ANNUAL REPORT 2020

INA

content

IMPRESSUM:

INA-Industrija nafte, d.d. Avenija V. Holjevca 10, 10 020 Zagreb

PUBLISHED BY: INA-Industrija nafte, d.d., Controlling, SD&HSE

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01

OVERVIEW

102-1, 102-16

INA, d.d. is a modern, socially responsible and transparent company in constant dialogue with its environment, focused on sustainable development and care for the health and safety of its employees and the community as a whole.

MISSION

INA, d.d. plays a major role in the oil, oil products and gas markets in Croatia and neighboring countries and is committed to creating higher value by continuously improving its business and quality of products and services.

VISION

To be a well-reputed and desirable partner that is known for its excellent products and services, for honest and nurtured relationships, and for protection of the interests of our owners, customers, employees and other partners.

CORE VALUES

PEOPLE

We put people first

INA Group is a people-driven company – our colleagues are the foundation our business is built on.

CUSTOMERS

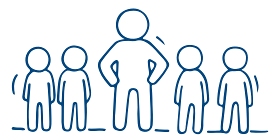
All for the customer, and for the customers all

Customer service is not a department - it is part of our brand DNA.

AGILITY

We drive the change that will shape our future

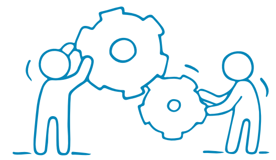
We make sure we are relevant in new situations and do things better to take the lead.



OWNERSHIP

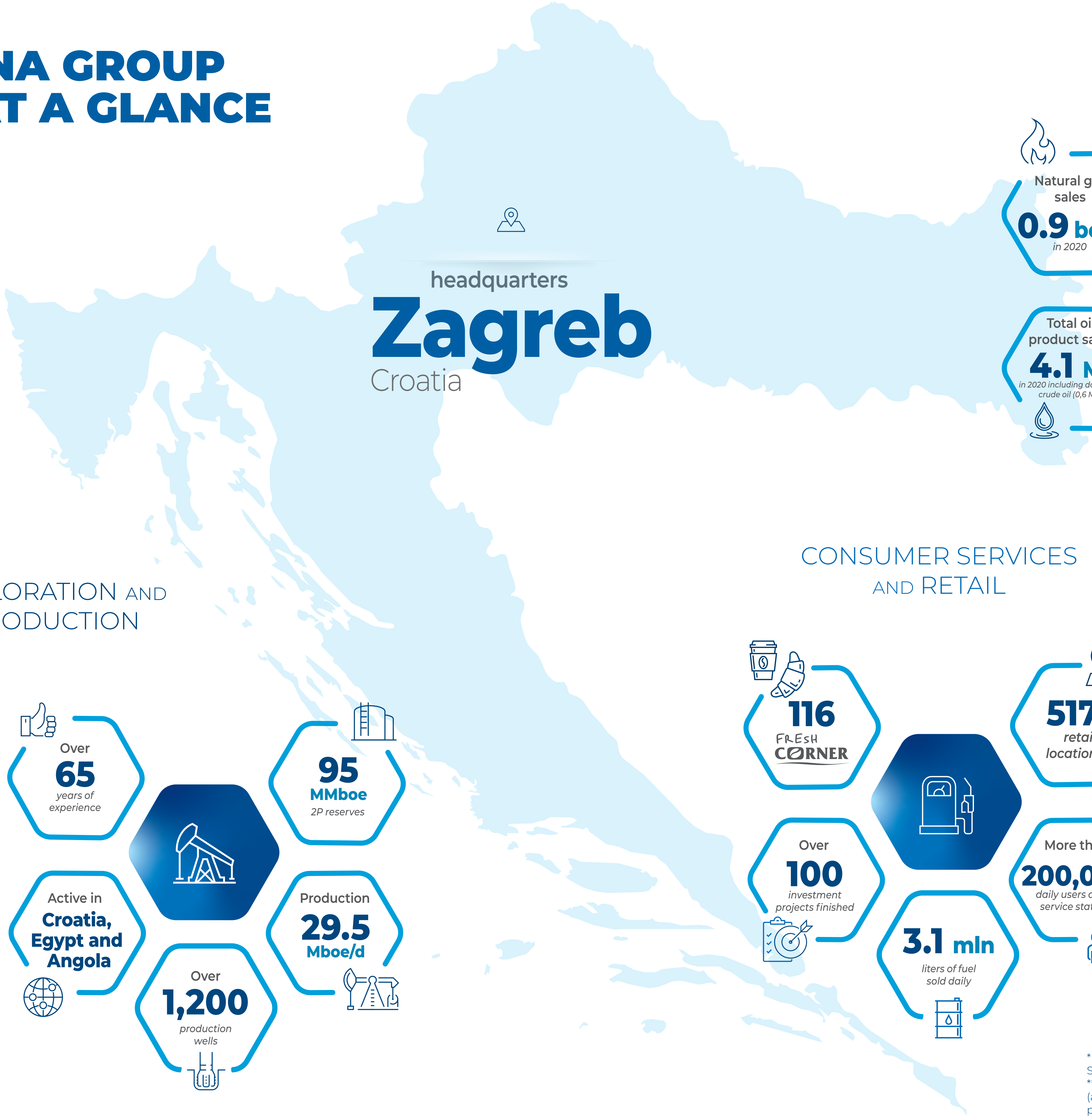
Our company, our responsibility

We empower and inspire each other. This is what makes INA Group dynamic and forward-thinking.



At INA Group we all share four main values that are just as important at our sites as they are in our offices or at any of our retail sites. Values lead us to make the right decisions, support us in our everyday work, help us create the corporate culture we desire and enable us to transform INA Group for the better.

INA GROUP AT A GLANCE



headquarters
Zagreb
Croatia

REFINING AND MARKETING

Natural gas sales
0.9 bcm
in 2020

Market share
approx. **71%** *Croatia*
approx. **48%** *B&H*

Total oil product sales
4.1 Mt
in 2020 including domestic crude oil (0,6 Mt)

4 imported crude oil grades
processed in 2020

2 *Production sites (Rijeka Refinery, Sisak Industrial site)*
and **1** *lubricant blending plant in Zagreb*

CONSUMER SERVICES AND RETAIL

116
FRESH CORNER

517* *retail locations***

Over **100** *investment projects finished*

More than **200,000** *daily users at INA service stations*

3.1 mln *liters of fuel sold daily*

EXPLORATION AND PRODUCTION

Over **65** *years of experience*

95 **MMboe** *2P reserves*

Active in **Croatia, Egypt and Angola**

Production **29.5** **Mboe/d**

Over **1,200** *production wells*

*Including five service stations in Slovenia that are leased to MOL Slovenia
**Retail locations imply: 511 service stations and six other retail locations (auto bar / restaurants, carwash, shop, heating oil sales point, LPG sales point) in region

KEY FINANCIAL AND OPERATING DATA

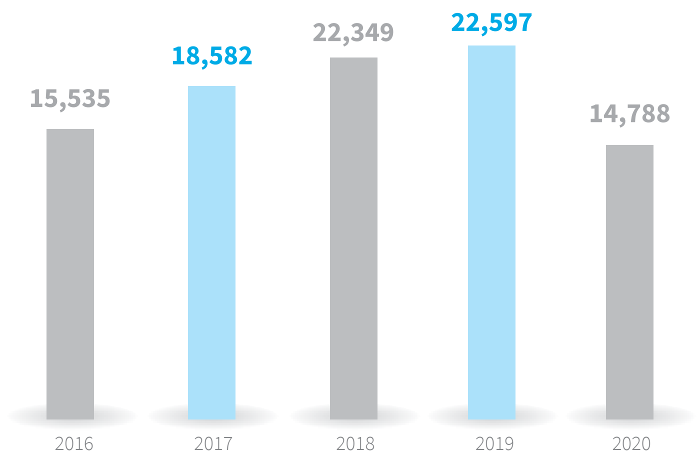
KEY FINANCIAL DATA (HRK MLN)*	2019	2020	CH %
REVENUE FROM CONTRACTS WITH CUSTOMERS	22,597	14,788	(35)
EBITDA[1]	2,859	991	(65)
EBITDA EXCLUDING SPECIAL ITEMS[2]	2,859	991	(65)
O/W EXPLORATION AND PRODUCTION	2,356	1,013	(57)
O/W REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	518	(153)	N.A.
CCS EBITDA EXCLUDING SPECIAL ITEMS	2,897	1,783	(38)
PROFIT/(LOSS) FOR THE YEAR	489	(1,137)	N.A.
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,090	2,233	(28)
CAPITAL EXPENDITURES	2,150	1,282	(40)
O/W EXPLORATION AND PRODUCTION	687	442	(36)
O/W REFINING AND MARKETING	1,071	622	(42)
O/W CONSUMER SERVICES AND RETAIL	265	126	(52)
BASIC AND DILUTED EARNINGS PER SHARE (HRK PER SHARE)	48.6	(113.8)	N.A.
GEARING RATIO (%)[3]	19	15	

* Detailed data analysis is provided in the Management Discussion and Analysis chapter
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] 2019 result was negatively impacted by HRK 282 million impairment of assets - Croatian offshore gas fields; 2020 result was negatively impacted by HRK 500 million impairment of assets – Sisak refinery assets in the amount of 295 million, and CROSCO Group assets in the amount of 205 million
[3] Gearing ratio = Net debt/Net debt + equity including non-controlling interest

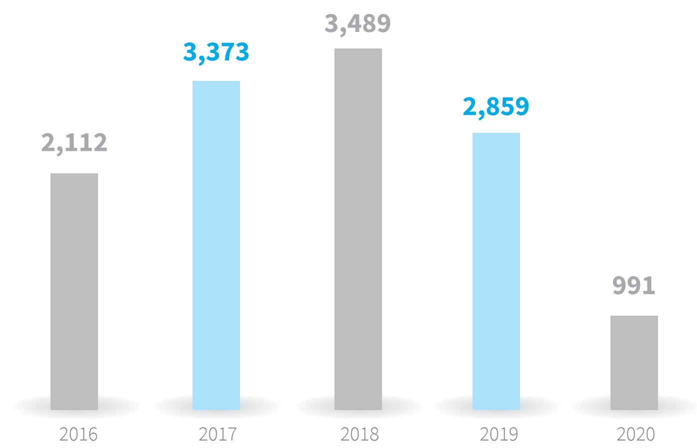
KEY OPERATING DATA	2019	2020	CH %
KEY EXPLORATION AND PRODUCTION DATA			
TOTAL GROSS HYDROCARBON RESERVES (MMBOE) 2P	107	95	(11)
TOTAL HYDROCARBON PRODUCTION (MBOE/DAY)	33.9	29.5	(13)
KEY REFINING AND MARKETING DATA			
TOTAL REFINING THROUGHPUT (KT)	3,136	2,737	(13)
TOTAL CRUDE OIL PRODUCT SALES (KT)	4,404	4,093	(7)
KEY CONSUMER SERVICES AND RETAIL DATA			
TOTAL NUMBER OF RETAIL LOCATIONS*	517	512	(1)
TOTAL SALES (KT)	1,115	938	(16)
ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA			
CARBON DIOXIDE EMISSIONS (MT)	1.51	1.28	(15)
TOTAL RECORDABLE INJURY RATE (TRIR)**	1.97	1.70	(14)
TOTAL SCORE IN CROATIAN CORPORATE SOCIAL RESPONSIBILITY INDEX	665	654	(2)

*Retail locations imply: 506 service stations and six other retail locations (auto bar/restaurants, carwash, shop, heating oil sales point, LPG sales point) and does not include five service stations that are leased to MOL Slovenia
**Own staff + contractors

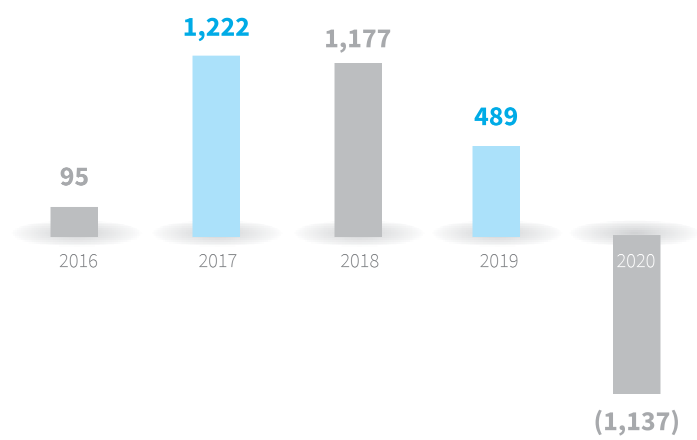
REVENUE FROM CONTRACTS WITH CUSTOMERS
(HRK mln)



EBITDA
(HRK mln)



PROFIT/(LOSS) FOR THE YEAR
(HRK mln)



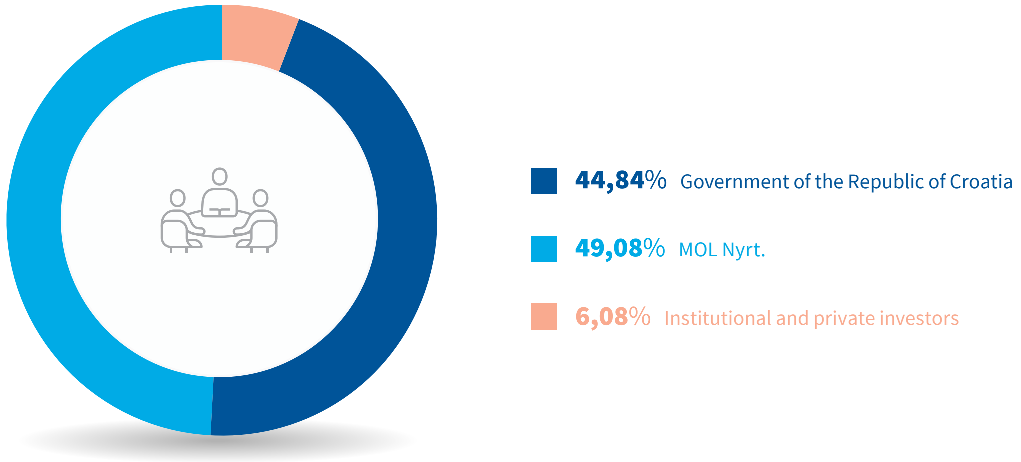
COMPANY AND SHAREHOLDER INFORMATION

The company's share capital is divided into 10,000,000 ordinary shares with every share carrying one vote, dividend right and a nominal value of HRK 900.00.

INA - Industrija nafte, d.d. was officially listed on the Zagreb Stock Exchange on 30 November 2006 with ticker symbol INA-R-A. INA's global depositary receipts ("GDR") were also listed on the London Stock Exchange until September 2014.

As at 31 December 2020, INA's ownership structure is as follows:

- MOL Nyrt. – 4,908,207 shares
- Government of the Republic of Croatia – 4,483,552 shares
- Institutional and private investors – 608,241 shares



ABOUT INA GROUP INTEGRATED REPORTING

102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55

As part of our commitment to stakeholders with the aim of transparent disclosure of the company's integrated financial and material sustainability performance overview, INA Group published the 7th consecutive integrated annual report. This report focuses on the material economic, environmental and social impacts of INA Group business activities and addresses the company's performance in the period from 1 January to 31 December 2020.

INA Group publishes reports on an annual basis. The last report was published in April 2020. To ensure that our report meets the highest standards, we follow:

- The Croatian Companies Act, the Capital Market Act and the Accounting Act that prescribes the scope, contents and deadlines of the Annual Report
- International Financial Reporting Standards (IFRS) when reporting on financial results
- Global Reporting Initiative (GRI) Standards (Core option) when reporting on sustainability performance
- Oil & Gas Sector Supplement that provides reporting guidance for companies and organizations primarily involved in the exploration, extraction, production, refining, and transport and sale of oil, gas, petrochemicals and specialized oil service companies
- Reporting progress on the ten principles of the United Nations Global Compact (UNGC)

As presented in the Group's materiality matrix on page 19, risks and opportunities associated with climate change are a material issue to INA Group, and as a consequence, constitute investment risks to capital markets. As a result, climate-related disclosures produced in accordance with the core elements of the Task Force on Climate-Related Financial Disclosures (TCFD) framework have also been included in this year's Annual Report.

INA Group annual report 2020 is our disclosure in compliance with the Directive 2014/95/EU on disclosure of non-financial and other information by certain large undertakings and groups.

An independent assurance company has performed a limited assurance engagement for ten GRI indicators that are characterized as the most material for this report. The conclusion of the independent assurance report can be found on page 150.

The scope of this report and the sustainability material topics boundaries are determined by considering their relevance to business, availability of the information and operation performances, covering the sites and locations directly under operating control of INA Group companies (details on page 139). GRI content index can be found on the following link (https://www.ina.hr/en/home/press-center/publications/reporting/).

Any feedback on this report via e-mail address: investitori@ina.hr, odrzivi_razvoj@ina.hr, or pr@ina.hr is welcome and appreciated. You can read about the details on INA Group reporting history and accomplishments on our website.

As a UN Global Compact Signatory, since 2007, INA, d.d. has been committed to promoting and supporting the ten principles of UN Global Compact. This document also serves as our Communication on Progress for the UN Global Compact.

WE SUPPORT

UN GLOBAL COMPACT

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

The COVID-19 pandemic, resulting in a reduced demand and a sharp drop in hydrocarbon prices, marked the global economy in 2020, and oil and gas industry in particular. INA was not immune to this and adding to it all the cyber-attack on the company that happened in early February plus several strong earthquakes that hit the areas in which we operate in March and December, we might say this was one of the most challenging years in our history. All global energy companies, including INA, have adapted their business to the new circumstances. Our priority was to preserve the health and safety of our workers and customers, while providing uninterrupted market supply in order to continue key economic activities unimpeded. To ensure the company's liquidity and business continuity, we introduced operational and financial measures. While we had to postpone some activities, the Management Board remained committed to strategic projects such as those set out in our INA Downstream 2023 New Course program, which will ensure a sustainable future for the company.

Unfavorable external factors affected the company's financial results, yet in 2020, INA Group managed to maintain a stable financial position and continue with strategic investments. Timely and targeted introduction of measures, which included the postponement of non-critical investments and internal optimization, ensured the sustainable operation of the company, as well as the future of our long-term strategic investments. Regardless of the situation, INA's goal is to operate in a sustainable manner, to remain a financially strong company and successfully respond to the challenges that new energy sources, environmental issues and technological progress pose. Seeing how oil and gas will remain an important source of energy for some time to come, our goal is to upgrade our traditional activities with a modern value chain by entering into new business opportunities.

Therefore, as part of the INA Downstream 2023 New Course program adopted in late 2018, we concentrated oil refining in the Republic of Croatia in the Rijeka Refinery and, despite the declining Refining and Marketing results in 2020 and extremely low refinery margins, we continued to work on the construction of the residue upgrade unit worth about HRK 4 billion. Additionally, the propane propylene splitter unit, worth more than half a billion HRK, was put into operation in mid-2020. This unit allows the Rijeka Refinery to produce high-purity propylene used in the petrochemical industry, thus expanding our portfolio and raising the refinery's competitiveness. We also continued to transform the Sisak site into sustainable alternatives that include bitumen production, a logistics hub, a solar power plant and a bio-component refinery (The Biorefinery project). The Biorefinery project is important for INA and the Republic of Croatia because all of its elements align with the European energy strategy, and it would allow INA to produce second-generation biofuels from biomass, along with the production of green energy. It is an investment worth about EUR 300 million and we are planning to apply to the EU Funds to cover a part of the required funding. Furthermore, in 2020, the Biorefinery met the formal criteria set by the Ministry of Economy and Sustainable Development, which officially included it in the List of Strategic Projects, and the Task Force lead was assigned to the project to facilitate the preparation for implementation.

The profitability of Exploration and Production has suffered a severe blow due to extremely low oil and gas prices, but we continue to invest and actively seek new business opportunities in the region and abroad. In 2020, we also signed hydrocarbon exploration and production sharing agreements with the Government of the Republic of Croatia for three new exploration areas. On the Drava-03 block we have already initiated 3D seismic surveying of the area covering 600 km^2, which is the single largest seismic project ever carried out in Croatia. Our goal remains the same, which is to have a sustainable portfolio resilient to price changes in the long run.

The unpredictable 2020 also brought a historic turn in INA's business results. Although the Exploration and Production has traditionally been the largest cash generator, due to extraordinary circumstances, Retail has taken over this role. We have accelerated the process of business digitalization in INA and introduced modern technological and IT solutions – both internally and with regard to products and services we offer to our customers. We made it possible for INA card users to make contactless payments without having to enter retail premises via the INA PAY app. We also launched the INA Loyalty program, through which we provide customers with discounts, prizes, benefits and special promotions, and the entire program is accompanied by the INA Loyalty mobile app. Our goal is to remain the first choice for customers on the go and the market leader with a targeted range of gastronomy products and services, consumer goods and products for vehicles. In addition, we are working on fortifying our leading market position, market share and brand strength in Croatia, Bosnia and Herzegovina and Montenegro, while profitably expanding into new markets in Southeast Europe.

The implementation of planned projects, especially those within the INA Downstream 2023 New Course program, will enable us to convert losses into profits, which we will use to fund our transformation projects. The company is permanently focused on a balanced integration of economic, environmental and social factors in business, so in cooperation with the City of Zagreb we started working on the introduction of hydrogen in urban transport – given that it is an environmentally friendly fuel – and on the development of the hydrogen market in the transport sector in Croatia. We have also launched a program for the development of solar power plants at existing industrial facilities, which especially applies to two projects – solar power plants in Sisak and Molve. There is also our start-up ANI through which we continuously monitor the development of dozens of young companies and look for the right ways to cooperate and improve business, in line with the new trends and challenges.

Transformation of the energy sector is inevitable and is happening at the global level with the aim of achieving global sustainability goals. INA is also turning its business in the direction of sustainability, and it is on these settings that we have developed our strategic guidelines and simultaneously – with the aim of using the potential offered by our core business – defined directions for transformation into new business segments. Our business is focused on reducing harmful emissions, and when defining our business strategy and decision-making process, we also took into account the climate aspect and considered climate risks and opportunities, all in accordance with the recommendations of the TCFD.

The whole year and the crises that have happened one after the other have once again proven that people are one of our greatest assets. The professional knowledge and agility of the experts working in INA, but also the commitment of the company in a challenging situation, played a significant role in ensuring business continuity and ultimately in the results we achieved. The situation on the market will not go back to pre-crisis levels for a while, but with the right team, I believe we will be better prepared to face what lies ahead.

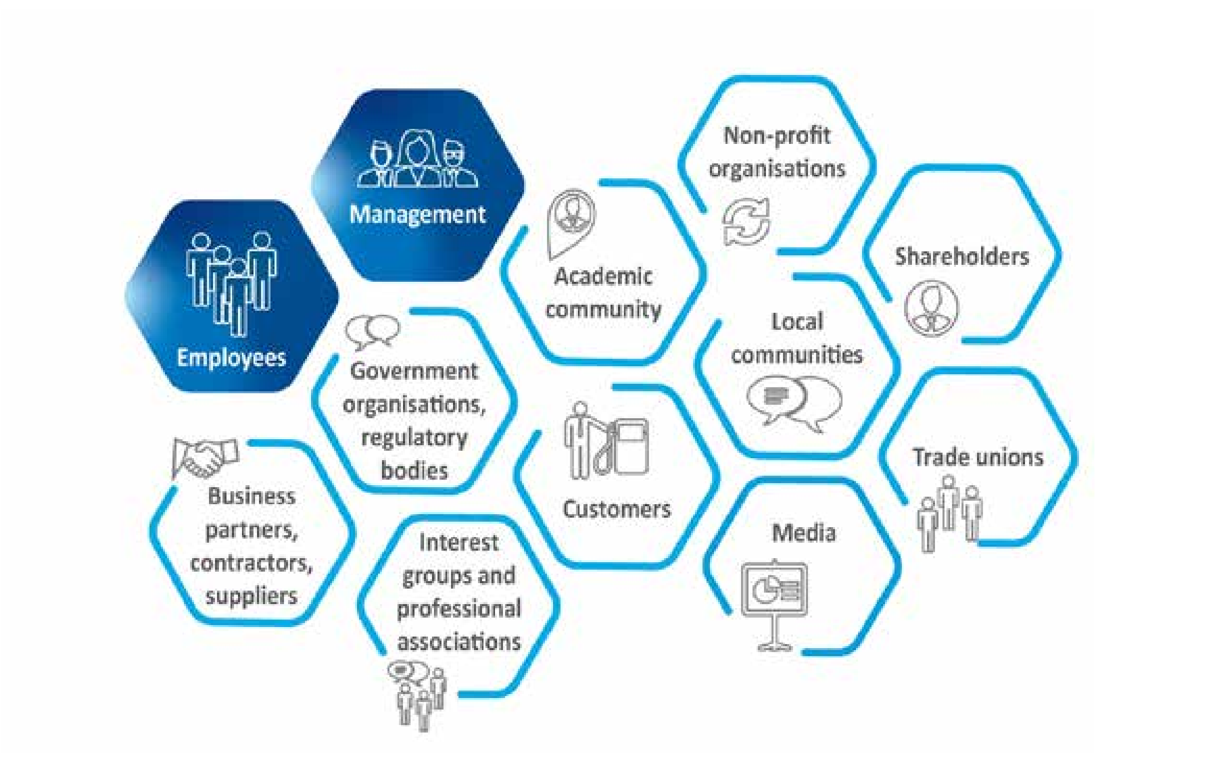
MATERIALITY AND STAKEHOLDER ENGAGEMENT

102-40, 102-43, 102-43, 102-44, 102-46, 102-47, 102-49, 413-1

2020 was a year of extraordinary situations and changes that in many ways affected the operations of INA Group business. To better understand the opinions, attitudes and priorities of our stakeholders, we deepened our approach to them and to the material topics, and during the year we conducted comprehensive analysis and mapping of stakeholders, made an in-depth review of topics of interest and influence of INA Group and analyzed the areas for improvement. In the process of in-depth analysis of our relations with stakeholders, key INA, d.d. business segments and functions participated, a large customer survey at service stations was conducted, as well as online questionnaire among various intreasted groups. We consulted stakeholders on INA Group material topics through an open panel discussion in an online format called **"Open about the sustainability of the INA Group".**

With a multidimensional approach, we gained a comprehensive insight into INA Group material topics, set a quality framework for creating a materiality matrix and determining boundaries of aspects for reporting and processing individual areas in non-financial reporting. Even though the ways in which we operate, work and live have changed significantly in 2020, emphasis on material topics and stakeholders' priorities in areas where INA Group has an impact on stakeholders remained largely the same. Compared to the previous two reporting cycles, this proves that INA Group adequately connects its material topics and areas of influence with the business goals and sustainability goals of the Group and successfully integrates them into business and development strategies. Dialog about material topics, goals and the success of the implementation of sustainable business in INA Group helps us steer in the right direction, adjust the strategies, goals and practices, as well introduce improvements in various material areas.

INA GROUP KEY STAKEHOLDERS



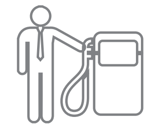
Stakeholder engagement process in the research of material topics was conducted through an online questionnaire which included 44 representatives of various stakeholder groups, while 15 of them participated in the open discussion.

WHAT DO OUR CUSTOMERS SAY?

Through a special survey we collected opinions from a representative sample of 210 customers at INA Group service stations in seven cities: Zagreb, Split, Osijek, Rijeka, Dubrovnik, Varaždin and Sisak, with an equal share of respondents.

We analyzed customer opinions and attitudes towards environmental and management aspects, in relation with local community and responsible approach to products and services. We did this by examining their assessments and opinion of the importance of INA Group business and impact in these areas on INA Group sustainability as well as their decisions to use INA Group products and services. Customers showed significant interest and sensitivity to the influence of INA Group in the management segment, with an average rating of the importance of these topics of 3.5 (out of 5).

Most important topics for customers



Customers focus is on

- quality of products
- availability of service stations
- responsibility and sustainability in the area of quality
- availability of products and services

Regarding sustainability in INA customers consider most important

- ethical and transparent business
- health and safety protection
- quality of the working environment

Average interest of customers is in the responsible operations of the INA Group in local communities and the protection of human rights (average score 3.3). Customers attach less importance to INA Group sustainable efforts in environmental issues (average score 3.1), of which they attribute greater impact to pollution and spill management, water and waste management, and it is interesting that they link their assessments and decisions the least to climate change and energy efficiency issues.

According to customers, INA Group is especially recognized in the quality of customer relations, high environmental protection measures, development of new products and services and investment in communities.

STAKEHOLDER OPINIONS ON THE IMPORTANCE AND MANAGEMENT OF MATERIAL TOPICS

In the online questionnaire which we used to analyze the opinions of relevant stakeholders, 44 representatives of various stakeholder groups participated.

As the six most important material topics for the INA Group the following stood out: health and safety, energy efficiency and climate change, environmental spills, waste management, research and development of responsible products and services, human capital. This confirms the stability of the stakeholder assessment compared to the previous reporting period. In addition to assessing the importance and impact on operations, stakeholders also assessed the management performance of INA Group in certain material areas.

Online survey

Through online survey stakeholders consider most important

- health and safety management
- waste management
- spills
- human rights management
- relations with local community
- biodiversity management

As the future improvement areas stakeholders recognized most topics in market and management area

- offering and researching responsible products and services
- relationships with suppliers and contractors
- ethics and management

Looking towards the future, we can assume that material topics that stakeholders recognize as important will continue to be dominant, but with growing importance of some topics.

75 % stakeholders

believe that the most important topic for Croatia and the world by **2030** will be **climate change management and energy efficiency**

over **50 %** stakeholders

recognize the growing importance in matters of **technological development and research of sustainable energy products and services as well as sustainable use of resources and waste management**

over **30 %** stakeholders

recognize **health and safety** as a topic that will significantly impact development

These insights are similar to those we collected in the customer survey, who attach slightly more importance to the topic of health and safety, but also recognize the growing concern for the impact of climate change, energy efficiency and human rights issues.

In the context of overall development of sustainability and responsible business, as many as 80% of stakeholders recognize INA Group positive practices in the implementation of environmental protection measures. More than 50% of stakeholders believe that INA Group stands out in positive practices in cooperation with local communities in which it operates as well as invests.

Stakeholders recognize the importance of non-financial reporting, and most of the stakeholders have read the INA Group Annual Report.

96 % stakeholders consider INA Group Annual report to be of **high quality, comprehensive and relevant**

over **50 %** stakeholders think that Annual report is of **exceptional quality**, and they especially praise the **comprehensiveness of non-financial disclosures**, especially those related to sustainable development, environmental impact, and management

In the analysis of material topics with internal stakeholders (managers involved), it was determined that there will be modifications, i.e. refinement of material topics for the next reporting period, as well as redefining of some key areas. Representatives of individual INA Group business segments and functions, as a rule, assess relations with stakeholders as high-quality, meaningful, open and cooperative, but also recognize the possibility of applying new models of cooperation in order to combine positive influences. Stakeholder analysis and mapping opened up some new opportunities for collaboration and improving relationships with stakeholders.

STAKEHOLDER CONSULTATION: OPEN ABOUT SUSTAINABILITY

Special stakeholder consultation in the format of an online panel discussion named “Open about the sustainability of the INA Group” was held, in which 15 representatives of various stakeholder groups participated.

In the discussion, stakeholders focused on all segments of sustainability and social responsibility and discussed topics in areas where they specifically monitor operations of INA Group or in which INA Group has an impact. The consultation was held in a collaborative atmosphere, and stakeholders spoke openly about the challenges and their views on sustainable development and the responsibility of INA Group.

In the environmental issues segment, stakeholders emphasize the **importance of management and solution development in response to climate change.**

“*Energy sector is expecting major changes, including a stronger focus on low-carbon development, which is a great challenge but also an opportunity for INA Group.*

Stakeholders believe that INA Group recognized the need for an energy transition and that projects aimed at reducing emissions are being developed. In terms of strategic planning and reporting, stakeholders expect clear goals, risk assessments and descriptions of the impact of INA Group business on climate change. Topics that are becoming increasingly important are biodiversity and natural capital management.

A special challenge lies in the development of electromobility and its impact on INA Group business development and plans. They believe that fossil fuels should be openly discussed, not only in the context of climate change, but also as the healthier habits of citizens.

In management topics, stakeholders especially recognize INA Group advanced practices in the field of health and safety of employees, but also other stakeholders. It is important for stakeholders to have an insight into how INA Group initiates competitiveness through socially responsible initiatives and how it includes its own innovation capital.

Some stakeholders point out the positive practices and advanced INA Group initiatives in good work environment practices and that the company recognizes the importance of employees as its key capital. The readiness of INA Group to introduce telecommuting in 2020 was recognized, as it previously had trial practices of this type of work for those employees where it was possible. Stakeholders believe that INA Group is one of the leaders in this field, but also that it has the potential for further flexibility and digitalization of business. INA Group actively cares about the health and well-being of employees, including through the developed platform for a better life balance, which the stakeholders consider to be a positive potential of the company.

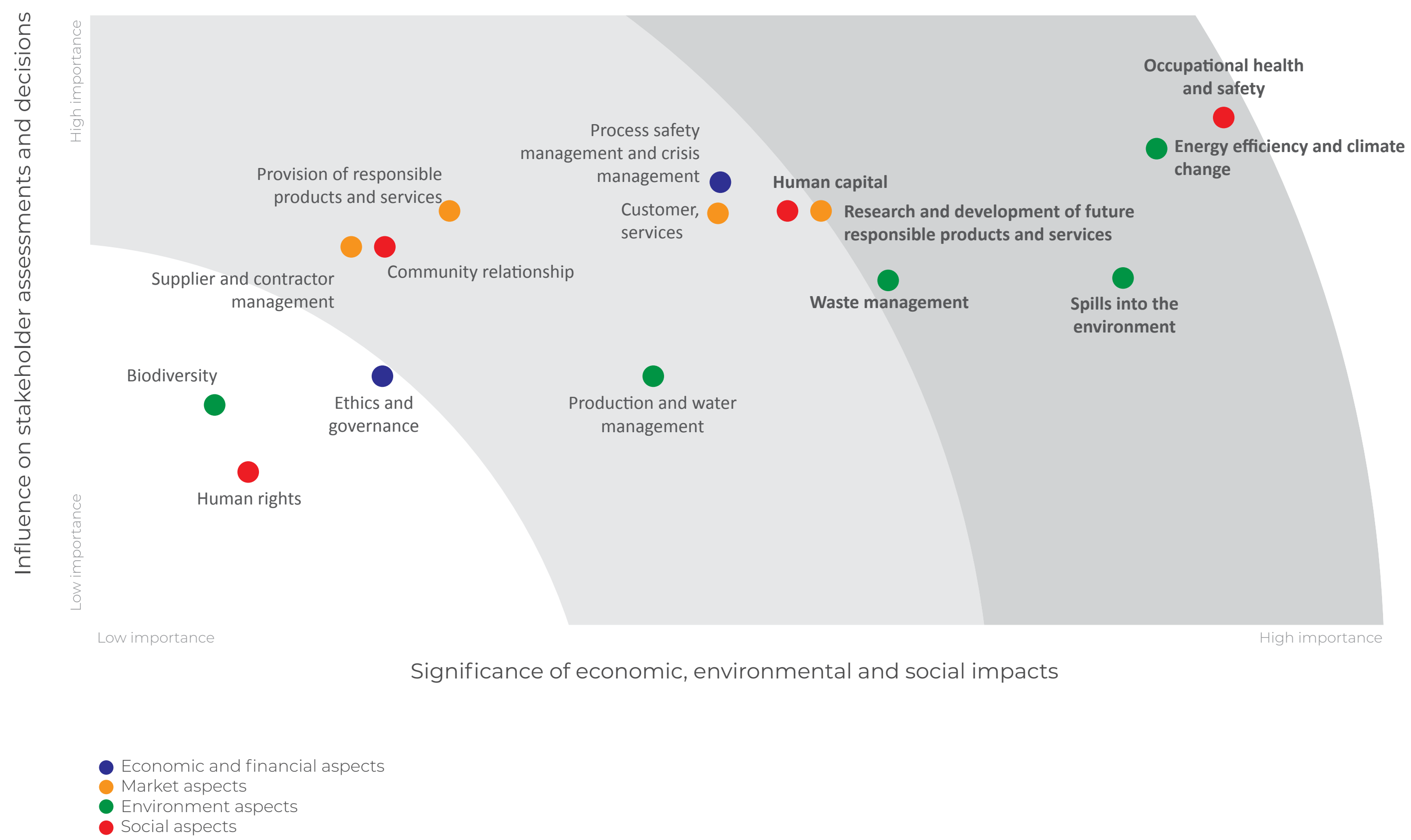
Stakeholders recognize multiple influences of INA Group in the community - as a major employer throughout the country, in cooperation with the non-profit sector and in terms of its significant investments in community projects. Stakeholders from the non-profit sector see even greater potential of INA Group as a source of education, inspiration and motivation for young people and other stakeholders in the community in various topics, especially in environmental protection. In the field of human rights, INA Group has significant and diverse influences, according to stakeholders. Human rights protection includes a good understanding of labor rights, but also other rights and responsible behavior. Protection against discrimination is important in companies of great social influence, both in internal relations and in relations with external stakeholders. As an economically significant company with great influence in its supply chain, INA Group has a special responsibility for managing this material topic.

During the discussion with stakeholders, many stated that the format of including stakeholder opinions in discussions on material topics is extremely useful. They expressed satisfaction, because open talks encourage cooperation, and during the discussion new incentives and proposals for multi-stakeholder cooperation and useful topics in which INA Group can be a leader were proposed.

MATERIALITY MATRIX

Stakeholder engagement processes, surveys and stakeholder consultation helped us in compiling a matrix of material topics. Materiality matrix reflects goals and programs of sustainable development and compares levels of impact on business with the importance for external stakeholders and their expectations.

As the most important material topics in 2020 are recognized: occupational health and safety, energy efficiency and climate change, spills into the environment, waste management and research and development of future responsible products and services.



AWARDS AND RECOGNITIONS

GOLDEN BALANCE AWARD

INA, d.d. received an award for the largest entrepreneur by total revenue in 2019. The Golden Balance is an award given by the Financial Agency to the most successful entrepreneurs in a particular industry, according to the overall ranking derived by measuring 11 financial indicators in five categories: profitability, liquidity, indebtedness, activity and economy.

INOVA 2020 INTERNATIONAL INNOVATION EXHIBITION AWARDS

At the International Innovation Exhibition, INA Group won seven awards. Gold medal was awarded to the following innovation proposals: Company's own apparatus and development of a modified method for testing accelerated corrosivity of steel; Simultaneous receipt and dispatch of products at the Osijek terminal; INA DEZINOL AQUA - water-based disinfectant. Silver medal was awarded to: Computer tool for retail network organization; Body Bushing ĐĐ – BG 900 x DELTA 7. Bronze medal was awarded to: Innovation of cost rationalization with the change of the unit of account day; Independent production of sanitary water - increasing business efficiency.

EXCELLENCE DURING CHALLENGES

In 2020 INA, d.d., STSI d.o.o., CROSCO d.o.o., PLAVI TIM d.o.o., TOP RAČUNOVODSTVO SERVISI d.o.o., INA MAZIVA d.o.o. and INA MALOPRODAJNI SERVISI d.o.o. received an acknowledgement for quality employee management during unforeseen circumstances. This project offers organizations the opportunity to evaluate their HR management practices in the following areas: Agile HR, Strategic Planning and Work Organization, Crisis Communication, Physical Health and Safety of Employees, Employee Empowerment and Well-being, Leadership in Times of Crisis and Technological and Digital Readiness.

EMPLOYER PARTNER CERTIFICATE

For the 10th time, INA, d.d. was presented with the Employer Partner Certificate, an award for excellence in human resources management. The certificate aims to draw attention and offer recognition to companies that have high-quality human resources management and that implement standards proven to advance business results and quality of labor. In this year's certification process, INA, d.d. has earned an impressive score of 100%, thus ranking first among the TOP 5 Employer Partners as the top most desirable employer in Croatia. Several other INA Group companies also received a certificate: INA MALOPRODAJNI SERVISI d.o.o. for the 2nd time; CROSCO d.o.o., STSI d.o.o., PLAVI TIM d.o.o., TOP RAČUNOVODSTVO SERVISI d.o.o., and INA MAZIVA d.o.o. for the 3rd time.

FIRST CHOICE EMPLOYER

In the last 11 years INA, d.d. was ranked a TOP 10 Employer in Croatia ten times. The First Choice Employer Survey is a traditional survey conducted by MojPosao portal for the past 13 years. The aim of the research is to find out which employers in the Croatian labor market are the most attractive to the general public. Each year, independent respondents create a list of employers they would like to work for the most and explain why these employers deserve to be on their most wanted lists.

CROATIA'S BEST EMPLOYER BRAND AWARDS

For the 2nd year in a row, INA, d.d. received the Croatia's Best Employer Brand Award for the best EB brand in the technology sector. The award is a testament to the quality of the activities we carry out to improve our current and future employees' work experience and job satisfaction and show that we understand the importance and accept responsibility for the satisfaction of our employees. To receive this award means to increase the organization's visibility in the job market and to further rise above the competition.

MAMFORCE

According to the MAMFORCE method, INA, d.d. stood out as the best employer, receiving two special recognitions in two categories: best company for women and best company for well-being. INA is the 1st company in Croatia to introduce a comprehensive well-being program through the beneFIT platform, providing benefits to every employee in accordance with their needs in life. For many years, women in INA have been provided with the same employment and career opportunities as their male colleagues, which is confirmed by transparent indicators on the participation of women at all management levels. INA is committed to ensuring the quality of the work experience, development of corporate culture and the principles of diversity and inclusion.

DADFORCE STANDARD

In addition to the MAMFORCE standard, INA, d.d. has become the holder of the DADFORCE standard in 2020. This certificate is awarded to companies with outstandingly high awareness of the importance of active involvement of fathers in child care and is awarded by the company Spona Code. It testifies to an organizational culture that enables flexible work arrangements, responsible child care, and a father-friendly workplace. Furthermore, it encourages equality for working parents and promotion based on merit, as well as a positive perception of parental and paternity leave usage.

OPEN SPOTLIGHT AWARD

INA, d.d. received a golden award in the category "We see you here". The OPEN Spotlight Award is for those organizations that have gone through an inspiring journey working towards better diversity and inclusion. INA Group is a driver of substantial changes in ensuring work-life balance for fathers within the company, but also in the entire community. Creating organizational environment for fathers where they can develop relationship with their families is extremely important within the company.

GOLDEN INDEX

In 2020, INA, d.d. received its 5th Golden Index in the "Scholarships" category. The aim of the Golden Index is to reward companies which contributed to better student life, education and professional development of students. Companies are rated by students themselves, and the goal of the project is to establish a closer cooperation between students and companies, which should contribute to the development of professional competencies and relations. Golden Index is organized by eSTUDENT, one of the most active student organizations in Croatia.

LEARNING TECHNOLOGIES ONLINE AWARDS

INA, d.d. has won the prestigious award for the best international implementation of the eSMILE learning platform. Successful implementation of this program across the entire MOL Group was proclaimed the best project at the Learning Technologies Online Awards Ceremony. Communication with colleagues at retail locations via the platform eSMILE is an important step forward in digitalization of learning at INA.

02

CORPORATE GOVERNANCE

MANAGEMENT BOARD

102-18

SÁNDOR FASIMON - President of the Management Board

Mr. Fasimon was appointed President of INA Management Board on 1 July 2018. From 1991, he held various leadership positions in the oil and gas trading company Mineralimpex. Between 1996 and 1997, he served as the Head of the Hungarian Commercial Section in Tripoli, Libya. Mr. Fasimon joined MOL in 1998 when he was appointed Supply Director in the field of crude oil and crude oil products. In 2002, he became the CEO of Moltrade - Mineralimpex. A year later, he was appointed Managing Director of the Natural Gas Division. Between 2006 and 2009, he was the Chief Executive Officer of MOL's Russia Office, after which he continued his career as the Senior Vice President of Supply & Trading. In 2011, he became the Managing Director of the Exploration and Production Division and he served as the Chief Operating Officer of MOL Hungary from 2012. On 15 October 2018 he was appointed to the function of the President of Supervisory Board of Petrokemija d.d. Kutina. Mr. Fasimon is also a Vice President of the Hungarian Chamber of Commerce and Trade.

Sándor Fasimon graduated from the Moscow State Institute of International Relations (IMO) with an economics degree in 1990. Between 1990 and 1991, he attended postgraduate studies at the University of Cairo, where he studied Arabic.

NIKO DALIĆ - member of the Management Board

Mr. Dalić was appointed member of INA Management Board in February 2011. He started his career in 1986 as a geologist working on upstream projects in Croatia. In 1996, he was appointed Head of the business unit responsible for Eastern Slavonia and Podravina. From 2005 to 2008, he was the Assistant Executive Director of Naftaplin, where he was in charge of running international projects. Apart from that, he was also the Head of the strategy team in Naftaplin and the team for Energy Strategy of the Republic of Croatia, as well as the IPO team. After that, from 2008 to 2009, he was the Head of the Exploration Sector. As of June 2009, he has been serving as a member of the Management Board of ED-INA d.o.o., a joint venture of INA, d.d. and Italian company Edison, where he has focused on the activities in the Izabela field in Northern Adriatic.

Niko Dalić graduated from the Faculty of Science at Zagreb University, where he later acquired his master's degree. He passed his state license exam at the Ministry of Science in 1996. Mr. Dalić attended a number of seminars and professional trainings in Croatia and abroad. He is a member of numerous professional associations and has published several papers. From 2005 to 2009, he was the President of the Croatian Geological Society. From December 2014 to October 2018, Mr. Dalić served as the Vice President for Geology in HUNIG (Croatian Association of Petroleum Engineers and Geologists).

BARBARA DORIĆ, PHD - member of the Management Board

Ms. Dorić, PhD was appointed member of INA Management Board in April 2020 after she previously held the position of Managing Director of LNG Croatia. She has more than 12 years of experience in managing projects and companies in the energy sector. From February 2014 to April 2018, she served as the President of the Management Board of the Croatian Hydrocarbon Agency, where she was in charge of monitoring and supervision of all oil and gas exploration and production activities in Croatia, including the mandatory reserves of crude oil and petroleum products. She started her business career at Dalmacijacement, where she worked in sales and operations. During her MBA program, she started to work for an American consulting company A. T. Kearney, where she gained extensive experience working on projects focused on the organization and transformation of various industries in the Southeastern Europe with the focus on energy and telecommunications industries. She was in charge of energy projects at the Centre for Monitoring Business Activities in the Energy Sector and Investments.

Barbara Dorić graduated from the Faculty of Economics in Vienna, completed an MBA program and obtained a PhD from the University of Ljubljana with a thesis on management in the oil and gas industry.

DARKO MARKOTIĆ - member of the Management Board

Mr. Markotić was appointed member of INA Management Board in April 2020. He has been working at INA since 2000, having held different positions in the company's various organizational units. At the very beginning of his career at INA, d.d., he worked in the Legal Sector. In June 2002, he assumed the position of Business Secretary in the Office of the Management Board member in charge of the coordination of the privatization of INA, d.d., and in 2005 he was appointed Company Secretary, a position that he held for three years. He was appointed member of the INA Management Board in 2008; after a year at that position, he was appointed Executive director of BF Corporate Services. He assumed the position of Executive Director of Retail in October 2010, while in July 2017 he was appointed to the position of Operating Director of Consumer Services and Retail. Since July 2019, Mr. Markotić has been an advisor to the President of the INA Management Board.

Darko Markotić graduated in 1998 from the Faculty of Law at the University of Zagreb.

ZSOLT PETHŐ - member of the Management Board

Mr. Pethő was appointed member of INA Management Board on 1 July 2018. Mr. Pethő joined MOL in 1998 and has since held several senior managerial roles within the Downstream business. He worked as the LPG (propane-butane) Product Director, Fuel Products Director and as Sales Director, before being appointed Commercial Director of Refining and Marketing in 2006. He was appointed Senior Vice President of MOL Group Petrochemical Division and CEO of TVK Plc. in 2011. In 2012, he became the head of MOL Hungary's Downstream operations. In 2016, he was appointed Senior Vice President for the Group Supply, Trading & Optimization organization and he has been serving as the Senior Vice President for Downstream Commerce & Optimization in MOL Group since the organization's establishment in May 2017.

Zsolt Pethő graduated from the Donát Bánki Faculty of Mechanical and Safety Engineering in Budapest. He also acquired an Advanced Certificate in Marketing from the Marketing Academy of Budapest in 1997.

ÁKOS SZÉKELY, PHD - member of the Management Board

Mr. Székely, PhD was appointed member of INA Management Board on 1 July 2018 and member of Slovnaft Supervisory Board in April 2019. Dr. Székely started his career at Budapest Waterworks, and in 2003, he became the Controlling Manager for the company Provident. In 2007, he started working at E.ON Hungary as Group Controlling Manager. Dr. Székely joined MOL Group in 2013 as a subsidiary CFO, working in Hungary, Slovakia and France, and from May 2015, he served as the CFO of MOL Hungary. Dr. Székely was appointed Chief Financial Officer in INA, d.d. in February 2016, and in November 2017, he returned to his previous position in MOL Hungary. Dr. Székely has been serving as the Senior Vice President for Financial Planning and Reporting in MOL Group since February 2018.

Dr. Ákos Székely graduated from the Faculty of Management and Business Administration at the Budapest University of Economic Sciences in 1999. He also holds a PhD in Business Administration and Management.

At the meeting of the INA, d.d. Supervisory Board held on 31 March 2020, new members of the company Management Board were appointed at the proposal of the Government of the Republic of Croatia. New members of the INA Management Board are Barbara Dorić, Darko Markotić and Niko Dalić. They were appointed for a five-year term, starting from 1 April 2020. Other members of INA Management Board are the President of the Management Board Sándor Fasimon, as well as members Ákos Székely and Zsolt Pethő.

A meeting of INA Supervisory Board was held on 29 January 2021 to appoint new members of the company Management Board. New members of the INA Management Board are Ferenc Horváth and József Simola. They were appointed starting from 1 February 2021, until 31 March 2024. The terms of office of the President of INA Management Board Sándor Fasimon has also been extended until 31 March 2024. In addition to the newly appointed members, other members of INA Management Board are Niko Dalić, Barbara Dorić and Darko Markotić.

COUNCIL OF DIRECTORS

VLATKO DUJANIĆ - Operating Director of Consumer Services and Retail

Mr. Dujanić was appointed Operating Director of Consumer Services and Retail on 1 July 2019. He joined INA, d.d. in October 2018 as the Director of Retail. From November 2014 and till joining INA, d.d. he held the position of Group VP Retail Sales and Marketing in MOL in Budapest. Mr. Dujanić began his career in The Gillette Company in 1997. Over the following 14 years, he worked in various marketing and commercial positions with The Gillette Company and later Procter and Gamble in Central Europe and UK including the position of Marketing Director for CEE and the Regional Sales Director position for CEEMEA.

Vlatko Dujanić graduated from Rijeka Faculty of Economics and completed MBA in Marketing and Management at the San Diego State University.

GÁBOR HORVÁTH - Chief Financial Officer

Mr. Horváth was appointed Chief Financial Officer on 1 November 2017. Before that, Mr. Horváth held the position of Director of Controlling. He began his career in Ernst & Young auditing company in Budapest, and in 2006, he started working in MOL. In January 2010, he became the Advisor to the Executive Director of Finance Business Function in INA, d.d., where he stayed until 2011. In May 2011, Mr. Horváth became the Head of MOL Group Risk Management, and from March 2015, he served as the Director of INA, d.d. Controlling Sector.

Gábor Horváth studied at Budapest University of Economic Sciences and Public Administration where he earned his master's degree in Economics. Additionally, he completed the ACCA (Association of Chartered Certified Accountants) exams.

STJEPAN NIKOLIĆ - Operating Director of Refining and Marketing

Mr. Nikolić was appointed Operating Director of Refining and Marketing on 1 December 2018. Before that, Mr. Nikolić held the position of Director of Logistics. He started his career in 1995, as a designer of process and energy utilities in Mundus. From 1998 to 2000, he worked in the head office of Crodux as a fuel supply chain analyst and planner. In 2000, he joined Coca-Cola Beverages Croatia where he held various positions in the operations sector for a period of ten years, ranging from a production analyst, production manager and plant manager to country manufacturing manager and country supply manager.

Stjepan Nikolić graduated from the Faculty of Mechanical Engineering and Naval Architecture at the University of Zagreb in 1995 at the process-energy department and holds a degree in mechanical engineering. He was active in the founding of the Lean association and temporarily worked as an assistant - external associate at the Department of Industrial Engineering. He has enrolled in the international MBA program at the Faculty of Economics and has completed a series of business educations at international universities in South Africa, the United Kingdom, Switzerland and the USA.

GORAN PAVLOVIĆ - Operating Director of Industrial Services

Mr. Pavlović was appointed to the position of Industrial Services Operating Director on 1 May 2019. Mr. Pavlović comes from the position of Information Services Director that he held from the time he joined INA, d.d. in 2008. From 2015, he was also appointed as PLAVI TIM d.o.o. Director and became TOP RAČUNOVODSTVO SERVISI d.o.o. Director in 2017. Goran Pavlović joined INA in 2008 from Zagrebačka banka where he held various managerial positions. He started his career in 1994 and in 1997 became the IT Subsystems Integration Director and IT Division Deputy Director in 2000. From 2002 he held several managerial positions outside of IT, ranging from Change Management Director, Corporate Market Positioning Director to Retail Transactional Products Director.

Goran Pavlović graduated from the Faculty of Electrical Engineering at Computer Sciences study. He also obtained a diploma in Management from Henley Management School in Great Britain and attended numerous trainings on management and leadership.

TVRTKO PERKOVIĆ - Operating Director of Exploration and Production

Mr. Perković was appointed to this position in July 2017 after serving as the Corporate Centre Operating Director since September 2012. He began his career as an intern in INA, d.d. in 1986 in the Exploration and Production business division, Workover and Well Services Facility, after which he worked as an operating engineer and went on to become the head of the Special Services Sector in 1990. From 1995 to 1997, he was the Assistant Director of the Technical Services Sector, after which he transferred to CROSCO d.o.o. to the position of the Director of the Strategy and Development Sector. In 1999 and 2000, he managed the SAP system implementation project in INA, after which he was appointed to the position of the Director of the Strategy, Human Resources and IT Sector in CROSCO d.o.o. In July 2009, he returned to INA, d.d. to serve as the Director of the Upstream Support Sector and was appointed to the position of the president of the Management Board of STSI d.o.o. in 2010, which he held until July 2012.

Tvrtko Perković graduated from the Faculty of Mining, Geology and Petroleum Engineering at the University of Zagreb in 1985. He completed a number of courses and attended additional education at the international postgraduate study of Business Management - MBA at the Faculty of Economics and Business in Zagreb in 1993.

Effective from 1 March 2021, following a Management Board decision, Mr. Goran Pleše has been appointed Operating Director of Refining and Marketing. Mr. Goran Pleše has replaced Mr. Stjepan Nikolić in that position.

Effective from 1 April 2021, following a Management Board decision, Mr. Borko Buturac has been appointed Acting Operating Director of Consumer Services and Retail. Mr. Borko Buturac has replaced Mr. Vlatko Dujanić in that position.

STATEMENT ON THE CORPORATE GOVERNANCE CODE

Management Board of INA – INDUSTRIJA NAFTE, d.d. makes the Statement on the Corporate Governance Code based on Article 22 of the Accounting Act.

Given the fact that INA's shares are listed on a regulated market, INA – Industrija nafte, d.d. applies the Corporate Governance Code effective from 1 January 2020, which was jointly prepared by the Croatian Financial Services Supervisory Agency (Hrvatska agencija za nadzor financijskih usluga) and the Zagreb Stock Exchange (Zagrebačka burza d.d. Zagreb) and is published on the Zagreb Stock Exchange website (www.zse.hr) and Croatian Financial Services Supervisory Agency website (www.hanfa.hr).

In addition to the Corporate Governance Code, INA Group also applies its own Code of Ethics, which defines the basic values and principles of conduct of INA Group management and employees regarding their attitude towards work, associates, business partners and the public. The Code also sets forth the obligations of INA Group to secure appropriate work conditions and professional development to employees and ensure avoidance of unacceptable forms of behavior. The Code covers a broad area of business relationships and processes and has to be observed by all persons acting in the name and on behalf of INA Group, including natural persons and legal entities who are in a contractual relationship with INA Group (business partners, consultants, suppliers, sellers, etc.). The Code can be accessed at INA, d.d. website (www.ina.hr). INA, d.d. generally abides by the provisions of the Corporate Governance Code, with the exceptions stated in the Annual Corporate Governance Questionnaire published on INA's website.

Some of the exceptions are as follows:

INA, d.d. does not publish data on the Company's shares held by the Management Board or Supervisory Board members on its website. Instead, all announcements in reference to the new securities transactions by the Management Board or Supervisory Board members can be found on the Company's website.

INA, d.d. does not provide proxies to the Company's shareholders who are not able to vote at the General Assembly, for any reason. The shareholders who are not able to vote themselves should, at their own discretion, appoint appropriate proxies who are obliged to vote in accordance with their instructions. The Company has not received any requests from shareholders in this respect.

The Supervisory Board is not composed of a majority of independent members. It is composed of major shareholders' representatives and a workers' representative in accordance with the Companies Act.

The long-term succession plan has not been published; however, the existing systems of electing members to the Supervisory Board, Management Board and top management take into account the continuity in performing supervisory, management and administrative functions.

The Company does not have a Nomination Committee, all nominations are performed in line with internal procedures and a Nomination Committee can be established if needed.

The Company does not publish information on the attendance of Supervisory Board members at its meetings, since this information is not considered relevant for the shareholders and public.

In line with internal rules, internal audit director is appointed by the Management Board and not the Supervisory Board.

INTERNAL SUPERVISION AND RISK MANAGEMENT

The main responsibilities of the Audit Committee, as a body founded by the Supervisory Board, are assisting the Supervisory Board and supervising the implementation of its decisions related to controlling, financial reporting and audit within the Company. The Audit Committee monitors audit processes in the Company (internal and external), discusses certain topics raised by auditors or the management and advises the Supervisory Board. The Audit Committee is responsible for ensuring objectivity and credibility of information and reports that are submitted to the Supervisory Board.

Members of the INA, d.d. Audit Committee as of 1 July 2019 are:

- Judit Szilágyi - Chairman of the Audit Committee
- Ratko Marković - member of the Audit Committee
- Hrvoje Šimović - member of the Audit Committee

The Audit Committee is in charge of and has the following responsibilities:

- Passing decisions on approval of flash reports for the stock exchange reporting purposes
- Giving recommendations to the Supervisory and Management Board on appointment or withdrawal of the appointment of the Company's external auditors responsible for annual audit of financial reports, taking into account independence, objectivity, efficiency and expenses of external auditors
- Meeting with external auditors to evaluate the scope and contents of the annual audit and appraise the results of their work
- At least once a year, a discussion of INA, d.d. – auditor relation and other services provided by the audit firm to ensure that none of the non-audit services influence the independence and objectivity of the external audit
- Discussing the results of the annual audit with external auditors, including:
  - Assessment of audited financial reports
  - Analysis of external and internal auditors' recommendations for improvement of accounting processes and internal control
  - Assessment of application of internal and external auditors' recommendations
  - Assessment of accounting processes and policies in INA, d.d. in comparison with other entities in the sector
- Approval of accounting policies and principles used by INA, d.d.
- Assessment of completeness and accuracy of data in the overall picture, presented in INA's financial statements to INA's shareholders and creditors
- Assessment of all important issues connected to legal disputes, contingencies, requests, taxes or penalties and all important accounting issues that have to be included in financial statements, in cooperation with the Management Board and external auditors
- Assessment of the scope and efficiency of the risk management system
- Assessment of the work of Internal Audit, including:
  - Competence of Internal Audit
  - Planned scope of Internal Audit, objectives, authorities and human resources necessary for achieving relevant objectives
  - Internal Audit activities in the previous period and a summary of Internal Audit report in written form
  - Cooperation of Internal Audit and the external audit
- Meeting with the director of Internal Audit upon request of the Audit Committee members or the director of Internal Audit
- Meeting with the director of Accounting and Tax upon request of the Audit Committee members or the director of Accounting and Tax
- Submitting a report about the activities and conclusions of the Audit Committee to the Supervisory Board.

Internal Audit enables an independent and objective assessment of financial, operative and control activities carried out within the Group on behalf of the Management Board and reports to the management through comprehensive reports on performed audits. Internal Audit also reports on adequacy of internal controls and level of compliance with internal and external regulations. Charter of Internal Audit is a strategic document that defines the main principles and scope of work used in the Internal Audit within the Group.

The main tasks of Internal Audit include, but are not limited to:

- Testing, analysis, assessment and reporting of data in an objective and independent manner, as well as recommending preventive measures aimed at adding value and improving the company operations through application of professional audit standards and ethical standards established by the Institute of Internal Auditors (IIA)
- Check of operational and functional activities carried out in the Group and establishing, understanding, testing and assessing the existing controls with the aim to minimize identified operational risks to the most favorable cost/benefit level
- Testing and assessing adequacy and efficiency of internal control mechanisms, assessment of information technology system and related risk areas, as well as assessment of quality in performing assigned duties
- Assessment of work or program to determine whether the results are in line with the set targets and the work and programs are carried out in a planned manner
- Assessment of reliability and accuracy of financial and operative reports, as well as the manner of identifying, measuring, sorting and reporting this data
- Assessment of the system established by the management to ensure compliance with laws, regulations, procedures, policies and plans that might significantly affect the work and reporting
- Carrying out special checks or investigations as requested by the Management or Supervisory Board of the Company
- Identification of possible frauds and reporting to Corporate Security for the purpose of further investigations.

SIGNIFICANT SHAREHOLDERS OF THE COMPANY

As at 31 December 2020, INA's ownership structure is as follows:

- MOL Nyrt. – 49.08%
- Government of the Republic of Croatia – 44.84%
- Institutional and private investors – 6.08%

GENERAL ASSEMBLY OPERATION

General Assembly shall be held at least once a year (ordinary meeting) and whenever a meeting is required in the interest of the Company (extraordinary meeting). The General Assembly is convened by the Management Board, and may also be convened by the Supervisory Board, as well as under conditions determined by the law, by shareholders holding shares that represent at least one twentieth part of the Company share capital. Each shareholder registered within the computer system of the Central Depository has the right to participate in the General Assembly, provided that they have sent a prior application for participation at the General Assembly meeting. A notification of their intention to participate at the General Assembly needs to be delivered to the Company within the deadline set in the invitation, six days before the General Assembly.

The President of the Supervisory Board, or any other person appointed by the Supervisory Board to chair the General Assembly, shall preside as the Chairman of the General Assembly. The General Assembly shall be entitled to pass valid resolutions if shareholders representing at least 50% of the total number of votes are present (quorum). Resolutions of the General Assembly are passed by an ordinary majority of votes, except in cases where a larger majority is required by the law or the Articles (qualified majority).

COMPOSITION AND OPERATIONS OF MANAGEMENT AND SUPERVISORY BODIES

INA's management structure is based on a two-tier board system, comprising of a Supervisory Board and a Management Board. Along with the General Assembly, these constitute the three mandatory internal bodies of INA, d.d. in accordance with INA's Articles of Association and the Companies Act.

The Supervisory Board is responsible for the appointment and recall of the Management Board members and supervises the conduct of the Company's business operations. Pursuant to INA's Articles of Association, the Supervisory Board consists of nine members, one member being the employees' representative. Based on the Shareholders' Agreement signed between MOL and the Croatian Government, five members are appointed by MOL and three by the Croatian Government. The General Assembly appoints and recalls eight members of the Supervisory Board. One member of the Supervisory Board is elected and recalled by employees pursuant to the Labor Act. The members of the Supervisory Board to be elected and recalled by the General Assembly may resign from their position by delivering a letter of resignation to the President or Vice President of the Supervisory Board and to the Management Board of the Company. A member of the Supervisory Board elected and recalled by employees may hand in their resignation to the Supervisory Board pursuant to the provisions of the Labor Act. The Supervisory Board elects a President and Vice President of the Supervisory Board from among its members by a simple majority of votes. The President and Vice President of the Supervisory Board are elected for a term not exceeding four years and may be re-elected.

Members of the Supervisory Board from 14 June 2017 until 18 December 2020:

- Damir Vanđelić - President of the Supervisory Board
- József Molnár - Vice President of the Supervisory Board
- Luka Burilović - member of the Supervisory Board
- Szabolcs I. Ferencz - member of the Supervisory Board
- Ferenc Horváth - member of the Supervisory Board
- Damir Mikuljan - member of the Supervisory Board
- József Simola - member of the Supervisory Board
- László Uzsoki - member of the Supervisory Board
- Jasna Pipunić - representative of employees in the Supervisory Board

Members of the Supervisory Board from 18 December 2020:

- Damir Vanđelić - President of the Supervisory Board
- József Molnár - Vice President of the Supervisory Board
- Luka Burilović - member of the Supervisory Board
- Zsuzsanna Ortutay - member of the Supervisory Board
- Gabriel Szabó - member of the Supervisory Board
- Damir Mikuljan - member of the Supervisory Board
- Domokos Szollár - member of the Supervisory Board
- László Uzsoki - member of the Supervisory Board
- Jasna Pipunić - representative of employees in the Supervisory Board

The Company's **Management Board** shall consist of six members. Based on the Shareholders' Agreement, three members are appointed by MOL, including the President, and three by the Croatian Government. The Management Board has a President, and it may also have a Vice President specified by the Rules of Procedure of the Management Board. The President of the Management Board may have assistants and advisers appointed by the President. The President and members of the Management Board shall be appointed and recalled by the Supervisory Board. The Supervisory Board shall decide on the term of office of the members of the Management Board, but their term of office shall not exceed five years. Once their term expires, members of the Management Board may be reappointed without limitation as to the number of terms they may serve. The Company is represented by two members of the Management Board acting jointly, or one member of the Management Board acting jointly with one procurator.

Members of the Management Board until 31 March 2020:

- Sándor Fasimon - President of the Management Board
- Niko Dalić - member of the Management Board
- Ivan Krešić - member of the Management Board
- Davor Mayer - member of the Management Board
- Zsolt Pethő - member of the Management Board
- Ákos Székely, PhD - member of the Management Board

Members of the Management Board from 1 April 2020 until 31 January 2021:

- Sándor Fasimon - President of the Management Board
- Niko Dalić - member of the Management Board
- Barbara Dorić, PhD - member of the Management Board
- Darko Markotić - member of the Management Board
- Zsolt Pethő - member of the Management Board
- Ákos Székely, PhD - member of the Management Board

Members of the Management Board from 1 February 2021:

- Sándor Fasimon - President of the Management Board
- Niko Dalić - member of the Management Board
- Barbara Dorić, PhD - member of the Management Board
- Ferenc Horváth - member of the Management Board
- Darko Markotić - member of the Management Board
- József Simola - member of the Management Board

Members of the **Council of Directors** are appointed based on a Management Board's decision. They are authorized and responsible for the management of operations of INA's individual business divisions (Exploration and Production, Refining and Marketing, Consumer Services and Retail, Finance and Industrial Services).

Members of the Council of Directors appointed by the decision of the Management Board until 28 February 2021:

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

Members of the Council of Directors appointed by the decision of the Management Board from 1 March 2021 until 31 March 2021:

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

Members of the Council of Directors appointed by the decision of the Management Board from 1 April 2021:

- Borko Buturac – Acting Operating Director of Consumer Services and Retail
- Gábor Horváth - Chief Financial Officer
- Goran Pleše - Operating Director of Refining and Marketing
- Goran Pavlović - Operating Director of Industrial Services
- Tvrtko Perković - Operating Director of Exploration and Production

Business address for all members of the Management Board, Supervisory Board and members of the Council of Directors is Avenija Većeslava Holjevca 10, 10 020 Zagreb, Croatia.

DIVERSITY STRATEGY

As a company, INA, d.d. builds a culture of diversity and acceptance of differences in line with its fundamental values and with the aim of attracting, hiring and retaining talents and its employees. In INA, d.d., under diversity management we imply introduction of diversity into the work environment in any form (gender, age, ethnicity, religion, language, sexual orientation, social background, hobbies, styles of learning, political attitudes, etc.), while under diversity acceptance we imply creation of an organizational culture where differences are respected and where everybody has the opportunity to develop their skills and talents.

The procedure of career and succession management for positions in INA, d.d. is carried out for all managerial positions and since it is an objective and unbiased system, it ensures representation of all important competencies/areas of activities aimed to achieve efficient and professional performance of successors in their future managerial roles. Currently, there is a total of 40% female successors of the total successor population, prepared to take over managerial positions. Through the use of the mentioned Procedure for Managers, and for employees of operative companies, "Employee Performance Management System in INA Group", a system for identifying and developing talents is carried out both for managers and other employees. This is also an objective and unbiased tool to ensure gender diversity in executive, management and supervisory bodies. The ratio of promotions and the ratio of talents by gender is in line with the ratio of employees by gender.

In addition to the aforementioned, in 2020 we continued with building a diversity culture through specific projects and initiatives, such as:

D&I SURVEY

In 2020, Diversity & Inclusion survey was conducted at the level of the entire MOL Group and INA Group with the aim of better understanding the perspective of employees on this topic and identifying strengths and improvement areas regarding diversity and inclusion. The results will be published in 2021 and D&I activities will be set accordingly.

D&I EVENT

In 2020 we held a D&I event as part of the annual Employee Awards Ceremony. During the event, we emphasized the diversity of our employees in different aspects and emphasized how important it is for the company to be diverse and inclusive. Special emphasis was placed on fathers who used parental leave and we wanted to show that we are a company that supports fatherly roles and encourages employees to use the same opportunity.

DADFORCE STANDARD

In 2020, based on the implementation of a responsible policy of supporting working fathers and strengthening their parental role, INA, d.d. received the **DADFORCE standard.** Besides that, INA, d.d. is still a proud owner of **MAMFORCE © certificate**. In this audit INA, d.d. has reached 93%, which is the highest percentage so far. A commitment to the area of work-life balance and equal professional opportunities for women and men places INA, d.d. at the top of the best companies in Croatia, as it is 28% better than the average of comparable companies.

THE BEST COMPANY FOR WOMEN AND WELL-BEING

INA, d.d. stood out as the **best for women and for well-being of employees** in the category of large companies in an independent research conducted by the MAMFORCE team.

The best companies for women provide fair conditions for employment, career development and promotion without paycheck differences based on gender, while companies that take care of the well-being of employees develop positive interpersonal relationships, provide a stimulating work environment and efficiently organize working hours to ensure harmony of all life roles.

INA Group was the first in Croatia to introduce a comprehensive well-being program through the beneFIT platform which provides every employee with benefits in accordance with their needs in life.

Furthermore, for many years now women in INA Group have been provided with the same employment and career development opportunities as their male colleagues, which is confirmed by transparent indicators that show there is an equal share of women at all management levels.

INA Group is committed to the quality of the work experience, development of corporate culture and the principles of diversity and inclusion.

QUALITY MANAGEMENT

INNOVATION

For more than half a century, INA Group workers have been applying their innovation proposals categorized as patent (invention), industrial design, technical improvement, business rationalization or useful idea.

During 2020, INA Group faced several major challenges in the form of a cyber-attack, the COVID-19 pandemic and earthquakes that significantly affected our work activities. However, this has not hampered workers' efforts to improve work processes through innovation. In the INA, d.d. Refining and Marketing an innovation competition was conducted according to the EIFFEL methodology, to which 28 innovation proposals were submitted, while another 19 innovation proposals were submitted to the INA Group's Innovation Assessment Committee in the usual manner. Thus, in 2020, despite all the challenges, a total of 49 innovation proposals were submitted.

INA Group successfully presented itself at the 45th Croatian Innovation Salon INOVA-Croatia 2020, which was held online due to the pandemic, where our innovators presented seven innovations and won three gold, two silver and two bronze medals for new products and business process improvements.

QUALITY

Quality management is applied in all business processes through the integrated company system which was also introduced by major INA Group companies. The goal is to continuously improve processes and to further develop the quality of products and services. In 2020, INA Group possessed the certificates according to ISO 9001, ISO 14001, ISO 50001, OHSAS 18001 standards and EU-ISCC certificate on biofuels sustainability, which is a mandatory condition for the sale of biofuels on the EU market. Monitoring of the entire quality management system is implemented with external monitoring management system (MS) audit (one held), as well as with integral process MS internal audits for all management systems (134 planned) and supplier quality audits (four held). Through the cooperation with related company monitoring processes such as health and safety audits, internal audits, compliance with the regulation audits and security audits, better control of the processes is accomplished. In 2020, due to the hacker attack on the INA company, COVID-19 pandemic and the earthquakes that significantly affected the work activities, the internal quality audit plan was revised in order to adapt it and provide better support to business processes in such a specific and challenging situation. A slightly reduced total number of internal quality audits (91) was held, which were therefore aimed at meeting legal requirements and specific requirements of operational processes, with part of the quality audits (74) held online due to epidemiological measures, and a part of planned internal quality audits (43) postponed for the first quarter of 2021.

INA, d.d. experts actively participate in the work of the Croatian Society for Quality (CCS) and the Croatian Standards Institute, and through membership in the CCS Supervisory Board, they contribute to the development of good relations with stakeholders and build the reputation of our company.

STANDARDIZATION

INA standards define and specify the quality of our products and raw materials, as well as the elements of the company's visual identity, and prescribe rules and standards in the field of business communication. In 2020, one new INA standard was developed, and seven existing INA standards were revised, while eight safety data sheets were prepared.

INA, d.d. experts actively participate in the work of more than 34 technical committees and numerous subcommittees and working groups at the Croatian Standards Institute (CSI) where they help improve the process of sustainable development of our company.

INTELLECTUAL PROPERTY

Protection of intellectual property rights includes the protection of inventions (patents), trade and service mark, product names, elements of the visual identity of service stations (trademark), and the protection of the external appearance, i.e. product appearance (industrial design). In line with its business interests, INA, d.d. protects: INA's name through international registration, which ensures protection of INA's name in 27 countries (Republic of Croatia, Albania, Algeria, Austria, Benelux, Bosnia and Herzegovina, Bulgaria, Montenegro, Czech Republic, Egypt, Italy, Kosovo, Liberia, Hungary, Macedonia, Morocco, Germany, Poland, Romania, Russian Federation, Slovakia, Slovenia, Serbia, Swiss, Ukraine), 58 trademarks in Croatia, 38 trademarks in Slovenia, 22 in Macedonia, 43 in Bosnia and Herzegovina, 24 in Serbia, 12 in Albania, 32 in Kosovo, 33 in Montenegro, ten in Hungary, two in Belarus, as well as six industrial designs in Croatia, five industrial designs in Bosnia and Herzegovina and Slovenia, four industrial designs in Serbia, Macedonia, Montenegro and Kosovo, and INA web domain in Macedonia, Bosnia and Herzegovina and Croatia.

In the year 2020, five new trademarks were registered (INA MAZIVA, INA LOYALTY - two versions, INA PAY, INA TRANSHIDROL) in Croatia and five Internet domains related to the INA LOYALTY program were launched, with protection extended for several trademarks (INA TURBO, INA AGRINA, INA KOMPRINA, INA FUNGIA, INA GORGONELA, INA LOKOMOL) in Croatia.

The other part of INA, d.d. intellectual property are employees and all their knowledge, ideas and skills applied in their work. The Company Knowledge Base, in which one can find all information related to the creative work of INA, d.d. employees, is continuously maintained.

03

OUR BUSINESSES

EXPLORATION AND PRODUCTION OVERVIEW

Key message from the Operating Director

"Thanks to the dedication of our people, we managed to overcome all the difficult challenges this year had presented us with. We have also had a string of positive news. In Onshore Croatia we signed three new PSAs, had our second discovery on Drava-02 and started the single largest 3D seismic acquisition in the country's history on Drava-03. Offshore Croatia we successfully drilled our first offshore well in five years. Internationally, we have entered a new exploration concession after 12 years, further expanding our portfolio in Egypt. All of this clearly shows our commitment to growth, both in Croatia and abroad."

Tvrtko Perković
Operating Director of Exploration and Production

ACHIEVEMENTS

- Declared our second discovery on the exploration block Drava-02
- Completed first part of the single largest 3D seismic acquisition in Croatia's history
- Successfully drilled our first offshore well in five years

CHALLENGES

- Reserves replacement through organic and inorganic growth
- Minimizing the effects of natural decline on our highly mature fields
- Continuing exploration activities in Croatia and starting exploration activities on our new concession in Egypt

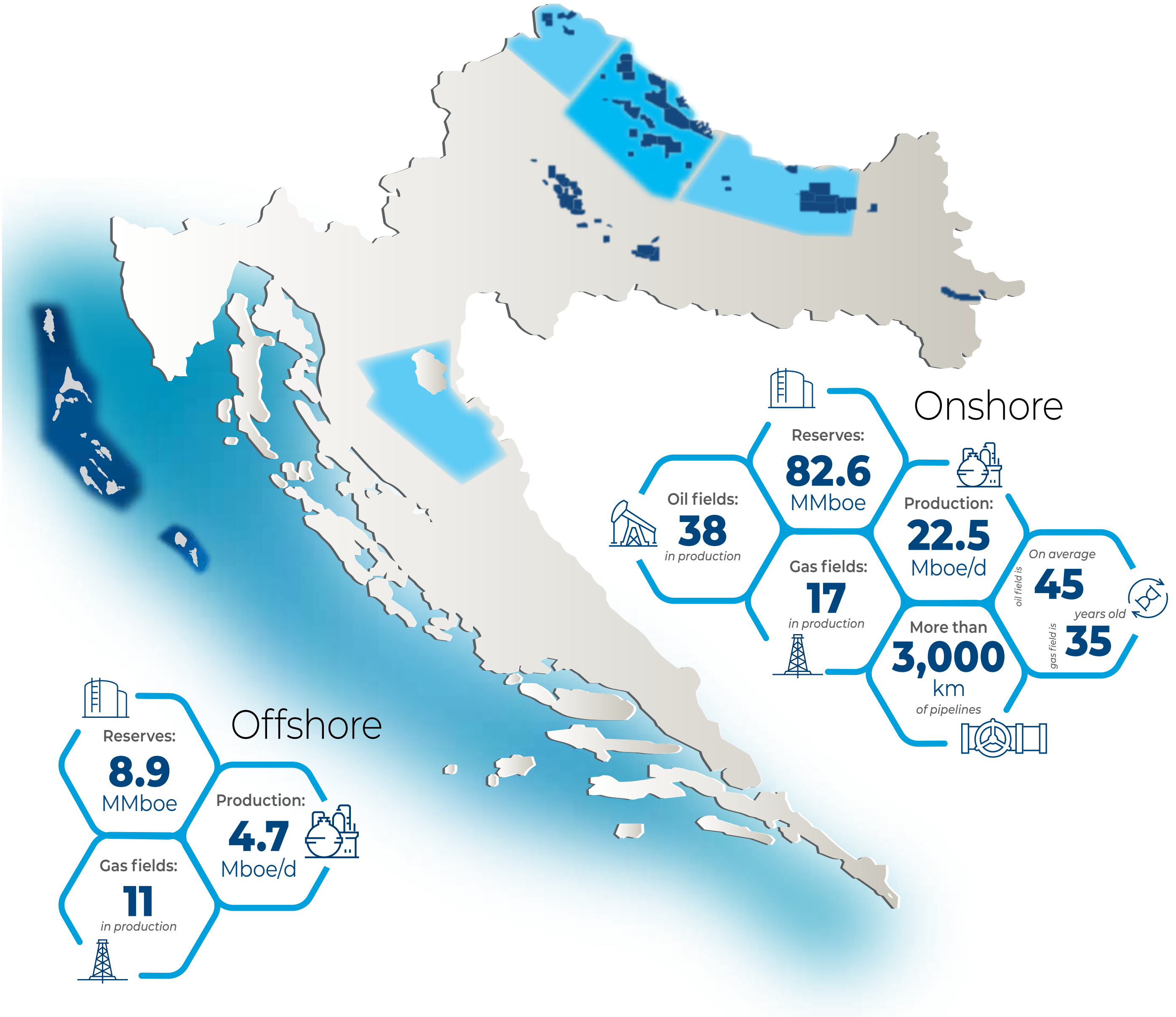
OVERVIEW AND KEY ACHIEVEMENTS FOR THE YEAR 2020

The external environment has been challenging this year, forcing us to adjust our operations accordingly. Thanks to the utmost dedication of our people, we have been able to adapt to new realities, ensuring business continuity and uninterrupted production throughout the year. While some of our planned projects and activities both in Croatia and internationally were either re-scheduled or postponed, none were cancelled. Our business has thrived and became even stronger and more resilient for the times ahead of us.

At the end of 2020, INA Group had 95 MMboe of proven and probable (2P) hydrocarbon reserves with an average daily hydrocarbon production of 29.5 Mboe.

EFFICIENCY IMPROVEMENT PROGRAM

2020 was planned to be a major investment year for the Program. However, due to the external environment, investments had to be adjusted accordingly and were halved. Despite this, savings in the area of maintenance were achieved according to the plan. Nevertheless, implementation of initiatives continues, only in a somewhat modified timeframe.



CROATIA ONSHORE

EXPLORATION

On 26 March 2020, INA, d.d. and the Government of the Republic of Croatia signed three Production Sharing Agreements (hereinafter: PSAs) for two exploration blocks in the Pannonian Basin, DR-03 and SZH-01, as well as one exploration block in the Dinarides, DI-14. Exploration rights are divided into two periods, an initial three-year exploration period and a second two-year period, with an optional one-year extension.

EXPLORATION BLOCK DR-02

After the Severovci-1 gas well discovery in 2019, a 2nd commercial discovery on the block has been declared on the Jankovac-1 oil well, after well testing performed in 2020. With this, INA has fulfilled the minimum work obligations for the First Exploration Phase in its full scope.

Within the 2nd Exploration Phase, activities continued in preparation for drilling two new exploration wells together with geological & geophysical (hereinafter: G&G) studies. This Phase is valid until December 2021 with an optional six-month extension.

EXPLORATION BLOCK DR-03

In December 2020, INA has successfully completed the first part of the single largest 3D seismic acquisition project in the history of Croatia, as part of the working obligation in the block. The first part covered a total area of 400 km^2, while in Q1 2021 the remaining 200 km^2 will be acquired, for a total area of 600 km^2. This acquisition used, for the first time in Croatia, wireless single sensor technology, which enabled better subsurface sampling and illumination, more efficient production, but also less impact on agricultural land. A total of 40,855 shot points, over 200 million traces and more than five TB of data were acquired. This confirms that INA is committed to using the most advanced industry standard hydrocarbon exploration technology in the Pannonian Basin. The seismic data obtained is a basis for G&G studies to be conducted, in order to define new exploration prospects for drilling within the block.

EXPLORATION BLOCK SZH-01

G&G studies have been performed as part of the work obligations on the block, including reprocessing of 150 km^2 3D seismic data and conducting G&G studies: gravity and magnetometric study, regional geological study and geochemical study with basin modelling. Seismic data reprocessing and G&G studies performed in 2020 resulted in outlining a promising area of interest for future exploration works. New area of interest was outlined along the Croatia-Hungary border, with new 3D seismic acquisition polygon defined.

EXPLORATION BLOCK DI-14

Comprehensive G&G study was prepared in 2020 which indicated the area of interest for performing surveys proving the existence of petroleum system elements and which will serve to steer future exploration works.

FIELD DEVELOPMENT

Most of the projects performed in 2020 were an outcome of the Efficiency Improvement Program (hereinafter: EIP) defined back in 2019. Although the scope was significantly reduced due to the pandemic and global crises, focus remained on either specific workovers on selected areas or revitalization of inactive or low-rate producer wells. In total, capital well workover operations were performed on 41 wells in 2020.

Idle wells revitalization concept continued but was slightly modified and accelerated through the EIP to cover even more wells - 100 in five years. In 2020, this was the most demanding activity that expanded throughout the entire year.

Sand management, a new type of project, was implemented to cover various activities related to reservoirs with unconsolidated sand. It envisaged two types of workovers and was successfully performed on Stružec, Jamarica, Lipovljani and Kozarica fields.

ENHANCED OIL RECOVERY (EOR)

In February 2020, the EOR project has been partially extended to the southern part of the Žutica field (Žutica South) with CO_2 injection starting on two wells.

This year marked six years since the start of CO_2 injection on Ivanić and five years on Žutica North. Since then, daily hydrocarbon production has increased two times on Ivanić and five times on Žutica North. Although results of EOR are already visible on Žutica South, they are not yet significant in total hydrocarbon production. However, over 70% of the total produced hydrocarbon volumes in 2020 from Ivanić and 90% from Žutica North were the results of EOR. Over 190 million m^3 of CO_2 was injected in 2020 into the three fields, bringing the total over 1.1 billion m^3 since the start of EOR.

The EOR Program Team monitors and optimizes the injection and production systems in Ivanić and Žutica fields and works on extending EOR technology to more fields and transitioning projects to carbon capture, utilization and storage (hereinafter: CCUS).

INA, d.d. latest target for implementing CO_2 EOR technology is the Šandrovac oil field. A pilot project has been initiated in 2020 and during the following two years a series of well workovers, well logging, production and pressure tests will be performed in order to acquire valuable data for defining the future possibilities of a full-field EOR application.

NEW TECHNOLOGIES & TOOLS

Digitalization initiative implementation started in Stružec and Međimurje fields, as an outcome of the EIP defined back in 2019. Sensors, transmitters and flow regulators were installed on two Stružec wells as part of a pilot project, ensuring the well operation within the desired parameter range. This pilot serves as preparation for the application of Digital Oilfield technology in the entire field. Integrated Production Model (IPM) has been developed for the Međimurje field, used to define the production potential while bringing significant efficiency and more speed in running calculations and reducing the possibility of human error.

Experience gained with IPM will be used in the future on INA's fields as well as those within MOL Group.

Electric Submersible Pump (hereinafter: ESP) technology implementation continued with three additional ESPs installed in 2020, bringing the total to 21. Given the excellent results on the EOR field Ivanić, where the installation of ESP resulted in more than doubling the mean time between failure (hereinafter: MTBF) period, consequently halving the field's subsurface operating costs, this technology is expected to be extended to other EOR fields as well as ones in the Slavonia region.

Screenless sand management method for minimizing sand inflow in wells was used for the first time and good results were achieved on Stružec field which will be considered for future implementation on other fields.

New logging tools were introduced in 2020. Casing Inspection Tool and Multi-Finger Caliper are used to inspect the conditions inside and outside 5 ½ inch casing, helping determine the state of well integrity which is very important in older wells, especially those where CO_2 is used. Pulse Neutron Capture and Carbon/Oxygen ratio tools are used to log cased-hole wells and help evaluate the remaining hydrocarbon saturation, find bypassed pay and changing fluid contacts.

Paraffin inhibitor testing in field conditions was started as a pilot project, aiming to investigate different solutions for preventing paraffin precipitation in order to achieve flow assurance.

Chemical treatments on wells with sand control equipment were performed on Stružec and Kozarice oil fields during 2020. During the design of the chemical treatment, custom-made recipes and pumping schedules were made for each well, while for the first time, improved solvents and acid formulations were used. These types of chemical treatments are to become an integral part of maintaining the production of such wells.

MAINTENANCE

Turnaround of major gas production and processing facilities onshore Croatia was performed in 2020. The project included maintenance across 16 locations within three production regions, including the two major facilities Gas Treatment Plant Molve and Fractionation Facilities Ivanić Grad as well as for the first time the Central Gas Station Žutica. Additional efforts have been made to extend the period between all future turnarounds from two to three years. Despite having over 600 workers involved, both internal and contractors, this project was completed without a single COVID-19 infection.

CROATIA OFFSHORE

INA, d.d. is the concession holder on three exploitation areas with 11 gas fields in the Adriatic. INA, d.d. is the sole operator of ten fields, while one field is operated by the ED-INA d.o.o., a joint-venture in partnership with Edison.

Appraisal well Irena-2, located on the Izabela exploitation field, has been successfully drilled in October 2020 and the main gas reservoir target has been confirmed. This marks a major milestone in offshore development as it is the first offshore well to be drilled in five years. Drilling has been performed by CROSCO d.o.o., using their jack-up rig Labin.

Activities on existing production platforms were focused on ensuring operability, as well as mitigating natural production decline by reducing unplanned production downtime.

Continuous implementation of the Offshore Safety Directive ensures meeting high safety standards for the offshore environment. In 2020, the most important segment of this implementation was approval of the Report on Major Hazards by Croatia's Coordination for Safety of Offshore Exploration and Exploitation of Hydrocarbons. The Report consists of around 25,000 pages and took more than 30,000 man-hours to complete.

In early December, the unmanned Ivana D monopod platform has capsized. The installation was immediately brought into a safe state by the safety systems and poses no risk for people and the environment. Investigation as to the root cause is ongoing, after which a decommissioning plan will be made.

INA, d.d. is continuously working on bringing into production the remaining offshore potentials through the North Adriatic Offshore Development Program. Currently, it includes drilling of new wells and construction of new production platforms.

EGYPT

INA's assets in Egypt include one operated concession - East Yidma and four non-operated concessions; North Bahariya, Ras Qattara, West Abu Gharadig, as well as a newly acquired concession East Damanhur.

East Yidma: Drilling new targeting reservoirs discovered by Rizk-2D well was postponed for 2021, while the work program in 2020 was to maintain current production.

North Bahariya: Out of 18 initially planned, the reduced drilling campaign included nine new wells. Eight are already in production. Additionally, nine recompletion jobs including well stimulation were performed and surface facilities projects related to oil transportation and production were carried out.

Ras Qattara: Production optimization activities were performed through 28 well workovers and interventions (sucker rod pump optimization, re-perforation and switch from electric submersible pump to sucker rod pump), surface facilities overhaul and other related activities.

West Abu Gharadig: License is approaching its expiry in December 2021. Works in 2020 were focused on asset integrity, well interventions, surface facilities overhaul as well as upgrade and production maintenance activities.

East Damanhur: In 2020 INA, d.d. has signed the Sale and Purchase Agreement, and in February 2021 the transaction has been approved by the Egyptian Natural Gas Company and Ministry of Petroleum. This is a new exploration concession of INA, d.d. in the onshore part of the Nile delta, operated by Wintershall DEA with 40% working interest. Partner is the Egyptian company Cheiron with 40%, while INA, d.d. has a 20% working interest. The concession will improve the sustainability of INA's Egyptian operations with a reputable operator and a strong local partner in the gas-prolific Nile delta onshore area with the production infrastructure already in place. Initial exploration period lasts three years and in case of commercial discovery, the contract provides for a production license for 20 years.

ANGOLA

Block 3/05: Work program included surface and subsurface facilities maintenance, light well interventions, water injection projects and preparation for a major well workover campaign.

Block 3/05 A: Work program included re-evaluation process of the upside potential of the Punja Development Area and preparation activities for restoring production from Caco Gazelle field.

PORTFOLIO DEVELOPMENT

Portfolio development activities in 2020 were focused on INA's traditional regions of interest such as North Africa and Southeast Europe, especially Croatia and Egypt. The scope of attention is being broadened to Morocco, Ukraine and Albania, as well. Endeavors were made to identify new opportunities with sufficient potential for reserves and production growth in terms of either exploration or field development.

INA, d.d. signed three new PSAs onshore Croatia following the 2019 bid round for blocks DR-03, SZH-01 and DI-14. Additionally, INA, d.d. has entered into a new international exploration concession after 12 years, East Damanhur (Block 10) in the Egypt Nile delta onshore area.

STRATEGY AND OUTLOOK

Reserve replacement and maintaining a stable production rate remain our key priorities in order to enable sustainable growth in the future. This can be achieved by developing a diversified portfolio as a collection of both organic and inorganic projects.

INA, d.d. will keep participating in international tenders with the aim of acquiring both discovered reserves and new exploration licenses. The outcome of such ventures will largely depend on the crude oil price trend on the market, as well as the optimal strategic fit for the company.

INA, d.d. plans to continue to utilize the full potential of current assets. The Drava-02 exploration program already marked two discoveries, while the already performed and upcoming seismic acquisitions on the newly acquired blocks will be a strong base for future exploration activities.

In terms of field development, onshore Croatia we will continue with the drilling, workovers, relaunching inactive wells, introduce new technologies where applicable and extend EOR to other oil fields. Offshore Croatia we aim to continue with field development on North Adriatic assets.

FINANCIAL AND OPERATING PERFORMANCE

In 2020, EBITDA amounts to HRK 1,013 million which presents 57% decline compared to 2019. Main driver behind lower EBITDA were HRK 1,042 million lower sales revenues as a result of unfavorable price environment and lower production.

SEGMENT RESULTS*	HRK MLN			USD MLN**		
	2019	2020	CH %	2019	2020	CH %
TOTAL REVENUE	3,745	2,188	(42)	566	331	(42)
EBITDA[1]	2,356	1,013	(57)	356	153	(57)
EBITDA EXCLUDING SPECIAL ITEMS[2]	2,356	1,013	(57)	356	153	(57)
PROFIT FROM OPERATIONS	1,149	220	(81)	174	33	(81)
PROFIT FROM OPERATIONS EXCLUDING SPECIAL ITEMS[2]	1,431	220	(85)	216	33	(85)
SIMPLIFIED FREE CASH FLOW[3]	1,669	571	(66)	252	86	(66)
CAPITAL EXPENDITURES	687	442	(36)	104	67	(36)

* Detailed data analysis is provided in the Management Discussion and Analysis chapter
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] 2019 result was negatively impacted by HRK 282 million impairment of assets - Croatian offshore gas fields; 2020 result was negatively impacted by HRK 500 million impairment of assets – Sisak refinery assets in the amount of 295 million, and CROSCO Group assets in the amount of 205 million
[3] Gearing ratio = Net debt/Net debt + equity including non-controlling interest

Domestic crude oil production was lower as a result of natural decline and increased water cut on main fields.

Natural gas production dropped across both onshore and offshore fields due to natural decline and increased water cut. Offshore production was additionally affected by no production from Ivana D on Ivana field in December. Onshore downtimes due to turnaround on Gas Treatment Plant Molve and Fractionation Facilities Ivanić Grad in September also resulted in lower production.

In Egypt, slightly higher production at North Bahariya and East Yidma concessions was offset by lower Ras Qattara and West Abu Gahradig production. Lower Angola production volumes reflect weaker wells performance on Block 3/05 and shutdown events.

HYDROCARBON PRODUCTION (MBOE/D)	2019	2020	CH %
CRUDE OIL PRODUCTION	**14.5**	**13.1**	**(10)**
CROATIA ONSHORE	12.1	10.8	(11)
EGYPT	1.8	1.8	-
ANGOLA	0.6	0.5	(17)
NATURAL GAS PRODUCTION	**18.1**	**15.3**	**(15)**
CROATIA ONSHORE	12.0	10.6	(12)
CROATIA OFFSHORE	6.1	4.7	(23)
CONDENSATE	1.3	1.1	(15)
CROATIA ONSHORE	1.3	1.1	(15)
TOTAL HYDROCARBON PRODUCTION	**33.9**	**29.5**	**(13)**
AVERAGE REALIZED HYDROCARBON PRICE			
TOTAL HYDROCARBON PRICE (USD/BOE)*	48	32	(33)

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

Positive revisions of 6.3 MMboe across the portfolio were offset by 2020 production volumes and negative revisions mostly caused by unfavorable economics, resulting in decrease of 2P reserves compared to 2019.

RESERVES BREAKDOWN (MMBOE)	1P		2P	
	2019	2020	2019	2020
BY COUNTRY				
CROATIA ONSHORE	71	61	94	83
CROATIA OFFSHORE	4	3	8	9
EGYPT	1	1	3	2
ANGOLA	1	1	2	1
TOTAL	**77**	**66**	**107**	**95**
BY PRODUCT				
OIL	41	37	55	47
GAS	33	27	48	44
CONDENSATE	3	2	4	4
TOTAL	**77**	**66**	**107**	**95**

CAPITAL EXPENDITURES 2020 (HRK MLN)	CROATIA	EGYPT	ANGOLA
EXPLORATION	46	2	-
DEVELOPMENT	167	80	11
OTHER	136	-	-
TOTAL	**349**	**82**	**11**

REFINING AND MARKETING OVERVIEW

Key message from the Operating Director

"Although most of the year we have been through unprecedented challenges, thanks to our discipline we managed to secure stable operations, market supply and create a sustainable plan for further development of the INA Downstream 2023 New Course program, marked as crucial for the future of INA R&M. It is of utmost importance to notice how the biggest project in R&M history, the Rijeka Refinery Upgrade Project, is on track and proceeding as expected. With realization of this project and the New Course program in general we are creating conditions for the next investment cycle after 2024, with focus on renewable energy and CO_2 capture which will guarantee long-lasting sustainability for our company.

The times that we live in are extremely demanding, challenging and exciting, and the dedication of our employees to creating and shaping a future for this company is a precondition to success."

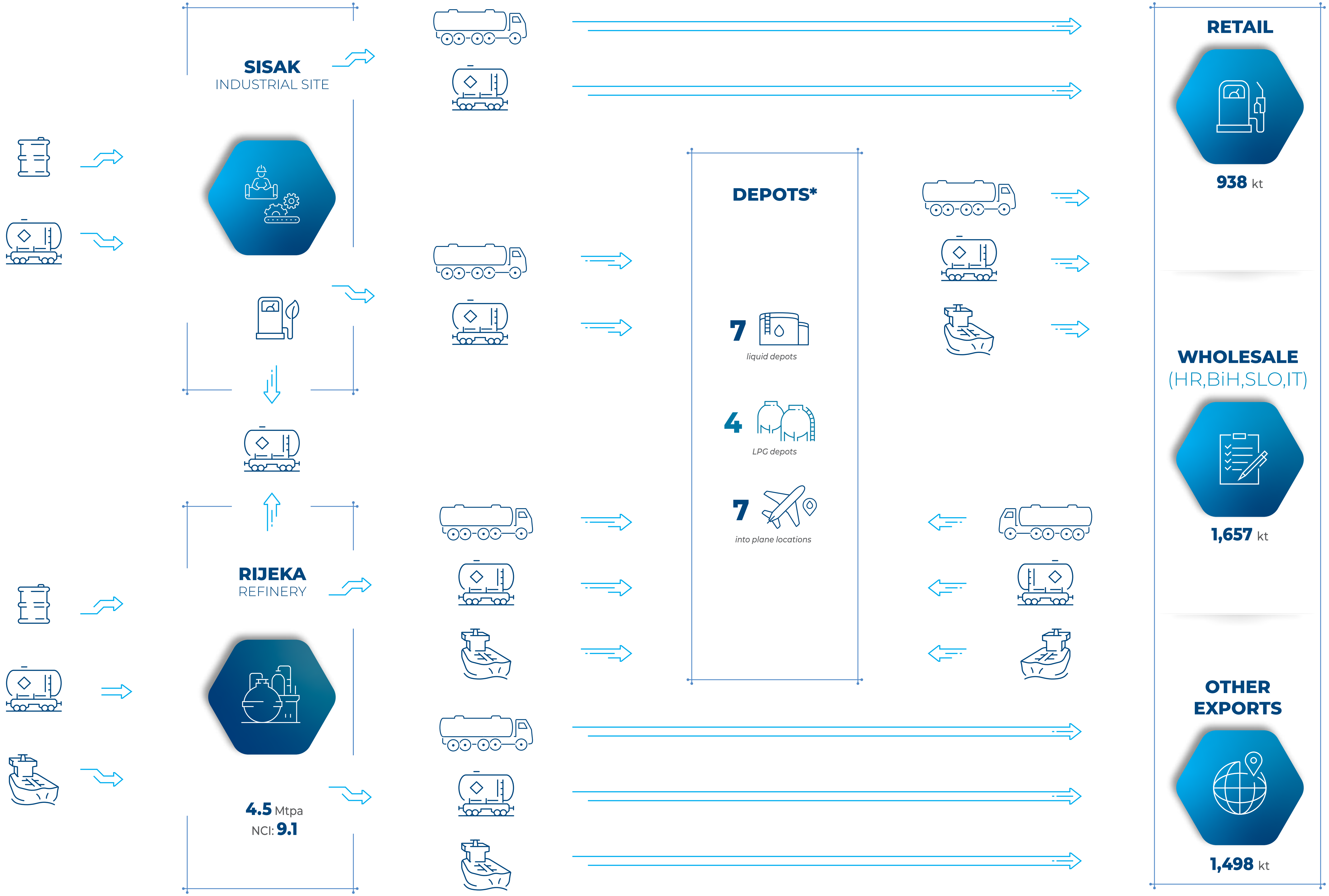
Stjepan Nikolić
Operating Director of Refining and Marketing

ACHIEVEMENTS

- Start-up of Propane-Propylene Splitter Unit in the Rijeka Refinery
- Strong market position on core markets
- Stable market supply throughout the whole year despite the challenges

CHALLENGES

- Continue to successfully adapt to external environments and keep the position of a market leader on core markets and improve influence in the region
- Continue with implementation of the INA Downstream 2023 New Course transformation program
- Create long-term strategy and vision for INA R&M in line with sustainability trends



LOGISTICS TRANSPORTATION ASSETS**

more than **250** road tanker cars

more than **500** rail tanker cars

3 own vessels

* includes Rijeka and Sisak depots
** includes rented and owned assets

OVERVIEW AND KEY ACHIEVEMENTS FOR THE YEAR 2020

COMMERCIAL ACTIVITIES

Considering the unfavorable external environment and the increased competition in the region, INA, d.d. successfully safeguarded its market position on core markets in Croatia and Bosnia & Herzegovina. Motor fuel demand decline was partially offset by strong wholesale performance and cost control in Refining and Marketing. The severe decline in jet fuel demand was compensated by higher diesel production and the successful start-up of the Propane-Propylene Splitter counterbalanced some of the negative effects of lower LPG demand on the core markets. Trading activities were mainly focused on competitive crude sourcing, inventory risk management, and contango opportunities.

REFINING OPERATIONS

As an integral part of INA Downstream 2023 New Course program, processing was concentrated at one location, the Rijeka Refinery. In response to the International Maritime Organization (hereinafter: IMO) marine fuel regulation, Rijeka Refinery processed only light low sulphur crudes to enable fuel oil production with 0.5% sulphur content as the optimal economic solution. From the approved low sulphur crude basket, mainly Azeri crude was processed. Part of domestic crude from Podravina was constantly delivered to Rijeka and added into processing.

Two Rijeka Refinery optimizations were planned and executed in 2020. Works during January-February were focused on HCU furnace repair. The second refinery optimization started in the beginning of November and was driven by economic reasons - low market demand and deteriorating margins. Performance in this period was better than planned (i.e. white product yields, operational availability, and slop processing).

Start-up of a new process unit, the Propane-Propylene Splitter, was a major event on production side in 2020. Unit test production started in late June, while the first quantities of propylene were sold in the beginning of August.

LOGISTICS AND DISTRIBUTION

Logistics continued with efficiency increase by reorganizing business processes in planning and transportation, which resulted in unit cost decrease of 7%. At the same time, according to external survey, customer satisfaction with Logistics services increased with a stable OTIF (on time in full) rate of 98%. In line with the transformation of Sisak, Logistics took over blending activities in Sisak, including gasoline and fuel oil blending processes and coordination of crude oil transfer. Despite operational and investment budget cuts, Logistics succeeded in technical upgrades such as enabling E5 gasoline storage at Osijek Terminal and putting new firefighting system in full operation at Into-plane Terminal Zagreb. With zero own staff injuries, injury rate in Logistics continued with a positive trend. More than 40 different trainings for more than 400 blue collar workers aimed at competencies improvement were conducted, which resulted in salary increase for many workers.

GAS AND POWER

INA, d.d. total natural gas sales amounted to 894 bcm, securing the position as a major supplier on the Croatian market. By the end of June, INA, d.d. secured deliveries of natural gas for the gas year 2020/2021, thus ensuring the leading role among traders and suppliers in Croatia. Due to domestic production decline, the need for contracting other gas suppliers increased. In June, two contracts were signed with reputable suppliers ensuring flexible natural gas source on VTP Croatia with the possibility to import up to 270 mcm of natural gas per gas year. In 2020, INA, d.d. obtained the energy license for the next three years for power trading and energy license for power supply. For the first time a big step in improving power procurement and optimization of power cost for INA Group was made. Having insight into the power market and buying power in tranches through HEPI TRADER platform decreased the power price by 9.2% in 2021 compared to 2020, with no “take or pay” obligation and full flexibility in consumption.

RESIDUE UPGRADE PROJECT

Despite a challenging business environment and minor delays during preventive measures introduced due to pandemic, works on currently the largest project in INA, d.d. has not stopped, and the start of operation is planned for 2023 as contracted.

Preparation of engineering documentation proceeds as planned, while the review of Piping and Instrumentation Diagram (hereinafter: P&ID), Hazard and Operability Study (hereinafter: HAZOP) and 30% of 3D model review of Project process units was performed. All equipment with a long delivery time has been ordered and manufacturing of coke drums and fractionator has started. Preparatory activities at the construction site started in accordance with the obtained building permits, as well as the relocation of underground installations. In November, the main excavation and laying of the foundation in the area of the future Residue Upgrade Unit began. In December, civil engineering works started on units to be revamped during Refinery economic optimization, ahead of the schedule, while the site preparation activities also started for the new electrical substation.

Croatian companies are largely participating in the execution of the project, through engineering, material and equipment delivery as well as construction and other works. During the performance of all works, special attention is paid to the safety and health of all involved, both INA Group employees and workers of all contractors and subcontractors.

DEVELOPMENT

In order to mitigate the negative effect of crisis on refining business and projects, measures were taken to decrease CAPEX budget to 57% for business essentials, HSE and legal compliance. The Biorefinery Project contracted technology and license for which Basic Engineering Design package was delivered in Q3. The Government also provided support to the Project by listing it as a Strategic Project for the Republic of Croatia. Read more about the Biorefinery project in chapter Global overview on climate change and our response.

New projects are highly focused on energy efficiency improvement and renewable energy utilization. Hydrogen project is creating new value chain which would be a significant contributor in GHG emission reduction in transport. For its development, a joint project with the City of Zagreb was awarded financial backing by the Fuel Cells and Hydrogen Joint Undertaking. Read more about the Hydrogen project in chapter Global overview on climate change and our response.

STRATEGY AND OUTLOOK

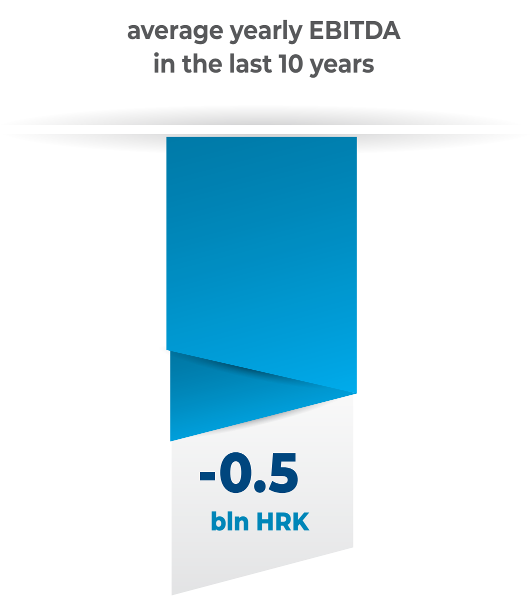
Sustainability has been one of the main topics in INA Group throughout the past year. Refining and Marketing remains strongly dedicated to transforming the business segment through its INA Downstream 2023 New Course program towards a financially sustainable future, from being a cash negative segment to one with an estimated yearly EBITDA of more than HRK 1 billion.

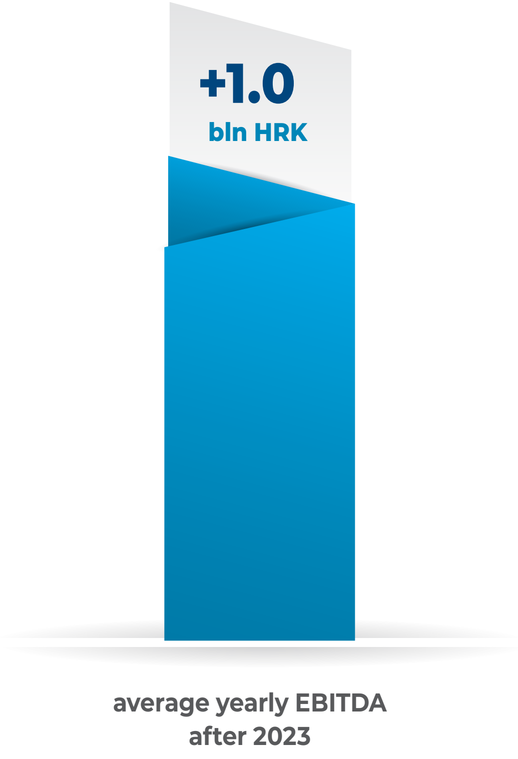
In the Program, the main contributor is the Upgrade of the Rijeka Refinery which will transform it into a modern European refinery and will ensure that INA Group keeps a strong position on the market. By completing the Residue Upgrade Project, Refinery complexity and efficiency will be substantially increased, production of high value products will be maximized, which will eliminate necessity for imports, as well as maximize asset utilization. It is a major investment that will ensure the segment's sustainability in the future. In parallel, optimization activities are ongoing with the goal to secure smooth and stable operations.

With an ever-changing environment, adjustments to strategy are the only constant, with one important goal in mind – securing sustainable energy future at Sisak location. Activities regarding its transformation into a new industrial center are ongoing. The decision to discontinue crude processing was implemented. Conservation of refining units started and will continue until 2022, while other transformation projects at the location will continue. Adjusting logistics operation to optimally cover market demand by creating a logistics hub is ongoing. Unfortunately, due to financial pressure that 2020 has placed on the company, some projects had to be postponed, with bitumen production reactivation being one of them. Although project implementation has been shifted, it is not abandoned. INA Group remains dedicated to all market-driven projects that will bring positive benefits in the future.

It is imperative to keep a strategic position by holding position of a market leader in domestic market and improving the influence in the region. Process improvements while approaching our customers and staying in line with modern solutions is a way to build high quality and long-lasting relationships. That is why INA Group will continue the journey of customer centricity and digitalization.

As the whole industry is set to witness major changes in its operations, Refining and Marketing in INA, d.d. is no different. That is why we are working on ideas that will ensure that renewable sources become an integral part of INA Refining and Marketing. With projects like the Biorefinery in Sisak and Hydrogen production and sales INA, d.d. will take part in the decarbonization of the transport segment, thus providing clean and sustainable energy for the transport segment in Croatia.





FINANCIAL AND OPERATING PERFORMANCE

In 2020, Refining and Marketing performance was affected by a deteriorating refining margin environment, lower Brent price (-17 USD/bbl) and crack spreads of key products compared to 2019: decreased diesel (-43 USD/t), gasoline (-18 USD/t), jet (-55 USD/t), which were partially mitigated by higher crack spreads of fuel oil (+18 USD/t) and LPG (+153 USD/t).

Refining profitability and utilization was pressured by the depressed external environment during most of 2020, which resulted in adjusting processing in Rijeka Refinery to the minimum capacity and even shutting down the refinery for economic reasons in November and December. Rijeka Refinery processed only light crudes achieving 80% yield of white products.

On the other hand, INA's fuel sales performance on captive markets was driven by strong wholesale activity which remained relatively close to 2019 level (-8%), despite a significantly impacted demand. Transfers to retail -139 kt (-15%) were lower than last year. The overall commercial performance on captive markets, Croatia (-208 kt) and B&H market (-130 kt) was lower as a result of the significant demand drop due to the impact of the pandemic. However, the lost volume could be partially compensated by the +11 USD/t higher commercial margin achieved for own fuel sales on captive market vs 2019 (+12 USD/t in Croatia and +2 USD/t in B&H).

The segment results in terms of Clean CCS EBITDA were at a similar level compared to the previous year, mainly driven by strict and robust cost saving measures, strong wholesale performance on captive markets, higher sales margins on captive markets and lower energy costs, partly offsetting lower demand for refined products and depressed refinery economics caused by the pandemic and slow-down in economic activity.

Refining and Marketing capital expenditures decreased mainly as a measure to counter the effects of the pandemic and amounted to HRK 622 million compared to HRK 1,071 million in 2019, mainly related to the Rijeka Refinery Upgrade, Biorefinery project and Propane-Propylene Splitter project.

SEGMENT RESULTS*	HRK MLN			USD MLN**		
	2019	2020	CH %	2019	2020	CH %
TOTAL REVENUE	21,530	14,153	(34)	3,252	2,141	(34)
EBITDA[1]	518	(153)	(130)	78	(23)	(129)
EBITDA EXCLUDING SPECIAL ITEMS[2]	518	(153)	(130)	78	(23)	(129)
CCS-BASED DS EBITDA EXCLUDING SPECIAL ITEMS[2]	556	639	15	84	97	15
LOSS FROM OPERATIONS	(230)	(1,231)	435	(35)	(186)	431
LOSS FROM OPERATIONS EXCLUDING SPECIAL ITEMS[2]	(230)	(936)	307	(35)	(142)	306
CCS-BASED DS LOSS FROM OPERATIONS	(192)	(144)	(25)	(29)	(22)	(24)
SIMPLIFIED FREE CASH FLOW[3]	(780)	(109)	(86)	(118)	(16)	(86)
CAPITAL EXPENDITURES	1,336	748	(44)	202	113	(44)
O/W REFINING AND MARKETING	1,071	622	(42)	162	94	(42)

* 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., 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 converting HRK figures into USD, the following average CNB rates were used: for 2019 – 6.62 HRK/USD; for 2020 – 6.61 HRK/USD
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] In 2020, result was negatively impacted by HRK 295 million of impairment of assets - Sisak refinery assets
[3] Simplified free cash flow = CCS EBITDA excluding special items – Capital expenditures

REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	2019	2020	CH %
REFINING PROCESSING (KT)			
DOMESTIC CRUDE OIL	516	90	(83)
IMPORTED CRUDE OIL	2,032	1,889	(7)
CONDENSATE	38	-	N.A.
OTHER FEEDSTOCK	550	757	38
TOTAL	3,136	2,737	(13)
REFINING PRODUCTION (KT)			
LPG*	157	153	(3)
NAPHTHA	14	122	771
GASOLINE	775	616	(21)
KEROSENE	162	58	(64)
DIESEL	1,096	1,119	2
HEATING OIL	89	79	(11)
FUEL OIL	371	247	(33)
OTHER PRODUCTS**	121	69	(43)
TOTAL	2,785	2,464	(12)
REFINING LOSS	44	26	(41)
OWN CONSUMPTION	307	247	(20)
TOTAL REFINING PRODUCTION	3,136	2,737	(13)
REFINED PRODUCT SALES BY COUNTRY (KT)			
CROATIA	2,218	1,803	(19)
BOSNIA AND HERZEGOVINA	769	607	(21)
SLOVENIA	64	44	(31)
ITALY	309	140	(55)
OTHER MARKETS	1,044	1,498	43
TOTAL	4,404	4,093	(7)
REFINED PRODUCT SALES BY PRODUCT (KT)			
LPG*	248	227	(8)
NAPHTHA	13	38	192
GASOLINE	848	737	(13)
KEROSENE	220	58	(74)
DIESEL	2,135	1,808	(15)
HEATING OIL	128	123	(4)
FUEL OIL	364	252	(31)
BITUMEN	74	75	1
OTHER PRODUCTS***	374	775	107
TOTAL	4,404	4,093	(7)
O/W CONSUMER SERVICES AND RETAIL SEGMENT SALES	1,115	938	(16)
TOTAL NATURAL GAS SALES (mcm)	1,271	894	(30)

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

CONSUMER SERVICES AND RETAIL OVERVIEW

Key message from the Operating Director

"Despite the numerous challenges we faced in 2020, from the cyber-attack in February and the outbreak of the COVID-19 pandemic, to major earthquakes in the Zagreb and Sisak area, the operations of Consumer Services and Retail were uninterrupted and the continuity of operations, as well as financial stability was maintained, which allowed us to successfully continue with the implementation of the development strategy and investments related thereto.

In addition to preserving health, the key areas that were at the center of focus during 2020 were the introduction of digital solutions at service stations, development and strengthening of the retail network and the improvement of the non-fuel segment.

In extremely difficult and challenging times, the employees and teamwork have proven to be key elements in the moments that make a difference and bring additional value to the company."

Vlatko Dujanić
Operating Director of Consumer Services and Retail

ACHIEVEMENTS

- Maintaining the market leader position and expanding and strengthening the INA retail network (through new locations and the Gastro concept)
- Digitalization of operations and taking a step forward in the presentation of new innovative solutions and services at service stations
- Development of our Fresh Corner strategy through an excellent gastronomic offer for people on the go, offering premium coffee, sandwiches and simple meals in a pleasant environment with a fast and high-quality service

CHALLENGES

- Increasing the number of service stations with special emphasis on intensive investment in the development of our non-fuel offer through the expansion of the Fresh Corner brand
- Developing and improving digital solutions and thus the necessary infrastructure at service stations
- Within New Businesses continued development of projects related to renewable energy sources, cooperation with the startup community and expanding the network of electric vehicle chargers at our service stations

OVERVIEW AND KEY ACHIEVEMENTS FOR THE YEAR 2020

CONSUMER SERVICES AND RETAIL

During the extremely challenging year 2020, in which we were forced to face a cyber-attack, the coronavirus epidemic and earthquakes in the Zagreb and Sisak area, from the very beginning we were aware of the area in relation to which no compromise was acceptable for us, and that is protecting the health of our employees, customers and business partners.

The economic crisis caused by the coronavirus pandemic has had a severe impact on the global oil and gas industry, leading to a sharp decline in demand for oil products, but we have nevertheless managed to maintain the continuity of operations and financial stability at the level of Consumer Services and Retail. We have also continued with the implementation of the successful development strategy and investment.

RETAIL NETWORK AND SERVICE DEVELOPMENT

Despite the challenges, we have not stopped paying attention to the needs of our customers. Through capital expenditures, service quality improvement, preparation for the tourist season and various strategic projects, we have continued with the strong development of the largest retail network in Croatia and B&H consisting of more than 500 retail locations that are visited by more than 200.000 of our customers on a daily basis, and through which more than a billion liters of fuel is sold annually.

In such a precarious situation, our decision to expand the range of products and services and develop the gastronomic concept, with an emphasis on the "on the go" segment, also proved to be well-founded.

Customer satisfaction has always been our number one priority and our goal is to be the first choice for people on the go and the market leader with a targeted range of products and services, as well as the number one gastronomic destination on a journey. Although the circumstances were demanding, we were able to expand our retail network and launch new services.

Reconstructions of important service stations that are parts of the INA Group retail network have been completed - Zagreb Heinzelova, Split Pojišan and Vukova Gorica. There is now a Fresh Corner with a terrace at the Heinzelova service station in Zagreb, we have modernized service stations in Ploče and in the immediate vicinity of Rijeka, and the Split-Pojišan service station, with a fresh and pleasant setting for rest and refreshment and a rich Fresh Corner offer, has been renovated and put into operation.

At the beginning of July, INA Group opened a unique gastronomic corner at the well-known retail location and busy rest stop of Vukova Gorica - the first Fresh Corner restaurant in our retail network consisting of a total of 85 Fresh Corners in Croatia, and the menu was created in collaboration with top experts in gastronomy. In addition to the newly furnished Fresh Corner, the first McDonald's restaurant on Croatian highways was opened at the location as part of a partnership with the company Globalna Hrana d.o.o. This location also offers customers the opportunity to refuel with high-quality fuels and purchase other products and services from a wide range of products, all in one place.

With the aim of strengthening our market position, several leading locations on the market have joined INA's retail network, and a noticeable step forward has been made in the development of our Fresh Corner strategy in the central business facility in Zagreb.

The Fresh Corner mezzanine in INA's headquarters building began its operation in the midst of a cyber-attack and it continued during the coronavirus epidemic. Next to the Fresh Corner mezzanine, the "Innovation HUB Center" was opened, equipped with a state-of-the-art conference room and a room for brainstorming and fostering creative inspiration, which fulfilled even better conditions for the continued transformation of INA, d.d. into an even more innovative and creative company.

In addition to the aforementioned, it should be noted that INA Group's presence on the A3 highway has been ensured for the next 25 years since the company was awarded the concession contract after a tender procedure.

Fresh Corners at our service stations have become an indispensable place where customers can take a break from traveling and enjoy the rich gastronomic offer, freshly brewed coffee, hot fast food and a diverse range of products and services.

In the year 2020, we also launched Fresh Corner digital communication via microsite, and for the first time we conducted a national campaign for our Hot Dog product. In addition to coffee in the beverage category, we consider the Hot Dog to be our hero product in the food category. At as many as 62 Fresh Corner locations, top quality professional Hot Dog rollers have been implemented, which will ensure even faster preparation and better presentation of food at retail locations, as well as the implementation of high standards in food preparation.

In line with the requirement of as urgent adjustment as possible to the new emergency situation we were facing, and in parallel with consumer expectations, the range of our products and services at retail locations evolved as well. Thus, our product portfolio was expanded with basic hygiene supplies, including disinfection products and protective masks, as well as basic foodstuffs.

DIGITALIZATION

The importance and need for the use of digital solutions is more pronounced than ever. Thus, we were among the first companies in Croatia to raise the limit for contactless card payments at our retail locations in order to reduce the time customers spend in the shop area. We have also made it possible for customers who are users of INA card to perform contactless payment via the INA PAY application, and we have expanded the network of self-checkout devices. All epidemiological measures prescribed by the Civil Protection Headquarters of the Republic of Croatia, as well as the recommendations of the Croatian Institute of Public Health, continue to be strictly implemented at our retail locations.

The most challenging project implemented by the Consumer Services and Retail business division in 2020 is certainly the introduction of the INA Loyalty digital platform. This is a new and unique loyalty program for customers, which was, as such, first launched by INA, d.d. Colleagues from Customer Relations Management worked diligently on this project and it was officially presented in September 2020. The loyalty program was first presented to our employees, journalists and INA Group business partners, after which the launch for customers began. During October, a large national campaign was launched through all forms of advertising in order to familiarize the customers with the program as much as possible.

The entire program is accompanied by a new INA Loyalty mobile application that has easily and quickly become a companion for loyal customers in collecting points and realizing benefits at INA service stations, such as discounts on fuel, car cosmetics and other services, participation in exciting prize-winning games and special promotions, using collected points for Fresh Corner food and beverages, finding the nearest INA service station and managing one's INA Loyalty profile.

The INA Loyalty program is unique in that it is possible to create personalized benefits and rewards for each customer in accordance with their actual shopping habits and needs, and thus the customer actively participates in independent fashioning of their experience in the INA Loyalty program. By participating in the program, points are earned for every liter of fuel purchased and for almost every HRK spent on products or services at INA Group's retail locations, for which INA Group rewards you in return. By joining the program, one immediately becomes a Blue Tier member and by collecting further points, the tiers change and access to various benefits of the Silver, Gold or VIP Tier is realized.

In just three months, the performance of INA Loyalty was excellent - reaching over 160,000 members, with further growth expected in the following year.

The eSMILE platform is a continuation of the SMILE program, which has been actively implemented for the last three years at the Group level and has been received very well by our employees at retail locations, which was reflected in the realized retail performance.

Communication with colleagues at retail locations via the eSMILE platform is the beginning of INA Group's digitalization of learning and an important step forward. It was implemented on 1 June 2020, and so far, 96% (more than 3,100) users have made use of this training method, with an average frequency of use of 22 days and an overall increase in knowledge at the level of all topics that amounts to 19%. It is a useful application for all employees at retail locations, which enables them to develop and improve their sales and professional skills in a simple, fast and fun way, as well as to empower their team by sharing information.

In the past year, we have worked diligently to make the eSMILE platform look and function as a tool that improves and supports everyday work at retail locations along with providing interesting and modern training.

The eSMILE platform has won a prestigious award at the global level as well. Successful implementation of this program at the Group level was recognized and declared the best project at the Learning Technologies Online Awards Ceremony in the category of Best International Learning Platform. The platform is constantly being improved thanks to questions, comments, suggestions and ideas received from users, and the high level of use of the platform and positive feedback over the past period have confirmed the importance of this initiative.

Digitalization of operations and a step forward in presenting new innovative solutions have proven to be a good business decision in these challenging times when such an approach to business has proven to be extremely important and indispensable. Regardless of the difficult circumstances that befell not only our company, but also society and the economy both locally and globally, the continuous development of our retail network, diverse range of products and services as well as our professional skills ensure operations and growth of our company that are sustainable in the long term.

9/2020
Program launch

160,000
Registered customers at the end of 2020

Availability
Can be used on all retail locations in Croatia

REGISTRATION TYPE OF INA LOYALTY MEMBERS

77% DIGITAL

23% PAPER

MARKETING AND PROMOTIONAL ACTIVITIES

Marketing and promotional activities at service stations were focused on promoting the quality of our products, increasing trial and building loyalty. Additional advertising models were used in retail marketing campaigns to facilitate reaching our consumers, such as: digital totems, e-posters, digital devices with disinfectants, replaceable stickers on fuel dispensers, digital animated posts, 3D visuals, boomerang, etc.

Good performance of retail was certainly influenced by the fuel campaigns we implemented, with the new slogan "Čista snaga" ("Clean power"), the summer prize-winning game "Putuj sigurno s Inom i osvoji nagrade" ("Travel safely with INA and win prizes") and continued sponsorship of the Croatian Handball Federation, traditionally used to support the unique Arktik winter fuel, which was supported this year through the prize-winning game "INA nagrade tope minuse" ("INA prizes keep you warm").

NEW BUSINESSES

The organization of New Businesses operates as a special aspect of Consumer Services and Retail, and its aim is to develop business activities that are not part of INA Group's traditional activities, but which nevertheless retain a connection with, to a greater or lesser extent, INA Group's business operations. These activities are part of INA Group's development strategy, which reflects long-term thinking in which portfolio diversification will play an important role.

In the year 2020, which was specific in many ways, activities that will represent the central focal points of New Businesses were crystallized. This organization is primarily focused on renewable energy sources, alternative fuels and the field of innovation and cooperation with the startup community.

In the year 2020, we obtained building permits for the first two major photovoltaic projects that are implemented by INA - solar power plants in Sisak and Molve. More information about this project can be found in chapter Climate change.

In addition to renewable energy sources, the program for monitoring external innovations was launched in 2019 by active involvement with the startup community through the ANI program, which continued in 2020. Despite all the challenges, pre-acceleration startup programs were completed in cooperation with Algebra and Step Ri as partners, whereby the most successful startups, whose ideas and projects were presented to the company's management, were selected. In addition to the development of monitoring external innovations, the Innovation HUB was opened at the beginning of the year as a central place for the development of innovative projects in the company.

STRATEGY AND OUTLOOK

Our strategic objective is built on positive learnings from the past and directed to capturing the key market opportunities in front of us. Our strategic objectives are to:

- Provide an even better and more complete service to our customers
- Profitably expand our business in the region
- Retain current customers and attract new ones

In line with our strategic priorities, we have outlined the three key priorities:

1. New growth locations (Greenfield, acquisitions, rentals) with a goal of securing and increasing INA Group's market share in Croatia and across the region
2. Continued modernization of our retail network with the focus on expansion of the Fresh Corner brand and our gastro services
3. Increase the service level toward our customers and thus further strengthen INA brand

Implementation of these priorities will secure stable sales and profit growth as well as drive consumers' satisfaction and loyalty.

FINANCIAL AND OPERATING PERFORMANCE

Total Retail sales volumes amounted to 938 kt, 16% below 2019 realization due to negative effects of COVID-19 pandemic (nationwide lockdowns, weaker tourist season and mobility restrictions). In 2020, INA Slovenija d.o.o. changed its retail operating model (five service stations were leased to MOL Slovenia, while one service station was sold). In order to improve the market position, several service stations were closed and have been replaced by newly built or leased locations.

Non-fuel margin was stable (+1%) compared to 2019, despite the weaker tourist season, primarily as a result of non-fuel offer adjustment to the new market conditions. Development of Fresh Corner concept in Croatia and regional subsidiaries continued with the focus on gastro segment, expansion of consumers goods and introduction of new services.

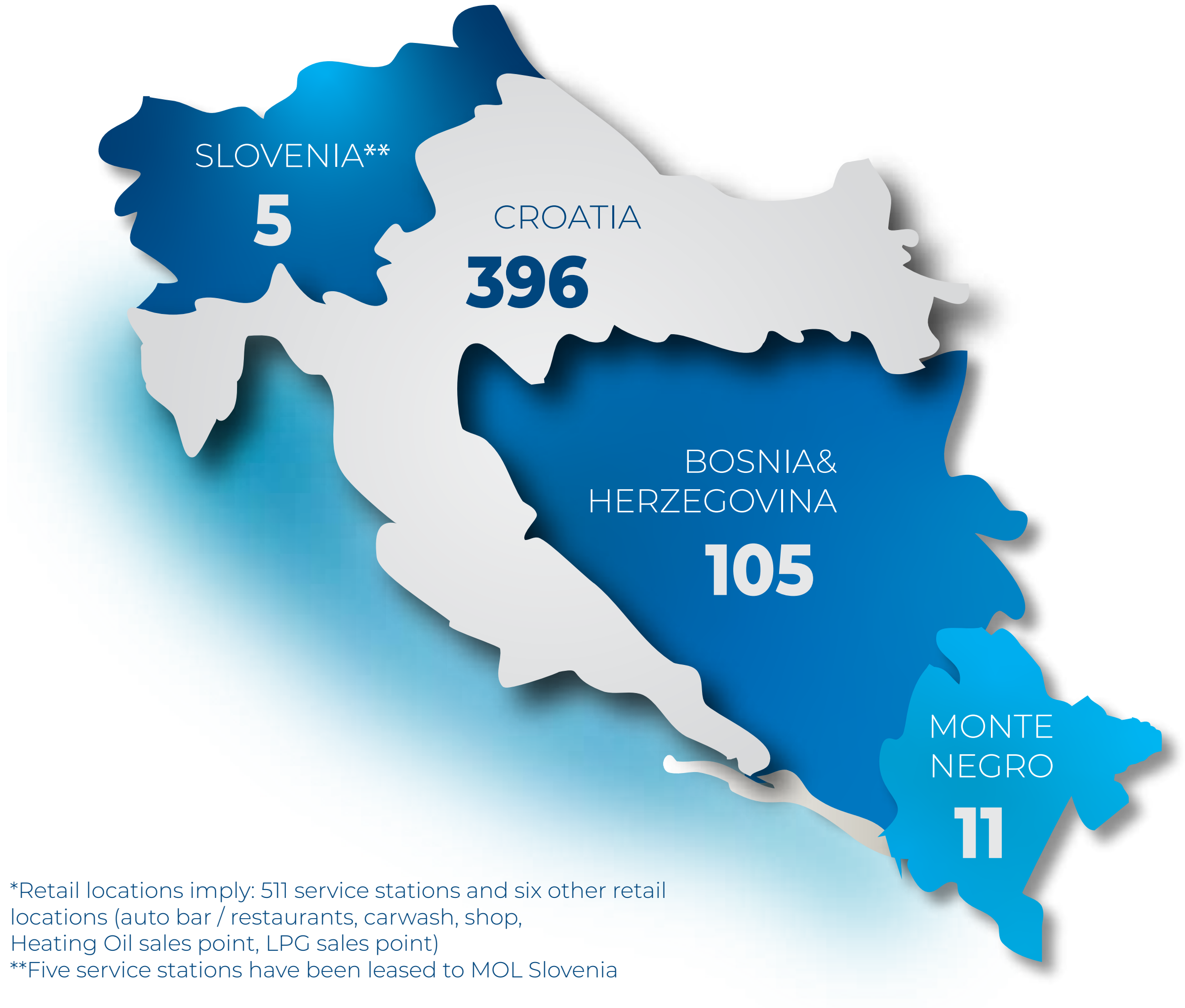
As at 31 December 2020, INA Group operated a network of 517 retail locations - 396 in Croatia (of which 58 have been included in the Partnership System of Retail Operation), 105 in Bosnia and Herzegovina (51 Holdina d.o.o. and 54 Energopetrol d.d.), 11 in Montenegro and five service stations in Slovenia that are leased to MOL Slovenia.

Consumer Services and Retail capital investments amounted to HRK 126 million in 2020. Excluding Montenegro growth project which accounted for significant part of 2019 investments, capital investments were somewhat below last year's level due to revised investment activities during 2020 and focus on most profitable projects. Over 100 investment projects were completed with focus on reconstructions, Fresh Corner concept roll-out, new service station rentals and toilet payment system installation.

CONSUMER SERVICES AND RETAIL	2019	2020	CH %
RETAIL SALES (KT)			
GASOLINE	273	219	(20)
GASOIL	813	693	(15)
AUTOGAS	13	10	(23)
OTHER	16	16	-
TOTAL RETAIL SALES	**1,115**	**938**	**(16)**
NON-FUEL MARGIN (HRK MLN)	**345**	**347**	**1**
NUMBER OF RETAIL LOCATIONS*	**517**	**512**	**(1)**
CAPITAL EXPENDITURES (HRK MLN)	**265**	**126**	**(52)**

*Retail locations imply: 506 service stations and six other retail locations (auto bar/restaurants, carwash, shop, heating oil sales point, LPG sales point) and does not include five service stations that are leased to MOL Slovenia

NUMBER OF RETAIL LOCATIONS*



*Retail locations imply: 511 service stations and six other retail locations (auto bar / restaurants, carwash, shop, Heating Oil sales point, LPG sales point)
**Five service stations have been leased to MOL Slovenia

04

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE MACROECONOMIC AND INDUSTRY ENVIRONMENT

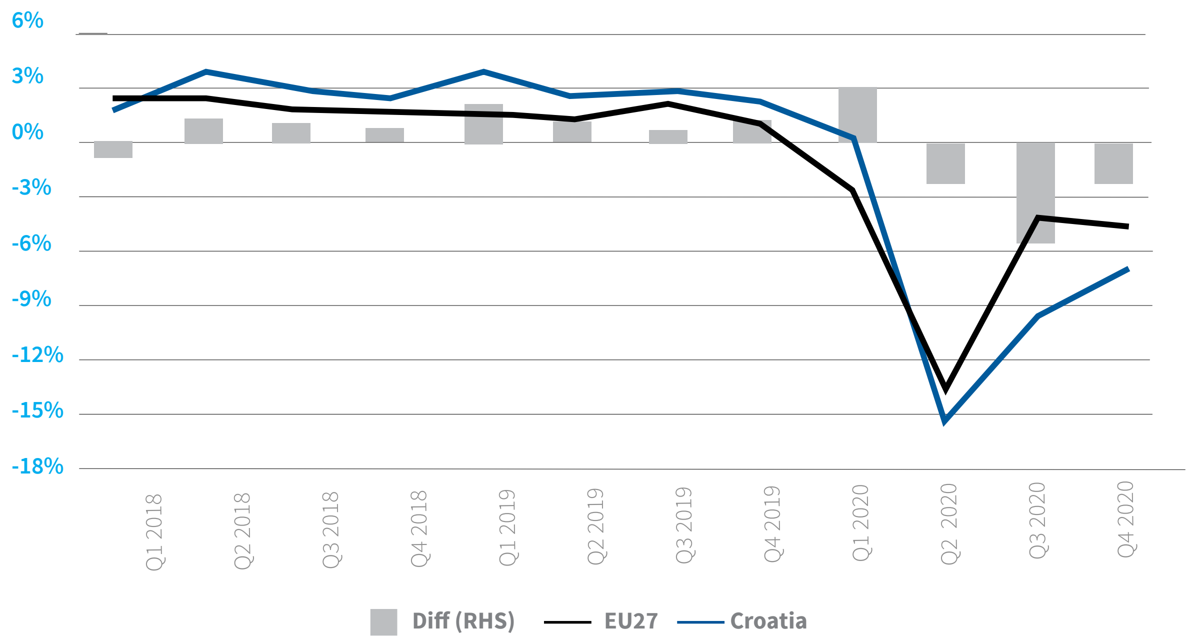
THE GLOBAL ECONOMY

In 2020 the global economy has suffered its deepest contraction since World War II due to the COVID-19 pandemic. Moreover, the downturn in economic activity has shown the highest synchronization in history, with growth trending down in virtually all economies of the world. World output has contracted by 3.5% in 2020[1] despite the unprecedented monetary and fiscal support in many countries, with only China among the major economies managing to record positive growth. Industrialized nations will record a contraction of close to 5%, but emerging and developing economies have also been ravaged, with lower- and middle-income segments effectively losing several years of economic development in a short amount of time.

In the first half of the year, the pandemic outbreak and associated lockdown measures took a severe and unprecedented toll on the economy of the EU, but the depth of contractions has been uneven across countries. Strictness of lockdown measures, the share of tourism in the economy and the quality of governance all play a significant role in explaining the differences in economic losses. The euro area has been strongly affected by the pandemic and, based on seasonally and calendar-adjusted quarterly data, GDP fell by 6.8%[2] in 2020.

GDP GROWTH

(%, year-on-year, seasonally adjusted)



CROATIA'S ECONOMY IN 2020

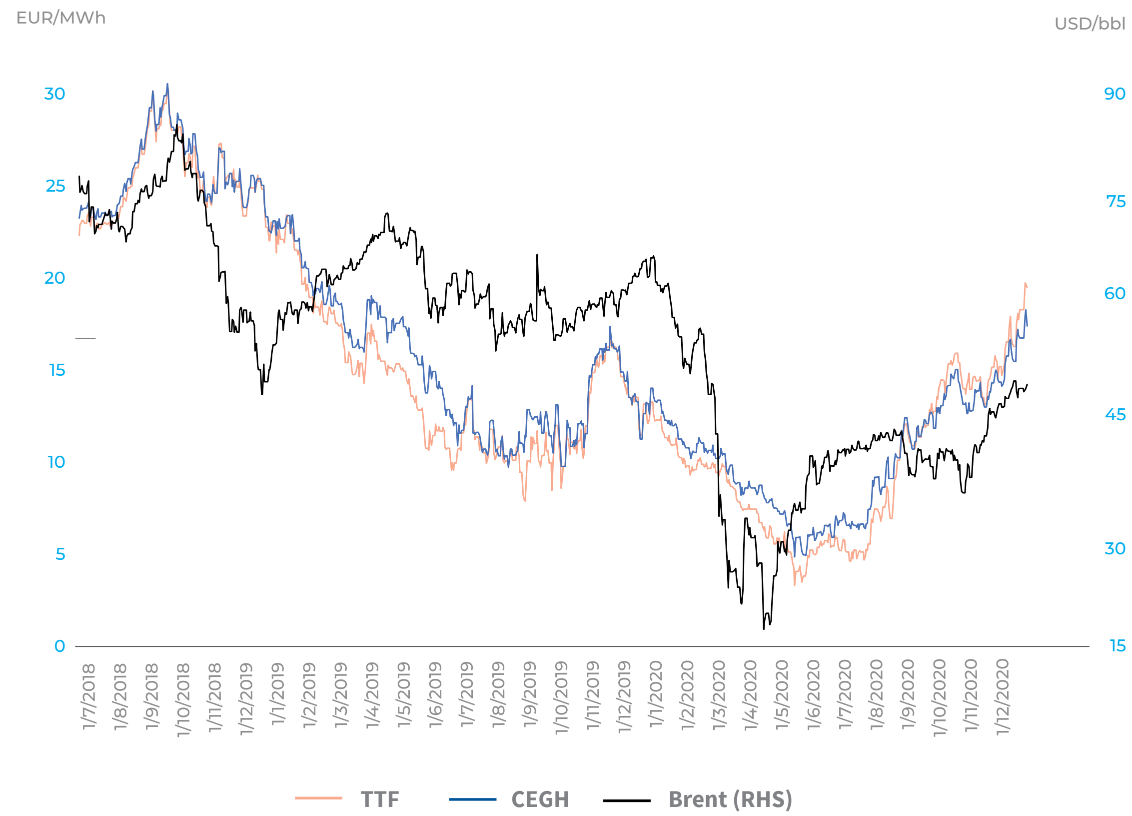
The pandemic has halted a successful multi-year economic convergence to European peers. Croatia's economy declined sharply in the first half of 2020 due to the impact of the COVID-19 and the introduction of strict containment measures. The two-month lockdown caused GDP to drop in the second quarter by a record 15.4% quarter-on-quarter (-15.7% year-on-year). Domestic demand drove the fall as households deferred or cancelled spending and businesses delayed investment decisions. External demand also collapsed, especially for services, as travel restrictions practically halted the tourism sector with Croatia's largest trading partners, Italy and Germany, struggling too. Economic activity began to recover gradually as containment measures were eased. However, the decision to open up borders in early summer to support the tourism sector resulted in the resurgence of cases by fall, quickly wiping out earlier gains not just in Croatia, but all over Europe. The necessary reintroduction of pandemic containment measures weighed on the economy in the second half of the year as well. As a result, GDP has declined by as much as 8.4%[3] in 2020 compared to the previous year.

GLOBAL OIL AND GAS MARKET FUNDAMENTALS

Brent price weakened from the 2019 annual average of 64 to 42 USD/bbl in 2020. In the beginning of the year prices were supported by rising tensions in the Middle East after Qasem Soleimani – major general of the Iranian Islamic Revolutionary Guard Corps – was killed in a drone attack in Iraq. In addition, unrest in Libya curtailed supplies, lending further support thereto. Later on, COVID-19 started dominating the market sentiment as the virus spread across the globe, and government restrictions were imposed to halt the pandemic. As a result, in April – the hardest month of the year – oil demand fell by 20 mb/d (-20%) and overall, oil demand in 2020 is expected to fall by 8.8 mb/d (-9%) compared to 2019[4] – the steepest decline ever experienced. To make matters even worse, OPEC+ was unable to reach an agreement in March, resulting in extra supplies on the market in a time when the demand collapsed. In the second half of the year, Brent price partially corrected back as OPEC+ tightened supplies by 9.7 mb/d and the impact of restrictions on oil demand eased.

TTF day-ahead natural gas prices started the year in a falling trend as the mild winter season weighed on demand and kept storage levels high. From March on, the surging number of COVID-19 infections and the following government measures put further pressure on demand. As a result of high LNG availability in the beginning of the pandemic, TTF prices went below 5 EUR/MWh, signaling a significantly oversupplied market. Since summer, a strong price recovery has started supported by curtailed US LNG supply, tighter power supply from alternatives (coal, lignite and nuclear), weaker Russian exports and increased home energy use due to teleworking and remote learning. European TTF prices increased steeply to above pre-COVID levels from September on. Strong Asian demand due to the colder than expected winter has kept prices at elevated levels till year-end despite a second wave of the pandemic all over Europe. CEGH regional prices followed European benchmarks for most of the year, except for periods when the lack of direct access to the sea muted the impact of global LNG market developments on the landlocked part of the continent limiting the fall in prices during early summer, but also the extent of the price gain in the year-end.

OIL AND NATURAL GAS PRICES



[1] IMF World Economic Outlook, January update (20 January 2021).
[2] Eurostat flash estimate (16 February 2021).
[3] Croatian Bureau of Statistics first estimate (26 February 2021)
[4] IEA Oil Market Report (February 2021)

DOWNSTREAM

European refinery margins had an extremely weak year in 2020, remaining on the edge of profitability. Surging Urals differential to Brent, weak gasoline crack spreads and collapsing middle distillate markets were the main factors behind the poor performance. The Urals market was supported by tighter supplies as OPEC+ cut production while reduced mobility due to the virus containment measures resulted in a huge oversupply on all transportation fuel markets, where in particular jet crack spreads were hit because of the disruptive decline in aviation demand. Nevertheless, refinery consolidation, outages and run cuts on the supply side coupled with improving demand conditions after the reopening resulted in a slow-pace recovery of refinery margins in the second half of the year. However, the levels could not come close to the long-term average values until the end of the year.

MAIN EXTERNAL PARAMETERS	2019	2020	CH %
CRUDE OIL PRICES			
BRENT DTD (USD/BBL)	64	42	(34.4)
BRENT-URAL SPREAD (USD/BBL)	0.02	0.26	12.0
CEGH GAS PRICE (EUR/MWH)	16.4	11.1	(32.3)
FOB MED PRODUCT PRICES AND CRACK SPREADS			
GASOLINE - PREMIUM UNLEADED 10 PPM (USD/T)	595	382	(35.8)
DIESEL – ULSD 10 PPM (USD/T)	586	362	(38.2)
FUEL OIL 3.5% (USD/T)	324	216	(33.3)
LPG (USD/T)	454	395	(13.0)
CRACK SPREAD – GASOLINE (USD/T)	109	65	(40.4)
CRACK SPREAD – DIESEL (USD/T)	100	45	(55.0)
CRACK SPREAD – FUEL OIL 3.5% (USD/T)	(162)	(101)	(37.7)
CRACK SPREAD – LPG (USD/T)	(32)	78	N.A.
INDICATIVE REFINING MARGINS (USD/BBL)*	(0.70)	(2.49)	N.A.
FOREIGN EXCHANGE			
HRK/USD AVERAGE	6.62	6.61	(0.3)
HRK/USD CLOSING	6.65	6.14	(7.7)
HRK/EUR AVERAGE	7.41	7.53	1.6
HRK/EUR CLOSING	7.44	7.54	1.3
3M USD LIBOR (%)	2.33	0.65	(72.1)
3M EURIBOR (%)	(0.36)	(0.43)	N.A.

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

FINANCIAL RISK MANAGEMENT

102-11

INA Group continuously monitors and manages financial risks. In accordance with the internal procedures, INA, d.d. and its consolidated subsidiaries manage and maintain commodity, foreign exchange and interest rate risk at an acceptable level, allowing INA Group to achieve its strategic objectives while protecting the future financial stability and flexibility of INA Group.

In addition to financial (market) risks, the most important risks include credit risk and liquidity risk.

MARKET RISK

COMMODITY PRICE RISK

INA, d.d. buys crude oil mostly through short-term arrangements in USD at the current spot market price. Necessary natural gas quantities in 2020 INA Group imported in EUR based on spot price. Derivative instruments (forward, swap and option instruments) are available for managing company's commodity exposure. In 2020, INA, d.d. entered into short-term forward swap transactions to hedge its exposure to changes in inventory levels, changes in pricing periods and crack spreads.

FOREIGN CURRENCY RISK

Many INA Group's transactions are priced and denominated in a foreign currency. Thus, INA Group is exposed to foreign currency risk. INA Group has net long USD and EUR and net short HRK exposure of operative cash flow position. INA, d.d. may use cross currency swaps to adjust the currency mix of its debt portfolio. As at 31 December 2020, there were no open cross currency swap transactions.

INTEREST RATE RISK

INA Group is exposed to interest rate risk, since entities in INA Group generally borrow funds at floating interest rates. INA Group does not speculate on interest rate developments. INA, d.d. may use interest rate swap to manage the interest rate risk. As at 31 December 2020, there were no open interest rate swap transactions.

OTHER PRICE RISKS

INA, d.d. is exposed to equity price risks arising from equity investments held for strategic reasons and not for trading.

CREDIT RISK

When selling goods and services on a deferred payment term, credit risk is present. Credit risk means a risk that the counterparty will default on its contractual obligations, i.e. risk of non-payment. According to internal procedures, customer credit risk is estimated by internal credit assessment model and, additionally, by external creditworthiness assessment agencies. Depending on their creditworthiness, customers provide payment security instruments. There is no significant credit risk exposure of INA Group that is not covered by payment security instruments, other than the exposure toward the institutions and entities controlled by the state and the local government, and customers under certain concession agreements abroad. In addition to the above stated, in order to minimize credit risk, INA Group also uses credit risk insurance services, services of agencies and attorneys-at-law offices for "out of-court" collection of receivables.

LIQUIDITY RISK

102-11

INA Group's liquidity risk is managed by maintaining adequate liquidity reserves and credit lines and by continuous monitoring the projected and actual cash flow and due dates for account receivables and payables.

As at 31 December 2020, INA Group's contracted and available short-term credit lines amounted to HRK 2,570 million (CNB middle exchange rate), excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products, while the contracted and available long-term credit lines amounted to HRK 2,179 million (CNB middle rate).

CLIMATE-RELATED FINANCIAL DISCLOSURES

Transformation of the energy sector takes place on a global level in order to achieve global sustainability goals, and INA, d.d. also focuses its business in this direction. Our goal is to operate in a sustainable way, be a financially strong company and successfully respond to the challenges posed by decarbonization, environmental issues and technological progress.

We have clearly defined the guidelines for further development aimed at upgrading traditional activities to new businesses that also include a step forward towards green energy (read more under chapter Climate change and our response). Although oil and gas will remain key and important energy sources for a long time to come, we are aware that the industry is changing, and INA, d.d. is ready to transform and enter new businesses to upgrade the existing value chain.

GOVERNANCE

Challenges posed by climate change require that companies across all sectors take a strategic long-term approach, especially companies in high-impact sectors, such as oil and gas. INA, d.d. management is aware of its core business impact on climate change and the fact that further business development is highly determined by climate change context. Climate change and its significant impact on oil and gas industry drove recent management decision to establish organizational unit responsible for the value chain extension, renewable energy, development of the new businesses and start-ups.

The organization's governance around climate-related tasks, risks and business opportunities is integrated into the company's overall governance and management processes, and Board level decisions take in account inputs from organizations at which all aspects of climate changes are addressed by organizational design. Increased inclusion of topics in the field of climate change and sustainable development is ensured through functional organizational units that are directly subordinated to corporate management. Among them, the organizational units responsible for strategy operations, for Sustainable Development, Health, Safety and Environment (hereinafter: SD&HSE) and for the development of new businesses are particularly prominent in directing the context of climate change.

Among corporate functional units directly subordinated to the Management Board, climate change is covered by strategy operations through monitoring of expected regulatory environment changes and supporting business in development of new business opportunities together with the unit responsible for new businesses. SD&HSE organization covers the area of climate change in the broader context of environmental protection with specific projects or programs included in the three-year INA Group HSE Key Objectives and Programs.

Operating Directors, who are responsible for INA Group's business areas, transfer and cascade key sustainable business development programs to the operational level, where they develop business-specific projects and ensure their inclusion in business plan budgets.

INA management is assuring regular monitoring of SD&HSE topics, which also include climate change as regular content, through regular quarterly SD&HSE management reporting process and through HSE Committees where performances, environmental impacts, risks, programs, projects and initiatives are discussed on regular quarterly basis.

STRATEGY

Climate change risks and corporate long-term horizons are included in recently updated strategy "SHAPE TOMORROW" MOL Group 2030+ Strategy, which is following global sustainability goals and energy transformation trends. INA Group uses it as a long-term frame for own business strategies, where climate change is covered through business sustainability risks, out of which market risks become certain due to product demand decrease. It is a crucial threat for all oil and gas companies, but it is also considered an opportunity for value chain extension through the new business development in mid-term horizon.

Turning to mid-term sustainable business development trends related to transition risks, the business transformation process is already ongoing in refining with the main goal to assure production efficiency and extend current value chain. This is included in the INA Downstream 2023 - New Course program, which was adopted in late 2018 and is the basis for activities to concentrate oil refining at the Rijeka Refinery and transform the Sisak location into a sustainable alternative that includes bitumen production, logistics center, solar power plant and biorefinery which will enable us to produce second generation biofuels from biomass and green energy (read more about this topic in the chapter Climate change and our response).

The Biorefinery project is important for INA Group, but also for the Republic of Croatia, and with all its elements it fits into the EU Green Deal and the European Energy Strategy. It is an investment of about EUR 300 million, of which part of the funds is planned to be provided by the EU Funds.

As part of the INA Downstream 2023 New Course program, an investment in the construction of a plant for the treatment of heavy residues in the Rijeka Refinery worth around HRK 4 billion was approved. Thanks to the new plant, the product structure of the Rijeka Refinery will improve as the share of white products will increase. Work on the plant is underway, and commissioning is planned for 2023. In addition, in the middle of 2020, the propane-propylene splitter plant was put into operation, which enables the refinery to expand its range of products and raises the level of its competitiveness because it produces high purity propylene which is used as a semi-finished product in the petrochemical industry. The works on the plant are worth around HRK 550 million.

INA Group is also committed to testing the potential of hydrogen as a fuel, and in cooperation with the City of Zagreb we are developing a project to introduce hydrogen into urban transport.

In the Exploration and Production, solar power plant construction at Gas Processing Facilities Molve location is in plan as well as continuation of development of EOR project. Exploration and Production business also initiated zero routine flaring projects (read more about the climate-related risks and opportunities under chapter Climate change and our response).

SUMMARY OF 2020 FINANCIAL RESULTS

201-1

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

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

Investment activities were also adjusted in order to safeguard the financial stability of the Company, which resulted in lower net debt compared to 2019 and gearing of 19%, while at the same time INA Group stayed committed to the strategic projects, primarily Rijeka Residue Upgrade Project.

INA GROUP FINANCIAL RESULTS	HRK MLN			USD MLN*		
	2019	2020	CH %	2019	2020	CH %
REVENUE FROM CONTRACTS WITH CUSTOMERS	22,597	14,788	(35)	3,413	2,237	(34)
EBITDA[1]	2,856	991	(65)	431	150	(65)
EBITDA EXCLUDING SPECIAL ITEMS[2]	2,856	991	(65)	431	150	(65)
CCS EBITDA EXCLUDING SPECIAL ITEMS	2,894	1,783	(38)	437	270	(38)
PROFIT/(LOSS) FROM OPERATIONS	722	(1,298)	N.A.	109	(196)	N.A.
PROFIT/(LOSS) FROM OPERATIONS EXCLUDING SPECIAL ITEMS[2]	1,004	(798)	N.A.	152	(121)	N.A.
CCS PROFIT/(LOSS) FROM OPERATIONS EXCLUDING SPECIAL ITEMS[2]	1,043	(6)	N.A.	158	(1)	N.A.
NET LOSS FROM FINANCIAL ACTIVITIES	(73)	(68)	N.A.	(11)	(10)	N.A.
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	486	(1,138)	N.A.	73	(172)	N.A.
PROFIT/(LOSS) FOR THE YEAR EXCLUDING SPECIAL ITEMS[2]	768	(638)	N.A.	116	(97)	N.A.
SIMPLIFIED FREE CASH FLOW[3]	744	501	(33)	112	76	(32)
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,090	2,233	(28)	467	338	(28)
EARNINGS/(LOSS) PER SHARE						
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE (HRK PER SHARE)	48.52	(113.82)	N.A.	7.33	(17.22)	N.A.
NET DEBT	2,554	1,608	(37)	384	262	(32)
GEARING RATIO[4] (%)	19	15				
CAPITAL EXPENDITURES	2,150	1,282	(40)	325	194	(40)
O/W DOMESTIC	1,829	1,161	(37)	276	176	(36)
O/W INTERNATIONAL	321	121	(62)	48	18	(63)

*In converting HRK figures into USD, the following average CNB rates were used: for 2019 – 6.62 HRK/USD; for 2020 6.61; as at 31 December 2019 – 6.65 HRK/USD; as at 31 December 2020 – 6.14 HRK/USD
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] 2019 result was negatively impacted by HRK 282 million impairment of assets - Croatian offshore gas fields; 2020 result was negatively impacted by HRK 500 million impairment of assets – Sisak refinery assets in the amount of 295 million, and CROSCO Group assets in the amount of 205 million
[3] Simplified free cash flow = CCS EBITDA excluding special items – Capital expenditures
[4] Gearing ratio = Net debt/Net debt + equity including non-controlling interest

KEY FINANCIAL DATA BY BUSINESS SEGMENTS	HRK MLN			USD MLN*		
	2019	2020	CH %	2019	2020	CH %
TOTAL REVENUE						
EXPLORATION AND PRODUCTION	3,745	2,188	(42)	566	331	(42)
REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	21,530	14,153	(34)	3,252	2,141	(34)
CORPORATE AND OTHER	2,137	1,543	(28)	323	233	(28)
INTER-SEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	(4,815)	(3,096)	N.A.	(727)	(468)	N.A.
TOTAL	22,597	14,788	(35)	3,413	2,237	(34)
EBITDA[1]						
EXPLORATION AND PRODUCTION	2,356	1,013	(57)	356	153	(57)
REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	518	(153)	N.A.	78	(23)	N.A.
CORPORATE AND OTHER	24	(52)	N.A.	4	(8)	N.A.
INTER-SEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	(42)	183	N.A.	(6)	28	N.A.
TOTAL	2,856	991	(65)	431	150	(65)
EBITDA EXCLUDING SPECIAL ITEMS[2]						
EXPLORATION AND PRODUCTION	2,356	1,013	(57)	356	153	(57)
REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	518	(153)	N.A.	78	(23)	N.A.
CORPORATE AND OTHER	24	(52)	N.A.	4	(8)	N.A.
INTER-SEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	(42)	183	N.A.	(6)	28	N.A.
TOTAL	2,856	991	(65)	431	150	(65)
PROFIT/(LOSS) FROM OPERATIONS						
EXPLORATION AND PRODUCTION	1,149	220	(81)	174	36	(79)
REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	(230)	(1,231)	N.A.	(35)	(200)	N.A.
CORPORATE AND OTHER	(156)	(472)	N.A.	(24)	(77)	N.A.
INTER-SEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	(41)	185	N.A.	(6)	30	N.A.
TOTAL	722	(1,298)	N.A.	109	(211)	N.A.
PROFIT/(LOSS) FROM OPERATIONS EXCLUDING SPECIAL ITEMS[2]						
EXPLORATION AND PRODUCTION	1,431	220	(85)	216	33	(85)
REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	(230)	(936)	N.A.	(35)	(142)	N.A.
CORPORATE AND OTHER	(156)	(267)	N.A.	(24)	(40)	N.A.
INTER-SEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	(41)	185	N.A.	(6)	28	N.A.
TOTAL	1,004	(798)	N.A.	152	(121)	N.A.
PROPERTY, PLANT AND EQUIPMENT						
EXPLORATION AND PRODUCTION	4,932	4,592	(7)	742	695	(6)
REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	6,674	6,417	(4)	1,004	971	(3)
CORPORATE AND OTHER	1,422	1,177	(17)	214	178	(17)
INTER-SEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	(461)	(486)	N.A.	(69)	(74)	N.A.
TOTAL	12,567	11,700	(7)	1,890	1,770	(6)

*In converting HRK figures into USD, the following average CNB rates were used: for 2019 – 6.62 HRK/USD; for 2020 6.61; as at 31 December 2019 – 6.65 HRK/USD; as at 31 December 2020 – 6.14 HRK/USD
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] 2019 result was negatively impacted by HRK 282 million impairment of assets - Croatian offshore gas fields; 2020 result was negatively impacted by HRK 500 million impairment of assets – Sisak refinery assets in the amount of 295 million, and CROSCO Group assets in the amount of 205 million

Intersegment transfers and consolidation adjustments indicate unrealized profit/loss on domestic crude oil being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil or finished / semi-finished product. Intersegment EBITDA effect on results in 2020 is HRK 183 million compared to HRK (42) million in 2019.

INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HRK MLN)	31 DEC 2019	31 DEC 2020	CH %
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	635	485	(24)
PROPERTY, PLANT AND EQUIPMENT	12,567	11,700	(7)
RIGHT-OF-USE ASSET	342	304	(11)
INVESTMENTS IN ASSOCIATES AND JOINT VENTURE	160	254	59
OTHER INVESTMENTS	17	17	-
LONG-TERM RECEIVABLES	898	843	(6)
DEFERRED TAX ASSETS	1,035	1,210	17
MARKETABLE SECURITIES	39	-	N.A.
NON-CURRENT FINANCIAL ASSETS	607	560	(8)
TOTAL NON-CURRENT ASSETS	16,300	15,373	(6)
CURRENT ASSETS			
INVENTORIES	2,299	1,624	(29)
TRADE RECEIVABLES (NET)	2,026	1,206	(40)
OTHER RECEIVABLES*	167	192	15
CORPORATE INCOME TAX RECEIVABLES	16	5	(69)
OTHER CURRENT ASSETS*	112	89	(21)
MARKETABLE SECURITIES	-	78	N.A.
CASH AND CASH EQUIVALENTS	606	399	(34)
	5,226	**3,593**	**(31)**
HELD-FOR-SALE ASSETS	6	30	400
TOTAL CURRENT ASSETS	5,232	3,623	(31)
TOTAL ASSETS	21,532	18,996	(12)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
SHARE CAPITAL	9,000	9,000	-
LEGAL RESERVES	166	199	20
FAIR VALUE RESERVES	241	202	(16)
OTHER RESERVES	1,590	1,529	(4)
RETAINED EARNINGS/(ACCUMULATED LOSSES)	207	(1,586)	N. A.

INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HRK MLN)	31 DEC 2019	31 DEC 2020	CH %
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	11,204	9,344	(17)
NON-CONTROLLING INTEREST	12	13	8
TOTAL EQUITY	11,216	9,357	(17)
NON-CURRENT LIABILITIES			
LONG-TERM LEASE LIABILITIES	276	232	(16)
OTHER NON-CURRENT LIABILITIES	40	33	(18)
EMPLOYEE BENEFIT OBLIGATION	70	64	(9)
PROVISIONS	3,716	3,696	(1)
DEFERRED TAX LIABILITIES	15	16	7
TOTAL NON–CURRENT LIABILITIES	4,117	4,041	(2)
CURRENT LIABILITIES			
BANK LOANS	3,160	2,085	(34)
CURRENT PORTION OF LONG-TERM LEASE LIABILITIES	68	77	13
TRADE PAYABLES	1,511	1,426	(6)
TAXES AND CONTRIBUTIONS	650	637	(2)
OTHER CURRENT LIABILITIES	624	1,122	80
EMPLOYEE BENEFIT OBLIGATION	7	4	(43)
PROVISIONS	179	247	38
TOTAL CURRENT LIABILITIES	6,199	5,598	(10)
TOTAL LIABILITIES	10,316	9,639	(7)
TOTAL EQUITY AND LIABILITIES	21,532	18,996	(12)

*Restatement of comparable previous periods was made – see on page 76

In the period ended 31 December 2020, INA Group recognized additions in amount of HRK 69 million in intangible assets. The effect of depreciation equals HRK 45 million.

In the period ended 31 December 2020, INA Group recognized additions in amount of HRK 1,213 million in property, plant and equipment. The effect of depreciation reduced net book value of property, plant and equipment in the amount of HRK 1,572 million.

Inventories amounted to HRK 1,624 million and have decreased by 29% compared to 31 December 2019, mainly due to lower prices and processing level aligned with lower demand.

Trade receivables (net) amounted to HRK 1,206 million which is 40% lower than 31 December 2019 mainly due to lower sales revenues.

As at 31 December 2020, INA Group total assets amounted to HRK 18,996 million, 12% lower than 31 December 2019.

Share capital as at 31 December 2020 amounted to HRK 9,000 million. There were no movements in the issued capital of the Company in either the current or the prior financial reporting.

Trade payables decreased compared to 31 December 2019 by 6% to HRK 1,426 million, mainly driven by the lower prices of imported crude oil and refined products.

As at 31 December 2020, total liabilities amounted to HRK 9,639 million, 7% lower compared to 31 December 2019.

INA Group net debt amounted to HRK 1,608 million and decreased compared to 31 December 2019. Net gearing decreased from 19% as at 31 December 2019, to 15% as at 31 December 2020.

INA GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS

INA GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HRK MLN)	2019	2020	CH %
REVENUE FROM CONTRACTS WITH CUSTOMERS	22,597	14,788	(35)
CAPITALIZED VALUE OF OWN PERFORMANCE	466	286	(39)
OTHER OPERATING INCOME	234	181	(23)
TOTAL OPERATING INCOME	**23,297**	**15,255**	**(35)**
CHANGES IN INVENTORIES OF FINISHED PRODUCTS AND WORK IN PROGRESS	(160)	(686)	329
COST OF RAW MATERIALS AND CONSUMABLES	(8,460)	(5,710)	(33)
DEPRECIATION, AMORTIZATION AND IMPAIRMENT (NET)	(2,134)	(2,289)	7
OTHER MATERIAL COSTS	(2,125)	(1,874)	(12)
SERVICE COSTS*	(629)	(465)	(26)
STAFF COSTS	(1,970)	(1,731)	(12)
COST OF OTHER GOODS SOLD	(7,114)	(3,699)	(48)
IMPAIRMENT CHARGES (NET)	(109)	(108)	(1)
PROVISION FOR CHARGES AND RISKS (NET)	126	9	(93)
TOTAL OPERATING EXPENSES	**(22,575)**	**(16,553)**	**(27)**
PROFIT/(LOSS) FROM OPERATIONS	**722**	**(1,298)**	**N.A.**
FINANCE INCOME	104	165	59
FINANCE COSTS*	(177)	(233)	32
NET LOSS FROM FINANCIAL ACTIVITIES	(73)	(68)	(7)
SHARE OF NET PROFIT OF JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD	10	94	840
PROFIT/(LOSS) BEFORE TAX	659	(1,272)	N.A.
INCOME TAX GAIN/(BENEFIT)	(170)	135	N.A.
PROFIT/(LOSS) FOR THE YEAR	489	(1,137)	N.A.
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY	486	(1,138)	N.A.
NON-CONTROLLING INTERESTS	3	1	(67)
	489	**(1,137)**	**N.A.**
EARNINGS/(LOSS) PER SHARE			
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE (HRK PER SHARE)	48.52	(113.82)	N.A.

*Restatement of comparable previous periods was made – see on page 76

Revenue from contract with customers in 2020 amounted to HRK 14,788 million and is below the 2019 level, triggered mainly by lower sales on core markets (Croatia and Bosnia and Herzegovina) as a result of lower economic activity caused by the COVID-19 pandemic, together with sharp drop in Brent price and product quotations.

Costs of raw materials and consumables were 33% lower than 2019 level at HRK 5,710 million, reflecting different dynamic of refinery operations and lower crude prices.

Other operating costs realized in 2020 include:

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

Staff costs in the amount of HRK 1,731 million were 12% lower compared to 2019.

Costs of other goods sold in in 2020 decreased by 48% compared to 2019 and amounted to HRK 3,699 million resulting from lower sales and prices.

Net loss from financial activities was mainly a result of the following:

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

Income tax gain in 2020 amounted to HRK 135 million compared to HRK 170 million income tax expense in 2019. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 December 2019 and 2020.

INA GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

INA GROUP CONSOLIDATED STATEMENT OF CASH FLOWS (HRK MLN)	2019	2020	CH %
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,090	2,233	(28)
NET CASH USED FOR INVESTING ACTIVITIES	(2,516)	(1,177)	(53)
NET CASH USED IN FINANCING ACTIVITIES	(401)	(1,222)	N.A.
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	173	(166)	N.A.

Net cash inflow from operating activities before movements in working capital amounted to HRK 1,313 million in 2020 representing a decrease compared to 2019, which is in line with the change in EBITDA performance excluding non-cash items.

Movements in working capital positively affected the operating cash flow by HRK 939 million, due to:

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

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

RESTATEMENT

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

IMPACT OF SPECIAL ITEMS

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 Group has adopted the materiality level for the special items in the amount of USD 10 million or more. If special items reach materiality level on cumulative basis, previous quarters are restated. Furthermore, in accordance with the adopted accounting policies and IAS 36 – Impairment of Assets, INA Group performs impairment testing at the end of each reporting period if impairment indicators are assessed as significant. In 2019, the result was negatively impacted by HRK 282 million of special items related to impairment of assets - Croatian offshore gas fields, due to lower gas prices. In 2020, the result was negatively 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 CROSCO Group assets due to the decreased demand for oil field services on the market in the amount of HRK 205 million.

SPECIAL ITEMS (HRK MLN)	2019	2020
INA GROUP		
TOTAL IMPACT OF SPECIAL ITEMS ON PROFIT/(LOSS) FOR THE YEAR	(282)	(500)
TOTAL IMPACT OF SPECIAL ITEMS ON PROFIT/(LOSS) FROM OPERATIONS	(282)	(500)
EXPLORATION AND PRODUCTION		
TOTAL IMPACT OF SPECIAL ITEMS ON PROFIT FROM OPERATIONS	(282)	-
IMPAIRMENT OF ASSETS - CROATIAN OFFSHORE GAS FIELDS	(282)	-
REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL		
TOTAL IMPACT OF SPECIAL ITEMS ON LOSS FROM OPERATIONS	-	(295)
IMPAIRMENT OF ASSETS - SISAK REFINERY ASSETS	-	(295)
CORPORATE FUNCTIONS		
TOTAL IMPACT OF SPECIAL ITEMS ON LOSS FROM OPERATIONS	-	(205)
IMPAIRMENT OF ASSETS - CROSCO GROUP ASSETS	-	(205)

BRANCH AND REPRESENTATIVE OFFICES

Branch and representative offices as at 31 December 2020:

COMPANY	BRANCH OFFICE/REPRESENTATIVE OFFICE
INA, D.D.	BRANCH OFFICE DAMASCUS, SYRIA
	BRANCH OFFICE CAIRO, EGYPT
	REPRESENTATIVE OFFICE LUANDA, ANGOLA
	REPRESENTATIVE OFFICE MOSCOW, RUSSIA
CROSCO D.O.O.	BRANCH OFFICE ZADAR
	BRANCH OFFICE CROSCO NAFTNI SERVISI D.O.O. DEGA TIRANA
	CROSCO INTEGRATED DRILLING & WELL SERVICES CO. LTD. - G.S.P.L.A.J. BRANCH
	CROSCO INTEGRATED DRILLING & WELL SERVICES CO. LTD. - SYRIAN BRANCH OFFICE, DAMASCUS
	CROSCO NAFTNI SERVISI D.O.O. - PRESTATIONS PETROLIERES (IN THE REACTIVATION PROCESS)
	CROSCO INTEGRATED DRILLING & WELL SERVICES CO. LTD. - EGYPTIAN BRANCH, CAIRO
	CROSCO INTEGRATED DRILLING & WELL SERVICE CO. LTD. - HUNGARIAN BRANCH OFFICE - MAGYARORSZAGI FIOKTELEPE
	CROSCO INTEGRATED DRILLING & WELL SERVICES CO. LTD. - AZERBAIJAN BRANCH OFFICE (IN THE REACTIVATION PROCESS)
	CROSCO INTEGRATED DRILLING & WELL SERVICE CO. LTD. - ITALIAN BRANCH OFFICE
ROTARY ZRT.	BRANCH OFFICE ERBIL, IRAQ
	BRANCH OFFICE ALBANIA
STSI D.O.O.	STSI - INTEGRIRANI TEHNIČKI SERVISI D.O.O. - BRANCH OFFICE IN SYRIA, DAMASK
	STSI - REPRESENTATIVE OFFICE BELARUS, NOVOPOLOTSK
HOLDINA D.O.O.	37 RETAIL LOCATIONS REGISTERED AS BRANCH OFFICE
ENERGOPETROL D.D.	BRANCH OFFICE - MALOPRODAJNO MJESTO VARAŠ 2

05

CRISIS MANAGEMENT

CRISIS MANAGEMENT

In the year 2020,in addition to the global pandemic and the unprecedented decline in oil and gas prices, INA Group experienced a cyber-attack at the beginning of the year, while the end of the year was marked by a devastating earthquake in Sisak-Moslavina County. In all crises, the company reacted quickly and adjusted its activities, projects and plans to the new situation with the aim of ensuring the health and safety of our workers and customers, but also the company's liquidity and sustainable business continuity. INA Group Crisis Team has been established in order to provide the quickest response to any situation, seeing that this is most important in any crisis. How INA Group dealt with each crisis and what activities the company undertook in order to successfully overcome it, you can read below.

COVID-19

Workers health and safety has never been more visible and COVID-19 was the tipping point of the HSE profession especially in high hazard industry of INA Group. We want to point out the top five challenges that INA HSE have successfully managed.

1. Quick and targeted response to the rapid spread of the COVID-19 pandemic

We responded to the rapid spread of the COVID-19 pandemic in a timely and targeted manner because the guidelines for action were defined before the pandemic, through our INA Group Operational Plan in case of a pandemic.

INA Group Crisis Team has been active in all phases, which also includes post-pandemic stages (based on WHO phases for H1N1) in the future. It analyzes the developments on a daily basis, assesses risks and adopts decisions and recommendations primarily according to the instructions of the competent state authorities in order to protect the health of employees, as well as the sustainability of business.

2. Operating safely with minimum personnel on the location, and with continuously informed and educated staff

Following the principles of COVID-19 protection, preventive measures were taken.

- Organized work from home and work in A and B shifts in offices and other locations, where applicable, since the beginning of the pandemic
- Introduced special e-mail address and an emergency hotline available 24/7
- Provided timely important information and instructions on COVID-19 prevention and pandemic situation to employees via:
  - SMS, internal news mailing lists and news on the Intranet
  - Intranet Coronavirus and Health+ site
  - Issued weekly “Coronavirus Newsletter” and monthly magazine “Glasnik”
  - Informational leaflets, posters and labels
  - A new communication format INA Podcast with Angelika Brnada, INA Group SD&HSE Director, and video messages by top managers on preventive measures

The “Ask our Doctors” service, which allows employees to contact our contractual doctors by phone or e-mail, has been constantly available to all employees for eight years now.

The Company’s project HEALTH+ focused on online education of employees, instructions and expert advice for maintaining physical and mental health during the pandemic, which included videos of well-known experts (virologists, athletes, a kinesiologist, a doctor, etc.). COVID-19 guidelines have also been provided to our customers at retail locations and in wholesale.

3. COVID-19 transmission monitoring and safe work practices

The key activities were summarized in published documents:

- “Instruction on actions and implementation of safety and health protection measures in circumstances of exposure to COVID-19 pandemic in INA Group companies”
- “Procedure in case of COVID-19 coronavirus infection suspected in INA Group companies’ own worker, contractor and service provider”
- “Instruction on the manner of testing for COVID-19 and implementation of other protection measures regarding own employees, visitors and external contractors in INA Group companies.”
- “Questionnaire for managers to report potentially/infected workers/external contractors/ third parties”

Based on the internal regulations and the Croatian instructions of the Institute of Public Health in INA Group locations, six key measures and six key prevention standards, some of which are stricter than the measures of the Civil Protection Headquarters of the Republic of Croatia, are continuously applied.

6 KEY MEASURES:

- Purchase of masks and disinfectants
- Mandatory rules when working inside INA Group facilities (rules for the number of people on locations, at meetings, in elevators, in rooms, rules for restaurants, Fresh Corners and food consumption) and outside of INA Group facilities, rules of personal hygiene and space hygiene and mandatory installation of partition walls at toll booths and all frequent workplaces in order to reduce physical contact, with regular compliance with the prescribed distance in daily communication of at least 2 meters as well as compliance with the rules on the maximum number of customers in the sales area)
- Work from home and virtual meetings
- Assessments of exposure risk and PPE
- Purchase of non-contact thermometers and contracting of PCR/serological and antigen testing (when they became available)
- Education, information and procedures (for employees, contractors and customers)

6 KEY PREVENTION STANDARDS:

- RT-PCR / Ag tests, and flu vaccination for employees aged 50+
- Preventive 5-day self-isolation after risky contacts and trips (only critical business/private trips allowed)
- Inside – obligatory wearing of mask and observing 2-meter distance
- Outside – masks are not obliged only at a distance of over 2 meters
- Obligatory body temperature measurement when entering INA locations
- Continuous risk assessments regarding virus exposure

Monitoring of infected employees/contractors on a daily basis (which implies persons in isolation, self-isolation and close contacts) and preventive measures including measuring temperature at 27 locations, PCR/serological and antigen tests (when they became available) for own staff (risk-based appropriate) and free flue vaccination for INA Group workers of 50 years of age and over. By the end of 2020, 3,215 PCR tests have been performed with 159 or 5% positive test results.

4. Operating based on occupational risk assessment and with moderate spending

Asymptomatic, presymptomatic persons and persons with very mild symptoms pose a challenge, especially due to the increased interactions of our employees with customers and contractors. Therefore, we strengthened the protection measures beyond the official recommendations and defined the degree of exposure to COVID-19, which serves as a basis for assigning employees a certain type of mask/respirator in addition to other PPE. These recommendations were summarized in published document “Instruction on the use of personal protective equipment in the case of coronavirus - COVID -19 pandemic”. In this context, PPE includes gloves, medical masks, goggles, as well as respirators (N95 or FFP2 standard or equivalent) and overalls, for specific procedures. The Instruction provides information about when and which PPE is the most appropriate to use, how to put it on and remove it after usage.

At the beginning of COVID-19 pandemic, we were met with a shortage of PPE on the market, which was successfully resolved with collaboration of all involved parties. All INA Group workers have received proper PPE since the beginning of pandemic. COVID-19-related PPE spending in 2020 amounted to HRK 17.853 MLN/USD 2.789 MLN. The quantity of PPE that was issued in INA Group is as follows:

ITEM	QUANTITY
DISINFECTANTS	129,146 liters
FILTER MASKS	220,680 pcs.
SURGICAL MASKS	2,047,500 pcs.
CLOTH MASKS	30,800 pcs.
GLOVES	14,309 pack

5. Preserving business continuity and enterprise resilience

With the management and operational support by INA Group Crisis Team, with regard to protection measures that are adhered to without exception, our managers, employees and contractors have shown a high level of personal responsibility and discipline, thus allowing us to ensure business continuity.

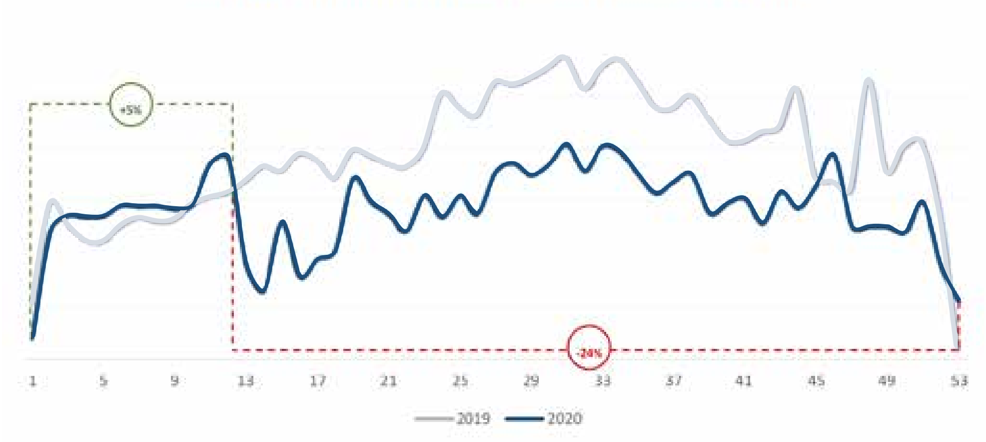
As the completion of extremely important projects (Propane-Propylene Splitter and construction of a plant for processing heavy residues in the Rijeka Refinery, etc.) has priority, we have established the minimum conditions for epidemic activities within CAPEX projects, defined anti-epidemic measures for generic activities and improved the electronic permits to work as well as digitized the training system. In these exceptional circumstances, in just a few days, INA MAZIVA d.o.o. experts produced INA Dezinol surface disinfectant, which is now available to our customers at all INA retail locations, in a 0.6-liter package, as well as INA Dezinol Plus line for hand disinfection.

At the end of 2020, we developed a plan to fight the new coronavirus for the next year in which we continued with the campaign for vaccination against COVID-19 and QA moments for employees.

MARKET DISTURBANCE

Except bearing a high impact on everyday life, COVID-19 also heavily affected the market demand. After a good start, trending with increasing demand compared to previous years, restrictive measures all around Croatia and B&H caused an estimated drop in market demand for motor fuels on our core markets of 13% compared to 2019. Highest drop was in the jet fuel segment, which took a heavy swing with drop in demand of over 70%. In some weeks, demand for fuels on core markets decreased by up to 50%. These kinds of disturbances all over the world caused surplus of products on the market, thus decreasing the price of the products, as well as the price of the feedstock. It left an effect on crack spreads and refinery margins, lowering them, but with good management of the situation INA, d.d. succeeded in exploiting the situation in the best manner possible through hedging and proper and timely production and supply optimization.

TOTAL SALES OF REFINED PRODUCTS ON CORE MARKETS
(CRO+B&H)



FOR-a – MOVE FROM FLEXIBLE TO REMOTE WORK ARRANGEMENTS

Flexible work arrangements (FORa) have been implemented in INA Group since 2016 providing employees the benefit of flexible work schedule (Flexitime) or occasional remote work (Flexiplace) with around 1,280 active users. The fact that we had set and implemented flexible work arrangements before, helped us quickly adapt to new ways of working during the pandemic and quarantine period.

During the pandemic, **remote work was heavily utilized for more than three months across the entire Group** by 2,500 employees as a successful way of maintaining operation (among employees where this practice was possible) and ensuring health and protection of employees in the pandemic situation.

EMPLOYEE SURVEY RESULTS

REMOTE WORK IS EFFICIENT.
HOWEVER, SOCIAL CONNECTIONS WERE MISSED.

QUALITY OF WORK
Quality, well-based and structured work output maintained
95 % consider that it is similar or better in home office

MOTIVATION
Motivation & organization of own work
92 % consider that it is similar or better in home office

PRODUCTIVITY & EFFICIENCY
Overall task and meeting organization
Time management
Team efficiency
91 % consider that it is similar or better in home office

CLEAR PRIORITIES
Clear priorities from managers
88 % consider that it is similar or better in home office

FOCUS
Ability to concentrate on tasks
Work-life balance
82 % consider that it is similar or better in home office

COMMUNICATION
Information sharing
Resolving communication challenges
Meetings efficiency
73 % consider that it is similar or better in home office

CONNECTION
Sense of belonging
Quality of social interactions
46 % consider that it is similar or better in home office

KEY FINDINGS
Same or better as work from office: **quality of work, productivity and efficiency. Prioritization, focus and efficient communication** did not suffer.
Lack of social interactions is less of an issue in case of **occasional home office.**

With gradual return to offices and business premises, **internal survey was launched regarding remote work experiences** with the purpose of finding new ways of working efficiently and sustainably.

With regard to working remotely, the managers believe as follows:

- Results and productivity of teams can be maintained in the same way as in the office or even easier
- On average, one third of managers believe work can be performed more efficiently
- Nine out of ten managers were certain in their team productivity despite minor obstacles to supervision, monitoring and managing team dynamics, which were influenced by continuous physical distancing during pandemic

With regard to working remotely, the employees believe as follows:

- The quality of work, productivity, and efficiency were the same as in the office or even higher
- Prioritizing work tasks, their focus, and efficient communication did not suffer
- Lack of social interactions is considered the biggest challenge, but it was not an issue in case of occasional remote work

Survey shows that, moving forward, 65% of employees would like the possibility to work remotely at least two days per week (current policy) while 35% would like even more days of remote work to be available. In order to provide new possibilities and models of flexible work arrangements to successfully meet the needs of employees, changes to current legislation are needed. Therefore, INA Group is collaborating closely with the Croatian Employers' Association on a proposal for the Croatian Government regarding further flexibilization of working arrangements and relevant legislation in Croatia.

BeneFIT PLATFORM

During quarantine, the well-being platform became the central reference point for employees to access trusted news, guidelines and support. The aim of the platform was two-fold: to encourage and promote responsible behavior during pandemic and to support holistic well-being of employees in adapting to new life circumstances. Content for the employees was in part created by other employees (beneFIT sport and culture ambassadors, bikeZONE community) providing sense of community and belonging during this period. Cross-functional collaboration and alignment was ensured to keep all messages clear, accessible and consistent.

PSYCHOLOGICAL SUPPORT

Due to continuous crisis situations in 2020 (cyber-attack, COVID pandemic & lockdown, earthquake), psychological support was introduced to our employees using both internal resources within HR (internal psychologists were made available to employees) as well as through external partners. This has proven to be an excellent measure to overcome psychological effect of isolation, uncertainty and fear within our community.

Lectures on the topic of psychological support were made available throughout the year, but following the devastating earthquake in December, a series of external lectures was organized at the start of January 2021. Six lectures were held, and 263 participants attended.

VIRTUAL LEARNING

With the absence of classroom trainings during the COVID-19 pandemic, great focus was placed on availability of development options for employees. One of the quick solutions was to turn to virtual platforms. Digital platforms for virtual trainings and e-testing had been implemented prior to lockdown, therefore such move to fully virtual trainings was quick and effective. 325 internal and external trainings were organized, and 835 participants attended.

CYBER SECURITY

The cyber-attack on INA Group was detected on 14 February 2020 and caused problems in the operation of certain IT systems, especially Microsoft applications. Nevertheless, this was not an incident that had a significant impact on the provision of key services, since the supply of the market was not compromised at any time, while fuel sales at INA service stations continued uninterrupted. Additionally, during 2020, in cooperation with MOL Group, information security measures and controls for early detection and response were improved, which, together with other related technological initiatives to improve the INA Group's IT infrastructure, reduced information security risks within INA Group.

EARTHQUAKES

Unpredictable events such as the earthquake in Zagreb in the spring and the last strong earthquake in Petrinja, Sisak and Glina reminded us that in a few seconds our lives can take on some other form and our routine can be abruptly interrupted. This natural disaster mostly affected the area of Sisak-Moslavina County, which is important for the business of INA Group and where more than 1,000 of our employees live. The quake was felt in other locations of our business and affected the community, many of our workers and business processes. Our company suffered minor damages to the facilities, but fortunately, no workers were injured.

In order to contribute to repairing the damage resulting from the **earthquake in Zagreb**, INA, d.d. contributed to the Together for Zagreb campaign and Children's Hospital in Zagreb with a donation of HRK 350,000.00. Having in mind the exceptional and hard situation in Zagreb, confronted with two major crises, INA, d.d. estimated that it is of great importance to provide help to some of the most important cultural institutions in Croatia and donated HRK 2,400,000.00 to the Museum of Arts and Crafts, Croatian Academy of Sciences and Arts and the Archaeological Museum.

After the **earthquake in Sisak-Moslavina County**, INA Group and its employees became actively involved in providing the necessary aid to the earthquake-stricken areas. INA Group workers organized the collection of necessary humanitarian aid in Rijeka, Zagreb and Ivanić Grad. INA MAZIVA d.o.o. donated much needed disinfectant INA Dezinol and large quantities of disinfectant wipes INA Dezinol Plus. INA Group provided several days' supply of fuel and LPG bottles to emergency services, Croatian Mountain Rescue Service, National Association of Caterers, the City of Sisak, Majur and Lekenik municipalities, Red Cross, general population and many volunteers who worked day and night. Due to cold weather, for its customers in Sisak-Moslavina County area who use LPG provided a new, more convenient product – LPG PB Mixture – Sisak-Moslavina.

Exploration and Production made available to the victims a few fully equipped campers. Furthermore, accommodation for our workers in need was provided at CROSCO d.o.o. workers' hotel in Ivanić Grad. CROSCO d.o.o. and STSI d.o.o. set up two large storage tents for collecting humanitarian aid and two container camps in Petrinja for all those who need temporary accommodation in the area. A total of more than 50 containers were set, each with four or six beds, its own toilet, shower, air conditioning and heaters. Also, in the area of Sisak storage space for provided for collected aid and other space to be used as temporary accommodation for the music school and for citizens who suffered damage in the earthquake.

Furthermore, Retail Marketing supported the action “Besplatna kava za naše heroje” (“Free coffee for our heroes”) that was carried out as a humanitarian action at 101 INA retail locations where free Fresh Corner coffee was handed out. It is an expression of gratitude to healthcare professionals, police and firefighters for their exceptional dedication, professionalism and responsibility in their work and selfless contribution in an unprecedented time when our society was facing a severe pandemic and the aftermath of strong earthquakes in the Zagreb and Sisak area.

06

SUSTAINABILITY IN INA GROUP

SUSTAINABLE DEVELOPMENT MANAGEMENT IN INA GROUP

ACHIEVEMENTS

- Comprehensive stakeholder engagement process successfully completed
- Sharing best sustainability practices and knowledge
- Sustainability management during COVID-19 pandemic

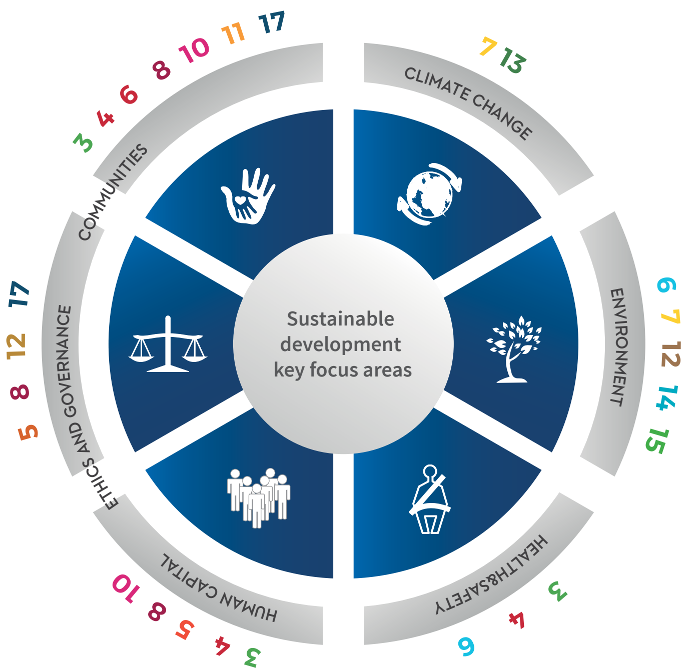
CHALLENGES

- Preparation of Sustainable Development key objectives and programs for 2021-2030
- New Sustainable Development Framework implementation
- Further development of stakeholder engagement process

102-18

For a balanced integration of economic, environmental and social factors, INA Group is committed to sustainable business with continuous implementation of new actions in order to achieve the **Sustainable Development Key Objectives and Programs 2020.**

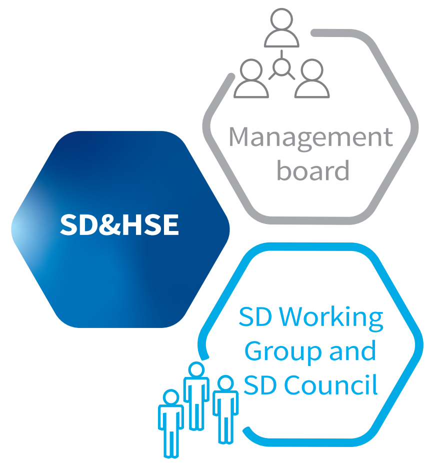
Annual action plans are developed in line with: six focus areas, 24 programs and with Sustainable Development Goals (hereinafter: SDGs). Plans are monitored quarterly with a target minimum of 85% realization. Through their execution, INA Group directly contributes to 13 out of 17 SDGs.



13
Sustainable development goals suported by our initiatives
6 focus areas
24 programs

Sustainable development-related actions and projects are an integral part of INA Group companies' business plan. In 2020, a total of 52 SD actions were conducted at the INA Group level, with overall realization of 88%. Overall result is considered better than expected considering all the difficulties that happened in the world, Croatia and in INA, d.d. in 2020.

Sustainable development governance in INA Group, as a strategic issue and corporate responsibility, is managed at the highest manageri-al level with the support of SD Council members and SD working group members, coordinated by an SD expert.



An additional step in the better integration of SDGs in INA Group business continued in 2020 by introducing educations related to the Goals. This year, trainings on "Green procurement" and "Human rights in business sector" were held in cooperation with the Croatian Business Council for Sustainable Development (hereinafter: CBCSD). In our focus, SD actions are still mostly related to the following SDGs: 3, 7, 8, 12, 13, 15 and 17:

COOPERATION WITH ASSOCIATIONS

CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

INA, d.d. has a long tradition of cooperation with various associations, such as CBCSD, a non-profit organization of private sector and business entities in Croatia which encourages and supports companies' commitment to sustainable business. INA, d.d. has been a member of CBCSD since 2011 and since then participates in the Corporate Social Responsibility (hereinafter: CSR) Index, methodology for evaluating responsible business practices of Croatian companies in the form of a comprehensive questionnaire (Index is developed in collaboration of CBCSD and Croatian Chamber of Economy). INA, d.d. participated at the CSR conference, supported the event and shared its best practices.

On INA, d.d. initiative, in order to raise awareness and share knowledge, director of CBCSD held trainings for Procurement director and man-agers on Green procurement and training about Human rights in business sector, with an excellent feedback.

WE TRAVELED TO 2050 WITH THE VIRTUAL CLIMATHON ZAGREB!

INA, d.d. and the City of Zagreb supported Climathon - global movement of the European Institute of Innovation and Technology. Climathon brought together an international team of students, activists, journalists and scientists. They all had the same goal - to show a segment of life in Zagreb from the perspective of 2050. In this movement, thousands of young people in more than 100 cities in the world simultaneous-ly create solutions to today's climate challenges. It enables determined citizens to get involved in solving climate problems by elaborating their ideas and reach a wider community in an inspiring manner.

HEALTH AND SAFETY

"ENSURE OPERATIONAL HSE EXCELLENCE"

ACHIEVEMENTS

- No fatalities, best result of indicator TRIR since the start of tracking for own employees and contractors
- Timely and targeted response to the rapid spread of the COVID-19 pandemic - INA Group Operational Plan in case of a pandemic with guidelines defined before the pandemic
- Turnaround in Exploration and Production conducted without any major incidents and lost time injuries

CHALLENGES

- Business continuity in COVID-19 new normal
- Strategic project management (Residue Upgrade Project) from the aspect of health and safety regarding contractors
- Full compliance with the new occupational health limit for benzene
- Compliance with the new minimum exposure limits for workers in processes of working with benzene

OCCUPATIONAL HEALTH AND SAFETY

INA Group relies on effective and sustainable system of managing the SD&HSE. The lives and health of employees are a key priority for INA Group. In order to define the basic requirements related to SD&HSE in INA Group companies, as well as the impact on the community, and to serve as support to the business objectives of INA Group and create a basis for defining the guidelines for the management in the implementation of SD&HSE principles in daily business activities, the "Sustainable Development, Health, Safety and Environment Management System in INA Group Companies" was developed. In addition to the aforementioned, in the years to come we are going to primarily focus on health and well-being of our employees, as well as the development and collaboration of our most significant contractors in the aspects of health and safety. In fire safety and firefighting, most of our focus will be on standardization and harmonization and restoration of aged assets. The system is based on 16 basic elements with assigned general principles as follows:

SUSTAINABLE DEVELOPMENT, HEALTH, SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM IN INA GROUP COMPANIES

LEADERSHIP, COMMITMENT AND RESPONSIBILITY	ENVIRONMENTAL PROTECTION MANAGEMENT
RISK & CHANGE MANAGEMENT	REQUIREMENTS, INFORMATION AND DOCUMENTATION
COMPETENCE, TRAINING AND AWARENESS	PRODUCT STEWARDSHIP
PLANNING AND TARGETS	COMMUNICATION AND CONSULTATION
SD&HSE MANAGEMENT IN CONTRACTING AND SERVICE PROCUREMENT PROCESSES	INCIDENT REPORTING AND INVESTIGATION
DESIGN, CONSTRUCTION, COMMISSIONING AND DECOMMISSIONING	EMERGENCY PLANNING AND RESPONSE
SAFE OPERATION AND WORK PRACTICES	AUDITS AND ENSURING THE SD & HSE SYSTEM EFFICIENCY
HEALTH PROTECTION AND PROMOTION	SOCIAL IMPACT

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

403-1, 403-7, 403-8

INA Group strives towards high health protection and safety standards for our employees, contractors and customers, promotion of proactive health and safety corporate culture that is recognized by all our employees and contractors, prevention of incidents, assurance of asset integrity and immediate response in emergency and crisis situations. In relation to the health and safety impacts, we are committed to act responsibly and develop goals and actions as an integrative part of all our daily operations.

This is especially important to emphasize in a situation where the company was exposed to challenging situations such as the COVID-19 pandemic or devastating earthquakes in 2020, which required rapid and effective action.

Occupational Health and Safety System at INA Group Companies (hereinafter: OHS system) defines the key elements of work safety in INA Group Companies, with clearly stated duties and responsibilities of the employer, managers, employees and contracted workers through all phases of the system. The general principles of control and the hierarchy of risk reduction measures are based on the principles of developing a culture of safety in the workplace.

The four main policies approved by the President of the Management Board are the cornerstones of INA Group commitment to health and safety at work, namely:

- INA Group Health, Safety, Environment and Social Impact Policy
- Major Accident Prevention Policy (MAPP)
- INA Group Road Safety Policy
- INA Group Personal Protective Equipment Policy

List of legal requirement management documents and best OHS oil and gas practices implemented in INA Group in order to reduce risk at workplace and increase safety can be found on page 140.

HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

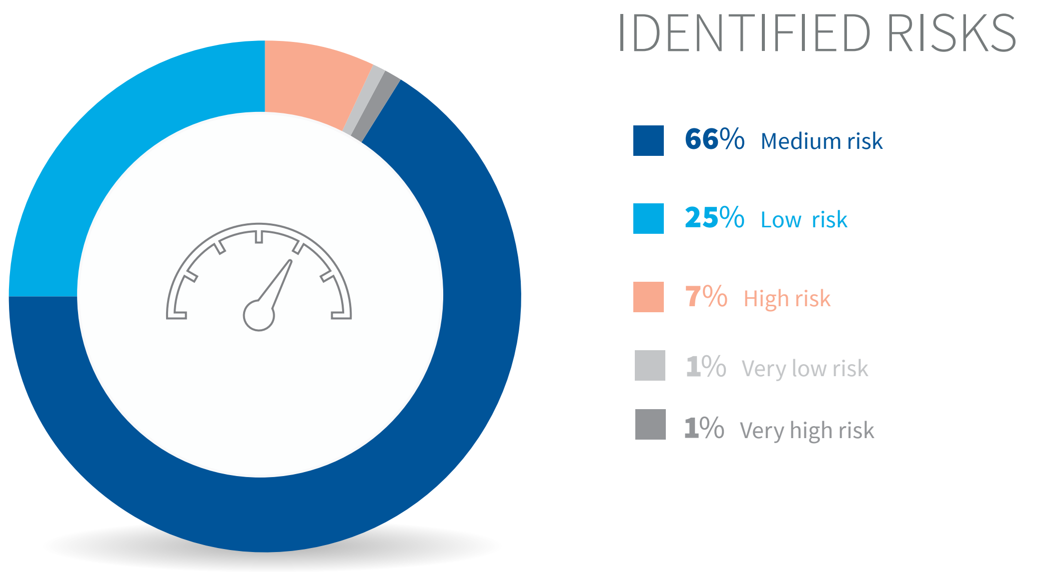
403-2, 403-4, 403-5

Risks and hazards should be assessed for all jobs within INA Group, whereby the workers must be informed about all the hazards and protective measures and trained to work in a safe manner. The risk assessment includes both employees and non-employees affected by the employer's business. In addition, a general standard describing specific hazards at the local operational level has been implemented, namely "Safe work and work practices in INA Group companies". It prescribes the rules for the implementation of specific hazard and risk prevention programs.

The process of preparing the Risk Assessment is regulated by the legal framework and includes several steps and requires the cooperation of experts from different fields. Risks and hazards are identified, existing measures for their elimination are assessed and, if necessary, new ones are proposed. Risk assessment communicates with management. Risk assessments form the basis for specific work practices. All employees are aware of the hazards at work and in the workplace, so they are required to work safely, stop work and report if a potential hazard has occurred. Employee Commissioners are regular members of the OHS Committee and the OHS Subcommittee, which are advisory bodies for the promotion of health and safety at work. All internal regulations on occupational safety are approved by the works council.

In order to achieve full control over the risks and reduce the consequences, INA Group has established and maintains a risk register. The register contains identified risks and hazards, and this is the initial phase of managing the identified risks. Risks are divided into five levels from very low to very high risks. Risk hazard consists of a description of the risks, a solution to address them and a defined time to address them.

Risk assessments are in line with the current epidemiological situation by identifying the risks of workers' infection with COVID 19 and proposing measures to combat the spread of infection (adhere to the instructions of the authorities, use personal protective equipment, inform workers about hazards and protection measures, etc.).



OHS Committees are advisory bodies for improvement of occupational health and safety. Main OHS committee consists of the highest board management positions, three employees' commissioners and one OHS professional and a medical doctor. OHS Subcommittees are lower-level committees where the number of members may differ but there must be at least one management position, one employees' commissioner, one OHS professional and a medical doctor.

Health protection is implemented through medical check-ups and constant health monitoring, especially of employees in working environments that have special requirements and through health exposure and risk controls and occupational health and safety training that is performed regularly, 100% according to the plan. The main objectives of fitness for duty medical examinations are the following: determining the employee ability to meet the job requirements without endangering their health and safety or the health and safety of other employees and persons at work, assistance in adapting the employee working environment and prevention of occupational injuries and illnesses. The employee shall be issued a Fitness for Duty Certificate on the established work capability by an occupational medicine doctor (stipulated by the applicable regulations), which they shall submit to the authorized officer, who shall not allow the performance of activities for which the employee is not capable in terms of health. The occupational medicine specialist may notify the competent SD&HSE org. unit/occupational health and safety expert on the reason for the determined restriction and unfitness for duty only with voluntary consent and written endorsement from the employee. For certain jobs which entail an increased health and safety risk, the employees must meet special requirements relating to age, professional qualifications, mental health and regularly attend prescribed medical examinations (e.g. jobs with special working conditions) for the purpose of determining/controlling the employee medical condition and ability to perform the works, which is strictly prescribed by law. INA Group ensures an ethical, professional and reasonable treatment for the employee who is suspected and/or proven to be suffering from a disease that is a limiting factor in the work.

INCIDENT REPORTING

All unwanted HSE events are processed through Incidents Reporting and Investigation Systems. These systems are in place to ensure that all unwanted HSE events are reported, recorded, investigated and analyzed in a timely manner in order to prevent recurrence and improve safety performances. Corrective and preventive actions which are undertaken, related to each event, are also recorded in the system. Effectiveness of undertaken actions is evaluated. Learning outcomes from high-potential and high-severity events are shared within the Group, through internal communication channels in order to prevent similar events in the future.

High potential near-misses that could result, with changed circumstances, in unwanted events are also included in the reporting and investigation system. Incidents that are investigated cover own staff and contractors, meaning that all incidents are investigated regardless of who participated therein.

HEALTH PROTECTION AND PROMOTION

403-3, 403-6

Due to the new circumstances of the COVID-19 pandemic and the strong earthquakes that hit the city of Zagreb and the surrounding area this year, as well as a cyber-attack at the beginning of the year, the campaigns of project HEALTH+ were adjusted to measures for protection against COVID-19 and especially for preserving mental health. Activities are mainly focused on online education of employees, instructions and expert advice for maintaining physical and mental health in a pandemic and earthquake-induced crisis situations as well as difficult work due to a cyber-attack, which includes videos and online workshops led by well-known experts (doctors, psychologists, virologists, molecular biologists, athletes, kinesiologists, and similar). The "Ask our Doctors" service is still permanently available to employees - by phone or by e-mail, as part of which they can contact our contracted doctors of occupational medicine for consultations and expert opinions.

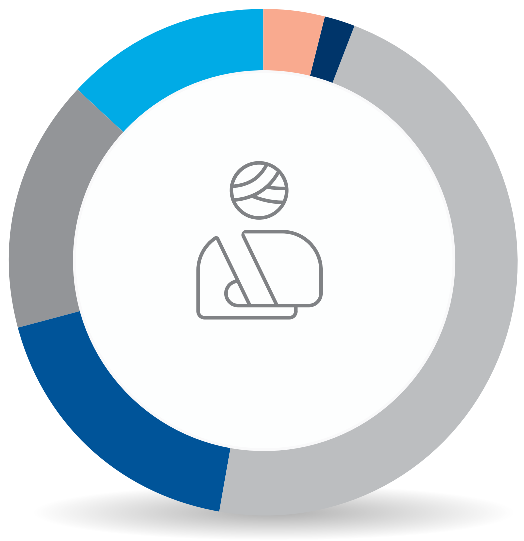
OCCUPATIONAL SAFETY PERFORMANCE

403-9, 403-10

During the last year, due to Croatian Government's decision to recognize COVID-19 disease as an occupational disease, there was one case of occupational disease related to COVID-19. This case is related to INA Group employee and it is the only one recorded as an occupational disease. Employee was hospitalized during the first pandemic wave of COVID-19 in Croatia. The employee spent approximately 45 days in hospital and after that he was released and able to go back to work.

5 MAIN CAUSES OF TOTAL RECORDABLE INJURIES INA GROUP

PRIMARY CAUSE OF TOTAL RECORDABLE INJURIES INA GROUP



SEVERITIES OF INA GROUP TOTAL RECORDABLE INJURIES IN 2020

Total number of total recordable injuries (hereinafter: TRI) was 36, out of which 30 lost-time injuries and six medical treatment cases. 36 TRIs include contractors and own staff. Severity is measured on the scale from 0 to 5, with 0 being near-miss, and 5 the worst possible incident (from OHS point of view this would be an event with multiple deaths). As shown in graph above, we can clearly see that in 2020 we had only two high-severity incidents.

ROOT CAUSE OF TOTAL RECORDABLE INJURIES

INA GROUP EMPLOYEES AND CONTRACTORS	2018	2019	2020
NUMBER OF FATALITIES AS A RESULT OF WORK-RELATED INJURY	0	0	0
FATALITY RATES AS A RESULT OF WORK-RELATED INJURY	0	0	0
NUMBER OF HIGH–CONSEQUENCE WORK-RELATED INJURIES (EXCLUDING FATALITIES)	1	1	2
HIGH–CONSEQUENCE WORK-RELATED INJURY RATE (EXCLUD-ING FATALITIES)	0.04	0.08	0.09
NUMBER OF RECORDABLE WORK-RELATED INJURIES	69	51	36
RECORDABLE WORK-RELATED INJURY RATE	2.70	1.97	1.70
NUMBER OF HOURS WORKED	25,571,939	25,906,895	21,614,971

*rates have been calculated based on 1,000,000 hours worked

INA GROUP CONTRACTORS	2018	2019	2020
NUMBER OF FATALITIES AS A RESULT OF WORK-RELATED INJURY	0	0	0
FATALITY RATES AS A RESULT OF WORK-RELATED INJURY	0	0	0
NUMBER OF HIGH–CONSEQUENCE WORK-RELATED INJURIES (EXCLUDING FATALITIES)	0	1	2
HIGH–CONSEQUENCE WORK-RELATED INJURY RATE (EXCLUD-ING FATALITIES)	0	0.14	0.34
NUMBER OF RECORDABLE WORK-RELATED INJURIES	12	9	8
RECORDABLE WORK-RELATED INJURY RATE	1.77	1.23	1.36
NUMBER OF HOURS WORKED	6,779,520	7,344,237	5,861,637

*rates have been calculated based on 1,000,000 hours worked

When looking at two high-consequence work-related injuries, the main reason behind was fall from height and the 2nd was due to a traffic accident. Both of them were related to contractors and both of them were investigated from all possible aspects, with corrective and preventive actions already implemented so that this kind of incident would not happen again.

OCCUPATIONAL SAFETY PROGRAMS

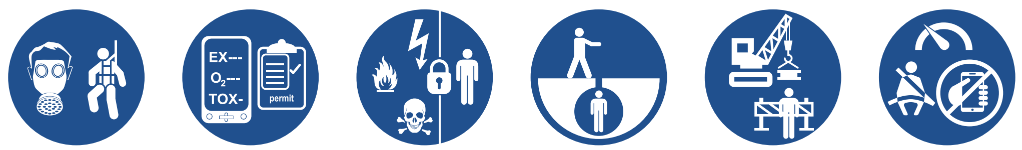
NEW LIFE SAVING RULES SET

INA Group has shortened and updated its 10 Life Saving Rules to improve the safety performance and to give everyone the license to say ‘NO’ when safety is at risk, focusing on the most important aspects of safe work in our industrial environment. These rules are designed to increase individual awareness of the ownership of critical safeguarding measures in order to prevent serious personal injuries and fatalities.

The rules improve clarity and provide for standardized operations by operators and contractors doing work across INA Group. The rules are simple, concise and do what they say – save lives; that is why they are critical, and it is expected that everyone adheres to them.

During 2020, the top management was involved in the LSR campaign. They filmed their video messages related to each Life Saving rule. Introduction of the video which reviewed the entire set of LSR was conducted by the President of the Management Board. Message for each LSR was conveyed by a different operational director. The campaign was launched through all available internal communication channels. Each of these video messages was shared with more than 4,500 employees through internal digital channels.

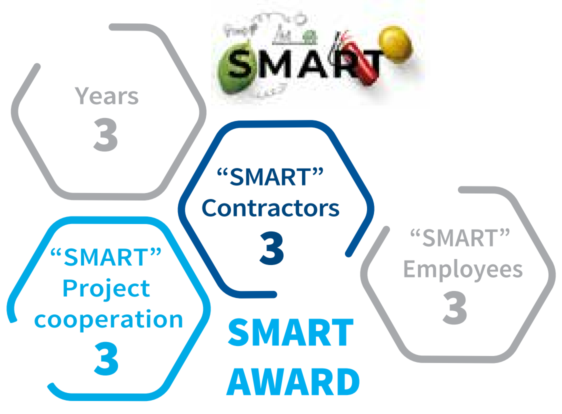
LIFE SAVING RULES



Life Saving Rules:

- Use all required personal protective equipment and equipment fit for purpose
- Monitor the atmosphere and follow the permit to work
- Apply lockout/tagout devices, ensure safety controls are in place
- Obtain authorization before entering a confined space
- Follow the safe lifting rules
- Drive safely

Remember, we are all personally responsible for our safety!



Award for outstanding contribution in the field of SD&HSE for employees and contractors.

Training and improving driving skills Since 2010

FIRE PROTECTION AND PROCESS SAFETY MANAGEMENT

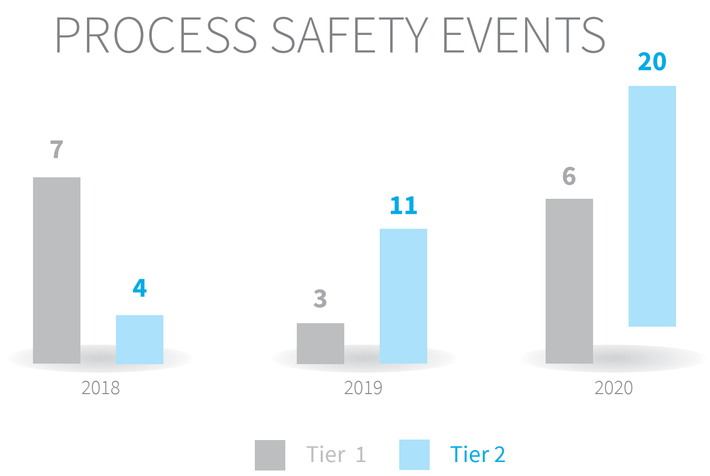
PROCESS SAFETY MANAGEMENT

OG – 13

In 2020, our focus in the process safety management system (hereinafter: PSM) was on the successful implementation of two Enablon modules (Risk Management and Incident Investigation) which can provide a better insight into the operational risk management and incident investigation at Downstream businesses.

A new practice was implemented – this is to require Ready for Start-up Certificate at Pre-Startup Safety Review for all new investment projects. A new procedure was issued: Management of Change for personnel critical for process safety.

Regarding the process safety events (hereinafter: PSE), in 2020 we recorded six TIER 1 (process safety events with highest consequence) and 20 TIER 2 events (process safety events with lower consequence). All six of TIER 1 PSEs were caused by material release over threshold quantities under API 754 standard - one hydrochloric acid leakage from the truck tanker and five hydrocarbon leaks from underground pipelines, all of them in Exploration and Production. For all of these PSEs, preventive and corrective measures were determined and implemented in order to prevent their recurrence. Reasoning behind a bigger number of reported TIER 1 and TIER 2 events was better tracking of PSEs and reporting through standard reporting system Enablon.



FIRE PROTECTION AND RISK AND CHANGE MANAGEMENT

102-11

Fire protection and firefighting in INA Group are regulated by national regulations of the Republic of Croatia (laws and regulations) as well as INA internal documents covering these areas (Fire Prevention, Protection and Fire Brigade Management in INA Group Companies). Together, they form an integral part of protective activities at all INA Group sites and locations.

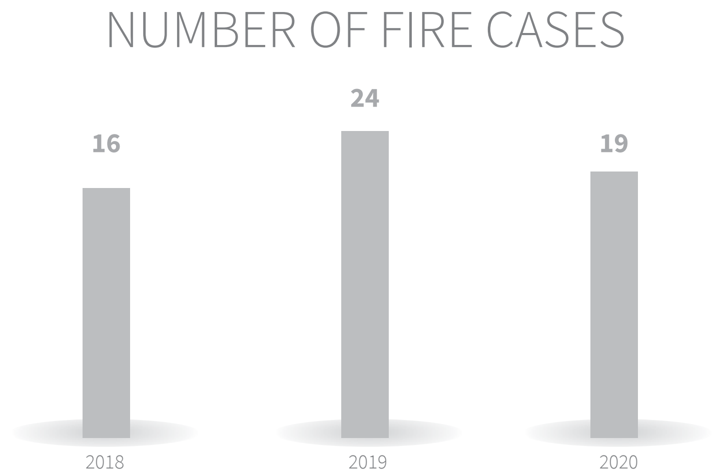
INA Group is responsible and dedicated to ensure fire protection/firefighting requirements and meet the local legislation (but not necessarily limited to them). The entire fire protection system (passive/active) must be harmonized with the requirements of legal regulations, but also with the constant trend of improvement based on the best world standards and industrial practices.

The core business of INA, d.d. as a company is exploration, production of oil and gas as well as processing, production, manipulation, storage and distribution of petroleum products in the Republic of Croatia, but also in the surrounding countries. Due to the risks and dangers that accompany this type of industry, it can be characterized as one of the most dangerous industries and activities regarding the risk of occurrence and spread of fire and explosion.

In the Republic of Croatia, according to the current legislation, there are four fire hazard categories (category 1-4). According to this fire hazard categorization, INA Group has 23 categorized (Category 1 and 2) sites and locations. 13 locations in INA Group are also categorized as SEVESO sites. As Part of SD&HSE 2020 strategy in the field of Firefighting, the newly established OpCo INA VATROGASNI SERVISI d.o.o. successfully continued to provide services in INA Group in 2020.

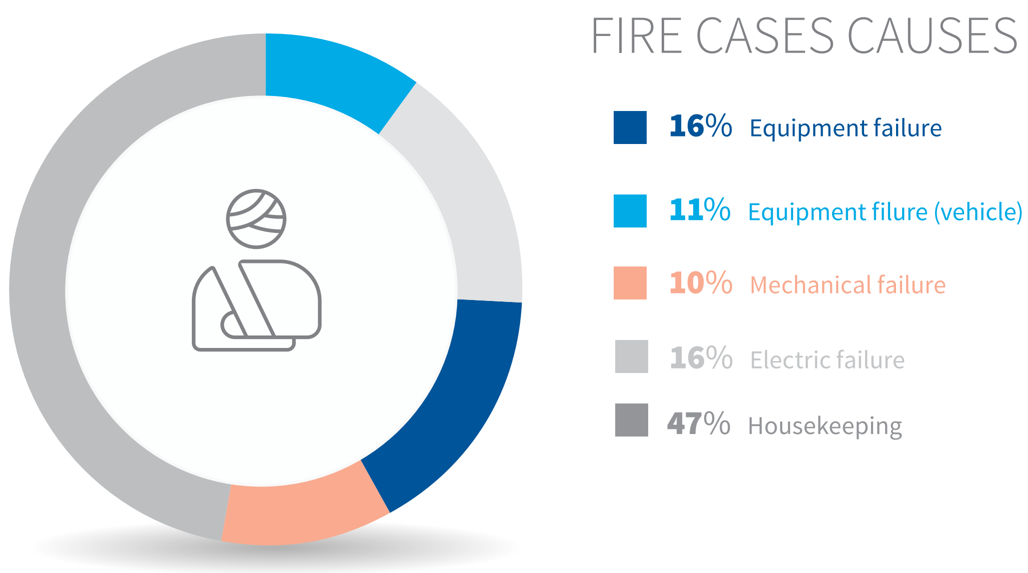
According to the new Firefighting Act (2019), it is necessary to employ our own firefighters (FTE) at locations classified in the fire risk category 1. Therefore, during 2020, the fire brigades of INA VATROGASNI SERVISI d.o.o. employed firefighters up to the required number. In 2020, 77/77 new firefighters were hired, based on the needs required by categorized locations.

With the aim of increasing the level of operability in FF intervention, raising INA Group's benchmark and aligning with the best industrial practices for firefighting and fire protection in general, one out of three new fire trucks for INA VATROGASNI SERVISI d.o.o. Fire Brigades (one in Exploration and Production, two in Refining and Marketing) planned for procurement were delivered. For the other two fire trucks, the procurement activities will be completed in Q1 2021.



The total number of recorded fires in 2020 was 19. Out of the total number of fires, 16 fire cases were categorized as severity 1 (very low) and only three fire cases were categorized as severity 2 (low). 18 of 19 fire cases (95%) were classified as initial fires, with no significant damage/costs, injuries and impact to the environment. In 2020, there were no fires with severity 3 (medium), 4 (high) and 5 (very high).

Comparing the recorded fires in 2020 to the previous 2019, there was a decrease of 21%.



In 2020, in „May – Fire Protection Month" all activities were conducted in the light of measures of protection against COVID-19, with special focus on fire prevention.

Work activities and their implementation at all INA Group locations have been harmonized with the applicable preventive measures in order to prevent the spread of the COVID-19 pandemic and ensure safe work, as well as to maintain the continuity of work.

Fire Brigades conducted fire drills and other firefighting activities, as in all work operations (aforementioned), adhering to the preventive measures against COVID-19.

CLIMATE CHANGE

"MANAGE RISK AND OPPORTUNITIES RELATED TO CLIMATE CHANGE"

103-1, 103-2, 103-3, 305-5

ACHIEVEMENTS

- 362,000 tons of CO_2 injected within the Enhanced Oil Recovery (EOR) project in 2020 and more than 1.8 million tons permanently stored since the beginning of its implementation in 2014
- Energy savings defined for INA, d.d. in the National Action Plan for Energy Efficiency achieved
- Continuation of strategic projects (Residue Upgrade Project, Biorefinery, EOR)

CHALLENGES

- Future oil and gas demand and prices due to transition to a low carbon economy
- Stricter emission rules and carbon pricing in the 4th trading period
- Reinforcement of energy efficiency and renewable energy policies

GLOBAL OVERVIEW ON CLIMATE CHANGE AND OUR RESPONSE

Climate change is a significant global challenge that requires governments, businesses and civil society to work together on cost-effective policies and is the most important strategic issue facing the oil and gas industry today. Climate change is causing an increasing impact on products and services, supply chains, loss of property value and market dislocation. In the forthcoming years, companies will have to adapt to new risks involving changes associated with political, legal, regulatory, market and technological changes in order to maintain a reputation and survive in the market at a time of accelerated transition to a low-carbon economy.

The International Energy Agency World Energy Outlook stated that oil and natural gas are set to remain part of the energy mix for decades to come predicting that oil and gas together will provide 48% of the total final energy demand in 2040, based on IEA's Sustainable Development Scenario. Considering the EU 2030 and 2050 carbon emission reduction targets, the oil and gas industry is under increasing pressure to support decarbonization, move to a low carbon energy system, while meeting the expected energy demand over the transition period, which is essential for economic development, quality of life and suppression of poverty.

The oil and gas production and refining sector accounts for 7.4% of the Republic of Croatia greenhouse gas emissions (2018), of which 74.6% are emissions from refineries. From this sector, 74.3% of emissions are covered by the ETS. The draft low-carbon strategy of the Republic of Croatia until 2030 envisages a reduction in total greenhouse gas emissions in the range of 33-36%, while the contribution of the fuel production sector is estimated at 18% of the total emission reduction target. Therefore, we continue to implement energy efficiency and fugitive emission reduction projects and develop new technologies that will contribute to the achievement of the national CO_2 reduction goal by 2030 and beyond. This year the EU Commission has published its long-term strategic vision exploring different scenarios leading to the EU low-carbon economy by 2050. In all these scenarios, the Carbon Capture and Storage (CCS) has been identified as a key technology to realize this ambitious target, playing a crucial role to reduce emission levels required to limit global warming and temperature increase. This is also one of the opportunities for our industry since we already have experience in this area within the EOR project, which we plan to expand to other fields (read more about this subject under chapter Exploration and Production overview).

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Financial markets increasingly need clear, comprehensive and high-quality information on climate-related risks that could affect the company, as well as information on how these risks are managed. In line with that, this year we have included the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in our report. Our aim is to provide information on the governance, strategy, risk management and metrics and targets that show our ambition and progress in contributing to reducing the impact of climate change on business and society (read more about the Governance and Strategy under chapter Climate-related financial disclosures). According to the Guidelines for non-financial reporting and the Supplement on reporting climate-related information, the risks arising from climate change are divided into transition and physical risk. Transition risk is the risk associated with the transition of economies to a low-carbon economy, and physical risks are those that can affect financial stability directly through more frequent or severe disasters, weather events, and gradual climate change.

TRANSITION RISK ASSOCIATED WITH REGULATORY CHANGES

Climate change is an important and complex issue that requires stable, clear, national policies that allow business to invest in initiatives to limit emissions. Within the EU Green Deal several strategies affecting the oil and gas industry were issued in 2020, such as Hydrogen Strategy, Methane Strategy and Biodiversity Strategy. Also, new, more ambitious target of 55% of GHG emissions reduction has been set for 2030. To reach the new goal, the EU will have to set out the legislative proposals to implement the new target, including revision of the EU Emissions Trading System and adapting the Effort Sharing Regulation, reinforcing energy efficiency and renewable energy policies and strengthening CO_2 standards for road transportation. INA, d.d. expects and monitors regulatory changes aimed at reducing greenhouse gas emissions.

Increasingly stringent climate regulations and policies could affect our finances, either directly through changes in taxation or project costs, or indirectly through changes in consumer behavior or technological developments. INA Group's activities in Croatia are subject to emission charges, as well as limiting greenhouse gas emissions for larger plants within the European Emissions Trading System. The agreed strengthening of the ETS system will result in decrease of free allocated allowances and higher costs for our plants, as emission unit prices are expected to rise in the future.

INA Group invests in energy efficiency and emission reduction projects, renewable energy sources including hydrogen, biofuel development and flaring and venting reduction. CO_2 impact of all project proposals must be determined from the idea generation (assess phase) and analyzed for all related alternative solutions as an important element in evaluation of project proposals and final decision about project implementation. Economic impact of all project proposals as a result of CO_2 emission price changes is evaluated based on Group premises of CO_2 quotas price until 2050. Based on all available information, CO_2 emissions plan for different scenarios in the future is being prepared as additional criteria for investment decisions.

MARKET AND TECHNOLOGICAL RISK

The transition to a low-carbon economy contributes to uncertainty about future oil and gas demand and prices. Increased demand and improved cost competitiveness of renewable energy, as well as innovations and technological changes that support the further development and use of renewable energy and low-carbon technologies, represent both a threat and an opportunity for the oil business.

We are working on the development of biofuels with a lower carbon content, the project of building a biorefinery and the development of hydrogen as transport fuel for city buses (read more under Our response to climate change). We continue with the EOR project which has been partially extended to the southern part of the Žutica field (Žutica South) with CO_2 injection starting on two wells. The EOR is also considered to be a CCUS project (Carbon Capture, Utilization and Storage), which involves the separation, use and storage of CO_2. Such projects will be of great importance in achieving the objectives of reducing greenhouse gas emissions set by the Paris Agreement and regulations arising from the EU Green Deal. The built plants and installations for CO_2 injection enable the extension of the project to other oil fields (read more under chapter Exploration and Production overview).

REPUTATION IMPACT

Increased concerns about climate change are leading to a more negative perception of the oil and gas industry which could in the future have an impact on attracting and retaining customers, talent and investors. Risks in this area can lead to loss of revenue or market share if stakeholders' expectations of how the industry responds to climate change issues are not addressed.

In 2018, INA Group launched the ANI program within New Businesses and was recognized as a potential partner within a very short time by the start-up community. We are exploring the potential of hydrogen as a fuel for transportation, we have installed small solar power plants at our two locations, and we have projects that will mark a major step forward in this area. INA Group wants to be a part of the solution when it comes to climate change, and in this we see an opportunity for our further development and meeting stakeholder expectations (read more under chapter Our response to climate change).

PHYSICAL RISKS

Physical risks include direct and indirect impacts of severe weather on infrastructure, worker safety and productivity. Changes in physical climate parameters could potentially affect INA Group's operations since changes in average climate conditions and more frequent, more intense extreme climatic events are expected in the future. INA Group considers the most relevant potential climate risk for its assets to be rising of extreme temperatures, rising sea level and floods.

For instance, rising of extreme temperatures can affect the functionality of installations and equipment (e.g. more maintenance, reduced equipment lifetime, breakdowns and damages) or contribute to fires which can result in damage to material goods and processes (e.g. interruption of transport), and financial losses related to that. Rising sea level can pose a threat from coastal zone floods, especially in combination with storms, which can result in damage to material goods and processes as well as related financial losses. Measures to adapt to these risks include the application of good engineering and professional practices, application of legal regulations and standards in the field of environmental protection and fire protection, equipment for monitoring and management of systems, and regular maintenance.

OUR RESPONSE TO CLIMATE CHANGE

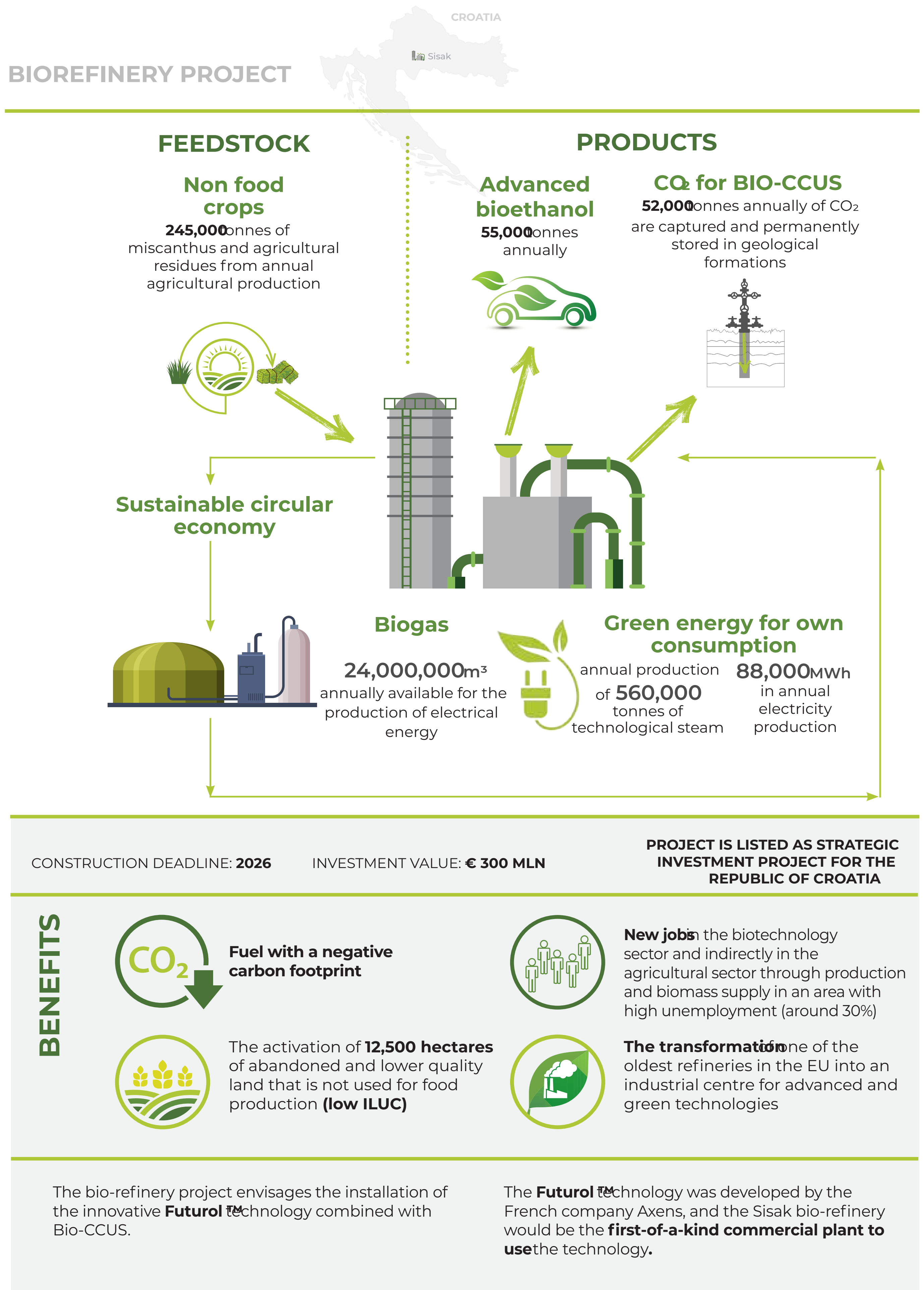
BIOREFINERY PROJECT

The Biorefinery project aims to create a long-term sustainable biomass supply chain and build a bio-industrial complex designed to produce advanced bioethanol based on patented innovative Futurol™ technology with BIO-CCUS integration, resulting in bioethanol with negative net greenhouse gas emissions.

Based on the studies on the potential and availability of biomass in Croatia, the feed mix selected to produce advanced bioethanol is a combination of agricultural residues, mainly cereal, maize straw, and the energy plant Miscanthus x giganteus. In addition to creating new jobs, the production of miscanthus energy crop for the biorefinery is expected to revitalize the area within 100 km of the Sisak plant, activating abandoned land and creating new jobs in remote rural areas.

The Biorefinery project also met the formal criteria of the Ministry of Economy and Sustainable Development, which officially included it in the Republic of Croatia List of Strategic Projects. This project represents the first commercialization of advanced biofuel production based on innovative technology developed in the EU, thus proving its feasibility for widespread application and adding momentum to increases advanced biofuel production across Europe.

Building on the extensive experience gained during the Futurol project, the technology is now optimized and can truly become a biologically based platform and ensure the production of other materials and chemicals in the future, such as bio-polymers, biojet, etc. If all prerequisites are met and co-financing secured from the EU Funds, the expected start of operation of the biorefinery would be in 2026.



ENHANCED OIL RECOVERY PROJECT

The EU Commission has published its long-term strategic vision exploring different scenarios leading to an EU low-carbon economy by 2050. In all these scenarios, the Carbon Capture and Storage (CCS) has been identified as a key technology to achieve this ambitious target, playing a crucial role to reduce emission levels required to limit global warming and temperature increase.

Our EOR project is considered to be a CCUS project. It involves the injection of CO_2 and water into depleted oil fields of Ivanić and Žutica in monthly cycles, which contributes to increasing production but also has an important environmental aspect since it significantly reduces CO_2 emissions.

Since the beginning of its implementation in 2014, more than 1.8 million tons of CO_2 have been permanently stored, which is equivalent to around 30% of annual passenger car emissions in Croatia. The built plants and installations for CO_2 injection enable the extension of the project to other oil fields near Ivanić and Žutica, on which we are actively working (read more about this project in 2020 under chapter Exploration and Production overview).

HYDROGEN PROJECT

INA Group is committed to testing the potential of hydrogen as a fuel, and in cooperation with the City of Zagreb we are developing a project to introduce hydrogen into urban transport. The project refers to detailed analyses of the current situation and comprehensive preparations for the introduction of hydrogen buses in public urban transport, together with all the accompanying infrastructure such as filling stations and hydrogen storage facilities. The activities are carried out according to the Action Plan for Sustainable Energy Development and Adaptation to Climate Change of the City of Zagreb.

Hydrogen is an environmentally friendly fuel powering electric vehicles without the emission of greenhouse gases, particles, noise and vibration. In addition to reducing pollution, it will ensure the implementation of policies and strategies of the EU and the Republic of Croatia to promote sustainable, secure and low-carbon development. At the beginning of 2020, the City of Zagreb applied for the "Project Development Assistance for Regions", primarily intended for regions and cities of the EU 13 that do not have developed infrastructure or application of hydrogen technologies.

SOLAR POWER PLANTS

A good example of meeting the key principles of sustainability is INA Group's program for the development of solar power plants at existing industrial plants in Sisak, Molve, Rijeka and Kaštel Sućurac. In Rijeka refinery and LPG terminal in Kaštel Sućurac, solar power plants were installed in 2019, and the plan is to install a solar power plant at the Gas Processing Facilities in Molve (9 MW) and at our location in Sisak (3 MW). In total, more than 35,000 panels are planned to be installed on these two power plants on the surface area of almost 15,000 m^2. For both projects, building permits were obtained.

Solar power plant in Rijeka Refinery was built at the main entrance parking lot on the canopy construction. So far, it is our largest solar power plant built and the first in a refinery. Expected yearly production is around 100,000 kWh of 100% renewable electric energy intended for own consumption. This photovoltaic power plant will generate financial savings on electricity as well as carbon footprint reduction of about 41 ton of CO_2 per year.

These projects open the door to new development for us as a company, that does not end with solar power plants, but gives the potential for development in the direction of other renewable sources, such as the use of geothermal energy or wind energy. Since it is an investment in existing industrial plants, in this manner we give added value to our locations, which is especially important in the context of the transformation of Sisak refinery into sustainable alternatives.

ENERGY EFFICIENCY

INA Group is a significant participant on the energy market in Croatia and the region, and we believe that increasing energy efficiency is the most important mechanism for reducing energy consumption and one of the basic principles of energy transition. Our fundamental commitment in energy management is to achieve improved energy performance and measurable results related to energy efficiency, energy use and energy consumption. We continuously develop, maintain and harmonize the implemented energy management system with the applicable legal and other requirements related to energy management, which INA Group companies have undertaken to comply with. Energy management is appropriate to the nature and degree of energy use and consumption in our subsidiaries and plays a key role in business and running of our processes. We are focused on the responsible use of energy and are committed to continuous monitoring and improvement of energy performance at all our plants, equipment and facilities. The management structure of INA Group companies has a leading role in promoting, developing and implementing the defined principles of the energy management system.

Therefore, we continue with activities to improve energy efficiency and reduce emissions, which in refinery processing include heat recovery, condensate collection and recovery, energy efficiency of process furnaces and boilers, gas recovery from flare systems, improvement of heat exchangers, construction of advanced processing systems.

In the Exploration and Production, measures include replacing equipment with new and more efficient ones, investing in well automation and optimization by installing frequency converters, improving energy efficiency of lighting facilities, optimizing hot oil system, etc. Expected annual savings are 6 GWh.

ENERGY CONSUMPTION

302-1, 302-2, 302-3, 302-4

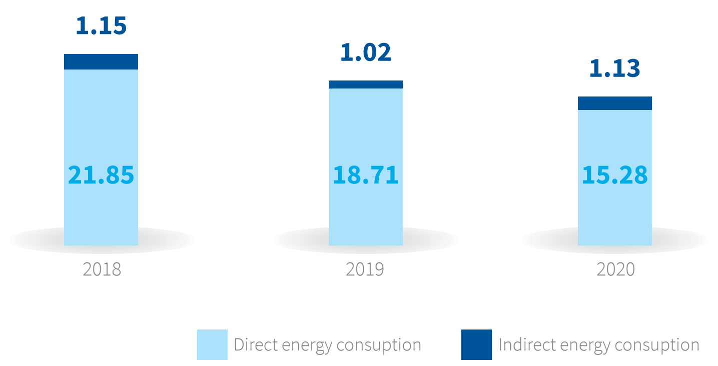
Due to the character of its business and number of locations, INA Group is a major energy user with energy accounting for a significant share of operational costs. Total INA Group energy consumption in 2020 amounted to 16.41 million GJ, of which 15.28 million GJ of direct energy consumption and 1.13 million GJ of indirect energy consumption.

Direct energy consumption includes the sum of natural gas in the amount of 7.99 million GJ, other hydrocarbon energy sources in the amount of 7.11 million GJ (represents the sum of the quantities of fuel distilled from crude oil, including LPG, compressed natural gas, LNG, butane, propane, ethane and fuel used for combustion in boilers, furnaces, heaters, turbines, flares, incinerators, generators, etc.) and fuel used for corporate cars in the amount of 0.17 million GJ, minus total indirect energy sold in the amount of 14 GJ.

Regarding the indirect energy consumption, the total electricity purchased from external sources amounted to 0.808 million GJ and 0.322 million GJ of intermediate energy (steam, heat, etc.). Most of the total energy consumed in 2020 in INA Group came from non-renewable sources and 70.83 GJ of energy was produced and consumed from electrical solar panels on offshore platforms. In Rijeka Refinery, 14.1 GJ of electricity was sold as a result of electricity surplus.

TOTAL DIRECT AND INDIRECT ENERGY CONSUMPTION INA GROUP

(million GJ)*



*All data was collected in the internal data collection system Enablon. Direct energy consumption is calculated based on laboratory analysis of used fuel when applicable or by usage of IPCC factors. Indirect energy consumption was calculated based on the bills received from external providers of heat, steam and electricity.

ENERGY SAVING PROJECTS IN INA GROUP

The energy management system is implemented through continuous monitoring of energy consumers in each organizational unit, which is accompanied by specific investment projects that ensure energy efficiency.

The European Union target is to improve efficiency in final energy consumption by 32.5% until 2030. Legal framework defined in the Energy Efficiency Directive is an incentive for implementation of efficient solutions in process industry. INA Group is committed to the improvement of energy, ecology and economy performance of own assets. According to that, impact of all project proposals on future energy consumption must be determined from the idea generation (assess phase) and analyzed for all related alternative solutions. This is a very important element in evaluation of project proposals and final decision about implementation. Economic impact of all project proposals as a result of energy consumption changes is evaluated based on the Group premises of utilities price until 2050. Based on all available information, a plan of energy performance indicators for different scenarios in the future is prepared as additional criteria for investment decisions.

According to the described approach, INA Group invested HRK 16.5 million into energy efficiency improvement projects in 2020 and has prepared project proposals with plans of energy consumption reduction of 13% until 2030. Additional projects are in preparation phase with expected reduction of energy consumption by an additional 5% until 2030. This approach is going to ensure improving the sustainability of INA's operations with focus on energy efficiency improvement in the refining system.

In line with the Energy Efficiency Directive, INA, d.d. as energy market supplier has the obligation to achieve energy savings. Obligation defined in the National Action Plan for Energy Efficiency was covered by successful verification of 3.65 TWh of savings realized through implementation of efficiency projects in the period 2014-2019. Surplus of realized energy savings has been offered at the market to third parties. Based on gathered experience, INA, d.d. prepared a plan for efficiency project realization with the target of covering obligation of energy savings until 2030. Realization of the proposed projects is going to decrease the financial exposure of refining business to related policies in the future.

In Exploration and Production, we have successfully completed the turnaround of the Gas Processing Facilities Molve, Fractional Facilities Ivanić Grad, gas production plants within the North Croatia Production Region and on the Central Gas Station Žutica in the Central Croatia Production Region which contributes to better energy performance of those facilities.

OUR GHG EMISSIONS PERFORMANCE

305-1, 305-2

GREENHOUSE GAS SCOPE 1 AND SCOPE 2 EMISSIONS

Scope 1 covers direct GHG emissions from INA Group owned or controlled sources. Our total direct GHG Scope 1 emissions reached 1.28 million tons of CO_2 equivalent in 2020, which is 15% less than the previous year (1.51 million tons in 2019). Decrease was mainly driven by cessation of traditional production in Sisak Refinery and a reduced number of activities due to pandemic.

Scope 2 emissions from the purchased energy (e.g. electricity, heat, steam) remained relatively the same, with a slight increase driven by increased purchase of electricity from external sources.

SOURCES OF SCOPE 1 GHG EMISSIONS

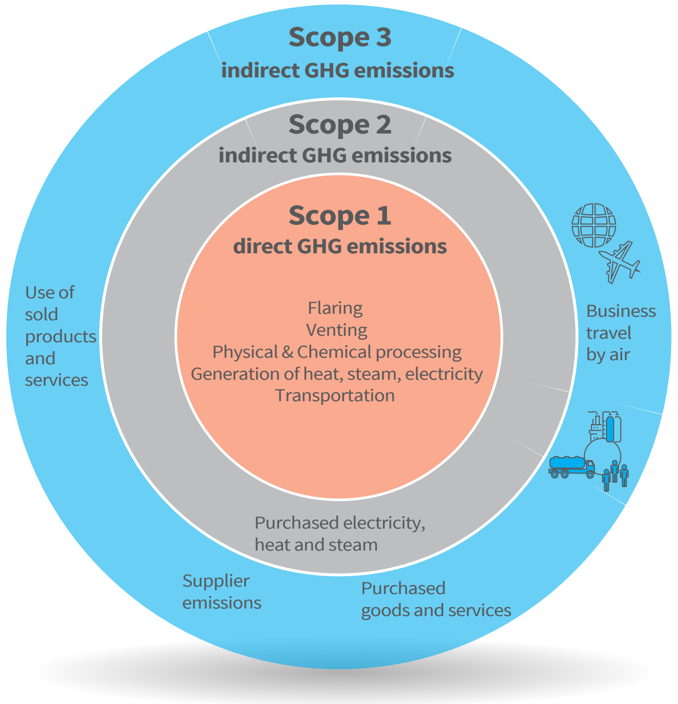
- 34% Exploration and Production (onshore + offshore)
- 1% Other
- 65% Refining and Marketing production

GREENHOUSE GAS SCOPE 3 EMISSIONS

305-3, 305-5

Scope 3 includes other indirect GHG emissions generated from INA Group value chain activities that are not accounted for and reported in Scope 1 and Scope 2 emissions, such as purchased goods and services, use of sold products and services, business travel by air etc. Most of our Scope 3 GHG emissions are the result of the use of sold liquid fuel (86%) and natural gas (12%). The remaining part is mainly generated by suppliers who provide services to INA Group and business trips, as shown in the table below.

GREENHOUSE GAS EMISSIONS – SCOPE 3 (tons of CO_2 equivalent)	2020
TOTAL INDIRECT GHG (SCOPE-3)	**11,608,432**
O/W CUSTOMERS - USE OF PURCHASED REFINERY PRODUCTS	9,996,804
O/W CUSTOMERS - USE OF PURCHASED NATURAL GAS (OWN PRODUCTION)	1,360,255
O/W INA GROUP - BUSINESS TRIPS BY AIR	133
O/W SUPPLIERS - PRODUCTION OF CRUDE OIL (PURCHASED FROM EXTERNAL SOURCES)	251,240



EMISSIONS FROM FLARING AND VENTING

OG 6

Methane is the primary component of natural gas and more powerful than carbon dioxide as a warming agent. Smart methane management not only contributes to emission reduction, but it is also an economic opportunity since emissions represent a loss of saleable product.

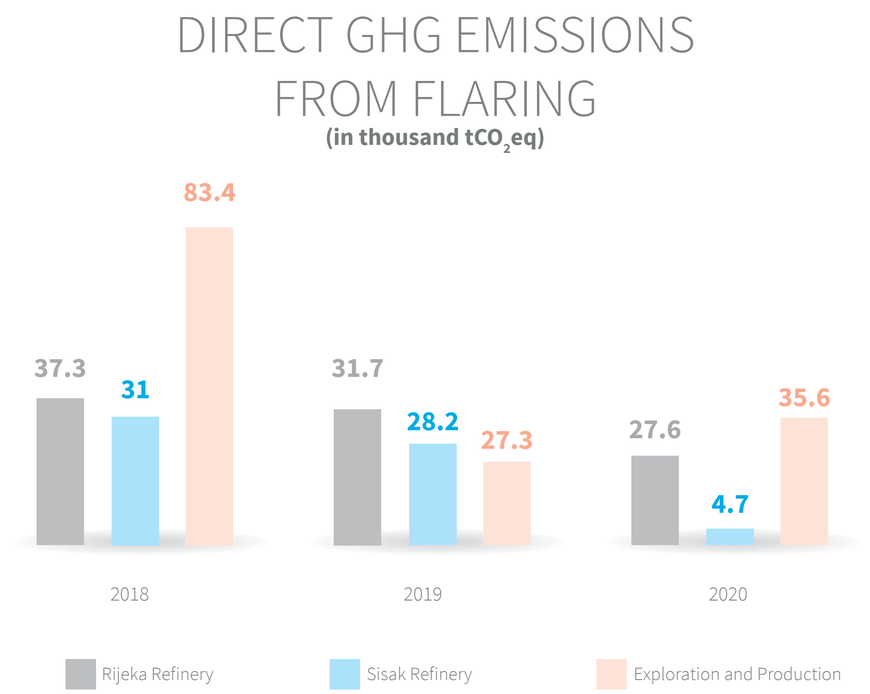
In 2020, our direct GHG emissions from flaring amounted to 67.87 thousand tons, 23% down from 2019. In Refining and Marketing, reduction was mainly achieved due to cessation of traditional production in Sisak Refinery and better work of process units after turnaround conducted in 2019 in Rijeka Refinery. In Exploration and Production safety flaring was increased mainly at North and Central Production Region due to conducted turnaround. Emissions from venting are slightly higher than last year due to slight increase in CO_2 saparated from gas and smaller amounts of compressed gas from EOR project.

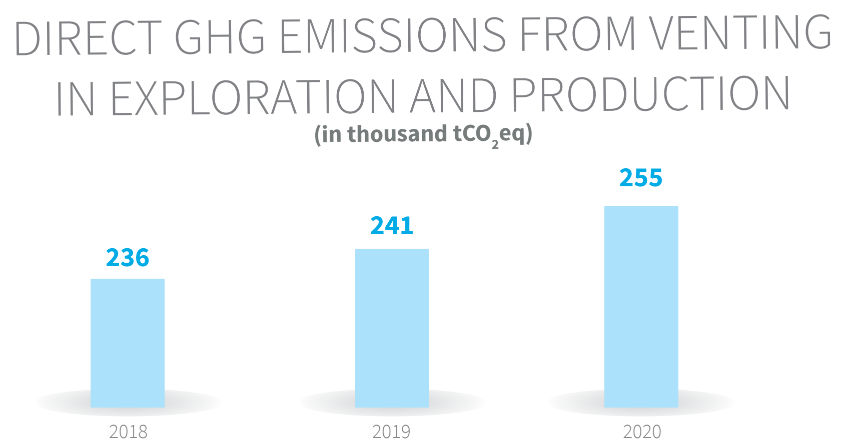
As part of the EU Methane Strategy adopted in 2020, the EU Commission is developing a legislative proposal to prevent methane leaks, which is essential for reaching 2030 climate targets and the 2050 climate neutrality goal. It will include binding rules on monitoring, reporting, verification, leak detection and repair in the energy sector and will consider legislation to prohibit routine flaring and venting practices.

MOL Group, as a signatory of the initiative without routine flaring until 2030, is obliged to plan zero routine flaring in new oil field developments and seek economic solutions to end routine flaring at existing oil fields no later than by 2030, with INA, d.d. also participating and contributing in the initiative by implementing relevant projects.

In 2020, we have implemented projects for flaring reduction at our two Oil and Gas Exploration and Production locations. At the Gathering Station Mramor Brdo, a compressing plant with rotary screw compressor driven by electric motor was installed to eliminate gas flaring after separation of produced oil and gas as well as to increase oil production without gas losses. Expected CO_2 reduction is 5,300 tons per year. At the Measurement and Gathering Station Đeletovci, a gas processing plant was installed to increase gas quality and enable its monetization during the entire year. Expected CO_2 reduction amounts to 4,160 tons per year. HRK 23 million was invested in these projects.

In the next period we will focus on review of current methane reporting process, preparation of a full scope of methane source inventory and other steps necessary to prepare a methane emission reduction plan.

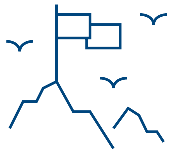




Every year we perform the Leak Detection and Repair (hereinafter: LDAR) program at our major facilities. LDAR is performed on equipment with the potential to emit fugitive emissions with infrared camera that visually displays even the slightest leaks on equipment elements and installations through which the fluid flows. Leak detection is performed annually, and repair of leaks is undertaken immediately or within defined time frames, in accordance with the site's maintenance plans. LDAR program, together with the steps we are taking to reduce flaring, will help further reduce our fugitive emissions. Within our new HSE strategy, which we have started to develop, the focus will be on further expansion of LDAR program to our Logistics and Exploration and Production sites.

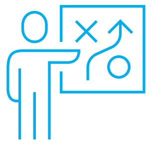
ENVIRONMENT

“REDUCE ENVIRONMENTAL FOOTPRINT”



ACHIEVEMENTS

- Significantly decreased total SOx emissions
- Improvement of soil & groundwater management through provision-based environmental liability revision
- Successful cooperation with relevant authority related to environmental permit revision process and baseline report development



CHALLENGES

- Increased number of spills and leakages mostly due to pipeline corrosion in Exploration and Production
- Supporting business in Sisak Refinery transformation and new projects as part of its transition
- Supporting circular economy via single use plastic reduction programmed and investigation opportunities to utilize waste and residues

We are aware that poor environmental management can contribute to operational risk, damage a company’s reputation and impact finances, and that minimizing our environmental footprint is crucial to maintain our license to operate. In accordance with the requirements of customers, suppliers, employees, business partners and other stakeholders, we strive to continuously improve business processes, quality of products and services and reduce environmental impact, as evidenced by the certificates of quality, energy and environmental protection management and sustainability of biofuels.

ENVIRONMENTAL PROTECTION MANAGEMENT IN INA GROUP

102-11

Companies are expected to manage their operations in a way that is good for the environment, people and climate. INA Group major principles and development concepts in environmental protection area are clearly determined in INA Group SD&HSE 2017 – 2020 Key Objectives and Programs which provide an overall long-term development concept towards achieving the highest HSE standards and reflect HSE service orientation and support to business activities.

The main environmental protection objectives and programs were related to:

- **Ensuring compliance with environmental legislation:** The oil and gas industry is highly regulated and will remain under the spotlight of EU regulators and national governments. The number of environmental laws and regulations is rising, consequently posing an increasing challenge for energy-intensive industries to comply with the regulatory obligations. The impact on the business is continuously assessed in order to identify the most cost-effective projects that must be implemented in order to comply with the requirements.
- **Implementation of Zero Routine Flaring initiative:** The "Zero Routine Flaring by 2030" initiative was launched in 2015 by the UN and World Bank. The objective is to end routine flaring at oil production sites by 2030. During oil production, associated gas is produced and a part of it is utilized, but some of it is flared because of technical, regulatory, or economic constraints. Flaring contributes to climate change and environmental pollution and wastes valuable energy resources.
- **Implementation of the Green Fund projects:** The Green Fund finances technological and process-related projects with significant environmental benefits, but not those driven by legal obligations.
- **Preparation of biodiversity action plans:** Oil and gas related activities can affect the natural environment in which they take place, including potential and actual impacts on biodiversity and the natural resources on which local communities depend. Oil and gas operations and activities may also rely on ecosystem services provided by the natural environment, such as freshwater supply or coastal storm-surge protection. INA Group recognizes that it must operate safely and responsibly in order to protect the natural environment and local communities.
- **Improvement of soil and groundwater management:** The reputation, ecological and human related risks and the financial impact of soil & groundwater protection activities are critical, so the program addressed two issues:
  - Sites operated by INA Group that may have an impact on soil & groundwater – site-specific risk assessment is conducted
  - Soil & groundwater contamination that exists at certain sites as a result of past or current activities – remediation activity is conducted. Risk-based remediation strategy for INA Group is defined in order to prevent and control possible migration of underground contamination

Through yearly action plans, realization of defined objectives and programs is monitored, and achievements are accomplished.

In 2020, we have continued with realization of Rijeka Refinery Upgrade Project, which is the single largest investment project in INA’s history in Croatia, worth more than HRK 4 billion. This project will improve refinery configuration and allow better yield. Key elements of project are the construction of Delayed Coker Unit together with coke handling system, coke storage facility, coke port and necessary off-sites, as well as revamps of product treatment units. Coke port and coke logistics systems include closed coke storage (silo solution) which present environmentally friendly high-level technology.

The Green Belt Program was launched in 2014, through which INA Group co-finances projects aimed at sustainable development, environmental protection and climate change mitigation. Over the past seven years, more than 100 projects have been supported with more than HRK 2 million and 8,137 seedlings of trees, flowers and plants have been planted, with an area of 65,424 m2 greened. The Green Belt has been included in the UN Global Report on Sustainable Development for 2018 as a project that directly contributes to the global goal of sustainable development 15 - the preservation of life on Earth.

We have also assessed our locations in terms of risks and impacts on biodiversity in order to determine the habitats and species of flora and fauna present at the sites and their endangerment. Based thereon, eight locations were identified in the sensitive areas. For three exploitation fields biodiversity action plans were developed, while for five identified service stations leaflets are periodically created with information on what INA, d.d. is doing to protect the environment, as well as information on the protected areas themselves.

FUTURE PERSPECTIVE ON ENVIRONMENTAL PROTECTION

We share a passion for improving the world for the future generations and believe that facing challenges we have ahead of us regarding environmental protection is crucial for further sustainable development. The most important environmental challenges we all face are climate change, loss of biodiversity, natural disasters, extreme weather events, water shortages and waste management. Therefore, we started to develop a new HSE strategy which will move us to more boldly realize our environmental protection aspirations while developing sustainably. Focus areas for further increase of environmental protection and minimizing negative impacts are:

- **Implementation of Leak Detection and Repair program in Logistics and Exploration and Production sites**
- **Methane emission monitoring program development**
- **Minimization of produced waste landfilling and setting the quantitative target for landfill and recycling**
- **Reduction of the negative impact on the surface and subsurface water bodies**
- **Establishment of action plan for reduction of community complaints (noise and smell)**

SPILLS INTO THE ENVIRONMENT

306-3

We continuously strive to prevent any spill that can have an impact on the environment. Spills are monitored and reported in accordance with a well-established practice in our incident investigation and reporting system. Events are investigated and analyzed to prevent their reoccurrence. Actions are applied and acquired knowledge and experiences are shared.

In order to effectively respond to emergency situations, to protect the employees and the environment, as well as to preserve the company assets and reputation, we act in accordance with our internal emergency plans and immediately activate our preparedness and response team and if necessary, specialized contracted companies for environmental remediation and protection against further spread of pollution.

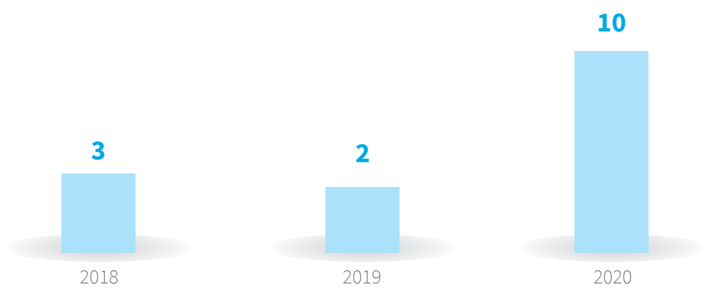
In 2020, we have recorded a significantly higher number of spills than in the previous years. A total of 123 spills were reported of which more than 95% in Exploration and Production. From that total number, 85 spills included hydrocarbon content. Total volume of hydrocarbons spilled amounts to 119 m3 and financial loss connected with the events reached HRK 4.9 million. In 71% of all cases, events were caused by corrosion of aged infrastructure.

Out of the total number, there were ten significant spills with hydrocarbon content above 1 m^3, all in Exploration and Production. Total spilled hydrocarbon volume during these events amounts to 108 m^3. The most significant one happened in Ivanić, where a third party reported oil leakage in an irrigation canal. Approximately 70 m^3 of hydrocarbons were spilled and 370 meters of canal and approximately 2,000 m^2 of soil inside the canal were contaminated. Investigation showed that the corrosion of the saltwater pipeline from the dispatching station Graberje to the gathering station Iva-1 was the cause of the spill. Remediation activities were started immediately by the contracted company. The next two events happened at Žutica location where 10 m^3 of gas and 0.1 m^3 of gas condensate leaked from the collective liquid phase pipeline on two occasions. Approximately 3 m2 of soil was polluted. Work on repairing the damaged gas pipeline and remediation of terrain began immediately.

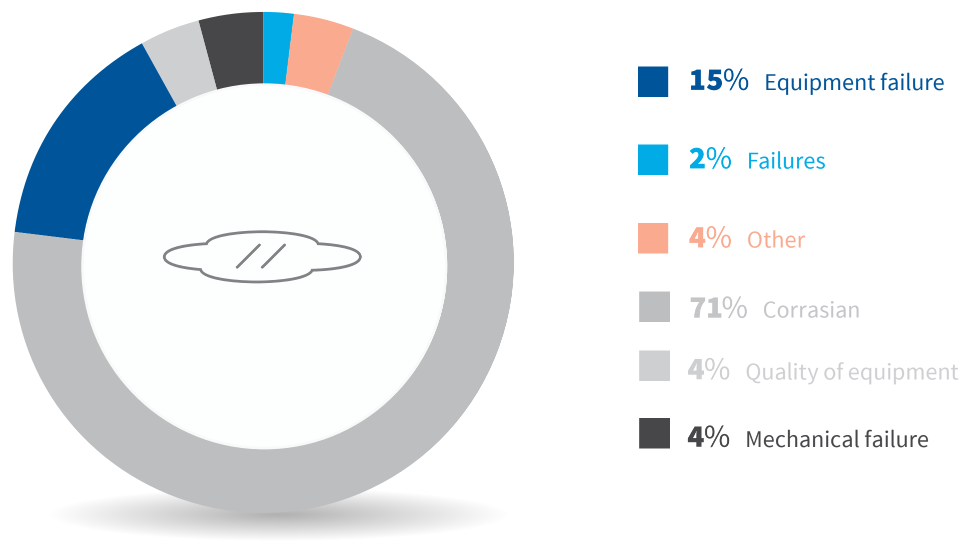
By investigating the spills, we have identified “hot spots” within our production assets, therefore we have planned preventive measures to reduce the incident rate. More than HRK 20 million have been planned for mechanical integrity activities in 2021 – pipelines and vessels repairs and replacements. The focus will be on Production Region Central Croatia with major budget allocation for most critical assets – Žutica and Ivanić locations where the majority of spills occurred. We will focus on pipeline rehabilitation between Dispatching station Graberje and Gathering Station Iva-1 which had eight leaks in 2020.

Critical pipelines selection process has started in 2020 and will continue in 2021, with detailed maintenance plan prepared for most critical equipment. Current production assets will be analyzed in order to identify “dead-legs“ and non-operational equipment which could also lead to leakages. After analysis, necessary equipment plan replacement will be developed and implemented accordingly on the most critical assets.

HYDROCARBON SPILLS ABOVE 1m^3 IN INA GROUP



DISTRIBUTION OF SPILLS BY CAUSE



WASTE MANAGEMENT IN INA GROUP

306-2, 306-4, OG 7

Waste management practices play an extremely important role in the global cleanliness and sustainability drive, with human health and the conservation of resources being the responsibility of every company. The avoidance and reduction of waste is a very important part of INA Group waste management.

In 2020, we have continued with implementation of INA Group 2018-2021 Key Waste Management Objectives, which are recognized priority actions that will improve our waste management system.

In order to raise awareness about proper waste management among INA, d.d. employees, articles were prepared and published on the Intranet, with topics covering circular economy, plastic waste reduction, selective waste collection at Retail, waste energy recovery and tips for waste-free holidays.

INA Group IT waste management software was successfully recovered at the end of the year, since the application was damaged in 2020 during the cyber-attack.

In the midst of COVID-19 pandemic, the pilot project of Collection of used cooking oil continued with growing results. Better response of citizens may be attributed to months of lockdown, which resulted in over 6.8 tons of used cooking oil collected at our service stations in 2020. Moreover, in three years since the project started, 17 tons of used cooking oil from households were collected. Through separate collection of special waste categories, INA, d.d. helps to meet the Waste Management Plan of the Republic of Croatia for the period 2017-2022. During 2020, a plan of activities was staged in the direction of further project expansion, PR solutions and funding possibilities, whose first results are expected in 2021.

Recognizing the importance and issues of waste management in Croatia as part of research and development, in 2020 INA, d.d. started developing a project plan aimed at waste-to-energy production, which often includes cooperation with universities, laboratories and other partners within and outside the energy sector. Understanding the changes that are happening and accepting the new needs of society and customers, INA, d.d. is willingly opening the door to a new platform for the future.

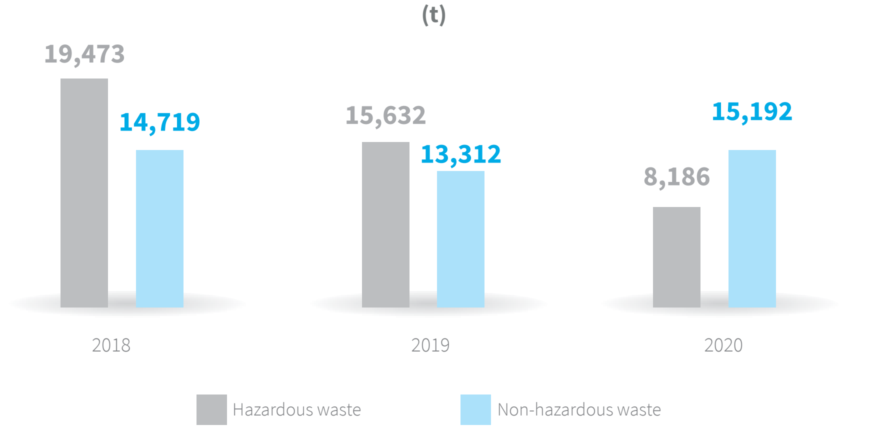
During 2020, STSI d.o.o. continued with bioremediation activities which are used to remove oil contamination from the soil, mostly excavated during capital reconstructions of service stations. This method is based on the ability of microorganisms to decompose hydrocarbons by their metabolic processes, reducing their concentration to the level when the soil is considered cleaned and can be reused rationally in the environment, which corresponds to the principles of circular waste management. In 2020 STSI d.o.o. started to collect and treat contaminated soil from pipeline leakages. The concentration of petroleum hydrocarbons in these soils was significantly higher compared to the soils from Retail. However, even with the high concentration of total petroleum hydrocarbons (TPH), purification of contaminated soil was successfully conducted to the level where soil can be reused in the environment.

WASTE GENERATION AND DISPOSAL

Total amount of generated waste in 2020 decreased by 20%. Out of total generated waste (23,378 tons), there were 8,186 tons of hazardous waste and 15,192 tons of non-hazardous waste. More than 85% of all waste was generated by our daily operations and drilling activities, well completion and workover activities, 6% from construction and demolition activities, and 5% from emergency measures, with less than 1% from remediation. The most common types of hazardous waste produced in INA Group were mud and other drilling wastes and oily sludges from maintenance. Out of total waste generated in 2020, 9,449 tons of waste were recycled, and 13,940 tons of waste disposed (out of which 112.7 tons of hazardous waste was exported). The main reason behind decreased figures is the cessation of traditional production in Sisak Refinery and, in general, decreased operational activities caused by COVID-19 restrictions. Accordingly, implementation of environmental remediation at service stations in 2020 was carried out on a reduced scale and this is one of the main reasons for significant decrease of generated hazardous waste compared to 2019. Increased quantity of non-hazardous waste compared to 2019 is a result of cleaning activities of wells and facilities during turn-around at North Production Region and disposal of old and unused equipment from CROSCO d.o.o.

In all office buildings, glass, metal and plastic packaging, paper, cardboard and used toners are collected separately. At all retail locations these types of waste are collected separately: mixed municipal waste, paper and cardboard packaging, plastic packaging, oily packaging and other oily waste (absorbents, oiled cloths, filter materials), waste accumulators and batteries. At locations with Fresh Corner, biowaste and used cooking oil are also collected separately.

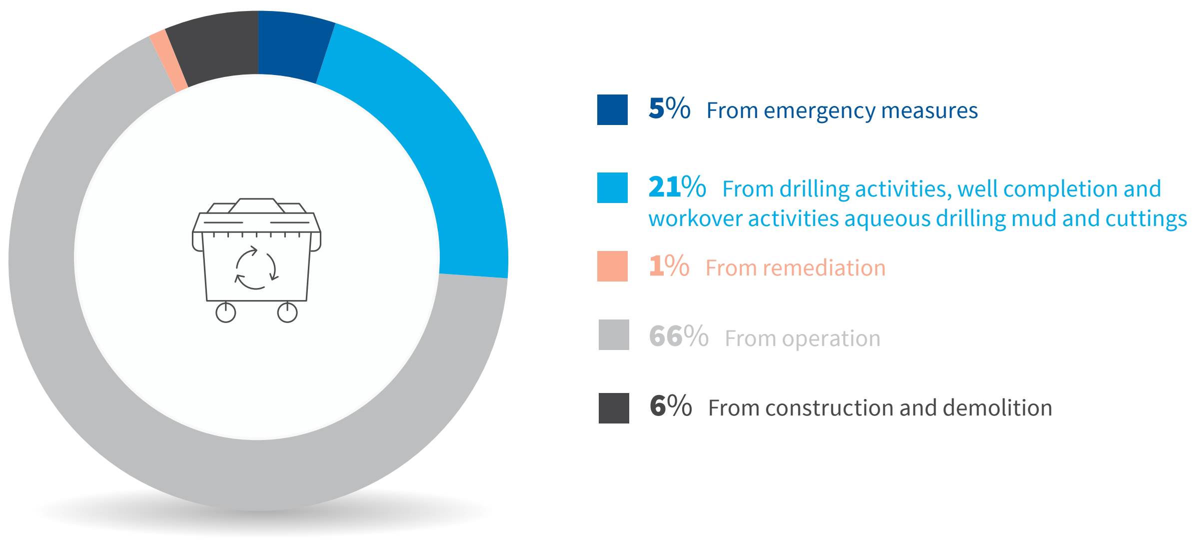
TOTAL AMOUNT OF GENERATED WASTE IN INA GROUP



INA GROUP WASTE GENERATION AND DISPOSAL METHODS (t)	2020
TOTAL AMOUNT OF WASTE GENERATED	**23,378**
HAZARDOUS WASTE GENERATED	8,186
NON-HAZARDOUS WASTE GENERATED	15,192
TOTAL AMOUNT OF WASTE DISPOSED	**13,940**
HAZARDOUS WASTE DISPOSED	7,894
NON-HAZARDOUS WASTE DISPOSED	6,046
TOTAL AMOUNT OF WASTE RECYCLED	**9,449**
HAZARDOUS WASTE RECYCLED	304
NON-HAZARDOUS WASTE RECYCLED	9,145
TOTAL AMOUNT OF WASTE DISPOSED AND RECYCLED*	**23,389**
HAZARDOUS WASTE DISPOSED AND RECYCLED	8,197
NON-HAZARDOUS WASTE DISPOSED AND RECYCLED	15,192

Information on disposal methods was provided by waste disposal contractors at INA Group request. In accordance with the Act on sustainable waste management (OG 94/13, 73/17, 14/19, 98/19) and the Ordinance on waste management (OG 81/20), waste transfer note does not include information on "D" or "R" code, so in the process of waste handing by waste disposal contractor, waste producers in Croatia do not know which specific process will be used for treatment of their waste.
*The difference between Total amount of waste generated and Total amount of waste disposed and recycled refers to waste produced at the end of 2019, but disposed or recycled in 2020.

DISTRIBUTION OF INA GROUP WASTE FROM DIFFERENT ACTIVITIES



AIR EMISSIONS

305-7

Air emissions from oil and gas industry operations may contribute to local impacts that can affect human health and environment. We track and monitor air emissions at our plants and apply best available techniques for emission reduction. Our efforts focus on our largest emitting facilities and on the opportunities that are technically and economically feasible.

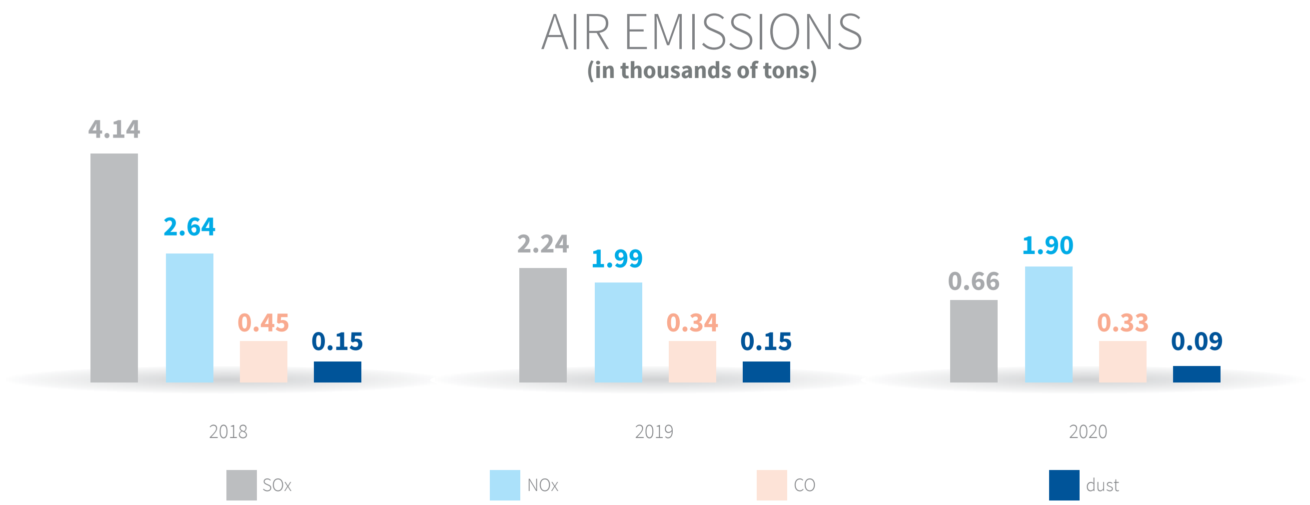
The main source of air emissions from our operations are the combustion of fossil fuels and process emissions. The most significant pollutants from refineries are SO_2, NO_x and VOCs, so we focus on their reduction through the implementation of best available techniques for emission reduction. Some of them include fuel change, installation of low NO_x burners and the implementation of programs to detect and eliminate VOC leakages.

Within the framework of the existing air quality monitoring system, we monitor the air quality at the sources of pollution, and the area closest to the settlements. Accordingly, emission monitoring of pollutants (SO_x, NO_x, CO, dust) is carried out periodically or continuously at all stationary sources in order to check compliance with the emission limit values defined by environmental permits. Air quality is monitored at immission stations near refineries. According to the still unvalidated data on air quality monitoring in the area of influence of Rijeka Refinery in 2020, for most of the measured pollutants at four immission stations, the results were in line with the environmental objectives i.e. the air was clean with regard to all measured parameters. The exception is the In-Inženjering station, where the permitted number of hourly limit values for H_2S was exceeded, and the air was categorized as polluted with regard to this pollutant. Air quality category was defined according to 76 recorded exceedances of the hourly limit value (permitted 24 times during a calendar year). The causes are being investigated and adequate measures will be taken to prevent future exceedances.

At the Exploration and Production, we focus on reducing the amount of flared and vented hydrocarbons and internal gas consumption. In 2020, we have started with upgrades and replacement of eight gas engines on compressor stations Šandrovac and Lipovljani in order to further decrease the emissions.

In the Logistics and Consumer Services and Retail, the most relevant are VOC emissions resulting from the handling and storage of petroleum products. Such emissions are managed by installation of the first and second stage vapor recovery units.

In 2020, the total SO_x, NO_x, CO and dust emission decreased compared to last year. Our SO_x emissions significantly decreased (71%) due to cessation of Sisak Refinery primary and secondary processing, implemented project for treatment of H_2S rich gas in Rijeka Refinery and better quality of used fuels (significant decrease of H_2S % in refinery gas and sulphur content in fuel oil). NO_x, CO and dust emissions stayed at approximately the same level in comparison to last year.



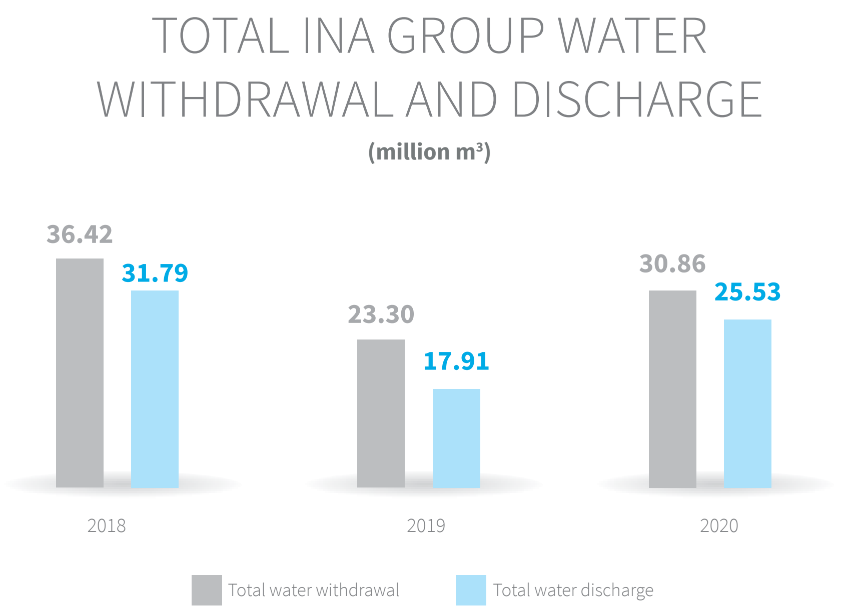
WATER

303-1, 303-2, 303-3, 303-4, 306-1, OG 5

Water is an important resource for oil and gas production, from exploration and production operations to oil refining. We are aware that water resources must be used efficiently and that improving water efficiency not only reduces our environmental footprint but leads to reduction in operating costs. In our onshore operations water is primarily used for drilling and completions in our upstream operations and cooling in gas processing operations, while in refineries it is used for steam production, cooling, and other process uses. Water is also used for filling fire trucks, fire drills and washing manipulative surfaces. The water we use comes from various sources: it may be surface or groundwater, municipal water supply and sea water. None of the water we use comes from the water stressed areas.

In 2020, total water withdrawal amounted to 30.86 million m^3, i.e. 30,863 mega liters which is an increase of 25% compared to last year, mostly due to the fact that Rijeka refinery was in stable work, while in 2019 it was working less due to extensive turnaround. Total volume of discharged water was 25.53 million m^3 (i.e. 25,527 mega liters).

All wastewater generated at refineries is treated at associated, multiphase wastewater treatment plants and then discharged at specific, designated and controlled spots, in accordance with the legal requirements. The main types of wastewater generated are process, cooling, storm water and sanitary water.



INA GROUP WATER WITHDRAWAL BY SOURCE (2020)*	MILLION m^3	MEGA LITRES
FRESHWATER WITHDRAWAL – GROUNDWATER	1.62	1,624
FRESHWATER WITHDRAWAL – SURFACE WATER	4.83	4,827
FRESHWATER WITHDRAWAL – MUNICIPAL WATER	2.73	2,734
NON-FRESHWATER WITHDRAWAL FROM SEA	21.33	21,329
PRODUCED WATER – SOUR WATER STRIPPER AND/OR TANK BOTTOM DRAWS	0.35	349
TOTAL	**30.86**	**30,863**

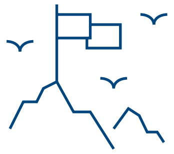
*INA Group neither collects rainwater nor uses waste water from another organization; 1 mega liter = 1,000 m^3

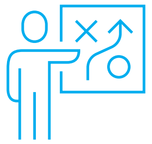
In Rijeka Refinery we are focusing on testing and repairing of the sewage system which has been nominated as a program that continues every year. During 2020, 3,184 m of sewage system, which includes 123 shafts, had been tested with regard to water-tightness. We have also prepared tank bunds watertight testing plan and started with tank bunds repairs. This year we refurbished one tank bund and the goal for the next year is to refurbish the bunds of three more tanks in order to ensure the retention of content in case of spill.

HUMAN CAPITAL

"CAPITALIZE ON HUMAN RESOURCES"

102-41, 103-1, 103-2, 103-3





ACHIEVEMENTS

- Successful implementation of remote work by 2,500 employees across the entire Group for more than three months
- Excellence during challenges - award for demonstrated quality people management and care for the well-being of employees during the pandemic
- Transformation of INA Academy into a virtual training delivery platform

CHALLENGES

- Ensuring health and protection of employees in the pandemic situation
- New ways of remote working due to COVID-19 pandemic
- Offline mode of work due to cyber-attack during Q2 of 2020

HUMAN CAPITAL MANAGEMENT IN INA GROUP

Human capital management in INA Group was largely affected by outside influences that marked the year 2020. This resulted in many different crisis management activities, but also with different activities developed to ensure a smoother transition to virtual collaboration between employees. This included a quick transformation and adjustment of the existing platforms like FORa, BeneFIT and INA Academy to provide different services.

EMPLOYEE RELATIONS

SOCIAL DIALOGUE WITH TRADE UNIONS AND WORKS COUNCIL

401-2, 413-1, 102-41

Social dialogue in INA Group has continuously improved through cooperation with the Works Council (hereinafter: WC) and Trade Unions (hereinafter: TU), which is practiced through regular meetings between HR and the social partners, including negotiations on employee fringe benefits (collective negotiations, social clauses relating to compensation for employees included in optimization and restructuring projects).

During 2020, 24 regular meetings with the TU and WC were held in INA, d.d. and 67 consultations were held.

INA, d.d. Management Board held four meetings with TU and WC representatives as well as a regular annual coordination with Works Council members in INA Group, and further meetings on specific topics, aiming to provide answers to all social partners' questions during the specific business environment in 2020 and its related impacts on employees.

In line with the Collective Agreement (hereinafter: CA), the employer provides quarterly reports to TU representatives regarding overtime work, number and type of employees employed, structure of employment, etc. The employer informs the WC about business results and state of affairs, as well as organization of work, expected development of business activities and their impact on the economic and social position of workers, extent and changes in the salaries, number of employees and labor costs, extent and reasons for introduction of overtime, number and type of workers employed by the employer, structure of employment (part-time and dislocated employees, employees employed via temporary employment agencies, etc.), protection of health and safety at work and measures to improve working conditions, results of conducted inspections in the field of labor and safety at work, and other issues particularly important for the economic and social position of workers.

Nine companies in Croatia have signed the Collective Agreement for an indefinite term: INA, d.d., STSI d.o.o., INA MAZIVA d.o.o., TOP RAČUNOVODSTVO SERVISI d.o.o., PLAVI TIM d.o.o., HOSTIN, d.o.o., CROSCO d.o.o., INA MALOPRODAJNI SERVISI d.o.o. and INA VATROGASNI SERVISI d.o.o.

During 2020, four rounds of collective negotiations were held, including 27 meetings.

Employees independently decide on their membership in TU. In INA Group, ~60% employees are members of TU, while more than 10% of INA Group employees in Croatia are members of more than one TU.

Five TUs are active in INA Group in Croatia, and three TUs are active in companies operating in Bosnia and Herzegovina (Holdina d.o.o. and Energopetrol d.d.).

The number of INA Group employees in TU as at 31 December 2020 (in Croatia and Bosnia and Herzegovina):

TRADE UNION	NUMBER OF EMPLOYEES
SING - OIL INDUSTRY UNION	3,269
INAŠ - OIL INDUSTRIES TRADE UNION	2,045
EKN - AUTONOMOUS TRADE UNION OF WORKERS IN ENERGY, CHEMISTRY AND NON-METAL INDUSTRY OF CROATIA	349
SNS - NEW SOLIDARITY TRADE UNION	123
SHV - CROATIAN DRIVERS' TRADE UNION	10
TOTAL INA GROUP IN CROATIA	**5,796**
TU ENERGOPETROL SA	143
TU ENER. REG. TUZLA	121
TU OF EMPLOYEES IN HOLDINA SA	273
TOTAL INA GROUP IN BOSNIA AND HERZEGOVINA	537
TOTAL	**6,333**

EMPLOYEE ASSEMBLIES AND OTHER WAYS OF DIRECT COMMUNICATION WITH EMPLOYEES

The purpose of Employee Assemblies (hereinafter: EA) is to improve the relationship and direct communication between employees and management and to inform the employees of the company strategy and strategy for specific organizational units, as well as the tasks and targets.

SAFETY-AT-WORK COMMISSIONERS

Based on the Labor Act, TU conducted elections of safety-at-work commissioners in INA Group companies. There are 88 commissioners in INA Group (50 in INA, d.d., eight in CROSCO d.o.o., six in TOP RAČUNOVODSTVO SERVISI d.o.o., nine in STSI d.o.o., 11 in INA MALOPRODAJNI SERVISI d.o.o, three in INA MAZIVA d.o.o. and one in INA VATROGASNI SERVISI d.o.o.). New elections were conducted in INA VATROGASNI SERVISI d.o.o., and thus additional safety-at-work commissioners will be nominated.

COMMITTEE FOR AMICABLE DISPUTE SETTLEMENT

The Committee for Amicable Dispute Settlement is prescribed by the CA. The Committee consists of two employer's representatives and three TU representatives.

HELP FOR EMPLOYEES AND THEIR FAMILIES IN CASES OF SERIOUS ILLNESSES

The committee for establishing the eligibility of employees to aid in case of illness reviews individual requests of employees, acquires expert opinions of the contracted primary health physician on the grounds of their request and the amount of necessary funds, and prepares proposals for decisions on allocation of aid within the framework of planned costs.

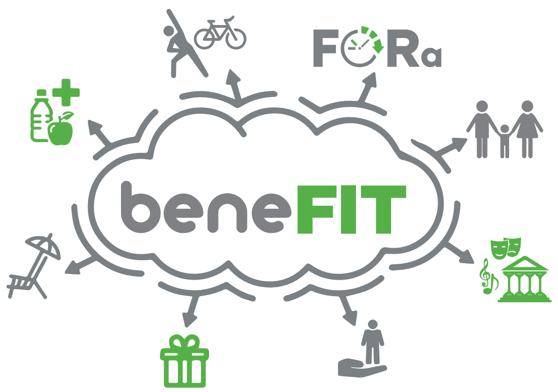
Within the approved budget, during the calendar year, the Committee approved aid in 11 cases - supporting the cost of medical treatment, purchase of drugs or certain aid supplies. These donations help our seriously ill employees or their family members to improve the medical treatment and their quality of life during illness.

REWARDS AND HR OPERATIONS

BENEFITS PROVIDED TO EMPLOYEES

INA Group companies provide guaranteed benefits deriving from the Collective Agreement (e.g. Christmas bonus, Christmas gift for children, Easter gift, annual leave contribution, jubilee award, transportation contribution, additional health insurance, life and accident insurance, benefits for mothers and pregnant women, (un)paid leave for different purposes such as education or other important life events, financial aids in different undesirable situations, severance pay, etc.).

In addition, INA Group enables a series of benefits to its employees through the **beneFIT platform** – addressing and promoting all aspects of employee well-being and importance of work-life balance. The aim of the platform is to support employees in all their life roles through articles, targeted campaigns and trainings that are part of INA Academy. **The platform provides more than 200 benefits for using and/or paying for services in 20 categories** (Insurance; Sports and fitness; Shopping; Home; ICT; Parental benefits; Travel; Culture; Lifelong learning; Personal finance; Gastronomy, Personal care; Health; Cars and vehicles; Pets; Entertainment, Transport; Collective Agreement Benefits; FORa-flexible work arrangements; Other). During the quarantine, beneFIT well-being platform became the central reference point for employees to access trusted news, guidelines and support (for more detail see chapter Crisis management).



INA-bikeZONE community continued to share information and updates about cycling and promote cycling activities and their positive impact on health and the environment. A total of three business locations remain certified as cycling friendly by the European Cycling Federation.

bike zona

Flexible work arrangements (FORa) are one of the most recognized well-being benefits among our employees. FORa was introduced in INA Group in 2016 as a benefit providing white collar employees (where the nature of work allows) Flexitime (work schedule with variable starting and ending times) and Flexiplace (the possibility of remote work four days per month). Now FORa is available to employees of ten companies across INA Group, and more than 1,280 employees have used Flexitime and Flexiplace on a daily basis.

FORa

Based on employee and manager feedback, FORa ensured better work-life balance, employee satisfaction, motivation and engagement, but with increased or, at the very least, maintained levels of productivity and innovation. Additionally, FORa increased INA Group's ability to attract, recruit and retain talent and ensured positive company image both internally and externally – INA Group is often invited to share the best practices and insights regarding flexible work arrangements on panels, conferences and professional association meetings. The fact that we had set and implemented flexible work arrangements helped us quickly adapt to new ways of working during the pandemic and quarantine period (for more detail see chapter Crisis management).

RECOGNITION & REWARD SYSTEM

INA Group has a comprehensive and well-rounded employee recognition system closely associated with our corporate culture. The purpose of recognition and reward systems is to promote and reward desired values, behaviors, achievements and teamwork.

Some of the recognition and reward programs are listed below:

- Presidential Award
- Lifetime Achievement Award
- Eiffel Program
- Best INA Academy Trainer
- Award your colleague (Best Colleague, Best Mentor, Best Manager, Think Green, Big Heart, Heartfelt Smile)
- Recognition Program for Extraordinary SD&HSE Contribution (SMART Employee, SMART Constructor, SMART Project Collaboration)
- Recognition for projects

INA Group has a performance driven culture and therefore has implemented performance management systems as a basis for Short-Term Incentive (bonus) pay-outs as part of the employee compensation package.

Employee Performance Management System (EPMS), Annual People Cycle for managers (APC) and Sales Incentive System for sales representatives (SIS) are already tested and proven performance management systems currently implemented in INA Group companies through which bonuses for employees are paid out either quarterly or annually.

In addition, other types of performance management systems are developed and implemented for strategic employee groups aligned with the needs of the business segment in order to track performance and boost both employees' motivation and business results, as was the case in 2020.

The aim of developing these different systems is to have incentives that are competitive on the market and able to motivate and award outstanding individual performance, but flexible enough to reflect the market changes. In addition, these systems allow better differentiation based on individual performance and motivate overperformance with higher bonus pay-out possibility.

TALENT ATTRACTION AND CAREER DEVELOPMENT

CAREER DEVELOPMENT

404-1, 404-2, 404-3

Like in every other business segment, the year 2020 was very much influenced by external factors when it comes to capability development in INA Group. Absence of classroom trainings and the switch to virtual collaboration for the most part of the year resulted in a large shift in career development focus, which resulted in fewer external trainings and the implementation of internal virtual learning.

Individual development plans were created as a result of performance, competencies and employee potential assessment, as this is a vital performance management process for ensuring sustainability in human capital. Furthermore, all INA Group employees receive regular feedback on their performance and development at least once a year.

Success principles, which are expected to replace the existing competency framework, were developed in 2020. The five principles define behavior expected from all INA Group employees, leaders and leaders of leaders with the goal of achieving results and goals in a sustainable way, in order to support the desired culture.

AVERAGE HOURS OF TRAINING PER EMPLOYEE	2018	2019	2020
TOTAL	18,7	17,0	11,5

*INA Group excluding INA Slovenija d.o.o., which makes for less than 0.5% of total INA Group employees

AVERAGE HOURS OF TRAINING PER EMPLOYEE IN CROATIA	2018	2019	2020
BY GENDER			
INA GROUP (MALE)	20	16	10
INA GROUP (FEMALE)	24	22	14
BY BUSINESS SEGMENT INA, D.D.			
EXPLORATION AND PRODUCTION	22	25	11
REFINING AND MARKETING	26	24	9
CONSUMER SERVICES AND RETAIL	17	21	7
CORPORATE FUNCTIONS	22	32	34
INA GROUP	**21**	**20**	**11**
BY EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM			
EMPLOYEES IN APC	63	62	40
EMPLOYEES IN SURU	21	23	15
EMPLOYEES IN MPM	16	10	4
EMPLOYEES IN SIS	108	23	13
MB MEMBER	13	18	23
BY LEVEL			
EXECUTOR	16	15	9
EXPERT	32	16	15
GROWWW	40	40	36
MANAGER	61	77	32
SENIOR EXPERT	45	45	15

*INA Group excluding Rotary Zrt., Holdina d.o.o., Energopetrol d.d., INA Slovenija d.o.o. and INA Crna Gora d.o.o. due to less detailed data for international companies, which makes for 14% of total INA Group employees

NUMBER AND PERCENTAGE OF EMPLOYEES RECEIVING REGULAR FEEDBACK	2018*	2019*	2020
INA GROUP (MALE)	8,241 (76%)	7,972 (75%)	7,309 (74%)
INA GROUP (FEMALE)	2,603 (24%)	2,603 (25%)	2,520 (26%)
TOTAL INA GROUP	**10,842 (100%)**	**10,575 (100%)**	**9,829 (100%)**

*2018 and 2019 numbers adjusted due to change in methodology

Classroom trainings were organized when the external factors permitted it, but for the most of the year development programs were adjusted to socially distant methods such as self-learning, virtual workshops, online learning, on-the-job training and professional practice, with the goal of preserving the integrated platform known as the “blended learning approach”.

EMPLOYEE DEVELOPMENT

In 2019, the Technical Competence and Career Development (hereinafter: TCCD) program was redesigned with the goal to ensure that the main focus is on the development and reception of technical knowledge for all program participants. Knowledge and other technical competencies are assessed for every petrol-technical professional (hereinafter: PTP) and in accordance with that IDPs for every PTP are created. Assessments give insight to knowledge gaps of every PTP and they can see which competencies they should improve. This provides the PTP’s, their managers and the company valuable insight which areas need to be developed in order to maintain sustainable business processes.

In 2020, a new program Growing Personal Skills (GPS) was introduced to cover non-technical employees with the focus on growing professional skills. As a part of this program, an assessment was conducted for employees in Investment management.

Over the year the program has grown to include 650 employees, with most of them from Exploration and Production (250) and Refining and Marketing (220). More experts are expected to be included in 2021 as new competency maps are being created.

Through different development programs and initiatives, as well as internal and external workshops based on individual development needs, which are available to all employees, INA Group ensures development and boosts employees to make them effective and efficient in their everyday challenges.

For a long time, INA Group has been implementing various methods to evaluate the development potential of its employees and management, and the long-term goal is to know in a professional and objective manner the potential of all its employees, for it to be used within the company with the best possible outcome for both employees and for the company. Developmental assessment centers have been used extensively for this purpose and despite the negative external influences, 47 employees participated in such programs in 2020. The greatest benefit for the employees connected with assessment centers is that they receive expert feedback on their strengths and improvement areas, which is then used to create development activities.

LEADERSHIP DEVELOPMENT

In order to enable and ensure development of all employees, INA Group provides a large selection of development opportunities for all. By participating in MBA programs from Cotrugli or selected programs from SEED Business School (Part-time MBA, Business Leadership Program, Foundation of Management Program), the employees are developing their leadership competencies.

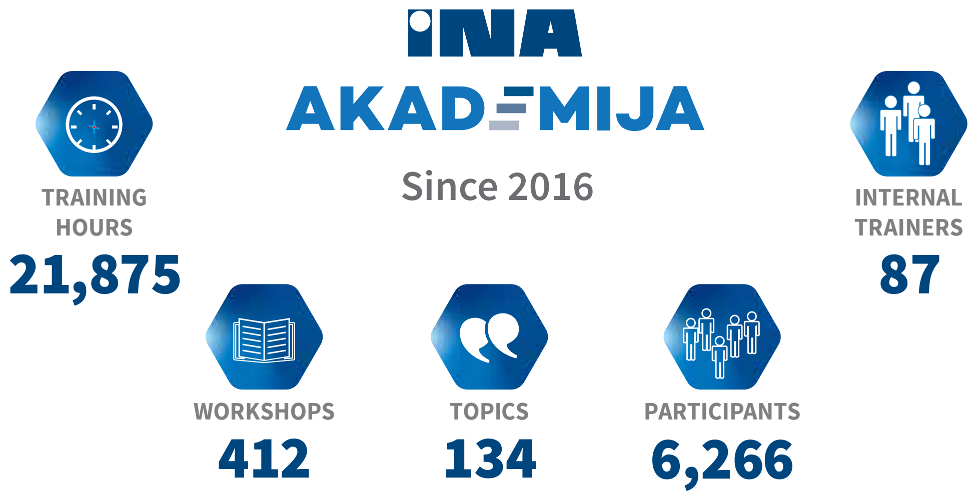
In addition, there is also the **LEAD talent program** for future leaders, **Intensity program, First time manager etc.** with the aim to strengthen four leadership competencies (thought-, result-, people- and personal leadership), and prepare leaders for current and future challenges. The four leadership competencies will be replaced by success principles in 2021.

INA ACADEMY

Internal knowledge sharing is one of the most effective sustainability tools when it comes to human capital. During the 2020 Covid-19 pandemic, INA Academy has proved to be one of the most popular development tools. Since its creation in 2016 to the start of 2021, trainings held via INA Academy were classroom trainings. As the situation changed, so did the platform. Virtual trainings were introduced in May 2020, which resulted in 140 trainings held in 2020.

In order to fully adopt the virtual nature of interaction with other colleagues, virtual trainer training workshops were held, which prepared the trainers for the new aspects of holding virtual trainings. As employee feedback is very important for future improvements of the platform, an online feedback form was created. Different trainings with the goal of improving virtual collaboration were organized for all employees through the whole year.

A new training category, Innovation, was introduced and launched with a series of topics on new technologies and innovative business. These trainings were organized with external trainers who are experts in their fields related to innovation.



TALENT ATTRACTION

401-1

For the last decade, INA Group has been strategically planning, attracting and employing white-collar young talents due to anticipated future business need caused by aging of the top oil and gas experts. Attraction and recruitment programs for young graduates have been continuously implemented. In 2020 Growww program and Growww Female Engineers Scholarship Program continued with great success. We received more than 1,300 applications for ten Growww positions and 21 applications for the female scholarship program. We also put an emphasis on developing a new blue-collar concept that is focused on students, but also on retaining blue-collar employees (assessed activities are planned for 2021).

Based on future business needs, we continued our collaboration with vocational schools and participated in different programs and projects to support and improve vocational education:

- 37 scholarships (including ten scholarships for children of our employees) were assigned to students in engineering, electrical engineering, chemical technology, ecology, geology, traffic and logistics, petroleum mining
- We became partners of the Regional Center of Competence of the Technical School in Sisak (EU project), and we have a representative in the Center Council
- National program “Get involved for a better education”- more than 20 experts participated in a survey on the needs of employers in order to modernize vocational curriculums
- We prepared a professional development program for vocational school teachers in Rijeka Refinery (realization expected in 2021)
- We started a cooperation with a Croatian Employers’ Association

EMPLOYER BRANDING

Awards received by INA Group during 2020 are a testament to the quality of the activities carried out to improve our current and future employees' work experience and job satisfaction and show that INA Group companies understand the importance and accept responsibility for the satisfaction of our employees. Some of the awards and certifications are:

- Employer Partner Certificate
- TOP 10 Employers in Croatia
- Croatia’s Best Employer Brand Awards 2020
- Golden Index 2020
- Excellence during challenges

You can read more about these awards in the chapter Awards and recognitions.

ENGAGEMENT, DIVERSITY AND INCLUSION

At the end of 2019, a new Employee Engagement Survey was conducted. The results were communicated at the beginning of 2020 and action plans were created.

In INA Group there were **187 engagement actions set in motion.** Priority areas that have been recognized and will drive sustainable engagement in the coming year are **empowerment, communication and working relationships** which are all very important aspects of work-life at INA Group. One very important driver of engagement, which is continuously being worked on, is Diversity & Inclusion. As a company, INA, d.d. builds a culture of diversity and inclusion in line with its fundamental values and with the aim of attracting, hiring and retaining talents and its employees. More information about Engagement, Diversity and Inclusion can be found in chapter Corporate governance.

COMMUNITIES

"ENHANCE TRUST AND CREDIBILITY AMONG STAKEHOLDERS"

203-1, 213-1

ACHIEVEMENTS

- Prompt help during COVID-19 pandemic situation
- Prompt help after earthquakes in Zagreb and Sisak-Moslavina County
- The biggest number of applications for Green Belt tender

CHALLENGES

- Proper reaction to local communities' demands
- Continuation of social investments in health care, children's needs, educational projects, environmental protection
- Proper reaction to community crisis situations

COMMUNITY RELATIONS AND SOCIAL INVESTMENTS

Community relations, transparency, trust, and partnership-based relations with local communities are key to ensuring that we are a responsible and welcomed partner wherever we operate. We acknowledge that the presence of our business has a direct and indirect impact on local communities. We aim to steer the impacts of our business activities in a positive direction by maintaining community relations and investing in local development. Community development initiatives are always steered by local needs and in consultation with local stakeholders as well as Sustainable Development Goals priorities.

Relations with the local communities are defined by the Manual for the Management of Social Engagement Activities. Local community members (individuals, local leaders, non-profit organizations, municipalities, associations, etc.) are involved in a business activity that has an impact on the communities in which it takes place.

2020 was an exceptional year. We faced global pandemic situation and earthquakes in Croatia. Therefore, we adjusted all our corporate socially responsible activities to helping communities in need. Read more under chapter Crisis management.

INA Group donated more than HRK 1,500,000 to healthcare providers, institutions and NGOs for their fight against the **coronavirus pandemic.** In order to support the efforts of healthcare workers, INA Group donated funds to Dr. Fran Mihaljević Clinic for Infectious Diseases, Primorje-Gorski Kotar County Health Centre, Dr. Ivo Pedišić General Hospital in Sisak, Special Hospital for Chronic Children's Diseases in Gornja Bistra, the Croatian Institute for Emergency Medicine, Rebro Children's Oncology Foundation, Pula General Hospital for the Pediatrics Department and the Red Cross.

Additionally, INA Group donated funds to Kamensko association which made cotton masks for the Association of Blind Persons, voluntary fire department, homes for the homeless, soup kitchen users and homes for the elderly, as well as Ruđer Bošković Technical School in Vinkovci for 3D printed visors that the school donated to Croatian hospitals.

INA Group also helped provide disinfectant to the Croatian Civil Protection HQ and to several nursing homes by donating INA Dezinol, a new INA MAZIVA d.o.o. product. INA Group also showed gratitude to healthcare workers' commitment to their work, but also other emergency service workers such as the firefighters and the police, by offering them free coffee at select service stations as part of the Free coffee for our heroes' campaign.

For contribution to repairing the damage resulting from the **earthquakes** in Croatia see more under chapter Crisis management.

RELATIONS WITH THE LOCAL EXPLORATION AND PRODUCTION AND REFINING AND MARKETING COMMUNITIES

INA Group continues to support projects particularly in Refining and Marketing locations in Primorje-Gorski Kotar County, Solin and Sisak; and Oil and Gas Exploration and Production locations in the eastern, central and northern Croatia. Focus is placed especially on helping children, young people, healthcare institutions and projects that contribute to the quality of life of the local communities. In 2020, INA Group supported **53 projects in Exploration and Production operating areas** (eastern Croatia – 11 projects, northern Croatia – 18 projects, central Croatia 14 projects, Zagreb – four projects, conferences - six) and **67 projects in Refining and Marketing operating areas** (Rijeka Refinery - Primorje-Gorski Kotar County) – 31 projects, Sisak Refinery (Sisak-Moslavina County – 28 projects, Logistics (Split-Dalmatia County) – six and conferences and institutions - four.

In Exploration and Production areas, INA Group supported humanitarian associations, important cultural institutions, infrastructure and educational projects and children's sports clubs.

In Refining and Marketing areas, INA Group renovated and equipped the chemistry laboratory at the Natural and Graphics School in Rijeka, provided wardrobes for the Elementary School in Kostrena, supported the Municipality of Kostrena projects, Handball Academy RINA, Rehabilitation Centre Fortica Kraljevica, Humanitarian Carnival Ball, "Fiumanka" regatta and Croatian National Theatre Ivan pl. Zajc.

In Sisak-Moslavina County, INA Group supported Sisak Technical School and a valuable students' project Solar Tree, Red Cross Society Sisak, Siscia Jazz Festival, STAR Film Festival, Sisak Tourist Board and lots of others projects important for Sisak-Moslavina County community.

KEY CSR PROJECTS WITH INTERNAL PUBLIC, NON-PROFIT ORGANIZATIONS AND LOCAL COMMUNITIES

GREEN BELT PROJECT

INA, d.d. published an annual open tender for civil society organizations and public educational institutions in terms of projects for the preservation of the environment with financial support of INA, d.d. and the assistance of INA Volunteers Club.

At 2020 Green Belt tender, 285 projects applied, and the expert committee selected the ten best projects. In the last seven years, more than 8,000 plants were planted with around 65,424 m^2 of green fields.

INA Klub Volontera

26 AKCIJA

121 VOLONTERA

968 VOLONTERSKIH SATI

ZELENI POJAS

285 PRIJAVLJENIH PROJEKATA

10 IZABRANIH PROJEKATA

> 8.000 POSAĐENIH BILJAKA

CORPORATE VOLUNTEERING

Through volunteering, our employees also strengthen their connection to society. Our employees personally engage in community development initiatives through hands-on or skill-based volunteering, or by personally contributing to individual projects.

In 2020, INA Volunteers Club organized 26 actions with participation of 121 volunteers who donated 968 volunteer hours. The Club currently has more than 1,400 members.

Furthermore, the volunteers supported actions during pandemic situation/lockdown such as: connecting colleagues to help those who need help, volunteers telling stories for children (INATube), knitting woolen squares for blankets for the homeless, painting canvas bags for the Down Syndrome Association…

INA, d.d. continues to support SOS Children's Village Croatia through annual donation for their project "Our first 10 years – stay at home in SOS Children's Village".

ETHICS AND GOVERNANCE

"FOCUS ON RESPONSIBLE OPERATIONS AND LONG-TERM ECONOMIC DEVELOPMENT."

102-16, 102-17

INA GROUP ETHICS MANAGEMENT

INA Group Code of Ethics (hereinafter: CoE) defines the basic values and principles of conduct of the INA Group management and employees in terms of their attitude towards work, associates, business partners and the public. The CoE also sets obligations of INA Group to secure appropriate work conditions and professional development to employees and ensure avoidance of unacceptable forms of behavior. The CoE covers a broad area of business relationships and processes and has to be observed by all persons acting in the name and on the behalf of INA Group, including natural persons or legal entities who are in a contractual relationship with INA Group (business partners, consultants, suppliers, sellers, etc.). Contracts with our business partners envisage an obligation for our business partners to adhere to the CoE. INA Group companies neither endanger the rights of indigenous communities with their business operations, nor use children or forced labor, and require the same from their suppliers. In addition, they do not provide financial or any other kind of assistance to political parties, politicians and related institutions.

The task of the INA Group Ethics Council (hereinafter: EC) is to monitor the implementation of CoE and its application in case of Code breaches. Permanent members of the EC are high and medium level managers and an employee representative. The chairperson, Viktor Gotovac, professor of labor law at the Zagreb Faculty of Law, is an external expert responsible for fairness of procedures. When it comes to procedures related to protection of dignity and protection against discrimination, ad hoc EC members will also partake, i.e. a Trade Union (hereinafter: TU) or Works Council (hereinafter: WC) representative, in addition to the permanent EC members. Preparatory Council is a core EC team, composed of the chairperson of the EC and two operating directors with main tasks to examine whether the reported case falls within the competence of the EC and to decide whether the information and evidence described in the report constitute grounds for the initiation of ethics procedures.

Operational work of the EC (e.g. operating grievance mechanism, investigation, and consequence management) is assisted by Local Ethics Officers. Local Ethics Officers are appointed in INA Group companies with more than 20 employees.

CoE aims to provide all internal and external stakeholders with an overview of ethical norms which INA Group companies consider to be essential for their successful operation, both within and outside INA Group companies.

Internal and external stakeholders have a possibility to report an ethical misconduct or seek advice in writing (by post, via e-mail or the internet) and through a 24/7 phone message recording system. Anonymous complaints and questions may be submitted, with ensured confidentiality. When reporting an unethical conduct, the reporting person must respect the rights of the person that they have reported. Thus, it is forbidden to disclose, or forward personal data of the person being reported to any INA Group member companies or to third parties not concerned with the ethical compliance issue in question.

In the event of any ethical concerns, employees may first contact their line manager. Help or advice can also be sought from HR or Legal, or competent organizational units/persons performing such tasks in the relevant INA Group company. Should an employee ever feel uncomfortable to use these channels, they may, at any time, contact EC or the ethics officer in the relevant INA Group member company.

Renewed ethics values were established as of 1 January 2020: responsibility, integrity, respect for others, honesty, fairness, caring, reliability and accountability.

CoE is available on the intranet and INA website, and is translated to languages of countries where INA Group companies operate.

INA Group does not engage in and does not tolerate corruption in any form (including bribery, facilitation payment, kickback, extortion, misuse of authority for personal gain, undue benefits or gifts with the intent to influence), whether in the private or public sector on any scale. We maintain this view, even if our commitment to this policy places INA Group in a non-competitive business position, or if speaking up against such activity results in INA Group losing business. Throughout our entire value chain, within our social patronage, charity and sponsorship fields, we are committed to a zero-tolerance policy when it comes to corruption and bribery.

INA Group promotes and applies high ethical standards in work environment and in business relationships with our business partners and contractors. Protection of human rights of our employees and partners, with a special attention to vulnerable groups (indigenous peoples, women, national, ethnic, religious, linguistic and other minorities, children, persons with disabilities, workers migrants and their families), protection against discrimination and protection of dignity are the pillars of our organization. As an oil and gas company, INA is dedicated and heavily engaged in protection of environment and ensuring health and safety at work for all its employees and others who work on behalf of or for INA Group.

INA Group adheres to the rules of fair competition and complies with all international sanctions. INA Group respects its competitors and does not take part in any activities contrary to competition rules which might result in any harm to the market, consumers or our competitors. INA Group respects all its clients and makes sure that we comply with consumer protection rules in our business operations towards consumers. One of the top priorities of INA Group is anti-money laundering and combating the financing of terrorism, which contributes to global security, integrity of the financial system and sustainable growth.

Protection of privacy, confidentiality and personal data of our employees, clients, partners and contractors is one of the key values of INA Group. We actively undertake security and other measures in order to comply with data protection rules and in that way build trust with our employees and business partners. In 2020, INA Group appointed a new data protection officer, who is providing support on the Group level and monitors the level of compliance with data protection laws.

Our Compliance unit's task is to assist the employees and managers in navigating through the growing and challenging regulatory framework concerning the areas of competition law, personal data protection, consumer protection, international sanctions and anti-money laundering. The Compliance unit is doing so by conducting investigations in organizational units in relation to the mentioned legal areas. The aim of the investigations is to identify any potential risks for the company and provide recommendations on how to eliminate the risks. The findings and recommendations of the investigations are laid out in compliance reports. Furthermore, the Compliance unit educates INA Group employees by conducting tailor-made training activities concerning these areas. In this way, INA Group is raising awareness of important issues and legal areas and making sure that its business activities are compliant with all the applicable regulatory and other statutory requirements.

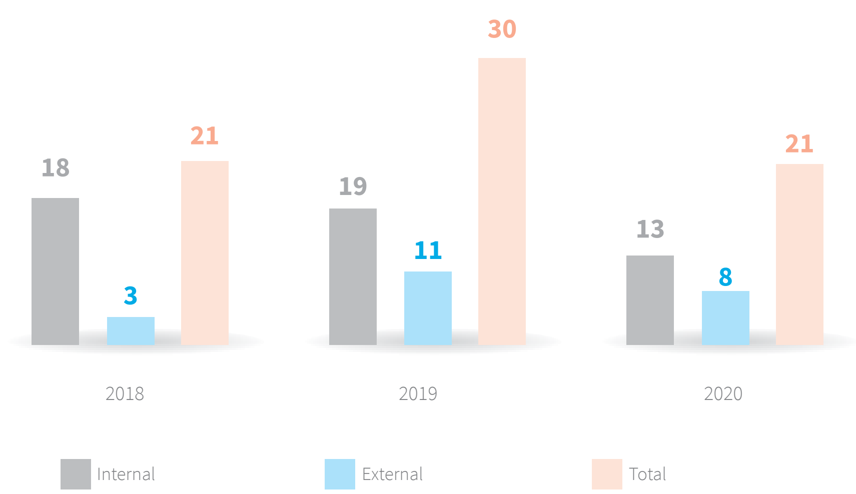
In 2020, INA Group implemented the system for reporting irregularities (the so-called "whistleblowing system") and appointed confidential persons and their deputies for INA Group companies, pursuant to the Act on the Protection of Persons Reporting Irregularities. The confidential person is responsible for receiving reports and conducting procedures in connection with reports filed for violations of laws and other regulations and negligent management of public goods, public funds and European Union funds that represent a threat to the public interest, and which are connected to the performance of work.

ETHICAL PROCEDURES

There were eight established INA Group Code of Ethics breaches which were result of investigations conducted based on reports submitted during 2020, followed by disciplinary measures (such as written warnings, transfer to a different workplace, termination of agreement with a service station partner). The diagram represents an overview of ethical internal and external reports in INA Group in the period from 2018 until 2020.

INA GROUP ETHICAL REPORTS 2018-2020

internal and external



EDUCATION ON THE CODE OF ETHICS

102-16, 102-17

INA Group employees are included in the training activities (e-learning and managerial presentation), with the aim of raising awareness of the importance of ethical conduct in business operations and promotion of sustainable development, commitment to responsible business and long-term economic development, with overall 7,159 employees included. In 2020, the chairperson of EC Viktor Gotovac held ethics trainings for focus groups: ten newcomers, i.e. Growww population, and managerial population.

COMPLIANCE

206-1, 307-1, 419-1, 205-2

As a part of the largest industrial company in the Republic of Croatia and neighboring countries, INA Group companies adhere to all laws of the Republic of Croatia and monitor all and any risks associated with changes in the legislation, which may or will have a significant impact on their business.

In 2020, no criminal procedures, anti-competitive procedures, procedures related to health, safety and environment and quality of products/services were initiated against INA Group companies. Furthermore, no non-compliance reports regarding unfair marketing communication, violation of user's privacy and losses of client's data were submitted against INA Group companies.

In total, in 2020, **28 misdemeanor cases** were initiated against INA Group companies (seven against INA, d.d., nine against Holdina d.o.o., eight against Energopetrol d.d, one against CROSCO d.o.o., two against STSI d.o.o. and one against INA Slovenija d.o.o.).

In 2020, a total of **seven grievances from local communities in Rijeka** and Sisak Refineries and Exploration and Production vicinity were reported regarding environmental issues and all were resolved during the reporting period.

During 2020, INA Toll Free Number 0800-1112 received a total of 36,776 contacts from customers, which represents a decrease of 2% compared to 2019. From the received contacts, most of complaints referred to information (34,075), 510 referred to complaints, 354 to compliments and 19 to INA service stations operation proposals.

CUSTOMERS AND SUPPLIERS

102-43, OG 8

Customers represents one of INA Group's core values, thus INA continuously and systematically builds and improves the partnership with the customer by putting customer satisfaction in its focus. Commitment to the quality development and customer focus create added value, which strengthens business cooperation and contributes to the recognition of INA Group in the market.

Customer satisfaction survey creates an opportunity to collect valuable information related to the further improvement of business, products and services. Therefore, at the end of 2020, INA carried out its 14th customer satisfaction survey. The scope of internal customer satisfaction survey included INA wholesale motor fuels customers, heating oil, fuel oils, bitumen, LPG, jet fuel and INA Card users. In 2020 the scope of the survey has been expanded by including INA MAZIVA d.o.o. wholesale customers.

The sample consists of INA's wholesale customers and INA Card users on domestic market, as well as of INA MAZIVA d.o.o. wholesale customers on the domestic market. The questionnaire was distributed by sending direct links to customers via e-mail.

CUSTOMER SATISFACTION SURVEY

28% return rate

92% quite/exceptionally satisfied customers

86% customers consider INA quite/significantly better than competition

97% customers would recommend INA to their business associates and acquaintances

99% customers intend to expand their cooperation with INA or keep it at the same level

Assessment of the cooperation with INA

- 95% of customers consider INA as a company that delivers product as agreed
- 87% of customers evaluate INA as a trustworthy company
- 84% evaluate INA as a company that is easy to work with
- 75% of customers consider that they are valued

DERIVATIVES

92% quite/exceptionally satisfied customers

88% customers who assessed collaboration with INA as quite/significantly better than the competition

Strengths

- sales representatives
- order processing
- invoicing

INA CARD

92% quite/exceptionally satisfied customers

84% customers who assessed collaboration with INA as quite/significantly better than the competition

Strengths

- easy to use and track costs committed via card
- sales representatives
- online ordering of INA card

INA MAZIVA d.o.o.

93% quite/exceptionally satisfied customers

85% assessed collaboration with INA MAZIVA d.o.o. as quite/significantly better than the competition

Strengths

- accurate delivery (volume)
- quality of motor oils and lubricants
- load/unload of goods

IMAGE AND REPUTATION SURVEY

Compared to the other companies, INA has the significant highest level of spontaneous remember.

Perception of measures related to Coronavirus: 78.2% respondents who have visited INA in the last 6 months feel like we did everything to reduce the possible infection.

INA is the most active company related to sponsorship activities. The perception of its activities has increased compared to the past year from 19.7% to 23.1%.
Perceiving of INA's print articles also increased significantly when compared to the last year, from 64.9% to 78.7%.

96% of all respondents at least once used INA's services.

	2019	2020
LIKING COMPANY	3.97	4.01
BRAND AWARENESS	97%	98%
CLASS PLUS FUELS AWARENESS	80%	82.4%
FRESH CORNER BRAND AWARENESS	47%	66.5%

Source: Hendal Agency, December 2020

PRODUCT SAFETY

416-1, 417-1

For safe management of products throughout their life cycle, INA Group complies with chemicals management laws, one of which is REACH Regulation (EC/1907/2006) on the Registration, Evaluation, Authorization and Restriction of Chemicals. The goal of chemicals management laws is to protect the employees, consumers, communities and the environment from potential risks posed by the products. INA Group has registered all its substances, a total of 39 (INA, d.d. 37 and INA MAZIVA d.o.o. two), thus fulfilling the obligation of the REACH Regulation and can produce substances and place them on the EU market. In 2020 INA, d.d. has registered one new substance after start-up of new production unit, and INA Group updated 31 registrations (INA, d.d. 29 and INA MAZIVA d.o.o. two).

Following the publication by the European Commission of its proposal for the revised benzene Occupational Exposure Limits (OEL), set at value of 0.5 ppm within two years and 0.2 ppm within four years, and following its publication in the Official Journal of the EU, INA Group started with the activities needed to implement the revised values. Benzene is known as carcinogen, and the aim of those activities is to better protect INA Group workers and others in the supply chain from exposure to this substance.

Before placing chemicals on the market, the industry must classify, label and package them in accordance with the CLP Regulation (EC/1272/2008). INA Group communicates to employees and consumers the potential hazards associated with its products and publishes safe handling information on labels and safety data sheets (hereinafter: SDSs). In 2020, INA Group published and distributed over 100 SDSs for new products such as INA Dezinol disinfectant, which was developed and placed on the market by INA MAZIVA d.o.o. as a prompt response to COVID-19 pandemic, as well as for well-known INA Group products such as fuels and lubricants. SDSs are available on INA website and INA MAZIVA website. For additional information, please contact us at sds@ina.hr.

Annex VIII to CLP Regulation sets out the requirements and scope for submitting information on mixtures placed on the EU market classified as hazardous based on their health and physical effects to the national appointed bodies. The aim is to provide to Poison Centers, harmonized information related to emergency health response. By the end of 2020, INA Group has taken all necessary actions to implement Annex VIII to CLP Regulation. The final aim of REACH and CLP regulations is to reduce exposure to hazardous chemicals (products) and prevent diseases, injuries and accidents. For information on REACH and CLP, please contact us at reachINA@ina.hr.

In order to further raise awareness on chemicals, INA Group promotes Responsible Care® (RC®) commitment to the safe management of chemicals throughout their life cycle. In 2020, INA MAZIVA d.o.o. have joined the RC® initiative, while INA, d.d. continued reporting according to the RC® indicators.

In October 2020, the European Commission has published "Chemicals Strategy for Sustainability Towards a Toxic-Free Environment" (hereinafter: CSS) and its Action plan. The Strategy is the first step towards a zero-pollution ambition for a toxic-free environment announced in the European Green Deal. INA Group immediately started with prioritization of the actions derived from CSS applicable to oil and gas sector and its products to make them safer and more sustainable.

CONTRACTORS

204-1

In 2020, INA Group achieved business cooperation with a total of 1,743 suppliers, 1,341 of which are domestic, which represents 77% of the total number. With foreign suppliers, 12% of total turnover was realized, while 88% of total turnover was related to domestic suppliers.

The savings Procurement achieves have a direct impact on the company's EBIT and we are continuously working with our suppliers to receive the goods and services at the best total cost of ownership available in the market. Additionally, together with our cross-functional partners, we strive to find the best sourcing solutions on time, and with the required quality.

Moreover, we assume supply chain sustainability is increasingly recognized as a key component of corporate sustainability. That is why we believe that supply chain is the engine for today's global economy, serving to deliver goods and services, connecting our businesses and suppliers who work for them across geographical, industry, cultural and regulatory boundaries.

Supply chain sustainability is expected to ensure INA Group's continuous efforts to meet its future needs, in line with the economic, social, ethical and environmental conditions. It ensures compliance with laws and regulations as well as adherence to and support of international principles for sustainable business conduct. Identifying and mitigating compliance risks in procurement at an early stage is one of the goals of the supplier selection, qualification and auditing processes. It is expected of our suppliers and business partners to share our values and comply with all applicable laws as laid down in the "INA Group Code of Ethics".

It is important to highlight that INA Group defines the mandatory minimal SD&HSE requirements for contractors performing hazardous works in INA Group companies, with the aim of protecting own and contractors' employees against occupational injuries and illnesses, as well as losses relating to extraordinary events, through all parts of the process (contracting, performance of works and works handover). Depending on the preliminary risk assessment, contractors are required to provide certain certificates, management systems or regulations, for example:

- Low risk level, the Bidder shall be obliged by Statement that they and their subcontractors shall comply with legal requirements and INA Group SD&HSE requirements
- Medium risk level shall prove the existence of safety management systems:
  - Certificate on Contractor safety SCC** SCCp or
  - ISO 45 001 and ISO 14 001 (both) certificates or
  - A successful pre-qualification audit implemented by an accredited certification authority contracted by INA Group (renewed within two years), or
  - A successful pre-qualification audit based on pre-qualification supervision (valid for two years) and post-evaluation by INA Group companies, or
  - Bidders who are on the list of MOL Group contractors shall not be subject to pre-qualification
- High risk level shall be subject to pre-screening and pre-qualification by proving the established SCC** or SCCp certification for the company and workers.

Contractor Management is one of elements of the HSE Management System. Contractors are assessed for their capabilities and competencies and selected to perform work for/on behalf of INA Group where they are monitored to ensure their HSE performance is in alignment with INA Group requirements.

One of the most important contract management decisions to be made by the client is to identify the responsibilities for managing HSE between client and contractor (or association of contractors). The decision should be based on the outcome of the risk assessment process and the capability of the contractor to manage all risks.

The main areas and elements that we focus on are:

	SUPPLIER SELECTION	HAZARD COMMUNICATION	SUPPLIER DEVELOPMENT	PERFORMANCE MANAGEMENT
PLANNING **QUALIFICATION** **CONTRACTING** **MOBILIZATION** **EXECUTION** **POST-EVALUATION**	• Supplier pre-screening • Supplier qualification • HSE Support of tendering • Improved training system • On-site Control and Consequence management	• Proper hazard communication • Dealing with foreign contractors	• Improved training system • Communication and Learning network of suppliers	• On-site Control and Consequence management • Enhanced Performance management of key suppliers • Incentive system for contractors • Supplier post-evaluation

*Assessment of the legal and financial capacity of the supplier and compliance with the HSE requirements

The main aims of this process are:

1. Effective processes to support the selection of suppliers
2. Contractors are aware of the technological hazards and mobilize their workforce prepared for the risk mitigation measures
3. Efficient, practical and interactive training sessions. Trained people instead of people who participated in training
4. Safe execution through supervision and performance management
5. HSE-related info and good practices are shared efficiently
6. Increased HSE commitment of key, most critical suppliers
7. Motivate contractors and their employees to improve their HSE performance
8. Overcome barriers of working with international contractors
9. Objective HSE performance evaluation of contractors

ADDITIONAL SUSTAINABILITY DATA

MEMBERSHIPS, EXTERNAL INITIATIVES AND PUBLIC POLICIES

102-12, 102-13

ASSOCIATION	PARTICIPATION STATUS
CONCAWE - EUROPEAN PETROLEUM REFINERS ASSOCIATION (JOINT INA-MOL MEMBERSHIP)	Member of the Scientific Council
UN GLOBAL COMPACT	Member
EUROPEAN ASSOCIATION OF COMMUNICATION DIRECTORS	Member
INTERNATIONAL ORGANIZATION FOR INDUSTRIAL HAZARD MANAGEMENT	Member
IOGP – INTERNATIONAL ASSOCIATION OF OIL & GAS PRODUCERS	Member
SOCIETY OF PETROLEUM ENGINEERS (CROATIAN BRANCH)	Member of the Presidency
LOWER OLEFINS AND AROMATICS CONSORTIUM (LOA)	Member
CEEC - CENTRAL EASTERN EUROPEAN AND CASPIAN SCOUT GROUP	Member
IPLOCA - INTERNATIONAL PIPE LINE & OFFSHORE CONTRACTORS ASSOCIATION	Member
IATA - INTERNATIONAL AIR TRANSPORT ASSOCIATION	Member
CROATIAN CHAMBER OF ECONOMY	Member of the Assembly
CROATIAN EMPLOYERS' ASSOCIATION	Member of the Assembly and the Council of Members, the Executive Board, the representative of INA is the President of the HUP of the Energy Association and a member of the Economic and Social Council (GSV)
CROATIAN GAS ASSOCIATION	The main sponsor, member of the MB, INA's representative is the Vice-President
CROATIAN ASSOCIATION OF PETROLEUM ENGINEERS AND GEOLOGISTS	The principal founder
CROATIAN NATIONAL COMMITTEE OF WORLD PETROLEUM COUNCIL	Member of the Presidency
CROATIAN ENERGY ASSOCIATION	Member of the Managing Board
CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT	Member
CROATIAN STANDARDS INSTITUTE	Member
CROATIAN EXPORTERS	Member
CROATIAN GEOLOGICAL ASSOCIATION	INA's representative is the President of the MB, member of the SB and of the Court of Honor
ACADEMY OF TECHNICAL SCIENCES	Member
CROATIAN SOCIETY FOR QUALITY	Member
CROATIAN METROLOGY SOCIETY	Member
CROATIA GREEN BUILDING COUNCIL	Member
LABORATORIA CROATICA	Member
CROATIAN ASSOCIATION OF CORPORATE TREASURERS	Member
INTERNATIONAL CHAMBER OF COMMERCE (ICC)	Member
CROATIAN INFORMATION TECHNOLOGY SOCIETY – SOCIETY OF SAP USERS	Member
CROATIAN PUBLIC RELATIONS ASSOCIATION	Member
CROATIAN WATER POLLUTION CONTROL SOCIETY	Member
CROATIAN SOCIETY FOR A HEALTHY WORK PLACE	Member
CROATIAN INSTITUTE FOR HEALTH PROTECTION & SAFETY AT WORK	Member
ASSOCIATION FOR THE ADVANCEMENT OF HUMAN SAFETY	Member
CROATIAN ASSOCIATION FOR PROFESSIONAL FIRE-FIGHTERS	Member
CROATIAN ACADEMY OF SCIENCES AND ARTS	Member
CROATIAN INSTITUTE OF INTERNAL AUDITORS	Member
CROATIAN FIRE-FIGHTING ASSOCIATION	Member
RESPONSIBLE CARE GROUP	Member
CROATIAN LAW AND COMPETITION PROTECTION SOCIETY	Member

ECONOMIC SUSTAINABILITY DATA

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (HRK MLN)	2018	2019	2020
REALIZED REVENUES	22,349	22,597	14,788
FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	-	-	23
OPERATING COSTS	21,607	22,575	16,553
CASH ADDED VALUE (COMPANY CASH)	422	606	399
EMPLOYEE WAGES AND BENEFITS	1,927	1,970	1,731
CAPITAL INVESTORS	812	2,150	1,282
PAYMENTS TO GOVERNMENTS	495	417	298
ECONOMIC VALUE RETAINED	1,036	207	(1,586)
CAPITAL EXPENDITURES (HRK MLN)	265	126	(52)

INA GROUP REALIZED REVENUE BY REGION (HRK MLN)	2018	2019	2020
CROATIA	12,289	13,100	8,819
BOSNIA AND HERZEGOVINA	2,966	3,251	1,834
EUROPEAN COUNTRIES	6,420	5,614	3,775
OTHER COUNTRIES	674	632	361
TOTAL	**22,349**	**22,597**	**14,788**

COSTS OF PURCHASED MATERIALS, GOODS AND SERVICES IN INA GROUP, EBIT, ROA	2018	2019	2020
COSTS OF PURCHASED MATERIALS, GOODS AND SERVICES (HRK MLN)	3,605	7,114	3,699
INA GROUP PROFIT EARNED - EBIT (HRK MLN)	1,687	722	(1,298)
INA GROUP RETURN ON ASSETS PROFITABILITY INDICATOR (%)	5.64	2.27	(5.99)

*ROA (%) = (Profit/Total assets) * 100

INA GROUP PAYROLL COSTS (HRK MLN)	2018	2019	2020
NET	1,010	1,056	950
TAXES AND CONTRIBUTIONS	657	640	557
OTHER SALARY EXPENSES	260	274	224
TOTAL	**1,927**	**1,970**	**1,731**

INA, d.d. TOTAL TAXES PAID (HRK MLN)	2018	2019	2020
CROATIA	8,882	9,393	7,836
ANGOLA	11	5	7
BOSNIA AND HERZEGOVINA	25	1	1
TOTAL	**8,918**	**9,399**	**7,844**

PAID VAT, EXCISE DUTIES, BIOFUELS FEE, PROFIT TAX, INCOME TAX AND SURTAX AND CROATIAN COMPULSORY OIL STOCKS AGENCY (HANDA) (HRK MLN)	2018	2019	2020
VALUE ADDED TAX	799	1,690	2,109
VALUE ADDED TAX (IMPORT)	2.527	1,790	371
CORPORATE INCOME TAX (PROFIT TAX)	0.32	-	-
WITHHOLDING TAX	24.9	1.7	2
EXCISE DUTIES	5,531	5,913	5,356
BIOFUELS FEE*	72.4	80.6	11.6
TOTAL	**8,955**	**9,475**	**7,850**

*Special environmental charge for not placing biofuels on the market

CONSOLIDATION APPROACH TO SUSTAINABILITY DATA

102-45

Table below shows INA Group subsidiaries consolidated in the reported environmental data (waste, water, air emissions, spills and direct and indirect GHG emissions), energy data, as well as health and safety data within this Annual Report. Other subsidiaries listed in the consolidated financial statement (page 162) are excluded, because these subsidiaries are either not active, or if active they operate as offices with only a few employees and have none or insignificant impact on the environment, energy consumption and health and safety data. Environmental data (waste, water, air emissions, spills and direct and indirect GHG emissions), energy data, as well as health and safety data of associated and joint ventures companies are not included in this Annual Report.

NAME OF SUBSIDIARY	PROPORTION OF OWNERSHIP
INA MAZIVA D.O.O.	100%
HOSTIN, D.O.O.	100%
STSI D.O.O.	100%
CROSCO D.O.O.	100%
TOP RAČUNOVODSTVO SERVISI D.O.O.	100%
INA MALOPRODAJNI SERVISI D.O.O.	100%
PLAVI TIM D.O.O.	100%
INA SLOVENIJA D.O.O.	100%
HOLDINA D.O.O.	100%
ENERGOPETROL D.D.	88.66%
ROTARY ZRT.	100%
INA VATROGASNI SERVISI D.O.O.	100%

LIST OF LEGAL OHS DOCUMENTS AND BEST PRACTICES IN INA GROUP

LEGAL REQUIREMENT MANAGEMENT DOCUMENTS
OCCUPATIONAL HEALTH AND SAFETY SYSTEM AT INA GROUP COMPANIES
IMPLEMENTATION OF REACH REGULATION AT INA GROUP COMPANIES
PERSONAL PROTECTIVE EQUIPMENT AT INA GROUP COMPANIES
PREPARATION OF SAFETY REPORTS, INTERNAL PLANS, AS WELL AS RISK ASSESSMENTS AND OPERATIONAL PLANS BY LEGAL ENTITIES PERFORMING BUSINESS ACTIVITIES BY USING DANGEROUS SUBSTANCES IN INA GROUP COMPANIES
FIRE PREVENTION, PROTECTION AND FIRE BRIGADE MANAGEMENT IN INA GROUP COMPANIES
PREPAREDNESS AND EMERGENCY RESPONSE AT INA GROUP COMPANIES
HEALTH PROTECTION AND PROMOTION IN INA GROUP COMPANIES
RULES OF PROCEDURES, CONDITIONS AND METHODS OF OBTAINING SAFETY AT WORK IN INA, D.D.
TRAINING PROGRAM FOR WORK IN SAFE MANNER IN INA, D.D.
WORKPLACES WITH SPECIAL CONDITIONS OF WORK AND OTHER CRITICAL OPERATIONS REGULATION IN INA, D.D.
OHS TRAINING PROGRAM FOR EMPLOYER AND EMPLOYER AUTHORIZED PERSON IN INA, D.D.
INSTRUCTION ON THE SAFETY DATA SHEET AT INA, D.D.
INSTRUCTION ON KEEPING THE INQUEST REGISTER OF HAZARDOUS CHEMICALS IN INA, D.D.

OHS BEST OIL AND GAS PRACTICES
SAFE DRIVING STANDARD IN INA GROUP COMPANIES
SD&HSE ASPECTS OF DESIGN, CONSTRUCTION, COMMISSIONING AND DECOMMISSIONING OF PLANTS/ FACILITIES IN INA GROUP COMPANIES
HEALTH, SAFETY, ENVIRONMENT AND FIRE PROTECTION INCIDENT REPORTING AND INVESTIGATION SYSTEM AT INA GROUP COMPANIES
LIFE SAVING RULES AT INA GROUP COMPANIES
SD&HSE MANAGEMENT IN THE CONTRACTING AND SERVICE PROCUREMENT PROCESSES IN INA GROUP COMPANIES
PROCESS SAFETY MANAGEMENT AT INA GROUP COMPANIES
PERMITS TO WORK IN INA GROUP COMPANIES
SAFE OPERATION AND WORK PRACTICE IN INA GROUP COMPANIES
PROCEDURE FOR IMPLEMENTING HEALTH, SAFETY AND ENVIRONMENT AUDITS AND SUPERVISIONS IN INA GROUP COMPANIES
REGULATION ON CONDITIONS, PRIORITIES AND METHOD OF SENDING INA, D.D. WORKERS ON MEDICINE PROGRAMED ACTIVE VACATION AND HEALTH PROGRAMED ACTIVE VACATION
INA, D.D. PROCEDURE IN CASE OF EARTHQUAKE
OPERATIONAL RISK MANAGEMENT IN INA, D.D.
TESTING AND INSPECTION OF BUNDS IN INA GROUP COMPANIES
INSTRUCTION ON ACTIONS AND IMPLEMENTATION OF SAFETY AND HEALTH PROTECTION MEASURES IN CIRCUMSTANCES OF EXPOSURE TO COVID-19 PANDEMIC IN INA GROUP COMPANIES
PROCEDURE IN CASE OF COVID-19 CORONAVIRUS INFECTION SUSPECTED IN INA GROUP COMPANIES' OWN WORKER, CONTRACTOR AND SERVICE PROVIDER
INSTRUCTION ON THE MANNER OF TESTING FOR COVID-19 AND IMPLEMENTATION OF OTHER PROTECTION MEASURES REGARDING OWN EMPLOYEES, VISITORS AND EXTERNAL CONTRACTORS IN INA GROUP COMPANIES
INSTRUCTION ON THE USE OF PERSONAL PROTECTIVE EQUIPMENT AND MEDICAL EQUIPMENT IN THE CASE OF COVID-19 PANDEMIC

CLIMATE-RELATED FINANCIAL DISCLOSURES CROSS-REFERENCE TABLE

TCFD RECOMMENDATION	REFERENCE TO INA DISCLOSURE
GOVERNANCE – DISCLOSE THE ORGANIZATION'S GOVERNANCE AROUND CLIMATE RELATED RISKS AND OPPORTUNITIES	
A) DESCRIBE ORGANIZATION'S GOVERNANCE AROUND CLIMATE-RELATED RISKS AND OPPORTUNITIES. B) DESCRIBE MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES.	PAGE 68
STRATEGY – DISCLOSE THE ACTUAL AND POTENTIAL IMPACTS OF CLIMATE RELATED RISKS AND OPPORTUNITIES ON THE ORGANIZATION'S BUSINESSES, STRATEGY, AND FINANCIAL PLANNING WHERE SUCH INFORMATION IS MATERIAL	
A) DESCRIBE THE CLIMATE-RELATED RISKS AND OPPORTUNITIES THE ORGANIZATION HAS IDENTIFIED OVER THE SHORT, MEDIUM, AND LONG TERM.	PAGE 68, 103-105
B) DESCRIBE THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON BUSINESSES, STRATEGY, AND FINANCIAL PLANNING.	
C) DESCRIBE THE RESILIENCE OF THE ORGANIZATION'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO.	
RISK MANAGEMENT – DISCLOSE HOW THE ORGANIZATION IDENTIFIES, ASSESSES, AND MANAGES CLIMATE-RELATED RISKS	
A) DESCRIBE THE ORGANIZATION'S PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS.	PAGE 68, 100, 102
B) DESCRIBE THE ORGANIZATION'S PROCESSES FOR MANAGING CLIMATE-RELATED RISKS.	
C) DESCRIBE HOW PROCESSES FOR IDENTIFYING, ASSESSING, AND MANAGING CLIMATE-RELATED RISKS ARE INTEGRATED INTO THE ORGANIZATION'S OVERALL RISK MANAGEMENT.	
METRICS & TARGETS – DISCLOSE THE METRICS AND TARGETS USED TO ASSESS AND MANAGE RELEVANT CLIMATE-RELATED RISKS AND OPPORTUNITIES WHERE SUCH INFORMATION IS MATERIAL	
A) DISCLOSE THE METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH ITS STRATEGY AND RISK MANAGEMENT PROCESS.	PAGE 100-102, 106-109
B) DISCLOSE SCOPE 1, SCOPE 2 AND, IF APPROPRIATE, SCOPE 3 GHG EMISSIONS AND RELATED RISKS.	
C) DESCRIBE THE TARGETS USED TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS.	

ENVIRONMENTAL DATA

302-1, 302-3, 303-3, 303-4, 305-1, 305-2, 305-3, 305-4, 305-7, 306-2, 306-3, 306-4

KEY ENVIRONMENTAL DATA INA GROUP	2018	2019	2020
TOTAL DIRECT GHG EMISSIONS (SCOPE 1) (million tons CO_2 eq) (1)	1.83	1.51	1.28
TOTAL INDIRECT GHG EMISSIONS (SCOPE 2) - LOCATION BASED (million tons CO_2 eq) (2)	0.08	0.07	0.06
TOTAL INDIRECT GHG (SCOPE 2) - MARKET BASED (million tons CO_2 eq) (3)	0.11	0.12	0.14
TOTAL INDIRECT GHG (SCOPE 3) (million tons CO_2 eq)	N.A.	14.18	11.60
FLARING EMISSIONS (thousand tons CO_2 equivalent) INA GROUP	151.64	87.33	67.87
TOTAL DIRECT ENERGY CONSUMPTION (4) (million GJ) INA GROUP	21.85*	18.71*	15.28
TOTAL INDIRECT ENERGY CONSUMPTION (5) (million GJ) INA GROUP	1.15	1.02	1.13
ENERGY INTENSITY (TOTAL ENERGY CONSUMPTION (GJ) / PRODUCTION (t)) RIJEKA REFINERY	3.91	3.88	4.25
ENERGY INTENSITY (TOTAL ENERGY CONSUMPTION (GJ) / PRODUCTION (t)) SISAK REFINERY	8.03	8.26	9.48
ENERGY INTENSITY (TOTAL ENERGY CONSUMPTION (GJ) / PRODUCTION (tOE)) EXPLORATION AND PRODUCTION	2.07	2.28	2.83
EMISSION INTENSITY RIJEKA REFINERY (t CO_2 / kt CWT) (6)	39.52	38.57	39.20
EMISSION INTENSITY SISAK REFINERY (t CO_2 / kt CWT) (7)	80.42	70.80	N/A
SULPHUR OXIDES (SO_x) (thousand tons) INA GROUP	4.14	2.24	0.66
NITROGEN OXIDES (NO_x) (thousand tons) INA GROUP	2.64	1.99	1.90
TOTAL WATER WITHDRAWAL (million m^3) INA GROUP	36.42	23.30	30.86
TOTAL WATER DISCHARGE (million m^3) INA GROUP	31.79	17.91	25.53
CHEMICAL OXYGEN CONSUMPTION (COD) (tons) INA GROUP	246.14	378.07	233.83
BIOLOGICAL OXYGEN CONSUMPTION (BOD5) (tons) INA GROUP	87.01	68.96	51.58
TOTAL SUSPENDED SOLIDS (tons) INA GROUP	92.05	119.48	95.75
TOTAL PETROLEUM HYDROCARBONS (tons) INA GROUP	4.73	8.42	6.12
TOTAL HAZARDOUS WASTE GENERATED (thousand tons) INA GROUP	19.47	15.63	8.18
TOTAL NON-HAZARDOUS WASTE GENERATED (thousand tons) INA GROUP	14.72	13.31	15.19
WASTE EXPORTED (thousand tons) INA GROUP	0.004	0.584	0.112
RECYCLED WASTE (thousand tons) INA GROUP	12.49	13.59	9.45
DISPOSED WASTE (thousand tons) INA GROUP (8)	21.73	15.27	13.94
SPILLS > $1m^3$ INA GROUP	3	2	10

(1) Calculation based on CO_2 only (i.e. CH_4, N_2O, HFCs, PFCs, SF_6, NF_3 are not included in the calculation). Calculation includes the following methods: mass balance calculations, site-specific data, such as for fuel composition analysis or based on calculation by using IPCC factors. Within INA Group there are no combustion or biodegradation of biomass so there are no biogenic CO_2 emissions.
(2) Conversion factors for electricity source – International Energy Agency "CO_2 Emissions from Fuel Combustion 2020 publication" and Defra Decc Conversion factors, Annex 3 Electricity, Heat, Steam for steam and heat
(3) Source for conversion factor - EU residual mix issued by AIB (for electricity) and Defra Dec Conversion factors, Annex 3 Electricity, Heat, Steam for steam and heat
(4) Total direct energy consumption = Total natural gas consumption (as energy source) + Total consumption of other HC energy sources + Total fuel used for corporate cars – Total indirect energy sold
* until 2019, Total direct energy consumption = Total natural gas consumption (as energy source) + Total consumption of other HC energy sources
(5) Total indirect energy consumption = Total electricity consumption + Total consumption of other indirect sources (steam, heat ...)
(6) CWT - Complexity Weighted Tone, a benchmark for oil refineries under EU ETS, defining the basis on which free allowances are allocated to refineries between 2013 and 2020 (third trading period)
(7) CWT for Sisak Refinery not applicable due to cessation of primary and secondary processing
(8) Disposed waste amounts include hazardous and non-hazardous waste disposed with treatment methods with code 'D', based on the Act on Sustainable Waste Management (OG 94/13, 73/17, 14/19, 98/19). Information on disposed waste was provided by waste disposal contractors on INA Group request

HSE COSTS AND INVESTMENTS

Total amount of INA Group HSE costs in 2020 is at 2019 level. Among the cost structure, fire protection costs increased due to the fact that the newly established INA Group company INA VATROGASNI SERVISI d.o.o. has started charging fire protection costs since 1 July 2019 to other INA Group entities based on quantities and prices of provided services, while before its fire protection costs referred to external fire-fighting services where own firefighting staff was not included.

All other cost fluctuations reflect HSE cost changes that support changes in business activities.

SEGMENT (HRK MLN)	2018	2019	2020
HEALTH PROTECTION	4.6	4.5	6.1
OCCUPATIONAL SAFETY, REACH AND PRODUCT SAFETY	27.7	27.0	18.9
FIRE PROTECTION	44.7	73.9	95.7
SURFACE WATERS PROTECTION	8.6	8.7	7.7
HAZARDOUS WASTE TREATMENT	13.1	9.3	6.3
NON-HAZARDOUS WASTE TREATMENT	2.6	2.9	3.0
SOIL AND GROUNDWATER PROTECTION	12.9	17.0	12.5
AIR PROTECTION	3.7	3.8	3.7
CLIMATE CHANGE	-	0.1	0.1
NON-MATERIAL HSE SERVICES	5.4	7.8	3.4
FEES AND CHARGES	26,1	25.7	24.2
TOTAL	**149.4**	**180.7**	**181.6**

INA Group HSE project investments in 2020 were realized in the amount of HRK 99 million. Majority of investments were related to environmental type of projects (HRK 73 million, or 74%).

The most intensive HSE investments were performed in Refining and Marketing (HRK 48 million, or 48%) and Exploration and Production (HRK 37 million, or 37%), out of which the most intensive investments were in projects for bitumen production in Sisak Refinery (HRK 18 million) and in upgrade project for emission reduction from stationary sources in Fractionation Facilities Ivanić Grad and Gas Processing Facilities Molve (HRK 13 million).

HUMAN RESOURCES DATA

401-1

INA GROUP HUMAN RESOURCES DATA	2018	2019	2020
NO. OF WORKERS*	10,842	10,575	9,829
NO. OF WORKERS WITH SHORTENED WORKING HOURS	45	98	94
NO. OF NEWLY EMPLOYED EMPLOYEES	718	957	538
NO. OF DEPARTED EMPLOYEES	1,014	1,246	1,192
NO. OF EMPLOYEES WORKING ABROAD	219	201	40
% OF WOMEN IN TOTAL WORKFORCE	24	25	25.5
% OF DISABLED PEOPLE IN TOTAL WORK FORCE	2.3	2.5	2.5

*2018 and 2019 numbers adjusted due to change in methodology

HUMAN RESOURCES DATA, INA GROUP COMPANIES IN 2020	INA, D.D.	CROSCO D.O.O.	ROTARY ZRT.	STSI D.O.O.	INA MAZIVA D.O.O.	HOSTIN, D.O.O.	INA MALOPRODAJNI SERVISI D.O.O.	PLAVI TIM D.O.O.	TOP RAČUNOVODSTVO SERVISI D.O.O.	INA SLOVENIJA D.O.O.	HOLDINA D.O.O.	INA CRNA GORA D.O.O.	ENERGOPETROL D.D.	INA VATROGASNI SERVISI D.O.O.
NO. OF WORKERS	**3,411**	**741**	**287**	**769**	**131**	**6**	**2,743**	**197**	**223**	**48**	**523**	**59**	**459**	**238**
NO. OF WORKERS WITH SHORTENED WORKING HOURS	26	3	11	1	2	0	3	3	6	2	18	0	18	1
NO. OF NEWLY EMPLOYED EMPLOYEES	61	1	7	96	5	0	287	5	11	1	24	1	15	24
NO. OF DEPARTED EMPLOYEES	356	252	2	126	15	0	190	19	26	1	93	2	78	32
NO. OF EMPLOYEES WORKING ABROAD	11	13	0	8	0	0	0	0	0	0	2	0	0	0
NO. OF WOMEN IN TOTAL WORKFORCE	932	24	22	49	41	3	900	75	200	18	156	21	65	11
% OF WOMEN IN MANAGERIAL POSITIONS	37	11	0	33	29	100	0	45	78	4	5	0	5	0
% OF DISABLED PERSONS IN TOTAL WORK FORCE	2	2	0	2	6	0	2	2	3	8	4	0	9	1
NO. OF UNSKILLED WORKERS	9	2	0	4	0	0	2	0	0	0	0	0	3	0
NO. OF SEMI-SKILLED WORKERS	6	1	28	14	0	0	2	0	0	0	1	0	0	0
NO. OF PRIMARY SCHOOL DEGREE WORKERS	10	5	3	4	6	0	3	0	0	0	0	1	0	0
NO. OF SKILLED WORKERS	84	76	109	62	4	0	73	0	1	19	156	0	208	3
NO. OF HIGH SCHOOL DEGREE WORKERS	1,691	505	7	406	63	3	2,473	76	109	18	257	39	213	205
NO. OF HIGHLY SKILLED WORKERS	132	13	72	87	1	0	15	1	0	3	4	0	2	0
NO. OF ASSOC.DEGR./BACC. WORKERS	261	23	37	66	11	2	125	24	33	7	23	12	11	14
NO. OF UNIV. DEGR. / MAG. WORKERS	1,041	113	19	109	36	1	46	77	67	1	78	2	22	9
NO. OF MA / UNIV. SPEC. WORKERS	87	0	11	13	9	0	3	12	9	0	0	5	0	6
NO. OF PHD WORKERS	90	3	1	4	1	0	1	7	3	0	4	0	0	1
UNDER THE AGE OF 30	210	40	11	68	5	0	696	12	5	6	95	14	82	48
31-40 YEARS	720	243	78	181	17	1	779	46	53	10	144	21	98	73
41-50 YEARS	1,024	204	80	215	32	3	796	48	64	14	159	19	140	55
51-60 YEARS	1,359	238	103	273	73	1	438	80	99	17	111	5	121	62
OVER 61 YEARS	98	16	15	32	4	1	34	11	2	1	14	0	18	0
AVERAGE TRAINING TIME PER EMPLOYEE (HOURS)	14	11	45	12	7	0	7	7	14	N/A	5,23	3,66	8	18
AVERAGE COST OF TRAINING PER EMPLOYEE (HRK)	948	360	607	477	247	0	228	301	168	N/A	83	329,5	103	1.988
% OF EMPLOYEES IN TRADE UNIONS	53	77	32	60	64	0	69	43	55	31	52	41	57	62
% OF EMPLOYEES COVERED BY THE COLLECTIVE AGREEMENT	100	100	99	100	100	100	100	100	100	97	100	0	100	100
	F/M	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**	**F/M**
NUMBER OF EMPLOYEES ENTITLED TO PARENTAL LEAVE	15/53	0/16	1/0	0/21	1/1	0/0	20/50	1/2	5/0	0	13/0	1/0	6/0	0/10
NUMBER OF EMPLOYEES BY GENDER THAT TOOK PARENTAL LEAVE	81/12	4/26	1/0	2/2	3/1	1/0	113/47	5/0	14/0	3/0	6/0	1/0	6/0	0/0
NUMBER OF EMPLOYEES WHO RETURNED TO WORK AFTER THEIR PARENTAL LEAVE ENDED	31/9	4/25	1/0	0/2	1/1	0	34/40	3/0	4/0	3/0	3/0	0	4/0	0
NUMBER OF EMPLOYEES WHO RETURNED TO WORK AFTER THEIR PARENTAL LEAVE ENDED AND WHO ARE STILL EMPLOYED TWELVE MONTHS AFTER THEIR RETURN TO WORK	43/1	1/3	0	1/1	3/0	0	43/16	0	5/0	0	4/1	1/0	3/0	0
THE RETURN TO WORK AND RETENTION RATES OF EMPLOYEES WHO RETURNED TO WORK AFTER THE LEAVE ENDED (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Holdina d.o.o. and Energopetrol d.d. employees work halftime for one company and other halftime for the other

102-8, 202-2

Proportion of senior management hired from the local community at significant locations of operation in 2020:

COMPANY	LOCAL/EXTERNAL
CROSCO D.O.O.	1/0
ED-INA D.O.O.	N/A
HOLDINA D.O.O.	1/2
ENERGOPETROL D.D.	0/3
HOSTIN, D.O.O.	0
INA CRNA GORA D.O.O.	0
INA KOSOVO D.O.O.	0
INA MAZIVA D.O.O.	1/0
INA, D.D.	7/1
INA SLOVENIJA D.O.O.	1/0
PLAVI TIM D.O.O.	1/0
ROTARY ZRT.	1/0
STSI d.o.o.	1/0
TOP RAČUNOVODSTVO SERVISI d.o.o.	1/0

INDEPENDENT REVIEWS

OPINION OF THE COMMISSION OF THE ADMINISTRATIVE COUNCIL OF THE CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT ON THE INA GROUP SUSTAINABILITY REPORT FOR 2020

This year's INA Group Annual Report is the seventh integrated report that presents a comprehensive overview of the company's financial and material sustainability topics. The report focuses on the material economic, environmental and social impacts of INA Group's business activities and deals with operations in the period from 1 January to 31 December 2020. INA Group Sustainable Development Report for 2020 meets the legal regulations of the Republic of Croatia which set out the scope, content and deadlines of the annual report, and is also in accordance with the requirements of the core sustainability reporting option of the Global Reporting Initiative (GRI).

The report presents INA's business activities in one of the most challenging business years since the organization's establishment. The pandemic, which affected the world and damaged the global economy, also had a strong impact on business in Croatia. The oil industry and fuel processing activities are among the most affected by this pandemic due to the slow-down in economic activity, reduced mobility of citizens and a weak tourist season. Everything was accompanied by a sharp drop in prices. Due to all these reasons INA Group suffered a decrease in revenues and losses in the subject year, but managed to preserve the business stability and continuity in spite of that.

It was in these extraordinary circumstances of the pandemic and unplanned strong business impacts that INA Group ensured a timely and effective response to the pandemic and ensuing quarantine. Employees have been re-organized to work in accordance with the epidemiological measures, thus preserving health and efficient business operations, as well as jobs. In addition to a detailed presentation of the response to the pandemic, which includes increased business digitalization and various forms of psychological support to employees, the employee care programs such as flexi programs, as well as Mamforce and Dadforce programs continued, and were further strengthened during the pandemic.

Following the reinstatement of stable operations at the level of the entire MOL and INA Group, a survey on diversity and inclusion was conducted with the aim of better understanding the perspective of employees on this topic and identifying strengths, as well as improvement areas.

A serious and systematic approach to occupational health and safety has continued, which includes awarding the Smart recognition for outstanding contribution to employees, management and contractors, as well as training in safe driving.

Despite the times of crisis, works on environmental protection projects continued, therefore the construction of a plant for the treatment of heavy residues, worth around HRK 4 billion, also continued. In addition, in the middle of the year, the propane-propylene splitter unit, worth more than half a billion kuna, was put into operation, allowing the Rijeka Refinery to produce high-purity propylene used in the petrochemical industry.

Furthermore, in Sisak, investments are being made in alternative sustainable forms of production, which include bitumen production, a logistics hub, a solar power plant and a biorefinery. These investments are partly co-financed from the European Union Innovation Fund. Furthermore, in cooperation with the City of Zagreb, INA is implementing a project to introduce hydrogen as an alternative, CO_2-neutral fuel in urban transport. We are also working on the construction of solar power plants at the existing industrial facilities.

We especially commend the very high-quality and thorough consultation with stakeholders on material topics of INA Group. Of particular interest was the open panel discussion on material topics in an online format entitled "Open about the sustainability of the INA Group". On that occasion, 15 stakeholder representatives participated in the open panel discussion, engaging in a very open and dynamic discussion that opened various topics and defined the key interests of stakeholders, but also the risks of the INA Group. The process of involving stakeholders in the research of material topics was conducted through an online questionnaire, which included 44 representatives of various stakeholder groups. This comprehensive analysis of stakeholders' perspectives on material topics showed that there is a separate group of customers who exhibit lower awareness of climate issues than the other stakeholders involved in the discussion.

In the part of the report regarding the bribery and corruption, we suggest that some of the GRI indicators be selected to indicate the status of reported and investigated incidents by individual areas instead of the current summary. We believe that stakeholders may be interested in to which topics the reports relate, i.e. whether they relate to bribery, whistleblowers or human rights violations. It would also be good to state what the compliance department warned about during the reporting period as well as to indicate the stage in which the misdemeanor and other proceedings initiated during the reporting period are.

In the past year, a new framework for sustainable development management was implemented, which in a high-quality, comprehensive manner connected the previous efforts to continuously reduce the impact on the environment, which is the primary and most important goal of the sustainability program.

Within this framework, the topic of climate change is especially emphasized, to which a special chapter is dedicated, where for the first time the risks related to climate change are strategically and systematically presented. It is shown how the business adapts to sustainability, and it is on these settings that strategic guidelines have been developed with the aim of using the potential offered by the core business, while defining directions for transformation into new business segments. INA Group hereby demonstrates its intention to focus on reducing harmful emissions by introducing climate risk criteria and the ability to manage them in the processes of defining the business strategy and decision-making, in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Climate-related publications are also in line with the TCFD.

Given the much greater importance assigned to the topic of climate change in this report, we hope to see more information in the next report on actual plans and strategies to achieve the goal of reducing greenhouse gas emissions, as well as actual results of the activities conducted. In the future reports, we expect information on implemented GHG emission reduction projects, such as the biofuels project and others, as well as more material data on such reduced emissions and the impact on risks associated with climate change.

In conclusion, we believe that this year's INA Group report is comprehensive and provides many data important for the assessment of specific activities, strategies and plans. We commend in particular the introduction of a special chapter on climate change, which represents a huge step forward and a basis for further development of the emission reduction process and its regular monitoring and reporting. We thank INA Group for this great progress and will gladly follow up on future reports and information regarding the results of the implementation of these initiatives.

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Independent Limited Assurance Report on indicators presented in the Sustainability Report of INA Group, as Part of the Annual Report for the year ended 31 December 2020

To the Management Board of INA – INDUSTRIJA NAFTE d.d.

Avenija V. Holjevca 10
10020 Zagreb
Croatia

Scope of work performed

We have undertaken a limited assurance engagement on indicators presented in the **Sustainability Report of INA Group, as part of the Annual Report for the year from 1st January 2020 – 31st December 2020** (the "Sustainability Report"), developed by INA-INDUSTRIJA NAFTE d.d. (the "Company"), and marked with "YES" in a column "External assurance" in a table "GRI Content Index" that are material specific indicators: 302-1 Energy consumption within the organization, 303-3 Water withdrawal, 305-1 Direct greenhouse gas (GHG) Emissions (Scope 1), 305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2), 306-2 Waste by type and disposal method, 306-3 Significant spills, 403-9 Work related injuries, 403-10 Work related ill health , 404-1 Average hours of training per year per employee, and 404-3 Percentage of employees receiving regular performance and career development reviews („Selected indicators"). The indicators have been prepared on the basis of the GRI Standards for "Core" option, issued by Global Reporting Initiative (GRI).

Responsibility of the Management Board of the Company

The Management Board of the Company is responsible for the preparation and presentation of the indicators presented in the Sustainability Report in accordance with GRI Standards for "Core" option, issued by Global Reporting Initiative (GRI). This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. The Management Board of the Company is also responsible for reliable, correct and fair information and for correct preparation of the documentation provided to us.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In compliance with International Standard on Quality Control No 1, issued by International Federation of Accountants Deloitte maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the ten indicators as marked in the GRI Content index presented in the Sustainability Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected indicators presented in the Sustainability Report are free from material misstatement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. A limited assurance engagement is substantially shorter in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Company Directors: Marina Tonžetić, Dražen Nimčević and Domagoj Vuković; Bank: Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009–1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294.

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In order to form our conclusion on the selected ten indicators as marked in the GRI Content index presented in the Sustainability Report, we undertook in the period 7 January 2021 – 29 April 2021 the following procedures:

- Through inquiries, obtained an understanding of INA Group's control environment and information systems relevant to reporting the indicators under review, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Obtained an understanding through inquiries, analytical procedures, observation and other applicable evidence gathering procedures on a sample basis on the key structures, systems, processes, procedures and internal controls relating to collation, aggregation, validation and reporting of data for the indicators under review.
- Evaluated whether Company's methods for developing calculations are appropriate and had been consistently applied.
- Compared the information included in the Sustainability Report to internal documentation of the Company.
- Undertook site visits to assess the completeness of the indicators under review, data collection methods, source data and relevant assumptions applicable to the indicators.

Limitations

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Our limited assurance engagement has been limited to the abovementioned selected ten indicators as marked in the GRI Content Index presented in the Sustainability Report and does not extend to the rest of the information included in the report nor the report as a whole. Accordingly, our conclusion below covers only these indicators and not all data presented or any other information included in the Sustainability Report.

The process the organization adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organizations and from year to year within the organization as methodologies develop. The accuracy and completeness of the information disclosed in the Sustainability Report are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information.

Conclusion

Based on our work, we have obtained limited assurance that the information concerning the abovementioned selected ten indicators as marked in the GRI Content Index included in the Sustainability Report developed by INA-INDUSTRIJA NAFTE d.d. are not incompliant with GRI Standards for 'Core' level issued by Global Reporting Initiative and no matters have come to our attention to cause us to believe that the reviewed indicators presented in the Sustainability Report are materially misstated.

Deloitte d.o.o.
Zagreb

Date 30 April 2021

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APPENDICES

GLOSSARY OF TERMS AND ACRONYMS

TERM/ACRONYIM	DEFINITION
1P RESERVES	Proven reserves
2P RESERVES	Proven and probable reserves
BCM - MCM	Billion cubic meters - million cubic meters
BLN - MLN	Billion - Million
BLN USD/HRK – MLN USD/HRK	Billion USD/HRK – Million USD/HRK
CAPEX	Capital expenditures
CBCSD	Croatian Business Council for Sustainable Development
CCS EBITDA/	1/0
PROFIT/(LOSS) FROM OPERATIONS	CCS methodology eliminates from EBITDA/Profit/(loss) from operations inventory holding profit/(loss) (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; furthermore, adjusts EBITDA/Profit/(loss) by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology
CCUS	Carbon capture, utilization and storage
CEE	Central and Eastern Europe
CEGH	Central European Gas Hub
CEEMEA	Central and Eastern Europe, Middle East and Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CH %	Percentage change
CLP	Classification, labelling and packaging of substances and mixtures
CNB	Croatian National Bank
CSI	Croatian Standards Institute
CSR	Corporate Social Responsibility
D.D.	PLC (Public Limited Company)
D.O.O.	LLC (Limited Liability Company)
DS	Downstream/Refining and Marketing
D&I	Diversity and inclusion
EARNINGS PER SHARE	Earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period
EB	Employee Brand
EBITDA	EBIT + Depreciation, amortization and impairment (net)
EIP	Efficiency Improvement Program
EOR	Enhanced Oil Recovery
ESP	Electric Submersible Pump
EU	European Union
EU ETS	European Union Emission Trading System
EURIBOR	Europe Interbank Offered Rate
G&GS	Geological and Geophysical
GDR	Global depositary receipts
GEARING RATIO	Net debt/Net debt + equity including non-controlling interest

TERM/ACRONYIM	DEFINITION
GHG	Greenhouse gases
GJ	Giga Joules
GRI	Global Reporting Initiative
HAZOP	Hazard and Operability Study
HR	Human Resources
HSE	Health, Safety and Environment
HUNIG	Croatian Association of Petroleum Engineers and Geologists
IFRS	International Financial Reporting Standards, formerly International Accounting Standards (IAS)
IMO	International Maritime Organization
IPM	Integrated Production Model
LIBOR	London Interbank Offered Rate
LNG	Liquefied natural gas
MBA	Master of Business Administration
MBOE/D	Thousand barrels of oil equivalent per day
MMBOE - MBOE	Million Barrels of Oil Equivalent - Thousands of Barrels of Oil Equivalent
MT – KT - T	Million tons – kiloton - ton
MTBF	Mean time between failure
MTPA	Million tons per annum
NCI	Nelson Complexity Index
OHS	Occupational Health and Safety
OPEC	Organization of the Petroleum Exporting Countries
OTIF	On time in full
P&ID	Piping and Instrumentation Diagram
PPE	Personal Protective Equipment
PSAS	Production sharing agreement
PSM	Process Safety Management
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
RETAIL LOCATIONS	Service stations and other retail locations (auto bar/ restaurants, carwash, shop, Heating Oil sales point, LPG sales point)
R&M	Downstream/Refining and Marketing
SD	Sustainable Development
SD&HSE	Sustainable Development and Health, Safety and Environment
SDG	Sustainable Development Goals
SDS	Safety data sheet
SIMPLIFIED FREE CASH FLOW	CCS EBITDA excluding special items – Capital expenditures
TCFD	Task Force on Climate-related Financial Disclosures
TIER	Process Safety Events (Tier 1 higher consequence, Tier 2 lower consequence)
TRIR	Total Recordable Injury Rate
TTF	Title Transfer Facility
TU	Trade Union
UK	United Kingdom
UNGC	United Nations Global Compact
WC	Works Council

REPORT ON PAYMENTS TO GOVERNMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. INTRODUCTIONS

INA – INDUSTRIJA NAFTE, d.d. has prepared the present Report on Payments to Government in accordance with Accounting Act (Official Gazette 78/15,134/15,120/16,116/18,42/20,47/20) compliance with Chapter 10 of DIRECTIVE 2013/34/EU (26 June 2013) on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

The „Reporting Principles“ section below contains information about the content of the Report, the types of payments included and the principles that have been applied in preparing the Report.

2. REPORTING PRINCIPLES

The Directive requires extractive sector companies listed on a stock exchange to publicly disclose payments made to the governments of those countries where they carry out extractive operations (involving the exploration, prospection, discovery, development and extraction of minerals, oil and natural gas deposits or other materials).

Under the Accounting Act, INA, d.d. is required to prepare a consolidated report on payments made to governments for each financial year in relation to relevant activities of both INA, d.d. and any of its subsidiary undertakings included in the consolidated group accounts.

The Report also provides details on the total amount of such payments by type, specific project and government paid. In light of these requirements INA Group has assessed its reporting obligations to be as follows:

- Where INA Group has made a payment to a government, such payment is reported in full, whether made in INA Group's sole capacity or in INA Group's capacity as the operator of a joint-arrangement.
- When a national oil company is the operator of a project to whom INA Group makes a reportable payment which is distinguishable in the cash-calls, it is included in this Report.
- Payments made by an incorporated joint arrangement where INA Group is not the operator are not included within this Report.
- For some payments it may not be possible to attribute a payment to a single project and therefore such payments may be reported at the country level. Corporate income taxes, which are typically not levied at a project level, are an example of this.

IN-KIND PAYMENTS

Production entitlement and Royalties paid in kind owed to Governments pursuant to legal or contractual provisions (not booked in the Extractive Companies' accounts pursuant to the accounting standards) are reported in proportion to the interest held in the Project. Payments in kind are estimated at fair value which corresponds to the contractual price of oil and gas, market price (if available) or an appropriate benchmark price. These prices may be calculated on an averaged basis over a given period.

CASH BASIS

Payments are reported on a cash basis, meaning that they are reported in the period in which they are paid, as opposed to being reported on an accruals basis (which would mean that they were reported in the period for which the liabilities arise).

REPORTING CURRENCY

All amounts presented in the Report are stated in Croatian kuna. Payments made to Governments in foreign currencies (currencies other than the Croatian kuna) were translated into the equivalent Croatian kuna amount using a weighted average of the relevant exchange rates during the reporting period.

3. DEFINITIONS

PAYMENT TYPES

A single payment or multiple interconnected payments, whether in cash or in kind, for extractives activities.

PAYMENT TYPES INCLUDED IN THIS REPORT

Production entitlement: host Government's share of production in the reporting period derived from projects operated by INA Group. This payment is generally paid in kind. The value of these payments is calculated based on the market price at the time of the in-kind payment.

Taxes: taxes and levies paid on income, production or profits, excluding taxes levied on consumption such as value added tax, excises duties, personal income taxes, sales taxes, and property and environmental taxes.

Royalties: payments for the rights to extract oil and gas resources, typically at set percentage of revenue less any deductions that may be taken.

Dividends: dividends, other than dividends paid to a government as an ordinary shareholder unless they are paid in lieu of a production entitlement or royalty.

Bonuses: bonuses paid for and in consideration of signature, discovery, production, awards, grants and transfers of extraction rights; bonuses related to achievement or failure to achieve certain production levels or targets, and the discovery of additional mineral reserves or deposits.

License and other fees: license fees, rental fees, entry fees and other considerations for licenses and/or concessions that are paid for access to the area where the extractive activities will be conducted. Administrative government fees that are not specifically related to the extractive sector, or to access to extractive resources, are excluded. Also excluded are payments made in return for services provided by a government.

Infrastructure improvements: payments for local infrastructure development, including the improvement of infrastructure, except where the infrastructure is exclusively used for operational purposes. Payments which are of a social investment in nature, for example building of a school or hospital, are excluded.

GOVERNMENT

Under the Regulations, a 'government' is defined as any national, regional or local authority of a country, and includes a department, agency or undertaking that is a subsidiary undertaking controlled by such an authority.

4. PROJECT DEFINITION

Operational activities governed by a single contract, license, lease, concession or similar legal agreement that form the basis for payment liabilities with a Government. If multiple such agreements are substantially interconnected (meaning that the agreements are governed by a single overarching agreement, that the agreements have more or less identical terms, and that the agreements are geographically and operationally interconnected), they are considered as a single Project.

5. SUMMARY REPORT

The table below shows the relevant payments to governments made by INA Group in the year ended 31 December 2020 shown by country and payment type.

In the summary report, all amounts are stated in million HRK.

SUMMARY BY COUNTRIES:

PAYMENTS BY COUNTRIES	PRODUCTION ENTITLE-MENTS	TAXES	ROYALTIES	DIVIDENDS	SIGNATURE, DISCOVERY AND PRO-DUCTION BONUSES	LICENSE AND OTHER FEES	INFRASTRUC-TURE IM-PROVEMENTS	TOTAL
CROATIA	-	-	236	-	10	32	-	278
ANGOLA	-	7	-	-	-	-	-	7
EGYPT	13	-	-	-	-	-	-	13
TOTAL	**13**	**7**	**236**	**-**	**10**	**32**	**-**	**298**

6. PAYMENTS TO GOVERNMENT BY COUNTRIES

CROATIA

PAYMENTS BY GOVERNMENTS	PRODUCTION ENTITLE-MENTS	TAXES	ROYALTIES	DIVIDENDS	SIGNATURE, DISCOVERY AND PRO-DUCTION BONUSES	LICENSE AND OTHER FEES	INFRASTRUC-TURE IM-PROVEMENTS	TOTAL
LOCAL MUNICIPALITIES	-	-	194	-	-	21	-	215
CROATIAN MINISTRY OF FINANCE	-	-	42	-	10	9	-	61
HYDROCARBON AGENCY	-	-	-	-	-	2	-	2
TOTAL	**-**	**-**	**236**	**-**	**10**	**32**	**-**	**278**

PAYMENTS BY PROJECTS	PRODUCTION ENTITLE-MENTS	TAXES	ROYALTIES	DIVIDENDS	SIGNATURE, DISCOVERY AND PRO-DUCTION BONUSES	LICENSE AND OTHER FEES	INFRASTRUC-TURE IM-PROVEMENTS	TOTAL
CROATIA ON SHORE	-	-	194	-	-	16	-	210
CROATIA OFF SHORE	-	-	42	-	-	9	-	51
DRAVA-02	-	-	-	-	-	1	-	1
DRAVA-03	-	-	-	-	7	2	-	9
SZH-01*	-	-	-	-	2	1	-	3
DINARIDI-14	-	-	-	-	1	3	-	4
TOTAL	**-**	**-**	**236**	**-**	**10**	**32**	**-**	**278**

*Sjeverozapadna Hrvatska

ANGOLA

Payments by governments	PRODUCTION ENTITLE-MENTS	TAXES	ROYALTIES	DIVIDENDS	SIGNATURE, DISCOVERY AND PRO-DUCTION BONUSES	LICENCE AND OTHER FEES	INFRASTRUC-TURE IM-PROVEMENTS	TOTAL
ANGOLAN TAX AUTHORITY	-	7	-	-	-	-	-	7
TOTAL	**-**	**7**	**-**	**-**	**-**	**-**	**-**	**7**

PAYMENTS BY PROJECTS	PRODUCTION ENTITLE-MENTS	TAXES	ROYALTIES	DIVIDENDS	SIGNATURE, DISCOVERY AND PRO-DUCTION BONUSES	LICENCE AND OTHER FEES	INFRASTRUC-TURE IM-PROVEMENTS	TOTAL
BLOCK 3/05	-	7	-	-	-	-	-	7
TOTAL	**-**	**7**	**-**	**-**	**-**	**-**	**-**	**7**

EGYPT

PAYMENTS BY GOVERNMENTS	PRODUCTION ENTITLE-MENTS	TAXES	ROYALTIES	DIVIDENDS	SIGNATURE, DISCOVERY AND PRO-DUCTION BONUSES	LICENCE AND OTHER FEES	INFRASTRUC-TURE IM-PROVEMENTS	TOTAL
EGYPTIAN GOVERNMENT (EGPC)	13	-	-	-	-	-	-	13
TOTAL	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**13**

PAYMENTS BY PROJECTS	PRODUCTION ENTITLE-MENTS	TAXES	ROYALTIES	DIVIDENDS	SIGNATURE, DISCOVERY AND PRO-DUCTION BONUSES	LICENCE AND OTHER FEES	INFRASTRUC-TURE IM-PROVEMENTS	TOTAL
EGYPT OPER-ATION - EAST YIDMA	13	-	-	-	-	-	-	13
TOTAL	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**13**

INFORMATION FOR SHAREHOLDERS

CORPORATE ADDRESS

INA - Industrija nafte, d.d.
Avenija Većeslava Holjevca 10
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CORPORATE COMMUNICATIONS AND MARKETING

Avenija Većeslava Holjevca 10
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E-mail: PR@ina.hr

CENTRAL DEPOSITORY AND CLEARING COMPANY

Heinzelova 62a
10 000 Zagreb
Phone: +385 1 4607 300
Web: www.skdd.hr

ZAGREB STOCK EXCHANGE

Ivana Lučića 2a
10 000 Zagreb
Phone: +385 1 4686 800
Web: www.zse.hr

ANNOUNCEMENTS

The company publishes its announcements on INA's website: www.ina.hr, at Zagreb Stock Exchange's website: http://www.zse.hr and on Croatian News Agency's website: www.hina.hr

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FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

Content

Responsibility for the financial statements

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

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

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

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

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

Signed on behalf of the Company and the Group:

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

Niko Dalić, member of the Management Board

Ferenc Horváth, member of the Management Board

Barbara Dorić, member of the Management Board

Darko Markotić, member of the Management Board

József Simola, member of the Management Board

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17 March 2021

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the separate and consolidated financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

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Članovi Uprave: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić
Applicable court: Commercial court in Zagreb; Registered share capital is 20.000,00 HRK, fully paid;
Members of the Board: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

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

Consistence with Additional Report to Audit Committee

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

Provision of Non-audit Services

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

Report on Regulatory requirements

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

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

A member firm of Ernst & Young Global Limited
Mjerodavan sud: Trgovački sud u Zagrebu; Temeljni kapital: 20.000,00 kuna, uplaćen u cijelosti;
Članovi Uprave: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić
Applicable court: Commercial court in Zagreb; Registered share capital is 20.000,00 HRK, fully paid,
Members of the Board: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

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

(all amounts are presented in HRK millions)

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

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

(all amounts are presented in HRK millions)

1. GENERAL

History and incorporation

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

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

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

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

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

*Source: Central Depository & Clearing Company Inc.

Principal activities

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

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

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

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

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

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

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

(all amounts are presented in HRK millions)

1. GENERAL (CONTINUED)

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

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

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

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

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

Supervisory Board

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

Management Board

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

Council of Directors

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

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

2. ACCOUNTING POLICIES

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

Presentation of the financial statements

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

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

Basis of accounting

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

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

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

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

Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period

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

2. ACCOUNTING POLICIES (CONTINUED)

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

Standards and Interpretations effective in the current period (continued)

- **Amendment to IFRS 16** *Leases Covid 19-Related Rent Concessions*, issued on 28 May 2020 (effective date for annual periods beginning on or after 1 June 2020).

- **Amendments to IFRS 3** *Business Combinations,* issued on 22 October 2018 (effective date for annual periods beginning on or after 1 January 2020).

- **Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7),** issued on 26 September 2019 (effective date for annual periods beginning on or after 1 January 2020).

- **Amendments to IAS 1 and IAS 8** *Definition of Material*, issued on 31 October 2018 (effective date for annual periods beginning on or after 1 January 2020).

- **Amendments to References to the Conceptual Framework in IFRS Standards**, issued on 29 March 2018 (effective date for annual periods beginning on or after 1 January 2020).

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

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

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

- **Amendments to IFRS 4** *Insurance Contracts* – deferral of IFRS 9, issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2021).

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

Going concern in COVID-19 pandemic

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

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

Basis of consolidated financial statements (INA Group)

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Legal merger

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

Business combination

Business combinations are accounted for using the acquisition method.

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)

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

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

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

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

Acquisition of entities under common control

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

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

Investments in associates and joint ventures

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

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

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

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

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

Oil and gas properties

Exploration and appraisal costs

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

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

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

Fields under development

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

Depreciation

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

Commercial reserves

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

2. ACCOUNTING POLICIES (CONTINUED)

Intangible assets

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

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

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

Property, plant and equipment

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

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

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

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

Depreciation, Depletion and Amortisation

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

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

Leases

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

The Company and the Group as a lessee

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

1. *Right-of-use assets*

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

2. ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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

2. *Lease liabilities*

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

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

Short-term leases and leases of low-value assets

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

Group as a lessor

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

2. ACCOUNTING POLICIES (CONTINUED)

Receivables from customers

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

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

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

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

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

The calculation of loss rate:

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

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

Inventories

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)

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

Cash and cash equivalents

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

Borrowing costs

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

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

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

Foreign currencies

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

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

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

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

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

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

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

Retirement Benefit and Jubilee Costs

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

2. ACCOUNTING POLICIES (CONTINUED)

Retirement Benefit and Jubilee Costs (continued)

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

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

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

Financial assets

Initial measurement of financial instruments

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

Subsequent measurement of financial assets

Financial assets are classified in four categories:

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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

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

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

Derecognition of financial assets

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

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

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

Impairment

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

General approach

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

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

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

Simplified approach

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Segmental information

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

Provisions for decommissioning and other obligations

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

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

Provision for emission quotas

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

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

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

Revenue from Contracts with Customers

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (continued)

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

Presentation and disclosure

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

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

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

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

Excise duties

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

Construction – maintenance and service contracts

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

Loyalty points programme

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements and estimates in applying accounting policies

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

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

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

Consequences of certain legal actions

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

Carrying value of property, plant and equipment

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

Carrying value of goodwill

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

Carrying value of intangible exploration and appraisal assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Carrying value of production oil and gas assets

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

Carrying value of Refining and Marketing assets

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

Key assumptions used

Refining and Marketing

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

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

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

Exploration and Production

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Key assumptions used (continued)

Exploration and Production (continued)

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

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

Investments in Syria

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

Current situation

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

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

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

Political developments in Egypt

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

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

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

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

The level of provisioning for environmental obligations

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

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

A deferred tax asset is recognized for unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning savings. Determining the amount of deferred taxes that can be recognised requires a significant level of judgement, which is based on the probable quantification of the time and level of future taxable profits, together with the future tax planning strategy.
Management believes that deferred tax asset recognized is recoverable. At 31 December 2020 the carrying amount of deferred tax assets of the INA Group amounted to HRK 1,210 million (2019: HRK 1,035 million) and deferred tax liabilities amounted to HRK 16 million at 31 December 2020 (2019: HRK 15 million). At 31 December 2020 the carrying amount of deferred tax assets of INA, d.d. amounted to HRK 1,054 million, (31 December 2019: HRK 929 million respectively) (see note 11). If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by HRK 19 million at 31 December 2020 (31 December 2019: HRK 28 million).

Actuarial estimates used determining the retirement bonuses

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

Useful life of the assets

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

Lease term duration estimates

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Estimates of incremental borrowing rate for lease contracts

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

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

Hydrocarbon reserves

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

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

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

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

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

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

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

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

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

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

Contract balances

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

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

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

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

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

Performance obligations

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

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

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

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

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

INA Group

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

INA, d.d.

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

4. SEGMENT INFORMATION

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

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

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

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

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

* See note 8

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

BY GEOGRAPHICAL

INA Group

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

INA Group

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

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

INA Group

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

INA, d.d.

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

Information about major customers

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

5. OTHER OPERATING INCOME

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

(all amounts are presented in HRK millions)

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT (NET)

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

7. STAFF COSTS

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

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

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

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

(all amounts are presented in HRK millions)

8. IMPAIRMENT CHARGES (NET)

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

*see note 3

9. PROVISIONS FOR CHARGES AND RISKS (NET)

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

(all amounts are presented in HRK millions)

10. FINANCE INCOME AND FINANCE COST

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

(all amounts are presented in HRK millions)

11. TAXATION

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

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

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

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

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

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

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

(all amounts are presented in HRK millions)

11. TAXATION (CONTINUED)

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

State aid measures

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

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

(all amounts are presented in HRK millions)

11. TAXATION (CONTINUED)

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

12. (LOSS)/EARNINGS PER SHARE

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

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

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

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

(all amounts are presented in HRK millions)

13. INTANGIBLE ASSETS

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

(all amounts are presented in HRK millions)

13. INTANGIBLE ASSETS (CONTINUED)

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

(all amounts are presented in HRK millions)

13. INTANGIBLE ASSETS (CONTINUED)

Goodwill

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

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

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

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

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

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

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

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

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT

a) By business operations

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

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) By asset type (continued)

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

I) Oil and gas reserves

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

II) Ownership of land and buildings

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

III) Collective consumption assets

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IV) Carrying value of property, plant and equipment

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

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

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

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

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

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

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

V) Internal labour capitalisation

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

VI) Review of the residual value

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

VII) Assets classified as held for sale

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

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

(all amounts are presented in HRK millions)

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

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

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

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

The following portfolio changes were recorded in 2020:

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

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

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

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

The following portfolio changes were recorded in 2019:

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

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

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

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

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

(all amounts are presented in HRK millions)

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

Composition of the Group

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

(all amounts are presented in HRK millions)

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

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

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

The Company has interests in other entities as follows:

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

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

(all amounts are presented in HRK millions)

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

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

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

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

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

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

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

(all amounts are presented in HRK millions)

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

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

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

* based on the latest available information from September

17. OTHER INVESTMENTS

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

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

(all amounts are presented in HRK millions)

18. LONG-TERM RECEIVABLES AND OTHER ASSETS

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

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

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

(all amounts are presented in HRK millions)

19. NON-CURRENT FINANCIAL ASSETS

Equity instruments

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

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

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

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

(all amounts are presented in HRK millions)

20. INVENTORIES

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

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

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

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

21. TRADE RECEIVABLES, NET

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

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

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

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

(all amounts are presented in HRK millions)

22. OTHER RECEIVABLES

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

23. OTHER CURRENT ASSET

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

24. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits.

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

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

(all amounts are presented in HRK millions)

25. BANK LOANS

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

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

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

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

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

(all amounts are presented in HRK millions)

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

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

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

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

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

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

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS

Long-term loans can be utilized in different foreign currencies and are subject to different interest rates. Long-term loans of INA, d.d. are unsecured and contain financial covenants which are fulfilled.
The outstanding loans of the Group are analysed as follows:

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

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

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS (CONTINUED)

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

The maturity of the loans may be summarised as follows:

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

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

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

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS (CONTINUED)

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

ING BANK N.V., LONDON BRANCH

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

MOL Group

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

Reconciliation of liabilities arising from financing activities

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

INA Group

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

INA, d.d.

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

(all amounts are presented in HRK millions)

27. LONG-TERM LOANS (CONTINUED)

INA Group

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

INA, d.d.

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

Compliance with loan agreements

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

28. LEASES

As a lessee

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

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

(all amounts are presented in HRK millions)

28. LEASES (continued)

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

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

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

Lease liabilities

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

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

(all amounts are presented in HRK millions)

28. LEASES (continued)

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

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

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

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

29. OTHER NON-CURRENT LIABILITIES

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

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

(all amounts are presented in HRK millions)

30. PROVISIONS

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

(all amounts are presented in HRK millions)

30. PROVISIONS (CONTINUED)

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

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

30. PROVISIONS (CONTINUED)

Decommissioning charges

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

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

Environmental provision

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

Emission allowances

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

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

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

Legal claims

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

Renewable energy provision

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

(all amounts are presented in HRK millions)

30. PROVISIONS (CONTINUED)

Other provisions

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

31. RETIREMENT AND OTHER EMPLOYEE BENEFITS

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

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

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

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

(all amounts are presented in HRK millions)

31. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

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

Actuarial estimates were derived based on the following key assumptions:

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

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

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

(all amounts are presented in HRK millions)

31. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

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

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

32. SHARE CAPITAL

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

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

33. FAIR VALUE RESERVES

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

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

(all amounts are presented in HRK millions)

34. OTHER RESERVES

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

Movements on reserves during the year were as follows:

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

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

(all amounts are presented in HRK millions)

35. RETAINED EARNINGS

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

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

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

36. NON-CONTROLLING INTEREST

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

(all amounts are presented in HRK millions)

36. NON-CONTROLLING INTEREST (CONTINUED)

Proportion of equity interest of Energopetrol d.d.:

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

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

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

37. RELATED PARTY TRANSACTIONS

The company has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the Company's strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is performed with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation. Details of transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

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

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

Loan to and from related parties:

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

Hedge transactions with related parties:

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

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

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

(all amounts are presented in HRK millions)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

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

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

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

38. COMMITMENTS

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

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

(all amounts are presented in HRK millions)

38. COMMITMENTS (CONTINUED)

Gas Transportation contracts

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

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

Gas purchase contract obligations (Take or pay)

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

Lease contracts

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

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

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

Guarantees

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

39. CONTINGENT LIABILITIES

Environmental matters

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

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

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

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

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

Environmental provisions

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

39. CONTINGENT LIABILITIES (CONTINUED)

Environmental matters (continued)

Environmental provisions (continued)

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

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

Litigation

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

GWDF

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

EKO MEDIA d.o.o.

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

39. CONTINGENT LIABILITIES (CONTINUED)

Litigation (continued)

LJUBLJANSKA BANKA

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

Belvedere cases (CLEOSTONE claim included)

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

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

Belvedere – HRK 24 million, 018-11/17

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

Belvedere – HRK 220 million, 018-14/17

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

39. CONTINGENT LIABILITIES (CONTINUED)

Litigation (continued)

Labour procedure against Energopetrol d.d.

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

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

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

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

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

INA/MOL claim:

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

FBIH counterclaim:

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

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

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Gearing ratio

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

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

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

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

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

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

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

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

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

Financial risk management objectives

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

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

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

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

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

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

Commodity price risk management

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

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

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

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

Foreign currency risk management

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

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

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

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

INA Group

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

INA, d.d.

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

Foreign currency sensitivity analysis

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

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

INA Group

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

INA, d.d.

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

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency sensitivity analysis (continued)

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

Interest rate risk management

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

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

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

Interest rate risk analysis

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

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

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

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

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

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Other price risks

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

Equity price sensitivity analysis

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

If equity prices had been 10% higher:

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

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

Credit risk management

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

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

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

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

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management

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

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

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

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

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

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

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

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (continued)

Liquidity and interest risk tables

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

INA Group

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

INA, d.d.

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

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

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

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

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

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

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

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

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

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

(all amounts are presented in HRK millions)

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognized in the statement of financial position

INA GROUP and INA, d.d.

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

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

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

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

- Financial instruments in level 1

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

- Financial instruments in level 2 and level 3

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

Specific valuation techniques used to value financial instruments include:

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

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

41. SUBSEQUENT EVENTS

Subsequent events and other considerations related to COVID-19

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

Dividend payment finalized

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

Appönitment of new members of INA Management Board

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

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

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

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

Niko Dalić, member of the Management Board

Ferenc Horváth, member of the Management Board

Barbara Dorić, member of the Management Board

Darko Markotić, member of the Management Board

József Simola, member of the Management Board

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To the Shareholders of INA-Industrija nafte, d.d.:

I. Report on the audit of the separate and consolidated financial statements

We have audited the separate financial statements of INA – Industrija nafte, d.d. ("the Company"), and consolidated financial statements of INA – Industrija nafte, d.d. and it's subsidiaries (together "the Group") as at 31 December 2020 which have been issued on 17 March 2021. We issued the following audit report dated 17 March 2021 on the consolidated and separate financial statements (presented in the Annual report on pages 164 to 289):

> **INDEPENDENT AUDITOR'S REPORT**
>
> To the Shareholders of INA – Industrija Nafte, d.d.
>
> **Report on the audit of the separate and consolidated financial statements**
>
> **Opinion**
>
> We have audited the separate financial statements of INA – Industrija Nafte, d.d. (the Company), and consolidated financial statements of INA – Industrija Nafte, d.d. and its subsidiaries (together -the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2020, the separate and consolidated statement of profit or loss and the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.
>
> In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and Group as at 31 December 2020 and of its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU).
>
> **Basis for opinion**
>
> We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report.
>
> We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.
>
> We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
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> **Key audit matters**
>
> Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.
>
> We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

A member firm of Ernst & Young Global Limited
Mjerodavan sud: Trgovački sud u Zagrebu; Temeljni kapital: 20.000,00 kuna, uplaćen u cijelosti;
Članovi Uprave: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić
Applicable court: Commercial court in Zagreb; Registered share capital is 20.000,00 HRK, fully paid;
Members of the Board: Berislav Horvat, Ivana Krajinović, Zvonimir Madunić

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

Key Audit Matter	How we addressed Key Audit Matter
Impairments of the Company's and the Group's long lived assets (continued) Furthermore, during 2020 management decision on transformation of traditional refining process and conservation of units in the Sisak Refinery was made. This decision resulted in the need to review all assets of Sisak Refinery for impairment and identify those becoming idle. Due to complexity and judgement used in the assessment of impairment indicators and impairment models, impairment of Company's and Group's long lived assets is a key audit matter.	In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in the impairment analysis, the most significant being future market oil and gas prices and discount rates. We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis, tested the appropriateness of discount rates used in the calculation with the assistance of the specialists and performed procedures to assess the completeness of the impairment charges. We reviewed the decision made by management that triggered the impairment of Sisak Refinery asset. We performed inquiries with the management and with the responsible departments to understand the transformation process. As part of our testing, we performed additional evaluation and test of details on a sample to check management's reasoning on adjusting or not adjusting value of items. We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.
Estimation of decommissioning provisions Provisions associated with decommissioning of the assets are disclosed in Note 30 Provisions to the separate and consolidated financial statements; a description of the accounting policy and key judgements and estimates are included in Note 2 Accounting policies and Note 3 Significant accounting judgements and estimates, respectively. Management reviews decommissioning provisions on an annual basis. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates and discount rates. Decommission assets are recorded in an amount equal to the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets. If there is no related asset, the change in provision estimate will be charged to the separate and consolidated statement of profit or loss. The calculation of decommissioning provisions requires significant management judgement because of the inherent complexity in estimating future costs and is therefore considered as a key audit matter.	Audit procedures involved understanding of the mandatory or constructive obligations with respect to the decommissioning of each asset based on the contractual arrangements and relevant local regulation to validate the appropriateness of the cost estimate. We obtained calculation of decommissioning provision from the Company and the Group and tested that all of the required fields are included in the calculation, tested the appropriateness of discount rates used in the calculation, tested actual expenses that occurred during the current accounting period, inspected that decommissioning provision for the similar types of assets is in line with the expenses occurred in the current accounting period and assessed that the last year of production is aligned with the evaluation of reserves. As a part of our testing, we considered the competence and objectivity of the Company's and the Group's experts who produced the cost estimates. We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.

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

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

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

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

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

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

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

Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

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

Consistence with Additional Report to Audit Committee

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

Provision of Non-audit Services

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

Report on Regulatory requirements

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

____

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

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

Management is responsible for the other information. Other information consists of the information included in the Annual Report which includes the Management report, Corporate Governance Statement and Report on payments to governments, other than the separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the Other information including the Management report, Corporate Governance Statement and Report on payments to governments.

II. Other information included in the Company's and the Group's Annual Report for year 2020 (continued)

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

With respect to the Management report, Corporate Governance Statement and Report on payments to governments, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management report includes the disclosures required by Article 21 of the Accounting Act, whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act, and whether the Report on the payments to governments includes the information specified in Article 27 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management report for the 2020 financial year are consistent, in all material respects, with the enclosed separate and consolidated financial statements;

2. the enclosed Management report for 2020 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;

3. Corporate Governance Statement, included in the Company's and the Group's annual report, includes the information referred to in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act;

4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Company's and the Group's annual report for the year 2020 are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed separate and consolidated financial statements; and

5. Report on payments to governments, included in the Company's and Group's annual report, includes the information referred to in Article 27, paragraph 4, items 1, 2 and 3 and paragraph 5 of the Accounting Act.

In addition, in the light of the knowledge and understanding of the Company and Group and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management report, Corporate Governance Statement, Report on payments to governments and Annual report. We have nothing to report in this respect.

Berislav Horvat, President of the Management Board and certified auditor

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30 April 2021