



**INA GROUP
FY 2022
STATUS REPORT**

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

HRK mln	2021	2022	%
Net sales revenues*	22,400	35,114	57
EBITDA (1)	3,315	5,068	53
EBITDA excl. special items (2)	3,403	5,068	49
CCS EBITDA excl. special items	3,029	5,481	81
Profit/(loss) from operations	1,469	3,230	120
Profit/(loss) from operations excl. special items (2)	1,557	3,408	119
CCS Profit/(loss) from operations excl. special items	1,183	3,821	223
Net (loss)/income from financial activities	94	(124)	n.a.
Profit/(loss) for the period attributable to Owners of the Company	1,285	1,895	47
Profit/(loss) for the period excl. special items (2)	1,373	2,684	96
Simplified Free Cash Flow (3)	1,431	2,753	92
Net operating cash flow	3,454	3,433	(1)
Earnings per share			
Basic and diluted earnings/(loss) per share (HRK per share)	128.5	189.5	47
Net debt	1,759	683	(61)
Net gearing (%)	13.9	5.4	
CAPEX total	1,598	2,728	71
Domestic	1,384	2,583	87
International	214	145	(32)
USD mln (4)	2021	2022	%
Net sales revenues*	3,522	4,904	39
EBITDA (1)	521	708	36
EBITDA excl. special items (2)	535	708	32
CCS EBITDA excl. special items	476	766	61
Profit/(loss) from operations	231	451	95
Profit/(loss) from operations excl. special items (2)	245	476	94
CCS Profit/(loss) from operations excl. special items	186	534	187
Net (loss)/income from financial activities	15	(17)	n.a.
Profit/(loss) for the period attributable to Owners of the Company	202	265	31
Profit/(loss) for the period excl. special items (2)	216	375	74
Simplified Free Cash Flow (3)	225	384	71
Net operating cash flow	543	479	(12)
Earnings per share			
Basic and diluted earnings/(loss) per share (HRK per share)	20.3	26.9	33
Net debt	265	97	(63)
CAPEX total	251	381	52
Domestic	218	361	66
International	34	20	(40)

* Related to Revenue from contracts with customers

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

(2) In 2021 result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning, while in 2022 operating result was negatively impacted by impairment and reversal of impairment of asset in the amount of HRK (178) million and additionally net profit was impacted by extra profit tax in the amount of HRK (611) million

(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: as at 31 December 2021 – 6.6435 HRK/USD; as at 31 December 2022 – 7.0640 HRK/USD; for Q1 2021 – 6.2739 HRK/USD; for Q1 2022 – 6.7147 HRK/USD; for Q2 2021 – 6.2464 HRK/USD; for Q2 2022 – 7.0649 HRK/USD; for Q3 2021 – 6.3528 HRK/USD; for Q3 2022 – 7.4560 HRK/USD; for Q4 2021 – 6.5673 HRK/USD; for Q4 2022 – 7.4034 HRK/USD

2022 financial and operational highlights

Year 2022 was marked by the high economic uncertainty and large changes on the commodity market caused by war in Ukraine, that impacted the entire economy. Oil and gas industry throughout the world recorded strong results in such times, but also faced a variety of regulatory pressures, ranging from regulated prices in various business areas to extra taxes imposed.

INA Group CCS EBITDA excl. special items in 2022 amounted to around HRK 5.5 billion with net profit of HRK 1.9 billion. Net profit was impacted by one-off items in the total amount of HRK 789 million. Refining and Marketing incl. Consumer services and Retail segment result was highly impacted by regulatory limitations which, combined with the intensive investment cycle in the Rijeka Refinery Upgrade Project, resulted in around one billion HRK negative cash flow of the segment. Exploration and Production returned to the position of the main cash generator, reflecting improved price environment. EBITDA of Exploration and Production amounted to HRK 4.9 billion, limited from Q4 2022 by the regulated gas prices at 41 EUR/MWh, which is to stay in force until Q1 2024. Natural decline of production is moderated through increased production optimization activities, amounting to -4% on yearly level. Offshore drilling campaign continued throughout the year with results already visible in 6% higher production volumes offshore. 2022 was additionally marked by various price and margin regulations impacting operational result of both segments, with newly imposed extra profit tax burdening cash generation.

Investment activities in 2022 were highest in the last ten years, with a 71% increase compared to 2021, total of HRK 2.7 billion, out of which 95% invested in Croatia. Rijeka Refinery Upgrade Project and the Offshore drilling campaign remain the biggest investments. Operating cash flow of the company remains stable on year level, despite the strong investment cycle and working capital needs consumes the improved results from operations.



Exploration and Production*

Segment IFRS results (HRK mln)	2021	2022	%
Net sales revenues	3,877	6,725	73
EBITDA	2,427	4,892	102
EBITDA excl. special items **	2,515	4,892	95
Profit from operations	1,535	3,893	154
Profit from operations excl. special items **	1,623	4,071	151
Simplified Free Cash Flow***	1,907	4,097	115
CAPEX	608	795	31

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiary: Adriagas S.r.l. Milano

** In 2021, result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning, while in 2022, operating result was negatively impacted by impairment and reversal of impairment of asset in the amount of HRK (178) million

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

Hydrocarbon production (boe/d)	2021	2022	%
Crude oil production (boe/d)	12,643	12,282	(3)
Croatia	10,390	10,108	(3)
Egypt	1,737	1,610	(7)
Angola	516	564	9
Natural gas production (boe/d)	13,503	12,859	(5)
Croatia – offshore	3,229	3,436	6
Croatia – onshore	10,274	9,423	(8)
Condensate (boe/d)	977	912	(7)
Total hydrocarbon production	27,123	26,053	(4)

Total average realized hydrocarbon price	2021	2022	%
Total average realized hydrocarbon price (USD/boe)*	64	103	60

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

2022 vs. 2021

Key drivers

- Higher prices impacted sales revenues positively since the strong effect of gas price regulation is visible only as of Q4 2022. Revenues are higher by HRK 2,605 million, overall gas sales revenue added HRK 1,670 million of positive effect, while 43% higher Brent price brought an additional HRK 780 million crude oil and condensate sales revenues with other products positive impact on revenues in the amount of HRK 155 million
- Production decreased by only 4%, compared to 8% decrease 2021 vs. 2020, which is a strong improvement considering the maturity of INA oil and gas fields. This is mainly an impact of an intensive investment campaign:
 - Successfully performed actions in the scope of Production optimization project and
 - Positive effect of putting into production two new Offshore wells (Ika B & Marica D) which almost offset
 - Natural decline and higher water cut on major gas fields on Deep Podravina area
- International crude oil production:
 - Egypt: natural decline and lower well performance at all concessions
 - Angola: better well performance on Block 3/05

Capital expenditures

2022 (HRK mln)	Croatia	Egypt	Angola
Exploration	1	16	-
Development	560	90	15
Other	113	-	-
TOTAL	674	106	15

Higher CAPEX level mainly as a result of Croatia Offshore drilling campaign and onshore development activities. Main activities during 2022 were related to:

Croatia Exploration:

- Drava-03: Permitting and documentation preparation for drilling finished; exploration drilling postponed to 2023
- SZH-01: Attribute analysis, geochronological study and economic evaluation finished

Croatia Development Offshore:

- Ika B-1 R and Marica D Dir well production started, authority technical inspection finished and use permit obtained
- Drilling and well testing of wells Ilena-2, Ida D-1 ver, Ira-1 dir and Ida D-2 ver finished, economic evaluation underway

Croatia Development Onshore:

- In total 62 workovers were performed
- Zalata-Dravica: Dravica-3 well is negative. Preparation of PreFEED study, settlement of property legal relations on gas pipeline route and issuance of location permits ongoing

Egypt

- East Damanhur: ED-2X exploration well was drilled as gas discovery
- Egypt, North Bahariya concession: 9 development wells drilled (5 producers put in production and 4 water injectors)
- East Yidma: Divestment process for East Yidma has been finalized

Angola:

- Divestment of Angolan assets: SPA with Afentra Angola, Ltd. was signed; in December 2022 transfer of INA's Participating Interest (PI) on blocks 3/05 and 3/05a has been approved by the Minister of Mineral resources



Refining and Marketing, including Consumer Services and Retail*

Segment IFRS results (HRK mln)	2021	2022	%
Net sales revenues	21,912	34,419	57
EBITDA	1,253	360	(71)
EBITDA excl. special items**	1,253	360	(71)
CCS EBITDA excl. special items**	879	773	(12)
Profit/(loss) from operations	523	(331)	n.a.
Profit/(loss) from operations excl. special items**	523	(331)	n.a.
CCS Profit/(loss) from operations	149	82	(45)
Simplified Free Cash Flow***	(25)	(986)	3,831
CAPEX	904	1,759	95

* 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 and 2022 the result was not impacted by special items

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

Refining processing (kt)	2021	2022	%
Domestic crude oil	95	288	203
Imported crude oil	1,761	1,474	(16)
Other feedstock	732	603	(18)
Total refining throughput	2,588	2,365	(9)
Refining production (kt)			
LPG*	153	128	(16)
Naphtha	63	90	43
Gasoline	601	503	(16)
Kerosene	80	151	89
Diesel	1,032	939	(9)
Heating oil	70	19	(72)
Fuel oil	267	236	(12)
Other products**	74	66	(12)
Total	2,340	2,132	(9)
Refining loss	27	31	15
Own consumption	221	201	(9)
Total refining production	2,588	2,365	(9)
Refined product sales by country (kt)			
Croatia	2,009	2,295	14
B&H	587	595	1
Slovenia	61	52	(14)
Italy	66	17	(74)
Other markets	1,468	769	(48)
Total	4,191	3,729	(11)
Refined product sales by product (kt)			
LPG*	237	220	(7)
Naphtha	63	91	44
Gasoline	724	642	(11)
Kerosene	102	186	83
Diesel	1,808	1,904	5
Heating oil	113	157	39
Fuel oil	267	217	(19)
Bitumen	70	69	(2)
Other ***	807	244	(70)
Total	4,191	3,729	(11)
o/w Consumer services and Retail segment sales	1,060	1,173	11
Total natural gas sales (mln m³)	590	745	26
Total number of service stations	504	506	0

Note: Refined product sales by country and product were adjusted for 2021, as previously announced wholesale quantities also partially included retail values. In addition, adjustment was made by product group for the purpose of identical classification with refinery processing.

*LPG+propylene

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

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

2022 vs. 2021

Key drivers

- Rijeka Refinery start-up was planned and executed at the end of March. Favourable macro environment supported profitable operation on maximum capacity in the peak summer months, mitigating risk of lower product availability on global market driven by Russian-Ukrainian crisis. Market was supplied from import in Nov-Dec 2022 due to Residue Upgrade Project brownfield projects activities execution in Rijeka Refinery
- Trading activities were mainly focused on competitive crude sourcing, safe and timely product sales and supply, own consumption optimization and inventory risk management. In the challenging environment on the market INA stood out as a reliable supplier for all products, especially Blue diesel
- INA maintained the strong market position on core markets, with both commercial and retail margins under pressure due to government price regulations throughout 2022
- Total Retail sales volumes amounted to 1,173 kt in 2022 which is 11% above 2021, with significant contribution coming from Croatian (+116 kt) market as a result of lifted COVID restrictions and excellent tourist consumption
- Non-fuel margin increased 18% reflecting continuous expansion in consumer goods, increasing number of Fresh Corners and improved sales activities. INA Loyalty program in Croatia surpassed 450 thousand registered members
- Lower Clean CCS EBITDA was primarily driven by regulated prices of motor fuels and natural gas in Croatia together with downward fuel market price trends in H2 2022, which was to the great extent mitigated by strong refining margins, especially in Q2 period, and stable commercial performance

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 1,617 million:
 - **Rijeka Refinery Upgrade Project** - The Project achieved 70% completion in overall, with mechanical completion expected in H1 2024. The engineering and procurement reached above 99% with all of the designs completed. Construction reached 52% with the main achievements including the heavy lifting of Coke Drums and Fractionator for the Residue Upgrade Unit, performing most of the civil works on the maritime part of the Port and successfully passing test activities for the newly constructed high-voltage powerline and substations
 - **CDU energy efficiency upgrade project** - Main design completed in September 2022 and building permit issued in December 2022. All contracts for long-lead items signed. The first part of the civil works as well as major overhaul of the existing pumps is currently underway during Rijeka Refinery shutdown
 - **Replacement of condensing turbines with electric drives** - Detail design reached 90% completeness. Preparatory work started
- Consumer Services and Retail capital investments amounted to HRK 142 million in 2022 with focus on service station modernization and continued roll-out of Fresh Corner concept, which is present at 137 service stations (o/w 101 in Croatia). Two new service stations opened in Croatia & Montenegro reaching 506 service stations on INA Group level

Main external parameters

	2021	2022	%
Crude oil and gas prices			
Brent dtd (USD/bbl)	71	101	42
Brent-Ural spread (USD/bbl)	1.7	24.4	1,355
CEGH gas price (EUR/MWh)	46	126	171
FOB MED Products prices and crack spreads			
Gasoline - premium unleaded 10 ppm (USD/t)	670	985	47
Diesel – ULSD 10 ppm (USD/t)	580	1,037	79
Fuel oil 3.5% (USD/t)	381	457	20
LPG (USD/t)	666	791	19
Crack spread – gasoline (USD/t)	133	218	64
Crack spread – diesel (USD/t)	43	270	524
Crack spread – fuel oil 3.5% (USD/t)	(155)	(309)	99
Crack spread – LPG (USD/t)	129	25	(81)
Indicative refining margins (USD/bbl)*	(1.7)	3.4	n.a.
Foreign exchange			
HRK/USD average	6.36	7.16	13
HRK/USD closing	6.64	7.06	6
HRK/EUR average	7.52	7.53	0
HRK/EUR closing	7.52	7.53	0
3m USD LIBOR (%)	0.16	2.40	1,400
3m EURIBOR (%)	(0.55)	0.35	n.a.

*In light of recent market developments the refinery margin methodology was reviewed and previous periods restated. The updated methodology includes purchased energy (enhanced fit to natural gas) and CO₂ costs, assuming Brent crude oil price as benchmark

Condensed Consolidated Statement of Profit or Loss

For the period ended 31 December 2021 and 2022 (in HRK millions)

	Note	2021	2022	%
Revenue from contracts with customers	1	22,400	35,114	57
Other operating income		319	365	14
Total operating income		22,719	35,479	56
Changes in inventories of finished products and work in progress		199	445	124
Costs of raw materials and consumables	2	(8,768)	(13,048)	49
Depreciation, amortisation and impairment (net)	3	(1,846)	(1,838)	(0)
Other material costs	3	(1,868)	(2,204)	18
Service costs	3	(468)	(549)	17
Staff costs	4	(1,765)	(1,803)	2
Costs of other goods sold	5	(6,644)	(13,181)	98
Impairment charges (net)	3	(81)	(137)	69
Provision for charges and risks (net)	3	(313)	(358)	14
Capitalised value of own performance		304	424	39
Operating expenses		(21,250)	(32,249)	52
Profit/(loss) from operations		1,469	3,230	120
Finance income		343	251	(27)
Finance costs		(249)	(375)	51
Net (loss)/profit from financial activities	6	94	(124)	n.a.
Share of net gain/(loss) of joint ventures accounted for using the equity method	6	(9)	(27)	200
Profit/(loss) before tax		1,554	3,079	98
Income tax benefit/(expense)	7	(267)	(1,177)	341
Profit/(loss) for the period		1,287	1,902	48
Attributable to:				
Owners of the Company		1,285	1,895	47
Non-controlling interests		2	7	250
Earnings per share				
Basic and diluted earnings/(loss) per share (HRK per share)		128.5	189.5	47

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

Condensed Consolidated Statement of Financial Position

At 31 December 2021 and 2022 (in HRK millions)

	Note	31 December 2021	31 December 2022	%
Assets				
Non-current assets				
Intangible assets	9	449	499	11
Property, plant and equipment	10	11,249	12,038	7
Investment property		94	136	45
Right-of-use assets	10	307	303	(1)
Investments in associates and joint venture		245	28	(89)
Other investments		9	7	(22)
Other non-current financial asset		544	644	18
Deferred tax		946	977	3
Long-term marketable securities		43	18	(58)
Non-current financial assets		756	833	10
Other non-current asset		298	192	(36)
Total non-current assets		14,940	15,675	5
Current assets				
Inventories	11	2,146	2,999	40
Trade receivables, net	12	2,007	2,739	36
Other current financial asset		1,339	36	(97)
Corporative income tax receivables		6	11	83
Other current assets		262	209	(20)
Derivative financial instruments		11	38	245
Marketable securities		17	122	618
Cash and cash equivalents		1,352	1,707	26
Current assets		7,140	7,861	10
Assets held for sale		13	341	2,523
Total current assets		7,153	8,202	15
Total assets	8	22,093	23,877	8
Equity and liabilities				
Capital and reserves				
Share capital	13	9,000	9,000	-
Legal reserves		199	250	26
Fair value reserves		363	437	20
Other reserves		1,562	1,616	3
(Accumulated losses)/Retained earnings		(254)	610	n.a.
Equity attributable to the owners of the Company		10,870	11,913	10
Non-controlling interests		15	22	47
Total equity		10,885	11,935	10
Non-current liabilities				
Long-term debts		1,983	1,987	0
Long-term lease liabilities		228	230	1
Other non-current liabilities		29	24	(17)
Employee benefits obligation		67	45	(33)
Provisions		3,668	3,514	(4)
Deferred tax liability		15	17	13
Total non-current liabilities		5,990	5,817	(3)
Current liabilities				
Bank loans and current portion of long-term debt		1,145	525	(54)
Current portion of long-term lease liabilities		84	80	(5)
Other current financial liabilities		-	1	n.a.
Trade payables	15	2,143	2,484	16
Taxes and contributions		929	763	(18)
Corporate tax liabilities		9	1,206	13,300
Other current liabilities		522	493	(6)
Derivative financial instruments		64	21	(67)
Employee benefits obligation		4	7	75
Provisions		318	504	58
Total current liabilities		5,218	6,084	17
Liabilities directly associated with assets classified held for sale		-	41	n.a.
Total liabilities	14	11,208	11,942	7
Total equity and liabilities		22,093	23,877	8

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

Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 31 December 2021 and 2022 (in HRK millions)

	Note	2021	2022	%
Profit/(loss) for the period:		1,287	1,902	48
Adjustments for:				
Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)		1,846	1,838	(0)
Income tax (benefit)/expense recognised in profit and loss		267	1,177	341
Impairment charges (net)		81	137	69
Loss/(Gain) on sale of property, plant and equipment		(36)	(88)	144
Foreign exchange (gain)/loss		(10)	109	n.a.
Interest income		(1)	(8)	700
Interest expense		14	34	143
Share of (profit)/loss of joint ventures accounted for using the equity method		9	27	200
Other finance (income)/expense recognised in profit		(171)	(67)	(61)
Increase/(decrease) in provision		258	90	(65)
Decommissioning interests and other provision		74	56	(24)
Net (gain)/loss on derivative financial instruments and hedge transactions		288	143	(50)
Operating cash flow before working capital changes	16	3,906	5,350	37
Movements in working capital	17			
Decrease/(Increase) in inventories		(967)	(1,258)	30
Decrease/(Increase) in receivables and prepayments		(1,655)	(1,460)	(12)
(Decrease)/Increase in trade and other payables		2,192	830	(62)
Cash generated from operations		3,476	3,462	(0)
Taxes paid		(22)	(29)	32
Net cash inflow/(outflow) from operating activities		3,454	3,433	(1)
Cash flows used in investing activities				
Capital expenditures, exploration and development costs		(1,602)	(2,689)	68
Payment for intangible assets		(131)	(93)	(29)
Proceeds from sale of non-current assets		59	98	66
Short-term deposits given		(1,278)	-	n.a.
Proceeds from short-term deposits given		-	1,278	n.a.
Investment in securities		(42)	(116)	176
Proceeds from sale securities		-	38	n.a.
Dividends received from companies classified as non-current financial assets available for sale and from other companies		170	8	(95)
Interest received and other financial income		18	131	628
Proceeds from borrowings to employees		3	4	33
Net cash used in investing activities	18	(2,803)	(1,341)	(52)
Cash flows from financing activities				
Additional short-term borrowings		12,874	10,003	(22)
Repayment of short-term borrowings		(13,862)	(10,678)	(23)
Proceeds from bonds issuance		1,983	-	n.a.
Payment of principal portion of lease liabilities (net)		(86)	(95)	10
Interest paid on short-term loans and other financing charges		(13)	(9)	(31)
Dividends paid to shareholders		(585)	(979)	67
Net cash from financing activities		311	(1,758)	n.a.
Net increase/(decrease) in cash and cash equivalents		962	334	(65)
At the beginning of the period		399	1,352	239
Effect of foreign exchange rate changes		(9)	21	n.a.
At the end of period		1,352	1,707	26
Cash and cash equivalents in statement of financial position		1,352	1,707	26

INA Group Summary Segmental Results of Operations

(HRK mln)	2021	2022	%
Net sales revenues			
Exploration & Production	3,877	6,725	73
Refining & Marketing including Consumer services and Retail	21,912	34,419	57
Corporate and Other	1,346	1,364	1
Intersegment transfers and consolidation adjustments	(4,735)	(7,394)	56
Total	22,400	35,114	57
EBITDA*			
Exploration & Production	2,427	4,892	102
Refining & Marketing including Consumer services and Retail	1,253	360	(71)
Corporate and Other	(73)	(70)	(4)
Intersegment transfers and consolidation adjustments	(292)	(114)	(61)
Total	3,315	5,068	53
EBITDA excluding special items			
Exploration & Production	2,515	4,892	95
Refining & Marketing including Consumer services and Retail	1,253	360	(71)
Corporate and Other	(73)	(70)	(4)
Intersegment transfers and consolidation adjustments	(292)	(114)	(61)
Total	3,403	5,068	49
Profit/(loss) from operations			
Exploration & Production	1,535	3,893	154
Refining & Marketing including Consumer services and Retail	523	(331)	n.a.
Corporate and Other	(299)	(220)	(26)
Intersegment transfers and consolidation adjustments	(290)	(112)	(61)
Total	1,469	3,230	120
Profit/(loss) from operations excluding special items			
Exploration & Production	1,623	4,071	151
Refining & Marketing including Consumer services and Retail	523	(331)	n.a.
Corporate and Other	(299)	(220)	(26)
Intersegment transfers and consolidation adjustments	(290)	(112)	(61)
Total	1,557	3,408	119
Property, plant and equipment			
Exploration & Production	4,096	3,755	(8)
Refining & Marketing including Consumer services and Retail	6,651	7,802	17
Corporate and Other	1,013	1,024	1
Intersegment transfers and consolidation adjustments	(511)	(543)	6
Total	11,249	12,038	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 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 2022 is HRK (114) million compared to HRK (292) million in 2021.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in 2022 amounted to HRK 35,114 million and is 57% higher compared to 2021, supported by improvement in hydrocarbon prices and product quotations
- 2 **Costs of raw materials and consumables** at HRK (13,048) million were 49% higher than 2021 level, reflecting different dynamic of refinery operations and higher prices
- 3 Other **operating costs** realized in 2022 include:
 - Other material costs in the amount of HRK (2,204) million were higher by 18%, mainly driven by higher transportation and maintenance costs
 - Service costs in the amount of HRK (549) million were 17% higher than the 2021, mainly driven by the effect of subsidiary liquidation
 - Depreciation, amortisation and impairment (net) in the amount of HRK (1,838) million were at the level of 2021
 - Impairment charges (net) had a negative effect in the amount of HRK (137) million in 2022 compared to negative effect in the amount of HRK (81) million in 2021, mainly due to higher receivables collection in 2021
 - Provision for charges and risk (net) had a negative effect in the amount of HRK (358) million in 2022 compared to HRK (313) million negative effect in 2021
- 4 **Staff costs** in the amount HRK (1,803) million were 2% higher than the 2021
- 5 **Costs of other goods sold** in 2022 increased compared to 2021 and amounted to HRK (13,181) million resulting from price increase and higher import to ensure market supply
- 6 **Net result from financial activities** is negative in 2022 mainly as a result of:
 - Net foreign exchange loss amounted HRK (111) million in 2022, while in 2021 gain reached HRK 10 million
 - Interest expense amounted to HRK (90) million and interest income amounted to HRK 8 million in 2022, while in 2021 interest expense amounted to HRK (88) million and interest income to HRK 1 million
 - Other financial net gain amounted to HRK 69 million in 2022 compared to HRK 171 million 2021
- 7 **Income tax expense** in 2022 amounted to HRK (1,177) million compared to HRK (267) million income tax expense in 2021. 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 2022 and 2021.

As of December 21st, 2022 Extra Profit Tax Law entered into force, extra profit tax in the amount HRK (611) million is calculated for INA d.d. as it is only company within the INA Group meeting the prescribed criteria.

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 31 December 2022 INA Group **total assets** amounted to HRK 23,877 million, 8% higher than 31 December 2021
- 9 In the period ended 31 December 2022, INA Group invested HRK 84 million in **intangible assets**. The effect of depreciation equals HRK 72 million
- 10 In the period ended 31 December 2022, INA Group invested HRK 2,644 million in **property, plant and equipment**. The effect of depreciation reduced net book value in the amount of HRK 1.449 million
- 11 **Inventories** amounted to HRK 2,999 million and increased compared to HRK 2,146 million on 31 December 2021 mainly due to higher prices and volumes
 - During 2022, HRK (181) million was recognized as an impairment of refined products and work in progress (in 2021 impairment of refined products and work in progress net impact was neutral) within Changes in inventories of finished products and work in progress within statement of profit or loss
 - During 2022, HRK (27) million was recognized as impairment of merchandise (2021: HRK (9) million was recognized as impairment of merchandise) within Cost of other goods sold within statement of profit or loss
- 12 **Trade receivables (net)** amounted to HRK 2,739 million, which is 36% higher than on 31 December 2021 mainly due to higher sales value and improving price environment
- 13 **Share capital** as at 31 December 2022 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 2022 **total liabilities** amounted to HRK 11,942 million, 7% higher compared to 31 December 2021. INA Group **net debt** amounted to HRK 683 million and decreased compared to 31 December 2021. **Net gearing** decreased from 13.9% as at 31 December 2021 to 5.4% as at 31 December 2022
- 15 **Trade payables** amounted to HRK 2,484 million and increased by 16% compared to 31 December 2021

Condensed Consolidated Cash Flow Statement (Indirect method)

Notes

- 16 The **operating cash flow before working capital changes** amounted to HRK 5,350 million in 2022 representing an increase compared to 2021, which is in line with the change in EBITDA performance excluding non-cash items
- 17 **Movements in working capital** affected the operating cash flow negatively by HRK (1,888) million, due to:
- Increase in value of inventories in the amount of HRK (1,258) million, mainly related to higher prices and volumes
 - Increase in receivables in the amount of HRK (1,460) million mainly related to higher sales prices
 - Increase in trade and other payables amounted to HRK 830 million, mainly related to higher purchase prices and volumes in line with production dynamics
- 18 **Net cash used in investing activities** amounted to HRK (1,341) million of outflows due to intensive investment in Refining operations and Exploration and production Offshore operations and is lower compared to HRK (2,803) million outflows in 2021

Reclassification

INA Management Board adopted at December 2022 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 financial statements are amended, all comparative amounts are reclassified.

During 2022, impairment of two oil fields in Egypt was recognized in the amount of HRK 86 million. Since the conditions that led to this impairment existed in previous periods the Group and the Company made the following corrections: HRK 33 million in 2021 statement of profit or loss, and HRK 53 million through retained earnings as at 1 January 2021 to present the impacts in periods to which they relate. As this is a temporary tax difference, a deferred tax asset in the amount of HRK 6 million was recognized in 2021 statement of profit or loss, and HRK 9 million was recognised as at 1 January 2021 and HRK 15 million as at 31 December 2021 in the statement of financial position.

During 2022, the Group and the Company detected an omission regarding the accounting treatment of excise duties calculated on oil derivatives which have not been sold at period end which resulted in an understatement of current assets. To correct this omission, the Group and the Company corrected the statement of financial position as at 1 January 2021 and 31 December 2021 by increasing the current assets in the amount of HRK 90 million and increasing the retained earnings for the same amount as this omission relates to periods prior to the ones presented in these financial statements.

Historically the Group and the Company measured its 7.75% investment in OMV Slovenia at cost. Since the investment is held as fair value through other comprehensive income as at 1 January 2021 and 31 December 2021 the Group and the Company corrected the measurement of the investment to reflect the fair value. The impact on the statement of financial position as at 1 January 2021 is an increase of the investment in amount of HRK 123 million, with fair value reserves increase in the amount of HRK 101 million and a deferred tax liability in the amount of HRK 22 million. The impact on the statement of financial position as at 31 December 2021 is an increase of the investment in the amount of HRK 101 million, with fair value reserves increase in the amount of HRK 83 million and a deferred tax liability in the amount of HRK 18 million.

In prior periods gain on non-current financial assets was by error presented as part of items that may be reclassified subsequently to profit or loss within the statement of other comprehensive income. Classification in 2021 was corrected to present this line as part of items that will not be reclassified subsequently to profit or loss.

During 2022, the Group and the Company presented properties which meet the definition of investment property as per IAS 40 to correct the error in presentation as follows: for the Group as at 31 December 2021 in the amount of HRK 94 million (1 January 2021: HRK 100 million) and for the Company in the amount of HRK 76 million (1 January 2021.: HRK 79 million), with no impact on the presented statements of profit or loss.

Within the statement of financial position line items were previously presented to combine the presentation of categories of financial and non-financial assets and liabilities within the same line. Management corrected this error in presentation as at 31 December 2021 and 1 January 2021 by splitting the previously reported financial statements line items into other investments (non-current financial assets at fair value through profit or loss), other non-current assets (non-current non-financial asset), other non-current financial assets (non-current financial assets at amortised cost) and long-term marketable securities (fair value through other comprehensive income debt instruments). Other current receivables were split into other current financial assets (current financial assets at amortised cost), other current assets (non-financial current assets), derivative financial instruments (financial assets at fair value through profit or loss) and marketable securities (financial assets at fair value through other comprehensive income). Liabilities arising from derivative financial instruments (financial liabilities at fair value) were separately presented from other current liabilities.

Within statement of cash flows, previously reported net presentation of cash flow from borrowings within cash flows from financing activities was corrected to present proceeds and repayments of borrowing in 2021 separately.

In the statement of cash flows, the presentation of the amount of HRK 89 million for the Group and HRK 77 million for the Company relating to payment of principal portion of lease liabilities was corrected in 2021 by transferring the amount from operating activities to financing activities.

The Group and the Company have restated the cash and cash equivalents line in the statement of financial position in the amount of HRK 1,278 million. The amount was represented to statement of financial position line other current financial assets to correct the error in classification. The same amount was presented as the additional cash outflow from investing activities in the statement of cash flows within the line short-term deposits given.



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 a 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 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.

In 2022, operating result was negatively impacted by impairment and reversal of impairment of asset in the amount of HRK (178) million and additionally net profit was negatively impacted by extra profit tax in the amount of HRK (611) million. Syrian assets are now fully impaired due to the continued force majeure and adverse geopolitical situation, while Northern Adriatic Concession Area value increased with the increase in gas prices.

HRK mln	2021	2022
INA GROUP		
Total impact of special items on net profit/(loss)	(88)	(789)
o/w Extra profit tax		(611)
Total impact of special items on operating profit/(loss)	(88)	(178)
Total impact of special items on EBITDA	(88)	-
Exploration & Production		
Total impact of special items on operating profit/(loss)	(88)	(178)
Impairment of asset in Syria	-	(282)
Reversal of impairment for Northern Adriatic Concession Area	-	104
Total impact of special items on EBITDA	(88)	-
Cost of provision for Ivana D decommissioning	(88)	-

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 2022.

As of 31 December 2022 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 4,131 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 2,260 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 2022, 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.

Russia – Ukraine conflict

Management is continuously investigating and assessing the possible effects of the current geopolitical situation, international sanctions and other possible limitations on the supply chain and business activities of INA Group, driven by the Russia's invasion of Ukraine that commenced on 24 February 2022. INA Group exposure to Russia and Ukraine does not require any adjustments to these financial statements as of 31 December 2022, and is not expected to jeopardize the business continuity of the Group.

Changes in equity

	Share capital	Legal reserves	Fair value reserves	Other reserves	(Accumulated losses)/ Retained earnings	Attributable to equity holders of the parent company	Non controlling interest	Total
Balance at 1 January 2021	9,000	199	202	1,529	(1,586)	9,344	13	9,357
Restatement of the prior period	-	-	101	-	47	148	-	148
Balance at 1 January 2021 (restated)	9,000	199	303	1,529	(1,539)	9,492	13	9,505
Profit/(loss) for the period	-	-	-	-	1,285	1,285	2	1,287
Other comprehensive gain/(loss), net	-	-	60	33	-	93	-	93
Total comprehensive income/(loss) for the period (restated)	-	-	60	33	1,285	1,378	2	1,380
Balance at 31 December 2021 (restated)	9,000	199	363	1,562	(254)	10,870	15	10,885
Balance at 1 January 2022 (restated)	9,000	199	363	1,562	(254)	10,870	15	10,885
Profit/(loss) for the period	-	-	-	-	1,895	1,895	7	1,902
Other comprehensive gain/(loss), net	-	-	74	54	-	128	-	128
Total comprehensive income/(loss) for the period	-	-	74	54	1,895	2,023	7	2,030
Transfer to legal reserves	-	51	-	-	(51)	-	-	-
Dividends	-	-	-	-	(980)	(980)	-	(980)
Balance at 31 December 2022	9,000	250	437	1,616	610	11,913	22	11,935

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 2022, INA Group entered into the following trading transactions with the following related parties:

INA Group HRK mln	Sales of goods	Purchase of goods
	2022	2022
Companies available for sale		
JANAF d.d. Zagreb	8	81
Governing company		
MOL Nyrt.	1,342	1,108
Companies controlled by governing company		
Tifon d.o.o.	1,127	8
MOL Serbia d.o.o.	185	6
MOL Slovenia d.o.o.	180	-
MOL Commodity Trading Kft.	103	207
MOL Petrochemical	68	38
MOL Germany GMBH	23	-
Slovnaft, a.s.	16	475
Petrolszolg Kft.	7	-
MOL-LUB Kft.	1	2
Slovnaft Montaze a opravy a.s.	1	-
Mélyfűrási Zrt.	1	4
MOL Azerbaijan	-	2,121

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 December 2022	31 December 2022
Companies available for sale		
JANAF d.d. Zagreb	1	8
Governing company		
MOL Nyrt.	273	76
Companies controlled by governing company		
Tifon d.o.o.	94	2
MOL Serbia d.o.o.	16	1
MOL Petrochemicals Co. Ltd.	9	-
MOL Commodity Trading Kft.	8	9
MOL Slovenia d.o.o.	2	2
Petrolszolg Kft.	1	-
Slovnaft, a.s.	-	54
MOL Germany GMBH	-	5
Mélyfűrási Zrt.	-	2
MOL Fleet Solutions Kft	-	3

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 2021	31 Dec 2022
Oil field services			
Croscó Naftni Servisi d.o.o. Zagreb	Oilfield services	100%	100%
Croscó B.V. Amsterdam, Netherlands (liquidated in 2022)	Oilfield services	100%	-
Nordic Shipping Ltd, Marshall Islands (liquidated in 2022)	Platform leasing	100%	-
Sea Horse Shipping Inc, Marshall Islands	Platform leasing	100%	100%
Rotary Zrt., Hungary	Oilfield services	100%	100%
Croscó S.A. DE C.V. Monterrey, Mexico	Oilfield services	99.90%	99.90%
Croscó 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%
Auxiliary 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 (liquidated in 2022)	Trading	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 2022 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:

- Péter Ratatics – President of the Management Board
- Zsombor Adam Marton – Member of the Management Board
- Krisztián Pulay – Member of the Management Board
- Miroslav Skalicki – Member of the Management Board
- dr.sc. Hrvoje Šimović – Member of the Management Board
- Marin Zovko – Member of the Management Board