

INA



**INA, D.D.
FY 2023
STATUS REPORT**

Zagreb, March 2024

Content

Management discussion and analysis	3
INA, d.d. financial results (IFRS)	3
Financial and operational highlights	3
Condensed non-consolidated Statement of Profit or Loss	4
Condensed non-consolidated Statement of Financial Position	5
Condensed non-consolidated Cash Flow Statement (Indirect method)	6
INA, d.d. Summary Segmental Results of Operations	7
Financial overview and notes	8
Special items in operating profit and EBITDA	9
Changes in equity	9
Related party transactions	10
Management representation	11

Management discussion and analysis

INA, d.d. financial results (IFRS)

EUR mn	2022	2023	%
Net sales revenues*	4,558.9	3,762.9	(17)
EBITDA ⁽¹⁾	650.1	485.4	(25)
EBITDA excl. special items ⁽²⁾	650.1	460.5	(29)
Profit/(loss) from operations	407.7	294.0	(28)
Profit/(loss) from operations excl. special items ⁽²⁾	431.3	269.1	(38)
Net (loss)/income from financial activities	(4.7)	(29.1)	524
Profit/(loss) for the period attributable to Owners of the Company	243.8	224.0	(8)
Profit/(loss) for the period excl. special items ⁽²⁾	348.6	199.1	(43)
Net operating cash flow	446.7	402.3	(10)
Earnings per share			
Basic and diluted earnings/(loss) per share (EUR per share)	24.4	22.4	(8)
Net debt	112.8	225.3	100
Net gearing (%)	6.2	11.5	
CAPEX total	354.7	302.8	(15)
USD mn ⁽⁴⁾			
	2,022.0	2,023.0	%
Net sales revenues*	4,797.5	4,071.6	(15)
EBITDA ⁽¹⁾	684.0	525.5	(23)
EBITDA excl. special items ⁽²⁾	684.0	498.8	(27)
Profit/(loss) from operations	428.9	318.5	(26)
Profit/(loss) from operations excl. special items ⁽²⁾	453.8	291.8	(36)
Net (loss)/income from financial activities	(4.9)	(31.3)	534
Profit/(loss) for the period attributable to Owners of the Company	256.5	242.9	(5)
Profit/(loss) for the period excl. special items ⁽²⁾	366.8	216.1	(41)
Net operating cash flow	470.1	436.2	(7)
Earnings per share			
Basic and diluted earnings/(loss) per share (EUR per share)	25.7	24.3	(5)
Net debt	120.3	203.9	69
CAPEX total	373.3	327.4	(12)

*Related to Revenue from contracts with customers

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

(2) In 2022 operating result was negatively impacted by impairment and reversal of impairment of asset in the amount of EUR (23.6) million and additionally net profit was impacted by extra profit tax in the amount of HRK (81.1) million, while 2023 result was impacted by revision of decommission related cost in the amount of EUR 24.9 million

(3) In converting EUR figures into US Dollars, the following average CNB (HNB) rates were used: as at 31 December 2022 - 1.0666 EUR/USD; as at 31 December 2023 - 1.1050; for Q1 2022 - 1.1229 EUR/USD; for Q1 2023 - 1.0730 EUR/USD; for Q2 2022 - 1.0670 EUR/USD; for Q2 2023 - 1.0730; for Q3 2022 - 1.0086; for Q3 2023 - 1.0884; for Q4 2022 - 1.0180; for Q4 2023 - 1.0751

Financial and operational highlights

Following the extraordinary 2022, 2023 is marked with stabilization of hydrocarbon prices, which results in somewhat lower but still strong results of INA, d.d. EBITDA excl. special items of INA, d.d. for 2023 amounted to EUR 461 million while net profit remained around the 2022 level with EUR 224 million. Main driver of the EBITDA movement is the decrease of realized hydrocarbon prices by 28%, with gas prices' drop much stronger than oil.

Exploration and Production EBITDA was lower following the external environment and moderate decline of production, EUR 415 million for 2023. Production declined in line with the expected natural decline, Angola divestment and turnaround on gas treatment facilities. On the other hand, contribution was achieved with the Egyptian East Damanhur concession, which started with gas production in September and commercial discovery on Veliki Rastovac-1 well. All the factors resulted in 6% lower production.

Refining and Marketing incl. Consumer services and Retail segment result improved mainly due to strong market demand and positive contribution of own production. Retail sales volumes increased by 19%, as a result of good tourist season and positive market trends. Beside the strong fuel sales, non-fuel margin continued to grow with 33% margin increase.

Capital expenditures amounted to EUR 303 million, 15% decrease compared to 2022 in line with different project dynamics. Exploration and Production investments remained strong at EUR 100 million. Rijeka Refinery Upgrade Project reached 84% total completion. Financial position was stable with net debt of EUR 225 million, reflecting sustainable backbone for future investments.



Condensed non-consolidated Statement of Profit or Loss

For the period ended 31 December 2022 and 2023 (in EUR millions)

	2022	2023	%
Revenue from contracts with customers	4,558.9	3,762.9	(17)
Other operating income	44.6	67.7	52
Total operating income	4,603.5	3,830.6	(17)
Changes in inventories of finished products and work in progress	51.8	(11.5)	n.a.
Costs of raw materials and consumables	(1,854.0)	(1,276.4)	(31)
Depreciation, amortisation and impairment (net)	(242.4)	(191.4)	(21)
Other material costs	(318.2)	(254.3)	(20)
Service costs	(109.6)	(124.2)	13
Staff costs	(110.0)	(109.2)	(1)
Costs of other goods sold	(1,552.1)	(1,520.0)	(2)
Impairment charges (net)	(13.2)	(12.8)	(3)
Provision for charges and risks (net)	(55.6)	(43.2)	(22)
Capitalised value of own performance	7.5	6.4	(15)
Operating expenses	(4,195.8)	(3,536.6)	(16)
Profit/(Loss) from operations	407.7	294.0	(28)
Finance income	42.3	33.2	(22)
Finance costs	(47.0)	(62.3)	33
Net gain/(loss) from financial activities	(4.7)	(29.1)	519
Share in gain/(loss) in associated companies accounted for using the equity method	(5.1)	-	n.a.
Profit/(Loss) before tax	397.9	264.9	(33)
Income tax gain/(expense)	(154.1)	(40.9)	(73)
Profit/(Loss) for the period	243.8	224.0	(8)
Earnings per share			
Basic and diluted earnings/(loss) per share (EUR per share)	24.4	22.4	(8)

Condensed non-consolidated Statement of Financial Position

For the period ended 31 December 2022 and 2023 (in EUR millions)

	31 December 2022	31 December 2023	%
Assets			
Non-current assets			
Intangible assets	61.5	65.1	6
Property, plant and equipment	1,434.5	1,504.6	5
Investment property	9.7	13.7	41
Right-of-use assets	51.5	56.5	10
Investment in subsidiaries	242.7	238.1	(2)
Investments in associates and joint venture	2.3	121.2	5.170
Other investments	0.6	0.6	-
Deferred tax assets	110.3	103.1	(7)
Long-term marketable securities	2.3	2.5	8
Other non-current financial assets	190.6	145.2	(24)
Non-current financial assets	110.6	98.6	(11)
Other non-current assets	26.7	27.3	2
Total non-current assets	2,243.3	2,376.5	6
Current assets			
Inventories	357.3	319.5	(11)
Intercompany receivables	40.0	25.7	(36)
Trade receivables, net	323.5	284.4	(12)
Other current financial assets	12.2	25.6	110
Corporate income tax receivables	-	2.2	n.a.
Other current assets	17.1	25.0	46
Derivative financial instruments	-	9.9	n.a.
Marketable securities	16.1	-	n.a.
Cash and cash equivalents	217.7	139.8	(36)
Current assets	983.9	832.1	(15)
Non-current assets held for sale	44.3	-	n.a.
Total current assets	1,028.2	832.1	(19)
Total assets	3,271.5	3,208.6	(2)
Equity and liabilities			
Capital and reserves			
Share capital	1,194.5	1,200.0	0
Legal reserves	33.2	39.9	20
Fair value reserves	58.0	73.9	27
Other reserves	161.7	153.3	(5)
(Accumulated losses)/Retained earnings	246.5	258.4	5
Total equity	1,693.9	1,725.5	2
Non-current liabilities			
Long-term debts	282.4	281.7	(0)
Long-term lease liabilities	39.9	42.2	6
Other non-current liabilities	3.1	2.6	(16)
Employee benefits obligation	1.8	2.0	11
Provisions	486.5	429.5	(12)
Total non-current liabilities	813.7	758.0	(7)
Current liabilities			
Bank loans and current portion of long-term debts	64.2	83.4	30
Current portion of long-term lease liabilities	12.6	15.4	23
Intercompany payables	32.3	51.8	60
Other current financial liabilities	0.9	2.4	167
Trade payables	290.4	276.8	(5)
Taxes and contributions	89.1	167.5	88
Income tax payables	159.4	30.8	(81)
Other current liabilities	43.8	34.8	(21)
Derivative financial instruments	2.0	12.1	505
Employee benefits obligation	0.3	0.2	(33)
Provisions	63.5	49.9	(21)
Current liabilities	758.5	725.1	(4)
Liabilities of disposal group classified as held for sale	5.4	-	n.a.
Total current liabilities	763.9	725.1	(5)
Total liabilities	1,577.6	1,483.1	(6)
Total equity and liabilities	3,271.5	3,208.6	(2)

Condensed non-consolidated Cash Flow Statement (Indirect method)

For the period ended 31 December 2022 and 2023 (in EUR millions)

	2022	2023	%
Profit/(loss) for the period:	243.8	224.0	(8)
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)	242.4	191.4	(21)
Income tax (benefit)/expense recognised in profit and loss	154.1	40.9	(73)
Impairment charges (net)	13.2	12.8	(3)
Loss/(Gain) on sale of property, plant and equipment	(11.4)	(18.5)	62
Foreign exchange (gain)/loss	12.7	6.5	(49)
Interest income	(3.2)	(7.7)	141
Interest expense	4.7	5.6	19
Share of (gain)/loss of joint ventures accounted for using the equity method	5.1	-	n.a.
Other finance (income)/expense recognised in profit	(16.9)	4.1	n.a.
Increase/(decrease) in provision	19.5	(34.0)	n.a.
Decommissioning interests and other provision	7.8	20.6	164
Net (gain)/loss on derivative financial instruments and hedge transactions	19.0	2.9	(85)
Other non-cash items	-	(4.8)	n.a.
Operating cash flow before working capital changes	690.8	443.8	(36)
Movements in working capital			
Decrease/(Increase) in inventories	(152.9)	25.0	n.a.
Decrease/(Increase) in receivables and prepayments	(191.7)	23.0	n.a.
(Decrease)/Increase in trade and other payables	102.2	73.6	(28)
Cash generated from operations	448.4	565.4	26
Taxes paid	(1.7)	(163.1)	9.494
Net cash inflow/(outflow) from operating activities	446.7	402.3	(10)
Cash flows used in investing activities			
Capital expenditures, exploration and development costs	(348.9)	(289.7)	(17)
Payment for intangible assets	(12.3)	(16.5)	34
Proceeds from sale of non-current assets	11.9	33.9	185
Proceeds from short-term deposits given	169.6	-	n.a.
Proceeds from investment in securities	(15.4)	(92.7)	502
Proceeds from sale of securities	5.0	44.2	784
Dividends received	1.2	1.4	17
Dividends received from subsidiaries	8.0	3.1	(61)
Interest received and other financial income	19.7	12.0	(39)
Proceeds from loan to subsidiaries	(20.8)	31.2	n.a.
Net cash used for investing activities	(182.0)	(273.1)	50
Cash flows from financing activities			
Proceeds from borrowings	1,274.5	1,194.1	(6)
Repayment of borrowings	(1,343.6)	(1,169.3)	(13)
Dividends paid	(129.9)	(200.0)	54
Payment of principal portion of lease liabilities (net)	(14.9)	(15.3)	3
Interest paid on short-term loans and other financing charges	(1.4)	(14.9)	957
Net cash from financing activities	(215.3)	(205.3)	(5)
Net increase/(decrease) in cash and cash equivalents	49.4	(76.2)	n.a.
At the beginning of the period	171.9	217.7	27
Effect of foreign exchange rate changes	(3.6)	(1.7)	(53)
Cash and cash equivalents in statement of financial position	217.7	139.8	(36)

INA, d.d. Summary Segmental Results of Operations

(EUR mn)	2022	2023	%
Net sales revenues			
Exploration & Production	892.2	582.2	(35)
Refining & Marketing including Consumer services and Retail	4,485.3	3,717.4	(17)
Corporate and Other	38.9	42.6	10
Intersegment transfers and consolidation adjustments	(857.5)	(579.3)	(32)
Total	4,558.9	3,762.9	(17)
EBITDA*			
Exploration & Production	650.6	414.8	(36)
Refining & Marketing including Consumer services and Retail	27.7	68.9	149
Corporate and Other	(17.8)	(22.4)	26
Intersegment transfers and consolidation adjustments	(10.4)	24.1	n.a.
Total	650.1	485.4	(25)
EBITDA Excluding Special Items			
Exploration & Production	650.6	389.9	(40)
Refining & Marketing including Consumer services and Retail	27.7	68.9	149
Corporate and Other	(17.8)	(22.4)	26
Intersegment transfers and consolidation adjustments	(10.4)	24.1	n.a.
Total	650.1	460.5	(29)
Profit/(Loss) from operations			
Exploration & Production	512.6	320.9	(37)
Refining & Marketing including Consumer services and Retail	(61.0)	(13.4)	(78)
Corporate and Other	(33.5)	(37.6)	12
Intersegment transfers and consolidation adjustments	(10.4)	24.1	n.a.
Total	407.7	294.0	(28)
Profit/(Loss) from operations Excluding Special Items			
Exploration & Production	536.3	296.0	(45)
Refining & Marketing including Consumer services and Retail	(61.0)	(13.4)	(78)
Corporate and Other	(33.5)	(37.6)	12
Intersegment transfers and consolidation adjustments	(10.4)	24.1	n.a.
Total	431.3	269.1	(38)
Property, plant and equipment			
Exploration & Production	473.3	435.7	(8)
Refining & Marketing including Consumer services and Retail	929.8	1,035.2	11
Corporate and Other	31.4	33.7	7
Total	1,434.5	1,504.6	5

*EBITDA= EBIT - Depreciation, amortisation and impairment (net)

Financial overview and notes

Condensed non-consolidated Statement of Profit or Loss

Revenue from contract with customers in 2023 amounted to EUR 3,762.9 million and are below the 2022 level, mainly due to deteriorated hydrocarbon prices and product quotations.

Costs of raw materials and consumables at EUR (1,276.4.) million were 31% lower than 2022 level, reflecting different dynamic of refinery operation and lower price environment.

Other **operating costs** realized in 2023 include:

- Other material costs in the amount of EUR (254.3) million were lower by 20% mainly driven by lower transportation costs and lower crude oil price impact
- Service costs in the amount of EUR (124.2) million were 13% higher than in 2022, reflecting inflation of intellectual and other services prices, and higher insurance premiums
- Depreciation, amortisation and impairment (net) in the amount of EUR (191.4) million were 21% lower compared to 2022
- In 2023, impairment charges had a negative effect in the amount of EUR (12.8) million compared to EUR (13.2) million negative effect in 2022
- Provision for charges and risk (net) in the amount of EUR (43.2) million were lower compared to EUR (55.6) million in 2022

Staff costs in the amount EUR (109.2) million were at the level of 2022

Costs of other goods sold in 2023 decreased by 2% compared to 2022 and amounted to EUR (1,520.0) million

Net result from financial activities in 2023 is negative in the amount of EUR (29.1) million compared to EUR (4.7) million of net financial loss in 2022

Income tax expense in 2023 amounted to EUR (40.9) million compared EUR (154.1) million income tax expense including extra profit tax in 2022. 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 2023 and 2022

Condensed non-consolidated Statement of Financial Position

Total assets of INA d.d., on 31 December 2023 amounted to EUR 3,208.6 million and are 2% lower compared to 31 December 2022

Property, plant and equipment amounted to EUR 1,504.6 million and were 5% higher compared to 31 December 2022

Trade receivables, net decreased to EUR 284.4 million compared to EUR 323.5 million on 31 December 2022

Total liabilities amounted to EUR 1,483.1 million and were 6% lower compared to 31 December 2022

INA, d.d. **net debt** amounted to EUR 225.3 million and increased compared to 31 December 2022. **Net gearing** increased from 6.2% on 31 December 2022, to 11.5% on 31 December 2023

Trade payables decreased from EUR 290.4 million on 31 December 2022 to EUR 276.8 million on 31 December 2023, mainly due to lower prices than last year

Condensed non-consolidated Cash Flow Statement (Indirect method)

The operating cash flow before movements in working capital amounted to EUR 443.8 million in 2023, 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 negatively by EUR 121.6 million, primarily due to:

- Decrease in value of inventories in the amount of EUR 25.0 million, mainly related to higher volumes
- Decrease in receivables and prepayments in the amount of EUR 23.0 million
- Increase in trade and other payables in the amount of EUR 73.6 million, mainly related to higher crude import in 2023

INA d.d. generated EUR 402,3 million net cash inflow from operating activities in 2023 compared to EUR 446,7 million inflow in 2022

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.

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 2022, operating result was negatively impacted by impairment and reversal of impairment of asset in the amount of EUR (23.6) million and additionally net profit was negatively impacted by extra profit tax in the amount of HRK (81.1) million.

In 2023, the result was impacted by revision of decommission related cost in the amount of EUR 24.9 million.

EUR mn	2022	2023
INA d.d.		
Total impact of special items on net profit/(loss)	(104.7)	24.9
o/w Extra profit tax	(81.1)	-
Total impact of special items on operating profit/(loss)	(23.6)	24.9
Total impact of special items on EBITDA	-	24.9
Exploration & Production		
Total impact of special items on operating profit/(loss)	(23.6)	24.9
Impairment of asset in Syria	(37.4)	-
Reversal of impairment for Northern Adriatic Concession Area	13.8	-
Total impact of special items on EBITDA	-	24.9
Decommission related costs	-	24.9

Changes in equity

	Share capital	Legal reserves	Fair value reserves	Other reserves	Retained earnings/ (accumulated losses)	Total
Balance at 1 January 2022	1,194.5	26.4	48.1	160.8	139.7	1,569.5
Profit for the year	-	-	-	-	243.8	243.8
Other comprehensive income, net	-	-	9.9	0.8	-	10.7
Total comprehensive income for the year	1,194.5	26.4	58.0	161.6	383.5	1,824.0
Transfer to legal reserves	-	6.8	-	-	(6.8)	-
Dividends paid	-	-	-	-	(130.1)	(130.1)
Balance at 31 December 2022	1,194.5	33.2	58.0	161.6	246.6	1,693.9
Balance at 1 January 2023	1,194.5	33.2	58.0	161.6	246.6	1,693.9
Profit for the period	-	-	-	-	224.0	224.0
Other comprehensive income, net	-	-	15.9	(8.3)	-	7.6
Total comprehensive income/(loss) for the period	-	-	15.9	(8.3)	224.0	231.6
Transfer to legal reserves	-	12.2	-	-	(12.2)	-
Increase in share capital due to the conversion of HRK into EUR	5.5	(5.5)	-	-	-	-
Dividends paid	-	-	-	-	(200.0)	(200.0)
Balance at 31 December 2023	1,200.0	39.9	73.9	153.3	258.4	1,725.5

Related party transactions

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., other INA Group companies and other related parties during 2023 are disclosed below:

INA d.d.	Sales of goods	Purchase of goods
EUR mn	31 December 2023	31 December 2023
Related companies		
Holdina d.o.o. Sarajevo	430.2	0.3
INA Crna Gora d.o.o. Podgorica	68.5	-
INA Slovenija d.o.o. Ljubljana	13.3	-
STSI, Integrirani tehnički servisi d.o.o.	3.4	87.1
Plavi tim d.o.o.	1.8	14.4
CROSCO, naftni servisi d.o.o.	1.8	44.4
INA Maloprodajni servisi d.o.o.	1.0	55.5
INA MAZIVA d.o.o.	0.4	11.9
INA Vatrogasni Servisi d.o.o.	0.4	11.2
Top Računovodstvo Servisi d.o.o.	0.2	5.2
Hostin d.o.o.	0.1	0.1
Adriagas S.r.l. Milano	-	0.3
INA d.o.o. Banja Luka	-	0.1
INA Kosovo d.o.o.	-	0.1
Share in company as non-current financial assets		
JANAF d.d. Zagreb	0.1	9.3
Ultimate parent company		
MOL Nyrt.	175.9	105.6
Related companies controlled through the same ultimate parent		
Tifon d.o.o.	145.9	1.0
MOL Serbia d.o.o.	29.7	-
MOL Slovenija d.o.o.	2.8	-
MOL Petrochemicals Co. Ltd.	2.4	(0.7)
MOL Germany GmbH	(0.2)	-
MOL Commodity Trading Kft.	-	41.0
SLOVNAFT, a.s.	1.1	223.2
IES - Italiana Energia e Servizi S.p.A	-	0.9
FGSZ Zrt.	-	0.2

INA d.d.	Amounts owed from related parties	Amounts owed to related parties
EUR mn	31 December 2023	31 December 2023
Related companies		
Holdina d.o.o. Sarajevo	16.0	0.2
INA Crna Gora d.o.o. Podgorica	6.3	-
CROSCO, naftni servisi d.o.o.	0.3	7.3
INA Slovenija d.o.o. Ljubljana	1.4	-
STSI, Integrirani tehnički servisi d.o.o.	0.5	22.8
Plavi tim d.o.o.	0.2	2.8
INA Maloprodajni servisi d.o.o.	0.2	6.3
INA MAZIVA d.o.o.	0.1	1.3
Top Računovodstvo Servisi d.o.o.	0.1	0.2
INA Vatrogasni Servisi d.o.o.	-	1.4
Adriagas S.r.l. Milano	-	0.1
Share in company as non-current financial assets		
JANAF d.d. Zagreb	-	1.6
Ultimate parent company		
MOL Nyrt.	35.8	15.3
Related companies controlled through the same ultimate parent		
Tifon d.o.o.	13.9	0.3
MOL Serbia d.o.o.	0.6	0.1
MOL Petrochemicals Co. Ltd.	0.9	-
MOL Commodity Trading Kft.	9.6	8.7
MOL Slovenija d.o.o.	0.1	6.5
SLOVNAFT, a.s.	0.1	11.9
IES - Italiana Energia e Servizi S.p.A	-	0.3
MOL Slovenia Downstream Investment B.V	-	0.2



Management representation

INA, d.d. non-consolidated financial statements for 2023 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:

- Zsuzsanna Ortutay – President of the Management Board
- Zsombor 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