



**STATUS REPORT
INA GROUP
Q4 & FY 2021**

Zagreb, March 2022

Contents

Management discussion and analysis: INA Group financial results (IFRS)	3
2021 Financial and operational highlights	3
Exploration and Production	4
Refining and Marketing, including Consumer Services and Retail	5
Main external parameters	6
Condensed Consolidated Statement of Profit or Loss	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Cash Flow Statement (Indirect method)	9
INA Group Summary Segmental Results of Operations	10
Financial overview and notes	11
Special items in operating profit and EBITDA	12
Changes in equity	13
Financial instruments and risk management	13
Notification on treasury shares	13
Related party transactions	14
Investments in INA portfolio companies	15
Management representation	15

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

Q4 2020	Q4 2021	HRK mln	2020	2021	%
3,579	6,152	Net sales revenues*	14,788	22,400	51
521	974	EBITDA ⁽¹⁾	991	3,315	235
521	1,062	EBITDA excl. special items⁽³⁾	991	3,403	243
462	920	CCS EBITDA excl. special items⁽²⁾	1,783	3,029	70
(108)	349	Profit/(loss) from operations	(1,298)	1,502	n.a.
97	437	Profit/(loss) from operations excl. special items ⁽³⁾	(798)	1,590	n.a.
38	295	CCS Profit/(loss) from operations excl. special items	(6)	1,216	n.a.
(12)	(34)	Net (loss)/profit from financial activities	(68)	94	n.a.
(83)	216	Profit/(loss) for the period attributable to Owners of the Company	(1,138)	1,312	n.a.
122	304	Profit/(loss) for the period excl. special items ⁽³⁾	(638)	1,400	n.a.
(70)	225	Simplified Free Cash Flow ⁽⁴⁾	501	1,431	186
1,435	1,801	Net operating cash flow	2,233	3,365	51
Earnings per share					
(8.3)	21.6	Basic and diluted gain/(loss) per share (HRK per share)	(113.8)	131.2	n.a.
1,608	481	Net debt	1,608	482	(70)
14.7	4.3	Net gearing (%)	14.7	4.3	
532	695	CAPEX total	1,282	1,598	25
494	631	Domestic	1,161	1,384	19
38	64	International	121	214	77

Q4 2020	Q4 2021	USD mln ⁽⁵⁾	2020	2021	%
564	937	Net sales revenues*	2,242	3,516	57
82	148	EBITDA ⁽¹⁾	155	520	236
82	162	EBITDA excl. special items⁽³⁾	155	533	244
73	140	CCS EBITDA excl. special items⁽²⁾	271	475	75
(17)	53	Profit/(loss) from operations	(194)	236	n.a.
15	67	Profit/(loss) from operations excl. special items ⁽³⁾	(116)	249	n.a.
6	45	CCS Profit/(loss) from operations excl. special items	1	191	n.a.
(2)	(5)	Net (loss)/profit from financial activities	(10)	15	n.a.
(13)	33	Profit/(loss) for the period attributable to Owners of the Company	(169)	207	n.a.
19	46	Profit/(loss) for the period excl. special items ⁽³⁾	(91)	220	n.a.
(11)	34	Simplified Free Cash Flow ⁽⁴⁾	76	225	198
226	274	Net operating cash flow	344	523	52
Earnings per share					
(1.3)	3.3	Basic and diluted gain/(loss) per share (USD per share)	(16.9)	20.7	n.a.
262	72	Net debt	262	72	(72)
84	106	CAPEX total	196	249	28
78	96	Domestic	177	216	22
6	10	International	18	34	83

* Related to Revenue from contracts with customers

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

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

(3) In 2021 result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning, while in 2020 result was negatively impacted by HRK (500) million of impairment of assets

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

(5) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for P&L items average quarterly CNB rates, for BS items as at 31 December 2020 – 6.1390 HRK/USD; as at 31 December 2021 – 6.6435 HRK/USD

2021 Financial and operational highlights

Following the challenges of 2020, 2021 shows a significantly improved external environment with loosening pandemic-related restrictions and rapid economic recovery pushing the energy prices to high levels.

CCS EBITDA ex. special items of INA Group in 2021 amounted to HRK 3.0 billion with net profit rebounding from negative base to HRK 1.3 billion. Driven by doubled hydrocarbon prices compared to 2020, Exploration and Production segment is again the main contributor to the results with EBITDA ex. special items of HRK 2.5 billion, despite natural decline of production on mature fields. Refining and Marketing incl. Consumer services and Retail CCS EBITDA reached HRK 0.9 billion on the back of a better Retail sales both in fuel and non-fuel segments.

Investment activities increased throughout the segments compared to 2020 with CAPEX level of HRK 1.6 billion, of which roughly half spent in Refining and Marketing. The main strategic investment, Rijeka Refinery Upgrade Project continues with focus on construction works and equipment delivery to the site.

INA successfully issued HRK 2 billion bond on domestic market in December 2021, creating a solid financial base for the intensive investment cycle ahead.



Exploration and Production*

Q4 2020	Q4 2021	Segment IFRS results (HRK mln)	2020	2021	%
545	1,289	Net sales revenues	2,188	3,877	77
306	864	EBITDA	1,013	2,427	140
306	952	EBITDA excl. special items **	1,013	2,515	148
136	536	Profit from operations	220	1,568	613
136	624	Profit from operations excl. special items **	220	1,656	653
147	701	Simplified Free Cash Flow***	571	1,907	234
159	251	CAPEX	442	608	38

* 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 FY 2021 result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning, in FY 2020 the result was not impacted by special items

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

Q4 2020	Q4 2021	Hydrocarbon production (boe/d)	2020	2021	%
12,807	12,812	Crude oil production (boe/d)	13,165	12,643	(4)
10,426	10,563	Croatia	10,811	10,390	(4)
1,891	1,617	Egypt	1,838	1,737	(5)
490	633	Angola	516	516	(0)
14,557	12,721	Natural gas production (boe/d)	15,273	13,503	(12)
4,028	2,851	Croatia – offshore	4,663	3,229	(31)
10,529	9,870	Croatia – onshore	10,610	10,274	(3)
1,087	906	Condensate (boe/d)	1,067	977	(8)
28,451	26,439	Total hydrocarbon production	29,505	27,123	(8)

Q4 2020	Q4 2021	Average realized hydrocarbon price	2020	2021	%
35	83	Total hydrocarbon price (USD/boe)*	32	64	99

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

2021 vs. 2020

Key drivers

- Higher prices impacted sales revenues positively by HRK 1,862 million. Increased gas prices added HRK 937 million positive effect, while 70% higher Brent price brought an additional HRK 798 million crude oil and condensate sales revenues
- Croatian production decreased:
 - Oil and condensate mostly due to intensive natural decline
 - Onshore gas production mostly due to higher water cut on Deep Podravina and Međimurje area
 - Offshore gas due to increased water cut, missing production from Ivana-D, maintenance activities, operational issues and temporary closing on different fields due to the ongoing drilling campaign, aimed at moderating natural decline
- International crude oil production:
 - Egypt: Slightly lower mainly due to lower East Yidma contribution
 - Angola: At same level as in 2020

Capital expenditures

Q1-Q4 2021 (HRK mln)	Croatia	Egypt	Angola
Exploration	30	35	-
Development	274	129	26
Other	114	-	-
TOTAL	418	164	26

Higher CAPEX level compared to 2020 mainly as result of started Offshore drilling campaign and higher Egypt exploration and development activities. Main activities in 2021 were related to:

Exploration:

- Drava-02: Ždala-1 well drilled end of August, no hydrocarbon shows, well is plugged and abandoned
- Drava-02: Bačkovica-1 well drilled in September with hydrocarbon shows, well test performed, discovery not commercial
- Request for extension of Drava-02 exploration period for further 6 months submitted to Croatian Hydrocarbon Agency
- Drava-03: Seismic data processing finished, documentation preparation for drilling in progress
- SZH-01: Seismic data processing in progress

Development:

- In total 41 well workovers performed onshore Croatia in 2021
- EOR Šandrovac: CO2 injection started in Q2 as a pilot project to identify possibilities for full-field implementation
- Egypt, North Bahariya concession: 16 development wells drilled, out of which 10 wells completed and put into production
- Egypt, East Damanhur concession: INA entered concession partnership with 20% working interest in March. Drilling of 2 exploration wells is planned: drilling of first exploration well (ED-1X) finished (dry well, plugged and abandoned) and the second well postponed to 2022



Refining and Marketing, including Consumer Services and Retail*

Q4 2020	Q4 2021	Segment IFRS results (HRK mln)	2020	2021	%
3,345	6,056	Net sales revenues	14,153	21,912	55
182	193	EBITDA	(153)	1,253	n.a.
182	193	EBITDA excl. special items**	(153)	1,253	n.a.
123	51	CCS EBITDA excl. special items**	639	879	38
(25)	(6)	Profit/(loss) from operations	(1,231)	523	n.a.
(25)	(6)	Profit/(loss) from operations excl. special items**	(936)	523	n.a.
(84)	(148)	CCS Profit/(loss) from operations	(144)	149	n.a.
(196)	(339)	Simplified Free Cash Flow***	(109)	(25)	(77)
319	390	CAPEX	748	904	21

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

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

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

Q4 2020	Q4 2021	Refining processing (kt)	2020	2021	%
16	11	Domestic crude oil	90	91	1
249	216	Imported crude oil	1,889	1,761	(7)
-	4	Condensate	-	4	n.a.
187	131	Other feedstock	757	732	(3)
452	362	Total refining throughput	2,737	2,588	(5)
		Refining production (kt)			
24	20	LPG*	153	153	0
27	14	Naphtha	122	63	(48)
107	92	Gasoline	616	601	(2)
5	17	Kerosene	58	80	36
165	112	Diesel	1,119	1,032	(8)
16	27	Heating oil	79	70	(12)
44	32	Fuel oil	247	267	8
11	11	Other products**	69	74	8
401	325	Total	2,464	2,340	(5)
5	3	Refining loss	26	27	5
46	34	Own consumption	247	221	(10)
452	362	Total refining production	2,737	2,588	(5)
		Refined product sales by country (kt)			
432	508	Croatia	1,803	2,011	12
158	168	B&H	607	701	15
11	19	Slovenia	44	119	169
26	21	Italy	140	69	(51)
339	271	Other markets	1,498	1,413	(6)
966	988	Total	4,093	4,313	5
		Refined product sales by product (kt)			
52	48	LPG*	227	218	(4)
2	13	Naphtha	38	49	28
112	142	Gasoline	737	741	1
8	23	Kerosene	58	102	74
428	482	Diesel	1,808	1,908	6
30	39	Heating oil	123	112	(9)
73	57	Fuel oil	252	267	6
25	14	Bitumen	75	69	(8)
236	169	Other ***	775	847	10
966	987	Total	4,093	4,313	5
225	325	o/w Consumer services and Retail segment sales	938	1,060	13
200	149	Total natural gas sales (mln m3)	894	590	(34)
505	504	Total number of service stations	505	504	(0)

* LPG+propylene

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

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

2021 vs. 2020

Key drivers

- Captive market sales improved compared to previous periods
- Total Retail sales volumes amounted to 1,060 kt, 13% above 2020 realization based on visible trend of market recovery and improved touristic consumption, both in fuel and non-fuel
- Non-fuel margin increased 17% driven by expanded non-fuel offer, Fresh Corner roll-out and improved sales activities
- Rijeka Refinery in stable operation from March optimized to market needs, oil processing temporarily stopped late October in line with scheduled maintenance and Rijeka Residue Upgrade project related activities
- Refinery margins remained under pressure with signs of demand recovery from mid-summer as covid measures were eased throughout Europe in Q3. However, high crude, natural gas and CO2 prices weighed on refinery economics and put again pressure on refining result
- Upward trend of crude and product prices positively impacted reported result through inventory revaluation while natural gas sales activities also positively contributed to the results
- High level of operational discipline in case of key assets and strong OPEX management efforts also supported the overall downstream result

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 794 million:
 - Rijeka Refinery Upgrade Project: overall Engineering above 90% readiness. By finishing majority of procurement, focus shifted to deliveries of equipment to the site - part of the equipment already delivered, including first long lead items and construction is ongoing
 - Biorefinery Project: internal and external review of key project aspects (scope, risks, financing, schedule etc.) is being carried out
- Consumer Services and Retail capital investments amounted to HRK 110 million in 2021 with focus on service station reconstructions, modernization and continued roll-out of Fresh Corner concept, which is already present at 130 service stations

Main external parameters

Q4 2020	Q4 2021	Crude oil and gas prices	2020	2021	%
44	80	Brent dtd (USD/bbl)	42	71	69
(0.2)	1.5	Brent-Ural spread (USD/bbl)	0.3	1.7	467
15	95	CEGH gas price (EUR/MWh)	11	46	320
FOB MED Products prices and crack spreads					
397	748	Gasoline - premium unleaded 10 ppm (USD/t)	382	670	76
365	677	Diesel – ULSD 10 ppm (USD/t)	362	580	60
253	423	Fuel oil 3.5% (USD/t)	216	381	77
467	845	LPG (USD/t)	395	666	69
62	145	Crack spread – gasoline (USD/t)	65	133	105
31	74	Crack spread – diesel (USD/t)	45	43	(4)
(82)	(180)	Crack spread – fuel oil 3.5% (USD/t)	(101)	(155)	54
133	241	Crack spread – LPG (USD/t)	78	129	65
(2.9)	0.7	Indicative refining margins (USD/bbl)*	(2.5)	(1.2)	(52)
Foreign exchange					
6.34	6.57	HRK/USD average	6.61	6.36	(4)
6.14	6.64	HRK/USD closing	6.15	6.64	8
7.55	7.51	HRK/EUR average	7.53	7.52	(0)
7.54	7.52	HRK/EUR closing	7.54	7.52	(0)
0.22	0.16	3m USD LIBOR (%)	0.65	0.16	(75)
(0.52)	(0.57)	3m EURIBOR (%)	(0.43)	(0.55)	28

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

Condensed Consolidated Statement of Profit or Loss

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

Q4 2020	Q4 2021	Note	2020	2021	%
3,579	6,152	Revenue from contracts with customers	14,788	22,400	51
65	100	Other operating income	181	319	76
3,644	6,252	Total operating income	14,969	22,719	52
(263)	(428)	Changes in inventories of finished products and work in progress	(686)	199	n.a.
(875)	(1,392)	Costs of raw materials and consumables	(5,710)	(8,768)	54
(629)	(625)	Depreciation, amortisation and impairment (net)	(2,289)	(1,813)	(21)
(494)	(447)	Other material costs*	(1,811)	(1,868)	3
(95)	(137)	Service costs*	(434)	(468)	8
(480)	(475)	Staff costs*	(1,628)	(1,765)	8
(975)	(2,326)	Costs of other goods sold	(3,699)	(6,644)	80
34	(58)	Impairment charges (net)	(108)	(81)	(25)
(67)	(132)	Provision for charges and risks (net)*	(188)	(313)	66
92	117	Capitalised value of own performance*	286	304	6
(3,752)	(5,903)	Operating expenses	(16,267)	(21,217)	30
(108)	349	Profit/(loss) from operations	(1,298)	1,502	n.a.
64	42	Finance income	165	343	108
(76)	(76)	Finance costs	(233)	(249)	7
(12)	(34)	Net (loss)/profit from financial activities	(68)	94	n.a.
24	(9)	Share of net gain/(loss) of joint ventures accounted for using the equity method	94	(9)	n.a.
(96)	306	Profit/(loss) before tax	(1,272)	1,587	n.a.
13	(89)	Income tax benefit/(expense)	135	(273)	n.a.
(83)	217	Profit/(loss) for the period	(1,137)	1,314	n.a.
		Attributable to:			
(83)	216	Owners of the Company	(1,138)	1,312	n.a.
-	1	Non-controlling interests	1	2	100
		Earnings per share			
(8.3)	21.6	Basic and diluted earnings/(loss) per share (HRK per share)	(113.8)	131.2	n.a.

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

Condensed Consolidated Statement of Financial Position

At 31 December 2020 and 2021 (in HRK millions)

	Note	31 December 2020	31 December 2021	%
Assets				
Non-current assets				
Intangible assets	9	485	449	(7)
Property, plant and equipment	10	11,700	11,429	(2)
Right-of-use assets		304	307	1
Investments in associates and joint venture		254	245	(4)
Other investments		17	17	(0)
Long-term receivables		843	835	(1)
Deferred tax assets		1,210	949	(22)
Long-term marketable securities		-	42	n.a.
Non-current financial assets		560	655	17
Total non-current assets		15,373	14,928	(3)
Current assets				
Inventories	11	1,624	2,146	32
Trade receivables (net)	12	1,206	2,007	66
Other receivables		192	164	(15)
Corporative income tax receivables		5	6	20
Other current assets		89	79	(11)
Marketable securities		78	17	(78)
Cash and cash equivalents		399	2,630	559
Current assets		3,593	7,049	96
Assets held for sale		30	13	(57)
Total current assets		3,623	7,062	95
Total assets	8	18,996	21,990	16
Equity and liabilities				
Capital and reserves				
Share capital	13	9,000	9,000	-
Legal reserves		199	199	-
Fair value reserves		202	280	39
Other reserves		1,529	1,562	2
(Accumulated losses)/Retained earnings		(1,586)	(274)	(83)
Equity attributable to the owners of the Company		9,344	10,767	15
Non-controlling interests		13	15	15
Total equity		9,357	10,782	15
Non-current liabilities				
Long-term debt		-	1,983	n.a.
Long-term lease liabilities		232	228	(2)
Other non-current liabilities		33	29	(12)
Employee benefits obligation		64	67	5
Provisions		3,696	3,668	(1)
Deferred tax liability		16	15	(6)
Total non-current liabilities		4,041	5,990	48
Current liabilities				
Bank loans and current portion of long-term debt		2,085	1,145	(45)
Current portion of long-term lease liabilities		77	84	9
Trade payables	15	1,426	2,143	50
Taxes and contributions		637	938	47
Other current liabilities		1,122	586	(48)
Employee benefits obligation		4	4	-
Provisions		247	318	29
Total current liabilities		5,598	5,218	(7)
Total liabilities	14	9,639	11,208	16
Total equity and liabilities		18,996	21,990	16

Condensed Consolidated Cash Flow Statement (Indirect method)

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

Q4 2020	Q4 2021	Note	2020	2021	%
(83)	217	Profit/(loss) for the period:	(1,137)	1,314	n.a.
		Adjustments for:			
629	625	Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)	2,289	1,813	(21)
(13)	89	Income tax (benefit)/expense recognised in profit and loss	(135)	273	n.a.
(34)	58	Impairment charges (net)	108	81	(25)
(6)	(18)	Loss/(gain) on sale of property, plant and equipment	(11)	(36)	227
18	9	Foreign exchange (gain)/loss	16	(10)	n.a.
(30)	3	Interest (gain)/expense (net)	(16)	13	n.a.
(24)	9	Share of (profit)/loss of joint ventures accounted for using the equity method	(94)	9	n.a.
2	4	Other finance (income)/expense recognised in profit	12	(171)	n.a.
6	89	(Increase)/decrease in provision	(14)	258	n.a.
21	18	Decommissioning interests and other provision	56	74	32
67	28	Net (gain)/loss on derivative financial instruments and hedge transactions	242	288	19
(5)	-	Other non-cash items	(3)	-	n.a.
548	1,131	Operating cash flow before working capital changes	16	3,906	197
		Movements in working capital	17		
563	460	Decrease/(increase) in inventories	402	(967)	n.a.
280	(134)	(Increase)/decrease in receivables and prepayments	570	(1,655)	n.a.
50	348	(Decrease)/increase in trade and other payables	(33)	2,103	n.a.
1,441	1,805	Cash generated from operations	2,252	3,387	50
(6)	(4)	Taxes paid	(19)	(22)	16
1,435	1,801	Net cash inflow/(outflow) from operating activities	2,233	3,365	51
		Cash flows used in investing activities			
(590)	(641)	Capital expenditures, exploration and development costs	(1,213)	(1,602)	32
61	(51)	Payment for intangible assets	(74)	(131)	77
9	20	Proceeds from sale of non-current assets	17	59	247
4	(42)	Investment in securities	39	(42)	n.a.
-	1	Dividends received from companies classified as non-current financial assets available for sale and from other companies	9	170	1,789
18	-	Interest received and other financial income	39	18	(54)
1	1	Loans and other investments (net)	6	3	(50)
(497)	(712)	Net cash used in investing activities	18	(1,525)	30
		Cash flows from financing activities			
-	(203)	Change in long-term borrowings (net)	(332)	-	n.a.
(504)	(729)	Change in short-term borrowings (net)	(685)	(988)	44
-	1,983	Proceeds from bonds issuance	-	1,983	n.a.
(49)	17	Change of principal portion of lease liabilities	(70)	3	n.a.
-	-	Dividends paid	(38)	(585)	1,439
(41)	68	Interest paid on short-term loans and other financing charges	(97)	(13)	(87)
(594)	1,136	Net cash flows (used in)/ from financing activities	(1,222)	400	n.a.
344	2,225	Net increase/(decrease) in cash and cash equivalents	(166)	2,240	n.a.
108	410	At the beginning of the period	606	399	(34)
(2)	(4)	Effect of foreign exchange rate changes	(36)	(9)	(75)
-	-	At the end of period	404	2,630	551
(51)	(1)	Overdrafts (net)	(5)	-	n.a.
399	2,630	Cash and cash equivalents in statement of financial position	399	2,630	559

INA Group Summary Segmental Results of Operations

Q4 2020	Q4 2021	(HRK mln)	2020	2021	%
Net sales revenues					
545	1,289	Exploration & Production	2,188	3,877	77
3,345	6,056	Refining & Marketing including Consumer services and Retail	14,153	21,912	55
491	409	Corporate and Other	1,543	1,346	(13)
(802)	(1,602)	Intersegment transfers and consolidation adjustments	(3,096)	(4,735)	53
3,579	6,152	Total	14,788	22,400	51
EBITDA*					
306	864	Exploration & Production	1,013	2,427	140
182	193	Refining & Marketing including Consumer services and Retail	(153)	1,253	n.a.
45	(48)	Corporate and Other	(52)	(73)	38
(12)	(35)	Intersegment transfers and consolidation adjustments	183	(292)	n.a.
521	974	Total	991	3,315	235
EBITDA excluding special items					
306	952	Exploration & Production	1,013	2,515	148
182	193	Refining & Marketing including Consumer services and Retail	(153)	1,253	n.a.
45	(48)	Corporate and Other	(52)	(73)	38
(12)	(35)	Intersegment transfers and consolidation adjustments	183	(292)	n.a.
521	1,062	Total	991	3,403	243
Profit/(loss) from operations					
136	536	Exploration & Production	220	1,568	613
(25)	(6)	Refining & Marketing including Consumer services and Retail	(1,231)	523	n.a.
(208)	(146)	Corporate and Other	(472)	(299)	(37)
(11)	(35)	Intersegment transfers and consolidation adjustments	185	(290)	n.a.
(108)	349	Total	(1,298)	1,502	n.a.
Profit/(loss) from operations excluding special items					
136	624	Exploration & Production	220	1,656	653
(25)	(6)	Refining & Marketing including Consumer services and Retail	(935)	523	n.a.
(3)	(146)	Corporate and Other	(268)	(299)	12
(11)	(35)	Intersegment transfers and consolidation adjustments	185	(290)	n.a.
97	437	Total	(798)	1,590	n.a.
Property, plant and equipment					
4,592	4,182	Exploration & Production	4,592	4,182	(9)
6,417	6,676	Refining & Marketing including Consumer services and Retail	6,417	6,676	4
1,177	1,082	Corporate and Other	1,177	1,082	(8)
(486)	(511)	Intersegment transfers and consolidation adjustments	(486)	(511)	5
11,700	11,429	Total	11,700	11,429	(2)

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

Intersegment transfers and consolidation adjustments

Intersegment transfers and consolidation adjustments indicate unrealised profit/loss on domestic crude oil and natural gas being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil/natural gas or finished/semi-finished product. Intersegment EBITDA effect on result in 2021 is HRK (292) million compared to HRK 183 million in 2020.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in 2021 amounted to HRK 22,400 million and is 51% higher compared to 2020, supported by improvement in hydrocarbon prices and product quotations
- 2 **Costs of raw materials and consumables** were 54% higher than 2020 level at HRK (8,768) million, reflecting different dynamic of refinery operations and higher prices
- 3 Other **operating costs** realized in 2021 include:
 - Other material costs in the amount of HRK (1,868) million were higher by 3% mainly driven by higher advertising, graphic and transportation costs
 - Service costs in the amount of HRK (468) million were 8% higher than the 2020 level mainly due to higher road fees
 - Depreciation, amortisation and impairment (net) in the amount of HRK (1,813) million were 21% lower compared to 2020
 - Impairment charges net impact had a negative effect in the amount of HRK (81) million in 2021 compared to HRK (108) million negative effect in 2020
 - Provision for charges and risk had a negative effect in the amount of HRK (313) million in 2021 compared to HRK (188) million negative effect in 2020
- 4 **Staff costs** in the amount HRK (1,765) million were 8% higher compared to 2020
- 5 **Costs of other goods sold** in 2021 increased by 80% compared to 2020 and amounted to HRK (6,644) million resulting from price increase and higher import to ensure market supply
- 6 **Net result from financial activities** is positive in 2021 mainly as a result of:
 - Net foreign exchange gain amounted HRK 10 million in 2021, while in 2020 loss reached HRK (16) million
 - Interest expense amounted to HRK (88) million and interest income to HRK 1 million in 2021, while in 2020 interest expense amounted to HRK (76) million and interest income to HRK 3 million
 - Other financial net gain amounted to HRK 171 million in 2021 compared to the gain in the amount of HRK 21 million in 2020
- 7 **Income tax expense** in 2021 amounted to HRK (273) million compared to HRK 135 million income tax benefit in 2020. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 December 2021 and 2020

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 31 December 2021 INA Group **total assets** amounted to HRK 21,990 million, 16% higher than 31 December 2020
- 9 In the period ended 31 December 2021, INA Group invested HRK 123 million in **intangible assets**. The effect of depreciation equals HRK 58 million
- 10 In the period ended 31 December 2021, INA Group invested HRK 1,475 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in amount of HRK 1,514 million
- 11 **Inventories** amounted to HRK 2,146 million and increased compared to HRK 1,624 million on 31 December 2020 mainly due to higher prices
 - During 2021, impairment of refined products and work in progress net impact was neutral (Q1-Q4 2020: reversal of impairment in amount of HRK 6 million) reported within Changes in inventories of finished products and work in progress within statement of profit or loss
 - During 2021, HRK (9) million was recognized as impairment for merchandise (2020: impairment of HRK (3) million) reported within Cost of other goods sold within statement of profit or loss
- 12 **Trade receivables (net)** amounted to HRK 2,007 million which is 66% higher than 31 December 2020 mainly due to higher sales value and improving price environment
- 13 **Share capital** as at 31 December 2021 amounted to HRK 9,000 million. There were no movements in the issued capital of the Company in either the current or the prior financial reporting
- 14 As at 31 December 2021 **total liabilities** amounted to HRK 11,208 million, 16% higher compared to 31 December 2020. INA Group **net debt** amounted to HRK 481 million and decreased compared to 31 December 2020. **Net gearing** decreased from 14.7% as at 31 December 2020 to 4.3% as at 31 December 2021
- 15 **Trade payables** increased compared to 31 December 2020 to HRK 2,143 million mainly driven by higher prices of imported crude oil and refined products

Condensed Consolidated Cash Flow Statement (Indirect method)

Notes

- 16 The **operating cash flow before working capital changes** amounted to HRK 3,365 million in 2021 representing an increase compared to 2020, which is in line with the change in EBITDA performance excluding non-cash items
- 17 **Movements in working capital** affected the operating cash flow negatively by HRK (519) million, due to:
- Increase in value of inventories in the amount of HRK (967) million mainly related to higher prices
 - Increase in receivables in the amount of HRK (1,655) million mainly related to higher sales volumes and prices
 - Increase in trade and other payables amounted to 2,103 HRK million mainly related to higher purchase prices and volumes in line with production dynamics
- 18 **Net cash used in investing activities** amounted to HRK (1,525) million of outflows due to intensive investment in Refining operations and is 30% higher compared to HRK (1,177) million outflows in 2020

Reclassification

INA Management Board adopted at December 2021 the updated version of INA Group Accounting Policies and Procedures.

The updated version of INA Group Accounting Policies and Procedures policies have been consistently applied to all the periods presented, unless otherwise stated. Also, CCS calculation including CO₂ adjustments was updated. If the items in the consolidated financial statements are amended, all comparative amounts are reclassified.

INA Group adjusted its classification between operating income and operating expense lines, line Capitalised value of own performance was reclassified to Operating expenses in amount of HRK 286 million in period 2020.

Additionally, utilization of provisions in amount of HRK 197 million in 2020 was reclassified to the same line as realized costs (HRK 63 million in Other material cost, HRK 31 million in Service costs and HRK 103 million in Staff costs).

Special items in operating profit and EBITDA

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

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

In 2021, the result was impacted by cost of provision for Ivana D decommissioning in the amount of HRK (88) million due to capsizing of the platform in 2020.

HRK mln	2020	2021
INA GROUP		
Total impact of special items on net profit/(loss)	(500)	(88)
Total impact of special items on operating profit/(loss)	(500)	(88)
Total impact of special items on EBITDA	-	(88)
Exploration & Production		
Total impact of special items on operating profit/(loss)	-	(88)
Total impact of special items on EBITDA	-	(88)
Cost of provision for Ivana D decommissioning	-	(88)
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)	-

Changes in equity

	Share capital	Legal reserves	Other reserves	Fair value reserves	(Accumulated losses)/ Retained earnings	Attributable to equity holders of the parent company	Non controlling interest	Total
Balance at 1 January 2020	9,000	166	1,590	241	207	11,204	12	11,216
Profit/(loss) for the period	-	-	-	-	(1,138)	(1,138)	1	(1,137)
Transfer	-	-	-	-	(2)	(2)	-	(2)
Other comprehensive gain/(loss), net	-	-	(58)	(39)	-	(97)	-	(97)
Total comprehensive income/(loss) for the period	-	-	(58)	(39)	(1,140)	(1,237)	1	(1,236)
Transfer to legal reserves from retained earnings	-	33	(3)	-	(30)	-	-	-
Dividend paid	-	-	-	-	(623)	(623)	-	(623)
Balance at 31 December 2020	9,000	199	1,529	202	(1,586)	9,344	13	9,357
Balance at 1 January 2021	9,000	199	1,529	202	(1,586)	9,344	13	9,357
Profit/(loss) for the period	-	-	-	-	1,312	1,312	2	1,314
Other comprehensive gain/(loss), net	-	-	33	78	-	111	-	111
Total comprehensive income/(loss) for the period	-	-	33	78	1,312	1,423	2	1,425
Balance at 31 December 2021	9,000	199	1,562	280	(274)	10,767	15	10,782

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 2021.

As of 31 December 2021 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods and fixed price contracts
- Contracted and available short-term credit lines amounted to HRK 3,620 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 1,993 million
- Issued long-term bond of HRK 2 bln, with a fixed annual interest rate and maturity in December 2026

Notification on treasury shares

INA – Industrija nafte, d.d. notifies that on 31 December 2021, as well as on the date of this publication, holds no treasury shares, either directly or indirectly. Also INA – Industrija nafte, d.d. has no treasury shares buyback program and no employee shareholding program.

Related party transactions

INA Group has dominant position 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 2021, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	2021	2021
Companies available for sale		
JANAF d.d. Zagreb	5	70
Governing company		
MOL Nyrt.	1,881	1,146
Companies controlled by governing company		
Tifon d.o.o.	623	7
MOL Serbia d.o.o.	187	-
MOL Slovenia d.o.o.	45	-
MOL Petrochemical	34	9
Slovnaft, a.s.	9	232
Petrolszolg Kft.	3	-
MOL-LUB Kft.	1	1
MOL Norge AS	1	-
MOL Azerbaijan	-	882
MOL Commodity Trading Kft.	-	22
IES-Italiana Energia e Servizi s.p.a.	-	12
Geoinform Kft.	-	1

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 December 2021	31 December 2021
Companies available for sale		
JANAF d.d. Zagreb	1	4
Governing company		
MOL Nyrt.	253	79
Companies controlled by governing company		
MOL Commodity Trading Kft.	54	54
Tifon d.o.o.	71	2
MOL Serbia d.o.o.	24	-
MOL Slovenia d.o.o.	3	3
Slovnaft, a.s.	2	7
Petrolszolg Kft.	1	-
MOL Fleet Solutions Kft	-	3
MOL Petrochemicals	-	1
Geoinform Kft.	-	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 2020	31 Dec 2021
Oil field services			
Crosco Naftni Servisi d.o.o. Zagreb	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 Ukraine LLC	Oilfield services	100%	100%
Rotary D&W S.R.L. Romania	Oilfield services	100%	100%
Tourism			
*Hostin d.o.o. Zagreb	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	Accounting, book-keeping, auditing, tax consulting	100%	100%
Plavi tim d.o.o., Zagreb	IT services	100%	100%
*INA Vatrogasni servisi d.o.o.	Firefighting activity	100%	100%
*INA Industrijski servisi d.o.o.	Managing activities of holding companies	100%	100%
Production and trading			
*INA Maziva d.o.o., Zagreb	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, B&H	Trading	100%	100%
*Energopetrol d.d. Sarajevo, BiH	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	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%
*INA Maloprodajni servisi d.o.o.	Trading	100%	100%

Management representation

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

Management Board:

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