ANNUAL REPORT

2022

INA

Contents

1. OVERVIEW

1.1. Mission, vision and core values

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

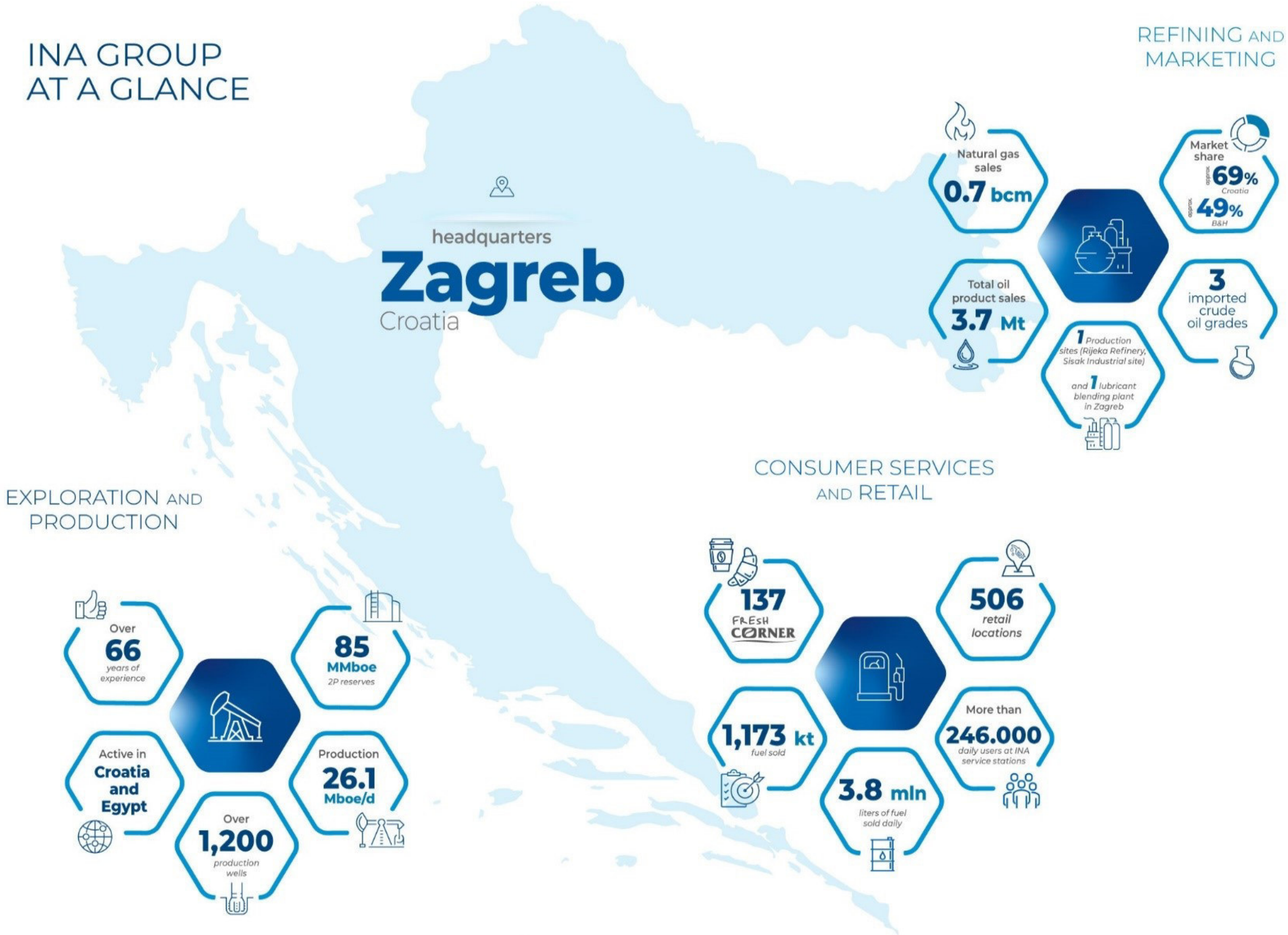
To be a well-reputed and desirable partner that is known for its excellent products and services, for honest and nurtured relationships, and for protection of the interests of our owners, customers, employees and other partners.

Core values

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.

- 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 customer all*
  Customer service is not a department - it is a part of our brand DNA.
- OWNERSHIP - *Our company, our responsibility*
  We empower and inspire each other. This is what makes INA Group dynamic and forward-thinking.
- 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.

INA GROUP AT A GLANCE



1.2. INA Group at a glance

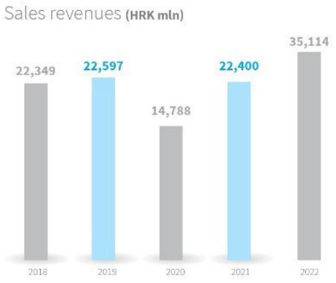
Key financial and operating data

KEY FINANCIAL DATA (HRK MLN)*	2021	2022	CH %
Revenue from contracts with customers	22,400	35,114	57
EBITDA[1]	3,315	5,068	53
EBITDA excluding special items[2]	3,403	5,068	49
o/w Exploration and Production	2,515	4,892	95
o/w Refining and Marketing including Consumer Services and Retail	1,253	360	(71)
CCS EBITDA excluding special items	3,029	5,481	81
Profit/(loss) for the year attributable to the Owners	1,285	1,895	47
Net cash inflow from operating activities	3,454	3,433	(1)
Capital expenditures	1,598	2,728	71
o/w Exploration and Production	608	795	31
o/w Refining and Marketing	795	1,617	104
o/w Consumer Services and Retail	110	142	29
Basic and diluted earnings per share (HRK per share)	128.5	189.5	47
Gearing ratio (%)[3]	13.9	5.4	

* Detailed data analysis is provided in the Management Discussion and Analysis chapter
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] In 2021 result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning
[3] Gearing ratio = Net debt/Net debt + equity including non-controlling interest

KEY OPERATING DATA	2021	2022	CH %
KEY EXPLORATION AND PRODUCTION DATA			
Total gross hydrocarbon reserves (MMboe) 2P	85	85	n.a.
Total hydrocarbon production (Mboe/day)	27.1	26.1	(4)
KEY REFINING AND MARKETING DATA			
Total refining throughput (kt)	2,588	2,365	(9)
Total crude oil product sales (kt)	4,191	3,729	(11)
KEY CONSUMER SERVICES AND RETAIL DATA			
Total number of retail locations*	504	506	0
Total sales (kt)	1,060	1,173	11
ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA			
Carbon dioxide emissions - Scope 1 (Mt)	1.22	1.27	4
Total Recordable Injury Rate (TRIR)**	1.39	1.47	6
Total score in Croatian Corporate Social Responsibility Index	516	517	0

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



About report

This report represents the Annual report in line with the Articles 21, 21.a, 22, 24, 24.a, 27 and 28 of the Accounting Act. Non financial report, prescribed in the Article 21.a and 24.a of the Accounting Act is presented under Chapter 5 of this document, "Sustainability in INA Group".

Company and shareholder information

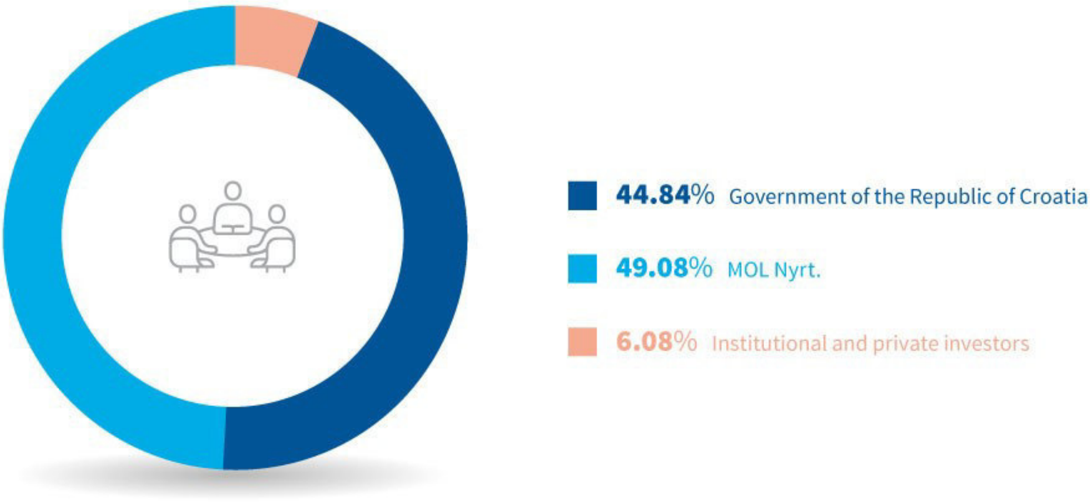
The company's share capital is divided into 10,000,000 ordinary shares with every share carrying one vote, dividend right and a nominal value of HRK 900.00.

INA - INDUSTRIJA NAFTE, d.d. was officially listed on the Zagreb Stock Exchange on 30 November 2006 with ticker symbol INA-R-A.

Transparency of the shareholder structure is provided with the list of top 10 shareholders for INA, as a publicly listed company on regulated market in line with the EU regulation, available on the regulated market (www.zse.hr) as well as the depository web site (www.skdd.hr) under the trading symbol INA-R-A.

As at 31 December 2022, 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



1.3. About INA Group integrated reporting

INA Group is committed to transparency towards interested stakeholders. Since 2015, INA Group has been reporting its financial and non-financial performance in one integrated report, as it is the most efficient method of communicating previous year's performance. INA Group's 9th Integrated Annual Report provides an account of the financial and non-financial value creation, processes, risks and results encompassing the financial year from 1 January to 31 December 2022.

INA Group publishes reports on an annual basis. The last report was published in April 2022. 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;
- The present report is also in compliance with the Directive 2014/95/EU on disclosure of non-financial and diversity information by large companies;
- Global Reporting Initiative (hereinafter: GRI) Standards when reporting on sustainability performance;
- GRI 11: Oil & Gas Sector 2021 Standard 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 16, risks and opportunities associated with climate change (topics identified as material in the scope of climate change material topic: Emissions and air quality, Energy use and Low carbon and Circular economy) are material issues for INA Group and consequently 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.

This report has been reviewed and approved by Management Board of INA, d.d.

An independent assurance company has performed a limited assurance engagement for 12 GRI indicators that are characterized as the most material for this report. Conclusion of the independent assurance report can be found on page 191-193.

The scope of this report and the sustainability material topic's boundaries are determined by considering their relevance for business, availability of the information and operation performances, while covering the sites and locations directly under operating control of INA Group companies (details on page 177). GRI content index can be found in chapter 5.8. Additional sustainability information.

Any feedback on this report via e-mail address: investitori@ina.hr, odrzivi_razvoj@ina.hr, or pr@ina.hr is welcomed 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.

1.4. Letter from the President of the Management Board

The year 2022 brought the continuation of worldwide energy market volatility, with gas prices oscillating and the oil price at a continuous high level. Uncertain security of supply in some countries caused by the global turmoil, alongside elevated price levels, led to numerous regulatory interventions throughout the world. In such an environment, INA's result remained strong, primarily due to Exploration and Production, the strongest cash generator in the context of high hydrocarbon prices. Thanks to our readiness we were able to capitalize on a favorable environment. Our clear strategy focused on long-term sustainable operations has once again proved its resilience and served as a shield protecting us from negative influences, while securing the funds needed for the company to continue its intensive investment cycle across all businesses.

High oil and gas prices allowed us an ambitious investment strategy. However, the introduction of the windfall tax significantly limits our commitment to future investments. At the moment, our investment potential remains the same, but we are cautiously monitoring the impact of external factors on our business. In the event of a disruption, we will review the profitability of each individual planned investment and decide on the best way to continue investing. Additionally, the cap on the prices of natural gas and oil products, as well as on retail sales margins, were a significant financial burden for INA. Even under the burden of such regulation, we are committed to safely supplying the market with the necessary fuels. At no point did we allow the market to experience shortages. We hope that the conditions for an unregulated competitive market environment will be created as soon as possible in order to return to market principles. Until then, INA, as the strongest Croatian strategic company, will try to do everything in order to fulfill its role of ensuring uninterrupted fuel supply.

In October 2022 INA signed the EUR 300 million revolving credit facility agreement with eight banking groups represented by international and domestic banks. After the successful issuance of HRK 2 billion bonds at the end of 2021, which was one of the largest single issues on the Croatian corporate bond market ever, INA again achieved very competitive terms and continues to be recognized as a respectable partner with a compelling position on the financial markets. The new facility agreement further contributes to INA's financial stability and competitiveness and supports our company in achieving its strategic objectives and long-term sustainable growth.

As one of the biggest investors in Croatia with huge investments ongoing and in the pipeline, INA is currently in the middle of its large investment cycle. Enormous CAPEX is invested into the development of new projects and maintenance of existing infrastructure. The investment is spread across the board - from more than EUR 250 million for gas exploration in North Adriatic and other Upstream projects to over EUR 600 million for upgrades to the Rijeka Refinery.

The Rijeka Refinery Upgrade Project is the biggest strategic project that will ensure not only a sustainable future, but also financial stability of INA's refining business. Work is in progress on the project of a new unit that will improve Rijeka Refinery's product structure and contribute to a greater competitiveness and profitability of the refinery itself. INA remains committed to other downstream transformation projects which are in line with strategic guidelines and focused on high asset efficiency and asset flexibility.

In Exploration and Production, we are focused on activities that will help us maximize the Croatian onshore and offshore production portfolio. The campaign for the construction of 11 new offshore wells and the potential construction of new platforms give us the opportunity to provide the Croatian market and our customers with new quantities of gas, which will have a positive impact on the security of supply and the entire economy. During 2022, two new gas wells were already put into production from the existing platforms. We are proud of the fact that this campaign at sea is being carried out independently by INA for the first time in history. Such successful projects testify to the importance of strategic and responsible management of resources, in order to develop the economy and increase the share of domestic production. Internationally, we are strengthening our presence in Egypt where, after the new concessions obtained last year in partnership with other companies, we intend to further strengthen our international Upstream portfolio.

We are also going ahead with the development of the EOR project, increasing our production capacities by injecting CO_2 into mature production fields, and helping to protect the environment by permanently storing CO_2. So far, 2.7 million tons have been injected, most of which is permanently stored in deposits. Our ambition is to use our expertise to take this project to a new level and develop carbon capture and storage (CCS) projects in large industrial facilities, with the carbon stored permanently underground.

We continued our implementation of state-of-the-art IT solutions in Consumer Services and Retail in 2022, building our position as the Croatian oil products market leader in digitalization. In the two years since its implementation, more than 450,000 members have signed up for INA Loyalty, our customer loyalty platform, and performed more than 6.8 million transactions. We continue our work on the modernization and expansion of our retail network and the Fresh Corner gastro concept, along with our offering of products, services, and consumer goods. Upon completion of the acquisition of OMV Slovenia, in partnership with MOL, INA will reinforce its presence in the Slovenian market and gain access to a key market for the Rijeka Refinery, which will supply all existing and newly acquired INA and MOL service stations in Slovenia with fuels.

We also remain strongly committed to other opportunities aimed at upgrading our existing value chain and ensuring a sustainable future. The company plans a substantial breakthrough in renewable energy production by building solar power plants at our Virje and Sisak locations. In addition, we are measuring the wind energy potential at our existing platforms in the Adriatic in order to use this existing infrastructure for electricity generation after the end of gas production. On top of all this, INA is giving thought to other energy transition opportunities, such as hydrogen and geothermal resources.

Our work in 2022 was recognized in the industry, and we were awarded numerous awards. We were also again recognized as a desirable employer. All ten companies of the INA Group renewed the Employer Partner Certificate for excellence in human resource management, and INA is among the top 10 Employer Partners. Additionally, INA won the prestigious Above and Beyond certificate, which highlights strong human resource systems that drive positive changes in organizations through bold practices. In 2022, the company underwent a global employer branding practice audit and obtained the Employer Branding Star certificate for the first time. INA also renewed the Cycle-Friendly Employer certificate, showing that it is permanently focused on promoting healthy lifestyle and sports. These are just some of the awards and recognitions that were awarded to the company in 2022, which are the result of the continuous implementation of the best business and industry practices, as well as the exceptional engagement of our employees.

Predicting what the future holds is thankless due to volatile markets, the war in Ukraine, and government interventionism on the market. Rising inflation and the prospect of a recession further increase the level of uncertainty. Therefore, INA will continue to improve its operations in order to strengthen its position in the years to come.

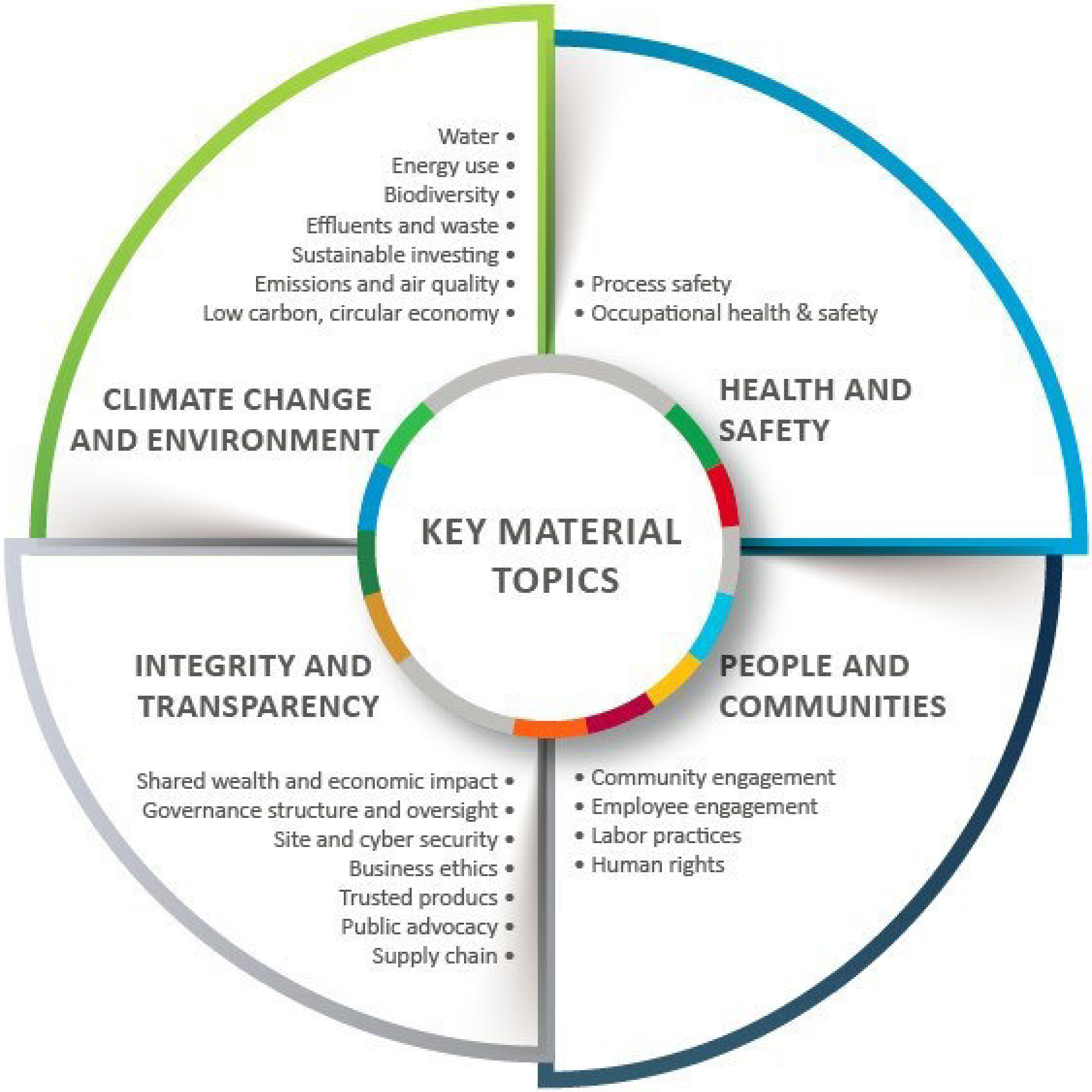
1.5. Materiality and stakeholder engagement

During 2021, an in-depth materiality assessment was undertaken to identify (and confirm) sustainability-related issues that are the most material for INA Group. The assessment was partly undertaken with a view to ensure that the most material issues are continually highlighted and described in more detail across the Integrated Annual Report, whilst aligning INA Group reporting practice. The outcome of the assessment is a Materiality Matrix which presents the most material issues facing INA Group based on a combination of impact on INA Group and importance for external stakeholders. This materiality assessment is still considered relevant for 2022.

The materiality assessment and the subsequent materiality matrix seek to reflect the rapidly changing and constantly evolving sustainability landscape as well as its growing complexity. One of the objectives for redesigning our materiality methodology was for the process to provide greater insights into the ever-expanding ecosystem of sustainability-related matters, risks and opportunities. The assessment allowed us to understand how sustainability issues have evolved since the last assessment, and to analyze and understand the increasing interdependence and interconnectedness of financial and non-financial (sustainability) issues and the ways in which these issues link and overlap to influence, impact and amplify each other (for example the link between refinery production/maintenance, air emissions, air quality, community grievances and community engagement).

Our materiality assessments are also used to engage various external stakeholders whilst involving internal stakeholders as they support the efforts of raising the profile of sustainability topics across INA Group.

The first step was to collect an initial list of sustainability related topics using both in-house expertise and several external sources. These external sources include but were not limited to: industry peers, reporting standards and feedbacks from stakeholder engagement in previous year. Based on this research, we gathered more than 100 topics that are relevant for the oil & gas industry as a whole and then clustered them into twenty different material topics. These twenty different material topics were then placed under each of the INA Group four focus areas for sustainability: Climate Change & Environment, Health & Safety, People & Communities, and Integrity & Transparency.



Next step was to determine which of these are material for INA Group stakeholders. Survey was developed and conducted among INA Group key external stakeholders and internal stakeholders to determine a meaningful perspective on INA Group future risks and opportunities regarding 20 identified material topics. The individual response to each of the 20 topics was scored using a 1-5 range (1 - very low and 5 - very high).

Internal stakeholders included divisional managers (Exploration and Production, Refining and Marketing and Consumer Services and Retail), as well as high level functional managers directly subordinate to the Management Board and CEOs of INA Group subsidiaries (47 responses in total). Before filling in the survey internal stakeholders had a short training on materiality and materiality matrix topics. External stakeholders included representatives from NGOs, local communities, business partners and contractors, regulatory bodies and government organizations, media, academic community and interest groups and professional associations (25 responses in total). External responses were equally weighted using a simple average so as not to create an overweight of one group at the expense of other external groups.

The outcome from the results of all internal and external stakeholders included is presented in the Materiality Matrix. The following topics are recognized as the most material: Emissions and air quality, Occupational health and safety, Process safety, Employee engagement, Energy use, Trusted products and Low carbon and circular economy.

Next materiality assessment is planned for 2023.

1.6. Awards and recognitions

Employer Partner Certificate

The certificate is awarded to companies with high-quality human resource management and standards that are proven to enhance business results and performance quality. INA was awarded its 12th Employer Partner Certificate and earned a spot among the Top 10 Employer Partners this year. INA MALOPRODAJNI SERVISI d.o.o. was awarded its fourth certificate, 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. were certified for the fifth time, whiIe INA Vatrogasni servisi, Holdina and INA Crna Gora received their second certificate.

Above and Beyond

Selectio, the leading Croatian group in human resource consulting, has awarded INA the Above and Beyond certificate in four categories: Impact, Inclusion, Innovation and Future.

The certificate was launched with the aim of distinguishing strong human resource systems whose bold practices drive positive change in organizations. Applications for the certificate are open only to the most successful holders of the Employer Partner Certificate.

Mamforce standard

As of 2015, INA has been a holder of the MAMFORCE standard and the first company in Croatia to introduce a comprehensive wellbeing program through its beneFIT platform, offering benefits that suit their lifestyle needs to all employees. For many years, female employees at INA have enjoyed equal employment and career development opportunities, as evident from the transparent indicators on the participation of women at all management levels. INA remains dedicated to ensuring work experience quality, corporate culture development and principles of equality and inclusion.

In 2022, INA has been re-certified, confirming its advanced status. After earning the basic status in 2021, TRS and Plavi tim have completed the re-certification process and earned the advanced status.

European “Cycle-Friendly Employer” certificate

Two locations have been re-certified in 2022, reaffirming INA’s membership in the international initiative of socially responsible companies that encourage an increase in the number of cycling friends. They are a positive example of direct and active engagement in the field of sustainable mobility, which contributes not only to fewer traffic jams but also to diminished effect of individual motorized transport on the health and quality of life in the cities. This certificate places INA among distinguished European companies and organizations who have earned it.

Employer Branding Star

In 2022, INA has concluded an international audit of employer branding practices, earning its first Employer Branding Star certificate. Data-based algorithms were used to scan each company on the market and to find the best employer branding practices.

Women's Choice Awards – category: Gas Station

In 2022, as part of the Women's Choice Awards, INA received an award in the Gas Station category. This award is given to brands that are most appreciated by women in Croatia, and the readers of miss7 singled out INA's retail outlets as part of the research on favorite brands.

2. CORPORATE GOVERNANCE

2.1. Management Board

Péter Ratatics - President of the Management Board

Péter Ratatics comes to the position of President of the INA Management Board from the position of EVP of Consumer Services of MOL Hungarian Oil and Gas Plc and COO of MOL Hungary. He graduated from Corvinus University of Budapest, Faculty of Finance specialization in capital markets. In 2007 Mr. Ratatics started his career as Gas Trading and Business Development expert in MOL Plc, then in 2009 he was appointed Head of Executive Board Advisory team. Between 2009 and 2010 he also acted as Head of Organizational Development and Process Management and in 2010-2011 as Head of Management Services. From 2011 he worked as VP of Corporate Centre, and he was responsible for the HR domain.

In 2015 and 2016 he was responsible for the MOL Group procurement, investment, and communication activities as SVP of Corporate Centre. He was a member of the INA Management Board between 2011 and 2018. He was Vice-Chairman of the Supervisory Board of FGSZ (Natural Gas Transmission) between 2012 and 2021, and Member of the IES Management Board between 2013 and 2019. President of the Hungarian Mineral Oil Association since 2018, Chairman of the Supervisory Board of TIFON d.o.o. since February 2019. Also, since April 2019, he has been a member of the Management Board of Magyar Telekom Plc.

Dr. sc. Berislav Gašo - member of the Management Board

Berislav Gašo, PhD, comes to the position of the INA Management Board member from the position of the Executive Vice President of E&P and a member of MOL Group's Management Committee. Mr. Gašo joined MOL Group in January 2010 when he became Executive Director for Corporate Services at INA. From September 2012 he served as Senior Vice President of Controlling, Accounting and Tax at MOL Group Finance. In May 2015, Mr. Gašo has been promoted to the role of Exploration and Production (E&P) Chief Operating Officer of MOL Group Upstream. Since December 2016 he is the Executive Vice President of E&P and a member of MOL Group's Management Committee. Before joining MOL Group he spent five years in the European Petroleum Practice of McKinsey & Company where he left as a Junior Partner. Mr. Gašo holds degrees in mechanical engineering as well as economics and business administration. He studied at the Technical University of Munich (TUM), the Massachusetts Institute of Technology (MIT), the University of St. Gallen (HSG) and the Harvard Business School (HBS).

Berislav Gašo resigned as a Member of the Management Board of INA on 16 December 2022, effective from the day of the appointment of the new Management Board member.

On 30 December 2022, Zsombor Marton was appointed as a member of the INA Management Board to replace Mr. Berislav Gašo, from 16 January, 2023 until 30 June, 2023.

Krisztián Pulay - member of the Management Board

Krisztián Pulay comes to the position of the INA Management Board member from the position of the Senior Vice President of MOL Group Downstream Development. He graduated from the Budapest University of Technology and Economics in 2003 as MSC., Mechanical Engineer and in 2006 as Engineer-Economist from Budapest Corvinus University. He started his career in 2003 in a Budapest-based Dutch engineering company. He joined MOL in 2006 as Project manager in Danube Refinery's Investment team. In 2010 he was promoted to Head of Project Management. Between 2012 – 2016 he worked in INA in Investment Management. He returned to MOL Group and started to work as Head of Group Project Management. In 2017 he was appointed Director of MOL Group Investment while between 2019 – 2020 he also acted as Chief Executive Officer of Olajterv Engineering Ltd. From 2020 he is the Senior Vice President of MOL Group Downstream Development. From 2022 he is appointed member of the Board of Directors of SLOVNAFT.

Miroslav Skalicki - member of the Management Board

Miroslav Skalicki comes to the position of the INA Management Board member as a private entrepreneur. He is an experienced manager and entrepreneur with 35 years of experience working for various companies from the energy sector. For almost 20 years (1991. – 2008.) he worked for Shell, one of the leading multinational company from oil and gas industry. As a general manager/country chair of Shell Croatia (1998 – 2003) he led the company to top 100 companies in terms of profitability and has initiated several production projects on local level. From 2003 to 2008 he worked in Shell's office in Milan. Last 14 years he is an entrepreneur in his own company representing multinational companies from energy sector as well as a business advisor. He graduated from the Faculty of Mining, Geology and Petroleum in Zagreb, and completed postgraduate specialist studies in Strategy and Corporate Management at the Faculty of Economics in Zagreb.

Dr. sc. Hrvoje Šimović - member of the Management Board

Hrvoje Šimović, PhD, comes to the position of the INA Management Board member from the position of a full-time professor at the Faculty of Economics of the University of Zagreb, where he has been working since 2003. Before he worked at Croatia banka d.d. In addition to his academic career, Mr. Šimović has extensive experience in various consulting jobs in the field of fiscal sustainability of the public sector, assessment of the fiscal effects of reforms and public policies, tax consulting and strategic planning in the public sector. He worked as a consultant for a number of professional organizations, for the private sector, as well as for international institutions and consulting companies, for the public sector and public companies. He was an advisor and/or member of numerous working groups of the Government of the Republic of Croatia, the Ministry of Finance, and the Ministry of Health.

Marin Zovko - member of the Management Board

Marin Zovko comes to the position of Board member from the position of Plinacro Board member. He began his career in 2003 as an intern at Crosco company. In the same year, he moved to the Plinacro company to the Finance Department. In 2006, he became the Head of the Financing, Planning and Analysis Business Unit, and in 2008, he became the head of the Finance Department. From 2009 to 2013, he was the director of the Corporate Functions Division. He was appointed to the position of the President of the Plinacro Board in April 2013. Upon the expiry of his mandate in 2017, he moved to the position of an expert and to the position of the Assistant President of the Board. In May 2018, he was appointed as a Member of the Plinacro's Board responsible for coordinating activities in the area of strategic development and investments, finance and accounting, regulatory affairs and the transmission capacity sales. Marin Zovko graduated from the Faculty of Economics in Zagreb, where he also completed his post-graduate studies in Business Management.

During September 2022, despite no involvement in any of the wrongful practices that surfaced around INA gas trading, Sándor Fasimon, Ferenc Horváth and József Simola resigned from the Management Board of INA.

At the Supervisory Board session on 28 September 2022, the Supervisory Board of INA revoked Niko Dalić, Barbara Dorić and Darko Markotić as members of the Management Board. The Supervisory Board has appointed the new Management Board of INA at the same session. Péter Ratatics was appointed a new President of the Management Board of INA, and Berislav Gašo and Krisztián Pulay were appointed Management Board members, as proposed by MOL, and with the mandate until June 30, 2023. Three new Management Board members were appointed as proposed by Croatian Government - Miroslav Skalicki, Hrvoje Šimović and Marin Zovko, for a period of no longer than six months, until the appointment of the members of the Management Board through a public tender.

At the Supervisory Board session on 23 March 2023, the Supervisory Board of INA, at the proposal of the Government of the Republic of Croatia, reappointed Miroslav Skalicki, Hrvoje Šimović and Marin Zovko as members of the Management Board. The new mandate enters into force on March 29, 2023, and lasts for a maximum of six months, until the appointment of the members of the Management Board through a public tender.

Berislav Gašo resigned as a Member of the Management Board of INA on 16 December 2022, effective from the day of the appointment of the new Management Board member.

On 30 December 2022, Zsombor Marton was appointed as a member of the INA Management Board to replace Mr. Berislav Gašo, from 16 January, 2023 until 30 June, 2023.

2.2. Council of Directors

Zdravka Demeter Bubalo - Operating Director of Consumer Services and Retail

Mrs. Zdravka Demeter Bubalo was appointed to the position of Operating Director of Consumer Services and Retail as of 1 September 2021.

Mrs. Demeter Bubalo joined INA Group in 2010 as the Director of Human Resources. After that she took over the position of Senior Vice President for Human Resources in MOL Group. As part of her role, she worked on the transformation of the human resources function into a strategic function focused on modern practices in this field as well as in supporting strategic business goals.

She started her career as a broker in Eastbrokers Zagreb and gained valuable experience as the Procurement Director, Human Resources Director and at other managerial positions in the treasury and controlling in Cola-Cola HBC. Mrs. Demeter Bubalo graduated in the field of economics in 1995 and obtained an MBA from the University of Zagreb in 2005.

Hrvoje Glavaš - Director of Corporate Services

Hrvoje Glavaš has been appointed to the position of Director of Corporate Services as of 1 September 2022. Mr Glavaš comes from his position as the Director of Strategic Operations and Public Affairs whose scope of work still remains under his authority.

Mr Glavaš started his career at INA Controlling in 2011, after which he worked on the position of INA MB President Advisor. Since 2017, he has held the position of Director of Strategic Business and Public Affairs. He has a degree in macroeconomics at the Faculty of Economics in Zagreb, he also finished MSM-SEED Executive MBA program at Corvinus University of Budapest and LEAD, EGL program at the Cotrugli Business School in Zagreb.

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.

Nikola Mišetić - Operating Director of Exploration and Production

Nikola Mišetić was appointed to the position of Operating Director of Exploration & Production on 1 May 2021. He joined INA Group in 2019 as the Director of STSI Ltd. He gained extensive experience as a Member of the Management Board of Croatia osiguranje, as an Executive Director of Development in Adris grupa, in TDR as the Director of Strategic Development and as the Project Leader and Associate in McKinsey & Company. He graduated from the Faculty of Economics and Business in Zagreb and obtained an MBA degree in 2009 from INSEAD.

Goran Pleše - Operating Director of Refining and Marketing

Mr. Pleše started his career at INA Group in 2005. He occupied various roles within INA's Controlling, and in the meantime he also held the positions of Chief Financial Officer and Director of Corporate Affairs in Crosco and STSI. In October 2018 he was appointed as the Member of the Management Board of Petrokemija, and afterwards he continued his career as the Director of Controlling in INA Group. Before he was appointed as the Operating Director of Refining and Marketing he was Head of Group Consumer Services and Ventures Finance.

He has a master's degree in economics and he completed postgraduate studies at the Faculty of Economics and Business in Zagreb.

Effective from 1 September 2022, Industrial Services organizational unit is cancelled. Corporate Services as a new organizational unit are established with the scope of Asset and Services Management, Procurement, Ventures & Innovations, while Information Services are subordinated directly to the Management Board and Investment Management to Refining and Marketing.

Hrvoje Glavaš has been appointed to the position of Corporate Services Director.

2.3. 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. Additional information can also be found in the Ethics and Governance section of this Report.

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 the 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 until 28 September 2022 are:

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

Members of the INA, d.d. Audit Committee as of 29 September 2022 are:

- Judit Szilágyi - Chairman of the Audit Committee
- Ratko Marković - member of the Audit Committee
- Sanja Sever Mališ - 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 2022, 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 17 December 2021 until 15 June 2022:

- Damir Mikuljan - President of the Supervisory Board
- József Molnár - Vice President of the Supervisory Board
- Davor Filipović - member of the Supervisory Board
- Zsuzsanna Ortutay - member of the Supervisory Board
- Gabriel Szabó - member of the Supervisory Board
- Domokos Szollár - member of the Supervisory Board
- Branimir Škurla - 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 16 June 2022:

- Damir Mikuljan - President of the Supervisory Board
- József Molnár - Vice President of the Supervisory Board
- Ivo Ivančić - member of the Supervisory Board
- Zsuzsanna Ortutay - member of the Supervisory Board
- Gabriel Szabó - member of the Supervisory Board
- Domokos Szollár - member of the Supervisory Board
- Branimir Škurla - 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 from 1 February 2021 until 28 September 2022:

- 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 Management Board from 29 September 2022 until 15 January 2023:

- Péter Ratatics - President of the Management Board
- Berislav Gašo - member of the Management Board
- Krisztián Pulay - member of the Management Board
- Miroslav Skalicki - member of the Management Board
- Hrvoje Šimović - member of the Management Board
- Marin Zovko - member of the Management Board

Members of the Management Board from 16 January 2023:

- Péter Ratatics - President of the Management Board
- Zsombor Marton - member of the Management Board
- Krisztián Pulay - member of the Management Board
- Miroslav Skalicki - member of the Management Board
- Hrvoje Šimović - member of the Management Board
- Marin Zovko - 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 Corporate Services).

Members of the Council of Directors from 1 September 2021 until 1 September 2022:

- Zdravka Demeter Bubalo - Operating Director of Consumer Services and Retail
- Gábor Horváth - Chief Financial Officer
- Nikola Mišetić - Operating Director of Exploration and Production
- Goran Pleše - Operating Director of Refining and Marketing
- Goran Pavlović - Operating Director of Industrial Services

Members of the Council of Directors from 1 September 2022:

- Zdravka Demeter Bubalo - Operating Director of Consumer Services and Retail
- Hrvoje Glavaš - Director of Corporate Services
- Gábor Horváth - Chief Financial Officer
- Nikola Mišetić - Operating Director of Exploration and Production
- Goran Pleše - Operating Director of Refining and Marketing

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 47% 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 2022, INA Group companies continued with educating employees and raising awareness on the D&I topic. Through different presentations, events and workshops employees were shown why it is important to have a diverse workplace and how they can manage and cooperate better with different people.

FOCUS ON PARENTS

Since working parents are an important group at INA, the company strives to create a gender-equal and family-friendly atmosphere, introduce quality employee care programs, as well as innovative solutions that encourage the balance of private and business life.

In 2022, an entire quarter was dedicated to activities that supported parents in order to empower them in their role and provide them with all the information about their rights and opportunities in one place.

As part of this initiative, in which Human Resources, Corporate Communications and Marketing and SD&HSE collaborated, the following activities were included:

- Participation in **UNICEF's "Milky Way" race** with the purpose of raising awareness and supporting the implementation of support program for mental health of children and young people in schools.

- Marking the World Mental Health Day with a **brochure "How to know how?"** containing information and advice for parents on the mental health of children and young people.
- To further support parents in INA, during October and November, employees attended interesting and useful online workshops held by UNICEF through the internal INA Academy aimed at empowering them in their parental roles. The purpose of the education program was to facilitate exchange information, knowledge, skills and support that parents use in fulfilling their parental responsibilities and promote personal growth and competence development of parents and children.
- Last, but not least, **"Parents in INA" brochure** was created to support soon-to-be parents with important information on their to-dos during pregnancy and before starting their leave. It also highlights rights, benefits, and support programs available to them in INA during pregnancy and parenthood. Among other things, the brochure highlights the possibilities of using parental and paternity leave for fathers.

CHALLENGE YOUR BIAS TRAINING

As part of the Diversity and Inclusion strategy, training on subconscious biases became part of the First-Time Manager program. This training creates a better understanding of subconscious biases, as well as how they affect behavior and decision making. Managers learn what actions they can take to prevent bias in their own work environment.

MAMFORCE®

In 2022, INA went through the re-certification process and confirmed its advanced status. Furthermore, after acquiring basic status in 2021, TRS and Plavi tim went through the re-certification process in 2022 and gained LEAD status as well.

Workplace Inclusion Champion (WIC) program

3 colleagues from INA completed the **7 D&I Training Modules** and became certified Workplace Inclusion Champions. The program brings together a wide range of stakeholders and expertise and is designed to enable organizations to embed diversity on a more strategic level, taking a step forward from one-off initiatives. It equips participants with the necessary tools, knowledge and skills to step away from improvisations and to approach D&I more strategically.

2.4. Quality management

2.4.1. Innovation

We can proudly say that in INA Group there is a long tradition of managing employees' ideas, which they can propose as an invention, industrial design, technical improvement, business rationalization or useful idea. The aim is to foster innovations at the group level by rewarding the best proposers and supporting them to participate on business events and competitions, by proposing their new and perspective ideas, including in the field of innovations.

In the Corporate Innovative Culture Development during 2022, a step further has been taken with the aim of additionally motivating the employees to provide innovative solutions for the purpose of improving the specific part of the business. As it was found that encouraging and initiation of innovations begin with specific business challenges that arise from internal business processes and needs, further rewarding of ideas the implementation of which has achieved annual net savings in the previous period had been introduced. In that way, the innovation process has gained a new dimension with which the principle of targeted innovation has been achieved.

2.4.2. Quality

Quality management is applied in all business processes through the integrated company system and is introduced in major INA Group companies with the aim of continuous improvement of the processes as well as to further develop the quality of products and services. The quality management system is the basis of all systems for which INA Group companies have certificates.

In 2022, the external supervisory audit for all management systems has been successfully finished. INA Group companies confirmed the certificates according to ISO 9001 “Quality management systems – Requirements”, ISO 50001 “Energy management systems – Requirements with guidance for use”, ISO 14001 “Environmental management systems – Requirements with guidance for use”, ISO 45001 “Occupational health and safety management systems – Requirements with guidance for use”, SCCp (SCC-Safety Checklist Contractors) certificate and EU-ISCC certificate on biofuels sustainability, which is a mandatory condition for the sale of biofuels on the EU market. Monitoring for all management systems is implemented with external monitoring management system (MS) audit (one held), as well as with integral process MS internal audits (129 held) and supplier quality audits (3 held). Through 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.

Internal auditing is conducted according to process approach, while significant focus is aimed at process interfaces. MS internal audits are conducted as combined audits - online and at the locations.

INA Group 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.

2.4.3. Standardization

INA Group 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.

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

2.4.4. Intellectual property

Protection of intellectual property rights includes the protection of inventions (patents), trade and service marks, product names, elements of the visual identity of service stations (trademarks), 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 24 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, Ukraine), as well as names (logo) of INA Group companies: CROSCO in Croatia, Azerbaijan, Egypt, Italy, Liberia, Tunisia, Ukraine, Kuwait; STSI in Croatia; INA MAZIVA in Croatia, Serbia, Kosovo, Montenegro, Macedonia, Slovenia, Bosnia and Herzegovina; ENERGOPETROL in Bosnia and Herzegovina, PLAVI TIM in Croatia. Product name or visual identity of retail locations is preserved through protection of 54 trademarks in Croatia, 37 trademarks in Slovenia, 24 in Macedonia, 41 in Bosnia and Herzegovina, 29 in Serbia, 12 in Albania, 39 in Kosovo, 37 in Montenegro, ten in Hungary, as well as six industrial designs in Croatia, one industrial design in Bosnia and Herzegovina and Slovenia and INA web domain in Macedonia, Bosnia and Herzegovina and Croatia.

In the year 2022, 13 new trademarks were registered abroad (INA MAZIVA, INA 2 TAKTOL, INA LANCOL, INA TURBO, INA UKA in Kosovo; INA MAZIVA, INA 2 TAKTOL, INA LANCOL, INA UKA, INA KOMPRINA in Serbia, INA FUNGIA, INA AGRINA, INA TURBO in Montenegro) and protection was extended for 2 trademarks (INA - international registration, Blue bottle in Bosnia and Herzegovina) as well as protection for Internet domains (ina.mk and ina.ba) and 5 Internet domains related to the INA LOYALTY program.

The other part of intellectual property of INA Group companies 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 Group employees, is continuously maintained.

3. OUR BUSINESSES

3.1. Exploration and Production overview

Key message from the Operating Director

"Continuous effort of our people as well as results of successfully implemented projects, together with favorable external environment, led to prosperous results in Exploration and Production. New development cycle on the Adriatic is ongoing, with successfully drilled Marica-D, Ilena-2, Ida D-1, Ira-1 and Ida D-2 wells. Infill wells Ika B, that was drilled in 2021, and Marica-D, were put into production. Cross-border projects Dravica-Zaláta and Somogy that will result in additional natural gas to be distributed on the Croatian market were launched after years of stand-still. In line with Energy Transition Strategy, INA E&P will focus on strong investment cycle in the geothermal power generation in the upcoming years."

Nikola Mišetić

Operating Director of Exploration and Production

Achievements

- Successful drilling operations on Marica D, Ilena-2, Ida D-1, Ira-1 and Ida D-2 wells in the scope of North Adriatic Offshore Development Program
- Gas discovery on non-operated exploration concession East Damanhur in Egypt
- Reserve replacement ratio of 101% for 2022 coming mainly from offshore activities and Dravica-Zaláta project

Challenges

- Minimizing the effects of natural decline on our highly mature fields
- Negative drilling results on Onshore wells Dravica-3 and Kozarica-43, resulting in revision of further drilling candidates and postponing onshore drilling campaign
- The biggest obstacle in further and faster realization of growth projects is the long-lasting and complex permitting process in Croatia

3.1.1. Overview and key achievements for the year 2022

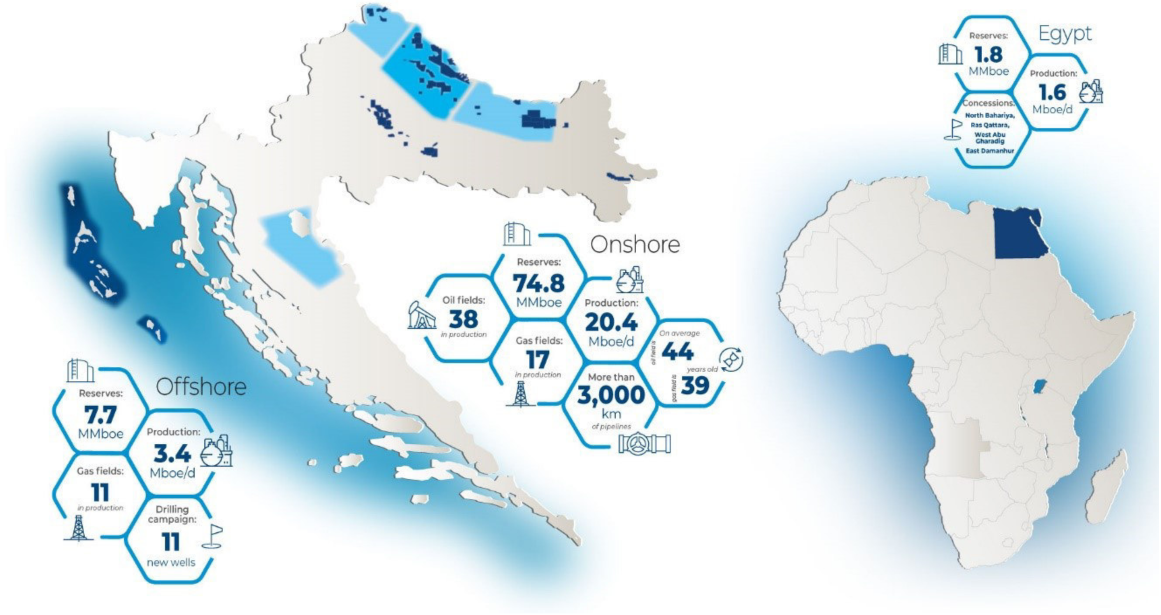
Although the beginning of 2022 was marked with favorable external environment, new regulation was introduced in September limiting the gas selling price to 41 EUR/MWh. Despite regulation and intensive investment plan, Exploration and Production remained the key cash flow generator. As natural decline in production on our highly mature fields continued to be challenging, a new cycle of investments both onshore and offshore Croatia has been launched. In order to increase gas production, the extensive North Adriatic Offshore Development Program was initiated, marked with positive results of Ilena-2, Ida D-1 and Ida D-2 wells. Already drilled wells Ika B and Marica D were put into production in March and May 2022, respectively. In Croatia onshore, negative drilling results on Dravica-3 and Kozarica-43 wells resulted in revision of further drilling candidates and postponing the onshore drilling campaign. Dravica-Zaláta cross-border project was re-evaluated, resulting in new technical resources and reserves determined for the project.

Successful production optimization and EOR projects were performed throughout onshore fields with favorable production results.

Our focus remained on active portfolio management, including several international opportunities reviewed and proposals made. As a result, new exploration block WD-08 in Egypt (Western Desert) was awarded to INA, d.d. and its partners. Favorable opportunities were identified for divestment of financially unsustainable international assets, hence the operated East Yidma concession in Egypt was successfully divested and for two non-operated blocks in Angola, the same process is ongoing.

At the end of 2022, INA Group had 85.2 MMboe of proven and probable (2P) hydrocarbon reserves with an average daily hydrocarbon production of 26.1 Mboe. Reserve replacement ratio was 101%, above 100% for the first time in 15 years.

In line with the sustainability targets, INA Group started to estimate future requirements related to methane emissions as the second biggest contributor to climate change. Active management of CO_2 emissions includes CO_2 recompression project at the Fractionation Facilities Ivanić-Grad which will ensure additional CO_2 quantities for EOR, and fully eliminate CO_2 venting to the atmosphere at the location. The project is ensuring closed cycle of CO_2 management and represents a strong step towards CCUS.



Croatia onshore

Exploration

INA, d.d. exploration licenses portfolio in Croatia contains three operated exploration blocks in the Pannonian Basin: Drava-02 (DR-02), Drava-03 (DR-03) and Sjeverozapadna Hrvatska-01 (SZH-01), as well as one exploration block in the Dinarides, Dinaridi-14 (DI-14).

<u>Exploration Block DR-02</u>

INA, d.d. fulfilled all contractual obligations within the 2nd Exploration Phase and submitted to the Croatian Hydrocarbon Agency a request for six-month exploration period extension until June 2022, to complete the well site restoration. After expiry of extension, block was frozen until mining plots for Severovci and Jankovac discoveries are approved.

<u>Exploration Block DR-03</u>

After successful seismic acquisition in 2021, main focus this year was on the interpretation and analysis of newly-acquired data. Diverse prospect portfolio was delineated, and 5 prospects were selected for drilling. Portfolio consisted of lower risk shallow gas targets, together with higher risk-higher reward targets.

<u>Exploration Block SZH-01</u>

Following the seismic acquisition in 2021, extensive G&G work was done in 2022 trying to evaluate the exploration potential of the block. New geological model was developed resulting in better understanding of the area, while the generated prospect portfolio consists of play types not drilled yet in the Croatian part of Pannonian basin.

Exploration Block DI-14

DI-14 is a frontier area with no proven active petroleum system. During 2022, all available geological and geophysical data were consolidated and analyzed. The newly-recorded magnetotelluric data acquired in 2021 additionally contributed to the understanding of the area. The identified petroleum system model is of very high risk, without successful analogues. The option of entering the 2nd exploration phase with a partner was considered with the aim of sharing the risk and reducing financial exposure.

Field development

Implementation of Production Optimization (hereinafter: PO) projects continued during 2022. The scope of 5 major PO projects was executing workovers in order to increase well productivity and fields reserve base. Within these projects 62 wells in total were subjected to various workover interventions. Total CAPEX spent is at approx. USD 21 million, while annualized production increment from PO activities in 2022 yielded 1,000 boepd. All candidates were selected during organized PSO Workshops through past several years, and in 2022 the entire onshore portfolio screening was completed.

During 2022, 2 development wells were drilled - Dra-3 and Kz-43, but both wells turned out to be dry. Deep dive analysis and extensive lesson learned sessions are ongoing in order to fine-tune well candidates for the upcoming period.

Comprehensive seismic interpretation and special seismic analyses were performed on Bokšić-Klokočevci and seismic reinterpretation on Jamarica, Lipovljani and Kozarica fields, which resulted in seismic and reservoir studies that will enable new OHIP assessment, and several prospect definitions proposed for new development drilling.

Integrated Reservoir studies and reservoir modeling provided important support in some of the major Exploration and Production projects such as EOR, North Adriatic Development Program and several onshore Croatia projects. Dravica-Zaláta cross-border project was re-evaluated based on new data obtained after Dra-3 well drilling. The reservoir study was successfully completed by joint effort of Hungarian and Croatian technical team and resulted in new technical resources and reserves determined for the project. With the joint effort of geophysical, petrophysical, static and dynamic modeling specialists, comprehensive studies were performed in order to support tertiary method implementation on Šandrovac and Stružec fields.

Enhanced Oil Recovery (EOR)

CO_2 injection continued on Ivanić and Žutica fields for eight and seven years, respectively. In 2022, cumulative injected CO_2 volumes surpassed 2.8 million tons, majority of which is being permanently stored. Workover activities for the purpose of production increase and artificial lifting method optimization have been performed, significantly increasing the production in comparison to pre-EOR and prolonging field lifetime.

Major milestone of the existing EOR Program is the implementation of CO_2 recompression project at the Fractionation Facilities Ivanić-Grad, which is expected to be finished in 2023. Upon finalization, additional CO_2 quantities for EOR will be ensured and CO_2 venting to the atmosphere at the location will be fully eliminated. The project is ensuring closed cycle of CO_2 management and represents a strong step towards CCUS.

Besides the fields where EOR is operational for several years, INA is considering expansion of EOR method to other fields, one of them being the Šandrovac oil field. A pilot project was initiated in 2021 and continued in 2022 with both CO_2 and water injection on a part of the field. In 2023, interpretation of the results will show whether there is potential for full-field implementation.

Determination of CO_2 storage potential for INA portfolio was completed, aiming to enable sequestration of own and 3rd party CO_2 in the future.

Exploration and Production Laboratory

INA's Exploration and Production Laboratory provides quality analytical support and professional expertise to all Exploration and Production projects, as well as services to external clients.

Multi-year service agreements were signed with MOL Hungary and MOL Pakistan, and numerous standard and tailor-made PVT studies were conducted. A successful marketing campaign was carried out, a new Brochure and Catalog of Laboratory services was issued, and the demand of external clients increased in 2022.

New technologies and tools

Testing of Schlumberger's cloud-based "Delfi" environment was completed as a pilot project on the Dravica-Zaláta field. Three-month evaluation included petrophysical interpretation, special seismic analysis, static and dynamic modeling and field development with the plan to improve efficiency and data sharing among various disciplines. The test showed advantages of having the project in the cloud environment and the new Schlumberger tool offered some interesting features that are not available on the premises.

DOF (Digital Oil Field) technology started to be tested in 2022. The goal of the project is to verify possibility to gather well data in real-time and reduce production losses. Three fields were selected to test the technology (Vučkovec, Vukanovec and Zebanec). The project kicked off in September 2022, IT was set up and field models were calibrated. In 2023, the system will be configured, tested, and deployed in INA environment (the entire process will be supervised by PETEX, the main supplier). Based on the results, the technology will be considered for some other field(s).

Specific software applications were successfully applied in the North Adriatic drilling campaign considering thin layered environment of the field.

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 on ten fields, while one field is operated by ED-INA d.o.o., a joint-venture in partnership with Energean.

As part of the North Adriatic Offshore Development Program, INA finished the drilling and completion of the second infill well Marica-D-Dir (operations finished in February), and drilling and testing of four open sea wells - Ilena-2 Ver, Ida D-1 Ver, Ira-1 Dir and Ida D-2 Ver. All wells were drilled using Crosco's jack-up rig Labin.

Ika B-1 R Dir was put into production in March and Marica-D-Dir in May. Appraisal wells Ilena-2 Ver, Ida D-1 Ver, Ira-1 Dir and Ida D-2 Ver after drilling were tested and temporarily suspended. The decision about entering the project's second phase - platform and sealine construction, well tie-back and well completion will be made during H1 2023.

After conducting the FEED Study, INA is now in the process of EPCI and material supply tendering.

Ivana D monopod offshore platform, capsized in December 2020, remains safe and poses no risk for people or the environment. Investigation of the capsizing root cause was finished and delivered to the state authorities. The environmental impact study for leaving the platform structure in situ is submitted to the Ministry of Economy and the final decision is expected. The project of permanent abandonment of the well has been submitted to the Ministry of Economy to which a positive Decision was obtained. The contracts were signed for well P&A services as well as with a broker for finding suitable vessels and diving support for the activity. Market research for vessels and diving support is finished and the tender was initiated.

Egypt

INA’s assets in Egypt include four development and one exploration concession. Development operated concession is East Yidma (INA 100% WI), while non-operated concessions are North Bahariya (INA 20% WI), Ras Qattara (INA 25% WI), and West Abu Gharadig (INA 25% WI). Exploration non-operated concession is East Damanhur, with 20% WI.

As a result of 2021 Bid Round, East Bir El Nus concession was awarded to Energean as Operator and INA as Partner in February 2022. Concession Agreement has been signed in February 2023.

North Bahariya: 9 wells were drilled in 2022, of which 5 wells were drilled as development wells and 4 as water injectors. 5 wells were completed and put in production. Regular workover activities are continuously ongoing.

Ras Qattara: Regular production maintenance activities were performed, including statutory inspections, asset integrity assessment and water injection management.

West Abu Gharadig: Regular production maintenance activities were performed, including statutory inspections, asset integrity assessment and water injection management. Concession extension procedure for period 2021-2026 was in progress during the year.

East Damanhur: During 2022, extensive G&G work was conducted based on the learnings from the first dry well drilled in 2021. Those efforts resulted in drilling of the second exploration well in Q4/2022 which discovered significant volumes of gas. Well test that was performed in January 2023 proved very good production capabilities. As the 1st exploration phase expired on 9 February 2023, the extension period of 6 months was required and finally approved by EGAS (till 9 August 2023).

East Yidma: Divestment process was successfully performed in 2022. Sale and Purchase Agreement with National Petroleum Co. South Ramadan (NPC) was signed on 8 August 2022, while the process was officially finalized on 14 November 2022, by Deed of Assignment approval.

Angola

INA’s assets in Angola included two blocks, Block 3/05 (INA 4% PI) and Block 3/05 A (INA 4% PI).

Block 3/05: Work program included regular surface facilities and subsurface maintenance. All activities enabled maintaining the production at a steady level.

Block 3/05 A: Work program included one well workover finalization without success in restoring production from the Caco-Gazelle field. Preparation activities for Reevaluation of Caco-Gazelle Development Area study have been conducted. Punja development area studies included FEED of Subsea development for 2 wells and a Conceptual Study for addition of production and gas injection wells.

Divestment of Angolan assets: On 18 July 2022, SPA was signed with Afentra Angola, Ltd.; on 22 December 2022, transfer of INA`s PI on both blocks has been approved by the Minister of Mineral Resources, Petroleum and Gas and executive decrees were issued for official publication.

Portfolio development

Portfolio development activities in 2022 were focused on INA’s traditional regions of interest such as North Africa and Southeast Europe. Besides intensive activities in Egypt where a couple of opportunities were evaluated in the Gulf of Suez and Western Desert, new areas were screened in Morocco, Tunisia and Albania. Endeavors were made to identify new opportunities with potential for reserves and production growth in terms of either exploration or field development.

Also, continuation of Egyptian National Petroleum Company (EGPC) international bid round activities was conducted where INA was awarded with East Bir El Nus exploration block together with Energean Plc. as the Operator. During 2022, Concession Agreement (CA) ratification process was completed and CA was signed in February 2023. In case of discovery, the new exploration block will significantly improve INA’s portfolio and operation sustainability in Egypt.

3.1.2. Strategy and outlook

Maintaining a stable production rate as well as operational efficiency 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 together with continuous efforts in cost optimization.

INA, d.d. plans to continue to utilize the full potential of current assets. Exploration licenses portfolio in Croatia and Egypt has been restored, where, after extensive seismic campaign in Croatia, diverse prospect portfolio was delineated as a strong base for future exploration success. Onshore exploration drilling campaign is planned for 2023.

In terms of field development on onshore Croatia, comprehensive production optimization activities, workovers, introduction of new technologies and EOR extension to further oil fields will be continuously performed. On offshore Croatia, we will continue with extensive field development activities, striving to increase gas production and reserves.

Our focus remains on active international portfolio management, with continuous participation in international tenders. INA, d.d. will keep screening for new bid rounds and potential acquisitions with the aim of obtaining both the discovered reserves and new exploration licenses. The outcome of such ventures will largely depend on the crude oil and gas prices trend on the market, as well as the optimal strategic fit for the company taking into consideration energy transition trends and climate change protection requirements.

Projects and partnerships through which carbon neutrality could be achieved, while at the same time building on our existing EOR experience and utilization of our infrastructure, will be continuously pursued.

In line with the Energy Transition Strategy, INA E&P will focus on strong investment cycle in the geothermal power generation and establishing a dedicated geothermal team in the upcoming years. Croatian Hydrocarbon Agency announced bid round for multiple blocks that is open until July 2023, with INA working on its bidding strategy. Additionally, we are testing geothermal potential on our existing oil and gas fields.

3.1.3. Financial and operating performance

In 2022, EBITDA amounts to HRK 4,892 million which presents 102% increase compared to 2021. Main driver behind higher EBITDA are higher sales revenues as a result of much better price environment.

SEGMENT RESULTS*	HRK MLN			USD MLN**		
	2021	2022	CH %	2021	2022	CH %
Total revenue	3,877	6,725	73	610	939	54
EBITDA[1]	2,427	4,892	102	382	683	79
EBITDA excluding special items[2]	2,515	4,892	95	395	683	73
Profit from operations	1,535	3,893	154	241	544	125
Profit from operations excluding special items[2]	1,623	4,071	151	255	569	123
Simplified Free Cash Flow[3]	1,907	4,097	115	300	572	91
Capital expenditures	608	795	31	96	111	16

* Exploration and Production refers to the Upstream of INA, d.d. and the following subsidiary: Adriagas S.r.l. Milano
**In converting HRK figures into US dollars, the following average CNB (HNB) rates were used: for FY 2021 – 6.36 HRK/USD, for FY 2022 – 7.16 HRK/USD
[1] EBITDA = EBIT + Depreciation, amortization and impairment
[2] In 2021, result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning, while in 2022, operating result was negatively impacted by impairment and reversal of impairment of asset in the amount of HRK (178) million
[3] Simplified free cash flow = CCS EBITDA excluding special items – Capital expenditures

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

Offshore production was additionally affected by temporary closing on different fields due to ongoing drilling campaign.

International production was marked by lower East Yidma contribution and higher Angola production.

HYDROCARBON PRODUCTION (Mboe/d)	2021	2022	CH %
CRUDE OIL PRODUCTION	**12.6**	**12.3**	**(3)**
Croatia onshore	10.4	10.1	(3)
Egypt	1.7	1.6	(7)
Angola	0.5	0.6	9
NATURAL GAS PRODUCTION	**13.5**	**12.9**	**(5)**
Croatia onshore	10.3	9.4	(8)
Croatia offshore	3.2	3.4	6
CONDENSATE	**1.0**	**0.9**	**(7)**
TOTAL HYDROCARBON PRODUCTION	**27.1**	**26.1**	**(4)**
AVERAGE REALIZED HYDROCARBON PRICE			
Total average realized hydrocarbon price (USD/boe)*	64	103	60

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

RESERVES BREAKDOWN (MMboe)	1P		2P	
	2021	2022	2021	2022
BY COUNTRY				
Croatia onshore	55	55	75	75
Croatia offshore	5	5	7	8
Egypt	1	1	2	2
Angola	1	0	1	1
TOTAL	**62**	**62**	**85**	**85**
BY PRODUCT				
Oil	35	34	43	41
Gas	24	26	39	41
Condensate	2	2	3	3
TOTAL	**61**	**62**	**85**	**85**

CAPITAL EXPENDITURES 2022 (HRK MLN)	CROATIA	EGYPT	ANGOLA
Exploration	1	16	-
Development	560	90	15
Other	113	-	-
TOTAL	**674**	**106**	**15**

3.2. Refining and Marketing overview

Key message from the Operating Director

"In a situation of disrupted global supply due to political and economic circumstances introduced by the Russian - Ukrainian war, INA stood out as a reliable supplier for all of its products.

High level of operational discipline in case of key assets and strong OPEX management efforts were required to support the overall Refining and Marketing result. Favorable macro environment with strong crack spreads mostly supported the refining contribution to the financial result in Q2.

Work on the most significant project – Rijeka Refinery Upgrade Project – continued despite the challenging business environment caused by the COVID-19 pandemic and Ukraine crisis affecting the material, energy, and workforce prices, and the Project has reached 70% completion overall. The engineering and procurement activities are nearly finished, with completion above 99%. Furthermore, almost all long-lead items, together with other materials and equipment, were delivered, while the remaining is expected in 2023.

Besides having to face the challenges of securing our region's fuel supply, Refining and Marketing has a great responsibility to drive our business in a more sustainable direction. The Green Hydrogen project in Rijeka and the Biogas and Biomethane production projects in Sisak are also considered."

Goran Pleše

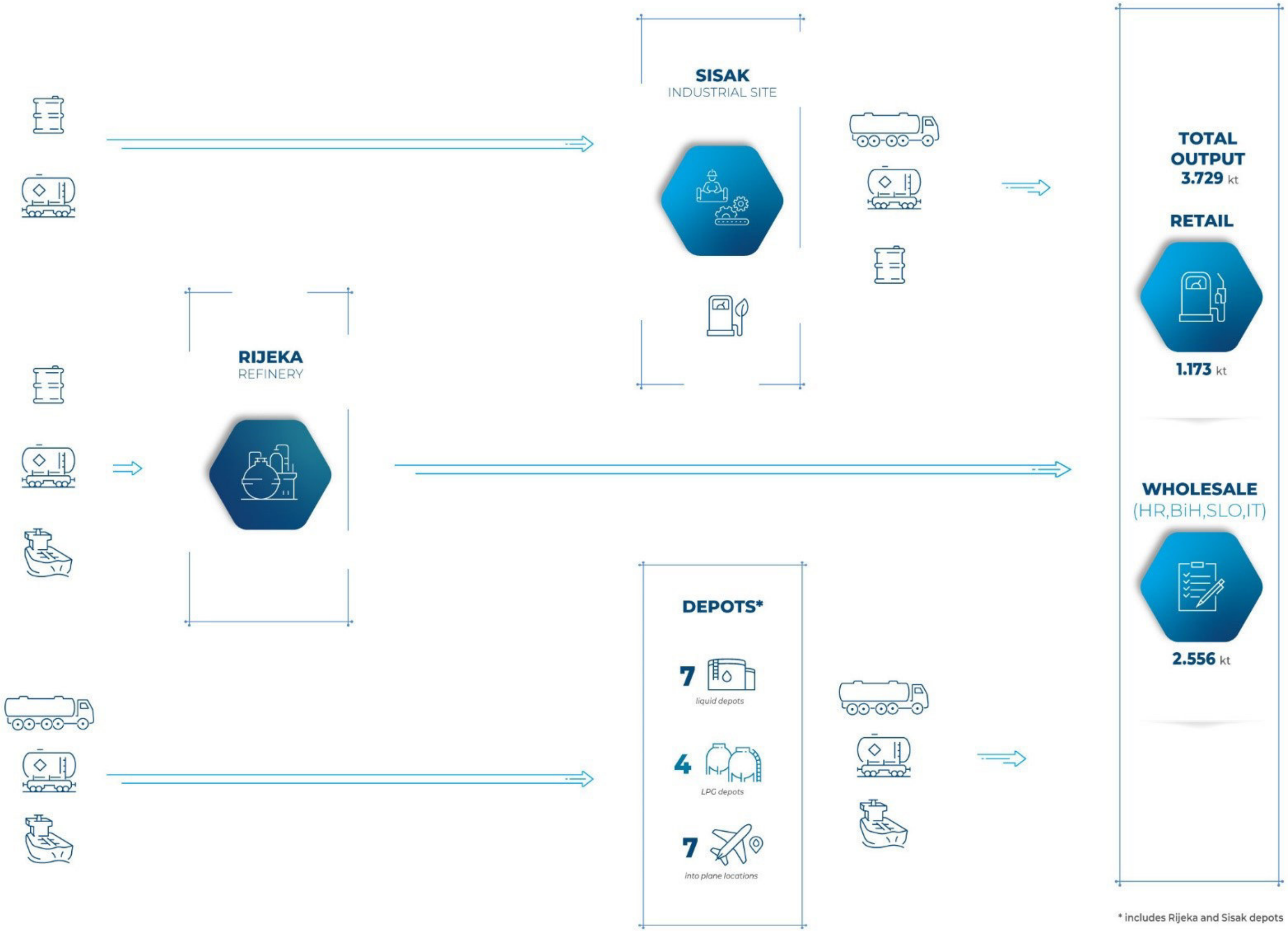
Operating Director of Refining and Marketing

Achievements

- The Rijeka Refinery Upgrade Project has reached 70% of overall completion
- Strong market position on core markets
- In the challenging environment on the market, INA stood out as a reliable supplier for all products, especially Blue diesel

Challenges

- Assure stable market supply and continue keeping the market leader position on core markets
- Continue the implementation of the Rijeka Refinery Upgrade Project
- Create long-term strategy for INA Refining and Marketing in line with sustainability directions



* includes Rijeka and Sisak depots

3.2.1. Overview and key achievements for the year 2022

Commercial activities

Fuel sales have increased in 2022 in line with consumption growth which surpassed the 2019 level on the Croatian market. Strong fuel, JET and heating oil performance in Croatia and higher margins on B&H market compensated for slightly lower demand in Bosnia and Herzegovina. INA maintained the strong market position on the core markets (Croatia and Bosnia and Herzegovina). In the challenging market environment, INA stood out as a reliable supplier for all products, especially blue-dyed diesel, in a situation of disrupted global supply due to political and economic circumstances. Trading activities were mainly focused on competitive crude sourcing, safe and timely product sales and supply, own consumption optimization and inventory risk management. More than 1.3 million tons of product was contracted in 2022 and scheduled to be delivered during the import mode of operation.

Refining operations

First quarter of the year was characterized by exceptionally high natural gas prices which put high pressure on European refiners. Alternative mode of operation in Q1 secured sizable savings and stable market supply. Rijeka Refinery start-up was executed at the end of March, utilizing improved refining environment starting from Q2. Favorable market environment paved the way to Rijeka Refinery processing at maximal capacity throughout summer season peak, followed by positive financial results. All secondary units were highly utilized and diesel line production was increased to the maximum to cover all market needs.

Price of natural gas had a continuous impact on fuel type usage in the refinery internal consumption, so active energy source optimization was carried out throughout the year, together with CO_2 emission optimization, in order to minimize costs. In addition, exhaustive review of the operations was implemented as a focused efficiency improvement program, aiming at organizational effectiveness, cost excellence and energy efficiency. Such efforts already led to significant changes in daily operation discipline and cost optimization.

Logistics and distribution

Market demand in road distribution in 2022 grew by 18% compared to previous years, which posed a challenge for the entire logistics chain. Although demand increase appeared in times when companies are struggling to find professional drivers, Logistics maintained a stable market supply and a high level of customer satisfaction from timely provided services (OTIF (on-time in-full) of 97.3%). Investments made in new semi-trailers and the renovation of tank wagons, together with the ongoing project of the New Rijeka port, aim to further improve the level and efficiency of logistics services.

With unpredictable external environment (escalation of the war and sanctions against Russia), Logistics assured additional storage capacities for diesel to secure the safe market supply. Further on, Logistics continue to evaluate potentials for terminal optimization and optimization of storage capacities, together with digitalization and automatization of its processes. An automated procedure for declaring product quality and supervision of monitoring and proving the origin of products at all logistics terminals has been implemented. Aviation fuel contactless ordering and confirmation of loading documents has been implemented at ITP terminals. The Process Safety Management (PSM) implementation increased from the rate of 84% (in 2021) to 89%, and the risk assessment analysis was completed for all logistics locations.

Gas and power

Natural gas sales amounted to 745 mcm in 2022, while INA secured deliveries of natural gas with LNG contract daily inflow and spot contracts as needed, thus ensuring important role among traders and suppliers in Croatia.

Based on State Attorney Office's organized crime investigation initiated also against INA managers, an internal investigation was conducted in order to identify the potential fraudulent activities of INA Gas & Power department. It was established that the internal regulations were violated and by entering into contracts with different companies significant financial and opportunity loss has been incurred to INA. Official State Attorney's Office investigation is still ongoing. Following the event, INA strengthened its internal preventive and control measures, and has applied consequence management measures towards its employees and companies involved. Also, INA engaged an independent expert to review all relevant business processes and provide suggestions for strengthening them.

Regulatory environment had a huge effect on the business in the last quarter of 2022. Following the Government Act issued in September 2022 and measures aiming to remove the effects of the crisis, gas export was banned, without material effect on INA since export was not our mode of operation. However, INA is obliged to sell domestic gas with regulated price to the Croatian company HEP until 31 March 2024.

Rijeka Refinery Upgrade Project

The Project started in 2020 and has reached overall completion of 70%. The Project aims to increase the Rijeka Refinery's profitability through better yield structure and full refining assets utilization.

The work on the most significant Project continues despite the challenging business environment caused by the COVID-19 pandemic and Ukraine crisis affecting material, energy, and workforce prices.

The engineering and procurement activities are nearly finished, with result above 99%. All of the designs were mainly completed, while an update of construction documentation due to changes on-site remains to be performed (delivery of detailed books reached above 85% in 2022). Furthermore, almost all the long-lead items and other materials and equipment were delivered, while the remaining is expected in 2023 with no impact on work dynamics.

Construction reached 52%, with the main achievements including the delivery and heavy lifting of Coke Drums and Fractionator for the Residue Upgrade Unit, performing most of the civil engineering works on the maritime part of the Port, and successfully passing test activities for the newly constructed high-voltage powerline and substations. The year was marked with important revamp on the Hydrocracker unit, performed during the Refinery shutdown period. INA contracted all the necessary quantities of fuel for the period of the planned suspension.

Croatian companies are largely participating in the execution of the Project through engineering, material procurement, equipment supply, construction, and other works.

In project execution, priority is given to the safety and health of all persons involved, including INA employees and contractors’ and subcontractors' workers.

Development and New Refining & Marketing Businesses

In order to manage the effect of external environment on refining business and projects, CAPEX plan was proposed to cover the already started and planned investments, with a focus on the Rijeka Refinery Upgrade Project and energy efficiency projects with quick return, but also on projects essential to sustain continuous business operations and the regular Turnaround in Rijeka Refinery.

The Green Hydrogen project in Rijeka and the Biogas and Biomethane production projects in Sisak are also considered. These projects are intended to further contribute to INA’s sustainable business portfolio by decreasing greenhouse gas emissions and providing energy from renewable sources.

New project ideas are mainly focused on further energy efficiency improvement, ensuring sustainability as well as widening the existing product portfolio.

The 2021 Energy Efficiency Act obligations were successfully met in the calendar year of 2022, by elaborating several project ideas and fuel additivities.

Investment Management

2022 was a very challenging but also successful year for Investment Management. In 15 projects, work was carried out on the construction sites without injuries for more than 600 days (includes own staff and contractor's employees), while key projects were implemented within the planned budgets and time. Overall, 5 projects which are planned to be implemented during Rijeka Refinery shutdown were approved, contracted and works have been completed. Activities on the construction of Solar Power Plants in Virje and Sisak are in progress and putting into operation is expected during H1 2023. In 2022, Investment Management worked on process improvements based on the results from IPA (Independent Project Analysis) benchmarking for Rijeka Refinery projects. Beside scheduling, cost engineering, QA/QC, HSE, new functions were implemented such as resource planning and risk management, in order to improve overall project management process at INA.

3.2.2. Strategy and outlook

Besides having to face the challenges of securing regional fuel supply, INA is having a major responsibility to drive business in a more sustainable direction. As part of the European Green Deal, with the European Climate Law, the EU has set itself a binding target of achieving climate neutrality by 2050. This requires current greenhouse gas emission levels to drop substantially in the next decades. As an intermediate step towards climate neutrality, the EU has raised its 2030 climate ambition, committing to cutting emissions by at least 55% by 2030. Activities on the construction of Solar Power Plants in Virje and Sisak are in progress and the start of operation is expected in 2023. The Green Hydrogen project in Rijeka and the sustainable production projects in Sisak are also considered. These projects are intended to further contribute to INA's sustainable business portfolio by decreasing greenhouse gas emissions and providing energy from renewable sources.

The vital year is in front of Rijeka Refinery Upgrade Project with several key milestones to be achieved. With the completion of works in Q1 2023 during the shutdown period, INA will improve its refining operations for the summer season. The JET market supply will be increased from a modernized Hydrocracker Unit, while a more stable electricity supply for refining units will be provided after connecting to the high-voltage electricity network. Irrespective of Refining operations, work on Residue Upgrade Unit will continue in its dedicated area, reshaping the Rijeka Refinery's look, with completion expected in 2024.

Assuring strict cost control by maintaining a high level of operational discipline in case of key assets and strong OPEX management efforts is required to support the overall Refining and Marketing result. Refining and Marketing will continue to improve its operations to strengthen its position of market leader on the domestic market and improving its regional presence for the years ahead.

3.2.3. Financial and operating performance

In 2022, Refining & Marketing was operating in import mode during Q1 2022 with Rijeka Refinery in planned shutdown for maintenance activities. Starting from Q2, Rijeka Refinery operation ensured stable captive market supply in the peak summer months, mitigating the risk of lower product availability on global market driven by the Russian-Ukrainian crisis. During Nov-Dec, Rijeka Refinery was in planned shutdown to perform brownfield works connected to activities on the Rijeka Refinery Upgrade Project, while the market was safely supplied from inventories and 3rd party sources. Apart from profitable refining activities, strong Clean CCS EBITDA generation was derived from outperforming captive market sales in the summer season (Q2-Q3) and lower, i.e. less profitable spot market sales together with strict OPEX control.

SEGMENT RESULTS*	HRK MLN			USD MLN**		
	2021	2022	CH %	2021	2022	CH %
Total revenue	21,912	34,419	57	3,445	4,807	40
EBITDA[1]	1,253	360	(71)	197	50	(75)
EBITDA excluding special items[2]	1,253	360	(71)	197	50	(75)
CCS-based DS EBITDA excluding special items[2]	879	773	(12)	138	108	(22)
Profit/(loss) from operations	523	(331)	n.a.	82	(46)	n.a.
Profit/(loss) from operations excluding special items[2]	523	(331)	n.a.	82	(46)	n.a.
CCS-based DS loss from operations	149	82	(45)	23	11	(52)
Simplified Free Cash Flow[3]	(25)	(986)	3,844	(4)	(138)	3,350
Capital expenditures	904	1,759	95	142	246	73
o/w Refining and Marketing	795	1,617	104	125	226	81

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

** In converting HRK figures into US dollars, the following average CNB (HNB) rates were used: for FY 2021 – 6.36 HRK/USD, for FY 2022 – 7.16 HRK/USD

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

[2] In 2021 and 2022, the result was not impacted by special items

[3] Simplified free cash flow = CCS EBITDA excluding special items – Capital expenditures

REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	2021	2022	CH %
REFINING PROCESSING (kt)			
Domestic crude oil	95	288	203
Imported crude oil	1,761	1,474	(16)
Other feedstock	732	**603**	(18)
TOTAL REFINING THROUGHPUT	**2,588**	**2,365**	(9)
REFINING PRODUCTION (kt)			
LPG*	153	128	(16)
Naphtha	63	90	43
Gasoline	601	503	(16)
Kerosene	80	151	89
Diesel	1,032	939	(9)
Heating oil	70	19	(72)
Fuel oil	267	236	(12)
Other products**	74	66	(12)
TOTAL	**2,340**	**2,132**	(9)
Refining loss	27	31	15
Own consumption	221	201	(9)
TOTAL REFINING PRODUCTION	**2,588**	**2,365**	(9)
REFINED PRODUCT SALES BY COUNTRY (kt)			
Croatia	2,009	2,295	14
Bosnia and Herzegovina	587	595	1
Slovenia	61	52	(14)
Italy	66	17	(74)
Other markets	1,468	769	(48)
TOTAL	**4,191**	**3,729**	(11)
REFINED PRODUCT SALES BY PRODUCT (kt)			
LPG*	237	220	(7)
Naphtha	63	91	44
Gasoline	724	642	(11)
Kerosene	102	186	83
Diesel	1,808	1,904	5
Heating oil	113	157	39
Fuel oil	267	217	(19)
Bitumen	70	69	(2)
Other products***	807	244	(70)
TOTAL	**4,191**	**3,729**	(11)
o/w Consumer Services and Retail segment sales	1,060	1,173	11
TOTAL NATURAL GAS SALES (mln m3)	**590**	**745**	26

* LPG + propylene
**Other products = Benzene concentrate, liquid sulfur, coke, motor oils, industrial lubricants, other intermediates
***Other products = Benzene concentrate, vacuum gas oil, liquid sulfur, coke, crude oil, motor oils, industrial lubricants
Note: Refined product sales by country and product were adjusted for 2021, as the previously announced wholesale quantities also partially included retail values. In addition, adjustment was made by product group for the purpose of identical classification with refinery processing.

3.3. Consumer Services and Retail overview

Key message from the Operating Director

"2022, as an extremely challenging and turbulent year, was marked by the war in Ukraine, resulting crisis on the energy market, large increase in the prices of electricity, gas and oil, which had a direct impact on our business development and results. Despite such external environment and fuel price regulation which significantly reduced the segment's financial result, we managed to achieve our business goals both in fuel and non-fuel segment as well as in expanding and strengthening our branched network so that the customers leave our locations even more satisfied, with all their needs met.

During 2022, Consumer Services and Retail continued to operate in regulated fuel market environment, and despite all the challenges, we took advantage of good business opportunities within non-fuel segment, digitalization and Loyalty program whose value is demonstrated by more than 450,000 members who enjoy its benefits every day.

We are proud of all colleagues from Consumer Services and Retail business segment who demonstrated a strong work ethic, knowledge and professionalism and every day provide full service to our customers 'on the go'."

Zdravka Demeter Bubalo

Operating Director of Consumer Services and Retail

Achievements

- Maintaining the market leader position, expanding, and strengthening the INA retail network (through new locations and the Gastro concept)
- Successful continuation of new Loyalty members recruitment followed by further digital implementation of new innovative solutions and services at retail locations
- 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

- CS&Retail EBITDA affected by continued Government restrictions in regulated Croatian fuel market environment
- Strengthening of competition on the Croatian market has placed a special focus on the need for intensive investment in the development of our non-fuel offer through the expansion of the Fresh Corner brand
- Comprehensive efforts taken to ensure on-time IT systems and retail processes adaption for euro introduction at our retail locations
- Developing and improving digital solutions and thus the necessary infrastructure at service stations

3.3.1. Overview and key achievements for the year 2022

Consumer Services and Retail

The past year 2022 proved to be extremely challenging and turbulent. The business year was marked by a crisis on the energy market, and we also witnessed a large increase in the prices of electricity, gas, and oil, which had a direct impact on both our business and the general situation in the society. However, the loudest and most shocking news in the world, including in our country, is certainly the outbreak of war in Ukraine and the resulting energy and migrant crisis caused by this war.

In October 2021, the Government of the Republic of Croatia passed a “Decision on determining the highest retail prices of petroleum products”, which they prolonged in 2022, resulting in 35 Government regulations throughout the year, affecting both prices and margins.

Given that we continued to operate in a regulated environment during 2022, as far as oil derivatives are concerned, the challenges in our business segment were present throughout the observed period. The current environment required us to make maximum efforts to successfully end 2022, with a special focus on categories where there was space for additional improvement: coffee sale increase and the number of loyal customers in the INA Loyalty program and as well as expanding our network. There was also the introduction of the EURO, and intensive activity for the entire Company, which was also carried out successfully in the Retail segment, as the most visible segment to our customers.

Although the circumstances were demanding in terms of realizing the expected results, we utilized the market opportunities to partly compensate for the impact through the development of the non-fuel segment. This was achieved by the engagement of all employees at retail locations and offices, as well as cost optimization with a focus on costs that are not necessarily related to material rights or the total number of employees.

In the fuel segment, we achieved 11% higher volumes in 2022, which was exemplified by increased demand due to Government regulations and the war in Ukraine. In the non-fuel segment, we overachieved the goal of selling hot dogs and sandwiches. In the coming period, our focus will continue to be on achieving the highest possible number of coffee sales, as well as increasing the number of our loyal customers as members of the INA Loyalty program.

Our customers are looking for something more than just a quick refueling - they also expect a gastronomic experience, as well as a pleasant environment for rest. Thus, seven years ago, the company began to transform its retail locations based on the Fresh Corner gastronomic concept. In this way, visitors can spend quality time with the excellent offer of Fresh Corner coffee and freshly prepared hot dogs and sandwiches in addition to various contents and a rich assortment of the INA retail location. We will continue and further develop our strategy to remain number one for our customers ‘on the go’.

We strive to maintain our position in the future by improving our visual identity and offer top Class Plus fuels, a wide range of Fresh Corner products and other consumer goods at our retail locations. With all the above, our recognizable hospitality is sure to continue shape the positive experiences of all INA guests.

Retail network and service development

INA Group operates a network of 506 retail outlets - 389 in Croatia, 105 in BiH (Holdina and Energopetrol) and 12 in Montenegro.

As a company with the largest modernized retail network, our retail locations are visited daily by more than 245,000 customers, INA is continuously expanding and developing its network through capital investments.

During 2022, INA Consumer Services and Retail developed the following projects: 6 non-Fresh Corner modernizations (Rovinj obala, Pula obala, AVH Shop, Hostin shop, kitchen upgrade at Spačva and Rastovica), 2 Light Blue modernizations (ZG Folnegovićeva and Imotski Bleiburška), 7 Fresh corner modernizations (Ježevo jug, Osijek Trpimirova istok, Ivanić-Grad, Buzet, Jastrebarsko, Gospić Budačka, Knin grad), 1 Greenfield – Rebri with opening in 2023, 3 knock-down and rebuild/KDR projects (N. Marof, Novska sjever and Novska jug) with opening in 2023, 1 acquisition – Krapina F. Galovića, 1 LPG SKID implementation – Vinkovci B. Jelačića, 2 rentals – Opuzen and Bjelovar, WMF Barista implementation at 51 service stations, HOT DOG implementation at 63 service stations, ice chest freezers implementation at 100 service stations, followed by HSE projects (DOPA – 9 SeS, biopurifier – 1 SeS, tank replacement – 1 SeS, sewage reconstruction – 2 SeS, oil separator implementation – 1 SeS).

INA continuously monitors the wishes and needs of its customers, and by introducing novelties and modern changes in appearance truly makes Fresh Corner a perfect place for a break. With the aim to increase awareness of the Fresh Corner brand, during 2022 INA was successfully present at various events such as: World Rally Championship Croatia (WRC), Pink Wing, ATP Umag, Porcijunkulovo Čakovec, Špancirfest Varaždin, Food Truck Festival Zagreb, participated at Advents in five cities - Zagreb, Rijeka, Osijek, Pula and Varaždin, and supported all internal events, e.g. kid's day (six cities).

Furthermore, INA additionally expanded its offer at INA retail locations in Croatia by introducing new products of its own brand – Crunch&Go chips which impacted our sales and category share by 37% and JIM energy drink which impacted our sales and category share by 15%.

We also invest in our employees, i.e. their development and open opportunities for them to grow, while at the same time fostering social dialogue, as is evidenced by 8 meetings held with social partners during 2022.

Good example of the excellence of our Consumer Services and Retail employee's performance is the recognition they received from MOL Group as a part of the Summer Challenge, carried out throughout the MOL Group - in Croatia (INA and Tifon), Hungary, Slovenia, the Czech Republic, Romania, Bosnia and Herzegovina, Montenegro, Serbia and Slovakia. Out of 327 teams in nine countries, the team INA Ljubešćica-istok achieved the best results in the category of retail locations located on highways.


KAVE I TOPLI NAPICI / COFFEE AND HOT DRINKS
FRESH CORNER
Svježe samo za vas

Marketing and promotional activities

Marketing and promotional activities at retail locations were focused on promoting the quality of our fuel and non-fuel products and services, increasing trial and building loyalty.

To ensure an even greater satisfaction of our customers, but also to keep up with the trends and market demands, Retail Marketing and Loyalty in 2022 supported 3 prize-winning games (PWG) and launched the following marketing activities: Zagreb city tram branding - iconic number 6, combining INA Loyalty communication on one side and Fresh Corner communication on the other side (focusing on coffee, hot dog and sandwiches), taxi branding with own brand and coffee & Loyalty aimed at increased visibility, own brand influencer boxes with Jim and Crunch&Go samples and merch, coffee targeted sampling via travelling station and one of the biggest media houses in Croatia, coffee TVC on the national TV morning show Good morning, Croatia and on 2 large TV stations in December, euro transition for INA Loyalty and Loyalty re-platforming for new features. The prize-winning game "Ako si INA Loyalty član, Mercedes nije san", launched only for Loyalty members during October – November 2022 achieved the best results ever, with a record number of applications – over 500,000.

World Rally Championship (WRC) 2022 was held in Croatia for the second consecutive year. Thus, Croatia once again found itself in the company of the chosen ones and was one of the 13 countries on the list of the prestigious WRC Croatia Rally car race. The automotive spectacle took place in five Croatian counties, and Retail Marketing and Loyalty along with our Class Pluss supported this event with rich prizes.

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, etc.

INA Loyalty and digitalization

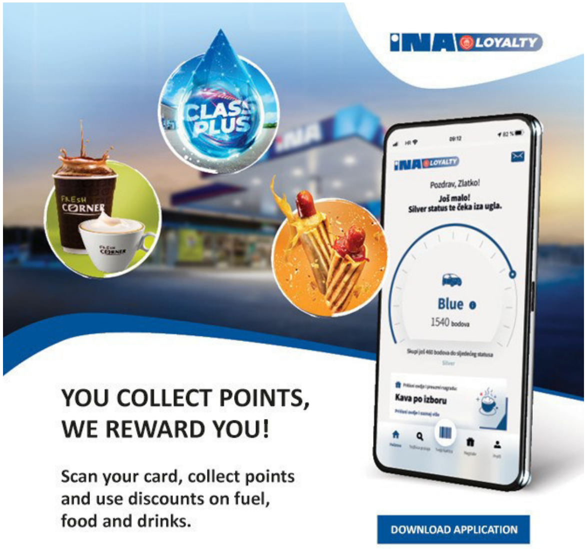
INA Loyalty program became popular in a very short time and gathered a community that now reaches almost over 450 000 registered members and almost 300 000 active members, with further growth expected in the upcoming years.

From February 2022, through the INA Loyalty application, a NEW benefits program was available for colleagues at retail locations. With the new program, we upgraded the existing gastronomic benefits with new ones - discounts on fuel, car washing and the offer of INA Autoglass, car windshield washer fluid.

Colleagues at our retail locations continue to receive appropriate education through the eSMILE application with the aim to proactively engage each of our guests to become a member and participate in our INA Loyalty program.

After the successful introduction of dual price displaying at our retail locations and digital communication channels (including INA Loyalty), which we are obliged to have until the end of 2023, our locations successfully switched to euro as of 1 January 2023.

As for other digital projects carried out within Consumer Services and Retail, Pay@toilet system was introduced at 14 service stations during 2022, Pay@device recorded significant increase in the number of transactions in 2022, and Data Lake implementation was conducted.



3.3.2. Strategy and outlook

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

INA Retail Action Plan - key opportunities for growth:

- INA will continue to strengthen and further develop the Fresh Corner brand (101 Fresh Corners implemented at INA retail locations), the quality and diversity of our offer of fuels and non-fuels and services at retail locations as well as the professional and well-educated behavior of our employees
- Continuous monitoring of the potential for acquiring new locations - especially in areas where we want to strengthen INA's presence
- Strengthening fuel performance especially of premium fuels with extended line of additives to strengthen competitive advantage
- Use the loyalty program and further upgrade digital capabilities
- Continue with digital transformation to improve customer experience through convenience and personalization

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

3.3.3. Financial and operating performance

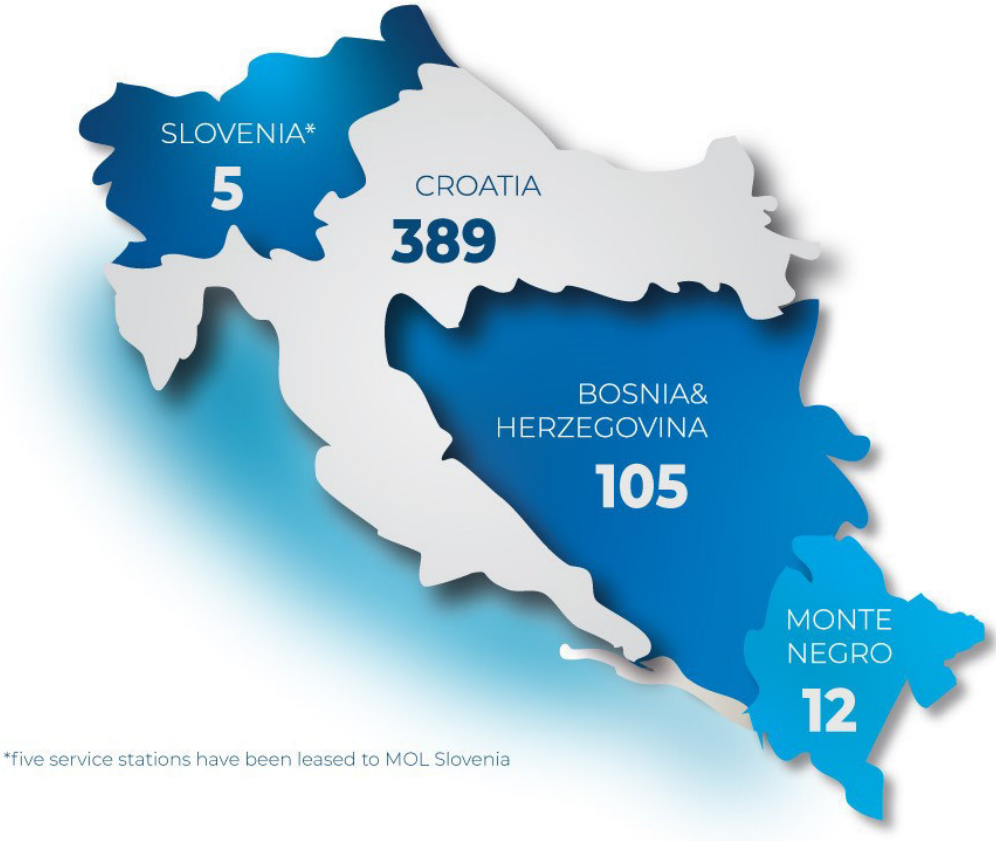
Total Retail sales volumes amounted to 1,173 kt in 2022 which is 11% above 2021, with significant contribution coming from Croatian (+116 kt) market as a result of recovered marked conditions after COVID restrictions additionally supported by excellent tourist season and tourist consumption.

Non-fuel margin increased 18%, reflecting continuous expansion in consumer goods, increasing number of Fresh Corners and improved sales activities. INA Loyalty program in Croatia surpassed 450 000 registered members

As of 31 December 2022, INA Group operated a network of 506 retail locations, including leased locations - 389 in Croatia, 105 in Bosnia and Herzegovina, 12 in Montenegro and additional five retail sites in Slovenia that are leased to MOL Slovenia. Consumer Services and Retail capital investments amounted to HRK 142 million in 2022 with focus on retail locations modernization and continued roll-out of Fresh Corner concept, which is present at 137 retail locations (o/w 101 FC in Croatia). Two new SeS were opened in Croatia & Montenegro, reaching 506 service stations at the group level.

CONSUMER SERVICES AND RETAIL	2021	2022	CH %
RETAIL SALES (kt)			
Gasoline	247	263	6
Gasoil	788	888	13
Other	25	23	(8)
TOTAL RETAIL SALES	**1,060**	**1,173**	**11**
NON-FUEL MARGIN (HRK MLN)	**409**	**482**	**18**
NUMBER OF RETAIL LOCATIONS*	**504**	**506**	**0**
CAPITAL EXPENDITURES (HRK MLN)	**110**	**142**	**29**

*Retail locations imply: 506 service stations, without other retail locations (auto bar/restaurants, carwash, shop, heating oil sales point, LPG sales point), and five service stations that are leased to MOL Slovenia



*five service stations have been leased to MOL Slovenia

4. MANAGEMENT DISCUSSION AND ANALYSIS

4.1. Overview of the macroeconomic and industry environment

4.1.1. The global economy

Global real GDP growth slowed down significantly from 6.0% in 2021 to 3.4%[1] in 2022, below the historical (2000-2019) average of 3.8%. At the same time, headline inflation rates rose to four-decade highs across the developed world and most emerging markets, fueled by skyrocketing food and energy prices. Tighter monetary conditions to fight rising inflation, post-pandemic and Russia-Ukraine war-related supply chain disruptions and the strict 'zero Covid' policy of the world's second largest economy, China, dampened GDP growth last year.

Due to its proximity and energy importer status, the European Union and the Central and Eastern European (CEE) region had the strongest exposure to the war in Ukraine. Despite these headwinds, European economic growth in 2022 was more resilient than expected in the face of the large negative terms-of-trade shock from the energy price crisis. But still, economic activity weakened steadily through 2022. After a strong first half of the year, the eurozone real GDP grew by 3.5%[1] in 2022 as a whole.

4.1.2. Croatia's economy in 2022

The CEE region coped relatively well with the economic and financial fallout from the Russian invasion of Ukraine, mainly due to pent-up household consumption after Covid restrictions were relaxed. Still, the surge in global food and energy prices generated runaway, double-digit inflation rates leading to a freefall in real incomes, weighing on consumer spending, deteriorating business sentiment and forcing central banks to tighten monetary conditions. Natural gas dependence of CEE countries and the high exposure of the region to the German economy, which has been hit especially hard by the recent economic and energy crisis, also put a drag on growth in the second half of 2022. However, there were still substantial disparities across the region: Croatia and Hungary managed to perform above the EU average despite a continuous slowdown over the year, while the Czech and Slovak economic performance significantly fell behind in 2022.

Thanks to robust household consumption, EU recovery funds and a solid summer tourist season, the Croatian economy grew by an estimated 6.3%[2] in 2022. However, persistently high inflation, negative real wage growth and a decline in business and consumer confidence led to a sharp slowdown in economic growth by the end of 2022.

[1] IMF (2023): World Economic Outlook, January update

[2] Croatian Bureau of Statistics, first estimate, 28 February 2022

4.1.3. Global oil and gas market fundamentals

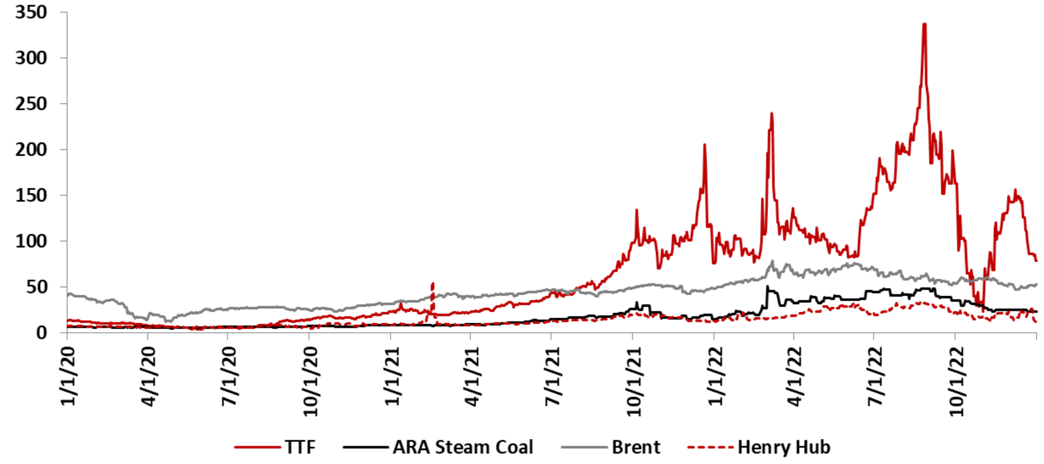
The Dated Brent price strengthened from the 2021 average of 71 USD/bbl to 101 USD/bbl in 2022. Prices rose significantly in the first half of 2022, but generally declined in the second half of the year, closing at 81 USD/bbl on the final trading day of the year. In the immediate aftermath of Russia's full-scale invasion of Ukraine, the combination of war-related supply fears with low global crude oil inventories lifted the crude oil price to the highest inflation-adjusted price since 2014: 137.6 USD/bbl on 8 March. The Russian-Ukrainian war and the response from Europe, the U.S., and their allies ended decades-long cooperation between Russia and its energy trading partners, forcing markets to deal with temporary, and perhaps in some cases permanent, dislocation of energy supply. As a result, Russian Urals oil's discount rates to Dated Brent have widened significantly from the 2011-2021 average of -1.2 USD/bbl to -24.9 USD/bbl in 2022. Russian crude diverted from Europe to India and China, but their cost of maritime trade and insurance has increased significantly.

The oil market remained tight in 2022 despite increased production and slower-than-expected rebound in demand. OPEC production increased by 4 Mmbpd over the first nine months of the year. However, weaker prices and demand concerns triggered a 2 Mmbpd headline quota cut in November. In addition, non-OPEC production increased by over 2 million b/d over 2022, driven by strong growth in the U.S. On the demand side, despite the nearly 0.5 Mmbpd of incremental demand that developed due to enhanced gas-to-oil switching, demand only increased by 2.3 Mmbpd in 2022 and remained below its pre-pandemic baseline.[3] While oil demand in most sectors and of most products exceeded pre-pandemic levels in 2022, the aviation sector continued to lag compared to 2019 by a large margin.

European natural gas markets have seen unprecedented turbulence in 2022. The average price of TTF (Title Transfer Facility), Europe's largest gas trading hub, increased to 130.9 USD/MWh, meaning prices almost tripled compared to the 46.5 USD/MWh in 2021 and were nearly 7 times higher than the 2010-2020 historical average of 19 USD/MWh. Extreme European prices were the result of disruptions in Russian gas flows to Europe, while the global gas supply remained limited. Intensified competition between Asia and Europe to attract additional non-Russian supply (mainly LNG) kept prices elevated throughout 2022 despite a significant voluntary and warm weather-driven reduction in European demand and record-high levels of gas in storage. On the upside, the EU managed to weather the energy crisis brought on by the Russian invasion in 2022 and proved to be more resilient than expected amid limited Russian energy imports.

[3] IEA (2022): Oil Market Report, December

Figure 1 – Selected crude, natural gas and coal prices dtd (USD/MWh, 2020-2022, Bloomberg data)



4.1.4. Downstream

European refinery margins increased considerably in 2022, supported mainly by skyrocketing road fuel crack spreads. Strong, pent-up driving demand, gas-to-oil switching, worldwide low product inventory levels and still muted refining capacity already strengthened fuel cracks before the outbreak of the Russia-Ukraine war. The fear of Russian supply loss has only further stretched the markets. As a result, margins remained robust despite extreme production cost rises, however the imposition of windfall profit taxes limited the gains.

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

**In light of recent market developments, the indicative refinery margin methodology was reviewed and previous period restated. The updated methodology includes purchased energy (enhanced fit to natural gas) and CO_2 costs, assuming Brent oil price as the benchmark.*

4.2. Financial risk management

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.

4.2.1. 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 2022 were imported by INA Group in EUR based on spot prices. Derivative instruments (forward, swap and option instruments) are available for managing company's commodity exposure. In 2022, INA, d.d. entered into short-term forward swap transactions to hedge its exposure to changes in inventory levels, changes in pricing periods, crack spreads and fixed-price contracts.

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. On 31 December 2022, 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. On 31 December 2022, 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.

4.2.2. 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, customers are classified into risk groups by reference to their financial indicators and trading records with INA Group, with appropriate credit risk protection measures taken for each group. 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.

In 2022, credit risk management was under additional scrutiny, taking into account the potential decrease of market liquidity influenced by the external environment, i.e. inflation, high uncertainty regarding the development of energy prices, government limitation of margins, as well as the COVID-19 pandemic.

4.2.3. Liquidity risk

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 2022, INA Group’s contracted and available short-term credit lines amounted to HRK 4,131 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 2,260 million (CNB middle exchange rate).

4.3. 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. Although oil and gas will remain key and important energy sources for a long time to come, we have remained strongly committed to opportunities aimed at upgrading our existing value chain and ensuring a sustainable future. We want to be a financially strong company to successfully respond to the challenges posed by decarbonization, environmental issues and technological progress. INA, d.d. has clearly defined guidelines for further development aimed at upgrading traditional activities to new businesses. We are planning a substantial breakthrough in renewable energy production by building solar power plants at our Virje and Sisak locations, but we are also giving thought to other energy transition opportunities, such as green hydrogen, wind potential and geothermal resources (read more under chapter *Climate change and our response*).

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 and the fact that further business development is highly determined by climate change context.

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 consider inputs from organizations at which all aspects of climate change 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 and innovations and for Sustainable Development, Health, Safety and Environment (hereinafter: SD&HSE) 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 innovations. 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.

Regular monitoring of SD & HSE topics, which also include climate change, is ensured by INA management through the quarterly reporting process of SD & HSE areas and through quarterly HSE Operational Committees that monitor and discuss HSE performance and impacts, risks, programs, projects and initiatives related to environmental protection and climate change.

Strategy

Climate change risks and corporate long-term horizons are included in “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 and change of customers’ expectations and behavior. 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 continued in refining with the main goal to assure production efficiency and extend current value chain. In line therewith, INA, d.d. remains committed to INA Downstream 2023 New Course, a program which includes the Residue Upgrade Project and the concentration of oil refining at the Rijeka Refinery, while the Sisak location will be transformed into a modern industrial center including potential biogas and biomethane production projects. Construction of a plant for the treatment of heavy residues in the Rijeka Refinery continued despite the challenging business environment caused by the COVID-19 pandemic and Ukraine crisis affecting material, energy, and workforce prices, and the Project has reached overall completion of 70%. Thanks to the new plant, the product structure of the Refinery will improve as the share of white products will increase.

In the transport sector, the company is considering the construction of a 10 MW electrolyser in Rijeka Refinery for production of renewable hydrogen, potentially including a solar power plant. Such green hydrogen would primarily be used for the needs of the Refinery decarbonization, since now it uses hydrogen from fossil fuels in its production, and for the needs of the transport sector, for example hydrogen buses. This would make INA the first producer of green hydrogen at a commercial level in the Republic of Croatia.

In the Exploration and Production, we have continued with CO_2 injection within our EOR project. In eight years, since the project started, over 1.3 billion HRK was invested and 2.8 million tons of CO_2 (almost 1.5 billion m^3) were injected, majority of which is being permanently stored. Our ambition in the coming years is to use our expertise to take this project to a new level and develop carbon capture, utilization and storage (CCUS) projects in large industrial facilities. The European Green Deal recognizes that such projects can play an important role in emission reduction, and INA sees them as an opportunity for its own transformation. At the same time, we are focused on methane emission management and flaring and venting reduction projects. In the upcoming years, in line with the Energy Transition Strategy, in Exploration & Production we will also focus on the investment cycle in the geothermal power generation.

At Virje and Sisak locations we have continued with construction of two state-of-the-art solar power plants which will supply green electricity to the public distribution network, assisting the INA Group sustainable portfolio in the generation of electricity from renewable sources. Start of operation is expected in 2023.

4.4. Summary of 2022 financial results

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

INA Group CCS EBITDA excl. special items in 2022 amounted to around HRK 5.5 billion with net profit of HRK 1.9 billion. Net profit was impacted by one-off items in the total amount of HRK 789 million. Refining and Marketing incl. Consumer Services and Retail segment result was highly impacted by regulatory limitations which, combined with the intensive investment cycle in the Rijeka Refinery Upgrade Project, resulted in around HRK 1 billion negative cash flow of the segment. Exploration and Production returned to the position of the main cash generator, reflecting the improved price environment. EBITDA of Exploration and Production amounted to HRK 4.9 billion, limited from Q4 2022 by the regulated gas prices at 41 EUR/MWh, which is to stay in force until Q1 2024. Natural decline of production is moderated through increased production optimization activities, amounting to -4% on annual level. Offshore drilling campaign continued throughout the year with results already visible in 6% higher production volumes offshore. 2022 was additionally marked by various price and margin regulations impacting operational result of both segments, with newly imposed extra profit tax burdening cash generation.

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

INA GROUP FINANCIAL RESULTS	HRK MLN			USD MLN*		
	2021	2022	CH %	2021	2022	CH %
Revenue from contracts with customers	22,400	35,114	57	3,522	4,904	39
EBITDA[1]	3,315	5,068	53	521	708	36
EBITDA excluding special items[2]	3,403	5,068	49	535	708	32
CCS EBITDA excluding special items	3,029	5,481	81	476	766	61
Profit/(loss) from operations	1,469	3,230	120	231	451	95
Profit/(loss) from operations excluding special items[2]	1,557	3,408	119	245	476	94
CCS profit/(loss) from operations excluding special items[2]	1,183	3,821	223	186	534	187
Net loss from financial activities	94	(124)	n.a.	15	(17)	n.a.
Profit/(loss) for the year attributable to the Owners of the Company	1,285	1,895	47	202	265	31
Profit/(loss) for the year excluding special items attributable to the Owners[2]	1,373	2,684	96	216	375	74
Simplified Free Cash Flow[3]	1,431	2,753	92	225	384	71
Net cash inflow from operating activities	3,454	3,433	(1)	543	479	(12)
Earnings/(loss) per share						
Basic and diluted gain/(loss) per share (HRK per share)	128.5	189.5	47	20.2	26.5	31
Net debt	1,759	683	(61)	277	95	(66)
Gearing ratio[4] (%)	13.9	5.4				
Capital expenditures	1,598	2,728	71	251	381	52
o/w Domestic	1,384	2,583	87	218	361	66
o/w International	214	145	(32)	34	20	(40)

* In converting HRK figures into US dollars, the following average CNB (HNB) rates were used: for FY 2021 – 6.36 HRK/USD, for FY 2022 – 7.16 HRK/USD

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

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

[3] Simplified free cash flow = CCS EBITDA excluding special items – Capital expenditures

[4] Gearing ratio = Net debt/Net debt + equity including non-controlling interest

KEY FINANCIAL DATA BY BUSINESS SEGMENTS	HRK MLN 2021	HRK MLN 2022	CH %	USD MLN* 2021	USD MLN* 2022	CH %
TOTAL REVENUE						
Exploration and Production	3,877	6,725	73	610	939	54
Refining and Marketing including Consumer Services and Retail	21,912	34,419	57	3,445	4,807	40
Corporate and other	1,346	1,364	1	212	191	(10)
Intersegment transfers and consolidation adjustments	(4,735)	(7,394)	56	(744)	(1,033)	39
TOTAL	**22,400**	**35,114**	57	**3,522**	**4,904**	39
EBITDA[1]						
Exploration and Production	2,427	4,892	102	382	683	79
Refining and Marketing including Consumer Services and Retail	1,253	360	(71)	197	50	(74)
Corporate and other	(73)	(70)	(4)	(11)	(10)	(15)
Intersegment transfers and consolidation adjustments	(292)	(114)	(61)	(46)	(16)	(65)
TOTAL	**3,315**	**5,068**	53	**521**	**708**	36
EBITDA EXCLUDING SPECIAL ITEMS[2]						
Exploration and Production	2,515	4,892	95	395	683	73
Refining and Marketing including Consumer Services and Retail	1,253	360	(71)	197	50	(74)
Corporate and other	(73)	(70)	(4)	(11)	(10)	(15)
Intersegment transfers and consolidation adjustments	(292)	(114)	(61)	(46)	(16)	(65)
TOTAL	**3,403**	**5,068**	49	**535**	**708**	32
PROFIT/(LOSS) FROM OPERATIONS						
Exploration and Production	1,535	3,893	154	241	544	125
Refining and Marketing including Consumer Services and Retail	523	(331)	n.a.	82	(46)	n.a.
Corporate and other	(299)	(220)	(26)	(47)	(31)	(35)
Intersegment transfers and consolidation adjustments	(290)	(112)	(61)	(46)	(16)	(66)
TOTAL	**1,469**	**3,230**	120	**231**	**451**	95
PROFIT/(LOSS) FROM OPERATIONS EXCLUDING SPECIAL ITEMS[2]						
Exploration and Production	1,623	4,071	151	255	569	123
Refining and Marketing including Consumer Services and Retail	523	(331)	n.a.	82	(46)	n.a.
Corporate and other	(299)	(220)	(26)	(47)	(31)	(35)
Intersegment transfers and consolidation adjustments	(290)	(112)	(61)	(46)	(16)	(66)
TOTAL	**1,557**	**3,408**	119	**245**	**476**	N.A.
PROPERTY, PLANT AND EQUIPMENT						
Exploration and Production	4,096	3,755	(8)	644	524	(19)
Refining and Marketing including Consumer Services and Retail	6,651	7,802	17	1,046	1,090	4
Corporate and other	1,013	1,024	1	159	143	(10)
Intersegment transfers and consolidation adjustments	(511)	(543)	6	(80)	(76)	(6)
TOTAL	**11,249**	**12,038**	7	**1,769**	**1,681**	(5)

* In converting HRK figures into US dollars, the following average CNB (HNB) rates were used: for FY 2021 – 6.36 HRK/USD, for FY 2022 – 7.16 HRK/USD

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

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

Intersegment transfers and consolidation adjustments indicate unrealized profit/loss on domestic crude oil and natural gas being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil/natural gas or finished/semi-finished product. Intersegment EBITDA effect on result in 2022 is HRK (114) million compared to HRK (292) million in 2021.

INA Group Consolidated Statement of Financial Position

INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HRK MLN)	31 Dec 2021	31 Dec 2022	CH %
ASSETS			
Non-current assets			
Intangible assets	449	499	11
Property, plant and equipment	11,249	12,038	7
Investment property	94	136	45
Right-of-use assets	307	303	(1)
Investments in associates and joint venture	245	28	(89)
Other investments	9	7	(22)
Other non-current financial assets	544	644	18
Deferred tax	946	977	3
Long-term marketable securities	43	18	(58)
Non-current financial assets	756	833	10
Other non-current asset	298	192	(36)
Total non-current assets	**14,940**	**15,675**	**5**
Current assets			
Inventories	2,146	2,999	40
Trade receivables, net	2,007	2,739	36
Other current financial asset	1,339	36	(97)
Corporative income tax receivables	6	11	83
Other current assets	262	209	(20)
Derivative financial instruments	11	38	245
Marketable securities	17	122	618
Cash and cash equivalents	1,352	1,707	26
Current assets	**7,140**	**7,861**	**10**
Assets held for sale	13	341	2,523
Total current assets	**7,153**	**8,202**	**15**
TOTAL ASSETS	**22,093**	**23,877**	**8**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9,000	9,000	-
Legal reserves	199	250	26

Fair value reserves	363	437	20
Other reserves	1,562	1,616	3
(Accumulated losses)/Retained earnings	(254)	610	n.a.
Equity attributable to owners of the Company	**10,870**	**11,913**	**10**
Non-controlling interest	15	22	47
Total equity	**10,885**	**11,935**	**10**
Non – current liabilities			
Long-term debts	1,983	1,987	0
Long-term lease liabilities	228	230	1
Other non-current liabilities	29	24	(17)
Employee benefits obligation	67	45	(33)
Provisions	3,668	3,514	(4)
Deferred tax liability	15	17	13
Total non–current liabilities	**5,990**	**5,817**	**(3)**
Current liabilities			
Bank loans and current portion of long-term debt	1,145	525	(54)
Current portion of long-term lease liabilities	84	80	(5)
Other current financial liabilities	-	1	n.a.
Trade payables	2,143	2,484	16
Taxes and contributions	929	763	(18)
Corporative income tax liabilities	9	1,206	13,300
Other current liabilities	522	493	(6)
Derivative financial instruments	64	21	(67)
Employee benefits obligation	4	7	75
Provisions	318	504	58
Total current liabilities	**5,218**	**6,084**	17
Liabilities directly associated with assets classified held for sale	**-**	**41**	n.a.
Total liabilities	**11,208**	**11,942**	7
TOTAL EQUITY AND LIABILITIES	**22,093**	**23,877**	8

As at 31 December 2022 INA Group total assets amounted to HRK 23,877 million, 8% higher than 31 December 2021. In the period ended 31 December 2022, INA Group invested HRK 84 million in intangible assets. The effect of depreciation equals HRK 72 million. In the period ended 31 December 2022, INA Group invested HRK 2,644 million in property, plant and equipment. The effect of depreciation reduced net book value in the amount of HRK 1,449 million. Inventories amounted to HRK 2,999 million and increased compared to HRK 2,146 million on 31 December 2021 mainly due to higher prices and volumes.

During 2022, HRK (181) million was recognized as an impairment of refined products and work in progress (in 2021 impairment of refined products and work in progress net impact was neutral) within Changes in inventories of finished products and work in progress within statement of profit or loss.

During 2022, HRK (27) million was recognized as impairment of merchandise (2021: HRK (9) million was recognized as impairment of merchandise) within Cost of other goods sold within statement of profit or loss.

Trade receivables (net) amounted to HRK 2,739 million, which is 36% higher than on 31 December 2021 mainly due to higher sales value and improving price environment. Share capital on 31 December 2022 amounted to HRK 9,000 million. There were no movements in the issued capital of the Company, in either the current or the prior financial reporting.

As at 31 December 2022 total liabilities amounted to HRK 11,942 million, 7% higher compared to 31 December 2021. INA Group net debt amounted to HRK 683 million and decreased compared to 31 December 2021. Net gearing decreased from 13.9% as at 31 December 2021 to 5.4% as at 31 December 2022

Trade payables amounted to HRK 2,484 million and increased by 16% compared to 31 December 2021.

INA Group Consolidated Statement of Profit or Loss

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

*Restatement of comparable previous periods was made – see on page 84

Revenue from contracts with customers in 2022 amounted to HRK 35,114 million and is 57% higher compared to 2021, supported by improvement in hydrocarbon prices and product quotations. Costs of raw materials and consumables at HRK (13,048) million were 49% higher than 2021 level, reflecting different dynamic of refinery operations and higher prices.

Other operating costs realized in 2022 include:

- Other material costs in the amount of HRK (2,204) million were higher by 18%, mainly driven by higher transportation and maintenance costs
- Service costs in the amount of HRK (549) million were 17% higher than in 2021, mainly driven by the effect of subsidiary liquidation
- Depreciation, amortization and impairment (net) in the amount of HRK (1,838) million were at the level of 2021
- Impairment charges (net) had a negative effect in the amount of HRK (137) million in 2022 compared to negative effect in the amount of HRK (81) million in 2021, mainly due to higher receivables collection in 2021
- Provision for charges and risk (net) had a negative effect in the amount of HRK (358) million in 2022 compared to HRK (313) million negative effect in 2021.

Staff costs in the amount HRK (1,803) million were 2% higher than in 2021. Costs of other goods sold in 2022 increased compared to 2021 and amounted to HRK (13,181) million resulting from price increase and higher import to ensure market supply.

Net result from financial activities is negative in 2022 mainly as a result of:

- Net foreign exchange loss which amounted to HRK (111) million in 2022, while in 2021 gain reached HRK 10 million
- Interest expense which amounted to HRK (90) million and interest income amounted to HRK 8 million in 2022, while in 2021 interest expense amounted to HRK (88) million and interest income to HRK 1 million
- Other financial net gain which amounted to HRK 69 million in 2022 compared to HRK 171 million in 2021.

Income tax expense in 2022 amounted to HRK (1,177) million compared to HRK (267) million income tax expense in 2021. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 December 2022 and 2021.

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

INA Group Consolidated Statement of Cash Flows

INA GROUP CONSOLIDATED STATEMENT OF CASH FLOWS (HRK MLN)	2021	2022	CH %
Net cash inflow from operating activities	3,454	3,433	(1)
Net cash used for investing activities	(2,803)	(1,341)	(52)
Net cash used in financing activities	311	(1,758)	n.a.
Net increase/(decrease) in cash and cash equivalents	**962**	**334**	**(65)**

The operating cash flow before working capital changes amounted to HRK 5,350 million in 2022, representing an increase compared to 2021, which is in line with the change in EBITDA performance excluding non-cash items.

Movements in working capital affected the operating cash flow negatively by HRK (1,888) million, due to:

- Increase in value of inventories in the amount of HRK (1,258) million, mainly related to higher prices and volumes
- Increase in receivables in the amount of HRK (1,460) million mainly related to higher sales prices
- Increase in trade and other payables amounted to HRK 830 million, mainly related to higher purchase prices and volumes in line with production dynamics.

Net cash used in investing activities amounted to HRK (1,341) million of outflows due to intensive investment in Refining operations and Exploration and Production offshore operations and is higher compared to HRK (2,803) million outflows in 2021.

Restatements of prior period

INA Management Board adopted at December 2022 the updated version of INA Group Accounting Policies and Procedures.

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

The Company made the following corrections of prior period errors in the financial statements.

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

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

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

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

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

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

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

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

Other presentation changes to the statement of cash flows.

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

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 a significant effect on operations and results are considered as special items. INA has adopted the materiality level for the special items in the amount of USD 10 million or more. If special items reach materiality level on a cumulative basis, previous quarters are restated. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period if impairment indicators are assessed as significant.

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

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

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

4.5. EU Taxonomy report FY 2022

Introduction and legal background

Based on the Article 8 of the EU Taxonomy Regulation[4], undertakings which are subject to an obligation to publish non-financial information shall include in their non-financial statement on how and to what extent their activities are associated with economic activities, that qualify as environmentally sustainable. As part of that, the covered undertakings, including INA Group shall disclose KPIs (key performance indicators) on the proportion of the turnover, capital expenditure (CapEx) and operating expenditure (OpEx) of their activities related to assets or processes associated with environmentally sustainable economic activities.

The Annex I of the 'Disclosure Delegated Act' (EU 2021/2178)[5] specifies the content and presentation of information to be disclosed. About 2021 financial year INA Group had the mandatory reporting obligation to prepare the first EU Taxonomy report, focusing only on eligibility assessment. In line with the 'Disclosure Delegated Act' about the 2022 financial year the non-financial companies should already report beside their Taxonomy eligible activities also their aligned activities. However, the report should cover only the environmental objectives of climate change mitigation and climate change adaptation. The additional four, legally still not defined environmental objectives are not mandatory for the reporting covering 2022 financial year.

Technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or adaptation, and for determining whether the activity causes no significant harm to any of the other environmental objectives is covered by the Annex I and II of the Climate Delegated Act (EU 2021/2139)[6].

Furthermore, based on the Complementary Climate Delegated Act (EU 2022/1214)[7] INA Group performed also an assessment and identified activities, which could be possibly eligible or aligned with the specific nuclear and gas energy activities listed by the Delegated Act.

General approach

For 2022 financial year INA Group identified activities under the climate change mitigation environmental objective, therefore any allocation between different objectives was not necessary. In 2022 INA Group has not identified projects, which contributed to climate adaptation. We are expecting projects to be listed in the future under the climate change adaptation environmental objective linked to 'adaptation solutions' reducing the most important physical climate risks (that were identified

[4] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

[5] Comission Delegated Regulation of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (EU 2021/2178)

[6] Comission Delegated Regulation of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives ((EU) 2021/2139)

[7] Comission Delegated Regulation of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities ((EU 2022/1214)

through the Appendix A DNSH screening of the Climate Delegated Act[3]). We did not identify yet activities that contribute to multiple objectives. When the delegated acts about the remaining four environmental objectives will be issued, such activities might be relevant, and a decision will be made about their categorization in time.

During the EU Taxonomy assessment process INA Group followed a conservative approach. The relatively low proportion of aligned activities in the given KPIs are a result of conservative approach INA has taken in reporting, furthermore due to the fact that the EU Taxonomy framework is not finalized yet, as the delegated act with the remaining four environmental objectives (*'TAXO4'*) is still not issued. Considering the market trends the reported percentage of Taxonomy alignment is reasonable and justified. A recently published research[8] showed, that *the turnover alignment with regard to the two climate objectives for the given company universe in overall mean come to 2.9%, with individual vendor means ranging from 0.1% to 5.4%*. Based on this research the low alignment figures are not surprising as reflecting the current gap to where the economy needs to transition regarding environmental sustainability. The universe consisted of 200 firms, the sum of the top 50 large and mid-sized European and non-European companies.

In our assessment we have been focusing on INA Group core activities and one-off projects not linked to the core business have been taken out from the analysis. Activities supporting transition (CO2 emission reduction) of traditional oil and gas value chain (non-eligible target activities) have been considered during our eligibility and alignment assessment, which is a revision in our approach applied in the previous year (2021 financial year). This approach is in line with the recently published research[9] of Autorité des Marchés Financiers (AMF) titled 'Insights into the first taxonomy reporting by listed companies' standpoint, that the individually eligible activities can be counted, even for non-eligible target activities.

As of now in line with the mandatory reporting obligation, only fully consolidated items have been accounted. Although joint ventures and associated companies could have been reported on a voluntary basis[10], we decided not to include them in this report, however we take the option to revise our approach in the upcoming years, depending on the evaluation of the EU Taxonomy framework.

In terms of financial instruments, INA Group has not issued sustainability-linked or green bonds in the assessed periods.

[8] Andreas G. F. Hoepner (2022). EU Green Taxonomy Data – A First Vendor Survey. The Economists' Voice.

[9] Autorité des Marchés Financiers (2022). Insights into the first taxonomy reporting by listed companies.

[10] Page 21, Question 14, Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy eligible and Taxonomy-aligned economic activities and assets (second Commission Notice)

Eligibility screening

The screening covered INA Group core businesses along the entire value chain (except joint ventures and associates).

Alignment screening

In line with the EU Taxonomy assessment logic, alignment screening was completed in three steps. Compliance with technical screening criteria (TSC) has been assessed first, followed by the do no significant harm (DNSH) screening on activity level. Compliance with minimum social safeguards (MSS) has been assessed on MOL Group level.

Technical screening criteria (TSC) monitoring

Pre-selected eligible activities were subject to a technical screening criteria (TSC) monitoring, as the first step to proving their alignment.

Do no significant harm (DNSH) screening

Activities fulfilling technical screening criteria were tested against the do no significant harm (DNSH) requirements of the remaining 5 environmental objectives. To prove the activities alignment with the DNSH criteria, detailed assessment has been carried out.

Appendix A screening (i.e. compliance with Climate change adaptation criteria) has been conducted for every aligned activity. In order to deliver climate risk and vulnerability assessment for the relevant activities, already existing in-house expertise and knowledge risk management has been combined with the EU Taxonomy additional requirements – and integrated to a specific Appendix A framework.

For the future climate scenarios, we used IPCC (Intergovernmental Panel on Climate Change) and EEA (European Environmental Agency) sources in our assessment – as referred in Appendix A requirements. Furthermore, to select the material physical climate risks, the European Climate Adaptation Platform (Climate-ADAPT) database was used.

A conservative approach has been applied during the assessment and the worst-case scenario; the RCP 8.5 pathway was examined. The latest available climate scenarios were used. Future scenarios were analysed until 2050. Due to the geographical proximity and so due to the similar climate profile of our main operational countries the applied scientific framework examined them as one region, so as Western and Central Europe (for example in the IPCC projections) and in the risk assessments we screened all material physical climate risks relevant to this area. The material physical climate risks are assessed in the scenarios as detailed above, taking into account the likelihood and impact on the Group and adaptation plan defined whenever necessary.

During proofing compliance with criteria set out by **Appendix B** (*i.e. compliance with Sustainable use and protection of water and marine resources criteria*) and **D** (*i.e. compliance with Protection and restoration of biodiversity and ecosystems criteria*) screening, operational permits have been reviewed as well as if the given activities located in or near biodiversity-sensitive areas (incl. Natura2000[11]).

Appendix C (*i.e. compliance with Pollution prevention and control criteria*) screening conducted for the identified manufacturing activities. Criteria defined by the points "a"-"e" have been assessed in details.

Since 'f' and 'g' points prematurely referencing 'essential for the society', as the criteria for essentiality of chemicals is not defined yet in legal terms, we did not formally assess these points – in line with the guidance provided by the Platform on Sustainable Finance[12], also by German Chemicals Associations report[13].

Once the "essential use" will be defined by law, we will perform an assessment. However, INA Group is always aiming to ensure full compliance with all the legislative requirements across its operations.

Transition to a circular economy and other DNSH criteria defined by the regulation have been assessed case-by-case.

Minimum social safeguards (MSS) assessment

Basis of detailed assessment was the Final Report on Minimum Safeguards[14] issued by the Platform on Sustainable Finance, focusing on human rights, anti-corruption, fair competition and taxation.

In case of INA Group we are referencing the following documents for the compliance:

- INA Group and MOL Group Code of Ethics, also referring to the following external guidelines:
    - Universal Declaration of Human Rights
    - UN Global Compact
    - UN Guiding Principles
    - OECD Guidelines for Multinational Enterprises
    - ILO Declaration on Fundamental Principles and Rights at Work
    - United Nations Convention against Corruption (UNCAC)
    - World Economic Forum Partnering Against Corruption Initiative (PACI)

[11] Natura 2000 Network Viewer (2023) European Environment Agency source: https://natura2000.eea.europa.eu/
[12] Platform Recommendations on Data and Usability of the EU Taxonomy (2022) Platform on Sustainable Finance
[13] EU Taxonomy: Points f) and g) of Appendix C of the Climate Delegated Act (2022) Verband der Chemischen Industrie e.V
[14] Final Report on Minimum Safeguards (2022) Platform on Sustainable Finance

Financial methodology

In the assessment of the EU Taxonomy eligible and aligned activities and calculation of the mandatory KPIs as a main rule we followed the requirements defined by the 'Disclosure Delegated Act' (EU 2021/2178)[15], however in some cases we applied materiality thresholds and simplification considerations as described in below sections.

KPI related to turnover (turnover KPI)

For the KPI calculation the consolidation system was used for the reporting.

The turnover KPI's numerator calculation based on turnover of the identified eligible activities of INA Group. In case of profit centers where both eligible and non-eligible turnover was identified, the turnover related to the eligible products were collected and calculated only. In order to avoid double counting, only third-party external turnover considered in the calculation.

No materiality threshold applied, all relevant activities independently from the magnitude of contribution to the Group Turnover have been considered.

The turnover KPI's denominator is the same as the Revenue from Contracts with Customers line in the Consolidated Statement of Profit or Loss and can be found on page 11 of the Consolidated Financial Statements.

KPI related to operating expenditure (OpEx KPI)

OpEx KPI was calculated only for the profit centers where also sustainable turnover was identified.

In case of OpEx KPI the not-relevant OpEx items (such as PTE, charged services, energy and raw material) were deducted first, otherwise the calculation was done using the consolidation system, by taking into account all the relevant general ledger accounts based on the methodology defined by the 'Disclosure Delegated Act' (EU 2021/2178).

For the numerator calculation in case of profit centers where both eligible and non-eligible OpEx was identified, OpEx related to the eligible products were collected and calculated only. In case of production units (especially in case of Annex I/ 3.14 Manufacture of organic basic chemicals activity) allocation keys applied in the OpEx KPI allocation, based on the production volume of the EU Taxonomy eligible product.

For the denominator calculation the total Group level amount of the relevant general ledger accounts have been accounted.

KPI related to capital expenditure (CapEx KPI)

In case of CapEx KPI we used the central CapEx reporting and monitoring tool of INA Group. In relation with the CapEx definition used in this database and the definitions used in the Taxonomy Regulation we must make the following comments: the central CapEx reporting and monitoring tool of INA Group does not include additions from borrowing costs, right-of-use assets, estimated field abandonment

[15] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (EU 2021/2178)

and site restoration costs. We believe these differences do not have a material impact on the numerator of the KPI.

For the numerator the relevant (eligible and/or aligned) capital expenditure of investment projects for the respective financial year (2022) have been considered.

In case of CapEx KPI we applied a materiality threshold of HRK 700 thousand.

The CapEx figure used as denominator is comparable with the figure on page 79 of the Consolidated Financial Statements. The CapEx KPI's denominator is the same as the Additions and capitalizations plus Acquisition of subsidiaries line in the Property, plant and equipment movement table, additions of Investment property and the Additions plus Acquisition of subsidiary line in the Intangible asset movement table.

Contextual information about the KPIs

EU Taxonomy eligible activities in turnover is 0.5%, in OpEx 0.5%, in CapEx 2.6% for year 2022.

EU Taxonomy aligned activities in turnover is 0.0%, in OpEx 0.0%, in CapEx 2.0% for year 2022.

Relatively low percentages are partially a result of the previously demonstrated facts, that a significant part of INA Group's activities is still related to oil and gas industry, the EU Taxonomy legal framework is still not completed, and conservative approach has been followed in the assessment and reporting.

Turnover

Eligible turnover proportion is lower in 2022 (0.5%) than in the previous year (1.05%).

Lower proportion of eligible activities in 2022 than in 2021 driven by the following factors: turnover from traditional oil and gas activities has increased significantly in 2022.

There is no aligned activities on Group level in 2022.

Eligible but not aligned activities are associated with the following activity categories:

- *3.14. Manufacture of organic basic chemicals*, linked to the high value chemicals (HVC) and aromatics production at our downstream site, Rijeka Refinery in Croatia. Our technologies applied in our sites are not meeting the very ambitious GHG emission thresholds, which are reflecting the average value of the 10% most efficient installations in EU, and which is determined by installations with different technological setup and feedstock. For details, please see *Table 1*.

Table 1: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH (Do No Significant Harm) criteria										
Economic activities	**Codes**	**Absolute turnover (HRKmn)**	**Proportion of turnover (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and ecosystem (%)**	**Climate change mitigation (Y/N)**	**Climate change adaptation (Y/N)**	**Water and marine resources (Y/N)**	**Circular economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystem (Y/N)**	**Minimum safeguards (Y/N)**	**Taxonomy-aligned proportion of turnover for 2022 (%)**	**Taxonomy-aligned proportion of turnover for 2021 (%)**	**Category (E: enabling activity)**	**Category (T: transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	**0,0%**														0,0%	N/A		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of organic basic chemicals	3.14 (Annex I)/C20.14	174,2	0,5%																	
Electricity generation from fossil gaseous fuels	4.29 (Annex I)/D35.11	6,5	0,0%																	
Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**181**	**0,5%**																	
Total (A.1 + A.2)		**181**	**0,5%**														**1,05% eligible in 2021**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		**34.933**	**99,5%**																	
Total (A + B)		**35.114**	**100%**																	

Please note that INA Group has no Taxonomy-aligned activities in the turnover KPI (A.1) based on Climate Delegated Act

Operating expenditure (OpEx)

Eligible OpEx proportion in 2022 (0.5%) increased from zero that we reported in previous year (0.0%).

Majority of EU Taxonomy eligible OpEX is related to maintenance activities. Taking into account, that OpEx considered where Taxonomy eligible turnover has been identified, same eligible and aligned activity categories are valid in case of OpEx, like for the turnover.

There is no aligned activities on Group level in 2022.

For details, please see *Table 2*.

Table 2: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH (Do No Significant Harm) criteria										
Economic activities	**Codes**	**Absolute OpEx (HRKmn)**	**Proportion of OpEx (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and ecosystem (%)**	**Climate change mitigation (Y/N)**	**Climate change adaptation (Y/N)**	**Water and marine resources (Y/N)**	**Circular economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystem (Y/N)**	**Minimum safeguards (Y/N)**	**Taxonomy-aligned proportion of OpEx for 2022 (%)**	**Taxonomy-aligned proportion of OpEx for 2021 (%)**	**Category (E: enabling activity)**	**Category (T: transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	**0,0%**														0,0%	N/A		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of organic basic chemicals	3.14 (Annex I)/C20.14	12,1	0,5%																	
Electricity generation from fossil gaseous fuels	4.29 (Annex I)/D35.11	0,0	0,0%																	
OpEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**12,1**	**0,5%**																	
Total (A.1 + A.2)		**12,1**	**0,5%**														**0,0% eligible in 2021**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**2.335**	**99,5 %**																	
Total (A + B)		**2.347**	**100%**																	

Please note that INA Group has no Taxonomy-aligned activities in the OpEx KPI (A.1) based on Climate Delegated Act

CapEx

Eligible CapEx proportion in 2022 (2.7%) is lower than reported in the previous year (3.27%).

Proportion of aligned CapEx spending is 2.0% on Group level.

Aligned investments are associated with the following activity categories:

- *4.1. Electricity generation using solar photovoltaic technology*, related to solar power plant constructions in Croatia, supporting our operations with generation of green electricity.
- *9.1. Close to market research, development and innovation,* linked to GRACE[1] (*Growing Advanced industrial Crops on marginal lands for biorefineries*) project. INA has been part of a consortium of 22 partners from EU countries. The research & development project scope has been to demonstrate large-scale miscanthus production on land with low productivity or which has been abandoned for longer period of time. The aim was to demonstrate how to secure the supply of sustainable-produced raw materials for the growing European Bioeconomy.

Eligible but not aligned investments are associated with the following activity categories:

- *4.3. Electricity generation from wind power,* related to an early-phase wind project, where it was not feasible to prove the alignment criteria set, due to the immaturity of project.

For details, please see *Table 3*.

[1] Source: https://www.grace-bbi.eu/

Table 3: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH (Do No Significant Harm) criteria										
Economic activities	Codes	Absolute CapEx (HRKmn)	Proportion of CapEx (%)	Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystem (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystem (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of CapEx for 2022 (%)	Taxonomy-aligned proportion of CapEx for 2021 (%)	Category (E: enabling activity)	Category (T: transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation using solar photovoltaic technology	4.1 (AnnexI)/D35.11	52,6	1,9%	100 %	-	-	-	-	-		Y		Y		Y	Y	1,9%	N/A		
Close to market research, development and innovation	9.1 (Annex I)/M72.1	0,7	0,0%	100 %	-	-	-	-	-		Y	Y	Y	Y	Y	Y	0,0%	N/A	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**53,3**	**2,0%**														**2,0%**	**N/A**		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Electricity generation from wind power	4.3 (Annex I)/D35.11	1,8	0,1%																	
Electricity generation from fossil gaseious fuels	4.29 (Annex I)/D35.11	16,6	0,6%																	
CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**18,4**	**0,7%**																	
Total (A.1 + A.2)		**71,7**	**2,6%**														**3,27% eligible in 2021**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		**2.656**	**97,4%**																	
Total (A + B)		**2.728**	**100,0 %**																	

Incompleteness of the EU Taxonomy framework has also an impact on the eligible and alignment numbers, as significant portion of the potentially sustainable activities are still not covered. Out from the six environmental objectives only the climate related ones (Climate Change Mitigation and Climate Change Adaptation) are covered within a delegated act in force, delegated acts related to the remaining four environmental objectives ('*TAXO4*') expected to be issued by the Commission during year 2023.

Complementary delegated act

Reporting based on the Complementary Delegated Act[16] is a new requirement compared to year 2021. Act has been published on 15 July 2022 by the European Commission. It defines specific nuclear and gas energy activities. In case of INA Group activities, relevancy was identified only for gas-related activities, due to lack of nuclear portfolio. For details, please see *Table 4*.

Table 4: Nuclear and fossil gas related activities

Row	Fossil gas related activities	TURNOVER		OPEX		CAPEX	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	**YES**	NO	**YES**	NO	**YES**	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES	**NO**	YES	**NO**	YES	**NO**
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES	**NO**	YES	**NO**	YES	**NO**

Please note that taking into account that INA Group does not have nuclear energy related activities, row 1-3 from above table have been excluded.

Activities classified as eligible are linked to gas fired power plants within our operations. Low percentage amounts in case of the Turnover and OpEx KPI driven by the fact that majority of produced heat, steam and electricity used internally without involvement of third parties. For details, please see *Table 5-7*.

[16] Comission Delegated Regulation of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities ((EU 2022/1214)

Table 5: Taxonomy-aligned economic activities (denominator)

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		Climate change mitigation (CCM)		Climate change mitigation (CCM)		Climate change mitigation (CCM)	
		HRKmn	%	HRKmn	%	HRKmn	%
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0,0%	-	0,0%	-	0,0%
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0,0%	-	0,0%	-	0,0%
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0,0%	-	0,0%	-	0,0%
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**-**	**0,0%**	**-**	**0,0%**	**53,3**	**2,0%**
8.	**Total applicable KPI**	**35.114**	**100,0%**	**2.347**	**100,0%**	**2.728**	**100,0%**

Please note that taking into account that INA Group does not have nuclear energy related activities, row 1-3 from above table have been excluded.

Table 6: Taxonomy-aligned economic activities (numerator)

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		Climate change mitigation		Climate change mitigation		Climate change mitigation	
		HRKmn	%	HRKmn	%	HRKmn	%
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of applicable KPI	-	0,0%	-	0,0%	-	0,0%
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of applicable KPI	-	0,0%	-	0,0%	-	0,0%
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of applicable KPI	-	0,0%	-	0,0%	-	0,0%
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**-**	**0,0%**	**-**	**0,0%**	**53,3**	**100,0%**
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**-**	**0,0%**	**-**	**0,0%**	**53,3**	**100,0%**

Please note that taking into account that INA Group does not have nuclear energy related activities, row 1-3 from above table have been excluded.

Table 7: Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		Climate change mitigation		Climate change mitigation		Climate change mitigation	
		HRKmn	%	HRKmn	%	HRKmn	%
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	6,5	3,6%	0,0	0,3%	16,6	90,0%
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0,0%	-	0,0%	-	0,0%
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0,0%	-	0,0%	-	0,0%
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**174,2**	**96,4%**	**12,1**	**99,7%**	**1,8**	**10,0%**
8.	**Total amount and proportion of taxonomy eligible but not taxonomy- aligned economic activities in the denominator of the applicable KPI**	**180,8**	**100,0%**	**12,1**	**100,0%**	**18,4**	**100,0%**

Please note that taking into account that INA Group does not have nuclear energy related activities, row 1-3 from above table have been excluded.

None of the activities classified as aligned ones.

In case of classification of non-eligible activities ("*taxonomy non-eligible fossil gas related activities*")[17] a full value chain approach has been applied. Figures reflecting the following methodology, including elements: E&P gas related activities, gas trading and gas sales through the service station network. For details, please see *Table 8*.

Table 8: Taxonomy non-eligible economic activities

[17] Article 2 (1) 7. (c) point of the Comission Delegated Regulation of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities ((EU 2022/1214)

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		HRKmn	%	HRKmn	%	HRKmn	%
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4.470	12,8%	138	5,9%	402	15,1%
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0,0%	-	0,0%	-	0,0%
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0,0%	-	0,0%	-	0,0%
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**30.463**	**87,2%**	**2.196**	**94,1%**	**2.254**	**84,9%**
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI'**	**34.933**	**99,5%**	**2.335**	**99,5%**	**2.656**	**97,4%**

Please note: (1)Taking into account that INA Group does not have nuclear energy related activities, row 1-3 from above table have been excluded. (2) All gas value chain related non-eligible activities are allocated under point 4. in above table.

Please note, that we keep the option to change this approach in the future, if further guidance will be provided by the Commission.

4.6. Branch and representative offices

Branch and representative offices as at 31 December 2022:

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
	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 (liquidated in February 2023)
	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
Holdina d.o.o.	40 retail locations registered as Branch Office
Energopetrol d.d.	53 retail locations registered as Branch Office
Krajinapetrol a.d.	19 retail locations registered as Branch Office

5. SUSTAINABILITY IN INA GROUP

5.1. Sustainable development management in INA Group

Achievements

- Sharing best sustainability practices and knowledge
- A very good score in Corporate Social Responsibility (CSR) index

Challenges

- Continuous stakeholder engagement and determining new material topics
- Adaptation to new EU regulations and requirements regarding Corporate Sustainability reporting

Corporate social responsibility is the business model in which negative impact on the environment, community and society is avoided. INA Group continuously integrates environmental, social and economic factors into day-to-day business with the aim of increasing long-term value for stakeholders and recognizes, prevents, and avoids potential negative impacts on the environment and the community in which it operates.

As changes around us have accelerated, green energy transition is also speeding up considerably, climate related targets and regulations are becoming more ambitious and the importance of ESG topics is growing for the whole society. INA Group has defined **Key objectives and programs of sustainable development 2021 - 2025** that will help us achieve our development goals. INA Group uses MOL Group 2030+ strategy as a long-term frame for own business strategies by which we commit to transform our traditional fossil-fuel-based operations into a low-carbon, sustainable business model. Key SD objectives and programs consist of four focus areas: Climate Change and Environment, Health and Safety, People and Communities and Integrity and Transparency, with defined programs and targets in each of the focus areas.

INA Group is committed to promoting, supporting and implementing the United Nations Global Sustainable Development Goals 2030 (hereinafter: SDGs) through planning of sustainable development actions and projects that are in line with SDGs. In 2021, materiality assessment on SDGs was conducted with business representatives of INA Group that are a part of the SD Working Group, in order to map which SDGs will be in the focus for the period till 2025. Assessment showed that 10 out of 17 SDGs will be in focus and they are aligned with the four focus areas of the Key objectives and programs of Sustainable Development 2021 - 2025.

To achieve our Key SD objectives and programs 2025 annual action plans are developed and monitored on quarterly basis against targeted realization (realization of at least 85%). Realization of Sustainable Development, Health, Safety and Environment action plans are set as an INA Group divisional target. In 2022, there were 64 SD actions at the INA Group level with average realization of 92%. For 2023, 60 SD actions in total are planned, of which 30 in the area of Climate Change and Environment, seven in the area of Health and Safety, 17 in the area of People and Communities and six in the area of Integrity and Transparency.

Key SD objectives and programs in INA Group 2025

CLIMATE CHANGE AND ENVIRONMENT

- Contribute to **Zero Routine Flaring initiative**;
- **Reduce technological loss and emissions** of air pollutants;
- Conformity with the EU **methane emission program**;
- **Elaborate Water Strategy** to reduce the negative environmental impact on the surface and subsurface water bodies;
- **Ensure the biodiversity aspects** during all greenfield development in line with EU level Biodiversity Action Plan;
- Implementation of pilot project **"Back to Nature"**;
- Prepare **Waste Management Plan** in order to achieve the main objectives of European Green Deal and Circular Economy;
- **Action plan to reduce the community complaints** regarding noise and smell for big sites.

INTEGRITY AND TRANSPARENCY

- **100% of employees** underwent training on **ethical business;**
- Implementation of **Sustainable procurement strategy.**

HEALTH AND SAFETY

- **TRIR* below 1.4, 0 work-related fatalities** as a result of increased safety awareness of all employees and contractors, thus safer workplaces;
- **Health Strategy** implementation with aim to achiveve **Absence Rate below 3.2;**
- **≤ $100 thousand / ≤ HRK 660 thousand direct loss** from a single fire case;
- **No major outage of our operations as a result of fire / explosion case.**

PEOPLE AND COMMUNITIES

- Maintain **engagement of women in managerial positions at 36%** with the ambition of reaching 40% by 2025;
- Maintain **employee engagement** at **minimum of 75%;**
- **40% of donations** will be aimed at improving life **in local communities.**

*TRIR - Total recordable Injury Rate

In order to successfully govern strategic issue and corporate responsibility the Management Board establishes necessary policies and measures for their implementation. INA Sustainable Development & Health, Safety and Environment manages all topics related to sustainable development, while manager of INA SD&HSE presents key SD topics and issues to the Management Board through quarterly reports. Through these reports the Management Board also gains knowledge and information on all current trends and news regarding sustainable development.

INA SD&HSE is also supported by Sustainable Development Council and members of the SD Working Group.

Sustainable development governance

5.2. Health and safety

"Ensure operational HSE excellence"

Achievements

- No fatalities, Total Recordable Injury Rate is **1.47 -** bellow planned for own employees and contractors
- No severe HSE incidents within Rijeka Refinery Upgrade Project
- Increased operational capabilities of fire brigades in INA Group (IVS) by purchasing 4 fire trucks (2 new and 2 used)

Challenges

- Foreign contractor workforce skills, quality and integration (language barrier)
- Own employee mental health and well-being, adaptation to more frequent flexible working arrangements in terms of occupational health and safety
- Digitalization of trainings in Occupational Health and Safety and Fire Protection

5.2.1. Occupational health and safety

The safety of our employees, contractors and customers, beside protecting the environment, is INA Group's top priority. Therefore, we have set ourselves ambitious goals for occupational and process safety as well as health protection. We stipulate mandatory global standards for occupational and process safety, emergency response and health protection. Our sites are responsible for implementing and complying with internal guidelines and legal requirements. The protection of the physical and mental integrity and well-being of employees is a high priority issue in INA Group. Accidents and work-related illnesses can be of a long-term nature and entail costs for the society and the company. INA Group recognizes that it can only be successful in the long term if it ensures that its employees remain healthy. Occupational health and safety (hereinafter: OHS system) addresses not only the safe operation of machines, ergonomic workplaces or handling of hazardous substances, but also mental health issues including effective stress management as well as promotional and preventive activities in the field of mental and emotional well-being. INA Group strives to simultaneously create optimal working conditions for our employees and to ensure operational efficiencies. In order to achieve those goals, INA Group describes all the processes, KPIs (key performance indicators), main principles and interactions within and outside the organization in the SD&HSE Area Book.

In the upcoming period till 2025, our focus will be on keeping Total Recordable Injury Rate below 1.4 at the INA Group level, as well as keeping work-related fatalities at zero, by increasing safety awareness of all employees and contractors, and thus creating safer workplaces. Furthermore, till 2025, we will be working on the implementation of the Health Strategy with an aim to achieve Absence Rate below 3.2 at the INA Group level.

Occupational health and safety management

INA Group is committed to providing a safe and healthy workplace and working environment for employees, contractors and customers; to prevent incidents, assure asset integrity and immediate response in emergency and crisis situations, as well as promotion of proactive health and safety corporate culture. This proactive attitude is recognized by all our employees and contractors. Achievement of the highest level of health and safety performance requires careful selection, training and placement of employees and provision of proper tools, equipment, personal protection, clear performance standards, and safe work instructions and procedures.

With reference to these risks, INA Group has developed an HSE (Health, Safety and Environment) management system which is in line with the requirements of laws in force and with international standards ISO 45001 for health and safety in the workplace and ISO 14001 for environmental management. Occupational Health and Safety System at INA Group Companies is established to ensure that the employees can perform their jobs safely and that it can meet the work requirements and achieve regulatory compliance. It encompasses more than just health and safety program. It includes health and safety policies, systems, standards, and records. An effective management system improves our ability to continuously identify hazards and control risks in INA Group. System defines the key elements of work safety in the INA Group Companies, with clearly stated duties and responsibilities of the employer, managers, employees and contracted workers through all phases of the system. General principles of control and hierarchy of risk reduction measures are the basic principles in workplace safety culture development. OHS system is structured by ISO 45001 management system fully aligned with legal requirements and best oil and gas practices.

Occupational Health and Safety System at INA Group Companies has all key characteristics of a successful occupational health and safety management system:

- a positive health and safety culture;
- the involvement of all stakeholders;
- an effective audit system;
- continual improvement.

Four major policies issued by the top management represent INA Group cornerstones for commitments in occupational health and safety and they are as follows:

- INA Group Health, Safety, Environment and Social Impact Policy;
- Major Accidents Prevention Policy (Mapp);
- INA Group Road Safety Policy;
- INA Group Personal Protective Equipment Policy.

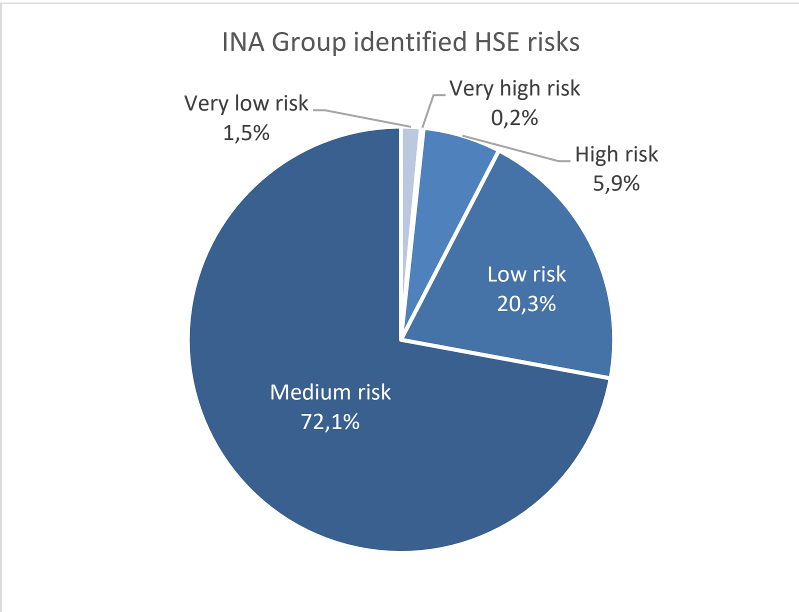
In order to reduce the risk at workplaces and increase safety, besides legally obliged management documents, variety of documents based on OHS best oil and gas practices are in place as well (detailed list can be found on page 178-179).

Hazard identification, risk assessment and incident investigation

INA Group promotes risk awareness for every individual with measures such as systematic hazard assessments, specific and ongoing qualification measures and a wide range of safety initiatives. We analyze accidents and incidents as well as their causes and consequences in detail at a global level to learn therefrom. Hazard assessments and risk minimization measures derived from them are an important prevention tool. We also promote regular dialog across different sites to strengthen risk awareness among our employees and contractors, to learn from examples of good practice and in this way, continually develop our safety culture. HSE risk management is based on the principles of prevention, protection, awareness, promotion, and participation; its aim is to guarantee the workers' health and safety and to protect the environment and the general well-being of the community. Hazard identification is the first step in the HSE's so-called "five steps of risk assessment", and it is without a doubt one of the most important steps, too. Hazards are the root cause of health and safety risks, so it is impossible to keep workplaces safe without identifying them. Risk assessments are carried out based on the hazards that are identified in this first step. Hazard identification involves not just spotting hazards and making a note of them, but also considering how they might harm someone or cause adverse health effects. Once the hazards have been identified, it is important to take steps to manage them and implement risk controls. Where possible, hazards should be eliminated completely. Dangerous equipment or procedures should be replaced with safer alternatives. If no alternatives are available, it is considered whether or not hazardous processes are necessary.

It will not always be possible to eliminate hazards, in which case we need to implement control measures. Control measures could include restricting access to hazardous areas, offering training on how to use equipment or complete tasks safely, and issuing protective equipment to employees and contractors.

Risk registers and mapping of recognized risks are developed in order to track statuses of solving recognized risks. Risk registers are updated every time when any risk that has previously not been identified is recognized. Also, any change or closure of an existing risk is recorded. The distribution of identified risks in 2022 in the INA Group is shown below.



Incident reporting

During 2022, INA Group revised and improved its **“Incident Reporting and Investigation System”**.

Revision of document was related to Human Resources (hereinafter: HR) involvement in providing data availability and information about personnel changes in a timely manner.

All unwanted HSE events are processed through this system. Occurrence of significant deficiencies, oversights, errors, omissions, or unexpected changes are preconditions for unwanted HSE events. Aim of this system is to spot those things in occurred events in order to prevent similar events in the future. System is in place to ensure that all unwanted HSE events are reported, recorded, investigated, and analyzed in a timely manner to prevent recurrence and improve safety performances. All unwanted HSE events have causes, and this system is in place to define them in detail, through investigation, and eliminate recurrence of these causes in future events by sharing lessons learned and actions undertaken from previous unwanted HSE events. 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 of events and actions are shared to prevent similar events in the future. High severity and high potential outcomes learned are shared inside the INA Group through newsflashes, learning letters, as well as action alerts to all employees via internal communication channels.

High potential near-misses that could result, with changed circumstances, in unwanted events are also included in the reporting and investigation system.

Records of above-mentioned events are tracked in internal digital system, ENABLON. Those records contain all relevant data of event, investigation of event, causes, impacts and undertaken actions. Those items are tracked in a timely manner and responsibility with deadlines for each item implementation is clearly defined in the system.

Health protection and promotion

INA Group's crisis team, as the central body for pandemic management, continued to analyze the development of the situation in 2022, as well as the risks and infections of workers on a daily basis. The team adopted decisions and recommendations primarily according to the instructions of the competent state authorities.

Fast antigen tests were constantly available to the workers both for self-testing, as well as testing in the competent health institutions. Influenza vaccination has been promoted and workers have been given detailed instructions on where to register for vaccination. As of 9 April 2022, preventive measures at INA Group locations in Croatia have been revoked.

In addition to COVID-19 and its consequences, the two-year pandemic period was challenging in various ways for psychophysical health. We are especially grateful to all the workers who completed the voluntary anonymous survey, thus helping us to plan activities to protect and promote health in the workplace and the quality of coverage of supplementary healthcare services.

There were a total of 6 campaigns within the HEALTH+ project (thematic areas: stress prevention, mental health, computer work, prevention of cardiovascular diseases, healthy diet), and 1,605 employees participated in these campaigns.

We put a special emphasis on keeping the working capacity of employees, reducing occupational musculoskeletal disorder (MSD) hazards in the workplace through different actions during the year, and we would especially like to highlight the campaign “TRAIN WITH US" in cooperation with Josipa Nakić, PhD. Once a week, INA Group employees could participate in a half-hour training session via Teams, at their workplace or from home, which was held at HQ. A survey conducted after this campaign confirmed the positive effect of MSD prevention by practicing targeted exercises, as well as the great satisfaction of participants.

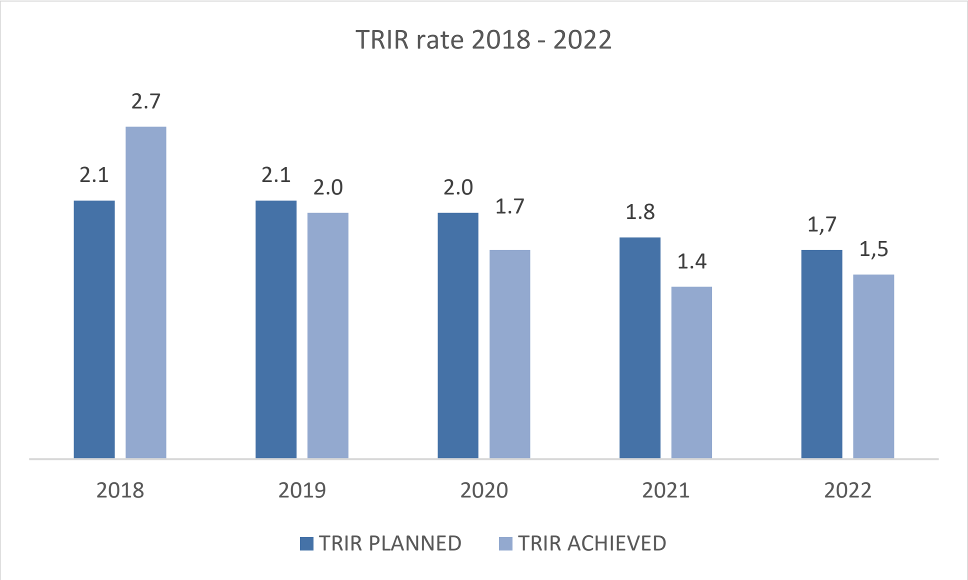
After a two-year break due to COVID-19, 203 INA Group workers were sent to Medically Programmed Active Vacation (MPAV) and Health Programmed Active Vacation (HPAV). MPAV lasts for ten days and is intended for employees who have a lower level of health status with the goal of medical rehabilitation and health improvement within specialized healthcare institutions. HPAV is intended for all active employees with minor health issues and for physical and mental relaxation and fitness.

We participated in three regional/internal sports events, and on the occasion of international Apple Day, 600 kg of apples were traditionally distributed alongside a meal with the aim of emphasizing the importance of sufficient intake of fruits and vegetables.

Occupational safety performance

INA Group managed to achieve TRIR result, for 4 years in a row, bellow planned TRIR.

After significant increase of Total Recordable Injuries (hereinafter: TRI) during 2018, INA Group developed and implemented significant programs and measures in order to reduce the number of TRIs.



TRIR - Total Recordable Injury Rate. It represents the number of total recordable injury per 1 million worked hours, i.e. TRIR = TRI * 1.000.000/total worked hours. TRI includes lost time injuries (LTI), restricted workday cases (RWC), medical treatment cases (MTC).

During 2022, there were no work-related fatalities and no work-related illnesses. INA Group recorded a slight increase of Total Recordable Injuries (TRI) among own employees and contractors, reaching a combined 32 in 2022, compared to 30 in 2021. Out of Total Recordable Injuries (32), 28 were lost-time injuries, two were medical treatment cases and two were restricted work cases.

INA GROUP EMPLOYEES AND CONTRACTORS	2020	2021	2022
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)	2	0	0
High-consequence work-related injury rate (excluding fatalities)	0.09	0.00	0.00
Number of recordable work-related injuries	36	30	32
Recordable work-related injury rate*	1.70	1.39	1.47
Number of hours worked	21,614,971	21,629,696	21,794,178

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

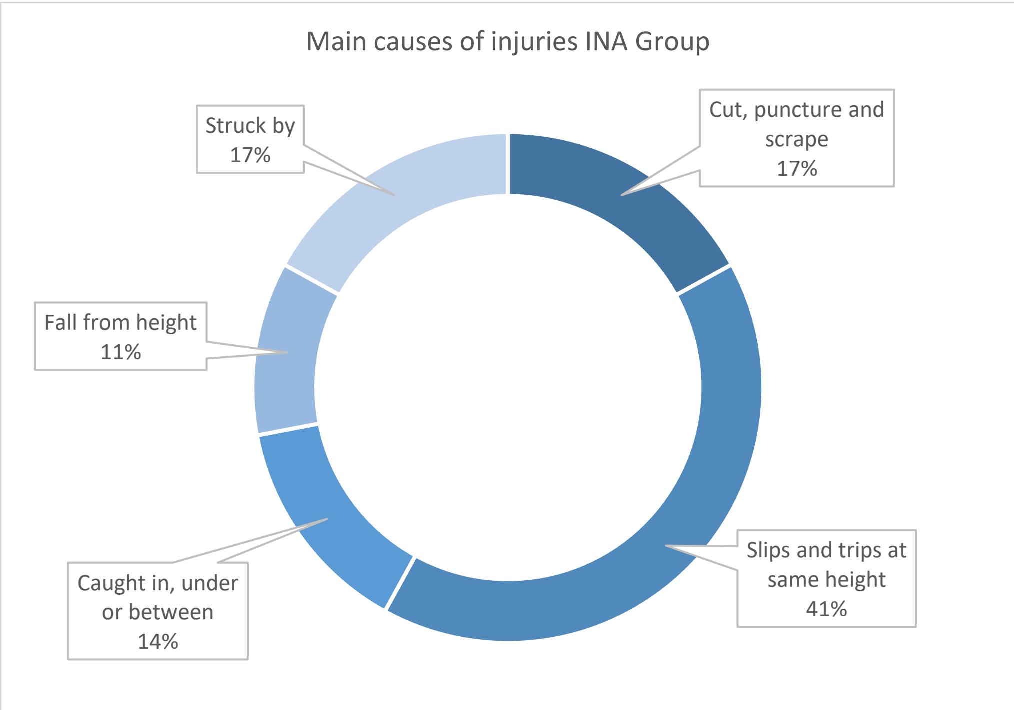
INA GROUP CONTRACTORS	2020	2021	2022
Number of fatalities as a result of work-related injury	0	0	0
Fatality rates as a result of work-related injury*	0	0	0
Number of high-consequence work-related injuries (excluding fatalities)	2	0	0
High-consequence work-related injury rate (excluding fatalities)	0.34	0	0
Number of recordable work-related injuries	8	7	3
Recordable work-related injury rate*	1.36	1.42	0.53
Number of hours worked	5,861,637	4,922,596	5,670,523

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

Severity of HSE work-related events is measured on the scale from 0 (near-miss) to 5 (very high impact - from the occupational health and safety view this would be an event with multiple deaths). Table below shows the total number of HSE work-related events based on severity of their impact. In 2022, there were 4 Severity 4 (High impact) events, and all 4 were process safety-related. There were no Severity 5 (Very high impact) events recorded.

HSE work-related events 2022	No. of work-related HSE events
TOTAL NO. OF EVENTS (real and potential)	**768**
Real impacts of events	**560**
Severity 4 - High events	4
Severity 3 - Medium events	9
Severity 2 - Low events	48
Severity 1 - Very low events	445
Severity 0 - Near-misses	262
Potential impacts of events	**293**

Five main causes of injuries that occurred in 2022 in INA Group are presented in the pie chart below



Manpower is still the main primary cause of Total Recordable Injuries (59%), followed by working environment (17%), methods (12%), equipment factors (8%), transportation factors (3%), and security factors (1%).

Occupational safety programs

Life Saving Rules - refresh campaign

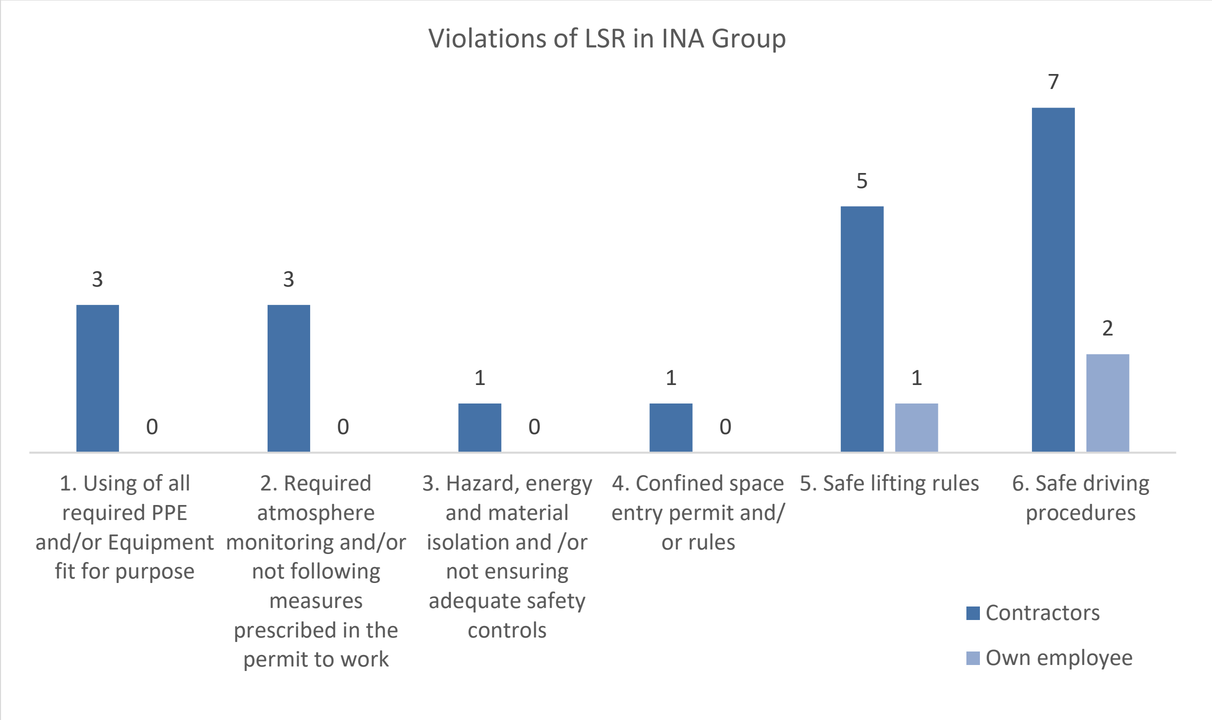
INA Group introduced the **six Life Saving Rules** (hereinafter: LSR) to improve the safety performance and to give everyone the license to say ‘NO’ when safety is at risk, focusing on the most important aspects of safe work in our industrial environment. These rules are designed to increase individual awareness of the ownership of critical safeguarding measures to prevent serious personal injuries and fatalities. The rules improve clarity and provide for standardized operations by operators and contractors doing similar work across INA Group. The rules are simple, sharp and do what they say - save lives. That is why they are critical, and it is always expected that everyone adheres to them.

INA Group performed LSR refreshing promotion during 2022. Refresh campaign was released through digital materials and more than 6800 employees passed an exam about LSR content.

LIFE SAVING RULES

Remember, we are all personally responsible for our safety!

In 2022, there were 23 violations of Life Saving Rules in total at the INA Group level, which means that violations have decreased by 35% in relation to 2021 (35 violations). Out of 23 violations, three violations were committed by own employees and 20 violations were committed by our contractors. All LSR violations are presented in the chart below.



For each LSR violation, investigation was conducted and appropriate measures were taken. Some of the measures can include additional obligatory education, written warning and in some cases termination of the employment contract or termination of contract with the contractor.

SMART award

“SMART” awards for extraordinary contribution in the field of sustainable development and protection of health, safety and environment were awarded for the first time in INA in 2018. The aim of the awards in three categories: "SMART Worker”, "SMART Project Manager” and "SMART Contractor” is highlighting positive examples and an incentive for extraordinary contribution in the field of sustainable development and protection of health, safety and environment. The main goals of these awards are: strengthening the culture of safety, encouraging workers and contractors to maintain high levels of SD&HSE awareness, promotion of safe workplace, personal engagement of employees and managers of projects that last at least 3 months and are classified as high-risk complex projects from the SD&HSE point of view, as well as the engagement of contractors with regard to the HSE requirements. The ultimate goal of the awards is to achieve zero incidents, because human health and safety, and the environment and property are first and foremost. Over the past five years it has been awarded to:

5.2.2. Fire protection and process safety management

Process safety management

In 2022, our main focus in the Process Safety Management system (hereinafter: PSM) was on the successful implementation of three PSM practices that will increase process safety in all INA Group businesses:

- **Process safety fundamentals** – implementation (education and training);
- **P&ID diagrams and HAZOP study** – procurement, preparation and implementation.

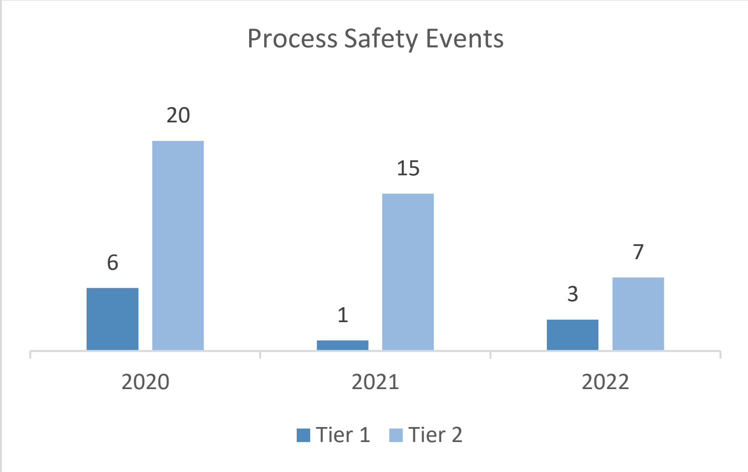
Regarding process safety events (hereinafter: PSE), in 2022 we recorded 3 Tier 1 (process safety events with the highest consequence) and 7 Tier 2 (process safety events with lower consequence).

Tier 1 PSEs in 2022

1. Leakage of 10" underground part of the steel collecting high pressure gas pipeline (E&P - Žutica) - caused material release* as well as asset damage, spill to environment
2. HC leakage from pipeline 332-8”-PK-034 (RR, HDS-1) caused by material release/spill of JET A1
3. LPG release during tank truck loading at the connection of unloading hose and pistol (R&M Logistics) - caused asset damage, material release included

*The material release is over threshold quantities according to API 754 standard

For all PSEs, preventive and corrective measures were determined and implemented according to the established action plans to prevent recurrence. The number indicated is the result of PSE tracking and reporting through standard reporting system Enablon.



Fire protection

Due to the fire risks and dangers that accompany oil and gas industry, INA Group is continuously committed to ensuring fire protection (hereinafter: FP) and firefighting (hereinafter: FF) requirements and meeting local regulatory requirements (but not necessarily limited to them). FP systems (passive and active) must be harmonized with the requirements of legislation, but also the adoption of continuous improvement activities based on the best industrial practice examples and global standards.

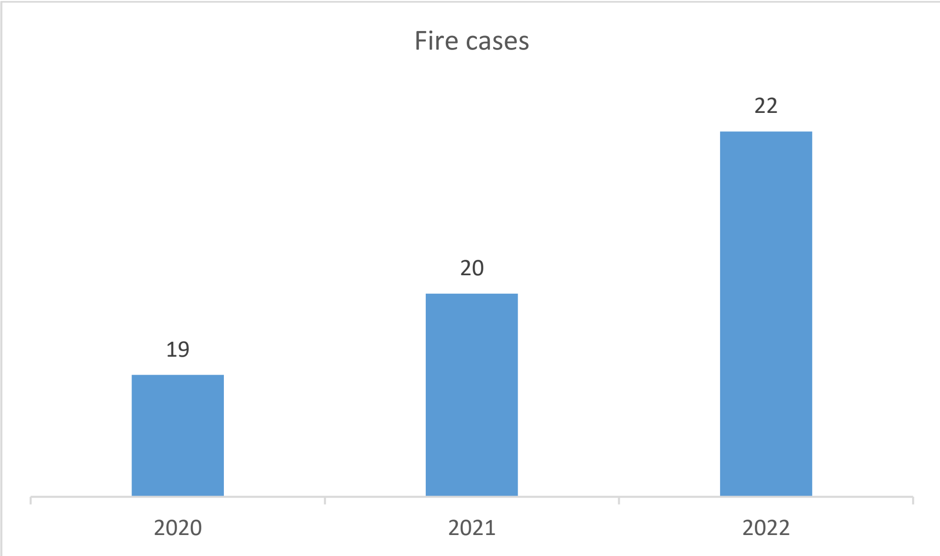
FP and FF are regulated in accordance with the positive regulations of the Republic of Croatia, as well as relevant and valid internal INA Group documents (Fire Prevention, Protection and Fire Brigade Management as well as Preparedness and Emergency Response, in INA Group Companies). Combined, they regulate protective activities in the area of FP and FF at all INA Group locations. According to the current legislation, there are four fire hazard categories (categories 1 to 4) and INA Group has 22 (Category 1 and 2) sites and locations according to fire hazard categorization. Also, there are 13 locations in INA Group categorized as SEVESO high level sites.

In the field of FF, as part of continuing the activities of increasing the level of readiness of INA Vatrogasni Servisi firefighting brigades, during 2022, four vehicles were introduced into the IVS fleet. Two new vehicles were delivered in June and additional two - used fire trucks - were purchased from contingency budget in August and October. With these purchases, IVS was able to cancel all vehicle rental deals and now operates exclusively with own vehicles. Also, during July 2022, the procurement process for two fire trucks, that will be delivered in June 2023, was successfully concluded. Newly acquired trucks are divided among Zagreb, Rijeka and Sisak brigades while two big four-axle trucks, that will arrive in 2023, will strengthen our refinery brigades in Sisak and Rijeka. These trucks will enable IVS to start scrapping vehicles that, regardless of high maintenance efforts and cost, cannot fully fulfil their operational role anymore.

In 2022, IVS also stabilized its operations through engineering scope of work and activities from “ad hoc” operations for businesses, which were previously performed mainly by external contractors.

The total number of recorded fires in 2022 was 22. Out of the total number of fires, 16 fire cases were categorized as severity 1 (very low), 3 fires cases were categorized as severity 2 (low) and 3 fire case was categorized as severity 3 (medium). All of the 22 fire cases were classified as initial fires, mostly with no significant damage/costs, injuries, and impact to the environment.

In 2022, there were no fire cases with severity 4 (high) and 5 (very high), and no fire cases categorized as HiPo incidents.



May is traditionally the month which we dedicate to fire protection.

In **„May - Fire Protection Month 2022"** planned activities in INA Group included various activities such as organized series of firefighting drills and educational and informative activities to emphasize the importance of prevention.

After the period 2020-2021, with canceled/reduced activities due to the COVID-19 pandemic measures, in 2022 we once again had the ability to organize and perform the Final INA Group Fire Drill.

On 24 May 2022, pursuant to the "Decision on the plan and program of activities for the month of fire protection *May 2022*" in INA Group companies", the final joint demonstrative-tactical drill was organized with the following elements: complex firefighting intervention, interventional suffocation of the well, planned evacuation and rescue from a hazardous area (height) and environmental rehabilitation in case of sudden pollution. It was held at the E&P location, East Production Region, gas-condensation well Gola-10. Various internal/external forces were included in performing the Final Fire Drill, such as: E&P employees, technological staff & HSE, professional fire brigades (hereinafter: PFB) - PFB INA Molve, PFB Đurđevac, PFB Koprivnica, voluntary fire brigades (hereinafter: VFD) - VFD Virje, VFD Gola, VFD Kalinovac, the police, ambulance, Suffocation Well Unit (Crosco/STSI), as well as rescue/remediation teams.

Aim of the Final Fire Drill is to show how the availability of protective devices, joined crisis management and compliance with safety measures can preserve human life and avoid/reduce damage to INA sites and the local community. The exercise was assessed as successful, and all elements and tasks foreseen in the scenario were carried out.

As well as in previous years, INA Group has once again shown that good preparation, planning and execution lead to the best possible outcome and readiness to deal with ER situations outside of INA boundaries (outside INA site perimeters) as well as the necessity to perform joint exercises with external forces in order to be ready in “live” situation.

INA Group Final Fire Drill “May 2022”

5.3. Climate change

"Manage risk and opportunities related to climate change"

Achievements

- Construction of two solar power plants in progress and in line with the set deadlines
- In eight years 2.7 million tons of CO_2 were injected within the EOR project
- Continuation of projects affecting emission reduction

Challenges

- Challenging environmental legal surroundings
- High energy and carbon prices
- Creation of long-term strategy in line with sustainability directions

5.3.1. Global overview on climate change and our response

"Fit for 55" package contains a set of legislative proposals to make the EU's climate, energy and taxation policies, land use and transport fit for reaching the European Green Deal's objective of reducing net greenhouse gas emissions by at least 55% by 2030 compared with 1990 levels. To achieve this goal, the transformation of industry is inevitable and should not be considered a threat, but an opportunity. INA should and can be a part of the solution when it comes to the green transition and does not only focus on its traditional activities. Our company has the necessary financial strength for transformation, but also significant comparative advantages, valuable knowledge and assets. Our projects are in line with MOL Group's Shape Tomorrow 2030+ strategy, which defines a major step forward in the field of renewable energy sources at the Group level, primarily in the reduction of direct and indirect greenhouse gas emissions. The Group's intention is to allocate at least 50 percent of total investments to sustainable projects by 2030.

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. We are considering reporting requirements in line with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) 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 the business and society.

According to the Guidelines on 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 the financial stability directly through more frequent or severe disasters, weather events, and gradual climate change.

GOVERNANCE: GOVERNANCE AROUND CLIMATE-RELATED RISKS/OPPORTUNITIES	AR PAGE
A Board oversight of climate related issues risks/opportunities	73-74
B Management's role in assessing and managing climate-related risks /opportunities	73-74
STRATEGY: ACTUAL/POTENTIAL IMPACTS OF CLIMATE-RELATED RISKS/OPPORTUNITIES ON THE BUSINESSES, STRATEGY & FINANCIAL PLANNING	AR PAGE
A Identified climate-related risks/opportunities of the organization in short, medium and long term	73-74, 124-125
B Impact of climate-related risks/opportunities on the businesses, strategy and financial planning	73-74, 124-125
C Resilience of the strategy, considering different climate-related scenarios incl. a degree 2 or lower scenario	73-74
RISK MANAGEMENT: IDENTIFICATION, ASSESSMENT AND MANAGEMENT OF CLIMATE-RELATED RISKS	
A Processes for the identification and assessment of climate-related risks	124-125
B Processes for the management of climate-related risks	124-125
C Processes for identifying, assessing and managing climate-related risks are integrated into risk management	124-125
METRICS AND TARGETS: METRICS AND TARGETS USED TO ASSESS AND MANAGE RELEVANT CLIMATE-RELATED RISKS/OPPORTUNITIES	
A Metrics used to assess climate-related risks/opportunities	123-128
B Disclosure of greenhouse gas emissions Scope 1, 2 and 3	125-128
C Targets used to manage climate-related risks/opportunities, and performance against targets	73-74; 103-105

Transition risk

INA Group has significant exposure to a wide range of laws, regulations, and policies at the global, European and national level, that may change significantly over time and may require the Group to adjust its core business operation. Increasingly stringent climate regulations and policies will 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 are subject to emission charges, as well as limiting greenhouse gas emissions for our plants included in the European Union Emissions Trading System. The reform of the ETS system will result in higher costs given the continuous rise in carbon prices and a further reduction of free allocation of emission allowances.

INA Group invests in energy efficiency and emission reduction projects, renewable energy sources including green hydrogen, biogas development and flaring and venting reduction. CO_2 impact of all project proposals must be determined from the idea generation in assess phase and analyzed for all related alternative solutions as an important element in evaluation of project proposals and final decision about project implementation. The economic impact of all project proposals due to 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

Balancing of long-term energy goals set within EU's "Fit for 55" proposals and the short-term needs will make energy transition very challenging for oil and gas industry since the transition to a low-carbon economy contributes to uncertainty about the future of oil and gas demand and energy 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 our business (read more under chapter *Climate-related financial disclosures*).

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. 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.

Physical risks

Transition and physical risks associated with climate change have the potential to negatively impact INA's current and future revenue streams, expenditures, assets and financing. 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 and more 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 which 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 which can pose a threat from coastal zone floods, especially in combination with storms; and floods 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

At its Virje location, INA is building the second largest solar power plant in Croatia with a connected power of 9 MW, in which 18,670 solar panels will be installed. The expected annual generation of electricity will amount to 12,225 MWh. The solar power plant in Sisak will have a connected power of 2.645 MW, with 6,162 solar panels installed, and an expected annual electricity generation of 3,968 MWh. At the end of January 2022, a contract was signed for works on the construction of solar power plants in Virje and Sisak. The works that began in 2022 at the Virje location are coming to an end, while at the Sisak location they are in full swing and progressing according to the plan. In the first quarter of

2023, the installation of the complete structure together with the panels, associated cables and substations, as well as preparation for trial operation, should be completed. The permanent commissioning of solar power plants is expected in 2023. The power plants will collectively generate around 16,000 MWh of electricity annually, which is equal to the average electricity consumption of 4,800 households in Croatia. The first MWh of INA's solar power plants will be delivered to the public power distribution network in 2023.

In addition to building modern solar power plants, INA is also examining the possibility of building an offshore wind farm on the existing North Adriatic hydrocarbon concession block and in the Ivana and Izabela gas fields. During 2022, a wind measurement campaign using installed LIDAR devices on the Ivana A and Izabela Sjever gas platforms began to examine the wind potential over a 12-month period. Based on the results of the wind study, which is expected in the spring of 2023, further direction of the project will be decided on. In addition, INA also conducted an early feasibility analysis of the project to assess potential sites around INA's platforms for the development of offshore wind farms, estimate the total costs and benefits of the planned construction and analyze the connection to the onshore power grid and the possibility of electricity transmission. At the beginning of 2023, INA applied to the CEF Energy call for preparation of a preliminary study for cross-border renewable energy projects to receive financial support. With these projects, INA is stepping into new businesses whose projects are based on renewable energy sources and mobility, but also on other activities in which we can see the synergy with the current business. We are interested in all profitable opportunities with which we can upgrade the existing value chain, while at the same time fitting into the green plans of Croatia and the European Union.

Last year, INA began evaluating the geothermal potential that was discovered as part of oil and gas exploration and production. The results of the evaluation and assessment of geothermal potential were presented to the Management Board, which encouraged the development strategy of geothermal energy utilization and the initiation of geothermal projects. INA's announcement to participate in the tender for geothermal exploration licenses in 2023 can be considered as the first step in the direction of realizing the strategy and implementation of geothermal projects.

CO_2 injection continued at Ivanić and Žutica fields with a total investment of over HRK 1.3 billion since the start of the project. In 2022, 280,000 tons of CO_2 (~150 million m3) were injected and cumulative injected volumes surpassed 2.7 million tons (almost 1.5 billion m3), majority of which is being permanently stored. Major milestone for the existing EOR Program is the start of implementation of CO_2 recompression project at the Fractionation Facilities Ivanić-Grad, which will be completed in 2023. Upon finalization, additional CO_2 quantities for the project will be ensured and CO_2 venting to the atmosphere at the location fully eliminated. The project is ensuring closed cycle of CO_2 management and represents a strong step towards carbon capture, utilization and storage (CCUS). Besides the fields where EOR has been operational for several years, INA is considering expansion of the EOR method to other fields, one of them being the Šandrovac oil field. A pilot project was initiated in 2021 and continued in 2022 with both CO_2 and water injection on a part of the field. In 2023, interpretation of the results will show whether there is a potential for full-field implementation. Determination of CO_2

storage potential for INA portfolio was performed, aiming to enable sequestration of own and 3rd party CO_2 in the future.

In the transport sector, the company is considering the construction of a 10 MW electrolyser for production of renewable hydrogen, potentially including a solar power plant. Such green hydrogen would primarily be used for the needs of the Refinery decarbonization and for the needs of the transport sector, for example hydrogen buses. That would make INA the first producer of green hydrogen at a commercial level in the Republic of Croatia. During 2022, INA submitted a request to the Ministry of Economy and Sustainable Development for an assessment of the need for an environmental impact assessment for the green hydrogen production facility and the solar power plant.

5.3.2. Energy efficiency

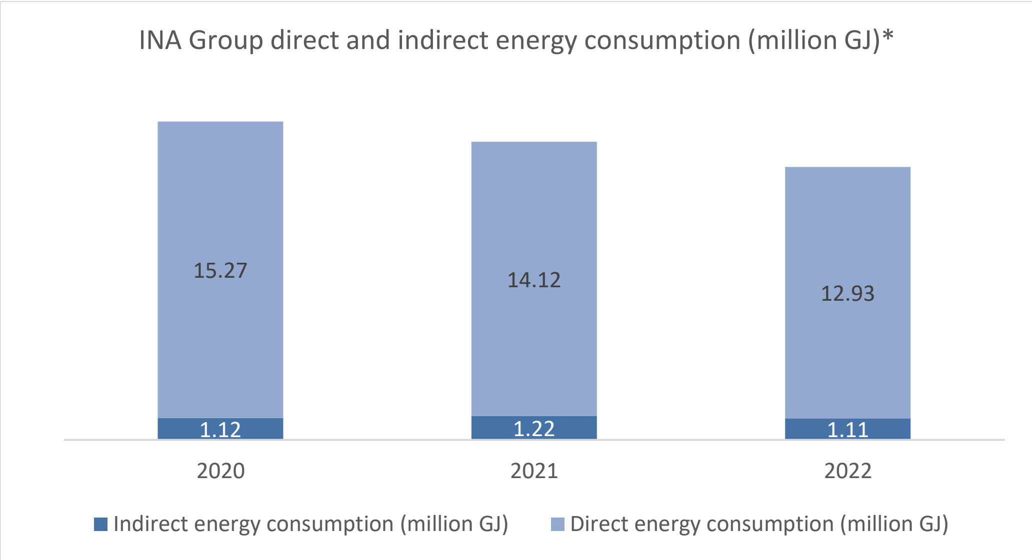
INA is a significant participant on the energy market in Croatia and the region, and we believe that increasing energy efficiency is the most important mechanism for reducing energy consumption and one of the basic principles of energy transition. Our fundamental commitment in energy management is to 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 plays a key role in the business and running of our processes. We are focused on the responsible use of energy and 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.

Energy consumption

Due to the nature 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 2022 amounted to 14 million GJ, 8.5% less than the previous year, of which 12.9 million GJ of direct and 1.1 million GJ of indirect energy consumption. Most of the total energy consumed in 2022 came from non-renewable sources and 101 GJ was produced and consumed from electrical solar panels on offshore platforms. Reduction in total energy consumption was mainly influenced by a reduction in the number of operating days of the Rijeka Refinery and due to the fact that the winter was warmer, and less energy was used for heating.

Direct energy consumption was 8.4% lower than the year before. It includes the sum of total natural gas consumption in the amount of 5.4 million GJ (28% less than in 2021), other hydrocarbon energy sources consumption i.e., fuels distilled from crude oil in the amount of 7.3 million GJ (13.7% more than in 2021) and fuel used for corporate vehicles in the amount of 0.21 million GJ (11.7% more than in 2021), minus total indirect energy sold in the amount of 13,000 GJ. Sold electricity was produced at our Onshore Production sites and in the Rijeka Refinery.

Regarding the indirect energy consumption, total electricity purchased from external sources amounted to 0.72 million GJ, which is 9.1% less than the year before, since most of the electricity needs in Exploration & Production were met by own production. Intermediate energy purchased (steam, heat) amounted to 0.38 million GJ (9.2% less than in 2021).



*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 electricity, heat, and steam.

Energy saving projects in INA Group

INA Group is committed to the improvement of energy, environment and economic performance of own assets. 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. Impact of all project proposals on future energy consumption is 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 adopting a final decision about implementation. The 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. This approach is going to ensure improved sustainability of INA's operations with a focus on energy efficiency improvement in the refining system and decrease the financial exposure of the refinery to related policies in the future.

During 2022, work continued on the Hydrogen Management Improvement project in Rijeka Refinery, which was launched in 2021. Aim of the project is the integration of two existing hydrogen systems with the recovery of high-value hydrogen from refinery waste gases in order to maximize energy efficiency by decrease in natural gas consumption for 1.42 kt/year prior to Delayed Coker Unit (DCU) completion and 4.14 kt/ year after the DCU completion; reduce CO_2 by 3.9 kt/year prior to DCU completion and 11.3 kt/year after the DCU completion; and decrease electrical energy consumption of Hydrogen Generation Unit by 2.2 MWh/year prior to DCU completion and 802.3 MWh/year after the DCU completion, which is expected in 2024. Total project value is estimated in the amount of HRK 3.62 million.

Furthermore, in the Refinery, collection and reuse of condensate is continuously carried out with the aim of reducing the production of demi-water, reducing heat losses through evaporation and reducing losses on condensing pots. In 2022, 523,039 m^3 were collected and returned to the system which resulted in savings of 178,080 GJ and HRK 18.7 million.

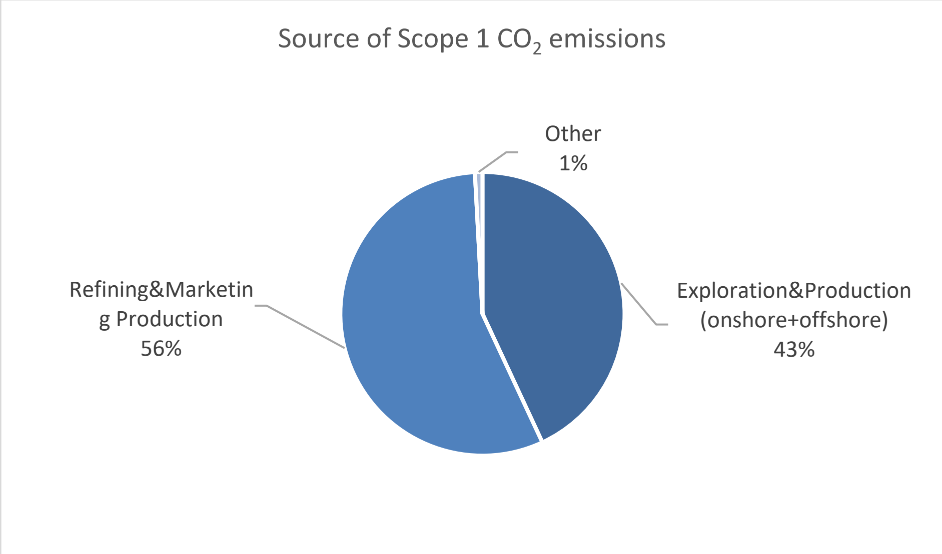
5.3.3. GHG emissions performance

Greenhouse Gas Scope 1, Scope 2 and Scope 3 emissions

INA Group monitors and reports CO_2 emissions, which is the key first step in reducing them. To do so, we have classified our carbon footprint in three scopes. Scope 1 covers direct GHG emissions from INA Group owned or controlled sources, including fuels for all vehicles owned or controlled by us, as well as fugitive and process emissions. Scope 2 covers indirect emissions from the generation of purchased energy (electricity, heat, steam), while 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 and business travel by air).

For the calculation and reporting of Greenhouse Gas Emissions Scope 1, 2 and 3, INA Group applied methodologies consistent with the “GHG Protocol Corporate Accounting and Reporting Standard”. Data on Scope 1, 2, 3 GHG emissions meet the disclosure requirements of GRI standard 305-2 and are aligned with the recommendation of the Task Force on Climate-Related Financial Disclosures (TCFD).

Our total direct GHG Scope 1 emissions reached 1.27 million tons of CO_2 equivalent in 2022, 4% more than the previous year, mostly due to increased venting in E&P due to the fact that compressor for EOR at Fractionation Facilities Ivanić-Grad was in malfunction for a certain period, so in that period it could not receive all amounts of CO_2 from the Gas Processing Facilities Molve to be reinjected for EOR purposes.



Total Scope 2 GHG emissions from indirect energy use calculated with location-based CO_2 emission factor (valid for Croatia) amounted to 0.08 million tons, 30% less than last year, while the GHG emissions calculated with market-based emission factor (valid for the EU) amounted to 0.12 million tons, i.e. 11% less than the previous year.

Most of our Scope 3 GHG emissions are the result of the use of sold liquid fuel (89 %) and natural gas (9%). The remaining part is mainly generated by suppliers who provide services to INA Group and business trips by air, as shown in the table below.

GREENHOUSE GAS EMISSIONS – SCOPE 3 (thousand tons of CO_2 eq)	2020	2021	2022
TOTAL INDIRECT GHG (SCOPE 3)	**11,608.43**	**11,892.31**	**12,013.24**
o/w Customers – Use of purchased refinery products	9,996.8	10,496.82	10,721.29
o/w Customers – Use of purchased natural gas (own production)	1,360.26	1,165.2	1,120.09
o/w INA Group – Business trips by air	0.13	0.04	0.11
o/w Suppliers – Production of crude oil (purchased from external sources)	251.24	230.26	171.75

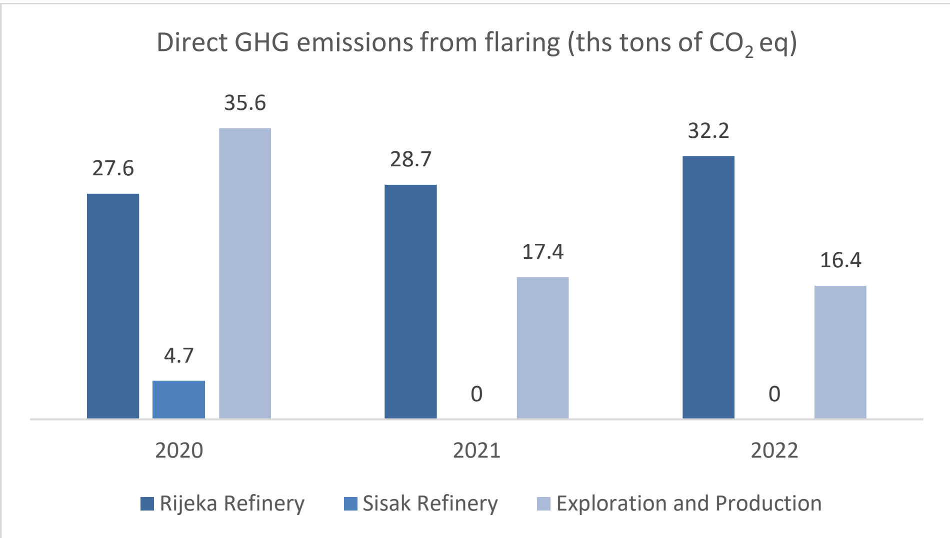
Emissions from flaring and venting

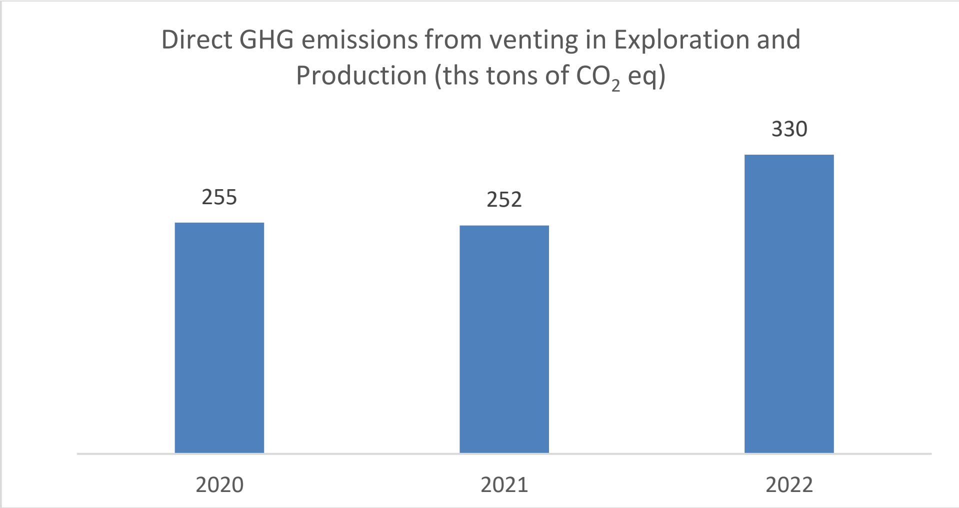
Smart methane management not only contributes to emission reduction, but it is also an economic opportunity since emissions represent a loss of saleable product. In line with the sustainability targets within our HSE Objectives and Programs 2021-2025, we were focused on estimation of future requirements related to methane emissions as the second most important greenhouse gas contributor to climate change following carbon dioxide. During 2022, methane emission sources, measurement possibilities and initial cost estimation for compliance with EU Methane strategy were conducted. Also, project for flaring reduction at Exploration and Production location, which aims at eliminating gas flaring after separation of produced oil and gas, was successfully completed after the Gathering Station Mramor Brdo passed technical inspection and obtained the operating permit in August 2022.

As a signatory of the initiative without routine flaring until 2030, MOL Group 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 to the initiative by implementing relevant projects. We have implemented two projects for flaring reduction at Exploration and Production locations with expected yearly CO_2 reduction of 5,300 tons.

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 HSE key objectives and programs 2021-2025, the focus will be on further expansion of LDAR program to our Logistics and Exploration and Production sites.

In 2022, our direct GHG emissions from flaring amounted to 48.5 thousand tons, 4.8% more than the previous year due to increased flaring in Rijeka Refinery connected with occasional unstable operation of some process units. Direct GHG emissions from venting increased by 30.8% due to partial work of CO_2 compressor which could not receive all the amount of CO_2 from the Gas Processing Facilities Molve to be injected within the EOR project.





5.4. Environment

“Reduce the use of natural resources, minimize negative impacts and waste”

Achievements

- Obtaining Gas Processing Facilities Molve Environmental Permit which is in line with all relevant BAT Conclusions
- Baseline reports for refineries and relevant Upstream facilities (Gas Processing Facilities Molve and Fractionation Facilities Ivanić-Grad) have been prepared in phases as required by the competent authority
- Reduction in usage of single-use plastic - drinking water machines without plastic cups installed across INA Group (avoided generation of 3 million of plastic cups every year)

Challenges

- Focusing on methane emission by source inventory, calculation and measurement process preparation
- For Sisak industrial site, revision of environmental permit in line with production cessation and new projects implementation
- Identification of waste reduction possibilities and circular economy implementation specially in maintenance and cleaning process of equipment

5.4.1. Environmental protection management in INA Group

Safeguarding the environment is one of the biggest imperatives of our time. 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. We are aware that poor environmental management can contribute to operational risk, damage the company's reputation and impact the finances. In accordance with the requirements of our customers, suppliers, employees, business partners and other stakeholders, we strive to continuously improve business processes, as well as the quality of products and services, thus shifting towards a low-carbon circular economy.

Reliable and affordable energy is essential to human progress. At the same time - like all industrial processes - energy development involves risks. Our approach is guided by an in-depth scientific understanding of the environmental impacts of our operations and a commitment to develop, maintain and operate projects using effective management systems, processes, and appropriate standards. Energy transition has already been started and digitalization is expected to play a key role in enabling an effective energy transition strategy. Apart from enabling remote operations and driving human-machine collaboration, digitalization has an important role to play in setting the near-term emissions targets, using standardized and credible reporting, and tracking accountability across INA Group.

We all want to live in a better, safer and cleaner world, and for that we need to shift to a low-carbon, circular economic model. Our HSE Management System is the framework that helps put our Group HSE Policy into action by establishing common expectations for addressing environmental risks.

We continue to implement best available techniques, as well as invest in renewable energy sources and energy efficiency projects. Also, with the investment in Rijeka Refinery Upgrade project (DCU complex), the refinery business will be more profitable and sustainable in the long term.

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 developed INA Group Health, Safety and Environmental (HSE) Strategic Guidelines for 2021-2025 which will move us to realize our environmental protection aspirations more boldly while developing sustainably.

Focus areas for further increase of environmental protection, reducing the use of natural resources and minimizing negative impacts and waste are:

- **Environmental Management System**
  - management of environmental non-compliance and new legal requirements (HC BREF analyses, carbon offset development)

  - environmental awareness raising (regular campaigns for raising awareness using the most effective communication tools)
  - environmental performance measurement - defining the set of leading and lagging indicators in harmony with the future requirements related to reporting
- **Air protection**
  - elimination of routine flaring and implementation of Leak Detection and Repair program in Logistics and Exploration and Production sites
  - methane emission monitoring program development and identification of reduction possibilities
  - fugitive/diffuse emission management plan development to reduce risks
- **Water management**
  - identifying water intake reduction possibilities and quality improvement on input and output side to reduce the negative impact on the surface and subsurface water bodies
- **Waste management**
  - review the main waste streams, waste classification process and assessment of waste data and identify the reduction possibilities
  - minimization of produced waste landfilling and setting the quantitative target for landfill and recycling
- **Biodiversity**
  - biodiversity assessment guide for greenfield developments preparation
  - preparation of an inventory of non-used sites/areas and identification of utilization opportunities with environmental benefits.

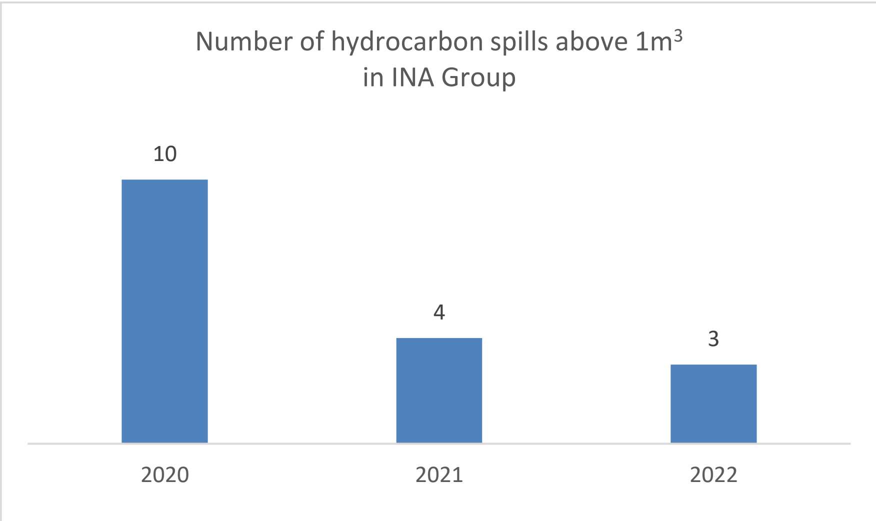
Main directions have been defined and serve as guidance, so enhancing our good collaboration with businesses and contractors is essential. Furthermore, we have to play an active role when supporting the realization of decarbonization and circular economy goals.

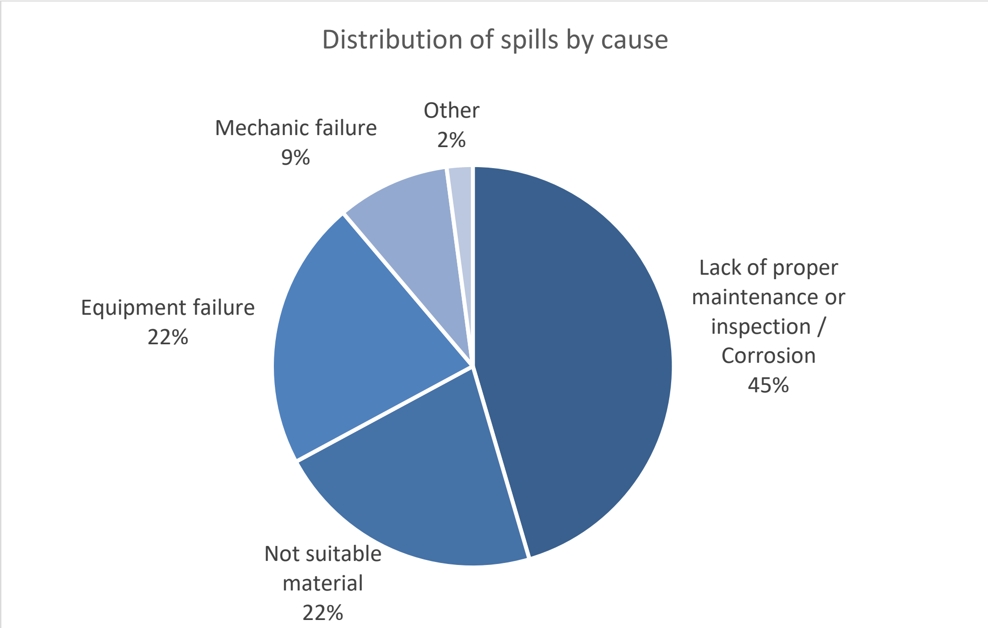
5.4.2. Spills into the environment

In 2022, we have recorded a total of 143 spills, of which 93 with hydrocarbon content. The total HC volume spilled amounted 909 m^3. Most of them, 98%, happened in Exploration and Production. Out of the total number, there were 3 significant spills with hydrocarbon content above 1 m^3, two in Exploration and Production, at Ivanić and Žutica sites, and one in Rijeka Refinery. Total spilled hydrocarbon volume during these 3 events alone amounted to 902 m^3, of which 653 m^3 were recovered. Financial loss connected with all 143 events reached HRK 15.3 million (direct + indirect cost).

The most frequent cause of the events was corrosion (45%), while in case of Rijeka Refinery the incident was caused by inadequate supervision. After the planned shutdown of the Refinery, the start-up of the process plants began, during which it was noticed that there was a deviation in the balance of the produced desulfurized kerosene. A few days later, the appearance of an oil film was observed at the sea surface, inside the preventive protective boom. Cleaning of the sea surface was started immediately by a specialized contracted company and refinery workers. The incident resulted in the leakage of kerosene on the drainage valve of the pipeline. During the event, 900 m^3 of fuel leaked into soil and sea water, of which 653 m^3 were recovered, while the rest was remediated. At Žutica site pressure collector at Measuring Station 7 leaked and 1m3 of hydrocarbons polluted 30 m^2 of soil. The site of the incident was secured with dams to prevent the further spread of liquid and, the process of remediation and repair of the pressure collector was conducted. At Ivanić location, 1m^3 of hydrocarbons leaked from the connecting oil pipeline Beničanci and polluted 200 m^2 of grass, earth, gravel and asphalt surfaces on the pipeline route and the local road. In all cases remediation activities started immediately.

The critical pipeline selection process was started in 2020 and continued in 2022 in Exploration and Production, with a detailed maintenance plan prepared for the most critical equipment. A total of 5,271 m of pipelines were replaced or repaired during 2022, of which 4,520 m in the Central Production Region, where the most spills occurred. For 2023, HRK 3.8 million is planned for the replacement of critical pipeline segments in the area of Ivanić, Koprivnica, Šandrovac and Đeletovci. In 2022, 6,005 m of oil pipelines were also revitalized and the plan for 2023 is to revitalize additional 6,450 meters for which more than HRK 7 million is planned.





5.4.3. Waste management in INA Group

INA Group SD Key objectives & programs for the period from 2021 to 2025 are divided into 4 key areas, of which one relates to Climate change and environment, including waste management. With the waste management plan, we strive to contribute to the goals of the EU green plan and the circular economy, what we intend to accomplish through annual actions within the INA Group SD & HSE Action Plan in order to achieve the set key objectives and programs.

We continued a review of the current waste management process from waste generation to the final handling in order to identify the implementation possibilities of 5R methodology - Refuse, Reduce, Reuse, Repurpose and Recycle at Downstream locations. The waste management system in INA Group puts emphasis on 5R for the existing materials and products, in order for the waste to become a resource, when possible. That principle was also incorporated in the internal waste management documentation. Additionally, we have performed a review of all waste types and quantities at the INA Group level due to the process of contracting waste disposal.

We are committed to education and raising awareness of all participants in our waste management process, which we demonstrate through various actions such as donating wood and wooden pallets to employees. With this action, we raised employees' awareness of the 5R methodology, but also prevented waste generation, so that wood became a resource again.

Actions regarding waste management process improvements in Rijeka Refinery continue as part of the PROmotion program in cooperation with Production. PROmotion program aims to increase operational efficiency through all organizational units within the refinery and reduce energy consumption. Increased scope of works within Rijeka Refinery Upgrade Project generates large amounts of waste, so installation of 4 Eco Box storages has been considered, as well as additional waste containers in order to improve supervision of selective waste disposal and waste management cost reduction.

In 2022, Sisak Refinery conservation process has been completed, resulting in generation of waste through cleaning of the plant and equipment. Process of unloading of spent platinum catalyst (EWC 16 08 01) and HDS catalyst (EWC 16 08 02*) was carried out and sent to export for Recovery of waste components from catalysts method (R8).

In Consumer Services & Retail pilot project of separate collection of biowaste at service station has been analyzed and prolongated in 2023.

In Exploration & Production, rehabilitation of the mining Technological Fluids Regeneration Facility (TFRF) Šandrovac was carried out. The Facility is located in the Northern Croatia Production Region, at the Šandrovac-Koprivnica Facilities. The purpose of the Facility is collection, recovery and dispatch of technological fluids generated in the processes of exploration and production of hydrocarbons (HC) and for temporary disposal of contaminated material from the HC spills. Due to long-term use, the Facility is filled with fluid and has an old membrane. The aim of the project for rehabilitation of the TFRF is to remove the accumulated material from the Facility in order to protect the environment and improve safety, prevent HC spills out of the facilities due to overflow and damaged embankment, enable continuous optimal use of the Facility, and maintain oil and gas production. The accumulated material is transferred to the contracted company treatment facility, where it is processing at the centrifugal tricanter and centrifugal separator, which ensures high level of recuperation of HCs from the material. The useful liquid HCs (100% HC) is returning to the process (at Transmitting Station Stružec) as product, and the residue is disposed as waste according to the legal regulations. The project for rehabilitation of TFRF Šandrovac started in 2019, and in 2022 the project is in its final phase – all accumulated material was removed and processed, the facility has been cleaned and prepared for the repair of the existing geo-membrane, installation of a new PE-HD membrane and repair of damaged embankment. The key benefits of the project are the increase of production by returning a part of the material to the system as the product; reducing the amount of generated waste which means lower environmental impact, and the company's waste disposal cost reduction and prevention of HC spills out of facilities, thus ensuring environmental protection and safety improvement. This project is planned as a continuous practice so that the overflow of TFRF and its potential release into the environment would be eliminated.

The project of Collection of used cooking oil continued with stable results. In 2022, 7.57 tons of used cooking oil have been collected at our service stations. From its beginning, this project was met with a good response, and in five years since the project started, 32.17 tons of used cooking oil from households was collected which would otherwise end up in the drain.

Waste generation and disposal

To compile the data on waste generation and disposal, every organizational unit of INA Group enters data on the amount of waste in our internal data collection application, in accordance with waste transfer notes from the contractual waste collectors. The data is automatically summed up in the application at INA Group level.

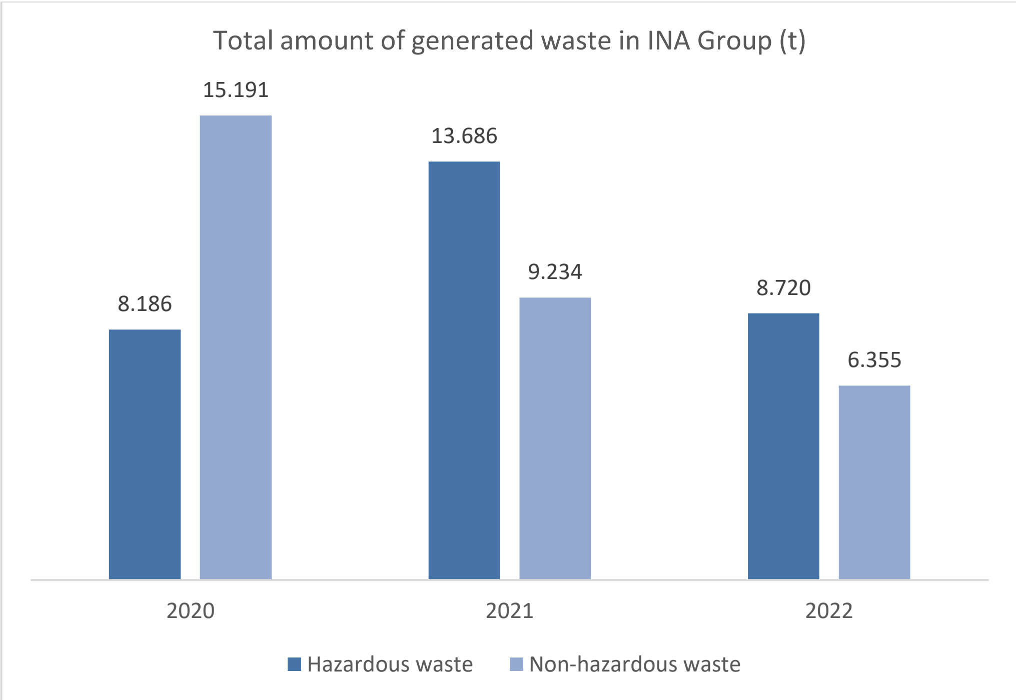
Total amount of generated waste in 2022 decreased by 34.3% in comparison with 2022. Out of total generated waste (15,059 tons), there were 8,720 tons of hazardous waste and 6,355 tons of non-hazardous waste.

Out of total hazardous waste, there was 2,433 t diverted from disposal and 6,287 t directed to disposal. Out of total non-hazardous waste, there was 4,850 t diverted from disposal and 1,505 t directed to disposal. Difference between the total amount of generated waste in 2022 and the sum of totals of hazardous and non-hazardous waste was caused by 16 tons of waste from 2021 that had been handled in 2022.

Waste that was diverted from disposal includes preparation for reuse or recycling or other recovery operations, and waste that was directed to disposal includes disposal operations of incineration - with or without energy recovery, landfilling and other disposal methods. Furthermore, 3.62 tons of waste generated in 2022 was stored on-site and will be handled in 2023. Waste composition and disposal methodology by each waste category can be found on page 181.

The amount of hazardous waste has been significantly decreased in 2022 due to less intense implementation of environmental remediation at service stations. Furthermore, in 2022 less non-hazardous waste was generated compared to a large amount in 2021 when there were construction works at INA Maziva.

The most common types of waste by composition were category 17 (33%), mostly consisting of contaminated soil from service station capital reconstruction as hazardous waste, and iron and steel from maintenance as non-hazardous waste. Furthermore, waste from category 5 (29%) consisted of mud and oily sludge from maintenance, with emphasis on Sisak due to conservation activities and cleaning of plant and equipment.



Glass, metal and plastic packaging, paper, cardboard and used toners are collected separately in all office buildings. At all retail locations the following 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 a Fresh Corner, bio-waste and used cooking oil are also collected separately.

WASTE DIVERTED FROM DISPOSAL BY RECOVERY OPERATION	Onsite (t)	Offsite (t)	Total (t)
Hazardous waste			
Preparation for reuse	722.20	88.34	810.54
Recycling	0	1,492.47	1,492.47
Other recovery operations	0	130.10	130.10
Total			**2,433.12**
Non-hazardous waste			
Preparation for reuse	0	394.93	394.93
Recycling	0	3,874.56	3,874.56
Other recovery operations	0	580.54	580.54
Total			**4,850.02**
TOTAL WASTE DIVERTED FROM DISPOSAL			**7,283.14**

WASTE DIRECTED TO DISPOSAL BY DISPOSAL OPERATION	Onsite (t)	Offsite (t)	Total (t)
Hazardous waste			
Incineration (with energy recovery)	0	359.78	359.78
Incineration (without energy recovery)	0	806.89	806.89
Landfilling	0	81.35	81.35
Other disposal operations	0	5,039.07	5,039.07
Total			**6,287.08**
Non-hazardous waste			
Incineration (with energy recovery)	0	15.22	15.22
Incineration (without energy recovery)	0	2.55	2.55
Landfilling	0	275.78	275.78
Other disposal operations	83.83	1,127.69	1,211.52
Total			**1,505.07**
TOTAL WASTE DIRECTED TO DISPOSAL			**7,792.15**

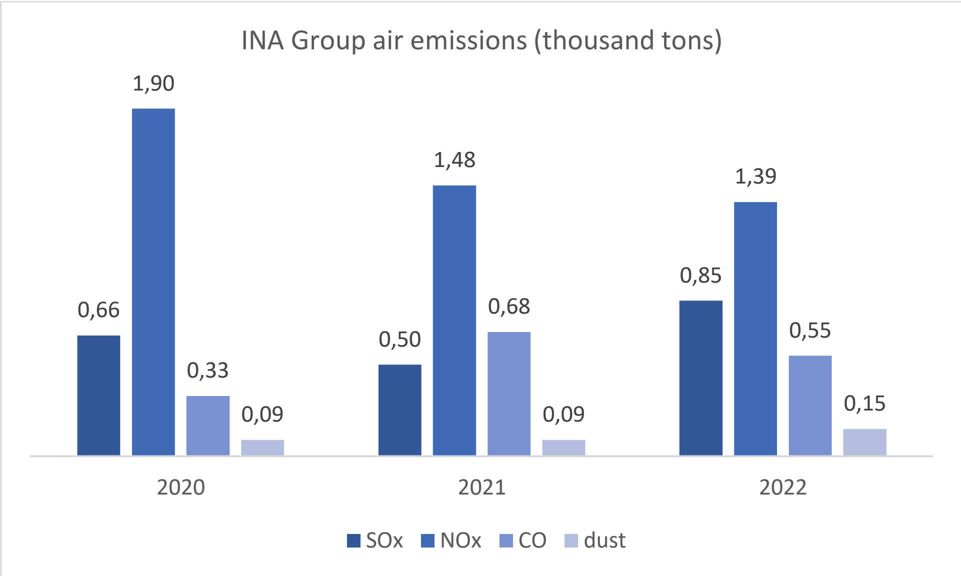
5.4.4. Air emissions

SOx emissions increased by 72% compared to last year due to higher amount of fuel oil consumption, which was influenced by exceptionally high natural gas prices, which had a continuous impact on fuel type usage in internal consumption. Consequently, dust emissions also increased by 55%. However, refinery operated in accordance with emission limits prescribed in the environmental permit. CO and NOx emissions dropped by 20% and 6% respectively due to less natural gas consumption.

According to the still unvalidated data from 4 air quality monitoring stations in the area of influence of Rijeka Refinery, in 2022 the results were in line with the environmental objectives, i.e. the air was clean with regard to all measured parameters.

At the Exploration and Production, we focus on reducing the amount of flared and vented hydrocarbons and internal gas consumption. In 2022, we have continued with upgrades and replacement of gas engines on compressor stations Šandrovac and Lipovljani to further decrease the emissions. The MK-7 Šandrovac, MK-5 Lipovljani and MK-9 Lipovljani engines were upgraded, while the MK-4 Šandrovac engine was replaced.

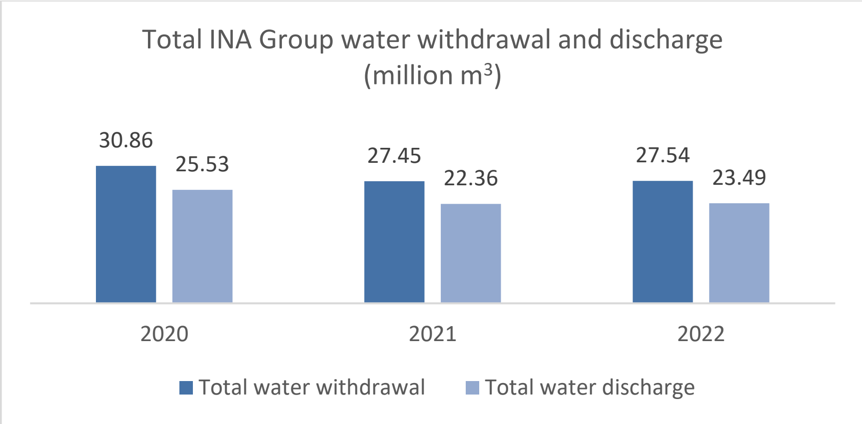
In the Logistics and Consumer Services and Retail, the most relevant are VOC emissions, resulting from the handling and storage of petroleum products. Such emissions are managed by installation of first and second stage vapor recovery units.



5.4.5. Water

Water management has been recognized as one of the strategic goals in the HSE Key Objectives & Programs for 2021 – 2025. In order to reduce the negative environmental impact on the surface and subsurface water bodies, we are continuously monitoring quality and quantity of ground water and surface water in order to identify the improvement possibilities with the emphasis on water intake reduction possibilities. The water we use comes from various sources: surface or groundwater, municipal water supply and sea water. None of the water we use comes from the water stressed areas. 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.

In 2022, total water withdrawal amounted to 27.54 million m^3, i.e. 27,540 mega liters and remained at the same level as in 2021. Total volume of discharged water amounted to 22.49 million m^3 (i.e. 22,493 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 wastewaters generated are process, cooling, storm water and sanitary water. Repairing of the sewage system in Rijeka Refinery continued in 2022, which should lead to reduction in consumption of industrial water.

Preparedness and response exercises in emergency situations in the water management area has been planned and implemented at locations within the INA Group for the purpose of reducing the possibility of environmental pollution and incidents.

INA GROUP WATER WITHDRAWAL BY SOURCE (2022)*	MILLION m^3	MEGA LITERS
Freshwater withdrawal - groundwater	0.84	843
Freshwater withdrawal - surface water	4.69	4,689
Freshwater withdrawal - municipal water	2.86	2,857
Non-freshwater withdrawal from sea	18.60	18,603
Produced water - sour water stripper and/or tank bottom draws	0.34	341
Rainwater, precipitation collected directly and stored for any use	0.21	207
TOTAL	**27.54**	**27,540**

*INA Group does not use wastewater from other organizations; 1 mega liter = 1,000 m3

5.5. Human capital

"Capitalize on human resources"

Achievements

- Successful euro implementation
- Successful collective agreement negotiations for nine INA Group companies
- External audit confirmations of best practices in human resources (Employer Partner Certificate, Above & Beyond, MAMFORCE, etc.)

Challenges

- Inflation effect and labor scarcity
- Further implementation of the Wellbeing concept
- Further focus on talent management

5.5.1. Human capital management in INA Group

INA Group human capital management is based on the premise that our business is driven by people. Together, all employees build a positive corporate culture where diversity is respected, competencies are strengthened, communication is open and our employee community achieves top results. Thanks to the accumulated knowledge, market experience and, above all, the professional and motivated employees who are the foundation of our business success, INA remains the leading company in the oil industry in Croatia and the region.

INA Group is home to experts of different generations, interests and profiles, engaged in large domestic and international projects from northern Adriatic platforms, through fields and facilities of central Croatia, Podravina and eastern Slavonia, through more than 500 retail locations in Croatia, Bosnia and Herzegovina, Montenegro and Slovenia, to distant foreign worksites.

It is this diversity that brings us a wide range of knowledge and experience into our everyday work, which through teamwork translates into innovative solutions in accordance with the leading global practices and provides us with a competitive advantage and business success in dynamic market conditions in which we operate.

There is a growing trend in which younger colleagues are becoming independent in their work faster and taking responsibility for key projects in our company – not only because of their engagement, but also because of the enviable level of leadership and mentoring by their senior colleagues.

In addition to significant achievements in oil and gas exploration, production, processing and sales, we also have a rich heritage and culture of internal knowledge and experience sharing among colleagues to which we remain dedicated.

INA Group pays special attention to developing awareness of topics in the field of healthy living in general, with the aim of remaining active participants in taking care of employees' holistic well-being.

Following the global changes in the market, INA Group human capital management remains focused on providing effortless service to internal customers and providing a best-in-class employee experience throughout the employee life cycle to all the employees, thus directly supporting sustainable engagement, productivity and desired business outcomes and continuity.

5.5.2. Employee relations

Social dialogue with Trade Unions and Works Council

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

During 2022, the Employer held several meetings with the TU and WC in relation to different topics with the impact on employees.

In INA, d.d. and INA Group companies in Croatia, more than 100 meetings were held during 2022, with various topics: regular meetings, forums, Works Council Assembly, INA Group Works Council Coordination meeting, consultation on organizational changes, restructuring, internal regulations, collective negotiations, etc.

The Management Board of INA, d.d. held two meetings with social partners (Trade Unions and Works Council's representative) and one regular annual coordination with Works Council members in INA Group, aiming to provide information on business results, outlook and to provide answers to specific questions of employees' representatives in relation to INA Group Business operations and business environment.

In line with the Collective Agreement (hereinafter: CA), the Employer provides quarterly reports to TU representative regarding overtime work, number and type of employees employed, structure of employment, etc. The employer informs the Works Council 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 2022, new rounds of collective negotiations were held, including six meetings after which all nine Collective Agreements were amended, with application as of 1 January 2023. The employer was aware of inflationary pressure and thus started the collective negotiation earlier than in the previous period. The result of the negotiations with the Trade Unions is mutual agreement on the significant increase of the employees' incomes. This financial measure creates a sense of security for employees and, at the same time, ensures the competitiveness of INA on the labor market. This round of collective negotiations was specific in a way that the net income significantly increased in the range of 11 to 16 percent, depending on the company, while using the possibility of payment of increased tax-free material rights prescribed by recent Government legislation.

Employees independently decide on their membership in Trade Unions. In INA Group in Croatia, ~57% employees are members of Trade Unions, while ~10 % of INA Group employees in Croatia are members of more than one Trade Union. In Bosnia and Herzegovina (Holdina and Energopetrol), a total of 56% of employees are members of Trade Unions.

Eight INA Group companies elect Works Councils (INA, d.d., STSI d.o.o., INA MAZIVA d.o.o., TOP RAČUNOVODSTVO SERVISI d.o.o., PLAVI TIM d.o.o., CROSCO d.o.o., INA MALOPRODAJNI SERVISI d.o.o. and INA VATROGASNI SERVISI d.o.o.) which actively participate in communication with the Employer in the field of the protection and promotion of employees' interests.

Five Trade Unions are active in INA Group in Croatia, while one Trade Union has only one member, and thus does not actively participate in the social dialogue. Three Trade Unions are active in companies operating in Bosnia and Herzegovina (Holdina and Energopetrol).

The number of INA Group employees in Trade Unions as at 31 December 2022:

TRADE UNIONS	# EMPLOYEES
SING – Oil Industry Union	3.016
INAŠ – Oil Industries Trade Union	1.834
EKN – Autonomous Trade Union of Workers in Energy, Chemistry and Non-Metal Industry of Croatia	226
SNS – New Solidarity Trade Union	49
SHV – Croatian Drivers' Trade Union	8
STR – Railroad Engineer TU	1
TOTAL INA GROUP IN CROATIA	***5.134***
TU Energopetrol Sarajevo	144
TU Energopetrol Regija Tuzla	118
TU of Employees in Holdina Sarajevo	282
TOTAL INA GROUP IN BOSNIA AND HERZEGOVINA	***544***
TOTAL	**5.678**

Employee assemblies and other ways of direct communication with employees

The purpose of the **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.

Based on the Labor Act, Trade Unions conducted elections of **safety-at-work commissioners** in INA Group companies. There are 84 commissioners in INA Group (44 in INA, d.d., 13 in INA MALOPRODAJNI SERVISI d.o.o, eight in STSI d.o.o., five in CROSCO d.o.o. and in INA Vatrogasni servisi d.o.o., and three in TOP RAČUNOVODSTVO SERVISI d.o.o., INA MAZIVA d.o.o. and Plavi tim d.o.o.).

The **Committee for Amicable Dispute Settlement** is prescribed by the Collective Agreement. The Committee consists of two employer's representatives and three TU representatives. For the respective calendar year, 1 dispute was initiated and resolved amicably.

Donation for health needs: A competent person in Human Resources provides expert medical opinion from the elected physician of occupational medicine, on the ground of the individual request of the employee or employee's family member. Based on a positive medical opinion, the Director of Human Resources decides on approving a donation for health needs to an INA employee or a member of the employee's family in case of illness and financial difficulties. Within the budget for the respective calendar year, aid was approved in six cases - donations supporting the cost of medical treatment, purchase of drugs or certain aid supplies.

These donations help our employees or members of their families who are facing a serious illness to improve their treatment and quality of life.

5.5.3. 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 adverse 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, etc.).

INA-bikeZONE community continued to share information and updates about cycling and promote cycling activities and their positive impact on health and the environment. **The certificate of the European Cycling Federation as cycling friendly company was successfully renewed** for two business locations and INA, as the first recertified company, has **a total of three certified business locations.**

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.

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.

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:

- Achievement Award
- Eiffel Program
- Best INA Academy Trainer
- Award your colleague (Best Colleague, Best Manager)
- 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), Sales Incentive System for sales representatives (SIS) and Retail Sales Incentive System for service station staff 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.

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.

Due to global economic crisis and the inflation in Republic of Croatia during 2022, INA Management Board decided to mitigate the negative impact of inflation on the real value of employees' income by providing a one-off payment to INA Group employees.

5.5.4. Career development and talent attraction

Career development

Employee development in the INA Group is a systematic process within the company's human resources management function and is crucial in achieving the company's desired results, and is also connected to the sustainable development of our company, employee engagement and retention.

INA Group offers employees various methods of professional development – internal and external. Development needs are determined in accordance with the business strategy, with the personalized approach of delivering and planning development needs and activities through so-called Individual Development Plans (IDP).

Furthermore, all INA Group employees receive regular feedback on their performance and development at least once a year.

In order to assess and define needs for the development of technical and professional skills, **Technical and professional competence development program** is conducted in Upstream and Downstream. Program covers a two-year cycle and includes thorough assessment of skills and capabilities of targeted employees in a well-defined range of job disciplines, while identifying skill gaps and capability gaps, setting development priorities at the professional level and planning and implementing individual development activities.

Success Principles are a competency framework that offer guidelines for all leaders and employees on how to act to achieve our goals in a sustainable way, and in order to support the desired culture. Success Principles translate company values into behaviors providing a compass on "how to do things" and allowing the company to realize our 2030 strategy. It shows employees that their performance is their responsibility, their success is the team's success and their behavior is the key for future success. During 2021, all management, and during 2022, all employees were required to pass mandatory e-learning test for knowing the Success Principles.

SUCCESS PRINCIPLES: YOUR BEHAVIOR IS KEY TO YOUR SUCCESS

Act with integrity - Act customer-centrically - Develop capability - Work collaboratively - Drive results

LEADERSHIP DEVELOPMENT

In order to enable and ensure the development of all employees, INA Group provides a large selection of development opportunities for all. By participating in MBA programs at Cotrugli or selected programs at the SEED Business School (Part-time MBA, Business Leadership Program, Foundation of Management Program), the employees are developing their leadership and business 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, and prepare leaders for current and future challenges. LEAD 2022 program was conducted and 12 participants from INA Group started their one-year leadership development journey in Q1 2022.

First Time Manager is an 8-month development program for workers who are leading people for the first time. With this program, the company wants to support new managers and provide them with the necessary tools, skills and training so that they can be even more efficient and satisfied with themselves in their new role.

Shift Leader Academy is a leadership development program for our “blue-collar” leaders in order to strengthen their leadership and soft skills. In 2022, more the 130 participants attended 8 full-day courses.

In **Retail Academy**, participants continued with internal and external development activities. Participants have the opportunity to experience a truly blended learning journey with digital e-learning and classroom development activities.

360° Feedback is one of the methods used in INA. It is an assessment method which provides the assessed person the feedback about his/her behavior in the workplace, based on the assessments of direct manager, peers, subordinate employees and key stakeholders. Each person being assessed also assesses himself/herself, which “closes the full circle – 360°”. In 2022, this method was implemented for managers in Upstream, Human Resources and Finance. Based on individual and group reports, action plans were made and executed (e.g. group coaching, coaching as s method of leadership, mentoring).

EMPLOYEE DEVELOPMENT

During 2022, different development programs and initiatives, as well as internal and external workshops (based on individual development needs) were available to all INA Group employees, ensuring development and motivating employees to be effective and efficient in their everyday challenges. Employees suggested to move from virtual workshops to more classroom trainings, as before social distancing measures were introduced, so most of the trainings were face-to-face. All available educations and development programs were published online in Catalogue of INA Group, which is available for all employees on Intranet site.

In further text, some of key 2022 employee development initiatives are described in more details.

INA ACADEMY

INA Academy is an internal platform for knowledge sharing that covers the entire INA Group. It was launched in October 2016 with the aim of promoting a culture of learning, development of competencies and knowledge sharing, and to further increase the availability of training for employees.

During 2022, INA Academy proved to be one of the most popular development tools. In total, 100 training sessions were held, of which 53 were delivered internally - 5,654 training hours and 2,197 participants overall. The average rating of participant satisfaction with the training courses (scale: 1-5) was 4.82. Considering that none of this would be possible without our internal trainers, the company rewarded the top 3 trainers based on the average rating of participants' satisfaction, training hours and the number of training participants.

LINKEDIN LEARNING

In order to enrich our existing development programs with digital learning solutions, offering unlimited access to various learning content in cooperation with the LinkedIn Learning platform was implemented. This opportunity allows employees to enjoy a self-paced learning experience with access to more than 16,000 online training courses in the area of business, leadership, technology and design. More than 500 licenses were distributed across the INA Group.

MENTORING APPLICATION

Mentoring is one of the most effective development opportunities, tailor-made according to the needs of the given talent, through which we can enrich the competencies and skills of our talented colleagues.

Mentoring App is an easy access & user-friendly application that enables the mentor and the mentee to interface outside their network, company and country.

In application, there are 37 mentors registered in INA Group and 56 mentees, while 19 mentoring processes have been managed by mentors from INA Group.

INTERNAL COACHING

Coaching is a development method that helps a person achieve outstanding results in work, career and organization, while also improving their life quality. So far, INA Group external coaching has been used mainly for managers. Following the best practices, in 2022, INA started the Internal Coaching Project with the aim to **educate employees on how to become the first internal coaches** (managers from business and HR experts). With internal approach, coaching will become more accessible to talents who are not currently in managerial positions.

INA GROUP AVERAGE HOURS OF TRAINING PER EMPLOYEE	2020	2021	2022
TOTAL	11.5	10	15

AVERAGE HOURS OF TRAINING PER EMPLOYEE	2020	2021	2022*
BY GENDER			
INA Group (male)	10	10	15
INA Group (female)	14	9	17
BY BUSINESS SEGMENT INA, d.d.			
Exploration and Production	11	10	19
Refining and Marketing	9	10	17
Consumer Services and Retail	7	13	14
Corporate functions	34	17	33
INA GROUP	11	11	16
BY LEVEL			
Executor	9	9	11
Expert	15	13	28
Growww	36	**	**
Manager	32	8	51
Senior expert	15	19	6

* Data on the average number of hours of education for INA Group in the Republic of Croatia contains a 15% increase compared to the data recorded in January in the SAP system in which we record all conducted educations. The assessment refers to educations that were conducted in 2022, but for which records were not submitted during January, but later during Q1 2023. This calculation was not applied in earlier SD Reports.
** Growww employees were included in the Executor category.

NUMBER AND PERCENTAGE OF EMPLOYEES RECEIVING REGULAR FEEDBACK	2020	2021	2022
BY GENDER			
INA Group (male)	100%	100%	100%
INA Group (female)	100%	100%	100%
BY LEVEL			
Executor	100%	100%	100%
Expert	100%	100%	100%
Growww	100%	100%	100%
Manager	100%	100%	100%
Senior expert	100%	100%	100%
TOTAL INA GROUP	**100%**	**100%**	**100%**

Talent attraction

For the last decade, INA Group has been strategically planning, attracting, and employing young white-collar 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 2022, we continued with the revamped Growww program. We received more than 530 applications for 11 Growww positions. Employed Growwwers have started their one-year development journey where, in addition to on-the-job learning, they also attend various business and soft educations, which take place in the classroom, virtually and via the e-learning platform.

We also put an emphasis on developing a **new blue-collar concept** that is focused on students, but also on retaining blue-collar employees.

Based on future business needs, we continued our collaboration with universities and vocational schools and participated in different programs and projects to support them in creating opportunities for young people to become quality candidates on the labor market:

- Renewed cooperation agreements with 3 strategic faculties; agreements with other target faculties and schools in preparation
- Action plans of cooperation for target faculties and schools created and implementation started
- Organized 12 meetings with target faculties and schools and started communication within the area of mutual interest
- Organized 7 site visits and 8 visits to schools and preschools
- Organized practice for 177 students, 4 vocational teachers (within the project *Teachers in companies-practice for teachers)* and 1 blind student (within the project *Iskustvo zlata vrijedi)*
- Participated in 7 Career Days at faculties and presented programs and opportunities for young people in INA Group
- Participated at 2 student congresses and 3 panels and presented INA Group within actual student's topics
- Supported the national competition in vocational occupations Worldskills 2022
- Organized lectures at faculties by INA Group experts
- Participated in 2 humanitarian projects by student association and involved employees in collecting items to help people and abandoned animals
- Participated in 2 students project works in IT and logistics area
- Supported INA Group employees with war veteran status by providing scholarships to their children
- Provided 4 scholarships for 2nd year of studying at the Zagreb School of Management for children of our employees from the earthquake-affected area
- Conducted the Competition for the best final thesis in vocational schools 2021/2022, rewarded 9 final theses; launched a new competition for 2022/2023
- Supported the filming of a video for high school graduates in which INA was presented as a leading company for employment and development of future chemical engineers
- Provided financial support through donations and sponsorships

To improve Talent attraction process for the vacant positions which are challenging to fill, we have implemented the referral program. The program has been implemented in 2018 and has been successful ever since. The referral program allows INA Group employees to recommend external candidates in accordance with the prescribed procedure. In situations when the recommendation results in employment, the employee who has recommended a new colleague receives a monetary award for their recommendation in accordance with the prescribed procedure. The program encourages employees to participate in the selection process, and the company has access to external candidates through reliable sources.

Employer branding

Awards and various recognitions received by INA Group during 2022 are a testament to the quality of the activities carried out to improve our current and future employees' work experience and job satisfaction. They demonstrate that INA Group companies understand the importance, accept responsibility and remain dedicated to the satisfaction of our employees. Some of the awards and certifications are:

- Employer Partner Certificate
- Above & Beyond
- MAMFORCE®
- TOP 20 Employers in Croatia
- Employer Branding Stars

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

Engagement, diversity and inclusion

Employee engagement survey is conducted every two years. In the fourth quarter of 2021, a new survey on worker involvement was conducted. The response of workers who filled out the survey was higher than in the previous survey in 2019. For INA Group it was 86%, while for INA, d.d. it amounted to 94%. The results of the research were communicated at the beginning of 2022 (INA Group 82%) and targeted action plans were created in accordance therewith. At the INA Group level, 181 action plans were created, of which 119 are within INA, d.d., covering all businesses and functions.

In INA Group we are building a culture in accordance with the highest ethical values and principles, in which differences are respected and accepted, regardless of whether they are visible differences, such as gender, age, race, language, disability, or less visible differences, such as religion, ethnicity, sexual orientation, beliefs, hobbies or, for example, learning and thinking styles.

Through our daily behavior, we create a community where everyone feels included, respected and connected and where everyone has the opportunity to develop their skills and talents without prejudice based on personal characteristics that are not related to the job. At INA Group, everybody counts.

More information about Diversity and Inclusion can be found in chapter *Corporate governance - Diversity strategy*.

5.6. Communities

"Enhance trust and credibility among stakeholders"

Achievements

- Community support with donations in the total amount of HRK 1,500,000.00

Challenges

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

5.6.1. Community relations and social investments

Transparency, trust, and partnership-based relations with local communities are the key to ensuring that we are a responsible and welcomed partner wherever we operate. We acknowledge that our operations have 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 tailored to local needs and developed in consultation with local stakeholders and in line with INA Group Sustainable Development key objectives and programs. Relations with the local communities are defined in the Manual for the Management of Social Engagement Activities. Local community members (individuals, local leaders, non-profit organizations, municipalities, associations, etc.) are involved in the business activity that affects the nearby communities.

In 2022, the global fight against the coronavirus continued, and the newly started war in Ukraine has further contributed to the feeling of insecurity and anxiety, market disruptions, and the rise of the global economic crisis, especially in the energy sector. Therefore, we adjusted most of our corporate social responsibility activities to help the communities in need.

INA has allocated HRK 900,000 to various healthcare institutions and associations: Clinical Hospital Center Zagreb, Clinical Hospital Osijek, Children's Hospital Zagreb/Klaićeva, Special Hospital for Chronic Diseases of Children in Gornja Bistra, Clinical Hospital Centre Rijeka, Clinical Hospital Center Split, Clinical Hospital "Sveti Duh" Zagreb and General Hospital "Dr. Ivo Pedišić" Sisak.

Relations with the local Exploration and Production and Refining and Marketing communities

INA Group has continued to support projects, particularly in Refining and Marketing locations in Primorje-Gorski Kotar County, Solin and Sisak, and Exploration and Production locations in the eastern, central, and northern Croatia. The focus was placed especially on helping children, young people, healthcare institutions and projects that contribute to the quality of life of the local communities. In 2022, **INA Group supported 21 projects in Exploration and Production areas** (eastern Croatia - two projects, northern Croatia - seven projects, central Croatia - four projects, Zagreb - four projects, conferences - four projects) **and 60 projects in Refining and Marketing areas** (Rijeka Refinery - Primorje-Gorski Kotar County - 29 projects, Sisak Refinery - Sisak-Moslavina County - 22 projects, Logistics - Split-Dalmatia County - six, and conferences and institutions - three).

In Exploration and Production areas, INA Group supported humanitarian associations, important cultural institutions, infrastructure and educational projects and sports clubs. The most relevant projects are Vinkovci Autumn - the largest Slavonian manifestation, Bršadin Elementary School - landscaping and equipping of school yard and outdoor classroom and Diving Club "Roniti se mora" - action " Think Green" for cleaning and disposing of waste and trash from the Adriatic Sea.

In Refining and Marketing areas, INA Group renovated and equipped the Rehabilitation Centre Rijeka, provided equipment for educational garden for the Elementary School in Bakar and equipped four school classrooms with smart boards in Kostrena Elementary School. INA also supported hackathon student competition organized by the Sisak Technical School. In Primorje-Gorski Kotar County, INA supported the Municipality of Kostrena projects, Handball Academy RINA, Rehabilitation Centre Fortica Kraljevica, Fiumanka regatta and the Croatian National Theatre Ivan pl. Zajc. In Sisak-Moslavina County, INA Group supported the Sports Community of Sisak-Moslavina County to set up an ice rink in Glina, Red Cross Society Sisak, Siscia Jazz Festival, STAR Film Festival, Sisak Tourist Board, and lots of other projects important for the Sisak-Moslavina County community.

Key CSR projects with internal public, non-profit organizations and local communities

GREEN BELT PROJECT

For the 9th consecutive year, INA has published an annual open tender for projects of civil society organizations and public educational institutions relating to the preservation of the environment with the financial support of INA, d.d. and the assistance of INA Volunteers' Club. A total of 250 projects have applied for the 2022 Green Belt tender, and the expert committee selected the eleven best projects. As part of the Green Belt project, over the past nine years, more than 11,761 plants have been planted on 121,339 m^2 of green fields.

CORPORATE VOLUNTEERING

Through volunteering, our employees also strengthen their connection to the society. Our employees personally engage in community development initiatives through hands-on or skill-based volunteering, or by personally contributing to individual projects. In 2022, INA Volunteers' Club organized 29 activities in which 254 volunteers participated contributing 2,032 hours of volunteer work. The Club currently has more than 1,400 members. INA Volunteers' Club participated at the 5th National Conference on Employee Volunteering. In 2022, INA Volunteers' Club celebrated its 11th anniversary. INA Volunteers' Club is recognized in the volunteer community as a pioneer of corporate volunteering, and the Osijek Volunteer Center invited INA as a special guest to present the annual volunteer award to Čaglin pensioners' union.

A View of the Blue - Ston

Support of the Blue Promotion Agency. Activities include educational workshops on diving and ecological action of cleaning the undersea as part of the Eco Malostonski Zaljev project.

INA Cares

Since the beginning of the pandemic, we have not been able to carry out the With Parents at Work project due to safety reasons. In 2022, we were finally able to revive the project at as many as 6 business locations across Croatia. More than 850 children of our employees participated in the project, as they spent a day playing and socializing with their parents at work in various activities organized at business locations. As part thereof, we distributed 1,000 flowerpots of succulents called *live-forever* and told an educational story about the importance of taking care of plants.

In May we held the Employee Sports Meetings in Đurđevac, which were attended by many colleagues who socialized and participated in various sports and recreational activities.

At the end of the year, for the 8th consecutive year, we organized Christmas gift action for the children without proper parental care entitled *Let's put a smile to children's faces*. With the help of INA employees who joined the action, as many as 847 children from 11 children's homes across Croatia received the gift they wanted.

INA, d.d. continues to support SOS Children's Village Croatia through annual donation for the renovation of the SOS Children’s Village Lekenik.

During 2022, INA donated used IT equipment to more than 30 schools, kindergartens, associations, and institutions worth more than HRK 150,000.

5.7. Ethics and governance

“Focus on responsible operations and long-term economic development”

5.7.1. 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.

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 a workers’ representative. The President of the Ethics Council, Luka Pavleković, Director of Legal and Compliance is responsible for the equity of the procedure. When it comes to procedures related to protection of dignity and protection against discrimination, ad hoc EC members will also participate, i.e. a Trade Union (hereinafter: TU) or Workers’ Council (hereinafter: WC) representative, in addition to the permanent EC members. Preparatory Council is a core EC team, composed of the president of the EC and two operating directors with main tasks to examine whether a 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 the 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.

Ethics values of INA Group are:

- lawfulness,
- responsibility,
- integrity,
- respect for others,
- honesty,
- fairness,
- caring,
- reliability
- 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. Ethics principles of INA Group require INA Group companies to ensure that their business operations do not in any way endanger the rights of indigenous communities and do not use children or forced labor and require the same from their suppliers. In addition, providing financial or any other kind of assistance to political parties, politicians and related institutions is not allowed.

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. Identifying beneficial owners of business partners is performed in line with the best business practice, mainly through the use of KYC (Know Your Customer) procedures.

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.

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. 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.

INA Group has a 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 of irregularities referred to in Article 4 of the aforementioned Act, communication with the reporting person and conducting procedures in connection with reports.

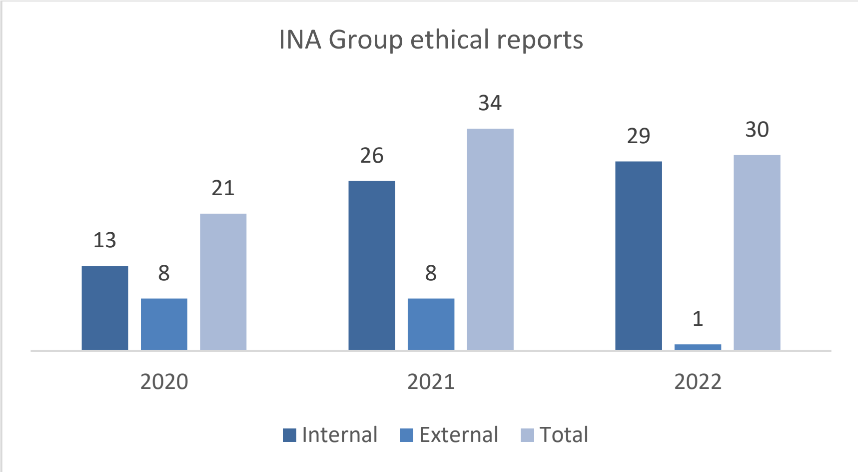
Based on State Attorney Office's organized crime investigation initiated also against INA managers, an internal investigation was conducted in order to identify the potential fraudulent activities of INA Gas & Power department. It was established that the internal regulations were violated and by entering into contracts with different companies significant financial and opportunity loss has been incurred to INA. Official State Attorney's Office investigation is still ongoing. Following the event, INA strengthened its internal preventive and control measures, and has applied consequence management measures towards its employees and companies involved. Also, INA engaged an independent expert to review all relevant business processes and provide suggestions for strengthening them.

Ethical procedures

There were eight established INA Group Code of Ethics breaches which were a result of investigations conducted based on reports submitted during 2022, followed by issuance of disciplinary measures (such as written and verbal warnings). Out of all ethics reports in 2022, 45% were related to improper workplace behavior (mutual respect, dignity and courtesy, discrimination, breach of social media rules), 21% were related to unfair labor practices (evaluation/appraisals, unfair favoritism, unfair recruitment process, unfair disciplinary measure/termination), 16% were related to fraud/corruption (fraud/theft, true reporting and integrity of business processes), 5% were related to misuse of information (conflict of interest and misuse of Company assets) and 13% were related to work safety rule violations (please note that under one case there can be more than one reported topic).

One complaint on account of discrimination was recorded, but no breach of CoE was determined and, accordingly, no discrimination.

The diagram represents an overview of ethical internal and external reports in INA Group in the period from 2020 until 2022. There were 29 internal, 1 external, i.e. a total of 30 reports.



Education on the code of ethics

INA Group employees in Croatia and abroad are included in training activities (e-learning and presentations for managers) with the aim of raising awareness of the importance of ethical behavior in business and promoting sustainable development, commitment to responsible business and long-term economic development, with a total of 8,108 INA Group employees in Croatia who underwent ethics training and 7,236 workers who passed the annual ethics testing. INA Group workers outside the Republic of Croatia are also involved in training activities (e-learning and presentations for managers) with the aim of raising awareness of the importance of ethical behavior in business and promoting sustainable development, commitment to responsible business and long-term economic development, with a total of 1,085 INA Group workers outside of the Republic of Croatia who underwent ethics training and 1,068 workers who passed the annual ethics testing.

5.7.2. Compliance

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

In 2022, 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, in 2022, no non-compliance reports regarding unfair marketing communication, violation of user’s privacy and losses of client data were submitted against INA Group companies. In total, in 2022, 52 misdemeanor cases were initiated against INA Group companies (12 against INA, d.d., 22 against HOLDINA, 17 against ENERGOPETROL and 1 against INA Slovenija).

Since INA Group operations are closely connected to dealing with hazardous materials and processes, special care is dedicated to regular monitoring of legal compliance with the regulations from the areas of healthy and safe work, fire protection, process safety, chemical management, and environmental protection.

There was no evidence of any legal violations in those areas during 2022. Two misdemeanor orders from 2019 and 2020 are in the court proceedings, one of which ended with a verdict, so the total fine in the amount of HRK 5 thousand was paid in 2022 for a misdemeanor from 2019.

In 2022. there was a total of 14 recorded environmental grievances; three on Exploration and Production locations, eight in Rijeka Refinery and three in Sisak Refinery. 11 were resolved immediately (79%), and the remaining grievances are in the process of solving.

5.7.3. Customers and suppliers

Customers represent one of INA Group's core values, which is why INA Group continuously and systematically builds and improves the partnership with customers by placing customer satisfaction in its focus. Commitment to the quality development and customer focus creates added value, which strengthens business cooperation and contributes to the recognition of INA Group in the market.

To collect valuable information related to the further improvement of business, products, and services, INA Group periodically conducts customer satisfaction surveys. The last survey was conducted in 2021 and targeted companies which purchase petroleum products (motor fuels / fuel oil extra light / fuel oil / bitumen / liquefied petroleum gas / aviation fuel / lubricants) or use cards to purchase fuel at service stations on the domestic market.

Return rate
19 %

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

quite/ exceptionally satisfied customers
88 %

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

80 %
customers consider INA quite/significantly better than competition

96 %
of customers consider INA as a company that delivers product as agreed

93 %
of customers evaluate INA as a trustworthy company

92 %
evaluate INA as a company that is easy to work with

90 %
of customers consider that they are valued

DERIVATIVES

86%
quite/exceptionally satisfied customers

80%
customers who assessed cooperation with INA as quite/significantly better than the competition

Strengths

- sales representatives
- order processing
- invoicing

INA CARD

89%
quite/exceptionally satisfied customers

81%
card users who assessed cooperation with INA as quite/significantly better than the competition

Strengths

- sales representatives
- speed of issuing a card upon request
- efficiency & kindness of phone operator in customer support center

INA MAZIVA d.o.o.

94%
quite/exceptionally satisfied customers

77%
customers who assessed cooperation with INA MAZIVA d.o.o. as quite/significantly better than the competition

Strengths

- sales representatives
- regular communication about the product

Next survey is planned for 2024.

Product safety

INA Group is committed to ensure the compliance of its products, such as fuels and lubricants, with the relevant legislation on chemicals. Some petroleum products could pose potential health, safety and environmental risks. In order to limit those potential risks throughout the life cycle, INA Group products are assessed and potential hazards associated with them are published through safety data sheets (hereinafter: SDSs) and safe handling information on labels.

During 2022, INA Group has updated more than 150 SDSs for its products and thus provided the latest safety information to the product users. Therewith, INA Group ensured compliance with the most recent regulatory requirements for the SDS preparation and will continue to adhere to regulatory requirements. SDSs for INA Group products are available at the INA website and INA MAZIVA website. Poison Center notifications for INA Group mixtures hazardous for human health and posing physical hazard were updated, respectively.

The most significant investment in 2022 in INA MAZIVA d.o.o. is the launch of its own production of AdBlue, which will have numerous benefits for INA MAZIVA d.o.o. and thus make them more competitive on the market. AdBlue is a product used by EURO 5 and EURO 6 heavy duty vehicles in order to reduce emissions to the environment.

INA Group continuously follows REACH registrations of its products and updates registration dossiers if necessary. The final aim of REACH (EC/1907/2006) and CLP regulations is to reduce exposure to hazardous chemicals (products) and prevent diseases, injuries, and accidents.

Following the European Commission's Chemicals Strategy for Sustainability (hereinafter: CSS), and its actions which would result with legislation changes, particularly CLP and REACH revision in the forthcoming years, INA Group actively participated, through respectable associations, in consultations initiated by the European Commission. Revision of CLP already started with proposal for new hazard classes, which will be included into the CLP Regulation via a delegated act published by the European Commission in December 2022. INA Group continued to actively participate in positioning and advocacy towards competent Croatian authorities while cooperating with different organizations such as the Croatian Institute of Public Health, Department for Toxicology, CONCAWE/FuelsEurope and CEFIC. Therefore, INA Group is committed to implement new requirements derived from CSS and all other regulatory obligations in a timely manner.

To further raise awareness on chemicals, INA Group promotes Responsible Care® (RC®) commitment to the safe management of chemicals throughout their life cycle. In 2022, INA, d.d. continued and INA MAZIVA d.o.o. started with reporting according to the RC® indicators. Furthermore, a voluntary self-assessment of INA, d.d. and INA MAZIVA d.o.o. was conducted in the Responsible Care Self-Assessment Webtool with the purpose of identifying areas where progress and improvement are possible in the coming period. For being a new member of Responsible Care® (RC®) and for starting with related reporting for the first time in 2022, INA MAZIVA d.o.o. received a personalized poster with the Responsible Care Global Charter from the Croatian Chamber of Economy.

INA Group is open for communication with its customers and the community regarding chemicals via sds@ina.hr or reachINA@ina.hr.

Suppliers and contractors

In 2022, INA Group achieved business cooperation with a total of 4,202 suppliers, of which 3,628 are domestic, which represents 86% of the total number. With foreign suppliers, 35% of total turnover was realized, while 65% of total turnover was related to domestic suppliers.

Sustainable development is considered one of the fundamental principles of INA's business. In order to contribute to INA Group's Sustainable Development goals, Procurement has defined the key objectives and targets on sustainability and integrated it throughout the entire procurement lifecycles. The main principle of the procurement organization regarding sustainability is to strive to purchase products and services with lower environmental impact and higher positive results. The organization relies on the suppliers' expertise, experience and innovative ideas as they play an important role in sustainable procurement development.

Supplier social and environmental assessment

INA Group has an integrated system that deals with all supplier-related information, from the qualification phase to the contracting stage. This system includes automated assessment of risks associated with suppliers based on legal, ethical, financial, health and safety, as well as environmentally-related data and documentation. In 2022, an upgraded Sustainability Questionnaire has been implemented in the pre-screening process as well as the fact that the new suppliers must accept and act according to Code of Responsible Procurement, making it a part of the contractual relationship. Suppliers have to share information about sustainability development and these inputs are considered during category strategy creation and in Supplier Relationship Management. Within the framework thereof, definition of possible correction action plans or KPIs for sustainability topics is enabled.

The Sustainability Questionnaire has an in-built scoring mechanism to categorize suppliers into 3 risk levels. It is obligatory for all new suppliers to be screened using a number of environmental and social criteria. Furthermore, all new suppliers must sign and act according to the INA Group Code of Ethics as well as the Business Partner Code of Ethics.

Procurement organization has also implemented a blacklisting process that seeks to prevent INA Group companies from doing business with persons, businesses, organizations or entities who abuse the supply chain management system by committing a corrupt, fraudulent, unfair or irregular practice, or default on any contract, willfully or negligently, or the country/region where they operate became sanctioned under the developed uniform criterion and in a fair process. Blacklisting is based on the Performance Evaluation and on continuous monitoring of watchlists, such as Sanctions lists, Political Exposure lists, Police Orders and Negative news.

Procurement's Supplier Performance Evaluation process aims at measuring and analyzing the performance of suppliers throughout the contract period and provides procurement category management and supplier relationship management functions with supplier performance-related information.

Supplier engagement on climate action

One of the key objectives of INA procurement is to lower the inbound supply chain carbon emission and actively collaborate and engage supply chain actors to take climate action. For this reason, Procurement launched a pilot program in 2022 with selected strategic suppliers to review the carbon performance of the suppliers, define development plans and identify sustainability opportunities and innovation. Furthermore, Procurement professionals include climate considerations into the ongoing business interactions with suppliers to understand their climate goals and define action plans. The program will be extended and supplier-enabled innovation will receive a greater focus in 2023.

Sustainability training

In order to ensure continuous improvement and personal development on sustainability, all procurement professionals had to complete the annual Sustainability training in 2022. The training was designed for procurement professionals to understand the current legislation and standards related to Sustainability, provide employees with the competencies to embed sustainability and enhance Sustainable Procurement approaches within the existing procurement practices. In 2023, an advanced sustainable procurement course will be implemented to further support practical implementation of sustainability in the procurement organization.

Category management

Category Managers continuously monitor risks and potential opportunities associated with the suppliers in the managed categories and report it on a quarterly basis. These reports include supplier assessment and identification of risks related to the vendors in each category. Action plan and associated Supplier Relationship Management (SRM) activities are defined and followed-up in these quarterly reports. Different categories are analyzed based on the following Sustainability aspects: climate, labor and human rights, reputation, logistics, replaceability.

Category Profiling Roundtables are held quarterly for knowledge sharing purposes among the category management teams. They ensure 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.

HSE

The focus in 2022 was on the communication of hazards related to the works to be performed by the contractors, joint inspections by the contractor and the client with HSE support and opening of a training center at the Rijeka Refinery, where training for contractors will be held.

In order to better communicate the HSE requirements, forums were regularly held with key contractors (contractors who carry out medium and high-risk works).

In 2022, we continued to reward contractors who achieved the best HSE results. Company Dalmont, d.o.o. was chosen as the best contractor in 2022.

In 2022, 6,570 inspections of contractors were carried out. In 1,115 inspections non-compliances were recorded. The rules related to inadequate workplace conditions were most often violated.

Actions have been initiated for all identified non-compliances in order to resolve them as quickly and efficiently as possible. In accordance with the defined rules, for some non-compliances, penalization process was initiated.

The main emphasis in 2023 will be on the following actions: supplier selection from the HSE point of view (it depends on the risk and complexity of the works), definition of KPIs for key contractors and their monitoring, creation of general training materials for contractors, definition, and harmonization of HSE rules for Offshore, sharing good practices and feedback from contractors.

Our goal, through good communication, is to establish partnerships with the contractors who perform complex, high-risk works at our locations, in order to improve HSE performance.

5.8. Additional sustainability data

GRI content index

Statement of use	INA Group has reported in accordance with the GRI Standards for the period 1 JAN 2022 – 31 DEC 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	GRI 11: Oil and Gas Sector 2021

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
GRI 2: General Disclosures 2021						
The organization and its reporting practices						
2-1	Organizational details	**6, 8-9, 43, 52, 66, 203**				
2-2	Entities included in the organization's sustainability reporting	**177, 85 in AFS**				
2-3	Reporting period, frequency and contact point	**10**				
2-4	Restatements of information	**173**				
2-5	External assurance	**191-193**				
Activities and workers						
2-6	Activities, value chain and other business relationships	**6, 42-48, 52-56, 60-64, 67-68**				
2-7	Employees	**184, 186-187**				
2-8	Workers who are not employees	**188**	Data shown for agency workers. Data for other types of workers is not available.			
Governance						

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
2-9	Governance structure and composition	**19-36**	Composition of the highest governance body and its committees is described in the Annual report under the section 2. Corporate governance. All the most relevant information including responsibilities and tenure are presented, while additional information such as independence assessment and stakeholder representation are not explicitly included but can be reasonably assessed from the available data.			
2-10	Nomination and selection of the highest governance body	**34-36**				
2-11	Chair of the highest governance body	**35-36**				
2-12	Role of the highest governance body in overseeing the management of impacts	**73, 105**				
2-13	Delegation of responsibility for managing impacts	**73, 105**				
2-14	Role of the highest governance body in sustainability reporting	**10**				
2-15	Conflicts of interest	**153-155**	Conflict of interest handling is determined by the INA Group Code of Ethics, whose main principles are described in the section 5.7. Ethics and governance. Details of the internal processes in this regards are not publicly available, but all the relevant information on the transactions with the related parties transaction are published in line with the current regulation.			

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
2-16	Communication of critical concerns	**-**	INA Group doesn't have a consolidated approach to managing critical concerns. Grievances are managed on location-based principles (external) or through INA Group Ethics Council (internal). The related information deemed most relevant by the competent management is presented to the Management Board through quarterly reports.			
2-17	Collective knowledge of the highest governance body	**105**				
2-18	Evaluation of the performance of the highest governance body	**-**	Company performs internal evaluation of the highest governance body. The deatails of evaluation are not publicly available.			
2-19	Remuneration policies	**-**	We are not able to report this information due to confidentiality.			
2-20	Process to determine remuneration	**-**	We are not able to report this information due to confidentiality.			
2-21	Annual total compensation ratio	**-**	We are not able to report this information due to confidentiality			
Strategy, policies and practices						
2-22	Statement on sustainable development strategy	**12-13**				
2-23	Policy commitments	**153-155**				
2-24	Embedding policy commitments	**153-155**				

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
2-25	Processes to remediate negative impacts	**130-131, 150-152**	INA Group doesn't have a consolidated approach to remediate negative impacts. Examples of remediation practices can be found in chapters 5.4.2. Spills into the environment, and 5.6. Communities			
2-26	Mechanisms for seeking advice and raising concerns	**153-155**				
2-27	Compliance with laws and regulations	**156-157**	Any legal non-compliance is considered to be significant.			
2-28	Membership associations	**173-174**				
Stakeholder engagement						
2-29	Approach to stakeholder engagement	**15-16, 103-105, 107-114, 140-142, 144-152, 156-157**				
2-30	Collective bargaining agreements	**140-141, 185**				
GRI 3: Material Topics 2021						
3-1	Process to determine material topics	**10, 14-16**				
3-2	List of material topics	**14-16**				
3-3	Management of material topics	**14-16, 73-74, 112-113, 125-127**				
GRI 201 Economic Performance 2016						

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
201-1	Direct economic value generated and distributed	**75-86**				11.14.2 11.21.2
201-2	Financial implications and other risks and opportunities due to climate change	**73-74, 119-121**				11.2.2
201-4	Financial assistance received from government	-	INA does not receive financial assistance from the government.			11.21.3
GRI 202 Market presence 2016						
202-2	Proportion of senior management hired from the local community	**186**		**6**		11.11.2 11.14.3
GRI 203 Indirect economic impacts 2016						
203-1	Infrastructure investments and services supported	**11, 55, 61-63, 73-74, 78**				11.14.4
GRI 204 Procurement Practices 2016						
204-1	Proportion of spending on local suppliers	**160**				11.14.6
GRI 205 Anti-corruption 2016						
205-2	Communication and training about anti-corruption policies and procedures	**153-156**				11.20.3
205-3	Confirmed incidents of corruption and actions taken	**155**				11.20.4
GRI 206: Anti-competitive behavior 2016						
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	**153-155**	In 2022, there were no confirmed legal actions for anti-competitive behavior, anti-trust, and monopoly practices in INA Group.			11.19.2
GRI 207 Tax 2019						

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
207-1	Approach to tax	**175-176**				11.21.4
207-2	Tax governance, control, and risk management	**175-176**				11.21.5
207-3	Stakeholder engagement and management of concerns related to tax	**175-176**				11.21.6
207-4	Country-by-country reporting	**175-176**				11.21.7
GRI 302: Energy 2016						
302-1	Energy consumption within the organization	**123-124, 179**		**7, 8**	**Yes**	11.1.2
302-3	Energy intensity	**179**		**8**		11.1.4
302-4	Reduction of energy consumption	**123**		**8, 9**		
GRI 303: Water and effluents 2018						
303-1	Interactions with water as a shared resource	**137-138**		**7, 8**		11.6.2
303-2	Management of water discharge-related impacts	**137-138**				11.6.3
303-3	Water withdrawal	**137-138, 179**			**Yes**	11.6.4
303-4	Water discharge	**137-138, 179**				11.6.5
GRI 305: Emissions 2016						
305-1	Direct (Scope 1) GHG emissions	**125-126, 179**		**7,8**	**Yes**	11.1.5
305-2	Energy indirect (Scope 2) GHG emissions	**126, 179**		**7,8**	**Yes**	11.1.6

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
305-3	Other indirect (Scope 3) GHG emissions	**126, 179**				11.1.7
305-4	GHG emissions intensity	**179**		**8**		11.1.8
305-5	Reduction of GHG emissions	**119-120, 125-126**				11.2.3
305-6	Emissions of ozone depleting substances (ODS)	**-**	Not applicable to INA Group. Ozone depleting substances are neither used nor produced by INA Group. As a result thereof, INA Group neither monitors nor reports on this indicator.			
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	**136-137, 179**		**7**		11.3.2
GRI 306 Waste 2020						
306-1	Waste generation and significant waste-related impacts	**132-136**				11.5.2
306-2	Management of significant waste-related impacts	**132-136**		**8**		11.5.3
306-3	Waste generated	**134-136, 179-180**			**Yes**	11.5.4
306-4	Waste diverted from disposal	**134-136, 179-180**			**Yes**	11.5.5
306-5	Waste directed to disposal	**134-136, 179-180**			**Yes**	11.5.6
GRI 306 Effluents and Waste 2016						

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
306-3	Significant spills*	**130-132, 180**	*The effluent-related content of the GRI Standard GRI 306: Effluents and Waste 2016 has been superseded by GRI Standard GRI 303: Water and Effluents 2018, and the waste-related content has been superseded by GRI 306: Waste 2020. The spill-related content in GRI 306: Effluents and Waste 2016 remains in effect.		**Yes**	11.8.2
GRI 401: Employment 2016						
401-1	New employee hires and employee turnover	**147-148, 183-184**		**6**		11.10.2
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	**140-142**				11.10.3
401-3	Parental leave	**185**		**6**		11.10.4 11.11.3
GRI 403: Occupational health and safety 2018						
403-1	Occupational health and safety management system	**107**				11.9.2
403-2	Hazard identification, risk assessment, and incident investigation	**107-108**		**1**		11.9.3
403-3	Occupational health services	**109-110**				11.9.4
403-4	Worker participation, consultation, and communication on occupational health and safety	**106-107, 113-114**				11.9.5
403-5	Worker training on occupational health and safety	**113-115**				11.9.6
403-6	Promotion of worker health	**109-110**				11.9.7

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	**106-107**				11.9.8
403-8	Workers covered by an occupational health and safety management system	**106-107**				11.9.9
403-9	Work-related injuries	**110-112**			**Yes**	11.9.10
403-10	Work-related ill health	**110**	During 2022, there were no work-related cases of ill health.		**Yes**	11.9.11
GRI 404: Training and Education 2016						
404-1	Average hours of training per year per employee	**146-147, 184-185**		**6**	**Yes**	11.10.6 11.11.4
404-2	Programs for upgrading employee skills and transition assistance programs	**144-146**				11.7.3 11.10.7
404-3	Percentage of employees receiving regular performance and career development reviews	**147**		**6**	**Yes**	
GRI 405: Diversity and Equal Opportunity 2016						
405-1	Diversity of governance bodies and employees	**37-38, 184-185**				11.11.5
GRI 406 Non-discrimination						
406-1	Incidents of discrimination and corrective actions taken	**-**				11.11.7
GRI 407: Freedom of association and collective bargaining 2016						

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	INA Group exposure to the right to freedom of association and collective bargaining being at risk is relatively minor given that most of the Group's activities are performed in European countries. Nevertheless, INA Group recognizes and upholds the freedom of association, the right to form and join a union and the right to collective bargaining. This is included in the Code of Ethics and the Business Partner Code of Ethics.			11.13.1
GRI 413: Local Communities 2016						
413-1	Operations with local community engagement, impact assessments, and development programs	**150-152, 157-158**		**1**		11.15.2
GRI 416: Customer Health and Safety 2016						
416-1	Assessment of the health and safety impacts of product and service categories	**159**				11.3.3
GRI 417: Marketing and labeling 2016						
417-1	Requirements for product and service information and labeling	**159**				
Additional Sector Disclosures						
		115-116				11.8.3
		157	Additional data on grievances is not available.			11.15.4
		8-9				11.20.6

Restatements of information

During the revision of 2021 data, an error was noticed in the amount of products sold, which affected the total Scope 3 emissions.

Data modified	2021	2021- restated
Total Indirect GHG (Scope 3) (million tons CO_2 eq)	**11.89**	**11.78**

Memberships, external initiatives and public policies

ASSOCIATION	PARTICIPATION STATUS
CONCAWE - European Petroleum Refiners Association (joint INA-MOL membership)	Member of the Scientific Council
Croatian Chamber of Economy	Member of the Assembly, member of the Energy Council
Croatian Employers' Association	Member of the Assembly and the Council of Members, the representative of INA is the President of the HUP Energy Association
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, member of the MB (Vice-President), member of the Presidency
Croatian National Committee of World Petroleum Council	Member of the Presidency
Croatian Energy Association	Member of the Managing Board
Croatian Geological Association	INA’s representative is the Vice President of the MB, member of the SB

ORGANIZATION MEMBERSHIP	INDIVIDUAL MEMBERSHIP
UN Global Compact	European Association of Communication Directors
International Organization for Industrial Hazard Management (JOIFF)	The London Mediterranean, Middle East and Africa Scout Group
IOGP - International Association of Oil & Gas Producers	Business Continuity Institute
Society of Petroleum Engineers (Croatian Branch)	(ISC)2 (International Information System Security Certification Consortium, Inc.)
Lower Olefins and Aromatics Consortium (LOA)	ISACA
CEEC - Central Eastern European and Caspian Scout Group	Association of Certified Fraud Examiners
IPLOCA - International Pipe Line & Offshore Contractors Association	Croatian Association of Corporate Treasurers
IATA - International Air Transport Association	Croatian Public Relations Association
Croatian Business Council for Sustainable Development	Croatian Society for a Healthy Workplace
Croatian Standards Institute	Croatian Institute of Internal Auditors
Croatian Exporters	
Academy of Technical Sciences	
Croatian Society for Quality	
Croatian Metrology Society	
Croatia Green Building Council	
Laboratoria Croatica	
Croatian Asphalt Association	
International Chamber of Commerce (ICC)	
Croatian Information Technology Society - Society of SAP users	
Croatian Transport Law Association	
Croatian Water Pollution Control Society	
Croatian Hydrogen Association	
Croatian Institute for Health Protection & Safety at Work	
Association for the Advancement of Human Safety	
Croatian Association for Professional Fire-fighters	
Croatian Academy of Sciences and Arts	
Croatian Fire-fighting Association	
Responsible Care Group	

Economic sustainability data

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (HRK MLN)	2020	2021	2022
Realized revenues	14,788	20,400	35,114
Financial assistance received from government	23	-	-
Operating costs	16,267	21,250	32,249
Cash added value (company cash)	399	1,352	1,707
Employee wages and benefits	1,628	1,765	1,803
Capital investors	1,282	1,598	2,728
Payments to governments	298	429	817

INA GROUP REALIZED REVENUE BY REGION (HRK MLN)	2020	2021	2022
Croatia	8,819	13,250	23,572
Bosnia and Herzegovina	1,834	2,706	4,590
Other countries	4,135	6,444	6,952
TOTAL	**14,788**	**22,400**	**35,114**

COSTS OF PURCHASED MATERIALS, GOODS AND SERVICES IN INA GROUP, EBIT, ROA	2020	2021	2022
Costs of purchased materials, goods and services (HRK mln)	3,699	6,644	13,181
INA Group profit earned - EBIT (HRK mln)	(1,298)	1,469	3,230
INA Group Return on Assets Profitability indicator (%)	(5.99)	5.82	7.97

*ROA (%) = $\frac{\text{Profit}}{\text{Total Assets}} * 100$

TAX governance, control and risk management in INA Group

The Head of Tax regulates the INA Group approach to tax governance. This is governed by internal regulations, which are reviewed on a regular basis. The Group Tax department together with local finance staff in the countries in which INA Group operates ensure effective internal oversight of the tax process of INA Group.

INA Group is committed to a transparent, constructive and trustful relationship with the tax authorities and other stakeholders in the jurisdictions in which it operates. INA Group acknowledges that non-compliance with tax laws could expose INA Group to fines, penalties, reputational damage, damage to relationships with a broad spectrum of key stakeholders and restriction of customs and excise privileges. Tax risk is ideally managed by the prevention of unnecessary disputes with the tax authority. Tax risks in INA Group are identified, assessed, managed and monitored via an internal tax risk management process. This process provides an appropriate framework to manage the compliance and transactional tax risks to which INA Group may be exposed. There is no defined level of tax risk that INA Group is prepared to accept. Professional judgement and expertise will be employed in order to determine how any identified risk should be managed. In the event of uncertainty:

- Written advice may be obtained from external tax advisers to support the internal decision-making process and/or;

- INA Group is willing to communicate directly with the appropriate tax authority and/or governmental representatives to obtain appropriate ruling(s).

INA Group applies the arm's length transfer pricing principle to all intra-group transactions.

INA Group monitors and reviews its operations to adjust its tax procedures when necessary to be compliant with any changes to the applicable tax rules and regulations, including transfer pricing guidelines.

INA Group Compliance Ethics department operates a corporate grievance mechanism under the coordination of the Group Ethics Officer and according to the Ethics Council Rules of Procedure. When complaints are handled, they are investigated, and the Ethics Council assesses the raised issues. Reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to tax can also be reported. INA Group does not disclose GRI 207-2-c, as assurance process for disclosures on tax is a part of the general assurance process.

INA Group disclosed the CBC report to the MOL Group, which disclosed it to the Hungarian Tax Authority which provides the concerned states with the report in the framework of automatic exchange of information.

INA GROUP PAYROLL COSTS (HRK MLN)	2020	2021	2022
Net	950	945	998
Taxes and contributions	557	539	568
Other salary expenses	121	281	237
TOTAL	1,628	1,765	1,803

INA, d.d. TOTAL TAXES PAID (HRK MLN)	2020	2021	2022
Croatia*	7,836	9,363	10,976
Angola	7	9	10
Bosnia and Herzegovina	1	1	1
Montenegro	-	-	1
TOTAL	7,844	9,373	10,988

PAID VAT, EXCISE DUTIES, BIOFUELS FEE, PROFIT TAX, INCOME TAX AND SURTAX AND CROATIAN COMPULSORY OIL STOCKS AGENCY (HANDA) (HRK MLN)	2020	2021	2022
Value added tax	2,109	3,612	5,440
Value added tax (Import)	371	-	14
Corporate income tax (Profit tax)	-	-	-
Withholding tax	2	1	2
Excise duties	5,356	5,750	5,522
Biofuels fee*	12	14	26
TOTAL	7,850	9,377	11,004

*Special environmental charge for not placing biofuels on the market

Consolidation approach to sustainability data

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 290) 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%
INA Crna Gora	100%

List of legal SD&HSE documents and best practices in INA Group

LEGAL REQUIREMENT MANAGEMENT DOCUMENTS	SD&HSE BEST OIL AND GAS PRACTICES
Sustainable Development & Health, Safety and Environment Area Book	HSE Planning, Target Setting & Reporting at INA Group Companies
HSE Management in INA Group Companies	Incident Reporting and Investigation System in INA Group Companies
Occupational Health and Safety System at INA Group Companies	Procedure for Implementing Health, Safety and Environment Audits and Supervisions in INA Group Companies
Health Protection and Promotion in INA Group Companies	Risk and Change Management in Health, Safety and Environment Protection in INA Group Companies
Personal Protective Equipment at INA Group Companies	Safe operation and work practice in INA Group Companies
Implementation of REACH Regulation at INA Group Companies	Issuing Permits to Work in INA Group Companies
Safety data sheet at INA Group Companies	Life Saving Rules at INA Group Companies
Operational Risk Management in INA, d.d.	Safe Driving Standard at INA Group Companies
Management of Provision Based Environmental Liabilities at INA Group Companies	Managing the Requirements of Sustainable Development, Health, Safety and Environment in Service Contracting and Procurement Processes at INA Group Companies
Waste Management at INA Group Companies	Process Safety Management at INA Group Companies
Management of Greenhouse Gas Emissions and Emission Allowances at INA, d.d.	SD&HSE Aspects of Design, Construction, Commissioning and Decommissioning of Plants/Facilities in INA Group Companies
Rules of procedures, conditions and methods of obtaining safety at work in INA, d.d.	Methodology for Selecting Equipment Critical to Process Safety in INA Group Companies
Training program for work in safe manner in INA, d.d.	Testing and Inspection of Bunds in INA Group Companies
OHS training program for employer and employer authorized person in INA, d.d.	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. Preparedness Operational Plan in the Event of a Pandemic	Instruction on Actions and Implementation of Safety and Health Protection Measures in Circumstances of Exposure to COVID-19 Pandemic in INA Group Companies
Sustainable Development in INA Group	Procedure in Case of COVID-19 Coronavirus Infection Suspected in INA Group Companies' own Worker, Contractor and Service Provider
Fire Prevention, Protection and Fire Brigade Management in INA Group Companies	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

LEGAL REQUIREMENT MANAGEMENT DOCUMENTS	SD&HSE BEST OIL AND GAS PRACTICES
Preparedness and Emergency Response at INA Group Companies	Instruction on the Use of Personal Protective Equipment and Medical Equipment in the Case of COVID-19 Pandemic

Environmental data

KEY ENVIRONMENTAL DATA INA GROUP	2020	2021	2022
Total Direct GHG emissions (Scope 1) (million tons CO_2 eq) (1)	1.31	1.22	1.27
Total Indirect GHG emissions (Scope 2) - Location based (million tons CO_2 eq) (2)	0.06	0.11	0.08
Total Indirect GHG (Scope 2) - Market based (million tons CO_2 eq) (3)	0.14	0.13	0.12
Total Indirect GHG (Scope 3) (million tons CO_2 eq)	11.60	11.89	12.01
Flaring emissions (thousand tons CO_2 equivalent) INA Group	56.29	46.08	48.5
Total fuel consumption (4) (million GJ) INA Group – from non-renewable sources	15.27	14.12	12.93
Total direct energy consumption (5) (million GJ) INA Group	15.27	14.12	12.92
Total indirect energy consumption (6) (million GJ) INA Group	1.13	1.22	1.11
Total energy consumption (7) (million GJ) INA Group	16.40	15.34	14.04
Total electricity sold (million GJ) INA Group)	0	0	0.01
Energy intensity (total energy consumption (GJ) / production (t)) Rijeka Refinery	4.25	4.07	4.00
Energy intensity (total energy consumption (GJ) / production (t)) Sisak Refinery	9.48	10.16	N/A*
Energy intensity (total energy consumption (GJ) / production (tOE)) Exploration and Production	2.83	2.91	2.93
Emission intensity Rijeka Refinery (t CO_2 / kt CWT) (8)	39.20	38.24	40.6
Emission intensity Sisak Refinery (t CO_2 / kt CWT)	N/A	N/A*	N/A*
Sulphur oxides (SOx) (thousand tons) INA Group	0.66	0.49	0.85
Nitrogen oxides (NOx) (thousand tons) INA Group	1.90	1.48	1.39
Total water withdrawal (million m^3) INA Group	30.86	27.45	27.54
Total water discharge (million m^3) INA Group	25.53	22.36	22.49
Chemical oxygen consumption (COD) (tons) INA Group	233.83	359.83	212.11
Biological oxygen consumption (BOD_5) (tons) INA Group	51.58	91.76	68.50
Total suspended solids (tons) INA Group	95.75	62.39	65.12
Total petroleum hydrocarbons (tons) INA Group	6.12	5.26	4.50
Total waste generated (thousand tons) INA Group	23.38	22.91	15.06

KEY ENVIRONMENTAL DATA INA GROUP	2020	2021	2022
Waste diverted from disposal = waste prevented (hazardous and non-hazardous) (thousand tons) INA Group	9.45	9.50	7.28
Waste directed to disposal operation (hazardous and non-hazardous) (thousand tons) INA Group	13.94	13.42	7.79
Waste exported (thousand tons) INA Group	0.112	0.566	1.46
Spills > $1m^3$ INA Group	10	4	3

(1) Calculation based on CO_2 and CH4 leakages from sources discovered (i.e.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 is 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" 2020 data and Defra Decc Conversion factors, Annex 3 Electricity, Heat, Steam for steam and heat. For 2021 and 2022 data IEA 2011 and AIB 2020 factors combined for electricity source 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 EU operations) - Market based emission factors and Defra Dec Conversion factors, Annex 3 Electricity, Heat, Steam for steam and heat.
(4) Includes natural gas, refinery gas, fuel oil, LPG, gasoline and diesel.
(5) 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. Data for 2022 calculated with formula: Total direct energy consumption = Total natural gas consumption (as energy source) + Total consumption of other HC energy sources + Total fuel used for corporate cars.
(6) Total indirect energy consumption = Total electricity consumption + Total consumption of other indirect sources (steam, heat, etc.)
(7) Total energy consumption = Total direct energy consumption + Total indirect energy consumption
(8) CWT - Complexity Weighted Tone, a benchmark for oil refineries under EU ETS, defining the basis on which free allowances are allocated to refineries between 2021 and 2030 (fourth trading period).
*Not applicable due to cessation of primary and secondary processing.

Waste composition by waste category

Waste composition by category	Waste generated(t)	Waste diverted from disposal (t)l	Waste directed to disposal(t)
01 Wastes resulting from exploration, mining, quarrying, and physical and chemical treatment of minerals	1,014.28	0	1,014.28
02 Wastes from agriculture, horticulture, aquaculture, forestry, hunting and fishing, food preparation and processing	0	0	0
05 Wastes from petroleum refining, natural gas purification and pyrolytic treatment of coal	4,358.62	45.78	4,312.84
06 Wastes from inorganic chemical processes	3.36	0.01	3.35
07 Wastes from organic chemical processes	0	0	0
08 Wastes from the manufacture, formulation, supply and use (MFSU) of coatings (paints, varnishes and vitreous enamels), adhesives, sealants and printing inks	0.53	0.22	0.31
09 Wastes from the photographic industry	0	0	0
10 Wastes from thermal processes	17.34	0	17.34
11 Wastes from chemical surface treatment and coating of metals and other materials; non-ferrous hydrometallurgy	32.46	0	32.46
12 Wastes from shaping and physical and mechanical surface treatment of metals and plastics	63.9	27.1	36.8
13 Oil wastes and wastes of liquid fuels (except edible oils, and those in chapters 05, 12 and 19)	900.02	68.15	846.7
14 Waste organic solvents, refrigerants and propellants (except 07 and 08)	167.64	0	167.64
15 Waste packaging, absorbents, wiping cloths, filter materials and protective clothing not otherwise specified	983.46	554.36	434.17
16 Wastes not otherwise specified in the list	1,217.54	991.22	224.51
17 Construction and demolition wastes (including excavated soil from contaminated sites)	5,028.98	4,972.37	54.47
19 Wastes from waste management facilities, off-site wastewater treatment plants and the preparation of water intended for human consumption and water for industrial use	277.23	58.4	218.83
20 Municipal wastes (household waste and similar commercial, industrial and institutional wastes) including separately collected fractions	993.74	565.55	428.47
Total waste	**15,059.08**	**7,283.16**	**7,792.17**

HSE costs and investments

The total amount of INA Group HSE costs in 2022 is higher than in the previous year, which is mainly driven by performed activities on cleaning of rehabilitation mud pit Žutica, which affected soil and groundwater protection costs increase compared to 2021, and by personal protective clothes cost increase, which affected the occupational health and safety costs increase.

HSE COST CATEGORIES (HRK MLN)	2020	2021	2022
Health protection	5.9	5.1	4.3
Occupational safety, REACH and product safety	19.1	21.6	25.4
Fire protection	95.7	90.7	89.0
Surface waters protection	7.7	11.5	11.9
Hazardous waste treatment	6.2	9.9	10.6
Non-hazardous waste treatment	3.0	2.8	3.7
Soil and groundwater protection	12.6	8.8	15.4
Air protection	3.7	2.2	2.4
Climate change	0.1	0.2	0.1
Non-material HSE services	3.2	2.3	3.1
Fees and charges	24.2	23.6	24.2
TOTAL	**181.3**	**178.5**	**190.1**

INA Group HSE project investments in 2022 were realized in the amount of HRK 57 million. The majority of investments were related to fire prevention type of projects (HRK 33 million, or 58%) and environmental protection type of projects (HRK 23 million, or 40%).

Out of the total project portfolio, the most intensive 2022 HSE investments per individual project were in the multi-year project for revitalization of the hydrant network in Rijeka Refinery (HRK 18 million) and project for HSE compliance-related works at various Retail service stations regarding fuel tank double wall installations, sewage system reconstructions, sewage bio purifier equipment replacement, fuel tank replacement, plasticizing and other related works (HRK 10 million).

Human resources data

INA GROUP HUMAN RESOURCES DATA	2019	2020	2021	2022
No. of workers*	10,575	9,829	9,655	9,472
No. of workers with shortened working hours	98	94	100	88
No. of newly employed employees	957	538	964	1,151
No. of departed employees	1,246	1,192	1,109	1,274
No. of employees working abroad	201	40	12	15
% of women in total workforce	25	25.5	26.5	28
% of disabled people in total work force	2.5	2.5	2.3	2.2

*Number of 9,472 employees includes employees in smaller companies with 1-2 employees and branch offices (like INA Kosovo, Adriagas, INA Beograd, etc.) which were not included in detailed analytics table HUMAN RESOURCES DATA, INA GROUP COMPANIES IN 2022 (total number of employees (9,468).

HUMAN RESOURCES DATA, INA GROUP COMPANIES IN 2022	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	**2,976**	**617**	**232**	**907**	**133**	**4**	**2,767**	**188**	**221**	**39**	**521**	**135**	**453**	**291**
No. of workers with shortened working hours	18	2	13	2	3	0	10	0	5	2	16	0	16	1
No. of newly employed employees	145	24	31	119	4	1	616	15	21	10	59	16	61	29
No. of departed employees	396	34	0	68	4	3	547	18	19	13	67	4	75	26
No. of employees working abroad	15	0	0	0	0	0	0	0	0	0	0	0	0	0
No. of women in total workforce	808	20	21	54	42	2	1,128	64	193	16	179	54	81	8
% of women in managerial positions	37	8	0	36	25	100	0	50	89	5	40	0	67	0
% of disabled persons in total work force	1.9	1.1	0.02	2	6	0	1.4	1.6	2.3	7.7	6	0	8	1
No. of unskilled employees	7	5	0	21	5	0	18	0	0	0	0	0	3	0
No. of semi-skilled employees	3	1	19	11	0	0	2	0	0	0	1	0	0	0
No. of primary school degree employees	0	0	2	0	0	0	0	0	0	0	0	1	0	0
No. of skilled employees	63	59	93	54	3	0	59	0	1	12	155	0	183	3
No. of high school degree employees	1,513	436	2	527	65	1	2,503	71	105	16	270	108	233	256
No. of highly skilled employees	92	6	56	80	1	0	12	1	0	3	3	0	2	0
No. of assoc.degr./bacc. employees	124	16	39	51	8	2	68	5	14	5	27	17	14	9
No. of univ. degr. / mag. employees	425	8	16	73	20	0	71	44	47	3	65	5	18	15
No. of MA / univ. spec. employees	650	86	3	85	28	1	33	56	49	0	0	4	0	6
No. of PhD employees	99	0	2	5	3	0	1	11	5	0	0	0	0	2
Under the age of 30	229	29	13	112	7	0	685	15	11	4	116	29	90	60
31-40 years	677	170	56	228	14	0	719	40	49	10	120	49	96	94
41-50 years	869	205	70	255	38	2	835	47	60	13	152	41	121	65
51-60 years	1,094	197	73	264	61	2	472	72	96	12	113	16	121	72
Over 61 years	107	16	20	48	13	0	56	14	5	0	20	0	25	0

HUMAN RESOURCES DATA, INA GROUP COMPANIES IN 2022	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.
**Average training time per employee (hours)	19,90	18,69	41	19,00	15,56	6,25	5,76	19,40	36,98	4,85	16,84	11	13,74	11,07
**Average cost of training per employee (HRK)	2,087	869	3,744	1,233	1,505	0	227	1,956	2,627	658	170	661	49	1,566
% of employees in trade unions	49	59	27	53	65	25	66	41	47	0	54	61	58	60
***% of employees covered by the Collective Agreement	100	100	99	100	100	100	100	100	100	100	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	23/54	0/29	1/0	2/15	1/1	0/0	37/51	3/5	1/0	0/0	6/0	1/4	7/1	0/18
Number of employees by gender that took parental leave	53/17	0/7	1/0	3/7	1/0	0/0	91/70	6/0	9/1	1/0	4/0	1/0	6/1	1/1
Number of employees who returned to work after their parental leave ended	21/11	0/6	0/0	0/6	0/0	0/0	34/50	2/0	5/0	1/0	2/0	1/0	1/1	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	39/8	1/3	0/0	1/5	2/0	0/0	56/33	3/0	8/0	0/0	0/0	1/0	0/0	0/1
The return to work and retention rates of employees who returned to work after the leave ended (%)	N/A	N/A	0/0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100	N/A	N/A

*Holdina d.o.o. and Energopetrol d.d. employees work half time for one company and other half time for the other

** Data on the average number of hours of education for INA Group in the Republic of Croatia contain a 15% increase compared to the data recorded in January in the SAP system in which we record all conducted educations. The assessment refers to educations that were conducted in 2022, but for which records were not submitted during January, but later during Q1 2023.

***For employees not covered by collective bargaining agreements, the organization determines their working conditions and terms of employment based on the Labour Law and the other regulations prescribed by the applicable law (such as General CA and Energy Sector CA).

Proportion of senior management hired from the local community at significant locations of operation in 2022

COMPANY	LOCAL/EXTERNAL
CROSCO d.o.o.	0/1
Holdina d.o.o.	0/1
Energopetrol d.d.	0/1
HOSTIN, d.o.o.	1/0
INA Crna Gora d.o.o.	0/1
INA Kosovo d.o.o.	0/1
INA MAZIVA d.o.o.	1/0
INA, d.d.	7/2
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

Information on permanent employees by gender and region (country) in 2022

Methodology used to compile the data: numbers are reported in head count at the end of the reporting period

CROATIA	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of employees	2,319	5,785			8,104
Number of permanent employees	1,979	5,502			7,481
Number of temporary employees	340	283	-	-	623
Number of non-guaranteed hours employees					
Number of full-time employees	2,281	5,775			8,056
Number of part-time employees	38	10			48

BOSNIA AND HERZEGOVINA	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of employees	260	714			974
Number of permanent employees	186	613			799
Number of temporary employees	74	101	-	-	175
Number of non-guaranteed hours employees					
Number of full-time employees	244	698			942
Number of part-time employees	16	16			32

MONTENEGRO	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of employees	54	81			135
Number of permanent employees	54	81			135
Number of temporary employees	-	-	-	-	-
Number of non-guaranteed hours employees					
Number of full-time employees	54	81			135
Number of part-time employees					

SLOVENIA	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of employees	16	23			39
Number of permanent employees	15	23			38
Number of temporary employees	1	-	-	-	1
Number of non-guaranteed hours employees					
Number of full-time employees	14	23			37
Number of part-time employees	2				2

HUNGARY	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of employees	21	211			232
Number of permanent employees	21	211			232
Number of temporary employees	-	-	-	-	-
Number of non-guaranteed hours employees					
Number of full-time employees	17	202			219
Number of part-time employees	4	9			13

Information on workers who are not employees (agency workers) by gender and region (country) in 2022

Methodology used to compile the data: numbers are reported in head count at the end of the reporting period. Data refers to workers assigned by the Agency to the company to perform temporary work based on the contract on assignment of employees. The type of work agency workers perform refers to, in most cases, entry positions of lower complexity in accordance with the job catalogue.

CROATIA	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of agency employees	18	167			185
Number of non-guaranteed hours employees	0	0			0
Number of full-time agency employees	18	168			183
Number of part-time agency employees	0	2			2

MONTENEGRO	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of agency employees	12	11			23
Number of non-guaranteed hours employees	0	0			0
Number of full-time agency employees	12	11			23
Number of part-time agency employees	0	0			0

HUNGARY	FEMALE	MALE	OTHER	NON DISCLOSED	TOTAL
Number of agency employees	1	92			93
Number of non-guaranteed hours employees	0	0			0
Number of full-time agency employees	1	91			92
Number of part-time agency employees	0	1			1

5.9. Independent reviews

Opinion of the Commission of the Administrative Council of the Croatian Business Council for Sustainable Development on the INA Group Sustainability part of the Annual Report 2022.

This year's INA Group report is the eighth integrated report that presents a comprehensive overview of the company's financial and material sustainability topics. INA Group Sustainable Development Report for 2022, as part of the integrated report, meets the legal regulations of the Republic of Croatia that set out the scope, content, and deadlines of the annual report, and is based on the requirements of the Global Reporting Initiative Standards (GRI).

The INA Group report is an exceptionally extensive and comprehensive document that provides a large amount of information. It is well structured in such a way that after the introductory part that provides information on management, it is followed by the financial and then the sustainability report. This approach allows the reader to choose the area of his interest and to concentrate on parts of the report in accordance with the topics he wants to be informed about.

INA is a company with the majority of its portfolio belonging to the oil industry, which means that, given the circumstances of the transition to a climate-neutral economy in the European Union by 2050, it must make efforts in serious business transformation towards alternative activities, energy production from renewable sources or similar. Unlike reports in previous years, we are pleased to note that INA has taken this challenge seriously, and we have noted a large number of projects and initiatives that are being prepared or are already happening, which indicate the beginning of the transformation towards a more carbon neutral business.

We believe that the representation of activities related to climate neutrality in the letter of the President of the Management Board is also progress and an indication that INA is starting to deal with these topics at a strategic level. Thus, the President of the Management Board points out the construction of solar power plants at the locations of Virje and Sisak and talks about wind potential measurements on existing platforms in the Adriatic, in order to repurpose the existing gas platforms infrastructure into wind power plants. The production of hydrogen and the use of geothermal sources are also considered.

The Commission determined that the report contains most of the elements required by the General and Sector Standards of the GRI, but there is room for improvement. Namely, as the new GRI reporting framework came into force this year, which consists of three new framework standards, there are certain changes in the concept of report content compared to previous years. The Commission recognized the most room for improvement in the framework of General Disclosures. Compared to the previous GRI General Disclosure Standard 102, reporting organizations cannot choose a core reporting option but are required to disclose according to all disclosures and requirements, which opens a new area of governance disclosures. It includes detailed information on the method of selection, functioning of the Board and its role in managing the sustainability strategy, as well as its role in the process of creating a sustainability report. Here, although we find a large amount of new information, there is room for improvement in the reports for the coming years. We especially recognize the need to present the content of the Sustainable Development Strategy more clearly, which should be the basis of the transformation towards carbon neutrality and sustainability, and its content is not presented clearly enough.

The taxonomy report is extremely detailed and comprehensive, and very transparently shows the attitude of INA towards taxonomically acceptable and sustainable activities.

In environmental areas data is also very comprehensive and transparent. Thus, the negative impact resulting from hydrocarbon spills as a result of exploitation and processing is shown in detail, and it is commendable that the company managed to recover 72% of hydrocarbons through remediation, while the remaining part was remediated.

We would also highlight the way in which INA describes projects and strategic development in the field of sustainability projects, primarily the development of CCS and CCUS projects that they develop in cooperation with business partners. We also emphasize the transparent way in which the measurement of GHG emissions and their increase compared to the previous period are presented.

Special attention is paid to health and safety as an area of materiality in which INA really invests a lot of attention and energy. The processes that are described are presented in great detail and indicate carefully crafted employee care procedures, measures to reduce potential accidents, and other activities that indicate that nothing is left to chance. The number of injuries at work is carefully recorded and clearly shown in the report. Other data related to employees are also detailed and exhaustive, and for the next reporting period we suggest that data on workers who are not employees be presented more carefully, since only basic information is present, although the Standards require a thorough review.

The code of ethics is described in detail and the prescribed procedures of the governing bodies based on it are transparently described. The unfortunate event that happened at INA last year is described, which is commendable, and the procedures that INA took to prevent similar events, hopefully successfully, in the future are also described. However, the Commission expressed an objection to the lack of transparency in view of the large number of announcements in which the company referred to trade secrets, even though it is about data that is imposed as an obligation by the European Reporting Standards, and their publication will be binding in the coming period.

Since INA is obliged to use the GRI 11 Sector Standard, it is obliged to publish according to all the disclosures contained in the said Standard, and it must also declare those disclosures it does not consider material, with an explanation as to why the publication is not material. INA did not consistently follow this obligation, and some disclosures were omitted without explanation, for example the disclosure GRI 304. On the other hand, some obligations were accepted very consistently, and, for example, INA included a "Statement on Use" in the report, and in accordance with GRI 2.4 published the wrongly stated information from the previous report and its impact.

To conclude, we have before us a very comprehensive, although at times difficult to read sustainability report, which has accepted the new GRI Standards with the possibility of further development in the coming years. However, what leaves the reader in an extremely positive atmosphere are the projects that INA is preparing or has already undertaken with the aim of energy transition, which we welcome and praise.

Expert Committee of HR BCSD for sustainability reporting

Deloitte.

Deloitte d.o.o.
ZagrebTower
Radnička cesta 80
10 000 Zagreb
Croatia
TAX ID: 11686457780

Tel: +385 (0) 1 2351 900
Fax: +385 (0) 1 2351 999
www.deloitte.com/hr

Independent Limited Assurance Report on Independent Limited Assurance Engagement on Indicators Presented in the Sustainability Report of INA Group for 2022, as Part of the Annual Report for the period from 1 January 2022 to 31 December 2022

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

Avenija V. Holjevca 10
10020 Zagreb
Croatia

Subject Matter and Applicable Criteria

We have undertaken a limited assurance engagement on the following material specific indicators presented in the **Sustainability Report of INA Group, as part of the Annual Report for the year from 1st January 2022 – 31st December 2022** (the "ESG Report"), developed by INA-INDUSTRIJA NAFTE d.d. (the "Company"), marked with "YES" in a column "External assurance" in a table "GRI Content Index ("Selected indicators"):

302-1 Energy consumption within the organization (GRI 302 Energy 2016);

303-3 Water withdrawal (GRI 303 Water and Effluents 2018);

305-1 Direct greenhouse gas (GHG) Emissions (Scope 1) (GRI 305 Emissions 2016);

305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2) (GRI 305 Emissions 2016);

306-3 Significant spills (GRI 306 Effluents and Waste 2016);

306-3 Waste generated (GRI 306 Waste 2020);

306-4 Waste diverted from disposal (GRI 306 Waste 2020);

306-5 Waste directed to disposal (GRI 306 Waste 2020);

403-9 Work related injuries (GRI 403 Occupational Health and Safety 2018);

403-10 Work related ill health (GRI 403 Occupational Health and Safety 2018);

404-1 Average hours of training per year per employee (GRI 404 Training and Education 2016), and

404-3 Percentage of employees receiving regular performance and career development reviews (GRI 404 Training and Education 2016).

The indicators included in the GRI index presented in the ESG Report have been reported in the manner defined in the GRI Standards, issued by the Global Reporting Initiative (GRI).

Our limited assurance engagement was limited to the Selected indicators presented in the ESG Report listed above, and did not address the other information included in the report or this report understood as a whole. Accordingly, our conclusion below applies only the Selected indicators and not all data presented or any other information included in the ESG Report.

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 ESG Report in accordance with GRI Standards, as 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 the provision of reliable, correct, and fair information, and for the correct preparation of the documentation provided to us.

Deloitte.

Our Independence and Quality Control

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct.

We comply with the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements (ISQM 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Selected indicators marked in the GRI index presented in the ESG 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 ESG Report are not inconsistent with the GRI Standards.

The procedures performed under the limited assurance engagement are different in nature and limited in scope both in terms of risk assessment procedures, including an understanding of internal control, and in terms of the procedures performed in response to the risks assessed compared to the reasonable assurance engagement. As a result, the level of assurance obtained through an assurance service providing limited assurance is significantly lower than the level of assurance that could be obtained through an assurance service providing reasonable assurance.
The procedures we performed were based on our professional judgement, our assessment of the risk of material misstatement of the indicators due to intentional actions or misstatements, and included interviews, observations of the processes performed, examination of documents, analytical procedures, assessments of the appropriateness of calculation methods and reporting policies, and reconciling with underlying records.

Summary of the Work Performed

In order to form our conclusion on the Selected indicators as marked in the GRI index presented in the Sustainability Report, we undertook in the period 17 January 2023 – 19 April 2023 the following procedures:

- Through inquiries, obtained an understanding of 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 through inquiries, analytical procedures, observation and other applicable evidence gathering procedures on a sample basis, an understanding on the key structures, systems, processes, procedures and internal controls relating to collation, aggregation, validation and reporting of data for the indicators under review.
- Compared the information contained in the ESG Report with the GRI Standards for the Selected indicators under review.
- Compared the information included in the ESG Report to internal documentation of the Company.

Inherent limitations

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 ESG Report is subject to inherent limitations given its nature and the methods for determining, calculating, or estimating such information.

Deloitte.

Conclusion

Based on the work we have done and the procedures we have performed, nothing has come to our attention that causes us to believe that the Selected Indicators in the scope of our work, presented in the ESG Report in the GRI index, for the period from 1 January 2022 to 31 December 2022 prepared by INA-INDUSTRIJA NAFTE d.d. have not been prepared, or compiled, in all material respects, in accordance with the GRI Standards issued by the Global Reporting Initiative.

Limitation on the Use of Our Report

Our report is intended exclusively for the company INA - INDUSTRIJA NAFTE d.d.

In the event of additional information or data provided to us, or in the event of misleading oral or written statements or explanations, our findings, interpretations or conclusions in our Independent Limited Assurance Report may be incomplete or may result in the need for additional procedures not included in the scope of this engagement.

To the maximum extent permitted by law, we do not accept any responsibility and do not agree to any obligations to any other party, except to the Management Board of the company INA – INDUSTRIJA NAFTE d.d., related to our work or this Independent Limited Assurance report or the conclusions we reached.

Katarina Kadunc
Director and Certified Auditor

For signatures, please refer to the original Croatian auditor`s report, which prevails.

Deloitte d.o.o.

27 April 2023
Radnička cesta 80
10 000 Zagreb
Republic of Croatia

6. APPENDICES

Glossary of terms and acronyms

TERM/ACRONYM	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/ 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
CCS	Carbon capture 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	Earnings before interest, tax, depreciation and amortization 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
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 Govrenment for the year ended 31 December 2022

1. INTRODUCTIONS

INA – INDUSTRIJA NAFTE, d.d. has prepared the present Report on Payments to Government in accordance with Accounting Act (Official Gazette 78/15,134/15,120/16,116/18,42/20,47/20,114/22) 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 and DIRECTIVE 2014/95/EU (22 October 2014).

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, 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 and separate 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 reports.

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:

- When 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 payment which is distinguishable in the cash-calls according to contract, 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 pursuant to legal or contractual provisions (not booked in the Extractive Company's 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 or gas, market price (if available) or an appropriate benchmark price. These prices may be calculated on an averaged basis over a given period.

2. REPORTING PRINCIPLES (CONTINUED)

Cash basis

Payments are reported according to the cash inflow/outflow principle, which means that they are reported in the period in which are paid, which is the opposite of going concern basis, where the effects of transactions and other events are recognized and reported in the period in which they occur.

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.

The 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, consumption 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 of contracted targets, and the discovery of additional mineral reserves or deposits.

License and other fees: license fees, rental fees, entry fees and other fees 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 and improvement, 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.

3. DEFINITIONS (CONTINUED)

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.

Project

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.

4. SUMMARY REPORT

The table below shows the relevant payments to governments made by INA Group and INA, d.d. in the year ended 31 December 2022 shown by country and payment type.

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

Summary by countries:

Payments by countries	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	License and other fees	Infrastructure improvements	TOTAL
Croatia	-	-	765	-	2	25	-	**792**
Angola	-	10	-	-	-	-	-	10
Egypt	15	-	-	-	-	-	-	15
TOTAL	**15**	**10**	**765**	**-**	**2**	**25**	**-**	**817**

5. PAYMENTS TO GOVERNMENT BY COUNTRIES

Croatia

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	License and other fees	Infrastructure improvements	TOTAL
National Tax Authority	-	-	145	-	-	-	-	**145**
Local municipality*	-	-	620	-	-	25	-	**645**
Croatian Hydrocarbon Agency	-	-	-	-	2	-	-	**2**
TOTAL	**-**	**-**	**765**	**-**	**2**	**25**	**-**	**792**

* Allocation of paid funds is done in accordance with the Regulation on compensation for exploration and exploitation of hydrocarbons

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	License and other fees	Infrastructure improvements	TOTAL
Croatia onshore	-	-	620	-	-	24	-	**644**
Croatia offshore	-	-	145	-	-	1	-	**146**
DRAVA-02 DRAVA-03 SZH-01** DINARIDI-14	-	-	-	-	1	-	-	**1**
Other	-	-	-	-	1	-	-	**1**
TOTAL	**-**	**-**	**765**	**-**	**2**	**25**	**-**	**792**

***Northwest Croatia*

5. PAYMENTS TO GOVERNMENT BY COUNTRIES (CONTINUED)

Angola

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Angolan Tax Authority	-	10	-	-	-	-	-	10
TOTAL	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**10**

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Block 3/05	-	10	-	-	-	-	-	10
TOTAL	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**10**

5. PAYMENTS TO GOVERNMENT BY COUNTRIES (CONTINUED)

Egypt

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Egyptian Government (EGPC)	15	-	-	-	-	-	-	15
TOTAL	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**15**

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
Egypt operation - East Yidma	15	-	-	-	-	-	-	15
TOTAL	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**15**

6. CONTACT INFORMATION

INA - INDUSTRIJA NAFTE, d.d. Zagreb

Avenija Većeslava Holjevca 10

Zagreb

Information for shareholders

Corporate address

INA - Industrija nafte, d.d.
Avenija Većeslava Holjevca 10
10 020 Zagreb
Phone: 0800 1112
Web: www.ina.hr

Controlling

Avenija Većeslava Holjevca 10
10 020 Zagreb
Phone: +385 1 459 2718
Fax: + 385 1 645 2444
E-mail: investitori@ina.hr

Sustainable Development and Health, Safety and Environment

Avenija Većeslava Holjevca 10
10 020 Zagreb
E-mail: Odrzivi_Razvoj@ina.hr

Corporate Communications and Marketing

Avenija Većeslava Holjevca 10
10 020 Zagreb
Phone: +385 1 6450 552
Fax: +385 1 6452 406
E-mail: PR@ina.hr

Central Depository and Clearing Company Inc.

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: http://www.hina.hr

7. FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

INA GROUP and

INA - INDUSTRIJA NAFTE, d.d.

Consolidated and separate

financial statements for the year ended

31 December 2022

together with the Independent Auditor's Report

Content

Independent Auditor's Report

To the Shareholders of INA-INDUSTRIJA NAFTE, d.d.

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of INA-INDUSTRIJA NAFTE, d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2022, and the Group's and the Company's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 16 March 2023.

What we have audited

The Group's consolidated and the Company's separate financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2022;
- the consolidated statement of other comprehensive income for the year ended 31 December 2022;
- the separate statement of profit or loss for the year ended 31 December 2022;
- the separate statement of other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the separate statement of financial position as at 31 December 2022
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the separate statement of changes in equity for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022
- the separate statement of cash flows for the year ended 31 December 2022; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

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 consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No. 537/2014, and furthermore, we have not provided any other permitted non-audit services to the Group and the Company in the period from 1 January 2022 to 31 December 2022.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and separate financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated and separate financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Based on our professional judgement, we determined the overall materiality for Group and the Company using 2.3% of the three-year average of earnings before interest, taxation, depreciation and amortisation (EBITDA) as we believe that EBITDA is a key measure used by stakeholders in assessing the performance of the Group and the Company and the use of an average reduces the impact of recent volatility in this measure from period to period.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
The Group and the Company - Impairment of Property, plant and equipment and Intangible assets *See Note 2 Significant accounting policies, Note 3 Significant accounting judgements and estimates, Note 13 Intangible assets and Note 14 Property, plant and equipment.* As at 31 December 2022, the Group disclosed 'Property, plant and equipment' in the amount of HRK 12,038 million (31 December 2021: HRK 11,249 million) and 'Intangible assets' in the amount of HRK 499 million (31 December 2021: HRK 449 million) and the Company recorded 'Property, plant and equipment' in the amount of HRK 10,808 million (31 December 2021: HRK 9,998 million) and 'Intangible assets' in the amount of HRK 463 million (31 December 2021: HRK 412 million), respectively out of which significant amounts relate to their Exploration and production and Refining and marketing segments. Impairment charges of HRK 387 million (31 December 2021: HRK 199 million) and an impairment reversal of HRK 179 million (31 December 2021: HRK -) were recognised by the Group and impairment charges of HRK 379 million (31 December 2021: HRK 155 million) and an impairment reversal of HRK 144 million (31 December 2021: HRK -) by the Company in the financial year. Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss for items carried at cost. The Group and the Company assessed whether triggering events were present for the assets at balance sheet date and performed impairment testing for those assets. Determining whether indicators of impairment or impairment reversal trigger exists is a key judgment which includes assessment of changes in future commodity prices and movements in the macroeconomic environment, changes in the asset performance, in particular for exploration and production assets and changes in the oil and natural gas reserves.	We assessed the Company's accounting policies in accordance with 'IAS 36 Impairment of assets' and 'IFRS 6 Exploration for and evaluation of mineral resources'. In particular, we evaluated management's triggering event review for impairment and reversal of impairment, including: • Changes in external macroeconomic environment, such as movements in interest rates and commodity price forecasts; • Changes in the political and geopolitical environment negatively impacting the performance of assets; and • Internal indicators of decline in the performance of assets, including but not limited to performing review of management's forecasts and long-term strategic plans including changes in estimated oil and gas natural reserves. We assessed the methodology used by management supporting the recoverable values of assets and checked the consistency of the method used by the Group with the requirements of 'IAS 36 Impairment of assets' and particularly the appropriateness of the cash flows used and related consistency with the Group's forecast plans. We tested the mathematical accuracy and consistency of management's models. Regarding significant assumptions, our audit testing included, but was not limited to: • determining a reasonable range for the discount rate used within the model, with the involvement of PwC valuation experts, and comparing it to the discount rate used by management; • evaluating the reasonability of long-term commodity price forecasts by benchmarking these to consensus analysts' forecasts; • assessing other significant macroeconomic assumptions, including windfall levies, inflation forecasts with the involvement of PwC valuation experts; • considering the effect of recent geopolitical conflicts, sanctions and government actions affecting the industry.

Key audit matter	How our audit addressed the key audit matter
Testing of those assets was undertaken by performing analysis and calculating their value in use (VIU). The assessment of the recoverable amount of assets are dependent on various assumptions which are subject to estimation uncertainty. These assumptions are derived from a combination of management's judgment, experts engaged by management and market data. Certain indicators were identified as triggering events for impairment or impairment reversal and a detailed analysis was performed by management. The significant assumptions that we focused our audit on were those with greater levels of management judgment and for which variations had the most significant impact on the recoverable amounts. Specifically, these included the discount rates, terminal values, short and long term commodity prices, future production profiles. In particular for upstream assets, the recoverability of assets are inherently driven by the estimated value of reserves. The Group and the Company perform reserve valuation in line with the requirement of IFRS 6 and industry practices and include both proven and probable reserves in their reserve estimates. The valuation of oil and natural gas reserves involves significant estimation uncertainty as it requires technical judgment by management. These judgments are based on determination of future production volumes by the Group and the Company's internal experts of geologists and other forecasting assumptions of expected cash in and outflows to determine the economically viable quantity of reserves. We focused on this area because of the significance of balances in the financial statements as at 31 December 2022, restatements disclosed in Note 3 of the financial statements and the inherent risk of uncertainty related to key assumptions used by management.	The audit procedures on the estimate of the oil and natural gas reserves included the analysis of the movements in reserves during the year and understanding of management's technical experts reports and confirming the consistency with those. We evaluated the technical expertise and objectivity of the Company's internal experts involved in the reserve valuation process, as well as the methods used by them. We have assessed and tested the adequacy and completeness of the relevant disclosures in the consolidated and separate financial statements in relation to impairment of assets in accordance with the requirements of the IFRS.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Audit scope, in addition to the determination of the nature, timing and extent of audit procedures to be performed, also includes the physical locations, legal entities, operating activities and processes to be audited that, in aggregate, are expected to provide sufficient coverage of the consolidated financial statements for us to express an audit opinion. Our audit effort was focused towards higher risk areas, such as management judgements and estimates, and on operating units that we considered significant based upon size, complexity or risk and we ensured that our audit procedures covered the majority of revenues and assets of the Group.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises the Management Report, Corporate Governance Statement, Non–financial Report and Report on Payments to the Government Sector included in the Annual Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information identified above.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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, Non–financial Report and Report on Payments to the Government Sector, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act, whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act, whether the Non–financial Report is prepared in accordance with the requirements of Articles 21a and 24a of the Accounting Act, and whether the Report on Payments to the Government Sector is prepared in accordance with the requirements of Articles 27 and 28 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the consolidated and separate financial statements are prepared is consistent, in all material respects, with the consolidated and separate financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act;
- the Non–financial Report was prepared in accordance with the requirements of Articles 21a and 24a of the Accounting Act; and
- the Report on Payments to the Government Sector was prepared in accordance with the requirements of Articles 27 and 28 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company'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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and the Company'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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated and separate 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 independent auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent 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

Appointment

We were appointed as auditors of the Company and the Group on 15 June 2022 by the shareholder resolution. The consolidated and separate financial statements of the Group and the Company were audited by us for the first time.

Report on compliance of the format of the consolidated and separate financial statements with the requirements of the European Single Electronic Format ("ESEF") Regulation

We have been engaged based on our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated and separate financial statements included in the attached electronic file "213800RUSOIJPJD19H13-2022-12-31-en.zip", (hereinafter: the financial statements) of the Group and the Company for the year ended 31 December 2022 (the "Presentation of the Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Financial Statements has been prepared by the management of the Company to comply with the requirements of Article 462 paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20 and 83/21) (the "Capital Market Act") and with the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). Those regulations require that:

- the financial statements included in the consolidated and separate Annual Report, have been prepared in the XHTML format;
- the data included in the consolidated and separate financial statements required by the ESEF Regulation and Capital Market Act have been marked up and all the markups meet the following requirements:
    - the XBRL markup language has been used,
    - the core taxonomy elements listed in the ESEF Regulation with the closest accounting meaning have been used, unless an extension taxonomy element was created in accordance with Annex IV of the ESEF Regulation,
    - the markups comply with the common rules on markups under the ESEF Regulation.

The requirements described above determine the basis for application of the Presentation of the Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

The Company's management is responsible for the Presentation of the Financial Statements in accordance with the ESEF Regulation and the Capital Market Act. In addition, the Company's management is responsible for maintaining an internal control system that reasonably ensures the preparation of the Presentation of the Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation and the Capital Market Act, whether due to fraud or error.

Those charged with governance are responsible for overseeing the process of preparing the Presentation of the Financial Statements in the ESEF format as part of the financial reporting process.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion, based on the audit evidence obtained, whether the Presentation of the Financial Statements complies, in all material respects, with the requirements of the ESEF Regulation and the Capital Market Act. We conducted a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Financial Statements is prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect a material misstatement (significant non-compliance with the requirements).

Procedures performed

The nature, timing and extent of the procedures selected are matters for the professional judgment of the auditor.

As part of the selected procedures, we performed in particular the following procedures:

- read the requirements of the ESEF Regulation and the Capital Market Act;
- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Financial Statements, including the preparation of the XHTML format and marking up the consolidated and separate financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated and separate financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the Presentation of the Financial Statements for the year ended 31 December 2022 included in the above stated attached electronic file complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

Our conclusion is not an opinion on the true and fair presentation of the financial statements presented in electronic format. In addition, we do not express any form of assurance on the other information disclosed in the documents in the ESEF format.

The certified auditor engaged as partner on the audit resulting in this independent auditor's report is Luka Cvijetić.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
16 March 2023, except for Other Information section for which the date of our report is 27 April 2023

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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 as adopted by the European Union ("IFRS"), which give a true and fair view of the financial position and operating 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 Group and the Company 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 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 Group and the Company 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 Group and the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Signed on behalf of the Group and the Company:

Péter Ratatics, President of the Management Board of INA, d.d.

Zsombor Ádám Marton, Member of the Management Board

Krisztián Pulay, Member of the Management Board

Hrvoje Šimović, Member of the Management Board

Marin Zovko, Member of the Management Board

Miroslav Skalicki, Member of the Management Board

INA-INDUSTRIJA NAFTE, d.d. 199 Av. V. Holjevca 10, Zagreb

INA-INDUSTRIJA NAFTE, d.d.
Reg. No.: 03586243
Company ID No.: 27759560625
Avenija Većeslava Holjevca 10
10000 Zagreb
Republic of Croatia

16 March 2023

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2022	Year ended 31 December 2021 *Restated*
Revenue from contracts with customers	4	35,114	22,400
Other operating income	5	365	319
Total operating income		**35,479**	**22,719**
Changes in inventories of finished products and work in progress		445	199
Cost of raw materials and consumables		(13,048)	(8,768)
Depreciation, amortisation and impairment	6	(1,838)	(1,846)
Other material costs		(2,204)	(1,868)
Service costs		(549)	(468)
Staff costs	7	(1,803)	(1,765)
Cost of goods sold		(13,181)	(6,644)
Impairment charges (net)	8	(137)	(81)
Provision for charges and risks (net)	9	(358)	(313)
Capitalised value of own performance		424	304
Total operating expenses		**(32,249)**	**(21,250)**
Profit from operations		**3,230**	**1,469**
Finance income	10	251	343
Finance costs	10	(375)	(249)
Net (loss)/profit from financial activities		**(124)**	**94**
Share of loss of joint ventures accounted for using the equity method	18	**(27)**	**(9)**
Profit before tax		**3,079**	**1,554**
Income tax expense	11	(1,177)	(267)
Profit for the year		**1,902**	**1,287**
Attributable to:			
Owners of the Company		1,895	1,285
Non-controlling interest	37	7	2
		1,902	**1,287**
Earnings per share			
Basic and diluted earnings per share (HRK per share)	12	189.50	128.49

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 2022	Year ended 31 December 2021 Restated
Profit for the year		**1,902**	**1,287**
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	36	5	1
Gain on non-current financial assets	35	71	60
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	36	49	32
Gain/(loss) from marketable securities	35	3	-
Other comprehensive gain, net of income tax		**128**	**93**
Total comprehensive income for the year		**2,030**	**1,380**
Attributable to:			
Owners of the Company		2,023	1,378
Non-controlling interests		7	2

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 2022	Year ended 31 December 2021
			Restated
Revenue from contracts with customers	4	34,349	21,691
Other operating income	5	336	261
Total operating income		**34,685**	**21,952**
Changes in inventories of finished products and work in progress		390	166
Cost of raw materials and consumables		(13,969)	(8,952)
Depreciation, amortisation and impairment	6	(1,826)	(1,768)
Other material costs		(2,396)	(2,101)
Service costs		(827)	(767)
Staff costs	7	(831)	(825)
Cost of goods sold		(11,694)	(6,005)
Impairment charges (net)	8	(99)	(36)
Provision for charges and risks (net)	9	(419)	(320)
Capitalised value of own performance		57	42
Total operating expenses		**(31,614)**	**(20,566)**
Profit from operations		**3,071**	**1,386**
Finance income	10	319	354
Finance costs	10	(354)	(242)
Net (loss)/gain from financial activities		**(35)**	**112**
Share of loss of joint ventures accounted for using the equity method	18	**(38)**	**(9)**
Profit before tax		**2,998**	**1,489**
Income tax expense	11	(1,161)	(243)
Profit for the year		**1,837**	**1,246**

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 2022	Year ended 31 December 2021 *Restated*
Profit for the year		**1,837**	**1,246**
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	36	2	(3)
Gain on non-current financial assets	35	71	60
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	36	4	43
Gain/(loss) from marketable securities	35	3	-
Other comprehensive gain, net of income tax		**80**	**100**
Total comprehensive income for the year		**1,917**	**1,346**

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 2022**	**31 December 2021** *Restated*	**1 January 2021** *Restated*
Non-current assets				
Intangible assets	13	499	449	485
Property, plant and equipment	14	12,038	11,249	11,547
Investment property	16	136	94	100
Right-of-use assets	31	303	307	304
Investments in associates and joint venture	18	28	245	254
Other investments		7	9	10
Other non-current financial assets	19	644	544	497
Deferred tax assets	11	977	946	1,198
Long-term marketable securities	26	18	43	-
Non-current financial assets	21	833	756	683
Other non-current assets	20	192	298	353
Total non–current assets		**15,675**	**14,940**	**15,431**
Current assets				
Inventories	22	2,999	2,146	1,625
Trade receivables (net)	23, 38	2,739	2,007	1,206
Other current financial assets	24	36	1,339	84
Corporate income tax receivables		11	6	6
Other current assets	25	209	262	258
Derivative financial instruments		38	11	26
Marketable securities	26	122	17	79
Cash and cash equivalents	27	1,707	1,352	399
		7,861	**7,140**	**3,683**
Non-current assets held for sale	15	341	13	30
Total current assets		**8,202**	**7,153**	**3,713**
TOTAL ASSETS		**23,877**	**22,093**	**19,144**

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

(all amounts are presented in HRK millions)

	Note	31 December 2022	31 December 2021 *Restated*	1 January 2021 *Restated*
Capital and reserves				
Share capital	34	9,000	9,000	9,000
Legal reserves		250	199	199
Fair value reserves	35	437	363	303
Other reserves	36	1,616	1,562	1,529
Retained earnings/(loss)		610	(254)	(1,539)
Equity attributable to owners of the Company		**11,913**	**10,870**	**9,492**
Non-controlling interest	37	22	15	13
TOTAL EQUITY		**11,935**	**10,885**	**9,505**
Non–current liabilities				
Long-term debts	30	1,987	1,983	-
Long-term lease liabilities	31	230	228	232
Other non-current liabilities		24	29	33
Employee benefit obligation	33	45	67	64
Long-term provisions	32	3,514	3,668	3,696
Deferred tax liabilities	11	17	15	16
Total non–current liabilities		**5,817**	**5,990**	**4,041**
Current liabilities				
Bank loans and current portion of long-term debts	28, 30	525	1,145	2,085
Current portion of long-term lease liabilities	31	80	84	77
Other current financial liabilities		1	-	2
Trade payables	29, 38	2,484	2,143	1,426
Taxes and contributions	29	763	929	637
Income tax payables		1,206	9	-
Other current liabilities	29	493	522	1,003
Derivative financial instruments		21	64	117
Employee benefit obligation	33	7	4	4
Short-term provisions	32	504	318	247
Total current liabilities		**6,084**	**5,218**	**5,598**
Liabilities of disposal group classified as held for sale		41	-	-
Total liabilities		**11,942**	**11,208**	**9,639**
TOTAL EQUITY AND LIABILITIES		**23,877**	**22,093**	**19,144**

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 2022	31 December 2021	1 January 2021
			Restated	*Restated*
Non-current assets				
Intangible assets	13	463	412	415
Property, plant and equipment	14	10,808	9,998	10,285
Investment property	16	73	76	79
Right-of-use assets	31	388	438	473
Investment in subsidiaries	17	1,828	1,826	1,827
Investments in associates and joint venture	18	18	245	254
Other investments		5	7	7
Other non-current financial assets	19	1,436	1,176	1,248
Deferred tax assets	11	831	797	1,042
Long-term marketable securities		17	43	-
Non-current financial assets	21	833	756	683
Other non-current assets	20	202	297	360
Total non–current assets		**16,902**	**16,071**	**16,673**
Current assets				
Inventories	22	2,692	1,913	1,399
Intercompany receivables	38	301	229	173
Trade receivables (net)	23, 38	2,437	1,749	866
Other current financial assets	24	54	1,364	119
Other current assets	25	129	186	199
Derivative financial instruments		38	11	26
Marketable securities	26	122	17	79
Cash and cash equivalents	27	1,640	1,295	351
		7,413	**6,764**	**3,212**
Non-current assets held for sale	15	334	-	7
Total current assets		**7,747**	**6,764**	**3,219**
TOTAL ASSETS		**24,649**	**22,835**	**19,892**

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

(all amounts are presented in HRK millions)

	Note	31 December 2022	31 December 2021 *Restated*	1 January 2021 *Restated*
Capital and reserves				
Share capital	34	9,000	9,000	9,000
Legal reserves		250	199	199
Fair value reserves	35	437	363	303
Other reserves	36	1,218	1,211	1,171
Retained earnings/(loss)		1,858	1,053	(193)
TOTAL EQUITY		**12,763**	**11,826**	**10,480**
Non–current liabilities				
Long-term debts	30	2,128	2,112	-
Long-term lease liabilities	31	301	344	379
Other non-current liabilities		24	28	33
Employee benefit obligation	33	13	21	17
Long-term provisions	32	3,665	3,841	3,862
Total non–current liabilities		**6,131**	**6,346**	**4,291**
Current liabilities				
Bank loans and current portion of long-term debts	28, 30	484	940	1,873
Current portion of long-term lease liabilities	31	95	101	99
Intercompany payables	38	243	281	346
Other current financial liabilities		1	1	1
Trade payables	29, 38	2,188	1,857	1,104
Taxes and contributions	29	671	809	554
Income tax payables		1,201	-	-
Other current liabilities	29	328	366	848
Derivative financial instruments		21	64	116
Employee benefit obligation	33	3	1	2
Short-term provisions	32	479	243	178
Total current liabilities		**5,714**	**4,663**	**5,121**
Liabilities of disposal group classified as held for sale		41	-	-
Total liabilities		**11,886**	**11,009**	**9,412**
TOTAL EQUITY AND LIABILITIES		**24,649**	**22,835**	**19,892**

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

INA Group Consolidated Statement of Changes in Equity

At 31 December 2022

(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 2021 (as originally presented)	**9,000**	**199**	**202**	**1,529**	**(1,586)**	**9,344**	**13**	**9,357**
Restatement of the prior period (Note 3)	-	-	101	-	47	148	-	148
Balance at 1 January 2021 (restated)	**9,000**	**199**	**303**	**1,529**	**(1,539)**	**9,492**	**13**	**9,505**
Profit for the year (restated)	-	-	-	-	1,285	1,285	2	1,287
Other comprehensive income, net (restated)	-	-	60	33	-	93	-	93
Total comprehensive income for the year (restated)	**-**	**-**	**60**	**33**	**1,285**	**1,378**	**2**	**1,380**
Balance at 31 December 2021 (restated)	**9,000**	**199**	**363**	**1,562**	**(254)**	**10,870**	**15**	**10,885**
Balance at 1 January 2022 (as originally presented)	**9,000**	**199**	**280**	**1,562**	**(274)**	**10,767**	**15**	**10,782**
Restatement of the prior period (Note 3)	-	-	83	-	20	103	-	103
Balance at 1 January 2022 (restated)	**9,000**	**199**	**363**	**1,562**	**(254)**	**10,870**	**15**	**10,885**
Profit for the period	-	-	-	-	1,895	1,895	7	1,902
Other comprehensive income, net	-	-	74	54	-	128	-	128
Total comprehensive income for the period	**-**	**-**	**74**	**54**	**1,895**	**2,023**	**7**	**2,030**
Transfer to legal reserves	-	51	-	-	(51)	-	-	-
Dividends paid	-	-	-	-	(980)	(980)	-	(980)
Balance at 31 December 2022	**9,000**	**250**	**437**	**1,616**	**610**	**11,913**	**22**	**11,935**

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

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

At 31 December 2022

(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 2021 (as originally presented)	**9,000**	**199**	**202**	**1,171**	**(241)**	**10,331**
Restatement of the prior period (Note 3)	**-**	-	101	-	48	149
Balance at 1 January 2021 (restated)	**9,000**	199	303	1,171	(193)	**10,480**
Profit for the year (restated)	-	-	-	-	1,246	1,246
Other comprehensive income, net (restated)	-	-	60	40	-	100
Total comprehensive income for the year	**-**	**-**	**60**	**40**	**1,246**	**1,346**
Balance at 31 December 2021 (restated)	**9,000**	**199**	**363**	**1,211**	**1,053**	**11,826**
Balance at 1 January 2022 (as originally presented)	**9,000**	**199**	**280**	**1,211**	**1,032**	**11,722**
Restatement of the prior period (Note 3)	-	-	83	-	21	104
Balance at 1 January 2022 (restated)	**9,000**	**199**	**363**	**1,211**	**1,053**	**11,826**
Profit for the year	-	-	-	-	1,837	1,837
Other comprehensive income, net	-	-	74	7	(1)	80
Total comprehensive income for the year	**-**	**-**	**74**	**7**	**1,836**	**1,917**
Transfer to legal reserves	**-**	51	-	-	(51)	**-**
Dividend paid	**-**	-	-	-	(980)	(980)
Balance at 31 December 2022	**9,000**	**250**	**437**	**1,218**	**1,858**	**12,763**

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

INA Group Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2022	Year ended 31 December 2021 *Restated*
Profit for the year		**1,902**	**1,287**
Adjustments for:			
Depreciation, amortisation and impairment	6	1,838	1,846
Income tax expense recognised in profit and loss	11	1,177	267
Impairment charges (net)	8	137	81
Gain on sale of property, plant and equipment		(88)	(36)
Foreign exchange loss/(gain)	10	109	(10)
Interest income		(8)	(1)
Interest expense		34	14
Share in loss of joint ventures accounted for using the equity method	18	27	9
Other finance income recognised in profit and loss		(67)	(171)
Increase in provision		90	258
Decommissioning interests and other provision		56	74
Net loss on derivative financial instruments		143	288
		5,350	**3,906**
Movements in working capital			
(Increase) in inventories		(1,258)	(967)
(Increase) in receivables and prepayments		(1,460)	(1,655)
Increase in trade and other payables		830	2,192
Cash generated from operations		**3,462**	**3,476**
Taxes paid		(29)	(22)
Net cash inflow from operating activities		**3,433**	**3,454**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(2,689)	(1,602)
Payments for intangible assets		(93)	(131)
Proceeds from sale of non-current assets		98	59
Short-term deposits given		-	(1,278)
Proceeds from short-term deposits given		1,278	-
Investment in securities		(116)	(42)
Proceeds from sale securities		38	-
Dividends received		8	170
Proceeds from loans given to employees		4	3
Interest received and other financial income		131	18
Net cash used in investing activities		**(1,341)**	**(2,803)**
Cash flows from financing activities			
Proceeds from borrowings		10,003	12,874
Repayment of borrowings		(10,678)	(13,862)
Proceeds from bonds issuance		-	1,983
Dividends paid		(979)	(585)
Payment of principal portion of lease liabilities		(95)	(86)
Interest paid		(9)	(13)
Net cash flows (used in)/from financing activities	30	**(1,758)**	**311**
Net (decrease)/increase in cash and cash equivalents		**334**	**962**
At 1 January		1,352	399
Effect of foreign exchange rate changes		21	(9)
At 31 December	27	**1,707**	**1,352**

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

INA, d.d. Separate Statement of Cash Flows

For the year ended 31 December 2022

(all amounts are presented in HRK millions)

	Note	Year ended 31 December 2022	Year ended 31 December 2021 *Restated*
Profit for the year		**1,837**	**1,246**
Adjustments for:			
Depreciation, amortisation and impairment	6	1,826	1,768
Income tax expense recognised in profit and loss	11	1,161	243
Impairment charges (net)	8	99	36
Gain on sale of property plant and equipment		(86)	(9)
Foreign exchange loss	10	96	35
Interest income		(24)	(26)
Interest expense		35	15
Share in loss of joint ventures accounted for using the equity method	18	38	9
Other finance income recognised in profit and loss		(127)	(215)
Increase in provision		147	258
Decommissioning interests and other provision		58	78
Net loss on derivative financial instruments		143	288
Other non-cash items		6	(1)
		5,209	**3,725**
Movements in working capital			
(Increase) in inventories		(1,152)	(915)
(Increase) in receivables and prepayments		(1,446)	(1,746)
Increase in trade and other payables		767	2,140
Cash generated from operations		**3,378**	**3,204**
Taxes paid		(12)	(10)
Net cash inflow from operating activities		**3,366**	**3,194**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(2,628)	(1,535)
Payment for intangible assets		(93)	(130)
Proceeds from sale of non-current assets		89	17
Short-term deposits given		-	(1,278)
Proceeds from short-term deposits given		1,278	-
Investment in bond, securities		(116)	(42)
Proceeds from sale in bond, securities		38	-
Dividends received		9	169
Dividends received from subsidiaries		60	44
Loan to subsidiaries (net)		(157)	134
Interest received and other financial income		148	43
Net cash used in investing activities		**(1,372)**	**(2,578)**
Cash flows from financing activities			
Proceeds from borrowings		9,602	12,640
Repayment of borrowings		(10,123)	(13,590)
Proceeds from bonds issuance		-	1,983
Dividends paid		(979)	(585)
Payment of principal portion of lease liabilities		(112)	(110)
Interest paid		(10)	(13)
Net cash flows (used in)/from financing activities	30	**(1,622)**	**325**
Net (decrease)/increase in cash and cash equivalents		**372**	**941**
At 1 January		1,295	351
Effect of foreign exchange rate changes		(27)	3
At 31 December	27	**1,640**	**1,295**

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

(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 ultimate parent company and ultimate controlling party MOL Nyrt, (Hungary, Dombóvári út 28., 1117 Budapest) prepares the consolidated financial statements for the larger Group of companies, in which INA, d.d. and INA Group are included as MOL Group subsidiaries. The consolidated financial statements of the MOL Group are available on the official website: www.molgroup.info.

The ownership structure* of INA Group as at 31 December 2022 and 31 December 2021:

	31 December 2022		**31 December 2021**	
	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 at 31 December 2022 (of which 389 in Croatia and 117 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.

The Group's registered office is in Zagreb, Avenija V. Holjevca 10, Croatia. As at 31 December 2022, there were 9,472 employees at the Group (9,635 as at 31 December 2021). As at 31 December 2022, there were 2,976 employees at INA, d.d. (3,222 as at 31 December 2021).

During 2022, the average number of employees of INA Group was 9,514 (2021: 9,751 employees), while the average number of employees of INA, d.d. was 3,072 (2021: 3,280 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 Mikuljan	President of the Supervisory Board *(from 15 December 2022 until 15 June 2023)*
József Molnár	Vice President of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Branimir Škurla	Member of the Supervisory Board *(from 15 December 2022 until 15 June 2023)*
László Uzsoki	Member of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Ivo Ivančić	Member of the Supervisory Board *(from 15 December 2022 until 15 June 2023)*
Zsuzsanna Eva Ortutay	Member of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Gabriel Szabó	Member of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Domokos Szollár	Member of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Jasna Pipunić	Employee representative in the Supervisory Board *(from 5 May 2020 until 5 May 2024)*

Management Board

Péter Ratatics	President of the Management Board *(from 29 September 2022 until 30 June 2023)*
Zsombor Ádám Marton	Member of the Management Board *(from 16 January 2023 until 30 June 2023)*
Krisztián Pulay	Member of the Management Board *(from 29 September 2022 until 30 June 2023)*
Hrvoje Šimović	Member of the Management Board *(from 29 September 2022 until the appointment of Management Board members of INA-INDUSTRIJA NAFTE, d.d. through a public tender, for a period of up to 6 months)*
Marin Zovko	Member of the Management Board *(from 29 September 2022 until the appointment of Management Board members of INA-INDUSTRIJA NAFTE, d.d. through a public tender, for a period of up to 6 months)*
Miroslav Skalicki	Member of the Management Board *(from 29 September 2022 until the appointment of Management Board members of INA-INDUSTRIJA NAFTE, d.d. through a public tender, for a period of up to 6 months)*

1. GENERAL (CONTINUED)

Council of Directors

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

Zdravka Demeter Bubalo	Operating Director of Consumer Services and Retail
Gábor Horváth	Chief Financial Officer
Nikola Mišetić	Operating Director of Exploration and Production
Goran Pleše	Operating Director of Refining and Marketing
Hrvoje Glavaš	Director of Corporate Services

2. SIGNIFICANT 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 Group's and the Company's financial statements are prepared in millions of Croatian kuna (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 Group's and the Company'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 (see Note 41) at the end of each reporting period, and in accordance with International Financial Reporting Standards as adopted by European Union (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 and the Company take 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:

- **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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standards and Interpretations effective in the current period (continued)

- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41** (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)
- **Amendments to IFRS 3** *Business Combinations* refers to reference to the Conceptual Framework, **IAS 16** *Property, Plant and Equipment* refers to proceeds before intended use; **IAS 37** *Provisions, Contingent Liabilities and Contingent Assets* refers to onerous contracts, all issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).
- **Amendments to** *Annual Improvements 2018-2020*, amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).
- **Amendments to IFRS 16** *Leases:* Covid-19- Related Rent Concessions beyond 30 June 2021, issued on 31 March 2021, (effective date for annual periods beginning on or after 1 April 2021).

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

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

- **Amendments to IAS 12** *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transactions, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **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).
- **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 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).
- **Amendments to IFRS 17** *Insurance contracts: Initial application of IFRS 17 and IFRS 9 -Comparative information* issued on 9 December 2021, (effective date for annual periods beginning on or after 1 January 2023).
- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28** (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)
- **IFRS 14**, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016)

The adoption of these Standards and Interpretations is expected to have no significant impact on the financial statements of the Group and the Company.

2. SIGNIFICANT 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 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 16** *Leases***:** Lease liability in Sale and Leaseback, issued on 22 September 2022 effective date for annual periods beginning on or after 1 January 2023).

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

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) prepared as at 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 predecessor values to a company, which is legal successor, and no restatements of prior periods are done.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 service cost.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)

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 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 recognized in INA Group consolidated financial statements, 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 Group and the Company 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. SIGNIFICANT 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 evaluation costs

Exploration and evaluation costs are accounted for on the successful efforts method. Costs relating to exploration and evaluation 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 current 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 in which the decision has been made. 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. SIGNIFICANT 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. 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 carried at its cost 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 in line other material costs.

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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Depreciation, Depletion and Amortisation (continued)

Software	5	years
Patents, licenses and other rights	5	years
Buildings	5 - 50	years
Collective consumption assets	50	years
Refineries and chemicals manufacturing plants	3 - 15	years
Machinery	2 - 25	years
Service stations	30	years
Vehicles	4 - 20	years
Telecommunication and office equipment	2 - 10	years

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

Investment property

Investment property is a property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

For investment properties, the cost model is applied by the Group and the Company. Transfer to, or from, investment property shall be examined when there is an evident change in use. The Group and the Company apply straight-line method depreciation, where building's useful life estimate ranges from 5-50 years.

Impairment of property, plant and equipment 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 property, plant and equipment 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.

It may occur that an asset is operated in such technical environment that does not make it possible to measure individually the value in use of the asset because it can only be assessed by the united performance of several assets operated as a complex and interrelated. In such a case that smallest asset group should be defined whose continued use results in such positive cash flow that can be separated from the cash flow of other assets or asset groups. Assessment of impairment should be performed for the asset group defined in such a way, as if the asset group itself was an indivisible asset.

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.

Recoverable amount is the higher of fair value less costs of disposal 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment and intangible assets other than goodwill (continued)

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.

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.

Leases

The Group and the Company 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 Group and the Company 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 Group and the Company 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.

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 Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated based on contract duration. Right-of-use assets are presented as separate line in the statement of financial position.

The right-of-use assets are also subject to impairment. In accordance with 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

2. *Lease liabilities (continued)*

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 separated 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 Group and the Company apply recognition exemption to office equipment lease that is considered as 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. SIGNIFICANT 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 expected credit loss (*ECL*) for all debt instruments not held at fair value through profit or loss.

Expected credit loss model is used for calculation of impairment of receivables. The expected credit losses are required to be measured through a loss allowance at an amount equal to full lifetime expected credit losses (expected credit losses that result from all possible default events over the life 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 customers 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.

The forward-looking element is based on robust negative correlation between banking sector credit losses and two years' lags of real GDP growth. Time series for trade credit losses are not available, but assumption is that banking sector credit losses co-move with trade credit losses.

Receivables that are a subject of a court process (court dispute, bankruptcy, liquidation) are value adjusted in accounting records.

Inventories

Inventories include assets held for sale in the ordinary course of business; assets in the process of production for such sale; and materials and supplies to be consumed in the production process or in the rendering of services. INA Group inventories are classified into the six main pillars: refined products, work in progress, crude oil, merchandise, raw materials and spare parts and materials and supplies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)

Inventories are measured at the lower of cost or net realizable value.
The cost of inventories includes all the costs of purchase and conversion and all other expenses that were incurred to have the inventories get to their present location and condition. The weighted average cost method is applied to inventory cost.

Cost of purchase

The cost of purchase of inventories comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the tax authorities), transport, material handling and other costs directly attributable to the acquisition of purchased goods and materials. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Cost of conversion

The cost of conversion of inventories includes the costs directly related to production units, such as direct labour costs. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished products. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as the depreciation and maintenance of factory buildings and equipment, and the costs of factory management and administration. Variable production overheads are those indirect costs of production that vary directly or nearly directly, with the volume of production, such as indirect materials and indirect labour.

Net realizable value

Net realizable value is calculated as 98.32% of expected sales price and it is based on the most reliable evidence available at the time the estimates are made.

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 2022 was 0.54% and for 2021 it was 0.81%.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The individual financial statements of each Group and the Company 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.

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, 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.

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 is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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 awards

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.

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 income or expense; 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 current tax expense and deferred tax expense.

Current tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from accounting profit for the period because it does not include items of income or expense that are taxable or deductible in other years, as well as items that are never taxable or deductible. The current tax liability is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

Deferred tax is amount of corporate income tax which will result in taxable or deductible amounts in determining taxable profit in future periods and based 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.

Deferred tax is calculated using tax rates that have been enacted or applicable by the end of the reporting year and are expected to apply in period in which temporary differences are expected to be compensate or settled.

Deferred tax assets are recognised where it is probable that assets will be realised in the future. At each date of Statement of financial position, the Company re-assesses deferred tax assets and recognizes it up to the amount of taxable profit that will probably be available for utilization of temporary differences on which deferred tax assets were posted.

Deferred taxes are calculated on temporary differences which occurred based on investments in subsidiaries and associated companies, except in case when the Group can make impact on reversal of the temporary difference and when is probable that temporary difference will not be reversed in the foreseeable future.

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 Tax Authorities.

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 the business combination accounting.

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.

Within statement of cash flows, intercompany loans are presented net due to the facts that cash receipts and payments have a quick turnover, the amounts are large, and the maturities are short.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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 Group and the Company invest only in government bonds and quoted debt securities with a very low credit risk. When the asset is derecognised or reclassified, changes in fair value previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss.

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

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

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 Group and the Company elected to classify its listed equity investments under this category (see note 41).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

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 Group and the Company 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 in case of financial assets where there is 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or the entity has opted to measure a liability at fair value through profit or loss. A financial liability is required to be measured at fair value through profit or loss in case of derivatives.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Loans

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing on loans 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 Group and the Company do not have any financial instrument 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.

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 Management Board as 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 Group and the Company 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 rate 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for green rights

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 for the exceeding emission allowances. In case a company covers its liability by forward derivative deals, provision for the quantity covered by these deals is calculated using forward rates of the derivative deals. For any residual excess, the current fair value at the reporting date is used.

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 plant separately and recorded on emitting segment.

Revenue from Contracts with Customers

Under IFRS 15 the Group and the Company 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 Group and the Company 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.

In determining the transaction price, the Group and the Company 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 Group and the Company 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 Group and the Company 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 Group and the Company. 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 Group and the Company do not disclose information about the allocation of the transaction price.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (continued)

Excise duties

When the inventory leaves the excise warehouse and the excise duty liability is recognized, the value of the excise duty is recognized as Other current assets.

Excise duty amount which is included in Other current assets is recognized until the inventory is sold or consumed.

When the inventory is sold, the excise duty is passed on to the customer. This is the tax amount which is collected on behalf of third parties and it is not included in revenue (see note 3).

Construction – maintenance and service contracts

For each performance obligation satisfied over time, the Group and the Company 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 Group and the Company have the INA loyalty programme, Loyalty Points, which allows customers to accumulate points and reach certain status. Each status achieved 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, the Group and the Company consider the likelihood that the customer will use the benefit. The Group and the Company updates its estimates of the benefits that will be used by the customers at least once a year and any adjustments to the contract liability balance are charged against revenue.

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 and the Company are 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 32).

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. INA Group recognized an asset impairment in the total amount of HRK 378 million and a reversal of impairment in total amount of HRK 179 million as at 31 December 2022 (2021: INA Group impairment HRK 129 million), while INA, d.d. recognized an assets impairment in the amount of HRK 370 million and a reversal of impairment in the amount of HRK 144 million (2021: INA, d.d. impairment of HRK 115 million).

Carrying value of goodwill

In 2022 no impairment of goodwill was recognised (2021: HRK 30 million). The carrying amount of goodwill amounted to HRK 28 million as at 31 December 2022 (2021: HRK 28 million) (see Note 13).

Carrying value of intangible exploration and evaluation assets

The carrying amount of intangible exploration and evaluation assets amounted to HRK 247 million as at 31 December 2022 and HRK 237 million as at 31 December 2021 (see Note 13). As at 31 December 2022, INA Group and INA, d.d. recognized impairment of negative wells in the amount of HRK 9 million at 31 December 2022 (2021: HRK 40 million for INA Group and INA, d.d.).

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 3,018 million as at 31 December 2022 (2021: HRK 3,426 million) (see Note 14). As at 31 December 2022, production oil and gas assets were impaired in the amount of HRK 370 million, while impairment reversals amounted to HRK 144 million (2021: INA Group and INA, d.d. recognized an asset impairment in the amount of HRK 106 million). Estimated value in use of production oil and gas assets would be HRK 2,440 million higher (lower) if the Brent price and the selling price of domestic gas would increase (decrease) by 10% in the long run.

Carrying value of Refining and Marketing assets

The carrying amount of Refining and Marketing assets amounted to HRK 7,647 as at 31 December 2022 (2021: HRK 6,511 million). Refining and Marketing in respect of Consumer services and Retail did not record value adjustment of tangible asset under construction (2021: HRK 9 million impairment of tangible assets under construction). Estimated value in use of Refining and Marketing assets would be HRK 1,196 million higher (lower) if the diesel and gasoline crack spreads would increase (decrease) by 5% in the long run.

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.

The analysis concluded that due to the changes in the interest rates and therefore the change in the applied discount rate, triggering event exist. Impairment test of Refining and Marketing assets was performed and it was concluded that there is no changes in the long term asset value.

Exploration and Production

The estimate of the future price of hydrocarbons, as a key value indicator for the Oil and Gas Exploration and Production assets, has significantly improved compared to the reporting period last year taking into account regulated natural gas sales prices until the end of March 2024. Additionally, due to the changes in the interest rates, applied discount rates were updated.

The Management Board performed identification and assessment of indicators in accordance with IAS 36. Within Exploration and Production area, impairment test was performed for all filed which have crude oil and natural gas production and impairment reversal was recognized on concession area NACA and Angola 305/A and on fields Bunjani, Beničanci, Bilogora, Ježevo, Mramor Brdo i Zebanec. On fields Mramor Brdo, Hrastilnica, Čepelovac Hampovica, Ježevo, Štekovica, Drava (Ždela i Bačkovica), Molve, Syrian concession and Egypt (restated: Sidi Rahman & Ras Qatara) impairment was recognized.

Investments in Syria

Since 1998, INA, d.d. has had six 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 USA and the EU.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Key assumptions used (continued)

Investments in Syria (continued)

Current situation

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

After the EU imposed sanctions on Syria, the only foreign companies that continued doing business in Syria are those from Russian Federation. In 2018, Syria and Russian Federation signed an energy cooperation agreement providing the companies from the Russian Federation with the exclusive right to rebuild the Syrian energy infrastructure. INA's management had been expecting that through Russian Federation companies it might still receive a return on its investment. However, given the escalation of the conflict in Ukraine in 2022 and a series of sanctions imposed by both EU and USA, it is expected that there will be no return on the Company's investments in Syria.

Therefore, Company fully impaired all Syrian assets in 2022 (see Note 14).

Determination of foreign operation

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). On gas field Isabella, (located in international waters in the North Adriatic Sea) 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 are most of the costs. Capital expenditures are planned and presented in dollars or euros. Although they are not separate legal entities, based on the facts that these are integrated set of assets with inputs, processes and outputs, they meet the definition of a foreign operation in accordance with IAS 21.

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 2,964 million at INA Group and INA, d.d. HRK 3,163 million as at 31 December 2022 (31 December 2021: INA Group HRK 3,068 and INA, d.d. HRK 3,273) (see Note 32). Change in decommissioning costs of 10% effects the provision in the same direction and percentage. Discount rate higher by one percentage point reduces the provision by 12%, while a discount rate lower by one percentage point increases the provision by 15%.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

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 2022 INA Group recognized environmental provision and provision for green rights in the amount of HRK 524 million (2021: HRK 464 million) and INA, d.d in the amount of HRK 522 million (2021: HRK 461 million) (see Note 32), 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.

Recognition of excise duties

The accounting for sales or excise duties may vary depending on the different tax regimes in various jurisdictions.

When determining the transaction price, the entity takes into account the terms of the contract, its usual business practice and the business practice of the industry. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods, excluding amounts collected on behalf of third parties.

The Management assessed the following indicators regarding excise duties: the triggering event to pay, the base for calculation of excise duty, collection and settlement of liability and other rights and obligations connected with excise duties. Based on the indicators considered and the nature of excise duty system, where excise duties are set up to be levied on the end consumer, the Management applied judgement to determine that excise duties represent amounts collected on behalf of third parties and therefore are not included in the entity's revenue. In 2022, the entity settled excise duty liabilities in the amount of HRK 5,522 million (2021: HRK 5,750 million).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Availability of taxable profit on which the deferred tax assets can be recognized

A deferred tax asset for unused tax losses carried forward is recognized to the extent to which taxable profit is likely to be available, respectively to the extent of the available taxable temporary differences of the same Tax Authorities, which will result in taxable amounts for which unused tax losses can be used before its expiration.

Management believes that recognized deferred tax asset is recoverable. At 31 December 2022 the carrying amount of deferred tax assets of INA Group amounted to HRK 977 million (2021: HRK 946 million) and deferred tax liabilities amounted to HRK 17 million at 31 December 2022 (2021: HRK 15 million). At 31 December 2022 the carrying amount of deferred tax assets of INA, d.d. amounted to HRK 831 million, (31 December 2021: HRK 797 million) (see Note 11). If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by HRK 20 million at 31 December 2022 (31 December 2021: HRK 16 million).

Useful life of the assets

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 2022 had no significant changes compared to the previous estimate. Increase of useful life of property plant and equipment by 5% results in decrease of depreciation of HRK 67 million in 2022 (31 December 2021 decrease in the amount of HRK 69 million). Decrease of useful life of property plant and equipment by 5% results in increase of depreciation by HRK 74 million in 2022. (2021: HRK 76 million increase).

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 Group and the Company 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 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). The decrease or increase of the incremental borrowing rate for 3 base points does not have a significant impact on the value of the lease liabilities in INA Group and INA, d.d.

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 Group and the Company may be delayed or unsuccessful for many various reasons, including budgeted cost overrun, geological issues, difficulties in meeting the requirements of competent bodies, lack 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 Group and the Company 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.

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Hydrocarbon reserves (continued)

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. In line with industry practice, the Proven and Probable (2P) level of reserves is considered the basis for determining management's best estimate of future cash flows.

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

The carrying amount of the investment in subsidiaries amounts to HRK 1,828 million as at 31 December 2022 and HRK 1,826 million as at 31 December 2021. The carrying amount of loans given to subsidiaries amounts to HRK 823 million as at 31 December 2022 and HRK 662 million at 31 December 2021.

Due to the significant exposure to subsidiaries (calculated as the sum of carrying value of investment and given loans, net) the existence of impairment indicators requires Managements judgement in determining the appropriate approach for testing impairment. In impairment testing, discount rate higher by one percentage point would result in an impairment of HRK 126 million, while a decrease by one percentage point would result in a reversal of HRK 42 million.

Contract balances

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
		Restated		*Restated*
Trade receivables	2,739	2,007	2,437	1,749
Contract assets	9	1	-	-
Contract liabilities (note 29)	84	85	68	68

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 84 million in 2022 as well as HRK 85 million in 2021 for the Group (the Company: HRK 68 million in 2022 and 2021). The remaining performance obligations are expected to be recognised in following year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

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 Group and the Company principally satisfies its performance obligations at a point in time.

Russia – Ukraine conflict

Management is continuously investigating and assessing the possible effects of the current geopolitical situation, international sanctions and other possible limitations on the supply chain and business activities of INA Group, driven by the Russia's invasion of Ukraine that commenced on 24 February 2022.

Increased price environment, caused by the geopolitical uncertainties, strongly impacted the Exploration and Production revenues, with HRK 2.6 billion increase compared to previous year. Still, regulated price for domestically produced gas effective from Q4 2022 until the end of Q1 2024, setting the price at 41 EUR/MWh, will have a significant effect on the segment revenues in 2023. Furthermore, although Croatia was granted the exception, under certain conditions, for Russian VGO import, the Management is continuously investigating also the possibility for potential non-Russian VGO import, all for the purpose to preserve the regular and uninterrupted supply chain and business activity.

Additionally, continued force majeure as a result of imposed sanctions in previous period, combined with the escalated international geopolitical situation, triggered impairment of the remaining Syrian assets.

INA Group exposure to Russia and Ukraine does not require any adjustments to these financial statements as at 31 December 2022, and is not expected to jeopardize the business continuity of the Group.

Restatement of prior period

The following tables summarise the impact of the corrections of prior period errors in these financial statements. The impact of the prior period errors on both basic and diluted earnings per share is presented in this note as well.

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA Group's consolidated statement of profit or loss and consolidated statement of other comprehensive income is as follows:

	Reference	Year ended 31 December 2021	Correction	Year ended 31 December 2021 *Restated*
Extract from INA Group's Consolidated Statement of Profit or Loss				
Depreciation, amortisation and impairment	1	(1,813)	(33)	(1,846)
Profit/(loss) before tax		**1,587**	**(33)**	**1,554**
Income tax expense	1	(273)	6	(267)
Profit/(loss) for the year		**1,314**	**(27)**	**1,287**
Attributable to:				
Equity holders of the parent		1,312	(27)	1,285
Non-controlling interest		2	-	2
Extract from INA Group Consolidated Statement of Other Comprehensive Income				
Gain on non-current financial assets	3, 4	78	(18)	60
Other comprehensive gain, net of income tax		**111**	**(18)**	**93**
Total comprehensive income for the year		**1,425**	**(45)**	**1,380**
				-
Attributable to:				
Equity holders of the parent		1,423	(45)	1,378
Non-controlling interest		2	-	2

Basic and diluted earnings per share for the prior year amounted to HRK 131.25. After the correction basic and diluted earnings per share were decreased by HRK 2.76.

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA, d.d. separate statement of profit or loss and separate statement of other comprehensive income is as follows:

	Reference	Year ended 31 December 2021	Correction	Year ended 31 December 2021 *Restated*
Extract from INA, d.d. Separate Statement of Profit or Loss				
Depreciation, amortisation and impairment	1	(1,735)	(33)	(1,768)
Profit/(loss) before tax		**1,522**	**(33)**	**1,489**
Income tax expense	1	(249)	6	(243)
Profit/(loss) for the year		**1,273**	**(27)**	**1,246**
Extract from INA , d.d. Separate Statement of Other Comprehensive Income				
Gain on non-current financial assets	3, 4	78	(18)	60
Other comprehensive gain, net of income tax		**118**	**(18)**	**100**
Total comprehensive income for the year		**1,391**	**(45)**	**1,346**

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA Group's Consolidated statement of financial position is as follows:

ASSETS	**Reference**	**31 December 2021**	**Correction**	**31 December 2021**	**31 December 2020**	**Correction**	**1 January 2021**
				Restated			*Restated*
Non-current assets							
Property, plant and equipment	1, 5	11,429	(180)	11,249	11,700	(153)	11,547
Investment property	5	-	94	94	-	100	100
Other investments	6	17	(8)	9	17	(7)	10
Long-term receivables / Other non-current assets*	6	835	(537)	298	843	(490)	353
Other non-current financial assets	6	-	544	544	-	497	497
Deferred tax assets	1, 3	949	(3)	946	1,210	(12)	1,198
Long-term marketable securities	6	42	1	43	-	-	-
Non-current financial assets	3	655	101	756	560	123	683
Total non–current assets		**14,928**	**12**	**14,940**	**15,373**	**58**	**15,431**
Inventories	6	2,146	-	2,146	1,624	1	1,625
Other receivables / Other current financial assets**	6, 10	164	1,175	1,339	192	(108)	84
Corporate income tax receivables	6	6	-	6	5	1	6
Other current assets	2, 6	79	183	262	89	169	258
Derivative financial instruments	6	-	11	11	-	26	26
Marketable securities	6	17	-	17	78	1	79
Cash and cash equivalents	10	2,630	(1,278)	1,352	-	-	-
Total current assets		**7,062**	**91**	**7,153**	**3,623**	**90**	**3,713**
TOTAL ASSETS		**21,990**	**103**	**22,093**	**18,996**	**148**	**19,144**

* Financial statements line was renamed from Long-term receivables to Other non-current assets

** Financial statements line was renamed from Other receivables to Other current financial assets

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA Group's Consolidated statement of financial position is as follows:

	Reference	**31 December 2021**	**Correction**	**31 December 2021** *Restated*	**31 December 2020**	**Correction**	**1 January 2021** *Restated*
Fair value reserves	3	280	83	363	202	101	303
Retained earnings	1, 2	(274)	20	(254)	(1,586)	47	(1,539)
TOTAL EQUITY		**10,782**	**103**	**10,885**	**9,357**	**148**	**9,505**
Other current financial liabilities		-	-	-	-	2	2
Taxes and contributions	6	938	(9)	929	637	-	637
Income tax payables	6	-	9	9	-	-	-
Other current liabilities	6	586	(64)	522	1,122	(119)	1,003
Derivative financial instruments	6	-	64	64	-	117	117
Total liabilities		**11,208**	**-**	**11,208**	**9,639**	**-**	**9,639**
TOTAL EQUITY AND LIABILITIES		**21,990**	**103**	**22,093**	**18,996**	**148**	**19,144**

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA, d.d. Separate statement of financial position is as follows:

ASSETS	**Reference**	**31 December 2021**	**Correction**	**31 December 2021**	**31 December 2020**	**Correction**	**1 January 2021**
				Restated			*Restated*
Property, plant and equipment	1, 5	10,160	(162)	9,998	10,417	(132)	10,285
Investment property	5	-	76	76	-	79	79
Other investments	6	647	(640)	7	767	(760)	7
Long-term receivables / Other non-current assets*	6	834	(537)	297	850	(490)	360
Other non-current financial assets	6	-	1,176	1,176	-	1,248	1,248
Deferred tax assets	1, 3	799	(2)	797	1,054	(12)	1,042
Long-term marketable securities	6	42	1	43	-	-	-
Non-current financial assets	3	655	101	756	560	123	683
Total non–current assets		**16,058**	**13**	**16,071**	**16,617**	**56**	**16,673**
Other receivables / Other current financial assets**	6, 10	118	1,246	1,364	155	(36)	119
Other current assets	2, 6	74	112	186	98	101	199
Derivative financial instruments	6	-	11	11	-	26	26
Marketable securities	6	17	-	17	78	1	79
Cash and cash equivalents	10	2,573	(1,278)	1,295	-	-	-
Total current assets		**6,673**	**91**	**6,764**	**3,127**	**92**	**3,219**
TOTAL ASSETS		**22,731**	**104**	**22,835**	**19,744**	**148**	**19,892**

* Financial statements line was renamed from Long-term receivables to Other non-current assets

** Financial statements line was renamed from Other receivables to Other current financial assets

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA, d.d. Separate statement of financial position is as follows:

	Reference	31 December 2021	Correction	31 December 2021 *Restated*	31 December 2020	Correction	1 January 2021 *Restated*
Fair value reserves	3	280	83	363	202	101	303
Retained earnings	1, 2	1,032	21	1,053	(241)	48	(193)
TOTAL EQUITY		**11,722**	**104**	**11,826**	**10,331**	**149**	**10,480**
Current portion of long-term lease liabilities	6	101	-	101	100	(1)	99
Other current financial liabilities	6	-	1	1	-	1	1
Taxes and contributions	6	809	-	809	554	-	554
Other current liabilities	6	431	(65)	366	965	(117)	848
Derivative financial instruments	6	-	64	64	-	116	116
Total liabilities		**11,009**	**-**	**11,009**	**9,413**	**(1)**	**9,412**
TOTAL EQUITY AND LIABILITIES		**22,731**	**104**	**22,835**	**19,744**	**148**	**19,892**

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA Group's Consolidated statement of cash flows is as follows:

	Reference	Year ended 31 December 2021	Correction	Year ended 31 December 2021
Profit for the year	1	**1,314**	**(27)**	**1,287**
Adjustments for:				
Depreciation, amortisation and impairment	1	1,813	33	1,846
Income tax expense recognised in profit and loss	1	273	(6)	267
Interest (income)/expense (net)	9	13	(13)	-
Interest income	9	-	(1)	(1)
Interest expense	9	-	14	14
		3,906	**-**	**3,906**
Movements in working capital				
Increase in trade and other payables	8	2,103	89	2,192
Cash generated from operations		**3,387**	**89**	**3,476**
Net cash inflow from operating activities		**3,365**	**89**	**3,454**
Short-term deposits given	10	-	(1,278)	(1,278)
Net cash used in investing activities		**(1,525)**	**(1,278)**	**(2,803)**
Cash flows from financing activities				
Change in short term borrowings (net)	7	(988)	988	-
Proceeds from borrowings	7	-	12,874	12,874
Repayment of borrowings	7	-	(13,862)	(13,862)
Payment of principal portion of lease liabilities	8	3	(89)	(86)
Net cash flows from/(used in) financing activities		**400**	**(89)**	**311**
Net increase/(decrease) in cash and cash equivalents		**2,240**	**(1,278)**	**962**
At 1 January		399	-	399
Effect of foreign exchange rate changes		(9)	-	(9)
At 31 December		**2,630**	**(1,278)**	**1,352**

(all amounts are presented in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

The effect of corrections of INA, d.d. Separate statement of cash flows is as follows:

	Reference	Year ended 31 December 2021	Correction	Year ended 31 December 2021 *Restated*
Profit for the year	1	**1,273**	**(27)**	**1,246**
Adjustments for:				
Depreciation, amortisation and impairment	1	1,735	33	1,768
Income tax expense recognised in profit and loss	1	249	(6)	243
Interest (income)/expense (net)	9	(11)	11	-
Interest income	9	-	(26)	(26)
Interest expense	9	-	15	15
		3,725	**-**	**3,725**
Movements in working capital				
Increase in trade and other payables	8	2,063	77	2,140
Cash generated from operations		**3,127**	**77**	**3,204**
Net cash inflow from operating activities		**3,117**	**77**	**3,194**
Short-term deposits given	10	-	(1,278)	(1,278)
Net cash used in investing activities		**(1,300)**	**(1,278)**	**(2,578)**
Cash flows from financing activities				
Change in short term borrowings (net)	7	(950)	950	-
Proceeds from borrowings	7	-	12,640	12,640
Repayment of borrowings	7	-	(13,590)	(13,590)
Payment of principal portion of lease liabilities (net)	8	(33)	(77)	(110)
Net cash flows from/(used in) financing activities		**402**	**(77)**	**325**
Net increase/(decrease) in cash and cash equivalents		**2,219**	**(1,278)**	**941**
At 1 January		351	-	351
Effect of foreign exchange rate changes		3	-	3
At 31 December		**2,573**	**(1,278)**	**1,295**

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Restatement of prior period (continued)

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

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

9 Other presentation changes to the statement of cash flows.

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

4. SEGMENT INFORMATION

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 provide 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 oil and gas) is performed through intersegment transfer. For segmental reporting purposes, the transfer of 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 2022:

31 December 2022	Exploration and Production	Refining and Marketing	Corporate and other	Intersegment transfers and consolidation adjustments	Total
Sales to external customers	565	34,318	231	-	35,114
Intersegment sales	6,160	101	1,133	(7,394)	-
Total revenue	**6,725**	**34,419**	**1,364**	**(7,394)**	**35,114**
Operating expenses, net of other operating income	(2,832)	(34,750)	(1,584)	7,282	(31,884)
Profit/(loss) from operations	**3,893**	**(331)**	**(220)**	**(112)**	**3,230**
Net finance loss					(124)
Share of net loss of joint ventures accounted for using the equity method					(27)
Profit before tax					3,079
Income tax expense					(1,177)
Profit for the year					**1,902**

The following table presents information on revenues and expenditures of INA Group operations for 2021:

31 December 2021	Exploration and Production	Refining and Marketing	Corporate and other	Intersegment transfers and consolidation adjustments	Total
Sales to external customers	365	21,827	208	-	22,400
Intersegment sales	3,512	85	1,138	(4,735)	-
Total revenue	**3,877**	**21,912**	**1,346**	**(4,735)**	**22,400**
Operating expenses, net of other operating income	(2,342)	(21,389)	(1,645)	4,445	(20,931)
Profit/(loss) from operations	**1,535**	**523**	**(299)**	**(290)**	**1,469**
Net finance gain					94
Share of net profit of joint ventures accounted for using the equity method					(9)
Profit before tax					1,554
Income tax expense					(267)
Profit for the year					**1,287**

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

The following table presents information of financial position of INA Group operations for 2022:

31 December 2022 Assets and liabilities	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Intangible assets	264	56	179	-	499
Property, plant and equipment (restated)	3,755	7,802	1,024	(543)	12,038
Investment property (restated)	-	16	120	-	136
Right-of-use assets	5	279	21	(2)	303
Investments in associates and joint venture	20	8	-	-	28
Inventories	171	3,116	161	(449)	2,999
Trade receivables, net	228	2,480	231	(200)	2,739
Not allocated assets					5,135
Total assets					**23,877**
Trade payables	347	1,997	340	(200)	2,484
Not allocated liabilities					9,458
Total liabilities					**11,942**
Other segment information					
Property, plant and equipment	777	1,755	145	(33)	2,644
Intangible assets	18	4	62	-	84
Capital expenditure:	**795**	**1,759**	**207**	**(33)**	**2,728**
Depreciation, amortisation	999	691	150	(2)	1,838
Impairment charges	13	115	12	(3)	137

The following table presents information of financial position of INA Group operations for 2021:

31 December 2021 Assets and liabilities	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Intangible assets	245	22	182	-	449
Property, plant and equipment (restated)	4,096	6,651	1,013	(511)	11,249
Investment property (restated)	-	25	69	-	94
Right-of-use assets	8	273	29	(3)	307
Investments in associates and joint venture	-	245	-	-	245
Inventories	214	2,125	180	(373)	2,146
Trade receivables, net	146	1,822	265	(226)	2,007
Not allocated assets					5,596
Total assets					**22,093**
Trade payables	300	1,751	318	(226)	2,143
Not allocated liabilities					9,065
Total liabilities					**11,208**
Other segment information					
Property, plant and equipment	541	903	54	(23)	1,475
Intangible assets	67	1	55	-	123
Capital expenditure:	**608**	**904**	**109**	**(23)**	**1,598**
Depreciation, amortisation	892	730	226	(2)	1,846
Impairment charges	(40)	63	57	1	81

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

BY GEOGRAPHICAL AREAS

INA Group

31 December 2022	Republic of Croatia	Bosnia and Herzegovina	Egypt	Syria	Other countries	Total
Intangible assets	393	6	51	-	49	499
Property, plant and equipment (restated)	11,265	411	95	-	267	12,038
Investment property (restated)	132	3	-	-	1	136
Right-of-use assets	266	24	-	-	13	303
Investments in associates and joint venture	28	-	-	-	-	28
Inventories	2,847	98	-	-	54	2,999
Trade receivables, net	1,867	163	218	-	491	2,739
Not allocated assets						5,135
Total assets						**23,877**
Other segment information						
Property, plant and equipment	2,508	19	90	-	27	2,644
Intangible assets	68	-	16	-	-	84
Capital expenditure:	**2,576**	**19**	**106**	**-**	**27**	**2,728**

INA Group

31 December 2021	Republic of Croatia	Bosnia and Herzegovina	Egypt	Syria	Other countries	Total
Intangible assets	357	6	37	-	49	449
Property, plant and equipment (restated)	10,168	411	50	262	358	11,249
Investment property (restated)	89	3			2	94
Right-of-use assets	292	9	-	-	6	307
Investments in associates and joint venture	245	-	-	-	-	245
Inventories	2,030	73	-	-	43	2,146
Trade receivables, net	1,351	122	151	-	383	2,007
Not allocated assets						5,596
Total assets						**22,093**
Other segment information						
Property, plant and equipment	1,296	12	129	-	38	1,475
Intangible assets	88	-	35	-	-	123
Capital expenditure:	**1,384**	**12**	**164**	**-**	**38**	**1,598**

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

INA Group

	Revenues from external customers	
	2022	**2021**
Republic of Croatia	23,572	13,250
Bosnia and Hercegovina	4,590	2,706
Great Britain	1,915	715
Hungary	1,550	2,041
Montenegro	537	341
Italy	402	337
Egypt	401	264
Slovenia	343	267
Albania	286	-
Malta	180	408
Other countries	1,338	2,071
	35,114	**22,400**

INA, d.d.

	Revenues from external customers	
	2022	**2021**
Republic of Croatia	23,457	13,187
Bosnia and Hercegovina	4,206	2,340
Great Britain	1,915	715
Hungary	1,411	1,797
Montenegro	743	375
Italy	402	337
Egypt	401	264
Slovenia	312	240
Malta	180	408
Other countries	1,322	2,028
	34,349	**21,691**

Information about major customers

In 2022 and 2021 there was no single third party customer that would contribute to 10% or more of the Group’s and the Company’s revenue.

(all amounts are presented in HRK millions)

4. SEGMENT INFORMATION (CONTINUED)

Revenue by nature at INA Group and the Company:

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
Sales of oil and oil products	26,801	17,606	26,493	17,300
Sales of natural gas and gas products	5,919	2,774	5,878	2,739
Sales of retail products	1,495	1,303	1,292	1,125
Sales of services	467	419	258	230
Other sales revenue	432	298	428	297
Sales to external customers	**35,114**	**22,400**	**34,349**	**21,691**
Product transferred at point of time	34,647	21,981	34,091	21,461
Products and services transferred over time	467	419	258	230

5. OTHER OPERATING INCOME

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
Profit from sale of property, plant and equipment	99	53	94	15
Income from rental activities	65	58	66	62
Income from contractual penalties	53	38	53	37
Surpluses	40	25	32	23
Commission fee and charges	29	21	27	19
Income from sediment reduction	15	10	15	10
Payment in kind	14	11	11	9
Rebates and returns	12	10	11	10
Income from collected damage claims	2	40	1	40
Other	36	53	26	36
Total	**365**	**319**	**336**	**261**

(all amounts are presented in HRK millions)

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	INA Group		INA, d.d.	
	2022	2021	2022	2021
		Restated		*Restated*
Depreciation of property, plant and equipment (note 14 b)	1,449	1,493	1,410	1,445
Depreciation of right-of-use asset	92	84	108	104
Depreciation of intangible assets (note 13)	63	58	61	57
Depreciation of investment property	7	6	4	4
Impairment of property, plant and equipment and intangible assets (note 13 and 14)	208	199	235	153
Write-off PP&E, net	19	6	8	5
	1,838	**1,846**	**1,826**	**1,768**

7. STAFF COSTS

	INA Group		INA, d.d.	
	2022	2021	2022	2021
Net salaries and wages	998	945	451	442
Tax and contributions for pensions and health insurance	568	539	286	278
Other payroll related costs	237	281	94	105
	1,803	**1,765**	**831**	**825**

In 2022, the expense for defined contribution of INA Group amounted to HRK 258 million, while expense for defined contribution plan of INA, d.d. amounted to HRK 122 million, (2021: INA Group HRK 244 million and INA, d.d. HRK 118 million).

In 2022 INA Group occurred expense of severance payments in the amount of HRK 47 million which is included in total staff costs (2021: HRK 69 million), while INA, d.d. occurred expense of severance payment in the amount of HRK 37 million (2021: HRK 37 million).

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.	
	2022	2021	2022	2021
	Number of employees	Number of employees	Number of employees	Number of employees
Refining and Marketing	5,647	5,673	1,673	1,750
Corporate and other	2,918	2,975	414	486
Exploration and Production	907	987	889	986
	9,472	**9,635**	**2,976**	**3,222**

(all amounts are presented in HRK millions)

8. IMPAIRMENT CHARGES (NET)

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
Non-financial assets				
Impairment of inventory, net	131	114	95	69
Financial assets				
Impairment of trade receivables, net	(3)	(54)	(3)	(54)
Other impairment, net	9	21	7	21
	137	**81**	**99**	**36**

9. PROVISIONS FOR CHARGES AND RISKS (NET)

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
Provision for emission rights	232	185	232	185
Provision for severance pay	53	5	46	4
Provision for renewable energy	53	25	53	25
Provision for decommissioning charges	9	88	2	93
(Reversal of provision)/ Provision for taxation	(14)	15	-	-
(Reversal of provision)/Provision for legal claims	(58)	(15)	1	7
(Reversal of provision)/Provision for retirement and jubilee benefits	(8)	6	(3)	1
Provision for/ (Reversal of provision) environmental liabilities	28	(5)	28	(5)
Provision for plant conservation	53	-	53	-
Other provisions	10	9	7	10
	358	**313**	**419**	**320**

(all amounts are presented in HRK millions)

10. FINANCE INCOME AND FINANCE COST

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
Foreign exchange gains from trade receivables and payables	104	134	93	86
Interest received and other finance income	86	17	102	43
Foreign exchange gains from loans and cash	53	22	52	12
Reversal of impairment from investment	-	-	3	-
Dividends received	8	170	69	213
Finance income	**251**	**343**	**319**	**354**
Foreign exchange losses from trade receivables and payables	168	60	145	56
Interest expense	85	84	90	89
Foreign exchange losses from loans and cash	80	64	78	57
Fees on bank loans	18	26	11	25
Foreign exchange losses from provisions	17	20	17	21
Interest expense from lease agreements	5	4	4	5
Capitalised borrowing costs	(7)	(12)	-	(12)
Other finance costs	9	3	9	1
Finance costs	**375**	**249**	**354**	**242**
Net gain/(loss) from financing activities	**(124)**	**94**	**(35)**	**112**

(all amounts are presented in HRK millions)

11. TAXATION

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
		Restated		*Restated*
Deferred tax expense related to creation and reversal of temporary differences	(46)	236	(52)	233
Current tax expense	612	31	602	10
Extra profit tax expense	611	-	611	-
Income tax expense	**1,177**	**267**	**1,161**	**243**

Corporate income tax on profit generated in Croatia is determined by applying the tax rate of 18% to the tax base determined in accordance with the tax regulation prevailing in Croatia.

Extra Profit Tax is a Croatian substitute measure for solidarity tax that ensures the implementation of Chapter III. of Council Regulation (EU) 2022/1854 of 6 October 2022 on emergency intervention to address high energy prices. Extra Profit Taxpayers are Income taxpayers whose total income in 2022 exceeds HRK 300 million and taxable profit in 2022 is more than 20% higher than the average taxable profit in the last four tax periods.

The Extra Profit Tax rate is 33% and will be applied only for the year 2022.INA, d.d. is the only company of INA Group that is subject to Extra Profit Tax payments in the amount of HRK 611 million.

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

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
		Restated		*Restated*
Profit before tax	3,079	1,554	2,998	1,489
Income tax expense calculated at tax rate of 18%	554	280	540	268
Income tax effect from previous years	(1)	9	-	-
Adjustment of deferred tax assets/liabilities related to previous years	26	5	20	11
Income tax expense from operations in other jurisdictions	4	8	3	10
Tax effect of permanent differences, net	(18)	(35)	(13)	(46)
Extra profit tax	611	-	611	-
Income tax expense	**1,177**	**267**	**1,161**	**243**

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

(all amounts are presented in HRK millions)

11. TAXATION (CONTINUED)

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

INA Group	**Impairment of property, plant and equipment and intangible assets**	**Impairment of current assets**	**Provisions**	**Impairment of financial investments**	**Tax losses**	**Deferred taxes on fair value**	**Total**
At 1 January 2021 (restated)	**637**	**56**	**144**	**65**	**286**	**(7)**	**1,181**
Charge directly to equity	-	-	-	(14)	-	-	(14)
Reversal of temporary differences	(92)	(8)	(38)	(2)	(263)	-	(403)
Origination of temporary differences	49	12	87	14	5	-	167
At 31 December 2021 (restated)	**594**	**60**	**193**	**63**	**28**	**(7)**	**931**
Charge directly to equity	-	-	(1)	(15)	-	-	(16)
Reversal of temporary differences	(87)	(8)	(72)	(58)	(6)	-	(231)
Origination of temporary differences	88	48	96	10	34	-	276
At 31 December 2022	**595**	**100**	**216**	**-**	**56**	**(7)**	**960**

INA, d.d.	**Impairment of property, plant and equipment and intangible assets**	**Impairment of current assets**	**Provisions**	**Impairment of financial investments**	**Tax losses**	**Total**
At 1 January 2021 (restated)	**617**	**49**	**128**	**(7)**	**254**	**1,041**
Charge directly to equity	-	-	1	(12)	-	(11)
Reversal of temporary differences	(77)	(7)	(31)	(2)	(248)	(365)
Origination of temporary differences	47	7	76	2	-	132
At 31 December 2021 (restated)	**587**	**49**	**174**	**(19)**	**6**	**797**
Charge directly to equity	-	-	(1)	(17)	-	(18)
Reversal of temporary differences	(80)	(7)	(60)	(24)	(6)	(177)
Origination of temporary differences	88	44	87	10	-	229
At 31 December 2022	**595**	**86**	**200**	**(50)**	**-**	**831**

11. TAXATION (CONTINUED)

The effects of provisions included in the previous tables mostly relate to provisions for bonuses, provisions based on IAS 19, provisions for emission units, for renewable energy sources, conservation of inactive assets and for environmental protection.

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
Tax losses can be utilised:				
- without expiry	79	78	-	-
- within 1 year	-	4	-	-
- within 2 years	-	-	-	-
- within 3 years	99	-	-	-
- within 4 years	32	133	-	34
- within 5 years	219	32	-	-
Total tax losses	**429**	**247**	**-**	**34**
Deferred tax on tax losses	56	28	-	6
Unrecognised deferred tax on tax losses	20	16	-	-

12. EARNINGS PER SHARE

	INA Group	
	31 December 2022	**31 December 2021 Restated**
Basic and diluted earnings/(loss) per share (HRK per share)	**189.50**	**128.49**

Earnings	INA Group	
	31 December 2022	**31 December 2022 Restated**
Earnings/(Loss) used in the calculation of total basic earnings per share	1,895	1,285
	1,895	1,285

Number of shares	INA Group	
	31 December 2022	**31 December 2022**
	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 15 June 2022, the Regular Shareholders' Assembly of INA, d.d. was held and the decision on dividend pay-out in the amount of HRK 980 million was made (HRK 98.00 per share). Dividend was paid-out to shareholders on 14 July 2022.

On 18 June 2021, the Regular Shareholders' Assembly of INA, d.d. was held and no decision was made on dividend pay-out.

(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	Emission quotas	Goodwill	Total
At 1 January 2021	**209**	**76**	**11**	**111**	**20**	**58**	**485**
Additions	66	-	-	57	26	-	149
Amortisation	-	(55)	(3)	-	-	-	(58)
Foreign exchange translation of foreign operations	2	-	-	-	-	-	2
Impairment	(40)	-	-	-	-	(30)	(70)
Utilisation of emission quotas	-	-	-	-	(46)	-	(46)
Transfer to property, plant and equipment	-	63	8	(84)	-	-	(13)
At 31 December 2021	**237**	**84**	**16**	**84**	**-**	**28**	**449**
Additions	18	-	-	66	241	-	325
Amortisation	-	(58)	(5)	-	-	-	(63)
Foreign exchange translation of foreign operations	2	-	-	-	-	-	2
Transfer to property, plant and equipment	-	1	5	(13)	-	-	(7)
Impairment	(9)	-	-	-	-	-	(9)
Utilisation of emission quotas	-	-	-	-	(198)	-	(198)
Assets put in use, transfer	(1)	47	3	(49)	-	-	-
At 31 December 2022	**247**	**74**	**19**	**88**	**43**	**28**	**499**

At 31 December 2022, INA Group and INA, d.d. Exploration and Production recorded impairment in the amount of HRK 9 million, while in 2021 the write-off of negative wells on intangible assets amounted to HRK 40 million.

(all amounts are presented in HRK millions)

13. INTANGIBLE ASSETS (CONTINUED)

INA, d.d.	**Oil and gas properties**	**Software**	**Patents, licences and other rights**	**Emission quotas**	**Intangible assets under construction**	**Total**
At 1 January 2021	**209**	**75**	**5**	**20**	**106**	**415**
Additions	66	-	-	26	56	148
Amortisation	-	(54)	(3)	-	-	(57)
Foreign exchange translation of foreign operations	2	-	-	-	-	2
Impairment	(40)	-	-	-	-	(40)
Utilisation of emission quotas	-	-	-	(46)	-	(46)
Transfer to property, plant and equipment	-	63	8	-	(81)	(10)
Other	-	1	-	-	(1)	-
At 31 December 2021	**237**	**85**	**10**	**-**	**80**	**412**
Additions	18	-	-	241	65	324
Amortisation	-	(57)	(4)	-	-	(61)
Foreign exchange translation of foreign operations	2	-	-	-	-	2
Impairment	(9)	-	-	-	-	(9)
Utilisation of emission quotas	-	-	-	(198)	-	(198)
Transfer to property, plant and equipment	-	46	7	-	(60)	(7)
At 31 December 2022	**248**	**74**	**13**	**43**	**85**	**463**

(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 2022	**31 December 2021**
Goodwill	**28**	**28**

At the end of 2022, goodwill relating to the company Rotary Zrt. was tested for impairment and the test showed that there is no need for impairment. At the end of 2021 goodwill relating to the company Rotary Zrt. was tested for impairment and the test showed that the impairment of HRK 30 million was required due to the extraordinary circumstances in the market of oil and petroleum products.

At 31 December 2022 and 31 December 2021, the recoverable amount of Rotary Zrt. operations were determined based on a value in use calculation using cash flow projections from financial budgets approved by the Company management covering a five-year period. The discount rate applied to cash flow projections is 7.5% (2021: 6.6%) and cash flows beyond the five-year period are prepared taking into consideration the historical average EBIT margin and future predictions in the projected period. The growth rates are based on industry growth forecasts and Upstream segment assumptions, whereby for this particular case no long-term growth rate is foreseen in line with expectations.

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

- Discount rates 7.5% (6.6% in 2021)
- Average EBIT margin 3.77% (3.2% in 2021)

A 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 recognised in relation to Rotary's net realisable value. The sensitivity analysis of the key assumptions used in the impairment test shows the following effects:

- 1% increase in the discount rate indicates HRK 17 million decrease (impairment of HRK 11.2 million), 1% decrease results in HRK 25 million increase in the NPV
- +/-1% alteration of the average EBIT margin indicates HRK 20 million difference in the NPV (impairment of HRK 14.1 million if the average margin would be lower).

The average EBIT margin is based on management's estimates. 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

INA Group	**Oil and gas properties**	**Land and buildings**	**Plant and machinery**	**Vehicles and office equipment**	**Collective consumption assets**	**Assets under construction**	**Total**
Cost (restated)	43,354	12,558	15,359	2,672	44	1,211	**75,198**
Accumulated depreciation (restated)	(39,451)	(9,223)	(12,392)	(2,309)	(40)	(236)	**(63,651)**
Net book value at 1 January 2021 (restated)	**3,903**	**3,335**	**2,967**	**363**	**4**	**975**	**11,547**
Additions	515	-	-	-	-	960	1,475
Depreciation charge	(743)	(228)	(432)	(90)	-	-	(1,493)
Impairment (restated)	(106)	-	(14)	-	-	(9)	(129)
Change in capitalised decommissioning cost	(180)	-	-	-	-	-	(180)
Assets put in use, Transfer	2	110	356	82	-	(537)	13
Transfer to assets held for sale	-	(3)	-	-	-	-	(3)
Disposals	(2)	(15)	-	14	-	(3)	(6)
Currency translation, FX of foreign operations	37	2	(18)	1	-	-	22
Other movements	-	(4)	14	(8)	1	-	3
Cost (restated)	43,698	12,600	15,384	2,718	44	1,567	**76,011**
Accumulated depreciation (restated)	(40,272)	(9,403)	(12,511)	(2,356)	(39)	(181)	**(64,762)**
Net book value at 31 December 2021 (restated)	**3,426**	**3,197**	**2,873**	**362**	**5**	**1,386**	**11,249**
Additions	714	-	-	-	-	1,930	2,644
Depreciation charge	(753)	(222)	(372)	(102)	-	-	(1,449)
Impairment	(226)	(8)	35	-	-	-	(199)
Change in capitalised decommissioning cost	(95)	-	-	-	-	-	(95)
Assets put in use, Transfer	(2)	292	37	119	-	(446)	-
Transfer to assets held for sale	(72)	(3)	4	-	-	-	(71)
Transfer to investment property	-	(50)	-	-	-	-	(50)
Disposals	-	(4)	(14)	-	-	(1)	(19)
Currency translation, FX of foreign operations	18	5	(2)	-	-	-	21
Other movements	8	3	-	-	(2)	(2)	7
Cost	41,298	12,420	15,278	2,686	42	3,046	**74,770**
Accumulated depreciation	(38,280)	(9,210)	(12,717)	(2,307)	(39)	(179)	**(62,732)**
Net book value at 31 December 2022	**3,018**	**3,210**	**2,561**	**379**	**3**	**2,867**	**12,038**

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (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
Cost (restated)	43,502	10,356	12,638	2,148	42	1,569	**70,255**
Accumulated depreciation (restated)	(39,531)	(7,666)	(10,679)	(1,817)	(39)	(238)	**(59,970)**
Net book value at 1 January 2021 (restated)	**3,971**	**2,690**	**1,959**	**331**	**3**	**1,331**	**10,285**
Additions	515	-	-	-	-	920	1,435
Depreciation charge	(758)	(170)	(442)	(75)	-	-	(1,445)
Impairment (restated)	(106)	-	-	-	-	(9)	(115)
Change in capitalised decommissioning cost	(202)	-	-	-	-	-	(202)
Assets put in use, Transfer	1	82	350	72	(1)	(494)	10
Transfer to assets held for sale	-	(2)	-	-	-	-	(2)
Disposals	(2)	(1)	1	-	-	(3)	(5)
Currency translation, FX of foreign operations	37	-	-	-	-	-	37
Other movements	-	1	-	-	-	(1)	-
Cost (restated)	43,817	10,466	12,931	2,204	41	1,926	**71,385**
Accumulated depreciation (restated)	(40,361)	(7,866)	(11,063)	(1,876)	(39)	(182)	**(61,387)**
Net book value at 31 December 2021 (restated)	**3,456**	**2,600**	**1,868**	**328**	**2**	**1,744**	**9,998**
Additions	714	-	-	-	-	1,875	2,589
Depreciation charge	(761)	(163)	(411)	(75)	-	-	(1,410)
Impairment	(226)	-	-	-	-	-	(226)
Change in capitalised decommissioning cost	(93)	-	-	-	-	-	(93)
Assets put in use, Transfer	(2)	94	206	66	-	(357)	7
Transfer to assets held for sale	(72)	(2)	-	-	-	-	(74)
Disposals	-	(5)	-	(1)	-	(1)	(7)
Currency translation, FX of foreign operations	18	-	-	-	-	-	18
Other movements	9	(1)	2	-	-	(4)	6
Cost	41,417	10,491	13,033	2,242	40	3,436	**70,659**
Accumulated depreciation	(38,374)	(7,968)	(11,368)	(1,924)	(38)	(179)	**(59,851)**
Net book value at 31 December 2022	**3,043**	**2,523**	**1,665**	**318**	**2**	**3,257**	**10,808**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 Note 14b) in the future depends on the extent to which commercially recoverable oil and gas reserves are available. During 2022, Exploration and Production assessed 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 its ownership, through the local courts in Croatia. Until the date of issuing 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 employees of the Company and some of its subsidiaries.

IV) Carrying value of property, plant and equipment

The Management Board identified and assessed the impairment indicators in accordance with IAS 36. An impairment test was performed on assets where impairment indicators have been identified.

In 2022, INA Group's total net impairment charge amounted to HRK 199 million, while the total net impairment of INA, d.d. amounted to HRK 226 million (2021: INA Group impairment of HRK 129 million, INA, d.d. impairment of HRK 106 million).

a) Within the Exploration and Production area, two fields – Ilena (NACA cash generating unit) and Dravica - Zalata - were identified with positive revision of the remaining 2P reserves above 1 MMboe which is considered the materiality threshold on the asset level. Due the applied oil prices, two Concession Blocks in Egypt, Ras Qatara and Sidi Rahman had a negative NPV generation and therefore the total book value of the assets was impaired. Oil and gas price assumptions used in the value in used models for exploration and production applied in the impairment testing were the following: 80 to 83 USD/barrel for oil and 41 to 38 EUR/MWh for gas for the years from 2022 to 2050.

   Exploration and Production

   Exploration and Production recorded impairment in amount of HRK 370 million (Syria - HRK 282 million, Hrastilnica – HRK 18 million, Angola 3/05A – HRK 11 million, Mramor Brdo – HRK 7 million, Števkovica – HRK 6 million, Ježevo – HRK 5 million, Čepelovac Hampovica – HRK 5 million, Egipat Sidi Rahman – HRK 15 million, Egipat Ras Qattara HRK 7 million, Molve HRK 4 million, other – HRK 10 million).

   INA Group and INA, d.d. in 2021 recorded impairment of asset in the amount of HRK 106 million.

   Exploration and Production recorded reversal of impairment in amount of HRK 144 million (NACA – HRK 104 million, Angola 3/05A – HRK 13 million, Križ Bunjani – HRK 12 million, Mramor Brdo – HRK 6 million, Beničanci – HRK 5 million, Ježevo – HRK 2 million, Bilogora – HRK 1 million, Zebanec – HRK 1 million), (2021: reversal of impairment is not recorded).

(all amounts are presented in HRK millions)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

b) Refining and Marketing, Consumer services and Retail recorded an impairment of property, plant and equipment in the amount of HRK 1 million (2021: HRK 9 million).

c) Corporate and other recorded an impairment of property, plant and equipment in the amount of HRK 7 million and a reversal of impairment in the amount of HRK 35 million for INA Group in 2022, (2021: INA Group recorded an impairment of HRK 14 million).

The discount rates used in the current assessment in 2022 and in 2021 are asset specific and are as follows:

	December 2022	December 2021
Exploration and Production		
Croatia, Egypt, Angola	6.5% - 9.5%	5.9% - 8.9%

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

V) Internal labour capitalisation

Capitalised internal labour includes all direct labour costs 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 amortised. In 2022, INA Group and INA, d.d. capitalised internal labour in amount of HRK 36 million (2021: HRK 29 million).

VI) Capitalised value of own performance

In 2022, the Group capitalised the total amount of HRK 424 million (2021: 304 million) of internal costs as property, plant and equipment. The total costs comprise drilling, overhaul and auxiliary works on oil and gas fields in the amount of HRK 327 million (2021: HRK 234 million), capital maintenance on buildings, plants and petrol stations in the amount of HRK 79 million (2021: 55 million) and other costs in the amount of HRK 18 million (2021: 15 million). In the same period, the Company capitalised the total amount of HRK 57 million (2021: HRK 42 million) of internal costs as property, plant and equipment.

VII) 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. The useful life of decommissioning assets has been adjusted to reflect the economic life of the fields.

VIII) Borrowing costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of qualifying assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HRK 7 million in 2022 (2021: HRK 12 million).

(all amounts are presented in HRK millions)

15. NON-CURRENT ASSETS AND LIABILITIES OF DISPOSAL GROUP 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 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
Investment in Terra Mineralna Gnojiva d.o.o.	207	-	-	207	-	-
Property, plant and equipment	79	13	30	77	-	7
Other assets	55	-	-	50	-	-
Assets classified as held-for-sale	**341**	**13**	**30**	**334**	**-**	**7**

In 2022 the concession in Angola met the definition of Asset held for sale and was reclassified accordingly. In addition, due to its size of operations, operations in Angola did not meet the criteria to be considered a discontinued operation. Property, plant and equipment and other assets in the amount of HRK 127 million and liabilities of disposal group classified as held for sale in the amount of HRK 41 million relate to the Angola concession.

Disposal of investments in Terra Mineralna Gnojiva d.o.o.

The process of changing the ownership of Terra Mineralna Gnojiva d.o.o. started with signing the Agreement on the purchase and sale of business shares with the Turkish group YILDIRIM. Terra Mineralna Gnojiva is a joint venture company owned by PPD and INA, d.d. which entered the ownership structure of Petrokemija on 31 October 2018. The ownership will be changed and this process will be finalised after meeting the conditions from the sales contract. The investment in Terra Mineralna Gnojiva d.o.o. was classified under *Assets held for sale* in the amount of HRK 207 million.

16. INVESTMENT PROPERTY

	INA Group		INA, d.d.	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
		Restated		*Restated*
Opening balance - Cost	471	472	438	437
Opening balance - Accumulated depreciation	(377)	(372)	(362)	(358)
Net opening balance	**94**	**100**	**76**	**79**
Depreciation	(7)	(6)	(4)	(4)
Transfer to / from property, plant and equipment	49	-	1	1
Net closing balance	**136**	**94**	**73**	**76**
Closing balance - Cost	520	472	439	438
Closing balance - Accumulated depreciation	(384)	(378)	(366)	(362)

As at 31 December 2022, the fair value of the INA Group and INA d.d. investment property amounts to HRK 669 million and HRK 619 million, respectively.

(all amounts are presented in HRK millions)

16. INVESTMENT PROPERTY (continued)

	INA Group	
	31 December 2022	**31 December 2021**
Rental income from investment property	6	6
Operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	1	1
Operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	1	1

17. INVESTMENTS IN SUBSIDIARIES (in the separate financial statements of INA, d.d.)

	INA, d.d.	
	31 December 2022	**31 December 2021**
Investments in subsidiaries	1,828	1,826

	INA, d.d.	
	31 December 2022	**31 December 2021**
Investments in subsidiaries at 1 January	**1,826**	**1,827**
INA Slovenija - reversal of impairment	2	**-**
Petrol Rijeka - merger to INA, d.d.	-	(4)
Holdina Sarajevo d.o.o. - share capital increase	-	3
At 31 December 2022	**1,828**	**1,826**

The following portfolio changes were recorded in 2022:

Based on the decision of the Commercial Court decision dated 10 January 2022, INA BH was liquidated. The net value of the shares at the time of liquidation was zero. Based on the liquidation of INA BH, 28,590 shares of TGA Stolac were transferred to INA, d.d.

The following portfolio changes were recorded in 2021:

Based on the decision of the Commercial Court dated 2 January 2021 INA, d.d. recorded the merger of Petrol Jurdani d.d.

As at 1 December 2021 INA, d.d. increased the share capital in Holdina Sarajevo d.o.o. by registering ownership of one property. INA, d.d. derecognised an investment in the amount of HRK 100 thousand, while Holdina Sarajevo's share capital was increased in the amount of HRK 3 million. The difference of HRK 3 million was recognised within other operating income.

(all amounts are presented in HRK millions)

17. INVESTMENTS IN SUBSIDIARIES (in the separate financial statements of INA, d.d.) (CONTINUED)

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

Composition of the Group

Name of subsidiary	Principal activity	Place of incorporation and operation	**Proportion of ownership interest and voting power held by the Group**	
			31 December 2022	31 December 2021
Oilfield services				
CROSCO, naftni servisi d.o.o.	Oilfield services	Croatia	100%	100%
Crosco B.V.	Oilfield services	Netherland	-	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%
ROTARY D&WS S.R.L.	Oilfield services	Romania	100%	100%
Crosco S.A. DE C.V.	Oilfield services	Mexico	99.90%	99.90%
NORDIC SHIPPING LIMITED	Lease of drilling platforms	Marshall Islands	-	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%
*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%
*Adriagas S.r.l. Milano	Pipeline project company	Italy	100%	100%
*INA Crna Gora d.o.o. Podgorica	Foreign trading	Montenegro	100%	100%
*CROPLIN d.o.o.	Distribution network of gas fuels	Croatia	100%	100%
*INA Maloprodajni servisi d.o.o.	Trade agency	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%
*INA BH d.d. Sarajevo	Foreign trading	Bosnia and Herzegovina	-	100%

(all amounts are presented in HRK millions)

17. INVESTMENTS IN SUBSIDIARIES (in the separate financial statements of INA, d.d.) (CONTINUED)

As at 31 December 2022 and 31 December 2021 Croplin d.o.o. had 8.1% ownership in Energo d.o.o. Rijeka and 40% ownership in Plinara Istočne Slavonije d.o.o. Vinkovci.

18. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	INA Group		INA, d.d.	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investments in associates and joint ventures	28	245	18	245
	28	**245**	**18**	**245**

INA, d.d. has direct and indirect interests in other entities as follows:

			INA Group and INA, d.d.			
Name of company	**Activity**	**Place of incorporation and operation**	**31 December 2022**	**31 December 2021**	**Net book value 31 December 2022**	**Net book value 31 December 2022**
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%	-	-
Plinara Pula d.o.o.	Distribution and supply of gas	Pula, Croatia	49%	-	18	-
TGA Stolac	Production of wire, chain and spring products	Stolac,BiH	25.75%	-	-	-
Belvedere d.d.	Hotel trade	Dubrovnik, Croatia	-	31.80%	-	-
Marina Petroleum Company *	Exploration and production oil operator	Cairo, Egypt	-	50%	-	-
Terra Mineralna Gnojiva d.o.o.	Purchase and sale of goods	Zagreb, Croatia	-	50%	-	245
Elektrometal d.d	Installing and mounting works, production of fire-proof elements, gas distribution	Bjelovar, Hrvatska	-	30.75%	-	-

*Investments that are joint operation at the Group and the Company

INA Group also has 40% ownership in Plinara Istočne Slavonije d.o.o. as at 31 December 2022 and 31 December 2021.

(all amounts are presented in HRK millions)

18. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Non-material associates and joint operations are as follows: Hayan Petroleum Company, ED - INA d.o.o. Zagreb and TGA Stolac. Based on the Commercial Court's decision on the deletion dated 18 February 2022, the deregistration of Elektrometal was recorded. The net value of Elektrometal's shares at the time of deletion was zero.

In 2022, using the equity method INA Group recorded a share in loss amounting to HRK 27 million (2021: share in loss of HRK 9 milion), while INA, d.d. recorded a share in loss in the amount of HRK 38 million (2021: a share in loss of HRK 9 milion), presented in line *Share in loss of joint ventures accounted for using the equity method* of the statement of profit or loss.

By signing the Deed of Asignement between INA, d.d. and National Petroleum Co. South Ramadan Limited on 14 November 2022. INA, d.d. sold ownership in Marina Petroleum Company and the share in the company was written off. By the decision of the General Assembly dated 25 February 2022 on increasing the share capital by investing rights - claims and business shares by issuing new ordinary shares, INA, d.d. share reduced in the Belvedere d.d. from 31.80% to 8.95%.

Based on the decision of the Commercial Court dated 7 October 2021 the share capital of Terra Mineralna Gnojiva d.o.o. was increased in the amount of HRK 100 thousand.

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

Place of incorporation and operation	**Zagreb, Republic of Croatia**	**Zagreb, Republic of Croatia**
	2022	**2021**
Non-current assets	611	616
Current assets	864	902
Non-current liabilities	(101)	(115)
Current liabilities	(694)	(749)
Net assets	**680**	**654**
Minority interest	**309**	**297**
Asset attributed to the owners	**371**	**357**
Group's share of assets	**186**	**178**
Goodwill	67	67
Carrying amount of the investment	**253**	**245**
Total operating income	1,070	1,521
Profit from operations	53	17
Net profit	26	(33)
Net profit attributable to Terra Mineralna Gnojiva d.o.o. after non-controlling interest	14	(18)
INA, d.d. share of profit (50%)	**7**	**(9)**
INA Group share of profit	**7**	**(9)**

Data for 2022 is based on PTK Group data as at 30 June 2022, while data for 2021 is based on PTK Group data as at 30 September 2021. Prior to year-end 2022, investment in Terra Mineralna Gnojiva was reclassified to assets held for sale. Immediately prior to reclassification, the investment was remeasured which resulted in an impairment of HRK 46 million.

(all amounts are presented in HRK millions)

19. OTHER NON-CURRENT FINANCIAL ASSETS

INA Group	31 December 2022	31 December 2021	1 January 2021
Receivables from non-current contracts	624	517	461
Receivables for apartments sold	13	20	29
Deposits	7	7	7
	644	**544**	**497**

INA, d.d.	31 December 2022	31 December 2021	1 January 2021
Receivables from non-current contracts	624	517	461
Long-term loans given to subsidiaries	792	632	752
Receivables for apartments sold	13	20	28
Deposits	7	7	7
	1,436	**1,176**	**1,248**

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 in monthly instalments over periods of 20-35 years. The amounts payable to the Republic of Croatian, accounting for 65% of the value of sold apartments, are included in other non-current liabilities. The receivables are secured by mortgage over the apartments sold. The principal amount is presented within the amount of receivables, interest free.

In total, the amount of long-term loans relates to given loans to subsidiaries (see Note 38).

Intragroup financing terms, i.e., arm's length price of INA Group companies' loan transactions is determined consistently based on internal and external comparable transactions using Comparable uncontrolled price method. Inclusive 31 December 2022 intragroup loan placement currencies were HRK and EUR, in vast majority of the cases loans are unsecured.

Receivables from non-current contracts present receivables from ENI International BV relating to decommissioning obligation for North Adriatic assets. These receivables are defined in the Sales and Purchase Agreement from 2018, and the expected collection of all of the amount is by end of 2036.

20. OTHER NON-CURRENT ASSETS

	INA Group			INA, d.d.		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
Prepayments for property, plant and equipment	190	281	335	190	279	334
Prepayments for intangible assets	-	10	18	-	10	18
Other non-current receivables	2	7	-	2	-	-
Non-current receivables from related party	-	-	-	10	8	8
	192	**298**	**353**	**202**	**297**	**360**

(all amounts are presented in HRK millions)

21. NON-CURRENT FINANCIAL ASSETS

INA Group and INA, d.d.

						Net book value		
Company name	**Activity**	**Place of incorporation and operation**	**31 December 2022**	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
				Restated	*Restated*		*Restated*	*Restated*
Jadranski Naftovod d.d.	Pipeline ownership and operations	Zagreb, Croatia	11.795%	11.795%	11.795%	701	606	511
OMV Slovenija d.o.o.	Oil trading	Koper, Slovenia	7.75%	7.75%	7.75%	132	132	154
PLINARA Pula d.o.o.	Distribution of gaseous fuels through the distribution network	Pula, Croatia	-	49.00%	49.00%	-	18	18
BINA-FINCOM d.d.	Construction of highways and other roads, airfields airports	Zagreb, Croatia	5.00%	5.00%	5.00%	-	-	-
HOC Bjelolasica d.o.o.	Operations of sports facilities	Ogulin, Croatia	7.17%	7.17%	7.17%	-	-	-
Belvedere d.d.	Hotel trade	Dubrovnik, Croatia	8.95%	-	-	-	-	-
ISTO d.d.	Activities of holding companies	Zagreb, Croatia	0.21%	0.21%	0.21%	-	-	-

(all amounts are presented in HRK millions)

21. NON-CURRENT FINANCIAL ASSETS (CONTINUED)

Movement of non current financial asset

	31 December 2022	31 December 2021
		Restated
Balance at the beginning of the year	756	683
Remeasurement recognition in OCI, gross of income tax	95	73
Transfer	(18)	-
Balance at the end of the year non-current financial assets	**833**	**756**

As explained in Note 38, a substantial portion of the trading income of JANAF d.d. is derived from INA, d.d. The equity share value in JANAF was reported by reference to the market value of a share as quoted on the Zagreb Stock Exchange as at 31 December 2022. The net book value of the equity investment in JANAF increased by HRK 95 million compared to the balance as at 31 December 2021 due to an increase in the market value of the JANAF shares on the Zagreb Stock Exchange. The market value of the shares (118,855 shares) as at 31 December 2022 amounted to HRK 5,900 per share (31 December 2021: HRK 5,100 per share).

INA, d.d. and MOL Nyrt. reached an agreement to acquire OMV's 92.25% stake in OMV Slovenija d.o.o. The transaction includes 120 service stations across Slovenia as well as the wholesale business of the acquired company. INA, d.d. already holds a 7.75% stake in OMV Slovenija d.o.o. In line with the agreement signed with MOL Nyrt. on 14 September 2021, INA, d.d. shall increase its share from the current 7.75% to 33%. The transaction is subject to closing the competition authorities' clearance, expected in 2023.

22. INVENTORIES

	INA Group		INA, d.d.	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Merchandise	1,081	636	1,025	588
Refined products	631	530	503	457
Crude oil	509	380	509	380
Work in progress	455	286	454	284
Raw material	208	175	134	124
Spare parts, materials and supplies	115	139	67	80
	2,999	**2,146**	**2,692**	**1,913**

Inventories are measured at the lower of cost or net realisable value. During 2022, HRK 181 million was recognized as an impairment of refined products and work in progress for INA Group and INA, d.d. (2021: no impairment was recognized for refined products and work in progress for INA Group and INA, d.d.).

During 2022, HRK 27 million was recognised as impairment for merchandise for INA Group and INA, d.d. (2021: HRK 9 million was recognised as an impairment for merchandise for INA Group and INA, d.d.). This impairment and reversal of impairment regarding merchandise is recognised in *Cost of goods sold* in the consolidated and separate statement of profit or loss.

(all amounts are presented in HRK millions)

23. TRADE RECEIVABLES (NET)

	INA Group		INA, d.d.	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Trade receivables	3,048	2,375	2,661	1,989
Impairment of trade receivables	(309)	(368)	(224)	(240)
	2,739	**2,007**	**2,437**	**1,749**

Receivables classified as performing are impaired by using the expected credit loss (*ECL)* rate. The effect of impairment losses using *ECL* for performing receivables of 0.13 % was HRK 2 million in 2022 (2021: *ECL*: 0.13%).

Impairment of trade receivables:

	INA Group		INA, d.d.	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
At beginning of the year	368	456	240	298
Impairment losses recognised on receivables	8	12	7	10
Amounts written off as uncollectible	(57)	(43)	(13)	(11)
Reversal of impairment on amounts recovered	(10)	(57)	(10)	(57)
At end of the year	**309**	**368**	**224**	**240**

Trade receivables, net balance of INA Group above also includes related party receivables of HRK 605 million as at 31 December 2022 (2021: HRK 409 million) with related party entities outside of INA Group (see Note 38).

(all amounts are presented in HRK millions)

24. OTHER CURRENT FINANCIAL ASSETS

	INA Group			INA, d.d.		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
		Restated	*Restated*		*Restated*	*Restated*
Short-term loans and deposits	10	1,280	2	33	1,287	20
Accrued loans fees	13	5	8	13	5	8
Other current receivable	13	6	3	1	1	1
Margining receivables	-	48	71	-	48	70
Current portion of long term loans	-	-	-	7	23	20
	36	**1,339**	**84**	**54**	**1,364**	**119**

Within the line of short-term loans and deposits as at 31 December 2021, a short-term deposits given to a related party is included in the amount of HRK 1,278 million (see note 38).

25. OTHER CURRENT ASSETS

	INA Group			INA, d.d.		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
		Restated	*Restated*		*Restated*	*Restated*
Prepayments for customs, duties and other charges	46	51	40	22	23	16
Foreign concessions receivables	7	35	33	7	35	33
Employees receivables	6	6	1	-	1	1
Prepayment receivables	16	8	15	6	7	14
Tax prepayments	39	36	27	10	9	9
Excise duties receivables	65	91	90	65	90	90
Government receivables	6	6	9	1	1	1
Other	24	29	43	18	20	35
	209	**262**	**258**	**129**	**186**	**199**

(all amounts are presented in HRK millions)

26. MARKETABLE SECURITIES

INA Group and INA, d.d. invests in investment grade debt securities, as long-term and short-term government bonds. As at 31 December 2022, fair value of debt securities was HRK 140 million (2021: HRK 60 million). When debt securities mature or are sold, changes in fair value previously recognised in other comprehensive income and accumulated in equity are recognized in statement of profit or loss. Short-term securities are maturing on 4 April 2023, and long-term securities on 4 February 2030.

	INA Grupa	INA, d.d.
Balance at 1 January 2021	**79**	**79**
Additions	59	59
Interest and amortization	(1)	(1)
Foreign exchange	2	2
Bonds matured	(79)	(79)
Balance at 31 December 2021	**60**	**60**
Additions	116	116
Interest and amortization	(6)	(6)
Foreign exchange	12	11
Bonds matured	(38)	(38)
Change in fair value	(4)	(4)
Balance at 31 December 2022	**140**	**139**
Short-term marketable securities	122	122
Long-term marketable securities	18	17

(all amounts are presented in HRK millions)

27. 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 can be withdrawn on demand, without prior notice being required or a penalty being charged. Short-term deposits are allocated up to three months. However, if needed, they can be withdrawn on demand as well without penalty being charged.

	INA Group			INA, d.d.		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
		Restated	*Restated*		*Restated*	*Restated*
Demand deposit	981	1.184	366	926	1.135	324
Deposits until three months	668	111	2	667	111	-
Cash on hand	58	57	31	47	49	27
Cash and cash equivalents in statement of financial position	**1.707**	**1.352**	**399**	**1.640**	**1.295**	**351**
Overdrafts	-	-	5	-	-	-
Cash and cash equivalents in statement of cash flows	**1.707**	**1.352**	**404**	**1.640**	**1.295**	**351**

In accordance with the contract for front-loading of euro, OTP bank supplied INA, d.d. with euro banknotes and coins in the amount of EUR 16 million (equivalent to HRK 117 million) in 2022. OTP bank has blocked the specified amount on the Company's account in the bank, as a security deposit for front-loading. Amount is disclosed as part of the demand deposits as at 31 December 2022.

Euro banknotes and coins delivered to the locations was recorded off-balance sheet in 2022, and after the introduction of the euro on 1 January 2023, the off-balance sheet posting was reversed, and the amount was posted as cash.

28. BANK LOANS AND CURRENT PORTION OF LONG-TERM DEBTS

The most significant short-term loans as at 31 December 2022 are credit facilities for the financing of crude oil and petroleum products purchase (“trade finance”) concluded with 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.

	INA Group			INA, d.d.		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
Bank loans	523	1,143	2,085	482	938	1,873
Short-term corporate bond issuance	2	2	-	2	2	-
	525	**1,145**	**2,085**	**484**	**940**	**1,873**

(all amounts are presented in HRK millions)

28. BANK LOANS AND CURRENT PORTION OF LONG-TERM DEBTS (CONTINUED)

	INA Group			INA, d.d.		
	31 December 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Unsecured bank loans in EUR	523	481	1,107	482	440	1,066
Unsecured bank loans in HRK	-	153	402	-	-	250
Unsecured bank loans in USD	-	498	557	-	498	557
Unsecured bank loans in HUF	-	11	19	-	-	-
Unsecured corporate bond issuance in HRK	2	2	-	2	2	-
	525	**1,145**	**2,085**	**484**	**940**	**1,873**

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.

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

	INA Group			INA, d.d.		
	31 December 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Financial liabilities						
Trade payables	2,484	2,143	1,426	2,188	1,857	1,104
Dividend payables	1	-	585	1	-	585
Non-financial liabilities						
Value added tax, excise duties and other tax	719	886	595	650	788	534
Accrued bonuses	168	162	128	100	98	85
Payroll payables	117	151	139	66	104	94
Contract liabilities	84	85	57	68	68	26
Payroll taxes and contributions	44	43	42	21	21	20
Mining fee	42	42	19	42	42	19
Liabilities for received deposits and sureties for tender	16	21	12	14	17	11
Accrued unused holiday	21	14	12	4	3	4
Other	44	47	51	33	34	24
	3,740	**3,594**	**3,066**	**3,187**	**3,032**	**2,506**

(all amounts are presented in HRK millions)

29. TRADE PAYABLES, TAXES AND CONTRIBUTIONS AND OTHER CURRENT LIABILITIES (CONTINUED)

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

Trade payables are unsecured and are usually paid within 60 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Trade payables includes payables with related party entities outside of INA Group in the amount of HRK 162 million as at 31 December 2022 (2021: HRK 152 million) (see Note 38).

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

For 2022, the auditor's fee charged for the audit service of INA Group amounts to HRK 3.2 million (2021: HRK 3.4 million). In 2021 the prior auditor EY provided a non-audit service referring to the agreed upon procedures report on accounts and records of Sahara North Bahariya in the amount of HRK 0.2 million.

30. LONG-TERM DEBTS

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 have been met.
The Group's outstanding is analysed as follows:

INA Group	Weighted average interest rate	Weighted average interest rate		
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
	%	%		
Corporate bond issuance in HRK	0,88	0,88	1,987	1,983
Total long-term debts			**1,987**	**1,983**

INA, d.d.	Weighted average interest rate	Weighted average interest rate		
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
	%	%		
Corporate bond issuance in HRK	0,88	0,88	1,987	1,983
Intercompany loans in HRK	-	1,50	141	129
Total			**2,128**	**2,112**
Payable within one year			-	-
Total long-term debts			**2,128**	**2,112**

(all amounts are presented in HRK millions)

30. LONG-TERM DEBTS (CONTINUED)

The maturity of the debts may be summarised as follows:

	INA Group		INA, d.d.	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Payable within one to two years	-	-	141	129
Payable within four to five years	1,987	1,983	1,987	1,983
Total	**1,987**	**1,983**	**2,128**	**2,112**

The movement in long-term debts during the year is summarised as follows:

	INA Group	INA, d.d.
At 1 January 2021 (restated)	**-**	**-**
Corporate bond issuance	1,983	1,983
New borrowings	637	1,011
Amounts repaid	(633)	(878)
Foreign exchange losses	(4)	(4)
At 31 December 2021 (restated)	**1,983**	**2,112**
At 1 January 2022	**1,983**	**2,112**
Corporate bond issuance	1,983	1,983
Long-term loans in country	-	129
	1,983	2,112
Amortisation of bond discount	4	4
New borrowings	-	597
Amounts repaid	-	(585)
At 31 December 2022	**1,987**	**2,128**

(all amounts are presented in HRK millions)

30. LONG-TERM DEBTS (CONTINUED)

CORPORATE BONDS

In December 2021, INA, d.d. issued corporate bonds in the amount of HRK 2 billion at an issue price of 99.445%, with a coupon of 0.875% p.a. and semi-annual interest payment. The bonds finally mature on 6 December 2026. The purpose of the bonds is financing general corporate purposes, investments, potential acquisitions and partial refinancing of existing debts.

The principal corporate bonds and long-term loans outstanding as at 31 December 2022 were as follows:

ING BANK N.V., LONDON BRANCH

In October 2022 INA, d.d. signed a long-term multi-currency revolving credit facility agreement for general corporate purposes in the amount of EUR 300 million. Lenders are banking groups represented by both international and domestic banks. The Facility Agent is ING Bank N.V., London Branch. The maturity of the credit facility is 3 years with an option for 1+1 year extension. The revolving credit facility signed in 2018 in the amount of USD 300 million was refinanced with this facility.

Reconciliation of liabilities arising from financing activities

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

INA Group

	1 January 2022	Cash flow	Foreign exchange movement	Changes in fair values	Interest expenses	Additions	31 December 2022
Short-term loans	1,145	(684)	55	-	9	-	525
Corporate bonds	1,983	-	-	-	4	-	1,987
Lease liabilities	312	(95)	1	-	5	87	310
Dividend payable	-	(979)	-	-	-	980	1
Total liabilities	**3,440**	**(1,758)**	**56**	**-**	**18**	**1,067**	**2,823**

INA, d.d.

	1 January 2022	Cash flow	Foreign exchange movement	Changes in fair values	Interest expenses	Additions	31 December 2022
Short-term loans	940	(521)	56	-	9	-	484
Long-term loans from related parties	129	12	-	-		-	141
Short-term loans from related parties	34	(22)	-	-	-	-	12
Corporate bonds	1,983	-	-	-	4	-	1,987
Lease liabilities	445	(112)	1	-	4	58	396
Dividend payable	-	(979)	-	-	-	980	1
Total liabilities	**3,531**	**(1,622)**	**57**	**-**	**17**	**1,038**	**3,021**

The Group and the Company represented the above table.

(all amounts are presented in HRK millions)

30. LONG-TERM DEBTS (CONTINUED)

INA Group

	1 January 2021	Cash flow	Foreign exchange movement	Changes in fair values	Interest expenses	Additions	31 December 2021
Short-term loans	2,085	(1,001)	46	-	15	-	1,145
Corporate bonds	-	1,983	-	-	-	-	1,983
Lease liabilities	309	(86)	-	-	4	85	312
Dividend payable	585	(585)	-	-	-	-	-
Total liabilities	**2,979**	**311**	**46**	**-**	**19**	**85**	**3,440**

INA, d.d.

	1 January 2021	Cash flow	Foreign exchange movement	Changes in fair values	Interest expenses	Additions	31 December 2021
Short-term loans	1,873	(1,001)	53	-	15	-	940
Long-term loans from related parties	-	135	(6)	-	-	-	129
Short-term loans from related parties	131	(97)	-	-	-	-	34
Corporate bonds	-	1,983	-	-	-	-	1,983
Lease liabilities	479	(110)	-	-	5	71	445
Dividend payable	585	(585)	-	-	-	-	-
Total liabilities	**3,068**	**325**	**47**	**-**	**20**	**71**	**3,531**

Compliance with loan agreements

During 2022, as well as in 2021 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. Long-term loan agreements of INA, d.d. contain financial covenants. In 2022 and 2021 INA, d.d. complied with the covenants.

31. LEASES

As a lessee

Under IFRS 16, the Group and the Company recognise the right-of-use assets and lease liabilities for all leases except low-value leases and short-term leases.

The Group and the Company have lease contracts for various items of plant, machinery, vehicles and other equipment used in their 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 Group and the Company are restricted from assigning and subleasing the leased assets. Several lease contracts include extension options and variable lease payments.

The Group and the Company also have certain leases of machinery with lease terms of 12 months or less and leases of low-value office equipment. However, the Group and the Company have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(all amounts are presented in HRK millions)

31. LEASES (CONTINUED)

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

INA GROUP	**Land and buildings**	**Vehicles**	**Plant and machinery, office equipment and other**	**Total**
At 1 January 2021 (restated)	**114**	**155**	**35**	**304**
Additions in period due to new contracts	64	2	25	**91**
Depreciation for the period	(16)	(47)	(21)	**(84)**
Other decrease (i.e. impairment, termination)	(1)	(3)	-	**(4)**
At 31 December 2021 (restated)	**161**	**107**	**39**	**307**
Additions in period due to new contracts	72	14	6	**92**
Depreciation for the period	(24)	(47)	(21)	**(92)**
Other decrease (i.e. impairment, termination)	-	(1)	(3)	**(4)**
At 31 December 2022	**209**	**73**	**21**	**303**

INA, d.d.	**Land and buildings**	**Vehicles**	**Plant, machinery, office equipment and other**	**Total**
At 1 January 2021 (restated)	**308**	**128**	**37**	**473**
Additions in period due to new contracts	47	-	25	**72**
Depreciation for the period	(43)	(40)	(21)	**(104)**
Other decrease (i.e. impairment, termination)	-	(1)	(2)	(3)
At 31 December 2021 (restated)	**312**	**87**	**39**	**438**
Additions in period due to new contracts	45	11	6	**62**
Depreciation for the period	(48)	(39)	(21)	**(108)**
Other decrease (i.e. impairment, termination)	-	(1)	(3)	**(4)**
At 31 December 2022	**309**	**58**	**21**	**388**

Lease liabilities

Maturity analysis of contractual undiscounted cash flow as at 31 December 2022 and 31 December 2021:

	INA Group			**INA, d.d.**		
	31 December 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Analysed as:						
Liabilities within 1 year	81	87	81	98	106	104
Liabilities between 1-5 years	137	156	185	230	251	282
Liabilities over 5 years	105	84	54	81	105	109
Total undiscounted liabilities	**323**	**327**	**320**	**409**	**462**	**495**

(all amounts are presented in HRK millions)

31. LEASES (CONTINUED)

Total carrying amounts of lease liabilities are presented separately in the statement of financial position:

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
Lease liabilities at 1 January	312	309	445	479
Additions	87	85	58	71
Accretion of interest	5	4	4	5
Payments	(95)	(86)	(112)	(110)
Foreign exchange difference	1	-	1	-
Lease liabilities at 31 December	**310**	**312**	**396**	**445**
Analysed as:				
Current leaase liabilities	80	84	95	101
Non-current lease liabilities	230	228	301	344

The following amounts were recognised in profit or loss:

	INA Group		INA, d.d.	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Expenses for the period relating to short-term leases or leases of low-value assets	63	75	57	65
Depreciation of right -of-use asset	93	84	108	104
Interest expense for lease agreements	5	4	4	5
	161	**163**	**169**	**174**

(all amounts are presented in HRK millions)

32. PROVISIONS

INA Group	Decommissioning charges	Environmental provision	Legal claims	Renewable energy provision	Redundancy costs	Other	Total
At 1 January 2021	**3,146**	**327**	**104**	**15**	**45**	**306**	**3,943**
Charge for the year	-	196	(9)	25	17	57	**286**
Effect of change in estimates	(134)	(16)	-	**-**	(13)	(12)	**(175)**
Unwinding of discount	64	4	-	**-**	-	5	**73**
Provision utilised during the year	(8)	(47)	(7)	(14)	(38)	(27)	**(141)**
At 31 December 2021	**3,068**	**464**	**88**	**26**	**11**	**329**	**3,986**
Charge for the year	-	233	5	53	60	67	**418**
Effect of change in estimates	(150)	27	(62)	-	(7)	31	**(161)**
Unwinding of discount	46	4	1	-	-	5	**56**
Provision utilised during the year	-	(204)	(5)	(26)	(38)	(8)	**(281)**
At 31 December 2022	**2,964**	**524**	**27**	**53**	**26**	**424**	**4,018**

(all amounts are presented in HRK millions)

32. PROVISIONS (CONTINUED)

INA, d.d.	**Decommissioning charges**	**Environmental provision**	**Legal claims**	**Renewable energy provision**	**Redundancy costs**	**Other**	**Total**
At 1 January 2021	**3,369**	**323**	**3**	**14**	**31**	**300**	**4,040**
Charge for the year	-	196	7	26	16	17	**262**
Effect of change in estimates	(156)	(16)	-	**-**	(12)	14	**(170)**
Unwinding of discount	69	4	-	**-**	-	5	**78**
Provision utilised during the year	(9)	(46)	(3)	(14)	(30)	(24)	**(126)**
At 31 December 2021	**3,273**	**461**	**7**	**26**	**5**	**312**	**4,084**
Charge for the year	-	233	1	53	50	65	**402**
Effect of change in estimates	(159)	27	-	-	(5)	12	**(125)**
Unwinding of discount	49	4	-	-	-	5	**58**
Provision utilised during the year	-	(203)	(3)	(26)	(37)	(6)	**(275)**
At 31 December 2022	**3,163**	**522**	**5**	**53**	**13**	**388**	**4,144**

	INA Group			**INA, d.d.**		
	31 December 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Analysed as:						
Current liabilities	504	318	247	479	243	178
Non-current liabilities	3,514	3,668	3,696	3,665	3,841	3,862
	4,018	**3,986**	**3,943**	**4,144**	**4,084**	**4,040**

32. PROVISIONS (CONTINUED)

Decommissioning charges

The Group and the Company record provisions at present value of estimated future costs of abandoning oil and gas production facilities estimated at the end of production. Estimate provisions are based on the applicable legal regulations, technology and price levels. Decommissioning assets are created in an amount equalling 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 decommissioning assets. In case there is no related asset, the change in provision estimate is charged to profit or loss.

As at 31 December 2022, the decommissioning provision decreased INA Group's Property, plant and equipment by HRK 95 million, and INA, d.d.'s PPE by HRK 93 million.

As at 31 December 2022, INA, d.d. recognised a decommissioning provision for 46 oil and gas production fields, 6 non-production fields, 9 positive non-production fields and 373 dry non-production wells. As at 31 December 2021, INA, d.d. recognised a decommissioning provision for 45 oil and gas production fields, 6 non-production fields, 10 positive non-production fields and 356 dry non-production wells.

Environmental provision

As at 31 December 2022, the environmental provision recorded by INA Group amounted to HRK 524 million (31 December 2021: HRK 464 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.

Provision for green rights

Within the Emission Unit Trading System, certain emission units were allocated free of charge to INA, d.d. Emission units are allocated on an annual basis, and in return INA, d.d. is obliged to submit emission units equal to the verified emissions. Free emission units are allocated on the basis of the European Commission form filled out by the facilities, which is submitted to the Ministry of Environment every year by 31 December of the current year for that same year.

INA, d.d. adopted the calculation of costs on a net basis for emission units allocated free of charge. Therefore, the provision is recognised only when the actual emission exceeds the allocated one. The provision for the emission unit obligation exceeding the number of emission units allocated free of charge is decreased by purchased emission units. The cost of emission units is recognised as other material cost. A detailed explanation of the provisioning method and calculation is given in the Rulebook on the Management of Greenhouse Gas Emissions and Emission Units in INA, d.d. Emission units are distributed by the competent authority, and are allocated free of charge for a period of one year.

Legal claims

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

Change in estimates for INA Group in 2022 mainly resulted from new developments in two labour procedures in Energopetrol d.d. (note 40).

(all amounts are presented in HRK millions)

32. PROVISIONS (CONTINUED)

Renewable energy provision

The renewable energy provision relates to the projection of renewable energy targets compliance cost which is defined by the Act on biofuels for transport and further regulated by the Regulation on special environmental fee. It is a special environmental fee arising from the stated regulations and consists of partially unfulfilled savings targets regarding renewable energy sources and greenhouse gases.

Other provisions

Other provisions of INA, d.d. in the amount of HRK 388 million relate to provision for contractual liability relating to investments in Iran in the amount of HRK 297 million initially recognised in 2012. Under the Production Agreement, INA, d.d. has committed to spending certain funds. Since the activities in Iran have been discontinued, the difference between the contractual liability and actual funds spent was recognised as a provision. The remaining amount relates to the provision for the conservation of production facilities in the Sisak Oil Refinery, the provision for maritime domain concessions as well as the provision for sediment and non-pumpable inventories in the total amount of HRK 91 million.

33. 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 is taxable. No other post-retirement benefits are provided. Jubilee awards are paid out according to the Collective Agreement in the following fixed amounts and anniversary dates for the total service at the Group and the Company:

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

The net amounts specified above are non-taxable in terms of tax regulations. The defined amounts of jubilee awards are effective for the Collective Agreement signed in 2022.

The actuarial valuations of the present value of the defined benefit obligation were carried out as at 31 December 2022 and 2021 by an independent actuarial expert. In 2022, the Company made a provision of HRK 8 million in respect of jubilee awards and HRK 8 million for regular retirement allowances, whereas in 2021 the Company made a provision in respect of jubilee awards in the amount of HRK 12 million and for regular retirement allowances in the amount of HRK 10 million.

(all amounts are presented in HRK millions)

33. 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 2022	**31 December 2021**
Discount rate	4.25%	1.68%
Average longevity at retirement age for current pensioners (years)		
males	16.70	16.70
females	20.10	19.00
Average longevity at retirement age for current employees (future pensioners) (years)		
males	16.70	16.70
females	20.10	19.00

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

	INA Group		**INA, d.d.**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Service cost:				
Cost of current period	3	6	1	-
Components of defined benefit costs recognised in profit or loss:	**3**	**6**	**1**	**-**
Remeasurement of the net defined benefit liability:				
Actuarial gains and losses arising from changes in demographic assumptions	(2)	(4)	-	-
Actuarial gains and losses arising from changes in financial assumptions	(13)	-	(6)	-
Actuarial gains and losses arising from experience adjustments	(1)	5	(1)	3
Components of defined benefit costs recognised in profit or loss and other comprehensive income:	(16)	1	(7)	3
Total	**(13)**	**7**	**(6)**	**3**

(all amounts are presented in HRK millions)

33. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

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

	INA Group		INA, d.d.	
	2022	**2021**	**2022**	**2021**
At 1 January	71	68	22	19
Cost of current period	3	6	1	-
Interest	-	-	-	-
Actuarial (gains) or losses				
Actuarial gains and losses arising from changes in demographic assumptions	(2)	(4)	-	-
Actuarial gains and losses arising from changes in financial assumptions	(13)	-	(6)	-
Actuarial gains and losses arising from experience adjustments	(1)	5	(1)	3
Past service cost, including losses/(gains) on curtailments	-	-	-	-
Benefit paid	(6)	(4)	-	-
Closing defined benefit obligation	**52**	**71**	**16**	**22**

34. SHARE CAPITAL

	INA Group and INA, d.d.	
	31 December 2022	**31 December 2021**
Issued and fully paid:		
10 million shares (HRK 900 per share)	**9,000**	**9,000**

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

35. FAIR VALUE RESERVES

	INA Group and INA, d.d.	
	31 December 2022	**31 December 2021**
		Restated
At the beginning of the year	363	303
Increase arising on revaluation of non-current financial assets	91	73
Deferred tax effect	(17)	(13)
At the end of the year	**437**	**363**

In 2022 and 2021 due to change in fair value of investment of Janaf d.d. and OMV Slovenia d.o.o. fair value reserves have increased.

(all amounts are presented in HRK millions)

36. OTHER RESERVES

The Company's and the Group's combined reserves include amounts 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 constituent parts which Company's or the Group's reserves were composed as at 31 December 1993. Total other reserves are not available for dividend payout.

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**
At 1 January 2021	**492**	**540**	**53**	**444**	**1,529**
Movements during 2021	-	32	1	-	33
At 31 December 2021	**492**	**572**	**54**	**444**	**1,562**
Movements during 2022	-	49	5	-	54
At 31 December 2022	**492**	**621**	**59**	**444**	**1,616**

INA, d.d.	**Combined reserves at 31 December 1993**	**Foreign currency translation reserves**	**Reserve of defined benefit obligation**	**Other reserves**	**Total**
At 1 January 2021	**27**	**816**	**43**	**285**	**1,171**
Movements during 2021	-	43	(3)	-	40
At 31 December 2021	**27**	**859**	**40**	**285**	**1,211**
Movements during 2022	-	5	2	-	7
At 31 December 2022	**27**	**864**	**42**	**285**	**1,218**

(all amounts are presented in HRK millions)

37. NON-CONTROLLING INTEREST

	INA Group	
	31 December 2022	31 December 2021
At the beginning of the year	15	13
Share of profit for the year	7	2
At the end of the year	**22**	**15**

Proportion of equity interest of Energopetrol d.d.:

Proportion of equity interest of Energopetrol d.d. held by non-controlling interests:

Name	Country of incorporation and operation	2022	2021
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 presents the financial information for subsidiary Energopetrol d.d. that has non-controlling interests material to INA Group. The amounts disclosed for Energopetrol d.d. are before intercompany eliminations.

	31 December 2022 Energopetrol d.d.	31 December 2021 Energopetrol d.d.
Non-current assets	252	261
Non-current liabilities	45	60
Current assets	61	53
Current liabilities	74	123
Operating income after the acquisition date	623	429
Gain for the period after the acquisition date	64	17
Total comprehensive income for the period after the acquisition date	**64**	**17**

38. RELATED PARTY TRANSACTIONS

The Company has a dominant position 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 companies whose majority shareholder is the Republic of Croatia.

(all amounts are presented in HRK millions)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

INA Group is in a related party relationship with the ultimate parent company and ultimate controlling party MOL Nyrt, as well as with legal entities under its control or influence, key management, immediate family members of key management, and legal entities that are under the control or significant influence of key management and their immediate family members, in accordance with the provisions set forth in International Accounting Standard 24 *Related Party Disclosures* ("IAS 24").

The Group is also significantly influenced by its second largest shareholder the Republic of Croatia. Accordingly, the Group is in a related party relationship with state institutions and other majority state-owned companies or companies in which the state has significant influence. For the purpose of disclosing related party transactions, the Group does not consider routine transactions (such as payment of taxes, fees, mineral rents, excise duties, etc.) with various local utility companies (directly or indirectly owned by the State) or with other government bodies as related parties' transactions. Significant transactions performed by INA Group with state-owned enterprises are disclosed below and refer to HEP d.d. During 2022, INA Group realised revenue from transactions with HEP d.d. amounting to HRK 1.5 billion and referring to gas selling contracts, while INA Group's costs to HEP d.d. amount to HRK 228 million relating to the purchase of electricity (2021: revenue amounted to HRK 261 million, and cost HRK 17 million). INA Group recorded receivables from HEP d.d. in the amount of HRK 605 million and liabilities in the amount of HRK 32 million as at 31 December 2022 (2021: receivables from HEP d.d. amounted to HRK 76 million and liabilities to HEP d.d. amounted to HRK 19 million).

Transactions between INA, d.d and its subsidiaries, which are the Company's related parties, have been eliminated on the Group level consolidation. Details of the transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

During the year, INA Group entered into the following related party transactions:

INA Group	**Sales of goods and services**		**Purchase of goods and services**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Share in company as non-current financial assets				
JANAF d.d. Zagreb	8	5	81	70
Ultimate parent company				
MOL Nyrt.	1,342	1,881	1,108	1,146
Related companies controlled through the same ultimate parent				
Tifon d.o.o.	1,127	623	8	7
MOL Serbia d.o.o.	185	187	6	-
MOL Slovenija d.o.o.	180	45	-	-
MOL Commodity Trading Kft.	103	-	207	22
MOL Petrochemicals Co. Ltd.	68	34	38	9
MOL Germany GMBH	23	-	-	
SLOVNAFT, a.s.	16	9	475	232
Petrolszolg Kft.	7	3	-	-
MOL-LUB Kft.	1	1	2	1
SLOVNAFT MONTÁŽE A OPRAVY a.s.	1	-	-	-
Geoinform Kft.	1	-	4	1
MOL Azerbaijan Ltd.	-	-	2,121	882
MOL Norge AS	-	1	-	-
IES - Italiana Energia e Servizi S.p.A	-	-	-	12

(all amounts are presented in HRK millions)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

INA Group	Amounts owed by related parties			Amounts owed to related parties		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
Share in company as non-current financial assets						
JANAF d.d. Zagreb	1	1	-	8	4	2
Ultimate parent company						
MOL Nyrt.	273	253	67	76	79	88
Related companies controlled through the same ultimate parent						
Tifon d.o.o.	94	71	5	2	2	3
MOL Serbia d.o.o.	16	24	-	1	-	-
MOL Petrochemicals Co. Ltd.	9	-	2	-	1	3
MOL Commodity Trading Kft.	8	54	75	9	54	80
MOL Slovenija d.o.o.	2	3	1	2	3	-
Petrolszolg Kft.	1	1	-	-	-	-
SLOVNAFT, a.s.	-	2	-	54	7	3
MOL Germany GMBH	-	-	-	5	-	-
Mélyfúrási Zrt.	-	-	-	2	1	-
MOL Fleet Solutions Kft	-	-	-	3	1	-
IES - Italiana Energia e Servizi S.p.A	-	-	-	-	-	1
MOL Austria GmbH	-	-	-	-	-	1

(all amounts are presented in HRK millions)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, the Company entered into the following related party transactions:

INA, d.d.

	Sales of goods and services		Purchase of goods and services	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Related companies through direct or indirect ownership -subsidaries				
Holdina d.o.o. Sarajevo	4,193	2,274	1	2
INA Crna Gora d.o.o. Podgorica	698	350	-	-
INA Slovenija d.o.o. Ljubljana	126	114	-	-
STSI, Integrirani tehnički servisi d.o.o.	27	25	463	438
Plavi tim d.o.o.	14	13	97	89
CROSCO, naftni servisi d.o.o.	16	11	325	295
INA Maloprodajni servisi d.o.o.	7	8	347	325
INA MAZIVA d.o.o.	4	4	69	55
INA Vatrogasni Servisi d.o.o.	2	3	76	78
Top Računovodstvo Servisi d.o.o.	2	3	37	39
Hostin d.o.o.	2	1	-	-
Adriagas S.r.l. Milano	-	-	2	2
INA d.o.o. Banja Luka	-	-	1	1
INA Kosovo d.o.o.	-	-	1	1
Share in company as non-current financial assets				
JANAF d.d. Zagreb	1	1	81	69
Ultimate parent company				
MOL Nyrt.	1,218	1,761	1,006	1,076
Related companies controlled through the same ultimate parent				
Tifon d.o.o.	1,125	621	8	7
MOL Serbia d.o.o.	183	187	-	-
MOL Slovenija d.o.o.	175	40	-	-
MOL Commodity Trading Kft.	103	-	207	22
MOL Petrochemicals Co. Ltd.	68	34	35	7
MOL Germany GmbH	23	-	-	-
SLOVNAFT, a.s.	16	9	471	228
MOL Azerbaijan Ltd.	-	-	2,121	882
IES - Italiana Energia e Servizi S.p.A	-	-	-	12
MOL Norge AS	-	1	-	-

(all amounts are presented in HRK millions)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

INA, d.d.	Amounts owed by related parties			Amounts owed to related parties		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
Related companies through direct or indirect ownership -subsidaries						
Holdina d.o.o. Sarajevo	209	151	115	2	2	-
INA Crna Gora d.o.o. Podgorica	67	48	33	-	-	-
INA Slovenija d.o.o. Ljubljana	11	13	7	-	-	-
CROSCO, naftni servisi d.o.o.	11	2	3	52	55	22
STSI, Integrirani tehnički servisi d.o.o.	3	4	8	85	104	-
Plavi tim d.o.o.	3	3	5	27	22	104
INA MAZIVA d.o.o.	2	2	3	11	12	28
Hostin d.o.o.	1	-	-	3	-	-
INA Maloprodajni servisi d.o.o.	1	1	2	42	37	11
INA Beograd d.o.o.	-	9	1	-	-	43
Top Računovodstvo Servisi d.o.o.	-	-	1	2	4	1
INA Vatrogasni Servisi d.o.o.	-	-	-	7	11	5
Adriagas S.r.l. Milano	-	-	-	1	-	1
Share in company as non-current financial assets						
JANAF d.d. Zagreb	1	-	-	8	4	3
Ultimate parent company						
MOL Nyrt.	248	225	30	49	62	64
Related companies controlled through the same ultimate parent						
Tifon d.o.o.	94	71	5	2	2	3
MOL Serbia d.o.o.	16	24	-	1	-	-
MOL Petrochemicals Co. Ltd.	9	-	2	-	-	2
MOL Commodity Trading Kft.	8	54	75	9	54	80
MOL Slovenija d.o.o.	2	3	-	2	3	1
SLOVNAFT, a.s.	-	2	-	53	7	2
MOL Germany GMBH	-	-	-	5	-	-
MOL Norge AS	-	-	1	-	-	-
IES - Italiana Energia e Servizi S.p.A	-	-	-	-	-	1

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

(all amounts are presented in HRK millions)

38. 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. Intragroup financing terms, i.e. arm's length price of INA Group companies' loan transactions is determined consistently based on internal and external comparable transactions using Comparable uncontrolled price method. Inclusive 31 December 2022 intragroup loan placement currencies were HRK and EUR, in vast majority of the cases loans are unsecured.

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 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Related companies through direct or indirect ownership - subsidiaries						
Hostin d.o.o.	374	385	405	-	-	-
CROSCO, naftni servisi d.o.o.	173	85	132	-	-	-
INA Crna Gora d.o.o. Podgorica	130	135	140	-	-	-
INA MAZIVA d.o.o.	51	8	-	-	-	35
Holdina d.o.o. Sarajevo	30	-	19	-	-	-
STSI, Integrirani tehnički servisi d.o.o.	24	-	19	-	8	-
Energopetrol d.d.	23	33	60	-	-	-
INA Slovenija d.o.o. Ljubljana	20	18	19	-	-	-
INA Industrijski Servisi d.o.o.	-	-	2	65	59	15
INA Maloprodajni servisi d.o.o.	-	-	-	28	31	25
INA Vatrogasni Servisi d.o.o.	-	-	-	19	26	26
Plavi tim d.o.o.	-	-	-	16	14	5
Adriagas S.r.l. Milano	-	-	-	12	12	12
Top Računovodstvo Servisi d.o.o.	-	-	-	8	8	9
Croplin d.o.o.	-	-	-	5	5	3
Petrol d.d.	-	-	-	-	-	1

Hedge transactions with related parties:

INA Group and INA, d.d.	**Expense from hedge transactions -net effect**		
	31 December 2022	**31 December 2021**	**1 January 2021**
Related companies controlled through the same ultimate parent			
MOL Commodity Trading Kft.	110	218	224

(all amounts are presented in HRK millions)

38. RELATED PARTY TRANSACTIONS (CONTINUED)

Deposits until three months with related parties:

INA Group and INA, d.d.	**Deposits up to three months**		
	31 December 2022	**31 December 2021**	**1 January 2021**
Ultimate parent company			
MOL Group Finance Zrt.	-	1,278	-

Deposits over three months with related parties:

INA Group and INA, d.d.	**Deposits over three months**		
	31 December 2022	**31 December 2021**	**1 January 2021**
Related companies controlled through the same ultimate parent			
MOL FGSZ ZRT	1	-	-

Product sales and purchases between related parties were made at the Group's usual prices, reduced by discounts and rebates depending on each relationship. For oil products sales to related parties, INA, d.d. does not require payment security instruments, except in the case of sales on foreign markets, in order to be compliant with the Foreign Exchange Act.

Compensation of key management personnel

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

	INA, d.d.		
	31 December 2022	**31 December 2021**	**1 January 2021**
Short-term employee benefits	43	44	30
Severance payments	3	7	1
Total	**46**	**51**	**31**

The amounts included above refer to the remuneration of the Management Board Members and directors of second and third level organisational units.

A number of key management members 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.

In 2022, expense for contributions plan to key management personnel of INA, d.d. amounted to HRK 5 million, (2021: INA, d.d. HRK 6 million; 2020: INA, d.d.: HRK 4 milion).

(all amounts are presented in HRK millions)

39. COMMITMENTS

The Group and the Company 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.

Gas Transportation contracts

At 1 January 2023, the future gas transportation contracted commitments with LNG Hrvatska until 31 December 2023 amounted to HRK 14 million, those from 1 January 2024 until 31 December 2027 amounted to HRK 57 million, those from 1 January 2028 until 31 December 2039 amounted to HRK 170 million.

Gas purchase contract obligations (Take or pay)

INA, d.d concluded a Gas Purchase Obligation (*Take or pay*). The obligation refers to the one-year natural gas import contract signed for a gas year. Based on this contract INA, d.d. will procure the quantities of gas needed to cover the sales gap. As at 1 January 2023, the future contractual obligations for natural gas concluded with MET Croatia Energy Trade d.o.o., until 31 December 2023 amounted to HRK 464 million. The contract contains an embedded derivative because the deliveries are priced by reference to the future market price of gas. This embedded derivative is closely related to the own use supply contracts and therefore is not separated and calculated according to IFRS 9.

Lease contracts

The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments under non-cancellable lease contracts outside INA Group are as follows:

	INA Group		**INA, d.d.**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
within 1 year	12	16	11	14
between 1 - 5 years	21	32	21	31
	33	**48**	**32**	**45**

Outstanding operating lease liabilities as at 31 December 2022 were contracted by INA, d.d. in the amount of HRK 32 million, while as at 31 December 2021 the contract liabilities of INA, d.d. amounted to HRK 45 million.

39. COMMITMENTS (CONTINUED)

Guarantees

The Group guarantees the performance under the respective contracts. The total value of guarantees undertaken to third parties is contractually HRK 535 million, which is the maximum amount the Group is exposed to (INA, d.d.: HRK 320 million). In the event of default, the contract terms contain a maximum compensation payment to the unrelated party. At 31 December 2022 INA, d.d., had guarantees for related party in amount of HRK 687 million. Based on expectations at the end of the reporting period, the Group does not expect any liability is expected to arise. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Capital and Contractual Commitments

The total value of contractual commitments for capital investments as of 31 December 2022 amounts to HRK 310 million. Highest contractual commitments are related to Egyptian operations (HRK 150 million) where INA operates several concessions, together with contractual commitments for exploration concessions in Onshore Croatia (HRK 113 million) and contractual commitments towards EDINA (HRK 23 million, firm scope) related to Offshore drilling campaign.

Other capital commitments in the amount of HRK 1.680 million as of 31 December 2022 are related primarily to activities in Croatia and present contracted investments that, contrary to contractual obligations listed above, can be cancelled.

40. CONTINGENT LIABILITIES

Environmental matters

The Company's and the Group's principal activities of the, 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 Group and the Company regularly record, monitor and report on environmental emissions.

Safeguarding the environment is one of the biggest imperatives of our time. 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.

In 2022, a new revised environmental permit was obtained for Gas Processing Facilities Molve which is in line with the BAT Conclusions for the Refining of Mineral Oils and Gas. For the Sisak refinery, the revision of the environmental permit is in progress. Baseline reports for refineries have 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 fighting against climate change. Inside the System, a part of the emission allowances (one allowance = 1 tonne of CO_2) 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 of 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 organisational units covered by the EU ETS must reduce their emissions. All four INA's ETS installations have prepared for the 4^{th} EU ETS Trading Phase, which is valid for the period 2022 until 2030. Free allocated emission allowances are reduced due to the historical activity level decrease and application of more stringent benchmarks for refinery products heat and fuel.

The Group and the Company continued to implement best available techniques, invest in renewable energy sources 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 a non-current 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 revised in every quarter.

40. CONTINGENT LIABILITIES (CONTINUED)

Environmental matters (continued)

Environmental provisions (continued)

As at 31 December 2022, INA, d.d. made environmental provisions in the amount of HRK 522 million, whereas the provisions at the Group level amounted to HRK 524 million, while as at 31 December 2021, INA, d.d. made environmental provisions in the amount of HRK 461 million, whereas the provisions at the Group level amounted to HRK 464 million.

As at 31 December 2022, contingencies at INA, d.d. were estimated at HRK 290 million and at the INA Group level they were estimated at HRK 489 million, while as at 31 December 2021 contingencies at INA, d.d. were estimated at HRK 335 million and at INA Group level they were estimated at HRK 536 million.

Legal disputes

The Group is exposed to various legal disputes. The following disputes are considered 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 approx. HRK 60 million incurred due to the 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 3 October 2019. There were no changes since then the ruling of the Supreme Court's ruling of the Republic of Croatia is still pending.

EKO MEDIA d.o.o.

In September 2012 INA, d.d. entered into an agreement with 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 EKO MEDIA's lawsuit and filed a counterclaim for the return of unjust enrichment and requiring an interim measure to be issued to prohibit the use of advertising boards. The first instance court rejected EKO MEDIA's claims as unfounded. That decision was confirmed by the second instance court, finally resolving the case in favour of INA, d.d. EKO MEDIA has filed a motion for allowing the revision to the Supreme Court. The procedure regarding INA's counter-claim is still in progress.

40. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

Belvedere cases (CLEOSTONE claim included)

In 2005 INA, d.d. and Belvedere d.d. concluded an Agreement on the notarial insurance of claims by establishing a 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 sale of the real estate, and the real estate was sold to Vila Larus d.o.o., whereby INA, d.d. collected HRK 24 million comprising the principle amount and contractual interest rate.

The plaintiff initiated the proceeding to declare the real estate sale and purchase agreement 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 finalised 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 revision. The proceeding to cancel the enforceability clause was concluded in the first instance in favour of INA, d.d. Regarding the plaintiff's appeal, the High Commercial Court of the Republic of Croatia rejected the appeal and confirmed the first-instance verdict.

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 a state of 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 has also been 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 plaintiff`s request. The plaintiff filed a request for granting a second instance appeal. The request was dismissed by the Supreme Court.

40. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

Belvedere – HRK 220 million, 018-14/17 (continued)

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 until proceeding 018-11/17 is finalised. The court's to continuation of the proceeding is still pending.

RSG Europe Service Limited - INA and Manšped d.o.o., NŠ-13/21, HRK 21 million

The lawsuit was filed on 4 August 2021 with the Commercial Court in Rijeka. The plaintiff, as the insurer of the owner of ship FIDELITY, is seeking damages for the total amount paid under settlements concluded with the Republic of Croatia, the Istria County and other legal entities and natural persons due to the damage caused to them by spillage of fuel from ship FIDELITY into the sea in the Raša Bay on 22 June 2018. The lawsuit states that INA, d.d. as the concessionaire for fuel supply in the Raša Port and MANŠPED d.o.o. as its subcontractor (carrier) caused the damage because INA hired MANŠPED as its subcontractor which neither had the concession or concession approval to perform these services, nor authorised and professional (trained) personnel who would be able to deliver fuel for ship FIDELITY, whereby they allegedly, during the delivery of bunker marine oil (fuel), violated the provisions of the Ordinance and committed the described damage, which was determined in the Report of the Port Authority of Pula dated 20 July 2018. The response to the lawsuit was filed on 17 December 2021 with the Commercial Court in Rijeka. The response to the lawsuit contests the lawsuit in its entirety because the factual situation indicates the responsibility of the ship's crew, i.e. of the plaintiff's policy holder. The preparatory hearing has been scheduled for 31 March 2022, while the next hearing will be scheduled after the Court's decision on the request of INA and the second defendant MANŠPED d.o.o. that the plaintiff (an insurance company from Great Britain) should pay the down payment for the costs of the procedure in accordance with art. 61. of the Private International Law Act becomes legally valid. On 8 July 2022, the Court issued the decision that the plaintiff should pay the amount of HRK 2 million (in total for both defendants) on the Court's account number as a guarantee for the costs of the procedure. On 1 August 2022, the plaintiff submitted an appeal against that decision, and on 23 August 2022 paid the mentioned amount, so that the procedure shall continue regardless of the outcome of plaintiff's appeal. On 25 November 2022, the High Commercial Court rejected the plaintiff's appeal. The procedure at the Commercial Court in Rijeka shall continue.

40. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

Labour proceedings against Energopetrol d.d.

At the Municipal Court in Sarajevo, 449 plaintiffs filed several lawsuits against the company Energopetrol d.d. The lawsuits were filed in period from 2018 until 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 from 2014 until 2020. In the case named "103" which represented the legal basis for all 449 plaintiffs, on 21 June 2022, the Supreme Court of the Federation of Bosnia and Herzegovina issued a decision entirely in favour of Energopetrol d.d.. Considering the outcome of the mentioned case, 72 out of 449 plaintiffs have withdrawn the lawsuit. The remaining 377 plaintiffs, due to the fact that their case is before the second-instance court, are unable to withdraw their claim without the consent of Energopetrol d.d. Bearing in mind the above, the originally reserved amounts of 10% and 30% for the 449 plaintiffs were released. Consequently, 377 of 449 plaintiffs have an active court dispute with Energopetrol d.d. in the second instance court, for which Energopetrol d.d. reversed the provision, in the amount of HRK 62 million, considering the prospect for success in the dispute as well as the legal basis of the claim. In addition to the above mentioned 377 active plaintiffs, Energopetrol d.d. has an additional 74 active plaintiffs who, in the period from 2014 to 2022, have filed lawsuits on various legal grounds: salary compensation, annulment of the decision on dismissal, non-material damage and other monetary claims from the employment relationship. Of the 74 plaintiffs, 63 have, depending on the prospect of success as well as the legal basis of the claim, made provisions in the amounts of 50% and 100% respectively of the total claim, while the remaining 11 plaintiffs do not have a provision according to the prospect of success. The total provision for the aforementioned 63 plaintiffs amounts to HRK 15 million.

MOL Nyrt. and INA, d.d. vs Federation of Bosnia and Herzegovina (FBIH)

MOL Nyrt. and INA, d.d. are involved in an arbitration against the FBIH, before the ICC Zürich.

INA/MOL claim:

INA, d.d. and MOL Nyrt. claim arises out of the alleged breach of representations and warranties under the Recapitalization Agreement signed with FBIH, with regard to Energopetrol's alleged (non-)compliance with the employment laws of FBiH. The amount in dispute, according to the Terms of Reference dated 20 April 2020 is HRK 166 million (plus ancillary claims such as claims for legal interest and legal costs). Still as at 31 March 2020, court proceedings are pending in an amount of HRK 203 million in relation to which Claimant maintains a relief for a declaratory decision.

FBIH counterclaim:

FBIH claims INA, d.d. and MOL Nyrt. did not perform their investment obligations in Energopetrol d.d., according to the Recapitalization Agreement.

FBIH request the court to order MOL/INA "to jointly and severally make investments in the amount of HRK 354 million into Energopetrol d.d. Sarajevo, i.e. (i) ensure the provision of funds in the corresponding amount including, without limitation, loans, investment in kind and other financial instruments which shall be reflected in the liabilities and/or equity side of the balance sheet of Energopetrol d.d. Sarajevo (all without diluting the respondent's shareholding in Energopetrol d.d. Sarajevo) and (ii) ensure the application of these funds to projects and purposes .

40. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

MOL Nyrt. and INA, d.d. vs Federation of the Bosnia and Herzegovina (FBIH) (continued)

set forth in Article XII of the Recapitalization Agreement and Appendix 16 (Investment Plan) of the Recapitalization Agreement within 365 days as at the date the arbitral award is issued".

FBIH also claims INA, d.d. and MOL Nyrt. "jointly and severally pay Respondent (FBIH) HRK 236 million plus interest of 5 % per annum as at 28 March 2010 until full and final payment thereof and there is a rather unsubstantiated other counterclaim of HRK 226 million plus interest of 5% per annum as at 30 March 2010 until full and final payment thereof.

Evidentiary hearing took place on the week of 22 November 2021, in Zürich. Certain follow up submissions have been requested by the Tribunal. The parties provided their own cost submissions on 14 January 2022.

The Tribunal rendered a partial award, dated 13 April 2022 ("Partial Award").

In this Partial Award the Tribunal has dismissed FBiH's Counterclaim in its entirety.

As to MOL/INA's Claim, the Tribunal dismissed a substantial part thereof. In essence, the Tribunal only reserved the decision on MOL/INA's request to order FBiH to pay Energopetrol d.d. Sarajevo HRK 163 million, plus statutory interest (in particular, requests for payment to MOL/INA are dismissed).

Yet, the Tribunal also noted that only employment periods up to the Date of Execution of the Transaction (i.e. 28 March 2007) are covered by the relevant representation and warranty ("Residual Claim"). The Tribunal has not stated that MOL/INA's present Claim, even if only limited to employment periods up to the Date of Execution of the Transaction, is indeed justified. In any event, it appears to us that the remaining amount of the Claim, if any at all, would be effectively relatively low.

Finally, the Tribunal reserved also its cost decision.

On 5 May 2022, the Tribunal directed the Parties to advise it as to the following matters:

1. Which procedural calendar the Parties would propose for the filing of further submissions in respect of the Residual Claim; and
2. Whether the Parties would be content for the Tribunal to decide the Residual Claim "on the papers" rather than having a further hearing; and, to the extent the Parties would deem a hearing necessary, any proposed hearing date regarding the Residual Claim.
3. The Tribunal indicated that it would also welcome any update from the Parties in the event that they are exploring other possibilities to resolve the Residual Claim in a more amicable way and would require more time for that purpose.

The next formal procedural step, CMC, was planned for October 2022.

On 19 December 2022, the Parties jointly requested the Tribunal grant them additional days to continue the discussion about a potential settlement on the residual issues. The Tribunal granted this request. The Parties shall revert with an update in second half of March 2023.

(all amounts are presented in HRK millions)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

INA Group's primary objective in managing its capital is to ensure good capital ratios in order to support all business activities and maximise the value to all shareholders by optimising the debt and equity ratio.

INA Group's capital structure consists of the debt portion which includes borrowings as detailed in Notes 28 and 30 offset by cash and bank balances as well as short-term marketable securities (so-called net debt) and shareholder equity comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in Notes 36 and 37.

INA Group's capital structure 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, INA Group's maximum gearing ratio is determined.

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

	INA Group			INA, d.d.		
	31 December 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Debt:	**2,512**	**3,128**	**2,085**	**2,612**	**3,052**	**1,873**
Bonds issuance	1,987	1,983	-	1,987	1,983	-
Long term loans	-	-	-	141	129	-
Short-term loans	525	1,145	2,085	484	940	1,873
Short-term marketable securities	(122)	(17)	(79)	(122)	(17)	(79)
Cash and cash equivalents	(1,707)	(1,352)	(399)	(1,640)	(1,295)	(351)
Net debt	**683**	**1,759**	**1,607**	**850**	**1,740**	**1,443**
Equity	11,935	10,885	9,505	12,763	11,826	10,480
Equity and net debt	12,618	12,644	11,112	13,613	13,566	11,924
Gearing ratio	**5%**	**14%**	**14%**	**6%**	**13%**	**12%**

Debt is defined as short-term borrowings and credit lines (excluding derivatives and financial guarantee contracts), as described in Notes 28 and 30.

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

(all amounts are presented in HRK millions)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	Carrying amount					
	INA Group			**INA, d.d.**		
	31 December 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Financial assets						
Cash and cash equivalents	1,707	1,352	399	1,640	1,295	351
Trade receivables	2,739	2,007	1,206	2,738	1,978	1,039
Other financial assets	680	1,883	581	1,490	2,540	1,367
Non-current financial assets	833	756	683	833	756	683
Derivative financial instruments	38	11	26	38	11	26
Marketable securities	140	60	79	139	60	79
Financial assets designated as at fair value through profit or loss	7	9	10	5	7	7
Financial liabilities						
Bonds issuance	1,987	1,983	-	1,987	1,983	-
Loans and borrowings	525	1,145	2,085	484	940	1,873
Lease liabilities	310	312	309	396	445	478
Trade payables	2,484	2,143	1,426	2,431	2,138	1,450
Derivative financial instruments	21	64	117	21	64	116

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 using scenario and sensitivity analyses, which can include changes in a single quotation, but also significant changes in external environment, as was the case in 2022 and 2021. Based on the financial risk analysis their effects on INA Group's overall business activities can be quantified and appropriate measures can be selected in order to minimise 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 the ordinary 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 ordinary 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 managing 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.

41. 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 the INA Group. INA Group buys crude oil mostly through short-term arrangements in USD at the current spot market price. In 2022, INA Group imported necessary natural gas quantities in EUR based on the 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 the corporate and business operations level, INA, d.d. may use forward, swap and option instruments. In 2022, INA, d.d. entered into short-term swap transactions to hedge its exposure to changes in inventory levels, changes in pricing periods, crack spreads and fixed price contracts. 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.

Commodity swap derivative financial instruments entered into by the Company are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in crude oil prices. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

As at 31 December 2022 and 31 December 2021, 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 2022 and 31 December 2021 there were no outstanding cross-currency transactions.

(all amounts are presented in HRK millions)

41. 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 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
Currency EUR	1,844	1,167	1,566	743	1,678	490
Currency USD	470	1,161	1,027	1,251	862	613
	2,314	**2,328**	**2,593**	**1,994**	**2,540**	**1,103**

INA, d.d.

	Liabilities			Assets		
	31 December 2022	31 December 2021	1 January 2021	31 December 2022	31 December 2021	1 January 2021
Currency EUR	1,732	1,073	1,290	1,110	2,000	740
Currency USD	434	1,137	1,007	1,232	785	579
	2,166	**2,210**	**2,297**	**2,342**	**2,785**	**1,319**

Foreign currency sensitivity analysis

INA Group is mainly exposed to currency risk related to change of the 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 the sensitivity of INA Group's and INA, d.d. to a 10% weakening of HRK at 31 December 2022 (same sensitivity rate used for the preceding period) against the relevant foreign currencies. The sensitivity rates used represent managements' 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 2022	31 December 2021	31 December 2022	31 December 2021
Profit/(Loss)	78	(30)	(110)	51
	78	**(30)**	**(110)**	**51**

INA, d.d.	Currency USD Impact		Currency EUR Impact	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Profit/(Loss)	80	(35)	(62)	93
	80	**(35)**	**(62)**	**93**

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.

(all amounts are presented in HRK millions)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management

INA Group is exposed to interest rate risk, since INA Group entities 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 a fixed interest rate and using longer interest periods. For example, in December 2021 INA, d.d. issued bonds with fixed coupon rate.

INA, d.d. in accordance with internal procedures, INA, d.d. 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 at 31 December 2022 there were no outstanding interest rate swap transactions.

Interest rate risk analysis

The sensitivity analysis below has been determined based on interest rate risk exposure 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 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Short-term interest expense change	11	23	42	10	19	37
Total change:	**11**	**23**	**47**	**10**	**19**	**37**

If interest rates would be 200 basis points higher, INA Group's interest expenses in 2022 would increase by HRK 11 million, while with a change of 50 basis points the increase would be HRK 3 million (in 2021: increase by HRK 23 million had the interest rated been 200 basis points higher, and by HRK 6 million had the interest rates been 50 basis points higher).

At the same time INA, d.d.'s interest expenses in 2022 would increase by HRK 10 million if interest rates had been 200 basis points higher, while the increase would be HRK 2 million with a change of 50 basis points (2021: increase by HRK 19 million had the interest rates been 200 basis points higher, and by HRK 5 million had the interest rates been 50 basis points higher). Equivalent decrease of interest rates would result in decreased interest expenses by equal amounts.

41. 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 2022 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 70 million as a result of the changes in fair value through other comprehensive income.

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 negative impact on INA Group's liquidity of, whereas impaired overdue receivables have a negative impact on INA Group's financial results 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 mainly 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 2022, credit risk management was under additional scrutiny, taking into account the potential decrease of market liquidity influenced by the external environment i.e. inflation, high uncertainty regarding the price development of energy prices, governmental limitation of margins. Whenever possible, INA Group collects collaterals (payment security instruments) from customers in order to minimize the risk of collection of receivables arising from contractual liabilities of customers.

INA Group's exposure and the credit ratings of its customers are continuously monitored to mitigate the risk of default (see Note 23).

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

41. 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 utilising adequate reserves and credit facilities while monitoring the due dates of receivables and liabilities. On an operative level within INA Group, liquidity optimisation is additionally achieved through cash pooling.

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

As at 31 December 2022, INA Group had contracted and available short-term credit lines amounting to HRK 4,131 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 at 31 December 2022, INA Group had contracted and available long-term credit lines amounting to HRK 2,260 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 at 31 December 2022, INA Group had contracted and available short-term credit facilities for financing crude oil and oil products purchase amounting to HRK 7,029 million (CNB middle rate).

For details of the main external sources of funding for INA Group, see Note 28 and 30.

With the purpose of diversification of funding sources and in order to ensure a sufficient liquidity and financial stability level, INA, d.d. is continuously considering different funding opportunities with other creditors as well and in December 2021, INA, d.d. issued bonds in the amount of HRK 2 billion with a 5-year maturity and fixed coupon rate.

(all amounts are presented in HRK millions)

41. 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. at the period end. Analyses have been drawn up based on the undiscounted cash flows at 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 2022					
Non-interest bearing	2,386	613	22	1	3,022
Interest bearing	490	115	2,120	104	2,829
	2,876	**728**	**2,142**	**105**	**5,851**
31 December 2021					
Non-interest bearing	1,938	810	10	-	2,758
Interest bearing	568	664	2,136	82	3,450
	2,506	**1,474**	**2,146**	**82**	**6,208**

INA, d.d.

	Less than 1 month	1 - 12 months	1 - 5 years	5+ years	Total
31 December 2022					
Non-interest bearing	2,383	525	21	-	2,929
Interest bearing	490	64	2,106	81	2,741
	2,873	**589**	**2,127**	**81**	**5,670**
31 December 2021					
Non-interest bearing	1,944	609	9	-	2,562
Interest bearing	567	450	2,121	78	3,216
	2,511	**1,059**	**2,130**	**78**	**5,778**

In 2022, non-interest bearing liabilities of INA, d.d. due in a period of less than one month consist mainly of trade payables in the amount of HRK 2,188 million (2021: HRK 1,857 million).

Non-interest bearing liabilities of INA, d.d. due in a period of over five years include liabilities to the state for sold flats and deferred income for sold flats.

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

41. 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 the 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)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognized in the statement of financial position:

INA GROUP

				31 December 2022
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Non-current financial assets	701	-	132	833
Investments in associates and joint ventures	-	-	28	28
Other investments	-	-	7	7
Marketable securities	140	-	-	140
Derivative financial instruments	-	38	-	38
Financial liabilities at fair value				
Derivative financial instruments	-	21	-	21

				31 December 2021
	Level 1	**Level 2**	**Level 3**	**Total**
			Restated	
Financial assets at fair value				
Non-current financial assets	606	-	150	756
Investments in associates and joint ventures	-	-	245	245
Other investments	-	-	9	9
Marketable securities	60	-	-	60
Derivative financial instruments	-	11	-	11
Financial liabilities at fair value				
Derivative financial instruments	-	64	-	64

(all amounts are presented in HRK millions)

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

INA, d.d.

				31 December 2022
	Level 1	Level 2	Level 3	Total
			Restated	
Financial assets at fair value				
Non-current financial assets	701	-	132	833
Investments in associates and joint ventures	-	-	18	18
Other investments	-	-	5	5
Marketable securities	140	-	-	140
Derivative financial instruments	-	38	-	38
Financial liabilities at fair value				
Derivative financial instruments	-	21	-	21

				31 December 2021
	Level 1	Level 2	Level 3	Total
			Restated	
Financial assets at fair value				
Non-current financial assets	606	-	150	756
Investments in associates and joint ventures	-	-	245	245
Other investments	-	-	7	7
Marketable securities	60	-	-	60
Derivative financial instruments	-	11	-	11
Financial liabilities at fair value				
Derivative financial instruments	-	64	-	64

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 derivative 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.

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

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.

42. SUBSEQUENT EVENTS

Introduction of EUR

Since 1 January 2023, Republic of Croatia entered the Euro zone and the Croatian kuna (HRK) was replaced by a new currency, the Euro (EUR). As a result, the Company has changed, since that date, its functional currency to EUR. Accounting records have been converted to EUR using the conversion rate of 7.53450. INA, d.d. separate and consolidated financial statements for the year ending 31 December 2023 will be presented in EUR.

INA, d.d. signed a new concession agreement in Egypt

INA, d.d. has signed a Concession Agreement for the East Bir El Nus Area (Block WD-8, located in Egypt's Western Desert) with the Arab Republic of Egypt, the Egyptian General Petroleum Corporation (EGPC) and Energean, as the operator. Thereby, INA, d.d. enters a new concession as a 50% working interest partner, while the remaining 50% is held by Energean. This is the end of the process of entering the new concession, which began in March 2022, and which enables INA and Energean to start exploration. The initial exploration period lasts three and half years, and in the case of commercial discovery, the contract provides a production license for 20 years.

43. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorised for issue on 16 March 2023.

Signed on behalf of the Group and the Company on 16 March 2023 by:

Péter Ratatics, President of the Management Board of INA, d.d.

Zsombor Ádám Marton, Member of the Management Board

Krisztián Pulay, Member of the Management Board

Hrvoje Šimović, Member of the Management Board

Marin Zovko, Member of the Management Board

Miroslav Skalicki, Member of the Management Board

INA
199
INDUSTRIJA NAFTE, d.d. Av. V. Holjevca 10, Zagreb