization is additionally achieved throug cash pooling.

The policy of INA Group is to ensure sufficient external funding sources in order to achieve the sufficient level of available frame credit lines ensuring the liquidity of INA Group as well as investment needs.

As of 31 December 2020, INA Group had contracted and available short-term credit lines amounting to HRK 2,570 million (CNB middle rate), excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products.

As of 31 December 2020, INA Group has contracted and available long-term credit lines amounting to HRK 2,179 million (CNB middle rate).

Based on business needs and industry practice, INA, d.d. has contracted short-term credit facilities ('trade finance'') with first class banking groups for financing crude oil and oil products purchase. As of 31 December 2020, INA Group had contracted and available short-term credit facilities for financing crude oil and oil products purchase amounting to USD 7,980 million (CNB middle rate).

For details of the main external sources of funding for INA Group, see note 25 and 27.

With the purpose of diversification of funding sources and in order to ensure sufficient liquidity and financial stability level, INA, d.d. is continuously considering different funding opportunities with other creditors as well.

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

Liquidity and interest risk tables

The following tables detail the remaining contractual maturity for financial liabilities of INA Group and INA, d.d. and at the period end. Analyses have been drawn up based on the undiscounted cash flows based on the earliest date on which the payment can be required. The tables include both principal and interest cash flows.

INA Group

	Less than 1 month	1 - 12 months	1 - 5 years	5+ years	Total
31 December 2020					
Non-interest bearing	2,126	427	28	1	2,582
Interest bearing	1,034	1,129	178	53	2,394
	3,160	**1,556**	**206**	**54**	**4,976**
31 December 2019					
Non-interest bearing	1,634	505	34	2	2,175
Interest bearing	2,029	1,203	224	51	3,507
	3,663	**1,708**	**258**	**53**	**5,682**

INA, d.d.

	Less than 1 month	1 - 12 months	1 - 5 years	5+ years	Total
31 December 2020					
Non-interest bearing	1,958	420	27	1	2,406
Interest bearing	1,036	1,067	272	107	2,482
	2,994	**1,487**	**299**	**108**	**4,888**
31 December 2019					
Non-interest bearing	1,404	441	32	1	1,878
Interest bearing	2,029	1,281	308	133	3,751
	3,433	**1,722**	**340**	**134**	**5,629**

Non-interest bearing liabilities of INA, d.d. due in a period of less than one month consist mainly of trade accounts payable in the amount of HRK 1,105 million in 2020 (2019: HRK 1,089 million).

Included in non-interest bearing liabilities of INA, d.d. due in a period of over five years are, liabilities to Government for sold flats and deferred income for sold flats.

Interest bearing liabilities include short-term borrowings, long-term borrowings and leases.

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognized in the statement of financial position

INA GROUP and INA, d.d.

				31 December 2020
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Non-current financial assets*	511	-	-	511
Marketable securities	78	-	-	78
Positive fair value of derivatives	-	97	-	97
Financial liabilities at fair value				
Negative fair value of derivatives	-	116	-	116

				31 December 2019
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Non-current financial assets*	559	-	-	559
Marketable securities	39	-	-	39
Positive fair value of derivatives	-	51	-	51
Financial liabilities at fair value				
Negative fair value of derivatives	-	62	-	62

* only non-current financial assets at fair value are presented in tables above, the remaining equity instruments classified as non-current financial assets in total amount of HRK 49 million are measured at cost (2019: HRK 48 million) and therefore not included in tables above.

There were no transfers between levels 1 and 2 during the year.

- Financial instruments in level 1

The fair value of financial instruments included in Level 1 comprise JANAF shares equity investments classified as non-current financial assets and marketable securities that are based on quoted market prices. A market is considered as active if quoted prices are current and regularly available.

- Financial instruments in level 2 and level 3

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

Specific valuation techniques used to value financial instruments include:

- The fair value of hedge commodity transactions is calculated based on actual historic quotations from Platts and market forward quotations of the underlying commodities.
- The fair value of forward foreign exchange contracts has been determined based on exchange rates effective at the statement of financial position date and an embedded derivative has been determined as the difference between the cumulative inflation index of the contracted inflation escalation index and the inflation rate in the country of contract execution.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

41. SUBSEQUENT EVENTS

Subsequent events and other considerations related to COVID-19

The COVID-19 pandemic and the economic crisis that came as a result created unprecedented challenges and reset priorities for everyone, including INA, d.d. and INA Group. The virus exposed INA, d.d., its employees, customers and partners to significant health and safety risks, it created unseen operational challenges during the lockdown and tested INA's financial flexibility and strength. The oil and gas industry were particularly hit hard as a combination of demand and supply-side shocks occurring at the same time. COVID-19 pandemic affected significant judgements and estimation uncertainties during the period and these uncertainties have been taken into account in certain areas, for instance impairment testing, credit risk and deferred tax recoverability. Growth prospects over the next few months will depend on how COVID-19 situation evolves and how quickly COVID-19 vaccine can be deployed, but also on the implementation and the effectiveness of fiscal and monetary policy support.

Dividend payment finalized

On 14 January 2021 INA, d.d. has finalised dividend payout in the amount of HRK 62.27 per share in accordance with General Assembly from 26 August 2020. Dividend has been paid out to the two largest shareholders, who agreed to receive their respective parts of the dividend on a later date.

Apponitment of new members of INA Management Board

At the INA Supervisory Board meeting held on 29 January 2021, new members of the company's Management Board were appointed: Ferenc Horváth and József Simola, while Ákos Székely and Zsolt Pethő ceased their Management Board membership. New members are appointed starting from 1 February 2021 until 31 March 2024. The terms of office of the President of INA Management Board Sándor Fasimon has also been extended until 31 March 2024.

42. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorised for issue on 17 March 2021.

Signed on behalf of the Company and the Group on 17 March 2021 by:

Sándor Fasimon, President of the Management Board of INA, d.d.

Niko Dalić, member of the Management Board

Ferenc Horváth, member of the Management Board

Barbara Dorić, member of the Management Board

Darko Markotić, member of the Management Board

József Simola, member of the Management Board

REPORT ON COMPANY AND INA GROUP STATUS FOR JANUARY- DECEMBER 2020

Zagreb, March, 2021

INA Group and INA, d.d. financial results Q1-Q4 2020

This report contains parts of unaudited financial statements and is based on unaudited numbers for the period ending 31 December 2020 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln(4)	HRK mln	USD mln(4)	HRK	USD
Net sales revenues*	22,597	3,412	14,788	2,236	(35)	(34)
EBITDA (1)	2,856	431	991	150	(65)	(65)
EBITDA excl. special items	**2,856**	**431**	**991**	**150**	**(65)**	**(65)**
CCS EBITDA excl. special items	**2,894**	**437**	**1,783**	**270**	**(38)**	**(38)**
Profit/(loss) from operations	722	109	(1,298)	(196)	n.a.	n.a.
Profit/(loss) from operations excl. special items (2)	**1,004**	**152**	**(798)**	**(121)**	**n.a.**	**n.a.**
CCS Profit/(loss) from operations excl. special items	**1,043**	**157**	**(6)**	**(1)**	**n.a.**	**n.a.**
Net (loss)/profit from financial activities	(73)	(11)	(68)	(10)	(7)	(9)
Profit/(loss) for the period attributable to Owners of the Company	486	73	(1,138)	(172)	n.a.	n.a.
Profit/(loss) for the period excl. special items (2)	**768**	**116**	**(638)**	**(96)**	**n.a.**	**n.a.**
Simplified Free Cash Flow (3)	744	112	501	76	(33)	(32)
Net operating cash flow	**3,090**	**467**	**2,233**	**338**	**(28)**	**(28)**
Earnings per share						
Basic and diluted gain/(loss) per share (HRK per share)	48.5	7.3	(113.8)	(17.2)	n.a.	n.a.
Net debt	2,554	384	1,608	262	(37)	(32)
Net gearing (%)	18.5		14.7			
CAPEX total	**2,150**	**325**	**1,282**	**194**	**(40)**	**(40)**
Domestic	1,829	276	1,161	176	(37)	(36)
International	321	48	121	18	(62)	(63)

INA, d.d.	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln(4)	HRK mln	USD mln(4)	HRK	USD
Net sales revenues*	21,096	3,186	13,758	2,080	(35)	(35)
EBITDA (1)	2,599	392	849	128	(67)	(67)
EBITDA excl. special items	**2,599**	**392**	**849**	**128**	**(67)**	**(67)**
Profit/(loss) from operations	774	117	(1,114)	(168)	n.a.	n.a.
Profit/(loss) from operations excl. special items (2)	**915**	**138**	**(819)**	**(124)**	**n.a.**	**n.a.**
Net (loss)/income from financial activities	18	3	(27)	(4)	n.a.	n.a.
Profit/(loss) for the period attributable to owners of the company	656	99	(933)	(141)	n.a.	n.a.
Profit/(loss) for the period excl. special items (2)	**797**	**120**	**(638)**	**(96)**	**n.a.**	**n.a.**
Net operating cash flow	2,638	398	2,374	359	(10)	(10)
Earnings per share						
Basic and diluted earnings/(loss) per share (HRK per share)	65.6	9.9	(93.3)	(14.1)	n.a.	n.a.
Net debt	2,433	366	1,444	235	(41)	(36)
Net gearing (%)	17.0		12.3			
CAPEX	**1,950**	**294**	**1,239**	**187**	**(36)**	**(36)**

** 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, while 2019 was impacted by HRK (282) million of assets impairment on INA Group level
(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 Q4 2019 – 6.7178 HRK/USD; Q4 2020 – 6.3433 HRK/USD; for Q1-Q4 2019 – 6.6223 HRK/USD; Q1-Q4 2020 6.6141 HRK/USD; as at 31 December 2019 – 6.6499 HRK/USD; as at 31 December 2020 – 6.1390 HRK/USD

2020 ended as one of the most challenging years for INA, but also for the global economy. Product demand in certain periods 2020 dropped 30-50% compared to 2019 period, heavily impacting performance on captive market. Regardless of the partial oil market recovery in the second half of 2020, oil and gas prices were more than 30% lower in average in 2020 compared to 2019. This had significant impact on the Upstream result, but the severe mobility restrictions and significant decline in economic activity, caused by the COVID-19 restrictions, also impacted the Refining and Retail operations.

Timely reaction of the Company to changes in the macro environment helped to maintain positive cash flow, and to secure stable financial position. Operational result moved in line with the deteriorated environment and CCS EBITDA excl. special items of INA Group dropped significantly to HRK 1,783 million, 38% decline compared to 2019. Loss for the period amounted to HRK (1,138) million, as it was also significantly impacted by one-off non-cash items, such as impairment charges related to refinery assets in Sisak and Crosco Group assets, related to drop in engagement. Operation of Exploration and Production, traditionally the main driver of result, was marked by a combination of the mentioned drop in realized prices and continued trend of lower production. This drove the segment's EBITDA to HRK 1,013 million, 57% lower compared to 2019. CCS EBITDA excluding special items of Refining and Marketing including Consumer Services and Retail stayed strong at HRK 639 million in 2020 mainly due to Retail contribution and cost saving measures. Retail sales volumes deteriorated due to the weaker tourist season and mobility restrictions, with volumes decreased by 16% year-on-year, which is still a strong performance considering the challenging environment.

Investment activities were also adjusted in order to safeguard the financial stability of the company, which resulted in lower net debt compared to 2019 and gearing of 14.7%, while at the same time INA stayed committed to the strategic projects, primarily Rijeka Residue Upgrade Project.

Management discussion

Exploration and Production*

INA GROUP	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln	HRK mln	USD mln	HRK	USD
Net sales revenues	3,745	566	2,188	331	(42)	(42)
EBITDA	2,356	356	1,013	153	(57)	(57)
EBITDA excl. special items **	**2,356**	**356**	**1,013**	**153**	**(57)**	**(57)**
Profit from operations	1,149	174	220	33	(81)	(81)
Profit from operations excl. special items **	**1,431**	**216**	**220**	**33**	**(85)**	**(85)**
Simplified Free Cash Flow***	1,669	252	571	86	(66)	(66)
CAPEX	687	104	442	67	(36)	(36)

INA, D.D.	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln	HRK mln	HRK mln	USD mln	HRK mln
Net sales revenues	3,636	549	2,147	325	(41)	(41)
EBITDA	2,215	334	998	151	(55)	(55)
EBITDA excl. special items**	**2,215**	**334**	**998**	**151**	**(55)**	**(55)**
Operating profit	1,211	183	195	29	(84)	(84)
Operating profit excl. special items**	**1,352**	**204**	**195**	**29**	**(86)**	**(86)**
CAPEX	665	100	437	66	(34)	(34)

** 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*

Hydrocarbon production (boe/d)	Q1-Q4 2019	Q1-Q4 2020	%
Crude oil production (boe/d)	**14,479**	**13,165**	**(9)**
Croatia	12,097	10,811	(11)
Egypt	1,783	1,838	3
Angola	599	516	(14)
Natural gas production (boe/d)	**18,134**	**15,273**	**(16)**
Croatia - offshore	6,094	4,663	(23)
Croatia - onshore	12,040	10,610	(12)
Condensate (boe/d)	**1,283**	**1,067**	**(17)**
Total hydrocarbon production	**33,896**	**29,505**	**(13)**

Average realised hydrocarbon price	2019	2020	%
Total hydrocarbon price (USD/boe)*	48	32	(32)

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

Q1-Q4 2020 vs. Q1-Q4 2019

Key drivers

- Lower prices impacted sales revenues negatively by HRK 1,042 million on INA Group level. 34% lower realised Brent price resulted in HRK 611 million lower crude oil and condensate sales revenues, while lower gas prices resulted in additional HRK 396 million negative effect
- Domestic crude oil production decreased as a result of natural decline and increased water cut on main fields
- International crude oil production:
    - Egypt: Slightly higher production at North Bahariya and East Yidma concessions offset by lower Ras Qattara and West Abu Gahradig production
    - Angola: Lower volumes reflecting weaker wells performance on Block 3/05 and shutdown events
- Natural gas production decreased as a result of:
    - Decreased offshore production driven by natural decline, water cut and no production from Ivana D (in December) on Ivana field
    - Lower onshore production mainly due to high natural decline on main gas fields including downtimes due to turnaround on Gas Treatment Plant Molve and Fractionation Facility Ivanić Grad
- Condensate production was lower in accordance with decreasing production on main gas condensate fields

Capital expenditures

2020 (HRK mln)	Croatia	Egypt	Angola
Exploration	46	2	-
Development	167	80	11
Other	136	-	-
TOTAL	**349**	**82**	**11**

Lower investment level compared to 2019 as result of projects rescheduling due to Brent price decrease and COVID-19 pandemic:

- Izabela: Irena-2 appraisal well - drilling completed in October, well testing completed successfully with gas discovery
- Drava-02: Jankovac-1 well - commercial oil discovery declared
- Drava-03: seismic acquisition on Crnac West polygon started mid-September and finished mid-December
- Total of 41 well workovers performed onshore Croatia
- EOR project, Ivanić and Žutica: CO_2 injection ongoing with 9 well workovers performed
- Upstream turnaround performed successfully on 3 regions and 16 locations during September
- Egypt, North Bahariya concession: 9 development wells drilled, out of which 8 wells completed and put in production as oil producers

Refining and Marketing, including Consumer services and Retail*

INA GROUP	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln	HRK mln	USD mln	HRK	USD
Net sales revenues	21,530	3,251	14,153	2,140	(34)	(34)
EBITDA	518	78	(153)	(23)	n.a.	n.a.
EBITDA excl. special items	**518**	78	**(153)**	(23)	**n.a.**	**n.a.**
CCS EBITDA excl. special items	556	84	639	97	15	15
Profit/(loss) from operations	(230)	(35)	(1,231)	(186)	435	435
Profit/(loss) from operations excl. special items**	**(230)**	(35)	**(936)**	(141)	**307**	**307**
CCS Profit/(loss) from operations	(192)	(29)	(144)	(22)	(25)	(25)
Simplified Free Cash Flow***	(780)	(118)	(109)	(16)	(86)	(86)
CAPEX	1,336	202	748	113	(44)	(44)

INA, d.d.	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln	HRK mln	HRK mln	USD mln	HRK mln
Net sales revenues	20,673	3,122	13,533	2,046	(35)	(34)
EBITDA	390	59	(266)	(40)	n.a.	n.a.
EBITDA excl. special items**	390	59	(266)	(40)	n.a.	n.a.
Operating profit/(loss)	(329)	(50)	(1,318)	(199)	301	301
Operating profit/(loss) excl. special items**	(329)	(50)	(1,023)	(155)	211	211
CAPEX	1,205	182	723	109	(40)	(40)

** 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., Petrol d.d., Energopetrol d.d., INA MALOPRODAJNI SERVISI d.o.o., Croplin d.o.o.*
*** In reporting period, the result was negatively impacted by HRK (295) mln of impairment of assets on INA Group level*
**** Simplified free cash flow = CCS EBITDA excluding special items – CAPEX*

Refining processing (kt)	**2019**	**2020**	**%**
Domestic crude oil	516	90	(82)
Imported crude oil	2,032	1,889	(7)
Condensate	38	-	n.a.
Other feedstock	550	757	38
Total refining throughput	**3,136**	**2,737**	**(13)**
Refining production (kt)			
LPG*	157	153	(3)
Naphtha	14	122	774
Gasoline	775	616	(20)
Kerosene	162	58	(64)
Diesel	1,096	1,119	2
Heating oil	89	79	(11)
Fuel oil	371	247	(33)
Other products**	121	69	(44)
Total	**2,785**	**2,464**	**(12)**
Refining loss	44	26	(41)
Own consumption	307	247	(20)
Total refining production	**3,136**	**2,737**	**(13)**
Refined product sales by country (kt)			
Croatia	2,218	1,803	(19)
B&H	769	607	(21)
Slovenia	64	44	(31)
Italy	309	140	(55)
Other markets	1,044	1,498	43
Total	**4,404**	**4,093**	**(7)**
Refined product sales by product (kt)			
LPG*	248	227	(8)
Naphtha	13	38	196
Gasoline	848	737	(13)
Kerosene	220	58	(73)
Diesel	2,135	1,808	(15)
Heating oil	128	123	(4)
Fuel oil	364	252	(31)
Bitumen	74	75	1
Other products***	374	775	107
Total	**4,404**	**4,093**	**(7)**
o/w Consumer services and Retail segment sales	1,115	938	(16)
Total natural gas sales (mln m3)	**1,271**	**894**	**(30)**
Total number of service stations	**511**	**506**	**(1)**

**Other products = Benzene concentrate, liquid sulphur, coke, motor oils, industrial lubricants, other intermediates*
***Other products = Benzene concentrate, heavy naphtha, vacuum gas oil, liquid sulphur, coke, crude oil, motor oils, industrial lubricants*
**** LPG+propylene*

Q1-Q4 2020 vs. Q1-Q4 2019

Key drivers

- Negative reported result reflects sharp drop in Brent price and product quotations causing significant negative change in inventory value
- Refining margins remained under pressure due to less favourable crack spreads of key products (diesel and gasoline) while lower crude oil prices and lower energy costs had a positive impact
- Processing was lower by 399 kt versus last year due to the reduced processing level driven by unfavourable external conditions and negative refinery margins
- Total Retail sales volumes amounted to 938 kt, 16% below 2019 realisation due to the negative effects of the pandemic (nationwide lockdowns, weaker tourist season and mobility restrictions)
- Non-fuel margin was stable (+1%) compared to 2019, despite the weaker tourist season, primarily as a result of non-fuel offer adjustment to the new market conditions
- Clean CCS EBITDA result was HRK 83 million above the previous year mainly driven by improved Retail results

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 622 million:
  - Rijeka Refinery Upgrade Project - issuance of engineering documentation is ongoing. Necessary equipment has been ordered and manufacturing is in progress. Preparation activities of the construction site started in accordance with the obtained building permits
  - Biorefinery Project - listed as strategic investment project. Innovation Fund first call application submitted. Basic Engineering Design package delivered and Biomass supply chain business model prepared
  - Propane - Propylene Splitter - unit mechanically completed and in operation from Q3 2020
- Consumer Services and Retail capital investments amounted to HRK 126 million in 2020 with a focus on reconstructions and the Fresh Corner concept roll-out

Corporate and other

INA GROUP	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln	HRK mln	HRK mln	USD mln	HRK mln
Revenues	2,137	323	1,543	233	(28)	(28)
EBITDA reported	24	4	(52)	(8)	n.a.	n.a.
EBITDA excl. special items	**24**	**4**	**(52)**	**(8)**	n.a.	n.a.
Operating profit/(loss) reported	(156)	(24)	(472)	(71)	203	203
Operating profit/(loss) excl. special items	**(156)**	**(24)**	**(267)**	**(40)**	**71**	**71**
CAPEX and investments (w/o acquisition)	181	27	116	18	(36)	(36)

INA, d.d.	Q1-Q4 2019		Q1-Q4 2020		%	
	HRK mln	USD mln	HRK mln	HRK mln	USD mln	HRK mln
Revenues	324	49	336	51	4	4
EBITDA reported	(31)	(5)	(94)	(14)	203	204
EBITDA excl. special items	(31)	(5)	(94)	(14)	203	204
Operating profit/(loss) reported	(133)	(20)	(202)	(31)	52	52
Operating profit/(loss) excl. special items	(133)	(20)	(202)	(31)	52	52
CAPEX and investments (w/o acquisition)	80	12	79	12	(1)	(1)

Main external parameters

Crude oil and gas prices	**2019**	**2020**	**%**
Brent dtd (USD/bbl)	64	42	(34.4)
Brent-Ural spread (USD/bbl)	0.02	0.26	n.a.
CEGH gas price (EUR/MWh)	16.4	11.1	(32.3)
FOB MED Products prices and crack spreads			
Gasoline - premium unleaded 10 ppm (USD/t)	595	382	(35.8)
Diesel – ULSD 10 ppm (USD/t)	586	362	(38.2)
Fuel oil 3.5% (USD/t)	324	216	(33.3)
LPG (USD/t)	454	395	(13.0)
Crack spread – gasoline (USD/t)	109	65	(40.4)
Crack spread – diesel (USD/t)	100	45	(55.0)
Crack spread – fuel oil 3.5% (USD/t)	(162)	(101)	(37.7)
Crack spread – LPG (USD/t)	(32)	78	n.a.
Indicative refining margins (USD/bbl)*	(0.70)	(2.49)	n.a.
Foreign exchange			
HRK/USD average	6.62	6.61	(0.3)
HRK/USD closing	6.65	6.14	(7.7)
HRK/EUR average	7.44	7.53	1.2
HRK/EUR closing	7.44	7.54	1.3
3m USD LIBOR (%)	2.33	0.65	(72.1)
3m EURIBOR (%)	(0.36)	(0.43)	n.a.

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

INA Group – Consolidated Statement of Profit or Loss

For the period ended 31 December 2019 and 2020 (in HRK millions)

	2019	2020	%
Revenue from contracts with customers	**22,597**	**14,788**	**(35)**
Capitalised value of own performance	466	286	(39)
Other operating income	234	181	(23)
Total operating income	**23,297**	**15,255**	**(35)**
Changes in inventories of finished products and work in progress	(160)	(686)	329
Costs of raw materials and consumables	(8,460)	(5,710)	(33)
Depreciation, amortisation and impairment (net)	(2,134)	(2,289)	7
Other material costs	(2,125)	(1,874)	(12)
Service costs*	(629)	(465)	(26)
Staff costs	(1,970)	(1,731)	(12)
Costs of other goods sold	(7,114)	(3,699)	(48)
Impairment charges (net)	(109)	(108)	(1)
Provision for charges and risks (net)	126	9	(93)
Operating expenses	**(22,575)**	**(16,553)**	**(27)**
Profit/(Loss) from operations	**722**	**(1,298)**	**n.a.**
Finance income	104	165	59
Finance costs*	(177)	(233)	32
Net (loss)/income from financial activities	**(73)**	**(68)**	**(7)**
Share of net gain/(loss) of joint ventures accounted for using the equity method	**10**	**94**	**840**
Profit/(Loss) before tax	**659**	**(1,272)**	**n.a.**
Income tax benefit/(expense)	(170)	135	n.a.
Profit/(Loss) for the period	**489**	**(1,137)**	**n.a.**
Attributable to:			
Owners of the Company	486	(1,138)	n.a.
Non-controlling interests	3	1	(67)
	489	**(1,137)**	**n.a.**
Earnings per share			
Basic and diluted earnings/(loss) per share (HRK per share)	48.5	(113.8)	n.a.

INA, d.d. – Non-consolidated Statement of Profit or Loss

For the period ended 31 December 2019 and 2020 (in HRK millions)

	2019	2020	%
Revenue from contracts with customers	**21,096**	**13,758**	**(35)**
Capitalised value of own performance	14	28	100
Other operating income	320	166	(48)
Total operating income	**21,430**	**13,952**	**(35)**
Changes in inventories of finished products and work in progress	(179)	(660)	269
Cost of raw materials and consumables	(8,348)	(5,665)	(32)
Depreciation, amortisation and impairment (net)	(1,825)	(1,963)	8
Other material costs	(1,927)	(1,834)	(5)
Service costs*	(859)	(728)	(15)
Staff costs	(918)	(803)	(13)
Cost of other goods sold	(6,577)	(3,344)	(49)
Impairment charges (net)	(79)	(80)	1
Provision for charges and risks (net)	56	11	(80)
Total operating expenses	**(20,656)**	**(15,066)**	**(27)**
Profit/(loss) from operations	**774**	**(1,114)**	**n.a.**
Finance income	173	175	1
Finance costs*	(155)	(202)	30
Net income/(loss) from financial activities	**18**	**(27)**	**n.a.**
Share of profit/(loss) of joint ventures accounted for using the equity	**10**	**94**	**840**
Profit/(loss) before tax	**802**	**(1,047)**	**n.a.**
Income tax benefit/(expense)	(146)	114	n.a.
Profit/(loss) for the period	**656**	**(933)**	**n.a.**
Earnings per share			
Basic and diluted earnings/(loss) per share (HRK per share)	65.6	(93.3)	n.a.

** Restatement of comparable previous periods was made – see on page 17*

INA Group – Consolidated Statement of Financial Position

At 31 December 2019 and 2020 (in HRK millions)

	31 December 2019	30 December 2020	%
Assets			
Non-current assets			
Intangible assets	635	485	(24)
Property, plant and equipment	12,567	11,700	(7)
Right-of-use assets	342	304	(11)
Investments in associates and joint venture	160	254	59
Other Investments	17	17	(0)
Long-term receivables	898	843	(6)
Deferred tax assets	1,035	1,210	17
Marketable securities	39	-	n.a.
Non-current financial assets	607	560	(8)
Total non-current assets	**16,300**	**15,373**	**(6)**
Current assets			
Inventories	2,299	1,624	(29)
Trade receivables, net	2,026	1,206	(40)
Other receivables*	167	192	15
Corporative Income tax receivables	16	5	(69)
Marketable securities	-	78	n.a.
Other current assets*	112	89	(21)
Cash and cash equivalents	606	399	(34)
Current assets	**5,226**	**3,593**	**(31)**
Assets held for sale	6	30	400
Total current assets	**5,232**	**3,623**	**(31)**
Total assets	**21,532**	**18,996**	**(12)**
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	-
Legal reserves	166	199	20
Fair value reserves	241	202	(16)
Other reserves	1,590	1,529	(4)
Retained earnings	207	(1,586)	n.a.
Equity attributable to the owners of the Company	**11,204**	**9,344**	**(17)**
Non-controlling interests	12	13	8
Total equity	**11,216**	**9,357**	**(17)**
Non-current liabilities			
Long-term lease liabilities	276	232	(16)
Other non-current liabilities	40	33	(18)
Employee benefits obligation	70	64	(9)
Provisions	3,716	3,696	(1)
Deferred tax liability	15	16	7
Total non-current liabilities	**4,117**	**4,041**	**(2)**
Current liabilities			
Bank loans	3,160	2,085	(34)
Current portion of long-term lease liabilities	68	77	13
Trade payables	1,511	1,426	(6)
Taxes and contributions	650	637	(2)
Other current liabilities	624	1,122	80
Employee benefits obligation	7	4	(43)
Provisions	179	247	38
Total current liabilities	**6,199**	**5,598**	**(10)**
Total liabilities	**10,316**	**9,639**	**(7)**
Total equity and liabilities	**21,532**	**18,996**	**(12)**

** Restatement of comparable previous periods was made – see on page 17*

INA, d.d. – Non-consolidated Statement of Financial Position

At 31 December 2019 and 2020 (in HRK millions)

	31 December 2019	31 December 2020	%
Assets			
Non-current assets			
Intangible assets	420	415	(1)
Property, plant and equipment	10,960	10,417	(5)
Right-of-use asset	529	473	(11)
Investment in subsidiaries	2,089	1,827	(13)
Investments in associates and joint venture	160	254	59
Other investments	745	767	3
Long-term receivables	902	850	(6)
Deferred tax assets	929	1,054	13
Marketable securities	39	-	n.a.
Non-current financial assets	607	560	(8)
Total non-current assets	**17,380**	**16,617**	**(4)**
Current assets			
Inventories	2,025	1,399	(31)
Intercompany receivables	298	173	(42)
Trade receivables (net)	1,663	866	(48)
Other receivables*	110	155	41
Other current assets*	108	98	(9)
Marketable securities	-	78	n.a.
Cash and cash equivalents	502	351	(30)
Current assets	**4,706**	**3,120**	**(34)**
Assets classified as held for sale	-	7	n.a.
Total current assets	**4,706**	**3,127**	**(34)**
Total assets	**22,086**	**19,744**	**(11)**
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	166	199	20
Fair value reserves	241	202	(16)
Other reserves	1,214	1,171	(4)
Retained earnings/(accumulated losses)	1,273	(241)	n.a.
Total equity	**11,894**	**10,331**	**(13)**
Non-current liabilities			
Long-term lease liabilities	441	379	(14)
Other non-current liabilities	39	33	(15)
Employee benefit obligation	19	17	(11)
Provisions	3,874	3,862	(0)
Total non-current liabilities	**4,373**	**4,291**	**(2)**
Current liabilities			
Bank loans	2,935	1,873	(36)
Current portion of long-term lease liabilities	90	100	11
Intercompany payables	645	346	(46)
Trade payables	1,089	1,104	1
Taxes and contributions	554	554	0
Other current liabilities	387	965	149
Employee benefit obligation	3	2	(33)
Provisions	116	178	53
Total current liabilities	**5,819**	**5,122**	**(12)**
Total liabilities	**10,192**	**9,413**	**(8)**
Total equity and liabilities	**22,086**	**19,744**	**(11)**

** Restatement of comparable previous periods was made – see on page 17*

INA Group – Consolidated Cash Flow Statement (Indirect method)

For the period ended 31 December 2019 and 2020 (in HRK millions)

	2019	2020	%
Profit/(loss) for the period:	**489**	**(1,137)**	**n.a.**
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)	2,134	2,289	7
Income tax (benefit)/expense recognised in profit and loss	170	(135)	n.a.
Impairment charges (net)	109	108	(1)
Loss/(Gain) on sale of property, plant and equipment	(11)	(11)	-
Foreign exchange (gain)/loss	(43)	16	n.a.
Interest (income)/expense (net)	22	(16)	n.a.
Share of (gain)/loss of joint ventures accounted for using the equity method	(10)	(94)	840
Other finance (income)/expense recognised in profit	(26)	12	n.a.
Increase/(decrease) in provision	(135)	(14)	(90)
Decommissioning interests and other provision	49	56	14
Net (gain)/loss on derivative financial instruments and hedge transactions	8	242	2,925
Other non-cash items	(2)	(3)	50
Operating cash flow before working capital changes	**2,840**	**1,313**	**(54)**
Movements in working capital			
Decrease/(Increase) in inventories	322	402	25
(Increase)/Decrease in receivables and prepayments	(389)	570	n.a.
(Decrease)/Increase in trade and other payables	358	(33)	n.a.
Cash generated from operations	**3,131**	**2,252**	**(28)**
Taxes paid	(41)	(19)	(54)
Net cash inflow/(outflow) from operating activities	**3,090**	**2,233**	**(28)**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs	(2,442)	(1,213)	(50)
Payment for intangible assets	(143)	(74)	(48)
Proceeds from sale of non-current assets	20	17	(15)
Investment in securities	(12)	39	n.a.
Dividends received from companies classified as non-current financial assets available for sale and from other companies	10	9	(10)
Interest received and other financial income	9	39	333
Loans and other investments (net)	42	6	(86)
Net cash used for investing activities	**(2,516)**	**(1,177)**	**(53)**
Cash flows from financing activities			
Change in long-term borrowings (net)	208	(332)	n.a.
Change in short-term borrowings (net)	823	(685)	n.a.
Dividends paid	(1,250)	(38)	(97)
Change of principal portion of lease liabilities	(60)	(70)	(17)
Interest paid on long-term loans	(1)	-	n.a.
Interest paid on short-term loans and other financing charges	(121)	(97)	(20)
Net cash from financing activities	**(401)**	**(1,222)**	**205**
Net increase/(decrease) in cash and cash equivalents	173	(166)	n.a.
At 1 January	422	606	44
Effect of foreign exchange rate changes	6	(36)	n.a.
At the end of period	601	404	(33)
Overdrafts	5	(5)	n.a.
Cash and cash equivalents in statement of financial position	**606**	**399**	**(34)**

INA, d.d. – Non-consolidated Cash Flow Statement (Indirect method)

For the period ended 31 December 2019 and 2020 (in HRK millions)

	2019	2020	%
Profit/(loss) for the period	**656**	**(933)**	**n.a.**
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment and ROU	1,825	1,963	8
Income tax (benefit)/expense recognised in profit and loss	146	(114)	n.a.
Impairment charges (net)	79	80	1
(Gain)/loss on sale of property, plant and equipment	(8)	(10)	25
Income from capital increase of subsidiary	(112)	-	n.a.
Foreign exchange (gain)/(loss)	17	21	24
Interest (income)/expense (net)	1	(38)	n.a.
Share of (profit)/loss of joint ventures accounted for using the equity method	(10)	(94)	840
Other finance loss/(gain) recognised in profit and loss	(84)	(15)	(82)
Increase/(decrease) in provisions	(64)	(17)	(73)
Decommissioning interests and other provision	50	58	16
Net loss/(gain) on derivative financial instruments	8	242	2.925
Other non-cash items	-	(5)	n.a.
Operating cash flow before movements in working capital	**2,504**	**1,138**	**(55)**
Movements in working capital			
(Increase)/decrease in inventories	230	376	63
(Increase)/decrease in receivables and prepayments	(321)	735	n.a.
Increase/(decrease) in trade and other payables	237	128	(46)
Cash generated from operations	**2,650**	**2,377**	**(10)**
Taxes paid	(12)	(3)	(75)
Net cash inflow from operating activities	**2,638**	**2,374**	**(10)**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs	(1,822)	(1,189)	(35)
Payment for intangible assets	(128)	(71)	(45)
Proceeds from sale of non-current assets	12	16	33
Acquisition of subsidiary	(10)	-	n.a.
Investment in securities	(12)	39	n.a.
Dividends received from companies classified as non-current financial assets and from	10	9	(10)
Payments received from subsidiaries	1	-	n.a.
Interest received and other financial income	29	61	110
Loans and other investments (net)	(193)	(19)	(90)
Net cash (used in)/generated from investing activities	**(2,113)**	**(1,154)**	**(45)**
Cash flows from financing activities			
Change in long-term borrowings (net)	208	(332)	n.a.
Change in short-term borrowings (net)	885	(783)	n.a.
Change of principal portion of lease liabilities	(80)	(96)	(20)
Dividends paid	(1,250)	(38)	(97)
Interest paid on long-term loans	(1)	-	n.a.
Interest paid on short term loans and other interest charges	(123)	(97)	(21)
Cash flows from financing activities	**(361)**	**(1,346)**	**273**
Net increase/(decrease) in cash and cash equivalents	164	(126)	n.a.
At 1 January	335	502	50
Effect of foreign exchange rate changes	3	(25)	n.a.
At the end of period	502	351	(30)

INA Group Summary Segmental Results of Operations

(HRK mln)	2019	2020	%
Net sales revenues			
Exploration & Production	3,745	2,188	(42)
Refining & Marketing including Consumer services and Retail	21,530	14,153	(34)
Corporate and Other	2,137	1,543	(28)
Intersegment transfers and consolidation adjustments	(4,815)	(3,096)	(36)
Total	**22,597**	**14,788**	**(35)**
EBITDA*			
Exploration & Production	2,356	1,013	(57)
Refining & Marketing including Consumer services and Retail	518	(153)	n.a.
Corporate and Other	24	(52)	n.a.
Intersegment transfers and consolidation adjustments	(42)	183	n.a.
Total	**2,856**	**991**	**(65)**
EBITDA Excluding Special Items			
Exploration & Production	2,356	1,013	(57)
Refining & Marketing including Consumer services and Retail	518	(153)	n.a.
Corporate and Other	24	(52)	n.a.
Intersegment transfers and consolidation adjustments	(42)	183	n.a.
Total	**2,856**	**991**	**(65)**
Profit/(Loss) from operations			
Exploration & Production	1,149	220	(81)
Refining & Marketing including Consumer services and Retail	(230)	(1,231)	435
Corporate and Other	(156)	(472)	203
Intersegment transfers and consolidation adjustments	(41)	185	n.a.
Total	**722**	**(1,298)**	**n.a.**
Profit/(Loss) from operations Excluding Special Items			
Exploration & Production	1,431	220	(85)
Refining & Marketing including Consumer services and Retail	(230)	(936)	307
Corporate and Other	(156)	(267)	71
Intersegment transfers and consolidation adjustments	(41)	185	n.a.
Total	**1,004**	**(798)**	**n.a.**
Property, plant and equipment			
Exploration & Production	4,932	4,592	(7)
Refining & Marketing including Consumer services and Retail	6,674	6,417	(4)
Corporate and Other	1,422	1,177	(17)
Intersegment transfers and consolidation adjustments	(461)	(486)	5
Total	**12,567**	**11,700**	**(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 2020 is HRK 183 million compared to HRK (42) million in 2019.

INA, d.d. Summary Segmental Results of Operations

HRK mln	2019	2020	%
Net sales revenues			
Exploration and Production	3,636	2,147	(41)
Refining and Marketing including Consumer services and Retail	20,673	13,533	(35)
Corporate and Other	324	336	4
Intersegment transfers and consolidation adjustments	(3,537)	(2,258)	(36)
Total	**21,096**	**13,758**	**(35)**
EBITDA*			
Exploration and Production	2,215	998	(55)
Refining and Marketing including Consumer services and Retail	390	(266)	n.a.
Corporate and Other	(31)	(94)	203
Intersegment transfers and consolidation adjustments	25	211	744
Total	**2,599**	**849**	**(67)**
EBITDA excluding Special Items			
Exploration and Production	2,215	998	(55)
Refining and Marketing including Consumer services and Retail	390	(266)	n.a.
Corporate and Other	(31)	(94)	203
Intersegment transfers and consolidation adjustments	25	211	744
Total	**2,599**	**849**	**(67)**
Profit/(Loss) from operations			
Exploration and Production	1,211	195	(84)
Refining and Marketing including Consumer services and Retail	(329)	(1,318)	301
Corporate and Other	(133)	(202)	52
Intersegment transfers and consolidation adjustments	25	211	744
Total	**774**	**(1,114)**	**n.a.**
Profit/(Loss) from operations excluding Special Items			
Exploration and Production	1,352	195	(86)
Refining and Marketing including Consumer services and Retail	(329)	(1,023)	211
Corporate and Other	(133)	(202)	52
Intersegment transfers and consolidation adjustments	25	211	744
Total	**915**	**(819)**	**n.a.**
Property, plant and equipment			
Exploration and Production	4,771	4,515	(5)
Refining and Marketing including Consumer services and Retail	5,901	5,633	(5)
Corporate and Other	288	269	(7)
Intersegment transfers and consolidation adjustments	-	-	n.a.
Total	**10,960**	**10,417**	**(5)**

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

Financial overview

INA Group – Consolidated Statement of Profit or Loss

Revenue from contracts with customers in 2020 amounted to HRK 14,788 million and is below the 2019 level, triggered mainly by lower sales on core markets (Croatia and B&H) as a result of lower economic activity caused by the COVID-19 pandemic, together with sharp drop in Brent price and product quotations.
Costs of raw materials and consumables were 33% lower than 2019 level at HRK (5,710) million, reflecting different dynamic of refinery operations and lower crude prices.
Other **operating costs** realized in 2020 include:

- Other material costs in the amount of HRK (1,874) million were lower by 12% mainly driven by costs dependent on oil prices and lower scope of work
- Service costs in the amount of HRK (465) million were 26% lower than the 2019 level mainly due to lower intellectual services in 2020
- Depreciation, amortisation and impairment (net) in the amount of HRK (2,289) million were 7% higher compared to 2019
- Impairment charges in the amount of HRK (108) million were 1% lower compared to 2019
- Provision for charges and risk had a positive effect in the amount of HRK 9 million in 2020 compared to HRK 126 million positive effect in 2019

Staff costs in the amount HRK (1,731) million were 12% lower compared to 2019
Costs of other goods sold in 2020 decreased by 48% compared to 2019 and amounted to HRK (3,699) million resulting from lower sales and prices
Net result from financial activities is negative in 2020 mainly as a result of:

- Net foreign exchange loss amounted HRK (16) million in 2020, while in 2019 reached HRK (25) million
- Interest expense amounted to HRK (76) million and interest income to HRK 3 million in 2020, while in 2019 interest expense amounted to HRK (75) million and interest income to HRK 5 million
- Other financial net gain amounted to HRK 21 million in 2020, slightly lower compared to the HRK 22 million financial gain in 2019

Income tax benefit in 2020 amounted to HRK 135 million compared to HRK (170) million income tax expense in 2019. 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 December 2020 and 31 December 2019

INA, d.d. – Non-consolidated Statement of Profit or Loss

Revenue from contract with customers in 2020 amounted to HRK 13,758 million and is below the 2019 level, triggered mainly by lower sales on core markets (Croatia and B&H) as a result of lower economic activity caused by the COVID-19 pandemic, together with sharp drop in Brent price and product quotations.

Costs of raw materials and consumables were 32% lower than 2019 level at HRK (5,665) million, reflecting different dynamic of refinery operations and lower crude prices.

Other **operating costs** realized in 2020 include:

- Other material costs in the amount of HRK (1,834) million were lower by 5% mainly driven by costs dependent on oil prices and lower scope of work
- Service costs in the amount of HRK (728) million were 15% lower than the 2019 level mainly due to lower intellectual services in 2020
- Depreciation, amortisation and impairment (net) in the amount of HRK (1,963) million were 8% higher compared to 2019
- Impairment charges in the amount of HRK (80) million were 1% higher compared to 2019
- Provision for charges and risk (net) had a positive effect in the amount of HRK 11 million in 2020 compared to HRK 56 million positive effect in 2019

Staff costs in the amount HRK (803) million were 13% lower compared to 2019.

Costs of other goods sold in 2020 decreased by 49% compared to 2019 and amounted to HRK (3,344) million resulting from lower sales and prices.

Net result from financial activities in 2020 is negative in the amount of HRK (27) million, compared to HRK 18 million of net financial income in 2019.

Income tax benefit in 2020 amounted to HRK 114 million compared to HRK (146) million income tax expense in 2019. 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 December 2019 and 2020.

INA Group – Consolidated Statement of financial position

As at 31 December 2020 INA Group **total assets** amounted to HRK 18,996 million, 12% lower than 31 December 2019
In the period ended 31 December 2020, INA Group invested HRK 69 million in **intangible assets**. The effect of depreciation equals HRK 45 million
In the period ended 31 December 2020, INA Group invested HRK 1,213 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in amount of HRK 1,572 million
Inventories amounted to HRK 1,624 million, and have decreased by 29% compared to 31 December 2019 mainly due to lower prices and processing level aligned with lower demand
Trade receivables (net) amounted to HRK 1,206 million which is 40% lower than 31 December 2019 mainly due to lower sales revenues
Share capital as at 31 December 2020 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
As at 31 December 2020 **total liabilities** amounted to HRK 9,639 million, 7% lower compared to 31 December 2019. INA Group **net debt** amounted to HRK 1,608 million and decreased compared to 31 December 2019. **Net gearing** decreased from 18.5% as at 31 December 2019, to 14.7% as at 31 December 2020
Trade payables decreased compared to 31 December 2019 by 6% to HRK 1,426 million mainly driven by the lower prices of imported crude oil and refined products

INA, d.d. – Non-consolidated Statement of financial position

Total assets of INA, d.d., as at 31 December 2020 amounted to HRK 19,744 million, 11% lower compared to 31 December 2019.

Property, plant and equipment amounted to HRK 10,417 million and were 5% lower than 31 December 2019.

Trade receivables, net amounted to HRK 866 million which is 48% lower than 31 December 2019 mainly due to lower sales revenues.

Total liabilities amounted to HRK 9,413 million and were 8% lower compared to 31 December 2019.

INA, d.d. **net debt** amounted to HRK 1,444 million and decreased compared to 31 December 2019. **Net gearing** decreased from 17.0% as at 31 December 2019, to 12.3% as at 31 December 2020.

Trade payables increased compared to 31 December 2019 by 1% to HRK 1,104 million.

INA Group – Consolidated Cash Flow Statement

The **operating cash flow before working capital changes** amounted to HRK 1,313 million in 2020 representing a decrease compared to 2019, which is in line with the change in EBITDA performance excluding non-cash items.
Movements in working capital affected the operating cash flow positively by HRK 939 million, due to:

- Decrease in value of inventories in the amount of HRK 402 million mainly related to lower prices together with lower crude oil inventories and finished products
- Decrease in receivables in the amount of HRK 570 million mainly related to lower sales volumes and prices
- Decrease in trade and other payables amounted to (33) HRK million mainly related to lower purchase prices and volumes in line with production dynamics

Net cash used for investing activities amounted to HRK (1,177) million of outflows, compared to HRK (2,516) million outflows in 2019 mainly due to lower business activities.

INA, d.d. – Non-consolidated Cash Flow Statement

The operating cash flow before movements in working capital amounted to HRK 1,138 million in 2020, which is a decrease compared to the same period last year which is in line with the change in EBITDA performance excluding non-cash items.

Movements in working capital affected the operating cash flow positively by HRK 1,239 million, primarily due to:

- Decrease in value of inventories in the amount of HRK 376 million mainly related to lower prices together with lower crude oil inventories and finished products
- Decrease in receivables and prepayments in the amount of HRK 735 million mainly related to lower sales volumes and prices
- Increase in trade and other payables in the amount of HRK 128 million

In 2020 **taxes paid** influenced the operating cash flow negatively by HRK (3) million, while in 2019 taxes paid influenced the operating cash flow negatively by HRK (12) million. All the factors above resulted in HRK 2,374 million net cash inflow from operating activities generated by INA, d.d. in 2020.

Restatement

INA Group adjusted its EBIT methodology and classification between financial cost and service cost lines to align Group reporting standards in amount of HRK 3 million. Additionally, reclassification was made for accounts of margining receivables that are reclassified from line Other current asset to line Other receivables in amount of HRK 24 million. The reclassification is performed in accordance with new INA Group Accounting policies and procedures and the comparable periods restated.

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

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 2019, the result was negatively impacted by HRK (282) millions of special items related to impairment of assets - Croatian gas fields, due to lower gas prices. 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.

HRK mln	2019	2020
INA GROUP		
Total impact of special items on net profit/(loss)	**(282)**	**(500)**
Total impact of special items on operating profit/(loss)	**(282)**	**(500)**
Total impact of special items on EBITDA	**-**	**-**
Exploration & Production		
Total impact of special items on operating profit/(loss)	**(282)**	**-**
Total impact of special items on EBITDA	**-**	**-**
Impairment of assets - Croatia gas fields	(282)	-
Refining & Marketing including Customer services and retail		
Total impact of special items on operating profit/(loss)	**-**	**(295)**
Total impact of special items on EBITDA	**-**	**-**
Impairment of assets – Sisak refinery asset	-	(295)
Corporate functions		
Total impact of special items on operating profit/(loss)	**-**	**(205)**
Total impact of special items on EBITDA	**-**	**-**
Impairment of assets – Crosco asset	-	(205)

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 December 2020 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in inventory levels and pricing periods.
- Contracted and available short-term credit lines amounted to HRK 2,570 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 2,179 million

INA Group - 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 2020, INA Group entered into the following trading transactions with the following related parties:

INA Group	**Sales of goods**	**Purchase of goods**
HRK mln	31 December 2020	31 December 2020
Companies available for sale		
JANAF d.d. Zagreb	5	59
Strategic partner		
MOL Nyrt.	1,508	800
Companies controlled by strategic partner		
Tifon d.o.o.	380	9
MOL Petrochemical	57	8
MOL Commodity Trading Kft.	42	13
MOL Slovenija d.o.o.	32	11
MOL Serbia d.o.o.	5	-
MOL-LUB Kft.	1	2
MOL Norge AS	1	-
Geoinform Kft.	1	-
MOL Azerbaijan	-	662
Slovnaft, a.s.	-	120

INA Group	**Amounts owed from related parties**	**Amounts owed to related parties**
HRK mln	31 December 2020	31 December 2020
Companies available for sale		
JANAF d.d. Zagreb	-	2
Strategic partner		
MOL Nyrt.	67	88
Companies controlled by strategic partner		
MOL Commodity Trading Kft.	75	80
Tifon d.o.o.	5	3
MOL Petrochemicals	2	3
MOL Slovenia d.o.o.	1	-
Slovnaft, a.s.	-	3
MOL Austria GmbH	-	1
IES S.p.A	-	1

Related party transactions – INA, d.d.

INA, d.d. has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA, d.d. strategic position within the Croatian economy, a substantial portion of its business is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder. Details of transactions between INA, d.d. and the INA, d.d. companies and other related parties during 2020 are disclosed below:

INA, d.d.	**Sales of goods**	**Purchase of goods**
HRK mln	31 December 2020	31 December 2020
Related companies		
Holdina d.o.o. Sarajevo	1,404	-
INA Crna Gora d.o.o. Podgorica	254	-
INA Slovenija d.o.o. Ljubljana	69	-
STSI, Integrirani tehnički servisi d.o.o.	23	442
Plavi tim d.o.o.	13	84
CROSCO, naftni servisi d.o.o.	10	212
INA Maloprodajni servisi d.o.o.	7	306
INA MAZIVA d.o.o.	4	62
Top Računovodstvo Servisi d.o.o.	4	37
INA Adria B.V.	3	-
INA vatrogasni servisi d.o.o.	3	79
Hostin d.o.o.	1	-
Adrigas S.r.l. Milano	-	2
INA d.o.o. Banja Luka	-	1
Share in company as non-current financial assets		
JANAF d.d. Zagreb	1	59
Strategic partner		
MOL Nyrt.	1,334	714
Companies controlled by strategic partner		
Tifon d.o.o.	379	9
MOL Petrochemicals Co Ltd	57	5
MOL Commodity Trading Kft.	43	13
MOL Slovenija d.o.o.	26	-
MOL Serbia d.o.o.	5	-
MOL Norge AS	1	-
MOL Azerbaijan	-	662
Slovnaft a.s.	-	118
IES Italiana Energia e Servizi S.p.A	-	7

INA, d.d.	**Amounts owed from related parties**	**Amounts owed to related parties**
HRK mln	31 December 2020	31 December 2020
Related companies		
Holdina d.o.o. Sarajevo	115	-
INA Crna Gora d.o.o. Podgorica	33	-
INA Beograd d.o.o.	8	-
INA Slovenija d.o.o. Ljubljana	7	-
STSI, Integrirani tehnički servisi d.o.o.	5	104
CROSCO, naftni servisi d.o.o.	3	28
Plavi tim d.o.o.	3	22
INA MAZIVA d.o.o.	2	11
INA Maloprodajni servisi d.o.o.	1	43
Top Računovodstvo Servisi d.o.o.	1	1
INA Vatrogasni Servisi d.o.o.	-	5
Adrigas S.r.l. Milano	-	1
Share in company as non-current financial assets		
JANAF d.d. Zagreb	-	3
Strategic partner		
MOL Nyrt.	30	64
Companies controlled by strategic partner		
MOL Commodity Trading Kft.	75	80
Tifon d.o.o.	5	3
MOL Petrochemicals Co Ltd	2	2
MOL Norge AS	1	-
MOL Slovenia d.o.o.	-	1
Slovnaft a.s.	-	2
IES Italiana Energia e Servizi S.p.A	-	1

Investments in INA portfolio companies

The Company has the following principal subsidiaries (*subsidiary owned directly by the Company):

Name of company	Activity	Shareholding 31 Dec 2019	Shareholding 30 Dec 2020
Oil field services			
Crosco Naftni Servisi d.o.o. Zagreb, Croatia	Oilfield services	100%	100%
Crosco B.V. Amsterdam, Netherlands	Oilfield services	100%	100%
Nordic Shipping Ltd, Marshall Islands	Platform leasing	100%	100%
Sea Horse Shipping Inc, Marshall Islands	Platform leasing	100%	100%
Rotary Zrt., Hungary	Oilfield services	100%	100%
Crosco S.A. DE C.V. Monterrey, Mexico	Oilfield services	99.90%	99.90%
Crosco International d.o.o. Tuzla, B&H (liquidated)	Oilfield services	100%	-
Crosco Ukraine LLC	Oilfield services	100%	100%
Rotary D&W S.R.L. Romania	Oilfield services	-	100%
Oil exploration and production			
INA Adria B.V. (merged to INA, d.d.)	Oil exploration and production	100%	-
Tourism			
*Hostin d.o.o. Zagreb, Croatia	Tourism	100%	100%
Auxillary services			
STSI integrirani tehnički servisi d.o.o. Zagreb	Technical services	100%	100%
*TRS Top računovodstvo servisi d.o.o. za računovodstvene usluge, Zagreb, Croatia	Accounting, book-keeping, auditing, tax consulting	100%	100%
Plavi tim d.o.o., Zagreb, Croatia	IT services	100%	100%
*INA Vatrogasni servisi d.o.o., Zagreb , Croatia	Firefighting activity	100%	100%
*INA Industrijski servisi d.o.o., Zagreb, Croatia	Managing activities of holding companies	100%	100%
Production and trading			
*INA Maziva d.o.o., Zagreb, Croatia	Production and lubricants trading	100%	100%
Trading and finance			
*INA Slovenija, d.o.o. , Ljubljana, Slovenija	Trading	100%	100%
*INA BH d.d. Sarajevo, Bosnia and Herzegovina	Trading	100%	100%
*Holdina d.o.o. Sarajevo, Bosnia and Herzegovina	Trading	100%	100%
*Energopetrol d.d. Sarajevo, Bosnia and Herzegovina	Trading	88.66%	88.66%
*INA d.o.o. Beograd, Serbia	Trading	100%	100%
*INA Kosovo d.o.o. Priština, Kosovo	Trading	100%	100%
*Adriagas S.r.l. Milan, Italy	Pipeline project company	100%	100%
*Croplin d.o.o. Zagreb, Croatia	Pipeline project company	100%	100%
*INA Crna Gora d.o.o. Podgorica, Montenegro	Trading	100%	100%
*INA BL d.o.o. Banja Luka	Trading	100%	100%
*Petrol d.d. Jurdani, Croatia	Trading	100%	100%
*INA Maloprodajni servisi d.o.o., Zagreb, Croatia	Trading	100%	100%

Management representation

INA Group's and INA, d.d. financial statements for Q1-Q4 2020 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