# ANNUAL REPORT 2021

INA

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# 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 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.


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

## 1.2. INA Group at a glance

### Key financial and operating data

| KEY FINANCIAL DATA (HRK MLN)* | 2020 | 2021 | CH % |
|---|---|---|---|
| Revenue from contracts with customers | 14,788 | 22,400 | 51 |
| EBITDA[1] | 991 | 3,315 | 235 |
| EBITDA excluding special items[2] | 991 | 3,403 | 243 |
| o/w Exploration and Production | 1,013 | 2,515 | 148 |
| o/w Refining and Marketing including Consumer Services and Retail | (153) | 1,253 | N.A. |
| CCS EBITDA excluding special items | 1,783 | 3,029 | 70 |
| Profit/(loss) for the year attributable to the Owners | (1,137) | 1,312 | N.A. |
| Net cash inflow from operating activities | 2,233 | 3,365 | 51 |
| Capital expenditures | 1,282 | 1,598 | 25 |
| o/w Exploration and Production | 442 | 608 | 38 |
| o/w Refining and Marketing | 622 | 794 | 28 |
| o/w Consumer Services and Retail | 126 | 110 | (13) |
| Basic and diluted earnings per share (HRK per share) | (113.7) | 131.2 | N.A. |
| Gearing ratio (%)[3] | 15 | 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, while in 2020 result was negatively impacted by HRK (500) million of impairment of assets

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

| KEY OPERATING DATA | 2020 | 2021 | CH % |
|---|---|---|---|
| **KEY EXPLORATION AND PRODUCTION DATA** | | | |
| Total gross hydrocarbon reserves (MMboe) 2P | 95 | 85 | (11) |
| Total hydrocarbon production (Mboe/day) | 29.5 | 27.1 | (8) |
| **KEY REFINING AND MARKETING DATA** | | | |
| Total refining throughput (kt) | 2,737 | 2,588 | (5) |
| Total crude oil product sales (kt) | 4,093 | 4,313 | 5 |
| **KEY CONSUMER SERVICES AND RETAIL DATA** | | | |
| Total number of retail locations* | 512 | 511 | 0 |
| Total sales (kt) | 938 | 1,060 | 13 |
| **ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA** | | | |
| Carbon dioxide emissions (Mt) | 1.31*** | 1.22 | (7) |
| Total Recordable Injury Rate (TRIR)** | 1.70 | 1.38 | (19) |
| Total score in Croatian Corporate Social Responsibility Index | 654 | 561**** | (14) |

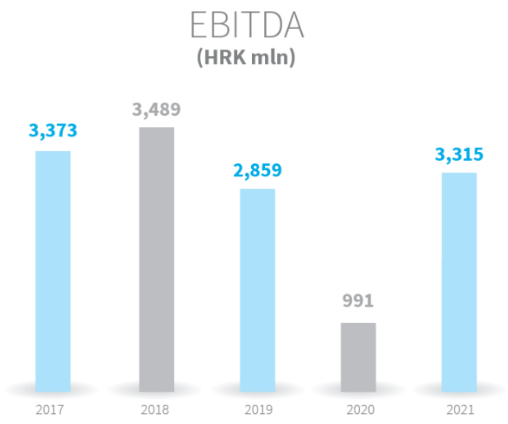
*Retail locations imply: 505 service stations and six other retail locations (auto bar/restaurants, carwash, shop, heating oil sales point, LPG sales point) does not include five service stations that are leased to MOL Slovenia

**Own staff + contractors

***Restated data explanation in 5.8. Additional Sustainability Data

**** In 2021 new methodology of Croatian Sustainability Index INA remained in TOP 15 in the category of large companies


REVENUE FROM CONTRACTS WITH CUSTOMERS
(HRK mln)
18,582
22,349
22,597
14,788
22,400
2017
2018
2019
2020
2021


EBITDA
(HRK mln)
3,373
3,489
2,859
991
3,315
2017
2018
2019
2020
2021


PROFIT/(LOSS) FOR THE YEAR
(HRK mln)
1,222
1,177
489
(1,137)
1,312
2017
2018
2019
2020
2021

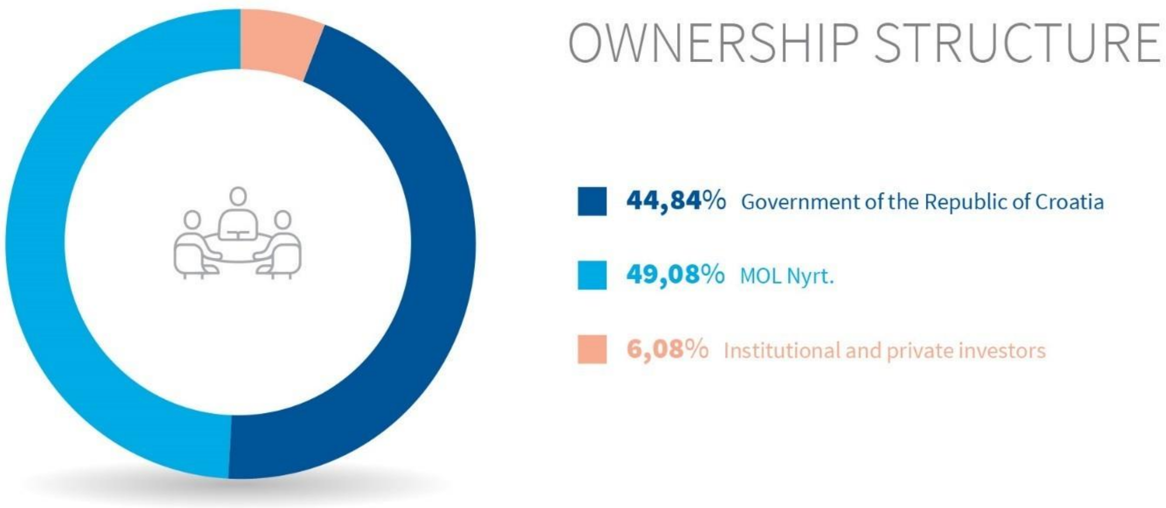
## Company and shareholder information

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

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

As at 31 December 2021, 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. The integrated approach to reporting is the most efficient method of communicating previous year's performance. INA Group's 8th 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 2021.

INA Group publishes reports on an annual basis. The last report was published in April 2021. 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 (Core option) when reporting on sustainability performance;
- Oil & Gas Sector Supplement that provides reporting guidance for companies and organizations primarily involved in the exploration, extraction, production, refining, and transport and sale of oil, gas, petrochemicals and specialized oil service companies;
- Reporting progress on the ten principles of the United Nations Global Compact (UNGC).

As presented in the Group's materiality matrix on page 15, 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 to 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.

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 174-175.

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, covering the sites and locations directly under operating control of INA Group companies (details on page 163). 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

In 2021, INA remained a financially stable company thanks to our continuous focus on long-term sustainable operation. Despite the sudden shifts in hydrocarbon prices over a brief period of time and the continued presence of the pandemic, the market was favorable in 2021, and INA performed very well, comparable to the pre-crisis year. The market recognized our efforts, and we have successfully issued HRK 2 billion worth of bonds in one of the largest corporate bond issues in Croatia. The company's vertically integrated business model 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 its businesses.

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. INA remains committed to INA Downstream 2023 New Course, a program which includes the Rijeka Refinery Upgrade Project and the concentration of oil refining at the Rijeka Refinery, while the Sisak location will be transformed into a modern industrial center. Other downstream transformation projects, focused on high asset efficiency and flexibility, are also implemented under this program in line with strategic guidelines.

In Exploration and Production, we are focused on activities that will help us maximize the Croatian onshore and offshore production portfolio. This year, we carried out new exploration activities in three onshore exploration areas and launched offshore development activities in order to extend the life of concession fields in the Northern Adriatic. As for INA's foreign assets, we launched the first exploration activities in East Damanhur, our new exploration concession in Egypt, in which we hold an interest. 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 protect the environment by permanently storing $CO_2$. An EOR pilot project was launched in the Šandrovac field in 2021, in addition to the projects in Ivanić and Žutica fields. Croatian and foreign professional communities have recognized the importance of this method and presented it with awards for good practice example in sustainable development. 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 under the ground. 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.

We continued our implementation of state-of-the-art IT solutions in Consumer Services and Retail in 2021, building our position as the Croatian oil derivatives market leader in digitalization. More than 324 thousand members signed up for INA Loyalty, our customer loyalty platform, in the year since its implementation, 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. This year, we have acquired an additional share in OMV Slovenia with MOL. INA will thus reinforce its presence in the Slovenian market and has gained 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 have also remained 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 Molve and Sisak locations. In addition, we will be looking into 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 green hydrogen and geothermal resources.

The professional community recognized our work in 2021, presenting us with awards for a number of projects and activities implemented within the company. For instance, PwC presented us with the Building Public Trust Award at an event organized by the Zagreb Stock Exchange, an award presented to companies noted for exceptional clarity and transparency in stakeholder reporting. INA was once again recognized as a top employer: our companies INA Vatrogasni servisi, Holdina and INA Montenegro were presented with Employer Partner certificates, and TRS and Plavi tim with MAMFORCE® Standard certificates. #BeCROactive Award, presented by the Ministry of Tourism and Sports, and the European Cycle Friendly Employer certificate attest to INA's continual focus on promoting sports and a healthy lifestyle.

These are just some of the awards and recognitions that the company received in 2021. They are all a result of continuous implementation of the best business and industry practices, but also the exceptional engagement of our employees. Business efficiency and long-term sustainability will remain in the focus for us going forward, given the continued market uncertainties driven by the pandemic. Hope that this too will soon change, combined with the unquestionable resilience of all of us at INA, inspires confidence that the year ahead can be successful, too.

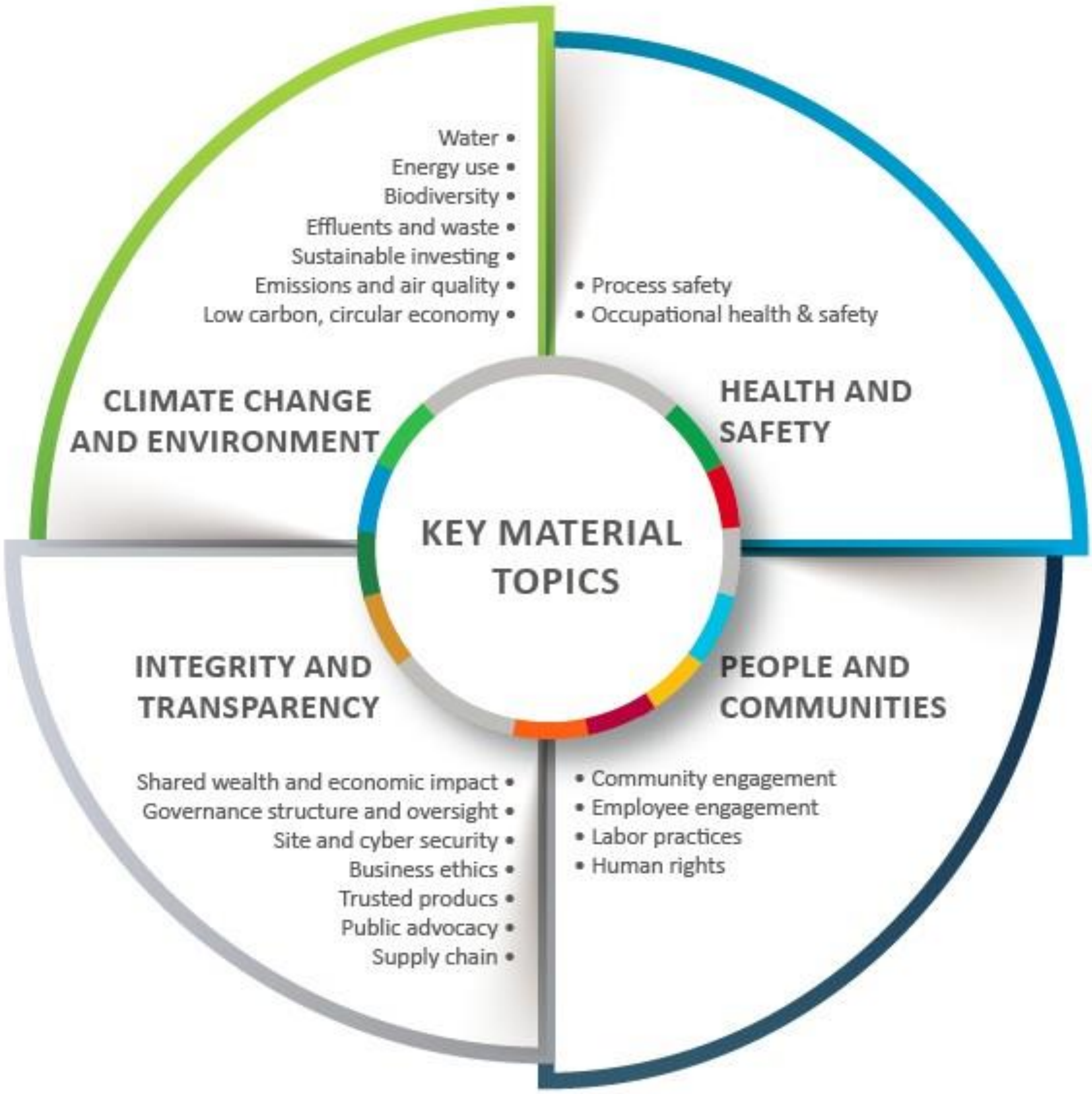
## 1.5. Materiality and stakeholder engagement

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 new 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.

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.

## 1.6. Awards and recognitions

### Zagreb Stock Exchange Award 2021 - PwC Building Public Trust Award for companies that stand out for their clarity and transparency of stakeholders' reporting

As a part of the Zagreb Stock Exchange Awards Ceremony, PwC Building Public Trust Award has been awarded since 2018. The aim of the award is to recognize and reward companies that stand out for their clarity and transparency of reporting to their stakeholders. In 2021 the Award was given to INA.

### Award of the Ministry of Economy and Sustainable Development in the category "Process for successful implementation of innovative solutions in the field of process and production methods that protect the environment and promote sustainable development" - EOR Project

The recognition was awarded by the Ministry of Economy and Sustainable Development as part of the Conference on the Future of Europe. For the EOR Project, INA won the award in the Process category for the successful application of an innovative solution in the field of process and production methods that protect the environment and promote sustainable development. This is a recognition for the great experience that INA has in the area of $CO_2$ capture, use and storage, which can become especially important in the implementation of Croatia's low-carbon development strategy.

### Employer Partner Certificate - awarded to INA Vatrogasni servisi, Holdina, INA Montenegro

For the 11th time, INA was awarded the Employer Partner Certificate, an award for excellence in human resource management. The certificate is awarded to companies that manage human resources and implement standards that have been proven to improve business results and quality of work. The company INA MALOPRODAJNI SERVISI d.o.o. is certified for the third time, and the companies CROSCO d.o.o., STSI d.o.o., PLAVI TIM d.o.o., TOP RAČUNOVODSTVO SERVISI d.o.o. and INA MAZIVA d.o.o. for the fourth time. The certificate was awarded for the first time to INA Vatrogasni servisi, Holdina and INA Montenegro. Currently, there are 10 certified companies in the INA Group because of achieving high quality standards in human resource management in accordance with the best HR practices.

### Employer of the 1st Choice - TOP 10 employers in the Republic of Croatia

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

### Best Employer Brand Awards Adria 2021, Category: Best Employer Brand for Technology Sector

For the 3rd year in a row, INA, d.d. received the Croatia's Best Employer Brand Award for the best EB brand in the technology sector. The award is a testament to the quality of the activities we carry out to improve our current and future employees' work experience and job satisfaction and show that we understand the importance and accept responsibility for the satisfaction of our employees. To receive this award means to increase the organization's visibility in the job market and to further rise above the competition.

### Golden Index - Category: Scholarship

In 2021, INA, d.d. received its 6th Golden Index in the "Scholarships" category. The aim of the Golden Index is to reward companies which contributed to better student life, education and professional development of students. Companies are rated by students themselves, and the goal of the project is to establish a closer cooperation between students and companies, which should contribute to the development of professional competencies and relations. Golden Index is organized by eSTUDENT, one of the most active student organizations in Croatia.

### Basic Mamforce® standard - awarded to TRS and Plavi tim

Since 2015, INA has had the MAMFORCE® standard and is the first company in Croatia to introduce a comprehensive welfare program through the beneFIT platform, providing benefits to all employees in accordance with their living needs. For many years, women in INA have been provided with the same employment and career opportunities as their male colleagues, which is confirmed by transparent indicators on the participation of women at all management levels. INA is committed to ensuring the quality of work experience, development of corporate culture and the principles of diversity and inclusion. In 2021, the basic Mamforce® standard was awarded to TRS and Plavi tim.

### #BeCROactive award of the Ministry of Tourism and Sports – Category: workplace, for the promotion of sports and encouraging employees to physical activity

In the sixth edition of the European Sports Week, the national coordinator of the project, the Ministry of Tourism and Sports, based on the #BeActive Awards organized by the European Commission, awarded the most active individuals and institutions that stood out in 2021 in promoting physical activity and sports in Croatia. In the category "workplace", for the promotion of sports and encouraging employees to physical activity, the award was won by INA.

### European Cycle-Friendly Employer Certificate

In 2021, INA was again awarded the European Certificate "Employer Friend of Cycling", making it the first company in Croatia to be successfully recertified. The company has thus confirmed its membership in an international initiative of socially responsible companies aimed at increasing the number of cycling friends. They are a positive example of direct and active action in the field of sustainable mobility, which contributes not only to less congestion, but also to reducing the impact of individual motorized traffic on health and quality of life in the cities. With this certificate, INA is among the selected European companies and organizations that have earned it so far.

### INOVA 2021.- International Innovation Exhibition - 4 gold medals, 2 silver medals, Special Award

At the international exhibition of innovations, INA Group won seven awards. Gold medal was won by the following ideas: a device for automatic lowering of a deep paraffin cleaner, the use of a capillary series of pipes to permanently solve the problem of flooded gas wells by permanent injection of foam, INA Ultra Quenching Oil 22 and packaging INA MAZIVA in duo pack volumes of 3 and 5 l. Silver medal was won by: a device for oil production by clipping, implementation of logic 2002 on the blocking system of recirculating gas compressors, 376-k-001. A special award was given to a group of authors led by the director of INA MAZIVA for "Industrial product design and printing technology" for the idea "Packaging of lubricants in duo pack volumes of 3 and 5 l".

### Women's Choice Awards - category: Gas Station

In 2021, 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.

### Charter of gratitude to the INA retail site Đakovo-Nazorova as part of the celebration of the City of Đakovo Day

INA's retail site Đakovo-Nazorova was awarded the Charter of Gratitude on the City of Đakovo Day. The Gratitude Charter is a public recognition awarded to people, legal persons and foreign citizens for achievements in the economy, culture, education, health, social protection, humanitarian and other activities that contribute to the development of the City of Đakovo.

# 2. CORPORATE GOVERNANCE

## 2.1. Management Board

### Sándor Fasimon - President of the Management Board

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

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

## Niko Dalić - member of the Management Board

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

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

## Barbara Dorić, PhD - member of the Management Board

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

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

## Ferenc Horváth - member of the Management Board

Mr. Horváth was appointed member of INA Management Board as of 1 February 2021.

From 1984 to 1991, he was involved in the import of crude oil and natural gas and the export of petroleum products in the foreign trade company Mineralimpex. Between 1991 and 1998, he led the Hungarian joint venture of Mineralimpex and Phibro Energy, Allcom Trading Inc., which trades crude oil and petroleum products in Europe. He joined MOL in 1998 as Director of the newly established LPG business. Since 2001, as the Sales Director of MOL, he has been responsible for the sales of all products manufactured by MOL (petrol, diesel, chemical products, bitumen, LPG, lubricants, etc.). From 2002 to 2003, he was the Commercial Director of MOL, in addition to sales, its activities expanded to include the procurement of crude oil and raw materials for petroleum refining.

He was the Executive Vice President of MOL Refining & Marketing Division from November 2003, while between 1 May, 2011 and 14 July, 2020 he was the Executive Vice President of MOL Group Downstream. Furthermore, he has been Member of the Board of Directors of SLOVNAFT since 2003, Chairman of the Supervisory Board of MOL Petrochemicals since 2018, Chairman of the Board of Directors of IES Mantua since 2007, member of the Board of directors of MSZKSZ (Hungarian Hydrocarbon Stockpiling Associate) since 2020, and a Special Envoy to the MOL Group Chairman since 15 July 2020. Between 2012 and 2020 Mr. Horváth was a member of the Supervisory Board of INA.

Mr. Horváth studied at the St Petersburg State University, where he graduated with an MA in International Economics.

## Darko Markotić - member of the Management Board

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

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

## József Simola - member of the Management Board

Mr. Simola was appointed member of INA Management Board as of 1 February 2021.

From 1991 to 1992 he was employed as an SAP expert at General Electric - Tungsram. He subsequently joined Arthur Andersen as an auditor and consultant. In 1996, he continued his career at the Boston Consulting Group, where he held various managerial positions in Hungary, Germany and Australia. Mr. Simola joined MOL in 2003 and has been a member of the Executive Board since April 2006. He was also appointed as the Corporate Centre Executive Vice President of MOL between 2006 and 2011, and since May, 2011 he has been the MOL Group Chief Financial Officer. Mr. Simola was a member of the Supervisory Board of INA between 2016 and 2020.

József Simola graduated from the Budapest University of Technology and Economics in 1991. He also holds an MBA from INSEAD.

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

## 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.

### 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 Pavlović - Operating Director of Industrial Services

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

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

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

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

*Effective from 1 September 2021, following a Management Board decision, Mrs. Zdravka Demeter Bubalo has been appointed Operating Director of Consumer Services and Retail.*

## 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 as of 1 July 2019 are:

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

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

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

  - Planned scope of Internal Audit, objectives, authorities and human resources necessary for achieving relevant objectives
  - Internal Audit activities in the previous period and a summary of Internal Audit report in written form
  - Cooperation of Internal Audit and the external audit
- Meeting with the director of Internal Audit upon request of the Audit Committee members or the director of Internal Audit
- Meeting with the director of Accounting and Tax upon request of the Audit Committee members or the director of Accounting and Tax
- Submitting a report about the activities and conclusions of the Audit Committee to the Supervisory Board.

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

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

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

### *Significant shareholders of the Company*

As at 31 December 2021, 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 18 December 2020 until 17 December 2021:

- Damir Vanđelić - President of the Supervisory Board
- József Molnár - Vice President of the Supervisory Board
- Luka Burilović - member of the Supervisory Board
- Damir Mikuljan - 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
- László Uzsoki - member of the Supervisory Board
- Jasna Pipunić - representative of employees in the Supervisory Board

Members of the Supervisory Board from 17 December 2021:

- 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

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

Members of the Management Board until 31 January 2021:

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

Members of the Management Board from 1 February 2021:

- Sándor Fasimon - President of the Management Board
- Niko Dalić - member of the Management Board

- Barbara Dorić, PhD - member of the Management Board
- Ferenc Horváth - member of the Management Board
- Darko Markotić - member of the Management Board
- József Simola - member of the Management Board

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

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

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

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

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

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

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

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

- Borko Buturac - Acting 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 appointed by the decision of the Management Board from 1 September 2021:

- 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

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 39% 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 2021, 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. In 2021 we continued with building a diversity culture through specific projects and initiatives, such as:

### *D&I SURVEY*

In 2020, Diversity & Inclusion survey was conducted at the level of the entire MOL Group and INA Group with the aim of better understanding the perspective of employees on this topic and identifying strengths and improvement areas regarding diversity and inclusion. The results were published in 2021 and D&I activities were set accordingly. Four main areas were set around four key diversity topics: age, gender, disability, and well-being.

### *EVERYBODY COUNTS BROCHURE*

To continue with our good practices and introduce new activities to help all our colleagues who have questions about the employment of colleagues with disabilities, as well as those who feel that this issue could apply to them personally, we created a guide 'Everybody counts - an introduction to the world of our colleagues with disabilities'. This guide provides useful information for employees and managers on what disability is and how we as company and individuals can support our colleagues with disabilities.

### *CHALLENGE YOUR BIAS TRAINING*

As part of the Diversity and Inclusion strategy, training on subconscious biases was created for managers. This training will create a better understanding of subconscious biases, as well as how they affect behavior and decision making. Managers will also learn what actions they can take to prevent bias in their own work environment. This represents a step forward towards building an organizational culture where respect and equal opportunities are the everyday experience of every colleague!

### *MAMFORCE® and DADFORCE© STANDARD*

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

In 2021, two INA Group companies - TOP RAČUNOVODSTVO SERVISI and Plavi tim - went through the MAMFORCE® certification and joined INA Group "family" of certified companies, as well as the group of leading companies that stand out in providing employees with a work environment that supports work-life balance and responsible work culture in terms of family.

## 2.4. Quality management

### 2.4.1. Innovation

We can say eith pride 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 best proposers and supporting them to participate on at business events and competitions in the field of innovations as well.

Over the past two years, INA Group has constantly been facing with challenges resulting mainly from the COVID-19 global pandemic. Even though the market conditions had been distorted globally, our employees haven't been affected by that. On the contrary, in response to the global crisis, they have still taken part in the Corporate Innovative Culture Development by proposing their new and promising ideas.

When it comes to benefits and from all implemented ideas during 2021, we could say we have a good result with all our employees' efforts - more than 75% of the proposed ideas had not been rejected right away, but entered the next stage of consideration for implementation acceptance and/or inclusion into the business plan. It means that employees are becoming more creative but also more motivated in providing innovative solutions to improve the overall business.

### 2.4.2. Quality

Quality management is applied in all business processes through the integrated company system which was also introduced by major INA Group companies. The goal is to continuously improve the processes and to further develop the quality of products and services. In 2021, INA Group possessed the certificates according to ISO 9001, ISO 14001, ISO 50001, ISO 45001 standards and EU-ISCC certificate on biofuels sustainability, which is a mandatory condition for the sale of biofuels on the EU market. Monitoring of the entire quality management system is implemented with external monitoring management system (MS) audit (one held), as well as with integral process MS internal audits for all management systems (154 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. Due to COVID pandemic and organizational changes, internal audits are conducted online or in a combined manner. Business feedback is positive with regrad to current manner of conducting audits.

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. In 2021, four existing INA Group standards were revised.

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

### 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 wll as names (logo) of INA Group companies: CROSCO in Croatia, Azerbaijan, Egypt, Italy, Liberia, Tunisia, Ukraine, Kuwait; STSI in Croatia and Belarus; 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, 24 in Serbia, 12 in Albania, 34 in Kosovo, 34 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 2021, 10 new trademarks were registered abroad (INA MAZIVA, INA UKA, INA 2 TAKTOL in Serbia, Montenegro, Macedonia, Slovenia, BiH, Kosovo; INA KOMPRINA, INA AGRINA, FUNGIA in Serbia, Montenegro, Slovenia, BiH, INA LOKOMOL and GORGONELA in Serbia, Slovenia and BiH, INA LANCOL in Serbia, Montenegro, Slovenia and BiH, 3D stamp blue bottle in Slovenia and BiH). Protection was extended for two verbal trademarks (INA, INA UKA) and eight figurative trademarks (INA logo, seven visual identities of the blue concept) in Croatia and three verbal trademarks (INA TURBO, INA DELTA, INA SUPER) in Macedonia, Slovenia and BiH. Seven Internet domains were extended (2 INA domains in Macedonia and BiH 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

"More favorable external environment, altogether with continuous effort of our people, led to successful results in Exploration and Production. In Croatia onshore, we successfully drilled the development well Jamarica-183, completed the single largest 3D seismic acquisition in the country's history and carried out production optimization program with results above expectations. New development cycle on the Adriatic has been launched, where INA, d.d. for the first time conducts a major part of activities independently, including successfully drilled Ika B well in December 2021. Internationally, we continued seeking new opportunities."

Nikola Mišetić

Operating Director of Exploration and Production

### Achievements

- Successfully drilled Jamarica-183 well with two targeted reservoirs confirmed as well as two unexpected ones;
- Successful drilling of Ika B well in the scope of North Adriatic Offshore Development Program;
- Completed the single largest 3D seismic acquisition in Croatia's history.

### Challenges

- Reserves replacement and minimizing the effects of natural decline on our highly mature fields;
- Exploration activities without positive results on East Damanhur concession in Egypt and Drava-02 block in Croatia;
- International business development activities and divesting of marginal assets.

### 3.1.1. Overview and key achievements for the year 2021

After the challenging 2020, 2021 was marked with a more favorable external environment, including a rise of hydrocarbon prices and demand. Driven by that, Exploration and Production remained the key generator of EBITDA. As natural decline in production on our highly mature fields remained 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, and it is marked with positive results of Ika B well. The second well Marica D was drilled and its completion is in progress. In Croatia onshore, Jamarica-183 development well was successfully drilled with confirmed targeted reservoirs along with two additional unexpected ones. Moreover, successful production optimization projects were performed throughout onshore fields with favorable production results.

Our focus on active portfolio management remained, 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 Energean Plc. (the Operator), with expected effective date during Q4 2022.

At the end of 2021, INA Group had 85.05 MMboe of proven and probable (2P) hydrocarbon reserves with an average daily hydrocarbon production of 27.12 Mboe.

Environmental permit for Fractionation Facilities Ivanić Grad was received, without any new requirement regarding environmental monitoring. In line with sustainability targets, INA Group started to estimate future requirements related to methane emissions as the second biggest contributor to climate change.

## 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).

Exploration Block DR-02

INA, d.d. fulfilled all contractual obligations within the 2nd Exploration Phase, including drilling two new exploration wells and geological and geophysical (hereinafter: G&G) studies. Ždala-1 well was dry, while Bačkovica-1 East well encountered a non-commercial gas find. INA, d.d. submitted to the Croatian Hydrocarbon Agency a request for six-month exploration period extension until June 2022, to complete the well site restoration.

Exploration Block DR-03

In March 2021, INA, d.d. successfully completed the single largest 3D seismic acquisition project in the history of Croatia, as part of the working obligation on the block. The first part completed in December 2020 covered a total area of 400 $km^2$, while in Q1 2021 the remaining 200 $km^2$ was acquired, for a total area of 600 $km^2$. This acquisition used, for the first time in Croatia, wireless single sensor technology, which enabled better subsurface sampling and illumination, more efficient recording, but also less impact on agricultural land and local communities. This confirms that INA, d.d. is committed to using the most advanced industry standard exploration technology in the Pannonian Basin. The seismic data obtained were processed in our seismic processing center and subsequently delivered for G&G evaluation to define new exploration prospects for drilling within the block.

Exploration Block SZH-01

Following the extensive G&G studies, new 3D seismic acquisition polygon was defined covering an area of 150 $km^2$ along the NE part of the block. Acquisition was performed using the same technology applied at DR-03 block acquisition, therefore providing consistent data quality and minimal environmental footprint. By conducting 3D acquisition, INA, d.d. fulfilled the minimum contractual obligation of the initial exploration period.

Exploration Block DI-14

DI-14 is frontier area with no proven active petroleum system. Therefore, a regional magnetotelluric survey was conducted over five profiles within the total area of 1,500 $km^2$ (279 measurement points recorded). Recorded data represent the first piece of subsurface information acquired in the Dinarides region after several decades of no activity. Such low-resolution data are aimed to identify the main tectonic elements and stratigraphic architecture of the area, while providing information about the presence of petroleum system elements.

### *Field development*

Implementation of Production Optimization (hereinafter: PO) projects continued during 2021. The scope of four major PO projects was executing workovers in order to increase well productivity and field reserve base. Within these projects 41 wells altogether were subjected to various workover interventions, including 39 workovers and two Electric Submersible Pumps (hereinafter: ESP). Annualized production increment from PO activities in 2021 was approximately 0.4 Mboepd.

In 2021, we introduced a new approach in defining PO projects. The majority of well candidates are now being selected by dedicated multidisciplinary Production System Optimization team, where all relevant disciplines are brought together, and all aspects of field performance are being investigated from different perspectives.

During 2021, the new development well Jamarica-183 was successfully drilled. The well proved hydrocarbon saturation in two reservoirs as per prognosis, but also proved significant upside in two additional reservoirs. Well testing and post-drill resource evaluation is underway.

Comprehensive seismic interpretation and special seismic analyses were performed on Bilogora, Voloder and Števkovica 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 Offshore Development Program and several onshore Croatia projects. Irena gas field reservoir study was successfully completed with the joint effort of geophysical, petrophysical, static and dynamic modeling specialists. Based on the study results, Irena field development is planned in the upcoming years. To support decisions on implementation of tertiary enhanced oil recovery methods on Beničanci oil field, new static reservoir model has been completed based on comprehensive petrophysical, geophysical and geological data reinterpretation. Similar multidisciplinary approach has been applied in case of Gola field, Gola Duboka reservoir.

### *Enhanced Oil Recovery (EOR)*

$CO_2$ injection continued on Ivanić and Žutica fields for seven and six years, respectively. In 2021, injection in southern part of Žutica field was expanded to additional three wells for a total of five wells. Over 200 million $m^3$ of $CO_2$ was injected in 2021 into the fields, bringing the total to over 1.3 billion $m^3$ since the start of EOR, the majority of which is being permanently stored.

Daily production of respective EOR fields has been significantly increased, two times on Ivanić and five times on Žutica North since the project start. Over 70% of total produced hydrocarbon volumes in 2021 from Ivanić and 90% from Žutica North were the results of EOR.

INA's latest target for implementing $CO_2$ EOR technology is the Šandrovac field. A pilot project was initiated in 2020 and during 2021 a series of well workovers, well logging, production and pressure tests were performed, which will continue throughout 2022 as well. Data acquisition and testing results will enable future possibilities of a full-field EOR application.

In 2021, a major step toward CCS (eng. Carbon Capture and Storage) project was made by initiating a partnership with Petrokemija within the Croatian National Recovery and Resilience Plan, as a part of the EU support reforms and investments. The aim of this potential project is to capture $CO_2$ from a major fertilizer company Petrokemija and permanently store it in the depleted hydrocarbon fields.

### *Exploration and Production Laboratory*

INA d.d. Exploration and Production Laboratory provides quality analytical support and professional expertise to all INA, d.d. Exploration and Production projects, as well as services to external clients, for which demand has been notably increased in 2021.

In 2021, comprehensive process of harmonization with MOL E&P Laboratory was performed, leading to increased efficiency and utilization of expert specialties. Beyond providing operational analysis by both laboratories, INA Exploration and Production Laboratory will be the centerpiece for advanced analysis preparation.

### *New technologies and tools*

Innovative approach in completion of ESP wells was introduced in 2021 on EOR well Iva-58, where casing damage was bridged using packer tool, which was a unique application in the world given the high quantity of gas. This concept will enable keeping the damaged wells in production, which would otherwise be technically lost.

Testing of Schlumberger's cloud based Delfi environment was started as a pilot project on Dravica-Zalata field. Three-month evaluation includes petrophysical interpretation, special seismic analysis, static and dynamic modeling and field development planning to improve efficiency and data sharing among various disciplines.

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 of 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, d.d. finished drilling and completion of Ika B re-entry well using Crosco's jack-up rig Labin. Drilling started at 403 m and ended at 1,719 m. The short productivity test yielded very good results with initial flow of 170,000 $m^3$/day. The Program continued with drilling Marica D well in December 2021. The well is planned to be double-completed and connected to the Marica platform.

Ivana D monopod offshore platform, capsized in December 2020, remains safe and poses no risk for people or the environment. Investigation of the root cause of capsizing is in the final stage. The location is being continuously monitored by a team of divers taking video footage as well as by INA experts. In addition, it was inspected by representatives of the Croatian Hydrocarbon Agency and the State Inspectorate who are regularly updated on the status thereof. Alternatives for decommissioning are currently being investigated.

Comprehensive provisions contained in the Offshore Safety Directive are being continuously implemented to reduce the possibility of major accidents related to offshore oil and gas operations and limit their consequences.

### Egypt

INA’s assets in Egypt include four development and one exploration concession. Development operated concession is the East Yidma (INA 100% WI), while non-operated concessions are the North Bahariya (INA 20% WI), Ras Qattara (INA 25% WI), and West Abu Gharadig (INA 25% WI). Exploration non-operated concession is the East Damanhur, with 20% WI (transaction completed in February 2021).

**East Yidma:** Development well Rizk-4, drilled according to the field development plan, encountered targeted reservoirs with minimum oil saturation. The well is temporarily abandoned. Two workovers were performed, on Rizk-2D and SR-2.

**North Bahariya:** 16 wells were drilled in 2021, of which 12 wells were drilled as development wells and four as water injectors. Ten wells were completed and put in production. Additionally, eight workovers, well stimulation and surface facility projects were performed.

**Ras Qattara:** Regular production maintenance activities were performed, including eight workovers, tank overhaul, power generation upgrade and water management.

**West Abu Gharadig:** Regular production maintenance activities were performed, including statutory inspections, Asset Integrity assessment, oil tank overhaul and ESP generator replacement. Concession extension procedure for period 2022-2026 is in progress.

**East Damanhur:** Exploration concession in the onshore part of the Nile delta, operated by Wintershall DEA with 40% working interest. Partner is the Egyptian company Cheiron with 40%, while INA, d.d. has 20% working interest. The first drilled exploration well was not successful, while drilling of the second well is expected in 2022. Initial exploration period expires in February 2023.

### Angola

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

**Block 3/05:** Work program included regular surface facilities and subsurface maintenance, general shut down, light well interventions, water injection projects and production platform reparation. All activities enabled maintaining the production at a steady level.

**Block 3/05 A:** Work program included one well workover to restore production from the Caco-Gazelle field. After resolving numerous technical difficulties, the Operator continues with operation to complete the well for production in 2022. Re-evaluation process of the upside potential of Punja Development Area and preparation of Caco-Gazelle Development Area studies were also initiated in 2021 and are currently ongoing.

### Portfolio development

Portfolio development activities in 2021 were focused on INA's traditional regions of interest such as North Africa and Southeast Europe. Besides intensive activities in Egypt, new areas were screened such as Morocco, Tunisia, Senegal, Angola, Montenegro and Albania. Endeavors were made to identify new opportunities with potential for reserves and production growth in terms of either exploration or field development.

Egyptian National Petroleum Company (EGPC) launched international bid round in 2021 offering twelve exploration blocks in Western desert province. INA, d.d. and Energean Plc. were awarded an exploration license for exploration block WD-08 covering the area of 1,612 $km^2$. Participating interest split between partners is 50%:50%, with Energean Plc. designated as the Operator. The block is situated in a proven petroleum province with developed production infrastructure allowing for fast monetization in case of discovery. Concession Agreement is expected to become effective during Q4 2022. 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

Reserve replacement, 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 successfully completed extensive seismic campaign in Croatia will be a strong base for successful future exploration activities.

In terms of field development on onshore Croatia, drilling of new wells, 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 drilling campaign and field development activities, striving to increase gas production and reserves.

Our focus remains on active international portfolio management, with continuous participation in international tenders and assessment of the right opportunities for potential divestments of marginal assets. 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.

### 3.1.3. Financial and operating performance

In 2021, EBITDA amounts to HRK 2,427 million which presents 140% increase compared to 2020. Main driver behind higher EBITDA are higher sales revenues as a result of much better price environment.

| SEGMENT RESULTS* | HRK MLN | | | USD MLN** | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | CH % | 2020 | 2021 | CH % |
| Total revenue | 2,188 | 3,877 | 77 | 331 | 610 | 84 |
| EBITDA[1] | 1,013 | 2,427 | 140 | 153 | 382 | 149 |
| EBITDA excluding special items[2] | 1,013 | 2,515 | 148 | 153 | 395 | 158 |
| Profit from operations | 220 | 1,568 | 613 | 33 | 247 | 648 |
| Profit from operations excluding special items[2] | 220 | 1,656 | 653 | 33 | 260 | 688 |
| Simplified Free Cash Flow[3] | 571 | 1,907 | 234 | 86 | 300 | 247 |
| Capital expenditures | 442 | 608 | 38 | 67 | 96 | 43 |

* Refers to the Exploration and Production of INA, d.d. and the following subsidiaries: Adriagas S.r.l. Milano and INA Adria B.V. integrated into INA, d.d. as of 1 September 2020

**In converting HRK figures into US dollars, the following average CNB (HNB) rates were used: for FY 2020 – 6.61 HRK/USD; for FY 2021 – 6.36 HRK/USD

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

[2] 2021 result was negatively impacted by HRK (88) million cost of provision for Ivana-D decommissioning

[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 and absence of production from Ivana-D.

International production was marked by lower East Yidma contribution and Angola production at 2020 level.

| HYDROCARBON PRODUCTION (Mboe/d) | 2020 | 2021 | CH % |
|---|---|---|---|
| **CRUDE OIL PRODUCTION** | **13.1** | **12.6** | **(4)** |
| Croatia onshore | 10.8 | 10.4 | (4) |
| Egypt | 1.8 | 1.7 | (5) |
| Angola | 0.5 | 0.5 | 0 |
| **NATURAL GAS PRODUCTION** | **15.3** | **13.5** | **(12)** |
| Croatia onshore | 10.6 | 10.3 | (3) |
| Croatia offshore | 4.7 | 3.2 | (31) |
| **CONDENSATE** | **1.1** | **1.0** | **(8)** |
| Croatia onshore | 1.1 | 1.0 | (8) |
| **TOTAL HYDROCARBON PRODUCTION** | **29.5** | **27.1** | **(8)** |
| **AVERAGE REALIZED HYDROCARBON PRICE** | | | |
| Total hydrocarbon price (USD/boe)* | 32 | 64 | (99) |

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

| RESERVES BREAKDOWN (MMboe) | 1P | | 2P | |
|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 |
| **BY COUNTRY** | | | | |
| Croatia onshore | 61 | 55 | 83 | 75 |
| Croatia offshore | 3 | 5 | 9 | 7 |
| Egypt | 1 | 1 | 2 | 2 |
| Angola | 1 | 1 | 1 | 1 |
| **TOTAL** | **66** | **62** | **95** | **85** |
| **BY PRODUCT** | | | | |
| Oil | 37 | 35 | 47 | 43 |
| Gas | 27 | 25 | 44 | 39 |
| Condensate | 2 | 2 | 4 | 3 |
| **TOTAL** | **66** | **62** | **95** | **85** |

| CAPITAL EXPENDITURES 2021 (HRK MLN) | CROATIA | EGYPT | ANGOLA |
|---|---|---|---|
| Exploration | 30 | 35 | - |
| Development | 274 | 129 | 26 |
| Other | 114 | - | - |
| **TOTAL** | **418** | **164** | **26** |

## 3.2. Refining and Marketing Overview

### Key message from the Operating Director

"Despite the challenging business environment caused by significant disruptions of the global market due to COVID-19 and transition to sustainable energy sources, Refining and Marketing remained focused on the balanced integration of economic, environmental and social factors in our business.

Major contributors to the above are the Rijeka Refinery Residue Upgrade Project, the largest project in INA's history, and Sisak site transformation.

Due to the investment in the new Delayed Coker Unit, reconstruction of existing units, a new port with closed petro-coke storage and increased overall complexity, Rijeka Refinery will be transformed into a modern European refinery.

Sisak industrial site transformation is focused on projects that will upgrade traditional activities with a new value chain by entering business opportunities that may not have been a part of our business so far and development of Sisak industrial site into direction of sustainable energy sources.

Refining and Marketing continues to work hard to raise standards in our area, learning from our own experiences and industry best practices. By doing this, we can deliver positive change for our customers, our communities, our investors and the society."

Goran Pleše

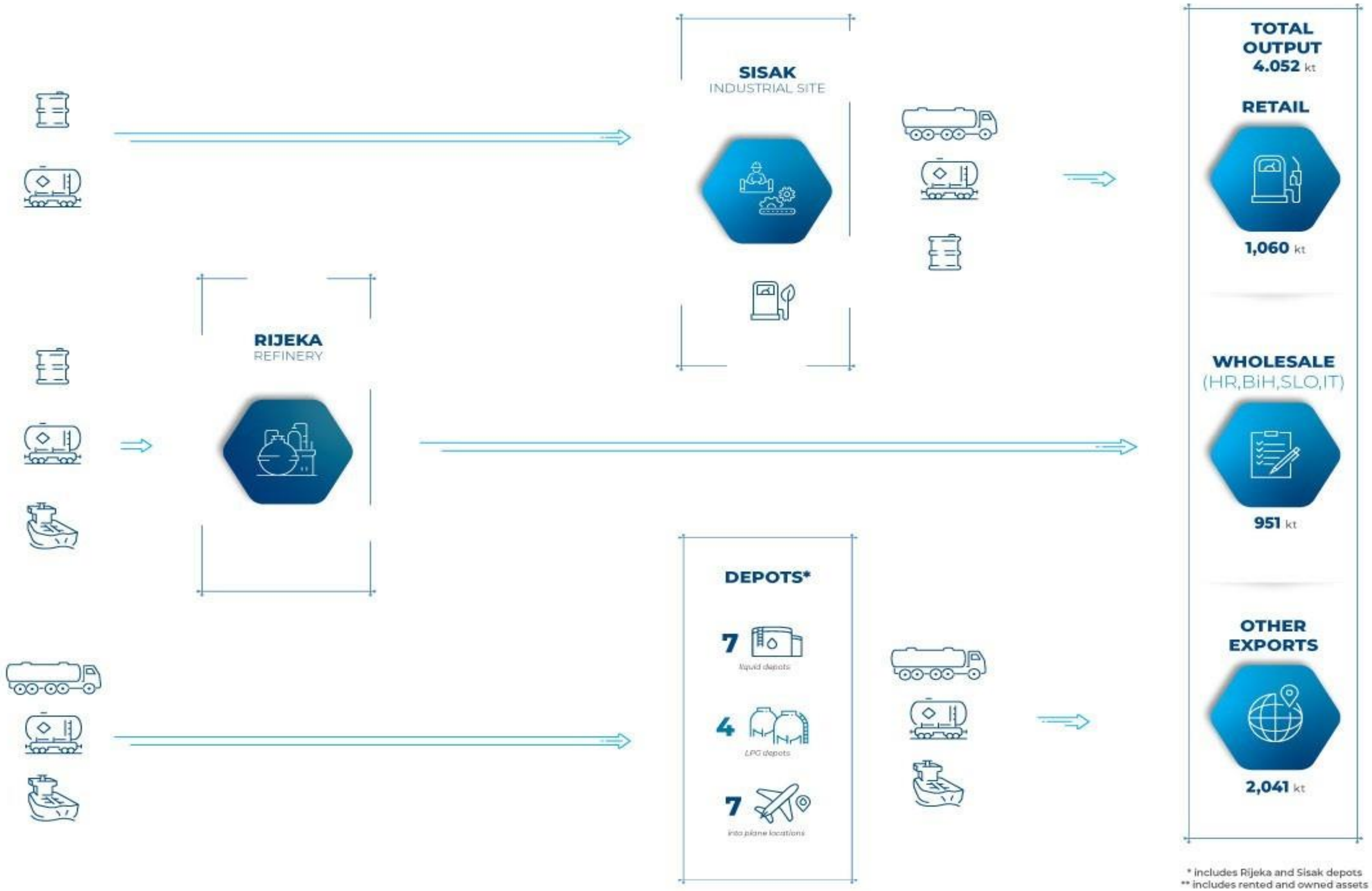
Operating Director of Refining and Marketing

### Achievements

- Rijeka Refinery Residue Upgrade Project implementation continued with introduced COVID-19 preventive measures;
- Strong market position on core markets;
- Stable market supply throughout the entire year.

### Challenges

- Continue keeping the market leader position on core markets and improve influence in the region;
- Continue the implementation of the Rijeka Refinery Residue Upgrade Project;
- Create long-term strategy for INA Refining and Marketing in line with sustainability directions.




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

## 3.2.1. Overview and key achievements for the year 2021

### Commercial activities

In line with consumption recovery, fuel sales have been increased and INA d.d. maintained a strong market position on core markets in Croatia and Bosnia & Herzegovina. Strong fuel, JET and Heating Oil wholesale performance in our core countries compensated for the lower than planned Retail demand in 2021. Good performance was backed with high customer satisfaction and improvement of our services through digitalization. Trading activities were mainly focused on competitive crude sourcing, safe and timely product sales and supply, inventory risk management, and contango opportunities. Seven different types of crudes have been purchased and processed to capture the benefit of competitive feedstock supply opportunities.

### Refining operations

Stable operation of all Rijeka Refinery units and import activities ensured uninterrupted market supply in 2021. External factors, especially the price of natural gas, had a significant negative impact on the financial performance. Due to these economic reasons, the processing in Rijeka Refinery was temporarily suspended, and this period was utilized to replace catalysts, perform works to connect the future Delayed Coker Unit to refinery systems and execute other maintenance activities in order to prepare Rijeka Refinery for stable operation in 2022.

The processing of new and already known crude blends had a positive effect on the achieved financial result, as well as the Operational availability of the units.

New Environmental permit for Rijeka Refinery was issued on 8 July 2021 for a period of 10 years. The main change compared to the old permit is the application of integrated SOx and NOx emission management (Bubble calculation).

Due to good preparation and control, Rijeka Refinery actual emission values in 2021 were below given Bubble limits. Furthermore, in 2021 Rijeka Refinery achieved 1$^{st}$ category of air quality in the area around refinery, which was measured and confirmed by four external measuring stations around the Refinery.

Leakage of the C-16 tank due to the spillage of hydrocarbons outside the tank bund resulted in an environmental impact, with more details provided in the Spills chapter.

### Logistics and Distribution

Logistics continued with efficiency efforts by lowering unit cost per ton per kilometer by -6%. At the same time the market supply was stable with increased OTIF (on-time in-full service) to 98.4%. The crude oil separation and blending activities in Sisak were optimized with significant energy cost savings. Despite operational and investment budget cuts the earthquake damage in Sisak was repaired and simultaneous rail unloading and truck loading possibilities for diesel and gasoline products on terminal Osijek were established. For the first time in history, the logistics finished the year without any injury of own staff or contractor's employees included in the logistics processes. The Process Safety Management (PSM) implementation increased from 73% to 84% rate, and the risk assessment analysis and critical equipment revision was completed for all logistics locations. Continuous competency improvements and trainings for blue collar workers resulted in increase of employee engagement score above industry average, according to an externally conducted survey.

### Gas and power

Natural gas sales amounted to 590 mcm in 2021, securing INA's position as a major supplier on the Croatian market. Till the end of June, INA secured deliveries of natural gas for the gas year 2021/2022, thus ensuring important role among traders and suppliers in Croatia. Due to domestic production decline, the need for contracting other gas supply sources increased. In June, two contracts were signed (one flat and one flexible) with reputable suppliers ensuring natural gas source on VTP Croatia with the possibility to import up to 170 mcm of natural gas per gas year. Since the start of 2021, INA buys power in tranches independently via HEPi Trader platform. For the first time a big step in improving power procurement and optimization of power cost for INA Group was made, resulting in 47% lower power price compared to HUPX day-ahead market. New approach in power procurement also ensures full flexibility in consumption with no "take or pay" obligation.

### Residue Upgrade Project

Despite the challenging business environment caused by the COVID-19 pandemic, which mainly resulted in price increase of materials, energy and workforce, work on the currently largest project in INA has continued with introduced preventive measures.

Engineering activities reached progress of more than 90%, completed P&ID reviews, HAZOP and 90% of 3D model review for all units. By issuing almost all purchase orders, focus shifted to monitoring the manufacturing and deliveries at the site — part of the equipment has already been delivered, including firstly the equipment with a long manufacturing time.

Construction of Residue Upgrade and related units is still at an early phase, with extra efforts put into supporting Kinetics Technology and subcontractors to mitigate the changing business environment caused by the pandemic. Civil works are progressing following the obtained building permits, enabling firstly the installations of static equipment. Piping prefabrication began in the subcontractor's workshop, whereas all large bore isometrics were completed. Works on revamp units intensified during the temporary suspension of the refinery processing, consisting of tie-in piping works, new equipment installation and civil works.

The electrical upgrade with two main contractors is progressing according to schedules, with start-up set for H2 2022.

Croatian companies are largely participating in the execution of the project through engineering, material and equipment delivery and construction and other works.

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

#### Development

In order to mitigate the negative effect of external environment on refining business and projects, realistic and stretched CAPEX plan was proposed covering the business essential projects and projects related to Health, Safety and Environment and legall compliance.

Biorefinery project continues its development. The project is recognized as a high-risk complex project and an internal and external review of all aspects of the project (scope, risks, finance, schedule etc.) is being carried out prior to final investment decision. Biorefinery project is included in the National Recovery and Resilience Plan for funding in the amount of EUR 130 mn, with potential to apply for additional EUR 20 mn through the Just Transition Fund. Project continues to hold its position on the list of strategic investment projects for the Republic of Croatia, while at the end of 2021 INA extended its portfolio with agricultural activities.

New projects ideas are mainly focused on energy efficiency improvement.

Hydrogen project is continuously developed in order to create a new value chain and contribute to the reduction of greenhouse gas emissions in transport. In 2021 investment potential including co-financing opportunities, different cases and business scenarios have been investigated and elaborated.

### 3.2.2. Strategy and outlook

Refining and Marketing remains strongly dedicated to transforming the business segment towards financially sustainable future. Main contributor to this transformation is the Residue Upgrade Project. By completing the Project, Rijeka Refinery complexity and efficiency will be substantially increased, production of high value products will be maximized, which will eliminate necessity for imports, as well as maximize asset utilization. The Project will transform Rijeka Refinery into a modern European refinery and will ensure that INA Group keeps a strong position on the market.

Refining industry faces unprecedented challenges and changes and sustainability has been one of the main topics in INA Group throughout the past years. The COVID-19 pandemic was a preview of a world with a significantly lower demand and a reminder to us that decrease in the fossil fuel demand is inevitable. 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. To be able to answer the increasingly challenging regulatory requirements (Fit for 55, RED II / RED III targets), with respect to transport decarbonization and $CO_2$ emission reduction, the Biorefinery project in Sisak is aiming for the close-to-carbon neutral biofuel as the main final product. Futhermore, a program for the development of solar power plant was launched at existing industrial plants, which especially relates to the solar power plant in Sisak (two smaller plants were already implemented in Rijeka Refinery and one in the Logistics). INA Refining and Marketing is permanently focused on the balanced integration of economic, environmental and social factors in business, so in addition to the aformentioned projects, Refining and Marketing is working on projects such as the use of green hydrogen as a fuel in the transport sector in the Republic of Croatia and is cooperating with the City of Zagreb on introducing hydrogen to public transport.

Refining and Marketing is focused on maintaining the position of a market leader in domestic market and improving its regional presence. The continuous pressure on our cost base, the new ever-accelerating digital development as well as changing customers’ needs are pushing Refining and Marketing to change. Refining and Marketing internal processes and operations must transform and become more resilient to external and sudden changes while continuously adapting to changing customers’ needs.

### 3.2.3. Financial and operating performance

In 2021, refinery margins remained under pressure from high prices of crude, natural gas and $CO_2$ affecting the Refining and Marketing performance but were partly offset by signs of demand recovery from mid-summer as COVID measures eased throughout Europe in Q3 and strong commercial performance was realized on captive markets. Rijeka Refinery was in stable operation from March optimized to meet the market needs. In line with the scheduled maintenance and activities related to the Rijeka Residue Upgrade Project, oil processing temporarily stopped in late October.

High level of operational discipline in case of key assets and strong OPEX management efforts were required to support the overall downstream result, while upward trend of crude and product prices positively impacted the reported result through inventory revaluation while the natural gas sales activities also positively contributed to the results

Refining and Marketing capital expenditures increased in line with the intensified works as a part of the Rijeka Refinery Upgrade Project.

| SEGMENT RESULTS* | HRK MLN | | | USD MLN** | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | CH % | 2020 | 2021 | CH % |
| Total revenue | 14,153 | 21,912 | 55 | 2,141 | 3,445 | 61 |
| EBITDA[1] | (153) | 1,253 | N.A. | (23) | 197 | N.A. |
| EBITDA excluding special items[2] | (153) | 1,253 | N.A. | (23) | 197 | N.A. |
| CCS-based DS EBITDA excluding special items[2] | 639 | 879 | 37 | 97 | 138 | 43 |
| Loss from operations | (1,231) | 523 | N.A. | (186) | 82 | N.A. |
| Loss from operations excluding special items[2] | (936) | 523 | N.A. | (142) | 82 | N.A. |
| CCS-based DS loss from operations | (144) | 149 | N.A. | (22) | 23 | N.A. |
| Simplified Free Cash Flow[3] | (109) | (25) | (77) | (16) | (4) | (76) |
| Capital expenditures | 748 | 904 | 21 | 113 | 142 | 26 |
| o/w Refining and Marketing | 622 | 794 | 28 | 94 | 125 | 33 |

* Refers to Refining and Marketing including Consumer Services and Retail INA, d.d. and the following subsidiaries: INA MAZIVA d.o.o., INA Slovenija d.o.o., Holdina d.o.o., INA Crna Gora d.o.o., INA d.o.o. Beograd, INA Kosovo d.o.o., Energopetrol d.d., INA MALOPRODAJNI SERVISI d.o.o., Croplin d.o.o.
** In converting HRK figures into US dollars, the following average CNB (HNB) rates were used: for FY 2020 – 6.61 HRK/USD; for FY 2021 – 6.36 HRK/USD
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] In 2020, result was negatively impacted by HRK 295 million of impairment of assets - Sisak refinery assets
[3] Simplified free cash flow = CCS EBITDA excluding special items – Capital expenditures

| REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL | 2020 | 2021 | CH % |
|---|---|---|---|
| **REFINING PROCESSING (kt)** | | | |
| Domestic crude oil | 90 | 91 | 1 |
| Imported crude oil | 1,889 | 1,761 | (7) |
| Condensate | - | 4 | N.A. |
| Other feedstock | 757 | 732 | (3) |
| **TOTAL** | **2,737** | **2,588** | **(5)** |
| **REFINING PRODUCTION (kt)** | | | |
| LPG* | 153 | 153 | 0 |
| Naphtha | 122 | 63 | (48) |
| Gasoline | 616 | 601 | (2) |
| Kerosene | 58 | 80 | 38 |
| Diesel | 1,119 | 1,032 | (8) |
| Heating oil | 79 | 70 | (12) |
| Fuel oil | 247 | 267 | 8 |
| Other products** | 69 | 74 | 8 |
| **TOTAL** | **2,464** | **2,340** | **(5)** |
| Refining loss | 26 | 27 | 5 |
| Own consumption | 247 | 221 | (10) |
| **TOTAL REFINING PRODUCTION** | **2,737** | **2,588** | **(5)** |
| **REFINED PRODUCT SALES BY COUNTRY (kt)** | | | |
| Croatia | 1,832 | 2,009 | 10 |
| Bosnia and Herzegovina | 599 | 587 | 5 |
| Slovenia | 47 | 61 | 31 |
| Italy | 157 | 66 | (58) |
| Other markets | 1,475 | 1,468 | 0 |
| **TOTAL** | **4,070** | **4,191** | **3** |
| **REFINED PRODUCT SALES BY PRODUCT (kt)** | | | |
| LPG* | 226 | 237 | 5 |
| Naphtha | 124 | 63 | (49) |
| Gasoline | 724 | 724 | 0 |
| Kerosene | 58 | 102 | 76 |
| Diesel | 1,736 | 1,808 | 4 |
| Heating oil | 123 | 113 | (8) |
| Fuel oil | 252 | 267 | 6 |
| Bitumen | 75 | 69 | (8) |
| Other products*** | 750 | 806 | 7 |

| | | | |
|---|---|---|---|
| **TOTAL** | **4,070** | **4,191** | **3** |
| o/w Consumer Services and Retail segment sales | 938 | 1,060 | 13 |
| **TOTAL NATURAL GAS SALES (mcm)** | **894** | **590** | **(34)** |

* LPG + propylene
**Other products = Benzene concentrate, liquid Sulphur, coke, motor oils, industrial lubricants, other intermediates
***Other products = Benzene concentrate, vacuum gas oil, liquid sulphur, coke, crude oil, motor oils, industrial lubricants
Note: Refined product sales by country and product were adjusted for both reporting periods (2020 and 2021), as previously announced wholesale quantities also partially included retail values. In addition, adjustment was made by product group for the purpose of identical classification with refinery processing.

## 3.3. Consumer Services and Retail overview

### Key message from the Operating Director

"Without a doubt we are leaving another extremely challenging year, both in our Company and the entire business environment, behind us. However, good business results are indicators to us that we know how to successfully continue with the implementation of our development strategy and run the business in the right direction while making it more resilient to external factors.

Thanks to the dedicated work and commitment of our employees, the business activities of the Consumer Services and Retail segment were not stopped by either the pandemic or the challenges we faced this year within unpredictable business environment. Thus, 2021, as the previous years, was marked by awarding prizes and recognitions to employees who stood out with their commitment, effort and ultimately achieved results, for the benefit of the entire INA Group.

We are proud of all colleagues from Consumer Services and Retail business segment who demonstrated a strong work ethic and teamwork in key projects and daily challenges we faced and, with their professionalism, made our segment even more successful.

Zdravka Demeter Bubalo

Operating Director of Consumer Services and Retail

### Achievements

- Maintaining the market leader position and expanding and strengthening the INA retail network (through new locations and the Gastro concept);
- Digitalization of operations and taking a step forward in the presentation of new innovative solutions and services at 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

- 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;
- Developing and improving digital solutions and thus the necessary infrastructure at service stations.

### 3.3.1. Overview and key achievements for the year 2021

#### Consumer Services and Retail

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

During the extremely challenging year 2021, in which we were forced to face the continuation of coronavirus, within Consumer Services and Retail, strict measures had been taken to strengthen communication aimed at promoting importance of vaccination for all employees through the education on the field as well as via all other channels. Furthermore, tests and vaccinations were organized throughout the country for our retail location employees accompanied by necessary health care equipment delivery at retail locations.

All epidemiological measures prescribed by the Civil Protection Headquarters of the Republic of Croatia as well as the recommendations of the Croatian Institute of Public Health were implemented at our retail locations.

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

Furthermore, at INA service stations, the national Safe stay in Croatia label of security protocols in tourism and hospitality was introduced. The prominent Safe stay in Croatia label provides information to all visitors that the tourist facility of their interest operates according to the current recommendations of the World Travel and Tourism Council and the Croatian Institute of Public Health.

INA Group operates a network of 511 retail outlets - 395 in Croatia, 105 in BiH (Holdina and Energopetrol) and 11 in Montenegro.

In 2021, two acquisitions were made on the Croatian market, changing the competitive environment – the Slovenian Petrol bought 100% of Crodux with 91 retail locations in Croatia.

Within the second acquisition on the Croatian market, the leader in the Greek market Coral AE, which operates under the license of the Shell brand, acquired 75% of Apios with 26 retail locations in Croatia.

However, during 2021, INA and MOL entered into a transaction to take over 100% stake in OMV Slovenia in the middle of June 2021 (INA already owned 7.75% of the OMV stake). Currently, the process of collecting all the necessary approvals from competition agencies in Europe is underway, with an estimate that the entire process will be completed in H1 2022. OMV Slovenia operated 120 retail locations and with this transaction INA will tap into a new captive market by supplying petroleum products to the newly acquired network.

From 15 October 2021, due to a large increase in retail prices of petroleum products, the Government of the Republic of Croatia passed a Decision on determining the highest retail prices of petroleum products with the application period from 16 October until 15 November 2021.

The Croatian Government decided to extend the regulation from 15 November for an additional 30 days, although it ceased to be valid on 6 December 2021. Although the circumstances were demanding in terms of realizing 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.

***Retail network and service development***

Despite the challenges, we have not stopped paying attention to the needs of our customers. Through capital expenditures, service quality improvement, preparation for the tourist season and various strategic projects, we have continued with the strong development of the largest retail network in Croatia visited by more than 200,000 of our customers on a daily basis, and through which more than a billion liters of fuel is sold annually.

We expanded and finished the modernization of INA retail network as per schedule and we have had several successful stories during the year 2021.

In July, the Istrians got two top locations where customers can buy top-quality INA Class Plus fuels and a wide range of products and services - in Umag and Buje. An entirely new INA service station was opened in Umag, while a newly reconstructed INA service station was opened in Buje. Both locations have a Fresh Corner.

In August, a new INA retail site was opened in Šibenik. The modern and architecturally fascinating structure beautifully blended into the view of the promenade along the coast and is of special importance for INA’s boating customers who can also buy top-quality INA Class Plus fuels and enjoy the wide Fresh Corner offer. Motivated by the success realized, we jointly continued to expand the retail network and during 2021, we opened service stations Murter, Daruvar, leased Greenfield Plitvice Čatrnja, three Fresh Corners in Dubrovnik - Dubrovnik City, Dubrovnik Kupari and Dubrovnik Komolac, two Fresh Corner locations on the Spačva and Rastovica highways - construction of new and modern indoor terraces, continued with Hot Dog roll-out implementation at additional 28 retail locations, reconstruction of toilets at 15 locations and additional Fresh Corner coffee offer implementation at 53 retail locations.

After successfully implemented modernization projects in several Croatian cities, we are proud of the fact that INA's retail locations are the first choice of customers ‘on the go’. We strive toward maintaining this position in the future by improving visual identity by offering top Class Plus fuels, as well as a vast range of Fresh Corner products and other consumer goods. With all the above, our recognizable hospitality will surely continue to shape positive experiences of Ina's customers at our retail locations.

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

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.

In addition to coffee in the beverage category, we consider the Hot Dog to be our ‘hero’ product in the food category with a lot of time spent on searching for the best ratio of ingredients, as well as special care dedicated to its preparation. Aiming to ensure even faster preparation and better presentation of gastro non-fuel offer at retail locations, professional Hot Dog rollers of the highest quality have been implemented at 89 Fresh Corner locations representing a high standard in food preparation. It should be noted that Advent Fresh Corner pilot project in Varaždin has become a recognizable place for enjoying a superb selection of hot dogs, delicious fritters, and a rich selection of beverages with an excellent sales result achieved. Furthermore, during 2021 Fresh Corner in Croatia became leading brand in awareness among competitors and among other Fresh Corners within the Group.


### *Digitalization*

The importance and need for the use of digital solutions is more pronounced than ever. Even more than a year after the launch of the loyalty program, INA Loyalty manages to delight INA's customers, who are members of the program, with its benefits.

INA Loyalty program became popular in a very short time and gathered a community that now reaches over 324,000 registered members and over 264,000 active members, with further growth expected in the upcoming years. During September 2021, the program celebrated its 1st birthday, on the occasion of which INA generously treated all the existing as well as new loyalty members. Members were able to enjoy a discount on Class Plus fuels as well as a Happy Hour and other great offers at the INA Fresh Corner.

In line with the digitalization the entire program is accompanied by a new INA Loyalty mobile app that has easily and quickly became a companion for loyal customers in collecting points and realizing benefits at INA retail sites. Through the collection of points, discount on fuel, car cosmetics, Fresh Corner food and beverages can be realized, as well as participating in exciting prize-winning games, special promotions at retail sites, etc. The INA Loyalty program is unique in personalized benefits and rewards for each customer in accordance with their actual shopping habits and needs, and thus the customers actively participate in independent fashioning of their experience in the INA Loyalty program.

Communication with colleagues at retail locations via the eSMILE platform is the beginning of INA Group's digitalization of learning and an important step forward. With its implementation since 2020, it has proven to be an excellent tool and useful application for all employees at retail locations, which enables them to develop and improve their sales and professional skills in a simple, fast, and fun way, as well as to empower teams by sharing information.

The eSMILE platform has been received very well by our employees at retail locations, which was reflected in the realized retail performance.

As part of the eSmile platform, employee eOnboarding program has been launched. With this program, all our new colleagues who joined us at our retail locations received a structured training program. The goal of this program is to make the first working days easier for new colleagues, as well as speed up their introduction to the retail business and enable them to become independent in their daily work as soon as possible.

### *Marketing and promotional activities*

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

In addition to a wide range of consumer goods, a full range of oils and lubricants, car cosmetics, consumables for cars, gas cylinders and other services within INA retail sites, to ensure an even greater satisfaction of our customers, but also to keep up with trends and market demands, we are developing a new look of INA carwashes. Project is currently underway to refresh the appearance of the carwash at selected service stations. The new, modern design first appeared at a service station in Zagreb, Dubrava, and then applied to other carwashes.

INA national and strong 360 campaign "Kupuj na Ini, BMW je bliži nego što se čini!" was launched, with results overachieving all previous campaigns. INA Loyalty strongly supported the campaign by double entry for main prize and triple points for all fuels.

Furthermore, for the first time Consumer Services and Retail supported the 10 kg bottled LPG sales growth from September till December 2021 in combination with free Fresh Corner coffee.

Implementation of the Fresh Corner brand book started through all communications channels and Fresh Corner gift card was introduced aiming to engage consumers through digital contests, PWGs and our Hosts at retail sites through eSmile bids and incentives.

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.

Introduction of monthly Consumer Services and Retail Newsletter, focusing on information related to quarterly results and important events also contributed to information cascading within the large Consumer Services and Retail network. With the aim of highlighting the importance of business results, as well as mutual connection, and cooperation within our business segment, a quarterly Town Hall videoconference for all Consumer Services and Retail and INA MALOPRODAJNI SERVISI employees was introduced.

## 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 (89 Fresh Corner 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 and promotion to eliminate potential competitive advantage

- Use the loyalty program and further upgrade digital capabilities, expand it towards B2B
- Support OMV acquisition in Slovenia from INA's perspective

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 1,060 kt, which was 13% above 2020 results due to positive effects of relaxation of COVID-19 pandemic restrictions as well as tourist season which was btter than expected.

Non-fuel margin increased by 17% compared to 2020, driven by expanded non-fuel offer, Fresh Corner roll-out and improved sales activities. Development of Fresh Corner concept in Croatia and regional subsidiaries continued with the focus on gastro segment, expansion of consumer goods and introduction of new services.

As at 31 December 2021, INA Group operated a network of 511 retail locations, including leased locations - 395 in Croatia, 105 in Bosnia and Herzegovina, 11 in Montenegro and additional five retail sites in Slovenia that are leased to MOL Slovenia.

Consumer Services and Retail capital investments amounted to HRK 110 million in 2021. Capital investments were somewhat below last year's level with focus on reconstructions, modernization and Fresh Corner concept roll-out.

| CONSUMER SERVICES AND RETAIL | 2020 | 2021 | CH % |
|---|---|---|---|
| **RETAIL SALES (kt)** | | | |
| Gasoline | 219 | 247 | 13 |
| Gasoil | 693 | 788 | 14 |
| Other | 26 | 25 | (4) |
| **TOTAL RETAIL SALES** | **938** | **1,060** | **13** |
| **NON-FUEL MARGIN (HRK MLN)** | **350** | **410** | **17** |
| **NUMBER OF RETAIL LOCATIONS*** | **512** | **511** | **(1)** |
| **CAPITAL EXPENDITURES (HRK MLN)** | **126** | **110** | **(13)** |

*Retail locations imply: 505 service stations and six other retail locations (auto bar/restaurants, carwash, shop, heating oil sales point, LPG sales point), but does not include five service stations that are leased to MOL Slovenia


SLOVENIA**
5
CROATIA
395
BOSNIA&
HERZEGOVINA
105
MONTE
NEGRO
11
*Retail locations imply: 511 service stations and six other retail locations (auto bar / restaurants, carwash, shop, Heating Oil sales point, LPG sales point)
**Five service stations have been leased to MOL Slovenia

# 4. MANAGEMENT DISCUSSION AND ANALYSIS

## 4.1. Overview of the macroeconomic and industry environment

### 4.1.1. The global economy

In 2021, the global economy rebounded from the greatest recession in recent years. Global economic output rose by 5.9%.[1] Nevertheless, the recovery of advanced and developing countries has been uneven due to stronger fiscal and monetary support and higher vaccine deployment in developed economies.

Post COVID reopening has enabled a strong economic rebound in the EU economies, where GDP growth reached 5% in 2021 bringing output above pre-pandemic levels. Massive policy support, tight labor markets and improved consumer sentiment supported private consumption. Nevertheless, prolonged supply chain bottlenecks, rising energy costs and the year-end resurgence in COVID cases constrained the pace of the economic recovery.

### 4.1.2. Croatia's economy in 2021

In the Central European region, GDP growth surpassed the EU average with the exception of Czechia and Slovakia. Higher exposure to global supply chain disturbances in the manufacturing industry, in particular in car production and stricter COVID-19 restrictions were the major causes of weaker than average economic performance in those two countries.

Croatian economy showed a full V-shaped recovery after the pandemic. After a drop of 8.1%, real GDP has grown 10.4% in 2021 bringing output above its pre-pandemic level. The economic rebound was driven by strong household consumption growth and positive net exports. Tourism played a key role in the strong performance. Despite the unfavorable epidemiological situation in Croatia and the spread of COVID-19 disease, tourists realized 12.8 million arrivals and 70 million nights in commercial accommodation establishments, which was almost two times more tourist arrivals (+182.5%) and nights (+172%) than in 2020.[2]

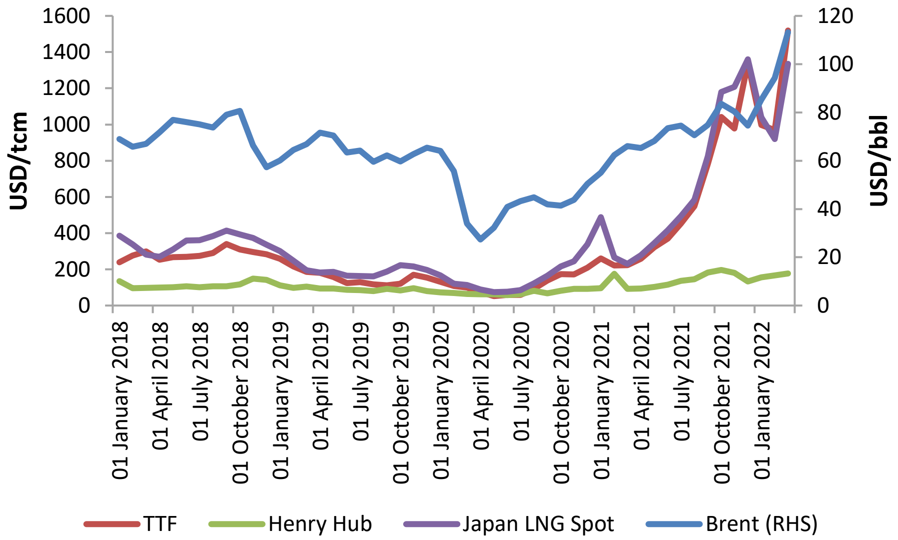
[1] IMF World Economic Outlook, January update, 1 February 2022
[2] Croatian Bureau of Statistics, 10 February 2022

### 4.1.3. Global oil and gas market fundamentals

Brent price rose from the 2020 annual average of 42 to 71 USD/bbl in 2021 characterized by still higher than historic market volatility. Global oil demand rose by 5.5 mb/d (6.1%) in 2021 and by the end of last year it neared pre-COVID levels as a result of improving vaccine deployment - especially in the developed world - and rising social adaptivity to the pandemic.[3] Measures taken by governments to contain the coronavirus were less severe than during the earlier waves and their impact on economic activity and oil demand remained relatively subdued compared to 2020 despite the emergence of two new variants of concern, Delta and Omicron. In contrast, OPEC+ managed its supply conservatively and the U.S. shale industry also recovered slower than expected, resulting in a roughly 1 MMboe/d supply shortage on the market throughout 2021 supporting prices.

European natural gas prices reached a historic high in 2021. After years of record low prices due to the global oversupply, both demand and supply-side factors pushed prices to new heights. Strong economic performance, longer than normal winter temperatures, increasing competitiveness of gas compared to coal and lignite - due to skyrocketing $CO_2$ quota prices - all led to strong natural gas demand in the first part of the year. Later the below-than-normal alternative renewable power generation increased the demand need. In contrast, supply became more and more scarce. Strong Asian demand diverted LNG from Europe. Early summer, heavy maintenance on Norwegian and Russian fields made stock replenishment for the winter season more difficult. Similarly, to the oil market, Hurricane Ida caused outages in the U.S. gas production, affecting global balances as well. In the last months of the year, geopolitical disputes linked to revealed differences in Russian and U.S. geopolitical interests in Europe exaggerated supply fears.

**Figure 1 - Oil and natural gas prices**




[3] IEA Oil Market Report – January 2022, 24 January 2022

### 4.1.4. Downstream

INA refinery margin improved considerably in 2021 driven by the strong demand uptick for refined products due to the reopening. Still, increased refinery runs globally put a cap on margins. While gasoline cracks strengthened continuously over 2021, joined by diesel cracks in the second half of the year, naphtha and fuel oils being also stronger than the historic average, an underperforming jet and increased operational costs due to skyrocketing natural gas and carbon prices weighed on profitability.

| MAIN EXTERNAL PARAMETERS | 2020 | 2021 | CH % |
|---|---|---|---|
| **CRUDE OIL PRICES** | | | |
| Brent dtd (USD/bbl) | 42 | 71 | 69 |
| Brent-Ural spread (USD/bbl) | 0.3 | 1.7 | 467 |
| **FOB MED PRODUCT PRICES AND CRACK SPREADS** | | | |
| Gasoline - premium unleaded 10 ppm (USD/t) | 382 | 670 | 76 |
| Diesel – ULSD 10 ppm (USD/t) | 362 | 580 | 60 |
| Fuel oil 3.5% (USD/t) | 216 | 381 | 77 |
| LPG (USD/t) | 395 | 666 | 69 |
| Crack spread – gasoline (USD/t) | 65 | 133 | 105 |
| Crack spread – diesel (USD/t) | 45 | 43 | (4) |
| Crack spread – fuel oil 3.5% (USD/t) | (101) | (155) | 54 |
| Crack spread – LPG (USD/t) | 78 | 129 | 65 |
| Indicative refining margins (USD/bbl)* | (2.5) | (1.2) | (52) |
| **FOREIGN EXCHANGE** | | | |
| HRK/USD average | 6.61 | 6.36 | (4) |
| HRK/USD closing on 31 Dec | 6.15 | 6.64 | 8 |
| HRK/EUR average | 7.53 | 7.52 | 0 |
| HRK/EUR closing on 31 Dec | 7.54 | 7.52 | 0 |
| 3m USD LIBOR (%) | 0.65 | 0.16 | (75) |
| 3m EURIBOR (%) | (0.43) | (0.55) | 28 |

*Indicative refining margins based on 2018 Solomon yields, dated Ural price used for all feedstock. Med-NEW average for Urals, gasoline, diesel and fuel oil crack spread FOB Med, LPG FOB Med Exrs parity.

## 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 2021 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 2021, 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. As at 31 December 2021, there were no open cross currency swap transactions.

#### Interest rate risk

INA Group is exposed to interest rate risk, since entities in INA Group generally borrow funds at floating interest rates. INA Group does not speculate on interest rate developments. INA, d.d. may use interest rate swap to manage the interest rate risk. As at 31 December 2021, 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.

### 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 2021, INA Group's contracted and available short-term credit lines amounted to HRK 3,620 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 1,993 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 Molve and Sisak locations, but we are also giving thought to other energy transition opportunities, such as green hydrogen 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. To this end, the Management Board decided to merge the organizational unit responsible for value chain expansion, renewable energy sources and the development of new businesses and startups with the organizational unit responsible for corporate strategy.

The organization's governance around climate-related tasks, risks and business opportunities is integrated into the company's overall governance and management processes, and Board level decisions take into account 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 recently updated "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 (read more about this topic in the chapter *Climate change and our response*).

Turning to mid-term sustainable business development trends related to transition risks, the business transformation process is ongoing 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 Rijeka Refinery 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 Biorefinery project that continues its development. The project is recognized as a high-risk complex project and an internal and external review of all aspects of the project (scope, risks, finance, schedule etc.) is being carried out prior to the final investment decision. Please visit https://www.ina.hr/biorafinerija/ for more information on the project.

As part of the INA Downstream 2023 New Course program construction of a plant for the treatment of heavy residues in the Rijeka Refinery continued despite the challenges posed by the pandemic. Thanks to the new plant, the product structure of the Rijeka Refinery will improve as the share of white products will increase. Work on the plant is underway with delivery of major equipment on the site.

In the transport sector, hydrogen-powered electric vehicles show an advantage in segments where electrification using only batteries is not possible or is significantly more expensive. In this direction, INA is cooperating with the City of Zagreb in the development of the first demonstration project within which the production of green hydrogen, construction of filling stations and procurement of buses is planned with the advisory assistance provided by the tender and EU funds. In 2021 investment potential including co-financing opportunities, different cases and business scenarios have been investigated and elaborated. Techno-economic analysis extended from base case (demo case for the City of Zagreb) an electrolyzer with power of 10 MW and included opportunities and advantages of existing refinery. Pre-Feasibility Study for electrolyzer in Rijeka Refinery has been prepared, as well as form and pre-notification application for the National Recovery and Resilience Plan.

In the Exploration and Production, we have continued with $CO_2$ injection within our EOR project which was extended in 2021 as a pilot project to the Šandrovac field. 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, d.d. sees them as an opportunity for its own transformation. In 2021, major step toward CCUS project was made by initiating partnership with Petrokemija within the Croatian National Recovery and Resilience Plan, as a part of the EU support reforms and investments. The aim is to capture $CO_2$ from a major fertilizer company and permanently store it in the depleted hydrocarbon fields.

At two of our sites, we have started building two state-of-the-art solar power plants which will supply the generated electricity to the public distribution network. Solar power plant Virje will be located at the Gas Processing Facilities Molve (9 MW) and is currently the largest solar power plant under construction in Croatia. The solar power plant in Sisak (3 MW) will be built at the industrial location in Sisak as part of location's transformation into a modern industrial center. These two power plants will together produce 16,000 MWh of electricity per year, assisting the INA Group sustainable portfolio in the production of electricity from renewable sources. At the same time focus in Exploration and Production is on zero routine flaring projects and methane management (read more about the climate-related risks and opportunities under section *Climate change and our response*).

## 4.4. Summary of 2021 financial results

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

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

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

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

| INA GROUP FINANCIAL RESULTS | HRK MLN | | | USD MLN* | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | CH % | 2020 | 2021 | CH % |
| Revenue from contracts with customers | 14,788 | 22,400 | 51 | 2,237 | 3,522 | 57 |
| EBITDA[1] | 991 | 3,315 | 234 | 150 | 521 | 248 |
| EBITDA excluding special items[2] | 991 | 3,403 | 243 | 150 | 535 | 257 |
| CCS EBITDA excluding special items | 1,783 | 3,029 | 70 | 270 | 476 | 77 |
| Profit/(loss) from operations | (1,298) | 1,502 | N.A. | (196) | 236 | N.A. |
| Profit/(loss) from operations excluding special items[2] | (798) | 1,590 | N.A. | (121) | 250 | N.A. |
| CCS profit/(loss) from operations excluding special items[2] | (6) | 1,216 | N.A. | (1) | 191 | N.A. |
| Net loss from financial activities | (68) | 94 | N.A. | (10) | 15 | N.A. |
| Profit/(loss) for the year attributable to the owners of the Company | (1,138) | 1,312 | N.A. | (172) | 206 | N.A. |
| Profit/(loss) for the year excluding special items attributable to the Owners[2] | (638) | 1,400 | N.A. | (97) | 220 | N.A. |
| Simplified Free Cash Flow[3] | 501 | 1,431 | 186 | 76 | 225 | 197 |
| Net cash inflow from operating activities | 2,233 | 3,365 | 51 | 338 | 529 | 57 |
| Earnings/(loss) per share | | | | | | |
| Basic and diluted earnings/(loss) per share (HRK per share) | (113.8) | 131.2 | N.A. | (17.2) | 20.6 | N.A. |
| Net debt | 1,608 | 482 | (70) | 262 | 73 | (72) |
| Gearing ratio[4] (%) | 15 | 4 | | | | |
| Capital expenditures | 1,282 | 1,598 | 25 | 194 | 251 | 30 |

| | | | | | | |
|---|---|---|---|---|---|---|
| o/w Domestic | 1,161 | 1,384 | 19 | 176 | 218 | 24 |
| o/w International | 121 | 214 | 77 | 18 | 34 | 84 |

* In converting HRK figures into US dollars, the following average CNB (HNB) rates were used: for FY 2020 – 6.61 HRK/USD; for FY 2021 – 6.36 HRK/USD

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

[2] 2020 result was negatively impacted by HRK (500) million impairment of assets; 2021 result was negatively impacted by HRK (88) million cost of provisions for Ivana-D decommissioning

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

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

| KEY FINANCIAL DATA BY BUSINESS SEGMENTS | HRK MLN | | | USD MLN* | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | CH % | 2020 | 2021 | CH % |
| **TOTAL REVENUE** | | | | | | |
| Exploration and Production | 2,188 | 3,877 | 77 | 331 | 610 | 84 |
| Refining and Marketing including Consumer Services and Retail | 14,153 | 21,912 | 55 | 2,141 | 3,445 | 61 |
| Corporate and other | 1,543 | 1,346 | (13) | 233 | 212 | (9) |
| Inter-segment transfers and consolidation adjustments | (3,096) | (4,735) | 53 | (468) | (744) | 59 |
| **TOTAL** | **14,788** | **22,400** | **51** | **2,237** | **3,522** | **57** |
| **EBITDA**[1] | | | | | | |
| Exploration and Production | 1,013 | 2,427 | 140 | 153 | 382 | 149 |
| Refining and Marketing including Consumer Services and Retail | (153) | 1,253 | N.A. | (23) | 197 | N.A. |
| Corporate and other | (52) | (73) | 40 | (8) | (11) | 38 |
| Inter-segment transfers and consolidation adjustments | 183 | (292) | N.A. | 28 | (46) | N.A. |
| **TOTAL** | **991** | **3,315** | **235** | **150** | **521** | **248** |
| **EBITDA EXCLUDING SPECIAL ITEMS**[2] | | | | | | |
| Exploration and Production | 1,013 | 2,515 | 148 | 153 | 395 | 158 |
| Refining and Marketing including Consumer Services and Retail | (153) | 1,253 | N.A. | (23) | 197 | N.A. |
| Corporate and other | (52) | (73) | 40 | (8) | (11) | 38 |
| Inter-segment transfers and consolidation adjustments | 183 | (292) | N.A. | 28 | (46) | N.A. |
| **TOTAL** | **991** | **3,403** | **243** | **150** | **535** | **257** |
| **PROFIT/(LOSS) FROM OPERATIONS** | | | | | | |
| Exploration and Production | 220 | 1,568 | 613 | 33 | 247 | 648 |
| Refining and Marketing including Consumer Services and Retail | (1,231) | 523 | N.A. | (186) | 82 | N.A. |
| Corporate and other | (472) | (299) | (37) | (71) | (47) | (34) |
| Inter-segment transfers and consolidation adjustments | 185 | (290) | N.A. | 28 | (46) | N.A. |
| **TOTAL** | **(1,298)** | **1,502** | **N.A.** | **(196)** | **236** | **N.A.** |
| **PROFIT/(LOSS) FROM OPERATIONS EXCLUDING SPECIAL ITEMS**[2] | | | | | | |
| Exploration and Production | 220 | 1,656 | 653 | 33 | 260 | 688 |
| Refining and Marketing including Consumer Services and Retail | (936) | 523 | N.A. | (142) | 82 | N.A. |
| Corporate and other | (267) | (299) | 12 | (40) | (47) | 18 |
| Inter-segment transfers and consolidation adjustments | 185 | (290) | N.A. | 28 | (46) | N.A. |
| **TOTAL** | **(798)** | **1,590** | **N.A.** | **(121)** | **250** | **N.A.** |
| **PROPERTY, PLANT AND EQUIPMENT** | | | | | | |
| Exploration and Production | 4,592 | 4,182 | (9) | 695 | 658 | (5) |
| Refining and Marketing including Consumer Services and Retail | 6,417 | 6,676 | 4 | 971 | 1,050 | 8 |
| Corporate and other | 1,177 | 1,082 | (8) | 178 | 170 | (4) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Inter-segment transfers and consolidation adjustments | (486) | (511) | 5 | (74) | (80) | 8 |
| **TOTAL** | **11,700** | **11,429** | **(2)** | **1,770** | **1,797** | **2** |

* In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for FY 2020 – 6.61 HRK/USD; for FY 2021 – 6.36 HRK/USD
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2]2020 result was negatively impacted by HRK 500 million impairment of assets while 2021 result was negatively impacted by HRK 88 million of cost of provisions for Ivana D decommissioning

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 2021 is HRK (292) million compared to HRK 183 million in 2020.

## INA Group Consolidated Statement of Financial Position

| INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION (HRK MLN) | 31 DEC 2020 | 31 DEC 2021 | CH % |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 485 | 449 | (7) |
| Property, plant and equipment | 11,700 | 11,429 | (2) |
| Right-of-use asset | 304 | 307 | 1 |
| Investments in associates and joint venture | 254 | 245 | (4) |
| Other investments | 17 | 17 | 0 |
| Long-term receivables | 843 | 835 | (1) |
| Deferred tax assets | 1,210 | 949 | (22) |
| Long term marketable securities | - | 42 | N.A. |
| Non-current financial assets | 560 | 655 | 17 |
| **Total non-current assets** | **15,373** | **14,928** | **(3)** |
| **Current assets** | | | |
| Inventories | 1,624 | 2,146 | 32 |
| Trade receivables (net) | 1,206 | 2,007 | 66 |
| Other receivables | 192 | 164 | (14) |
| Corporate income tax receivables | 5 | 6 | 11 |
| Other current assets | 89 | 79 | (20) |
| Marketable securities | 78 | 17 | (79) |
| Cash and cash equivalents | 399 | 2,630 | 560 |
| Current assets | **3,593** | **7,049** | **96** |
| Held-for-sale assets | 30 | 13 | (57) |
| **Total current assets** | **3,623** | **7,062** | **95** |
| **TOTAL ASSETS** | **18,996** | **21,990** | **16** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 9,000 | 9,000 | 0 |
| Legal reserves | 199 | 199 | 0 |
| Fair value reserves | 202 | 280 | 38 |
| Other reserves | 1,529 | 1,562 | 2 |
| Retained earnings/(accumulated losses) | (1,586) | (274) | (83) |

| | | | |
|---|---|---|---|
| **Equity attributable to owners of the Company** | **9,344** | **10,767** | **15** |
| Non-controlling interest | 13 | 15 | 15 |
| **Total equity** | **9,357** | **10,782** | **15** |
| **Non-current liabilities** | | | |
| Long term debts | - | 1,983 | N.A. |
| Long-term lease liabilities | 232 | 228 | (2) |
| Other non-current liabilities | 33 | 29 | (13) |
| Employee benefit obligation | 64 | 67 | 4 |
| Provisions | 3,696 | 3,668 | (1) |
| Deferred tax liabilities | 16 | 15 | (6) |
| **Total non–current liabilities** | **4,041** | **5,990** | **48** |
| **Current liabilities** | | | |
| Bank loans and current portion of long-term debts | 2,085 | 1,145 | (45) |
| Current portion of long-term lease liabilities | 77 | 84 | 9 |
| Trade payables | 1,426 | 2,143 | 50 |
| Taxes and contributions | 637 | 938 | 47 |
| Other current liabilities | 1,122 | 586 | (48) |
| Employee benefit obligation | 4 | 4 | 0 |
| Provisions | 247 | 318 | 29 |
| **Total current liabilities** | **5,598** | **5,218** | **(7)** |
| **Total liabilities** | **9,639** | **11,208** | **16** |
| **TOTAL EQUITY AND LIABILITIES** | **18,996** | **21,990** | **16** |

As at 31 December 2021 INA Group total assets amounted to HRK 21,990 million, which is 16% higher than on 31 December 2020.

In the period ended 31 December 2021, INA Group invested HRK 123 million in intangible assets. The effect of depreciation equals HRK 58 million.

In the period ended 31 December 2021, INA Group invested HRK 1,475 million in property, plant and equipment. The effect of depreciation and impairment reduced net book value in the amount of HRK 1,594 million.

Inventories amounted to HRK 2,146 million and have increased compared to HRK 1,624 million on 31 December 2020 mainly due to higher prices.

During 2021, impairment of refined products and work in progress net impact was neutral (Q1-Q4 2020: reversal of impairment in the amount of HRK 6 million) reported within Changes in inventories of finished products and work in progress in the statement of profit or loss. During 2021, HRK 9)million was recognized as impairment for merchandise (2020: impairment of HRK 3 million) reported within Cost of other goods sold in the statement of profit or loss.

Trade receivables (net) amounted to HRK 2,007 million which is 66% higher than on 31 December 2020 mainly due to higher sales value and improving price environment.

Share capital as at 31 December 2021 amounted to HRK 9,000 million. There were no movements in the issued capital of the Company in either the current or the prior financial reporting.

As at 31 December 2021 total liabilities amounted to HRK 11,208 million, which is 16% higher compared to 31 December 2020. INA Group net debt amounted to HRK 481 million and decreased compared to 31 December 2020. Net gearing decreased from 14.7% as at 31 December 2020 to 4.3% as at 31 December 2021.

Trade payables increased compared to 31 December 2020 to HRK 2,143 million, mainly driven by higher prices of imported crude oil and refined products.

## INA Group Consolidated Statement of Profit or Loss

| INA GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS (HRK MLN) | 2020 | 2021 | CH % |
|---|---|---|---|
| Revenue from contracts with customers | 14,788 | 22,400 | 51 |
| Other operating income | 181 | 319 | 76 |
| **Total operating income** | **14,969** | **22,719** | **52** |
| Changes in inventories of finished products and work in progress | (686) | 199 | N.A. |
| Cost of raw materials and consumables | (5,710) | (8,768) | 54 |
| Depreciation, amortization and impairment (net) | (2,289) | (1,813) | (21) |
| Other material costs* | (1,811) | (1,868) | 3 |
| Service costs* | (434) | (468) | 8 |
| Staff costs* | (1,628) | (1,765) | 8 |
| Cost of other goods sold | (3,699) | (6,644) | 80 |
| Impairment charges (net) | (108) | (81) | (25) |
| Provision for charges and risks (net) * | (188) | (313) | 67 |
| Capitalized value of own performance | **286** | **304** | **7** |
| **Total operating expenses** | **(16,267)** | **(21,217)** | **30** |
| **Profit/(loss) from operations** | **(1,298)** | **1,502** | **N.A.** |
| Finance income | 165 | 343 | 108 |
| Finance costs | (233) | (249) | 7 |
| **Net loss from financial activities** | **(68)** | **94** | **N.A.** |
| Share of net profit of joint ventures accounted for using the equity method | 94 | (9) | N.A. |
| **Profit/(loss) before tax** | **(1,272)** | **1,587** | **N.A.** |
| Income tax gain/(benefit) | 135 | (273) | N.A. |
| **Profit/(loss) for the year** | **(1,137)** | **1,314** | **N.A.** |
| **Attributable to:** | | | |
| Owners of the Company | (1,138) | 1,312 | N.A. |
| Non-controlling interests | 1 | 2 | 100 |
| | **(1,137)** | **1,314** | **N.A.** |
| ***Earnings/(loss) per share*** | | | |
| Basic and diluted earnings/(loss) per share (HRK per share) | (113.82) | 131,25 | N.A. |

*Restatement of comparable previous periods was made – see on page 82

Revenue from contracts with customers in 2021 amounted to HRK 22,400 million and is 51% higher compared to 2020, supported by improvement in hydrocarbon prices and product quotations.

Costs of raw materials and consumables were 54% higher than 2020 level at HRK 8,768 million, reflecting different dynamic of refinery operations and higher prices.

Other operating costs realized in 2021 include:

Other material costs in the amount of HRK 1,868 million were higher by 3%, mainly driven by higher advertising, graphic and transportation costs.

Service costs in the amount of HRK 468 million were 8% higher than the 2020 level, mainly due to higher road fees.

Depreciation, amortization and impairment (net) in the amount of HRK 1,813 million were 21% lower compared to 2020.

Impairment charges net impact had a negative effect in the amount of HRK 81 million in 2021 compared to HRK 108 million negative effect in 2020.

Provision for charges and risk had a negative effect in the amount of HRK 313 million in 2021 compared to HRK 188 million negative effect in 2020.

Staff costs in the amount of HRK 1,765 million were 8% higher compared to 2020.

Costs of other goods sold in 2021 increased by 80% compared to 2020 and amounted to HRK 6,644 million resulting from price increase and higher import to ensure market supply.

Net result from financial activities is positive in 2021 mainly as a result of the following:

- Net foreign exchange gain amounted to HRK 10 million in 2021, while in 2020 loss reached HRK 16 million
- Interest expense amounted to HRK 88 million and interest income to HRK 1 million in 2021, while in 2020 interest expense amounted to HRK 76 million and interest income to HRK 3 million
- Other financial net gain amounted to HRK 171 million in 2021 compared to the gain in the amount of HRK 21 million in 2020

Income tax expense in 2021 amounted to HRK 273 million compared to HRK 135 million income tax benefit in 2020. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 December 2021 and 2020.

## INA Group Consolidated Statement of Cash Flows

| INA GROUP CONSOLIDATED STATEMENT OF CASH FLOWS (HRK MLN) | 2020 | 2021 | CH % |
|---|---|---|---|
| Net cash inflow from operating activities | 2,233 | 3,365 | 51 |
| Net cash used for investing activities | (1,177) | (1,525) | 30 |
| Net cash used in financing activities | (1,222) | 400 | N.A. |
| **Net increase/(decrease) in cash and cash equivalents** | **(166)** | **2,240** | **N.A.** |

The operating cash flow before working capital changes amounted to HRK 3,365 million in 2021, representing an increase compared to 2020, which is in line with the change in EBITDA performance excluding non-cash items.

Movements in working capital negatively affected the operating cash flow by HRK 519 million, due to:

- Increase in the value of inventories in the amount of HRK (967) million mainly related to higher prices
- Increase in receivables in the amount of HRK (1,655) million mainly related to higher sales volumes and prices
- Increase in trade and other payables amounted to 2,103 HRK million, mainly related to higher purchase prices and volumes in line with production dynamics.

Net cash used in investing activities amounted to HRK (1,525) million of outflows due to intensive investment in Refining operations and is 30% higher compared to HRK (1,177) million outflows in 2020.

### Restatement

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

The updated version of INA Group Accounting Policies and Procedures policies has been consistently applied to all the periods presented, unless otherwise stated. Also, CCS calculation including $CO_2$ adjustments was updated. If the items in the consolidated financial statements are amended, all comparative amounts are reclassified.

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

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

## Impact of special items

In addition to international accounting standards, international reporting standards and regulatory requests the company discloses special items to achieve a higher level of transparency and to provide better understanding of the usual business operations. Business events not occurring regularly and having significant effect on operations and results are considered as special items. INA 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 2020, the result was impacted by impairment of refinery assets in Sisak in the amount of HRK 295 million, due to the concentration of refining operations in Rijeka refinery and impairment of INA Group oil service company Crosco Group assets due to the decreased demand for oil field services on the market in the amount of HRK 205 million. In 2021, the result was impacted by cost of provision for Ivana D decommissioning in the amount of HRK 88 million due to capsizing of the platform in 2020.

| SPECIAL ITEMS (HRK MLN) | 2020 | 2021 |
|---|---|---|
| **INA GROUP** | | |
| Total impact of special items on profit/(loss) for the year | (500) | (88) |
| Total impact of special items on profit/(loss) from operations | (500) | (88) |
| **EXPLORATION AND PRODUCTION** | | |
| Total impact of special items on profit from operations | - | (88) |
| *Cost of provision for Ivana D decommissioning* | - | *(88)* |
| **REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL** | | |
| Total impact of special items on loss from operations | (295) | - |
| *Impairment of assets - Sisak refinery assets* | *(295)* | - |
| **CORPORATE FUNCTIONS** | | |
| Total impact of special items on loss from operations | (205) | - |
| *Impairment of assets - CROSCO Group assets* | *(205)* | - |

## 4.5. EU Taxonomy report

According to Article 8 of the EU Taxonomy regulation (Regulation 2020/852) companies that are subject to an obligation to publish non-financial reports, shall include in such statements information on how and to what extent their activities qualify as sustainable.

Non-financial undertakings are required to disclose the proportion of their turnover, capital and operational expenditure associated with environmentally sustainable economic activities. The Disclosures Delegated Act (2021/2178) specifies the disclosure obligations in detail.

In line with the Disclosures Delegated Act (2021/2178), this first report about FY 2021 covers only the objectives of climate change mitigation and climate change adaptation (in line with the Climate Delegated Act 2021/2139). Reporting on other environmental objectives is not mandatory at this point. Additionally, in line with the Disclosures Delegated Act (2021/2178), between 1 January 2022 and 31 December 2022 only the proportion of Taxonomy-eligible activities should be reported. In 2022, companies are not required to assess the Taxonomy-alignment of these activities.

**Accounting policy**

The specification of the KPIs is determined in accordance with the Climate Delegated Act (2021/2139). We determine the Taxonomy-eligible KPIs in accordance with the legal requirements and additional comments about the processes and systems used are given below.

For ‘revenue’ and ‘OPEX’ KPIs the consolidation system was used for the reporting. In case of profit centers where both eligible and non-eligible revenue was identified, the revenues related to the eligible products were collected and calculated only. The turnover figure used as denominator can be found on page 3 of the Consolidated Financial Statements. The Turnover KPI’s denominator is the same as the Revenue from contracts with customers in the Consolidated Statement of Profit or Loss.

In case of OPEX KPI the not-relevant OPEX items (such as PTE, charged services, energy and raw material) were deducted first.

In case of CAPEX KPI we used the SAP and BW based CAPEX reporting of INA Group. In relation with the CAPEX definition used in this database and the definitions used in the EU Taxonomy regulation, we must make the following comments: the official CAPEX reporting methodology of INA Group does not include additions from borrowing costs, right-of-use assets, estimated field abandonment and site restoration costs, emission quotas. We believe these differences do not have a material impact on the numerator of the KPI. The CAPEX figure used as denominator is comparable with the Consolidated Financial Statements. The CAPEX KPI’s denominator is the same as the Additions line in the Property, plant and equipment movement table and the Additions line in the Intangible assets’ movement table.

We only identified activities under climate mitigation objectives for these KPIs, therefore INA Group has not yet identified activities that contribute to multiple objectives as only activities regarding the first two objective on climate change are currently prescribed in detail.  When the relevant delegated acts for the remaining environmental objectives will be issued such activities might be relevant and a decision will be made about their categorization in due time. We did not disaggregate KPIs during the reporting.

**Assessment of compliance with Regulation (EU) 2020/852**

INA Group has several core oil and gas activities that are eligible according to the climate mitigation objectives. Activities considered eligible are included in the report, even though some of them will not necessarily pass the alignment criteria in the coming years.

These eligible activities include also those that are directly related to green activities and products, such as electric charging infrastructure and renewable energy production.

In the assessment of the EU Taxonomy eligible activities, we applied some simplification considerations to make the report realistic and focused. The most important are the following:

- OPEX KPI was calculated only for the profit centers where also sustainable revenue was identified. Overall, we consider OPEX KPI as less material for the description of INA Group's activities.
- INA Group does have activities that are identified in the Disclosures Delegated Act (2021/2178), as eligible but are directly related to the core business of oil and gas production, refining or sales. We considered such activities as ones that do not meet the principle of 'substantial contribution to climate change mitigation', consequently are non-eligible and therefore we did not include them in our reports. Activities considered as non-eligible on this basis include for example renewable energy production related directly to oil and gas assets (solar panels on refinery buildings). For the same reason we do not report revenues, OPEX or CAPEX related to buildings because such activities and CAPEX are mainly related to existing oil and gas activities (building or renovation of filling station; building or construction of office buildings related to oil and gas activities). CAPEX in gas transmission network is not considered as eligible on the same basis, since INA Group or its subsidiaries do not have such activities yet related to EU taxonomy category 'Transmission and distribution networks for renewable and low-carbon gases'.

All the above-mentioned simplifications are only applicable for the first EU taxonomy report and will be subject to reassessment in the coming years based on industry practices and benchmarks.

The KPIs in this report only show the proportion of eligible activities assessed with above mentioned simplification considerations and cannot be used to determine the proportion of taxonomy aligned revenues or expenditures. Since INA Group's main activity is oil and gas production and processing, we expect the proportion of aligned activities in the future to be significantly lower than the values shown below.

**Contextual information**

The relatively low percentages of eligible activities are partially a result of the fact that a significant part of INA Group's activities are still related to oil and gas industry and the conservative approach INA has taken in reporting.

INA Group has not issued sustainability-linked or green bonds in the assessed periods.

CONTEXTUAL INFORMATION FOR TURNOVER

Majority of EU Taxonomy eligible revenue is related to sales revenues, other types of revenues are not typical.

A significant part of the eligible revenue is related to INA Group's refining business, where the proportion of aligned activities is expected to be low and therefore lower figures are expected to be reported from 2022.

CONTEXTUAL INFORMATION FOR CAPEX

EU Taxonomy eligible CAPEX is only related to organic CAPEX, no M&A investment that is climate mitigation or climate adaptation eligible was made in 2021.

A significant part of the eligible CAPEX is related to INA Group's refining operations, where the proportion of aligned activities is expected to be low and therefore lower figures are expected to be reported from 2022.

CONTEXTUAL INFORMATION FOR OPEX

Majority of EU Taxonomy eligible OPEX is related to maintenance activities.

| PROPORTION OF SUSTAINABLE ACTIVITIES | | | |
|---|---|---|---|
| | Total (in th HRK) | Proportion of Taxonomy-eligible economic activities (%) | Proportion of Taxonomy non-eligible economic activities (%) |
| Turnover | 236,041 | 1.05 | 98.95 |
| CapEx* | 52,272 | 3.27 | 96.73 |
| OpEx | 0 | 0 | 100 |

* Includes organic capex and M&A in line with EU Taxonomy definitions

## 4.6. Branch and representative offices

Branch and representative offices as at 31 December 2021:

| 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 (in the reactivation process) |
| | CROSCO Integrated Drilling & Well Service Co. Ltd. - Italian Branch Office |
| Rotary Zrt. | Branch Office Erbil, Iraq |
| | Branch Office Albania |
| STSI d.o.o. | STSI - Integrirani Tehnički Servisi d.o.o. - Branch Office in Syria, Damask |
| | STSI - Representative Office Belarus, Novopolotsk |
| Holdina d.o.o. | 40 retail locations registered as Branch Office |
| Energopetrol d.d. | Branch Office - Maloprodajno mjesto Varaš 2 |

# 5. SUSTAINABILITY IN INA GROUP

## 5.1. Sustainable development management in INA Group

### Achievements

- New Key Sustainable Development objectives and programs 2021 - 2025 defined;
- New Sustainable Development Framework developed;
- 10 Global Sustainable Development Goals prioritized and aligned with SD action plan.

### Challenges

- Implementation of new GRI standards and Oil and Gas sector standard;
- Continuous stakeholder engagement;
- 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 2021, there were 54 SD actions at the INA Group level with average realization of 95%. For 2022, 64 SD actions in total are planned, of which 28 in the area of Climate Change and Environment, nine in the area of Health and Safety, 21 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

Sustainable development management in INA Group, as a strategic issue and corporate responsibility, takes place at the highest management level with the support of members of the Sustainable Development Council and members of the SD Working Group. Key SD issues are decided by the top management, or its authorized representatives. The governance structure of sustainable development is based on the principle that SD should be an integral part of INA Group's day-to-day operations. This implies that the sustainability actions should be integrated into prevailing business strategies and recognized as a normal part of business operations.

## Sustainable development governance

## 5.2. Health and safety

**"Ensure operational HSE excellence"**

### Achievements

- No fatalities, best Total Recordable Injury Rate since the start of tracking for own employees and contractors;
- Successfully implemented preventive protection measures against COVID-19 - ensured necessary personal protective equipment and successfully organized voluntary vaccination for over 3,000 employees;
- Efficient HSE support for Rijeka Residue Upgrade Project without severe HSE incidents.

### Challenges

- Contractor workforce skills, quality and integration (language barrier);
- Own employee mental health and well-being, adaptation to 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 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 stress, depression 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

Occupational Health and Safety System at INA Group Companies is established to ensure that 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.

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.

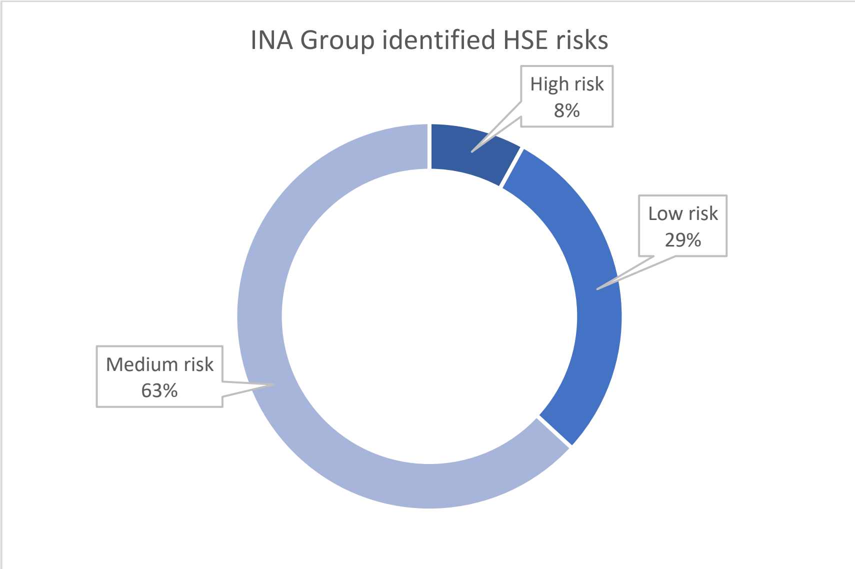
In order to reduce the risk at workplaces and increase safety besides legally obliged management documents, variety of documents based on OHS best oil and gas practices are in place as well (detailed list can be found on page 163-164).

### Hazard identification, risk assessment and incident investigation

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’s 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 not the alternatives are available, it is considered whether or not hazardous processes are necessary.

It won’t 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. In 2021, no very high and very low risks were identified.




## Incident reporting

During 2021 INA Group refreshed and established a **new Incident Reporting and Investigation System.**

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 defined in the system.

### Health protection and promotion

With the aim of ensuring the health and safety of our workers and customers, as well as the company's liquidity and sustainability of continued operations INA Group continued to successfully manage the challenges of the COVID-19 pandemic in 2021. INA Group's crisis team, as the central body for pandemic management, analyzes the development of the situation and risks and infection of workers on a daily basis, and makes decisions and recommendations primarily according to the instructions of the competent state bodies.

During this year, special emphasis was placed on the positive promotion of vaccination of workers against COVID-19. A total of 2,681 workers were vaccinated (first, second and third dose), partly at INA Group locations (16 locations), and partly by agreed visit of workers to public health institutions (17 institutions). The focus was on antigen testing, which is conducted at all major locations of the competent health institutions twice a week, with fast antigen tests for self-testing always available to all workers. Testing is voluntary and primarily intended for unvaccinated workers and those suspected of infection. Influenza vaccination has been promoted and workers have been given detailed instructions on where to apply for vaccination.

We are especially grateful to all the workers who completed the voluntary anonymous survey and thus helped us to determine the COVID-19 preventive measures in the workplace based on the data obtained. According to the results, 72% of the surveyed workers were vaccinated and 15% recovered from COVID-19, which means that 87% of the workers who participated in the survey have an adequate level of protection against COVID-19.

Health protection and promotion programs are intertwined and deployed strategically to enhance each other, a healthier workforce thus becomes a safer workforce and vice versa. In addition to the classic topics related to proven risk in the workplace and the leading topics for disease prevention, great importance is attached to the prevention and protection against COVID-19 disease. Due to the circumstances related to COVID-19 the campaigns of HEALTH+ project have been adjusted to measures for protection against COVID-19, positive vaccination promotion, MSD (Musculoskeletal Disorders) prevention - especially for occasional work from home, and for preserving mental health. Activities are mainly focused on online education of employees, instructions and expert advice which includes videos and online workshops led by renowned experts.

Continuous risk assessments related to virus exposure

## 6 KEY STANDARDS FOR PREVENTION

2 m

**Indoors** - mandatory wearing of a mask and a **distance of 2 meters**

**Vaccination** against COVID-19 for INA Group employees at INA Group locations

**Tests**

RT-PCR / Ag tests

**Outdoors** - masks are not mandatory only at a distance of more than 2 meters

Mandatory **temperature measurement** when entering INA locations

Purchase of **masks** while **disinfectant** is produced within the INA Group (INA Dezinol- INA MAZIVA d.o.o.)

**Education, information, and procedures**
(for workers, contractors and customers)

**Mandatory rules for working in INA facilities**
(rules on the number of people at locations, meetings, elevators, rooms, rules for restaurants, Fresh Corners and food consumption), rules for work outside facilities, rules of personal hygiene and space hygiene and mandatory installation of partition walls at toll booths and all frequent workplaces to reduce physical contact while regularly respecting the prescribed distance in daily communication of at least 2 m and compliance with the rules on the maximum number of customers in the sales area

**Work from home** or in shifts (depending on the current situation) and **virtual meetings**

## 6 KEY MEASURES

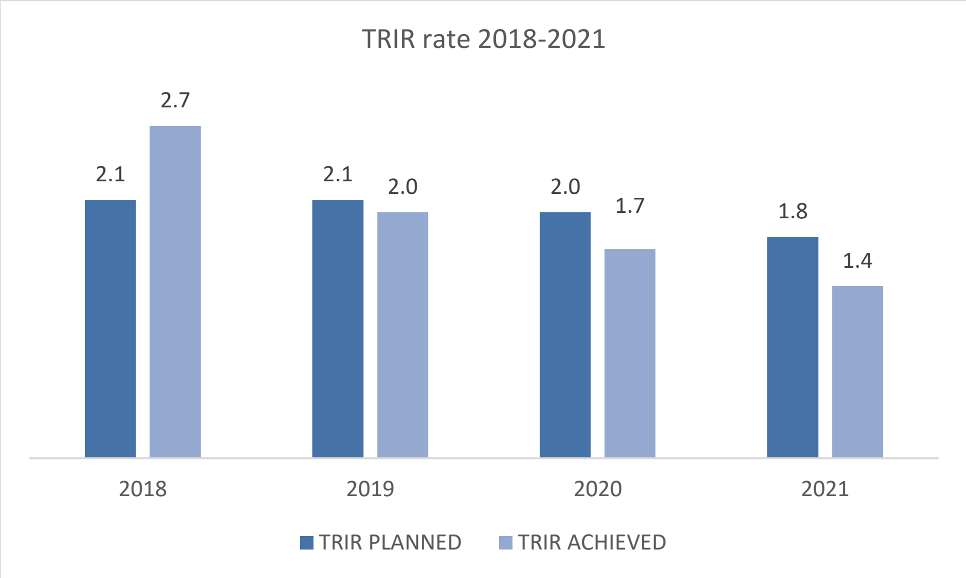
**PPE**
Exposure risk assessments and PPE

Use of non-contact thermometers and availability of PCR and antigen testing

All INA Group workers have received proper PPE since the beginning of the pandemic. COVID-19-related spending in 2021 amounted to HRK 4.073 million, which includes PPE (masks, gloves), disinfectants, PCR and Antigen testing.

### Occupational safety performance

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 TRI. During 2019 four thousand blue collar employees underwent the **Unconscious Behavior Program**. The main goal of this program was to reduce most influential causes of injuries (slips, trips and falls) by 25% in the next 2 years. The goal was reached, and since 2018, INA Group TRI is constantly in decrease. In comparison to the base year of the program, in 2021 INA Group reduced the number of TRI by 57%.




TRIR - Total Recordable Injury Rate

During 2021, there were no work-related fatalities and no work-related cases of ill health. INA Group experienced decrease in Total Recordable Injuries (TRI) among own employees and contractors, reaching a combined 30 in 2021, compared to 36 in 2020. Out of Total Recordable Injuries (30), 26 were lost-time injuries, two were medical treatment cases and two were restricted work cases.

| INA GROUP EMPLOYEES AND CONTRACTORS | 2019 | 2020 | 2021 |
|---|---|---|---|
| Number of fatalities as a result of work-related injury | 0 | 0 | 0 |
| Fatality rates as a result of work-related injury* | 0 | 0 | 0 |
| Number of high–consequence work-related injuries (excluding fatalities) | 1 | 2 | 0 |
| High–consequence work-related injury rate (excluding fatalities) | 0.08 | 0.09 | 0.00 |
| Number of recordable work-related injuries | 51 | 36 | 30 |
| Recordable work-related injury rate* | 1.97 | 1.70 | 1.39 |
| Number of hours worked | 25,906,895 | 21,614,971 | 21,629,696 |

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

| INA GROUP CONTRACTORS | 2019 | 2020 | 2021 |
|---|---|---|---|
| Number of fatalities as a result of work-related injury | 0 | 0 | 0 |
| Fatality rates as a result of work-related injury* | 0 | 0 | 0 |
| Number of high–consequence work-related injuries (excluding fatalities) | 1 | 2 | 0 |
| High–consequence work-related injury rate (excluding fatalities) | 0.14 | 0.34 | 0 |
| Number of recordable work-related injuries | 9 | 8 | 7 |

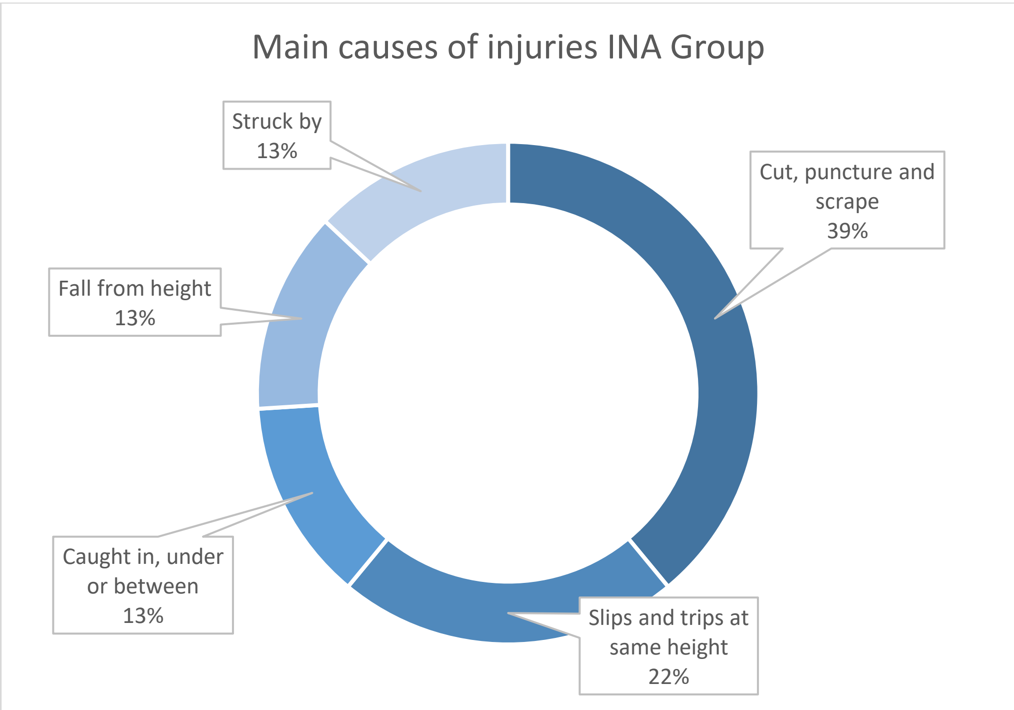
| | | | |
|---|---|---|---|
| Recordable work-related injury rate* | 1.23 | 1.36 | 1.42 |
| Number of hours worked | 7,344,237 | 5,861,637 | 4,922,596 |

*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 2021, there were no Severity 4 (High impact) and Severity 5 (Very high impact) events recorded.

| HSE work related events 2021 | No. of work related HSE events |
|---|---|
| **TOTAL NO. OF EVENTS (real and potential)** | **780** |
| **Events with real impacts o/w** | **570** |
| Severity 3 - Medium events | 3 |
| Severity 2 - Low events | 69 |
| Severity 1 - Very low events | 511 |
| Severity 0 - Near misses | 197 |
| **Events with potential impacts** | **212** |

Five main causes of injuries occurred in 2021 in INA Group are presented in the pie chart below




Manpower is still the main primary cause of Total Recordable Injuries (50%), followed by working environment (24%), equipment factors (14%), methods (9%) and security factors (3%).

## Occupational safety programs

**Life Saving Rules - refresh campaign**

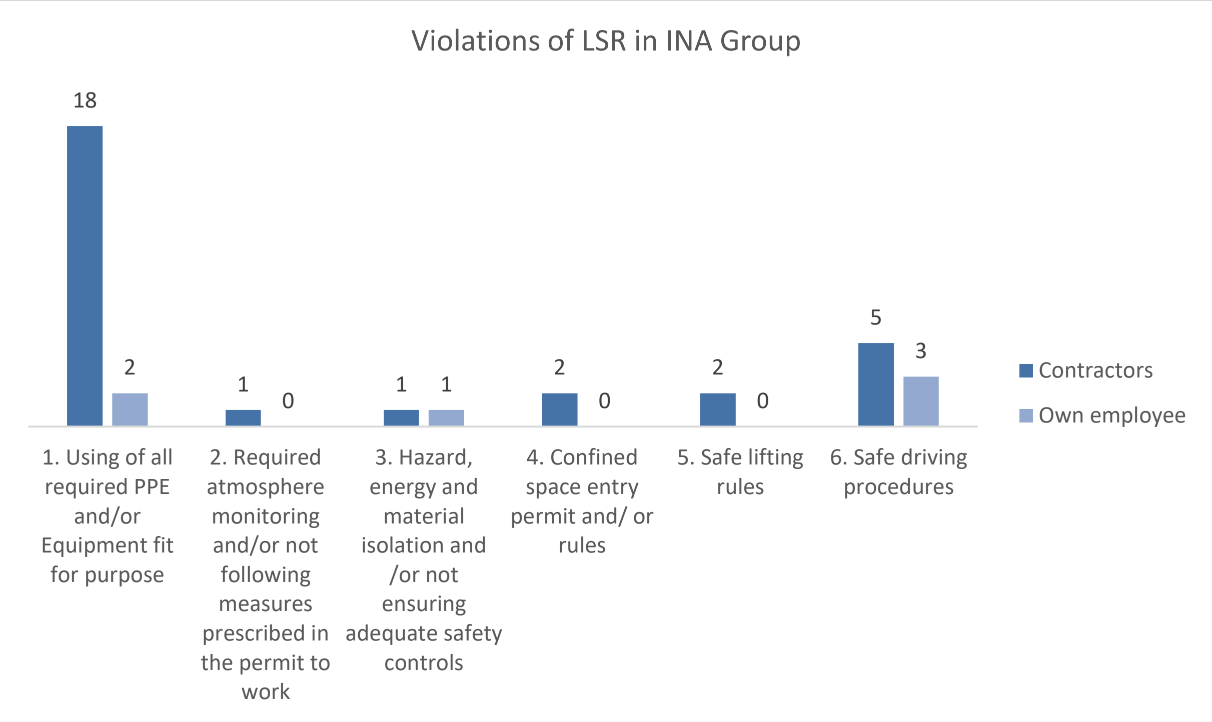
INA Group introduced the **six Life Saving Rules** (hereinafter: LSR) to improve the safety performance and to give everyone the license to say ‘NO’ when safety is at risk, focusing on the most important aspects of safe work in our industrial environment. These rules are designed to increase individual 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 in 2021. Top management of INA Group send a message to employees and contractors for each LSR through a video message. Message for each LSR was conveyed by a different operating director. The campaign was launched through all possible internal communication channels. Each of these video messages was shared with more than 5,000 employees through internal digital channels.

**LIFE SAVING RULES**

*Remember, we are all personally responsible for our safety!*

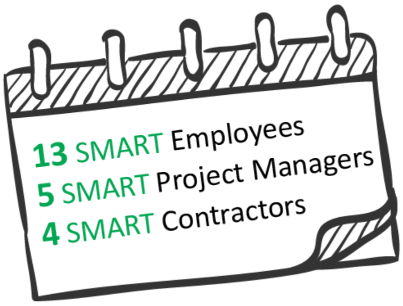
In 2021, there were 35 violations of Life Saving Rules in total at the INA Group level. Out of 35 violations, six violations were made by own employees and 29 violations were made by our contractors. All LSR violations are presented in the chart below.




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**

In 2018, INA, d.d. granted the "SMART" awards for outstanding contribution in the field of sustainable development, and health, safety and environment for the first time. The purpose of these awards, granted in three categories: “SMART” Employee, "SMART" Project Manager and "SMART" Contractor, is recognizing and rewarding employees and contractors with outstanding contribution in the field of sustainable development, and health, safety and environment, as well as creating a safe working environment. Over the past four years it has been awarded to:


Recognition and emphasis, as well as public praise for outstanding contribution in the field of SD & HSE for employees and contractors is a key tool in the programs of maximum engagement in the field of SD & HSE.

## 5.2.2. Fire protection and process safety management

### Process safety management

In 2021, our focus in the Process Safety Management (hereinafter: PSM) was on the successful implementation of new Management of Change module in our incident and data collection system Enablon, which can provide better insight into the operational risks related to the technical and technology changes at Downstream businesses. New improvements were implemented in the Pre-Startup Safety Review (Checklist aimed to check if each particular request is fulfilled before starting up an equipment or a process unit) for all new investment projects and other technical and technology changes in the process. The PSM procedure was renewed.

Furthermore, in 2021 we introduced the **Process Safety Fundamentals** (hereinafter: PSF) which represents a set of 10 rules aimed to increase process safety in oil and gas industry. In order to successfully implement PSF rules educational material was made, and trainings were conducted for all white collars in Rijeka Refinery, Sisak Refinery, Exploration and Production, Logistics, INA Maziva d.o.o. and Holdina d.o.o. As a part of the PSF implementation, gap analysis was conducted in order to align the process with the 10 PSF rules. Action plan for elimination of determined gaps is ongoing.

Ensure proper equipment isolation

De-energize equipment before opening

Monitor and open drain

Manage overrides of safety critical systems

Walk the line

Verify the condition of flexible hoses

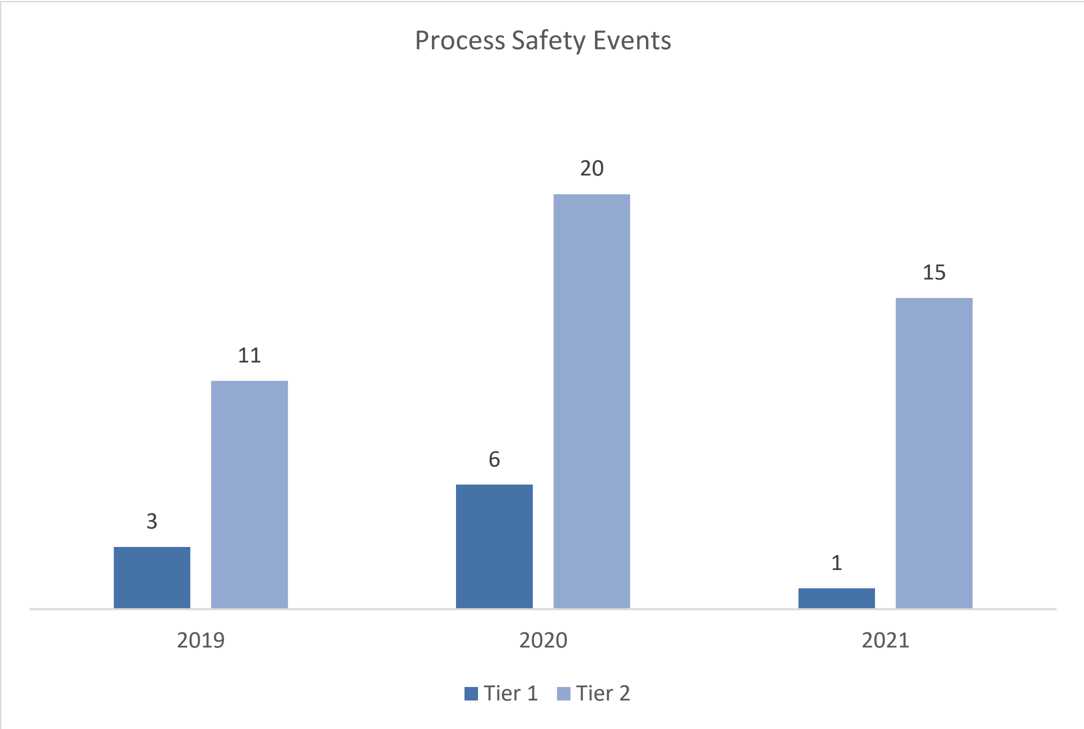
Operate within safe limits

Identify Safety Critical Equipment

Ensure safe atmosphere in fire box before igniting the burners


Do not make a change without a proper MoC process

In 2021, we recorded 16 process safety events (hereinafter: PSE) of which one TIER 1 (process safety events with highest consequence) and 15 TIER 2 events (process safety events with lower consequence). All TIER 1 and Tier 2 PSE were caused by material release over threshold quantities under API 754 standard. On 26 June 2021, leakage of crude oil from storage tank R-51102 in Sisak terminal occurred. Amount of the leaked crude oil was higher than threshold for Tier 1 incident. The storage tank is put out of operation. Event had no impact on the environment or people and leaked crude oil was detained in the tank bund. For all these PSE, preventive and corrective measures were determined and implemented in order to prevent their recurrence.



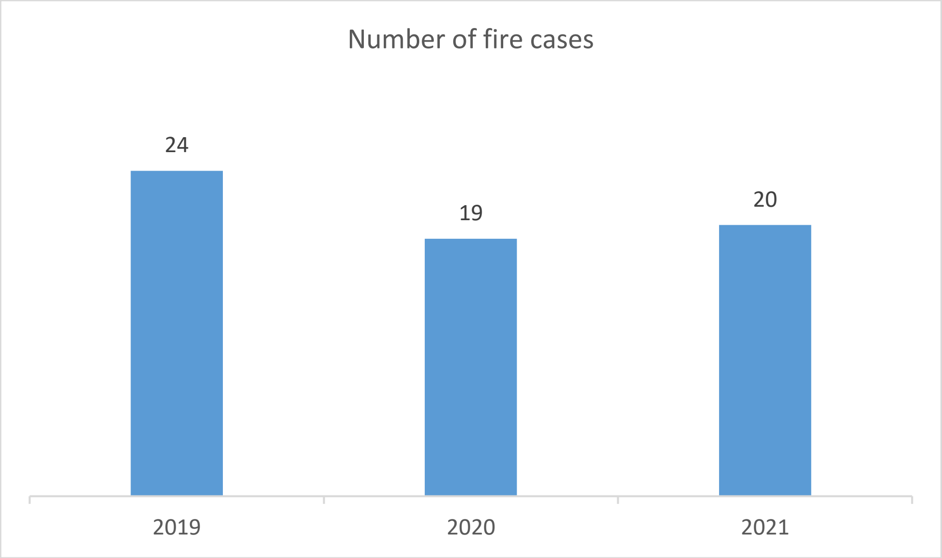

## Fire protection

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 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 23 (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.

According to the planned activities and with the aim of increasing the level of operability in FF intervention, raising INA Group's benchmark and aligning with the best industrial practices for firefighting and fire protection in general, two out of four new fire trucks planned for procurement for INA VATROGASNI SERVISI d.o.o. Fire Brigades were delivered and accepted in 2021. For other two fire trucks activities will be finished in 2022.

The total number of recorded fires in 2021 was 20. Out of the total number of fires, 18 fire cases were categorized as severity 1 (very low) and only 2 fires cases were categorized as severity 2 (low). All of the 20 fire cases were classified as initial fires, with no significant damage/costs, injuries, and impact to the environment. In 2021 there were no fire cases with severity 3 (medium), 4 (high) and 5 (very high).




In **„May - Fire Protection Month 2021"** - planned activities in INA Group were carried out, and at all times harmonized with protection measures due to the present pandemic of COVID-19. All work activities and their implementation at all INA locations have been harmonized with the applicable preventive measures, in order to prevent the spread of the COVID-19 pandemic and ensure safe work, as well as to maintain the continuity of business/work. Fire Brigades also conducted fire drills and other firefighting activities while, as in all-work operations (aforementioned), adhering to the preventive measures against COVID-19.

## 5.3. Climate change

**“Manage risk and opportunities related to climate change”**

### Achievements

- Contract signed for the construction of two solar power plants;
- In seven years, 2.3 million tons of $CO_2$ were injected within the EOR project;
- Continuation of investing in strategic projects to reduce air emissions.

### Challenges

- Challenging regulatory environment to reach EU 2030 reduction targets;
- Rising carbon costs;
- Preparatory activities related to methane emission reduction in line with the EU Methane Strategy - reduction program preparation and phased approach towards its implementation.

### 5.3.1. Global overview on climate change and our response

Climate change is a widely accepted challenge that requires an urgent response. On 14 July 2021, the Commission presented the Fit for 55 package, containing 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 the 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, great knowledge and assets.

### *Climate-related risks and opportunities*

Financial markets increasingly need clear, comprehensive, and high-quality information on climate-related risks that could affect the company, as well as information on how these risks are managed. In line with that, we are reporting 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.

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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.

### *Transition risk associated with regulatory changes*

INA Group has significant exposure to a wide range of laws, regulations, and policies on the global, the 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 proposed reform of the ETS system is expected to result in higher costs given the continuous rise in emission allowance prices and a further reduction in free allocation.

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

### *Market and technological risk*

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

### *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

INA Group is strongly committed to environmental protection and energy transition and continuously examines all profitable business opportunities that are not necessarily part of traditional activities, and which can upgrade the existing value chain with sustainable projects. The company is currently in the process of transforming its business, primarily the refinery part. Work on our largest transformation project, the construction of a plant for the treatment of heavy residues in the Rijeka Refinery, continues, and we are actively working on the development of sustainable alternatives at the Sisak location. We have stepped into the production of energy from renewable sources with the project of installing two solar power plants, wind power on offshore platforms will be tested, and in cooperation with the City of Zagreb the possibilities of introducing hydrogen as fuel in public transport will be examined. It is planned to produce green hydrogen, build filling stations, and purchase buses with advisory assistance provided by the tender and EU funds. The development of geothermal capacities is another direction that has great potential. The mentioned projects are only the initial steps in our transition. The focus in the coming years will be on identifying and developing further important investment opportunities that will contribute to the energy transition of the Croatian economy and the long-term progress of INA Group.

### *Solar power plants*

At the end of January 2022, a contract was signed for works on projects for the construction of solar power plants Virje and Sisak. Solar power plant Virje (9 MW) will be located at the Gas Processing Facilities Molve and is currently the largest solar power plant under construction in Croatia. The solar power plant in Sisak (3 MW) will be built at the industrial location in Sisak and is one of the projects to transform the location into a modern industrial center. The power plants will together produce 16,000 MWh of electricity per year, which is the average consumption of 4,800 households in the Republic of Croatia, i.e., households in cities the size of Makarska. The latest technological solutions will be used in the construction of solar power plants. The expected start of work on the construction of solar power plants is in the spring of 2022. After completion and commissioning, no later than in 2023, INA Group will deliver the generated electricity to the public power distribution network.

These projects are another step in the process of transforming INA Group into an energy company and are in line with our development guidelines. Our goal is to upgrade the existing value chain, and these solar power plants are the beginning of creating a sustainable portfolio in the generation of electricity from renewable sources.

### *Biorefinery project*

Biorefinery that would produce the second generation of biofuels from biomass, with the production of green energy for its own needs, is one of the sustainable alternatives planned for the Sisak industrial site within the INA R&M New Course 2023 program developed with the aim of ensuring the long-term sustainable operation of the company. During 2021, the project was included in the National Recovery and Resilience Plan, which enabled further implementation of the project. The project received support last year when it met the formal criteria of the Ministry of Economy and Sustainable Development, which officially included it in the List of Strategic Projects. However, it is a highly risky and complex project. Finalization and the final decision on the investment will depend, among other things, on market trends, demand for biofuels, as well as on the prices of materials (read more under chapter *Climate-related financial disclosures)*.

### *7 years of EOR (Enhanced Oil Recovery) project in INA*

INA has been implementing the EOR project for seven years with the aim of maximizing production by alternating the injection of carbon dioxide and water into mature production fields. The project in the Ivanić and Žutica fields is one of the largest and most important exploration and production projects, in which about HRK 1.2 billion has been invested so far, 2 million BOE has been produced additionally and about 2.3 million tons of $CO_2$ have been injected. Considering the potential of this method, in 2021 the company started an EOR pilot project in the hydrocarbon exploitation field Šandrovac, the third in a series of projects for permanent storage of $CO_2$ in geological formations. Striving to reduce $CO_2$ emissions is an important part of INA Group's development guidelines, harmonized with the integrated long-term strategy of the MOL Group SHAPE TOMORROW 2030+, with EOR and CCS (Carbon Capture and Storage) being important levers in achieving such goals.

The fact that INA, d.d. EOR project is a very important factor in the fight against climate change was recognized and rewarded by the Ministry of Economy and Sustainable Development for the achievements of the business sector in environmental protection in 2021, in the category "Process for successful implementation of innovative solutions". The project is included as the only example from Croatia in the Report of the International Chamber of Commerce of the United Kingdom on Climate Change Mitigation, prepared for the UN 26$^{th}$ Climate Conference (COP26). This is a recognition of the vast experience that INA has in $CO_2$ capture, use and storage, which can become especially important in the implementation of the Low Carbon Development Strategy of the Republic of Croatia (read more under chapter *Climate-related financial disclosures)*.

### 5.3.2. Energy efficiency

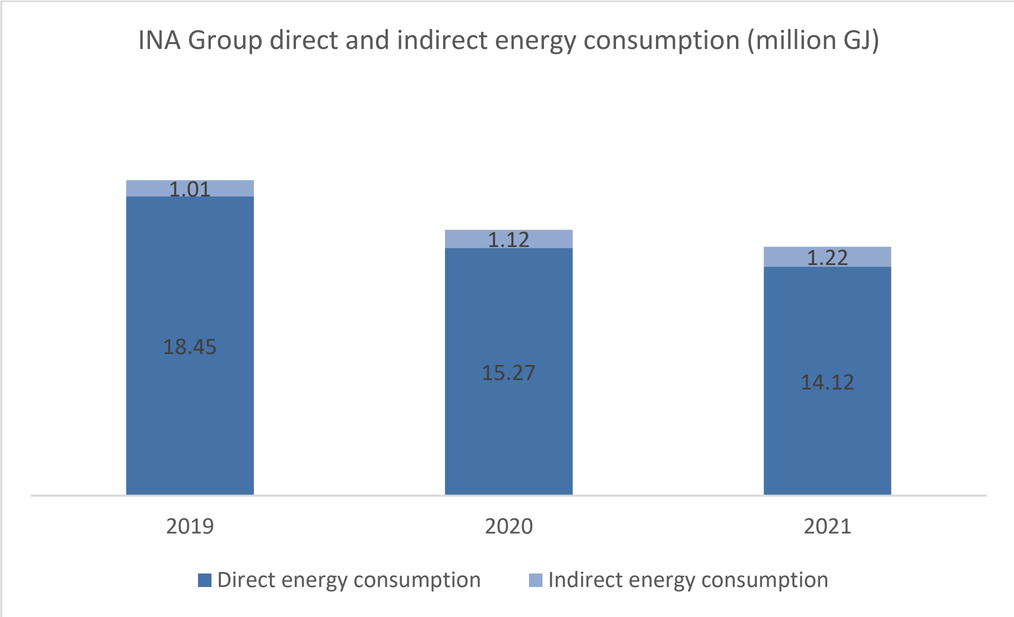
INA, d.d. is a significant participant on the energy market in Croatia and the region, and we believe that increasing energy efficiency is the most important mechanism for reducing energy consumption and one of the basic principles of energy transition. Our fundamental commitment in energy management 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 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 character of its business and number of locations, INA Group is a major energy user with energy accounting for a significant share of operational costs. Total INA Group energy consumption in 2021 amounted 15.34 million GJ, of which 14.12 million GJ of direct energy consumption and 1.22 million GJ of indirect energy consumption.

Direct energy consumption includes the sum of natural gas in the amount of 7.48 million GJ, other hydrocarbon energy sources in the amount of 6.64 million GJ (represents the sum of the quantities of fuel distilled from crude oil) and fuel used for corporate vehicles in the amount of 0.19 million GJ, minus total indirect energy sold in the amount of 67.45 GJ.

Regarding the indirect energy consumption, the total electricity purchased from external sources amounted to 0.80 million GJ and 0.42 million GJ of intermediate energy (steam, heat, etc.). Most of the total energy consumed in 2021 in INA Group came from non-renewable sources and 101.38 GJ of energy was produced and consumed from electrical solar panels on offshore platforms.




*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 economy 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. Economic impact of all project proposals as a result of energy consumption changes is evaluated based on the Group premises of utilities price until 2050. Based on all available information, a plan of energy performance indicators for different scenarios in the future is prepared as additional criteria for investment decisions. According to the described approach INA, d.d. has prepared project proposals with plans of energy consumption reduction by 13% until 2030. This approach is going to ensure improved sustainability of INA's operations with focus on energy efficiency improvement in the refining system and decrease the financial exposure of the refinery to related policies in the future.

In accordance with the provisions of the Energy Efficiency Act, INA, d.d. as an energy supplier has the obligation to achieve new energy savings every year. The commitment defined in the National Action Plan for Energy Efficiency was confirmed by the successful verification of 3.65 TWh of energy savings achieved through the implementation of energy efficiency projects in the period 2014-2019, while in 2022 the goal is to verify an additional 212 GWh of energy savings achieved in 2021.

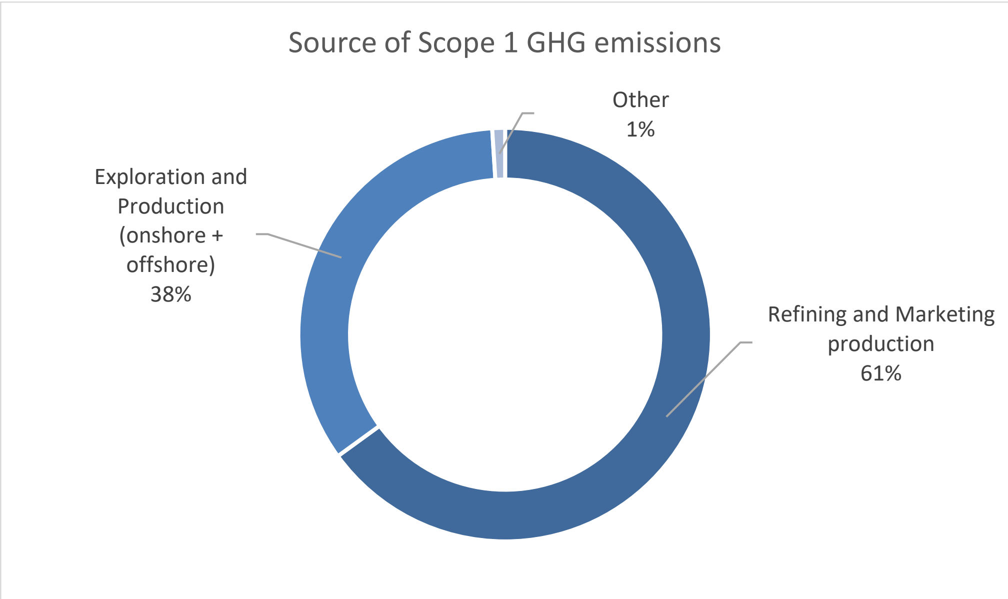
## 5.3.3. Our GHG emissions performance

### Greenhouse Gas Scope 1, Scope 2 and Scope 3 emissions

INA Group monitors and report $CO_2$ 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 all fuels for 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 decreased by 7% compared to 2020 and reached 1.22 million tons of $CO_2$ equivalent, mostly as a result of decreased production of Rijeka Refinery.




Our total Scope 2 GHG emissions from indirect energy use calculated with location-based emission factor (valid for Croatia) amounted 0.12 million tons while GHG emissions calculated with market-based emission factor (valid for the EU) amounted 0.13 million tons.

Most of our Scope 3 GHG emissions are the result of the use of sold liquid fuel (86 %) and natural gas (9%), and the increase in 3% is due to more sold refinery products in 2021. The remaining part is mainly generated by suppliers who provide services to INA Group and business trips, as shown in the table below.

| GREENHOUSE GAS EMISSIONS – SCOPE 3 (tons of $CO_2$ equivalent) | 2019 | 2020 | 2021 |
|---|---|---|---|
| **TOTAL INDIRECT GHG (SCOPE 3)** | **14,184,163** | **11,608,432** | **11,892,307** |
| o/w Customers – Use of purchased refinery products | 12,300,848 | 9,996,804 | 10,496,815 |
| o/w Customers – Use of purchased natural gas (own production) | 1,636,914 | 1,360,255 | 1,165,197 |
| o/w INA Group – Business trips by air | 659 | 133 | 39 |
| o/w Suppliers – Production of crude oil (purchased from external sources) | 245,742 | 251,240 | 230,256 |

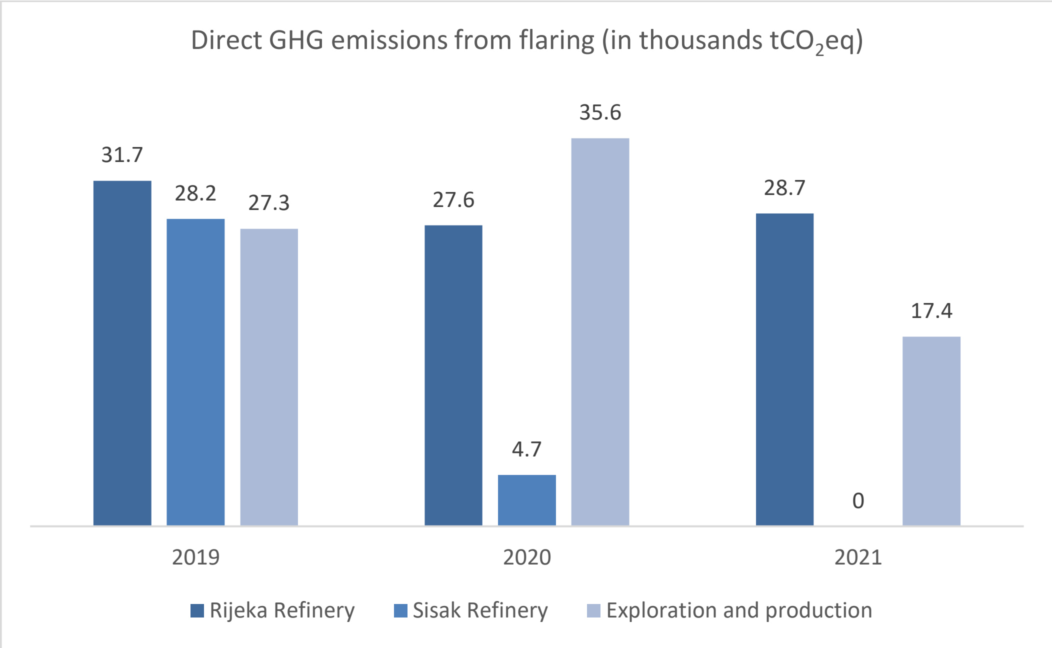
### Emissions from flaring and venting

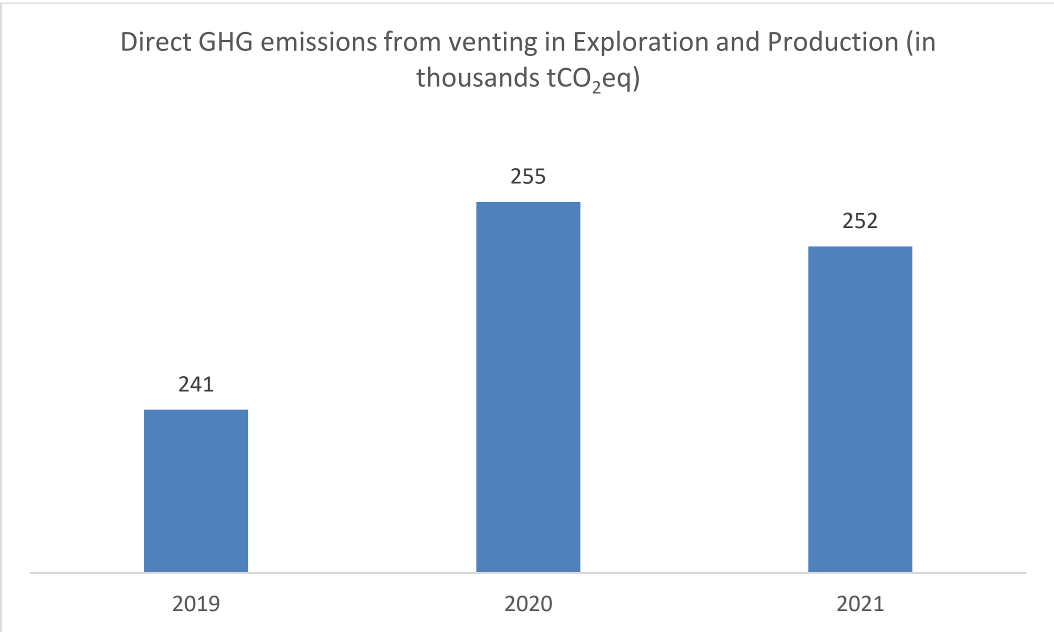
Methane is the primary component of natural gas and more powerful than carbon dioxide as a warming agent. Smart methane management not only contributes to emission reduction, but it is also an economic opportunity since emissions represent a loss of saleable product. In line with our new HSE Objectives and Programs 2021-2025, in the next period we will focus on review of current methane reporting process, preparation of a full scope of methane source inventory and other steps necessary to prepare a methane emission reduction plan.

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 of $CO_2$.

Every year we perform the Leak Detection and Repair (hereinafter: LDAR) program at our major facilities. LDAR is performed on equipment with the potential to emit fugitive emissions with infrared camera that visually displays even the slightest leaks on equipment elements and installations through which the fluid flows. Leak detection is performed annually, and repair of leaks is undertaken immediately or within defined time frames, in accordance with the site's maintenance plans. LDAR program, together with the steps we are taking to reduce flaring, will help further reduce our fugitive emissions. Within our new HSE 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 2021, our direct GHG emissions from flaring amounted to 46.1 thousand tons, more than 18% down from 2020. Reduction was mainly achieved due to installation of new compressor on Stružec field in 2021 which decreased flaring, as well as due to the fact that in 2020 turnaround was performed on several Exploration and Production sites which contributed to increased emissions from flaring that year. Direct GHG emissions from venting decreased by 7% due to planned and unplanned shutdowns of some offshore facilities.


Direct GHG emissions from flaring (in thousands $tCO_2eq$)
31.7
28.2
27.3
27.6
4.7
35.6
28.7
0
17.4
2019
2020
2021
Rijeka Refinery
Sisak Refinery
Exploration and production


Direct GHG emissions from venting in Exploration and Production (in thousands $tCO_2eq$)
241
255
252
2019
2020
2021

## 5.4. Environment

**"Reduce the use of natural resources, minimize negative impacts and waste"**

### Achievements

- Obtaining Rijeka Refinery Environmental permit in which SOx and NOx integrated emission management ("bubble") is approved and implemented;
- Enhanced reporting regarding hydrocarbon spills implemented, and pipeline integrity programs to reduce spills introduced;
- Decreased plastic waste amount due to implementation of "soft" packaging production lines in INA Maziva d.o.o.

### Challenges

- Focusing on fugitive/diffuse and methane emission by source inventory, calculation and measurement process preparation;
- Identification of waste reduction possibilities and circular economy implementation (waste treatment and disposal from Sisak site conservation activity);
- Upgrade of biodiversity action plans in line with the EU Biodiversity strategy requirements applicable for oil and gas industry.

### 5.4.1. Environmental protection management in INA Group

In times of considerable socio-economic uncertainty caused by Covid-19, climate change and the risk of disruption to traditional industries and jobs, we are determined to ensure continuous work to manage environmental impacts. We are aware that poor environmental management can contribute to operational risk, damage the company's reputation and impact finances and, that minimizing our environmental footprint is crucial to maintain our license to operate. In accordance with the requirements of 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. INA Group plans were based on the assumption that the energy transition will occur, especially in the European Union where the Green Deal has accelerated the EU's energy and climate policy. In addition, 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 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. In 2021, we revised all our internal procedures regarding environmental protection.

### 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 more boldly realize our environmental protection aspirations 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
- single-use plastic restriction

- **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 by active role when supporting the realization of decarbonization and circular economy goals.

### 5.4.2. Spills into the environment

To effectively respond to emergency situations, to protect the employees and the environment, as well as to preserve the company assets and reputation, we act in accordance with our internal emergency plans and immediately activate our preparedness and response team and, if necessary, specialized contracted companies for environmental remediation and protection against further spread of pollution. Spills are monitored and reported in accordance with a well-established practice in our incident investigation and reporting system. Events are investigated and analyzed to prevent their reoccurrence. Actions are applied and acquired knowledge and experiences are shared within the company.

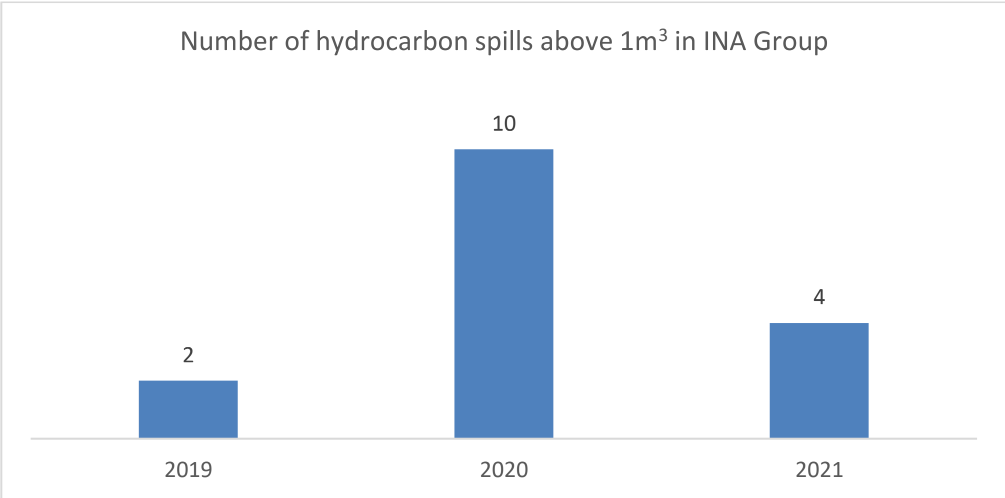
In 2021, we have recorded a higher number of spills than in the previous years. A total of 164 spills were reported of which most occurred in Exploration and Production. Total spilled volume amounts to 1,453 m$^3$. From that total number, 98 spills included hydrocarbon content. Total volume of hydrocarbons spilled amounts to 20.7 m$^3$, which is significantly lower than in the previous year when 119 m$^3$ was spilled. Financial loss connected with the events reached HRK 10.3 million. The most frequent cause of the events was corrosion of aged infrastructure (60%).

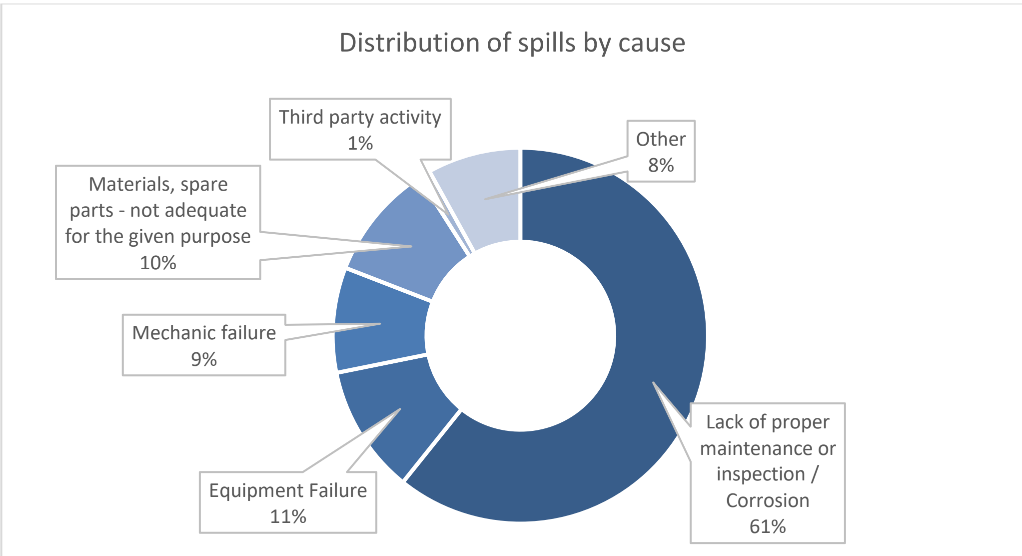
Out of the total number, there were four significant spills with hydrocarbon content above 1 m$^3$ -three in Exploration and Production and one in Rijeka Refinery. Total spilled hydrocarbon volume during these events amounts to 14 m$^3$. The most severe one happened at Rijeka Refinery where hydrocarbons ended up in the underground and a smaller part in the sea due to the permeability of the tank. Total hydrocarbon volume spilled was 239 m$^3$, of which 237 m$^3$ was recovered. The event was caused by corrosion. The other one happened at Ivanić location due to illegal connection. During that event 10 m$^3$ of hydrocarbons were spilled, 300 m$^2$ of land and 750 meters of drainage canal were polluted. Another two events also happened at Exploration and Production locations and were caused by corrosion. Immediately after the detection of adverse events, we started the activities of pollution remediation and repair of equipment.

By investigating the spills, we have identified “hot spots” within our production sites therefore we have planned preventive measures to reduce the incident rate. In 2021, 5,895 m of the salt pipeline Graberje - Iva 1 was repaired, which prevented further leakage caused by corrosion on this critical section. For 2022, HRK 3.4 million investment is planned to replace critical segments of the pipeline for which ruptures have been reported on several occasions. In addition to the Graberje - Iva salt pipeline, an additional 5,210 meters of pipelines were replaced and 4,515 meters repaired during 2021.

Furthermore, the critical equipment selection process was conducted for 50% of production facilities to identify all equipment that requires preventive maintenance due to its high risk. In 2022, we will continue with the selection of critical equipment, and the goal is to have a selection for 75% of production facilities by the end of 2022, primarily at the Ivanić and Žutica sites. Following the analysis, an equipment replacement plan for the most critical assets will be developed and implemented.

Every year certain budget is being spent for replacement and rehabilitation of critical segments and equipment parts. Additionally, there are also other programs planed and some already initiated, such as corrosion inhibitors efficiency monitoring and corrosion rates laboratory analysis which will help in identification of spots where chemical treatments are not enough, as well as wall thickness measuring in order to identify material losses. In that manner, we want to act before an incident occurs.



### 5.4.3. Waste management in INA Group

**INA Group 2018-2021 Key Waste Management Objectives** were the main guideline in creating activities related to waste management in 2021. Education and raising awareness of all participants in our waste management process were conducted in several ways: as published articles regarding waste management on the Intranet and internal magazine Glasnik, distribution of leaflets and brochures but also in other various activities. One of those activities was an internal distribution of practical eco funnels for the collection of waste cooking oil at several INA Group locations to mark the World Environment Day. Informatization with the aim to simplify monitoring and control of all hazardous and non-hazardous waste types and quantities produced at INA Group locations in the Republic of Croatia was conducted as a very intense process of recovering INA Group waste management IT software since it was completely damaged during the cyber-attack in 2020. Despite many obstacles, the IT software was completely recovered and functional in 2021, as well as updated with new legislative.

Additionally, **HSE Key Objectives & Programs for 2021 - 2025** were announced in 2021 and implemented by planning annual actions within the INA Group SD & HSE Action Plan. In terms of waste management, the year 2021 was marked by major legal changes, so we were focused on harmonization of internal documentation, environmental conscious waste handling and reduction possibilities.

We have performed a review of the waste management process in order to identify the implementation possibilities of 5R - Refuse, Reduce, Reuse, Repurpose and Recycle. Furthermore, we have analyzed the main waste streams to identify the reduction possibilities as well as single-use plastic restriction. We replaced single-use plastic items with available alternatives, and in the business premises of INA, d.d. we installed water machines without the use of plastic cups, which is in line with the EU's efforts to ban the single-use plastic items. These cold and hot water dosing devices use tap water, so there is no need to deliver plastic gallons of water which also reduces indirect emissions to air and makes drinking water available to everyone. New appliances do not come with plastic cups, and in this way, we contribute to environmental protection. With this activity, we have reduced the consumption of water in PET bottles and plastic waste generation, which contributes to the realization of environmental goals set by the company.

The company is currently transforming its business and upgrading the existing value chain according to the strategic development guidelines. Therefore, in order to further strengthen its market position, INA Maziva d.o.o. has recently launched two semi-automatic production lines that enable the filling of water-based product range in new, flexible, "soft" packaging and packaging for products with volume of 100 ml, which contributes to environmental protection. Namely, the replacement of standard packaging for water-based products (HPDE packaging) reduces the share of plastic by 70%, or four and a half times compared to the standard packaging. Since commissioning this year, 27 tons less of plastic granulate has been used for production, and it is estimated that by the end of the year it will be a total of 70 tons.


The pilot project of Collection of used cooking oil continued with increasing results. In 2021, 7.5 tons of used cooking oil have been collected at our service stations which is 11% increase compared to the previous year. From its beginning, this project was met with a good response, and in four years since the project started, 24.6 tons of used cooking oil from households was collected which would otherwise end up in the drain.


## Waste generation and disposal

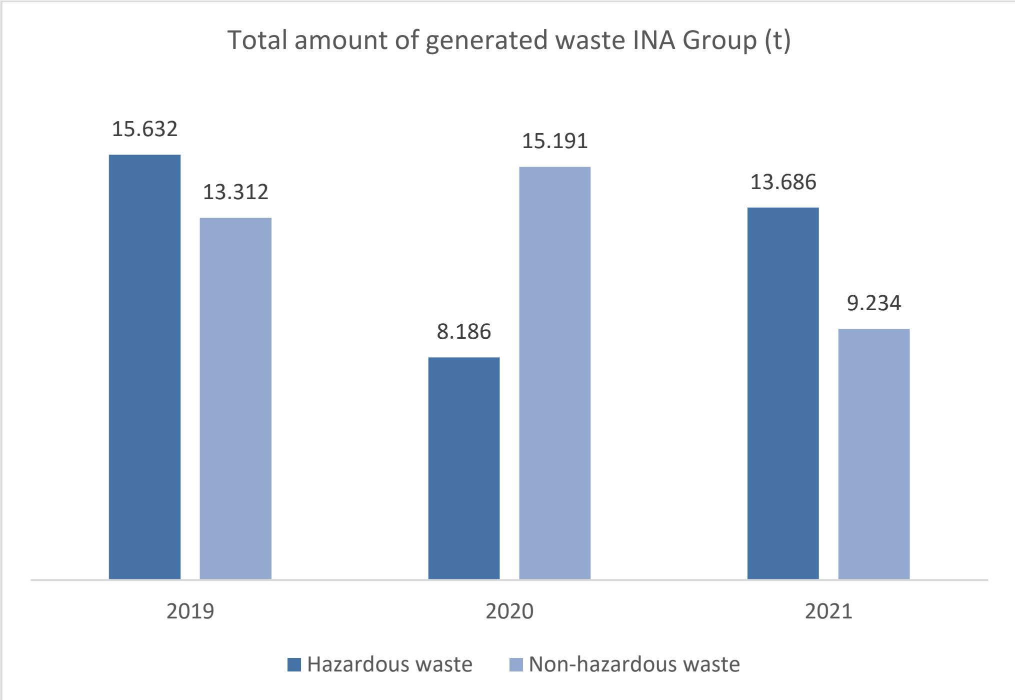
Total amount of generated waste in 2021 was almost the same as in the previous year, with a slight decrease by 2%. Out of total generated waste (22,912 tons), there were 13,686 tons of hazardous waste and 9,234 tons of non-hazardous waste.

Out of total hazardous waste, there was 4,809 t diverted from disposal and 8,877 t directed to disposal. Out of total non-hazardous waste, there was 4,695 t diverted from disposal and 4,539 t directed to disposal. Difference between the total amount of generated waste in 2021 and sum of totals of hazardous and non-hazardous waste was caused by eight tons of waste from 2020 that had been handled in 2021.

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, 15 tons of waste generated in 2021 was stored on site and will be handled in 2022. Waste composition and disposal methodology by each waste category can be found on page 166.

The amount of hazardous waste has been significantly increased in 2021 due to more intense implementation of environmental remediation at service stations which was reduced in 2020. In 2021 less non-hazardous waste was generated compared to a large amount in 2020 when old gas tanks from the Logistics and old and unused equipment from CROSCO d.o.o. were disposed.

The most common types of waste by composition were category 17 (32%) mostly consisting of contaminated soil from service station capital reconstruction as hazardous waste, iron and steel from maintenance as non-hazardous waste and waste from construction works at INA Maziva d.o.o. Furthermore, waste from category 5 (28%) consisted of mud and oily sludge from maintenance, with emphasis on Sisak due to conservation activities and cleaning of plant and equipment. Significant amount of waste was from category 1 (16%), which mainly refers to mud and other drilling activities in Exploration and Production.




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 | 3,106.36 | 400.97 | 3,507.33 |
| Recycling | 0 | 1,139.62 | 1,139.62 |
| Other recovery operations | 0 | 162.37 | 162.37 |
| **Total** | | | **4,809.32** |
| **Non-hazardous waste** | | | |
| Preparation for reuse | 0 | 498.27 | 498.27 |
| Recycling | 0 | 3,177.13 | 3,177.13 |
| Other recovery operations | 0 | 1,020.12 | 1,020.12 |
| **Total** | | | **4,695.52** |
| **TOTAL WASTE PREVENTED** | | **9,504.84** | |

| WASTE DIRECTED TO DISPOSAL BY DISPOSAL OPERATION | Onsite (t) | Offsite (t) | Total (t) |
|---|---|---|---|
| **Hazardous waste** | | | |
| Incineration (with energy recovery) | 0 | 573.39 | 573.39 |
| Incineration (without energy recovery) | 0 | 161.53 | 161.53 |
| Landfilling | 0 | 75.04 | 75.04 |
| Other disposal operations | 0 | 8,067.44 | 8,067.44 |
| **Total** | | | **8,877.40** |
| **Non-hazardous waste** | | | |
| Incineration (with energy recovery) | 0 | 5.51 | 5.51 |
| Incineration (without energy recovery) | 0 | 0.07 | 0.07 |
| Landfilling | 0 | 362.59 | 362.59 |
| Other disposal operations | 3,543.08 | 627.40 | 4,170.48 |
| **Total** | | | **4,538.65** |
| **TOTAL WASTE DIRECTED TO DISPOSAL** | | **13,416.05** | |

In this Annual report, new GRI waste standard was applied (Waste 306 2020).

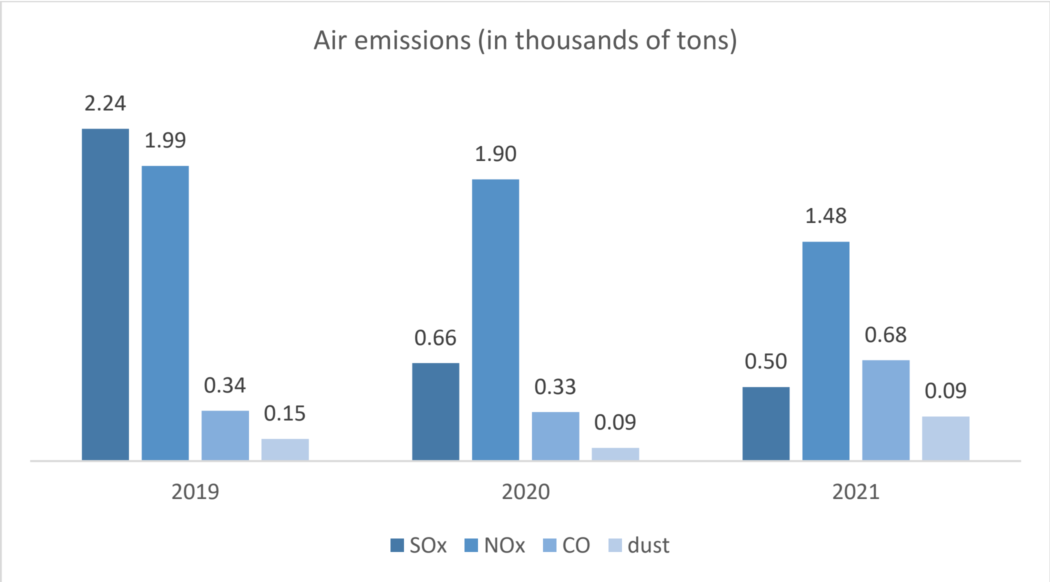
### 5.4.4. Air emissions

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

The main sources of air emissions from our operations are the combustion of fossil fuels and process emissions. The most significant pollutants from refineries are $SO_2$, NOx and VOCs, so we focus on their reduction through the implementation of best available techniques for refining of mineral oil and gas. Within the framework of the existing air quality monitoring system, we monitor the air quality at the sources of pollution and the area closest to the settlements. Accordingly, emission monitoring of pollutants (SOx, $NO_X$, CO, dust) is carried out periodically or continuously at all stationary sources to check compliance with the emission limit values defined by environmental permits and local regulations. Air quality is monitored at four emission stations in the vicinity of Rijeka Refinery. The results were in line with the environmental objectives, i.e. the air was clean with regard to all measured parameters. During 2021, revitalization of all air quality monitoring stations was conducted, during which new equipment was installed.

In 2021, the total SOx emissions decreased by 25% and NOx emissions by 22% compared to last year, mostly due to the planned Rijeka Refinery shut-down for a few months. However, CO emissions doubled compared to last year due to old gas engines at compressor stations Šandrovac and Lipovljani. In 2021, we have continued with upgrades and replacement of gas engines. Two of them were replaced with new ones (MK-1 KS Šandrovac and MK-4 KS Lipovljani), while one was upgraded (MK-5 KS Lipovljani).

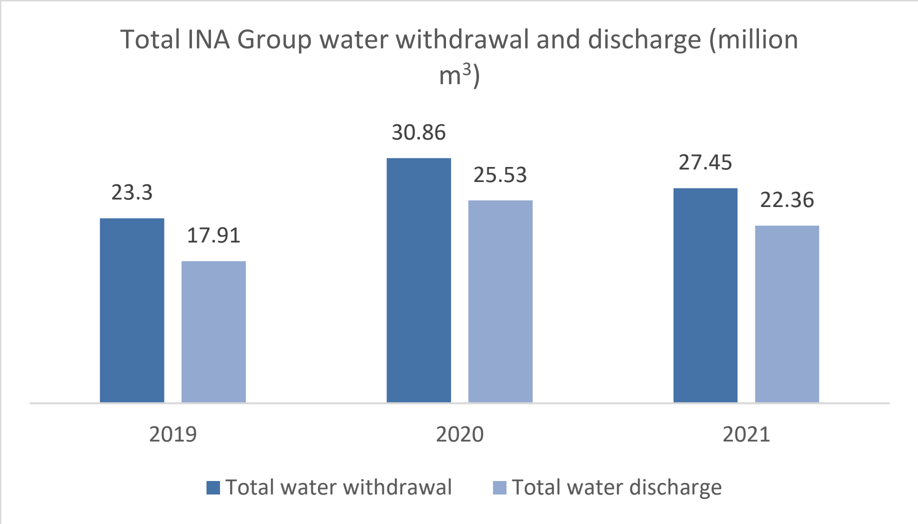
At the Exploration and Production, we focus on reducing the amount of flared and vented hydrocarbons and internal gas consumption, while in the Logistics and Consumer Services and Retail, the most relevant are VOC emissions resulting from the handling and storage of petroleum products. Such emissions are managed by installation of the first and second stage vapor recovery units.




### 5.4.5. Water

In order to achieve specific steps toward sustainable business while keeping in mind the importance of water as a resource for oil and gas industry, water management is 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 developing a detailed water management plan with water impact assessment (ground water, surface water, quality and quantity) to identify the improvement possibilities and water intake reduction possibilities. The water we use comes from various sources: it may be surface or groundwater, municipal water supply and sea water. None of the water we use comes from the water stressed areas. In 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 2021, total water withdrawal amounted to 27.45 million m$^3$, i.e. 27,452 mega liters which is a decrease by 11% compared to last year, mostly due to the fact that Rijeka Refinery was in planned shut-down for four months in 2021, while in 2020 Rijeka Refinery was in stable operation. Total volume of discharged water was 22.36 million m$^3$ (i.e. 22,357 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 2021, which should lead to reduction in consumption of industrial water.

| INA GROUP WATER WITHDRAWAL BY SOURCE (2021)* | MILLION m$^3$ | MEGA LITERS |
|---|---|---|
| Freshwater withdrawal - groundwater | 0.83 | 830 |
| Freshwater withdrawal - surface water | 5.03 | 5,033 |
| Freshwater withdrawal - municipal water | 2.67 | 2,672 |
| Non-freshwater withdrawal from sea | 18.22 | 18,215 |
| Produced water - sour water stripper and/or tank bottom draws | 0.35 | 353 |
| Rainwater, precipitation collected directly and stored for any use | 0.35 | 349 |
| **TOTAL** | **27.45** | **27,452** |

*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 transition of HR operative transactional activities to the service provider in order to keep focus on strategic activities of COE's - HR centers of excellence
- Further digitalization, new digital tools for employment changes, learning and development administrative activities, position and performance management (SF roll out), and/or upgrade of existing digital tools for performance management, flexible working arrangements
- Successful response to circumstances caused by earthquakes - Human Resources participated in several actions to help colleagues overcome this extremely stressful period (focus was on financial support and maintaining the mental health of employees)

### Challenges

- Further development of the Wellbeing concept;
- New digital solutions in HR processes;
- Euro implementation.

### 5.5.1. Human capital management in INA Group

In INA Group we believe that people are the foundations on which our business is built and they greatly influence our business behavior, organizational structure, management and all related processes. If we add to this the large number of different activities of INA Group that we deal with, there is an exceptional range of professionals employed, whose knowledge extends from very technical to multidisciplinary social areas.

INA Group employs experts of various generations, interests and profiles, engaged in large domestic and international projects from the North Adriatic platforms, through fields and plants in central Croatia, Podravina and eastern Slavonia, through more than 500 retail outlets in Croatia, Bosnia and Herzegovina, Montenegro and Slovenia, to distant sites abroad. Such diversity is precisely what brings us a wide range of knowledge and experience in everyday work, which transformed into innovative solutions through teamwork in line with the leading world practices and it provides us with competitive advantage and business success in dynamic conditions in the markets in which we operate.

There is an increasingly noticeable trend in which younger colleagues are becoming more independent and take responsibility for key projects in our company - not only because of their commitment, but also because of the enviable level of leadership and mentoring by senior colleagues. No matter who we are, where and what we do, the main goal is the same for all of us - to be the first choice of our customers, our workers and our investors.

Human capital management in INA Group was continuously and strongly affected by external circumstances of global pandemic in 2021. which resulted in further digitalization wherever possible, while aiming to ensure business operations and secure employment and virtual collaboration between employees. That is why we are continuously developing appropriate methods for developing employees and managers and implementing various programs for talents and leaders.

## 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 2021, the Employer held meetings with the TU and WC in relation to different topics with impact on employees. In INA, d.d. and INA Group companies in Croatia, 21 regular meetings with social partners were held, as well as further 60 meetings including: consultation on organizational changes, restructuring, internal regulations, collective negotiations, etc. The Management Board of INA, d.d. held two Works Council Assembly meetings and a regular annual coordination with Works Council members in INA Group, aiming to provide information on business results, outlook and to answer the specific questions of employees' representatives regarding 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 WC about business results and state of affairs, as well as organization of work, expected development of business activities and their impact on the economic and social position of workers, extent and changes in the salaries, number of employees and labor costs, extent and reasons for introduction of overtime, number and type of workers employed by the employer, structure of employment (part-time and dislocated employees, employees employed via temporary employment agencies, etc.), protection of health and safety at work and measures to improve working conditions, results of conducted inspections in the field of labor and safety at work, and other issues particularly important for the economic and social position of workers.

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

During 2021, new rounds of collective negotiations were held, including 10 meetings (mainly virtual), after which eight Collective Agreements were amended.

Employees independently decide on their membership in Trade Unions. In INA Group in Croatia, ~61% employees are members of Trade Unions, while ~11 % of INA Group employees in Croatia are members of more than one Trade Union. In Bosnia and Herzegovina (Holdina and Energopetrol), a total of 63% of employees are members of Trade Unions.

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 2021 (in Croatia and Bosnia and Herzegovina):

| TRADE UNION | # EMPLOYEES |
|---|---|
| SING - Oil Industry Union | 3.249 |
| INAŠ - Oil Industries Trade Union | 1.990 |
| EKN - Autonomous Trade Union of Workers in Energy, Chemistry and Non-Metal Industry of Croatia | 296 |
| SNS - New Solidarity Trade Union | 8 |
| SHV - Croatian Drivers' Trade Union | 87 |
| STR - Railroad Engineer TU | 1 |
| ***TOTAL INA GROUP IN CROATIA*** | ***5.631*** |
| TU Energopetrol Sarajevo | 145 |
| TU Energopetrol Regija Tuzla | 166 |
| TU of Employees in Holdina Sarajevo | 306 |
| ***TOTAL INA GROUP IN BOSNIA AND HERZEGOVINA*** | ***617*** |
| **TOTAL** | **6.248** |

## 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 86 commissioners in INA Group (48 in INA, d.d., six in CROSCO d.o.o., three in TOP RAČUNOVODSTVO SERVISI d.o.o., eight in STSI d.o.o., 13 in INA MALOPRODAJNI SERVISI d.o.o, three in INA MAZIVA d.o.o. and five in INA Vatrogasni servisi 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.

Competent person in Human Resources provides expert medical opinion from the elected doctor 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.

***Donation campaign - earthquake***

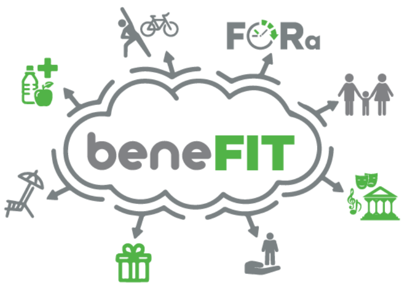
After the catastrophic earthquakes that hit Croatia, there was a strong reaction full of empathy within the INA Group, MOL Group and Trade Unions, with strong will to help their colleagues. The donation campaign raised over HRK 535 thousand that were donated to 342 employees. In addition, based on the collective agreement, the amount of HRK 7,000 was paid to 294 employees (in total more than HRK 2 million). INA Management Board approved additional budget for the purpose of additional financial aid to INA Group employees for damages caused by earthquakes and donated HRK 803,000 to 73 employees who suffered severe damages.

## 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 Ministry of Tourism and Sports recognized the way we promote healthy living and sports and awarded us with **BeCROactive award**. A total of **three business locations remains certified as cycling friendly by the European Cycling Federation, and INA, d.d. became the first recertified company**.

**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.

FORa

Based on employee and manager feedback, FORa ensured better work-life balance, employee satisfaction, motivation and engagement, but with increased or, at the very least, maintained levels of productivity and innovation. Additionally, FORa increased INA Group's ability to attract, recruit and retain talent and ensured positive company image both internally and externally. INA Group is often invited to share the best practices and insights regarding flexible work arrangements on panels, conferences and professional association meetings. The fact that we had set and implemented flexible work arrangements helped us quickly adapt to new ways of working during the pandemic and quarantine period. Approximately 2,500 employees regularly use flexible working arrangements.

### Recognition & reward system

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

Some of the recognition and reward programs are listed below:

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

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

Employee Performance Management System (EPMS), Annual People Cycle for managers (APC), Sales Incentive System for sales representatives (SIS) and Retail Sales Incentive System for service stations 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.

### 5.5.4. Career development and talent attraction

#### Career development

Employee development in the INA Group is a systematic process within the human resources management function and is crucial in achieving the desired company results and is also related to the sustainable development of our company, involvement, and retention of employees.

INA Group offers its employees various methods of development - the needs are mostly determined in accordance with the business by delivering the planned requirements for employee development, which are mainly defined through the 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 2021, **new competency framework was introduced called Success Principles**. Success Principles 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 to "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. Success principles are embedded in the performance management scheme in 2021.

**SUCCESS PRINCIPLES: YOUR BEHAVIOR IS KEY TO YOUR SUCCES**

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

#### *EMPLOYEE DEVELOPMENT*

During 2021, 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 effective and efficient in their everyday challenges. Classroom trainings were organized when the external factors permitted so, but for most of the year development programs were adjusted to socially distant methods such as self-learning, virtual workshops, online learning, on-the-job training and professional practice, with the goal of preserving the integrated platform known as the "blended learning approach".

In order to more clearly define the needs for the development of technical and professional skills, programs have been organized under the common name of GPS - **Growing Professional Skills**. The goal of these programs is to provide all involved workers with a clear overview of their professional development and career path. In addition, the programs provide transparent needs in the development of technical and professional competencies and the possibility of assessment in order to more easily determine the development direction of workers.

### *LEADERSHIP DEVELOPMENT*

In order to enable and ensure development of all employees, INA Group provides a large selection of development opportunities for all. By participating in MBA programs 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.

In 2021, selection process for LEAD 2022 program was conducted and 12 participants from INA Group will start their leadership development journey in Q1 2022.

Furthermore, in 2021, for the first-time the company introduced leadership development programs for our “blue-collar” leaders in order to strengthen their leadership and soft skills. In the **Shift Leader Academy**, 130 shift-leaders are included. In **Retail Academy**, more than 300 Heads of Retail Sites are included in the development journey.

### *INA ACADEMY*

Internal knowledge sharing is one of the most effective sustainability tools when it comes to human capital. During 2021, INA Academy proved to be one of the most popular development tools. Since its creation in 2016 until 2020, trainings held via INA Academy were classroom trainings. As the situation changed, so did the platform. Virtual trainings were introduced in May 2020 and continued throughout 2021. In total, 151 trainings were held with over 8,320 training hours.

| INA GROUP AVERAGE HOURS OF TRAINING PER EMPLOYEE | 2019 | 2020 | 2021 |
|---|---|---|---|
| TOTAL | 17,0 | 11,5 | 10 |

| AVERAGE HOURS OF TRAINING PER EMPLOYEE | 2019 | 2020 | 2021 |
|---|---|---|---|
| **BY GENDER** | | | |
| INA Group (male) | 16 | 10 | 10 |
| INA Group (female) | 22 | 14 | 9 |
| **BY BUSINESS SEGMENT INA, d.d.** | | | |
| Exploration and Production | 25 | 11 | 10 |
| Refining and Marketing | 24 | 9 | 10 |
| Consumer Services and Retail | 21 | 7 | 13 |
| Corporate functions | 32 | 34 | 17 |
| **INA GROUP** | 20 | 11 | 11 |
| **BY LEVEL** | | | |
| Executor | 15 | 9 | 9 |
| Expert | 16 | 15 | 13 |
| Growww | 40 | 36 | * |
| Manager | 77 | 32 | 8 |
| Senior expert | 45 | 15 | 19 |

* only six Growww employees participated in the trainings and they were included in the Executor category

| NUMBER AND PERCENTAGE OF EMPLOYEES RECEIVING REGULAR FEEDBACK | 2019* | 2020 | 2021 |
|---|---|---|---|
| INA Group (male) | 7,972 (75%) | 7,309 (74%) | 7,096 (73.5%) |
| INA Group (female) | 2,603 (25%) | 2,520 (26%) | 2,559 (26.5%) |
| **TOTAL INA GROUP** | 10,575 (100%) | 9,829 (100%) | **9,655 (100%)**** |

*2019 numbers adjusted due to change in methodology
** Total number of employees that received regular feedback while they were in the Company (may vary than Total number in Additional sustainability data Human capital table that sums up employees as at 31 December 2021 that were in Company)

## Talent attraction

For the last decade, INA Group has been strategically planning, attracting, and employing white-collar young talents due to anticipated future business need caused by aging of the top oil and gas experts. Attraction and recruitment programs for young graduates have been continuously implemented. In 2021, **Growww program** continued with great success. We received more than 1,000 applications for seven Growww positions. 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:

- Created a new University relations framework based on business needs (activities are expected to be completed in 2022)
- Four scholarships for studying at the Zagreb School of Management for children of our employees from the earthquake-affected area
- Created and organized professional meetings in Rijeka Refinery for chemistry teachers in vocational schools
- Organized visits to Rijeka Refinery for students within the *Summer school of chemistry*
- Organized practice for 177 students
- Participated in the project *Iskustvo zlata vrijedi* within which we provided an internship for 2 students with disabilities
- Participated in live stream program Karijeroteka for „green" occupations promotion
- Participated in two Career Days at faculties and presented programs and opportunities for young people in INA Group
- Organized lectures at faculties by INA Group experts
- Supporting INA Group employees with war veteran status by providing scholarships to their children.

### Employer branding

Awards received by INA Group during 2021 are a testament to the quality of the activities carried out to improve our current and future employees' work experience and job satisfaction and show that INA Group companies understand the importance and accept responsibility for the satisfaction of our employees. Some of the awards and certifications are:

- Employer Partner Certificate
- MAMFORCE®
- TOP 10 Employers in Croatia
- Best Employer Brand Awards Adria 2021
- Golden Index
- #BeCROactive
- European Cycle Friendly Employer Certificate

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

In 2021, we introduced a new **employee value proposition (EVP)** based on a survey we conducted among employees. Career, community and stability are the values that our employees emphasize as the most important and most valued while working in INA Group. In order to promote the new EVP concept, new visuals have been developed and implemented for our recruitment and branding activities.

During 2021, we analyzed our current practices regarding pre-onboarding activities as well. Based on feedback from newly hired employees we have identified areas for improvement and implemented new or renewed activities. We have restructured our job ads to include even more detailed, and on-point role descriptions, additional information about our culture and benefits, and we created a diversity and inclusion statement with the aim of attracting talents and providing information they are interested in when deciding to join the company.

In addition, we redesigned our offer letter to include more specific information about the monetary compensation package. A supplement to the offer letter was created highlighting the EVP messages, cultural aspects and additional non-monetary and wellbeing benefits we offer to our employees. In order to align the key messages across the employer branding activities, we updated the structure and content of our external career pages to reflect our dedication to providing exceptional experience both to our existing and prospective employees.

### Engagement, diversity and inclusion

During 2021 the focus remained on completing the action plans which were created as a result of the Employee Engagement Survey. In INA Group there were 189 engagement actions set in motion. Priority areas that have been recognized as key for driving sustainable engagement are empowerment, communication and working relationships which are all very important aspects of work-life at INA Group.

One very important driver of engagement, which is continuously being worked on, is Diversity & Inclusion (in 2021 90% of the actions were completed). At the end of 2021, new Employee Engagement Survey was conducted to track the progress. The response rate of INA Group employees who completed the survey was 86%, which is 11% higher than in 2019. The overall results will be communicated at the beginning of 2022, and new action plans will be created accordingly.

As a company, INA, d.d. builds a culture of diversity and inclusion in line with its fundamental values and with the aim of attracting, hiring and retaining talents and its employees. More information about Diversity and Inclusion can be found in chapter *Corporate governance - Diversity strategy*.

### STRENGTHS

Our teams solve business challenges efficiently.
We treat each other with dignity and respect.
Higher management has a good communication with employees.

### OPPORTUNITIES

Strengthen the organisation's ability to quickly recover from difficulties.
Provide a clearer direction for the development of the Group's business and strategy.
Use recognitions and rewards more efficiently to achieve high work performance.

### WHAT IS SUSTAINABLE ENGAGEMENT?

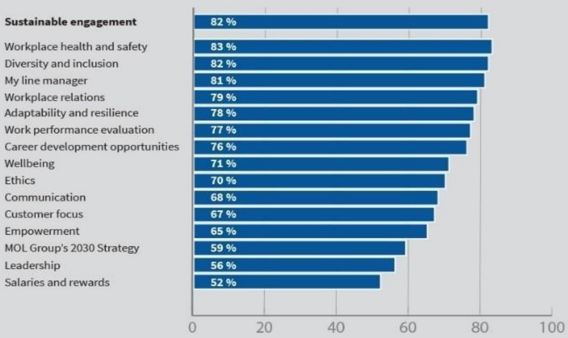
Engaged employees are emotionally and intellectually dedicated to their work, and prepared to go the extra mile to complete their tasks. Sustainable engagement is an additional indicator of how much the work environment supports employee productivity and how many people feel a sense of emotional wellbeing in the workplace.

### WHY SUSTAINABLE ENGAGEMENT MATTERS?

We want to ensure a work environment that helps employees be productive and dedicated to their tasks, and generally feel good in their everyday work. In this way we build the company's success together.

# EMPLOYEE ENGAGEMENT SURVEY RESULTS

In addition to your many honest answers to the questions we asked, we received more than 1300 open comments and proposals from you. All this information will help us define our priorities in the next year. Below you can see a summary of employee satisfaction in the other observed categories:




### HISTORICAL RECORDS

In **14** out of **15** categories, we made progress compared to INA Group's results in 2019.

Willis Towers Watson compares the average answers to the questions in this survey to the average answers to the same questions from the previous poll (2019) to calculate the difference and determine the change over time.

**82 %**

INA Group employees are sustainably engaged. Results are up 1% compared to 2019 and are somewhat higher than the oil and gas industry average.

Results are calculated using the % of people who selected positive answers ("Agree" and "Completely Agree") to sustainable engagement questions.

### COMPARISON WITH THE INDUSTRY

We compared our results to those of other companies in the oil and gas industry.

Areas in which we are better than the industry average:
- Career development opportunities
- Work performance evaluation
- Diversity and engagement

Areas with opportunity for improvement in comparison with the industry average:
- Strategy
- Adaptability and resilience
- Empowerment

## 5.6. Communities

**“Enhance trust and credibility among stakeholders”**

### Achievements

- Continuous help after earthquakes in Sisak-Moslavina County;
- A record number of project applications in the eighth year of the Green Belt project;
- 10 years of the INA Volunteers’ Club.

### Challenges

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

### 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.

2021 was another year in which we continued our fight against the pandemic, mitigating all the consequences for human health and the economy that it brought, and in that sense, it was certainly challenging. Therefore, we adjusted most of our corporate social responsibility activities to help the communities in need.

After the devastating earthquake in Sisak and Petrinja, INA donated HRK 2.5 mil, of which HRK 500,000 to Sisak General Hospital (Dr. Ivo Pedišić), HRK 1 million to the Government of the Republic of Croatia for "Assistance for reconstruction after the earthquake" and HRK 1 million to Sisak-Moslavina County for the adaptation of Viktorovac High School facility.

INA has allocated HRK 900,000 to other health care institutions and associations; Clinical Hospital Sisters of Charity, Tissue Bank, Clinical Hospital Osijek, Children`s Hospital Zagreb/Klaićeva, Special Hospital for Chronic Diseases of Children in Gornja Bistra, Clinical Hospital Centre Rijeka, University Hospital for Infectious Diseases "Dr. Fran Mihaljević", University Hospital Split - Clinic for Cardiovascular Diseases, P.I.N.K. Life Association, Health Centre Sisak. In addition, INA donated a total of 500 liters of Dezinol disinfectants developed by our INA Maziva d.o.o. company to each hospital.

The total amount donated to health institutions in 2021 was HRK 1,400,000.

## 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 2021, **INA Group supported 36 projects in Exploration and Production areas** (eastern Croatia - 6 projects, northern Croatia - 15 projects, central Croatia - 7 projects, Zagreb - 3 projects, conferences - 5) **and 72 projects in Refining and Marketing areas** (Rijeka Refinery - Primorje-Gorski Kotar County - 34 projects, Sisak Refinery - Sisak-Moslavina County - 26 projects, Logistics - Split-Dalmatia County - 6, and conferences and institutions -5).

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

In Refining and Marketing areas, INA Group renovated and equipped the Rehabilitation Centre Rijeka - Oštro, provided wardrobes for the Elementary School in Bakar and equipment for city beach Ploče in Rijeka and supported the Municipality of Kostrena projects, Handball Academy RINA, Rehabilitation Centre Fortica Kraljevica, Fiumanka regatta and Croatian National Theatre Ivan pl. Zajc. In Sisak-Moslavina County, INA Group supported Sisak Technical School and a valuable students' project Bionic Hand, 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*

INA, d.d. 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 348 projects applied for the 2021 Green Belt tender, and the expert committee selected the twelve best projects. Over the past eight years, more than 10,000 plants have been planted on 98,000 m2 of green fields.

### *CORPORATE VOLUNTEERING*

Through volunteering, our employees also strengthen their connection to society. Our employees personally engage in community development initiatives through hands-on or skill-based volunteering, or by personally contributing to individual projects. In 2021, INA Volunteers' Club organized 33 activities in which 152 volunteers participated contributing 1,216 hours of volunteer work. The Club currently has more than 1,400 members. INA Volunteers' Club participated at the 4$^{th}$ National Conference on Employee Volunteering, at the Round Table of the Volunteer Centre and meetups with many companies. In 2021, INA Volunteers' Club celebrated its 10$^{th}$ anniversary, with numerous follow-up activities. The podcast and presentation of the song and video of the INA volunteers' anthem were published on the YouTube channel. In 2021, INA volunteers participated in 8 activities within the Green Belt project contributing more than 500 hours for greenfield projects.

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

### *ECO PATROL 2021 - Kvarner*

As part of the Second Diving Congress supported by INA, the divers participating in the congress carried out a major environmental action of cleaning up the local seabed. Eco Patrol 2021 - Kvarner took place in six locations across the Kvarner region (Rijeka, Bakar, Kraljevica, Crikvenica, Selce, Novi Vinodolski). The underwater clean-up was held as part of the congress with the aim of bringing the guests of the congress together through underwater clean-up activities and with the aim of emphasizing the global problem of pollution of the underwater world and raising awareness of the importance of preserving the beauty of the sea life.

### *INA Cares*

Since due to pandemic, we were not able to carry out the With Parents at Work project, we decided to modify it, implementing the INA Cares project instead. As part of it, we distributed 1,500 seedlings of black pine and oak to employees and their families and invited them to spend the day in nature and plant their own tree. A total of 529 registered employees and 957 children of employees took part in planting 1,500 seedlings as part of the INA Cares program.

## 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 an employee representative. The chairperson, Viktor Gotovac, professor of labor law at the Zagreb Faculty of Law, is an external expert responsible for fairness of procedures. When it comes to procedures related to protection of dignity and protection against discrimination, ad hoc EC members will also participate, i.e. a Trade Union (hereinafter: TU) or Works Council (hereinafter: WC) representative, in addition to the permanent EC members. Preparatory Council is a core EC team, composed of the chairperson of the EC and two operating directors with main tasks to examine whether 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.

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.

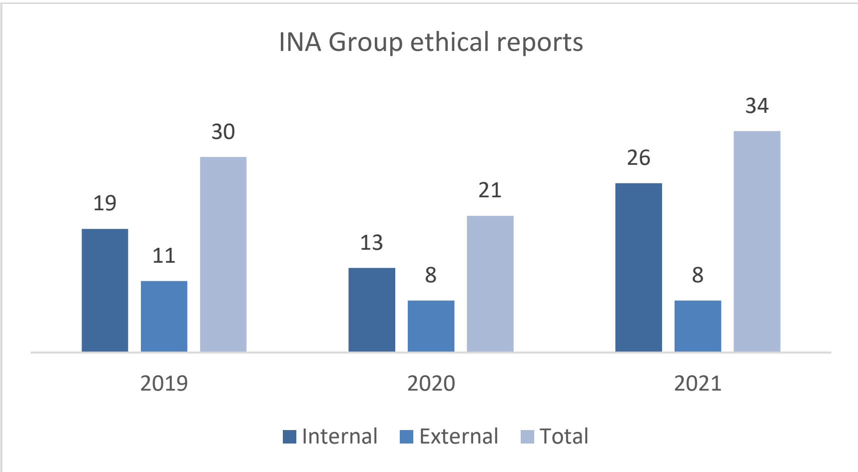
Our Compliance unit's task is to assist the employees and managers in navigating through the growing and challenging regulatory framework concerning the areas of competition law, personal data protection, consumer protection, international sanctions and anti-money laundering. Furthermore, the Compliance 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 the system for reporting irregularities (the so-called "whistleblowing system") and appointed confidential persons and their deputies for INA Group companies, pursuant to the Act on the Protection of Persons Reporting Irregularities. The confidential person is responsible for receiving reports and conducting procedures in connection with reports filed for violations of laws and other regulations and negligent management of public goods, public funds and European Union funds that represent a threat to the public interest, and which are connected to the performance of work.

## Ethical procedures

There were eight established INA Group Code of Ethics breaches which were result of investigations conducted based on reports submitted during 2021, followed by suggestions of disciplinary measures (such as written warnings, transfer to a different workplace, termination of agreement with a service station partner). Out of all ethics reports in 2021, 56% were related to improper workplace behaviour (harassment/ bullying, mutual respect, dignity and courtesy, breach of social media rules), 20% were related to unfair labour practices (evaluation/appraisals, unfair discipline/termination), 18% were related to fraud/corruption (fraud/theft, true reporting and integrity of business processes), 3% were related to misuse of information (privacy and employee confidentiality) and 3% were related to work safety rule violation (please note that under one case there can be more than one reported topic).

The diagram represents an overview of ethical internal and external reports in INA Group in the period from 2019 until 2021.



### Education on the code of ethics

INA Group employees are included in the training activities (e-learning and managerial presentation), with the aim of raising awareness of the importance of ethical conduct in business operations and promotion of sustainable development, commitment to responsible business and long-term economic development, with overall 8,288 employees who participated in the training and 6,046 employees who passed the annual ethics exam.

## 5.7.2. Compliance

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

In 2021, 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 2021, no non-compliance reports regarding unfair marketing communication, violation of user's privacy and losses of client's data were submitted against INA Group companies. In total, in 2021, **33 misdemeanor cases** were initiated against INA Group companies (six against INA, d.d., 18 against HOLDINA Sarajevo d.o.o., eight against ENERGOPETROL d.d. and one against INA Slovenija d.o.o.).

During 2021, INA Toll-Free Number 0800-1112 received a total of 40,761 contacts from customers, which represents an increase of 11% compared to 2020. From the received contacts, most of complaints referred to information (36,779), 629 referred to complaints, 467 to compliments and 3 to INA service station operation proposals.

Grievances from local communities are collected at major INA Group sites. During 2021, 15 grievances were registered, which is an increase from seven in 2020. More than half were registered at Rijeka Refinery (10), followed by the Exploration and Production sites (3) and Sisak Refinery site (2). Majority of grievances were related to smell and noise issues and all the registered grievances were resolved during the reporting period. In 2021 new process description about the Grievance Management was prepared for the Rijeka Refinery site. Rijeka Refinery conducts monthly meetings with communities from the Municipality of Kostrena, and the towns of Bakar and Kraljevica, with odor and noise as the most frequent topics of discussion. Regular updates are provided, as well as advance notices prior to major events such as turnaround and regular maintenance activities. Community-appointed representatives are provided with direct access to both the refinery director and site representative (and shift manager outside regular working hours, on weekends and bank holidays). Refinery visits are offered on a recurrent basis for members of nearby communities. No site visits were held in 2021 due to Covid-19 safety measures, with all meetings performed online. Real-time data on Air Quality Monitoring and air emissions are provided in cooperation with public authorities from the city of Rijeka.

### 5.7.3. Customers and suppliers

#### Customer satisfaction survey

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 create added value, which strengthens business cooperation and contributes to the recognition of INA Group in the market. Customer satisfaction survey creates an opportunity to collect valuable information related to the further improvement of business, products, and services.

Herein are presented the results of the 15th consecutive customer satisfaction survey carried out at the end of 2021. This time it was an external survey conducted by an independent marketing agency. The target group consisted of 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

## Image and reputation research

## Product safety

Product safety in INA Group is committed to ensuring compliance with all applicable legislation. Some petroleum products which INA Group put on the market could pose potential health and safety risks for consumers. The main goal of INA Group is to limit the potential risk throughout the life cycle and to protect employees, consumers, communities, and the environment from potential risks posed by those products by respecting regulatory requirements.

During 2021, INA Group has updated more than 50 safety data sheets (hereinafter: SDSs) for its products and thus provided the latest safety information to the product users. SDSs are available on INA website and INA MAZIVA website. INA Group, in particular INA MAZIVA d.o.o., reported 50 mixtures to Poison Centers in order to be in compliance with Annex VIII to the CLP Regulation (EC/1272/2008) and to inform the national competent bodies on health hazards and physical effects of the mixtures they put on the EU market. 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.

To further raise awareness on chemicals, INA Group promotes Responsible Care® (RC®) commitment to the safe management of chemicals throughout their life cycle. In 2021, INA, d.d. continued reporting according to the RC® indicators. Not only products but also the packaging is carefully selected to make products more sustainable. In 2021, despite the very dynamic and demanding environment caused by the COVID-19 pandemic, INA MAZIVA d.o.o. started filling the water-based product range into new, soft packaging (Doypack) and became the first company on the Croatian market to start the filling this type of products in soft packaging. The new packaging, which is in line with the latest world practices when it comes to eco-friendly packaging, comes with a full range of products - from the well-known glass cleaner INA Autoglass, INA Distilled Water, to the AdBlue.

Following the European Commission’s “Chemicals Strategy for Sustainability Towards a Toxic-Free Environment” (hereinafter: CSS), and its actions which would result with legislation changes in the forthcoming years, INA Group closely monitored actions which could affect the refining sector and participated in CLP consultations through respectable associations with the European Commission. INA Group actively participated in positioning and advocacy while cooperating with different organizations such as the Croatian Institute of Public Health, Department for Toxicology, CONCAWE and CEFIC. Therefore, INA Group is committed to implementing new requirements derived from CSS and all other regulatory obligations in timely manner.

CSS is the largest overhaul in the European regulatory framework for chemicals since the adoption of REACH, which will shape the chemicals regulatory domain with a variety of topics that will impact the refining sector and our products. INA Group will need expertise and commitment of experts from different fields to be able to comply with all the challenges in the years to come. 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 2021, INA Group achieved business cooperation with a total of 1,487 suppliers, of which 1,181 are domestic, which represents 79% of the total number. With foreign suppliers, 28% of total turnover was realized, while 72% of total turnover was related to domestic suppliers.

As sustainability is increasingly recognized as a one of the key business components, the concept of **Responsible Procurement** became an integral part of INA Group's Sustainable Development key objectives and programs 2025. Responsible Procurement has clear targets for improving sustainability within and via our supply chain.

Sustainability strategies, targets and actions were incorporated in the category management and supplier relationship management framework. The objective was to define the Category Profiles which serve as basis for defining the category and supplier action plans. The goal of category profiling is to make the supply chain sustainable where the supplier information should be collected in a wide range, including the effect of their activities/logistics on climate and environment, their labor and work safety practices, reputation, possible violation of human rights, etc. Analysis of current and possible suppliers from these aspects is being incorporated into the Category Profile as a part of the Category of Strategies.

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.

For the purpose of ensuring the principles mentioned above, INA Group set up the **framework of the Supplier Lifecycle Management** consists of 4 pillars:

1. Supplier Qualification
2. Supplier Evaluation & Selection
3. Supplier Performance Evaluation
4. Supplier Relationship Management

Majority of them are already in practice, and from now on together with the implementation of Suppliers Relationship Management, INA Group is aiming to develop further cooperation with suppliers and facilitating efforts related to sustainable development, including the preparation of a standard criteria system for activities with risk exposure. The aim is to ensure trouble free cooperation and to filter out the incompetent suppliers prior to the selection process, by conducting preliminary control of the relevant compliance criteria.

Development of the HSE criteria system and ensuring compliance with such criteria for suppliers offering services for HSE critical operations is vital (pre contracting competence analysis, and on-site audit held during the delivery of supplier's services). Development of supplier evaluation system, including HSE criteria supporting the successful development of supplier performance in HSE related matters is also important.

In 2021, we were facing great challenges in how to protect the contractor workers more effectively from SARS-COV-2 infection at INA Group sites. In addition to the usual measures which we requested the contractors to follow, such as keeping distance, regular disinfection and wearing of masks, in locations where the risk of infection was high due to large number of people, we provided contractor workers with antigen tests at the entrance to our locations.

Although the circumstances were aggravated by the pandemic, INA Group continued to improve the HSE program for contractors. In July 2021, SAP Ariba was introduced into the INA Group, which enables the registration, qualification, and verification of suppliers from the HSE aspect in a more systematic and transparent manner.

The implementation of HSE inspection of contractors is harmonized with the implementation of the 24 point HSE Inspection questionnaire in Enablon. The implementation of the Enablon Inspection module has started, which will enable easier implementation of HSE on-site inspection, registration and data processing, and creation of reports. The implementation of the module will be completed in 2022. In 2021, 7,142 inspections of contractors were carried out. In 1,053 inspections, 1,177 non-compliances were recorded. The rules related to inadequate workplace conditions were most often violated, i.e. 302 times.

A special focus in 2021 was on scaffolding used by contractors in their work. Through defined actions, the contractors were informed about the requirements of the INA Group regarding the functionality and use of scaffolding, education of workers and enhanced inspection to measure the effectiveness of previous activities.

This year, rewarding of contractors with the best HSE performance was conducted. The award for the best performance went to IND-EKO, d.o.o. We believe that this award will be an incentive for other companies to improve their HSE performance.

Next year, great focus will once again be on the contractors because we are aware that their safety at work is our common responsibility. The main emphasis next year will be on the following actions: proper hazard communication, organizing practical training for contractors, defining key contractors, developing an HSE bonus system for contractors in investment projects, etc.

In STSI, d.o.o. HSE Web application was launched. The application is intended for contractors to make it easier to keep record of workers, equipment and chemicals used at INA Group locations.

The application consists of three parts: Web Corner, Registers and Projects. It allows internal users of the application to easily monitor the projects and their resources, while providing insight into whether all resources on the project are qualified. Implementation of HSE Web application in INA, d.d. is planned for 2022.

## 5.8. Additional Sustainability data

### GRI content index

INA Group Annual report 2021

This report has been prepared in accordance with the GRI Standards: Core option.

In this report GRI Oil and gas sector supplement indicators are used.

| Disclosure No. | Disclosure Title | Page number | Note | UN GC Principle | External assurance |
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| **GRI 101: Foundation 2016**<br>**GRI 102 General Standard Disclosures 2016** | | | | | |
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| **102-1** | Name of the organization | **184** | | | |
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| **102-3** | Location of headquarters | **184** | | | |
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| **102-5** | Ownership and legal form | **9** | | | |
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| **102-8** | Information on employees and other workers | **168-171** | | **6** | |
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| **102-11** | Precautionary Principle or approach | **71-73, 101-102, 114-116** | | | |
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| **102 Strategy** | | | | | |
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| **102 Ethics and integrity** | | | | | |
| **102-16** | Values, principles, standards, and norms of behavior | **5, 139-141** | | **10** | |
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| **102-18** | Governance structure | **19-36, 90** | | | |
| **102 Stakeholder engagement** | | | | | |
| **102-40** | List of stakeholder groups | **15, 94-96, 100, 119, 126,127, 133, 135, 136-137, 142-143, 146-148** | | | |
| **102-41** | Collective bargaining agreements | **126-127** | | **3** | |
| **102-42** | Identifying and selecting stakeholders | **15** | | | |
| **102-43** | Approach to stakeholder engagement | **15, 94-96, 100, 119, 126,127, 133, 135, 136-137, 142-143, 146-148** | | | |
| **102-44** | Key topics and concerns raised | **13-15** | | | |
| **102 Reporting practice** | | | | | |

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| **102-45** | Entities included in the consolidated financial statements | **163, 262** | . | | |
| **102-46** | Defining report content and topic Boundaries | **10, 13-15** | | | |
| **102-47** | List of material topics | **13-15** | | | |
| **102-48** | Restatements of information | **82, 158** | | | |
| **102-49** | Changes in reporting | **13-15** | | | |
| **102-50** | Reporting period | **10** | | | |
| **102-51** | Date of most recent report | **10** | | | |
| **102-52** | Reporting cycle | **10** | | | |
| **102-53** | Contact point for questions regarding the report | **10** | | | |
| **102-54** | Claims of reporting in accordance with the GRI Standards | **10, 149** | | | |
| **102-55** | GRI content index | **149-158** | | | |
| **102-56** | External assurance | **174-175** | | | |
| **GRI 103 Management approach 2016** | | | | | |
| **103-1** | Explanation of the material topic and its Boundary | **13-15** | | | |
| **103-2** | The management approach and its components | **13-15** | | | |
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| **GRI 201 Economic Performance 2016** | | | | | |
| **201-1** | Direct economic value generated and distributed | **74-83** | | | |
| **201-2** | Financial implications and other risks and opportunities due to climate change | **71-73** | | | |

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|---|---|---|---|---|---|
| **201-4** | Financial assistance received from government | - | INA does not get financial assistance from government. | | |
| **GRI 202 Market presence 2016** | | | | | |
| **202-2** | Proportion of senior management hired from the local community | **171** | | **6** | |
| **GRI 203 Indirect economic impacts 2016** | | | | | |
| **203-1** | Infrastructure investments and services supported | **53-54, 62-63** | | | |
| **GRI 204 Procurement Practices 2016** | | | | | |
| **204-1** | Proportion of spending on local suppliers | **146-147** | | | |
| **OG1** | Volume and type of estimated proved reserves and production | **6, 41, 46, 49** | | | |
| **GRI 205 Anti-corruption 2016** | | | | | |
| **205-2** | Communication and training about anti-corruption policies and procedures | **140-141** | | | |
| **205-3** | Confirmed incidents of corruption and actions taken | **-** | In 2021 there were no confirmed incidents of corruptions in INA Group. | | |
| **GRI 206: Anti-competitive behavior 2016** | | | | | |
| **206-1** | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | **140-141** | In 2021 there were no confirmed Legal actions for anti-competitive behavior, anti-trust, and monopoly practices in INA Group. | | |
| **GRI 207 TAX 2019** | | | | | |
| **207-1** | Approach to tax | **161-162** | | | |
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| **207-3** | Stakeholder engagement and management of concerns related to tax | **161-162** | | | |

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| **GRI 103 Management Approach 2016** | | | | | |
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| **302-1** | Energy consumption within the organization | **109-110, 164-165** | | **7,8** | **Yes** |
| **302-3** | Energy intensity | **164-165** | | **8** | |
| **302-4** | Reduction of energy consumption | **110** | | **8,9** | |
| **OG-3** | Total Amount of Renewable Energy generated by source | **109** | | | |
| **GRI 303: Water and effluents 2018** | | | | | |
| **303-1** | Interactions with water as a shared resource | **123-124** | | **7,8** | |
| **303-2** | Management of water discharge-related impacts | **123-124** | | | |
| **303-3** | Water withdrawal | **123-124, 164-165** | | | **Yes** |
| **303-4** | Water discharge | **123-124, 164-165** | | | |
| **OG5** | Volume of formation or produced water | **124** | Produced Water – Sour Water stripper and/or tank bottom draws. | | |
| **OG6** | Volume of flared and vented hydrocarbon | **112-113, 164-165** | | | |
| **GRI 305: Emissions 2016** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **305-1** | Direct (Scope 1) GHG emissions | **111-112, 164-165** | | **7,8** | **Yes** |
| **305-2** | Energy indirect (Scope 2) GHG emissions | **111, 164-165** | | **7,8** | **Yes** |
| **305-3** | Other indirect (Scope 3) GHG emissions | **111-112, 164-165** | | | |
| **305-4** | GHG emissions intensity | **164-165** | | **8** | |
| **305-5** | Reduction of GHG emissions | **108, 111-112** | | | |
| **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, INAL Group does neither monitor nor does report on this indicator. | | |
| **305-7** | Nitrogen oxides ($NO_X$), sulfur oxides ($SO_X$), and other significant air emissions | **122-123, 164-165** | | **7** | |
| **GRI 306 Waste 2020** | | | | | |
| **306-1** | Waste generation and significant waste-related impacts | **118** | | | |
| **306-2** | Management of significant waste-related impacts | **118** | | **8** | |
| **306-3** | Waste generated | **120-122, 164-165** | | | **Yes** |
| **306-4** | Waste diverted from disposal | **120-121, 164-165** | | | **Yes** |
| **306-5** | Waste directed to disposal | **120-122, 164-165** | | | **Yes** |
| **OG7** | Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal | **120** | | | |
| **GRI 306 Effluents and Waste 2016** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| **306-3** | Significant spills* | **111-112,157** | *The effluents-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 spills-related content in GRI 306: Effluents and Waste 2016 remains in effect | | **Yes** |
| **GRI 307: Environmental compliance 2016** | | | | | |
| **307-1** | Non-compliance with environmental laws and regulations | **-** | There were no non-compliances with environmental laws and regulations | | |
| **GRI 103 Management Approach 2016** | | | | | |
| **103-1** | Explanation of the material topic and its Boundary | **13-15** | | | |
| **103-2** | The management approach and its components | **91-92, 125, 136** | | | |
| **103-3** | Evaluation of the management approach | **91-92, 125, 136** | | | |
| **GRI 401: Employment 2016** | | | | | |
| **401-1** | New employee hires and employee turnover | **130, 168-171** | | **6** | |
| **401-2** | Benefits provided to full-time employees that are not provided to temporary or part-time employees | **128-130** | | | |
| **401-3** | Parental leave | **168-171** | | **6** | |
| **GRI 403: Occupational health and safety 2018** | | | | | |
| **403-1** | Occupational health and safety management system | **91-92** | | | |
| **403-2** | Hazard identification, risk assessment, and incident investigation | **92-93** | | **1** | |

| | | | | | |
|---|---|---|---|---|---|
| **403-3** | Occupational health services | **94-96** | | | |
| **403-4** | Worker participation, consultation, and communication on occupational health and safety | **91-92, 127** | | | |
| **403-5** | Worker training on occupational health and safety | **96, 99** | | | |
| **403-6** | Promotion of worker health | **94-96** | | | |
| **403-7** | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | **91-92** | | | |
| **403-8** | Workers covered by an occupational health and safety management system | **91-92** | | | |
| **403-9** | Work-related injuries | **96-99** | | | **Yes** |
| **403-10** | Work-related ill health | **-** | During 2021 there were no work-related casec of ill health | | **Yes** |
| **OG13** | Number of process safety events, by business activity | **102** | | | |
| **GRI 404: Training and Education 2016** | | | | | |
| **404-1** | Average hours of training per year per employee | **132, 164-165** | | **6** | **Yes** |
| **404-2** | Programs for upgrading employee skills and transition assistance programs | **130-132** | | | |
| **404-3** | Percentage of employees receiving regular performance and career development reviews | **132** | | **6** | **Yes** |
| **GRI 405: Diversity and Equal Opportunity 2016** | | | | | |
| **405-1** | Diversity of governance bodies and employees | **36-37, 164-165** | | | |

| | | | | | |
|---|---|---|---|---|---|
| **GRI 406 Non-discrimination** | | | | | |
| **406-1** | Incidents of discrimination and corrective actions taken | **-** | In 2021 there were no incidents of discrimination at INA Group | | |
| **GRI 407: Freedom of association and collective bargaining 2016** | | | | | |
| **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 Business Partner Code of Ethics | | |
| **GRI 413: Local Communities 2016** | | | | | |
| **413-1** | Operations with local community engagement, impact assessments, and development programs | **137, 142** | | **1** | |
| **GRI 416: Customer Health and Safety 2016** | | | | | |
| **416-1** | Assessment of the health and safety impacts of product and service categories | **146** | | | |
| | | | | | |
| **GRI 417: Marketing and labeling 2016** | | | | | |
| **417-1** | Requirements for product and service information and labeling | **146** | | | |
| **GRI 419 Socioeconomic Compliance 2016** | | | | | |
| **419-1** | Non-compliance with laws and regulations in the social and economic area | **-** | In 2021 there were no non-compliance | | |

| | | | | | |
|---|---|---|---|---|---|
| | | | laws and regulations in the social and economic area | | |

### Restatements of information

For the purpose of establishing baseline value to track our progress in GHG emission reduction, robust revision of 2019-2020 energy consumption and GHG emissions was conducted in 2021. For that reason, some of the values for 2019-2020 were corrected, mostly due to use of more precise emission factors. All restated values are shown in table below:

| Data modified | 2019 | 2020 |
|---|---|---|
| Total Direct GHG emissions (Scope 1) (million tons $CO_2$ eq) | 1.56 (restated value 1.51) | 1.31 (Restated value 1.28) |
| Flaring emissions (thousand tons $CO_2$ equivalent) INA Group | 83.83 (restated value 87.33) | 56.29 (restated value 67.87) |
| Total direct energy consumption (million GJ) INA Group | 18.70 (restated value 18.71) | 15.27 (restated value 15.28) |

### Memberships, external initiatives and public policies

| ASSOCIATION | PARTICIPATION STATUS |
|---|---|
| CONCAWE - European Petroleum Refiners Association (joint INA-MOL membership) | Member of the Scientific Council |
| UN Global Compact | Member |
| European Association of Communication Directors | Member |
| International Organization for Industrial Hazard Management | Member |
| IOGP - International Association of Oil & Gas Producers | Member |
| Society of Petroleum Engineers (Croatian Branch) | Member of the Presidency |
| Lower Olefins and Aromatics Consortium (LOA) | Member |
| CEEC - Central Eastern European and Caspian Scout Group | Member |
| IPLOCA - International Pipe Line & Offshore Contractors Association | Member |
| IATA - International Air Transport Association | Member |

| | |
|---|---|
| Croatian Chamber of Economy | Member of the Assembly |
| Croatian Employers' Association | Member of the Assembly and the Council of Members, the Executive Board, the representative of INA is the President of the HUP of the Energy Association and a member of the Economic and Social Council (GSV) |
| Croatian Gas Association | The main sponsor, member of the MB, INA’s representative is the Vice-President |
| Croatian Association of Petroleum Engineers and Geologists | The principal founder |
| Croatian National Committee of World Petroleum Council | Member of the Presidency |
| Croatian Energy Association | Member of the Managing Board |
| Croatian Business Council for Sustainable Development | Member |
| Croatian Standards Institute | Member |
| Croatian Exporters | Member |
| Croatian Geological Association | INA’s representative is the President of the MB, member of the SB and of the Court of Honor |
| Academy of Technical Sciences | Member |
| Croatian Society for Quality | Member |
| Croatian Metrology Society | Member |
| Croatia Green Building Council | Member |
| Laboratoria Croatica | Member |
| Croatian Association of Corporate Treasurers | Member |
| International Chamber of Commerce (ICC) | Member |
| Croatian Information Technology Society - Society of SAP users | Member |
| Croatian Public Relations Association | Member |
| Croatian Water Pollution Control Society | Member |

| | |
|---|---|
| Croatian Society for a Healthy Workplace | Member |
| Croatian Institute for Health Protection & Safety at Work | Member |
| Association for the Advancement of Human Safety | Member |
| Croatian Association for Professional Fire-fighters | Member |
| Croatian Academy of Sciences and Arts | Member |
| Croatian Institute of Internal Auditors | Member |
| Croatian Fire-fighting Association | Member |
| Responsible Care Group | Member |

## Economic sustainability data

| DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (HRK MLN) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Realized revenues | 22,597 | 14,788 | 20,400 |
| Financial assistance received from government | - | 23 | - |
| Operating costs | 22,575 | 16,267 | 21,217 |
| Cash added value (company cash) | 606 | 399 | 2,630 |
| Employee wages and benefits | 1,970 | 1,628 | 1,765 |
| Capital investors | 2,150 | 1,282 | 1,598 |
| Payments to governments | 417 | 298 | 429 |

| INA GROUP REALIZED REVENUE BY REGION (HRK MLN) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Croatia | 13,100 | 8,819 | 13,250 |
| Bosnia and Herzegovina | 3,251 | 1,834 | 2,706 |
| European countries | 5,614 | 3,775 | 5,322 |
| Other countries | 632 | 361 | 1,122 |
| **TOTAL** | **22,597** | **14,788** | **22,400** |

| COSTS OF PURCHASED MATERIALS, GOODS AND SERVICES IN INA GROUP, EBIT, ROA | 2019 | 2020 | 2021 |
|---|---|---|---|
| Costs of purchased materials, goods and services (HRK mln) | 7,114 | 3,699 | 6,644 |
| INA Group profit earned - EBIT (HRK mln) | 722 | (1,298) | 1,502 |
| INA Group Return on Assets Profitability indicator (%) | 2.27 | (5.99) | 5.98 |

*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 behaviour 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) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Net | 1,056 | 950 | 945 |
| Taxes and contributions | 640 | 557 | 541 |
| Other salary expenses | 274 | 121 | 279 |
| **TOTAL** | 1,970 | 1,628 | 1,765 |

| INA, d.d. TOTAL TAXES PAID (HRK MLN) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Croatia* | 9,393 | 7,836 | 9,363 |
| Angola | 5 | 7 | 9 |
| Bosnia and Herzegovina | 1 | 1 | 1 |
| **TOTAL** | 9,399 | 7,844 | 9,373 |

| PAID VAT, EXCISE DUTIES, BIOFUELS FEE, PROFIT TAX, INCOME TAX AND SURTAX AND CROATIAN COMPULSORY OIL STOCKS AGENCY (HANDA) (HRK MLN) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Value added tax | 1,690 | 2,109 | 3,612 |
| Value added tax (Import) | 1,790 | 371 | - |
| Corporate income tax (Profit tax) | - | - | - |
| Withholding tax | 1.7 | 2 | 1 |
| Excise duties | 5,913 | 5,356 | 5,750 |
| Biofuels fee* | 80.6 | 11.6 | 14.3 |
| **TOTAL** | 9,475 | 7,850 | 9,377 |

*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 165) 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 OHS documents and best practices in INA Group

| LEGAL REQUIREMENT MANAGEMENT DOCUMENTS | OHS BEST OIL AND GAS PRACTICES |
|---|---|
| Sustainable Development & Health, Safety and Environment Area Book | HSE Planning, Target Setting & Reporting at INA Group Companies |
| Occupational health and safety system at INA Group Companies | Incident Reporting and Investigation System in INA Group Companies |
| Health Protection and Promotion in INA Group Companies | Procedure for Implementing Health, Safety and Environment Audits and Supervisions in INA Group Companies |
| Personal Protective Equipment at INA Group Companies | Risk and Change Management in Health, Safety and Environment Protection in INA Group Companies |
| Implementation of REACH Regulation at INA Group Companies | Safe operation and work practice in INA Group Companies |
| Safety data sheet at INA Group Companies | Issuing Permits to Work in INA Group Companies |

| | |
|---|---|
| Operational Risk Management in INA,d.d. | Life Saving Rules at INA Group Companies |
| Management of Provision Based Environmental Liabilities at INA Group Companies | Safe Driving Standard at INA Group Companies |
| Waste Management at INA Group Companies | Managing the Requirements of Sustainable Development, Health, Safety and Environment in Service Contracting and Procurement Processes at INA Group Companies |
| Management of Greenhouse Gas Emissions and Emission Allowances at INA, d.d. | Process Safety Management at INA Group Companies |
| Rules of procedures, conditions and methods of obtaining safety at work in INA, d.d. | SD&HSE Aspects of Design, Construction, Commissioning and Decommissioning of Plants/Facilities in INA Group Companies |
| Training program for work in safe manner in INA, d.d. | Methodology for Selecting Equipment Critical to Process Safety in INA Group Companies |
| OHS training program for employer and employer authorized person in INA, d.d. | Testing and Inspection of Bunds in INA Group Companies |
| INA, d.d. Preparedness Operational Plan in the Event of a Pandemic | Regulation on conditions, priorities and method of sending INA, d.d. workers on medicine programed active vacation and health programed active vacation |
| Sustainable Development in INA Group | Instruction on Actions and Implementation of Safety and Health Protection Measures in Circumstances of Exposure to COVID-19 Pandemic in INA Group Companies |
| Fire Prevention, Protection and Fire Brigade Management in INA Group Companies | Procedure in Case of COVID-19 Coronavirus Infection Suspected in INA Group Companies' own Worker, Contractor and Service Provider |
| Preparedness and Emergency Response at 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 |
| | 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 | 2019 | 2020 | 2021 |
|---|---|---|---|
| Total Direct GHG emissions (Scope 1) (million tons $CO_2$ eq) (1) | 1.56 | 1.31 | 1.22 |
| Total Indirect GHG emissions (Scope 2) - Location based (million tons $CO_2$ eq) (2) | 0.07 | 0.06 | 0.11 |
| Total Indirect GHG (Scope 2) - Market based (million tons $CO_2$ eq) (3) | 0.12 | 0.14 | 0.13 |
| Total Indirect GHG (Scope 3) (million tons $CO_2$ eq) | 14.18 | 11.60 | 11.89 |
| Flaring emissions (thousand tons $CO_2$ equivalent) INA Group | 83.83 | 56.29 | 46.08 |

| | | | |
|---|---|---|---|
| Total direct energy consumption (4) (million GJ) INA Group | 18.70 | 15.27 | 14.12 |
| Total indirect energy consumption (5) (million GJ) INA Group | 1.02 | 1.13 | 1.22 |
| Energy intensity (total energy consumption (GJ) / production (t)) Rijeka Refinery | 3.88 | 4.25 | 4.07 |
| Energy intensity (total energy consumption (GJ) / production (t)) Sisak Refinery | 8.26 | 9.48 | 10.16 |
| Energy intensity (total energy consumption (GJ) / production (tOE)) Exploration and Production | 2.28 | 2.83 | 2.91 |
| Emission intensity Rijeka Refinery (t $CO_2$ / kt CWT) (6) | 38.57 | 39.20 | 38.24 |
| Emission intensity Sisak Refinery (t $CO_2$ / kt CWT) | 70.80 | N/A | N/A* |
| Sulphur oxides (SOx) (thousand tons) INA Group | 2.24 | 0.66 | 0.49 |
| Nitrogen oxides (NOx) (thousand tons) INA Group | 1.99 | 1.90 | 1.48 |
| Total water withdrawal (million $m^3$) INA Group | 23.30 | 30.86 | 27.45 |
| Total water discharge (million $m^3$) INA Group | 17.91 | 25.53 | 22.36 |
| Chemical oxygen consumption (COD) (tons) INA Group | 378.07 | 233.83 | 359.83 |
| Biological oxygen consumption ($BOD_5$) (tons) INA Group | 68.96 | 51.58 | 91.76 |
| Total suspended solids (tons) INA Group | 119.48 | 95.75 | 62.39 |
| Total petroleum hydrocarbons (tons) INA Group | 8.42 | 6.12 | 5.26 |
| Total waste generated (thousand tons) INA Group | 28.94 | 23.38 | 22.91 |
| Waste diverted from disposal = waste prevented (hazardous and non-hazardous) (thousand tons) INA Group | 13.59 | 9.45 | 9.50 |
| Waste directed to disposal operation (hazardous and non-hazardous) (thousand tons) INA Group | 15.27 | 13.94 | 13.42 |
| Waste exported (thousand tons) INA Group | 0.584 | 0.112 | 0.566 |
| Spills > 1$m^3$ INA Group | 2 | 10 | 4 |

(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" for 2019 and 2020 data and Defra Decc Conversion factors, Annex 3 Electricity, Heat, Steam for steam and heat. For 2021 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) 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 2019 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.

(5) Total indirect energy consumption = Total electricity consumption + Total consumption of other indirect sources (steam, heat, etc.)

(6) CWT - Complexity Weighted Tone, a benchmark for oil refineries under EU ETS, defining the basis on which free allowances are allocated to refineries between 2013 and 2020 (third trading period). *CWT for Sisak Refinery 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 | 3,745.50 | 0 | 3,745.50 |
| 02 Wastes from agriculture, horticulture, aquaculture, forestry, hunting and fishing, food preparation and processing | 0.2 | 0.2 | 0 |
| 05 Wastes from petroleum refining, natural gas purification and pyrolytic treatment of coal | 6,370.19 | 16.77 | 6,353.43 |
| 06 Wastes from inorganic chemical processes | 0.09 | 0 | 0.09 |
| 07 Wastes from organic chemical processes | 68.2 | 0 | 68.2 |
| 08 Wastes from the manufacture, formulation, supply and use (MFSU) of coatings (paints, varnishes and vitreous enamels), adhesives, sealants and printing inks | 0.35 | 0.17 | 0.18 |
| 09 Wastes from the photographic industry | 0.54 | 0.29 | 0.25 |
| 10 Wastes from thermal processes | 41.31 | 0 | 41.31 |
| 11 Wastes from chemical surface treatment and coating of metals and other materials; non-ferrous hydrometallurgy | 11.50 | 0 | 11.50 |
| 12 Wastes from shaping and physical and mechanical surface treatment of metals and plastics | 65.74 | 31.34 | 34.40 |
| 13 Oil wastes and wastes of liquid fuels (except edible oils, and those in chapters 05, 12 and 19) | 1,230.35 | 54.04 | 1,169.72 |
| 14 Waste organic solvents, refrigerants and propellants (except 07 and 08) | 37.38 | 0 | 37.38 |
| 15 Waste packaging, absorbents, wiping cloths, filter materials and protective clothing not otherwise specified | 743.25 | 525.65 | 217.60 |
| 16 Wastes not otherwise specified in the list | 1,191.76 | 736.07 | 455.78 |
| 17 Construction and demolition wastes (including excavated soil from contaminated sites) | 7,324.48 | 7,157.66 | 166.84 |
| 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 | 731.98 | 17.45 | 714.53 |
| 20 Municipal wastes (household waste and similar commercial, industrial and institutional wastes) including separately collected fractions | 1,349.33 | 965.24 | 399.33 |
| **Total waste** | **22,912.15** | **9,504.88** | **13,416.04** |

## HSE costs and investments

Total amount of INA Group HSE costs in 2021 is slightly lower than in the previous years. Among the cost structure, fire protection costs decreased due to savings from recategorization of INA Maziva d.o.o. site to lower fire risk category and decreased No. of firefighters due to revision of Sisak Refinery site's fire risk assessment, as well as due to performed 2020 turnaround at the E&P site, which caused higher firefighting costs in 2020.

All other cost fluctuations reflect changes in business activities or events, like increased costs of hazardous waste treatment (due to increased disposals of catalysts, tank bottom sludge or soil from service stations' reconstruction activities) or increased costs for surface water protection and decreased costs for soil and groundwater protection (due to increased or decreased remediation activities caused by environmental spills).

| HSE COST CATEGORIES (HRK MLN) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Health protection | 4.5 | 5.9 | 5.1 |
| Occupational safety, REACH and product safety | 27.0 | 19.1 | 21.6 |
| Fire protection | 73.9 | 95.7 | 90.7 |
| Surface waters protection | 8.7 | 7.7 | 11.5 |
| Hazardous waste treatment | 9.3 | 6.2 | 9.9 |
| Non-hazardous waste treatment | 2.9 | 3.0 | 2.8 |
| Soil and groundwater protection | 17.0 | 12.6 | 8.8 |
| Air protection | 3.8 | 3.7 | 2.2 |
| Climate change | 0.1 | 0.1 | 0.2 |
| Non-material HSE services | 7.8 | 3.2 | 2.3 |
| Fees and charges | 25.7 | 24.2 | 23.6 |
| **TOTAL** | **180.7** | **181.3** | **178.5** |

INA Group HSE project investments in 2021 were realized in the amount of HRK 78 million. Majority of investments were related to environmental type of projects (HRK 31 million, or 39%) and fire protection type of projects (HRK 30 million, or 38%), out of which majority in Exploration and Production (HRK 37 million, or 44%) and in Refining and Marketing (HRK 27 million, or 34%).

Out of total project portfolio, the most intensive HSE investments per individual projects were in the project for revitalization of the hydrant network in Rijeka Refinery (HRK 13 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 |
|---|---|---|---|
| No. of workers* | 10,575 | 9,829 | 9,655 |
| No. of workers with shortened working hours | 98 | 94 | 100 |
| No. of newly employed employees | 957 | 538 | 964 |
| No. of departed employees | 1,246 | 1,192 | 1,109 |
| No. of employees working abroad | 201 | 40 | 12 |
| % of women in total workforce | 25 | 25.5 | 26.5 |
| % of disabled people in total work force | 2.5 | 2.5 | 2.3 |

*Number of 9.655 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 2021 (total number of employees (9.645).

| HUMAN RESOURCES DATA, INA GROUP COMPANIES IN 2021 | INA, d.d. | CROSCO d.o.o. | Rotary Zrt. | STSI d.o.o. | INA MAZIVA d.o.o. | HOSTIN, d.o.o. | INA MALOPRODAJNI SERVISI d.o.o. | PLAVI TIM d.o.o. | TOP RAČUNOVODSTVO SERVISI d.o.o. | INA Slovenija d.o.o. | Holdina d.o.o. | INA Crna Gora d.o.o. | Energopetrol d.d. | INA VATROGASNI SERVISI d.o.o. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **No. of workers** | **3,222** | **657** | **233** | **834** | **132** | **5** | **2,704** | **188** | **218** | **42** | **529** | **120** | **470** | **291** |
| No. of workers with shortened working hours | 27 | 3 | 14 | 2 | 2 | 0 | 4 | 3 | 8 | 2 | 17 | 0 | 17 | 1 |
| No. of newly employed employees | 173 | 10 | 4 | 123 | 6 | 1 | 382 | 9 | 9 | 3 | 53 | 69 | 57 | 65 |
| No. of departed employees | 366 | 88 | 2 | 55 | 7 | 2 | 420 | 26 | 18 | 9 | 55 | 8 | 38 | 15 |
| No. of employees working abroad | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| No. of women in total workforce | 875 | 24 | 18 | 51 | 42 | 3 | 974 | 69 | 193 | 17 | 168 | 43 | 70 | 10 |
| % of women in managerial positions | 39 | 17 | 0 | 42 | 25 | 100 | 0 | 42 | 78 | 5 | 50 | 0 | 60 | 0 |
| % of disabled persons in total work force | 2 | 1 | 0 | 2 | 6 | 0 | 1 | 2 | 3 | 7 | 4 | 0 | 9 | 1 |
| No. of unskilled workers | 5 | 1 | 0 | 2 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 3 | 0 |
| No. of semi-skilled workers | 3 | 1 | 22 | 12 | 0 | 0 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| No. of primary school degree workers | 6 | 4 | 1 | 11 | 5 | 0 | 3 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| No. of skilled workers | 74 | 69 | 80 | 58 | 3 | 0 | 65 | 0 | 1 | 15 | 156 | 0 | 205 | 3 |
| No. of high school degree workers | 1,622 | 454 | 4 | 460 | 65 | 2 | 2,449 | 67 | 103 | 17 | 266 | 95 | 228 | 254 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. of highly skilled workers | 116 | 8 | 64 | 82 | 1 | 0 | 14 | 1 | 0 | 4 | 4 | 0 | 2 | 0 |
| No. of assoc.degr./bacc. workers | 234 | 20 | 37 | 70 | 10 | 2 | 122 | 24 | 34 | 4 | 25 | 16 | 11 | 16 |
| No. of univ. degr. / mag. workers | 983 | 98 | 17 | 121 | 36 | 1 | 43 | 75 | 68 | 2 | 77 | 4 | 21 | 8 |
| No. of MA / univ. spec. workers | 89 | 1 | 7 | 16 | 11 | 0 | 4 | 15 | 9 | 0 | 0 | 4 | 0 | 9 |
| No. of PhD workers | 90 | 1 | 1 | 2 | 1 | 0 | 0 | 6 | 3 | 0 | 0 | 0 | 0 | 1 |
| Under the age of 30 | 230 | 31 | 6 | 98 | 7 | 0 | 678 | 8 | 8 | 6 | 107 | 23 | 91 | 69 |
| 31-40 years | 716 | 214 | 61 | 203 | 15 | 0 | 721 | 51 | 48 | 10 | 138 | 45 | 98 | 94 |
| 41-50 years | 959 | 204 | 71 | 234 | 36 | 2 | 831 | 47 | 65 | 13 | 160 | 37 | 141 | 59 |
| 51-60 years | 1,201 | 199 | 76 | 254 | 66 | 3 | 432 | 72 | 93 | 12 | 108 | 15 | 120 | 69 |
| Over 61 years | 116 | 9 | 19 | 45 | 8 | 0 | 42 | 10 | 4 | 1 | 16 | 0 | 20 | 0 |
| Average training time per employee (hours) | 11 | 6 | 55 | 6 | 6 | 2 | 3 | 8 | 14 | 9 | 21 | 16 | 22 | 21 |
| Average cost of training per employee (HRK) | 1,738 | 390 | 2,804 | 425 | 366 | 215 | 205 | 832 | 742 | 132 | 246 | 1,132 | 30 | 1,492 |
| % of employees in trade unions | 54 | 76 | 28 | 55 | 63 | 0 | 70 | 41 | 53 | 29 | 58 | 32 | 66 | 62 |
| % of employees covered by the Collective Agreement | 100 | 100 | 99 | 100 | 100 | 100 | 100 | 100 | 100 | 98 | 100 | 0 | 0 | 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 | 22/73 | 2/18 | 1/0 | 1/26 | 0/2 | 0 | 36/49 | 3/5 | 7/1 | 0 | 3/0 | 0/1 | 4/0 | 1/22 |
| Number of employees by gender that took parental leave | 62/11 | 2/4 | 1/0 | 2/7 | 2/0 | 0/0 | 97/44 | 5/0 | 17/0 | 1/0 | 3/0 | 2/0 | 4/0 | 1/1 |
| Number of employees who returned to work after their parental leave ended | 26/6 | 1/3 | 0 | 0/6 | 2/0 | 0 | 33/32 | 3/0 | 5/0 | 1/0 | 1/0 | 0 | 2/0 | 1/0 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of employees who returned to work after their parental leave ended and who are still employed twelve months after their return to work | 54/9 | 2/21 | 0 | 0/1 | 3/1 | 0 | 55/31 | 4/0 | 6/0 | 0 | 0 | 1/0 | 0 | 0 |
| The return to work and retention rates of employees who returned to work after the leave ended (%) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |

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

## Proportion of senior management hired from the local community at significant locations of operation in 2021

| 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 |

## 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 2021

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 2021, 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 also in accordance with the requirements of the core sustainability reporting option of the Global Reporting Initiative (GRI).

As an oil company, INA represents an industry sector facing perhaps the greatest challenges in realizing the goals set by the European Green Deal, which include reducing greenhouse gas emissions by 55% by 2030, and carbon neutrality by 2050. INA, like many other European and global companies, faces a major challenge of business diversification with the objective of transitioning to a carbon-neutral economy. The circumstances described represent the framework within which we have evaluated this Report in an attempt to recognize INA's readiness to face these significant challenges.

At the very beginning of the report, in the letter from the President of the Management Board, we can see that the topic of a sustainable future has become part of the strategic thinking of INA Group. Although the backbone of stability of INA's business in the coming period is based on the upgrade and modernization of the Rijeka Refinery with the construction of a heavy residue treatment plant aimed at improving the refinery's product structure, INA is simultaneously implementing a series of activities within the INA Downstream 2023 New Course program. The development of EOR is continued through CO2 injection into production fields, which permanently removes CO2 from the atmosphere and at the same time increases the performance of the deposits. Furthermore, INA is in the process of building solar power plants in Molve and Sisak, and is examining the potential of wind at the gas platforms in the Adriatic. Hydrogen-related projects and projects aimed at using geothermal sources are also being developed. In cooperation with the City of Zagreb, the production of green hydrogen, as well as the construction of filling stations and procurement of buses is planned. Investments are being made in energy efficiency projects and the development of CCUS projects, with permanent storage of carbon dioxide, is ongoing, with the possibility of building a Biorefinery in Sisak under examination. All the aforementioned elements are indicators that INA is taking the energy transition seriously, and we would be happy to read more information about these projects, their capacities and level of development in the coming period.

In addition to climate change, other environmental issues are also deemed material by INA. We note that most environmental indicators have improved compared to previous years, although it is clear that in the past year there were more spills than in previous years, as well as a significantly higher share of hazardous waste present in total waste, although total quantities are declining compared to previous years. The project of reducing the production of waste plastic packaging by replacing standard packaging, thus achieving savings of up to 70%, is commendable. Lower air emissions and reduced water consumption were also recorded.

The most significant changes in the past period have occurred in risk prioritization and raising climate and environmental risks to the highest level by integrating these topics horizontally into the management structure and management processes, which resulted in Management Board decisions being adopted based on input from several key organizational units. Last year, the key objectives and programs of sustainable development of INA Group were defined in an action plan, the implementation of which was set as a business segment goal, and in 2021, 54 actions related thereto were implemented. Since sustainability is recognized as one of the key business components, the concept of responsible procurement is also an integral part of the sustainable development programs.

We would especially like to emphasize the process of defining material topics described by INA, which consists of multiple analysis and engagement of several stakeholder groups, both internal and external. After identifying the initial material topics, a special survey was conducted to determine a meaningful perspective on the future risks and opportunities of INA Group in relation to the 20 initially identified material topics. The analysis described represents an in-depth impact analysis and consultations with a wide range of stakeholders, which we consider to be a serious progress and an example of excellent practice in Croatia.

In addition, in 2021, a survey on diversity and inclusion was conducted at the level of the entire MOL Group and INA Group in order to better understand the perspective of employees regarding this topic and identify strengths and areas for improvement in terms of diversity and inclusion. Based on the survey, a strategy of diversity and inclusion was created, and training on subconscious biases was developed for managers. We suggest that in the future the report be used to inform stakeholders in more detail, both about the results of such surveys and about the activities undertaken to promote the diversity policy.

We would also like to highlight the new Incident Reporting and Investigation System, as well as the fact that the total number of injuries has been reduced in the past year. For several years, INA has been granting awards in multiple categories to employees for their outstanding contribution in the field of sustainable development, and health, safety and environment. In addition to the internal reward system, INA boasts a number of awards received in the past year that confirm the quality of their business and an advanced human resources management system that features numerous benefits for employees. The digitalization of business processes and digitalization of consumer services was continued, as well as investments in the community.

The number of reports of violations of the Code of Ethics has increased, which we consider to be a confirmation that the system is working properly. We commend the transparency in communication about consumer and citizen complaints received by phone. On the other hand, the customer satisfaction survey shows excellent results and high consumer confidence in the company.

We have before us a very extensive and informative report that indicates a strongly developed process of implementing sustainability, especially in the social dimension. In the future reports, we hope to read much more data on the development and implementation of renewable energy projects and permanent carbon storage.

Expert Committee of HR BCSD for sustainability reporting

Deloitte.

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**Independent Limited Assurance Report on Indicators Presented in the Sustainability Report of INA Group, as Part of the Annual Report for the year ended 31 December 2021**

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

Avenija V. Holjevca 10
10020 Zagreb
Croatia

**Scope of work performed 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 2021 – 31st December 2021** (the "Sustainability 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 GRI indicators included in the GRI index presented in the Sustainability Report have been reported in the "Core" option in the manner defined in the GRI Standards - Sustainability Reporting Guidelines, issued by the Global Reporting Initiative (GRI).
Our limited assurance engagement has not extend to the other information included in the report nor the report as a whole. Accordingly, our conclusion below applies only the Selected indicators and not all data presented or any other information included in the Sustainability 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 Sustainability Report in accordance with Sustainability Reporting Guidelines GRI Standards for the "Core" option, 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.

**Our Independence and Quality Control**

In performing the service, we have complied with the independence and other ethical requirements set out in the International Code of Ethics for Professional Accountants (including International Standards of Independence) developed and approved by the International Ethics Standards Board for Accountants, which includes independence requirements and other requirements based on integrity, objectivity, professional competence and due care, confidentiality and professional conduct. In accordance with International Quality Control Standard No 1, issued by the International Federation of Accountants IFAC, we maintain a comprehensive system of quality control that includes documented policies and procedures for ensuring compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Selected indicators marked in the GRI index presented in the Sustainability Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Selected indicators presented in the Sustainability Report are not inconsistent with the GRI Standards Guidelines for Sustainability Reporting.

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.

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 2022 – 26 April 2022 the following procedures:

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

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

**Conclusion**

Based on our work, we find that nothing has come to our attention, in all material respects, that would make us believe that the Selected Indicators within the scope of our work, included in the GRI index presented in the Sustainability Report prepared by INA-INDUSTRIJA NAFTE d.d. do not comply with the GRI Standards for the preparation of sustainability reports for the "Core" option issued by the Global Reporting Initiative.

Deloitte d.o.o.
Zagreb

Date 27 April 2022

Deloitte d.o.o. Zagrebtower Radnička cesta 80 10 000 Zagreb MB 0700851

# 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<br>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 Governments for the year ended 31 December 2021

## 1. Introduction

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

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

## 2. Reporting principles

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

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

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

- Where INA Group has made a payment to a government, such payment is reported in full, whether made in INA Group’s sole capacity or in INA Group’s capacity as the operator of a joint-arrangement.
- When a national oil company is the operator of a project to whom INA Group makes a reportable payment which is distinguishable in the cash-calls, it is included in this Report.
- Payments made by an incorporated joint arrangement where INA Group is not the operator are not included in 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 thereof.

### *In-kind payments*

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

### *Cash basis*

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

### *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 extractive activities.

Payment types included in this Report

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

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

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

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

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

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

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

***Government***

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

## 4. Project definition

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

## 5. Summary report

The table below shows the relevant payments to governments made by INA Group in the year ended 31 December 2021 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** | - | - | 378 | - | 3 | 25 | - | 406 |
| **Angola** | - | 9 | - | - | - | - | - | 9 |
| **Egypt** | 14 | - | - | - | - | - | - | 14 |
| **TOTAL** | **14** | **9** | **378** | **-** | **3** | **25** | **-** | **429** |

## 6. Payments to Government by countries

### *Croatia*

| Payments by government institutions | Production entitlements | Taxes | Royalties | Dividends | Signature, discovery and production bonuses | License and other fees | Infrastructure improvements | TOTAL |
|---|---|---|---|---|---|---|---|---|
| National Tax Authority | - | - | 321 | - | - | - | - | 321 |
| Mining and Geology Authority | - | - | 57 | - | - | - | - | 57 |
| Local municipal | - | - | - | - | - | 25 | - | 25 |
| Croatian Hydrocarbon Agency | - | - | - | - | 3 | - | - | 3 |
| TOTAL | - | - | 378 | - | 3 | 25 | - | 406 |

| Payments by projects | Production entitlements | Taxes | Royalties | Dividends | Signature, discovery and production bonuses | License and other fees | Infrastructure improvements | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Croatia onshore | - | - | 321 | - | - | 24 | - | 345 |
| Croatia offshore | - | - | 57 | - | - | 1 | - | 58 |
| DRAVA-02 | - | - | - | - | 1 | - | - | 1 |
| DRAVA-03 | - | - | - | - | 1 | - | - | 1 |
| SZH-01* | - | - | - | - | 1 | - | - | 1 |
| DINARIDI-14 | - | - | - | - | - | - | - | - |
| **TOTAL** | **-** | **-** | **378** | **-** | **3** | **25** | **-** | **406** |

*Sjeverozapadna Hrvatska

## Angola

| Payments by government institutions | Production entitlements | Taxes | Royalties | Dividends | Signature, discovery and production bonuses | License and other fees | Infrastructure improvements | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Angolan Tax Authority | - | 9 | - | - | - | - | - | 9 |
| **TOTAL** | **-** | **9** | **-** | **-** | **-** | **-** | **-** | **9** |

| Payments by projects | Production entitlements | Taxes | Royalties | Dividends | Signature, discovery and production bonuses | License and other fees | Infrastructure improvements | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Block 3/05 | - | 9 | - | - | - | - | - | 9 |
| **TOTAL** | **-** | **9** | **-** | **-** | **-** | **-** | **-** | **9** |

## Egypt

| Payments by government institutions | Production entitlements | Taxes | Royalties | Dividends | Signature, discovery and production bonuses | License and other fees | Infrastructure improvements | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Egyptian Government (EGPC) | 14 | - | - | - | - | - | - | 14 |
| **TOTAL** | **14** | **-** | **-** | **-** | **-** | **-** | **-** | **14** |

| Payments by projects | Production entitlements | Taxes | Royalties | Dividends | Signature, discovery and production bonuses | License and other fees | Infrastructure improvements | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Egypt operation - East Yidma | 14 | - | - | - | - | - | - | 14 |
| **TOTAL** | **14** | **-** | **-** | **-** | **-** | **-** | **-** | **14** |

# 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

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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
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E-mail: Odrzivi_Razvoj@ina.hr

## Corporate Communications and Marketing

Avenija Većeslava Holjevca 10
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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 2021**

**Together with Independent Auditors' Report**

## 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 state of affairs and results of INA - Industrija nafte, d.d. (˝the Company˝) and its subsidiaries (˝the Group˝) for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed and
- the financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and must also ensure that the financial statements comply with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Signed on behalf of the Company and the Group:

**Sándor Fasimon, President of the Management Board of INA, d.d.**

**Niko Dalić**, member of the Management Board

**Ferenc Zoltán Horváth**, member of the Management Board

**Barbara Dorić,** member of the Management Board

**Darko Markotić**, member of the Management Board

**József Farkas Simola**, member of the Management Board

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Republic of Croatia

16 March 2022

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**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of INA – Industrija Nafte, d.d.

**Report on the audit of the separate and consolidated financial statements**

**Opinion**

We have audited the separate financial statements of INA – Industrija Nafte, d.d. (the Company), and consolidated financial statements of INA – Industrija Nafte, d.d. and it's subsidiaries (together -the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2021, the separate and consolidated statement of profit or loss and the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2021 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

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| Key Audit Matter | How we addressed Key Audit Matter |
|---|---|
| **Estimation of hydrocarbon reserves**<br><br>A description of the key judgements and estimates regarding estimation of hydrocarbon reserves are included in Note 3 Significant accounting judgements and estimates in the separate and consolidated financial statements.<br><br>The estimation of hydrocarbon reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company's and the Group's share of reportable volumes. Hydrocarbon reserves are also a fundamental indicator of the future potential of the Company's and the Group's performance and these estimates affect significant amounts in the separate and consolidated statement of financial position and the separate and consolidated statement of profit or loss. Therefore, we believe that estimation of hydrocarbon reserves is a key audit matter. | Audit procedures included understanding of the process for determination of the hydrocarbon reserves and walkthrough of controls implemented in the process. We also assessed the competence and objectivity of the Company's and the Group's technical experts to evaluate whether they are appropriately qualified to carry out the hydrocarbon reserve volumes estimation. We performed specific inquiry to the management of the Company and the Group in respect of consistency of the applied methodology for reserves estimate with previous year.<br><br>For the significant changes in reserve volumes we tested whether the appropriate methodology was applied, the assumptions used are reasonable and adequately supported by underlying information provided by the management. We also performed analytical procedures on movements in hydrocarbon reserves during the year and reviewed that all significant changes were approved by the "Reserves and Resources Committee" and are in line with our expectations.<br><br>We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU. |
| **Impairments of the Company's and the Group's long lived assets**<br><br>Impairments of the Company's and the Group's long lived assets are disclosed in Note 6 Depreciation, amortization and impairment (net) and in respective notes disclosing the underlying assets in the separate and consolidated financial statements; a description of the accounting policy and key judgements and estimates are included in Note 2 Accounting policies and Note 3 Significant accounting judgements and estimates, respectively.<br><br>Movements in oil and gas prices and the recent volatility caused by COVID -19 pandemic, can have a significant effect on the carrying value of the Company's and the Group's long lived assets including upstream offshore and onshore, refining, retail and service related long lived assets as well as goodwill. A significant and rapid drop in prices also quickly impacts the Company's and the Group's operations and cash flows. | We performed understanding of the process and walked through the controls designed and operated by the Company and the Group relating to the assessment of the carrying value of respective long lived assets. We examined the methodology used by management to assess the carrying value of respective long lived assets, to evaluate its compliance with accounting standards and consistency of application. For the upstream and retail assets where the impairment indicators were not identified by the Company and the Group, we evaluated the management's impairment indicators assessment by comparing the assumptions used in prior year to the achieved results in the current year. |

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| Key Audit Matter | How we addressed Key Audit Matter |
|---|---|
| **Impairments of the Company's and the Group's long lived assets (continued)**<br><br>Due to complexity and judgement used in the assessment of impairment indicators and impairment models, impairment of Company's and Group's long lived assets is a key audit matter. | We also evaluated the assumptions used in the current year assessment of impairment indicators and tested whether these assumptions are in line with the results achieved in the current year as well as current development in the industry and the Company's and the Group's expectations for the key inputs to the impairment models.<br><br>In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in the impairment analysis, the most significant being future market oil and gas prices and discount rates. We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis, tested the appropriateness of discount rates used in the calculation with the assistance of the specialists and performed procedures to assess the completeness of the impairment charges.<br><br>We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU. |
| **Estimation of decommissioning provisions**<br><br>Provisions associated with decommissioning of the assets are disclosed in Note 30 Provisions to the separate and consolidated financial statements; a description of the accounting policy and key judgements and estimates are included in Note 2 Accounting policies and Note 3 Significant accounting judgements and estimates, respectively. | Audit procedures involved understanding of the mandatory or constructive obligations with respect to the decommissioning of each asset based on the contractual arrangements and relevant local regulation to validate the appropriateness of the cost estimate. |

| Key Audit Matter | How we addressed Key Audit Matter |
|---|---|
| **Estimation of decommissioning provisions (continued)**<br><br>Management reviews decommissioning provisions on an annual basis. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates and discount rates. Decommission assets are recorded in an amount equal to the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets. If there is no related asset, the change in provision estimate it will charged to the separate and consolidated statement of profit or loss. The calculation of decommissioning provisions requires significant management judgement because of the inherent complexity in estimating future costs and is therefore considered as a key audit matter. | We obtained calculation of decommissioning provision from the Company and the Group and tested that all of the required fields are included in the calculation, tested the appropriateness of discount rates used in the calculation, tested actual expenses that occurred during the current accounting period, inspected that decommissioning provision for the similar types of assets is in line with the expenses occurred in the current accounting period and assessed that the last year of production is aligned with the evaluation of reserves. As a part of our testing, we considered the competence and objectivity of the Company's and the Group's experts who produced the cost estimates.<br><br>We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU. |

**Other information included in the Company's and the Group's Annual Report for year 2021**

Management is responsible for the other information. Other information consists of the information included in the Company's and the Group's 2021 Annual Report which includes the Management report, Corporate Governance Statement and Report on payments to governments other than the separate and consolidated financial statements and our auditor's report thereon. The Company's and the Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate and consolidated financial statements does not cover the Other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of management and Audit Committee for the separate and consolidated financial statements**

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

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**Auditor's responsibilities for the audit of the separate and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

*Appointment of Auditor and Period of Engagement*

We were initially appointed as auditors of the Company by the General Meeting of Shareholders on 24 June 2014. Our appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 18 June 2021, representing a total period of uninterrupted engagement appointment of 8 years.

*Consistence with Additional Report to Audit Committee*

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

*Provision of Non-audit Services*

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate and consolidated financial statements.

**Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting**

*Independent report on the compliance of annual separate and consolidated financial statements (further: financial statements) prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20 and 83/21) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (hereinafter: the ESEF Regulation).*

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic files 6638e3cabf270fdf0fe4e129cf648e347b7f83781b0620906ea11788f470dc24 and bd3aecc4d63e060edc778686be121eca1663799080e9946c84daf9abb6990675 are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

*Responsibilities of the Management and those charged with governance*

Management is responsible for the preparation of the financial statements in accordance with ESEF Regulation. Furthermore, Management is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

The Management is also responsible for:
- the public disclosure of financial statements in ESEF format
- selecting and using XBLR codes in accordance with ESEF regulation

Those charged with governance are responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

*Auditor's responsibilities*

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

*Work performed*

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:
- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:
- the financial statements are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - the XBRL markup language was used,
    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
    - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

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*Conclusion*

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2021, contained in the aforementioned attached electronic files and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion as well as opinion contained in part of this report related to accompanying financial statements for the year ended 31 December 2021, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned files.

The partner in charge of the audit resulting in this independent auditor's report is Berislav Horvat.

Berislav Horvat
President of the Management Board and certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb, Republic of Croatia
16 March 2022

*(all amounts are presented in HRK millions)*

| | Note | Year ended 31 December 2021 | Year ended 31 December 2020 |
|---|---|---|---|
| Revenue from contracts with customers | 4 | 22,400 | 14,788 |
| Other operating income | 5 | 319 | 181 |
| **Total operating income** | | **22,719** | **14,969** |
| Changes in inventories of finished products and work in progress | | 199 | (686) |
| Cost of raw materials and consumables | | (8,768) | (5,710) |
| Depreciation, amortisation and impairment (net) | 6 | (1,813) | (2,289) |
| Other material costs | | (1,868) | (1,811) |
| Service costs | | (468) | (434) |
| Staff costs | 7 | (1,765) | (1,628) |
| Cost of other goods sold | | (6,644) | (3,699) |
| Impairment charges (net) | 8 | (81) | (108) |
| Provision for charges and risks (net) | 9 | (313) | (188) |
| Capitalised value of own performance | | 304 | 286 |
| **Total operating expenses** | | **(21,217)** | **(16,267)** |
| **Profit/(Loss) from operations** | | **1,502** | **(1,298)** |
| Finance income | 10 | 343 | 165 |
| Finance costs | 10 | (249) | (233) |
| **Net profit/(loss) from financial activities** | | **94** | **(68)** |
| **Share of (loss)/profit of joint ventures accounted for using the equity method** | 16 | **(9)** | **94** |
| **Profit/(Loss) before tax** | | **1,587** | **(1,272)** |
| Income tax (expense)/benefit | 11 | (273) | 135 |
| **Profit/(Loss) for the year** | | **1,314** | **(1,137)** |
| **Attributable to:** | | | |
| Owners of the Company | | 1,312 | (1,138) |
| Non-controlling interests | | 2 | 1 |
| | | **1,314** | **(1,137)** |
| ***Earnings/(loss) per share*** | | | |
| Basic and diluted gain/(loss) per share (HRK per share) | 12 | 131.25 | (113.82) |

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 2021 | Year ended 31 December 2020 |
|---|---|---|---|
| **Profit/(Loss) for the year** | | **1,314** | **(1,137)** |
| Other comprehensive income, net of income tax: | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Remeasurement of defined benefit obligation | 34 | 1 | 2 |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | 34 | 32 | (60) |
| Gain/(loss) on non-current financial assets | 33 | 78 | (39) |
| **Other comprehensive gain/(loss), net of income tax** | | **111** | **(97)** |
| **Total comprehensive income/(loss) for the year** | | **1,425** | **(1,234)** |
| **Attributable to:** | | | |
| Owners of the Company | | 1,423 | (1,235) |
| Non-controlling interests | | 2 | 1 |

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 2021 | Year ended 31 December 2020 |
|---|---|---|---|
| Revenue from contracts with customers | 4 | 21,691 | 13,758 |
| Other operating income | 5 | 261 | 166 |
| **Total operating income** | | **21,952** | **13,924** |
| Changes in inventories of finished products and work in progress | | 166 | (660) |
| Cost of raw materials and consumables | | (8,952) | (5,665) |
| Depreciation, amortisation and impairment (net) | 6 | (1,735) | (1,963) |
| Other material costs | | (2,101) | (1,773) |
| Service costs | | (767) | (706) |
| Staff costs | 7 | (825) | (752) |
| Cost of other goods sold | | (6,005) | (3,344) |
| Impairment charges (net) | 8 | (36) | (80) |
| Provision for charges and risks (net) | 9 | (320) | (123) |
| Capitalised value of own performance | | 42 | 28 |
| **Total operating expenses** | | **(20,533)** | **(15,038)** |
| **Profit/(Loss) from operations** | | **1,419** | **(1,114)** |
| Finance income | 10 | 354 | 175 |
| Finance costs | 10 | (242) | (202) |
| **Net (loss)/gain from financial activities** | | **112** | **(27)** |
| **Share of (loss)/profit of joint ventures accounted for using the equity method** | 16 | **(9)** | **94** |
| **Profit/(Loss) before tax** | | **1,522** | **(1,047)** |
| Income tax (expense)/benefit | 11 | (249) | 114 |
| **Profit/(Loss) for the year** | | **1,273** | **(933)** |

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 2021 | Year ended 31 December 2020 |
|---|---|---|---|
| **Profit/(Loss) for the year** | | **1,273** | **(933)** |
| Other comprehensive income, net of income tax: | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Remeasurement of defined benefit obligation | 34 | (3) | - |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | 34 | 43 | (43) |
| Gain/(loss) on non-current financial assets | 33 | 78 | (39) |
| **Other comprehensive gain/(loss), net of income tax** | | **118** | **(82)** |
| **Total comprehensive income/(loss) for the year** | | **1,391** | **(1,015)** |

The accompanying accounting policies and notes form an integral part of this separate statement of other comprehensive income.

INA Group Consolidated Statement of Financial Position

At 31 December 2021

*(all amounts are presented in HRK millions)*

| ASSETS | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 | 449 | 485 |
| Property, plant and equipment | 14 | 11,429 | 11,700 |
| Right-of-use asset | 28 | 307 | 304 |
| Investments in associates and joint venture | 16 | 245 | 254 |
| Other investments | 17 | 17 | 17 |
| Long-term receivables | 18 | 835 | 843 |
| Deferred tax assets | 11 | 949 | 1,210 |
| Long-term marketable securities | | 42 | - |
| Non-current financial assets | 19 | 655 | 560 |
| **Total non–current assets** | | **14,928** | **15,373** |
| **Current assets** | | | |
| Inventories | 20 | 2,146 | 1,624 |
| Trade receivables (net) | 21,37 | 2,007 | 1,206 |
| Other receivables | 22 | 164 | 192 |
| Corporate income tax receivables | | 6 | 5 |
| Other current assets | 23 | 79 | 89 |
| Marketable securities | | 17 | 78 |
| Cash and cash equivalents | 24 | 2,630 | 399 |
| | | **7,049** | **3,593** |
| Held-for-sale assets | | 13 | 30 |
| **Total current assets** | | **7,062** | **3,623** |
| **TOTAL ASSETS** | | **21,990** | **18,996** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 32 | 9,000 | 9,000 |
| Legal reserves | | 199 | 199 |
| Fair value reserves | 33 | 280 | 202 |
| Other reserves | 34 | 1,562 | 1,529 |
| Accumulated losses | 35 | (274) | (1,586) |
| **Equity attributable to owners of the Company** | | **10,767** | **9,344** |
| Non-controlling interest | 36 | 15 | 13 |
| **TOTAL EQUITY** | | **10,782** | **9,357** |
| **Non–current liabilities** | | | |
| Long-term debts | 27 | 1,983 | - |
| Long-term lease liabilities | 28 | 228 | 232 |
| Other non-current liabilities | 29 | 29 | 33 |
| Employee benefit obligation | 31 | 67 | 64 |
| Provisions | 30 | 3,668 | 3,696 |
| Deferred tax liabilities | 11 | 15 | 16 |
| **Total non–current liabilities** | | **5,990** | **4,041** |
| **Current liabilities** | | | |
| Bank loans and current portion of long-term debts | 25,27 | 1,145 | 2,085 |
| Current portion of long-term lease liabilities | 28 | 84 | 77 |
| Trade payables | 26,37 | 2,143 | 1,426 |
| Taxes and contributions | 26 | 938 | 637 |
| Other current liabilities | 26 | 586 | 1,122 |
| Employee benefit obligation | 31 | 4 | 4 |
| Provisions | 30 | 318 | 247 |
| **Total current liabilities** | | **5,218** | **5,598** |
| **Total liabilities** | | **11,208** | **9,639** |
| **TOTAL EQUITY AND LIABILITIES** | | **21,990** | **18,996** |

The accompanying accounting policies and notes form an integral part of this consolidated statement of financial position.

INA, d.d. Separate Statement of Financial Position

At 31 December 2021

*(all amounts are presented in HRK millions)*

| ASSETS | Note | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 | 412 | 415 |
| Property, plant and equipment | 14 | 10,160 | 10,417 |
| Right-of-use asset | 28 | 438 | 473 |
| Investment in subsidiaries | 15 | 1,826 | 1,827 |
| Investments in associates and joint venture | 16 | 245 | 254 |
| Other investments | 17 | 647 | 767 |
| Long-term receivables | 18 | 834 | 850 |
| Deferred tax assets | 11 | 799 | 1,054 |
| Long-term marketable securities | | 42 | - |
| Non-current financial assets | 19 | 655 | 560 |
| **Total non–current assets** | | **16,058** | **16,617** |
| **Current assets** | | | |
| Inventories | 20 | 1,913 | 1,399 |
| Intercompany receivables | 37 | 229 | 173 |
| Trade receivables (net) | 21,37 | 1,749 | 866 |
| Other receivables | 22 | 118 | 155 |
| Other current assets | 23 | 74 | 98 |
| Marketable securities | | 17 | 78 |
| Cash and cash equivalents | 24 | 2,573 | 351 |
| | | **6,673** | **3,120** |
| Assets classified as held for sale | | - | 7 |
| **Total current assets** | | **6,673** | **3,127** |
| **TOTAL ASSETS** | | **22,731** | **19,744** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 32 | 9,000 | 9,000 |
| Legal reserves | | 199 | 199 |
| Fair value reserves | 33 | 280 | 202 |
| Other reserves | 34 | 1,211 | 1,171 |
| Retained earnings/(Accumulated losses) | 35 | 1,032 | (241) |
| **TOTAL EQUITY** | | **11,722** | **10,331** |
| **Non–current liabilities** | | | |
| Long-term debts | 27 | 2,112 | - |
| Long-term lease liabilities | 28 | 344 | 379 |
| Other non-current liabilities | 29 | 28 | 33 |
| Employee benefit obligation | 31 | 21 | 17 |
| Provisions | 30 | 3,841 | 3,862 |
| **Total non–current liabilities** | | **6,346** | **4,291** |
| **Current liabilities** | | | |
| Bank loans and current portion of long-term debts | 25,27 | 940 | 1,873 |
| Current portion of long-term lease liabilities | 28 | 101 | 100 |
| Intercompany payables | 37 | 281 | 346 |
| Trade payables | 26,37 | 1,857 | 1,104 |
| Taxes and contributions | 26 | 809 | 554 |
| Other current liabilities | 26 | 431 | 965 |
| Employee benefit obligation | 31 | 1 | 2 |
| Provisions | 30 | 243 | 178 |
| **Total current liabilities** | | **4,663** | **5,122** |
| **Total liabilities** | | **11,009** | **9,413** |
| **TOTAL EQUITY AND LIABILITIES** | | **22,731** | **19,744** |

The accompanying accounting policies and notes form an integral part of this separate statement of financial position.

*(all amounts are presented in HRK millions)*

| | Share capital | Legal reserves | Fair value reserves | Other reserves | (Accumulated losses) / Retained earnings | Attributable to equity holders of the parent | Non controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **9,000** | **166** | **241** | **1,590** | **207** | **11,204** | **12** | **11,216** |
| Transfer | **-** | **-** | - | - | (2) | (2) | - | (2) |
| Transfer to legal reserves from retained earnings | - | 33 | - | (3) | (30) | **-** | **-** | - |
| Dividend paid | - | - | - | - | (623) | (623) | - | (623) |
| **Subtotal** | **9,000** | **199** | **241** | **1,587** | **(448)** | **10,579** | **12** | **10,591** |
| Loss for the year | - | - | - | - | (1,138) | (1,138) | 1 | (1,137) |
| Other comprehensive loss, net | - | - | (39) | (58) | - | (97) | - | (97) |
| **Total comprehensive (loss)/gain for the year** | **-** | **-** | **(39)** | **(58)** | **(1,138)** | **(1,235)** | **1** | **(1,234)** |
| **Balance at 31 December 2020** | **9,000** | **199** | **202** | **1,529** | **(1,586)** | **9,344** | **13** | **9,357** |
| Profit for the year | - | - | - | - | 1,312 | 1,312 | 2 | 1,314 |
| Other comprehensive income, net | - | - | 78 | 33 | - | 111 | - | 111 |
| **Total comprehensive gain for the year** | **-** | **-** | **78** | **33** | **1,312** | **1,423** | **2** | **1,425** |
| **Balance at 31 December 2021** | **9,000** | **199** | **280** | **1,562** | **(274)** | **10,767** | **15** | **10,782** |

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

For the year ended 31 December 2021

*(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 2020** | **9,000** | **166** | **241** | **1,214** | **1,273** | **11,894** |
| Transfer to legal reserves from retained earnings | - | 33 | - | - | (33) | - |
| Profit brought forward from legal merger | - | - | - | - | 75 | 75 |
| Dividend paid | - | - | - | - | (623) | (623) |
| **Subtotal** | **9,000** | **199** | **241** | **1,214** | **692** | **11,346** |
| Loss for the year | - | - | - | - | (933) | (933) |
| Other comprehensive loss, net | - | - | (39) | (43) | - | (82) |
| **Total comprehensive loss for the year** | **-** | **-** | **(39)** | **(43)** | **(933)** | **(1,015)** |
| **Balance at 31 December 2020** | **9,000** | **199** | **202** | **1,171** | **(241)** | **10,331** |
| Profit for the year | - | - | - | - | 1,273 | 1,273 |
| Other comprehensive income, net | - | - | 78 | 40 | - | 118 |
| **Total comprehensive gain for the year** | **-** | **-** | **78** | **40** | **1,273** | **1,391** |
| **Balance at 31 December 2021** | **9,000** | **199** | **280** | **1,211** | **1,032** | **11,722** |

The accompanying accounting policies and notes form an integral part of this separate statement of changes in equity.

*(all amounts are presented in HRK millions)*

| | Note | Year ended 31 Dec 2021 | Year ended 31 Dec 2020 |
|---|---|---|---|
| **Profit/(Loss) for the year** | | **1,314** | **(1,137)** |
| **Adjustments for:** | | | |
| Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net) | | 1,813 | 2,289 |
| Income tax expense/(benefit) recognised in profit and loss | | 273 | (135) |
| Impairment charges (net) | | 81 | 108 |
| Gain on sale of property, plant and equipment | | (36) | (11) |
| Foreign exchange (gain)/loss | | (10) | 16 |
| Interest expense/(gain) (net) | | 13 | (16) |
| Share of loss/(profit) of joint ventures accounted for using the equity method | | 9 | (94) |
| Other finance (income)/expense recognised in profit and loss | | (171) | 12 |
| Increase/(decrease) in provisions | | 258 | (14) |
| Decommissioning interests and other provision | | 74 | 56 |
| Net loss on derivative financial instruments | | 288 | 242 |
| Other non-cash items | | - | (3) |
| | | **3,906** | **1,313** |
| **Movements in working capital** | | | |
| (Increase)/decrease in inventories | | (967) | 402 |
| (Increase)/decrease in receivables and prepayments | | (1,655) | 570 |
| Increase/(decrease) in trade and other payables | | 2,103 | (33) |
| **Cash generated from operations** | | **3,387** | **2,252** |
| Taxes paid | | (22) | (19) |
| **Net cash inflow from operating activities** | | **3,365** | **2,233** |
| **Cash flows used in investing activities** | | | |
| Capital expenditures, exploration and development costs | | (1,602) | (1,213) |
| Payments for intangible assets | | (131) | (74) |
| Proceeds from sale of non-current assets | | 59 | 17 |
| (Investment)/proceeds from sale in securities | | (42) | 39 |
| Dividends received | | 170 | 9 |
| Interest received and other financial income | | 18 | 39 |
| Loans and other investments (net) | | 3 | 6 |
| **Net cash used in investing activities** | | **(1,525)** | **(1,177)** |
| **Cash flows from financing activities** | | | |
| Change in long-term borrowings (net) | | - | (332) |
| Change in short-term borrowings (net) | | (988) | (685) |
| Proceeds from bonds issuance | | 1,983 | - |
| Dividends paid | | (585) | (38) |
| Payment of principal portion of lease liabilities (net) | | 3 | (70) |
| Interest paid on short-term loans and other interest charges | | (13) | (97) |
| **Net cash flows from/(used in) financing activities** | | **400** | **(1,222)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,240** | **(166)** |
| At 1 January | | 399 | 606 |
| Effect of foreign exchange rate changes | | (9) | (36) |
| **At 31 December** | 24 | **2,630** | **404** |
| Overdrafts | | - | (5) |
| **Cash and cash equivalents in statement of financial position** | | **2,630** | **399** |

The accompanying accounting policies and notes form an integral part of this consolidated statement of cash flow.

*(all amounts are presented in HRK millions)*

| | Note | Year ended 31 Dec 2021 | Year ended 31 Dec 2020 |
|---|---|---|---|
| **(Loss)/Profit for the year** | | **1,273** | **(933)** |
| **Adjustments for:** | | | |
| Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net) | | 1,735 | 1,963 |
| Income tax expense/(benefit) recognised in profit and loss | | 249 | (114) |
| Impairment charges (net) | | 36 | 80 |
| Gain on sale of property plant and equipment | | (9) | (10) |
| Foreign exchange loss | | 35 | 21 |
| Interest (gain)/expense (net) | | (11) | (38) |
| Share of loss/(gain) of joint ventures accounted for using the equity method | | 9 | (94) |
| Other finance income recognised in profit and loss | | (215) | (15) |
| Decrase/(increase) in provision | | 258 | (17) |
| Decommissioning interests and other provision | | 78 | 58 |
| Net loss on derivative financial instruments | | 288 | 242 |
| Other non-cash items | | (1) | (5) |
| | | **3,725** | **1,138** |
| **Movements in working capital** | | | |
| (Increase)/decrease in inventories | | (915) | 376 |
| (Increase)/decrease in receivables and prepayments | | (1,746) | 735 |
| Increase in trade and other payables | | 2,063 | 128 |
| **Cash generated from operations** | | **3,127** | **2,377** |
| Taxes paid | | (10) | (3) |
| **Net cash inflow from operating activities** | | **3,117** | **2,374** |
| **Cash flows used in investing activities** | | | |
| Capital expenditures, exploration and development costs | | (1,535) | (1,189) |
| Payment for intangible assets | | (130) | (71) |
| Proceeds from sale of non-current assets | | 17 | 16 |
| (Investment)/proceeds from sale in securities | | (42) | 39 |
| Dividends received | | 169 | 9 |
| Dividends received from subsidiaries | | 44 | - |
| Interest received and other financial income | | 43 | 61 |
| Loans and other investments (net) | | 134 | (19) |
| **Net cash used in investing activities** | | **(1,300)** | **(1,154)** |
| **Cash flows from financing activities** | | | |
| Change in long-term borrowings (net) | | - | (332) |
| Change in short-term borrowings (net) | | (950) | (783) |
| Proceeds from bonds issuance | | 1,983 | - |
| Dividends paid | | (585) | (38) |
| Payment of principal portion of lease liabilities (net) | | (33) | (96) |
| Interest paid on short-term loans and other interest charges | | (13) | (97) |
| **Net cash flows from/(used in) financing activities** | | **402** | **(1,346)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,219** | **(126)** |
| At 1 January | | 351 | 502 |
| Effect of foreign exchange rate changes | | 3 | (25) |
| **At 31 December** | 24 | **2,573** | **351** |

The accompanying accounting policies and notes form an integral part of this separate statement of cash flow.

*(all amounts are presented in HRK millions)*

## 1. GENERAL

### *History and incorporation*

INA-Industrija nafte, d.d. was founded on 1 January 1964 through the merger of Naftaplin Zagreb (oil and gas exploration and production company) with the Rijeka Oil Refinery and the Sisak Oil Refinery. Today, INA, d.d. is a medium-sized European oil company with the leading role in Croatian oil business and a strong position in the region in oil and gas exploration, refining and distribution of oil and oil derivatives.

INA-Industrija nafte, d.d. is a joint stock company owned by the Hungarian oil company MOL Nyrt (49.08%), the Republic of Croatia (44.84%) and institutional and private investors (6.08%). On 30 January 2009, MOL Nyrt and the Government of Croatia signed the Amendment to the Shareholders Agreement. Under the Amendment MOL Nyrt delegates five out of the nine members in the Supervisory Board and three out of six members of the Management Board including the President of the Management Board.

The company MOL Nyrt, (Hungary, Oktober huszonharmadika u. 18. Budapest) prepares the consolidated financial statements for the larger Group of companies, in which INA, d.d. and INA Group are included as a MOL Group subsidiaries. The consolidated financial statements of the MOL Group are available on official website: www.molgroup.info.

The ownership structure* of the INA Group as of 31 December 2021 and 31 December 2020:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | **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 504 service stations in operation as of 31 December 2021 (of which 388 in Croatia and 116 outside Croatia);

(v) trading in petroleum products through a network of foreign subsidiaries and representative offices, principally in Sarajevo, Ljubljana and Podgorica; and

(vi) service activities incidental to onshore and offshore oil extraction through its drilling and oilfield services subsidiary Crosco d.o.o.

*(all amounts are presented in HRK millions)*

## 1. GENERAL (CONTINUED)

The Group has dominant positions in Croatia over oil and gas exploration and production, oil refining, and the sale of gas and petroleum products. INA, d.d. also holds an 11.795% interest in JANAF d.d., the company that owns and operates the Adria pipeline system.

Headquarter of the Group is located in Zagreb, Avenija V. Holjevca 10, Croatia. As at 31 December 2021, there were 9,635 employees at the Group (9,829 as at 31 December 2020). As at 31 December 2021, there were 3,222 employees at INA, d.d. (3,411 as at 31 December 2020).

During 2021, the average number of employees of the INA Group was 9,751 (2020: 10,174 employees), while the average number of employees of INA, d.d. was 3,280 (2020: 3,536 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 *(since 17 December 2021 until 17 June 2022)* |
| József Molnár | Vice President of the Supervisory Board *(since 14 June 2017 until 17 December 2024)* |
| Davor Filipović | Member of the Supervisory Board *(since 17 December 2021 until 17 June 2022)* |
| Branimir Škurla | Member of the Supervisory Board *(since 17 December 2021 until 17 June 2022)* |
| László Uzsoki | Member of the Supervisory Board *(since 14 June 2017 until 17 December 2024)* |
| Zsuzsanna Eva Ortutay | Member of the Supervisory Board *(since 18 December 2020 until 17 December 2024)* |
| Gabriel Szabó | Member of the Supervisory Board *(since 18 December 2020 until 17 December 2024)* |
| Domokos Szollár | Member of the Supervisory Board *(since 18 December 2020 until 17 December 2024)* |
| Jasna Pipunić | Representative of employees in the Supervisory Board *(since 5 May 2020 until 5 May 2024)* |

**Management Board**

| | |
|---|---|
| Sándor Fasimon | President of the Management Board *(since 1 July 2018 until 31 March 2024)* |
| Niko Dalić | Member of the Management Board *(since 1 April 2020 until 31 March 2025)* |
| Barbara Dorić | Member of the Management Board *(since 1 April 2020 until 31 March 2025)* |
| Darko Markotić | Member of the Management Board *(since 1 April 2020 until 31 March 2025)* |
| Ferenc Zoltán Horváth | Member of the Management Board *(since 1 February 2021 until 31 March 2024)* |
| József Farkas Simola | Member of the Management Board *(since 1 February 2021 until 31 March 2024)* |

**Council of Directors**

*Members of the Council of Directors appointed by the decision of the Management Board:*

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

## 2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

***Presentation of the financial statements***

These consolidated and separate financial statements are prepared on the consistent presentation and classification basis. When the presentation or classification of items in the consolidated and separate financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable.

The Company's and the Group's financial statements are prepared in millions of HRK, which is the Company's functional currency.

***Basis of accounting***

The Company maintains its accounting records in Croatian language, in Croatian kuna, in accordance with Croatian law and the accounting principles and practices observed by enterprises in Croatia. The accounting records of the Company's subsidiaries in Croatia and abroad are maintained in accordance with the requirements of the respective local jurisdictions.

The Company's and the Group's financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities under conditions of hyperinflation in the period to 1993 and except for certain financial instruments that are measured at fair values at the end of each reporting period, and in accordance with International Financial Reporting Standards as adopted by European Union (EU) (IFRS).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would consider those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

***Adoption of new and revised International Financial Reporting Standards***

*Standards and Interpretations effective in the current period*

The following new standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the EU are effective for the current period:

## 2. ACCOUNTING POLICIES (CONTINUED)

***Adoption of new and revised International Financial Reporting Standards (continued)***
*Standards and Interpretations effective in the current period (continued)*

- **Amendment to IFRS 16** *Leases* Covid 19-Related Rent Concessions, issued on 31 March 2020 (effective date for annual periods beginning on or after 1 April 2021).
- **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).

The adoption of these Standards and Interpretations had no significant impact on the financial statements of the Company and the Group.

*Standards and Interpretations issued by IASB and endorsed by the EU but not yet effective*

- **Amendments to IFRS 3** *Business Combinations*; **IAS 16** *Property, Plant and Equipment*; **IAS 37** *Provisions, Contingent Liabilities and Contingent Assets*, all issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).
- **Amendments to** *Annual Improvements 2018-2020*, issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).
- **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).

*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 2022:

- **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 IAS 1** *Presentation of Financial Statements and IFRS Practice Statement 2*: Disclosure of Accounting policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8** *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **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).

The Company and the Group does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on the financial statements of the Company and the Group.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Investments in subsidiaries in Parent Company financial statement (INA, d.d.)***

In the Company's financial statements, investments in subsidiaries are accounted for at cost and reduced for impairment.

***Basis of consolidated financial statements (INA Group)***

The consolidated financial statements incorporate the financial statements of INA, d.d. (the Company) and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of a control, is accounted for as equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Basis of consolidated financial statements (INA Group) (continued)***

The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

***Legal merger***

In a case of legal merger of the companies in the Group, pooling of interest method is applied, balances of company that is merged are carried at net book values to a company, which is legal successor, and no restatements of prior periods are done.

***Business combination***

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Business combination (continued)***

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attribute amount of goodwill is included in the determination of the gain or loss on disposal.

*Acquisition of entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that ultimately controls the Group are accounted for using pooling of interest accounting at the date of acquisition. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the parent group. The components of equity of the acquired entities are added to the same components within the Group equity except for issued capital. Consolidated financial statements reflect the results of combining entities from the date of acquisition.

Business combinations under common control are accounted for based on carrying values, with any effects directly recognised in equity.

***Investments in associates and joint ventures***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement and legal entity whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

An investment in an associate or a joint venture is accounted for using the equity method on separate and consolidated financial statements from the date on which the investee becomes an associate or a joint venture. The Company and the Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Interests in joint operations***

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which the Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

***Oil and gas properties***

*Exploration and appraisal costs*

Exploration and appraisal costs are accounted for on the successful efforts method. Costs relating to exploration and appraisal drilling are initially capitalised as intangible oil and gas assets pending determination of the commercial viability of the relevant oil and gas properties.

License and data provision costs and costs associated with geological and geophysical activities are charged to the statement of profit or loss in the period in which they are incurred.

If prospects are subsequently deemed unsuccessful on completion of evaluation, the associated costs are charged to the statement of profit or loss in the period. If the prospects are deemed commercially viable, such costs are transferred to oil and gas properties. Management Board reviews the status of such prospects regularly.

*Fields under development*

Oil and gas field development costs are capitalised as tangible oil and gas assets.

*Depreciation*

Capitalised exploration and development costs of producing domestic and foreign oil and gas properties are depreciated using a unit of production method, in the proportion of actual production for the period to the total estimated remaining commercial reserves of the field.

*Commercial reserves*

Commercial reserves are proved developed oil and gas reserves. Changes in the commercial reserves of fields affecting unit of production calculations are dealt with prospectively over the revised remaining reserves. The Group performed reserves determination in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) guidelines.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Intangible assets***

Intangible assets acquired separately are capitalized at cost and intangible assets acquired from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight-line method, except intangible assets on oil and gas fields are charged with a unit of production method. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage cannot be amortized. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

***Property, plant and equipment***

Property, plant and equipment are shown at historical cost or valuation less accumulated depreciation and any accumulated impairment loss, except for land, which is stated at cost less any accumulated impairment loss. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.

Expenditures incurred after property, plant and equipment have been put into operation are normally charged to statement of profit or loss in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalised as an additional cost of property, plant and equipment. Costs eligible for capitalisation include costs of periodic, planned significant inspections and overhauls necessary for further operation.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

*Depreciation, Depletion and Amortisation*

Intangible assets and property, plant and equipment in use (excluding oil and gas properties) are depreciated on a straight-line basis on the following basis:

| | |
|---|---|
| Software | 5 years |
| Buildings | 5 – 50 years |
| Refineries and chemicals manufacturing plants | 3 – 15 years |
| Service stations | 30 years |
| Telecommunication and office equipment | 2 – 10 years |

The residual values, useful lives and depreciation methods are reviewed at least annually.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Impairment of tangible and intangible assets other than goodwill***

At least annually and whenever there is an indication that the assets may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

***Leases***

The Company and the Group assess contracts to evaluate whether a contract contains a lease or not. That is, lease is a contract (or part of a contract), that conveys the right to use an asset (the underlying asset), for specified period in exchange for consideration.

*The Company and the Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. There are two key aspects:

1. *Right-of-use assets*

The Company and the Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Leases (continued)***

Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as presented in *Property, plant and equipment.* If ownership of the leased asset transfers to the Company and the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are presented as separate line in the statement of financial position.

The right-of-use assets are also subject to impairment. Refer to the accounting policies depreciation shall be calculated as for *Property, plant and equipment* in accordance with IAS 16.

*2. Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease liabilities are presented as 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 Company and the Group 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. 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 and contract assets.

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 third party items under simplified approach, loss rates are used to calculate the expected credit loss on these items at initial recognition;
- the loss rate is the arithmetic average of the yearly historical loss rates of the last three years. Upon calculating the historical loss rate for a given year, only receivables originated in given year are considered in the calculation;
- this average of yearly historical loss rates is adjusted by the forward-looking macroeconomic element.

Receivables that are a subject of a court process (court dispute, bankruptcy, liquidation) are written off from accounting records.

***Inventories***

Inventories comprise purchased goods and goods held for resale, finished products and unfinished products in the process of production (work-in-progress), semi-finished products, as well as materials and products to be used in the production process.

Inventories as short-term assets are valued and stated separately: inventories of crude oil and other raw materials, inventories of spare parts, inventories of small inventory items, car tires and packaging material, inventories of work in progress, inventories of finished goods, inventories of merchandise.

## 2. 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 comprise 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 finished goods, materials and services. 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 goods. 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 2021 was 0,81% and for 2020, it was 1%.

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. ACCOUNTING POLICIES (CONTINUED)

### *Foreign currencies*

The individual financial statements of each Company and the Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Croatian kuna (HRK), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In the financial statements of the individual Group entities, transactions in currencies other than the entity's functional currency are translated to the functional currency of entity at the rates of exchange prevailing on the dates of the transactions.

At each statement of financial position date, monetary items denominated in foreign currencies are retranslated to the functional currency of the entity at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Croatian kuna using exchange rates prevailing on the statement of financial position date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising from year-end translation, if any, are classified as equity and transferred to the Group's other reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

The foreign concessions of INA, d.d. meet the definition of foreign operation and are treated as such.

Business activities of INA, d.d. in Egypt and Angola are carried out with a significant degree of autonomy so the functional currency is US dollar (USD) except on gas field Isabella, (located in international waters in the North Adriatic Sea) where the functional currency is euro (EUR). The total revenue of a foreign operation (from the sale of crude oil and natural gas) is denominated in that currency (USD or EUR), as most of the costs. Capital expenditures are planned and presented in dollars or euros. Although they are not separate legal entities, they meet the definition of a foreign operation in accordance with IAS 21.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences 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. 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 Costs***

For defined benefit plans for retirement and jubilee awards, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each annual reporting period.
Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment.

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.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax.

*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.

*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.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Financial assets***

*Initial measurement of financial instruments*

Financial assets are divided into two main categories, those measured at amortized cost and those measured at fair value. Fair value measurement is further divided into fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

*Subsequent measurement of financial assets*

Financial assets are classified in four categories:

*Financial assets at amortized cost (debt instruments)*

A debt instrument that meets the following two conditions is measured at amortized cost:

- Business model test: The financial asset is held to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes); and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial assets at fair value through other comprehensive income (debt instruments)*

A debt instrument that meets the following two conditions must be measured at FVTOCI unless the asset is designated at FVTPL under the fair value option:

- Business model test: The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company and the Group 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).

## 2. ACCOUNTING POLICIES (CONTINUED)

***Financial assets (continued)***

*Subsequent measurement of financial assets (continued)*

*Financial assets designated at fair value through other comprehensive income (equity instruments)*

Upon initial recognition, the Company and Group can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

The Company and the Group elected to classify its listed equity investments under this category (see note 40).

*Derecognition of financial assets*

The basic premise for the derecognition model is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety;
- specifically identified cash flows from an asset (or a group of similar financial assets);
- fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets); or
- fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

*Impairment*

The impairment model is based on the premise of providing for expected losses.

*General approach*

With the exception of purchased or originated credit impaired financial assets, expected credit losses are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date);
- or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Financial assets (continued)***

*Simplified approach*

The Company and the Group apply the simplified approach for the following financial assets: trade receivables, IFRS 15 contract assets and lease receivables. For all other financial instruments, general approach is applied.

Independently of the two approaches mentioned above, the impairment method stayed the same under the new standard in case of financial assets where there is an objective evidence on impairment. These are required to be assessed on a case-by-case basis. The maximum amount of impairment accounted for by the Company and Group is 100% of unsecured part of the financial asset.

***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's and the Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification.

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company and the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The Company and the Group do not have financial liabilities at fair value through profit or loss.

*Loans and borrowings*

This is the category most relevant to the Company and the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Financial liabilities (continued)***

*Derecognition of financial liabilities*

A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

The Company and the Group do not have any financial instrument whose classification has changed as a result of applying IFRS 9 and does not have any instrument that the Company and the Group designated upon initial recognition as at fair value through profit or loss in order to reduce a measurement or recognition inconsistency.

Impairment is only accounted for trade receivables. No impairment is recognised on the remaining financial instruments based on materiality, history and expectations.

***Segmental information***

IFRS 8 *Operating segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

***Provisions for decommissioning and other obligations***

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the discount factor, which is calculated as CPI (Consumer Price Index), and real interest rate. When discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provision relating to the decommissioning and removal of assets, such as an oil and gas production facility are initially treated as part of the cost of the related property, plant and equipment. Subsequent adjustments to the provision arising from changes in estimates as decommissioning costs, reserves and production of oil and gas, risk free interest such as discount rate and inflation rate are also treated as an adjustment to the cost of the property, plant and equipment and thus dealt with prospectively in the statement of profit or loss through future depreciation of the asset. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets.

## 2. 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 which are kept off-balance, 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 installation separately and recorded on emitting segment.

***Revenue from Contracts with Customers***

Under IFRS 15 the Company and the Group recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company and Group expect to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework.

The Company and the Group consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

In determining the transaction price, the Company and the Group consider the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer.

*Presentation and disclosure*

Contracts with customers are presented in statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the performance of the Company and the Group and the customer's payment.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the performing by transferring the related good or service to the customer.

Where the Company and the Group have performed the obligation by transferring a good or service to the customer and the customer has not yet paid the related consideration, a contract asset or a receivable is presented in the statement of financial position, depending on the nature of right to consideration. A contract asset is recognised when the Company’s and the Group’s right to consideration is conditional on something other than the passage of time, for example future performance of the Company and the Group. A receivable is recognised when the Company’s and the Group’s right to consideration is unconditional except for the passage of time.

Company’s and Group’s sales contracts generally comprise of only one performance obligation with the exception of loyalty points programme. As such, the Company and the Group do not disclose information about the allocation of the transaction price.

*Excise duties*

Excise duty is part of amounts collected on behalf of third parties and is excluded from revenues.

## 2. ACCOUNTING POLICIES (CONTINUED)

***Revenue from Contracts with Customers (continued)***

*Construction – maintenance and service contracts*

For each performance obligation satisfied over time, the Company and the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Management elected to use input method of calculating progress (costs incurred to date) in revenue recognition from construction contracts.

***Loyalty points programme***

The Company and the Group have the INA Loyalty Programme, Loyalty Points, which allows customers to accumulate points and reach certain status. Each status achived enables customer to receive certain benefits. The Loyalty Points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the benefits are used. Revenue is recognised upon usage of benefits by the customer.

When estimating the stand-alone selling price of the loyalty points, Company and the Group conside the likelihood that the customer will use the benefit. The Company and the Group updates its estimates of the benefits that will be used by the customers at lease once a year and any adjustments to the contract liability balance are charged against revenue.

***Government grants***

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company and the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. The Group has chosen to present grants related to income to be deducted with related expense in the statement of profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

***Critical judgements and estimates in applying accounting policies***

In the application of the accounting policies, which are described in note 2, Management made certain judgements and estimates that had a significant impact on the amounts reported in the financial statements (irrespective of the underlying estimates).

The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to employee benefits, impairment of assets, determination of fair values of assets and liabilities, estimated decommissioning costs, environmental provision and provision for legal cases as well as carrying value of investments and given loans to subsidiaries and contract balances. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

These judgements and estimates are provided in detail in the accompanying notes. However, the critical judgements and estimates relate to the following areas:

*Consequences of certain legal actions*

The Group is involved in number of litigations arisen from the regular course of business. If there is a present obligation as a result of a past event (taking into account all available evidence, including the opinion of law experts) for which it is probable that outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation, provisions are recorded (see note 30).

*Carrying value of property, plant and equipment*

The impairment calculation requires the estimate of the value in use of the cash generating units. Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are expected oil and gas prices, production volumes, operating and capital expenditures, discount rates, period of cash flow projections, as well as assumptions and judgments used in determining cash receipts and payments. At INA Group impairment of assets was recognized in the amount of HRK 14 million, while at INA, d.d. impairment of assets is not recognized as of 31 December 2021 (2020: INA Group HRK 490 million and INA, d.d. HRK 353 million).

*Carrying value of goodwill*

In 2021 impairment of goodwill was HRK 30 million (2020: HRK 94 million). The carrying amount of goodwill amounted to HRK 28 million as of 31 December 2021 (2020: HRK 58 million) (see note 13).

*Carrying value of intangible exploration and appraisal assets*

The carrying amount of intangible exploration and appraisal assets amounted to HRK 237 million as of 31 December 2021 and HRK 209 million as of 31 December 2020 (see note 13). At INA Group and INA, d.d. write-off of negative wells are recognized in amount of HRK 40 million at 31 December 2021 (2020: HRK 1 million at 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 3,512 million as of 31 December 2021 (2020: HRK 3,956 million) (see note 14). As of 31 December 2021, write-off of negative wells is recognized in amount of HRK 73 million (2020: HRK 57 million) and did not recognize impairment of production oil and gas assets (2020: HRK 94 million impairment and asset impairment reversals for HRK 96 million).

*Carrying value of Refining and Marketing assets*

The carrying amount of Refining and Marketing assets amounted to HRK 6,528 as of 31 December 2021 (2020: HRK 6,278 million). Refining and Marketing in respect of Consumer services and retail recorded value adjustment of tangible asset under construction in amount of HRK 9 million (2020: HRK 295 million).

***Key assumptions used***

*Refining and Marketing*

INA's management conducted an analysis of potential impairment triggers, in order to identify whether the key value drivers of the business (market demand, crack spreads, oil price) turned considerably to the worse and whether there have been significant changes in business operation which could disrupt future cash flows.
The analysis concluded that no triggering event for impairment test was identified for Refineries and Marketing.

*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.

The Management Board performed identification and assessment of indicators in accordance with IAS 36. Within Exploration and Production area, two fields - Annamaria (NACA cash generating unit) and Žutica - were identified with negative revision of the remaining 2P reserves above 1 MMboe which is considered as materiality threshold on asset level. Impairment test for those two fields was prepared, showing that there is no need to impair the assets.

*Investments in Syria*

Since 1998 INA, d.d. has had six (6) commercial discoveries on the Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadira and Mazrur) with significant oil, gas and condensate reserves. INA, d.d. temporarily suspended all business activities in Syria on 26 February 2012 by announcing Force Majeure to comply with the relevant sanctions of the US and the EU.

*Current situation*

Main production activities have been taken over by Hayan Petroleum Company's local workforce, which INA, d.d. considers illegal.

Company has assessed situation in Syria and identified no material change compared to previous years. EU sanctions remain in place and the political situation has not changed significantly either for the better of worse from INA's investment perspective. Therefore, no triggering event for asset impairment was identified in 2021.

In line with the Petroleum Resources Management System (PRMS) rules, and the fact that Syrian assets are under Force Majeure and INA, d.d. has no control for a period of almost 8 years, the reserves are shifted from 2P to 2C category in 2017. No changes in 2021.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

***Critical judgements and estimates in applying accounting policies (continued)***

***Key assumptions used (continued)***

*Political developments in Egypt*

Concerning the INA, d.d. operations in Egypt the key uncertainty of business is the timing of receivables collection. Hence, during 2021, and due to improved hydrocarbon prices environment after markets' relative stabilization, INA, d.d. managed to collect previously impaired receivables in the amount of HRK 61 million. At 31 December 2021 gross book value of Egyptian General Petroleum Corporation receivables amounted to HRK 135 million with no receivables older than 6 months.

*Quantification and determination of the decommissioning obligations for oil and gas properties*

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to legal and regulatory requirements, new technologies becoming available and experience of decommissioning other assets. The expected timing, scope, expenditure and risk profile may also change. Therefore, significant estimates and assumptions are made in determining decommissioning provisions. The provision estimate requires significant management judgement and is reviewed on annual basis.

Management makes estimates of future expenditure in connection with decommissioning obligations using prices by reference to prior similar activities, as well as other assumptions like the estimated effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates and discount rates. Furthermore, the time determined for the cash flows reflects the current estimates of priorities, technical equipment requirements and urgency of the obligations. The obligation with respect to the decommissioning provision for oil and gas properties amounted to HRK 3,068 million at INA Group and INA, d.d. HRK 3,273 million as at 31 December 2021 (31 December 2020: INA Group HRK 3,146 and INA, d.d. HRK 3,369) (see note 30).

*The level of provisioning for environmental obligations*

The applicable regulations, specifically the environmental protection legislation, do not specify the exact scope of activities or technology to be applied in provision based environmental liabilities. Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Generally, the timing of provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. In determining the level of provisions for environmental obligations, the management relies on prior experience and their own interpretation of the related legislation. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. At 31 December 2021 INA Group recognized environmental provision and provision for green rights in the amount of HRK 464 million (2020: HRK 327 million) and INA, d.d in the amount of HRK 461 million (2020: HRK 323 million) (see note 30), which covers investigation to determine the extent of contamination at specific site, treatment of accumulated waste generated by former activity, preliminary site investigation with corresponding laboratory analyses, soil excavation and replacement during the reconstruction of service stations and provision for emission quotas. It does not cover the cost of remediation in lack of detailed National regulations.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

***Critical judgements and estimates in applying accounting policies (continued)***

*Availability of taxable profit 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 deferred tax asset recognized is recoverable. At 31 December 2021 the carrying amount of deferred tax assets of the INA Group amounted to HRK 949 million (2020: HRK 1,210 million) and deferred tax liabilities amounted to HRK 15 million at 31 December 2021 (2020: HRK 16 million). At 31 December 2021 the carrying amount of deferred tax assets of INA, d.d. amounted to HRK 799 million, (31 December 2020: HRK 1,054 million respectively) (see note 11). If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by HRK 16 million at 31 December 2021 (31 December 2020: HRK 19 million).

*Actuarial estimates used determining the retirement bonuses*

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions of discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates. Provisions for retirement bonuses and jubilee awards for INA Group amounted to HRK 71 million as at 31 December 2021 (31 December 2020: HRK 68 million), and INA, d.d. amounted to HRK 22 million as at 31 December 2021 (31 December 2020: HRK 19 million) (see note 31).

*Useful life of the assets*

The INA Group and INA, d.d. review the estimated useful lives of property, plant and equipment at the end of each reporting period. Estimation of useful life is considered to be a significant accounting estimation that effects on the change in depreciation rates. The new review of asset useful life at the end of 2021 had no significant changes compared to the previous estimate.

*Lease term duration estimates*

The Company and the Group has applied judgement to determine the lease term for all lease contracts that include renewal or termination options. The assessment of whether the Company or Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and leased assets recognised. A change in the scope of a lease includes adding or terminating the right to use one or more underlying assets or shortening the contractual lease term. A lease payment holiday or lease payment reduction caused by COVID-19 alone is a change in consideration for a lease and is not, a change in the scope of a lease.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

***Critical judgements and estimates in applying accounting policies (continued)***

*Estimates of incremental borrowing rate for lease contracts*

The Company and the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). INA, d.d and INA Group review the estimated borrowing rates on quarterly basis.

*Hydrocarbon reserves*

Exploration and development projects involve many uncertainties and business risks that may give rise to significant expenditures. Exploration and development projects of the Company and the Group may be delayed or unsuccessful for many various reasons, including budgeted cost overrun, geological issues, difficulties in meeting the requirements of competent bodies, lacks of equipment and technical problems. These projects, particularly those pertaining to the wells in continental areas or other demanding terrain, often require deployment of new and advanced technologies, the development, purchase and installation of which may be expensive and that may not operate as expected.

Oil and natural gas exploration and drilling activities are subject to a wide range of inherent risks, including the risk of eruption, deposit damage, loss of control over the wells, perforation, craters, fire and natural disasters.

The Company and the Group estimate and report hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. Estimation of hydrocarbon reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company's and the Group's share of reportable volumes.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may affect the Company's and the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil and gas properties; property, plant and equipment; and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortization charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the Units of Production (UOP) method, or where the useful life of the related assets change;
- Provisions for decommissioning may require revision where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

As part of standard practice, resources and reserves level were assessed at the year end. Within the most relevant profiles, no fields with negative reserves change above materiality threshold have been identified. 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.

*(all amounts are presented in HRK millions)*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

***Critical judgements and estimates in applying accounting policies (continued)***

*Carrying value of investments and given loans to subsidiaries (INA, d.d.)*

The carrying amount of the investment in subsidiaries amounts to HRK 1,826 million as at 31 December 2021 and HRK 1,827 million as at 31 December 2020. The carrying amount of loans given to subsidiaries amounts to HRK 662 million as at 31 December 2021 and HRK 793 million at 31 December 2020.

Due to the significance exposure to subsidiaries (calculated as the sum of carrying value of investment and given loans, net) the existence of impairment indicators requires significant Management judgment in determining the appropriate approach for testing impairment.

*Contract balances*

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Trade receivables | 2,007 | 1,206 | 1,749 | 866 |
| Contract liabilities | 11 | 22 | - | - |

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 11 million in 2021 as well as HRK 22 million in 2020. The remaining performance obligations are expected to be recognised in following year.

Contract assets and contract liabilities are not presented in separate line in statement of financial position because they are not considered to be significant for the Company and the Group. Contract assets are presented in line other current asset while contract liabilities are presented in line other current liabilities in statement of financial position.

*Performance obligations*

Revenue from the sale and transportation of crude oil, natural gas, petroleum products and other merchandise is recognised when the customer obtains control of the goods, which is normally when title passes to the customer and the customer takes the physical possession, based on the contractual terms of the agreements.

Sales agreements mainly represent one performance obligation and the Company and the Group principally satisfies its performance obligations at a point in time.

*(all amounts are presented in HRK millions)*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### *Reclassification position of profit and loss*

The reclassification is performed in accordance with new INA Group Accounting policies and procedures and the comparable periods restated.

If the items in the consolidated and separate financial statements are amended, all comparative amounts are reclassified.

INA Group and INA, d.d. adjusted its classification between operating income and operating expense lines to align with MOL Group reporting practice, line Capitalised value of own performance was reclassified to Operating expenses in amount of HRK 286 million at INA Group, while in amount of HRK 28 million at INA, d.d. in 2020.

Additionally, at INA Group utilization of provisions in amount of HRK 197 million in 2020 was reclassified to the same line as realized costs (HRK 63 million in Other material cost, HRK 31 million in Service costs and HRK 103 million in Staff costs). At INA, d.d. utilization of provisions in amount of HRK 134 million in 2020 was reclassified to the same line as realized costs (HRK 61 million in Other material cost, HRK 22 million in Service costs and HRK 51 million in Staff costs).

The effect of reclassification of account of profit and loss and statement of financial position are as follows:

| **INA Group** | **31 December 2020 before reclassification** | **Reclassification** | **31 December 2020 reclassified** |
|---|---|---|---|
| Other material costs | (1,874) | 63 | (1,811) |
| Service costs | (465) | 31 | (434) |
| Staff costs | (1,731) | 103 | (1,628) |
| Provision for charges and risks (net) | 9 | (197) | (188) |
| **Total** | **(4,061)** | **-** | **(4,061)** |
| | | | |
| **Operating income** | | | |
| Capitalised value of own performance | 286 | (286) | - |
| **Operating expenses** | | | |
| Capitalised value of own performance | - | 286 | 286 |
| **Total** | **286** | **-** | **286** |

*(all amounts are presented in HRK millions)*

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

***Reclassification position of profit and loss (continued)***

| INA, d.d. | 31 December 2020 before reclassification | Reclassification | 31 December 2020 reclassified |
|---|---|---|---|
| Other material costs | (1,834) | 61 | (1,773) |
| Service costs | (728) | 22 | (706) |
| Staff costs | (803) | 51 | (752) |
| Provision for charges and risks (net) | 11 | (134) | (123) |
| **Total** | **(3,354)** | **-** | **(3,354)** |
| **Operating income** | | | |
| Capitalised value of own performance | 28 | (28) | - |
| **Operating expenses** | | | |
| Capitalised value of own performance | - | 28 | 28 |
| **Total** | **28** | **-** | **28** |

## 4. SEGMENT INFORMATION

The INA Group operates through three core business segments. The strategic business segments offer different products and services. Reporting segments, which in INA Group represent business operations, have been defined along value chain standard for the oil companies:

- Exploration and Production - exploration, production and selling of crude oil;
- Refining and Marketing - crude oil processing, wholesale of refinery products, selling of natural gas, selling of fuels and commercial goods in retail stations and logistics; and
- Corporate and other - in addition to the core segments above, the operations of INA Group provides services for core activities.

Information regarding the results of each reportable segment is included below. Profit from operations is used to measure performance, as management believes that such information is the most relevant in evaluating the result of certain segments. However, Group financing (including finance costs and finance income) and income taxes are managed on Group basis and are not relevant to making business decisions at the level of business segments.

Intersegment transfer represents the effect of unrealized profit arising in respect of transfers of inventories from Exploration and Production to Refining and Marketing. Evaluation of inventories of domestic crude, finished and semi-finished products in Refining and Marketing is based on the transfer price from Exploration and Production to Refining and Marketing. Elimination of unrealized profit (difference between transfer price and cost of domestic crude) is performed through intersegment transfer. For segmental reporting purposes, the transferor segment records a profit immediately at the point of transfer. However, at the Company level profit is only reported when the related third party sale has taken place.

*(all amounts are presented in HRK millions)*

### 4. SEGMENT INFORMATION (CONTINUED)

The following table presents information on revenues and expenditures of INA Group operations for 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 | (2,309) | (21,389) | (1,645) | 4,445 | (20,898) |
| **Profit/(loss) from operations** | **1,568** | **523** | **(299)** | **(290)** | **1,502** |
| Net finance gain | | | | | 94 |
| Share of net loss of joint ventures accounted for using the equity method | | | | | (9) |
| Profit before tax | | | | | 1,587 |
| Income tax expense | | | | | (273) |
| **Profit for the year** | | | | | **1,314** |

The following table presents information on revenues and expenditures of INA Group operations for 2020:

| **31 December 2020** | **Exploration and Production** | **Refining and Marketing** | **Corporate and other** | **Intersegment transfers and consolidation adjustments** | **Total** |
|---|---|---|---|---|---|
| Sales to external customers | 210 | 14,083 | 495 | - | 14,788 |
| Intersegment sales | 1,978 | 70 | 1,048 | (3,096) | - |
| **Total revenue** | **2,188** | **14,153** | **1,543** | **(3,096)** | **14,788** |
| Operating expenses, net of other operating income | (1,968) | (15,384) | (2,015) | 3,281 | (16,086) |
| **Profit/(loss) from operations** | **220** | **(1,231)** | **(472)** | **185** | **(1,298)** |
| Net finance loss | | | | | (68) |
| Share of net profit of joint ventures accounted for using the equity method | | | | | 94 |
| Loss before tax | | | | | (1,272) |
| Income tax benefit | | | | | 135 |
| **Loss for the year** | | | | | **(1,137)** |

*(all amounts are presented in HRK millions)*

## 4. SEGMENT INFORMATION (CONTINUED)

The following table presents information of financial position of INA Group operations for 2021:

| 31 December 2021<br>**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 | 4,182 | 6,676 | 1,082 | (511) | 11,429 |
| Right-of-use asset | 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 | | | | | 5,407 |
| **Total assets** | | | | | **21,990** |
| 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 (net) | 745 | 717 | 180 | (2) | 1,640 |
| Impairment of tangible and intangible assets (net) | 114 | 13 | 46 | - | 173 |
| Impairment charges (net)* | (40) | 63 | 57 | 1 | 81 |

The following table presents information of financial position of INA Group operations for 2020:

| 31 December 2020<br>**Assets and liabilities** | Exploration and Production | Refining and Marketing | Corporate and other | Intersegment transfers and consolidation adjustments | Total |
|---|---|---|---|---|---|
| Intangible assets | 229 | 44 | 212 | - | 485 |
| Property, plant and equipment | 4,592 | 6,417 | 1,177 | (486) | 11,700 |
| Right-of-use asset | 11 | 257 | 41 | (5) | 304 |
| Investments in associates and joint venture | - | 254 | - | - | 254 |
| Inventories | 166 | 1,343 | 220 | (105) | 1,624 |
| Trade receivables, net | 116 | 944 | 334 | (188) | 1,206 |
| Not allocated assets | | | | | 3,423 |
| **Total assets** | | | | | **18,996** |
| Trade payables | 196 | 1,064 | 353 | (187) | 1,426 |
| Not allocated liabilities | | | | | 8,213 |
| **Total liabilities** | | | | | **9,639** |
| **Other segment information** | | | | | |
| Property, plant and equipment | 426 | 747 | 64 | (24) | 1,213 |
| Intangible assets | 16 | 1 | 52 | - | 69 |
| **Capital expenditure:** | **442** | **748** | **116** | **(24)** | **1,282** |
| Depreciation, amortisation (net) | 739 | 783 | 279 | (2) | 1,799 |
| Impairment of tangible and intangible assets (net) | 54 | 295 | 141 | - | 490 |
| Impairment charges (net)* | 22 | 58 | 24 | 4 | 108 |

* See note 8

*(all amounts are presented in HRK millions)*

## 4. SEGMENT INFORMATION (CONTINUED)

**BY GEOGRAPHICAL**

**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 | 10,257 | 414 | 136 | 262 | 360 | 11,429 |
| Right-of-use asset | 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 | | | | | | 5,407 |
| **Total assets** | | | | | | **21,990** |
| **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** |

**INA Group**

| **31 December 2020** | **Republic of Croatia** | **Bosnia and Herzegovina** | **Egypt** | **Syria** | **Other countries** | **Total** |
|---|---|---|---|---|---|---|
| Intangible assets | 397 | 9 | - | - | 79 | 485 |
| Property, plant and equipment | 10,408 | 468 | 130 | 242 | 452 | 11,700 |
| Right-of-use asset | 285 | 12 | - | - | 7 | 304 |
| Investments in associates and joint venture | - | - | - | - | 254 | 254 |
| Inventories | 1,461 | 50 | 9 | - | 104 | 1,624 |
| Trade receivables, net | 823 | - | 114 | - | 269 | 1,206 |
| Not allocated assets | | | | | | 3,423 |
| **Total assets** | | | | | | **18,996** |
| **Other segment information** | | | | | | |
| Property, plant and equipment | 1,092 | 13 | 82 | - | 26 | 1,213 |
| Intangible assets | 69 | - | - | - | - | 69 |
| **Capital expenditure:** | **1,161** | **13** | **82** | **-** | **26** | **1,282** |

*(all amounts are presented in HRK millions)*

## 4. SEGMENT INFORMATION (CONTINUED)

**INA Group**

| | *Revenues from external customers* | |
|---|---|---|
| | **2021** | **2020** |
| Republic of Croatia | 13,250 | 8,819 |
| Bosnia and Hercegovina | 2,706 | 1,834 |
| Hungary | 2,041 | 1,618 |
| Switzerland | 794 | 695 |
| Great Britain | 715 | 204 |
| Malta | 408 | - |
| Singapur | 393 | - |
| Montenegro | 341 | 257 |
| Italy | 337 | 282 |
| Japan | 313 | - |
| Other countries | 1,102 | 1,079 |
| | **22,400** | **14,788** |

**INA, d.d.**

| | *Revenues from external customers* | |
|---|---|---|
| | **2021** | **2020** |
| Republic of Croatia | 13,187 | 8,630 |
| Bosnia and Hercegovina | 2,340 | 1,419 |
| Hungary | 1,797 | 1,434 |
| Switzerland | 793 | 695 |
| Great Britain | 715 | 204 |
| Malta | 408 | 3 |
| Singapore | 393 | 48 |
| Montenegro | 375 | 270 |
| Italy | 337 | 282 |
| Japan | 313 | - |
| Other countries | 1,033 | 773 |
| | **21,691** | **13,758** |

***Information about major customers***

In 2021 and 2020 there was no single third party customer that would contribute to 10% or more of the Company and the Group’s revenue.

*(all amounts are presented in HRK millions)*

## 5. OTHER OPERATING INCOME

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Income from rental activities | 58 | 52 | 62 | 56 |
| Profit from sale of assets | 53 | 21 | 15 | 12 |
| Income from collected damage claims | 40 | 1 | 40 | 1 |
| Income from contractual penalties | 38 | 4 | 37 | 3 |
| Surpluses | 25 | 18 | 23 | 16 |
| Commission fee and charges | 21 | 17 | 19 | 16 |
| Payment in kind | 11 | 10 | 9 | 9 |
| Income from sediment reduction | 10 | 15 | 10 | 15 |
| Rebates and returns | 10 | 5 | 10 | 5 |
| Other | 53 | 38 | 36 | 33 |
| **Total** | **319** | **181** | **261** | **166** |

## 6. DEPRECIATION, AMORTISATION AND IMPAIRMENT (NET)

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Depreciation of property, plant and equipment (note 14 b) | 1,498 | 1,572 | 1,449 | 1,464 |
| Amortisation of right -of-use asset | 84 | 76 | 104 | 98 |
| Amortisation of intangible assets (note 13) | 58 | 45 | 57 | 43 |
| Impairment of tangible and intangible assets (net) (note 13 and 14) | 165 | 588 | 120 | 355 |
| Write-off PP&E, net | 8 | 8 | 5 | 3 |
| | **1,813** | **2,289** | **1,735** | **1,963** |

*(all amounts are presented in HRK millions)*

## 7. STAFF COSTS

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Net payroll | 945 | 950 | 442 | 437 |
| Tax and contributions for pensions and health insurance | 541 | 557 | 280 | 288 |
| Other payroll related costs | 279 | 121 | 103 | 27 |
| | **1,765** | **1,628** | **825** | **752** |

INA Group has not used government grants during 2021.

During 2020 INA Group has met the criteria for Croatian Government's job preservation measures for mitigation the effects of special circumstances caused by COVID-19. At INA Group total amount of HRK 23 million was paid out as employment protection measures, while at INA, d.d. amount of HRK 20 million was paid out.
INA, d.d., IMS d.o.o. and Hostin d.o.o. are the entities within INA Group that have used the government grant. The amount paid out as employment protection measures was deducted from the staff cost.

INA Group and INA, d.d. employs the following number of employees, the majority of whom work within the Republic of Croatia:

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | Number of employees | Number of employees | Number of employees | Number of employees |
| Refining and Marketing | 5,673 | 5,801 | 1,750 | 1,916 |
| Corporate and other | 2,975 | 3,076 | 486 | 544 |
| Exploration and Production | 987 | 952 | 986 | 951 |
| | **9,635** | **9,829** | **3,222** | **3,411** |

*(all amounts are presented in HRK millions)*

## 8. IMPAIRMENT CHARGES (NET)

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Impairment of inventory, net | 114 | 83 | 69 | 65 |
| Impairment of trade receivables, net | (54) | 10 | (54) | 10 |
| Other impairment, net | 21 | 15 | 21 | 5 |
| | **81** | **108** | **36** | **80** |

*see note 3

## 9. PROVISIONS FOR CHARGES AND RISKS (NET)

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Provision for emission rights | 185 | 28 | 185 | 28 |
| Provision for decommissioning charges | 88 | - | 93 | - |
| Provision for renewable energy | 25 | 15 | 25 | 15 |
| Provision for taxation | 15 | - | - | - |
| Provision for retirement and jubilee benefits | 6 | 2 | 1 | - |
| Provision for incentives | 4 | 124 | 4 | 69 |
| (Reversal of provision)/provision for legal claims | (15) | 11 | 7 | 7 |
| Reversal of provision for environmental liabilities | (5) | (8) | (5) | (7) |
| Other provisions | 10 | 16 | 10 | 11 |
| | **313** | **188** | **320** | **123** |

*(all amounts are presented in HRK millions)*

## 10. FINANCE INCOME AND FINANCE COST

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Dividends received | 170 | 9 | 213 | 34 |
| Foreign exchange gains from trade receivables and payables | 134 | 69 | 86 | 29 |
| Foreign exchange gains from loans and cash | 22 | 59 | 12 | 58 |
| Interest received and other financial income | 17 | 28 | 43 | 53 |
| Reversal of impairment from investment | - | - | - | 1 |
| **Finance income** | **343** | **165** | **354** | **175** |
| Interest expense | 83 | 71 | 89 | 77 |
| Foreign exchange losses from loans and cash | 64 | 41 | 57 | 38 |
| Foreign exchange losses from trade receivables and payables | 61 | 103 | 56 | 71 |
| Fees on bank loans | 25 | 18 | 25 | 18 |
| Foreign exchange losses from provisions | 21 | - | 20 | - |
| Capitalized borrowing costs | (12) | (7) | (12) | (7) |
| Interest lease for right-of-use asset | 4 | 4 | 3 | 3 |
| Other financial costs | 3 | 3 | 4 | 2 |
| **Finance costs** | **249** | **233** | **242** | **202** |
| **Net gain/(loss) from financial activities** | **94** | **(68)** | **112** | **(27)** |

*(all amounts are presented in HRK millions)*

## 11. TAXATION

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Deferred tax charge related to origination and reversal of temporary differences | 242 | (166) | 239 | (117) |
| Current tax expense | 31 | 31 | 10 | 3 |
| **Income tax expense/(benefit)** | **273** | **(135)** | **249** | **(114)** |

Corporate income tax on profit generated in Croatia is determined by applying the rate of 18% to the tax base determined in accordance with the tax regulation prevailing in Croatia.

The income tax, determined on the basis of the accounting profit, is assessed as follows:

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Profit/(Loss) before tax | 1,587 | (1,272) | 1,522 | (1,047) |
| Expense tax calculated at 18% | 286 | (229) | 274 | (188) |
| Tax effect of previous years | 9 | 11 | - | - |
| Adjustment of deferred tax assets as a result of new estimation of utilization | 5 | 93 | 11 | 99 |
| Income tax expense of entities operating in other jurisdictions | 8 | 4 | 10 | 3 |
| Tax effect of permanent differences, net | (35) | (14) | (46) | (28) |
| **Income tax expense/(benefit)** | **273** | **(135)** | **249** | **(114)** |

Deferred tax assets and liabilities are determined by applying tax rates to be implemented in the period when the asset is realized or the liability is settled, based on tax rates (and tax regulation) that have been enacted or put into effect at the end of the reporting period.

Movements in deferred tax assets are set out in the following table:

*(all amounts are presented in HRK millions)*

**11. TAXATION (CONTINUED)**

| **INA Group** | **Impairment of current assets** | **Impairment of tangible and intangible assets** | **Reversal of depreciation for impaired asset** | **Other provisions** | **Impairment of financial investments** | **Tax losses** | **Deferred taxes on fair value** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **50** | **1,314** | **(723)** | **146** | **56** | **184** | **(7)** | **1,020** |
| Charge directly to equity | - | - | - | - | 8 | - | - | 8 |
| Reversal of temporary differences | (4) | (19) | (75) | (36) | - | (128) | - | (262) |
| Origination of temporary differences | 10 | 131 | - | 34 | 23 | 230 | - | 428 |
| **Balance at 31 December 2020** | **56** | **1,426** | **(798)** | **144** | **87** | **286** | **(7)** | **1,194** |
| Charge directly to equity | - | - | - | - | (17) | - | - | (17) |
| Reversal of temporary differences | (8) | (32) | (60) | (38) | (2) | (263) | - | (403) |
| Origination of temporary differences | 12 | 42 | - | 87 | 14 | 5 | - | 160 |
| **Balance at 31 December 2021** | **60** | **1,436** | **(858)** | **193** | **82** | **28** | **(7)** | **934** |

***State aid measures***

INA Group and INA, d.d. has not used government grants during 2021.

During 2020 INA Group used the measure of deferral of payment of tax liabilities due in the period from 1 April 2020 until 20 June 2020. The deferral of payment was granted for a period of three months from the statutory due dates of each individual tax liability. The measures were applied to personal income tax and contributions, corporation income tax and tourist bord membership. Total amount of deferred payments was HRK 105 million. Companies that used the measure are INA, d.d., Crosco, naftni servisi d.o.o., STSI, Integrirani tehnički servisi d.o.o., Hostin d.o.o., INA Maloprodajni servisi d.o.o., Petrol d.d., Plavi tim d.o.o. and INA Vatrogasni servisi d.o.o.

Furthermore, the measure of deferral of VAT payment for the amount of due tax liability that is higher than the amount for which taxpayer would be responsible in case that taxpayer calculated the value added tax in accordance with the gradual taxation according to the collected fees, and the measures of reporting for VAT arising on import as accounting categories. The effect of the measures is not relevant due to the temporary nature of these measures. Companies that used the measures were as follow: INA, d.d., Crosco, naftni servisi d.o.o., STSI, Integrirani tehnički servisi d.o.o., INA Maloprodajni servisi d.o.o. and Hostin d.o.o. Crosco, naftni servisi d.o.o. used the measure of partial deferred tax liabilities write-off in the amount of HRK 8 million.

*(all amounts are presented in HRK millions)*

## 11. TAXATION (CONTINUED)

| INA, d.d. | Impairment of current assets | Impairment of tangible and intangible assets | Reversal of depreciation for impaired asset | Other provisions | Impairment of financial investments | Tax losses | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **44** | **1,311** | **(723)** | **129** | **1** | **167** | **929** |
| Charge directly to equity | - | - | - | - | 8 | - | 8 |
| Reversal of temporary differences | (3) | (18) | (75) | (28) | - | (126) | (250) |
| Origination of temporary differences | 8 | 113 | - | 27 | 6 | 213 | 367 |
| **Balance at 31 December 2020** | **49** | **1,406** | **(798)** | **128** | **15** | **254** | **1,054** |
| Charge directly to equity | - | - | - | 1 | (17) | - | (16) |
| Reversal of temporary differences | (7) | (17) | (60) | (31) | (2) | (248) | (365) |
| Origination of temporary differences | 7 | 41 | - | 76 | 2 | - | 126 |
| **Balance at 31 December 2021** | **49** | **1,430** | **(858)** | **174** | **(2)** | **6** | **799** |

## 12. EARNINGS/(LOSS) PER SHARE

| | INA Group | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| **Basic and diluted earnings/(loss) per share (HRK per share)** | **131.25** | **(113.82)** |

| **Earnings** | INA Group | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| Earnings/(Loss) used in the calculation of total basic earnings per share | 1,312 | (1,138) |
| | **1,312** | **(1,138)** |

| **Number of shares** | INA Group | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| | 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 18 June 2021 regular Shareholders' Assembly of INA, d.d. was held and there was no decision on dividend approved.

On 26 August 2020 Regular Shareholders’ Assembly of INA, d.d. was held and decision on dividend pay-out in amount of HRK 623 million was voted (HRK 62.27 per share). The dividend payout in the amount of HRK 62.27 per share has been carried out on 25 September 2020 to all shareholders, except for the two largest owners, who agreed that their respective part of the dividend is paid out until 15 January 2021, in order to support Company cash flow.

*(all amounts are presented in HRK millions)*

## 13. INTANGIBLE ASSETS

| INA Group | Oil and gas properties | Software | Patents, Licences and other rights | Intangible assets under construction | Goodwill | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **245** | **105** | **66** | **67** | **152** | **635** |
| Additions | 13 | - | - | 56 | - | 69 |
| Amortisation | - | (42) | (3) | - | - | (45) |
| Foreign exchange translation of foreign operations | (2) | - | - | - | - | (2) |
| Disposal and impairment | (1) | - | (1) | - | (94) | (96) |
| Emission allowances (net) | - | - | (32) | - | - | (32) |
| Transfer | (46) | 13 | 1 | (12) | - | (44) |
| **Balance at 31 December 2020** | **209** | **76** | **31** | **111** | **58** | **485** |
| Additions | 66 | - | - | 57 | - | 123 |
| Amortisation | - | (55) | (3) | - | - | (58) |
| Foreign exchange translation of foreign operations | 2 | - | - | - | - | 2 |
| Disposal and impairment | (40) | - | - | - | (30) | (70) |
| Emission allowances (net) | - | - | (20) | - | - | (20) |
| Transfer | - | 63 | 8 | (84) | - | (13) |
| **Balance at 31 December 2021** | **237** | **84** | **16** | **84** | **28** | **449** |

At 31 December 2021 INA Group and INA, d.d. Exploration and Production recorded write-off of negative wells on intangible assets in the amount of HRK 40 million (2020: HRK 1 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 | Intangible assets under construction | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **196** | **104** | **56** | **64** | **420** |
| Additions | 13 | - | - | 54 | 67 |
| Amortisation | - | (42) | (1) | - | (43) |
| Foreign exchange translation of foreign operations | (2) | - | - | - | (2) |
| Disposal and impairment | (1) | - | - | - | (1) |
| Emission allowances (net) | - | - | (32) | - | (32) |
| Transfer | (46) | 13 | 2 | (12) | (43) |
| Effect of merger of subsidiary | 49 | - | - | - | 49 |
| **Balance at 31 December 2020** | **209** | **75** | **25** | **106** | **415** |
| Additions | 66 | - | - | 56 | 122 |
| Amortisation | - | (54) | (3) | - | (57) |
| Foreign exchange translation of foreign operations | 2 | - | - | - | 2 |
| Disposal and impairment | (40) | - | - | - | (40) |
| Emission allowances (net) | - | - | (20) | - | (20) |
| Transfer | - | 63 | 8 | (81) | (10) |
| Other | - | 1 | - | (1) | - |
| **Balance at 31 December 2021** | **237** | **85** | **10** | **80** | **412** |

*(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 2021** | **31 December 2020** |
| Cost | 202 | 202 |
| Accumulated impairment losses | (174) | (144) |
| **Net book value** | **28** | **58** |

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.

The recoverable amount of Rotary Zrt. business as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by Company management covering a five-year period. The discount rate applied to cash flow projections is 6.6% (2020 is 8.1%) and cash flows beyond the five-year period are prepared taking into consideration utilization days of Rotary’s assets, average daily rates based on past experience and future predictions in the projected period. The growth rates are based on industry growth forecasts and Upstream segment assumptions, where for this particular case no long-term growth rate is foreseen in line with expectations. Expenses are determined also in relation to the utilization of the assets.

The calculation of Rotary's net present value is most sensitive to the following assumptions:

- Daily rates
- Utilization
- Discount rates
- Employee cost.

Change in the estimates of these premises would influence the net present value (NPV) of the CGU, having an impact on the amount of impairment recognized in relation to Rotary's net realisable value. Sensitivity analysis of the key assumptions used in impairment test shows the following effects:

- +/-1% alteration in daily rate indicates HRK 9 million difference in NPV
- +/-1% alteration of utilisation indicates HRK 2 million difference in NPV
- 1% increase in the discount rate indicates HRK 12 million decrease, 1% decrease results in HRK 16 million increase in the NPV
- +/-1% alteration of employee costs indicates HRK 9 million difference in NPV.

Forecast daily rate prices and utilization days are based on management’s estimates and available market data. Discount rates represent the current market assessment of the risks specific to Rotary Zrt., taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT

***a) By business operations***

| **INA Group** | **Exploration and Production** | **Refining and Marketing** | **Corporate and other** | **Total** |
|---|---|---|---|---|
| **Balance at 31 December 2020** | | | | |
| Cost | 45,757 | 23,987 | 5,931 | **75,675** |
| Accumulated depreciation | 41,416 | 17,709 | 4,850 | **63,975** |
| **Net book value** | **4,341** | **6,278** | **1,081** | **11,700** |
| **Balance at 31 December 2021** | | | | |
| Cost | 46,104 | 24,774 | 5,609 | **76,487** |
| Accumulated depreciation | 42,190 | 18,246 | 4,622 | **65,058** |
| **Net book value** | **3,914** | **6,528** | **987** | **11,429** |

| **INA, d.d.** | **Exploration and Production** | **Refining and Marketing** | **Corporate and other** | **Total** |
|---|---|---|---|---|
| **Balance at 31 December 2020** | | | | |
| Cost | 46,157 | 22,650 | 1,885 | **70,692** |
| Accumulated depreciation | 41,642 | 17,017 | 1,616 | **60,275** |
| **Net book value** | **4,515** | **5,633** | **269** | **10,417** |
| **Balance at 31 December 2021** | | | | |
| Cost | 46,491 | 23,437 | 1,895 | **71,823** |
| Accumulated depreciation | 42,460 | 17,551 | 1,652 | **61,663** |
| **Net book value** | **4,031** | **5,886** | **243** | **10,160** |

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***b) By asset type***

| **INA Group** | **Oil and gas properties** | **Land and buildings** | **Plant and machinery** | **Vehicles and office equipment** | **Collective Consumption assets** | **Assets under construction** | **Total** |
|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | |
| **Balance at 1 January 2020** | **41,903** | **13,065** | **15,291** | **2,548** | **44** | **2,261** | **75,112** |
| Additions | 384 | - | - | - | - | 829 | 1,213 |
| Change in capitalised decommissioning costs | 21 | - | - | - | - | - | 21 |
| Assets put in use, Transfer | 1,003 | 263 | 427 | 178 | - | (1,871) | - |
| Transfer to assets-held-for-sale | - | (40) | (142) | (6) | - | - | (188) |
| Transfer from intangible asset | 81 | 2 | 2 | - | - | (6) | 79 |
| Disposals | (2) | (46) | (148) | (32) | - | (2) | (230) |
| Currency translation, FX of foreign operations | (36) | (209) | (73) | (14) | - | - | (332) |
| Other | - | - | 2 | (2) | - | - | - |
| **Balance at 31 December 2020** | **43,354** | **13,035** | **15,359** | **2,672** | **44** | **1,211** | **75,675** |
| Additions | 515 | - | - | - | - | 960 | 1,475 |
| Change in capitalised decommissioning costs | (134) | - | - | - | - | - | (134) |
| Assets put in use, Transfer | 2 | 132 | 356 | 82 | - | (559) | 13 |
| Transfer to assets-held-for-sale | - | (4) | - | (1) | - | - | (5) |
| Disposals | (76) | (78) | (343) | (27) | - | (45) | (569) |
| Currency translation, FX of foreign operations | 37 | - | 2 | - | - | - | 39 |
| Other movements | - | (9) | 10 | (8) | - | - | (7) |
| **Balance at 31 December 2021** | **43,698** | **13,076** | **15,384** | **2,718** | **44** | **1,567** | **76,487** |

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***b) By asset type (continued)***

| INA Group<br>**Accumulated depreciation** | Oil and gas properties | Land and buildings | Plant and machinery | Vehicles and office equipment | Collective Consumption assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **38,630** | **9,527** | **11,915** | **2,244** | **40** | **189** | **62,545** |
| Charge for the year | 721 | 197 | 578 | 76 | - | - | 1,572 |
| Impairment | 151 | 105 | 322 | 3 | - | 5 | 586 |
| Reversal of impairment | (96) | - | - | - | - | - | (96) |
| Transfer to assets-held-for-sale | - | (30) | (127) | (5) | - | - | (162) |
| Transfer | (10) | 24 | (46) | 26 | - | 42 | 36 |
| Disposals | (1) | (39) | (143) | (32) | - | - | (215) |
| Currency translation, FX of foreign operations | - | (184) | (108) | (2) | - | - | (294) |
| Other | 3 | - | 1 | (1) | - | - | 3 |
| **Balance at 31 December 2020** | **39,398** | **9,600** | **12,392** | **2,309** | **40** | **236** | **63,975** |
| Charge for the year | 743 | 233 | 432 | 90 | - | - | 1,498 |
| Change in capitalised decommissioning costs | 46 | - | - | - | - | - | 46 |
| Impairment | 73 | - | 14 | - | - | 9 | 96 |
| Transfer to assets-held-for-sale | - | (1) | - | - | (1) | - | (2) |
| Transfer | - | 22 | - | - | - | (22) | - |
| Disposals | (74) | (63) | (343) | (41) | - | (42) | (563) |
| Currency translation, FX of foreign operations | - | (1) | 20 | (1) | - | - | 18 |
| Other movements | - | (5) | (4) | (1) | - | - | (10) |
| **Balance at 31 December 2021** | **40,186** | **9,785** | **12,511** | **2,356** | **39** | **181** | **65,058** |

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***b) By asset type (continued)***

| INA Group | Oil and gas properties | Land and buildings | Plant and machinery | Vehicles and office equipment | Collective Consumption assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| **Balance at 31 December 2021** | **3,512** | **3,291** | **2,873** | **362** | **5** | **1,386** | **11,429** |
| **Balance at 31 December 2020** | **3,956** | **3,435** | **2,967** | **363** | **4** | **975** | **11,700** |

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***b) By asset type (continued)***

| **INA, d.d.** | **Oil and gas properties** | **Land and buildings** | **Plant and machinery** | **Vehicles and office equipment** | **Collective Consumption assets** | **Assets under construction** | **Total** |
|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | |
| **Balance at 1 January 2020** | **36,470** | **10,622** | **12,213** | **2,009** | **42** | **2,582** | **63,938** |
| Additions | 380 | - | - | - | - | 792 | 1,172 |
| Change in capitalised decommissioning costs | 25 | - | - | - | - | - | 25 |
| Foreign exchange translation of foreign operations | (37) | - | - | - | - | - | (37) |
| Share capital increase of subsidiary | - | (2) | - | - | - | - | (2) |
| Assets put in use | 1,059 | 238 | 412 | 171 | - | (1,802) | 78 |
| Disposals | (2) | (35) | (19) | (32) | - | (3) | (91) |
| Effect of merger of subsidiary | 5,607 | - | 32 | - | - | - | 5,639 |
| Other | - | (30) | - | - | - | - | (30) |
| **Balance at 31 December 2020** | **43,502** | **10,793** | **12,638** | **2,148** | **42** | **1,569** | **70,692** |
| Additions | 515 | - | - | - | - | 920 | 1,435 |
| Change in capitalised decommissioning costs | (163) | - | - | - | - | - | (163) |
| Foreign exchange translation of foreign operations | 37 | - | - | - | - | - | 37 |
| Share capital increase of subsidiary | - | (1) | - | - | - | - | (1) |
| Assets put in use, Transfer | 2 | 105 | 350 | 71 | - | (518) | 10 |
| Disposals | (76) | (3) | (57) | (14) | - | (45) | (195) |
| Effect of merger of subsidiary | - | 11 | - | - | - | - | 11 |
| Other movements | - | (1) | - | (1) | (1) | - | (3) |
| **Balance at 31 December 2021** | **43,817** | **10,904** | **12,931** | **2,204** | **41** | **1,926** | **71,823** |

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***b) By asset type (continued)***

| INA, d.d. | Oil and gas properties | Land and buildings | Plant and machinery | Vehicles and office equipment | Collective Consumption assets | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| **Balance at 1 January 2020** | **33,210** | **7,792** | **10,000** | **1,746** | **39** | **191** | **52,978** |
| Charge for the year | 707 | 186 | 497 | 74 | - | - | 1,464 |
| Impairment | 151 | 74 | 217 | 1 | - | **5** | 448 |
| Reversal of impairment | (96) | - | - | - | - | - | (96) |
| Recapitalization of subsidiary | - | (2) | - | - | - | - | (2) |
| Transfers | (14) | 28 | (49) | 28 | - | 42 | 35 |
| Disposals | (1) | (30) | (19) | (32) | - | - | (82) |
| Effect of merge of subsidiary | 5,516 | - | 32 | - | - | - | 5,548 |
| Other | 5 | (23) | - | - | - | - | (18) |
| **Balance at 31 December 2020** | **39,478** | **8,025** | **10,678** | **1,817** | **39** | **238** | **60,275** |
| Charge for the year | 758 | 174 | 442 | 75 | - | - | 1,449 |
| Change in capitalised decommissioning costs | 39 | - | - | - | - | - | 39 |
| Impairment | 73 | - | - | - | - | 9 | 82 |
| Recapitalization of subsidiary | - | (1) | - | - | - | - | (1) |
| Transfers | 1 | 22 | - | (1) | 1 | (23) | - |
| Disposals | (74) | (2) | (58) | (14) | - | (42) | (190) |
| Effect of merge of subsidiary | - | 10 | - | - | - | - | 10 |
| Other movements | - | - | 1 | (1) | (1) | - | (1) |
| **Balance at 31 December 2021** | **40,275** | **8,228** | **11,063** | **1,876** | **39** | **182** | **61,663** |

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***b) By asset type (continued)***

| **INA, d.d.** | **Oil and gas properties** | **Land and buildings** | **Plant and machinery** | **Vehicles and office equipment** | **Collective Consumption assets** | **Assets under construction** | **Total** |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| **Balance at 31 December 2021** | **3,542** | **2,676** | **1,868** | **328** | **2** | **1,744** | **10,160** |
| **Balance at 31 December 2020** | **4,024** | **2,768** | **1,960** | **331** | **3** | **1,331** | **10,417** |

*I) Oil and gas reserves*

The ability of INA Group and INA, d.d. to realise the net book value of oil and gas properties (see 14b above) in the future is dependent upon the extent to which commercially recoverable oil and gas reserves are available. During 2021, Exploration and Production performed assessment of the quantities of the Company's remaining proved and probable developed oil and gas reserves which were commercially recoverable.

*II) Ownership of land and buildings*

Due to political developments in Croatia since 1990, certain local municipal land registers have not been fully established. The Company is in the process of registering of ownership, through the local courts in Croatia. Until the date of issuing of these financial statements, no claims have been made against the Company concerning its title to these assets.

*III) Collective consumption assets*

Collective consumption assets refers to domestic residential accommodation for the workforce of the Company and some of its subsidiaries.

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*IV) Carrying value of property, plant and equipment*

The Management Board performed identification and assessment of indicators in accordance with IAS 36. Impairment test was performed on assets where indicators of impairment have been identified.

The total net impairment charge of INA Group in 2021 is HRK 14 million and the value adjustment HRK 82 million, while in INA, d.d. only value adjustment in the amount of HRK 82 million was recognized. (2020: INA Group HRK 494 million, INA, d.d. 350 million).

a) Within Exploration and Production area, two fields - Annamaria (NACA cash generating unit) and Žutica - were identified with negative revision of the remaining 2P reserves above 1 MMboe which is considered as materiality threshold on asset level. Impairment test for those two fields was prepared, showing that there is no need to impair the assets as their production profiles are still sizeable and fields generate NPV above the net book value. Oil and gas price assumptions used in the value in use models used for impairment testing were the following: 50 to 90 USD / barrel and 16 to 27 EUR/MWh for gas for the years from 2020 to 2050.
Based on external environment outlook, stable operation and general improvement of economic activity compared to COVID-impacted year 2020, need for impairment of property, plant and equipment was not identified within the process of assessment of indicators and impairment testing, therefore no impairment or reversal of impairment was recorded in 2021.
Exploration and Production recorded write-off of negative wells on tangible assets in amount of HRK 73 million (Bunjani 1 - HRK 34 million, Đeletovci 2 - HRK 25 million, Velika Ciglena 2 – HRK 12 million, Ostalo – HRK 2 million) (2020: HRK 57 million).

b) Refining and Marketing in respect of Consumer services and retail recorded value adjustment of tangible asset under construction in amount of HRK 9 million ( 2020: HRK 295 million)

c) Corporate and other recorded impairment of Crosco d.o.o. assets in the amount of HRK 8 million and Rotary in the amount of HRK 6 million (2020: HRK 140 million).

Discount rates used in the current assessment in 2021 and for 2020 are assets specific and are as follows:

| | December 2021 | December 2020 |
|---|---|---|
| **Exploration and Production** | | |
| Croatia | 7.2% | 8.1% |

A risk factor is included in the discount rates considering the individual country risk (see note 3).

*(all amounts are presented in HRK millions)*

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*V) Internal labour capitalisation*

Capitalised internal labour are all direct costs of labor that can be identified or associated with and are properly allocable to the construction, modification, or installation of specific items of capital assets and, as such can be amortized. In 2021 INA Group capitalised internal labour in amount of HRK 29 million (2020: HRK 27 million). In 2021 INA, d.d. capitalised labour in amounts of HRK 29 million (2020: HRK 27 million).

*VI) Review of the residual value*

The Group has reviewed the residual value for depreciation purposes to reflect the changes in the definition of the residual value provided in IAS 16 and no need for any adjustment to the residual values related to the current or prior periods has been established. Useful life of decommissioning assets has been adjusted to reflect the economic life of fields.

*VII) Assets classified as held-for-sale*

Management expects that sales transactions will be closed within the following twelve months.

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| **Held-for-sale assets** | | | | |
| Property, plant and equipment | 13 | 30 | - | 7 |
| **Assets classified held-for-sale** | **13** | **30** | **-** | **7** |

*(all amounts are presented in HRK millions)*

## 15. INVESTMENTS IN SUBSIDIARIES (in separate financial statement of INA, d.d.)

| | INA, d.d. | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| Investments in subsidiaries | 1,826 | 1,827 |

| | INA, d.d. | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| Investments in subsidiaries at 1 January | **1,827** | **2,089** |
| Petrol Rijeka - merger to INA d.d. | (4) | - |
| Holdina Sarajevo d.o.o. - share capital increase | 3 | 2 |
| INA Adria - merger to INA, d.d. | - | (264) |
| **Balance at 31 December 2021** | **1,826** | **1,827** |

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.

On 1 December 2021 INA, d.d. increase the share capital in the Holdina Sarajevo d.o.o. by registering ownership of one property. INA, d.d. derecognised investment in amount HRK 100 thousand, while Holdina Sarajevo increased capital share in amount of HRK 3 million. The difference of HRK 3 million was recognized within other operating income.

The following portfolio changes were recorded in 2020:

Based on the decision of the Commercial Court dated 2 January 2020 INA, d.d. recorded the merger of INA Jadran d.o.o.

Based on the decision of the Commercial Court from 1 September 2020 INA, d.d. recorded the merger of INA Adria d.o.o. Net share in books of INA, d.d. at the time of the merger in amounted HRK 265 million and were netted with retained earnings transferred in the books of INA, d.d. Netted efect of transaction is HRK 75 million.

On 7 October 2020 INA, d.d. increase the share capital in the Holdina Sarajevo d.o.o. by registering ownership of one property.

In the books of INA d.d. assets in amount HRK 0.2 million were derecognised, while the share in Holdina Sarajevo was increased by an estimated value of HRK 2.2 million. The difference of HRK 2 million was recognized within other operating income.

The following are subsidiaries in which the Company has a share (* subsidiary directly owned by the Company):

*(all amounts are presented in HRK millions)*

## 15. INVESTMENTS IN SUBSIDIARIES (in separate financial statement of INA, d.d.) (CONTINUED)

**Composition of the Group**

| The name of subsidiary | Principal activity | Place of incorporation and operation | **Proportion of ownership interest and voting power held by the Group** | |
|---|---|---|---|---|
| | | | 31 December 2021 | 31 December 2020 |
| *Oilfield services* | | | | |
| CROSCO, naftni servisi d.o.o. | Oilfield services | Croatia | 100% | 100% |
| Crosco B.V. | Oilfield services | Netherland | 100% | 100% |
| NORDIC SHIPPING LIMITED | Lease of drilling platforms | Marshall Islands | 100% | 100% |
| SEA HORSE SHIPPING Inc | Lease of drilling platforms | Marshall Islands | 100% | 100% |
| Rotary Zrt. | Oilfield services | Hungary | 100% | 100% |
| CROSCO UKRAINE LLC. | Oilfield services | Ukraine | 100% | 100% |
| Crosco S.A. DE C.V. | Oilfield services | Mexico | 99.90% | 99.90% |
| ROTARY D&WS S.R.L. | Oilfield services | Romania | 100% | 100% |
| *Tourism* | | | | |
| *Hostin d.o.o. | Asset management, tourism | Croatia | 100% | 100% |
| *Ancillary services* | | | | |
| STSI Integrirani tehnički servisi d.o.o. | Technical services | Croatia | 100% | 100% |
| *Top Računovodstvo Servisi d.o.o. | Accounting services | Croatia | 100% | 100% |
| Plavi tim d.o.o. | Informatics service | Croatia | 100% | 100% |
| *INA Vatrogasni Servisi d.o.o. | Firefighting | Croatia | 100% | 100% |
| *INA Industrijski Servisi d.o.o. | Holding company | Croatia | 100% | 100% |
| *Production and trading* | | | | |
| *INA MAZIVA d.o.o. | Production and lubricants trading | Croatia | 100% | 100% |
| *Trading* | | | | |
| *INA Slovenija d.o.o. Ljubljana | Foreign trading | Slovenia | 100% | 100% |
| *INA BH d.d. Sarajevo | Foreign trading | Bosnia and Herzegovina | 100% | 100% |
| *Holdina d.o.o. Sarajevo | Foreign trading | Bosnia and Herzegovina | 100% | 100% |
| *INA d.o.o. Beograd | Foreign trading | Serbia | 100% | 100% |
| *INA Kosovo d.o.o. | Foreign trading | Kosovo | 100% | 100% |
| *Adriagas S.r.l. Milano | Pipeline project company | Italy | 100% | 100% |
| *INA Crna Gora d.o.o. Podgorica | Foreign trading | Montenegro | 100% | 100% |
| *PETROL d.d. | Trading | Croatia | - | 100% |
| *CROPLIN d.o.o. | Production of gas, distribution network of gas fuels | Croatia | 100% | 100% |
| *INA Maloprodajni servisi d.o.o. | Trade agency in the domestic and foreign market | Croatia | 100% | 100% |
| *ENERGOPETROL d.d. | Retail (oil and lubricant) | Bosnia and Herzegovina | 88.66% | 88.66% |
| *INA BL d.o.o. Banja Luka | Trading | Bosnia and Herzegovina | 100% | 100% |

*(all amounts are presented in HRK millions)*

## 15. INVESTMENTS IN SUBSIDIARIES (in separate financial statement of INA, d.d.) (CONTINUED)

At 31 December 2021 and 31 December 2020 Croplin d.o.o. had 9.1% ownership in Energo d.o.o. Rijeka and 40% ownership in Plinara Istočne Slavonije d.o.o. Vinkovci.

## 16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Investments in associates and joint ventures | 245 | 254 | 245 | 254 |
| | **245** | **254** | **245** | **254** |

The Company has interests in other entities as follows:

| | | | INA Group and INA, d.d. | |
|---|---|---|---|---|
| **Name of company** | **Activity** | **Place of incorporation and operation** | **31 December 2021** | **31 December 2020** |
| Hayan Petroleum Company* | Operating company (oil exploration, development and production) | Damascus, Syria | 50% | 50% |
| ED INA d.o.o. Zagreb* | Research, development and hydrocarbon production | Zagreb, Croatia | 50% | 50% |
| Marina Petroleum Company * | Exploration and production oil operator | Cairo, Egypt | 50% | 50% |
| TERRA MINERALNA GNOJIVA d.o.o. | Purchase and sale of goods | Zagreb, Croatia | 50% | 50% |
| Belvedere d.d. | Hotel trade | Dubrovnik, Croatia | 31.80% | 31.80% |
| ELEKTROMETAL d.d | Installing and mounting works, production of fire-proof elements, gas distribution | Bjelovar, Hrvatska | 30.75% | 30.75% |

*investments that are joint operations in INA, d.d. and INA Group

*(all amounts are presented in HRK millions)*

## 16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Non-material associates and joint operations are as follows: Hayan Petroleum Company, Belvedere d.d., ED - INA d.o.o. Zagreb, Marina Petroleum Company and ELEKTROMETAL d.d.

The following table summarises, in aggregate, the financial information of all individually non-material associates and joint ventures in which the Group has interests:

| | INA Group and INA, d.d. | |
|---|---|---|
| | **31 December 2021** | **31 December 2020** |
| Aggregate carrying amount of the interests in these associates and joint ventures | - | - |
| The Group's share of profit from interest in non individually material associates and joint ventures | - | - |
| The Group's share of other comprehensive income | - | - |
| **The Group's share of total comprehensive income** | **-** | **-** |

In 2021, by equity method INA, d.d. recorded a share of loss in the amount of HRK 9 million (2020: a share of profit HRK 94 milion) presented in the line *Share of profit of joint ventures accounted for using the equity method* of Statement of Profit and Loss.

Based on the decision of the Commercial Court from 7 October 2020 the company Terra mineralna gnojiva d.o.o. was recapitalized in the amount of HRK 100 thousand.

*(all amounts are presented in HRK millions)*

## 16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

**Summarised statements of financial position and comprehensive income of Terra mineralna gnojiva d.o.o. - consolidated (INA, d.d. share 50%)**

| **Place of business** | Zagreb, Republic of Croatia | Zagreb, Republic of Croatia |
|---|---|---|
| | **2021*** | **2020*** |
| Non-current assets | 616 | 589 |
| Current assets | 902 | 894 |
| Non-current liabilities | (115) | (206) |
| Current liabilities | (749) | (590) |
| **Net assets** | **654** | **687** |
| | | |
| **Group's share of assets** | **178** | **187** |
| Goodwill | 67 | 67 |
| **Carrying amount of the investment** | **245** | **254** |
| | | |
| Total operating income | 1,521 | 1,423 |
| Profit from operations | 17 | 330 |
| Net profit | (33) | 346 |
| Net profit attributable to Terra mineralna gnojiva d.o.o. after non-controlling interest | (18) | 188 |
| **INA, d.d. share of profit (50%)** | **(9)** | **94** |
| **INA Group share of profit** | **(9)** | **94** |

* based on the latest available information from September

## 17. OTHER INVESTMENTS

| | **INA Group** | | **INA, d.d.** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Financial assets at fair value through profit or loss | 10 | 10 | 8 | 8 |
| Deposits | 7 | 7 | 7 | 7 |
| Long-term loans given to subsidiaries | - | - | 632 | 752 |
| | **17** | **17** | **647** | **767** |

In total, the amount of long-term loans relates to given loans to subsidiaries (see note 37).

*(all amounts are presented in HRK millions)*

## 18. LONG-TERM RECEIVABLES AND OTHER ASSETS

| **INA Group** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Receivables from long-term contracts | 517 | 461 |
| Prepayments for property, plant and equipment | 281 | 336 |
| Receivables for apartments sold | 19 | 28 |
| Prepayments for intangible assets | 10 | 18 |
| Other long-term receivables | 8 | - |
| | **835** | **843** |

| **INA, d.d.** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| Receivables from long-term contracts | 517 | 461 |
| Prepayments for property, plant and equipment | 279 | 334 |
| Receivables for apartments sold | 19 | 28 |
| Prepayments for intangible assets | 10 | 18 |
| Long-term receivables from related party | 9 | 9 |
| | **834** | **850** |

Prior to 1996, the Company sold apartments it owned to its employees as provided by the laws of the Republic of Croatia. The properties were generally sold on credit and the related housing receivables are repayable on monthly instalments over periods of 20-35 years. The amounts payable to Croatian state, accounting for 65% of the value of sold apartments, are included in other non-current liabilities (see note 29). The receivables are secured with mortgage over the sold apartments. The principle is presented in the receivable amounts. The amounts do not include the interest portion.

*(all amounts are presented in HRK millions)*

## 19. NON-CURRENT FINANCIAL ASSETS

Equity instruments

| Name of the Company | Activity | Place of incorporation and operation | INA Group and INA, d.d. 31 December 2021 | INA Group and INA, d.d. 31 December 2020 |
|---|---|---|---|---|
| Jadranski Naftovod d.d. | Pipeline ownership and operations | Zagreb, Croatia | 11.795% | 11.795% |
| OMV Slovenia d.o.o. Koper | Oil trading | Koper, Slovenia | 7.75% | 7.75% |
| Plinara d.o.o. Pula | Distribution and oil trading | Pula, Croatia | 49.00% | 49.00% |
| BINA-FINCOM d.d. Zagreb | Construction of highways and other roads, airfields airports | Zagreb, Croatia | 5.00% | 5.00% |
| HOC Bjelolasica d.o.o. Ogulin | Operations of sports facilities | Ogulin, Croatia | 7.17% | 7.17% |

| | 2021 | 2020 |
|---|---|---|
| Balance at the beginning of the year Jadranski Naftovod d.d. | 511 | 559 |
| Remeasurement recognition in OCI, gross of income tax | 95 | (48) |
| **Balance at the end of the year Jadranski Naftovod d.d.** | **606** | **511** |
| Other investments | 49 | 49 |
| **Balance at the end of the year non-current financial assets** | **655** | **560** |

As explained in note 37, a substantial portion of the trading income of JANAF d.d. is derived from INA, d.d.

The value of equity share in JANAF was reported by reference to the market value of a share as quoted on the Zagreb Stock Exchange as of 31 December 2021. The net book value of the equity investment in JANAF increased by HRK 95 million compared to the balance as of 31 December 2020 due to increase in the market value of the JANAF shares on Zagreb Stock Exchange. The market value of the shares (118,855 shares) as of 31 December 2021 amounted to HRK 5,100 per share (31 December 2020: HRK 4,300 per share).

INA, d.d. and MOL Plc reached an agreement to acquire OMV’s 92.25% stake in OMV Slovenija d.o.o. The transaction includes 120 service stations across Slovenia and the wholesale business of the acquired company as well. INA, d.d. already holds a 7.75% stake in OMV Slovenija d.o.o. and in line with the agreement with MOL signed 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 2022.

*(all amounts are presented in HRK millions)*

## 20. INVENTORIES

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Merchandise | 636 | 326 | 588 | 275 |
| Refined products | 530 | 459 | 457 | 419 |
| Crude oil | 380 | 251 | 380 | 252 |
| Work in progress | 286 | 221 | 284 | 219 |
| Raw material | 175 | 195 | 124 | 150 |
| Spare parts, materials and supplies | 139 | 172 | 80 | 84 |
| | **2,146** | **1,624** | **1,913** | **1,399** |

Inventories are measured at the lower of cost or net realizable value.

During 2021 no value adjustment was recognized for refined products and work in progress for INA Group and INA, d.d. was recognized (2020: reversal of impairment in amount of HRK 6 million).

During 2021, HRK 9 million was recognized as reversal of impairment for merchandise for INA Group and INA, d.d. (2020: HRK 3 million was recognized impairment for merchandise for INA Group and INA, d.d.). This impairment and reversal impairment of merchandise is recognized in Cost of other goods sold line within consolidated and separate statement of profit or loss.

## 21. TRADE RECEIVABLES, NET

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Trade receivables | 2,375 | 1,662 | 1,989 | 1,164 |
| Impairment of trade receivables | (368) | (456) | (240) | (298) |
| | **2,007** | **1,206** | **1,749** | **866** |

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 % is HRK 2 million in 2021 (2020: *ECL*: 0.04%).

Impairment of trade receivables:

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Balance at beginning of the year | 456 | 472 | 298 | 302 |
| Impairment losses recognised on receivables | 12 | 65 | 10 | 64 |
| Amounts written off as uncollectible | (43) | (18) | (11) | (10) |
| Reversal of impairment on amounts recovered | (57) | (63) | (57) | (58) |
| **Balance at end of the year** | **368** | **456** | **240** | **298** |

Trade receivables, net balance of INA Group above also includes related party receivables of HRK 409 million as of 31 December 2021 (2020: HRK 151 million) with related party entities out of INA Group (see note 37).

*(all amounts are presented in HRK millions)*

## 22. OTHER RECEIVABLES

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Margining receivables | 48 | 70 | 48 | 70 |
| Tax prepayments | 41 | 31 | 9 | 9 |
| Foreign concessions receivables | 35 | 33 | 35 | 33 |
| Prepayment receivables | 8 | 15 | 7 | 14 |
| Other receivables | 32 | 43 | 19 | 29 |
| | **164** | **192** | **118** | **155** |

## 23. OTHER CURRENT ASSET

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Prepayments for customs, duties and other charges | 50 | 40 | 23 | 16 |
| Positive fair value of derivatives | 11 | 26 | 11 | 26 |
| Other short-term receivables | 4 | 3 | 1 | 1 |
| Short-term loans and deposits | 2 | 2 | 9 | 20 |
| Accrued income | 1 | 5 | 1 | 5 |
| Current portion of long-terms loans | - | - | 22 | 20 |
| Other | 11 | 13 | 7 | 10 |
| | **79** | **89** | **74** | **98** |

## 24. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Demand deposits are placed within financial institutions that can be withdrawn on demand, without prior notice being required or a penalty being charged.

Short-term deposits are allocated up to three months, however in case needed, they can be withdrawn on demand as well without penalty being charged.

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Demand deposit | 1,184 | 366 | 1,135 | 324 |
| Deposits until three months | 1,389 | 2 | 1,389 | - |
| Cash on hand | 57 | 31 | 49 | 27 |
| **Cash and cash equivalents in statement of financial position** | **2,630** | **399** | **2,573** | **351** |
| Overdrafts | - | 5 | - | - |
| **Cash and cash equivalents in statement of cash flows** | **2,630** | **404** | **2,573** | **351** |

*(all amounts are presented in HRK millions)*

## 25. CURENT PORTIO OF LONG-TERM DEBTS AND BANK LOANS

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Bank loans | 1,143 | 2,085 | 938 | 1,873 |
| Short-term corporate bond issuance | 2 | - | 2 | - |
| | **1,145** | **2,085** | **940** | **1,873** |

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Unsecured bank loans in USD | 498 | 557 | 498 | 557 |
| Unsecured bank loans in EUR | 481 | 1,107 | 440 | 1,066 |
| Unsecured bank loans in HRK | 153 | 402 | - | 250 |
| Unsecured bank loans in HUF | 11 | 19 | - | - |
| Unsecured corporate bond issuance in HRK | 2 | - | 2 | - |
| | **1,145** | **2,085** | **940** | **1,873** |

The most significant short-term loans as at 31 December 2021 are credit facilities for the financing of crude oil and petroleum products purchase (''trade finance'') concluded with the first class banks, framework agreements for granting loans, issuing bank guarantees and opening letters of credits concluded with domestic banks, as well as short-term credit lines with foreign creditors.

Short-term loans are contracted as multicurrency lines with variable interest rates. INA, d.d. short-term loans are unsecured and do not contain financial covenants.

In order to secure INA Group subsidiaries short – term credit facilities, INA, d.d. issued corporate guarantees.

*(all amounts are presented in HRK millions)*

## 26. TRADE PAYABLES, TAXES AND CONTRIBUTIONS AND OTHER CURRENT LIABILITIES

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Trade payables | 2,143 | 1,426 | 1,857 | 1,104 |
| Production and sales and other taxes payable | 895 | 595 | 788 | 534 |
| Accrued bonuses | 162 | 128 | 98 | 85 |
| Payroll payables | 151 | 139 | 104 | 94 |
| Advance payments | 68 | 36 | 62 | 26 |
| Negative fair value of derivatives | 64 | 116 | 64 | 116 |
| Payroll taxes and contributions | 43 | 42 | 21 | 20 |
| Mining fee | 42 | 19 | 42 | 19 |
| Liabilities for received deposits and sureties for tender | 21 | 12 | 17 | 11 |
| Accrued unused holiday | 14 | 12 | 3 | 4 |
| Contract liabilities | 11 | 22 | - | - |
| Dividend payables | - | 585 | - | 585 |
| Other | 53 | 53 | 41 | 25 |
| | **3,667** | **3,185** | **3,097** | **2,623** |

The management considers that the carrying amount of trade payables approximates their fair values.

Trade payables includes payables with related party entities out of INA Group in the amount of HRK 151 million as of 31 December 2021 (2020: HRK 181 million) (see note 37).

Accruals for unused holiday is determined based on actual data (number of employees, unused days, payroll) taken into calculation.

Auditor's fee charged for the audit service of INA Group amounts to HRK 3.4 million for 2021 (2020: HRK 3 million). In 2021 the auditor provided non-audit service referring to agreed upon procedures report on accounts and records of Sahara North Bahariya in amount of HRK 0.2 million.

*(all amounts are presented in HRK millions)*

## 27. 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 are fulfilled.

| | | INA Group | | INA, d.d. | |
|---|---|---|---|---|---|
| **Purpose of the debts** | **Debt currency** | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Corporate bond issuance | HRK | 1,983 | - | 1,983 | - |
| Intercompany loans | HRK | - | - | 129 | - |
| **Total long-term debts** | | **1,983** | **-** | **2,112** | **-** |
| Due within one year | | - | - | - | - |
| **Total long-term debts** | | **1,983** | **-** | **2,112** | |

The outstanding debt of the Group is analysed as follows:

| **INA Group** | Weighted average interest rate | Weighted average interest rate | | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| | % | % | | |
| Corporate bond issuance in HRK | 0.88 | - | 1,983 | - |
| **Total** | | | **1,983** | **-** |
| Payable within one year | | | - | - |
| **Total long-term debts** | | | **1,983** | **-** |

*(all amounts are presented in HRK millions)*

## 27. LONG-TERM DEBTS (CONTINUED)

| **INA, d.d.** | Weighted average interest rate **31 December 2021** | Weighted average interest rate **31 December 2020** | **31 December 2021** | **31 December 2020** |
|---|---|---|---|---|
| | % | % | | |
| Corporate bond issuance in HRK | 0.88 | - | 1,983 | - |
| Intercompany loans in HRK | 1.50 | - | 129 | - |
| **Total** | | | **2,112** | **-** |
| Payable within one year | | | - | - |
| **Total long-term debts** | | | **2,112** | **-** |

The maturity of the debts may be summarised as follows:

| | **INA Group** | | **INA, d.d.** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Current portion of long-term debt | - | - | - | - |
| Payable within one to two years | - | - | 129 | - |
| Payable within two to three years | - | - | - | - |
| Payable within three to four years | - | - | - | - |
| Payable within four to five years | 1,983 | - | 1,983 | - |
| Payable over five years | - | - | - | - |
| **Total** | **1,983** | **-** | **2,112** | **-** |

The movement in long-term debts during the year is summarized as follows:

| | **INA Group** | **INA, d.d.** |
|---|---|---|
| **Balance at 1 January 2020** | **335** | **335** |
| New borrowings | 644 | 644 |
| Amounts repaid | (976) | (976) |
| Foreign exchange losses | (3) | (3) |
| **Balance at 31 December 2020** | **-** | **-** |
| **Balance at 1 January 2021** | **-** | **-** |
| Corporate bond issuance | 1,983 | 1,983 |
| New borrowings | 637 | 1,011 |
| Amounts repaid | (633) | (878) |
| Foreign exchange losses | (4) | (4) |
| **Balance at 31 December 2021** | **1,983** | **2,112** |

*(all amounts are presented in HRK millions)*

## 27. LONG-TERM DEBTS (CONTINUED)

### CORPORATE BONDS

In December 2021 INA, d.d. issued corporate bonds in the amount of HRK 2 billion at issue price of 99.445%, with coupon of 0.875% p.a. and semi-annual interest payment, and final maturity on 6 December 2026. The purpose of the bonds is financing of general corporate purposes, investments, potential acquisitions and partial refinancing of existing debts.

The principal long-term loans outstanding at 31 December 2021 were as follows:

### ING BANK N.V., LONDON BRANCH

In 2018 INA, d.d. signed a long-term multi-currency revolving credit facility agreement for general corporate purposes in the amount of USD 300 million. Lenders are banking groups represented by both international and domestic banks. The Agent is ING Bank N.V., London Branch. Maturity of the credit facility is 3 years with an option for 1+1 year extension. First extension option was executed in 2019, extending the final maturity of the loan in the amount of USD 300 million for one year. Second extension option was executed in 2020, extending the final maturity of the loan in the amount of USD 255 million until 2023. As at 31 December 2021 the loan was not utilized.

*Reconciliation of liabilities arising from financing activities*

The table below details changes in the liabilities arising from financial activities, including both cash and noncash changes, and for which the INA Group and INA, d.d. assess to be materially significant. Liabilities arising from financial activities are those for which cash flows were, or future cash flows will be, classifies in the consolidated and standalone statements of cash flows as cash flows from financial activities.

**INA Group**

| | 1 January 2021 | Cash flow | Foreign exchange movement | Changes in fair values | Other | 31 December 2021 |
|---|---|---|---|---|---|---|
| Short-term loans | 2,085 | (988) | 46 | - | 2 | 1,145 |
| Long-term loans | - | 4 | (4) | - | - | - |
| Proceeds from bonds issuance | - | 1,983 | - | - | - | 1,983 |
| Repayment of lease liabilities | 309 | 3 | - | - | - | 312 |
| Dividend payable | 585 | (585) | - | - | - | - |
| Derivatives | 116 | (28) | - | (16) | - | 72 |
| **Total liabilities** | **3,095** | **389** | **42** | **(16)** | **2** | **3,512** |

**INA, d.d.**

| | 1 January 2021 | Cash flow | Foreign exchange movement | Changes in fair values | Other | 31 December 2021 |
|---|---|---|---|---|---|---|
| Short-term loans | 1,873 | (988) | 53 | - | 2 | 940 |
| Loans from related parties | 131 | (97) | - | - | - | 34 |
| Long-term loans | - | 4 | (4) | - | - | - |
| Proceeds from bonds issuance | - | 1,983 | - | - | - | 1,983 |
| Repayment of lease liabilities | 479 | (34) | - | - | - | 445 |
| Dividend payable | 585 | (585) | - | - | - | - |
| Derivatives | 116 | (28) | - | (16) | - | 72 |
| **Total liabilities** | **3,184** | **255** | **49** | **(16)** | **2** | **3,474** |

*(all amounts are presented in HRK millions)*

## 27. LONG-TERM DEBTS (CONTINUED)

**INA Group**

| | 1 January 2020 | Cash flow | Foreign exchange movement | Changes in fair values | Other | 31 December 2020 |
|---|---|---|---|---|---|---|
| Short-term loans | 3,160 | (1,012) | (50) | - | (13) | 2,085 |
| Repayment of lease liabilities | 344 | (35) | - | - | - | 309 |
| Dividend payable | 623 | (38) | - | - | - | 585 |
| Derivatives | 61 | 27 | - | 28 | - | 116 |
| **Total liabilities** | **4,188** | **(1,058)** | **(50)** | **28** | **(13)** | **3,095** |

**INA, d.d.**

| | 1 January 2020 | Cash flow | Foreign exchange movement | Changes in fair values | Other | 31 December 2020 |
|---|---|---|---|---|---|---|
| Short-term loans | 2,935 | (1,012) | (50) | - | - | 1,873 |
| Loans from related parties | 282 | (151) | - | - | - | 131 |
| Repayment of lease liabilities | 531 | (52) | - | - | - | 479 |
| Dividend payable | 623 | (38) | - | - | - | 585 |
| Derivatives | 61 | 27 | - | 28 | - | 116 |
| **Total liabilities** | **4,432** | **(1,226)** | **(50)** | **28** | **-** | **3,184** |

*Compliance with loan agreements*

During 2021, as well as in 2020 INA Group members and INA, d.d repaid all of their liabilities in respect of the loans (principal, interest and fees) on a timely basis, without any delays or defaults.

## 28. LEASES

*As a lessee*

As a lessee, the Company and the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company and the Group recognise the right-of-use assets and lease liabilities for all leases except low-value leases and short-term leases.

The Company and the Group have lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 2 and 20 years, while motor vehicles generally have lease terms up to 5 years. The obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company and the Group are restricted from assigning and subleasing the leased assets. Several lease contracts include extension options and variable lease payments. The Company and the Group also have certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. However, the Company and the Group have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company and the Group recognise the lease payments associated with these leases as expense on a straight-line basis over the lease term.

*(all amounts are presented in HRK millions)*

## 28. LEASES (CONTINUED)

The Company and the Group present right-of-use assets from leases in separate line item of statement of financial position. The recognised right-of-use assets relate to the following types of assets and the movements during the period:

| **INA GROUP** | **Land and buildings** | **Vehicles** | **Plant and machinery, office equipment and other** | **Total** |
|---|---|---|---|---|
| **Balance at 1 January 2020** | **100** | **190** | **52** | **342** |
| Additions in period due to new contracts | 27 | 13 | (2) | **38** |
| Depreciation for the period | (13) | (45) | (14) | **(72)** |
| Other decreasing (i.e. impairment, termination) | - | (3) | (1) | **(4)** |
| **Balance at 31 December 2020** | **114** | **155** | **35** | **304** |
| Additions in period due to new contracts | 64 | 2 | 25 | **91** |
| Depreciation for the period | (16) | (47) | (21) | **(84)** |
| Other decreasing (i.e. impairment, termination) | (1) | (3) | - | **(4)** |
| **Balance at 31 December 2021** | **161** | **107** | **39** | **307** |

| **INA, d.d.** | **Land and buildings** | **Vehicles** | **Plant and machinery, office equipment and other** | **Total** |
|---|---|---|---|---|
| **Balance at 1 January 2020** | **318** | **154** | **57** | **529** |
| Additions in period due to new contracts | 32 | 13 | (2) | **43** |
| Depreciation for the period | (41) | (39) | (18) | **(98)** |
| Other decreasing (i.e. impairment, termination) | (1) | - | - | (1) |
| **Balance at 31 December 2020** | **308** | **128** | **37** | **473** |
| Additions in period due to new contracts | 47 | - | 25 | **72** |
| Depreciation for the period | (43) | (40) | (21) | **(104)** |
| Other decreasing (i.e. impairment, termination) | - | (1) | (2) | **(3)** |
| **Balance at 31 December 2021** | **312** | **87** | **39** | **438** |

*Lease liabilities*

Maturity analysis contractual undiscounted cash flow as at 31 December 2021 and 31 December 2020:

| | **INA Group** | | **INA, d.d.** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Analysed as: | | | | |
| Liabilities within 1 year | 87 | 81 | 106 | 104 |
| Liabilities between 1-5 years | 156 | 185 | 251 | 282 |
| Liabilities over 5 years | 84 | 54 | 105 | 109 |
| **Total undiscounted liabilities** | **327** | **320** | **462** | **495** |

*(all amounts are presented in HRK millions)*

## 28. LEASES (CONTINUED)

Total carrying amounts of lease liabilities (including under interest bearing loans and borrowings) in the statement of financial position:

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Lease liabilities at 1 January** | 309 | 344 | 479 | 531 |
| Additions | 85 | 37 | 71 | 42 |
| Accretion of interest | 4 | 4 | 5 | 5 |
| Payments | (86) | (74) | (110) | (101) |
| Foreign exchange difference | - | (2) | - | 2 |
| **Lease liabilities at 31 December** | **312** | **309** | **445** | **479** |
| Analysed as: | | | | |
| Current liabilities for lease | 84 | 77 | 101 | 100 |
| Non-current liabilities for lease | 228 | 232 | 344 | 379 |

The following are the amounts recognised in the profit and loss:

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Expenses for the period relating to short-term leases or leases of low-value assets | 75 | 74 | 65 | 62 |
| Depreciation of right -of-use asset | 84 | 76 | 104 | 98 |
| Interest expense of lease for right-of-use asset | 4 | 4 | 5 | 5 |
| | **163** | **154** | **174** | **165** |

## 29. OTHER NON-CURRENT LIABILITIES

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Liabilities to Government for sold apartments | 10 | 15 | 10 | 15 |
| Deferred income for sold apartments | 1 | 2 | 1 | 2 |
| Other long-term liabilities | 18 | 16 | 17 | 16 |
| | **29** | **33** | **28** | **33** |

The long-term payable to the government relates to obligation arising on the sale of housing units to employees under the government program (see note 18). According to the law, 65% of the proceeds from the sale of apartments to employees were payable to the state when the proceeds were collected by the Company and the Group. According to the law, INA, d.d. has no liability to remit the funds unless until they are collected.

*(all amounts are presented in HRK millions)*

## 30. PROVISIONS

| INA Group | Decommissioning charges | Environmental provision | Legal claims | Renewable energy provision | Redundancy costs | Other | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **3,086** | **361** | **112** | **12** | **16** | **308** | **3,895** |
| Charge for the year | - | 55 | 14 | 14 | 143 | 25 | **251** |
| Effect of change in estimates | 16 | - | - | **-** | - | - | **16** |
| Unwinding of discount | 45 | 6 | - | **-** | - | - | **51** |
| Provision utilised/reversed during the year | (1) | (95) | (22) | (11) | (114) | (27) | **(270)** |
| **Balance at 31 December 2020** | **3,146** | **327** | **104** | **15** | **45** | **306** | **3,943** |
| 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 during the year | (8) | (47) | (7) | (14) | (38) | (27) | **(141)** |
| **Balance at 31 December 2021** | **3,068** | **464** | **88** | **26** | **11** | **329** | **3,986** |

*(all amounts are presented in HRK millions)*

## 30. PROVISIONS (CONTINUED)

| INA, d.d. | Decommissioning charges | Environmental provision | Legal claims | Renewable energy provision | Redundancy costs | Other | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **3,301** | **356** | **7** | **12** | **10** | **304** | **3,990** |
| Charge for the year | - | 50 | 8 | 14 | 77 | 15 | **164** |
| Effect of change in estimates | 21 | (7) | - | **-** | - | (20) | **(6)** |
| Unwinding of discount | 48 | 6 | - | **-** | - | 5 | **59** |
| Provision utilised/reversed during the year | (1) | (82) | (12) | (12) | (56) | (4) | **(167)** |
| **Balance at 31 December 2020** | **3,369** | **323** | **3** | **14** | **31** | **300** | **4,040** |
| 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 during the year | (9) | (46) | (3) | (14) | (30) | (24) | **(126)** |
| **Balance at 31 December 2021** | **3,273** | **461** | **7** | **26** | **5** | **312** | **4,084** |

| | **INA Group** | | **INA, d.d.** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Analysed as: | | | | |
| Current liabilities | 318 | 247 | 243 | 178 |
| Non-current liabilities | 3,668 | 3,696 | 3,841 | 3,862 |
| | **3,986** | **3,943** | **4,084** | **4,040** |

## 30. PROVISIONS (CONTINUED)

***Decommissioning charges***

The Company and the Group record provisions at present value of estimated future costs of abandoning oil and gas production facilities estimated at the end of production. The estimate of provisions is based on the applicable legal regulations, technology and price levels. Decommission assets are created in an amount equal to the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets. In case there is no related asset, the change in provision estimate is charged to profit and loss statement.

As of 31 December 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. As of 31 December 2020, INA, d.d. recognised a decommissioning provision for 45 oil and gas production fields, 7 non-production fields, 10 positive non-production fields and 357 dry non-production wells.

***Environmental provision***

The environmental provision recorded by INA Group is HRK 464 million as of 31 December 2021 (31 December 2020: HRK 327 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***

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 which are kept off-balance, 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.

It also means that it is not possible to record a provision earlier then the date when emissions reach the amount of allowances granted, nor is it possible to spread the expected shortfall through the calendar years.

Settlement with Government is carried out by offsetting the purchased rights with the provision recorded for the exceeding emissions. Penalty will be accounted for if the shortfall is not covered by purchased quotas.

Provision should be calculated for each installation separately and recorded on emitting segment.

***Legal claims***

Provisions for legal claims are based on the legal counsel and management estimate, taking into consideration claim value and probability that outflow of resources will be required to settle the obligation.

***Renewable energy provision***

Renewable energy provision relates to projection of renewable energy targets compliance cost which is defined by the Act on biofuels for transport and further regulated by Regulation on special environmental fee. It is special environmental fee that is coming from mentioned regulations and consist of renewable energy and greenhouse gas savings partial unfulfillment of the targets.

*(all amounts are presented in HRK millions)*

## 30. PROVISIONS (CONTINUED)

***Other provisions***

Other provisions of INA, d.d. in amount of HRK 311 million relate to provision for contractual liability for investments in Iran of HRK 274 million initially recognized in 2012. INA, d.d. is committed to spending certain resources by Production Agreement. Since Iran activities have been discontinued, the difference between contractual liability and actual funds spent was recognized as provisions. Remaining amount relates to provision for Sisak Refinery conservation, sediment and non-pumpable inventories in the total amount of HRK 37 million.

## 31. RETIREMENT AND OTHER EMPLOYEE BENEFITS

According to the Collective Agreement, the Group bears the obligation to pay jubilee awards, retirement and other benefits to employees. The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to an early retirement benefit in the net amount of HRK 20,000 of which HRK 12,000 represent taxable portion. No other post-retirement benefits are provided. Jubilee awards are paid out according to Collective Agreement in the following fixed amounts and anniversary dates for total service in the Company and the Group:

| Anniversary of continuous services - years | **10** | **15** | **20** | **25** | **30** | **35** | **40** and every **5** more years |
|---|---|---|---|---|---|---|---|
| Fixed amounts - HRK | 1,500 | 2,000 | 2,500 | 3,000 | 3,500 | 4,000 | 5,000 |

The net amounts specified above, in terms of tax regulations are non-taxable. Defined amounts of jubilee awards are effective for Collective Agreement signed in 2021.

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2021 and 2020 by independent actuarial expert. In 2021, the Company made a provision of HRK 12 million in respect of jubilee awards and HRK 10 million for regular retirement allowance, whereas in 2020 Company made provision in respect of jubilee awards in amount of HRK 13 million and for regular retirement HRK 7 million.

*(all amounts are presented in HRK millions)*

## 31. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The present values of the defined benefit obligation, the related current service cost and past service cost were determined using the projection method based on the total number of employees.

Actuarial estimates were derived based on the following key assumptions:

| | Valuation at | |
|---|---|---|
| | **31 December 2021** | **31 December 2020** |
| Discount rate | 1.68% | 1.05% |
| Average longevity at retirement age for current pensioners (years) | | |
| males | 16.70 | 15.55 |
| females | 19.00 | 19.09 |
| Average longevity at retirement age for current employees (future pensioners) (years) | | |
| males | 16.70 | 15.55 |
| females | 19.00 | 19.09 |

The amounts recognised in other comprehensive income related to retirement and other employee benefits are as follows:

| | **INA Group** | | **INA, d.d.** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| **Service cost:** | | | | |
| Cost of current period | 6 | 3 | - | 1 |
| **Components of defined benefit costs recognized in profit and loss:** | **6** | **3** | **-** | **1** |
| Remeasurement of the net defined benefit liability: | | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (4) | 5 | - | 5 |
| Actuarial gains and losses arising from experience adjustments | 5 | (10) | 3 | (6) |
| Components of defined benefit costs recognised in profit and loss account and other comprehensive income: | 1 | (5) | 3 | (1) |
| **Total** | **7** | **(2)** | **3** | **-** |

*(all amounts are presented in HRK millions)*

## 31. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The change of the present value of defined benefit obligation may be analysed as follows:

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| At 1 January | 68 | 77 | 19 | 22 |
| Cost of current period | 6 | 3 | - | 1 |
| *Actuarial (gains) or losses* | | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (4) | 5 | - | 5 |
| Actuarial gains and losses arising from experience adjustments | 5 | (10) | 3 | (6) |
| Benefit paid | (4) | (7) | - | (3) |
| **Closing defined benefit obligation** | **71** | **68** | **22** | **19** |

## 32. SHARE CAPITAL

| | INA Group and INA, d.d. | |
|---|---|---|
| | **31 December 2021** | **31 December 2020** |
| Issued and fully paid: | | |
| 10 million shares (HRK 900 each) | **9,000** | **9,000** |

The Company's share capital consists of 10 million authorised and issued shares of par value HRK 900 each. Each share carries one vote and is entitled to dividends.

## 33. FAIR VALUE RESERVES

| | INA Group and INA, d.d. | |
|---|---|---|
| | **31 December 2021** | **31 December 2020** |
| Balance at the beginning of the year | 202 | 241 |
| Increase/(decrease) arising on revaluation of long-term financial asset (Janaf) | 95 | (48) |
| Deferred tax effect | (17) | 9 |
| **Balance at the end of the year** | **280** | **202** |

In 2021, increase of fair value reserves was recorded due to increase of JANAF shares, while in 2020, decrease of fair value reserves was recorded due to decrease of JANAF shares.

*(all amounts are presented in HRK millions)*

## 34. OTHER RESERVES

The amount of combined reserves of the Company and the Group includes amounts in respect of accumulated surpluses and deficits, revaluations of property, plant and equipment and foreign exchange gains and losses which have arisen over many years prior to 1993. For several years, the Croatian economy was subject to hyperinflation and, prior to 31 December 1993, neither the Company nor the Group had been subject to audit. For these reasons, it was not practicable to analyse the composition of the reserves of the Company or the Group as at 31 December 1993 into their constituent parts.

Movements on reserves during the year were as follows:

| **INA Group** | **Combined reserves at 31 December 1993** | **Foreign currency translation reserves** | **Reserve of defined benefit obligation** | **Other reserves** | **Total** |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **492** | **600** | **51** | **447** | **1,590** |
| Movements during 2020 | **-** | (60) | 2 | (3) | (61) |
| **Balance at 31 December 2020** | **492** | **540** | **53** | **444** | **1,529** |
| Movements during 2021 | - | 32 | 1 | - | 33 |
| **Balance at 31 December 2021** | **492** | **572** | **54** | **444** | **1,562** |

| **INA, d.d.** | **Combined reserves at 31 December 1993** | **Foreign currency translation reserves** | **Reserve of defined benefit obligation** | **Other reserves** | **Total** |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **27** | **859** | **43** | **285** | **1,214** |
| Movements during 2020 | - | (43) | - | - | (43) |
| **Balance at 31 December 2020** | **27** | **816** | **43** | **285** | **1,171** |
| Movements during 2021 | - | 43 | (3) | - | 40 |
| **Balance at 31 December 2021** | **27** | **859** | **40** | **285** | **1,211** |

*(all amounts are presented in HRK millions)*

## 35. RETAINED EARNINGS

| | INA Group | INA, d.d. |
|---|---|---|
| | **Retained earnings / (Accumulated losses)** | **Retained earnings / (Accumulated losses)** |
| **Balance at 1 January 2020** | **207** | **1,273** |
| Transfer | (2) | - |
| Transfer to legal reserves from retained earnings | (30) | (33) |
| Profit brought forward from legal merger | - | 75 |
| Loss for the year | (1,138) | (933) |
| Dividend paid | (623) | (623) |
| **Balance at 31 December 2020** | **(1,586)** | **(241)** |
| Profit for the year | 1,312 | 1,273 |
| **Balance at 31 December 2021** | **(274)** | **1,032** |

On the regular general shareholders' meeting of INA, d.d. which took place on 18 June 2021 loss for the year 2020 in amount of HRK 933 million is covered from retained earnings of prior years in amount of HRK 692 million and the remaining loss in the amount of HRK 241 million is transferred to the accumulated losses and will be covered in next periods.

On the regular general shareholders' meeting of INA, d.d. which took place on 26 August 2020 profit for the year 2019 in amount of HRK 656 million is distributed to legal reserves in the amount of HRK 33 million, retain earnings in the amount of HRK 92 thousand and dividend payment in the amount of HRK 623 million (i.e. HRK 62.27 per share).

## 36. NON-CONTROLLING INTEREST

| | INA Group | |
|---|---|---|
| | **31 December 2021** | **31 December 2020** |
| Balance at the beginning of the year | 13 | 12 |
| Share of profit for the year | 2 | 1 |
| **Balance at the end of the year** | **15** | **13** |

*(all amounts are presented in HRK millions)*

## 36. NON-CONTROLLING INTEREST (CONTINUED)

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** | **2021** | **2020** |
|---|---|---|---|
| Government of the Federation of Bosnia and Herzegovina | Federation of Bosnia and Herzegovina | 7.61% | 7.61% |
| Small shareholders | | 3.73% | 3.73% |

The table below is presenting financial information for subsidiary Energopetrol d.d. that has non-controlling interests that are material to INA Group. The amounts disclosed for Energopetrol d.d. are before intercompany eliminations.

| | **31 December 2021** | **31 December 2020** |
|---|---|---|
| | **Energopetrol d.d.** | **Energopetrol d.d.** |
| Non-current assets | 193 | 205 |
| Non-current liabilities | 53 | 75 |
| Current assets | 53 | 45 |
| Current liabilities | 123 | 121 |
| Operating income after the acquisition date | 429 | 321 |
| Gain for the period after the acquisition date | 17 | 8 |
| **Total comprehensive gain for the period after the acquisition date** | **17** | **8** |

## 37. RELATED PARTY TRANSACTIONS

The company has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the Company's strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is performed with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation. Details of transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

*(all amounts are presented in HRK millions)*

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, INA Group entered into the following trade transactions with related parties:

| INA Group | Sales of goods and services | | Purchase of goods and services | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | December 2020 |
| **Share in company as non-current financial assets** | | | | |
| JANAF d.d. Zagreb | 5 | 5 | 70 | 59 |
| **Governing company** | | | | |
| MOL Nyrt. | 1,881 | 1,508 | 1,146 | 800 |
| **Companies controlled by governing company** | | | | |
| Tifon d.o.o. | 623 | 380 | 7 | 9 |
| MOL Serbia d.o.o. | 187 | 5 | - | - |
| MOL Slovenija d.o.o. | 45 | 32 | - | 11 |
| MOL Petrochemicals Co. Ltd. | 34 | 57 | 9 | 8 |
| SLOVNAFT, a.s. | 9 | - | 232 | 120 |
| Petrolszolg Kft. | 3 | - | - | - |
| MOL-LUB Kft. | 1 | 1 | 1 | 2 |
| MOL Norge AS | 1 | 1 | - | - |
| MOL Commodity Trading Kft. | - | 42 | 22 | 13 |
| Geoinform Kft. | - | 1 | 1 | - |
| MOL Azerbaijan Ltd. | - | - | 882 | 662 |
| IES - Italiana Energia e Servizi S.p.A | - | - | 12 | - |

As of statement of financial position date, INA Group had the following outstanding balances with related parties:

| INA Group | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| **Share in company as non-current financial assets** | | | | |
| JANAF d.d. Zagreb | 1 | - | 4 | 2 |
| **Governing company** | | | | |
| MOL Nyrt. | 253 | 67 | 79 | 88 |
| **Companies controlled by governing company** | | | | |
| Tifon d.o.o. | 71 | 5 | 2 | 3 |
| MOL Commodity Trading Kft. | 54 | 75 | 54 | 80 |
| MOL Serbia d.o.o. | 24 | - | - | - |
| MOL Slovenija d.o.o. | 3 | 1 | 3 | - |
| SLOVNAFT, a.s. | 2 | - | 7 | 3 |
| Petrolszolg Kft. | 1 | - | - | - |
| MOL Petrochemicals Co. Ltd. | - | 2 | 1 | 3 |
| MOL Norge AS | - | 1 | - | - |
| MOL Fleet Solutions Kft | - | - | 3 | - |
| Geoinform Kft. | - | - | 1 | - |
| IES - Italiana Energia e Servizi S.p.A | - | - | - | 1 |
| MOL Austria GmbH | - | - | - | 1 |

*(all amounts are presented in HRK millions)*

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

INA, d.d. has provided loans at rates comparable to those that prevail in arm's length transactions. The loans from the ultimate controlling party are unsecured.

During the year, INA, d.d. entered into the following trade transactions with related parties:

**INA, d.d.**

| | Sales of goods and services | | Purchase of goods and services | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| **Related companies** | | | | |
| Holdina d.o.o. Sarajevo | 2,274 | 1,404 | 2 | - |
| INA Crna Gora d.o.o. Podgorica | 350 | 254 | - | - |
| INA Slovenija d.o.o. Ljubljana | 114 | 69 | - | - |
| STSI, Integrirani tehnički servisi d.o.o. | 25 | 23 | 438 | 442 |
| Plavi tim d.o.o. | 13 | 13 | 89 | 84 |
| CROSCO, naftni servisi d.o.o. | 11 | 10 | 295 | 212 |
| INA Maloprodajni servisi d.o.o. | 8 | 7 | 325 | 306 |
| INA MAZIVA d.o.o. | 4 | 4 | 55 | 62 |
| Top Računovodstvo Servisi d.o.o. | 3 | 4 | 39 | 37 |
| INA Vatrogasni Servisi d.o.o. | 3 | 3 | 78 | 79 |
| Hostin d.o.o. | 1 | 1 | - | - |
| INA Adria B.V. | - | 3 | - | - |
| Adriagas S.r.l. Milano | - | - | 2 | 2 |
| INA d.o.o. Banja Luka | - | - | 1 | 1 |
| INA Kosovo d.o.o. | - | - | 1 | - |
| **Share in company as non-current financial assets** | | | | |
| JANAF d.d. Zagreb | 1 | 1 | 69 | 59 |
| **Governing company** | | | | |
| MOL Nyrt. | 1,761 | 1,334 | 1,076 | 714 |
| **Companies controlled by governing company** | | | | |
| Tifon d.o.o. | 621 | 379 | 7 | 9 |
| MOL Serbia d.o.o. | 187 | 5 | - | - |
| MOL Slovenija d.o.o. | 40 | 26 | - | - |
| MOL Petrochemicals Co. Ltd. | 34 | 57 | 7 | 5 |
| SLOVNAFT, a.s. | 9 | - | 228 | 118 |
| MOL Norge AS | 1 | 1 | - | - |
| MOL Commodity Trading Kft. | - | 43 | 22 | 13 |
| MOL Azerbaijan Ltd. | - | - | 882 | 662 |
| IES - Italiana Energia e Servizi S.p.A | - | - | 12 | 7 |

*(all amounts are presented in HRK millions)*

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

As of statement of financial position date, INA, d.d. had the following outstanding balances with related parties:

| **INA, d.d.** | **Amounts owed by related parties** | | **Amounts owed to related parties** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| **Related companies** | | | | |
| Holdina d.o.o. Sarajevo | 151 | 115 | 2 | - |
| INA Crna Gora d.o.o. Podgorica | 48 | 33 | - | - |
| INA Slovenija d.o.o. Ljubljana | 13 | 7 | - | - |
| INA Beograd d.o.o. | 9 | 8 | - | - |
| STSI, Integrirani tehnički servisi d.o.o. | 4 | 5 | 104 | 104 |
| Plavi tim d.o.o. | 3 | 3 | 22 | 22 |
| CROSCO, naftni servisi d.o.o. | 2 | 3 | 55 | 28 |
| INA MAZIVA d.o.o. | 2 | 2 | 12 | 11 |
| INA Maloprodajni servisi d.o.o. | 1 | 1 | 37 | 43 |
| Top Računovodstvo Servisi d.o.o. | - | 1 | 4 | 1 |
| INA Vatrogasni Servisi d.o.o. | - | - | 11 | 5 |
| Adriagas S.r.l. Milano | - | - | - | 1 |
| **Share in company as non-current financial assets** | | | | |
| JANAF d.d. Zagreb | - | - | 4 | 3 |
| **Governing company** | | | | |
| MOL Nyrt. | 225 | 30 | 62 | 64 |
| **Companies controlled by governing company** | | | | |
| Tifon d.o.o. | 71 | 5 | 2 | 3 |
| MOL Commodity Trading Kft. | 54 | 75 | 54 | 80 |
| MOL Serbia d.o.o. | 24 | - | - | - |
| MOL Slovenija d.o.o. | 3 | - | 3 | 1 |
| SLOVNAFT, a.s. | 2 | - | 7 | 2 |
| MOL Petrochemicals Co. Ltd. | - | 2 | - | 2 |
| MOL Norge AS | - | 1 | - | - |
| Geoinform Kft. | - | - | - | - |
| IES - Italiana Energia e Servizi S.p.A | - | - | - | 1 |

Receivables of INA, d.d. are presented net of impairment of bad and doubtful receivables.

In 2021 and 2020 INA, d.d. has not recognised impairment on receivables from related parties.

*(all amounts are presented in HRK millions)*

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

Loan to and from related parties:

| INA, d.d. | Amounts of loans owed by related parties | | Amounts of loans owed to related parties | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| **Related companies** | | | | |
| Hostin d.o.o. | 385 | 405 | - | - |
| INA Crna Gora d.o.o. Podgorica | 135 | 140 | - | - |
| CROSCO, naftni servisi d.o.o. | 85 | 132 | - | - |
| Energopetrol d.d. | 33 | 60 | - | - |
| INA Slovenija d.o.o. Ljubljana | 18 | 19 | - | - |
| INA MAZIVA d.o.o. | 8 | - | - | 35 |
| Holdina d.o.o. Sarajevo | - | 19 | - | - |
| STSI, Integrirani tehnički servisi d.o.o. | - | 19 | 8 | - |
| INA BH d.d., Sarajevo | - | 2 | - | - |
| INA Industrijski Servisi d.o.o. | - | - | 59 | 15 |
| INA Maloprodajni servisi d.o.o. | - | - | 31 | 25 |
| INA Vatrogasni Servisi d.o.o. | - | - | 26 | 26 |
| Plavi tim d.o.o. | - | - | 14 | 5 |
| Adriagas S.r.l. Milano | - | - | 12 | 12 |
| Top Računovodstvo Servisi d.o.o. | - | - | 8 | 9 |
| Croplin d.o.o. | - | - | 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 2021 | 31 December 2020 |
| **Companies controlled by governing company** | | |
| MOL Commodity Trading Kft. | 218 | 224 |

Deposits until three months with related parties:

| INA Group and INA, d.d. | Deposits until three months | |
|---|---|---|
| | 31 December 2021 | 31 December 2020 |
| **Governing company** | | |
| MOL Nyrt. | 1,278 | - |

Product sales and purchases between related parties were made at the usual prices of the Group, reduced by discounts and rebates depending on each particular relationship.
For oil products sales to related parties, INA, d.d. does not require payment security instruments, except in case of sales on foreign markets, in order to be compliant with the Foreign Exchange Act.

*(all amounts are presented in HRK millions)*

## 37. RELATED PARTY TRANSACTIONS (CONTINUED)

*Compensation of key management personnel*

The remuneration of directors and other members of key management during the year were as follows:

| | INA, d.d. | |
|---|---|---|
| | **31 December 2021** | **31 December 2020** |
| Short-term employee benefits | 44 | 30 |
| Termination bonuses | 7 | 1 |
| **Total** | **51** | **31** |

The amount included above refers to the remuneration of the Management Board Members and directors of second and third level organizational units.

A number of key managements in INA, d.d. or their related parties, hold positions in other companies of INA Group that result in them having control or significant influence over these companies.

## 38. COMMITMENTS

The Company and the Group have a number of continuing operational and financial commitments in the normal course of their businesses including:

- exploration and development commitments arising under production sharing agreements;
- exploratory drilling and well commitments abroad;
- take or pay contract, gas transportation contract and gas selling contract;
- guarantees, performance bonds and letters of credit with Croatian and foreign banks;
- completion of the construction of certain assets.

*(all amounts are presented in HRK millions)*

## 38. COMMITMENTS (CONTINUED)

*Gas Transportation contracts*

At 31 December 2021 the future gas transportation contracted commitments with LNG Hrvatska, PPD Vukovar and Met Austria until 1 January 2023 amount to HRK 37 million, from 1 January 2023 until 1 January 2027 amount to HRK 56 million, from 1 January 2027 until 31 December 2039 amount to HRK 181 million.

At 31 December 2020 the future gas transportation contracted commitments with PPD Vukovar and Met Austria until 1 October 2021 amount to approximately HRK 27 million in total.

*Gas purchase contract obligations (Take or pay)*

INA, d.d concluded a Gas Purchase Obligation (*Take or pay*). The obligation refers to one-year natural gas import contract signed for gas year. Through this contract INA, d.d. will procure the quantities of gas needed to cover the gap in the sales. At 31 December 2021, the future contractual obligations for natural gas concluded with Met Austria until 1 January 2023 amount to HRK 366 million.

At 31 December 2020, the future contractual obligations for natural gas concluded with Met Austria until 1 October 2021 amount to HRK 73 million.

*Lease contracts*

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments under non-cancellable lease contracts outside INA Group are as follows:

| | **INA Group** | | **INA, d.d.** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| within 1 year | 16 | 32 | 14 | 22 |
| between 1 - 5 years | 32 | 56 | 31 | 37 |
| | **48** | **88** | **45** | **59** |

Out of the outstanding operating lease liabilities as of 31 December 2021 HRK 45 million were contracted by INA, d.d., while for 31 December 2020 HRK 59 million were contracted by INA, d.d.

*Guarantees*

The Group has guaranteed the performance under the respective contract. The total value of guarantees undertaken to third parties is contractually HRK 286 million, which is the maximum amount the Group is exposed to. In the event of default, the terms of the contract contain a maximum compensation payment to the unrelated party. Based on expectations at the end of the reporting period, the Group considers that no liability is expected to arise. The contractual maturity is based on the earliest date on which the Group may be required to pay.

## 39. CONTINGENT LIABILITIES

***Environmental matters***

The principal activities of the Company and the Group, comprising oil and gas exploration, production, transportation, refining and distribution, can have inherent effects on the environment in terms of emissions into soil, water and air. Both, the Company and the Group regularly record, monitor and report on environmental emissions in accordance with their obligations specified in applicable laws.

Safeguarding the environment is one of the biggest imperatives of our time. Businesses across every size, geography and sectors are rising up to the challenge and setting the pace through ambitious commitments and actions to reduce their environmental footprint and integrate sustainability into their core operations. In a changing regulatory environment, the impact on the business must be continuously assessed in order to identify the most cost effective measures for complying with increasingly stringent legal requirements. By implementing such measures in production and refining, we are reducing our impact on the environment. At the same time, we are improving reporting obligations, implementation and enforcement of environmental regulation at every organizational level.

In 2021 Environmental permit is obtained for Rijeka Refinery and integrated SOx and NOx emission management (bubble concept), complying with one emission limit value for SOx and one for NOx instead of harmonizing each emission sources individually, have been implemented. Also, Fractionation Facility Ivanić Grad obtained a revised Environmental permit where no changes compared to previous one is requested. For remaining 2 INA's facilities, revision of environmental permits is still in progress. Baseline reports for refineries have also been prepared in phases as required by the competent authority.

European Union Emissions Trading System, EU ETS, is one of the fundamental mechanisms of the European Union in the fight against climate change. Inside the System, a part of the emission allowances (one allowance = 1 tonne of CO2) are allocated to installations for free and they are used to "cover" the emissions from the previous year. If the installation has a shortage of allowances in respect to verified emissions, the rest must be bought on the market through auctioning. To achieve the EU's overall greenhouse gas emissions reduction target for 2030, the organization units covered by the EU ETS must reduce their emissions. All four INA's ETS installations conducted preparation for the 4$^{th}$ EU ETS Trading Phase, which is valid for the period 2021 until 2030. Free allocated emission allowances are reduced due to historical activity level decrease and application of more stringent benchmarks for refinery products. Also, in 4$^{th}$ EU ETS Trading Phase, EUA price is expected to be increased.

The Company and the Group continued to implement best available techniques, invest in renewable energy sources (two smaller solar power plants have been installed) and energy efficiency projects. Also, with the decision to invest in Rijeka Refinery Upgrade project (DCU complex), the refinery business will be more profitable and sustainable in the long term.

*Environmental provisions*

Environmental obligations are the obligations of a company to recover pollutions caused by the company's operations. They can be divided into two categories: environmental provisions and contingencies. Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable, and the amount recognised is the best estimate of the expenditure required. In case of long-term liability, the present value of the estimated future expenditure is recognised. Typical provision based actions are soil and groundwater pollution assessment, remediation, monitoring actions in order to control the long-term compliance and re-cultivation of old waste storage depots. Provision based environmental liabilities are audited in every quarter.

## 39. CONTINGENT LIABILITIES (CONTINUED)

***Environmental matters (continued)***

*Environmental provisions (continued)*

At 31 December 2021, INA, d.d. made environmental provisions in the amount of HRK 267 million, whereas the provisions at the Group level amounted to HRK 464 million, while at 31 December 2020, INA, d.d. made environmental provisions in the amount of HRK 323 million, whereas the provisions at the Group level amounted to HRK 327 million.

At 31 December 2021, contingencies at INA, d.d. was estimated at HRK 335 million and for INA Group level was estimated at HRK 536 million, while at 31 December 2020 contingencies at INA, d.d. was estimated at HRK 340 million and for INA Group level was estimated at HRK 542 million. The estimates were not recognised because the timing of the event is uncertain and there is no evidence of pollution.

***Litigation***

The Group is exposed to various legal claims. The following claims are considered as contingencies and no provision is recognised in the financial statements in their respect.

***GWDF***

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-Industrija nafte, d.d. and INA-Naftaplin International Exploration, Channel Islands, before the Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of app HRK 60 million incurred due to ungrounded termination of negotiations. On 10 March 2016 the judgment was rendered and the plaintiff's claim was dismissed in its entirety. On 18 March 2016 the plaintiff filed an appeal against the judgment of the court of first instance. In its judgment rendered on 7 November 2018, the High Commercial Court of the Republic of Croatia rejected the plaintiff's appeal and confirmed the judgement of the court of first instance. Therefore, the proceedings are concluded with a judgment that is final and binding. On 10 January 2019 the plaintiffs filed a petition with the Supreme Court of the Republic of Croatia for extraordinary legal remedy (revision) against the final and binding judgment of the High Commercial Court. On 23 September 2019 the Commercial Court in Zagreb delivered a copy of the aforementioned plaintiff's revision to the defendants which, subsequently, filled their reply to the revision on 3rd October 2019. There were no changes since then, waiting for Supreme Court's ruling.

***EKO MEDIA d.o.o.***

In September 2012 INA, d.d. entered into an agreement with company EKO MEDIA d.o.o. EKO MEDIA failed to regularly comply with its obligations. INA, d.d. terminated the agreement with EKO MEDIA d.o.o. at the beginning of 2014. On 19 December 2014 EKO MEDIA d.o.o. filed a lawsuit against INA, d.d. in which EKO MEDIA d.o.o. specified its claim in the amount of HRK 106 million. INA, d.d. filed its official reply to such EKO MEDIA's lawsuit and filed a counterclaim for the return of unjust enrichment and asked for the issuance of interim measure for prohibition of use of advertising boards. The first instance procedure is in progress and the court expert for finances delivered his opinion in which he determined the amount of the claim towards EKO MEDIA at the moment of termination of the agreement. A financial expert conducted an evaluation in relation to the circumstance of lost profit. Since bankruptcy proceeding has been initiated against the company EKO MEDIA d.o.o., INA has submitted a claim in the bankruptcy proceeding, while the litigation had to be formally stopped and then continued against EKO MEDIA d.o.o. – in bankruptcy, all resulting in the first instance proceeding being still in progress.

## 39. CONTINGENT LIABILITIES (CONTINUED)

***Litigation (continued)***

***Belvedere cases (CLEOSTONE claim included)***

In 2005 INA, d.d. and Belvedere d.d. concluded the Loan agreement on notarial insurance of the claim by establishing lien over the real estate of Belvedere d.d. for the purpose of ensuring loan repayment. Since the loan was not repaid, INA, d.d. initiated the procedure of real estate sale, and the real estate was sold to company Vila Larus d.o.o., whereby INA, d.d. collected HRK 24 million on behalf of principle amount and contractual interest rate.

The plaintiff initiated the proceeding to proclaim the real estate sale and purchase agreement as null and void, as well as the proceeding to cancel the enforceability clause on the Fiduciary Agreement. The first instance proceeding for the annulment of the agreement on the sale and purchase of real estate has been finalized in favour of INA, d.d. and upon an appeal filed by the plaintiff, the first instance decision became legally binding after the High Commercial Court of the Republic of Croatia rejected the appeal and confirmed the judgment. The Supreme Court of the Republic of Croatia has also rejected the plaintiff`s review.

***Belvedere – HRK 24 million, 018-11/17***

The plaintiff has filed a claim with the Commercial Court in Zagreb, seeking reimbursement of funds received for the sale of “Hotel Belvedere”, claiming that the sale of the real estate, encumbered by INA’s liens – fiduciary, is illegal. The plaintiff alleges that INA, d.d. had no right to collect its claims by selling the real estate, because the plaintiff was in crisis at the moment of loan placement, so the loan was actually a loan substituting the capital which is settled in a bankruptcy proceeding as a lower payment priority claim. It is also stated that the notary public violated other legal regulations. The response to the claim has been submitted, in which the plaintiff’s allegations have been contested, i.e. that the loan was not actually a loan substituting the capital. A preparatory hearing was held, as well as hearings at which witnesses were heard. The first instance court reached a judgment in favour of the plaintiff, against which an appeal was lodged. Based on INA`s appeal, the appellate court reversed the judgement and rejected the plaintiff`s request. The Plaintiff filed a request for granting a second instance appeal.

***Belvedere – HRK 220 million, 018-14/17***

The plaintiff has filed a claim with the Commercial Court in Zagreb, seeking reimbursement of damages, claiming that INA, d.d. has caused damage to the plaintiff by selling its real estate encumbered by INA’s liens – fiduciary, whereby the plaintiff was prevented from continuing its business operations.

The plaintiff claims that the damage is evident from the fact that the loan was actually a loan substituting the capital which is settled in a bankruptcy proceeding as a lower payment priority claim. INA, d.d. submitted its response to the lawsuit in which it contested all the plaintiff’s allegations, both in relation to the grounds and the amount and stated that the collection of the concerned claims was in any case insured by a separate satisfaction right, granting the creditor in bankruptcy the right to a separate settlement. The court granted a stay at the first hearing until the proceeding 018-11/17 is finished.

## 39. CONTINGENT LIABILITIES (CONTINUED)

***Litigation (continued)***

***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 shipowner 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 and natural persons due to damage caused to them by spillage of fuel from ship FIDELITY into the sea in the Raša Bay on 22 June 2018. It is stated in the lawsuit that INA, d.d. as the concessionaire for fuel supply in the Raša Port and MANŠPED d.o.o. as its subcontractor (carrier) caused damage because INA hired MANŠPED as its subcontractor which neither had the concession or concession approval to perform these services, nor authorized 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 of 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.

***Labour procedure against Energopetrol d.d.***

At Municipal Court in Sarajevo, 449 plaintiffs filed labour lawsuits against Energopetrol for which, depending on the prospect of success as well as the legal basis of the claim, Energopetrol reserved amounts of 10% and 30% respectively of the total claim.

The plaintiffs claim a total of HRK 80 million in principle, HRK 63 million in taxes and contributions, and HRK 14 million in statutory default interest. The lawsuits were filed in period 2018 untill 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 2014 till 2020.

In cases number 65 0 Rs 704245 18 Rs (387 plaintiffs) and 65 0 Rs 704589 18 Rs (1 plaintiff), first instance verdicts were handed down in favour of Energopetrol and appealed by the plaintiffs.

In the remaining 2 cases, which were suspended until the end of the "103" case, we expect that the Court will continue the proceedings since the Cantonal Court in Sarajevo passed a verdict in the "103" case in favour of Energopetrol.

***MOL Plc. and INA vs Federation of the Bosnia and Herzegovina (FBIH)***

MOL Plc. and INA, d.d. are involved inarbitration with the FBIH, in front of ICC Zürich.

INA/MOL claim:

INA and MOL 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 employment laws of FBiH. The amount in dispute, according to the Terms of Reference dated 20 April 2020 is EUR 22 million (plus ancillary claims such as claims for legal interest and legal costs). Still as of 31 March 2020, court proceedings are pending in an amount of EUR 27 million in relation to which Claimant maintains a relief for a declaratory decision.

## 39. CONTINGENT LIABILITIES (CONTINUED)

***Litigation (continued)***

***MOL Plc. and INA vs Federation of the Bosnia and Herzegovina (FBIH) (continued)***

FBIH counterclaim:

FBIH claims INA, d.d. and MOL did not perform their investment obligations in Energopetrol, according to the Recapitalization Agreement.

FBIH request the court to order MOL/INA "to jointly and severally make investments in the amount of BAM 93 million (in the alternative EUR 47 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 devices which shall be reflected in the liabilities and/or equity side of the balance sheet of Energopetrol d.d. Sarajevo (all without diluting Respondent's shareholding in Energopetrol d.d. Sarajevo) and (ii) ensure the application of these funds to projects and purposes set forth in Article XII of the Recapitalization Agreement and Appendix 16 (Investment Plan) of the Recapitalization Agreement within 365 days as of the date the arbitral award is issued".

FBIH also claims INA and MOL " jointly and severally pay Respondent (FBIH) BAM 31 million (in the alternative EUR 16 million) plus interest of 5 % per annum as of 28 March 2010 until full and final payment thereof" and there is a rather unsubstantiated other counterclaim of BAM 30 million (EUR 15 million) plus interest of 5% per annum as of 30 March 2010 until full and final payment thereof.

Evidentary hearing took place on the week of 22 November 2021, in Zürich. The tribunal will likely decide about the next steps of the arbitration proceedings after evaluation of the submission of the parties made prior to (and at ) the hearing in the first phase of the bifurcated procedure. It is not to be excluded that a separate decision will be rendered by the tribunal either on the legal grounds of (some or all of) the counterclaims raised by Respondent or on the method and instructions to the parties for further submissions in the second phase of the procedure, in the evidentiary phase for the quantum (the claim and counterclaim respectively).

*(all amounts are presented in HRK millions)*

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Gearing ratio*

The primary objective of INA Group in managing its capital is to ensure good capital ratios in order to support all business activities and maximize the value to all shareholders through optimization of the ratio between the debt and equity.

The capital structure of INA Group consists of debt part which includes borrowings as detailed in notes 25 and 27 offset by cash and bank balances as well as short-term marketable securities (so-called net debt) and shareholder equity comprising of issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 35 and 36.

Capital structure of the INA Group is reviewed quarterly. As a part of the review, the cost of capital is considered and risks are associated with each class of capital. Internally, maximum gearing ratio of INA Group is determined.

The gearing ratio at the end of the reporting period was as follows:

| | INA Group | | INA, d.d. | |
|---|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| **Debt:** | **3,128** | **2,085** | **2,923** | **1,873** |
| Bonds issuance | 1,983 | - | 1,983 | - |
| Short-term loans | 1,145 | 2,085 | 940 | 1,873 |
| Short-term marketable securities | (17) | (78) | (17) | (78) |
| Cash and cash equivalents | (2,630) | (399) | (2,573) | (351) |
| **Net debt** | **481** | **1,608** | **333** | **1,444** |
| Equity | 10,782 | 9,357 | 11,722 | 10,331 |
| Equity and net debt | 11,263 | 10,965 | 12,055 | 11,775 |
| **Gearing ratio** | **4%** | **15%** | **3%** | **12%** |

Debt is defined as short-term borrowings and credit lines (excluding derivatives and financial guarantee contracts), as described in notes 25 and 27.

Total equity includes capital, reserves, retained earnings or transferred loss and non-controlling interests of the Group that are managed as capital.

*(all amounts are presented in HRK millions)*

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Categories of financial instruments*

| | Carrying amount | | | |
|---|---|---|---|---|
| | INA Group | | INA, d.d. | |
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| **Financial assets** | | | | |
| Cash and cash equivalents | 2,630 | 399 | 2,573 | 351 |
| Loans and receivables | 3,098 | 2,342 | 3,420 | 2,733 |
| Non-current financial assets | 655 | 560 | 655 | 560 |
| Positive fair value of derivatives | 11 | 26 | 11 | 26 |
| Marketable securities | 60 | 78 | 59 | 78 |
| Financial assets designated as at fair value through profit and loss | 9 | 9 | 8 | 8 |
| **Financial liabilities** | | | | |
| Bonds issuance | 1,983 | - | 1,983 | - |
| Loans and borrowings | 1,145 | 2,085 | 1,069 | 1,873 |
| Lease liabilities | 312 | 309 | 445 | 479 |
| Trade payables | 2,143 | 1,426 | 2,138 | 1,450 |
| Negative fair value of derivatives | 64 | 116 | 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 well, as was the case in 2021 and 2020. Analysis of financial risks allows quantification of their effects on INA Group's overall business activities and selection of appropriate measures in order to minimize negative effects. Senior management regularly reviews the financial risk reports.

By taking this general approach, INA, d.d. assumes the business activities as a well-balanced integrated portfolio and does not hedge individual elements of its exposure to financial risks in a normal course of business. Therefore, INA, d.d. actively manages its financial risk exposure for the following purposes:

- corporate level – maintaining financial ratios, covering exposure to significant monetary transactions, etc.;
- business operations level – decreasing the exposure to market prices fluctuation in case of deviations from the normal course of business (e.g. planned regular shutdown of refinery units for the purpose of overhaul).

INA, d.d. Treasury carries out finance activities of INA, d.d., coordinates finance operations of INA Group on domestic and international financial markets, monitors and manages the financial risks related to the operations of INA Group. The most significant risks, together with methods used for management of these risks are described below.

INA Group used derivative financial instruments to a very limited extent in order to manage financial risks. Derivative financial instruments are regulated by signing an ISDA (International Swaps and Derivatives Association) Agreement with counterparties. INA Group does not use derivative financial instruments for speculative purposes.

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Market risk*

*Commodity price risk management*

The volatility of crude oil and gas prices is the prevailing element in the business environment of INA Group. INA Group buys crude oil mostly through short-term arrangements in USD at the current spot market price. Necessary natural gas quantities in 2021 INA Group imported in EUR based on spot price.

In addition to exploration and production, and refinery operations, one of the main core activities of INA, d.d. are marketing and sale of refinery products and natural gas. Prices of crude products were determined weekly based on market principles, which enables quicker responses to market prices fluctuations.

In accordance with internal procedures, for the purpose of hedging financial risk exposure on corporate and business operations level, INA, d.d. may use forward, swap and option instruments. In 2021, 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.

At 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020 there were no outstanding cross-currency transactions.

*(all amounts are presented in HRK millions)*

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The carrying amounts of INA Group and INA, d.d. foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

**INA Group**

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Currency EUR | 1,167 | 1,566 | 1,678 | 490 |
| Currency USD | 1,161 | 1,027 | 803 | 613 |
| | **2,328** | **2,593** | **2,481** | **1,103** |

**INA, d.d.**

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Currency EUR | 1,073 | 1,290 | 2,000 | 740 |
| Currency USD | 1,137 | 1,007 | 726 | 579 |
| | **2,210** | **2,297** | **2,726** | **1,319** |

*Foreign currency sensitivity analysis*

INA Group is mainly exposed to currency risk related to change of HRK exchange rate against USD and EUR, due to the fact that crude oil and natural gas trading on international markets and INA Group's debt portfolio are denominated in the mentioned currencies.

The following table details sensitivity of INA Group's and INA, d.d. to a 10% weakening of HRK at 31 December 2021 (same sensitivity rate used for preceding period) against the relevant foreign currencies. The sensitivity rates used represent management's assessment of the usual change in foreign exchange rates. The sensitivity analysis includes monetary assets and liabilities in foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates expressed as percentage. A negative number below indicates a decrease in profit where HRK changes against the relevant currency by the percentage specified above. For the same change of HRK versus the relevant currency in the opposite direction, there would be an equal and opposite impact on the profit.

**INA Group**

| | Currency USD Impact | | Currency EUR Impact | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Profit/(Loss) | (36) | (41) | 51 | (108) |
| | **(36)** | **(41)** | **51** | **(108)** |

**INA, d.d.**

| | Currency USD Impact | | Currency EUR Impact | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Profit/(Loss) | (41) | (43) | 93 | (55) |
| | **(41)** | **(43)** | **93** | **(55)** |

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)*

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Interest rate risk management*

INA Group is exposed to interest rate risk, since entities in INA Group generally borrow funds at floating interest rates.

INA Group does not speculate on fluctuations in interest rates, and therefore primarily chooses floating interest rates. However, in certain instruments and certain macro environment, there is a possibility of selecting a fixed interest rate and utilization of 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 can use interest rate swap transactions in order to manage the relative level of exposure to interest rate risk on cash flows related to borrowings with floating interest rates. As of 31 December 2021 there were no outstanding interest rate swap transactions.

*Interest rate risk analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 or 200 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates would be 200 basis points higher/lower and all other variables were held constant, the changes in interest expense of INA Group and INA, d.d. would be as presented below.

| | **INA Group** | | **INA, d.d.** | |
|---|---|---|---|---|
| | **31 December 2021** | **31 December 2020** | **31 December 2021** | **31 December 2020** |
| Short-term interest expense change | 23 | 42 | 19 | 37 |
| **Total change:** | **23** | **42** | **19** | **37** |

If interest rates would be 200 basis points higher, INA Group's interest expenses in 2021 would increase by HRK 23 million, while with a change of 50 basis points the increase would be HRK 6 million (in 2020: increase by HRK 42 million had the interest rated been 200 basis points higher, and by HRK 10 million had the interest rates been 50 basis points higher).
At the same time INA, d.d.'s interest expenses in 2021 would increase by HRK 19 million if interest rates had been 200 basis points higher, while the increase would be HRK 5 million with a change of 50 basis points (2020: increase by HRK 37 million had the interest rates been 200 basis points higher, and by HRK 9 million had the interest rates been 50 basis points higher). Equivalent decrease of interest rates would result in decreased interest expenses by equal amounts.

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

***Other price risks***

INA Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

*Equity price sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher:

- net profit for the year ended at 31 December 2021 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 61 million as a result of the changes in fair value of non-current financial assets.

If equity prices had been 10% lower, there would be an equal and opposite impact on equity.

*Credit risk management*

Sales of products and services with deferred payment gives rise to credit risk, risk of default or non-performance of contractual obligations by INA Group customers. Overdue receivables have negative impact on the liquidity of INA Group, whereas impaired overdue receivables have a negative impact on the financial results of INA Group as well. Under currently valid internal procedures, measures are taken as a precaution against the risk of default. Customers are classified into risk groups by reference to their financial indicators and the trading records with INA Group, and appropriate measures to provide protection against credit risk are taken for each group. The information used to classify the customers into risk groups is 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 2021, credit risk management was under additional scrutiny, taking into account the potential decrease of market liquidity caused by the COVID-19 pandemic. 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.

The exposure of INA Group and the credit ratings of its customers are continuously monitored to mitigate the risk of default (see note 21).

INA Group transacts with a large number of customers from various industries and of various size. A portion of goods sold with 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.

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Liquidity risk management*

Responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of INA Group's short and long-term funding and liquidity management requirements. INA Group manages liquidity risk by maintaining and utilizing adequate reserves and credit facilities with monitoring of due dates of receivables and liabilities. On operative level within INA Group, liquidtiy optimization is additionally achieved throug cash pooling.

The policy of INA Group is to ensure sufficient external funding sources in order to achieve the sufficient level of available frame credit lines ensuring the liquidity of INA Group as well as investment needs.

As of 31 December 2021, INA Group had contracted and available short-term credit lines amounting to HRK 3,620 million (CNB middle rate), excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products.

As of 31 December 2021, INA Group has contracted and available long-term credit lines amounting to HRK 1,993 million (CNB middle rate).

Based on business needs and industry practice, INA, d.d. has contracted short-term credit facilities ('trade finance'') with first class banking groups for financing crude oil and oil products purchase. As of 31 December 2021, INA Group had contracted and available short-term credit facilities for financing crude oil and oil products purchase amounting to HRK 6,610 million (CNB middle rate).

For details of the main external sources of funding for INA Group, see note 25 and 27.

With the purpose of diversification of funding sources and in order to ensure sufficient liquidity and financial stability level, INA, d.d. is continuously considering different funding opportunities with other creditors as well and in December 2021, INA, d.d. issued HRK 2 billion bonds with a 5-year maturity and fixed coupon rate.

*(all amounts are presented in HRK millions)*

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Liquidity risk management (continued)*

*Liquidity and interest risk tables*

The following tables detail the remaining contractual maturity for financial liabilities of INA Group and INA, d.d. and at the period end. Analyses have been drawn up based on the undiscounted cash flows based on the earliest date on which the payment can be required. The tables include both principal and interest cash flows.

**INA Group**

| | Less than 1 month | 1 - 12 months | 1 - 5 years | 5+ years | Total |
|---|---|---|---|---|---|
| **31 December 2021** | | | | | |
| Non-interest bearing | 1,918 | 816 | 24 | - | 2,758 |
| Interest bearing | 568 | 661 | 2,133 | 79 | 3,441 |
| | **2,486** | **1,477** | **2,157** | **79** | **6,199** |
| **31 December 2020** | | | | | |
| Non-interest bearing | 2,126 | 427 | 28 | 1 | 2,582 |
| Interest bearing | 1,034 | 1,129 | 178 | 53 | 2,394 |
| | **3,160** | **1,556** | **206** | **54** | **4,976** |

**INA, d.d.**

| | Less than 1 month | 1 - 12 months | 1 - 5 years | 5+ years | Total |
|---|---|---|---|---|---|
| **31 December 2021** | | | | | |
| Non-interest bearing | 1,927 | 613 | 24 | - | 2,564 |
| Interest bearing | 569 | 504 | 2,355 | 102 | 3,530 |
| | **2,496** | **1,117** | **2,379** | **102** | **6,094** |
| **31 December 2020** | | | | | |
| Non-interest bearing | 1,958 | 420 | 27 | 1 | 2,406 |
| Interest bearing | 1,036 | 1,067 | 272 | 107 | 2,482 |
| | **2,994** | **1,487** | **299** | **108** | **4,888** |

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 1,857 million in 2021 (2020: HRK 1,104 million).

Included in non-interest bearing liabilities of INA, d.d. due in a period of over five years are, liabilities to Government for sold flats and deferred income for sold flats.

Interest bearing liabilities include short-term borrowings, long-term borrowings and leases.

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Fair value of financial instruments*

*Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*(all amounts are presented in HRK millions)*

## 40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Fair value of financial instruments (continued)*

Fair value measurements recognized in the statement of financial position

**INA GROUP and INA, d.d.**

| | | | | 31 December 2021 |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets at fair value*** | | | | |
| Non-current financial assets | 606 | - | - | 606 |
| Marketable securities | 59 | - | - | 59 |
| Positive fair value of derivatives | - | 11 | - | 11 |
| ***Financial liabilities at fair value*** | | | | |
| Corporate bonds issunace | - | 1,983 | - | 1,983 |
| Negative fair value of derivatives | - | 64 | - | 64 |

| | | | | 31 December 2020 |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets at fair value*** | | | | |
| Non-current financial assets | 511 | - | - | 511 |
| Marketable securities | 78 | - | - | 78 |
| Positive fair value of derivatives | - | 97 | - | 97 |
| ***Financial liabilities at fair value*** | | | | |
| Negative fair value of derivatives | - | 116 | - | 116 |

There were no transfers between levels 1 and 2 during the year.

- Financial instruments in level 1

The fair value of financial instruments included in Level 1 comprise JANAF shares equity investments classified as non-current financial assets and marketable securities that are based on quoted market prices. A market is considered as active if quoted prices are current and regularly available.

- Financial instruments in level 2 and level 3

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

Specific valuation techniques used to value financial instruments include:

- The fair value of hedge commodity transactions is calculated based on actual historic quotations from Platts and market forward quotations of the underlying commodities.
- The fair value of forward foreign exchange contracts has been determined based on exchange rates effective at the statement of financial position date and an embedded derivative has been determined as the difference between the cumulative inflation index of the contracted inflation escalation index and the inflation rate in the country of contract execution.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 41. SUBSEQUENT EVENTS

*INA awarded new exploration concession in Egypt*

INA, d.d. was awarded an exploration license for the East Bir El-Nus concession (Block WD-8), located in Egypt’s Western Desert. This is a follow-up to INA's activities on this key foreign market for the company in terms of oil and gas exploration and production.

INA, d.d. enters the new exploration license as a 50% partner, while the remaining 50% is held by Energean, which will also be the operator. In the coming period, Energean and INA, d.d. will finalize the license agreement with the Egyptian Government and the Egyptian national oil company, and before it enters into force it will have to be confirmed by the Egyptian Parliament.

In their bid, INA, d.d. and Energean committed to conduct a 180km² 2D seismic survey and a 200km² 3D seismic survey, followed by at least two exploration wells.

*Russia – Ukraine conflict*

Management is continuously investigating and assessing the possible effects of the current geopolitical situation, international sanctions and other possible limitations on the supply chain and business activities of INA Group, driven by the Russia’s invasion of Ukraine that commenced on 24 February 2022.

INA Group exposure to Russia and Ukraine does not require any adjustments to these financial statements as at 31 December 2021, and is not expected to jeopardize the business continuity of the Group.

## 42. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorised for issue on 16 March 2022.

Signed on behalf of the Company and the Group on 16 March 2022 by:

**Sándor Fasimon, President of the Management Board of INA, d.d.**

**Niko Dalić**, member of the Management Board

**Ferenc Zoltán Horváth**, member of the Management Board

**Barbara Dorić,** member of the Management Board

**Darko Markotić**, member of the Management Board

**József Farkas Simola**, member of the Management Board

Building a better working world

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**To the Shareholders of INA-Industrija nafte, d.d.:**

**I. Report on the audit of the separate and consolidated financial statements**

We have audited the separate financial statements of INA – Industrija nafte, d.d. ("the Company"), and consolidated financial statements of INA – Industrija nafte, d.d. and it's subsidiaries (together "the Group") as at 31 December 2021 which have been issued on 16 March 2022. We issued the following audit report dated 16 March 2022 on the consolidated and separate financial statements (presented in the Annual report on pages 187 to 309):

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of INA – Industrija Nafte, d.d.

**Report on the audit of the separate and consolidated financial statements**

**Opinion**

We have audited the separate financial statements of INA – Industrija Nafte, d.d. (the Company), and consolidated financial statements of INA – Industrija Nafte, d.d. and it's subsidiaries (together -the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2021, the separate and consolidated statement of profit or loss and the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2021 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

| Key Audit Matter | How we addressed Key Audit Matter |
|---|---|
| **Estimation of hydrocarbon reserves**<br><br>A description of the key judgements and estimates regarding estimation of hydrocarbon reserves are included in Note 3 Significant accounting judgements and estimates in the separate and consolidated financial statements.<br><br>The estimation of hydrocarbon reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company's and the Group's share of reportable volumes. Hydrocarbon reserves are also a fundamental indicator of the future potential of the Company's and the Group's performance and these estimates affect significant amounts in the separate and consolidated statement of financial position and the separate and consolidated statement of profit or loss. Therefore, we believe that estimation of hydrocarbon reserves is a key audit matter. | Audit procedures included understanding of the process for determination of the hydrocarbon reserves and walkthrough of controls implemented in the process. We also assessed the competence and objectivity of the Company's and the Group's technical experts to evaluate whether they are appropriately qualified to carry out the hydrocarbon reserve volumes estimation. We performed specific inquiry to the management of the Company and the Group in respect of consistency of the applied methodology for reserves estimate with previous year.<br><br>For the significant changes in reserve volumes we tested whether the appropriate methodology was applied, the assumptions used are reasonable and adequately supported by underlying information provided by the management. We also performed analytical procedures on movements in hydrocarbon reserves during the year and reviewed that all significant changes were approved by the "Reserves and Resources Committee" and are in line with our expectations.<br><br>We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU. |
| **Impairments of the Company's and the Group's long lived assets**<br><br>Impairments of the Company's and the Group's long lived assets are disclosed in Note 6 Depreciation, amortization and impairment (net) and in respective notes disclosing the underlying assets in the separate and consolidated financial statements; a description of the accounting policy and key judgements and estimates are included in Note 2 Accounting policies and Note 3 Significant accounting judgements and estimates, respectively.<br><br>Movements in oil and gas prices and the recent volatility caused by COVID -19 pandemic, can have a significant effect on the carrying value of the Company's and the Group's long lived assets including upstream offshore and onshore, refining, retail and service related long lived assets as well as goodwill. A significant and rapid drop in prices also quickly impacts the Company's and the Group's operations and cash flows. | We performed understanding of the process and walked through the controls designed and operated by the Company and the Group relating to the assessment of the carrying value of respective long lived assets. We examined the methodology used by management to assess the carrying value of respective long lived assets, to evaluate its compliance with accounting standards and consistency of application. For the upstream and retail assets where the impairment indicators were not identified by the Company and the Group, we evaluated the management's impairment indicators assessment by comparing the assumptions used in prior year to the achieved results in the current year. |

| Key Audit Matter | How we addressed Key Audit Matter |
|---|---|
| **Impairments of the Company's and the Group's long lived assets (continued)**<br><br>Due to complexity and judgement used in the assessment of impairment indicators and impairment models, impairment of Company's and Group's long lived assets is a key audit matter. | We also evaluated the assumptions used in the current year assessment of impairment indicators and tested whether these assumptions are in line with the results achieved in the current year as well as current development in the industry and the Company's and the Group's expectations for the key inputs to the impairment models.<br><br>In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in the impairment analysis, the most significant being future market oil and gas prices and discount rates. We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis, tested the appropriateness of discount rates used in the calculation with the assistance of the specialists and performed procedures to assess the completeness of the impairment charges.<br><br>We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU. |
| **Estimation of decommissioning provisions**<br><br>Provisions associated with decommissioning of the assets are disclosed in Note 30 Provisions to the separate and consolidated financial statements; a description of the accounting policy and key judgements and estimates are included in Note 2 Accounting policies and Note 3 Significant accounting judgements and estimates, respectively. | Audit procedures involved understanding of the mandatory or constructive obligations with respect to the decommissioning of each asset based on the contractual arrangements and relevant local regulation to validate the appropriateness of the cost estimate. |

| Key Audit Matter | How we addressed Key Audit Matter |
|---|---|
| **Estimation of decommissioning provisions (continued)** | |
| Management reviews decommissioning provisions on an annual basis. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates and discount rates. Decommission assets are recorded in an amount equal to the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets. If there is no related asset, the change in provision estimate it will charged to the separate and consolidated statement of profit or loss. The calculation of decommissioning provisions requires significant management judgement because of the inherent complexity in estimating future costs and is therefore considered as a key audit matter. | We obtained calculation of decommissioning provision from the Company and the Group and tested that all of the required fields are included in the calculation, tested the appropriateness of discount rates used in the calculation, tested actual expenses that occurred during the current accounting period, inspected that decommissioning provision for the similar types of assets is in line with the expenses occurred in the current accounting period and assessed that the last year of production is aligned with the evaluation of reserves. As a part of our testing, we considered the competence and objectivity of the Company's and the Group's experts who produced the cost estimates.<br><br>We also assessed on the adequacy of the relevant disclosures in the separate and consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU. |

**Other information included in the Company's and the Group's Annual Report for year 2021**

Management is responsible for the other information. Other information consists of the information included in the Company's and the Group's 2021 Annual Report which includes the Management report, Corporate Governance Statement and Report on payments to governments other than the separate and consolidated financial statements and our auditor's report thereon. The Company's and the Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate and consolidated financial statements does not cover the Other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of management and Audit Committee for the separate and consolidated financial statements**

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

**Auditor's responsibilities for the audit of the separate and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

*Appointment of Auditor and Period of Engagement*

We were initially appointed as auditors of the Company by the General Meeting of Shareholders on 24 June 2014. Our appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 18 June 2021, representing a total period of uninterrupted engagement appointment of 8 years.

*Consistence with Additional Report to Audit Committee*

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

*Provision of Non-audit Services*

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate and consolidated financial statements.

**Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting**

*Independent report on the compliance of annual separate and consolidated financial statements (further: financial statements) prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20 and 83/21) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (hereinafter: the ESEF Regulation).*

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic files 6638e3cabf270fdf0fe4e129cf648e347b7f83781b0620906ea11788f470dc24 and bd3aecc4d63e060edc778686be121eca1663799080e9946c84daf9abb6990675 are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

*Responsibilities of the Management and those charged with governance*

Management is responsible for the preparation of the financial statements in accordance with ESEF Regulation. Furthermore, Management is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

The Management is also responsible for:

- the public disclosure of financial statements in ESEF format
- selecting and using XBLR codes in accordance with ESEF regulation

  Those charged with governance are responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

*Auditor's responsibilities*

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

*Work performed*

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
  - the XBRL markup language was used,
  - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
  - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

*Conclusion*

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2021, contained in the aforementioned attached electronic files and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion as well as opinion contained in part of this report related to accompanying financial statements for the year ended 31 December 2021, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned files.

The partner in charge of the audit resulting in this independent auditor's report is Berislav Horvat.

Berislav Horvat

President of the Management Board and certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb, Republic of Croatia

16 March 2022

**II. Other information included in the Company's and the Group's Annual Report for year 2021**

Management is responsible for the other information. Other information consists of the information included in the Annual Report which includes the Management report, Corporate Governance Statement and Report on payments to governments, other than the separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the Other information including the Management report, Corporate Governance Statement and Report on payments to governments.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management report, Corporate Governance Statement and Report on payments to governments, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management report includes the disclosures required by Article 21 of the Accounting Act, whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act, and whether the Report on the payments to governments includes the information specified in Article 27 of the Accounting Act.

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Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management report for the 2021 financial year are consistent, in all material respects, with the enclosed separate and consolidated financial statements;

2. the enclosed Management report for 2021 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;

3. Corporate Governance Statement, included in the Company's and the Group's annual report, includes the information referred to in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act;

4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Company's and the Group's annual report are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed separate and consolidated financial statements; and

5. Report on payments to governments, included in the Company's and Group's annual report, includes the information referred to in Article 27, paragraph 4, items 1, 2 and 3 and paragraph 5 of the Accounting Act.

In addition, in the light of the knowledge and understanding of the Company and Group and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management report, Corporate Governance Statement, Report on payments to governments and Annual report. We have nothing to report in this respect.

ERNST & YOUNG
d.o.o.
Zagreb, Radnička cesta 50

Berislav Horvat, President of the Management Board and certified auditor

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