ANNUAL REPORT 2023

INA

Contents

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

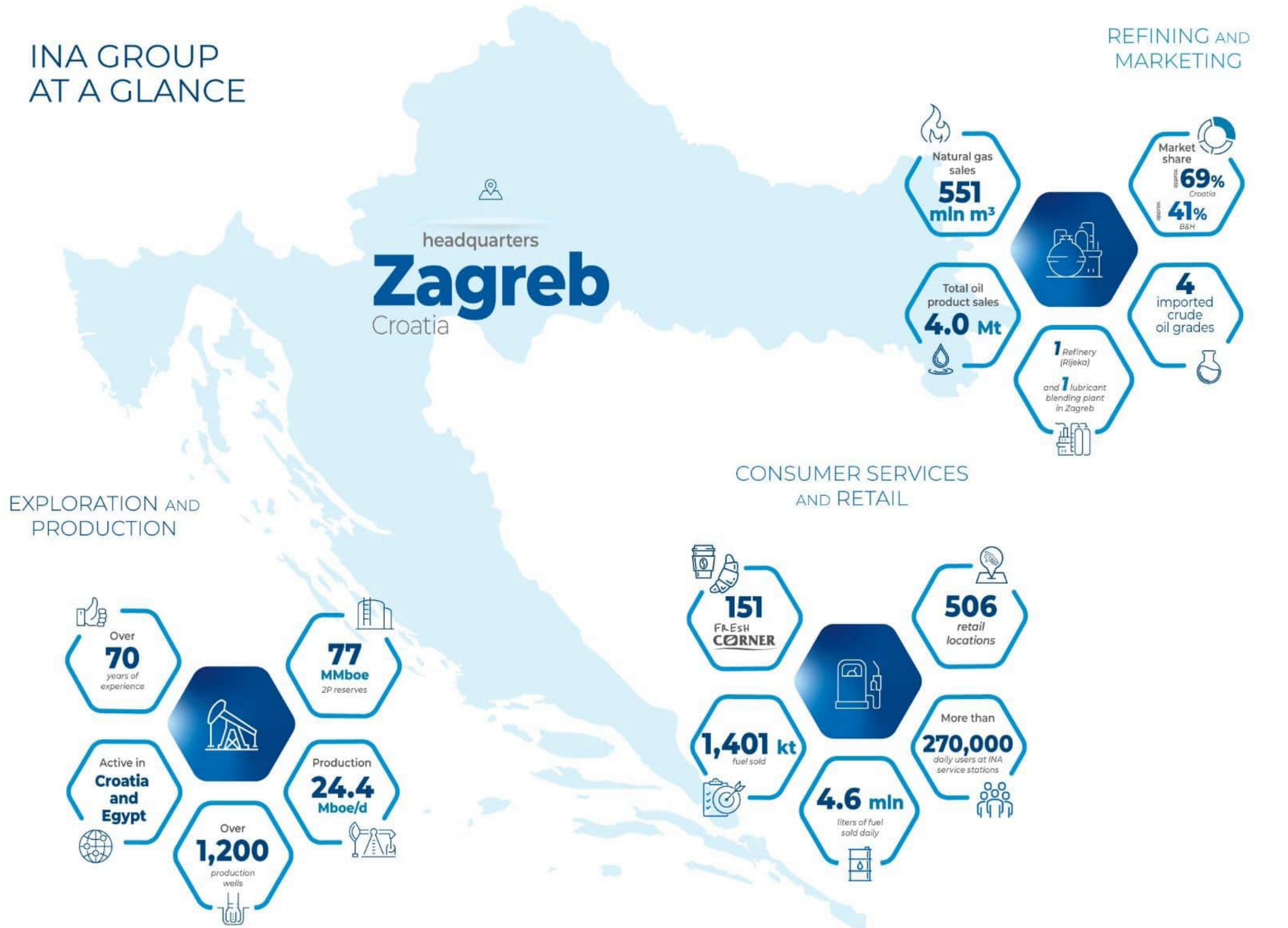
To be a well-reputed and desirable partner that is known for its excellent products and services, for honest and nurtured relationships, and for protection of the interests of our owners, customers, employees and other partners.

Core values

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

- PEOPLE - *We put people first*
  INA Group is a people-driven company - our colleagues are the foundation our business is built on.
- CUSTOMERS - *All for the customer, and for the customer all*
  Customer service is not a department - it is a part of our brand DNA.
- OWNERSHIP - *Our company, our responsibility*
  We empower and inspire each other. This is what makes INA Group dynamic and forward-thinking.
- AGILITY - *We drive the change that will shape our future*
  We make sure we are relevant in new situations and do things better to take the lead.

INA GROUP AT A GLANCE



1.2. INA Group at a glance

Key financial and operating data

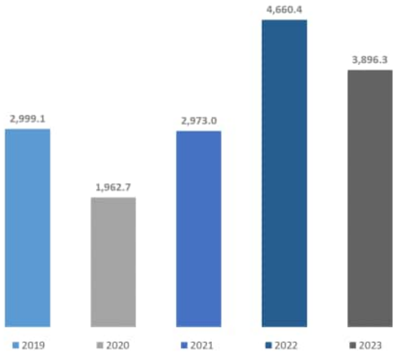
KEY FINANCIAL DATA (EUR MLN)*	2022	2023	%
Revenue from contracts with customers	4,660.4	3,896.3	(16)
EBITDA[1]	672.7	523.0	(22)
EBITDA excluding special items[2]	**672.7**	**500.3**	**(26)**
o/w Exploration and Production	649.3	390.1	(40)
o/w Refining and Marketing including Consumer Services and Retail	47.7	93.0	95
CCS EBITDA excluding special items	**727.5**	**496.0**	**(32)**
Profit/(loss) for the year attributable to the Owners	251.5	250.0	(1)
Net cash operating cash flow	**455.8**	**443.7**	**(3)**
Capital expenditures	**362.1**	**311.0**	**(14)**
o/w Exploration and Production	105.6	100.2	(5)
o/w Refining and Marketing	214.6	173.2	(19)
o/w Consumer Services and Retail	18.8	18.5	(1.6)
Basic and diluted earnings per share (EUR per share)	25.2	25.0	(1)
Gearing ratio (%)[3]	5.4	11.6	

** Detailed data analysis is provided in the Management Discussion and Analysis chapter*
[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] In 2022, operating result was negatively impacted by impairment and reversal of impairment of assets in the amount of EUR (23.6) million and, additionally, net profit was impacted by extra profit tax in the amount of EUR (81.1) million, while 2023 result was impacted by revision of decommission-related cost in the amount of EUR 22.7 million
[3] Gearing ratio = Net debt/Net debt + equity including non-controlling interest

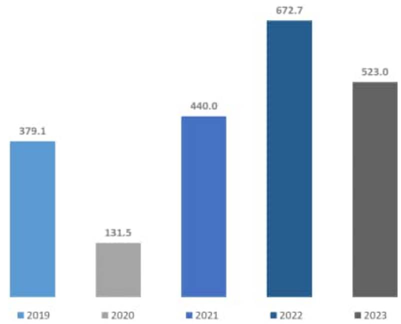
KEY OPERATING DATA	2022	2023	%
KEY EXPLORATION AND PRODUCTION DATA			
Total gross hydrocarbon reserves (MMboe) 2P	85	77	(9)
Total hydrocarbon production (Mboe/day)	26.1	24.4	(6)
KEY REFINING AND MARKETING DATA			
Total refining throughput (kt)	2,365	2,309	(2)
Total crude oil product sales (kt)	3,729	4,019	8
KEY CONSUMER SERVICES AND RETAIL DATA			
Total number of retail locations*	506	506	0
Total sales (kt)	1,173	1,401	19
ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA			
Carbon dioxide emissions - Scope 1 (kt)	1,269	1,209	(5)
Total Recordable Injury Rate (TRIR)**	1.47	1.58	7

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

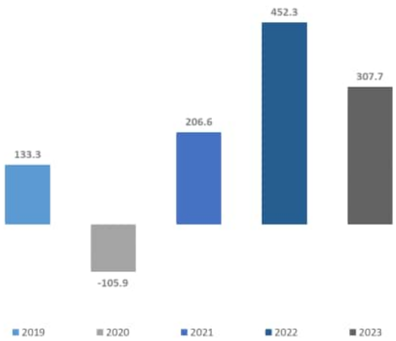
SALES REVENUES (EUR MLN)



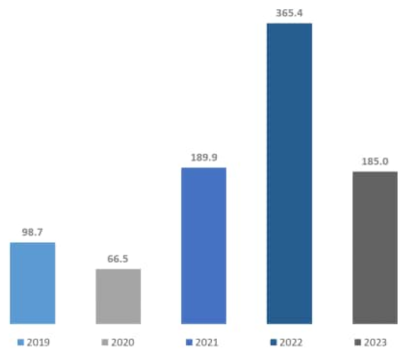
REPORTED EBITDA (EUR MLN)



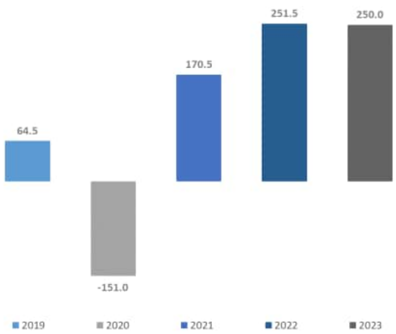
PROFIT/(LOSS) FROM OPERATIONS EXCLUDING SPECIAL ITEMS (EUR MLN)



SIMPLIFIED FREE CASH FLOW (EUR MLN)



PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY (EUR MLN)



About the report

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

Company and shareholder information

GRI 2-1

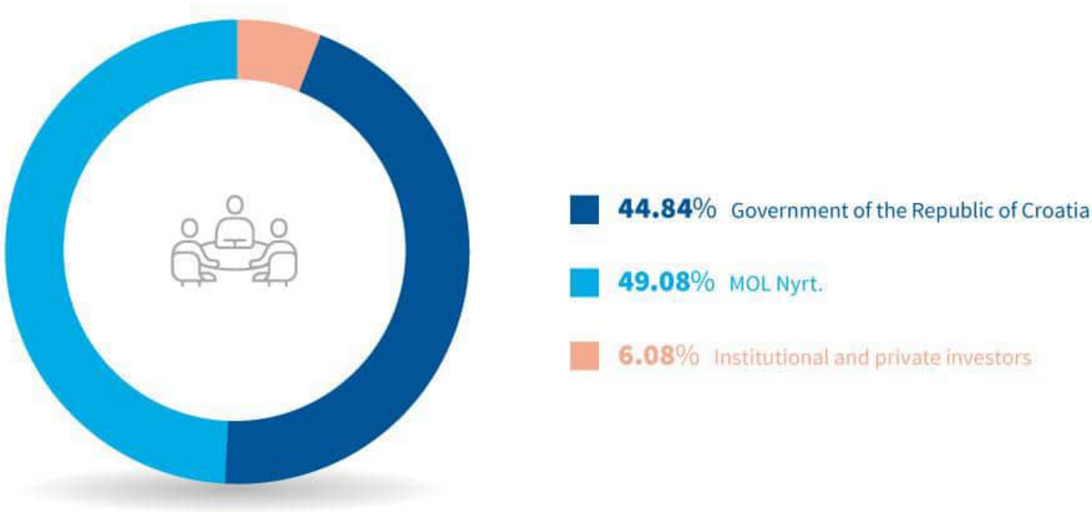
The company’s share capital is divided into 10,000,000 ordinary shares with every share carrying one vote, dividend right and a nominal value of EUR 120.00.

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

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

On 31 December 2023, INA's ownership structure was 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

GRI 2-3, 2-5, 2-14, 3-2, 3-3

INA Group is committed to transparency towards interested stakeholders. Since 2015, INA Group has been reporting its financial and non-financial performance in one integrated report, as it is the most efficient method of communicating previous year's performance. INA Group's 10th 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 2023.

INA Group publishes reports on an annual basis. The last report was published in April 2023. 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 (GRI) Standards when reporting on sustainability performance;
- GRI 11: Oil & Gas Sector 2021 Standard that provides reporting guidance for companies and organizations primarily involved in the exploration, extraction, production, refining, and transport and sale of oil, gas, petrochemicals and specialized oil service companies;
- Reporting progress on the ten principles of the United Nations Global Compact (UNGC).

As presented in the Group's materiality matrix on page 17, risks and opportunities associated with climate change are material issues for INA Group and consequently constitute investment risks to capital markets. As a result, climate-related disclosures produced in accordance with the core elements of the Task Force on Climate-Related Financial Disclosures (TCFD) framework have also been included in this year's Annual Report.

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

To ensure data accuracy and raise confidence in this report, an independent assurance company performed a limited assurance engagement of 30 GRI indicators that have been characterized as the most material for this report. Conclusion of the independent assurance report can be found on page 184-186.

The scope of this report and the sustainability material topic's boundaries are determined by considering their relevance for business, availability of the information and operation performances, while covering the sites and locations directly under operating control of INA Group companies (details on page 11). GRI content index can be found in chapter 5.9. GRI content index.

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 a part of our Communication on Progress for the UN Global Compact.

Consolidation approach to sustainability data

GRI 2-1, 2-2

Table below shows INA Group subsidiaries consolidated in the reported sustainability data within this Annual Report. Other subsidiaries listed in the consolidated financial statement (page 277) 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 sustainability data. Sustainability data of associated and joint venture 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 d.o.o.	100%

INA Group's main activities are in the following countries:

- Croatia
- Bosnia and Herzegovina
- Slovenia
- Montenegro
- Hungary

Locations of INA Group activities that are excluded from this sustainability report:

- Egypt

INA Group headquarters are in Zagreb, Croatia.

1.4. Letter from the President of the Management Board

GRI 2-22

In 2023, in its 60th year of existence, INA Group had solid performance amidst steady hydrocarbon prices, showcasing resilience. Investments, supply security, and the development of all business segments with care for maintenance of financial stability were the main pillars of INA's operations in 2023. The past period witnessed the normalization of the macroeconomic environment. However, this does not imply the disappearance of global uncertainty, and markets remain unpredictable. Thus, INA's strategy to prioritize financial stability and continue progressing towards implementation of long-term sustainable business through strategic investment, is even more important.

Regardless of the market volatility and uncertainty, INA is devoted to its key strategic investments. The most significant one is certainly the modernization of the Rijeka Refinery, worth 630 million euros. This marks the largest single investment in INA's history and the most substantial ongoing industrial investment in Croatia. It will enhance the supply security of the Croatian market and the region with oil derivatives, which will be reflected above all in higher production of diesel fuel. Overall, the project is 84% complete, with the focus currently on construction. After the ending of the construction works there is a challenging phase of testing new units before full capacity production.

With the modernization of Rijeka Refinery INA is strengthening the security of supply of the domestic and regional markets and ensuring the long-term sustainability of own refinery business. We are also proud of the fact that during the planned shutdown of the refinery in early 2023, due to necessary work on old facilities within the modernization project, the supply was continuous and uninterrupted thanks to the excellent preparation.

Along with the continuation of the modernization of the refinery, 2023 also marked an important business step forward for INA on the Slovenian market. INA and MOL finalized the acquisition of the company OMV Slovenia, now together owning a network of almost 100 service stations in Slovenia. INA increased its previous share in OMV Slovenia from 7.75 percent to 33 percent. The company operates under a new name MOL&INA. The recognizable INA brand will be worn by 27 new service stations, and the first locations have been rebranded already. Rijeka Refinery will be the first-choice supplier of all INA and MOL branded petrol stations in Slovenia.

Another major business move for INA in 2023 was the historic commencement of commercial electricity production from renewable sources. We inaugurated the second-largest solar power plant in Croatia at our Virje location. Together with our second solar power plant, one in Sisak, INA will supply about 16,000 MWh of electricity from renewable sources to the energy grid annually.

When we talk about the transformation of the industry and renewable sources, by winning the license for exploration activities in two geothermal exploration areas in Croatia, Leščan and Međimurje 5, we have also opened the possibility of potential exploitation of geothermal energy, whereby we can use the great existing knowledge that we have in our traditional segment of oil and gas exploration. Croatia's stronger step into geothermal energy is also an opportunity for our service company Crosco, which has the technology and experience to drill the necessary wells.

In traditional business we are recording successes too. At Veliki Rastovac-1 well, near Grubišno Polje, we discovered a new significant gas field, which, if it were in production today, would have brought as much as seven percent of INA's total gas production. But for this to happen as soon as possible, we need to see progress in speeding up the process of issuing all the necessary permits for the construction of the production system. We were successful abroad as well; for the first time INA participated in gas production in Egypt where with our partners the gas well was put in production on the East Damanhur block in the Nile Delta.

Our investments also extend through our third core business segment, Consumer Services and Retail, which is undergoing a significant transformation and digitalization. The demand for fuels was strong throughout 2023, supported by very successful tourist season. We are continuously expanding our offer and services and introducing the Fresh Corner gastro concept to more and more locations. Our customers recognize us and choose us on their trips, and we feel this in the growth of the non-fuel margin. Customers in retail were offered a new formula of more advanced additives under the Class Plus Expert brand in 2023. Meanwhile, INA Loyalty has reached almost 600 thousand members, making it one of the most popular loyalty programs in Croatia.

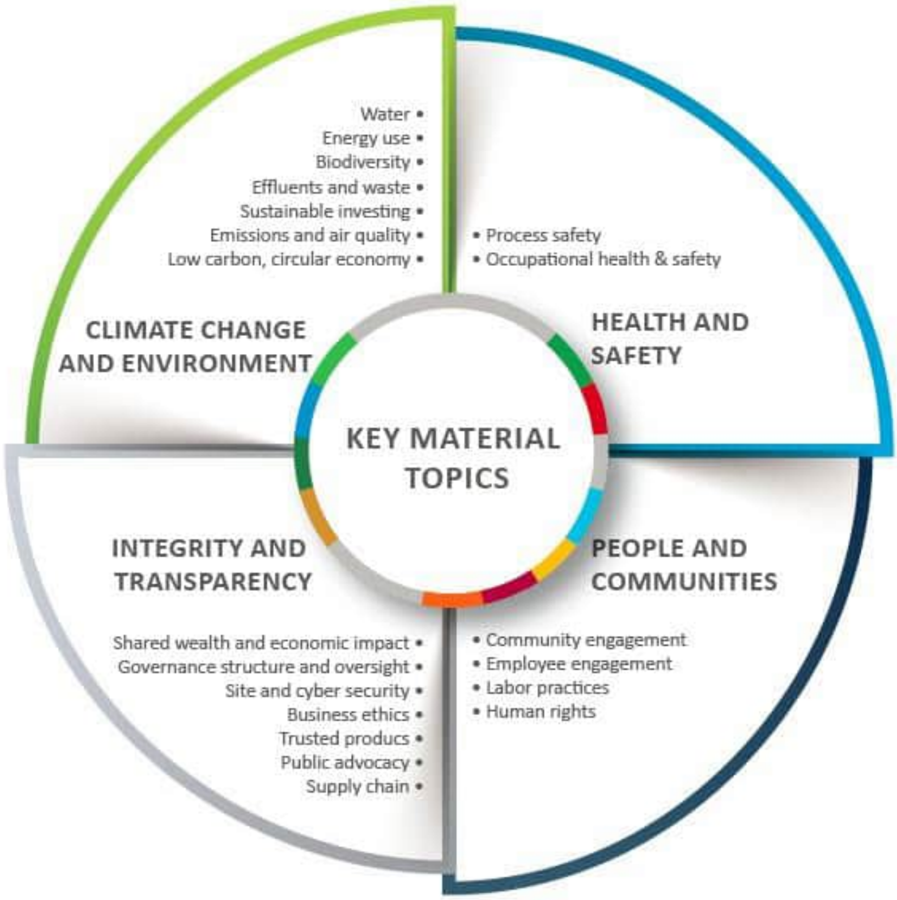
In this year, INA will maintain its crucial role as a pillar of the Croatian economy and a guarantor of supply security. Investments will continue, with a particular emphasis on smart, and sustainable ones. Looking ahead, INA is prepared to navigate global uncertainties, seizing opportunities for further enhancement and growth as well as the transformation in the energy sector.

1.5. Materiality and stakeholder engagement

GRI 3-1

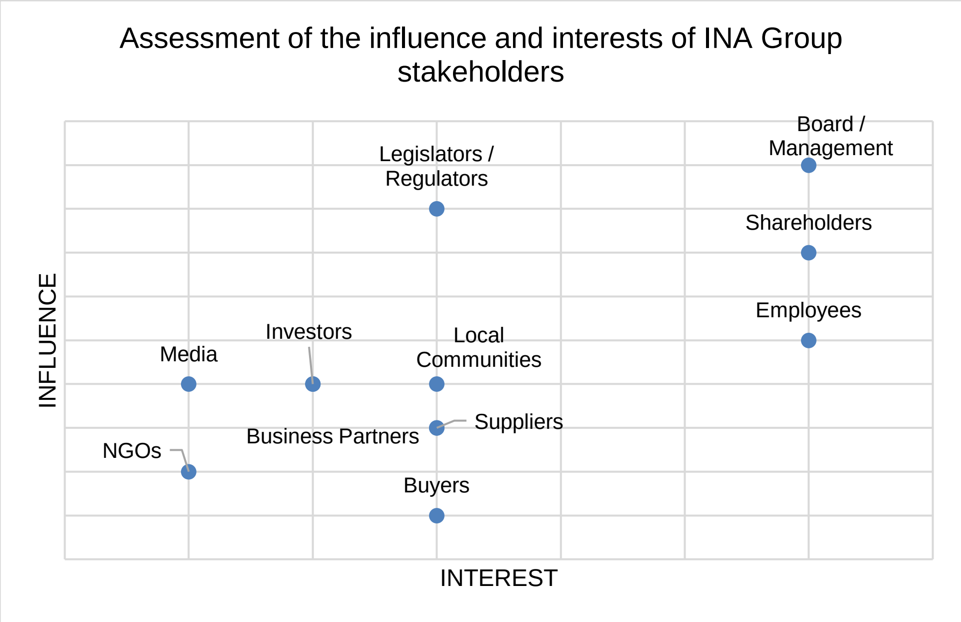
In the continuous process of identification and management of its key impacts on the economy, society and the environment, INA Group continuously consults with representatives of its key stakeholder groups. The opinion of our stakeholders is extremely important to us to carefully evaluate and include in our management all important aspects of the impact of our business.

In 2021, INA Group identified the material topics, i.e. areas of activities related to the company's sustainability, by using both in-house expertise and several external sources in development of Key Objectives and Programs of Sustainable Development 2021 - 2025. These external sources include but were not limited to: industry peers, reporting standards and feedbacks from stakeholder engagement in the 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's four focus areas for sustainability: Climate Change & Environment, Health & Safety, People & Communities, and Integrity & Transparency. For the year 2023, by including stakeholders, INA Group wanted to test and confirm that these material topics are still relevant for stakeholders.



Stakeholder engagement process

The first step in the stakeholder engagement process was a re-evaluation of the level of importance of each stakeholder, which included an assessment of the influence and interests of individual stakeholder groups identified in the sphere of INA Group's operations. We conducted this evaluation with the internal experts of the Working Group for Sustainable Development.



Based on the results obtained in the process of assessing the interests and influence of key stakeholders (see graph above), we organized 1-on-1 interviews with representatives of key stakeholders to discuss the sustainable business of INA Group with them in more detail and to see how INA Group manages its important topics from their perspective. According to our assessment, the key stakeholders are: Board / Management, Legislators / Regulators, Shareholders, Employees and Local Communities.

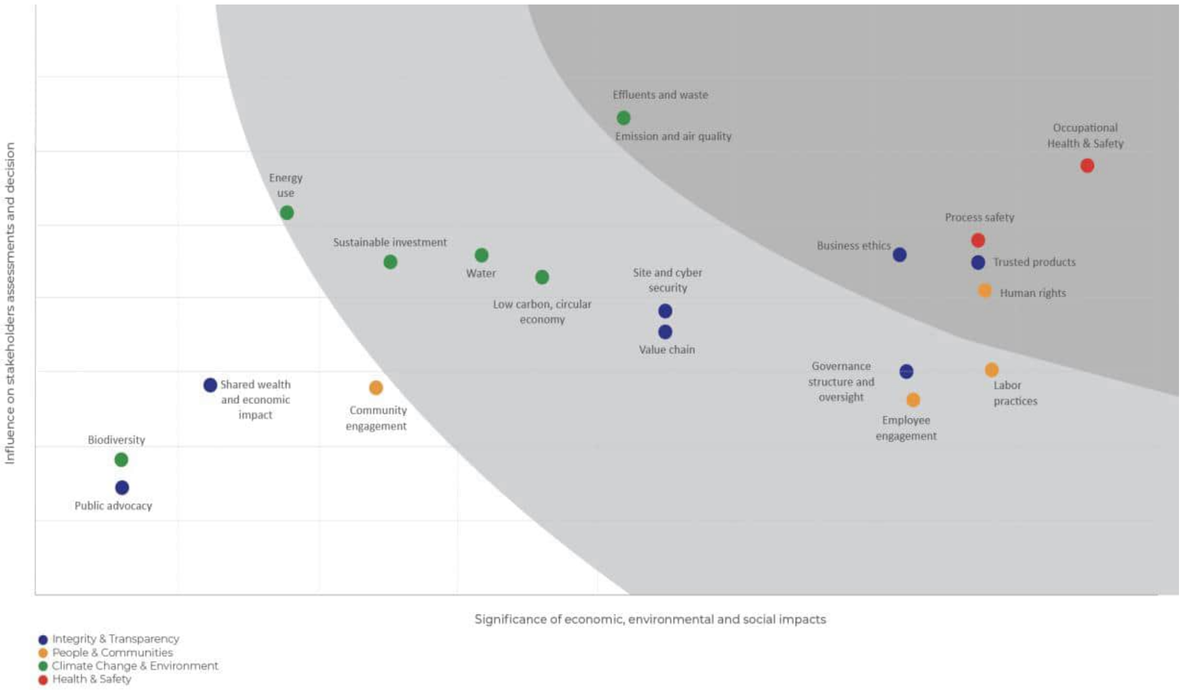
We included the representatives of the remaining stakeholder groups (Suppliers, Investors, Business Partners, Media, Customers, Nonprofit Organizations) in the materiality assessment process through participation in an online survey and evaluation of the topics they consider important for the sustainability of the INA Group, in such a way that they are rated from 1 – 5, where 1 is - Not important at all, and 5 - Very important, as well as how INA Group manages those topics, with grades 1 - 5, where 1 is - Insufficiently active, and 5 - Excellent.

In total, seven 1-on-1 interviews were held with senior management representatives, employee representatives and shareholder representatives. 46 individual responses of key stakeholders were collected through the survey - 58% Customers, 20% Suppliers, 9% Business Partners and 15% other (representative of the state administration, representative of the academic community and others who did not declare which stakeholder group they belong to).

Confirmation of material topics

GRI 3-2

Based on the results of the internal and external stakeholder engagement conducted in 2023, through interviews and a survey, evaluations of 20 identified material topics were obtained, and the materiality matrix of INA Group was developed (below).



Compared to the previous year, certain topics are still of high importance for both internal and external stakeholders, such as Occupational health and safety, Process safety, Trusted products, Emissions and air quality. Effluents and waste and Business ethics topics have advanced from moderate importance to topics of high importance. Also, the topic of Human rights, which was a topic of low importance last year, has become a topic of high importance this year, according to stakeholders. Energy use and Low carbon, circular economy topics, in comparison to previous year's high importance become topics of moderate importance according to stakeholders.

The following topics were identified as topics of high importance for INA Group as well as its key stakeholders:

- Occupational health and safety
- Trusted products
- Process safety
- Business ethics
- Human rights

- Emissions and air quality
- Effluents and waste

Consequently, through this report we will try to provide our stakeholders with adequate information and data on the mentioned topics.

In accordance with the GRI Oil and Gas Sector Standard, we will also provide additional information on the following topics:

- GHG emissions
- Water and effluents
- Asset integrity and critical incident management
- Employment practices
- Non-discrimination and equal opportunity
- Forced labor and modern slavery
- Freedom of association and collective bargaining
- Conflict and security

1.6. Awards and recognitions

Employer Partner Certificate

The certificate is awarded to companies with high-quality human resource management and standards that are proven to enhance business results and performance quality. INA was awarded its thirteenth Employer Partner Certificate. INA MALOPRODAJNI SERVISI d.o.o. was awarded its fifth certificate, CROSCO d.o.o., STSI d.o.o., Plavi tim d.o.o., TOP RAČUNOVODSTVO SERVISI d.o.o. and INA MAZIVA d.o.o. were certified for the sixth time, while INA Vatrogasni servisi d.o.o., Holdina d.o.o. and INA Crna Gora d.o.o. received their third certificate.

Above and Beyond

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

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

Mamforce standard

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

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

European “Cycle-Friendly Employer” certificate

With three (re)certified locations and an active cycling-friendly community, INA continues to be part of the distinguished circle of European companies and organizations who champion the international initiative of socially responsible companies that encourage and promote sustainable mobility which contributes to the health and quality of life in the cities.

Employer Brand Star

After receiving the recognition upon completing an international audit of employer branding (EB) practices in 2022, INA received its second Employer Brand Star award in 2023, along with INA MALOPRODAJNI SERVISI d.o.o. and Plavi tim d.o.o. who have received their first award.

Best EB Awards Adria

This regional award was received for the Improvement in development and implementation of EB activities in INA MALOPRODAJNI SERVISI d.o.o., recognizing the extensive employer branding project in the retail segment and the respective communication strategy supporting attraction, engagement and retention**.**

INC.Q Equal Pay

The INC.Q Equal Pay certificate is awarded based on an independent analysis of management policies and salary systems according to a scientifically based methodology that determines the transparency of the salary system, financial rewards and other forms of compensation and remuneration of employees. The certificate confirms that the organizational system at INA transparently categorizes salaries by pay grades and positions with a clear system of annual awards in accordance with the objectively agreed distributions among departments and individuals, with an impact assessment that fairly and impartially recognizes the contribution of each individual and ensures equal pay for work of equal value.

Women's Choice Awards – category: Gas Station

In 2023, as part of the Women's Choice Awards, INA received an award in the Gas Station category, and the INA Loyalty program was declared the best loyalty program at gas stations. This award is given to brands that are most appreciated by women in Croatia, and the readers of miss7 singled out INA's retail outlets as part of the research on favorite brands.

2. CORPORATE GOVERNANCE

2.1. Management Board

GRI 2-9

Zsuzsanna Ortutay - President of the Management Board

Zsuzsanna Ortutay comes to the position of the President of the INA Management Board from the positions of INA Supervisory Board member, Senior Vice President of MOL Group Business Solutions since 2019, and Member of Slovnaft's Board of Directors. She started her career in MOL Group in 1998 as Investor Relations Manager of TVK, a petrochemical company acquired by MOL. She was TVK's Treasury Manager in 2003, when she moved to Zagreb and worked in INA as treasury advisor of the CFO until 2006. Between 2007 and 2009 she was the Head of MOL Group Retail Controlling. In 2009-2010 she was the project manager for the INA integration and efficiency improvement project focusing on the financial stabilization and sustainable efficiency. She was MOL's Group Treasurer between 2013 and 2018, and between 2018 and 2019 she held a CFO role in MOL Hungary.

From 2018 to 2020 Ms. Ortutay was a member of the Board of Directors of JMSR, a joint venture of MOL with Japanese Synthetic Rubber corporation. Since 2019 she was the CEO of MOL GBS, the finance and HR service center of MOL Group, an organization of 500+ employees, covering activities of 100+ MOL Group companies in 8 countries. After the acquisition of the Polish fuel retail network in 2022, she became the member of the Supervisory Board of MOL Polska. Ms. Ortutay got her Bachelor's degree at Baker University, Kansas, MSc in Economics at the University of Miskolc and postgraduate degree DESS (*Diplôme d'études supérieures spécialisées*) in Banking and Finance at the Panthéon-Assas, Paris University.

The Supervisory Board of INA on 15 June 2023 appointed Zsuzsanna Ortutay as the President of the Management Board of INA for the period from 1 July 2023 until 30 June 2026, following expiration of Peter Ratatics mandate.

Zsombor Marton - Member of the Management Board

Zsombor Marton graduated from the University of Miskolc with an MSc degree in Economics and Oil and Gas Engineering. Since he joined MOL in 2007, he gained valuable experience in many fields of the oil industry and participated in the implementation of several large investments. Mr. Marton spent two years in the Kurdistan region of Iraq as the company's Financial Director and Deputy Managing Director. In 2015 he was appointed Financial Director of MOL Hungary. From October 2017 to April 2021, he led MOL Hungary's Exploration and Production business. Then, from April 2021 to September 2022, Mr. Marton was the Vice President of Downstream MOL and the CEO of MOL Petrochemicals Co. Ltd. From 1 October 2022, he was the Senior Vice President of the Group Downstream Chemicals organization. He joined INA as the Management Board Member on 16 January 2023. Effective from 1 February 2023, Zsombor Marton also leads MOL Group's Exploration and Production division as the EVP.

On 30 December 2022, Zsombor Marton was appointed as a member of the INA Management Board to replace Mr. Berislav Gašo, from 16 January 2023 until 30 June 2023. The Supervisory Board of INA reappointed Mr. Marton for the period from 1 July 2023 until 30 June 2026.

Krisztián Pulay - Member of the Management Board

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

Since 2020, he has been the Senior Vice President of MOL Group Downstream Development. Since 2022, he has been appointed as the member of the Board of Directors of SLOVNAFT.

Károly Hazuga will replace Krisztián Pulay as a member of the Management Board of INA from 28 March 2024, with a mandate until 30 June 2026.

Miroslav Skalicki - Member of the Management Board

Miroslav Skalicki comes to the position of the INA Management Board member as a private entrepreneur. He is an experienced manager and entrepreneur with 35 years of experience working for various companies in the energy sector. For almost 20 years (1991 – 2008) he worked for Shell, one of the leading multinational companies from the oil and gas industry. As a general manager/country chair of Shell Croatia (1998 – 2003) he led the company into top 100 companies in terms of profitability and has initiated several production projects at the local level. From 2003 to 2008 he worked in Shell's office in Milan. From 2008 until November 2022, he has been an entrepreneur with his own company, representing multinational companies from energy sector as well as a business advisor. He graduated from the Faculty of Mining, Geology and Petroleum in Zagreb, and completed postgraduate specialist studies in Strategy and Corporate Management at the Faculty of Economics and Business in Zagreb.

Hrvoje Šimović, PhD - Member of the Management Board

Hrvoje Šimović, PhD, comes to the position of the INA Management Board member in September 2022 from the position of a full-time professor at the Faculty of Economics of the University of Zagreb, where he has been working since 2003. Before that, he worked at Croatia banka d.d. In addition to his academic career, Mr. Šimović has extensive experience in various consulting jobs in the field of fiscal sustainability of the public sector, assessment of the fiscal effects of reforms and public policies, tax consulting and strategic planning in the public sector. He worked as a consultant for a number of professional organizations in the private sector, as well as for international institutions and consulting companies in the public sector and public companies. He was an advisor and/or member of numerous working groups of the Government of the Republic of Croatia, the Ministry of Finance, and the Ministry of Health.

Marin Zovko - Member of the Management Board

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

2.2. Council of Directors

Zdravka Demeter Bubalo - Operating Director of Consumer Services and Retail

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

Ms. 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. Ms. Demeter Bubalo graduated in the field of economics in 1995 and obtained an MBA from the University of Zagreb in 2005.

Hrvoje Glavaš - Director of Corporate Services

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

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

Gábor Horváth - Chief Financial Officer

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

Gábor Horváth studied at the 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.

Josip Bubnić - Operating Director of Exploration and Production

Effective from 1 October 2023, Josip Bubnić is appointed to the position of Operating Director of INA's Exploration & Production. He graduated in geology at the Faculty of Mining, Geology and Petroleum Engineering of the University of Zagreb, and joined INA in 2000 as a junior geologist in hydrocarbon exploration. During his career, he held the positions of Manager of exploration activities in Namibia and Syria, Exploration Projects Director, and Geology & Geophysics Director. Before he was appointed to the position of Senior Vice President for Exploration at MOL Group, where he spent more than one year, he performed the position of Director of Exploration within INA's Exploration & Production.

Effective from 1 October 2023, Josip Bubnić is appointed to the position of Operating Director of INA's Exploration & Production, replacing Saša Matić who was the Acting Operating Director.

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 the 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 the 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.

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 consider 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 29 September 2022 are:

- Judit Szilágyi - Chairman of the Audit Committee
- Ratko Marković - Member of the Audit Committee
- Sanja Sever Mališ - Member of the Audit Committee

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

- Passing decisions on approval of flash reports for the stock exchange reporting purposes
- Giving recommendations to the Supervisory and Management Board on appointment or withdrawal of the appointment of the Company's external auditors responsible for annual audit of financial reports, considering 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 of 31 December 2023, INA's ownership structure has been 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

GRI 2-9, 2-10, 2-12

INA's management structure is based on a two-tier board system, comprised 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 15 December 2022 until 15 June 2023:

- Damir Mikuljan - President of the Supervisory Board
- József Molnár - Vice President of the Supervisory Board
- Ivo Ivančić - Member of the Supervisory Board
- Zsuzsanna Ortutay - Member of the Supervisory Board
- Gabriel Szabó - Member of the Supervisory Board
- Domokos Szollár - Member of the Supervisory Board
- Branimir Škurla - Member of the Supervisory Board
- László Uzsoki - Member of the Supervisory Board
- Jasna Pipunić - Representative of employees in the Supervisory Board

Members of the Supervisory Board from 15 June 2023:

- Damir Mikuljan - President of the Supervisory Board
- József Molnár - Vice President of the Supervisory Board
- Ivo Ivančić - Member of the Supervisory Board
- Viktor Sverla - 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. Management Board of INA, d.d., with support of the Council of Directors oversees the Company's impact on the economy, environment and the stakeholders on a regular basis, through their activities and reports provided. Additional reports and actions, when needed, ensure the effectiveness of this process.

Members of the Management Board from 29 September 2022 until 15 January 2023:

- Péter Ratatics - President of the Management Board
- Berislav Gašo - Member of the Management Board
- Krisztián Pulay - Member of the Management Board
- Miroslav Skalicki - Member of the Management Board

- Hrvoje Šimović - Member of the Management Board
- Marin Zovko - Member of the Management Board

Members of the Management Board from 16 January 2023 until 30 June 2023:

- Péter Ratatics - President of the Management Board
- Zsombor Marton - Member of the Management Board
- Krisztián Pulay - Member of the Management Board
- Miroslav Skalicki - Member of the Management Board
- Hrvoje Šimović - Member of the Management Board
- Marin Zovko - Member of the Management Board

Members of the Management Board from 1 July 2023 until 27 March 2024:

- Zsuzsanna Ortutay - President of the Management Board
- Zsombor Marton - Member of the Management Board
- Krisztián Pulay - Member of the Management Board
- Miroslav Skalicki - Member of the Management Board
- Hrvoje Šimović - Member of the Management Board
- Marin Zovko - Member of the Management Board

Members of the Management Board from 28 March 2024:

- Zsuzsanna Ortutay - President of the Management Board
- Zsombor Marton - Member of the Management Board
- Károly Hazuga - Member of the Management Board
- Miroslav Skalicki - Member of the Management Board
- Hrvoje Šimović - Member of the Management Board
- Marin Zovko - Member of the Management Board

Council of Directors is established based on the Shareholders' Agreement, and the members of the Council of Directors are appointed by Management Board. They are authorized and responsible for the management of operations of INA's individual business divisions (Exploration and Production, Refining and Marketing, Consumer Services and Retail, Finance and Corporate Services).

Members of the Council of Directors from 1 September 2022 until 31 August 2023:

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

Members of the Council of Directors from 1 September 2023 until 30 September 2023:

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

Members of the Council of Directors from 1 October 2023:

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

Business address for all members of the Management Board, Supervisory Board and members of the Council of Directors is Avenija Većeslava Holjevca 10, p.p. 555, 10 002 Zagreb, Croatia.

Responsibility for managing impacts

GRI 2-13

INA Group focuses on four areas of sustainability: Climate Change & Environment, Health & Safety, People & Communities, and Integrity & Transparency. Management Board of INA, d.d., with the support of Council of Directors, is responsible for effective functioning of the sustainability management system within the company, and, in that sense:

- adopts SD & HSE Policy (note: it is approved by INA, d.d. Management Board at the INA Group level)
- adopts SD & HSE improvement plans and objectives which are established and aligned with the strategic direction and context of the organization;
- ensures the integration of SD & HSE management into all processes;
- ensures that the responsibilities and authorities for relevant SD & HSE roles are assigned, communicated and understood;
- promotes risk-based thinking and improvements;
- ensures independent monitoring and availability of resources needed;
- monitors and evaluates SD & HSE results and ensures the resources necessary for achievement of SD & HSE objectives and plans;
- provides support to other management to demonstrate their leadership, applicable to their areas of responsibility;
- ensures enforcement of corporate culture and cooperation with the purpose of achieving the main strategic directions, establishes goals and manages changes in SD & HSE areas;
- provides information to employees and the wider community about all SD & HSE facts relevant for company business;
- gives special attention to fulfilling the requirements of customers, owners and all other interested parties.

Management Board of INA, d.d. appointed the Director of Sustainable Development and Health, Safety and Environment as the manager responsible for managing impacts. Beside the Director of SD & HSE, all managers and employees of the company are responsible for complying with the company's sustainability policy and for taking measures to reduce the company's impact on the environment and society. All managers are responsible for developing and implementing the company's sustainability strategy, for managing the company's impacts on the economy, environment, and people and for reporting to the highest governing bodies on the company's progress in managing its impacts.

INA, d.d. has a comprehensive system of reporting to the highest governance body on the management of the organization’s impacts on the economy, environment and people by the higher management. That is how we have ensured that the company is taking a proactive approach to sustainability and that its operations are in accordance with its social and environmental responsibility commitments. The reporting is based on the following principles: accountability, transparency and continuous improvement. Reporting frequency is quarterly or annually.

The reports contain information on the organization’s progress in managing its impacts, as well as any challenges or risks that have been identified. The highest governance body is responsible for reviewing the reports and taking action if necessary (e.g. approving/revising the sustainability strategy, setting targets for the reduction of environmental impacts, investing in new technologies, promoting responsible business practices).

Prevention of conflict of interest

GRI 2-15

Document **Regulation on the Conflict of Interest** regulates the process within the framework of which, in accordance with the applicable legal regulations and the INA Group Code of Ethics, as well as under the professional control of the Corporate Security and Human Resources, the managers and employees of INA Group companies may redress the circumstances and forms of conduct which pose a threat to the justified business interest of the INA Group company, and which qualify as a conflict of interest. The document was updated in 2022.

Conflict of interest is any circumstance that jeopardizes the professional, commercial, and financial interests of INA Group Companies or any circumstance recognized as a conflict of interest that may pose a reputational risk to the Company.

Conflict of interest exists when the private interests of a Company's employee (e.g., personal relations of the employee, participation of the employee in activities outside regular employment or interests in other business) are contrary to the legitimate business interest of an INA Group company, as follows:

- when the private interest of the Company's employee may affect their impartiality in the performance of their work (potential conflict of interest);
- when the private interest of the Company's employee has affected, or it can be deemed that it affected their impartiality in the performance of their work (actual conflict of interest).

Conflict of interest situations must be avoided, and employees must refrain from any actions that could in any manner affect their ability to make impartial and objective decisions on behalf of INA Group or jeopardize the interests of INA Group. Conflicts of interest can damage the reputation of employees and the reputation of INA Group; they can damage the interests of INA Group and adversely affect the work ethic.

Overview of the process regarding the conflict of interest:

1. Report on the conflict of interest

Each employee of an INA Group company is responsible for the true and complete fulfillment of the Statement on the Conflict of Interest so that it fully reflects the legal and economic relations and other legal relationships aimed at performing work.

2. Records on the Statements on the Conflict of Interest

Administrative tasks related to recording and archiving of the Statements on the Conflict of Interest are performed by the relevant Human Resources and Human Resources Operations departments from the company Top Računovodstveni Servisi d.o.o. (TRS). The competent Human Resources department submits completed and signed statements to the TRS Human Resources Operations.

Human Resources Operations electronically register and archive the completed statements in the Human Resources Documentation Management System (DMS), while the statements in paper form are stored in the employee's file.

3. Evaluation of the Statements on the Conflict of Interest

The evaluation of the content of the Statement on the Conflict of Interest made by the INA Group company employee is within the authority and responsibility of the line manager of the employee concerned, within 5 business days from the receipt thereof. If the line manager cannot decide whether conflict of interest exists, they may initiate an internal investigation by sending a request to the Director of Corporate Security via e-mail.

4. Decision on the conflict of interest

Upon evaluating the Statement on the Conflict of Interest, while considering the findings of the internal investigation, if it was conducted, the employee's line manager, representing the rights of INA Group Company in relation to the employee, shall adopt a decision on the conflict of interest and take necessary measures.

The activity of updating the Statement of Conflict of Interest as well as the educational activity on conflict of interest was carried out for all employees of all INA Group companies from December 2022 until January 2023, to promote transparency, commitment to responsible business and long-term economic development.

In case of any suspicions regarding conflict of interest, INA Group conducts additional inquiries. In accordance with the Public Procurement Act, INA publicly announces the List of Economic Subjects with whom there is a conflict of interest on its public tenders website.

Evaluation and remuneration policies

GRI 2-18, 2-19, 2-20

Pursuant to the Article 275 of the Companies Act, in 2020 the Supervisory Board of INA-INDUSTRIJA NAFTE, d.d. passed, and General Assembly of the Company approved the Remuneration Policy for INA-INDUSTRIJA NAFTE, d.d. Management Board members, which defines the basic principles and reward conditions for MB members related to:

- Individuals entitled to compensation,
- Type of compensation,
- Amount of compensation,

- Compensation payment method.

Pursuant to Article 275 and 269 of the Companies Act, in 2020 the General Assembly of the Company passed the Decision on remuneration for the INA – INDUSTRIJA NAFTE, d.d. Supervisory Board members, in which the rights and entitlements of the SB members are defined, along with the manner of determining the fee.

Annual Remuneration Report is published on the Company’s website.

Remuneration for members of the Council of Directors is determined by the internal policy Total Remuneration System for Employees, the main elements of which are the principles of job evaluation, market comparison and performance.

The Supervisory Board controls the work of the Management Board of INA, d.d. Meetings of the Supervisory Board are convened at least four times a year.

In addition, the work of all governing bodies is evaluated by independent external auditors who are not affiliated with INA, d.d. This ensures that the assessments are objective and unbiased. The performance of the highest governance body is evaluated on a regular basis, typically annually but the frequency of evaluations varies depending on the specific circumstances of the company. This ensures that the board's performance is continuously monitored and that any issues are identified and promptly addressed. In addition, INA, d.d. holds management system certificates that must be maintained, so an external certification company also conducts an independent annual review of all processes.

Based on the evaluation results, INA, d.d. undertakes several actions to reduce possible risks as well as preventive and corrective actions and identifying opportunities.

Diversity strategy

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

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

INA Group’s commitment to Diversity and Inclusion is also demonstrated through the creation of the new 2023-2025 Diversity and Inclusion framework and respective policy, as well as the finding of external auditors resulting in recognitions in this important area. Following the D&I Framework, D&I Action Plan has been created and is monitored daily. Some of the actions promoting D&I in INA include White Cane Awareness Day Event, Dads at INA Campaign, workshops for working parents and managers, as well as other actions accessible via Group D&I Action Plan. At the end of 2023, INA was also recognized as one of first INC.Q Equal Pay certified companies.

MAMFORCE®

INA still holds the MAMFORCE® advanced status and has also acquired the DADFORCE® certification. Apart from INA, d.d., INA Group companies TRS and Plavi tim went through the re-certification process in 2022 and still hold active LEAD statuses in 2023 as well.

WORKPLACE INCLUSION CHAMPION PROGRAM

After 3 colleagues from INA completed the 7 D&I Training Modules in 2022, an additional 2 colleagues became certified Workplace Inclusion Champions in 2023. The program brings together a wide range of stakeholders and expertise and is designed to enable organizations to embed diversity on a more strategic level, taking a step forward from one-off initiatives. It equips participants with the necessary tools, knowledge, and skills to step away from improvisations and approach D&I more strategically.

CHALLENGE YOUR BIAS TRAINING

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

2.4. Quality management

2.4.1. Innovation

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

2.4.2. Quality

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

In 2023, the recertification audit for all management systems has been successfully conducted in all certified INA Group companies. Certificates according to ISO 9001 “Quality management systems”, ISO 50001 “Energy management systems”, ISO 14001 “Environmental management systems”, ISO 45001 “Occupational health and safety management systems”, SCCp (SCC - Safety Checklist Contractors) certificate and EU-ISCC certificate on biofuels sustainability, which is a mandatory condition for the sale of biofuels on the EU market, were confirmed. Through mentioned recertification a new three-year cycle started which includes two additional supervisory audits in the next two years. We also monitor the management systems through integrated, process-based internal audits for all management systems (131 conducted) as well as supplier audits (2 conducted). Through long-term cooperation with related company monitoring processes (health and safety audits, internal audits, process safety management and company security), a better control of the processes is accomplished.

Through process approach and problem solving in process interfaces, successful results are achieved, which are well-accepted and recognized by the process owners. Management system internal audits are conducted as combined - online and at the locations.

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

2.4.3. Intellectual property

Protection of intellectual property rights includes the protection of inventions (patents), trade and service marks, product names, elements of the visual identity of service stations (trademarks), and the protection of the external appearance, i.e. product appearance (industrial design). In line with its business interests, INA, d.d. protects: INA’s name through international registration, which ensures protection of INA’s name in 24 countries (Republic of Croatia, Albania, Algeria, Austria, Benelux, Bosnia and Herzegovina, Bulgaria, Montenegro, Czech Republic, Egypt, Italy, Kosovo, Liberia, Hungary, Macedonia, Morocco, Germany, Poland, Romania, Russian Federation, Slovakia, Slovenia, Serbia, Ukraine), as well as names (logo) of INA Group companies: CROSCO in Croatia, Azerbaijan, Egypt, Italy, Liberia, Tunisia, Ukraine, Kuwait; STSI in Croatia 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 68 trademarks in Croatia, 42 trademarks in Slovenia, 29 in Macedonia, 46 in Bosnia and Herzegovina, 34 in Serbia, 12 in Albania, 44 in Kosovo, 42 in Montenegro, ten in Hungary, as well as seven 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 2023, five new trademarks were registered in Serbia, Slovenia, Bosnia and Herzegovina, Montenegro, Macedonia and Kosovo (names of the lubricant product range: INA Cirkol, INA Epol, INA Oplatol, INA Transhidrol, INA Lipleks). Industrial design protections (totems) have been extended in Croatia, Slovenia and Bosnia and Herzegovina.

In Croatia, the registration of 11 trademarks (names of the lubricant product range: INA TRANSMOL, INA LIPLEKS, INA ATF, INA CIRKOL, INA OPLATOL, INA INSTRUMENTOL, INA DELTA, INA EKS, INA BAPLEKS, INA TRANSMATIK, INA POLAR), industrial design of containers for lubricants, and 3 special trademarks (verbal and figurative trademark INA EXPERT and verbal trademark OSVAJALICA) was conducted.

Internet domain protection has been extended for ina.mk, ina.ba and five 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. An elaborate reward system encourages employees to be creative and inventive.

3. OUR BUSINESSES

GRI 2-1, 2-6

3.1. Exploration and Production overview

Key message from the Operating Director

"Strong Exploration and Production contribution to value generation continued in 2023 despite less favorable external environment. Upstream employees invested considerable efforts to minimize the effects of natural decline on our highly mature fields. Two new gas discoveries have been declared, Veliki Rastovac-1 in the Drava-03 exploration block in Croatia and ED-2X in the East Damanhur block, Egypt, adding a cumulative 1.47 MM boe of 2P reserves. On the other hand, major growth projects recorded setbacks due to external reasons, including the Adriatic development program and INA-MOL cross-border project Zalata-Dravica.

Additional step in energy transition has been made by acquisition of two geothermal licenses, Leščan and Međimurje 5. INA considers geothermal energy to be a major pillar of Upstream business that will attract significant investment in the near term."

Josip Bubnić

Operating Director of Exploration and Production

Achievements

- Gas discovery Veliki Rastovac-1 in the Drava-03 exploration block in Croatia and on well ED-2X in the international block East Damanhur in Egypt
- Successful commissioning of cross-border project Somogy in September 2023
- Successfully obtained permits for two exploration areas in the latest bid round for the exploration of geothermal waters in Croatia

Challenges

- Minimizing the effects of natural decline on our highly mature fields
- Minimizing the effects of external environment (such as long-lasting permitting process or cost-inflation driven reasons) that have an influence on the realization of major growth projects
- Meeting the sustainability targets and active management of CO_2 emissions

3.1.1. Overview and key achievements for the year 2023

Despite the less favorable external environment, primarily the external price environment, inflation, Government interventions & regulation, Exploration and Production remained the key cash flow generator of the Company.

For years, one of our challenges remained a natural decline in production on our highly mature fields, which we tackled with a series of well workovers & production optimization projects. Those, along with significant efforts of Upstream employees, resulted in arresting the natural decline at only 6% compared to the previous year.

In Croatia onshore, fulfillment of obligations on the existing operated exploration blocks was continued. As per plan, three wells on Drava-3 exploration block were drilled. The first well drilled, Veliki Rastovac-1, was a discovery well, reported as a commercial gas discovery to the Croatian Hydrocarbon Agency. Other wells, i.e. Obradovci-1 Jug and Mikleuš-1 both ended up being dry wells.

After the extensive North Adriatic Offshore Development Program implementation in the previous years and drilling campaign completion, the project recorded a setback due to cost inflation in 2023. Therefore, the Adriatic program development required re-engineering, and subject to extensive rescheduling, a final investment decision is expected during 2024. For another major project, INA-MOL cross-border project Zalata-Dravica, the investment decision has also been postponed, due to regulatory barriers in obtaining approvals and permits.

On the other hand, Somogy, another INA-MOL cross-border gas-condensate production project has been successfully put on stream. The first molecules started flowing in September 2023 and production is ramped up to the expected level.

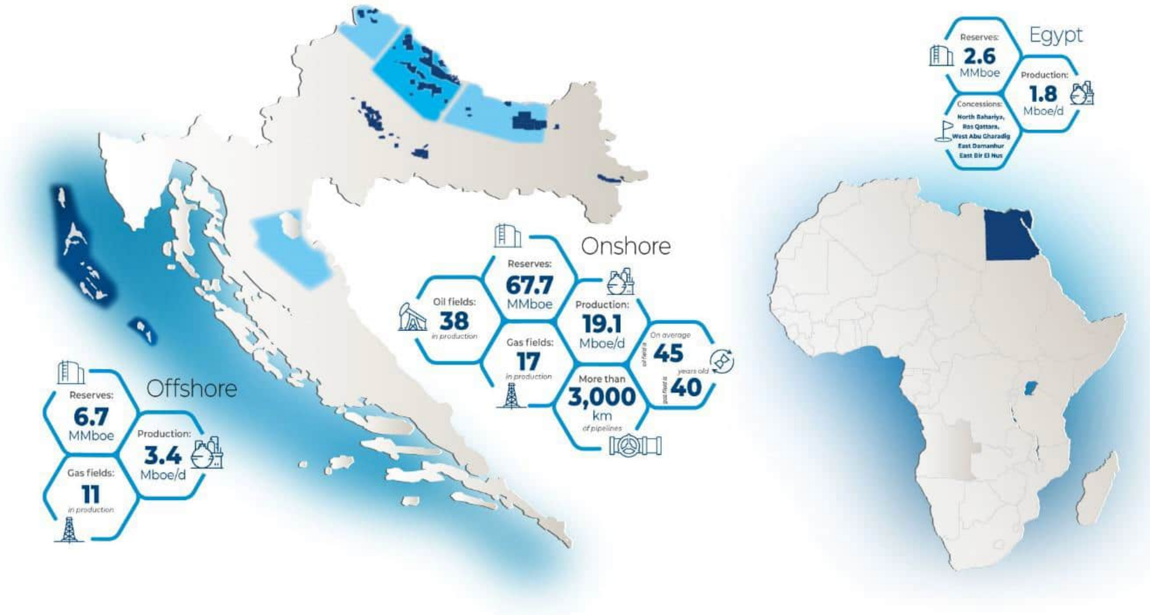
Upon our comprehensive analysis of geothermal potential, on 3 October 2023, INA, d.d. has stepped into the geothermal business, winning two exploration licenses "Leščan" and "Međimurje 5" for a 5-year period. The first drilling is planned for 2025/2026.

Turnaround on two production regions and 16 locations was successfully executed, including Gas Processing Facilities Molve and Fractionation Facilities Ivanić-Grad.

Internationally, after successful exploration drilling of ED-2X ST1 well in Q4 2022 in the East Damanhur block in Egypt, in September 2023 the first gas production from Egypt started. Two non-operated blocks in Angola, Blocks 3/05 and 3/05A, were successfully divested on 5 May 2023.

Important step in reducing CO_2 emission footprint was achieved on the EOR project. Closed-loop cycle of CO_2 injection compression station at Fractionation Facilities in Ivanić Grad was constructed, to be put in operation.

At the end of 2023, INA Group had 77 MMboe of proven and probable (2P) hydrocarbon reserves with an average daily hydrocarbon production of 24.4 Mboe.



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), while exploration block in the Dinarides, Dinaridi-14 (DI-14) was relinquished in March 2023.

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

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

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

After successful seismic acquisition in 2021 and a detailed technical analysis of newly acquired data in 2022, focus this year was on drilling the first three wells. Veliki Rastovac-1 well was drilled in June 2023, resulting in notice of commercial gas discovery sent to the Croatian Hydrocarbon Agency. Obradovci-1 Jug and Mikleuš-1 wells were drilled back-to-back in August and September 2023, both ended up being dry wells. Two more wells will be drilled in the next year.

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

Following the seismic acquisition in 2021, extensive geological and geophysical (G&G) work was done in 2022 and 2023 trying to evaluate the exploration potential of the block. New geological model was developed resulting in better understanding of the area, while the generated prospect portfolio consists of play types not drilled yet in the Croatian part of the Pannonian basin.

Exploration Block DI-14

DI-14 is a frontier area with no proven active petroleum system. During 2022, all available geological and geophysical data were consolidated and analyzed. The identified petroleum system model is of very high risk, without successful analogues. In March 2023, the block was relinquished.

Field development

Implementation of Production Optimization (PO) activities continued during 2023. The scope of six major PO projects was executing workovers to optimize well and field recovery performance. Within these projects 58 wells in total were subjected to various workover interventions. Total CAPEX spent is at approx. USD 22 million, while annualized production increment from PO activities in 2023 yielded approx. 500 boepd.

Integrated reservoir studies and advanced reservoir simulation techniques have played a pivotal role in supporting INA's upstream projects, serving as the foundation for field development strategies, design, and application. In 2023 complete reservoir studies were prepared for the purpose of Field Development projects on Stružec and Beničanci fields. The evaluation of future development strategies on those two oil fields comprises the evaluation of tertiary and secondary oil recovery options, geothermal energy production possibilities and will serve as a basis for evaluation of carbon storage potential capacities. Additionally, active reservoir modelling processes in 2023 were applied in all EOR projects/models, in the assessment of additional development opportunities in Adriatic offshore portfolio and cross-border project Dravica-Zalata.

Determination of CO_2 storage potential for INA portfolio continued in 2023 with extended evaluations including new technologies and opportunities application in CCS, aiming to enable sequestration of own and 3rd party CO_2 in the future.

Enhanced Oil Recovery (EOR)

EOR Water Alternating Gas (WAG) technology has been in continuous operation on INA's fields Ivanić and Žutica for nine and eight years, respectively. In 2023, cumulative injected CO_2 volumes surpassed 3.1 million tons, majority of which is being permanently stored. Well workover activities for the purpose of production increase and artificial lifting method optimization have been performed, significantly increasing the oil production and prolonging field lifetime in comparison to natural production decline and pre-EOR field performance.

An important milestone of the existing EOR Program is the implementation of CO_2 recompression project at the Fractionation Facilities Ivanić-Grad, which is expected to commence during 2024. Upon implementation, additional CO_2 quantities for EOR will be ensured and CO_2 venting to the atmosphere at the location will be fully eliminated. The project is ensuring a closed cycle of CO_2 management and represents a strong step towards development of sustainable technologies and CCS.

Exploration and Production Laboratory

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

Multi-year service agreements were signed with MOL Hungary and MOL Pakistan, and numerous standard and tailor-made PVT studies were conducted. A successful marketing campaign was carried out, a new Brochure and Catalog of Laboratory Services was issued, and the demand of external clients increased in 2023.

A complete adaptation of the E&P Laboratory was carried out, by improving the existing laboratory capacities necessary for all E&P activities, which includes the procurement of the state-of-the-art equipment to support exploration, development and production projects to become carbon neutral through Geothermal and CCS projects.

New technologies and tools

In Q4 2023, new technology of Organic Oil Recovery (OOR) was tested, representing a unique tertiary enhanced oil recovery process. The fundamentals of the technology are based on the activation of microbial life resident in oil reservoirs to increase oil production. The technology envisages injection of nutrients in the wellbore zone, activation of microbial life resident in the reservoirs, change the mobility of oil trapped in tight pore spaces or on the oil-bearing rock, and finally an incremental oil production. The technology is applicable in one well, as “huff and puff” method – two wells were selected on the Stružec field, and in pair wells (injector-producers) – two injectors and four observers were selected on the Šandrovac field. Since the technology was implemented in the last week of December 2023, the full results will be known in 2024.

Geothermal energy management

Major step in energy transition has been made by acquisition of two geothermal licenses. On 3 October 2023, INA, d.d. won two exploration licenses - “Leščan” and “Međimurje 5”, for a 5-year period. The commitment includes seismic acquisitions and magnetotheluric measurements, which will be the basis for at least 12 exploration wells. The first drilling is planned for 2025/2026. In 2023, after the licenses were obtained, comprehensive preparation of the exploration program has started.

Additional knowledge and experience will enlighten the visions we have regarding the application of new business to old fields. As an established and well-recognized player on the oil business regional scene, entering geothermal business triggered other license holders to seek cooperation with INA, searching for potential merging opportunities, experience and strong technical knowledge sharing opportunities, which are under evaluation.

The goal is to install two Organic Rankine Cycle (ORC) power plants, one in each exploration area. The purpose of geothermal water production is electricity generation and sale on the Croatian electricity market, with zero CO_2 emissions.

Croatia offshore

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

Intervention on well Ika A2 as well as performed optimization works impacted the production while the re-stage of one compressor on Ivana K platform had a direct positive impact on internal consumption.

As part of the North Adriatic Offshore Development Program, INA finished the drilling and testing of IDA D-2 Ver exploration well. EPCTI and material supply tender was launched in 2022, but negotiations and project redefinition were needed in 2023 due to unsatisfying tender results obtained in Q3 2023. The decision about entering the project's second phase - platform and sealine construction, well tie-back and well completion - will be made in 2024.

All potentially harmful substances were successfully removed from the site of the capsized Ivana D platform. By the end of June 2023, the well was decommissioned and secured in a permanently safe state, while adhering to the highest professional standards. Only the steel structure of the platform remains in the sea bed.

The Ministry of Economy and Sustainable Development issued a Decision (April 2023) requesting the implementation of a further procedure for assessing the environmental impact of the steel structure of the platform. In February 2024 Environmental impact study was completed and submitted to the Ministry with the request to start assessment of the environmental impact. Study encompassed two options - the potential removal of the structure with biological fouling for onshore use or its conversion into an artificial reef on the seabed. Expected duration of the assessment process, to determine final option, is 12 months.

Egypt

INA’s assets in Egypt include four development and one exploration concession. Development non-operated concessions are North Bahariya (INA 20% WI), Ras Qattara (INA 25% WI), West Abu Gharadig (INA 25% WI) and East Damanhur (20%). East Damanhur exploration license expired on 9 August 2023. Currently, the only active exploration non-operated concession is East Bir El Nus, with 50% WI.

North Bahariya: 22 wells were drilled in 2023, of which 20 wells were drilled as development wells and 2 as water injectors. 18 wells were completed and put in production.

Ras Qattara: One well from previous commitment (2018) was drilled in February 2023. From the beginning of the year Apex was in charge as the new Operator since DoA was signed on 29 December 2022. Concession expired on 28 March 2023 and during the year procedural steps for obtaining a new Concession Agreement and signing were underway (not completed until year end). 14 workovers were performed during the year due to pump failures, parted rods and tubing leakages.

West Abu Gharadig: Concession extension procedure (Concession Agreement Amendment) for the period 2021-2026 was in progress and finally signed on 17 May 2023 followed by DoA signing on 20 June 2023 (Apex became the new Operator). 10 workovers were performed during the year due to pump failures, parted rods and tubing leakages.

East Damanhur: After successful exploration drilling of ED-2X ST1 well in Q4 2022 and well testing in January 2023, that proved very good production capabilities, a Development Lease was approved on 26 September 2023 by the Ministry of Petroleum and Mineral Resources of Egypt. Production facility was constructed and gas production started on 26 September 2023. It was INA’s first gas production in Egypt.

As the 1st exploration phase expired on 9 February 2023, the extension period of 6 months was required and approved by EGAS. Exploration drilling continued in 2023, and a new exploration well was drilled but with negative results, as a dry hole. Due to lack of economic prospects, the remaining exploration area was relinquished, and 1st exploration phase expired on 9 August 2023.

East Bir El Nus: As a result of 2021 EGPC Bid Round, the Concession was awarded to Energean as Operator and INA as Partner in 2022, while the Concession Agreement (CA) was signed on 23 February 2023. A tender for seismic acquisition (2D & 3D) was launched and finalized in November 2023. Preparation for seismic acquisition activities is underway.

Angola

Before divestment, INA's assets in Angola included two blocks, Block 3/05 (INA 4% PI) and Block 3/05 A (INA 5.33% PI).

Divestment of Angolan assets:

On 18 July 2022, Afentra (Angola) Ltd signed a Sale and Purchase Agreement with INA to acquire a 4% interest in Block 3/05 and a 5.33% interest in Block 3/05A, with an effective date of 30 September 2021. The transfer of INA's participation interests on both blocks was approved by the Minister of Mineral Resources, Petroleum and Gas on 22 December 2022, and executive decrees were issued. Blocks 3/05 and 3/05A were successfully divested on 5 May 2023.

3.1.2. Strategy and outlook

Maintaining a stable production rate as well as operational efficiency remain our key priorities to enable potential for sustainable growth in the future. This can be achieved only 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 have been restored, where, after extensive seismic campaign in Croatia prospect portfolio was updated. Onshore exploration drilling campaign planned for 2023 resulted in Veliki Rastovac gas discovery. Additional potential area in the vicinity of newly discovered gas will be covered by new 3D seismic in 2024 as well as new exploration wells onshore which are expected.

In terms of field development on onshore Croatia, comprehensive production optimization activities, workovers, introduction of new technologies and EOR extension to further oil fields will be continuously performed.

Focus remains on active international portfolio management, with continuous intention on portfolio diversification and build up. INA, d.d. will continue to screen for new opportunities and seek to be the Operator in regions where we have proven technical competences. In higher-risk opportunities, partnership with a capable Operator should be considered. INA will proactively negotiate with Authorities and Operators to define farm-in opportunities or acquisition options and participate in regular bid rounds.

In line with the Energy Transition Strategy, INA E&P will focus on strong investment cycle in the geothermal power generation. Geothermal energy management team has been established, and it is in high level of preparation for exploration phase acquisitions. In 2024, we will focus on gathering new data and target definition, while parallelly working on well designs to reduce preparation time.

Evaluation of potential opportunities together with evaluation of geothermal potential on the existing oil and gas fields will be continued.

3.1.3. Financial and operating performance

SEGMENT RESULTS*	EUR MLN		
	2022	2023	%
Total revenue	892.4	582.3	(35)
EBITDA[1]	649.3	412.8	(36)
EBITDA excluding special items[2]	**649.3**	**390.1**	**(40)**
Profit from operations	516.7	323.1	(37)
Profit from operations excluding special items[2]	**540.3**	**300.4**	**(44)**
Simplified Free Cash Flow[3]	543.7	289.9	(47)
Capital expenditures	105.6	100.2	(5)

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

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

[2] In 2022, operating result was negatively impacted by impairment and reversal of impairment of assets in the amount of EUR (23.6) million, while 2023 result was impacted by revision of decommission-related costs in the amount of EUR 22.7 million

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

Decline of production amounted to 6%, due to the expected natural decline, Angola divestment and turnaround on gas treatment facilities.

Croatian production decreased due to lower contribution of projects started, increased water cut and maintenance activities.

International production was lower due to divestment of Angola concession, despite the contribution from Egypt North Bahariya as a result of newly drilled wells and performed well workovers. Additionally, a new well on East Damanhur has been put into production.

HYDROCARBON PRODUCTION (boe/d)	2022	2023	%
CRUDE OIL PRODUCTION	**12,282**	**11,602**	**(6)**
Croatia onshore	10,108	9,676	(4)
Egypt	1,610	1,746	8
Angola	564	180	(68)
NATURAL GAS PRODUCTION	**12,859**	**11,987**	**(7)**
Croatia offshore	3,436	3,372	(2)
Croatia onshore	9,423	8,563	(9)
Egypt	-	52	n.a.
CONDENSATE	**912**	**814**	**(11)**
Croatia	912	812	(11)
Egypt	-	1	n.a.
TOTAL HYDROCARBON PRODUCTION	**26,053**	**24,403**	**(6)**
AVERAGE REALIZED HYDROCARBON PRICE			
Total average realized hydrocarbon price (USD/boe)*	103	74	(28)

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

RESERVES BREAKDOWN (MMboe)	1P		2P	
	2022	2023	2022	2023
BY COUNTRY				
Croatia onshore	55	51	75	68
Croatia offshore	5	5	8	7
Egypt	1	2	2	3
Angola	0	0	1	0
TOTAL	**62**	**58**	**85**	**77**
BY PRODUCT				
Oil	33	29	41	37
Gas	26	27	41	38
Condensate	2	2	3	2
TOTAL	**62**	**58**	**85**	**77**

CAPITAL EXPENDITURES 2023 (EUR MLN)	CROATIA	EGYPT	ANGOLA
Exploration	7.7	0.4	-
Development	44.7	13.3	0.2
Other	33.9	-	-
TOTAL	**86.3**	**13.7**	**0.2**

3.2. Refining and Marketing overview

Key message from the Operating Director

"In spite of global supply disruption and significant price fluctuations caused by political and economic circumstances that shook energy environment in 2023, we have successfully maintained our position as a reliable supplier to our core markets.

The year started with a weaker financial result in the first half, characterized by a historic decline in prices due to global supply insecurities resulting from the conflict in Ukraine. Due to brownfield works required within the Rijeka Refinery Upgrade Project, the refinery had to go through planned shutdown period regardless of market fluctuations and fears of supply availability. Nevertheless, we have ensured the markets were reliably and promptly served through imports. The financial setback in the first half of the year was counterbalanced by a positive refinery margin generated between June and November, supported by favorable macroeconomic conditions.

Work on the most significant project – Rijeka Refinery Upgrade Project – continued despite the challenging business environment caused by geopolitical crisis affecting the material, energy, and workforce prices. The Project has reached overall completion of 84%. The engineering is finished, while the procurement activities are nearly finished. Furthermore, almost all long-lead items, together with other materials and equipment, were delivered, while the remaining is expected in H1 2024.

Furthermore, we have continued to advance our commitment to the green transition by making progress in our Green Hydrogen project in Rijeka, as well as the production projects for Biogas and Biomethane in Sisak. Investment decisions for these initiatives are made, highlighting our dedication to sustainability."

Goran Pleše

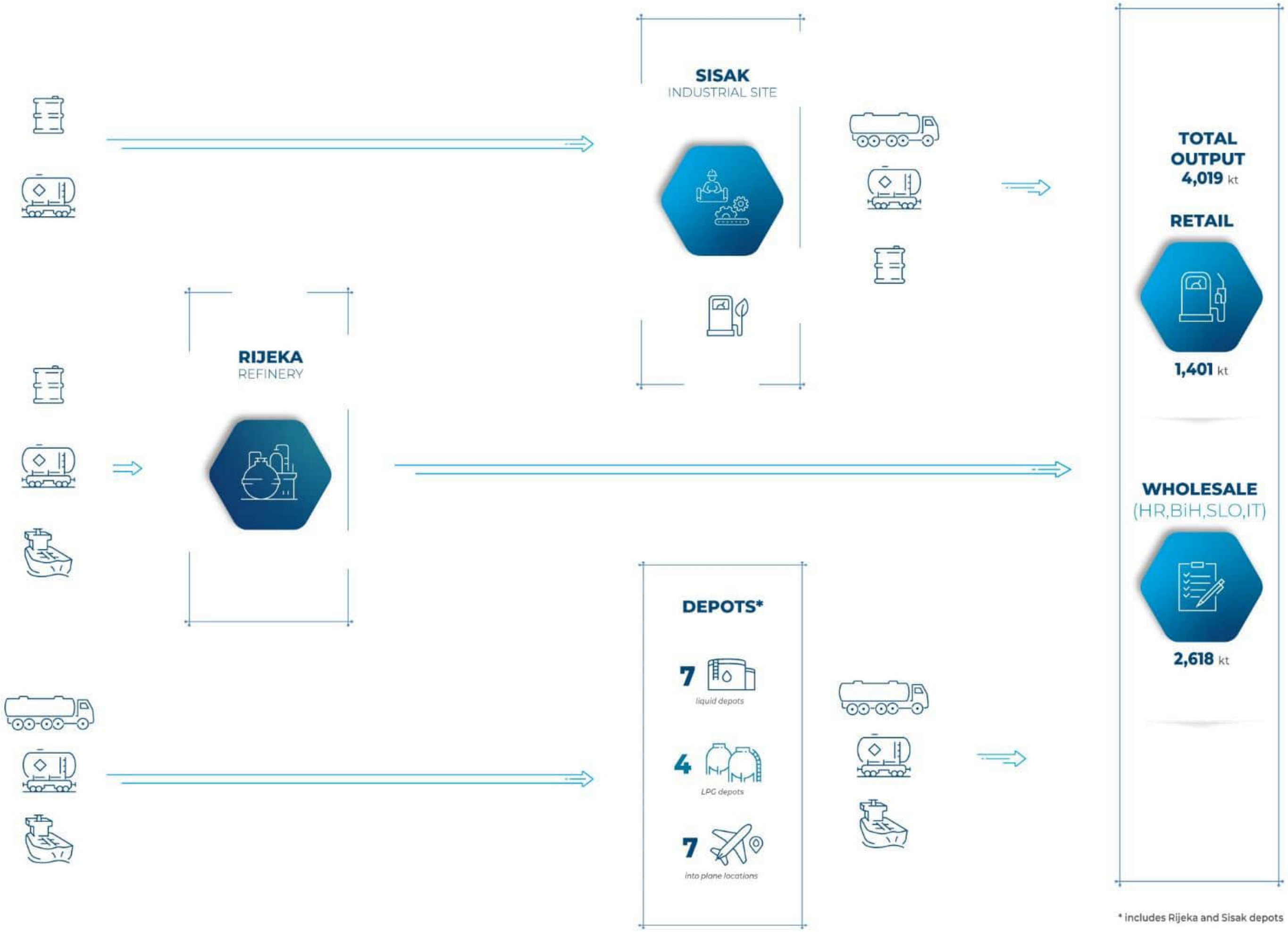
Operating Director of Refining and Marketing

Achievements

- The Rijeka Refinery Upgrade Project has reached 84% of overall completion, with the brownfield project part finalized
- Strong market position on core markets
- In the challenging environment on the market and in the periods of high demand, INA stood out as a reliable supplier for all products

Challenges

- Continue the implementation of the Rijeka Refinery Upgrade Project and other energy projects related to efficiency increase
- Rijeka Refinery turnaround 2024 implementation to keep the regulatory status
- Create long-term strategy for Refining and Marketing in line with the green transition and sustainability direction



* includes Rijeka and Sisak depots

3.2.1. Overview and key achievements for the year 2023

Commercial activities

In 2023 fuel sale on the Croatian market was at its record level with a 13% increase in volumes sold compared to 2022. In Fleet Card segment there was a 22% increase of volumes sold. Regarding fuels, jet and heating oil strong market position was secured in the core markets (Croatia and B&H), with high margin achieved.

Trading

Oil trading business was influenced by the record-high global oil demand and uncertain market fundamentals. Despite the constant volatility, INA Trading business kept its focus on the security of supply, to successfully bridge the gap between the lower availability of own product (during the planned Rijeka Refinery shutdown and during the summer peak demand season) and the assumed market demand. At the same time, INA Trading supported a steady supply of the feedstocks, such as import of more than 400 kt of VGO, as well as various components. On the sales side, special products sales were significantly elevated, whereby jet fuel sales have reached almost 200 kt (close to pre-COVID levels) and bitumen sales were record-high and exceeded 90 kt.

Refining operations

Due to the ongoing Rijeka Refinery Upgrade Project, the refinery production was shut down until April 2023 when the core market supply was secured from 3rd party import. After the Refinery start-up, the favorable market environment supported continuous refinery operation until December 2023, when the production was temporarily stopped due to regular turnaround. In the summer peak season, the refinery throughput reached its maximum, thus improving the financial results. All secondary units were highly utilized, with special focus on middle distillate line production to cover all core market needs. The main highlight in 2023 was increased JET production following the Hydrocracker Unit revamp, allowing for seamless market supply solely from own production during refinery operation. Price of natural gas had a continuous impact on fuel type usage in the refinery internal consumption, so active energy source optimization was carried out throughout the year, together with CO_2 emission optimization, to minimize costs.

Logistics and distribution

Market demand in road distribution in 2023 grew by 15% compared to previous years, which posed a challenge for the entire logistics chain, with Logistics maintaining a stable market supply and a high level of customer satisfaction from duly provided services (OTIF 'on-time in-full' of 97%). Continuous investments were made in transport and terminal assets, together with the ongoing project of the new Rijeka Port and Solin Terminal optimization, with the aim to further improve the level and efficiency of logistics services.

With unpredictable external environment, Logistics assured additional storage capacities for diesel to secure a safe market supply. Furthermore, Logistics continue to evaluate the potential for terminal optimization and optimization of storage capacities. Projects for in-line products blending, which ensure flexibility in terminal operations, were finished at all Logistics sites. In Sisak Terminal, Logistics reached a big milestone in energy efficiency by finishing the switching from steam to LPG as an energy source.

The Process Safety Management (PSM) implementation increased to 90%, with a strong focus on customs and legal regulations and requirements. Logistics ended the year with zero non-compliances.

New and Sustainable Businesses

New and Sustainable Businesses organization was formed on 1 October 2023, accelerating the sustainability projects and enabling the green transition of Refining and Marketing. The key focus of the organization is developing sustainable solutions, trade in natural gas and electricity, as well as entrepreneurship program management.

Gas and Power

Natural gas sales amounted to 551 mcm in 2023, while INA secured deliveries of natural gas with the LNG contract daily inflow and spot contracts as needed, ensuring a significant role in the Croatia's gas market supply.

Regulatory environment had a significant impact on the gas business in the first half of 2023. Following the Government act issued in September 2022, and measures aiming to minimize the effects of the crisis, gas export and direct market access was banned. INA was obliged to sell domestic gas at a regulated price to HEP until July 2023, after which the Government regulation was revoked, and INA gas volumes were sold on the open market at a non-regulated price.

Sustainable solutions

INA Refining and Marketing develops several projects that contribute to the reduction of greenhouse gas emissions, promotion of renewable energy sources and decarbonization of industry and transport. In 2023, the focus was on two main projects: green hydrogen production at the Rijeka Refinery and biomethane production at the Sisak industrial site.

For both projects investment decision was made upon which contracts for execution and long lead items delivery will be signed. Focus in the following year will be on execution of the projects and development of green hydrogen and biomethane market in Croatia, through collaborations with companies who have similar sustainable targets and are focused on decrease of GHG emissions, such as public city transport companies.

Green hydrogen production project in Rijeka will result in production of renewable hydrogen on the site of Rijeka Refinery with targeted usage in transport. The project is included in the National Recovery and Resilience fund.

The biomethane production project will result in purified biogas that would be injected into the natural gas transport system and sold as an advanced biofuel or energy source, which would contribute to the targeted decarbonization of the transport and industrial sectors in the Republic of Croatia. Biomethane can be used for various purposes, the same as natural gas, and replaces natural gas of fossil origin with renewable biomethane. The remaining product is digestate, which is used as a natural fertilizer.

Focus of Sustainable solutions in 2024 will be on carbon management and development of projects which would further decrease carbon footprint and transform Refinery and marketing business to more sustainable direction.

Rijeka Refinery Upgrade Project

The Project started in 2020 and has reached overall completion of 84%. The Project aims to increase the Rijeka Refinery's profitability through better yield structure and refining assets' maximum utilization. The work on the most significant Project continues despite the challenging business environment caused by the COVID-19 pandemic and Ukraine crisis affecting the material, energy, and workforce prices.

The engineering activities are finished, while the procurement activities are nearly finished. All detailed designs have been completed in 2023 with regular follow-up on the construction site. Almost all the long-lead items and other materials and equipment were delivered.

Construction reached 72%. The revamped units (Hydrocracker Unit and Fuel Gas Unit) and upgraded unit (Sulphur Recovery Unit) have been completed on time during shutdown, ensuring the safe start-up of the Refinery as planned. Silo and Port basic construction is finished, opening the work front for mechanical works. High voltage substations and 110 kV power lines have been completed, enabling the Refinery to run on the 110 kV connection line ensuring safety and stability of supply at lower cost.

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

Development

In order to manage the effect of external environment on refining business and projects, the realistic and stretched CAPEX plan was proposed, driven by Rijeka Refinery Upgrade Project, as well as the investment in Turnaround event when other energy efficiency projects are planned to be implemented.

Except covering the already started and planned investments, CAPEX plan includes projects essential to sustain continuous business operations and projects related to HSE and legal compliance, as well as new sustainability projects.

New research and project development ideas are focused on increasing the refinery energy efficiency, possibilities of RED III obligation fulfilment for INA, d.d. (co-processing or standalone processing of bio feedstocks using the existing refinery assets, chemical recycling), as well as introduction of new bio feedstocks through the pilot / commercial test runs.

The 2022 Energy Efficiency Act obligations were successfully met in the 2023 calendar year, by elaborating several project ideas and fuel additives.

Investment Management

In 2023, the Investment Management portfolio consisted of over 40 projects at different stages, managed for different businesses (Downstream, Upstream, New Businesses, Hostin, etc.). Activities on preparation and implementation of 8 projects connected to the Rijeka Refinery shutdown were in focus. The most important energy efficiency increase projects are “CDU efficiency upgrade” and “Replacement of condensing turbines with electric drives”. Great success was achieved by putting the Solar Power Plant Virje into operation, with obtained operating permit as well as completion of the Solar Power Plant in Sisak. Activities were also intensified on some other new refinery projects, which respond to current market demands, such as Biodiesel Vessel Supply and Logistics projects - New Port in Rijeka and Solin Terminal.

3.2.2. Strategy and outlook

Besides securing the regional fuel supply, INA has a major responsibility to drive the business in a more sustainable direction. As part of the European Green Deal, with the European Climate Law, the EU has set for 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. In March 2024 investment decision was made for the Green Hydrogen production project in Rijeka and Biomethane production project in Sisak, which will be followed with contracting and execution of the projects, both of them being planned to finish in 2026.These projects are intended to further contribute to INA’s sustainable business portfolio by decreasing greenhouse gas emissions and providing energy from renewable sources.

Project finalization is awaiting the Rijeka Refinery Upgrade Project with several key milestones to be achieved. With the completion of works on Outside Battery Limit area expected in Q1 2024 during the shutdown period, additional capacity of cooling water and compressed air will be provided for the

Refinery. Irrespective of Refining operations, work on Residue Upgrade Unit will continue in its dedicated area, reshaping the Rijeka Refinery's look, with mechanical completion expected in 2024.

Furthermore, the focus in Q1 2024 was the delivery of the Rijeka Refinery turnaround 2024 to keep its regulatory status, as well as implement several energy efficiency increase projects.

Market expansion through acquisition and upholding the lead position on the domestic market, with stable market supply, are central points of operations, with special attention paid to the short- and long-term profitability in the volatile external environment.

3.2.3. Financial and operating performance

SEGMENT RESULTS* (EUR MLN)	2022	2023	%
Total revenue	4,568.2	3,821.4	(16)
EBITDA[1]	47.7	93.0	95
EBITDA excluding special items[2]	**47.7**	**93.0**	**95**
CCS EBITDA excluding special items[2]	102.5	88.7	(13)
Profit/(loss) from operations	(44.0)	7.4	n.a.
Profit/(loss) from operations excluding special items[2]	**(44.0)**	**7.4**	**n.a.**
CCS Profit/loss from operations	10.8	3.1	(72)
Simplified Free Cash Flow[3]	(130.9)	(102.9)	(21)
Capital expenditures	233.4	191.6	(18)
o/w Refining and Marketing	214.6	173.2	(19)

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

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

2 In 2022 and 2023, the result was not impacted by special items

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

Market backwardation during import mode of operation in H1 2023 resulted in lower product margins.

Market was safely supplied via import until own refining products were available, with continuously stable market supply during strong summer season which contributed to higher captive market sales performance.

Different refining dynamics were reported in Q4 2023 compared to 2022, where the higher processing and sales positively contributed to the overall result.

After successful start-up at the end of April, with positive contribution to the results, Rijeka Refinery stayed operational until the beginning of December, when the planned turnaround was started.

REFINING AND MARKETING INCLUDING CONSUMER SERVICES AND RETAIL	2022	2023	%
Refining processing (kt)			
Domestic crude oil	288	305	6
Imported crude oil	1,474	1,350	(8)
Other feedstock	603	654	9
Total refining throughput	**2,365**	**2,309**	**(2)**
Refining production (kt)			
LPG*	128	130	1
Naphtha	90	123	36
Gasoline	503	532	6
Kerosene	151	172	14
Diesel	939	867	(8)
Heating oil	19	-	n.a.
Fuel oil	236	176	(25)
Other products**	66	71	8
Total	**2,132**	**2,070**	**(3)**
Refining loss	31	38	21
Own consumption	201	202	0
Total refining production	**2,365**	**2,309**	**(2)**
Refined product sales by country (kt)			
Croatia	2,295	2,471	8
B&H	595	569	(4)
Slovenia	52	30	(42)
Italy	17	19	11
Other markets	769	929	21
Total	**3,729**	**4,019**	**8**
Refined product sales by product (kt)			
LPG*	220	186	(15)
Naphtha	91	122	35
Gasoline	642	699	9
Kerosene	186	200	7
Diesel	1,904	2,064	8
Heating oil	157	123	(22)
Fuel oil	217	187	(14)
Bitumen	69	88	27
Other products***	244	351	44
Total	**3,729**	**4,019**	**8**
o/w Consumer services and Retail segment sales	1,173	1,401	19
Total natural gas sales (mln m^3)	**745**	**551**	**(26)**

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

3.3. Consumer Services and Retail overview

Key message from the Operating Director

"Although we continue to move within the defined framework of fuel market regulation in 2023, our commitment, persistence, and clear vision remain intact. We are witnessing how our hard work is manifested through excellent results in fuel and non-fuel segments, the opening of new service stations, and the constant expansion of our INA network.

Sales activities are continuously improving, Fresh Corner has reached 94% brand awareness, and in just three years, INA Loyalty program has become one of the most popular loyalty programs in Croatia, with almost 600,000 registered members at the end of 2023 who use great benefits.

Dedication and the constant pursuit of improvement, such as launching new Expert additives in premium fuels, and constantly innovating the Fresh Corner range, make a difference in every segment of our business, resulting in our customers turning with confidence to INA's service stations which became recognized as locations where a wide range of offers and services, from fuel, consumer goods to diverse gastronomic offers are available."

Zdravka Demeter Bubalo

Operating Director of Consumer Services and Retail

Achievements

- Maintaining the market leader position, expanding, and strengthening the INA retail network (through new locations and the Gastro concept)
- Development of our Fresh Corner strategy through an excellent gastronomic offer for people 'on the go'
- Introduction of improved Class Plus fuels with new Expert additives
- Successful continuation of new Loyalty members recruitment followed by further digital implementation of new innovative solutions and services at retail locations

Challenges

- Environment of regulated fuel prices continued, followed by labor market challenges and lack of skilled workforce
- 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
- Volatile prices for main CAPEX items – service station construction works and equipment
- OPEX increase driven by external price pressure and scope increase

3.3.1. Overview and key achievements for the year 2023

Consumer Services and Retail

In October 2021, the Government of the Republic of Croatia passed a “Decision on determining the highest retail prices of petroleum products”, which they prolonged in 2022 and 2023, resulting in 84 Government regulations throughout the years, affecting both prices and margins. The challenges of our business segment continued in 2023, and the current environment demanded maximum efforts to successfully end the observed period.

Negative effect of limited margins/fuel prices, which accompanied us throughout the year, was mitigated by the achieved higher volumes, due to the implementation of good management business policies, a successful tourist season and positive market trends, as well as consumer fear of a further increase in fuel prices and possible shortages.

The number of fuel and non-fuel transactions increased in 2023, and a better non-fuel margin was achieved as a result of the focus on the gastro range and the continued excellent results achieved in the sale of hot dogs as our 'hero' product, also accompanied by positive results in the sandwich and coffee sales category. To ensure an even greater satisfaction of our customers, but also to keep up with the trends and market demands, Consumer Services and Retail successfully introduced a diverse gastro offer such as Istrian, Dalmatian and Slavonian sandwiches, XXL Asian hot dog, new flavor of own brand Crunch and GO and JIM lemon, new caramel coffee and Irish coffee, Fresh Corner coffee capsules and new Fresh Corner mugs. The focus on top categories in gastro and shop segments resulted in significant growth of all categories.

Such a sales result of the fuel and non-fuel category was realized largely due to our intensive capital investments in the construction and renovation of our existing retail network as well as the acquisition of new service stations through rents. The modernization of our retail network and the newly opened, together with our remodeled Fresh Corner locations, set a new standard in providing superior service to our customers.

The Company started transforming its retail locations seven years ago based on the Fresh Corner gastronomic concept, and 151 Fresh Corner retail locations, o/w 114 in Croatia (at the end of 2023) offer customers freshly prepared food and high-quality coffee. Customers' habits are rapidly changing, so INA's response to this is the transformation of petrol stations into service stations as the most desirable gastronomic destinations ‘on the go’.

Conducted ‘Mystery Shopping’ and internal audits at our retail locations showed a consistent growth in operational activities across all categories by 2023 quarters: score of 76.5% for Q1, 79.9% for Q2, 81% for Q3 and 83.7% for Q4, with excellent results related to host behavior, cleanliness of the toilets, shop/gastro in general, but also with a visible improvement on forecourt sales and sales at the cash register as the greatest potential for further sales improvement.

Furthermore, in 2023 we have successfully implemented euro, as a new transactional currency at our retail locations.

Retail network and service development

INA Group operates a network of 506 service stations in Croatia and abroad – 390 in Croatia, 104 in B&H (Holdina and Energopetrol) and 12 in Montenegro.

As a company with the largest modernized retail network, our INA Group retail locations are visited daily by more than 270,000 customers. Every opening of a modernized retail location represents an important step forward for the Company. INA thus remains the leader in Croatia, a recognizable brand with top quality fuels and the Fresh Corner gastro concept, which makes it an unavoidable location on the journey.

During 2023, INA Consumer Services and Retail developed the following projects (part of the projects will be finalized during 2024): four knockdown-rebuild projects, six rents, one greenfield, 13 Fresh Corner projects, five restaurants, one truck stop and 19 hot dog locations.

Newly opened retail locations set a new standard in providing superior service for our customers where, in addition to high-quality fuel, they can also select something from a wide range of consumer goods and a diverse gastronomic offer.

We also invested in our employees through various educations, i.e. their development and open opportunities for them to grow, while at the same time fostering social dialogue, as is evidenced by 10 regular meetings held with social partners during 2023.

Marketing and promotional activities

INA continuously monitors the wishes and needs of its customers, and by introducing novelties and modern changes in appearance truly makes INA service stations a perfect place for a break. With the aim to increase awareness of the Fresh Corner brand, during 2023, INA was successfully present at various events such as: World Rally Championship Croatia (WRC), Muzza, Špancirfest in Varaždin, Interliber in Zagreb, Advent in Varaždin.

Retail Marketing activities were focused on building of Class Plus Expert awareness as that fuel was a crucial part of successful prize-winning games (PWG) throughout 2023. This was supported by new fuel stickering and re-stickering at 97 retail locations and fuel image campaign besides the PWG.

INA continuously develops its retail network and offer as well as follows global trends in the market, which is why INA has introduced improved Class Plus fuels with new Expert additives for an even better performance and engine power.

The share of premium fuels has decreased in the regulated environment, but INA still had the highest share of image KPI from all players in Croatia - selling top quality fuel. With ATL (above the line marketing) campaign from March till May 2023, INA supported the introduction of new additives in Class Plus fuels.

Besides fuel, Retail Marketing effort was also focused on gastro activities, mainly on Fresh Corner coffee category support by launching a new image ATL (above the line marketing) campaign and support and drive continuous combo deals, Fresh Corner mugs launch and Fresh Corner coffee activations via scratch cards.

World Rally Championship (WRC) 2023 was held in Croatia for the third consecutive year. Thus, Croatia once again found itself as a host of the prestigious WRC Croatia Rally car race. The automotive spectacle took place in five Croatian counties, and INA Consumer Services and Retail supported the event with Fresh Corner offer. More than 400,000 visitors came to the WRC from all over the world to support this event.

Furthermore, in September 2023, INA Fresh Corner and Handball Club Zagreb signed a one-year collaboration contract.

As we continue to further build our Fresh Corner brand, that currently has 94% brand awareness, we took one step further by signing a contract with a Brand Ambassador for Fresh Corner - Vedran Ćorluka, a former Croatian national team football player who is currently holding a position of assistant coach of the Croatian national football team.

INA Loyalty and digitalization

Sales activities are continuously improving, and in just three years, INA Loyalty has become one of the most popular loyalty programs in Croatia, with more than 590 thousand registered members, and further growth expected in the upcoming years. Such great response to INA Loyalty program in 2023 was especially influenced by the most successful INA Loyalty PWG so far, which achieved 1.3 million applications.

In September 2023, the INA Loyalty program celebrated its third birthday. In these three years, INA Loyalty has become more than a program – it has become a companion of our loyal customers on their journeys, and throughout the entire month of September 2023 we have organized the best birthday promotions.

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

Furthermore, development of digitization continued in relation to other Consumer Services and Retail projects as per approved CAPEX plan: INA Pay@Carwash, Loyalty Barcode Scanners, Vending Machines, Glovo/Wolt Cashless Payment.

3.3.2. Strategy and outlook

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

INA Retail Action Plan - key growth opportunities:

- INA will continue to strengthen and further develop the Fresh Corner, 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 hosts
- Maintain continuous retail network growth through Greenfield, Rent projects and further Fresh Corner implementation
- Non-fuel segment will be focused on commercial conditions with the aim to build a margin with the help of Loyalty, our signature items and promotional activities
- Loyalty focuses on recruitment and activation, being a promotional platform for all activations, but also organizing educational campaigns for customers, always through digital approach

- Continue with digital transformation to enhance customer experience providing seamless and convenient communication across various touchpoints, together with increased visibility and higher attention of consumers by using craving content and increased intra-day activities

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

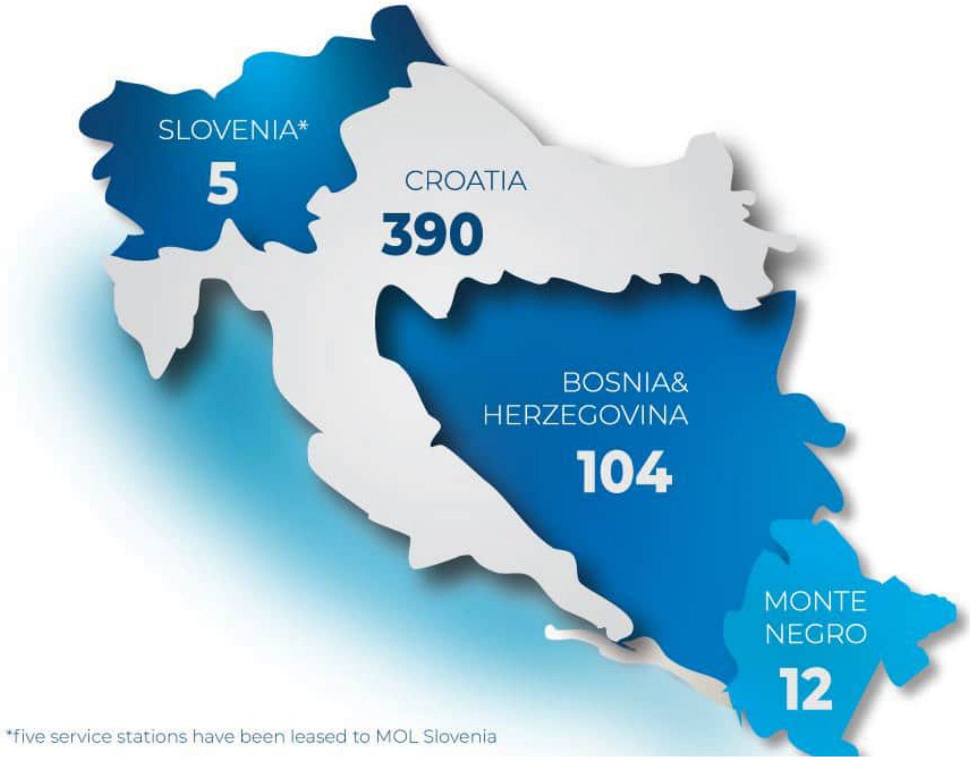
Total Consumer Services and Retail sales volumes amounted to 1,401 kt in 2023, which is 19% above 2022, driven by higher realization on the Croatian market (+213 kt) mainly as a result of a successful tourist season and positive market trends.

Non-fuel margin increased by 33%, reflecting continuous expansion in consumer goods, increasing number of Fresh Corners together with INA Loyalty program support, which reached over 590 thousand registered members.

As of 31 December 2023, INA Group operated a network of 506 service stations - 390 in Croatia, 104 in Bosnia and Herzegovina, 12 in Montenegro and additional five retail sites in Slovenia that are leased to MOL Slovenia. Consumer Services and Retail capital investments amounted to EUR 18.5 million in 2023 with the focus on retail location modernization and continued roll-out of Fresh Corner concept, which is present at 151 retail locations (o/w 114 in Croatia).

CONSUMER SERVICES AND RETAIL	2022	2023	%
Retail sales (kt)			
Gasoline	263	302	15
Gasoil	888	1,076	21
Other	22	23	0
Total Retail sales	**1,173**	**1,401**	**19**
Non-fuel margin (EUR MLN)	**63.9**	**84.7**	**33**
Number of service stations *	**506**	**506**	**0**
Capital expenditures (EUR MLN)	**18.8**	**18.5**	**(0.3)**

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



*five service stations have been leased to MOL Slovenia

4. MANAGEMENT DISCUSSION AND ANALYSIS

4.1. Overview of the macroeconomic and industry environment

4.1.1. The global economy

Global output growth proved unexpectedly resilient last year, even though the 3.1% annual growth rate remains below the historical (2000-2019) average of 3.8%. At the start of 2023, declining real incomes, rapid and widespread monetary policy tightening and the gradual but steady phase out of fiscal transfers in advanced economies projected a much harder landing for the global economy. In contrast, inflation has declined more quickly than initially anticipated and energy support schemes have helped to cushion household incomes and underpin activity in many economies. Still, outcomes diverged across countries, with stronger than expected growth in the United States and many emerging-market economies, offset by a slowdown in most European countries. China's economy grew 5.2% in 2023, slightly more than the official target, but the recovery was far shakier than expected, with a deepening property crisis, mounting deflationary risks and muted domestic demand.

The rising momentum was not felt everywhere, with notably subdued growth in the euro area, reflecting the continued adverse effects of the energy price shock, the lagged effect of tight monetary policy, weak consumer sentiment and global trade providing little support on the external side. Global trade growth in 2023 was the slowest outside global recessions in the past 50 years as the ending of the zero COVID-19 policy in China did not generate the hoped-for boost to exports. Germany’s high dependence on manufacturing and global trade kept its performance below average compared to the other eurozone countries. Following a robust post-pandemic expansion in 2021 and 2022, GDP increased only by 0.5% in both the euro area and the EU in 2023.

4.1.2. Croatia’s economy in 2023

The Central and Eastern European (CEE) countries performed below expectations, mainly due to the recession in Germany. Although the share of exports to Germany declined over the last two decades, Germany remains the main trading partner of the region. In addition, in many of these countries, growth was driven by a decline in imports, primarily on account of the strong base effects resulting from the high level of imports seen the previous year, when energy concerns led to stockpiling. The energy situation has improved since last year, with reduced gas dependence and diversified sources.

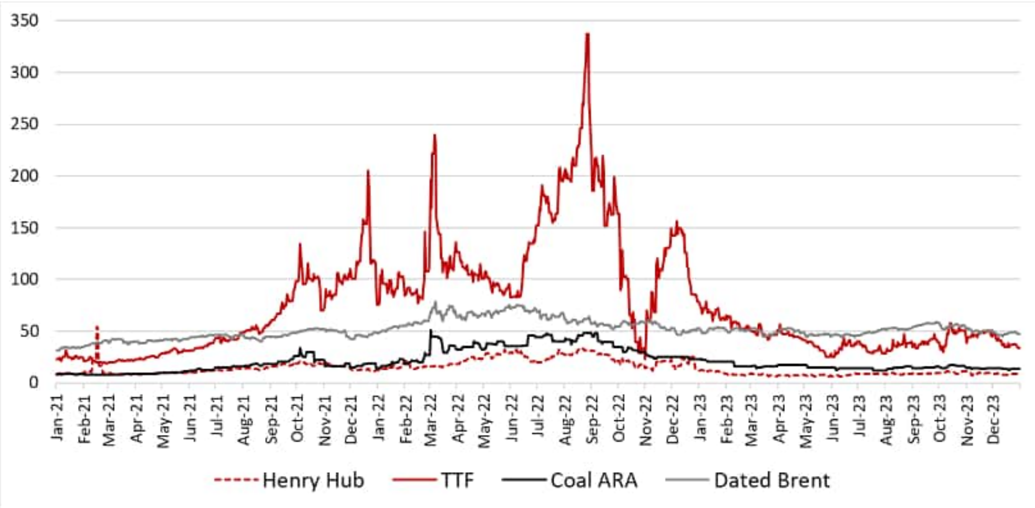
Croatia’s accession to the euro area and the EU’s border-free Schengen zone boosted tourism in 2023. EU-related funds were already supporting the investment activity in the country in 2022 and have continued to do so last year. Nevertheless, persistently high levels of inflation have put real incomes, external demand and investment sentiment under pressure, which is why GDP growth slowed to 2.8% last year from 6.3% in 2022.

4.1.3. Global oil and gas market fundamentals

Despite a brief surge above 90 USD/bbl in September and mid-October, Dated Brent crude prices have traded in the relatively narrow 70-90 USD/bbl range in 2023, averaging at 82.6 USD/bbl, 18% below the 101.3 USD/bbl average in 2022. The remarkable stability of oil prices came at the time when global markets had to adjust to new trade dynamics, with crude oil from Russia sustaining its destinations outside the EU, several surprise OPEC+ supply cuts during the year and intensifying geopolitical tensions in the Middle East after the outbreak of the Israel-Hamas war and the year-end Houthi attacks on shipping vessels in the Red Sea. The oil market could remain cold because fears of a wider geopolitical conflict and physical disruptions to supply were dominated by demand concerns and higher-than-expected non-OPEC supply growth, led by the U.S. throughout the year. With GDP growth below trend in major economies, the global oil demand outlook growth slowed accordingly, with Europe making up more than half the decline. The impact of tighter monetary policies and decreasing real incomes fed through to the real economy while petrochemical activity shifted increasingly to China, undermining growth elsewhere. Europe has been particularly hit amid the continent's broad manufacturing and industrial recession.

The fall in European natural gas prices is even more striking, the average price of TTF (Title Transfer Facility), Europe's largest gas trading hub, dropped from an average of 130.9 EUR/MWh in 2022 to 40.7 EUR/MWh in 2023. Despite the continuous downward trend in 2023, European prices remained overly reactive to even the smallest changes in supply availability during the year, suggesting that the market continued to be fragile even amid consistently comfortable storage filling rates, low industrial gas demand and warmer temperatures. In the absence of enough flexible new supply, the lost Russian pipeline volumes triggered a painful demand side adjustment in the short term. European gas demand dropped by over 100 bcm in just two years, falling to its lowest level since 1995. Following a 13% (or 70 bcm) drop in 2022, gas consumption fell by another 7% (or 35 bcm) in 2023. All sectors contributed to these declines, although the drivers have markedly shifted from one year to the other. In contrast with 2022, the demand reduction in 2023 was largely driven by the power sector, as the rapid expansion of renewables, together with improving nuclear availability reduced the call on gas-fired power plants. In addition, mild winter weather together with gas-saving efforts continued to weigh on gas use in the residential and commercial sectors. Industry, which suffered the steepest decline in 2022, moved towards a gradual recovery in the second half of 2023, as lower price levels incentivized higher operating rates, including the more gas-intensive industrial sectors.

Figure 1 – Selected crude, natural gas and coal prices dtd (USD/MWh, 2021-2023, Bloomberg data)



4.1.4. Downstream

Although refinery runs remained stronger than expected in 2023, the total year runs for the last year averaged around the same level as 2022 in Europe, while global refinery throughputs finally returned to their pre-pandemic, 2019 levels, led by the new Chinese and Middle East capacities. Even though not back to the extreme highs of 2022, margins stayed steady, supported by elevated diesel crack spreads as OPEC+ supply cuts squeezed supplies of medium crude oil grades that are middle distillate rich. The diesel shortage has been a worldwide phenomenon, with stocks well below the five-year average in most regions including the U.S., ARA ports in Europe and Singapore. In Europe, the lost access to Russian medium crude and increased processing of lighter U.S. and North Sea grades might have limited crude distillation runs despite the strong margin environment.

MAIN EXTERNAL PARAMETERS	2022	2023	%
CRUDE OIL PRICES			
Brent dtd (USD/bbl)	101	83	(18)
Brent-Ural spread (USD/bbl)	24.4	18.0	(27)
CEGH gas price (EUR/MWh)	126	42	(67)
FOB MED PRODUCT PRICES AND CRACK SPREADS			
Gasoline - premium unleaded 10 ppm (USD/t)	985	843	(14)
Diesel – ULSD 10 ppm (USD/t)	1,037	815	(21)
Fuel oil 3.5% (USD/t)	457	427	(7)
LPG (USD/t)	791	613	(23)
Crack spread – gasoline (USD/t)	218	218	(0)
Crack spread – diesel (USD/t)	270	190	(30)
Crack spread – fuel oil 3.5% (USD/t)	(309)	(198)	(36)
Crack spread – LPG (USD/t)	25	(12)	n.a.
Indicative refining margins (USD/bbl)*	3.41	6.98	105
FOREIGN EXCHANGE			
EUR/USD average	1.05	1.08	3
EUR/USD closing	1.07	1.11	4
3m USD LIBOR (%)	2.40	5.40	125
3m EURIBOR (%)	0.35	3.43	880

**Indicative refinery margin calculation revised in 2023 with the most recent natural gas and CO_2 inputs. Actual realized refining margins may vary from the indicative refining margin due to factors including different crude oil slate, product yield and operating conditions.*

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 2023 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 2023, 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 and INA, d.d. manage 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 the Group's free cash flow.

Interest rate risk

INA Group is exposed to interest rate risk, since entities in INA Group generally borrow funds at floating interest rates.

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. 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 2023, credit risk management was under additional scrutiny, taking into account the potential decrease of market liquidity influenced by the external environment i.e., inflation, high uncertainty regarding the price development of energy prices, governmental limitation of margins. Whenever possible, the Group and the Company collect collaterals (payment security instruments) from customers in order to minimize the risk of collection of receivables arising from contractual liabilities of customers.

4.2.3. Liquidity risk

As at 31 December 2023, INA Group had contracted and available short-term credit lines amounting to EUR 484,642 thousand, excluding overdrafts and trade financing credit lines established with the purpose of financing the purchase of crude oil and oil products. As at 31 December 2023, INA Group had contracted and available long-term credit lines amounting to EUR 300,000 thousand.

4.3. Climate-related financial disclosures

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 management is aware of core business impact on climate and the fact that further business development is highly determined by climate change context.

The organization's governance around climate-related tasks, risks and business opportunities is integrated into the company's overall governance and management processes, and Board level decisions consider inputs from organizations at which all aspects of climate change are addressed by organizational design. Inclusion of climate change and sustainable development topics is ensured through functional organizational units that are directly subordinated to corporate management. Among them, the organizational units responsible for Strategy operations, New and Sustainable Businesses and Sustainable Development, Health, Safety and Environment are particularly prominent in directing the context of climate change.

New and Sustainable Businesses is a new organizational unit focused on accelerating sustainability projects and encouraging the green transition of Refining and Marketing activities. The key focus of this organizational unit are sustainable solutions related to the offer of alternative, sustainable and green solutions for mobility and industrial use, ensuring the INA Group's energy supply with a growing share of renewable energy sources and managing the entrepreneurship program with the aim of increasing the company's overall efficiency. New and Sustainable Businesses are committed to turning the regulatory environment into opportunities for INA Group and play a key role in the sustainable transformation of Refining and Marketing operations.

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 the development of new business opportunities together with the unit responsible for new and sustainable businesses. SD & HSE organization covers the area of climate change in the broader context of environmental protection with specific projects or programs included in the 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

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. Climate change risks and corporate long-term horizons are included in MOL Group's Shape Tomorrow 2030+ strategy, which is following global sustainability goals and energy transformation trends. INA Group uses it as a long-term frame for its own business strategies, where climate change is covered through business sustainability risks.

INA has already taken a step towards upgrading the traditional value chain with renewable energy projects with the aim of diversifying the energy mix while at the same time ensuring the safety of fuel supply to the market. We have already invested significant resources in energy efficiency and emission reduction, as well as improving technology to ensure business sustainability. The current modernization of the refinery, worth more than 630 million euros, is the largest single project in INA's history, and we are facing the completion of this investment, which will ensure the long-term sustainability of the refinery business. We will also invest more than EUR 100 million in the overhaul of the refinery and eight accompanying investment projects aimed at improving the energy efficiency of the plants in 2024.

Significant achievements in the field of exploration and production of oil and gas, including new gas discoveries in Croatia and Egypt, are important for financing our transformation. In 2023 we have completed construction of two commercial solar power plants, Virje and Sisak, and our commitment to sustainable energy is emphasized by securing two permits for geothermal research in Croatia (Leščan and Međimurje 5), which marked the beginning of our investments in this segment.

The strong digitization of our retail sites and the improvement of energy efficiency, as well as the expansion of the range of products and services, especially with the Fresh Corner gastronomic concept, contribute to the fact that even after 60 years of tradition, INA remains the first choice of customers on the move. In the next period, the focus will be on the development of green hydrogen, testing of wind potential, carbon capture and storage potential, and production of biogas.

Read more about climate-related risks and opportunities and the projects we work on under *Chapter 5.4. Climate Change.*

4.4. Summary of 2023 financial results

Following the extraordinary 2022, 2023 was marked with stabilization of hydrocarbon prices, which results in somewhat lower but still strong results of INA Group. CCS EBITDA excl. special items of INA Group for 2023 amounted to EUR 496 million while net profit remained around the 2022 level with EUR 250 million. Main driver of the EBITDA movement was the decrease of realized hydrocarbon prices by 28%, with gas prices drop much stronger than oil.

Exploration and Production EBITDA was lower following the external environment and moderate decline of production, EUR 413 million for 2023. Production declined in line with the expected natural decline, Angola divestment and turnaround of gas treatment facilities. On the other hand, contribution was achieved with the Egyptian East Damanhur concession, which started with gas production in September, as well as a commercial discovery on Veliki Rastovac-1 well. All the factors resulted in 6% lower production.

Refining and Marketing incl. Consumer Services and Retail segment result improved mainly due to strong market demand and positive contribution of own production. Retail sales volumes increased by 19%, because of good tourist season and positive market trends. Beside the strong fuel sales, non-fuel margin continued to grow with 33% margin increase. Simplified Free Cash Flow of the segment improved but stayed negative at EUR (103) million in 2023.

Capital expenditures amounted to EUR 311 million, which is a 14% decrease compared to 2022, in line with different project dynamics. Exploration and Production investments remained strong at EUR 100 million. Rijeka Refinery Upgrade Project reached total completion of 84%. Financial position was stable with net debt of EUR 216 million and 12% gearing ratio reflecting sustainable backbone for future investments.

INA GROUP FINANCIAL RESULTS	2022	2023	%
EUR mn			
Revenue from contracts with customers	4,660.4	3,896.3	(16)
EBITDA[1]	672.7	523.0	(22)
EBITDA excluding special items[2]	**672.7**	**500.3**	**(26)**
CCS EBITDA excluding special items	**727.5**	**496.0**	**(32)**
Profit/(loss) from operations	428.7	330.4	(23)
Profit/(loss) from operations excluding special items[2]	**452.3**	**307.7**	**(32)**
CCS profit/(loss) from operations excluding special items	**507.1**	**303.4**	**(40)**
Net loss from financial activities	(16.5)	(31.9)	93
Profit/(loss) for the year attributable to the Owners of the Company	251.5	250.0	(1)
Profit/(loss) for the year excluding special items[2]	**356.3**	**227.3**	**(36)**
Simplified Free Cash Flow[3]	365.4	185.0	(49)
Net operating cash flow	**455.8**	**443.7**	**(3)**
Earnings/(loss) per share			
Basic and diluted gain/(loss) per share (EUR/USD per share)	25.2	25.0	(1)
Net debt	90.7	215.7	138
Gearing ratio[4] (%)	5.4	11.6	
Capital expenditures	**362.1**	**311.0**	**(14)**
o/w Domestic	342.9	293.5	(14)
o/w International	19.2	17.5	(9)
USD mn[5]	2022	2023	%
Revenue from contracts with customers	4,904.3	4,213.1	(14)
EBITDA[1]	707.9	565.5	(20)
EBITDA excluding special items[2]	**707.9**	**541.0**	**(24)**
CCS EBITDA excluding special items	**765.6**	**536.3**	**(30)**
Profit/(loss) from operations	451.1	357.3	(21)
Profit/(loss) from operations excluding special items[2]	476.0	332.7	(30)
CCS profit/(loss) from operations excluding special items[2]	533.7	328.0	(39)
Net loss from financial activities	(17.4)	(34.5)	99
Profit/(loss) for the year attributable to the Owners of the Company	264.7	270.3	2
Profit/(loss) for the year excluding special items[2]	374.9	245.8	(34)
Simplified Free Cash Flow[3]	384.5	200.0	(48)
Net operating cash flow	**479.7**	**479.8**	**0**
Earnings/(loss) per share			
Basic and diluted gain/(loss) per share (EUR/USD per share)	26.5	27.1	2
Net debt	96.7	238.3	146
Gearing ratio4 (%)	5.4	11.6	
Capital expenditures	**381.1**	**336.3**	**(12)**
o/w Domestic	360.8	317.4	(12)
o/w International	20.2	18.9	(7)

[1] EBITDA = EBIT + Depreciation, amortization and impairment (net)
[2] In 2022, operating result was negatively impacted by impairment and reversal of impairment of assets in the amount of EUR (23.6) million and, additionally, net profit was impacted by extra profit tax in the amount of EUR (81.1) million, while 2023 result was impacted by revision of decommission-related cost in the amount of EUR 22.7 million
[3] Simplified free cash flow = CCS EBITDA excluding special items – Capital expenditures
[4] Gearing ratio = Net debt/Net debt + equity including non-controlling interest
[5]In converting EUR figures into US dollars, the following average CNB (HNB) rates were used: as at 31 December 2022 - 1.0666 EUR/USD; as at 31 December 2023 - 1.1050; for Q1 2022 - 1.1229 EUR/USD; for Q1 2023 - 1,0730 EUR/USD; for Q2 2022 - 1.0670 EUR/USD; for Q2 2023 - 1.0730; for Q3 2022 - 1.0086; for Q3 2023 - 1.0884; for Q4 2022 – 1.0180; for Q4 2023 – 1.0751

KEY FINANCIAL DATA BY BUSINESS SEGMENTS	EUR MLN 2022	2023	CH %
TOTAL REVENUE			
Exploration and Production	892.4	582.3	(35)
Refining and Marketing including Consumer Services and Retail	4,568.2	3,821.4	(16)
Corporate and other	181.1	219.7	21
Intersegment transfers and consolidation adjustments	(981.3)	(727.1)	(26)
TOTAL	**4,660.4**	**3,896.3**	**(16)**
EBITDA[1]			
Exploration and Production	649.3	412.8	(36)
Refining and Marketing including Consumer Services and Retail	47.7	93.0	95
Corporate and other	(9.3)	1.2	n.a.
Intersegment transfers and consolidation adjustments	(15.0)	16.0	n.a.
TOTAL	**672.7**	**523.0**	**(22)**
EBITDA EXCLUDING SPECIAL ITEMS[2]			
Exploration and Production	649.3	390.1	(40)
Refining and Marketing including Consumer Services and Retail	47.7	93.0	95
Corporate and other	(9.3)	1.2	n.a.
Intersegment transfers and consolidation adjustments	(15.0)	16.0	n.a.
TOTAL	**672.7**	**500.3**	**(26)**
PROFIT/(LOSS) FROM OPERATIONS			
Exploration and Production	516.7	323.1	(37)
Refining and Marketing including Consumer Services and Retail	(44.0)	7.4	n.a.
Corporate and other	(29.2)	(16.3)	(44)
Intersegment transfers and consolidation adjustments	(14.8)	16.2	n.a.
TOTAL	**428.7**	**330.4**	**(23)**
PROFIT/(LOSS) FROM OPERATIONS EXCLUDING SPECIAL ITEMS[2]			
Exploration and Production	540.3	300.4	(44)
Refining and Marketing including Consumer Services and Retail	(44.0)	7.4	n.a.
Corporate and other	(29.2)	(16.3)	(44)
Intersegment transfers and consolidation adjustments	(14.8)	16.2	n.a.
TOTAL	**452.3**	**307.7**	**(32)**
PROPERTY, PLANT AND EQUIPMENT			
Exploration and Production	498.4	467.1	(6)
Refining and Marketing including Consumer Services and Retail	1,031.6	1,138.4	10
Corporate and other	135.8	144.7	7
Intersegment transfers and consolidation adjustments	(68.1)	(75.9)	11
TOTAL	**1,597.7**	**1,674.3**	**5**

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

[2] In 2022, operating result was negatively impacted by impairment and reversal of impairment of assets in the amount of EUR (23.6) million and, additionally, net profit was impacted by extra profit tax in the amount of EUR (81.1) million, while 2023 result was impacted by revision of decommission-related cost in the amount of EUR 22.7 million

Intersegment transfers and consolidation adjustments indicate unrealized profit/loss on domestic crude oil and natural gas being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil/natural gas or finished/semi-finished product. Intersegment EBITDA effect on result in 2023 is EUR 16.0 million compared to EUR (15.0) million in 2022.

INA Group Consolidated Statement of Financial Position

INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR MLN)	31 Dec 2022	31 Dec 2023	%
ASSETS			
Non-current assets			
Intangible assets and goodwill	66.2	69.9	6
Property, plant and equipment	1,597.7	1,674.3	5
Investment property	18.1	23.1	28
Right-of-use assets	40.2	47.8	19
Investments in associates and joint venture	3.7	129.3	3,395
Other investments	0.9	0.9	(0)
Other non-current financial assets	85.5	74.0	(13)
Deferred tax assets	129.7	112.4	(13)
Long-term marketable securities	2.3	2.5	9
Non-current financial assets	110.6	98.6	(11)
Other non-current asset	25.6	27.6	8
Total non-current assets	**2,080.5**	**2,260.4**	**9**
Current assets			
Inventories	398.0	345.4	(13)
Trade receivables, net	363.5	319.2	(12)
Other current financial asset	9.9	18.4	86
Corporative income tax receivables	1.4	2.8	100
Other current assets	27.8	34.0	22
Derivative financial instruments	-	9.9	n.a.
Marketable securities	16.1	-	n.a.
Cash and cash equivalents	226.6	150.9	(33)
Current assets	**1,043.3**	**880.6**	**(16)**
Assets held for sale	45.2	0.9	(98)
Total current assets	**1,088.5**	**881.5**	**(19)**
TOTAL ASSETS	**3,169.0**	**3,141.9**	**(1)**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	1,194.5	1,200.0	0
Legal reserves	33.2	39.9	20
Fair value reserves	58.0	73.9	27
Other reserves	214.4	207.5	(3)
(Accumulated losses)/Retained earnings	81.0	118.1	46
Equity attributable to owners of the Company	**1,581.1**	**1,639.4**	**4**
Non-controlling interest	2.9	3.2	10
Total equity	**1,584.0**	**1,642.6**	**4**
Non-current liabilities			
Long-term debts	263.7	264.1	0
Long-term lease liabilities	30.6	35.7	17
Other non-current liabilities	3.2	2.7	(16)
Employee benefits obligation	5.9	6.9	17
Provisions	466.4	412.7	(12)
Deferred tax liability	2.3	2.3	0

INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR MLN)	31 Dec 2022	31 Dec 2023	%
Total non-current liabilities	**772.1**	**724.4**	**(6)**
Current liabilities			
Bank loans and current portion of long-term debt	69.7	102.5	47
Current portion of long-term lease liabilities	10.6	13.3	25
Other current financial liabilities	1.0	2.4	140
Trade payables	329.6	324.4	(2)
Taxes and contributions	101.2	184.4	82
Income tax payables	160.1	31.7	(80)
Other current liabilities	65.4	51.5	(21)
Derivative financial instruments	2.0	12.1	505
Employee benefits obligation	1.0	0.5	(50)
Provisions	66.9	52.1	(22)
Total current liabilities	**807.5**	**774.9**	**(4)**
Liabilities of disposal group classified as held for sale	5.4	-	n.a.
Total liabilities	**1,585.0**	**1,499.3**	**(5)**
TOTAL EQUITY AND LIABILITIES	**3,169.0**	**3,141.9**	**(1)**

As at 31 December 2023 INA Group total assets amounted to EUR 3,141.9 million, 1% lower than 31 December 2022.

In the period ended 31 December 2023, INA Group invested EUR 17.1 million in intangible assets. The effect of depreciation equals EUR 7.9 million.

In the period ended 31 December 2023, INA Group invested EUR 294.9 million in property, plant and equipment. The effect of depreciation reduced net book value in the amount of EUR 164.6 million.

Inventories amounted to EUR 345.4 million and decreased compared to EUR 398.0 million on 31 December 2022 in line with higher domestic crude processing and sales in Q4 2023 and lower prices than last year.

- During 2023, EUR 19.1 million was recognized as reversal of impairment of refined products and work in progress (in 2022: EUR 24.1 million was recognized as impairment of refined products and work in progress) within Changes in inventories of finished products and work in progress within Statement of profit or loss.
- During 2023, EUR 3.3 million was recognized as reversal of impairment of merchandise (in 2022: EUR 3.6 million was recognized as impairment of merchandise) within Cost of goods sold within Statement of profit or loss.

Trade receivables (net) amounted to EUR 319.2 million, which is 12% lower than on 31 December 2022.

Share capital as at 31 December 2023 amounted to EUR 1,200.0 million. By the decision of the General Assembly and legal obligations to adjust the share capital after currency conversion of Croatian kuna to euro, the registered capital was increased from EUR 1,194.5 million to EUR 1,200.0 million.

As at 31 December 2023, total liabilities amounted to EUR 1,499.3 million, 5% lower compared to 31 December 2022. INA Group net debt amounted to EUR 215.7 million and increased compared to 31 December 2022. Net gearing increased from 5.4% as at 31 December 2022 to 11.6% as at 31 December 2023.

Trade payables amounted to EUR 324.4 million and decreased by 2% compared to 31 December 2022 mainly due to lower prices than last year.

INA Group Consolidated Statement of Profit or Loss

INA GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS (EUR MLN)	2022	2023	%
Revenue from contracts with customers	**4,660.4**	**3,896.3**	**(16)**
Other operating income	48.5	74.3	53
Total operating income	**4,708.9**	**3,970.6**	**(16)**
Changes in inventories of finished products and work in progress	59.1	(20.4)	n.a.
Costs of raw materials and consumables	(1,731.8)	(1,291.2)	(25)
Depreciation, amortization and impairment (net)	(244.0)	(192.6)	(21)
Other material costs	(292.5)	(220.6)	(25)
Service costs	(73.0)	(74.0)	1
Staff costs	(239.2)	(255.3)	7
Costs of other goods sold	(1,749.4)	(1,584.8)	(9)
Impairment charges (net)	(18.2)	(14.8)	(19)
Provision for charges and risks (net)	(47.5)	(44.5)	(6)
Capitalized value of own performance	56.3	58.0	3
Operating expenses	**(4,280.2)**	**(3,640.2)**	**(15)**
Profit/(loss) from operations	**428.7**	**330.4**	**(23)**
Finance income	33.3	21.4	(36)
Finance costs	(49.8)	(53.3)	7
Net (loss)/profit from financial activities	**(16.5)**	**(31.9)**	**93**
Share in profit/(loss) in associated companies accounted for using the equity method	**(3.6)**	**6.7**	**n.a.**
Profit/(loss) before tax	**408.6**	**305.2**	**(25)**
Income tax benefit/(expense)	(156.2)	(54.9)	(65)
Profit/(loss) for the period	**252.4**	**250.3**	**(1)**
Attributable to:			
Owners of the Company	251.5	250.0	(1)
Non-controlling interests	0.9	0.3	(67)
Earnings per share			
Basic and diluted earnings/(loss) per share (EUR per share)	25.2	25.0	(1)

Revenue from contracts with customers in 2023 amounted to EUR 3,896.3 million and is 16% lower compared to 2022, primarily due to deteriorated hydrocarbon prices and product quotations.

Costs of raw materials and consumables at EUR (1,291.2) million were 25% lower than 2022 level, reflecting different dynamic of refinery operation and lower price environment.

Other operating costs realized in 2023 include:

- Other material costs in the amount of EUR (220.6) million were lower by 25%, mainly driven by lower transportation costs and lower crude oil price impact
- Service costs in the amount of EUR (74.0) million were on the level of 2022

- Depreciation, amortization and impairment (net) in the amount of EUR (192.6) million were 21% lower compared to 2022
- Impairment charges (net) had a negative effect in the amount of EUR (14.8) million in 2023 compared to negative effect in the amount of EUR (18.2) million in 2022, mainly related to impairment of materials
- Provision for charges and risk (net) had a negative effect in the amount of EUR (44.5) million in 2023 compared to EUR (47.5) million negative effect in 2022

Staff costs in the amount EUR (255.3) million were 7% higher than the 2022, following the inflation-driven salary corrections.

Costs of other goods sold in 2023 were 9% below 2022 level and amounted to EUR (1,584.8) million.

Net result from financial activities is negative in 2023 mainly as a result of:

- Net foreign exchange loss amounted EUR (6.9) million in 2023, while in 2022 loss reached EUR (14.8) million
- Interest expense amounted to EUR (25.1) million and interest income were EUR 2.6 million in 2023, while in 2022 interest expense amounted to EUR (11.9) million and interest income amounted to EUR 1.0 million
- Other financial net loss amounted to EUR (2.5) million in 2023 compared to EUR 9.2 million net gain in 2022

Income tax expense in 2023 amounted to EUR (54.9) million compared to EUR (156.2) million income tax expense including extra profit tax in 2022. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 December 2023 and 2022.

INA Group Consolidated Statement of Cash Flows

INA GROUP CONSOLIDATED STATEMENT OF CASH FLOWS (EUR MLN)	2022	2023	%
Net cash inflow from operating activities	455.8	443.7	(3)
Net cash used for investing activities	(178.0)	(321.5)	81
Net cash used in financing activities	(233.5)	(196.3)	(16)
Net increase/(decrease) in cash and cash equivalents	**226.6**	**150.9**	**(33)**

The operating cash flow before working capital changes amounted to EUR 486.2 million in 2023 representing a decrease compared to 2022, which is in line with the change in EBITDA performance excluding non-cash items.

Movements in working capital affected the operating cash flow positively by EUR 123.4 million, due to:

- Decrease in value of inventories in the amount of EUR 38.1 million, mainly related to lower prices
- Decrease in receivables in the amount of EUR 15.1 million
- Increase in trade and other payables in the amount of EUR 70.2 million, mainly related to higher import in line with processing dynamics

Net cash used in investing activities amounted to EUR (321.5) million of outflows, primarily related to investment in Refining operations and OMV acquisition, which is above EUR (178.0) million outflows in 2022, reflecting different investment dynamic.

Reclassification

INA Management Board adopted in December 2023 the updated version of INA Group Accounting Policies and Procedures.

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

Impact of special items

In addition to international accounting standards, international reporting standards and regulatory requests, the company discloses special items to achieve a higher level of transparency and to provide better understanding of the usual business operations. Business events not occurring regularly and having a significant effect on operations and results are considered as special items. INA has adopted the materiality level for the special items in the amount of USD 10 million or more. If special items reach materiality level on a cumulative basis, previous quarters are restated. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period if impairment indicators are assessed to be significant.

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

In 2023, the result was impacted by revision of decommission-related cost in the amount of EUR 22.7 million.

SPECIAL ITEMS (EUR MLN)	2022	2023
INA GROUP		
Total impact of special items on net profit/(loss)	**(104.7)**	**22.7**
o/w Extra profit tax	(81.1)	-
Total impact of special items on operating profit/(loss)	**(23.6)**	**22.7**
Total impact of special items on EBITDA	**-**	**22.7**
EXPLORATION AND PRODUCTION		
Total impact of special items on operating profit/(loss)	**(23.6)**	**22.7**
Impairment of assets in Syria	(37.4)	-
Reversal of impairment for Northern Adriatic Concession Area	13.8	-
Total impact of special items on EBITDA	**-**	**22.7**
Decommission-related costs	-	22.7

4.5. EU Taxonomy report FY 2023

Introduction and legal background

Based on Article 8 of the EU Taxonomy Regulation[1], undertakings which are subject to an obligation to publish non-financial statement or consolidated non-financial statement pursuant to Article 19a or Article 29a of Directive 2013/34[2] of the European Parliament and of the Council, shall include in their non-financial statement or consolidated non-financial statement information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of the Taxonomy Regulation. As part of that, the covered undertakings, including INA Group, shall disclose KPIs (key performance indicators) on the proportion of the turnover, capital expenditure (CapEx) and operating expenditure (OpEx) of their activities related to assets or processes associated with environmentally sustainable economic activities. Detailed description of each KPI and its calculation methodology can be found on page 87-88.

General approach

For the financial year 2023, INA Group identified activities under more environmental objectives in case of EU Taxonomy eligibility, however in case of EU Taxonomy alignment they identified only activities under climate change mitigation. This is possible with the publication of Delegated Regulation (EU) 2023/2486 of 27 June 2023[3] (hereinafter Environmental Delegated Act), which is establishing the criteria for determining the conditions under which an economic activity qualifies as contributing substantially to environmental objectives of sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; or the protection and restoration of biodiversity and ecosystems.

In line with its legal obligations, INA Group has covered the environmental objectives of climate change mitigation and climate change adaptation for alignment in this report. The further four environmental objectives have been reported only on eligible level and will be reported at first alignment level during the financial year 2024.

INA Group has not identified any activity at CapEx, OpEx or revenue level, which would contribute to multiple environmental objectives. In terms of financial instruments, INA Group has not issued any sustainability-linked or green bonds in the assessed periods.

---

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

[2] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance)

[3] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

Eligibility screening

An eligible economic activity is an economic activity that is listed and described under the EU Taxonomy regulation. The screening covered INA Group core businesses in case of every consolidated activity and operation. The eligible items are identified with the help of different businesses across the company. Furthermore, the eligibility screening is already incorporated into the project preparation process of the company, with several approval and cross-checking round. This allows INA Group to identify every relevant project already in early phase of their lifecycle.

Alignment screening

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

INA Group has screened some of its activity types in a group-level joint alignment assessment (including TSC and DNSH). This joint assessment is possible, since these activity types are conducted at several sites (with large geographical extension) and with similar technical profile. Furthermore, the screened sites are one by one financially not significant at the INA Group level. The covered activities relate to solar activities.

Technical screening criteria (TSC) monitoring

The TSC are specific characteristics that can be used to determine whether an economic activity provides a substantial contribution to one of the environmental objectives. Pre-selected eligible activities were subjected to a TSC monitoring as the first step to proving their alignment. For the TSC screening, the responsible project managers and business departments have been contacted with internal assessment templates. The templates aim to translate the EU Taxonomy legislative criteria into INA Group language and provide a step-by-step guidance with binding content for project teams.

"Do no significant harm" (DNSH) screening

Activities fulfilling technical screening criteria were tested against the DNSH requirements of the remaining 5 environmental objectives. To prove the activities alignment with the DNSH criteria, detailed assessment has been carried out.

Appendix A screening (i.e. compliance with Climate change adaptation criteria[4]) has been conducted for every aligned activity. To deliver climate risk and vulnerability assessment for the relevant activities, the existing in-house expertise and knowledge on risk management has been combined with the EU Taxonomy additional requirements – and integrated into a specific Appendix A framework.

For the future climate scenarios, IPCC (Intergovernmental Panel on Climate Change) and EEA (European Environmental Agency) sources have been used in the assessment – as referred to in Appendix A requirements. Furthermore, to select the material physical climate risks, the European Climate Adaptation Platform[5] (Climate-ADAPT) database has been used.

[4] Appendix A (Generic Criteria for Climate Change Adaptation) of ANNEX I of Delegated Regulation (EU) 2021/2139

[5] The European Climate Adaptation Platform Climate-ADAPT (2024)

A conservative approach has been implemented during the assessment as well as the worst-case scenario; the RCP 8.5 pathway was examined[6]. The latest available climate scenarios were used. Future scenarios were analyzed until 2050. Due to the geographical proximity and thus the similar climate profile of the main operational countries of INA Group, the applied scientific framework examined them as one region, so as the Western and Central Europe (for example in the IPCC projections). Due to this reason, in the risk assessments all material physical climate risks have been screened regarding this area. The material physical climate risks have been assessed in the scenarios as detailed above, considering the likelihood and impact on the Group and adaptation plan defined whenever necessary.

According to the methodology of INA Group in case of the solar activities, a group level joint climate risk and vulnerability assessment has been conducted.

During proving the compliance with criteria set out by **Appendix B**[7] (*i.e. compliance with Sustainable use and protection of water and marine resources criteria*) and **D**[8] (*i.e. compliance with Protection and restoration of biodiversity and ecosystems criteria*), operational permits have been reviewed with the help of the relevant permitting departments within the company. According to the screening process, compliance can be fulfilled either by IPPC certificate or the Environmental Impact Assessment (EIA) or by further environmental permits. A further option is that, based on local law, Environmental Impact Assessment is not required in case of the activity and the criteria are not relevant due to the nature of the activity. To prove the compliance an internal screening template has been created. The Appendix B and D screening was conducted by including project managers, HSE and permitting experts.

Since all our aligned projects and activities were identified under the environmental objective of climate change mitigation, **Appendix C**[9] (*i.e. compliance with Pollution prevention and control criteria*) screening was conducted according to the appendix elaborated under this environmental objective. Criteria defined by points “a”-“f” have been assessed in details with an internal screening template. In case of a relevant activity the internal REACH expert is included in the assessment.

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

Minimum social safeguards (MSS) assessment

The basis of detailed assessment was the Final Report on Minimum Safeguards[10] issued by the Platform on Sustainable Finance, focusing on human rights, anti-corruption, fair competition and taxation.

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

- INA Group and MOL Group Code of Ethics, while also referring to the following external guidelines:

[6] COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective (C/2023/267), Question 168

[7] Appendix B (Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources) of ANNEX I of Delegated Regulation (EU) 2021/2139

[8] Appendix D (Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems) of ANNEX I of Delegated Regulation (EU) 2021/2139

[9] Appendix C (Generic Criteria for DNSH to Pollution Prevention and Control Regarding Use and Presence of Chemicals) of ANNEX I of Delegated Regulation (EU) 2021/2139

[10] Final Report on Minimum Safeguards (2022) Platform on Sustainable Finance

- Universal Declaration of Human Rights
- UN Global Compact
- UN Guiding Principles
- OECD Guidelines for Multinational Enterprises
- ILO Declaration on Fundamental Principles and Rights at Work
- United Nations Convention against Corruption (UNCAC)
- World Economic Forum Partnering Against Corruption Initiative (PACI)

Financial methodology

In the assessment of the EU Taxonomy-eligible and -aligned activities and the calculation of the mandatory KPIs, as a main rule we followed the requirements defined by the 'Disclosure Delegated Act' (EU 2021/2178)[11], however in some cases we applied materiality thresholds and simplification considerations have been applied as described in the sections below.

KPI related to turnover (turnover KPI)

For the KPI calculation, the consolidation system was used for the reporting. The data for the reporting process were collected and cross-checked by the responsible finance teams.

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

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

The turnover KPI's denominator is the same as the Net Sales line in the Consolidated Statement of Profit or Loss and can be found on page 206 of the Consolidated Financial Statements.

KPI related to operating expenditure (OpEx KPI)

OpEx KPI has been calculated even for the profit centers, where sustainable turnover has not been identified. Furthermore, the OpEx of the CapEx projects have been included into the OpEx KPI.

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

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

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

the EU Taxonomy-eligible product. The same logic has been applied in the case of aligned, and non-aligned activities.

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

The data for the reporting process were collected and cross-checked by the segment finance teams. A 1-9 test report took place to prepare the organization for the 1-12 reporting process and to demonstrate preliminary results of the organization.

KPI related to capital expenditure (CapEx KPI)

In the case of CapEx KPI, the central CapEx reporting and monitoring tool of INA Group was used. In the system, the EU Taxonomy relevancy of the projects is marked already in the early phase. The data were provided and cross-checked by the Group Resource Allocation Team.

Concerning the CapEx definition used in this database and the definitions used in the Taxonomy Regulation, the following comments must be made: the central CapEx reporting and monitoring tool of INA Group does not include additions from borrowing costs, right-of-use assets, estimated field abandonment and site restoration costs. INA Group believes that these differences do not have a material impact on the numerator of the KPI. For the numerator, the relevant (eligible and/or aligned) realized capital expenditure of investment projects for the respective financial year 2023 has been considered.

In the case of CapEx KPI, a materiality threshold of EUR 100 thousand has been applied. The CapEx figure used as the denominator is comparable with the figure on page 216 of the Consolidated Financial Statements of the Annual Financial Report. The CapEx KPI's denominator is the same as the Additions and capitalizations plus Acquisition of subsidiaries line in the Property, plant and equipment movement table, additions of Investment property and the Additions plus Acquisition of subsidiary line in the Intangible asset movement table. In case of related type of investments by eligible or aligned operations (cost center & company or site), investments will be calculated automatically as eligible or aligned. These investments are supporting the day-to-day running of the eligible/aligned business activity of INA Group.

Contextual information about the KPIs

EU Taxonomy-eligible activities in turnover amount to 0.4%, in OpEx 2.5%, and in CapEx 0.9% for 2023.

EU Taxonomy-aligned activities in turnover amount to 0.02%, in OpEx 0.2%, and in CapEx 0.9% for 2023.

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

Turnover

The eligible turnover proportion in 2023 amounted to 0.4%, which is similar to the previous year (0.5%). The aligned turnover proportion was 0.02%, which is an increase compared to the financial year 2022 because there was no aligned turnover. Similar results are due to our unchanged EU Taxonomy-related activity portfolio compared to financial year 2022. INA Group revenues decreased compared to the previous financial year, due to the challenging regulatory environment and volatile price environment throughout the year. Despite the difficulties, INA Group continues to evaluate renewable energy potential and will diversify its portfolio with geothermal energy exploration activities after gaining two geothermal concession areas in Croatia in 2023. INA Group will continue its journey of green transition, contributing to both sustainability and competitiveness at the same time. That is, alongside with its promising low carbon and green investment projects, it will generate a growing EU Taxonomy-related revenue in the upcoming years.

Aligned activities are associated with the following activity categories.

4.1. Electricity generation using solar photovoltaic technology, linked to solar operations activity in Croatia by building photovoltaic power plants. INA Group currently has solar capacity of 14 MW in Croatia.

For details, please see *Table 1.*

Table 1: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year 2023			Substantial contribution criteria						DNSH (Do No Significant Harm) (h)									
Economic activities	Code (a)	Turnover (EURmn)	Proportion of Turnover,	Climate change mitigation	Climate change adaptation	Water and marine	Circular economy Y; N;N/EL	Pollution Y; N;N/EL (b)(c)	Biodiversity and ecosyste	Climate	Climate	Water	Circular	Pollution	Biodiversi	Minimum	Proportion of	Category	Category
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. **Environmentally sustainable activities (Taxonomy-aligned)**																			
Electricity generation using solar photovoltaic technology	CCM 4.1	0.9	0.02%	Y							Y		Y		Y	Y	N/A		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.9**	**0.02%**														**0.0%**		
Of which enabling		**0.0**	**0%**														**0.0%**	E	
Of which transitional		**0.0**	**0%**														**0.0%**		T
A.2 **Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)**(g)																			
				Y;N/EL (f)	Y;N/EL (f)	Y;N/EL (f)	Y;N/EL (f)	Y;N/EL (f)	Y;N/EL (f)										
Manufacture of organic basic chemicals	CCM 3.14	16.9	0.4%	Y													0.5%		
Electricity generation from fossil gaseous fuels	CCM 4.29	0.5	0.01%	Y													0.0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**17.4**	**0.4%**														**0.5%**		
Turnover of Taxonomy eligible activities (A.1+A.2)		**18.3**	**0.5%**														**0.5%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-noneligible activities		**3,878.0**	**99.5%**																
TOTAL		**3,896.3**	**100%**																

Proportion of Turnover / Total Turnover	Taxonomy-aligned per objective	Taxonomy-eligible per objective
Climate change mitigation (CCM)	100%	100%
Climate change adaptation (CCA)	0%	0%
Sustainable use and protection of water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0%	0%
Pollution prevention and control (PPC)	0%	0%
Protection and restoration of biodiversity and ecosystems (BIO)	0%	0%

Operating expenditure (OpEx)

The eligible OpEx proportion in 2023 amounted to 2.5%, which is higher than in the previous financial year (0.5%). The aligned OpEx proportion was 0.2%, which is an increase from zero that was reported in the previous financial year.

The same **aligned** activity categories are valid in the case of OpEx, like for the turnover.

For details, please see *Table 2*.

Table 2: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year 2023			Substantial contribution criteria						DNSH (Do No Significant Harm) (f)									
Economic activities	Code (a)	OpEx (EURmn)	Proportion of OpEx, year 2023	Climate change	Climate change	Water and marine	Circular economy Y;	Pollution Y; N;N/EL (b)(c)	Biodiversity and	Climate	Climate	Water and	Circular	Pollution	Biodiversity	Minimum	Proportion of Taxonomy	Category (E:	Category (T:
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. **Environmentally sustainable activities (Taxonomy-aligned)**																			
Electricity generation using solar photovoltaic technology	CCM 4.1	0.4	0.2%	Y							Y		Y		Y	Y	N/A		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.4**	**0.2%**														**0.0%**		
Of which enabling		**0.0**	**0%**														**0.0%**	E	
Of which transitional		**0.0**	**0%**														**0.0%**		T
A.2 **Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** (f)																			
				Y;N/EL (e)	Y;N/EL (e)	Y;N/EL (e)	Y;N/EL (e)	Y;N/EL (e)	Y;N/EL (e)										
Manufacture of organic basic chemicals	CCM 3.14	6.0	2.2%	Y													0.5%		
Electricity generation from fossil gaseous fuels	CCM 4.29	0.0	0.001%	Y													0.0%		
Construction, extension and operation of wastewater collection and treatment	CCM 5.3	1.0	0.4%	Y													N/A		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**7.0**	**2.5%**														**0.5%**		
OpEx of Taxonomy eligible activities (A.1+A.2)		**7.5**	**2.7%**														**0.5%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-noneligible activities		**267.8**	**97.3%**																
TOTAL		**275.2**	**100%**																

Proportion of OpEx / Total OpEx		
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
Climate change mitigation (CCM)	100%	100%
Climate change adaptation (CCA)	0%	0%
Sustainable use and protection of water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0%	0%
Pollution prevention and control (PPC)	0%	0%
Protection and restoration of biodiversity and ecosystems (BIO)	0%	0%

CapEx

The eligible CapEx proportion in 2023 amounted to 0.9%, which is slightly lower than in the previous year (2.5%). The aligned CapEx proportion was 0.9%, which is lower than in the previous year (1.9%).

Aligned CapEx of INA Group was related to the investments in solar plants, which projects will increase the generation of green electricity.

For details, please see *Table 3*.

Table 3: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year 2023			Substantial contribution criteria						DNSH (Do No Significant Harm)									
Economic activities	Code	CapEx (EUR mn)	Proportion of CapEx (%)	Climate change mitigation (Y; N;N/EL)	Climate change adaptation (Y; N;N/EL)	Water and marine resources (Y; N;N/EL)	Circular economy (Y; N;N/EL)	Pollution (Y; N;N/EL)	Biodiversity and ecosystem (Y; N;N/EL)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystem (Y/N)	Minimum safeguards (Y/N)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx for	Category (E: enabling activity)	Category (T: transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. **Environmentally sustainable activities (Taxonomy-aligned)**																			
Electricity generation using solar photovoltaic technology	CCM 4.1	3.6	0.9%	Y							Y		Y		Y	Y	1.9%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**3.6**	**0.9%**														**1.9%**		
Of which enabling		**0.0**	**0%**														0	E	
Of which transitional		**0.0**	**0%**														0		T
A.2 **Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** (g)																			
				Y;N/EL (F)	Y;N/EL (F)	Y;N/EL (F)	Y;N/EL (F)	Y;N/EL (F)	Y;N/EL (F)										
Installation and operation of electric heat pumps	CCM 4.16	0.5	0.1%	Y													n/a		
Electricity generation from fossil gaseous fuels	CCM 4.29	3.1	0.9%	Y													0.6%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3.6**	**0.9%**														**0.6%**		
CapEx of Taxonomy-eligible activities (A.1+A.2)		**7.2**	**1.8%**														**2.5%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**388.9**	**98.2%**																
TOTAL		**396.0**	**100%**																

Proportion of CapEx / Total CapEx		
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
Climate change mitigation (CCM)	100%	100%
Climate change adaptation (CCA)	0%	0%
Sustainable use and protection of water and marine resources (WTR)	0%	0%
Transition to a circular economy (CE)	0%	0%
Pollution prevention and control (PPC)	0%	0%
Protection and restoration of biodiversity and ecosystems (BIO)	0%	0%

Complementary Delegated Act

Based on the modifications implemented by the Delegated Regulation (EU) 2022/1214 (Complementary Climate Delegated Act[12]), INA Group – in accordance with Article 8 paragraphs 6, 7 and 8 of the Delegated Regulation (EU) 2021/2178 – also performed an assessment and identified activities which could possibly be eligible or aligned with the specific nuclear and gas energy activities. In the case of INA Group activities, relevancy was identified only for gas-related activities, due to the lack of a nuclear portfolio. For details, please see Table 4.

Activities classified as eligible are linked to gas-fired power plants within our operations under 4.29 Electricity generation from fossil gaseous fuels. Low percentage amounts in the case of Turnover and OpEx KPI are driven by the fact that most of produced heat, steam and electricity is used internally without the involvement of third parties.

None of the activities are classified as aligned ones.

For details, please see Tables 4-7.

Table 4: Nuclear and fossil gas-related activities

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

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

Table 5: Taxonomy-aligned economic activities (denominator)

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		Climate change mitigation (CCM)		Climate change mitigation (CCM)		Climate change mitigation (CCM)	
		EUR mn	%	EUR mn	%	EUR mn	%
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0.0%	-	0.0%	-	0.0%
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0.0%	-	0.0%	-	0.0%
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	0.0%	-	0.0%	-	0.0%
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	0.9	0.02%	0.4	0.2%	3.6	0.9%
8.	**Total applicable KPI**	**3,896**	**100%**	**275**	**100%**	**396**	**100%**

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

[12] Amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities ((EU 2022/1214)

Table 6: Taxonomy-aligned economic activities (numerator)

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		Climate change mitigation		Climate change mitigation		Climate change mitigation	
		EUR mn	%	EUR mn	%	EUR mn	%
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of applicable KPI	-	0.0%	-	0.0%	-	0.0%
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of applicable KPI	-	0.0%	-	0.0%	-	0.0%
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of applicable KPI	-	0.0%	-	0.0%	-	0.0%
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	0.9	100%	0.4	100%	3.6	100%
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**0.9**	**100%**	**0.4**	**100%**	**3.6**	**100%**

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

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

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		Climate change mitigation		Climate change mitigation		Climate change mitigation	
		EUR mn	%	EUR mn	%	EUR mn	%
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0.5	2.8%	0.0	0.0%	3.1	85.2%
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		0%		0%		0%
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		0%		0%		0%
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	16.9	97.2%	7.0	100.0%	0.5	14.8%
8.	**Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**17.4**	**100.0%**	**7.0**	**100.0%**	**3.6**	**100.0%**

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

In case of classification of non-eligible activities ("*taxonomy non-eligible fossil gas related activities*")[13] a full value chain approach has been applied. Figures reflecting the following methodology include the following elements: E&P gas related activities, gas trading and gas sales through the service station network. For details, please see *Table 8*.

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

Table 8: Taxonomy non-eligible economic activities

Row	Economic activities	TURNOVER		OPEX		CAPEX	
		EUR mn	%	EUR mn	%	EUR mn	%
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	533	13.7%	27	9.9%	-	0.0%
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	3,345	85.8%	241	87.4%	389	98.2%
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI'**	3,878	99.5%	268	97.3%	389	98.2%

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

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

4.6. Branch and representative offices

Branch and representative offices on 31 December 2023:

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 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 Service Co. Ltd. - Italian Branch Office
	Branch Office Albania
STSI d.o.o.	STSI - Integrirani Tehnički Servisi d.o.o. - Branch Office in Syria, Damask
Holdina d.o.o.	52 retail locations registered as Branch Office
Energopetrol d.d.	52 retail locations registered as Branch Office
Krajinapetrol a.d.	19 retail locations registered as Branch Office

5. SUSTAINABILITY IN INA GROUP

5.1. Sustainable development management in INA Group

GRI 2-17

Achievements

- Carried out materiality assessment through stakeholder involvement
- INA was one of the eight finalists of the ESG Champion Initiative by Kearney and AmCham Croatia
- INA, Crosco and INA Maziva achieved high results of ESG Rating by the Croatian Chamber of Economy

Challenges

- Adaptations to Corporate Sustainability Reporting Directive
- Conducting double materiality analysis

Through corporate social responsibility companies strive to maintain positive impact on environment, community and society. This business model avoids negative impacts when possible, and if they are unavoidable, the company remains accountable and remediates the negative impact. 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.

The transition to green energy is accelerating along with accelerating change, 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** to achieve our development goals. INA Group is aligned with MOL Group 2030+ strategy as a long-term frame for our own business strategies by which we commit to transform 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 promotes and supports the implementation of the United Nations Global Sustainable Development Goals 2030 (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, 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 so they were aligned with the four focus areas of the Key objectives and programs of Sustainable Development 2021 - 2025.

The achievement of the Key SD objectives and programs 2025 is monitored through annual action plans. The realization of action plans in monitored on quarterly basis against targeted realization (at least 85%). In 2023, there were 61 SD actions at the INA Group level with an average realization of 92%.

Key SD objectives and programs in INA Group 2025

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

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

Sustainable development governance

5.2. Health and safety

"Ensure operational HSE excellence"

Achievements

- INA Vatrogasni Servisi d.o.o. (IVS) purchased 4 fire vehicles (2 new and 2 used), in line with the fleet renewal plan
- A new contract was concluded for flame - resistant antistatic clothing whose protection level was increased, improved design elements, ensured high visibility and also longer clothing lifecycle as one of the most important factors
- Continuity of referring workers to ten-day Medically Programmed Active Vacation (MPAV) and five-day Health Programmed Active Vacation (HPAV)

Challenges

- Increasing safety awareness of own employees and contractors through educations with particular challenge of disrupted communication due to increasing number of foreign workers.
- Action plans and programs focused on decreasing number of injuries and achieving set target for TRIR (Total Recordable Injury Rate).
- Improvement of internal processes like methodology of conducting internal supervisions, issuing permits to work and more intense approach to the system of Life saving rules

5.2.1. Occupational health and safety

GRI 2-29, 3-3

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 to society and the company. INA Group recognize that it can only be successful in the long term if it helps ensure that employees remain healthy. Occupational health and safety (OHS) addresses not only the safe operation of working equipment, ergonomic workplaces, or the 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 ideas, INA Group describes all the processes, key performance indicators, main principles and interactions within and outside organization in SD&HSE Area Book and SD&HSE Management System (MS). MS promotes and encourages compliance with international HSE Management standards (ISO 14001, ISO 45001), legislative and best oil and gas industry practices.

Occupational health and safety management

GRI 403-1, 403-7, 403-8

INA Group is committed to responsibly acting and developing goals and actions in relation to the health and safety impacts, as an integrative part of all our daily operations. We strive for high health protection standards and safety of our employees, contractors and customers, prevention of incidents, assurance of asset integrity and immediate response in emergency and crisis situations, as well as promotion of proactive health and safety corporate culture that is responsibility of all our employees and contractors. The commitment was established by policies, and those are Health, safety, environment and social impact policy, INA Group road safety policy, INA Group major-accidents prevention policy and INA Group personal protective equipment policy. Achievement of the highest level of health and safety performance requires careful selection, training and placement of personnel and provision of proper tools, equipment, personal protection, clear performance standards, and safe work instructions and procedures.

The Occupational Health and Safety System at INA Group Companies (OHS system) is established to ensure that personnel can perform their jobs safely and one that can meet with the work requirements and achieve regulatory compliance. It encompasses more than just your 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 system. All participants in the system have rights and obligations in accordance with legal requirements, as well as the requirements of internal regulations and no one is excluded from the participation. General principles of control and hierarchy of risk reduction measures are based 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. The system's efficiency is monitored by implementing internal and external audits and supervisions and inspections by state administration bodies.

Four major policies issued by the top management represent the INA Group cornerstone to 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

To reduce the risk in the workplace and increase safety, besides legally obliged management documents, a variety of documents based on OHS best oil and gas practices are in place as well. A list of legally required management documents and the best OHS oil and gas practices implemented in INA Group can be found on page 161.

Hazard identification, risk assessment and incident investigation

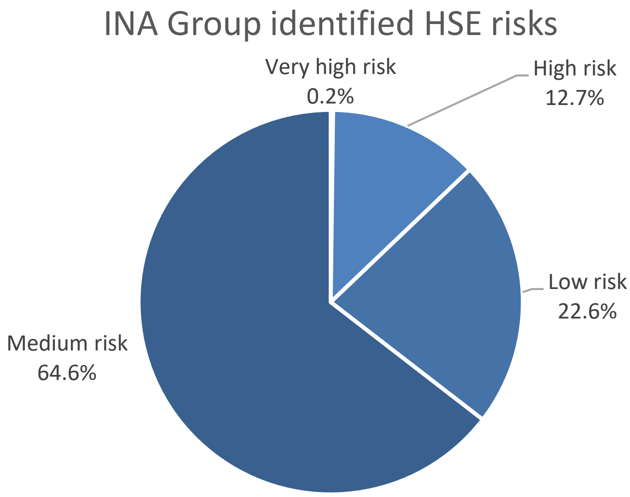
GRI 403-2, 403-3, 403-4, 403-9

Hazard identification is the first step in the HSE’s so called „five steps to risk assessments “, and it is, without a doubt, one of the most important steps. Hazards are the root cause of health and safety risks, so it’s impossible to keep workplaces safe without identifying them. Risk assessments are done based on the hazards 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 hazards have been identified, it's important to take steps to manage them and implement risk controls. Where possible, hazards should be eliminated completely. Dangerous equipment or procedures should be replaced with safer alternatives. If no alternatives are available, you’ll need to consider if hazardous processes are necessary.

It is not always 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.

The process of preparing the Risk Assessment is regulated by the legal framework and form the basis for specific work practices. All employees are aware of the hazards at work and in the workplace, so they are required to work safely and stop work and report if a potential hazard has occurred. Employee Commissioners are regular members of the OHS Committee and the OHS Subcommittee, which are advisory bodies for the promotion of health and safety at work. OHS Committee plans and supervises implementation of the occupational health and safety rules in company, performs the organization of occupational health and safety tasks, consider proposals for the introduction of new processes and procedures to improve the occupational health and safety, comments and approves Risk assessments. All internal regulations on occupational safety are approved by the works council.

To reduce and minimize consequences of incidents, INA Group established risk register. Register is containing identified risks and hazards, and that is initial stage of managing with identified risks. Risks are separated in five levels from very low to very high risks. Risk hazard consists of description of risks, solution to solve them and defined time for solving them.



In accordance with the provisions of the governing law and internal regulation, employees have rights and obligations in the implementation of occupational safety rules. The employees have the right and obligation to refuse work if there is immediate hazard to their life and inform the manager or the OHS expert of each situation which they consider a serious and immediate hazard for safety and health. The company has also developed specific tools (for example, the STOP card system) that are available to all employees. STOP card system establishes the responsibility and authorization of employees to temporarily stop work in response to unsafe conditions or unsafe actions that could directly lead to injury.

Incident reporting

GRI 403-2, 403-9

All unwanted HSE events are processed through incident reporting and investigation system. System is in place to ensure that all unwanted HSE events are reported, recorded, investigated, and analyzed promptly 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 minimise 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. The 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 the above-mentioned events are tracked in the internal digital system, ENABLON. These records contain all relevant data of events, investigation of event, causes, impacts and undertaken actions. Those items are tracked in a timely manner and responsibility with deadlines for each item implementation is clearly defined in the system.

Health protection and promotion

GRI 403-6

Protection and promotion of health as the primary goal of INA Group has been incorporated into business processes for many years. During 2023, many activities were undertaken so that every employee has a healthy environment at their workplace and the possibility of adopting healthier lifestyle habits. Activities in the reporting period were a part of the ZDRAVLJE+ project and included:

- Participation in national / regional sports events
    - More than 300 employees of INA Group participated an entertaining sports corporate event of the year. The employees competed in football, beach volleyball, running, darts, airsoft and other sport disciplines.
    - We were participants in the Active Croatia project to encourage our employees to engage in regular physical activity to improve their health. We also participated in the B2B Run in Zagreb.
- Support for regular individual or group sports inside or outside the company facilities
    - We offer sports and fitness membership discounts through our beneFIT portal, and MultiSport card, which is co-financed by the employer.
    - A total of 205 employees participated in the “TRAIN WITH US” campaign. Employees followed the exercises via Teams (direct transmission) in the morning at the workplace. The exercises were aimed at prevention of musculoskeletal diseases and included advice on correct posture and proper movements.
- Strengthening mental health and stress prevention
    - We organized activities for the European Mental Health Week 22 - 28 May 2023
      TOPIC: Benefits of hiking for mental health

- We marked the World Mental Health Day, 10 October 2023, with a local event & MOL Group-level activities
    - MOL Group activities were available via the intranet, 2-18 October 2023
    - Local event – panel discussion: "Benefits of physical activity in nature for mental health”. A brochure was created internally (for the employee's needs): "How nature can help preserve mental health and health in general”.
- During the year, INA Academy held a series of workshops and education aimed at stress prevention and mental health preservation.

- Developing healthy eating habits
    - World Apple Day & Healthy Food week, 20 – 29 October 2023 - during that week, the workers were encouraged to try a menu for health and body balance, and 600 kg of apples were distributed to workers at our locations.

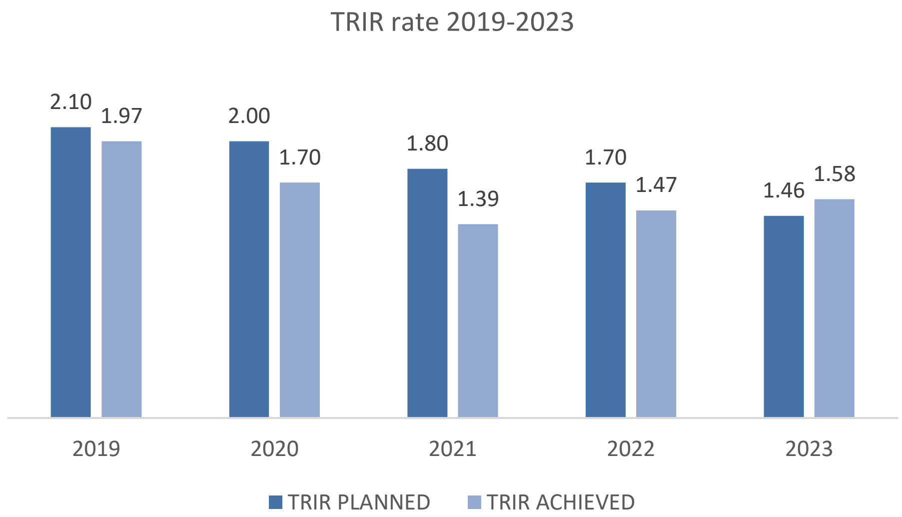
A total of 12 campaigns were carried out from the mentioned thematic areas.

The tradition of referring workers to the Medically Programmed Active Vacation (MPAV), in the duration of ten days, and the five-day Health Programmed Active Vacation (HPAV) in a spa was also continued in 2023, and a total of 195 workers were referred to such vacation.

Occupational safety performance

GRI 403-9

For 2023 INA Group TRIR was 1,58. INA Group did not manage to achieve the planned TRIR result 1,46, after 4 years in a row below the tolerable limit.



TRIR - Total Recordable Injury Rate. It represents the number of total recordable injuries per 1 million hours worked, i.e. TRIR = TRI * 1,000,000/total worked hours. TRI includes lost time injuries (LTI), restricted workday cases (RWC) and medical treatment cases (MTC).

INA Group experienced an increase of Total Recordable Injuries (TRI) among own employees and contractors, reaching a combined 37 in 2023, compared to 32 in 2022. Out of Total Recordable Injuries (37), one was a fatality, 28 were lost-time injuries, and 8 were medical treatment cases.

INA GROUP EMPLOYEES AND CONTRACTORS	2021	2022	2023
Number of fatalities as a result of work-related injury	0	0	1
Fatality rates as a result of work-related injury*	0	0	0,043
Number of high-consequence work-related injuries (excluding fatalities)	0	0	0
High-consequence work-related injury rate (excluding fatalities)	0.00	0.00	0.00
Number of recordable work-related injuries	30	32	37
Recordable work-related injury rate*	1.39	1.47	1.58
Number of hours worked	21,629,696	21,794,178	23,323,764

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

INA GROUP CONTRACTORS	2021	2022	2023
Number of fatalities as a result of work-related injury	0	0	1
Fatality rates as a result of work-related injury*	0	0	0,155
Number of high-consequence work-related injuries (excluding fatalities)	0	0	0
High-consequence work-related injury rate (excluding fatalities)	0.00	0.00	0.00
Number of recordable work-related injuries	7	3	8
Recordable work-related injury rate*	1.42	0.53	1.24
Number of hours worked	4,922,596	5,670,523	6,459,868

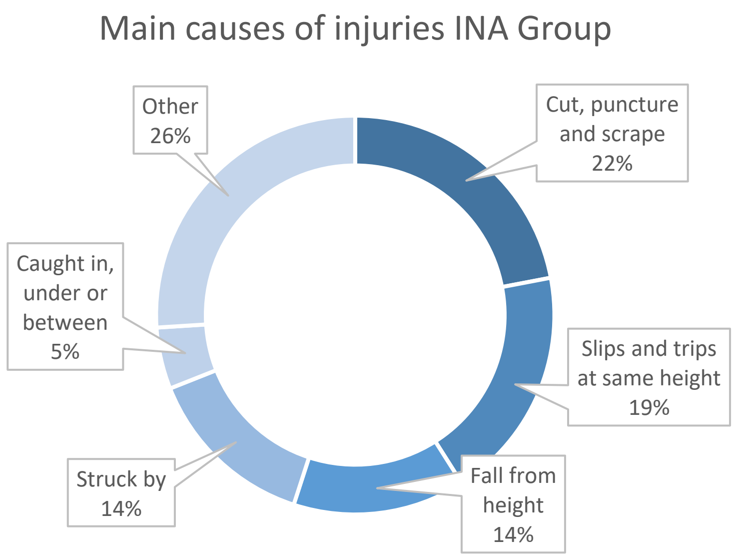
**rates have been calculated based on 1,000,000 hours worked*

During 2023, there was one work-related fatality of contractor worker. The fatality incident occurred during works at height on CO_2 compressor building, investment project in Upstream location Ivanić Grad. A detailed investigation was carried out where the root causes were analyzed, corrective and preventive measures were determined for elimination of deficiencies and solving systematic errors. The activities that we carry out after the investigation are related to the contractor safety management, improvement of the classification and checking of safety critical activities, contractor's trainings for working at height by authorized institutions, pre-screening and pre-qualification. They also included activities for improvement of the work permit issuing system, the process modification and the quality of the work permit, research of possible solutions and best practices, activities dedicated to improving the quality of HSE inspections, documenting and analyzing, improving contractor on-site HSE training, Walk-to-Talks, etc. Focus is also on renewal of education of Life saving rules and raising awareness about involvement of all employees into this process.

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). The table below shows the total number of HSE work-related events based on severity of their impact. In 2023, there was 1 Severity 4 (high impact) impact related to the fatality of a contractor's worker. There were no Severity 5 (very high impact) events recorded.

HSE work-related events 2023	No. of work-related HSE events
TOTAL NO. OF EVENTS (real and potential)	**584**
Real impacts of events	**430**
Severity 4 - High events	1
Severity 3 - Medium events	1
Severity 2 - Low events	39
Severity 1 - Very low events	297
Severity 0 - Near-misses	246
Potential impacts of events	**283**

Five main causes of injuries that occurred in 2023 in INA Group are presented in the pie chart below.



Main causes of personal injuries in 2023 were mostly cuts, punctures or scraps (22%) as well as slips and trips at same height (19%), fall from height (14%), as well as caught in, under or between (5%) with 26% of other main causes of injuries.

Occupational safety programs

GRI 403-2, 403-5

The obligation to train employees in occupational safety, deadlines for execution and the manner of implementation are prescribed by the provisions of the governing law. Employees who are educated and trained to work safely can recognize hazards and risks in the workplace and apply appropriate protective measures to avoid injuries and accidents. For this purpose, INA Group has developed programs and conducts all legally prescribed training (work in a safe manner, training of employers and employer's authorized representatives, training of employees' commissioners, training in the field of fire protection, evacuation, and rescue). Specific training (for example, providing first aid) is held in cooperation with specialized institutions. Trainings are carried out at the beginning of employment and regularly checked and updated. They are focused on specific tasks that the employee performs at the workplace, as well as on general skills related to safety and health at work. Furthermore, INA has developed and implements programs for improving the culture of safety and health protection and educates the employees and workers about them (for example, Life Saving Rules program). The training and education requirements of contractors with occupational safety are determined and implemented in accordance with the provisions of the internal regulations (Contractor Safety Management).

In November, a STOP card campaign about raising awareness on Stop Card system was launched. Goal is to promote and remind all employees about this effective tool for incident prevention. Campaign contains promotional and implementation activities which are planned to be performed till the end of 2024. Purpose of STOP card system is to recognize and report all unsafe conditions and unsafe acts, follow status of deficiencies elimination and inform about it person who reported it. This system gives opportunity to every individual to take safety in their own hands and develop safety ownership.

During 2023 were again initiated Safe driving training with external service provider. Based on the Safe Driving Standard in INA Group Companies, safe driving training covers traffic safety regarding all motor vehicles in INA Group companies. In total, 361 INA Group employees participated in 2023.

In 2023 implementation of internally developed computer application for contractor management has started. HSE Web Corner for contractors is application that can be used by INA Group employees and contractors working on INA sites. For contractors, the application enables easy management of their employees, equipment, and chemicals as well as their allocation on works execution or projects at INA Group locations. For internal users, the application enables easy monitoring of projects and their resources, enabling insight into whether all resources on the project are qualified.

The implementation of the Web ZNR application was expanded during 2023 and is now used in most INA Group companies. The application simplifies the management of legally prescribed data and records on occupational safety and fire protection, collecting all data in one place. In INA, d.d. only one module (records on work equipment and work environment) was implemented in 2023. In the coming years, the implementation of other modules is planned, which will enable the further simplification of the collection of data on occupational safety, the acceleration of certain processes and their management in an easier way.

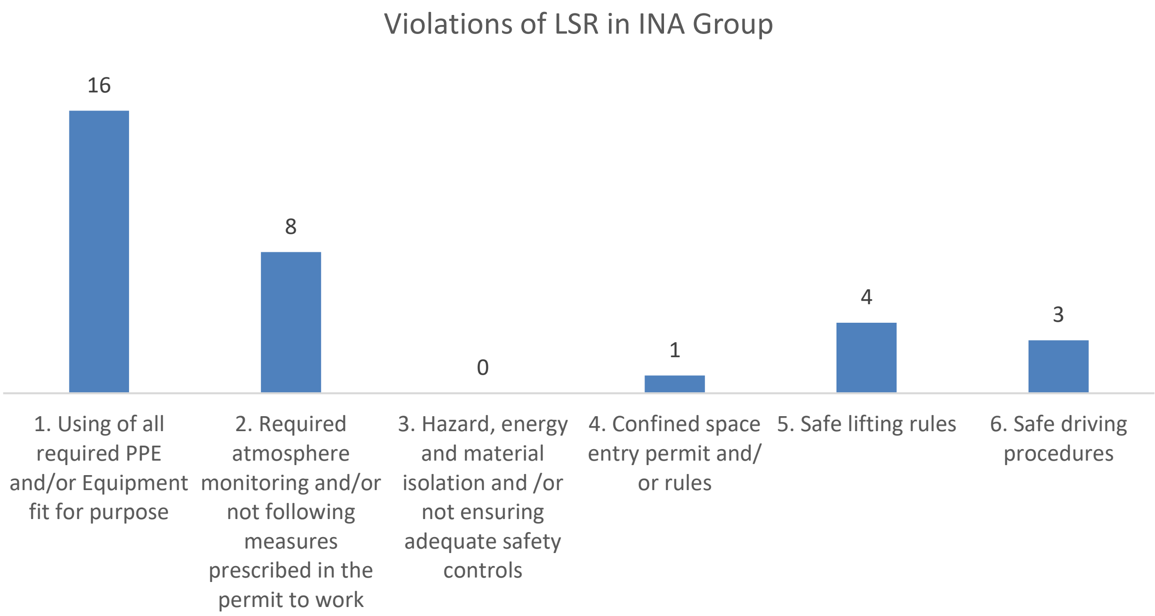
Life Saving Rules

INA Group introduced the **six Life Saving Rules** (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.

LIFE SAVING RULES

Remember, we are all personally responsible for our safety!

In 2023, there were 32 violations of Life Saving Rules in total at the INA Group level, all of which were made by contractors.



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

SMART award

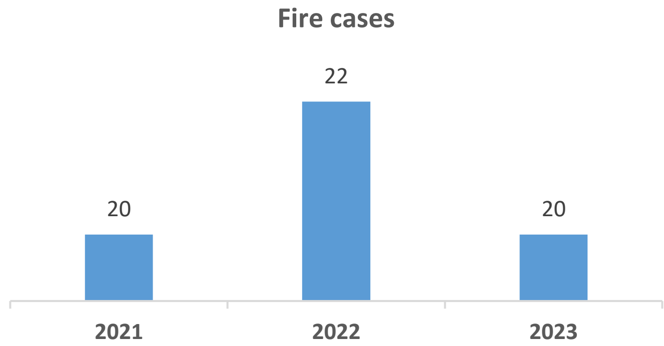
“SMART” awards for extraordinary contribution in the field of sustainable development and protection of health, safety and environment were awarded for the first time in INA in 2018. It is awarded in three categories: “SMART Worker”, “SMART Project Manager” and “SMART Contractor”. It’s goal is to highlighting positive examples and to serve as an incentive for creation of safe working environment. The main goals of these awards are: strengthening the culture of security, encouraging workers and contractors to maintain high levels of HSE awareness, promotion of a safe workplace, personal engagement of employees and cooperation between the project leader in the development and implementation phase and the engagement of the contractor with regard to the HSE requirements, with the ultimate goal of achieving zero incidents because human health and safety, and the environment and property come first and foremost. In December 2023 INA, d.d. SMART award was granted to 4 employees, 1 project manager and 1 contractor.

5.2.2. Fire protection

Fire protection (FP) and firefighting (FF) are regulated in accordance with the positive regulations of the Republic of Croatia, as well as relevant and valid internal INA Group documents (Fire Prevention, Protection and Fire Brigade Management as well as Preparedness and Emergency Response in INA Group Companies).

Combined, they regulate protective activities in the field of FP and FF at all INA Group locations. According to the current legislation, there are four fire hazard categories (categories 1 to 4) and INA Group has 22 (Category 1 and 2) sites and locations according to fire hazard categorization. Also, there are 13 locations in INA Group categorized as SEVESO high level sites.

The total number of recorded fires in 2023 was 20. All of 20 fire cases were categorized as severity 1 (very low) and were classified as initial fires, mostly with no significant damage/costs, or injuries.



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

May is traditionally the month which we dedicate to fire protection. In „May - Fire Protection Month 2023” planned activities in INA Group included various activities such as organized series of firefighting drills and educational and informative activities to emphasize the importance of prevention. Main carrier of operational activities in INA was INA VATROGASI SERVISI ltd. (hereinafter: IVS) with own Professional Fire Brigades (hereinafter: PFBs)

On 24th of May 2023, according to the "Decision on the plan and program of activities for the month of fire protection May 2023" in INA Group companies", the final joint demonstrative-tactical drill was organized and held with the following elements: complex firefighting intervention, fire extinguishing (from land and sea), emergency response situations, including evacuation and rescue (from land, sea and air), remediation of pollution caused by a fire damaged tanker during the unloading of petroleum products (at sea)

Drill was held at the location: Refinery and marketing, Logistics, in the tanker port of Terminal Solin.

Various internal/external forces – Fire Brigades (hereinafter: FB) were included in performing the Final Fire Drill, such as: IVS PFB – INA Solin, INA Terminal Solin, Municipal FB Split, Intervention FB of Republic of Croatia, Voluntary FB Solin, Vranjic, Mladost – Kaštel Sućurac, Kaštel Gomilica, as well as other Emergency Response services/authorities: Technological staff, SD&HSE Logistics, CC 112 – Split, Split port Authority, Maritime police station-Split, Police station Solin, Brodospas, Legio Quarta, ships Kijac/Sepen and Forca, Croatian mountain rescue service (CMRS), Ministry of Defense, Civil Protection, Emergency medical service (unit).

Aim of the Final Fire drill is to show the readiness, professionalism, as well as determination of all participants for timely/professional action of all forces in complex conditions (land, sea, air) and which are foreseen in this year's scenario and once again demonstrated the possibility, functioning and response in emergency situations in the most complex conditions at the INA installations, but also cooperation and joint action and coordination/command with the forces of the local communities in which the INA installations are located, with the involvement of various stakeholders by specialty.

INA Group Final Fire Drill “May 2023”

As part of continuing the activities of increasing the level of readiness of INA VATROGASNI SERVISI d.o.o. FBs, in 2023 two new trucks, as well as two used ones were acquired to strengthen the IVS fleet. This will finally lead to decommissioning of several oldest trucks in 2024. The first phase of this large investment process started in 2022 and will be finished by the end of 2024 with another two new trucks arriving to the fleet. At the end of this phase, a total of eight new and five used trucks will have been introduced into the IVS fleet. With these new arrivals, IVS will complete two previously set goals: decrease in the overall age of the trucks and, more importantly, increase of location safety and readiness.

In 2023, IVS also had an opportunity to participate in the Croatian national drill “Sigurnost 23” (“Safety 23”). This was the first time that an industrial fire brigade participated in a national readiness drill. IVS presented the newly acquired equipment and resources available at our disposal, showing that we are a valuable part of the firefighting community.

5.3. Climate change

“Manage risk and opportunities related to climate change”

GRI 3-3

Achievements

- INA became a commercial producer of electricity from renewable sources by putting into operation our largest solar power plant
- INA obtained a permit for exploration of geothermal potential in two exploration areas
- Total injected CO_2 amount exceeded 3 million tons

Challenges

- Increase in operational costs due to new and stricter legal requirements
- Transition towards profitable low-carbon technologies
- Development of long-term strategy in line with the sustainability directions

5.3.1. Global overview on climate change and our response

GRI 201-2, 11.2.4

In 2023 the European Council adopted key pieces of legislation as part of “Fit for 55” package which will impact the INA Group operating and capital costs.

The adopted rules of the revised Greenhouse Gas Emission Trading System Directive (ETS) increase the overall ambition of emissions reduction by 2030 in the sectors covered by the ETS to 62% compared to 2005 levels. More stringent rules for free allocation of emission allowances have been introduced and a new, separate emissions trading system (ETS2) for buildings, road transport and additional sectors has been established. The ETS2 will be a ‘cap and trade’ system like the existing EU ETS, and it will become operational in 2027. Fuel suppliers will have to purchase and surrender emission allowances to cover their emissions from road transport fuel placed on the market.

Regulation on reducing methane emissions in the energy sector introduces new requirements for the oil, gas, and coal sectors to measure, report and verify methane emissions, and bans venting and routine flaring.

The revised Energy Efficiency Directive sets the goal of reducing EU final energy consumption by 11.7% by 2030, while the revised Renewable Energy Directive raises the EU's binding renewable target for 2030 to a minimum of 42.5%, with the aspiration to reach 45%, which means almost doubling the existing share of renewable energy in the EU. To ensure a level playing field for European companies, the Regulation on Carbon Border Adjustment Mechanism was also adopted, which ensures that for targeted imported goods equivalent carbon price is paid.

Climate-related risks and opportunities

Transition and physical risks associated with climate change can negatively impact future revenue streams, expenditures, assets, and financing. On the other hand, INA has the necessary financial strength for transformation, but also significant comparative advantages, valuable knowledge, and assets. Our projects are in line with the MOL Group's Shape Tomorrow 2030+ strategy, which defines a major step forward in the field of renewable energy sources at the Group level, primarily in the reduction of direct and indirect greenhouse gas emissions.

We consider reporting requirements in line with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to provide information on the governance, strategy, risk management and metrics and targets that show our ambition and progress in contributing to reducing the impact of climate change on the business and society. Governance and Strategy are included in Chapter *4.3. Climate-related financial disclosures*.

Index:

Transition risk

As the world moves towards the goal of net-zero emissions by 2050, the oil and gas sector face significant transition risks ranging from increased policy and societal pressure to legal and market risks. INA Group has significant exposure to a wide range of laws, regulations, and policies at the global, European, and national level, that may change significantly over time and will 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 and limiting greenhouse gas emissions for our three plants in the European Union Emissions Trading System (ETS). The revised ETS directive will result in higher costs given the expected rise in carbon prices and a further reduction in the allocation of free emission allowances. Companies facing higher carbon costs will either need to absorb these new carbon costs, which lowers the profit margins, or pass them on to consumers, which increases the prices. Higher prices can incentivize consumers to shift to less carbon-intensive alternatives.

Market and technological risk

The transition to a low-carbon economy contributes to uncertainty about the future of oil and gas demand and energy prices. Continued technological advances and the falling costs of renewables are making the energy market more competitive for oil and gas companies, and potentially reducing the demand for our products. Innovations and technological changes that support further development and use of renewable energy and low-carbon technologies represent both a threat and an opportunity for our business.

Reputation impact

Increased concerns about climate change are leading to a more negative perception of the oil and gas industry which could in the future have an impact on attracting and retaining customers, talent, and investors. Risks in this area can lead to loss of revenue or market share if stakeholders’ expectations of how the industry responds to climate change issues are not addressed. INA Group wants to be a part of the solution when it comes to climate change, and in this we see an opportunity for our further development and meeting stakeholder expectations.

Physical risks

Physical risks include direct and indirect impacts of severe weather on infrastructure, worker safety and productivity. Since INA Group's locations and equipment are in all parts of Croatia and beyond, changes in physical climate parameters could potentially affect our operations. Storms and floods are expected to intensify due to climate change and these events can adversely affect the extraction, production, and refining infrastructure and disrupt the operations of oil and gas pipelines. The rise in extreme temperatures can contribute to fires which can result in damage to material goods and processes (e.g. interruption of transport), related financial losses and can negatively impact the workers’ health. 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 is making great efforts to upgrade the traditional value chain with various profitable renewable energy projects. We have continued to develop several projects that will contribute to the reduction of greenhouse gas emissions, the promotion of renewable energy sources, and the decarbonization of industry and transport in the Republic of Croatia.

During 2023, the focus was on biomethane production project at the Sisak industrial site. Biomethane is considered a renewable source of energy and can be used for various purposes. The project of producing biomethane mainly from agricultural residues is a sustainable project that is extremely important for INA, but also for the continuation of the transformation of the Sisak industrial site into a center for renewable energy sources. The unit’s product would be purified biogas that would be injected into the natural gas transportation system and sold as an advanced biofuel or energy source. The rest of the production is made up of digestate, which is used as a natural fertilizer. In 2023, INA submitted a request to the Ministry of Economy and Sustainable Development for an assessment of the need for an environmental impact assessment and initiated the process of selecting a contractor for the construction of the production facility. The final investment decision has been made in March 2024. Furthermore, a detailed cooperation plan with raw material suppliers, namely with local farmers within a radius of 50 kilometers from the site, from whom the residues from their production (manure, straw, corn husks, various types of biodegradable waste) will be purchased, and several letters of intent for the procurement of raw material have been signed.

During 2023, our first commercial solar power plant Virje was put into operation, operating permit was obtained and in the period from commissioning to the end of 2023, it generated more than 8,200 MWh of electricity. Construction work on the second solar power plant at the Sisak location has also been completed. It has been put into test run, and the issuance of a permit for permanent operation is expected by the middle of 2024. With the commissioning of solar power plants, INA becomes a commercial producer of electricity from renewable sources and confirms its commitment towards transition to renewable energy sources. Two solar power plants will annually deliver around 16,000 MWh of renewable electricity to the power grid.

We are also examining the possibility of building an offshore wind farm in the Northern Adriatic area. During 2022 and 2023, a wind energy measurement campaign was carried out on the existing gas platforms Ivana A and Izabela Sjever. Also, an early analysis of the project feasibility was carried out for the purpose of assessing potential sites around INA's platforms for the development of offshore wind farms, assessing the total costs and benefits of the planned construction of wind farms, and analyzing the connection to the onshore power grid and the possibility of electricity transmission. Considering the results of the wind study, which showed a slightly lower-than-expected potential for the construction of an offshore wind farm, INA decided to conduct an additional wind measurement campaign using floating LIDAR devices, starting with the measurement in the last quarter of 2024. After the application procedure for the CEF Energy call for preparation of a preparatory study for cross-border renewable energy projects, INA's project (Preparatory study for the establishment of an offshore wind farm in the Northern Adriatic) was selected for co-financing by the European Climate, Infrastructure and Environment Executive Agency (CINEA) and the Agreement on the Allocation of Grants was signed at the end of June 2023. The project started in September 2023 and will last 20 months.

In line with the Energy Transition Strategy, in Exploration & Production we will focus on a strong investment cycle in geothermal power generation in the coming years. At the end of 2023, in a tender conducted by the Ministry of Economy and Sustainable Development, in a demanding competition with other bidders, INA received a permit for exploration of geothermal potential in two exploration areas assessed by INA as the most promising - Međimurje 5 and Leščan. Permits are obtained for an investigation period of 5 years. Extensive work is now in front of the E&P experts which includes various geophysical measurements and interpretations that should give a better insight into the underground, to define the positions of deep and technically demanding exploration wells as accurately as possible. The process of approving permits for geophysical measurements and drilling exploratory wells has begun. Additionally, we are also testing geothermal potential on our existing oil and gas fields.

CO_2 injection continued in the Ivanić and Žutica fields. In 2023, 269 kt of CO_2 was injected, and the total injected amount exceeded 3.1 million tons, most of which was permanently stored. The main milestone for the existing EOR program is the start of the implementation of the carbon dioxide recompression project at the Fractionation Facilities Ivanić-Grad, which will be completed in Q1 2024. Upon the project completion, additional amounts of CO_2 will be provided for the EOR project and the venting of CO_2 into the atmosphere at the location will be eliminated. The project ensures a closed cycle of CO_2 management and a significant step towards carbon capture, use and storage (CCUS).

In the transport sector, the company is considering the construction of a 10 MW electrolyzer to produce renewable hydrogen, including a solar power plant. Such green hydrogen would primarily be used for the needs of decarbonization of transport in the Republic of Croatia, for example to drive buses which run on hydrogen, and possibly also in the Refinery as a replacement for the use of grey hydrogen. INA's step into renewable energy sources is part of the company's development guidelines, which are aligned with the MOL Group's Shape Tomorrow 2030+ strategy.

INA MAZIVA d.o.o., a member of the INA Group, successfully implemented several initiatives in the previous period, including a new plant for the production and filling of AdBlue® liquid, which serves to reduce the emissions of nitrogen oxides, and now they have embarked on the green transition represented by two key investment projects: construction of a solar power plant and energy transformation. The projected capacities of the solar power plant are dimensioned to cover their own electricity needs, laying the foundations for complete energy independence. It is expected that the solar power plant at the location of INA MAZIVA d.o.o. will start operating in the third quarter of 2024. Energy transformation project promotes the importance of diversifying energy sources for the needs of production facilities, heating and cooling of production and other facilities. This initiative includes a few projects that will be implemented in accordance with the set priorities during the coming years. In Crosco, the investment in the construction of a photovoltaic power plant in the industrial area in Ivanić-Grad was also completed. A photovoltaic power plant with a power of 0.4 MW has been installed, which will generate 400,000 kWh annually, and the electricity generated will be used for own needs.

Since we are aware that healthy forests are crucial in the fight against climate change, we started this year's INA Green Belt with the support of our volunteers for the spring afforestation campaign with a drone in which 2,500 so-called seed bombs were thrown around Grubišno Polje. We ended the year with a new afforestation campaign by planting 3,000 saplings of oak trees. A new forest began to grow in the town of Perjasica in Karlovac County, in a place where there was a gap left after the disease of the forest. A large afforestation campaign was realized thanks to the cooperation of INA with the Croatian Scout Association, as part of the CO2MPENSATING BY PLANTING carbon footprint neutralization project. This action also marked the end of this year's Green Belt program, within which the company supported 15 environmental actions.

5.3.2. Energy efficiency

INA is a significant participant on the energy market in Croatia and the region. Due to the nature of its business and the number of locations, INA Group is a major energy user with energy accounting for a significant share of operational costs. We believe that increasing energy efficiency is one of the basic principles of energy transition and that good energy management plays a key role in the business and running of our processes. We are focused on the responsible use of energy and committed to continuous improvement of energy performance at all our plants, equipment, and facilities. We continuously develop, maintain, and harmonize the implemented energy management system and the management structure has a leading role in promoting, developing, and implementing the defined principles of the energy management system.

Energy consumption

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

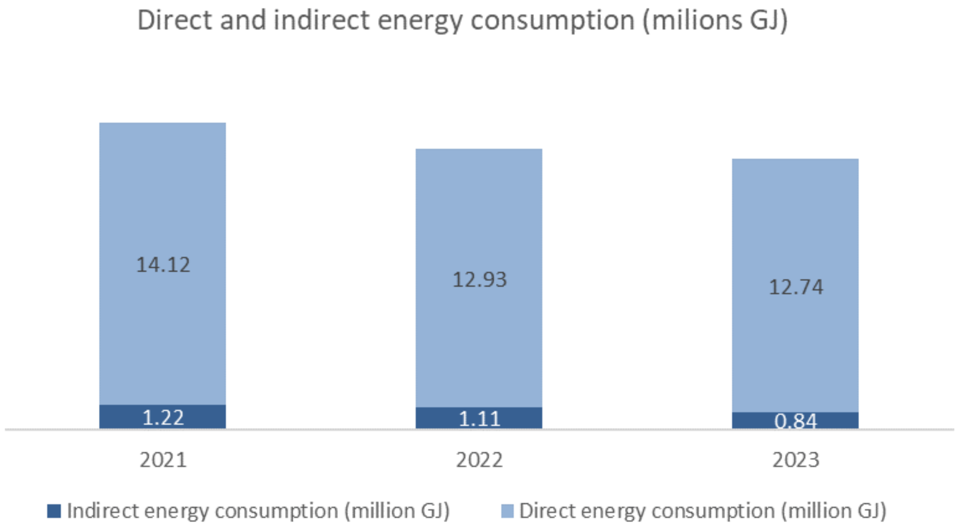
INA Group total energy consumption (direct + indirect) in 2023 amounted to 13.6 million GJ, 3% less than in the previous year, of which 12.7 million GJ refers to direct and 0.8 million GJ to indirect energy consumption. Most of the total energy consumed in 2023 came from non-renewable sources and 101 GJ was produced and consumed from electrical solar panels on offshore platforms.

Direct energy consumption was 1.5% lower than the year before. It includes the sum of total natural gas consumption in the amount of 6.4 million GJ (18% more than in 2022), other hydrocarbon energy sources consumption, i.e., fuels distilled from crude oil in the amount of 6.2 million GJ (16% less than in 2022), and fuel used for corporate vehicles in the amount of 0.22 million GJ (4% more than in 2022). 15.000 GJ of electricity was produced at our Onshore Production sites and in the Rijeka Refinery and surrendered to the external grid.

Total indirect energy consumption was 23.9% less than the year before, i.e., total electricity purchased from external sources amounted to 0.76 million GJ, which is a 5.8% increase compared to last year due to test run of turbogenerator and new 110 kV substation put in operation in the Rijeka Refinery. Total other indirect energy purchased (steam) was 80% lower than the previous year because the conservation process at the Sisak location is finished so the need for steam is significantly reduced.

Total Scope 2 (market-based) GHG emissions from indirect energy use (electricity + steam, heat) amounted to 0.11 million tons, while Scope 2 (location-based) emissions amounted to 0.06 million tons.

All the data were collected in internal data collection system Enablon. Direct energy consumption is calculated based on laboratory analysis of fuel used 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 and by use of factors provided by the International Energy Agency.



Energy saving projects in INA Group

The energy management system is implemented through continuous monitoring of energy consumers in each organizational unit, which is accompanied by specific investment projects that ensure energy efficiency. The economic impact of all project proposals due to energy consumption changes is determined based on the Group projections of utilities price until 2050. Based on all available information, a plan of energy performance indicators for different scenarios in the future is prepared as additional criteria for investment decisions. This approach ensures improved sustainability of INA's operations with a focus on energy efficiency improvement in the DS Production and decrease in the financial exposure of the refinery to related policies in the future.

In 2023, work on the Hydrogen Management Improvement project in Rijeka Refinery was finished. The aim of the project is recovery of high-value hydrogen from refinery waste gases to decrease natural gas consumption and decrease power consumption of the Hydrogen Generation Unit by 802.3 MWh/year, upon the Delayed Coker Unit (DCU) completion, as well as reduce CO_2 emissions by 11.3 kt/year.

Several projects for increasing energy efficiency will be implemented during the turnaround of the refinery at the beginning of 2024. One of them is the replacement of condensing turbines with electric drives, the goal of which is to improve energy, ecology, and economy performance of the Rijeka Refinery through reduction of one of the largest sources of emissions. The expected decrease of CO_2 emissions due to replacement of turbines, after DCU commissioning, amounts to 82 kt/year. The other one includes significantly improved energy efficiency of the Crude Distillation Unit (CDU) furnace by better utilization of flue gas waste heat and expected CO_2 reduction of 9.5 kt/year. By continuous condensate collection and the maintenance of steam pipelines, we saved 273,172 GJ of energy.

The construction of a new steam turbine began at the Molve gas processing facilities at the end of 2023, the purpose of which is to improve the efficiency of the energy system, given that the turbine will use the excess steam produced to produce electricity. The expected reduction of direct greenhouse gas emissions, after the completion of the project at the end of 2024, is 4.58 kt CO2 eq/year, and the reduction of indirect greenhouse gas emissions is 2.25 kt CO2 eq/year.

At our retail stations, we continued with the activities related to reduction of energy consumption, such as replacing the existing worn-out aggregates with newer generation devices, installing the latest generation of HVAC/refrigerator equipment, and replacing the old lighting with new LED lights.

5.3.3. GHG emissions performance

GRI 305-1, 305-2, 305-3, 305-5

INA Group monitors and reports CO_2 emissions, which is the key first step in reducing them. We have classified our carbon footprint in three scopes. Scope 1 covers direct GHG emissions from INA Group owned or controlled sources, including fuels for vehicles owned or controlled by us, as well as fugitive and process emissions.

Our total direct GHG Scope 1 emission decreased by 5.6% compared to last year and amounted to 1.2 million tons of CO_2 equivalent in 2023. Most Scope 1 GHG emissions come from DS Production (57,2%), while 40.4% refers to onshore and offshore Exploration and Production, and the rest (2.4%) on other activities. In the total carbon footprint of the company, Scope 1 emissions make up 8.8% of total GHG emissions.

Scope 2 covers indirect emissions from the generated and 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. Total Scope 2 GHG emissions calculated with location-based emission factor (valid for each country) amounted to 0.06 million tons, 21% less than last year and make up 0.45% of total GHG emissions. Scope 2 GHG emissions calculated with market-based emission factor amounted to 0.12 million tons. For Scope 2 calculation factors from IEA publication were used.

The majority of our GHG footprints are Scope 3 emissions which make up 90.7% of our total GHG emissions. The most material categories are the use of sold products, i.e., liquid fuel (92%) and natural gas (8%). The remaining part is mainly generated by suppliers who provide services to INA Group, such as production of crude oil purchased from external sources.

With the aim of reducing carbon dioxide emissions and actively collaborating with stakeholders in the supply chain to take climate action and improve Scope 3 emissions reporting, in 2023 INA procurement launched a pilot program with selected strategic suppliers to determine their carbon footprint, define development plans and identify sustainable opportunities and innovations. The project continues, and supplier innovation will gain greater focus in 2024.

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 and 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). Gases included in the calculation are carbon dioxide and methane.

GREENHOUSE GAS EMISSIONS – SCOPE 3 (tons of CO_2 eq)	2021	2022	2023
TOTAL INDIRECT GHG (SCOPE 3)	**11,892,307**	**12,013,234**	**12,452,744**
o/w Customers – Use of sold refinery products	10,496,815	10,721,29	11,245,500
o/w Customers – Use of sold natural gas (own production)	1,165,197	1,120,093	1,035,988
o/w Suppliers – Production of crude oil (purchased from external sources)	230,256	171,751	171,163
o/w INA Group – Business trips by air	39	107	93

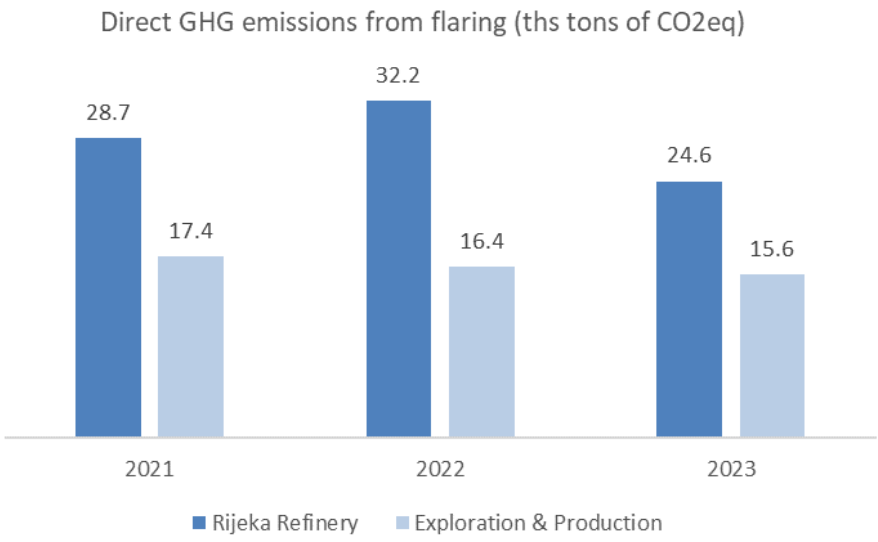
Emissions from flaring and venting

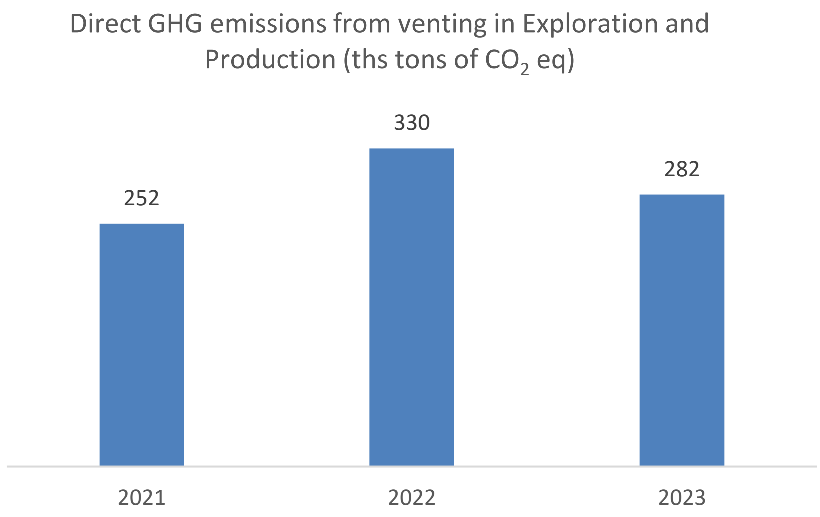
The provisional agreement on regulation aimed at reducing methane emissions in the energy sector in Europe and in EU’s global supply chains was reached between the European Parliament and the Council on 15 November 2023 and will be directly applicable from 2024. The regulation introduces new requirements to measure, report and verify methane emissions, as well as put in place mitigation measures to avoid such emissions, including detecting, and repairing methane leaks and banning venting and routine flaring. It requires companies to carry out an inventory of closed, inactive, and abandoned assets, such as wells, to monitor emissions and to adopt a plan to mitigate these emissions as soon as possible. As of January 2027, the Regulation requires that new import contracts for oil, gas and coal can be concluded only if the same monitoring, reporting, and verification obligations are applied by exporters as for the EU producers.

In addition, 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 the existing oil fields no later than by 2030, with INA, d.d. also participating and contributing to the initiative by implementing relevant projects. During 2022 we have started the preparation of the Feasibility Study of the cessation of routine flaring at Mihovljan, Jagnjedovac, Bunjani and Beničanci sites, and in 2023 this project was included in the 2024-2027 CAPEX plan. Estimated CO_2 eq Scope 1 emission reduction amounts to ~15 kt/year. The other 9 locations where we have routine flaring will be shut down when the regulation comes into force due to very low production.

In 2023, our direct GHG emissions from flaring decreased by 17% and amounted to 40.2 thousand tons, mostly due to reduction of technological gas losses at Beničanci and Đeletovci Facilities. Direct GHG emissions from venting decreased by 14% due to the re-commissioning of the existing compressor at Fractionation Facilities Ivanić Grad (FFIG). In 2023 we have continued with construction of a new CO_2 compressor plant at the FFIG, which is in its final phase. The purpose of the new compressor is to increase the amount of CO_2 obtained from the exploitation fields Ivanić and Žutica for the EOR (Enhanced Oil Recovery) purposes and to eliminate venting at FFIG. The expected decrease in Scope 1 emissions is 160 kt CO_2 eq per year and the increase in Scope 2 is 3.6 kt CO_2 eq per year. Due to improvement of technological process at FFIG, produced gas with higher content of CO_2 from Žutica Facilities was sent to FFIG, reducing the amount of flared gas and consequently CO2 emissions for 5 kt compared to 2022.

Every year the Leak Detection and Repair (hereinafter: LDAR) program is performed on equipment with the potential to emit fugitive emissions. Leak detection is performed annually, and repair of leaks is undertaken immediately or within defined time frames, in accordance with the site's maintenance plan. The LDAR program, together with the steps we are taking to reduce flaring, will help further reduce our fugitive emissions.


Direct GHG emissions from flaring (ths tons of CO2eq)
28.7
17.4
32.2
16.4
24.6
15.6
2021
2022
2023
Rijeka Refinery
Exploration & Production


Direct GHG emissions from venting in Exploration and Production (ths tons of CO2 eq)
252
330
282
2021
2022
2023

5.4. Environment

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

Achievements

- Implementation of Waste Management Application (IT software) for reporting quantity and type of produced waste
- Sixth phase of baseline reports for Upstream facilities (Gas Processing Facilities Molve and Fractionation Facilities Ivanić-Grad) have been prepared as required by the relevant authority
- New equipment for pumping hydrocarbons from underground installed and new extraction wells in Rijeka Refinery drilled

Challenges

- Implementation of the Zero Routine Flaring Project on Upstream sites, as part of the upcoming regulation on reducing methane emissions
- For Sisak industrial site, revision of environmental permit in line with cessation of production and realization of planned projects
- Further development of soil and groundwater management to reduce risk caused by historical contamination

5.4.1. Environmental protection management in INA Group

Safeguarding the environment is one of the biggest imperatives of our time, not only due to increasingly stringent legal requirements, but also due to recommendations for companies to align with internationally agreed goals on climate change, circular economy, and biodiversity. By implementing the most cost-effective measures for environmental protection in production and refining, we are reducing our impact on the environment. We started with comprehensive consultancy service in the field of contaminated soil and groundwater management to reduce the consequences of historically accumulated contamination caused by the nature of our business and to avoid any land, marine and freshwater degradation.

In the past years, we witnessed extreme events that pointed to unprecedented climate changes, as well as human influence on them. Therefore, not only taking care of the environment, but also overall sustainability is becoming a key aspect of business practices. Introducing ESG standards encourages responsibility but also enables companies to recognize weaknesses and improve their impact on the environment and society.

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.

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

We continue to implement the best available techniques, as well as invest in renewable energy sources and energy efficiency projects. Furthermore, INA MAZIVA d.o.o. obtained a waste management permit for hazardous waste treatment through recycling and recovery of lubricant oils, emulsions, and oily water.

Future perspective on environmental protection

The most important environmental challenges we all face are climate change, loss of biodiversity, natural disasters, extreme weather events, water shortages and waste management. Therefore, we developed INA Group Health, Safety and Environmental (HSE) Strategic Guidelines for 2021-2025 which will move us to realize our environmental protection aspirations more boldly while developing sustainably.

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

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

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

5.4.2. Air emissions

GRI 3-3, 305-7

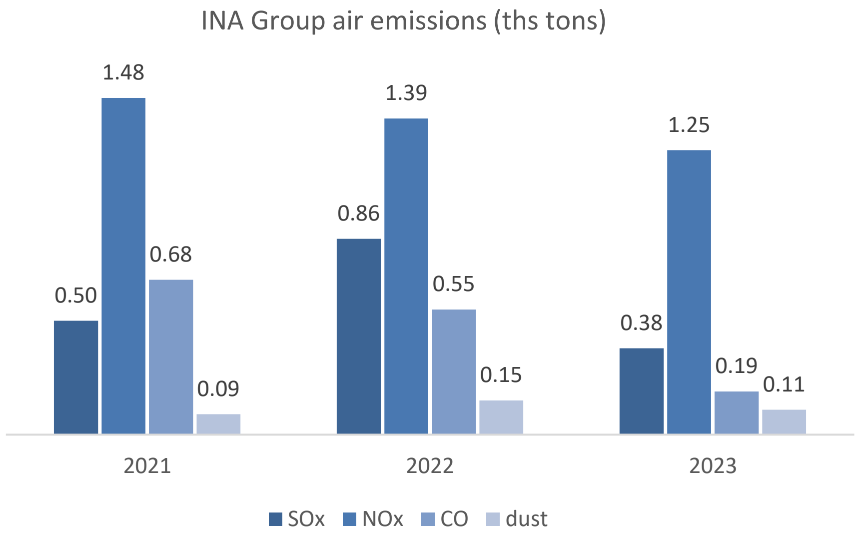
Air emissions can contribute to local impacts that can affect human health and the environment. In our plants, we monitor and report air emissions and apply the best available techniques to reduce them. Some of these include fuel replacement, installing low NOx burners, and implementing programs to detect and repair fugitive leaks.

Depending on the location and legal requirements, air emissions (SOx, NOx, PM, CO, VOC) are determined by direct measurements or are calculated based on published national emission factors.

SOx emissions decreased by 55% compared to last year due to higher amount of natural gas used as fuel in Rijeka Refinery, but also due to fact that in previous years vented H_2S from the Gas Processing Facilities Molve was reported under SOx as SOx equivalent. From 2023 it is reported under indicator H_2S from venting. Dust emissions also decreased by 29.5% due to more natural gas used as energy source (18% more than in 2022).

Significant decrease of 66% in CO emissions and 11% in NOx emissions is mainly caused by installation of catalysts on the exhaust systems of moto-compressors at Lipovljani Facilities, while turnaround performed in Fractionation Facilities Ivanić-Grad and Gas Processing Facilities Molve contributed to the optimization of combustion in gas turbines and heaters as well as air emission reduction.

In Logistics and Consumer Services and Retail, the most relevant emissions are those of volatile organic compounds (VOC), resulting from the handling and storage of petroleum products. The first and second stage vapor recovery units are used to reduce the above emissions. This year, we have advanced the reporting on VOC emissions by additional calculation for retail stations and logistics locations, so reported VOC emissions are three times higher than the emissions reported last year and amount to 953 tons.



Emissions from Persistent organic pollutants (POP) are not reported since they are not used in our processes.
Hazardous air pollutants (HAP) are not reported since there is no legal requirement to measure HAP emissions.

5.4.3. Spills into the environment

GRI 3-3, 306-3

All events, including spills to environment, that may have a potential or actual impact on people, the environment, property, and reputation are recorded in our HSE incident investigation and reporting system. Such events are investigated and analyzed to prevent their recurrence and. Acquired knowledge and experience are regularly shared among employees through HSE newsletters to raise awareness.

In 2023, we have recorded a total of 96 spills, of which 73 with hydrocarbon content, which is 33% less than the previous year. The total volume spilled amounted to 113 m^3, of which 37 m^3 refers to the hydrocarbon content and the rest on formation water. 94% of spills occurred in Exploration and Production, due to the age and length of pipelines. Financial loss (direct + indirect cost) connected with all 96 events reached the amount of EUR 1.1 million.

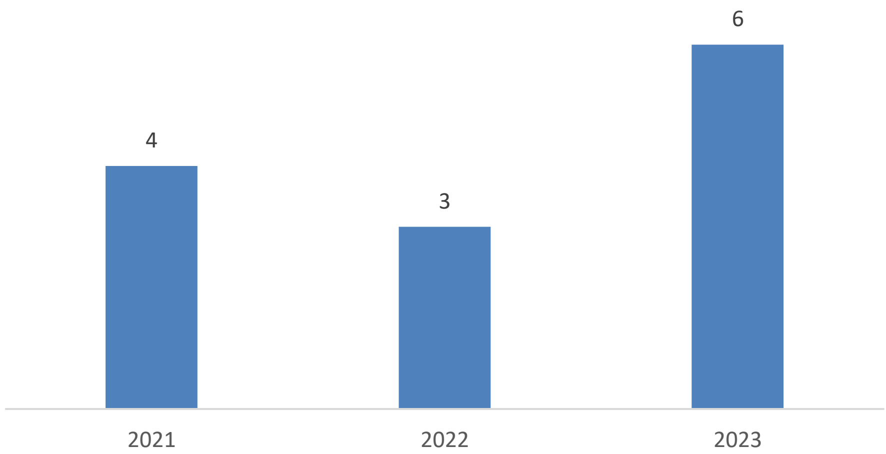
Despite the decrease in the total number of spills (33% less than last year), we recorded a higher number of significant spills with hydrocarbon content above 1 m^3, six compared to last year's three events. Total spilled hydrocarbon volume during these 6 events alone amounted to 31.8 m^3.

Location of the spill	Hydrocarbon volume (m^3)	Material of the spill	Impacts
E&P – Ivanić	20.0	Crude oil	Soil, surface water
E&P – Molve	5.0	Condensate	Soil
Rijeka Refinery	2.8	Gas oil	Sea water
E&P – Ivanić	1.8	Oil, formation water	Soil
E&P – Ivanić	1.2	Formation water	Soil
E&P – Žutica	1.0	Oil, formation water	Soil

During 2023 we continued with the replacement of critical equipment and rehabilitation of pipelines. A total of 5,252 m of pipelines were replaced or repaired, of which 4,937 m in the Central region, where the most ruptures occur, while the plan for next year is to replace critical pipeline segments at the locations of seven facilities (Beničanci, Đeletovci, Ivanić-Grad, Žutica, Stružec, Lipovljani and Molve-Međimurje). 1,100 m of oil pipelines at 3 wells were also revitalized, while revitalization of 9,000 m of oil pipelines is planned for next year.

Furthermore, as part of the corrosion management project, we implemented several risk reduction measures, including the completion of the installation of the chemical dosing system, the replacement of worn-out equipment and the preventive measurement of pipeline wall thickness.

Number of hydrocarbon spills above 1 m^3 in INA Group



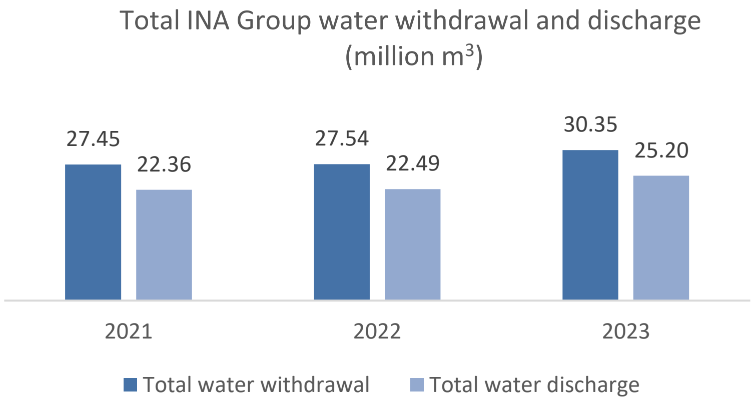
5.4.4. Water

GRI 3-3, 303-1, 303-2, 303-3, 303-4, 303-5

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 has been recognized as one of the strategic goals in the HSE Key Objectives & Programs for 2021 – 2025. As part of the action plans for each business segment, activities were undertaken that lead us towards the set goals. Repair of the internal drainage and sewage system and fire extinguishing and cooling systems was performed within the Logistics. The first phase of the reconstruction of hydrant network project in Rijeka Refinery was finished during 2023 and the project will continue during 2024. Cleaning, service and maintenance of oily separators at service stations in Retail are performed regularly. On Sisak industrial site several actions were carried out: adjustment of stormwater sewage by redirecting to the water treatment unit, critical hydrant and sewage pipeline network repair and replacement, repair of retention basins on water supply system due to wall leakage caused by earthquakes in 2020.

To reduce the negative environmental impact on the surface and subsurface water bodies, we are continuously monitoring quality and quantity of ground water and surface water to identify the improvement possibilities with the emphasis on water intake reduction possibilities. Quality of the discharged water is mainly prescribed by the environmental or water permit. For sites that are not subject to obtaining environmental or water permit, quality of effluent discharge is determined in accordance with the applicable legal regulations. The water we use comes from various sources: surface or groundwater, municipal water supply and sea water. None of the water we use comes from the water stressed areas. In our onshore operations water is primarily used for drilling, completion 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 2023, total water withdrawal amounted to 30.35 million m^3, i.e. 30,346 mega liters with a 10.2% increase compared to 2022. Total volume of discharged water amounted to 25.20 million m^3 (i.e. 25,195 mega liters) which is an increase of 12%. The reasons for increased water withdrawal and discharge are improved data reporting methodology in Exploration and Production, cooling the sewage system and equipment in Rijeka Refinery and increased rainfall throughout the year.



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.

Preparedness and response exercises in emergency water management situations have been planned and implemented at locations within the INA Group to reduce environmental pollution and incidents.

INA GROUP WATER WITHDRAWAL BY SOURCE (2023)*	MILLION m^3	MEGA LITERS
Freshwater withdrawal – groundwater	0.73	728
Freshwater withdrawal – surface water	5.04	5,043
Freshwater withdrawal – municipal water	3.27	3,273
Non-freshwater withdrawal from sea	20.75	20,752
Produced water – sour water stripper and/or tank bottom draws	0.33	334
Rainwater, precipitation collected directly and stored for any use	0.22	216
TOTAL	**30.35**	**30,346**

* INA Group does not use wastewater from other organizations; 1 mega liter = 1,000 m^3

INA GROUP WATER DISCHARGE BY SOURCE (2023)	MILLION m^3	MEGA LITERS
Water discharge – surface water	1.53	1,533
Water discharge – groundwater	0.03	34
Water discharge – seawater	23.04	23,042
Water discharge – third-party water*	0.59	586
TOTAL	**25.20**	**25,195**

*Includes water effluents discharged to third-party facility.

5.4.5. Resource management

GRI 3-3, 301-1, 301-2

In 2023 INA has processed 400.25 mln m^3 of natural gas and 2,309 kt of crude oil. 2.17% of processed crude oil was slop material, which includes by-products caused by disruptions of production process and degraded goods.

In 2023 INA did not utilize renewable materials for production of our primary products.

Waste management

GRI 306-1, 306-2

Internal regulation Waste Management in INA Group Companies defines a functional and efficient waste management system to ensure compliance of internal documents in the INA Group with applicable law in the field of sustainable waste management, and to define waste management requirements in the INA Group. All hazardous and non-hazardous wastes are handed over to contracted authorized waste management companies which are selected through a procurement process. During the tender process, the compliance of documentation with the legal and internal regulations of the companies applying for the tender are reviewed and verified. One of the most important obligations to stipulate in the contract is the obligation of the company who performs the contracted service to submit data on the method of waste recovery (R) or waste disposal (D) for each type of collected waste to provide us with information about the final treatment of our waste.

The Waste Management application has been in use since 2019 at the INA Group level to enable the keeping of legally prescribed documents related to waste management and reporting on waste generated by sites, organizational units and waste codes, in the selected period, for internal purposes. The application is related to the legislation of the Republic of Croatia, and it is mandatory for use by all INA Group sites in the Republic of Croatia where hazardous and non-hazardous waste is generated.

In 2023, the waste management area focus was on digitalization to enhance the INA Group waste management monitoring and reporting system. New waste management IT solution enables improved monitoring and control of all hazardous and non-hazardous waste types and quantities produced at INA Group locations in the Republic of Croatia. Networking nearly 500 employees involved in waste management processes with a clear definition of rights and responsibilities for about 600 locations was conducted to set up a software which will be ready for use in 2024. A new user-friendly waste management software will enable the availability of an accurate register of waste produced within INA Group with automated reporting as well as better internal control and records of waste by quantity, type, place and time of generation. Furthermore, it provides simple, systematic and efficient fulfillment of all obligations towards the legislative and timely compliance with all legal regulations in the field of environmental protection and waste management.

Waste management working group at INA Group level was established in 2023 to coordinate waste management activities in INA Group, with the aim of uniform functioning, effective supervision and cost reduction through the establishment of systematic waste management.

In Exploration and Production, the project Rehabilitation of Technological Fluid Regeneration Facility (TFRF) Šandrovac was finished in 2023. In the past, a temporary solution was the solidification of material from TFRF and disposal at the designated place next to the pit as waste. With this project, useful hydrocarbons were separated from technological material from the facility by application of effective method for separation and dehydration, and returned to the process as the product, while the rest was disposed according to the legal waste regulations. The amount of generated waste is reduced by 21%. Furthermore, to prevent waste generation and contribute to the concept of circular economy, Exploration and Production regularly participates in various donations. In 2023, expired fire extinguishers were donated to local volunteer fire brigades for fire drills and wastepaper was donated to the local elementary school. The Exploration and Production Laboratory, after the analyzes are completed, returns the crude oil samples that are no longer needed to the field where the samples were collected, thus creating less oily waste to be disposed of.

Plavi tim d.o.o. also got involved in donating used computer equipment that would otherwise end up as waste.

In Customer Services & Retail, a pilot project for collecting cardboard waste and dealing with bio-waste was implemented at our largest service station. A baler and a composter were installed at the location and during the pilot project, around 450 kg of cardboard was collected with no bio-waste disposal during the specified period. Due to good results, in 2024 it is planned to install the mentioned devices on a wider network of selected retail locations.

The project of collection of used cooking oil continued to expand in 2023 with 8.92 tons of used cooking oil collected at our service stations. In five years since the project started, 41.09 tons of used cooking oil from households was collected which would otherwise end up in the drain.

Waste generation and disposal

GRI 306-3, 306-4, 306-5

Total amount of waste generated in 2023 increased by 51.65% in comparison with 2022. Out of total waste generated (22,837 tons), there were 11,161 tons of hazardous waste and 11,653 tons of non-hazardous waste.

Out of total hazardous waste, there was 1,616 t diverted from disposal and 9,545 t directed to disposal. Out of total non-hazardous waste, there was 7,798 t diverted from disposal and 3,855 t directed to disposal. The difference between the total amount of generated waste in 2023 and the sum of totals of hazardous and non-hazardous waste was caused by 6.94 tons of waste from 2022 that had been handled in 2023.

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, 16.03 tons of waste generated in 2023 was stored on-site and will be handled in 2024. Waste composition and disposal methodology by each waste category can be found on page 164.

The amount of non-hazardous waste has been significantly increased in 2023 due to increased number of workovers on facilities of Region North Croatia within Exploration and Production and plant demolition process on the Sisak location. The reason for the considerable increased quantity of hazardous waste in 2023 is a major rehabilitation of the main oil pipeline (5 km route) in Exploration and Production.

The most common types of waste by composition were category 17 (51.24%), mostly consisting of contaminated soil from rehabilitation of the main oil pipeline in Exploration and Production as hazardous waste, and iron and steel from plant demolition process in Sisak location as non-hazardous waste. Furthermore, waste from category 5 (18.70%) consisted of tank bottom sludges with emphasis on Rijeka Refinery due to tank cleaning and oily sludge from maintenance.

In 2023 at INA Group level, the following was generated:

- 2,400.23 t of drilling mud and waste from Exploration and Production
- 3,964.06 t of sludge (tank bottom sludge and oily sludge) from maintenance in Rijeka Refinery and Sisak location, as well as in Exploration and Production.

Total amount of generated waste in INA Group (t)

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	839.12	71.03	910.15
Recycling	0.03	221.62	221.62
Other recovery operations	0	484.22	484.22
Total			**1,616.02**
Non-hazardous waste			
Preparation for reuse	0	318.64	318.64
Recycling	0	6,234.55	6,234.55
Other recovery operations	0	1,245.15	1,245.15
Total			**7,798.33**
TOTAL WASTE DIVERTED FROM DISPOSAL			**9,414.35**

WASTE DIRECTED TO DISPOSAL BY DISPOSAL OPERATION	Onsite (t)	Offsite (t)	Total (t)
Hazardous waste			
Incineration (with energy recovery)	0	107.19	107.19
Incineration (without energy recovery)	0	177.31	177.31
Landfilling	0	426.42	426.42
Other disposal operations	0	8,833.87	8,833.87
Total			**9,544.79**
Non-hazardous waste			
Incineration (with energy recovery)	0	13.10	13.10
Incineration (without energy recovery)	0	2.74	2.74
Landfilling	0	500.51	500.51
Other disposal operations	3,002.79	335.67	3,338.46
Total			**3,854.81**
TOTAL WASTE DIRECTED TO DISPOSAL			**13,399.60**

5.5. Human capital

"Capitalize on human resources"

Achievements

- Successful collective agreement negotiations for nine INA Group companies
- Successful digitalization (e-Sig implemented, e-onboarding/ZARA and benefit application developed)
- Implementation of new talent & development programs

Challenges

- Inflation effect and competitiveness of compensation for retention
- Focus on sustainable development aspects for attraction of young talents
- Labor scarcity on the market (IT, operational positions)

5.5.1. Human capital management in INA Group

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

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

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

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

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

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

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

5.5.2. Employee relations

GRI 2-29

Social dialogue with Trade Unions and Works Council

Social dialogue in INA Group has continuously improved through cooperation with the Works Councils (WC) and Trade Unions (TU). The 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).

At INA, d.d. and INA Group companies in Croatia, the Employer held more than eighty meetings during 2023, with diverse topics: regular meetings, forums, Works Council Assembly, INA Group Works Council Coordination meeting, consultation on organizational changes, internal regulations, specific business topics, collective negotiations, etc.

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

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

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

Collective negotiations

During 2023, a new round of collective negotiations was initiated. Separate collective negotiations were conducted in INA Vatrogasni servisi d.o.o., resulting in the amendment of the collective agreement implemented as of 1 November 2023, aiming to align the compensation package for employees working at professional firefighter positions.

For INA, d.d. and seven INA Group companies in Croatia negotiation process was initiated during 2023 and alignment of the agreed financial package has been reached at the beginning of 2024.

The result of the negotiation with the Trade Unions is the mutual agreement on the significant increase of the employees' salary. This financial measure creates a sense of security for employees and, at the same time, ensures the competitiveness of INA on the labor market. This round of collective negotiations was specific in a way that the focus was placed to the monthly gross base salary increase.

Collective negotiations in Bosnia & Herzegovina and in Montenegro are planned for 2024.

Trade Union membership

Employees independently decide on their membership in Trade Unions. At INA Group in Croatia, ~55% employees are members of Trade Unions, while ~10 % of INA Group employees in Croatia are members of more than one Trade Union. In Bosnia and Herzegovina (Holdina and Energopetrol), a total of 56% of employees are members of Trade Unions.

At eight INA Group companies Works Council members are elected (INA, d.d., STSI d.o.o., INA MAZIVA d.o.o., TOP RAČUNOVODSTVO SERVISI d.o.o., Plavi tim d.o.o., CROSCO d.o.o., INA MALOPRODAJNI SERVISI d.o.o. and INA VATROGASNI SERVISI d.o.o.) and actively participate in communication with the Employer in the field of the protection and promotion of employees' interests.

Six Trade Unions have members in INA Group in Croatia, while three of them actively participate in regular social dialogue and collective negotiations.

Three Trade Unions are active in companies operating in Bosnia and Herzegovina (one in Holdina; two in Energopetrol), and two Trade Unions are active in INA Montenegro.

The number of INA Group employees in Trade Unions as at 31 December 2023:

TRADE UNION	# EMPLOYEES
SING – Croatian Trade Union of Economy	2.937
INAŠ – Oil Industries Trade Union	1.937
EKN – Autonomous TU of Workers in Energy, Chem. and Non-Metal Ind. of Croatia	197
SNS – New Solidarity Trade Union	37
SHV – Croatian Drivers' Trade Union	8
STR – Railroad Engineer TU	1
TOTAL INA GROUP IN CROATIA	**5.117**
TU Energopetrol Sarajevo (SREP)	169
TU Energopetrol Regija Tuzla (SEPRT)	109
TU of Employees in Holdina Sarajevo	260
TOTAL INA GROUP IN BOSNIA AND HERZEGOVINA	**538**
Trade Union organization – INA Montenegro d.o.o.	17
Trade Union of employees in INA – Montenegro d.o.o.	82
TOTAL INA GROUP IN MONTENEGRO	**99**

Employee assemblies and other ways of direct communication with employees

The purpose of the Employee Assemblies 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 79 commissioners in INA Group (42 in INA, d.d., 12 in INA MALOPRODAJNI SERVISI d.o.o, seven in STSI d.o.o., five in CROSCO d.o.o. and INA Vatrogasni servisi d.o.o., three in INA MAZIVA d.o.o. and Plavi tim d.o.o., and two in TOP RAČUNOVODSTVO SERVISI d.o.o.).

The **Committee for Amicable Dispute Settlement** is stipulated by the Collective Agreement. The Committee consists of two employer's representatives and three TU's representatives. During 2023, nobody initiated a dispute.

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

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

5.5.3. Rewards and HR operations

Benefits provided to employees

GRI 401-2

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 the importance of work-life balance. The aim of the platform is to support employees in all their life roles through articles, targeted campaigns and training that are part of INA Academy. The platform provides more than 100 benefits for using and/or paying for services in 20 categories (Insurance, Sports, Shopping, Home, ICT, Parental benefits, Travel, Culture, Learning, Personal finance, Gastronomy, Personal care, Health, Cars and vehicles, Pets, Entertainment, Transport, Collective Agreement Benefits, flexible work arrangements, etc.).

INA-bike ZONE community continued to share information and updates about cycling and promote cycling activities and their positive impact on health and the environment. In 2023, INA renewed the European certificate “Bicycle-Friendly Employer” for two of its locations, making it the first company in Croatia to successfully recertify three of its locations. This reaffirmed INA’s commitment to supporting cycling as a sustainable mode of transportation and promoting health and environmental protection. INA’s membership in the international initiative of socially responsible companies aimed at increasing the number of employees commuting to work by bicycle was thus confirmed.

Flexible work arrangements (FORa) are one of the most recognized well-being benefits among our employees. FORa were introduced in INA Group in 2016 as a benefit providing employees (where the nature of work allows) Flexitime (work schedule with variable starting and ending time) and Flecxiplace (possibility of remote work within the quota defined at the level of the organizational unit). FORa is available to employees of 10 companies across INA Group.

For flexible work arrangements, a new application with additional functionalities has been developed to facilitate usage and monitoring in simple and intuitive way, while fully ensuring and respecting all legal and internal rules and frameworks.

Flexible working arrangement are important for the Employer value proposition of company and to attract, recruit and retain talent and to ensure positive company image both internally and externally.

Digitalization of HR processes and applications is a continuous activity which benefits both the end users (employees) and process owners. This year, electronic signature for employees is introduced which enables digital signing of all employee-related documents. Digitalization will remain our focus in the future.

Recognition & reward system

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

Some of the recognition and reward programs are listed below:

- Achievement Award
- Eiffel Program
- Best INA Academy Internal Trainer
- Award your colleague (Best Colleague, Best Manager, Ambassador of positive change)
- Recognition Program for Extraordinary SD & HSE Contribution (SMART Employee, SMART Contractor, SMART Project Manager)
- Recognition for projects

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

Employee performance management system and quarterly/spot rewards, Annual People Cycle for managers (APC), Sales Incentive System for area sales managers and sales representatives as well as Retail Sales Incentive System for service station staff are already tested and proven performance management systems currently implemented at INA Group companies through which rewards and 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 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

GRI 404-1, 404-2

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

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

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

Technical and professional competence development program is conducted in Upstream and Downstream. The program covers a two-year cycle including a thorough assessment of skills and capabilities of targeted employees in a well-defined range of job disciplines, while identifying skill gaps and capability gaps, setting development priorities at the professional level and planning and implementing individual development activities.

Success Principles are a competency framework that offer guidelines for all leaders and employees on how to act to achieve our goals in a sustainable way, and to support the desired culture. Success Principles translate company values into behaviors providing a compass on "how to do things" and allowing the company to realize our 2030 strategy. It shows employees that their performance is their responsibility, their success is the team's success, and their behavior is the key for future success.

Stay interviews are conducted to help managers understand why employees stay and what might cause them to leave. During the Stay interview, valuable information regarding the aspirations and carrier development is gathered. As part of the Talent Management process, mandatory STAY interviews with talents were defined and implemented, and a total of 158 interviews were conducted through 2023.

Talent Management HUB – In order to create common and consistent knowledge among Managers, a one-stop shop **Talent Management Hub** knowledge base was created on group portal.
There, materials can be found (brief PDFs and short videos, approx. 6 minutes each) about the most relevant information on each of the Talent Management activities:

- Talent definition
- Talent identification
- Talent development
- Succession and career planning
- Talent reward & retention

All managers had to go through the e-learning materials and then take a knowledge test about the Talent Management process.

LEADERSHIP DEVELOPMENT

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

In addition, there is also the LEAD talent program for future leaders, Intensity program, First time leader, etc. with the aim to strengthen four leadership competencies, and prepare leaders for current and future challenges. LEAD 2022/2023 program was conducted and 12 participants from INA Group started their two-year leadership development journey in Q1 2022. Selection for LEAD 2024 was started in Q3 2023, with the new generation starting in 2024.

First Time Leader is an 8-month development program for workers who are leading people for the first time. With this program, the company wants to support new managers and provide them with the necessary tools, skills, and training so that they can be even more efficient and satisfied with themselves in their new role. In 2023, the program counted 17 participants.

Shift Leader Academy is a leadership development program for our leaders of employees in operational positions to strengthen their leadership and soft skills. In 2023, more than 49 participants attended 5 full-day courses.

In the **Retail Academy**, participants continued with internal and external development activities. Participants can experience truly blended learning journeys with digital e-learning and classroom development activities.

360° Feedback is one of the methods used in INA. It is an assessment method which provides the assessed person the feedback about his/her behavior in the workplace, based on the assessments of direct manager, peers, subordinate employees and key stakeholders. Each person being assessed also assesses himself/herself, which "closes the full circle – 360°". In 2023, this method was implemented for managers in Upstream, Human Resources and Finance. Based on individual and group reports, action plans were made and executed (e.g. group coaching, coaching as a method of leadership, mentoring). At the MOL Group level, a 360° assessment was also carried out for all managers of higher levels in INA, OpCos CEO and CFO in STSI, CROSCO, HOLDINA and Energopetrol.

Assessment Center is a comprehensive development method that is used for the purpose of leadership development planning. During the assessment process, various assessment tools (psychological testing, group exercises and tasks, interviews) are combined with the aim of collecting diverse information, to assess key competencies and areas for professional and personal development as objectively as possible. In 2023, this method was implemented for managers and key employees in Retail and Finance.

EMPLOYEE DEVELOPMENT

During 2023, 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. All available educations and development programs were published online in the Catalogue of INA Group, which is available for all employees on the intranet site.

Further on, some of the key 2023 employee development initiatives are described in more detail.

INA ACADEMY

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

During 2023, INA Academy proved to be one of the most popular development tools. In total, 101 training sessions were held, of which 85 were delivered internally – 4,555 training hours and 2,156 participants overall. The average rating of participant satisfaction with the training courses (scale: 1-5) was 4.85. Considering that none of this would be possible without our internal trainers, the company rewarded the top 3 trainers based on the average rating of participants' satisfaction, training hours and the number of training participants.

LINKEDIN LEARNING

To enrich our existing development programs with digital learning solutions, offering unlimited access to various learning content in cooperation with the LinkedIn Learning platform was implemented for the second year in a row. This opportunity allows employees to enjoy a self-paced learning experience with access to more than 16,000 online training courses in business, leadership, technology, and design. More than 400 licenses were awarded across the INA Group. During 2023, employees successfully completed 2,258 online education courses.

MENTORING APPLICATION

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

With the aim of encouraging mentoring as an effective and accessible development method, the Mentoring App was created. Mentoring App is an easy-access and user-friendly application that enables the mentor and the mentee to interface outside their network, company and country.

In application, there are 71 mentors registered from INA Group and 131 mentees, while 55 mentoring processes were provided by mentors from INA Group.

FUTURE@INA

The goal of this new one-year talent program is to provide talents with a unique program aimed at their further development and to provide support to managers regarding the management and retention of their talents. It consists of 11 half-day workshops (stress management, time management, decision making and problem solving, strategic thinking, change management, growth mindset…), e-learning materials, mentoring, career counseling, satisfaction and engagement questionnaire for employees, as well as well-being projects. 68 participants from INA Group participated as part of the first generation.

INTERNAL COACHING

Coaching is a development method that helps a person achieve outstanding results in work, career and organization, while also improving their life quality. So far, INA Group external coaching has been used mainly for managers. With 4 internal coaches, and an internal approach, coaching has become accessible to talents who are not currently in managerial positions.

JOB ROTATION/ JOB SHADOWING

To encourage employees to transfer valuable knowledge and experience to colleagues and to enable the realization of full potential within our teams, during 2023, Job Rotation and Job Shadowing concept was defined and implemented. Job Rotation is a temporary rotation of workers between tasks or positions that can be carried out between different companies or organizational units. Job Shadowing provides on-the-job learning by shadowing a colleague throughout the day, and may include observing client meetings, participating in projects, or touring facilities. Detailed guidelines with all the relevant information are available to employees and managers via the internal intranet site.

INA GROUP AVERAGE HOURS OF TRAINING PER EMPLOYEE	2021	2022	2023
TOTAL	10	15	14

AVERAGE HOURS OF TRAINING PER EMPLOYEE	2021	2022	2023
BY GENDER			
INA Group (male)	10	15	14
INA Group (female)	9	17	14
BY BUSINESS SEGMENT INA, d.d.			
Exploration and Production	10	19	11
Refining and Marketing	10	17	13
Consumer Services and Retail	13	14	13
Corporate functions	17	33	27
INA GROUP	11	16	14
BY LEVEL			
Executor	9	11	11
Expert	13	28	23
Manager	8	51	36
Senior expert	19	6	19

Based on data available by 15 January 2024

To jointly manage the realization of the training budget, and to better realize the individual development plans of employees, we deliver to all managers (L2/L3 level) the INA Group quarterly reports (around 70 reports) with all data on education and the budget spent on training.

Talent attraction

Strategic planning, attracting, and employing talents are continuously priority at INA Group companies due to anticipated future business need caused by aging of the top oil and gas experts and labor market challenges.

Attraction and recruitment programs for young graduates have been continuously improving. In 2023, we continued with the Growww program. We received more than 190 applications for 9 Growww positions. Employed Growwwers have started their one-year development journey. In addition to on-the-job learning, they were attending various business and soft skills educations, which took place in the classroom, virtually and via the e-learning platform.

Based on future business needs, we continued our collaboration with universities and vocational schools and participated in different programs and projects to create development opportunities for young people to become quality candidates for our future positions:

- signed collaboration agreements with 4 faculties
- organized meetings with strategic faculties and management boards
- created calendar of collaboration activities based on business needs
- organized 17 site visits
- participated in 7 Career Days at faculties and presented programs and opportunities for young people in INA Group
- organized practice for 142 students + 10 dual high school students in practice + 1 student with disability (blindness) in practice
- organized 10 lectures/presentations/workshops conducted by our colleagues

- supported the national competition in vocational occupations WorldSkills 2023
- participated in 4 project competitions (in IT, logistics, employer branding area)
- started a scholarship program for STEM students (the program includes practice, final thesis support and potential employment after graduation)
- Plavi tim started an IT scholarship program for students - children of INA Group employees (the program includes practice, final thesis support and potential employment after graduation)
- organized the finals of the contest for the best final thesis in vocational schools 2022/2023
- started a new contest for the best final thesis in vocational schools 2023/2024
- continued with 4 scholarships for studying at the Zagreb School of Management for children of our employees from the earthquake-affected area
- created 12 LinkedIn posts on academic collaboration topics
- received a Golden Index for scholarships (awarded by student association eSTUDENT for our special contribution to the student community)
- participated in 2 humanitarian projects by student association and involved employees in collecting items (toys, t-shirts…) to help people and abandoned animals
- provided financial support through donations and sponsorships

To improve Talent attraction process for positions which are challenging to fill, our referral program was implemented in 2018. It allows INA Group employees to recommend external candidates in accordance with the prescribed procedure. When the recommendation is successful, the employee who has recommended a new colleague receives a monetary award for their recommendation in accordance with the prescribed procedure. The program encourages employees to participate in the selection process, and the company has access to external candidates through reliable sources. The program has been successful through the years, especially for operational positions in IMS, STSI and CROSCO.

Employer branding

Employer Branding continues to be a priority for INA Group companies, both in terms of attracting the best candidates and engaging current employees.
In 2023, several Employer Branding initiatives have been implemented at INA Group, some of which have been awarded and recognized at the local, regional and global level. Additionally, INA Group companies' Employer Brand is being aligned to provide clarity and meaningful distinction for candidates and employees alike.
20 awards and various recognitions received by INA Group during 2023 are a testament to the quality of the activities carried out to improve our current and future employees' work experience and job satisfaction. They demonstrate that INA Group companies understand the importance, accept responsibility and remain dedicated to the satisfaction of our employees. Some of the awards and certifications are:

- Employer Partner Certificate
- Above & Beyond
- MAMFORCE
- INC.Q Equal Pay
- TOP 10 Employers in Croatia
- Employer Branding Stars 2023
- Best EB Award Adria

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

Engagement, diversity and inclusion

The employee engagement survey is conducted every two years. In the last survey conducted in 2021, the response rate grew to 88% for INA Group, while for INA, d.d. it amounted to 94%. The research results were communicated, and targeted action plans were executed in 2022 and 2023 in preparation for the new regular survey in January 2024.

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

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

More information about Diversity and Inclusion can be found in chapter *Corporate Governance - Diversity Strategy*.

INA Group's commitment to Diversity and Inclusion is also demonstrated through the creation of the new 2023-2025 Diversity and Inclusion framework and respective policy, as well as the finding of external auditors resulting in recognitions in this important area.

5.6. Communities

"Enhance trust and credibility among stakeholders"

Achievements

- Community support with donations in the total amount of EUR 277,188
- 10 years of INA's Green Belt
- 12 years of INA Volunteers' Club

Challenges

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

5.6.1. Community relations

GRI 2-29, 3-3

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 document Manage Community Relations and Grievances. Local community members (individuals, local leaders, non-profit organizations, municipalities, associations, etc.) are involved in the business activity that affects the nearby communities.

In 2023, INA has allocated EUR 200,000 of donations to various healthcare institutions and associations: Clinical Hospital Center Sestre milosrdnice Zagreb, Clinical Hospital Osijek, Children's Hospital Zagreb/Klaićeva, Special Hospital for Chronic Diseases of Children in Gornja Bistra, Clinical Hospital Center Rijeka, Clinical Hospital Center Split, and General Hospital "Dr. Ivo Pedišić" Sisak, General Hospital Dubrovnik and General Hospital "Dr. Anđelko Višić" Bjelovar.

Grievance management

GRI 2-25

In 2023, at INA, d.d. a procedure "Community engagement and complaints management" entered into force. This document defines the principles and practices of community engagement and the process of identifying and involving stakeholders, as well as a high level of resolution of complaints received from the public, communities and local authorities, in order to achieve an integrated approach to community engagement and complaint management at the Group level.

In 2023, there was a total of 22 recorded grievances; 15 at Exploration and Production locations and 7 in Rijeka Refinery. All of them were resolved immediately (100%). There were no recorded grievances on Sisak location.

In 2023, 13,549 contacts of customers were registered through INA's toll-free phone number 0800 1112, which represents a decrease of 7% compared to 2022 and the total number of 14,533 contacts. The total number also includes notifications from retail outlets about objections to LPG bottles, which are transmitted from the INA toll-free phone for entry into the BON application of Refining and Marketing. Every received complaint about goods/services from INA retail outlets is processed in accordance with the Consumer Protection Act, the Civil Obligations Act and the INA Procedure for resolving customer complaints about the quality of goods and services at the retail outlets within the legal deadlines. All inquiries are answered immediately (contact center availability 24/7). There are no pending objections. The amounts of damages to the customer depend on the type of damage and the justification of the complaint, and in 2023 they were paid based on the customer's claims for compensation of damages and after evaluating the justification of each individual complaint.

In 2023, INA Loyalty Contact Center made 20,964 contacts, of which there were:

- around 9,336 inquiries
- around 1,365 complaints
- 711 technical difficulties
- 9,552 other - operation of retail outlets

Relations with the local 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, youth, healthcare institutions and projects that contribute to the quality of life of the local communities.

In 2023, INA Group supported 21 projects in Exploration and Production areas (eastern Croatia – two projects, northern Croatia - seven projects, central Croatia - four projects, Zagreb - four projects, conferences - four projects) and 56 projects in Refining and Marketing areas (Rijeka Refinery - Primorje-Gorski Kotar County - 25 projects, Sisak Refinery - Sisak-Moslavina County - 23 projects, Logistics - Split-Dalmatia County - five, and conferences and institutions - three).

In Exploration and Production areas, INA Group supported humanitarian associations, important cultural institutions, infrastructure, educational projects and sports clubs. The most relevant projects are Vinkovci Autumn - the largest Slavonian manifestation, Veliko Trojstvo Elementary School winter and summer computer science school, and Picokijada in Đurđevac. In Refining and Marketing areas, INA Group supported hackathon student competition organized by the Sisak Technical School. In Primorje-Gorski Kotar County, INA supported the Municipality of Kostrena projects, Handball Academy RINA, Association of Sport and Recreation Kvarner, Fiumanka regatta and the Croatian National Theatre Ivan pl. Zajc. In Sisak-Moslavina County, INA Group supported the Sports Community of Sisak-Moslavina County to set up an ice rink in Glina, Red Cross Society Sisak, Siscia Jazz Festival, STAR Film Festival, Sisak Tourist Board, and many other projects important for the Sisak-Moslavina County community.

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

Green Belt project

For the 10th consecutive year, INA has published an annual open tender for projects of civil society organizations and public educational institutions relating to the preservation of the environment with the financial support of INA, d.d. and the assistance of INA Volunteers' Club. A total of 170 projects were submitted for the 2023 Green Belt tender, and the expert committee selected the 15 best projects. As part of the Green Belt project, over the past ten years, more than 23,918 plants have been planted on 241,203 m^2 of green fields.

Corporate volunteering

Through volunteering, our employees also strengthen their connection to the society. Our employees personally engage in community development initiatives through hands-on or skill-based volunteering, or by personally contributing to individual projects. In 2023, INA Volunteers' Club organized 25 activities in which 249 volunteers participated contributing 1,992 hours of volunteer work. The Club currently has more than 1,400 members.

The most significant activities in 2023:

- Celebrating the 12th birthday of the volunteers' club
- Gardening and housekeeping works at the Children's Home Laduč (29 Crosco volunteers)
- Afforestation of more than 10,000 m^2 in Grubišno Polje with a drone
- Co2mpensating by Planting – afforestation with 3,000 oak seedlings in Perjasica near Duga Resa (47 INA volunteers)
- restoration of the school fence and yard of the Bakar Primary School (29 INA volunteers)

Awards: Special recognition of the Volunteers' Center Zagreb for the volunteer contribution in the business sector.

Think Green

Think Green is a diving ecological project by the "Roniti se mora" diving club, started in 2011. For twelve years it has been contributing to the reduction of pollution of seas, rivers, and lakes by conducting eco-diving actions in which waste is collected and disposed of. Underwater clean-up actions are organized near the business location of the Rijeka Refinery. Over 20 tons of waste were removed from the undersea of the Adriatic Sea in five environmental actions during 2023.

Kids' Day

In 2023, we have organized Kid's Day at 6 business locations across Croatia. More than 1,000 children of our employees participated at these events, as they spent a day playing and socializing with their parents at work in various activities organized at business locations. We have also given 1,000 flowerpots of "plant to go" honey mix flowers to the children and told an educational story about the importance of taking care of plants and the role of bees in sustaining life on Earth.

Employee Sports Meeting

In May, we held the Employee Sports Meeting in Prelog, which was attended by many colleagues who socialized and participated in various sports and recreational activities.

Christmas presents for children w/o parental care

At the end of the year, for the 9th consecutive year, we organized a Christmas gift-giving action for children without proper parental care entitled *Let's give love*. With the help of INA employees who joined the intiative, as many as 845 children from 11 children's homes across Croatia received the gift they wished for.

Continuous support to SOS Children's Village Croatia

INA, d.d. continues to support SOS Children's Village Croatia through annual donation. The donation will be used to ensure continuity of care for children who have found their home in SOS Children's Villages Ladimirevci and Lekenik through co-financing the salaries of SOS Youth Facilities Leaders in Osijek, Velika Gorica and Zagreb, as well as the procurement of furniture and decoration of the space where children live.

Donation of IT equipment

During 2023, INA donated used IT equipment to 16 schools, kindergartens, associations, and institutions worth more than EUR 22,550.

5.7. Ethics and governance

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

5.7.1. INA Group ethics management

GRI 2-23, 2-24, 2-26, 3-3

INA Group Code of Ethics and ethical values

INA Group Code of Ethics (**CoE**) defines the basic values and principles of conduct of 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 must 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. CoE is available on the company intranet and website, and is translated to languages of countries where INA Group companies operate.

Ethical values of INA Group stipulated by the CoE are:

- abiding by the law
- responsibility
- integrity
- respect for others
- honesty
- fairness
- caring
- reliability
- accountability.

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. To avoid any form of bribery (including indirect bribery), **due diligence** must be performed when selecting and supervising business partners, agents, consultants, contractors, suppliers, joint venture partners, representatives, brokers, distributors, subcontractors, other partners or service providers and in any contemplated merger, acquisition or joint venture deal and deals with other business partners. Providing financial or any other kind of assistance to political parties, politicians and related institutions is not allowed.

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 every stakeholder, 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. Protection of human rights under the CoE includes but is not limited to: right to human dignity, right to life, liberty and security of the person, right to the highest attainable standard of health, right to just and favorable conditions of work, right to fair wages and a decent living, right to an adequate standard of living, right to form and join a trade union and right to collective bargaining, freedom from all forms of forced or compulsory labor, freedom from child labor, freedom from discrimination, freedom of opinion. Ethical principles of INA Group require INA Group companies to ensure that their business operations do not in any manner endanger the rights of indigenous communities and do not use children or forced labor and require the same from their suppliers. The CoE envisages obligations to exercise **human rights due diligence** during business conduct, including but not limited to business development, exploration and production projects, business partner and supplier or contractor selection and public affairs.

As an oil and gas company, INA, d.d. 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. In addition, INA, d.d. adopted the Health, Safety, Environment and Social Impact Policy (available on INA's website: link). Under the subject Policy, INA, d.d. implemented the **precautionary principle** by which it is committed to reducing environmental footprint, protecting natural values and adopting international efforts that target transition to net zero. INA Group companies control health, safety, environment and social risks and minimize impacts of our operations, products and services.

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. INA Group adheres to the rules of **fair competition**, 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 **compliance with international sanctions and trade restrictions**, as well as **anti-money laundering and combating the financing of terrorism**, which contributes to global security, integrity of the financial system and sustainable growth. Under the CoE, **due diligence of business partners** (including the funds, goods and assets that INA Group receives) must be performed in regard to anti-money laundering regulations and international sanctions and trade restrictions. Identifying ownership structure, directors and ultimate beneficial owners of business partners is performed in line with the best business practice, mainly using KYC (**Know Your Customer**) procedures and in **pre-qualification process in procurement** in line with INA Group internal regulations.

We conduct procurement processes in a fair and transparent manner. We undertake **due diligence in evaluating suppliers**, contractors and subcontractors to ensure that they have effective anti-fraud, anti-bribery commitments and policies, anti-money laundering procedures, international sanctions processes, IT security, sustainability and HSE standards and policies.

There are various systems for monitoring compliance with the policy commitments, which are primarily the activities of INA Group Ethics Council; Internal Audit, Corporate Security and Compliance unit also contribute accordingly thereto. 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 Ethics Council and ethics procedure

The task of the **INA Group Ethics Council** (**EC**) is to monitor the implementation of CoE and its application in case of CoE breaches. Permanent members of the EC are high and medium level managers and a workers' representative. The President of the Ethics Council, Luka Pavleković – Director of Legal and Compliance - is responsible for the equity of the procedure. When it comes to procedures related to protection of dignity and protection against discrimination, ad hoc EC members will also participate, i.e. a Trade Union or Works Council representative, in addition to the permanent EC members. Preparatory Council is a core EC team, composed of the president of the EC and two operating directors with main tasks to examine whether a reported case falls within the competence of the EC and to decide whether the information and evidence described in the report constitute grounds for the initiation of ethics procedures.

Operational work of the EC (e.g. ethics report and ethics procedure management, investigation) is assisted by the Local Ethics Officers. Ethics Officer of an INA Group company is an employee appointed by the Management Board of that company. The Ethics Officer of INA, d.d. is present at all meetings of the EC and prepares materials that are discussed at the EC. 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.

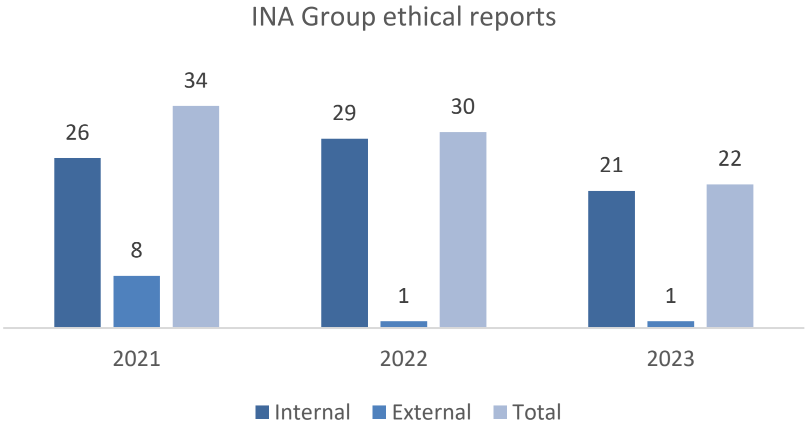
Internal and external stakeholders have a possibility to report ethical misconduct or seek advice in writing (by post, via e-mail or the internet) and through a 24/7 telephone line with an answering machine. Anonymous complaints and questions may be submitted, with ensured confidentiality. When reporting 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 concern, 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 procedure is regulated by a separate document **Rules on Ethical Procedure**, which is published on the intranet.

Ethics procedures

There were three established CoE breaches which were a result of investigations conducted based on reports submitted during 2023, followed by issuance of disciplinary measures (such as written and verbal warnings). Out of all ethics reports in 2023, 46% were related to improper workplace behavior (mutual respect, dignity and courtesy, sexual harassment), 23% were related to unfair labor practices (evaluation/appraisals, unfair favoritism, unfair disciplinary measure/termination, retaliation, promotion/demotions), 27% were related to fraud/corruption (internal fraud/theft, true reporting and integrity of business processes), and 4% were related to irresponsible business practices (improper competitive practices) (please note that under one case there can be more than one reported topic).

The diagram represents an overview of internal and external ethical reports in INA Group in the period from 2021 until 2023. In 2023 there were 21 internal and one external report, i.e. a total of 22 reports.



Education on the INA Group Code of Ethics

INA Group employees in Croatia and abroad are included in training activities (e-learning and presentations for managers) with the aim of raising awareness of the importance of ethical behaviour in business and promoting sustainable development, commitment to responsible business and long term economic development. In 2023 a total of 7,534 INA Group employees in Croatia passed the annual ethics testing. INA Group employees outside the Republic of Croatia are also involved in training activities (e-learning and presentations for managers), with a total of 1,350 INA Group workers outside of the Republic of Croatia who passed the annual ethics testing in 2023.

Testing the understanding of business ethics:

DATA BY EMPLOYEE CATEGORY	NO. OF EMPLOYEES
Total	**7800**
Top management	7
Middle management	35
First-line management	186
Expert	1814
Executor	5758

DATA BY REGION	NO. OF EMPLOYEES
Total	**7800**
Croatia	6450
Bosnia and Herzegovina	857
Montenegro	146
Slovenia	35
Hungary	312

System for reporting irregularities ("whistleblowing system")

Apart from the above-described ethics procedure, INA Group has implemented a **system for reporting irregularities** (the so-called "**whistleblowing system**") and appointed confidential persons and their deputies for INA Group companies, pursuant to the Act on the Protection of Persons Reporting Irregularities. The confidential person is responsible for receiving reports of irregularities referred to in Article 4 of the Act, communication with the reporting person and conducting procedures in connection with reports. The EC is the investigative body for the reports of irregularities. INA Group companies adopted the Regulation on the procedure of internal reporting of irregularities and the appointment of a confidential person (available on INA's website here: link and on the intranet), which regulates the internal irregularity reporting procedure, appointment of a confidential person and his/her deputy, protection of persons reporting irregularities as well as all rights and obligations arising for INA Group companies and the reporter of irregularities under this procedure.

Anti-corruption policies and management

GRI 205-1, 205-2, 205-3

INA Group has set anti-corruption standards as described in INA Group Code of Ethics, and procedures to be followed in case of assumed fraudulent cooperation or unfair market behavior. Anti-corruption topics are incorporated into CoE education which is mandatory for all INA Group employees.

INA Group business partners are expected to conduct business free of any form of corruption and fraud, and we are striving to make the INA Group Code of Ethics a part of every contract. In case of permanent and substantial breach of the Code of Ethics, INA Group will terminate its business cooperation with the business partner concerned.

INA Corporate Security investigates any breach of legal regulation or internal rules based on information received from internal or external sources, or which are assigned to the Corporate Security by Senior Management. Special emphasis is put on fight against corruption and fraud, the breach of conflict of interest rules, rules of tender processes, the usage rules of commercial, financial, personal security, information security, goods distribution, technical operation, use of cashless payment instruments and any other type of acts, which may directly, or indirectly cause damage to, endanger the operation of, or abuse the reputation of INA Group Companies.

INA Group anti-corruption activities are process-driven, irrespective of operations/companies. Following an internal review, possible risk assessments are discussed, and several proposed processes with fraud risk are selected.

During 2023, two different processes were selected to undergo fraud risk assessments: one regarding Maintenance activity in Exploration and Production Business Unit of INA, d.d. and the second regarding the gas condensate transport process in INA, d.d. No corruption-related findings were detected, but the findings showed the need for process adjustments. In December 2023, a **Fraud Awareness Campaign** was launched, including learning materials and a test for all INA Group employees, in which over 50% of all INA Group employees participated by the end of the year. The campaign continued in 2024 for all employees who have not completed the training.

Fraud awareness knowledge test (2023 data):

DATA BY EMPLOYEE CATEGORY	NO. OF EMPLOYEES
Total	**4765**
Top management	3
Middle management	23
First-line management	133
Expert	1260
Executor	3346

DATA BY REGION	NO. OF EMPLOYEES
Total	**4765**
Croatia	3935
Bosnia and Herzegovina	816
Montenegro	14
Slovenia	0
Hungary	0

INA discloses in the internal Data Library the number of internal investigation and ethical reports. During 2023, INA Group carried out a total of 177 security investigations and thus identified 113 cases of misconduct. Most misconducts (51%) were committed throughout the Group's service station network and the main causes of misconduct were loyalty card abuses, invoice and transaction interruption frauds as well as currency exchange abuses. As a result of these misconducts, in some cases, it led to the termination of operational contracts with Retail business partners as well as employment contracts of staff across the Group's service station network. 34% of misconducts were misuses of corporate property, breaches of security rules or fraud at INA Group companies and 15 % of misconducts related to security risks that concerned business partners.

In 2022 Office for the Suppression of Corruption and Organized Crime launched an investigation against two of INA d.d. employees due to suspected corruption. An internal investigation was also conducted to identify the potentially fraudulent activity of the Head of INA Gas & Power department during the gas trade. It was established that, while contracting on the Virtual Gas Trading Platform (VTP) with different companies and fixed prices, a significant financial and opportunity loss was caused for INA due to increase in the price of gas on the market. Official investigation is still ongoing. In connection with this case, preventive and corrective measures were taken by INA. Contracts of five employees were terminated and contracts with three customers and a contract with one supplier were cancelled. INA entrusted an independent auditor to review all relevant business processes.

INA Group does not disclose actions taken in cases of incident of corruption given the confidentiality of the topic.

5.7.2. Compliance

GRI 2-27

In 2023, there were no registered significant instances of non-compliance with laws and regulations in INA Group.

In INA Group there were 81 cases of non-compliances with laws and regulations that occurred in 2023, for which the total value of paid fines in 2023 was EUR 43,004.65.

In INA Group there were 23 cases of non-compliances with laws and regulations that occurred prior to 2023, for which the total value of paid fines in 2023 was EUR 176,157.41.

5.7.3. Customers and suppliers

GRI 2-29, 3-3

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

Product safety

GRI 416-1, 416-2, 417-1, 417-2

INA Group is committed to ensure the compliance of its products, such as fuels and lubricants, with the relevant legislation on chemicals. Some petroleum products could pose potential health, safety, and environmental risks due to their carcinogenic, mutagenic and/or reproductive toxicity (CMR) or Persistent, Bioaccumulative or Toxic properties (PBT, vPvB). New hazard classes such as Endocrine disruptors (ED), PBT, vPvB, Persistent, Mobile or Toxic have been introduced to CLP (EC/1272/2008) regulation via the Delegated Act. To limit those potential risks throughout the life cycle, INA Group products are assessed, and potential hazards associated with them are published through safety data sheets (SDSs) and safe handling information on labels.

During 2023, INA Group has updated approximately 150 SDSs for its products and thus provided the latest safety and health information to the product users. Therewith, INA Group ensured compliance with the most recent regulatory requirements for the SDS preparation and will continue to adhere to regulatory requirements. SDSs for INA Group products are available at the INA website and INA MAZIVA website. Poison Center notifications for INA Group mixtures hazardous for human health and posing physical hazard were updated, respectively.

Respecting the environment and local communities has been an integral part of the way INA Group does business for many years, as set out in the Health, Safety, Environment and Social impact Policy.

INA Group is committed to following the updates of the Candidate List of substances of very high concern and assesses its products accordingly. We regularly check our suppliers of components, feedstocks, and chemicals. All components that are procured must comply with the requirements of the REACH and CLP Regulations and all other applicable legislation. 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 (EC/1272/2008) regulations is to reduce exposure to hazardous chemicals (products) and prevent diseases, injuries, and accidents including environmental accidents.

Waste disposal of INA, d.d. products, in particular fuels, is not applicable since they are consumed during usage. INA MAZIVA has implemented a stable waste management process of its products in line with legislation and good practice.

Following the European Commission's Chemicals Strategy for Sustainability (CSS), and its actions which would result in legislation changes, particularly CLP and REACH revision in the forthcoming years, INA Group actively participated, through respectable associations such as the Croatian Chamber of Economy, CONCAWE/FuelsEurope, CEFIC, and the Croatian Institute of Public Health, Department for Toxicology in positioning and advocacy for priority topics in CLP Revision, towards competent Croatian authorities. INA Group is committed to implementing new requirements derived from CSS and all other regulatory obligations in a timely manner.

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

To further raise awareness on chemicals, INA Group promotes Responsible Care® (RC®) commitment to the safe management of chemicals throughout their life cycle. In 2023, INA, d.d. and INA MAZIVA d.o.o. have continued with reporting according to the RC® indicators.

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

GRI 2-6, 204-1

In 2023, INA Group achieved business cooperation with a total of 1,269 suppliers, of which 1,068 are domestic, which represents 84% of the total number. With foreign suppliers, 11% of total turnover was realized, while 89% of total turnover was related to domestic suppliers.

Sustainable development is considered one of the fundamental principles of INA's business. To contribute to INA Group's Sustainable Development goals, Procurement has defined the key objectives and targets on sustainability and integrated them throughout the entire procurement lifecycles.

Supplier social and environmental assessment

GRI 407-1, 409-1, 414-1, 414-2

INA Group has an integrated system that deals with all supplier-related information, from the qualification phase to the contracting stage. It is obligatory for all new suppliers to be screened using a few environmental and social criteria. The system includes automated assessment of risks associated with suppliers based on legal, ethical, financial, health and safety, as well as environmentally related data and documentation. The Sustainability questionnaire has an inbuilt scoring mechanism to categorize suppliers into 3 risk levels. In 2023, 103 suppliers were considered high risk suppliers based on their feedback. In 2024 the Sustainability risk assessment will be further developed and corrective actions will become reportable.

INA Group Code of Ethics applies to INA Group business partners, including suppliers. Contracts with our suppliers envisage an obligation for them to adhere to the INA Group Code of Ethics.

Procurement organization has also implemented a blacklisting process that seeks to prevent INA Group companies from doing business with persons, businesses, organizations or entities who abuse the supply chain management system by committing a corrupt, fraudulent, unfair or irregular practice or default on any contract, willfully or negligently, or the country/region where they operate became sanctioned under the developed uniform criterion and in a fair process. The blacklisting is based on the Performance Evaluation and on continuous monitoring of watchlists, such as Sanctions lists, Political Exposure lists, Police Orders and Negative news. In 2023 one company has been added to the list, which means that it is not possible to establish a business relationship with this company at a group level.

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

Supplier engagement on climate action

One of the key objectives of INA procurement is to lower the inbound supply chain carbon emission and actively collaborate and engage supply chain actors to take climate action. For this reason, Procurement performed its spend-based Scope 3 emission analysis to identify hotspots in the supply chain. At the group level, 50 suppliers have been selected for direct engagement to work on emission reduction. This year we will move from spend-based to activity-based analysis to increase the quality of data and primary data coverage.

Sustainability training

To ensure continuous improvement and personal development on sustainability, all procurement professionals had to complete the annual Sustainable Procurement training. The training was designed for procurement professionals to understand the current legislation and standards related to Sustainability, understand the key concept of Responsible Procurement and provide practical advice to embed sustainability within the existing procurement practices.

Category management

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

Category Profiling Roundtables are held quarterly for knowledge sharing purposes among the category management teams. They ensure compliance with laws and regulations as well as adherence to and support of international principles for sustainable business conduct. Identifying and mitigating compliance risks in procurement at an early stage is one of the goals of the supplier selection, qualification and auditing processes.

Health, safety, and environment

The focus in 2023 was on the following actions: contractor selection from the HSE point of view, which depends on the risk and complexity of the planned works, definition of key performance indicators for key contractors and their monitoring, revision of the HSE qualification, which was related to updating questionnaire for qualification audit, performing the Walk to Talk supervision on the site by management and receiving feedback from contractors.

48 HSE qualification audits were conducted by our own HSE experts and all contractors have passed the audit.

Like previous years, contractor who achieved the best HSE results was selected for the SMART award. For 2023 selected contractor was STSI.

To perform monitoring over contractors' documentation more easily, we started implementation of Web Corner application in which the contractors themselves record the data regarding their employees, working equipment and other assets that are used when executing works at INA Group locations.

5.8. Additional sustainability data

Restatements of information

GRI 2-4

During the 2022 Rijeka Refinery (RR) ETS verification process, minor miscalculations were noticed which affected total RR emissions and emission intensity for the year 2022. Reported INA Group emissions were aligned with the new calculation, while the reported emission intensity remained the same as before correction.

Restated emission intensity is shown below.

Data modified	2022	2022- restated
Emission intensity Rijeka Refinery (t CO_2 / kt CWT)	**40.60**	**41.97**

Memberships, external initiatives and public policies

GRI 2-28

INA actively complies with the EU decision-making, advocating its opinions and recommendations on draft legislations and policies. This advocacy is executed both directly with EU and national decision-makers and indirectly through engagement with European or national professional associations. As a member of prominent national associations, INA contributes to coordinated industry efforts at the national level, enhancing outcomes and striving to minimize ultimate compliance costs. In the broader context, regulatory consultations occur at two key levels:

1. Branch Association Initiatives: collaborative engagements facilitated through branch associations, such as the Energy Association of Croatian Employers` Association or the Croatian Chamber of Economy.
2. Economic and Social Council (GSV) Committees: participation in committees established by the Government, fostering tripartite dialogue between the Government, Croatian Employers' Association and Trade Unions.

Within GSV committees, INA seizes the opportunity to attend meetings where regulatory bodies unveil new legislative proposals before submission to the Government. The involvement in these committees serves as a systematic approach, allowing INA to monitor regulatory activities comprehensively. Furthermore, it provides a platform to collaborate with relevant stakeholders in terms of content, adoption deadlines, or to advocate for reducing administrative barriers within the industry, all in compliance with the best practices.

Here is a list of associations in which INA participates with a significant role:

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

Economic sustainability data

GRI 201-4

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (EUR MLN)	2021	2022	2023
Realized revenues	2,973.0	4,660.4	3,896.3
Financial assistance received from the Government of Republic of Croatia	-	-	2
Financial assistance received from the European Commission	-	-	0.1
Operating costs	2,820.4	4,280.2	3,640.2
Cash added value (company cash)	349.1	226.6	150.9
Employee wages and benefits	234.3	239.2	255.3
Capital investments	212.1	362.1	311.0
Payments to governments	56.9	108.4	103.6

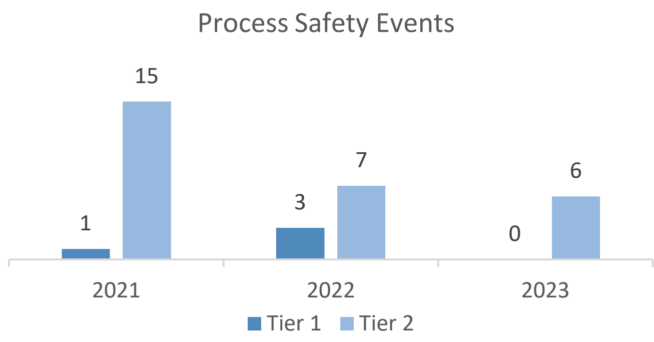
List of legal SD & HSE documents and best practices in INA Group

LEGALLY REQUIRED MANAGEMENT DOCUMENTS
Sustainable Development & Health, Safety and Environment Area Book
HSE Management in INA Group Companies
Occupational Health and Safety System at INA Group Companies
Health Protection and Promotion in INA Group Companies
Personal Protective Equipment at INA Group Companies
Implementation of REACH Regulation at INA Group Companies
Safety data sheet at INA Group Companies
Management of Provision Based Environmental Liabilities at INA Group Companies
Waste Management at INA Group Companies
Management of Greenhouse Gas Emissions and Emission Allowances at INA, d.d.
Rules of procedures, conditions and methods of obtaining safety at work in INA, d.d.
Training program for working in a safe manner in INA, d.d.
INA, d.d. Preparedness Operational Plan in the Event of a Pandemic
Sustainable Development in INA Group
Fire Prevention, Protection and Fire Brigade Management in INA Group Companies
Preparedness and Emergency Response at INA Group Companies

SD & HSE BEST OIL AND GAS PRACTICES
HSE Planning, Target Setting & Reporting at INA Group Companies
Incident Reporting and Investigation System in INA Group Companies
Procedure for Implementing Health, Safety and Environment Audits and Supervisions in INA Group Companies
Risk and Change Management in Health, Safety and Environment Protection in INA Group Companies
Safe operation and work practice in INA Group Companies
Issuing Permits to Work in INA Group Companies
Life Saving Rules at INA Group Companies
Safe Driving Standard at INA Group Companies
Managing the Requirements of Sustainable Development, Health, Safety and Environment in Service Contracting and Procurement Processes at INA Group Companies
Regulation on conditions, priorities and method of sending INA, d.d. workers on medicine programed active vacation and health programed active vacation
SD & HSE Aspects of Design, Construction, Commissioning and Decommissioning of Plants/Facilities in INA Group Companies
Methodology for Selecting Equipment Critical to Process Safety in INA Group Companies
Testing and Inspection of Bunds in INA Group Companies

Process safety events

11.8.3



PSM INCIDENTS	NON-API	TIER 1	TIER 2	TIER 3	Tier 3 DoSS
Exploration and Production	**11**	**0**	**6**	**125**	**6**
Refining	**95**	**0**	**0**	**59**	**21**
Logistics	4	0	2	1	0

Environmental data

GRI 302-1, 302-3, 303-3, 303-4, 303-5, 305-4, 305-7, 306-3, 306-4, 306-5

KEY ENVIRONMENTAL DATA IN INA GROUP	2021	2022	2023
Total Direct GHG emissions (Scope 1) (million tons CO_2 eq)(1)	1.22	1.27	1.20
Total Indirect GHG emissions (Scope 2) - Location-based (million tons CO_2 eq)(2)	0.11	0.08	0.06
Total Indirect GHG (Scope 2) – Market-based (million tons CO_2 eq)(3)	0.13	0.12	0.12
Total Indirect GHG (Scope 3) (million tons CO_2 eq)	11.78	12.01	12.45
Flaring emissions (thousand tons CO_2 equivalent) INA Group	46.08	48.55	40.16
Total fuel consumption(4) (million GJ) INA Group – from non-renewable sources	14.12	12.93	12.75
Total direct energy consumption(5) (million GJ) INA Group	14.12	12.93	12.75
Total indirect energy consumption(6) (million GJ) INA Group	1.22	1.11	0.84
Total energy consumption(7) (million GJ) INA Group	15.34	14.04	13.59
Total electricity sold (million GJ) INA Group)	0.00	0.01	0.01
Energy intensity (total energy consumption (GJ) / production (t)) Rijeka Refinery	4.07	4.00	4.03
Energy intensity (total energy consumption (GJ) / production (tOE)) Exploration and Production	2.91	2.93	2.91
Energy intensity INA, d.d. (total energy consumption (GJ) / revenue (th EUR))	5.17	2.98	3.46

KEY ENVIRONMENTAL DATA IN INA GROUP	2021	2022	2023
Energy intensity INA Group (total energy consumption (GJ) / revenue (th EUR))	5.09	2.98	3.42
Emission intensity Rijeka Refinery (t CO_2 / kt CWT)(8), (9)	38.24	41.97	38.54
Emission intensity INA, d.d. (t CO_2 / th EUR)(9)	0.45	0.29	0.32
Emission intensity INA Group (t CO_2 / EUR)(9)	0.44	0.29	0.32
Sulphur oxides (SOx) (thousand tons) INA Group	0.49	0.85	0.38
Nitrogen oxides (NOx) (thousand tons) INA Group	1.48	1.39	1.25
Total water withdrawal (million m^3) INA Group	27.45	27.54	30.35
Total water discharge (million m^3) INA Group	22.36	22.49	25.20
Total freshwater discharge (million m^3) INA Group	3.77	4.24	4.44
Total non-freshwater discharge (million m^3) INA Group	18.59	18.25	20.75
Total water consumption (million m^3) INA Group(10)	5.09	5.48	5.76
Chemical oxygen consumption (COD) (tons) INA Group	359.83	212.11	148.87
Biological oxygen consumption (BOD_5) (tons) INA Group	91.76	68.50	33.14
Total suspended solids (tons) INA Group	62.39	65.12	44.62
Total petroleum hydrocarbons (tons) INA Group	5.26	4.50	3.59
Total waste generated (thousand tons) INA Group	22.91	15.06	22.84
Waste diverted from disposal = waste prevented (hazardous and non-hazardous) (thousand tons) INA Group	9.50	7.28	9.41
Waste directed to disposal operation (hazardous and non-hazardous) (thousand tons) INA Group	13.42	7.79	13.40
Waste exported (thousand tons) INA Group(11)	0.57	1.46	1.18
Spills > 1m^3 INA Group	4	3	6

(1) Calculation based on CO_2 and CH4 leakages (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 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 use - International Energy Agency "CO_2 Emissions from Fuel Combustion 2022 publication" and AIB 2020 factors combined for electricity use and Defra Decc Conversion factors, Annex 3 Electricity, Heat, Steam for steam and heat.

(3) Source for conversion factor - EU residual mix issued by AIB (for EU operations) - Market based emission factors and Defra Dec Conversion factors, Annex 3 Electricity, Heat, Steam for steam and heat.

(4) Includes natural gas, refinery gas, fuel oil, LPG, gasoline and diesel.

(5) Total direct energy consumption = Total natural gas consumption (as energy source) + Total consumption of other HC energy sources + Total fuel used for corporate vehicles.

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

(7) Total energy consumption = Total direct energy consumption + Total indirect energy consumption

(8) CWT - Complexity Weighted Tone, a benchmark for oil refineries under EU ETS, defining the basis on which free allowances are allocated to refinery between 2021 and 2030 (fourth trading period).

(9) Includes emissions from Scope 1 and Scope 2.

(10) Represent the sum between the total freshwater consumption and the total non-fresh water consumption.

(11) Waste produced on INA Group locations and exported by authorized waste management companies.

Waste composition by waste category

GRI 306-3, 306-4, 306-5

Waste composition by category	Waste generated (t)	Waste diverted from disposal (t)	Waste directed to disposal (t)
01 Wastes resulting from exploration, mining, quarrying, and physical and chemical treatment of minerals	2,400.23	0	2,400.23
02 Wastes from agriculture, horticulture, aquaculture, forestry, hunting and fishing, food preparation and processing	0	0	0
05 Wastes from petroleum refining, natural gas purification and pyrolytic treatment of coal	4,271.47	412.79	3,858.68
06 Wastes from inorganic chemical processes	15.88	0	15.88
07 Wastes from organic chemical processes	70.52	0	70.52
08 Wastes from the manufacture, formulation, supply and use (MFSU) of coatings (paints, varnishes and vitreous enamels), adhesives, sealants and printing inks	2.06	0.86	1.2
09 Wastes from the photographic industry	0	0	0
10 Wastes from thermal processes	18.13	0	18.13
11 Wastes from chemical surface treatment and coating of metals and other materials; non-ferrous hydrometallurgy	58.92	0	58.92
12 Wastes from shaping and physical and mechanical surface treatment of metals and plastics	76.67	34.31	42.36
13 Oil wastes and wastes of liquid fuels (except edible oils, and those in chapters 05, 12 and 19)	777.61	49.9	711.7
14 Waste organic solvents, refrigerants and propellants (except 07 and 08)	76.9	0.2	76.7
15 Waste packaging, absorbents, wiping cloths, filter materials and protective clothing not otherwise specified	691.03	618.05	72.99
16 Wastes not otherwise specified in the list	628.97	550.36	78.6
17 Construction and demolition wastes (including excavated soil from contaminated sites)	11,702.72	7,310.18	4,392.54
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	947.11	9.73	931.28
20 Municipal wastes (household waste and similar commercial, industrial and institutional wastes) including separately collected fractions	1,098.7	427.98	669.86
Total waste	**22,836.9**	**9,414.4**	**13,399.6**

HSE costs and investments

The total amount of INA Group HSE costs in 2023 is higher than in the previous year, which is mainly driven by increased firefighter engagement in E&P turnaround and increased firefighting service prices, increased costs for surface water protection due to phenomenon of leakage of historically accumulated hydrocarbons from Rijeka Refinery's karstic underground. Increased market prices affected the increase of personal protective equipment prices (occupational safety costs), while illegal connection and pipeline rupture caused spills into the environment, which impacted the soil and groundwater protection cost increase.

HSE COST CATEGORIES (EUR THS)	2021	2022	2023
Health protection	788	488	469
Occupational safety, REACH and product safety	2,535	3,334	4,529
Fire protection	12,703	11,593	13,056
Surface waters protection	1,021	1,577	2,955
Hazardous waste treatment	829	1,401	1,851
Non-hazardous waste treatment	398	489	601
Soil and groundwater protection	1,666	2,031	2,982
Air protection	486	324	394
Climate change	9	7	0
Non-material HSE services	430	412	426
Fees and charges	3,205	3,197	2,747
TOTAL	**24,068**	**24,854**	**30,007**

INA Group HSE-related project investments in 2023 were realized in the amount of EUR 8.6 million. Most investments were related to environmental type of projects (EUR 4.3 million) and fire prevention type of projects (EUR 3.1 million).

Out of the total project portfolio, the most intensive 2023 HSE investments per individual project were connected to 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 (EUR 1.4 million) and annual realization of multi-year program of modernization of fire trucks fleet in INA-Vatrogasni servisi d.o.o. (EUR 1.1 million).

Human resources data

GRI 401-1, 401-3, 405-1, 405-2

INA GROUP HUMAN RESOURCES DATA	2020	2021	2022	2023
No. of workers*	9,829	9,655	9,472	9,515
No. of workers with shortened working hours	94	100	88	110
No. of newly employed employees	538	964	1,151	1,304
No. of departed employees	1,192	1,109	1,274	1,265
No. of employees working abroad	40	12	15	14
% of women in total workforce	25.5	26.5	28.0	29.0
% of disabled people in total work force	2.5	2.3	2.2	1.8

*Number of 9,515 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 2023 (total number of employees (9,506).

New hires and employee turnover

	CROATIA	BOSNIA AND HERZEGOVINA	MONTENEGRO	SLOVENIA	HUNGARY	TOTAL
Total number of new employee hires	**1.049**	**212**	**9**	**3**	**31**	**1,304**
age <30	440	128	5	0	4	**577**
age 30-50	524	73	4	3	22	**626**
age >50	85	11	0	0	5	**101**
M	**637**	**122**	**4**	**1**	**29**	**793**
age <30	265	72	3	0	4	**344**
age 30-50	324	40	1	1	20	**386**
age >50	48	10	0	0	5	**63**
F	**412**	**90**	**5**	**2**	**2**	**511**
age <30	175	56	2	0	0	**233**
age 30-50	200	33	3	2	2	**240**
age >50	37	1	0	0	0	**38**

	CROATIA	BOSNIA AND HERZEGOVINA	MONTENEGRO	SLOVENIA	HUNGARY	TOTAL
Total number of employee turnover	**1.020**	**203**	**13**	**4**	**25**	**1,265**
age <30	267	94	3	0	1	**365**
age 30-50	436	77	9	3	6	**531**
age >50	317	32	1	1	18	**369**
M	**674**	**137**	**8**	**2**	**24**	**845**
age <30	160	55	1	0	1	**217**
age 30-50	269	54	6	2	6	**337**
age >50	245	28	1	0	17	**291**
F	**346**	**66**	**5**	**2**	**1**	**420**
age <30	107	39	2	0	0	**148**
age 30-50	167	23	3	1	0	**194**
age >50	72	4	0	1	1	**78**

	CROATIA	BOSNIA AND HERZEGOVINA	MONTENEGRO	SLOVENIA	HUNGARY	TOTAL
Total rate of employee turnover	**13%**	**21%**	**10%**	**11%**	**11%**	**13%**
age <30	26%	47%	12%	-	8%	28%
age 30-50	10%	15%	10%	13%	4%	10%
age >50	12%	11%	6%	9%	21%	12%
M	**12%**	**20%**	**10%**	**9%**	**11%**	**13%**
age <30	26%	48%	6%	-	8%	28%
age 30-50	9%	16%	12%	14%	5%	9%
age >50	12%	11%	11%	-	22%	12%
F	**15%**	**23%**	**9%**	**13%**	**5%**	**15%**
age <30	25%	47%	22%	-	0%	29%
age 30-50	12%	14%	8%	11%	0%	12%
age >50	12%	10%	0%	14%	14%	12%

Parental leave

Number of employees that were entitled to parental leave		**244**
	M	168
	F	76
Number of employees that took parental leave*		**317**
	M	108
	F	209
Number of employees that returned to work after parental leave ended		**166**
	M	81
	F	85
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work		**204**
	M	58
	F	146
Return to work and retention rates of employees that took parental leave		**N/A**
	M	N/A
	F	N/A

*Includes employees who were entitled to parental leave in the previous years, but have taken it in 2023.

Diversity of governance bodies and employees

Diversity of governance bodies	**F** **13%**	**M** **87%**
under age 30 (<30)	0%	0%
between age 30-50 (>=30 - <=50)	0%	100%
over age 50 (>50)	29%	71%

Percentage of employees per employee category	F	M
	28%	**72%**
Top management	25%	75%
Middle management	33%	67%
First-line management	38%	62%
Expert	38%	62%
Executor	25%	75%
Age <30	**38%**	**62%**
Top management	0%	0%
Middle management	0%	0%
First-line management	100%	0%
Expert	45%	55%
Executor	37%	63%
Age 30-50	**29%**	**71%**
Top management	0%	100%
Middle management	33%	67%
First-line management	40%	60%
Expert	40%	60%
Executor	25%	75%
age >50	**22%**	**78%**
Top management	67%	33%
Middle management	33%	67%
First-line management	30%	70%
Expert	34%	66%
Executor	17%	83%

Information on permanent employees by gender and region (country)

GRI 2-7

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

2023	CROATIA	BOSNIA AND HERZEGOVINA	MONTENEGRO	SLOVENIA	HUNGARY	TOTAL
Total number of employees	**8,122**	**985**	**124**	**38**	**237**	**9,506**
M	5,739	698	74	22	215	**6,748**
F	2,383	287	50	16	22	**2,758**
Permanent employees	**7,582**	**707**	**122**	**38**	**237**	**8,686**
M	5,482	542	73	22	215	**6,334**
F	2,100	165	49	16	22	**2,352**
Temporary employees	**540**	**278**	**2**	**0**	**0**	**820**
M	257	156	1	0	0	**414**
F	283	122	1	0	0	**406**
Full-time employees	**7,722**	**916**	**124**	**36**	**217**	**9,015**
M	5,577	657	74	22	201	**6,531**
F	2,145	259	50	14	16	**2,484**
Part-time employees	**59**	**34**	**0**	**2**	**15**	**110**
M	12	20	0	0	9	**41**
F	47	14	0	2	6	**69**

There were no non-guaranteed hours employees in INA Group in 2023.

Information on workers who are not employees

GRI 2-8

In 2023 there were 361 agency workers.

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

At present, INA Group does not keep data on other types of workers who are not employees.

Ratio of basic salary and remuneration

Ratio of the basic salary and remuneration of women to men	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.
Ratio of the basic salary	122%	117%	99%	116%	106%	n/A	93%	109%	91%	-	117%	105%	101%	132%
Top management	114%	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle management	92%	88%	0%	0%	0%	-	-	43%	110%	-	0%	-	0%	-
First-line management	102%	0%	0%	68%	112%	-	-	108%	100%	-	158%	0%	108%	0%
Expert	97%	114%	87%	89%	101%	-	114%	107%	103%	122%	90%	114%	74%	69%
Executor	99%	108%	84%	105%	104%	n/A	93%	118%	104%	100%	106%	114%	95%	144%
Ratio of the remuneration	101%	88%	60%	106%	83%	n/A	87%	100%	74%	-	79%	94%	96%	104%
Top management	97%	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle management	105%	83%	0%	0%	0%	-	-	0%	23%	-	0%	-	0%	-
First-line management	98%	0%	0%	67%	116%	n/A	-	119%	523%	-	45%	0%	110%	0%
Expert	85%	101%	55%	90%	82%	n/A	92%	92%	89%	91%	51%	99%	110%	56%
Executor	86%	68%	52%	90%	80%	-	86%	113%	106%	94%	95%	107%	89%	116%

Other human resources data

GRI 202-2

HUMAN RESOURCES DATA, INA GROUP COMPANIES IN 2023	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	INA Slovenija d.o.o.	Holdina d.o.o.	INA Crna Gora d.o.o.	Energopetrol d.d.	INA VATROGASNI SERVISI d.o.o.
No. of workers*	**2,962**	**629**	**232**	**1,010**	**120**	**4**	**2,709**	**164**	**227**	**38**	**532**	**124**	**453**	**297**
No. of workers with shortened working hours	26	3	15	4	4	0	14	1	5	2	17	0	17	2
No. of newly employed employees	227	34	31	202	8	0	528	9	23	3	122	9	90	18
No. of departed employees	259	22	25	95	22	0	564	32	16	4	116	13	87	10
No. of employees working abroad	14	0	0	0	0	0	0	0	0	0	0	0	0	0
No. of women in total workforce	803	24	22	53	38	2	1,200	55	199	16	196	50	91	9
% of women in managerial positions	40%	14%	0%	33%	14%	100%	0%	50%	78%	5%	35%	0%	50%	0%
% of disabled persons in total work force	2%	1%	2%	1%	3%	0%	1%	1%	1%	8%	5%	0%	7%	1%
No. of unskilled employees	2	1	0	2	0	0	6	0	0	0	0	0	3	0
No. of semi-skilled employees	7	5	18	36	4	0	34	0	0	0	1	0	0	0
No. of primary school degree employees	1	0	2	0	0	0	0	0	0	0	0	2	0	0
No. of skilled employees	56	58	92	48	1	0	51	0	1	12	166	0	188	3
No. of high school degree employees	1,500	438	2	629	57	1	2,449	56	104	15	267	104	234	261
No. of highly skilled employees	150	7	55	82	8	0	14	11	7	0	2	0	2	9
No. of assoc.degr./bacc. employees	227	19	37	74	10	2	108	17	35	3	32	1	16	9
No. of univ. degr. / mag. employees	626	83	19	84	27	1	30	51	54	5	63	10	10	7
No. of MA / univ. spec. employees	307	17	5	53	13	0	16	22	20	3	0	3	0	7
No. of PhD employees	86	1	2	2	0	0	1	7	6	0	1	4	0	1
Under the age of 30	252	30	14	150	9	0	665	12	13	3	121	25	97	58
31-40 years	682	155	61	251	18	0	703	43	50	13	124	42	85	99
41-50 years	825	224	74	283	30	1	811	33	62	11	151	43	124	64
51-60 years	1,093	198	61	277	56	3	478	61	96	11	111	14	123	75

HUMAN RESOURCES DATA, INA GROUP COMPANIES IN 2023	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	INA Slovenija d.o.o.	Holdina d.o.o.	INA Crna Gora d.o.o.	Energopetrol d.d.	INA VATROGASNI SERVISI d.o.o.
Over 61 years	110	22	22	49	7	0	52	15	6	0	25	0	24	1
Percentage of senior management that are hired from the local community**	64%	0%	100%	100%	100%	100%	-	100%	100%	100%	50%	33%	67%	-
% of employees in trade unions	48%	68%	27%	47%	62%	25%	64%	37%	43%	0%	49%	80%	61%	55%
	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M
Number of employees entitled to parental leave	15/66	2/23	0/0	0/26	1/2	0/0	39/38	3/2	5/1	0/0	0/0	4/0	7/0	0/10
Number of employees by gender that took parental leave	52/23	2/8	0/0	2/15	2/1	0/0	116/56	7/1	11/1	1/0	11/0	4/0	2/0	0/3
Number of employees who returned to work after their parental leave ended	26/17	0/6	1/0	2/13	1/1	0/0	34/42	3/0	3/0	1/0	7/0	2/0	5/0	0/2
Number of employees who returned to work after their parental leave ended and who are still employed twelve months after their return to work	42/8	0/4	0/0	2/3	1/0	0/0	83/43	4/0	9/0	0/0	4/0	1/0	0/0	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	75%	50% / 100%	75%	N/A

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

** Directors of INA Maloprodajni servisi and INA Vatrogasni servisi are employees of INA, d.d. and are not considered senior management

5.9. GRI content index

Statement of use	INA Group has reported in accordance with the GRI Standards for the period 1 JAN 2023 – 31 DEC 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	GRI 11: Oil and Gas Sector 2021

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
		GRI 2: General Disclosures 2021				
The organization and its reporting practices						
2-1	Organizational details	**9, 11**				
2-2	Entities included in the organization's sustainability reporting	**11**				
2-3	Reporting period, frequency and contact point	**12**				
2-4	Restatements of information	**159**				
2-5	External assurance	**184-186**				
Activities and workers						
2-6	Activities, value chain and other business relationships	**6, 44-50, 53-59, 61-65**				
2-7	Employees	**170**			**Yes**	
2-8	Workers who are not employees	**170**				
Governance						
2-9	Governance structure and composition	**20-25, 34-36**			**Yes**	
2-10	Nomination and selection of the highest governance body	**34-36**				
2-11	Chair of the highest governance body	**-**	The chair of the highest governance body is not a senior executive in the organization.			
2-12	Role of the highest governance body in overseeing the management of impacts	**34-36**				
2-13	Delegation of responsibility for managing impacts	**37-38**				
2-14	Role of the highest governance body in sustainability reporting	**10**				

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
2-15	Conflicts of interest	**38-40**				
2-16	Communication of critical concerns	**-**	INA does not keep records of the total number or nature of critical concerns that were communicated to the highest governance body.			
2-17	Collective knowledge of the highest governance body	**100**				
2-18	Evaluation of the performance of the highest governance body	**39-40**			**Yes**	
2-19	Remuneration policies	**40**				
2-20	Process to determine remuneration	**40**				
2-21	Annual total compensation ratio	**-**	We are not able to disclose this information due to confidentiality.			
Strategy, policies and practices						
2-22	Statement on sustainable development strategy	**12-13**		**8, 9**		
2-23	Policy commitments	**149-151**		**1, 2, 4, 5, 6, 7, 10**	**Yes**	
2-24	Embedding policy commitments	**149-153**		**1, 2, 4, 5, 6, 10**	**Yes**	
2-25	Processes to remediate negative impacts	**145-146**				
2-26	Mechanisms for seeking advice and raising concerns	**151**			**Yes**	
2-27	Compliance with laws and regulations	**155**			**Yes**	
2-28	Membership associations	**160**				
Stakeholder engagement						
2-29	Approach to stakeholder engagement	**-**	Specified in each of the thematic chapters.			
2-30	Collective bargaining agreements	**-**	All of INA Group employees are covered by collective bargaining agreements.	**3**		
GRI 3: Material Topics 2021						
3-1	Process to determine material topics	**10, 14-16**				
3-2	List of material topics	**14-16**			**Yes**	

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
3-3	Management of material topics	**14-16, 101-109, 113-117, 125-127, 129-130, 149-151, 155-156**				
GRI 201 Economic Performance 2016						
201-2	Financial implications and other risks and opportunities due to climate change	**113-117**				11.2.2
201-4	Financial assistance received from government	**160**				11.21.3
GRI 202 Market presence 2016						
202-2	Proportion of senior management hired from the local community	**173**	Each INA Group company included in this report is considered a 'significant location of operation'.			11.11.2 11.14.3
GRI 204 Procurement Practices 2016						
204-1	Proportion of spending on local suppliers	**156**				11.14.6
GRI 205 Anti-corruption 2016						
205-1	Operations assessed for risks related to corruption	**153-154**		**10**	**Yes**	11.20.2
205-2	Communication and training about anti-corruption policies and procedures	**153-154**		**10**	**Yes**	11.20.3
205-3	Confirmed incidents of corruption and actions taken	**153-154**		**10**	**Yes**	11.20.4
GRI 206: Anti-competitive behavior 2016						
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	**-**	In 2023, there were no confirmed legal actions for anti-competitive behavior, anti-trust, and monopoly practices in INA Group.			11.19.2
GRI 301: Materials 2016						
301-1	Materials used by weight or volume	**129**				
301-2	Recycled input materials used	**129**				
GRI 302: Energy 2016						
302-1	Energy consumption within the organization	**118, 162**		**7, 8**	**Yes**	11.1.2

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
302-2	Energy consumption outside of the organization	**118, 162**		**7, 8**		11.1.3
302-3	Energy intensity	**162**		**8**		11.1.4
302-4	Reduction of energy consumption	**118-119**		**8, 9**		
GRI 303: Water and effluents 2018						
303-1	Interactions with water as a shared resource	**127-128**		**7, 8**		11.6.2
303-2	Management of water discharge-related impacts	**127-128**	INA Group does not have internally developed water quality standards or guidelines.			11.6.3
303-3	Water withdrawal	**128, 163**			**Yes**	11.6.4
303-4	Water discharge	**128, 163**			**Yes**	11.6.5
303-5	Water consumption	**128, 163**			**Yes**	11.6.6
GRI 305: Emissions 2016						
305-1	Direct (Scope 1) GHG emissions	**119-120, 162**		**7,8**	**Yes**	11.1.5
305-2	Energy indirect (Scope 2) GHG emissions	**119-120, 162**		**7,8**	**Yes**	11.1.6
305-3	Other indirect (Scope 3) GHG emissions	**119-120, 162**			**Yes**	11.1.7
305-4	GHG emissions intensity	**162**				11.1.8
305-5	Reduction of GHG emissions	**119-120, 162**		**8**		11.2.3
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	**125, 163**		**7**	**Yes**	11.3.2
GRI 306 Waste 2020						
306-1	Waste generation and significant waste-related impacts	**129-130**				11.5.2
306-2	Management of significant waste-related impacts	**129-130**		**8**		11.5.3
306-3	Waste generated	**130-132, 164**			**Yes**	11.5.4
306-4	Waste diverted from disposal	**130-132, 164**			**Yes**	11.5.5
306-5	Waste directed to disposal	**130-132, 164**			**Yes**	11.5.6
GRI 306 Effluents and Waste 2016						

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
306-3	Significant spills*	**126-127**	*The effluent-related content of the GRI Standard GRI 306: Effluents and Waste 2016 has been superseded by GRI Standard GRI 303: Water and Effluents 2018, and the waste-related content has been superseded by GRI 306: Waste 2020. The spill-related content in GRI 306: Effluents and Waste 2016 remains in effect.		**Yes**	11.8.2
GRI 401: Employment 2016						
401-1	New employee hires and employee turnover	**166-167**		**6**		11.10.2
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	**136-138**	All stated benefits also apply to temporary or part-time employees.			11.10.3
401-3	Parental leave	**168**		**6**		11.10.4 11.11.3
GRI 402: Labor/Management Relations 2016						
402-1	Minimum notice periods regarding operational changes	**-**	1,1 weeks			11.7.2 11.10.5
GRI 403: Occupational health and safety 2018						
403-1	Occupational health and safety management system	**101-103**				11.9.2
403-2	Hazard identification, risk assessment, and incident investigation	**102-103, 104**		**1**	**Yes**	11.9.3
403-3	Occupational health services	**102-103**				11.9.4
403-4	Worker participation, consultation, and communication on occupational health and safety	**102-103**				11.9.5
403-5	Worker training on occupational health and safety	**107-109**			**Yes**	11.9.6
403-6	Promotion of worker health	**103-104**				11.9.7
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	**101-103**			**Yes**	11.9.8

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
403-8	Workers covered by an occupational health and safety management system	**101-103**			**Yes**	11.9.9
403-9	Work-related injuries	**105-107**			**Yes**	11.9.10
403-10	Work-related ill health	-	During 2023, there were no work-related cases of ill health.			11.9.11
GRI 404: Training and Education 2016						
404-1	Average hours of training per year per employee	**141-142**		**6**		11.10.6 11.11.4
404-2	Programs for upgrading employee skills and transition assistance programs	**138-141**		**6**		11.7.3 11.10.7
GRI 405: Diversity and Equal Opportunity 2016						
405-1	Diversity of governance bodies and employees	**168-169**		**6**		11.11.5
405-2	Ratio of basic salary and remuneration	**171**	Each INA Group company included in this report is considered a 'significant location of operation'.			11.11.6
GRI 406 Non-discrimination						
406-1	Incidents of discrimination and corrective actions taken	-	During the reporting period, INA, d.d. did not register any incident of discrimination.	**6**		11.11.7
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 considered to be relatively minor given that most of the Group's activities are performed in European countries.	**3**		11.13.1
GRI 409: Forced or Compulsory Labor 2016						
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	INA Group exposure to the risk of incidents of forced or compulsory labor is considered to be relatively minor given that most of the Group's activities are performed in European countries.	**4**		11.12.2
GRI 410: Security Practices 2016						
410-1	Security personnel trained in human rights policies or procedures	-	All of INA Group security personnel receive a training on Code on Ethics.	**1, 2**		11.18.2
GRI 414: Supplier Social Assessment 2016						

Disclosure No.	Disclosure Title	Page number	Note	UN GC Principle	External assurance	Sector standard ref #
414-1	New suppliers that were screened using social criteria	**156-157**		**1, 2**		11.10.8 11.12.3
414-2	Negative social impacts in the supply chain and actions taken	**156-157**		**1, 2**		11.10.9
GRI 416: Customer Health and Safety 2016						
416-1	Assessment of the health and safety impacts of product and service categories	**155-156**			**Yes**	11.3.3
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	**-**	In 2023, there were no incidents of non-compliance.			
GRI 417: Marketing and labeling 2016						
417-1	Requirements for product and service information and labeling	**155-156**			**Yes**	
417-2	Incidents of non-compliance concerning product and service information and labeling	**-**	In 2023, there were no incidents of non-compliance.			
Additional Sector Disclosures						
11.2 Climate adaptation, resilience, and transition		**159**				11.2.4
11.8 Asset integrity and critical incident management		**162**				11.8.3
11.8 Asset integrity and critical incident management		**-**	Not applicable.			11.8.4
11.20 Anti-corruption		**-**	All concessions issued by the Republic of Croatia are available in the Register of Concessions.	**10**		11.20.5
11.20 Anti-corruption		**9**				11.20.6

Topics in the applicable GRI Sector Standards determined as not material	
TOPIC	**EXPLANATION**
11.4 Biodiversity	Based on conducted materiality assessment this topic is not considered material.
11.7 Closure and rehabilitation	Based on conducted materiality assessment this topic is not considered material.
11.14 Economic impacts	Based on conducted materiality assessment this topic is not considered material.
11.15 Local communities	Based on conducted materiality assessment this topic is not considered material.
11.16 Land and resource rights	Based on conducted materiality assessment this topic is not considered material.
11.17 Rights of indigenous peoples	INA does not have activities in countries with indigenous peoples.
11.21 Payments to governments	Based on conducted materiality assessment this topic is not considered material.
11.22 Public policy	Based on conducted materiality assessment this topic is not considered material.

5.10. Independent reviews

GRI 2-5

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 2023.

This year's INA Group report is the tenth anniversary integrated report that represents the publication of a sublimated overview of financial and material topics of the company's sustainability. The Sustainability Report, as a part of the Integrated Report, meets the legal requirements of the Republic of Croatia, which stipulates the scope, content, and deadlines of the annual report in accordance with the Directive on non-financial reporting, and is based on the Global Reporting Initiative (GRI) Standards. The report follows the GRI Standards, and in some parts of the report it is evident that the company is preparing for the transition to reporting in accordance with ESRS requirements, and an independent audit company was engaged to conduct a limited assurance of the report.

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

The oil and gas sector is in an extremely challenging period of adaptation and compliance with new regulations and laws, from which INA Group recognized a number of transition risks, but also business opportunities. This is how the Key Sustainable Development Objectives and Programs 2021-2025 were defined, with a focus on climate change and the environment, health and safety of people and communities, integrity and transparency. The Policy of Sustainable Development, Health, Safety and Environmental Protection (SD&HSE) was also adopted. In addition to the above, the Management Board has appointed the director of the SD&HSE, the Council and the Working Group for Sustainable Development, which are responsible for the implementation of the policies. A Working Group for waste management was also appointed.

The report describes interesting low-carbon projects in the development of the INA Group's energy transition in the upcoming period. Geothermal energy and power plant construction projects, green hydrogen production at the Rijeka Refinery and biomethane production at the Sisak industrial site stand out. Energy efficiency projects and commissioning of the Virje Solar Power Plant are also important. In addition to these projects, investments are being made in the development of green hydrogen, testing the potential of wind and the potential of carbon capture and storage. With these projects, INA Group contributes to the reduction of greenhouse gas emissions and renewable energy sources, which are crucial for achieving the goals of the European Green Deal Plan as well as the Paris Agreement. The company prepared a very detailed Taxonomy Report even though INA's primary activity is taxonomically unacceptable. This very report shows that the shares of income and investment in alternative energy and transition projects are still insignificant compared to income and investment in the fossil business.

The presentation of the emissions of all three scopes of the company is very detailed, and the efforts to include partners in the value chain is a significant step towards reducing total emissions, which for this company are predominantly in scope 3. What is missing is a clear transition plan for carbon neutrality until 2050, for which we believe that it will be prepared and published in the report next year.

There are many monitored and reported environmental indicators, some of which show an increase in pollution (water withdrawal and waste). We commend the transparency with which impact reporting is approached, but we suggest to described in more detail the causes of these increases, as well as the planned activities aimed at limiting negative trends.

INA Group confirms its commitment to social issues by creating the 2023-2025 Diversity and Inclusion Framework and accompanying action plan, as well as numerous awards and recognitions for responsible work policies, especially through the certificates of the MAMFORCE and DADFORCE standards and INC.Q Equal Pay, which confirm salary transparency, the quality of the corporate culture and the application of the principles of diversity and inclusiveness in the workplace. Numerous programs for employee development, education and benefits provided to workers, thanks to which INA was among the Top 10 employers in Croatia, are also commendable. The diverse and comprehensive benefits available to employees in terms of health, education, work flexibility and more are presented in detail. Data and measures of occupational safety and employee safety, which are at an enviable level, are described in detail.

As we are used to, the INA Group's Sustainability report is extremely high quality and consistently follows the guidelines of the GRI Reporting Standard. We hope that in the coming years, with the transition to reporting according to EU Standards, INA will continue to work on changes in management and the transition of the business model towards sustainability.

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

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

Independent Limited Assurance Report on Indicators Presented in the Sustainability Report of INA Group, as Part of the Annual Report for the year ended 31 December 2023

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 2023 – 31st December 2023** (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"):

GRI Indicator number	GRI Indicator
2-7	Employees
2-9	Governance structure and composition
2-18	Evaluation of the performance of the highest governance body
2-23	Policy commitments
2-24	Embedding policy commitments
2-26	Mechanisms for seeking advice and raising concerns
2-27	Compliance with laws and regulations
3-2	List of material topics
205-1	Operations assessed for risks related to corruption
205-2	Communication and training about anti-corruption policies and procedures
205-3	Confirmed incidents of corruption and actions taken
302-1	Energy consumption within the organization
303-3	Water withdrawal
303-4	Water discharge
303-5	Water consumption
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions
305-3	Other indirect (Scope 3) GHG emissions
305-7	Nitrogen oxides (NO), sulfur oxides (SO), and other significant air emissions
306-3	Significant spills
306-3	Waste generated
306-4	Waste diverted from disposal
306-5	Waste directed to disposal
403-2	Hazard identification, risk assessment, and incident investigation
403-5	Worker training on occupational health and safety
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-8	Workers covered by an occupational health and safety management system
403-9	Work-related injuries
416-1	Assessment of the health and safety impacts of product and service categories
417-1	Requirements for product and service information and labeling

The GRI indicators included in the GRI index presented in the Sustainability Report have been reported in in the manner defined in the Consolidated Set of the GRI Standards, 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.

This version of the auditor`s report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

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 Consolidated Set of the GRI Standards, as issued by Global Reporting Initiative (GRI). This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. The Management Board of the Company is also responsible for the provision of reliable, correct, and fair information, and for the correct preparation of the documentation provided to us.

Our Independence and Quality Management

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

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

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Selected indicators marked in the GRI index presented in the 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 Consolidated Set of the GRI Standards.

The procedures performed under the limited assurance engagement are different in nature and limited in scope both in terms of risk assessment procedures, including an understanding of internal control, and in terms of the procedures performed in response to the risks assessed compared to the reasonable assurance engagement. As a result, the level of assurance obtained through an assurance service providing limited assurance is significantly lower than the level of assurance that could be obtained through an assurance service providing reasonable assurance.

Summary of work performed

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 22 February 2024 – 26 April 2024 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.

We believe that the evidence that we obtained is sufficient and appropriate for us to form our limited assurance conclusion.

Inherent limitations

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

Limited Assurance Conclusion

Based on the work we have done and the procedures we have performed, nothing has come to our attention that causes us to believe that the Selected Indicators in the scope of our work, presented in the Sustainability Report in the GRI index, for the period from 1 January 2023 to 31 December 2023 prepared by INA-INDUSTRIJA NAFTE d.d. have not been prepared, or compiled, in all material respects, in accordance with the GRI Standards issued by the Global Reporting Initiative.

Limitation on the Use of Our Report

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

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

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

Goran Končar
Director and Certified Auditor

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

Deloitte d.o.o.
29 April 2024
Radnička cesta 80
10 000 Zagreb
Republic of Croatia

6. APPENDICES

Glossary of terms and acronyms

TERM/ACRONYM	DEFINITION
1P reserves	Proven reserves
2P reserves	Proven and probable reserves
bcm - mcm	Billion cubic meters - million cubic meters
bln – mln	Billion - Million
CAPEX	Capital expenditures
CBCSD	Croatian Business Council for Sustainable Development
CCS EBITDA/ Profit/(loss) from operations	CCS methodology eliminates from EBITDA/Profit/(loss) from operations inventory holding profit/(loss) (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; furthermore, adjusts EBITDA/Profit/(loss) by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology
CCS	Carbon capture and storage
CEE	Central and Eastern Europe
CEGH	Central European Gas Hub
CEEMEA	Central and Eastern Europe, Middle East and Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CH %	Percentage change
CLP	Classification, labelling and packaging of substances and mixtures
CNB	Croatian National Bank
CSI	Croatian Standards Institute
CSR	Corporate Social Responsibility
d.d.	PLC (Public Limited Company)
d.o.o.	LLC (Limited Liability Company)
DS	Downstream/Refining and Marketing
D&I	Diversity and inclusion
Earnings per share	Earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period
EB	Employee Brand
EBITDA	Earnings before interest, tax, depreciation and amortization EBIT + Depreciation, amortization and impairment (net)
EIP	Efficiency Improvement Program
EOR	Enhanced Oil Recovery
ESP	Electric Submersible Pump
EU	European Union
EU ETS	European Union Emission Trading System
EURIBOR	Europe Interbank Offered Rate
G&Gs	Geological and Geophysical
GDR	Global depositary receipts
Gearing ratio	Net debt/Net debt + equity including non-controlling interest
GHG	Greenhouse gases
GJ	Giga Joules
GRI	Global Reporting Initiative
HAZOP	Hazard and Operability Study
HR	Human Resources
HSE	Health, Safety and Environment

HUNIG	Croatian Association of Petroleum Engineers and Geologists
IFRS	International Financial Reporting Standards, formerly International Accounting Standards (IAS)
IMO	International Maritime Organization
IPM	Integrated Production Model
LIBOR	London Interbank Offered Rate
LNG	Liquefied natural gas
MBA	Master of Business Administration
Mboe/d	Thousand barrels of oil equivalent per day
MMboe - Mboe	Million Barrels of Oil Equivalent - Thousands of Barrels of Oil Equivalent
Mt – kt - t	Million tons – kiloton - ton
MTBF	Mean time between failure
Mtpa	Million tons per annum
NCI	Nelson Complexity Index
OHS	Occupational Health and Safety
OPEC	Organization of the Petroleum Exporting Countries
OTIF	On-time in-full
P&ID	Piping and Instrumentation Diagram
PPE	Personal Protective Equipment
PSAs	Production sharing agreement
PSM	Process Safety Management
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
Retail locations	Service stations and other retail locations (auto bar/ restaurants, carwash, shop, Heating Oil sales point, LPG sales point)
R&M	Downstream/Refining and Marketing
SD	Sustainable Development
SD & HSE	Sustainable Development and Health, Safety and Environment
SDG	Sustainable Development Goals
SDS	Safety data sheet
Simplified free cash flow	CCS EBITDA excluding special items – Capital expenditures
TCFD	Task Force on Climate-related Financial Disclosures
TIER	Process Safety Events (Tier 1 higher consequence, Tier 2 lower consequence)
TRIR	Total Recordable Injury Rate
TTF	Title Transfer Facility
TU	Trade Union
UK	United Kingdom
UNGC	United Nations Global Compact
WC	Works Council

Report on Payments to Government for the year ended 31 December 2023

1. INTRODUCTIONS

INA – INDUSTRIJA NAFTE, d.d. has prepared the present Report on Payments to Government in accordance with Accounting Act (Official Gazette 78/15,134/15,120/16,116/18,42/20,47/20,114/22) compliance with Chapter 10 of DIRECTIVE 2013/34/EU (26 June 2013) on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings and DIRECTIVE 2014/95/EU (22 October 2014).

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

2. REPORTING PRINCIPLES

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

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

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

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

2. REPORTING PRINCIPLES (CONTINUED)

In-kind payments

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

Cash basis

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

Reporting currency

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

3. DEFINITIONS

Payment Types

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

The payment types included in this Report

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

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

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

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

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

License and other fees: license fees, rental fees, entry fees and other fees for licenses and/or concessions that are paid for access to the area where the extractive activities will be conducted. Administrative government fees

3. DEFINITIONS (CONTINUED)

Payment Types (continued)

that are not specifically related to the extractive sector, or to access to extractive resources, are excluded. Also excluded are payments made in return for services provided by a government.

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

Government

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

Project

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

4. SUMMARY REPORT

The table below shows the relevant payments to governments made by INA Group and INA, d.d. in the year ended 31 December 2023 shown by country and payment type.

In the summary report all amounts are stated in thousands EUR.

Summary by countries:

Payments by countries	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery, and Production Bonuses	License and other fees	Infrastructure improvements	TOTAL
Croatia	-	-	60,592	-	537	1,308	-	**62,437**
Egypt	40,076	-	-	-	959	86	-	**41,121**
TOTAL	**40,076**	**-**	**60,592**	**-**	**1,496**	**1,394**	**-**	**103,558**

5. PAYMENTS TO GOVERNMENT BY COUNTRIES

Croatia

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery, and Production Bonuses	License and other fees	Infrastructure improvements	TOTAL
Ministry of Finance	-	-	10,137	-	-	-	-	**10,137**
Local municipality*	-	-	50,455	-	222	1,308	-	**51,985**
Croatian Hydrocarbon Agency	-	-	-	-	315	-	-	**315**
TOTAL	**-**	**-**	**60,592**	**-**	**537**	**1,308**	**-**	**62,437**

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

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery, and Production Bonuses	License and other fees	Infrastructure improvements	TOTAL
Croatia onshore	-	-	50,455	-	-	1,151	-	**51,606**
Croatia offshore	-	-	10,137	-	-	157	-	**10,294**
DRAVA-02 DRAVA-03 SZH-01** DINARIDI-14	-	-	-	-	504	-	-	**504**
Other	-	-	-	-	33	-	-	**33**
TOTAL	**-**	**-**	**60,592**	**-**	**537**	**1,308**	**-**	**62,437**

***Northwest Croatia*

5. PAYMENTS TO GOVERNMENT BY COUNTRIES (CONTINUED)

Egypt

Payments by governments	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery, and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
EGPC	39,899	-	-	-	54	18	-	**39,971**
EGAS	177	-	-	-	905	68	-	**1,150**
TOTAL	**40,076**	**-**	**-**	**-**	**959**	**86**	**-**	**41,121**

Payments by projects	Production entitlements	Taxes	Royalties	Dividends	Signature, Discovery, and Production Bonuses	Licence and other fees	Infrastructure improvements	TOTAL
EGYPT/ North Bahariya	37,269	-	-	-	-	-	-	**37,269**
EGYPT/ West Abu Gharadig	1,376	-	-	-	-	-	-	**1,376**
EGYPT/ Ras Qattara	1,254	-	-	-	-	-	-	**1,254**
EGYPT/ East Damanhour	177	-	-	-	54	18	-	**249**
EGYPT/ East Bir El Nus	-	-	-	-	905	68	-	**973**
TOTAL	**40,076**	**-**	**-**	**-**	**959**	**86**	**-**	**41,121**

6. CONTACT INFORMATION

INA - INDUSTRIJA NAFTE, d.d. Zagreb

Avenija Većeslava Holjevca 10

Zagreb

Information for shareholders

Corporate address

INA - INDUSTRIJA NAFTE, d.d.
Avenija Većeslava Holjevca 10
10 020 Zagreb
Phone: 0800 1112
Web: www.ina.hr

Controlling

Avenija Većeslava Holjevca 10
10 020 Zagreb
Phone: +385 1 459 2718
Fax: + 385 1 645 2444
E-mail: investitori@ina.hr

Sustainable Development and Health, Safety and Environment

Avenija Većeslava Holjevca 10
10 020 Zagreb
E-mail: Odrzivi_Razvoj@ina.hr

Corporate Communications and Marketing

Avenija Većeslava Holjevca 10
10 020 Zagreb
Phone: +385 1 6450 552
Fax: +385 1 6452 406
E-mail: PR@ina.hr

Central Depository and Clearing Company Inc.

Heinzelova 62a
10 000 Zagreb
Phone: +385 1 4607 300
Web: www.skdd.hr

Zagreb Stock Exchange

Ivana Lučića 2a
10 000 Zagreb
Phone: +385 1 4686 800
Web: www.zse.hr

Announcements

The company publishes its announcements on INA's website: www.ina.hr, at Zagreb Stock Exchange's website: http://www.zse.hr and on Croatian News Agency's website: http://www.hina.hr

7. FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

INA GROUP and

INA-INDUSTRIJA NAFTE, d.d.

Consolidated and separate

financial statements for the year ended

31 December 2023

together with the Independent Auditor's Report

Content

Responsibility for the Financial statements

Pursuant to the Croatian Accounting Act, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), which give a true and fair view of the financial position and operating results of INA-INDUSTRIJA NAFTE, d.d. (˝the Company˝) and the Company and its subsidiaries (˝the Group˝) for each reported year.

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

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

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

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

Signed on behalf of the Group and the Company:

Zsuzsanna Éva Ortutay, **President of the Management Board of INA, d.d.**

Zsombor Ádám Marton, Member of the Management Board

Krisztián Pulay, Member of the Management Board

Hrvoje Šimović, Member of the Management Board

Marin Zovko, Member of the Management Board

Miroslav Skalicki, Member of the Management Board

43
INA INDUSTRIJA NAFTE, d.d. Av. V. Holjevca 10, Zagreb

INA-INDUSTRIJA NAFTE, d.d.
Reg. No.: 03586243
Company ID No.: 27759560625
Avenija Većeslava Holjevca 10
10000 Zagreb
Republic of Croatia
14 March 2024

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of INA-INDUSTRIJA NAFTE, d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of INA-INDUSTRIJA NAFTE, d.d. (the Company) and consolidated financial statements of the INA-INDUSTRIJA NAFTE, d.d. and its subsidiaries (the Group) which comprise the separate and the consolidated statement of financial position as at 31 December 2023, the separate and the consolidated statement of profit or loss, the separate and the consolidated statement of other comprehensive income, the separate and the consolidated statement of changes in equity and the separate and the consolidated statement of cash flows for the year then ended, and notes to the separate and the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with 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 the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This version of the auditor`s report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Valuation of non-current assets

For the accounting framework refer to Significant accounting policies, Note 2 – Significant Accounting Policies, and *Note 3 – Significant Accounting Judgements and Estimates. For the additional information regarding identified key audit matter, refer to Note 14 – Intangible assets* and *Note 15 – Property Plant and Equipment* to the financial statements.

Description of the key audit matter	How we addressed the key audit matter
The Company and the Group operate extensive Exploration and Production and Refining and Marketing operations, controlling substantial non-current assets in the amount of EUR 2,376 million and EUR 2,260 million as of 31 December 2023 respectively. These assets are essential to the Company and Group's operations as they are used for exploration, production, refining, and retail operations. The assessment of recoverability of these assets holds significant importance for the management and other stakeholders due to its direct impact on the Company's and Group's financial position and performance, presenting significant risks if recoverable value of such is not adequately assessed and carrying amount not appropriately presented within the financial statements. The inherent risks associated with the assessment of recoverability and determining whether potential impairment and adjustment of the assets' carrying amount to their recoverable amount is required, depend on various internal and external factors, such as: • Changes in macroeconomic conditions and regulatory requirements, • Technological advancements and monitoring of assets' performance and useful life, • Change in commodity prices and estimation of future price trends of crude oil and natural gas, • Estimation of extraction quantities of oil and gas reserves, • Estimation of future production units, related flows of operating income and expense, emission costs and petrochemical and retail margins, all associated with Exploration and Production and Refining and Marketing operations. Considering the inherent complexities involved in assessing the recoverability of non-current assets within the Company and Group's Exploration and Production and Refining and Marketing operations, alongside the significant management judgment and the significance of internal and external factors impacting the valuation process, we consider valuation of non-current assets to be a Key Audit Matter for our audit.	To address the risks associated with the valuation of non-current assets, identified as the key audit matter, we designed audit procedures that enabled us to obtain sufficient appropriate audit evidence for our conclusion on that matter. We performed the following audit procedures with respect to the noted key audit matter: • Obtaining understanding of the control environment and internal controls implemented by the Management within the business process of valuation of the non-current assets, • Evaluating design and inspecting implementation of identified internal controls relevant to the business process of valuation of the non-current assets, • Reviewing and evaluating the methodology and management assumptions used in the impairment model, utilizing expert knowledge in assessing appropriateness of management judgement, • Inspecting the integrity, arithmetical and mathematical accuracy of impairment model, • Assessing the assumptions and inputs used in impairment testing model and corroborating it with obtained internal and external data, • Reviewing the estimated quantities of oil and gas reserves and comparing it to the independent regulators report and certified specialists' report, • Reviewing of oil and gas reserves movement and inspecting that all changes have been approved by the Resources and Reserves Committee, • Performing retrospective analysis of production plans and estimated production units, • Reviewing and evaluating the appropriateness of related disclosures in accordance with the IFRS.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Measurement of provisions for decommissioning charges</th></tr>
<tr><td colspan="2">For the accounting framework refer to Significant accounting policies, Note 2 – Significant Accounting Policies, and Note 3 – Significant Accounting Judgements and Estimates. For the additional information regarding identified key audit matter, refer to Note 33 – Provisions to the financial statements.</td></tr>
<tr><th>Description of the key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td>In its financial statements, the Company and the Group recorded EUR 346 million and EUR 323 million of provisions for decommissioning charges.

Decommissioning charges comprise the liabilities and future costs associated with dismantling and removal, asset retirement and site restoration once exploration and production activities reach their end. Estimating such charges is influenced by various internal and external factors that management considers.

Technical considerations, such as the type, size, condition of producing assets and technological advancements, coupled with evolving regulatory framework contribute to the complexity of management estimates of decommissioning charges.

Furthermore, management's estimation of provisions for decommissioning charges also relies heavily on economic assumptions, such as discount rates, inflation rates, and future commodity prices. Fluctuations in these assumptions, driven by market conditions and economic forecasts, can significantly impact the measurement of decommissioning provisions.

Given the long-term nature and significance of these obligations, the complexities and significance of management's judgements inherent in the process of estimating provisions for decommissioning charges and their potential impact on the Company and Group's financial statements, we also consider measurement of provisions for decommissioning charges to be a Key Audit Matter for our audit.</td><td>To address the risks associated with measurement of provisions for decommissioning charges, identified as the key audit matter, we designed audit procedures that enabled us to obtain sufficient appropriate audit evidence for our conclusion on that matter.

We performed the following audit procedures with respect to the noted key audit matter:
Obtaining understanding of the control environment and internal controls implemented by the Management within the business process of measurement of provisions for decommissioning charges,
Evaluating design and inspecting implementation of identified internal controls relevant to the business process of measurement of provisions for decommissioning charges.
Reviewing and evaluating the methodology and management assumptions used in the estimation process,
Inspecting the integrity, arithmetical and mathematical accuracy of the decommissioning charges calculation,
Testing of inputs used in the decommissioning charges calculation against underlying documentation and sources of data, utilizing expert knowledge to assess appropriateness of significant inputs,
Reviewing and evaluating the appropriateness of related disclosures in accordance with the IFRS.</td></tr>
</table>

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Matter

The financial statements of the Company and the Group for the year ended 31 December 2022. were audited by another auditor, which expressed an unmodified opinion on the financial statements on 16 March 2023.

Other Information

Management is responsible for the other information. The other information comprises the Management Report, Corporate Governance Statement, Non–financial Report and Report on Payments to the Public Sector included in the Annual report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the separate and the consolidated financial statements does not cover the other information.

In connection with our audit of the separate and the 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 the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With regard to the Management Report of the Company and the Group, Corporate Governance Statement, the Non-Financial Report, and the Report on Payments to the Public Sector included in the Annual Report, we have performed procedures as prescribed by the Accounting Act. These procedures include verifying whether the Management Report includes the necessary disclosures referred to in Articles 21 and 24 of the Accounting Act, whether the Corporate Governance Statement contains the information specified in Articles 22 and 24 of the Accounting Act, whether the Non-Financial Report is prepared in accordance with Articles 21.a and 24.a of the Accounting Act, and whether the Report on Payments to the Public Sector is prepared in accordance with Articles 27 and 28 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we were able to assess, we report the following:

1. The information included in the other information is, in all material respects, consistent with the accompanying unconsolidated and consolidated financial statements.
2. The management report has been prepared, in all material respects, in accordance with Articles 21 and 24 of the Accounting Act.
3. Corporate governance statement has been prepared, in all material respects, in accordance with Article 22 and Article 24 of the Accounting Act.
4. The non-financial report has been prepared, in all material respects, in accordance with Articles 21.a and 24.a of the Accounting Act.
5. The report on payments to the public sector has been prepared, in all material respects, in accordance with Articles 27 and 28 of the Accounting Act.

Based on our knowledge and understanding of the Company's and Group's operations and their environment acquired within the scope of the audit of the unconsolidated and consolidated financial statements, we have not identified any material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and the consolidated financial statements in accordance with IFRSs 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 the 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 or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and the 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 the 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 controls.
- 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 the 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 the consolidated financial statements, including the disclosures, and whether the separate and the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and the 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF)

Auditor's reasonable assurance report on the compliance of separate and consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format ("ESEF Regulation"). We conducted a reasonable assurance engagement on whether the financial statements of the Company the Group for the financial year ended 31 December 2023 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file 213800RUSOIJPJD19H13-2023-12-31-en.zip , have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

Management is responsible for the preparation and content of the financial statements in line with the ESEF Regulation.

In addition, Management is responsible for maintaining the internal controls system that reasonably ensures the preparation of financial statements without material differences with the reporting requirements from the ESEF Regulation, whether due to fraud or error.

Furthermore, Company Management is responsible for the following:

- public reporting of financial statements presented in valid XHTML format
- selection and use of XBRL markups in line with the requirements of the ESEF Regulation.

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

Auditor's Responsibilities

It is our responsibility to carry out a reasonable assurance engagement and, based on the audit evidence obtained, give our conclusion on whether the financial statements have been prepared without material differences with the requirements from the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality management

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the *International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (ISQM 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF) (continued)

Procedures performed

As part of the selected procedures, we have conducted the following activities:

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of internal controls of the Company and the Group, relevant for the application of the ESEF Regulation requirements;
- We have identified and assessed the risks of material differences with the ESEF Regulation due to fraud or error;
- We have devised and designed procedures for responding to estimated risks and obtaining reasonable assurance in order to give our conclusion.

Our procedures focused on assessing whether:

- Financial statements included in the separate and the consolidated report have been prepared in valid XHTML format;
- Data included in the separate and the consolidated financial statements required by the ESEF Regulation have been marked up and meet all of the following requirements:
  - XBRL has been used for markups.
  - Core taxonomy elements stipulated in the ESEF Regulation with the closest accounting meaning were used unless an extension taxonomy element was created in line with the Annex IV of the ESEF Regulation;
  - Markups comply with the common rules on markups in line with the ESEF Regulation.

We believe the evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company and the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2023.

In addition to this conclusion, as well as the audit opinion contained in this Independent Auditor's Report for the accompanying financial statements for the year ended 31 December 2023, we do not express any opinion on the information contained in these documents or other information contained in the above-mentioned file.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company and the Group by the shareholders on General Shareholders' Meeting held on 15 June 2023 to perform audit of accompanying separate and consolidated financial statements. Our total uninterrupted engagement has lasted 1 year and covers period 1 January 2023 to 31 December 2023.

We confirm that:

- our audit opinion on the accompanying separate and consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Company on 14 March 2024 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Goran Končar.

Goran Končar
Director and certified auditor

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

Deloitte d.o.o.

14 March 2024, except for the section "Other Information," for which the date of our opinion is April 29, 2024.

Radnička cesta 80,

10 000 Zagreb,

Croatia

INA Group Consolidated statement of profit or loss

For the year ended 31 December 2023

(all amounts are presented in EUR thousands)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Revenue from contracts with customers	4	3,896,295	4,660,406
Other operating income	5	74,259	48,459
Total operating income		**3,970,554**	**4,708,865**
Changes in inventories of finished products and work in progress		(20,401)	59,100
Cost of raw materials, consumables and energy		(1,291,204)	(1,731,773)
Depreciation, amortisation and impairment	6	(192,604)	(244,005)
Other material costs	7	(220,582)	(292,494)
Service costs		(74,045)	(72,886)
Staff costs	8	(255,253)	(239,235)
Cost of goods sold		(1,584,784)	(1,749,427)
Impairment charges (net)	9	(14,800)	(18,237)
Provision for charges and risks (net)	10	(44,447)	(47,489)
Capitalised value of own performance		57,970	56,300
Total operating expenses		**(3,640,150)**	**(4,280,146)**
Profit from operations		**330,404**	**428,719**
Finance income	11	21,361	33,285
Finance costs	11	(53,308)	(49,763)
Net loss from financial activities		**(31,947)**	**(16,478)**
Share in profit/(loss) in associated companies accounted for using the equity method	19	**6,694**	**(3,633)**
Profit before tax		**305,151**	**408,608**
Income tax expense	12	(54,860)	(156,176)
Profit for the year		**250,291**	**252,432**
Attributable to:			
Owners of the Company		250,012	251,481
Non-controlling interest	39	279	951
		250,291	**252,432**
Earnings per share			
Basic and diluted earnings per share (EUR per share)	13	25.00	25.15

The accompanying notes form an integral part of this consolidated statement of profit and loss.

INA Group Consolidated statement of other comprehensive income

For the year ended 31 December 2023

(all amounts are presented in EUR thousands)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Profit for the year		**250,291**	**252,432**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	38	-	640
Gain on non-current financial assets	37	15,619	10,348
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	38	(7,596)	6,502
Gain/(loss) from marketable securities	37	262	(430)
Other comprehensive gain, net of income tax		**8,285**	**17,060**
Total comprehensive income for the year		**258,576**	**269,492**
Attributable to:			
Owners of the Company		258,297	268,541
Non-controlling interests		279	951
		258,576	**269,492**

The accompanying notes form an integral part of this consolidated statement of other comprehensive income.

INA, d.d. Separate statement of profit or loss

For the year ended 31 December 2023

(all amounts are presented in EUR thousands)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Revenue from contracts with customers	4	3,762,902	4,558,917
Other operating income	5	67,725	44,612
Total operating income		**3,830,627**	**4,603,529**
Changes in inventories of finished products and work in progress		(11,507)	51,813
Cost of raw materials, consumables and energy		(1,276,421)	(1,854,028)
Depreciation, amortisation and impairment	6	(191,421)	(242,409)
Other material costs	7	(254,379)	(318,217)
Service costs		(124,175)	(109,633)
Staff costs	8	(109,184)	(110,039)
Cost of goods sold		(1,519,986)	(1,552,095)
Impairment charges (net)	9	(12,745)	(13,173)
Provision for charges and risks (net)	10	(43,160)	(55,590)
Capitalised value of own performance		6,413	7,510
Total operating expenses		**(3,536,565)**	**(4,195,861)**
Profit from operations		**294,062**	**407,668**
Finance income	11	33,215	42,293
Finance costs	11	(62,346)	(46,957)
Net loss from financial activities		**(29,131)**	**(4,664)**
Share of loss of joint ventures accounted for using the equity method	19	**-**	**(5,100)**
Profit before tax		**264,931**	**397,904**
Income tax expense	12	(40,917)	(154,144)
Profit for the year		**224,014**	**243,760**

The accompanying notes form an integral part of this separate statement of profit or loss.

INA, d.d. Separate statement of other comprehensive income

For the year ended 31 December 2023

(all amounts are presented in EUR thousands)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Profit for the year		**224,014**	**243,760**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	38	(96)	308
Gain on non-current financial assets	37	15,619	10,348
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	38	(8,201)	491
Gain/(loss) from marketable securities	37	262	(430)
Other comprehensive gain, net of income tax		**7,584**	**10,717**
Total comprehensive income for the year		**231,598**	**254,477**

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

INA Group Consolidated statement of financial position

For the year ended 31 December 2023

(all amounts are presented in EUR thousands)

ASSETS	Note	31 December 2023	31 December 2022
Non-current assets			
Intangible assets and goodwill	14	69,895	66,181
Property, plant and equipment	15	1,674,271	1,597,733
Investment property	17	23,156	18,071
Right-of-use assets	32	47,821	40,190
Investments in associates and joint ventures	19	129,317	3,692
Other investments		887	887
Other non-current financial assets	20	73,984	85,491
Deferred tax assets	12	112,354	129,716
Long-term marketable securities	27	2,492	2,342
Non-current financial assets	22	98,650	110,556
Other non-current assets	21	27,559	25,579
Total non–current assets		**2,260,386**	**2,080,438**
Current assets			
Inventories	23	345,371	398,012
Trade receivables (net)	24	319,226	363,483
Other current financial assets	25	18,425	9,831
Corporate income tax receivables		2,797	1,404
Other current assets	26	34,046	27,919
Derivative financial instruments	35	9,918	42
Marketable securities	27	-	16,157
Cash and cash equivalents	28	150,860	226,568
		880,643	**1,043,416**
Non-current assets held for sale	16	860	45,210
Total current assets		**881,503**	**1,088,626**
TOTAL ASSETS		**3,141,889**	**3,169,064**

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

INA Group Consolidated statement of financial position (continued)

At 31 December 2023

(all amounts are presented in EUR thousands)

EQUITY AND LIABILITIES	**Note**	**31 December 2023**	**31 December 2022**
Capital and reserves			
Share capital	36	1,200,000	1,194,505
Legal reserves		39,921	33,228
Fair value reserves	37	73,893	58,012
Other reserves	38	207,479	214,409
Retained earnings		118,140	80,982
Equity attributable to owners of the Company		**1,639,433**	**1,581,136**
Non-controlling interest	39	3,198	2,919
TOTAL EQUITY		**1,642,631**	**1,584,055**
Non–current liabilities			
Long-term debt	31	264,105	263,670
Long-term lease liabilities	32	35,671	30,557
Other non-current liabilities		2,660	3,215
Employee benefit obligation	34	6,903	5,948
Provisions	33	412,732	466,350
Deferred tax liabilities	12	2,343	2,261
Total non–current liabilities		**724,414**	**772,001**
Current liabilities			
Bank loans and current portion of long-term debt	29, 31	102,447	69,688
Current portion of long-term lease liabilities	32	13,271	10,644
Other current financial liabilities		2,447	1,014
Trade payables	30	324,417	329,642
Taxes and contributions	30	184,369	101,177
Income tax payables		31,684	160,127
Other current liabilities	30	51,525	65,558
Derivative financial instruments	35	12,058	1,976
Employee benefit obligation	34	536	892
Provisions	33	52,090	66,889
Total current liabilities		**774,844**	**807,607**
Liabilities of disposal group classified as held for sale		-	5,401
Total liabilities		**1,499,258**	**1,585,009**
TOTAL EQUITY AND LIABILITIES		**3,141,889**	**3,169,064**

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

(all amounts are presented in EUR thousands)

ASSETS	Note	31 December 2023	31 December 2022
Non-current assets			
Intangible assets	14	65,111	61,446
Property, plant and equipment	15	1,504,562	1,434,531
Investment property	17	13,696	9,741
Right-of-use assets	32	56,515	51,514
Investment in subsidiaries	18	238,091	242,652
Investments in associates and joint ventures	19	121,156	2,332
Other investments		619	619
Other non-current financial assets	20	145,242	190,576
Deferred tax assets	12	103,079	110,284
Long-term marketable securities	27	2,492	2,322
Non-current financial assets	22	98,650	110,556
Other non-current assets	21	27,339	26,715
Total non–current assets		**2,376,552**	**2,243,288**
Current assets			
Inventories	23	319,447	357,337
Intercompany receivables	40	25,711	39,984
Trade receivables (net)	24	284,440	323,488
Other current financial assets	25	25,566	12,124
Corporate income tax receivables		2,176	1
Other current assets	26	24,984	17,135
Derivative financial instruments	35	9,918	42
Marketable securities	27	-	16,157
Cash and cash equivalents	28	139,840	217,648
		832,082	**983,916**
Non-current assets held for sale	16	-	44,344
Total current assets		**832,082**	**1,028,260**
TOTAL ASSETS		**3,208,634**	**3,271,548**

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

INA, d.d. Separate statement of financial position (continued)

At 31 December 2023

(all amounts are presented in EUR thousands)

EQUITY AND LIABILITIES	**Note**	**31 December 2023**	**31 December 2022**
Capital and reserves			
Share capital	36	1,200,000	1,194,505
Legal reserves		39,921	33,228
Fair value reserves	37	73,887	58,006
Other reserves	38	153,343	161,640
Retained earnings		258,350	246,524
TOTAL EQUITY		**1,725,501**	**1,693,903**
Non–current liabilities			
Long-term debt	31	281,717	282,418
Long-term lease liabilities	32	42,148	39,893
Other non-current liabilities		2,595	3,154
Employee benefit obligation	34	2,013	1,758
Provisions	33	429,485	486,488
Total non–current liabilities		**757,958**	**813,711**
Current liabilities			
Bank loans and current portion of long-term debt	29, 31	83,446	64,188
Current portion of long-term lease liabilities	32	15,436	12,575
Intercompany payables	40	51,812	32,306
Other current financial liabilities		2,440	974
Trade payables	30	276,819	290,371
Taxes and contributions	30	167,473	89,067
Income tax payables		30,842	159,391
Other current liabilities	30	34,750	43,847
Derivative financial instruments	35	12,058	1,976
Employee benefit obligation	34	186	321
Provisions	33	49,913	63,517
Total current liabilities		**725,175**	**758,533**
Liabilities of disposal group classified as held for sale	16	-	5,401
Total liabilities		**1,483,133**	**1,577,645**
TOTAL EQUITY AND LIABILITIES		**3,208,634**	**3,271,548**

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

INA Group Consolidated statement of changes in equity

At 31 December 2023

(all amounts are presented in EUR thousands)

	Note	Share capital	Legal reserves	Fair value reserves	Other reserves	Accumulated losses/ Retained earnings	Attributable to equity holders of the Company	Non-controlling interest	Total
	Note	36		37	38			39	
Balance at 1 January 2022		**1,194,505**	**26,378**	**48,094**	**207,267**	**(33,581)**	**1,442,663**	**1,968**	**1,444,631**
Profit for the year		-	-	-	-	251,481	251,481	951	252,432
Other comprehensive income, net	37,38	-	-	9,918	7,142	-	17,060	-	17,060
Total comprehensive income for the year		**-**	**-**	**9,918**	**7,142**	**251,481**	**268,541**	**951**	**269,492**
Transfer to legal reserves		-	6,850	-	-	(6,850)	-	-	-
Dividends paid	13	-	-	-	-	(130,068)	(130,068)	-	(130,068)
Balance at 31 December 2022		**1,194,505**	**33,228**	**58,012**	**214,409**	**80,982**	**1,581,136**	**2,919**	**1,584,055**
Profit for the year		-	-	-	-	250,012	250,012	279	250,291
Other comprehensive income, net	37,38	-	-	15,881	(7,596)	-	8,285	-	8,285
Total comprehensive income for the year		**-**	**-**	**15,881**	**(7,596)**	**250,012**	**258,297**	**279**	**258,576**
Transfer to legal and other reserves		-	12,188	-	666	(12,854)	-	-	-
Dividends paid	13	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Increase in share capital due to the conversion of HRK into EUR	36	5,495	(5,495)	-	-	-	-	-	-
Balance at 31 December 2023		**1,200,000**	**39,921**	**73,893**	**207,479**	**118,140**	**1,639,433**	**3,198**	**1,642,631**

The accompanying 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 2023

(all amounts are presented in EUR thousands)

	Note	Share capital	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total
	Note	36		37	38		
Balance at 1 January 2022		**1,194,505**	**26,378**	**48,088**	**160,841**	**139,682**	**1,569,494**
Profit for the year		-	-	-	-	243,760	243,760
Other comprehensive income, net	37, 38	-	-	9,918	799	-	10,717
Total comprehensive income for the year		**-**	**-**	**9,918**	**799**	**243,760**	**254,477**
Transfer to legal reserves		-	6,850	-	-	(6,850)	-
Dividends paid	13	-	-	-	-	(130,068)	(130,068)
Balance at 31 December 2022		**1,194,505**	**33,228**	**58,006**	**161,640**	**246,524**	**1,693,903**
Profit for the year		-	-	-	-	224,014	224,014
Other comprehensive income, net	37, 38	-	-	15,881	(8,297)	-	7,584
Total comprehensive income for the year		**-**	**-**	**15,881**	**(8,297)**	**224,014**	**231,598**
Transfer to legal reserves		-	12,188	-	-	(12,188)	-
Dividends paid	13	-	-	-	-	(200,000)	(200,000)
Increase in share capital due to the conversion of HRK into EUR	36	5,495	(5,495)	-	-	-	-
Balance at 31 December 2023		**1,200,000**	**39,921**	**73,887**	**153,343**	**258,350**	**1,725,501**

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

INA Group Consolidated statement of cash flows

For the year ended 31 December 2023

(all amounts are presented in EUR thousands)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Profit for the year		**250,291**	**252,432**
Adjustments for:			
Depreciation, amortisation and impairment	6	192,604	244,005
Income tax expense recognised in profit and loss	12	54,860	156,176
Impairment charges (net)	9	14,800	18,237
Gain on sale of property, plant and equipment		(18,948)	(11,649)
Foreign exchange loss	11	6,905	14,413
Interest income	11	(2,618)	(1,004)
Interest expense	11	5,364	4,502
Share in (gain)/loss in associated companies using the equity method	19	(6,694)	3,633
Other finance expense/(income) recognised in profit and loss	11	2,516	(8,824)
(Decrease)/increase in provision		(30,541)	11,993
Decommissioning interests and other provision	11	19,779	7,391
Net loss on derivative financial instruments	7	2,880	19,027
Other non-cash items		(5,126)	(325)
		486,072	**710,007**
Movements in working capital			
Decrease/(Increase) in inventories		38,141	(166,904)
Decrease/(Increase) in receivables and prepayments		15,216	(193,790)
Increase in trade and other payables		70,166	110,233
Cash generated from operations		**609,595**	**459,546**
Taxes paid		(165,914)	(3,813)
Net cash inflow from operating activities		**443,681**	**455,733**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(300,625)	(356,771)
Payments for intangible assets		(16,823)	(12,422)
Proceeds from sale of non-current assets		35,482	12,995
Proceeds from short-term deposits given		-	169,609
Investment in securities		(92,704)	(15,386)
Proceeds from sale of securities		43,278	5,012
Dividends received		1,369	1,083
Interest received and other financial income		7,246	17,370
Loans and deposits given (net)		1,275	476
Net cash used in investing activities		**(321,502)**	**(178,034)**
Cash flows from financing activities			
Proceeds from borrowings		1,059,209	1,327,582
Repayment of borrowings		(1,027,319)	(1,417,185)
Dividends paid		(200,003)	(129,936)
Payment of principal portion of lease liabilities		(13,457)	(12,660)
Interest paid		(14,684)	(1,252)
Net cash flows used in financing activities	31	**(196,254)**	**(233,451)**
Net (decrease)/increase in cash and cash equivalents		**(74,075)**	**44,248**
Cash and cash equivalents at 1 January	28	226,568	179,505
Effect of foreign exchange rate changes		(1,633)	2,815
Cash and cash equivalents at 31 December	28	**150,860**	**226,568**

The accompanying notes form an integral part of this consolidated statement of cash flows.

INA-INDUSTRIJA NAFTE, d.d.

INA, d.d. Separate statement of cash flows

For the year ended 31 December 2023

(all amounts are presented in EUR thousands)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Profit for the year		**224,014**	**243,760**
Adjustments for:			
Depreciation, amortisation and impairment	6	191,421	242,409
Income tax expense recognised in profit and loss	12	40,917	154,144
Impairment charges (net)	9	12,745	13,173
Gain on sale of property plant and equipment		(18,451)	(11,370)
Foreign exchange loss	11	6,530	12,708
Interest income	11	(7,715)	(3,199)
Interest expense	11	5,621	4,653
Share in (gain)/loss in associated companies using the equity method	19	-	5,100
Other finance expense /(income) recognised in profit and loss	11	4,099	(16,859)
(Decrease)/increase in provision		(34,027)	19,492
Decommissioning interests and other provision	11	20,596	7,751
Net loss on derivative financial instruments	7	2,880	19,027
Other non-cash items		(4,740)	(1)
		443,890	**690,788**
Movements in working capital			
Decrease/(Increase) in inventories		24,957	(152,945)
Decrease/(Increase) in receivables and prepayments		22,952	(191,744)
Increase in trade and other payables		73,589	102,321
Cash generated from operations		**565,388**	**448,420**
Taxes paid		(163,068)	(1,656)
Net cash inflow from operating activities		**402,320**	**446,764**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(289,745)	(348,832)
Payment for intangible assets		(16,483)	(12,333)
Proceeds from sale of non-current assets		33,910	11,873
Proceeds from short-term deposits given		-	169,609
Investment in securities		(92,703)	(15,413)
Proceeds from sale securities		44,249	5,012
Dividends received		1,370	1,189
Dividends received from subsidiaries		3,098	7,960
Proceeds from loan to subsidiaries		31,180	(20,831)
Interest received and other financial income		12,027	19,653
Net cash used in investing activities		**(273,097)**	**(182,113)**
Cash flows from financing activities			
Proceeds from borrowings		1,194,057	1,274,469
Repayment of borrowings		(1,169,247)	(1,343,576)
Dividends paid		(200,003)	(129,937)
Payment of principal portion of lease liabilities		(15,331)	(14,884)
Interest paid	31	(14,834)	(1,397)
Net cash flows used in financing activities		**(205,358)**	**(215,325)**
Net (decrease)/increase in cash and cash equivalents	28	**(76,135)**	**49,326**
Cash and cash equivalents at 1 January		217,648	171,912
Effect of foreign exchange rate changes		(1,673)	(3,590)
Cash and cash equivalents at 31 December	28	**139,840**	**217,648**

The accompanying notes form an integral part of this separate statement of cash flows.

(all amounts are presented in EUR thousands)

1. GENERAL

History and incorporation

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

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

The ultimate parent company and ultimate controlling party MOL Nyrt, (Hungary, Dombóvári út 28., 1117 Budapest) prepares the consolidated financial statements for the larger Group of companies, in which INA, d.d. and INA Group are included as MOL Group subsidiaries. The consolidated financial statements of the MOL Group are available on the official website: www.molgroup.info.

The ownership structure* of the Group and the Company as at 31 December 2023 and 31 December 2022:

	31 December 2023		31 December 2022	
	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 are:

(i) exploration and production of oil and gas deposits, primarily onshore and offshore within Croatia and other than that INA, d.d has concession held abroad in Egypt.

(ii) import of natural gas and sale of imported and domestically produced natural gas to traders, industrial consumers and municipal gas distributors.

(iii) refining and production of oil products through refinery located at Rijeka (Urinj) and Zagreb lubricants plants.

(iv) distribution of fuels and associated products through a chain of 506 service stations in operation as at 31 December 2023 (of which 390 in Croatia and 116 outside Croatia)

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

(vi) service activities related to onshore and offshore extraction of natural resources through its drilling and oilfield services subsidiary Crosco d.o.o.

(all amounts are presented in EUR thousands)

1. GENERAL (CONTINUED)

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

The Company's registered office is in Zagreb, Avenija V. Holjevca 10, Croatia. As at 31 December 2023, there were 9,476 employees in the Group (9,472 as at 31 December 2022) and 2,948 employees in the Company (2,976 as at 31 December 2022).

During 2023, the average number of employees of the Group was 9,465 (2022: 9,514 employees), while the average number of employees of the Company was 2,961 (2022: 3,072 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 subsidiaries that generally act as distributors of INA Group products and as representative offices within their local markets.

Since 1 January 2023, Republic of Croatia entered the Euro zone and the Croatian kuna (HRK) was replaced by a new currency, the Euro (EUR). As a result, the Company has changed, since that date, its functional currency to EUR. Accounting records have been converted to EUR using the conversion rate of 7.53450. INA, d.d. separate and consolidated financial statements for the year ending 31 December 2023 are presented in EUR and comparatives have been converted using the conversion rate of 7.53450 HRK for 1 EUR.

Supervisory Board, Management Board and Council of Directors at the date of approval of these financial statements

Supervisory Board

Damir Mikuljan	President of the Supervisory Board *(from 15 December 2023 until 15 June 2024)*
József Molnár	Vice President of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Branimir Škurla	Member of the Supervisory Board *(from 15 December 2023 until 15 June 2024)*
László Uzsoki	Member of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Ivo Ivančić	Member of the Supervisory Board *(from 15 December 2023 until 15 June 2024)*
Viktor Sverla	Member of the Supervisory Bord *(from 15 June 2023 until 15 June 2027)*
Gabriel Szabó	Member of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Domokos Szollár	Member of the Supervisory Board *(from 18 December 2020 until 17 December 2024)*
Jasna Pipunić	Employee representative in the Supervisory Board *(from 5 May 2020 until 5 May 2024)*

(all amounts are presented in EUR thousands)

1. GENERAL (CONTINUED)

Management Board

Zsuzsanna Éva Ortutay	President of the Management Bord (*from 1 July 2023 until 30 June 2026*)
Zsombor Ádám Marton	Member of the Management Board (*from 1 July 2023 until 30 June 2026*)
Krisztián Pulay	Member of the Management Board (*from 1 July 2023 until 30 June 2026*)
Hrvoje Šimović	Member of the Management Board (*from 29 September 2023 until the appointment of Management Board members of INA-INDUSTRIJA NAFTE, d.d. through a public tender, for a period of up to 6 months*)
Marin Zovko	Member of the Management Board (*from 29 September 2023 until the appointment of Management Board members of INA-INDUSTRIJA NAFTE, d.d. through a public tender, for a period of up to 6 months*)
Miroslav Skalicki	Member of the Management Board (*from 29 September 2023 until the appointment of Management Board members of INA-INDUSTRIJA NAFTE, d.d. through a public tender, for a period of up to 6 months*)

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
Josip Bubnić	Operating Director of Exploration and Production
Goran Pleše	Operating Director of Refining and Marketing
Hrvoje Glavaš	Director of Corporate Services

2. SIGNIFICANT ACCOUNTING POLICIES

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

Presentation of the financial statements

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

The Group's and the Company's financial statements are prepared in thousands of euro (EUR). The currency EUR is the Company's functional currency from 1 January 2023.

Basis of accounting and statement of compliance

The Group's and the Company's financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities under conditions of hyperinflation in the period to 1993 and except for certain financial instruments that are measured at fair values (see Note 43) at the end of each reporting year, and in accordance with International Financial Reporting Standards as adopted by European Union (IFRS).

The Company maintains its accounting records in Croatian language, in EUR currency, in accordance with Croatian law. The accounting records of the Company's subsidiaries in Croatia and abroad are maintained in accordance with the requirements of the respective local jurisdictions.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would consider those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated and separate financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements such as net realisable value in accordance with IAS 2 or value in use in IAS 36.

(all amounts are presented in EUR thousands)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group and the Company have applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
IFRS 17	New standard IFRS 17 “Insurance Contracts” including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at the date of authorization of these financial statements:

Standard	Title	EU adoption status
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

The Group and the Company did not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and the Company in future periods.

2. SIGNIFICANT 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) prepared as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group:

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

Legal merger

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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 with service costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)

Acquisition of entities under common control

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

Business combinations under common control are accounted for based on carrying values recognized in INA Group consolidated financial statements, with any effects directly recognised in equity.

Investments in associates and joint ventures

An associate is an entity over which the Group and the Company 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 consolidated financial statements from the date on which the investee becomes an associate or a joint venture. 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.

An investment in an associate is accounted for using the cost method on separate financial statements from the date on which the investee becomes an associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

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

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

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

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

Oil and gas properties

Exploration and evaluation costs

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

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

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

Fields under development

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

Depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and gas properties (continued)

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 performs reserves determination by applying SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) guidelines.

Intangible assets

Intangible assets acquired separately are recognized at cost and intangible assets acquired from a business acquisition are recognized 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 Group and the Company and the cost of the asset can be measured reliably. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight-line method. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

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

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

Amortisation

Software	5	years
Patents, licenses, and other rights	5	years

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalised as property, plant and equipment. Costs eligible for capitalisation include costs of periodic, planned significant inspections and overhauls necessary for further operation.
The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss in line other income or other material costs.

Depreciation

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

Buildings	5 – 50	years
Collective consumption assets	50	years
Refineries and chemicals manufacturing plants	3 – 15	years
Machinery	2 – 25	years
Service stations	30	years
Vehicles	4 – 20	years
Telecommunication and office equipment	2 – 10	years

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

Investment property

Investment property is a property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

For investment properties, the cost model is applied by the Group and the Company. Transfer to, or from, investment property shall be examined when there is an evident change in use. The Group and the Company apply straight-line method depreciation, where building’s useful life estimate ranges from 5-50 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment and intangible assets other than goodwill

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

It may occur that an asset is operated in such technical environment that does not make it possible to measure individually the value in use of the asset because it can only be assessed by the united performance of several assets operated as a complex and interrelated. In such a case that smallest asset group should be defined whose continued use results in such positive cash flow that can be separated from the cash flow of other assets or asset groups. Assessment of impairment should be performed for the asset group defined in such a way, as if the asset group itself was an indivisible asset.

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

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

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 within profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

The Group and the Company as a lessee

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

1. Right-of-use assets

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

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

The right-of-use assets are also subject to impairment.

2. Lease liabilities

At the commencement date of the lease, the Group and the Company recognise 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 and the Company use 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

2. Lease liabilities (continued)

Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less). A lease that contains a purchase option cannot be classified as a short-term lease. The Group and the Company apply recognition exemption to office equipment lease that is considered as low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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 and the Company apply the simplified approach to recognise full lifetime expected losses from origination for trade receivables, IFRS 15 contract assets and lease receivables. For all other financial instruments, general approach is applied. The Group and the Company calculate the expected credit loss on trade receivables as the average of yearly historical loss rates of the last three years multiplied by the forward-looking element. The forward-looking element is based on robust positive correlation between banking sector credit losses and one year lag of unemployment rate. In case of other financial assets, the expected credit loss of the instrument will be determined by multiplying the probability of default rate of the instrument with the loss given default of the instrument. An entity shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Group and the Company recognise an allowance for forward-looking expected credit loss (*ECL*) for all debt instruments not held at fair value through profit or loss.

Expected credit loss model is used for calculation of impairment of receivables. The expected credit losses are required to be measured through a loss allowance at an amount equal to full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables from customers (continued)

According to the impairment policy, following events are considered as objective evidence on impairment:

- legal claim against the customer;
- default of the issuer;
- total or partial release of claim;
- claim is under external connection;
- > 180 days overdue;
- disappearance of an active market.

The calculation of loss rate:

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

Inventories

Inventories include assets held for sale in the ordinary course of business; assets in the process of production for such sale; and materials and supplies to be consumed in the production process or in the rendering of services. The Group's and the Company's inventories are classified into the six main pillars: refined products, work in progress, crude oil, merchandise, raw materials and spare parts and materials and supplies.

Inventories are measured at the lower of cost or net realizable value.
The cost of inventories includes all the costs of purchase and conversion and all other expenses that were incurred to have the inventories get to their present location and condition. The weighted average cost method is applied to inventory cost.

Cost of purchase

The cost of purchase of inventories comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the tax authorities), transport, material handling and other costs directly attributable to the acquisition of purchased goods and materials. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)

Cost of conversion

The cost of conversion of inventories includes the costs directly related to production units, such as direct labour costs. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished products. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production, such as the depreciation and maintenance of factory buildings and equipment, and the costs of factory management and administration. Variable production overheads are those indirect costs of production that vary directly or nearly directly, with the volume of production, such as indirect materials and indirect labour.

Net realizable value

Net realizable value is calculated as 98.80% for 2023 and 98.32% for 2022 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. Demand deposits can be withdrawn on demand, without prior notice being required or a penalty being charged. Short-term deposits are allocated up to three months. However, if needed, they can be withdrawn on demand as well without penalty being charged.

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 2023 was 3.94 % and for 2022 it was 0.54%.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incur in connection with the borrowing of funds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The financial statements of the Company and subsidiaries are prepared in the currency of the primary economic environment in which they operate (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Company and subsidiaries are expressed in euro (EUR), 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 monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in euro 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 recognized to the Group's Other reserves. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

The foreign concessions of the Company meet the definition of foreign operation and are treated as such.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit and jubilee awards

For defined benefit plans and 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, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income comprehensive income for retirement benefit and in profit or loss for jubilee awards in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected within other reserves 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 and the Company present 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 and the Company'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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from accounting profit for the period because it does not include items of income or expense that are taxable or deductible in other years, as well as items that are never taxable or deductible. The current tax liability is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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 compensated 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 recognised.

Deferred taxes are calculated on temporary differences which occurred based on impairment of investments in subsidiaries and associates, except in case when the Group and the Company 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. SIGNIFICANT 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.
- Within statement of cash flows, intercompany loans are presented net due to the facts that cash receipts and payments have a quick turnover, the amounts are large, and the maturities are short.

Financial assets at fair value through other comprehensive income (debt instruments)

A debt instrument that meets the following two conditions must be measured at FVTOCI unless the asset is designated at FVTPL under the fair value option:

- Business model test: The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group and the Company invest only in government bonds and quoted debt securities with a very low credit risk. When the asset is derecognised or reclassified, changes in fair value previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss.

Financial assets at fair value through profit or loss (debt instruments)

All other debt instruments must be measured at FVTPL.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under IAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

The Group and the Company elected to classify its listed equity investments under this category (see note 43).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Derecognition of financial assets

The basic premise for the derecognition model is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety;
- specifically identified cash flows from an asset (or a group of similar financial assets);
- fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets); or
- fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

Impairment

The impairment model is based on the premise of providing for expected losses.

General approach

With the exception of purchased or originated credit impaired financial assets, expected credit losses are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date);
- or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

Simplified approach

The Group and the Company apply the simplified approach for the following financial assets: trade receivables, IFRS 15 contract assets and lease receivables. For all other financial instruments, general approach is applied.

Independently of the two approaches mentioned above, the impairment method stayed the same in case of financial assets where there is objective evidence on impairment. These are required to be assessed on a case-by-case basis. The maximum amount of impairment accounted for by the Group and the Company is 100% of unsecured part of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or the entity has opted to measure a liability at fair value through profit or loss. A financial liability is required to be measured at fair value through profit or loss in case of derivatives.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

The Group and the Company do not have any financial instrument designated upon initial recognition as at fair value through profit or loss in order to reduce a measurement or recognition inconsistency.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Loans

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or incremental costs.

Derecognition of financial liabilities

A financial liability derecognised when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

Segmental information

IFRS 8 *Operating segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Management Board as the Chief Operating Decision Maker, in order to allocate resources to the segments and to assess their performance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions for decommissioning and other obligations

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable (i.e., more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the discount factor, which is calculated as CPI (Consumer Price Index), and real interest rate. When discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provision relating to the decommissioning and removal of assets, such as an oil and gas production facility are initially treated as part of the cost of the related property, plant and equipment. Subsequent adjustments to the provision arising from changes in estimates as decommissioning costs, reserves and production of oil and gas, risk free rate as discount rate and inflation rate are also treated as an adjustment to the cost of the property, plant and equipment and thus dealt with prospectively in the statement of profit or loss through future depreciation of the asset. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets.

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 the Group and the Company covers its liability by forward derivative deals, provision for the quantity covered by these deals is calculated using forward rates of the derivative deals. For any residual excess, the current fair value at the reporting date is used.

It also means that it is not possible to record a provision earlier than the date when emissions reach the number 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 recognised for each plant separately and recorded on emitting business segment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Under IFRS 15 the Group and the Company recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework.

The Group and the Company consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Presentation and disclosure

Contracts with customers are presented in statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the performance of the Group and the Company and the customer's payment.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the performing by transferring the related good or service to the customer.

Where the Group and the Company have performed the obligation by transferring a good or service to the customer and the customer has not yet paid the related consideration, a contract asset or a receivable is presented in the statement of financial position, depending on the nature of right to consideration. A contract asset is recognised when the Group’s and the Company’s right to consideration is conditional on something other than the passage of time, for example future performance of the Group and the Company. A receivable is recognised when the Group’s and the Company’s and the right to consideration is unconditional except for the passage of time.

The Group’s and the Company’s sales contracts generally comprise of only one performance obligation with the exception of loyalty points programme. As such, the Group and the Company do not disclose information about the allocation of the transaction price.

Excise duties

When the inventory leaves the excise warehouse and the excise duty liability is recognized, the value of the excise duty is recognized as Other current assets.

Excise duty amount which is included in Other current assets is recognized until the inventory is sold or consumed.

When the inventory is sold, the excise duty is passed on to the customer. This is the tax amount which is collected on behalf of third parties and it is not included in revenue.

Construction – maintenance and service contracts

For each performance obligation satisfied over time, the Group and the Company recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Management elected to use input method of calculating progress (costs incurred to date) in revenue recognition from construction contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

Loyalty points programme

The Group and the Company have the INA loyalty programme, Loyalty Points, which allows customers to accumulate points and reach certain status. Each status achieved enables customer to receive certain benefits. The Loyalty Points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the benefits are used. Revenue is recognised upon usage of benefits by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group and the Company consider the likelihood that the customer will use the benefit. The Group and the Company updates its estimates of the benefits that will be used by the customers at least once a year and any adjustments to the contract liability balance are charged against revenue.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements and estimates in applying accounting policies

In the application of the accounting policies, which are described in Note 2, Management made certain judgements and estimates that had a significant impact on the amounts reported in the financial statements (irrespective of the underlying estimates).

The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by EU requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

These judgements and estimates are provided in detail in the accompanying notes. However, the critical judgements and estimates relate to the following areas:

Consequences of certain legal actions

The Group and the Company are involved in number of litigations arisen from the regular course of business. If there is a present obligation as a result of a past event (taking into account all available evidence, including the opinion of law experts) for which it is probable that outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation, provisions are recorded (see Note 33).

Carrying value of property, plant and equipment

The impairment calculation requires the estimate of the value in use of the cash generating units. Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are expected oil and gas prices, production volumes, operating and capital expenditures, discount rates, period of cash flow projections, as well as assumptions and judgments used in determining cash receipts and payments. The Group recognized an asset impairment in the total amount of EUR 4,703 thousand and a reversal of impairment in the amount of EUR 5,923 thousand as at 31 December 2023 (2022: Group impairment EUR 50,169 thousand, reversal of impairment EUR 23,757 thousand), while Company recognized an assets impairment in the amount of EUR 4,834 thousand and a reversal of impairment in the amount of EUR 698 thousand (2022: Company impairment of EUR 49,252 thousand and reversal of impairment in the amount of EUR 19,217 thousand).

Carrying value of goodwill

In 2023 and 2022 no impairment of goodwill was recognised. The carrying amount of goodwill amounted to EUR 3,671 thousand as at 31 December 2023 (2022: EUR 3,671 thousand) (see Note 14).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Carrying value of intangible exploration and evaluation assets

The carrying amount of intangible exploration and evaluation assets amounted to EUR 32,229 thousand as at 31 December 2023 and EUR 32,820 thousand as at 31 December 2022 (see Note 14). As at 31 December 2023, the Group and the Company recognized impairment in the amount of EUR 4,280 thousand (2022: EUR 1,174 thousand impairment for INA Group and the Company).

Carrying value of production oil and gas assets

The carrying amount of production oil and gas assets amounted to EUR 354,252 thousand as at 31 December 2023 (2022: EUR 400,557 thousand) (see Note 15). As at 31 December 2023, production oil and gas assets at the Group were impaired in the amount of EUR 4,704 thousand, while impairment reversals amounted to EUR 627 thousand (2022: the Company recognized an asset impairment in the amount of EUR 49,170 thousand and reversal of impairment in the amount of EUR 19,217 thousand). As at 31 December 2023, production oil and gas assets were impaired in the amount of EUR 4,834 thousand, while impairment reversals amounted to EUR 698 thousand (2022: INA Group and INA, d.d. recognized an asset impairment in the amount of EUR 49,252 thousand and reversal of impairment in the amount of EUR 19,217 thousand). Estimated value in use of production oil and gas assets would be EUR 269,114 thousand higher (lower) if the Brent price and the selling price of domestic gas would increase (decrease) by 10% in the long run.

Key assumptions used (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 not significantly changed compared to the reporting period last year. However, due to the changes in the interest rates, applied discount rates were updated what triggered impairment test. The Management Board performed identification and assessment of indicators of potential impairment. Within Exploration and Production area, impairment test was performed for all fields which have crude oil and natural gas production, and no impairment or impairment reversal was recognized.

Carrying value of Refining and Marketing assets

The carrying amount of Refining and Marketing assets amounted to EUR 1,119,010 thousand as at 31 December 2023 (2022: EUR 1,031,604 thousand). Refining and Marketing in respect of Consumer services and Retail did not record value adjustment of tangible asset under construction as of 31 December 2023 (2022: impairment of tangible assets under construction was not recognized). Estimated value in use of Refining and Marketing assets would be EUR 167,396 thousand higher (lower) if the diesel and gasoline crack spreads would increase (decrease) by 5% in the long run.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Investments in Syria

Since 1998, INA, d.d. has had six commercial discoveries on the Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadira and Mazrur) with significant oil, gas and condensate reserves. INA, d.d. temporarily suspended all business activities in Syria on 26 February 2012 by announcing Force Majeure to comply with the relevant sanctions of the USA and the EU.

Current situation of investment in Syria

The main production activities have been taken over by Hayan Petroleum Company's local workforce, which INA, d.d. considers illegal.

After the EU imposed sanctions on Syria, the only foreign companies that continued doing business in Syria are those from Russian Federation. In 2018, Syria and Russian Federation signed an energy cooperation agreement providing the companies from the Russian Federation with the exclusive right to rebuild the Syrian energy infrastructure. INA's management had been expecting that through monetization of the assets it might still receive a return on its investment. However, given the escalation of the conflict in Ukraine in 2022 and a series of sanctions imposed by both EU and USA, it is expected that there will be no return on the Company's investments in Syria.

Therefore, Company fully impaired all Syrian assets in 2022 (see Note 15).

Determination of foreign operation

Business activities of INA, d.d. in Egypt are carried out with a significant degree of autonomy so the functional currency is US dollar (USD). On gas field Isabella, (located in international waters in the North Adriatic Sea) the functional currency is euro (EUR). The total revenue of a foreign operation (from the sale of crude oil and natural gas) is denominated in that currency (USD or EUR), as are most of the costs. Capital expenditures are planned and presented in dollars or euros. Although they are not separate legal entities, based on the facts that these are integrated set of assets with inputs, processes and outputs, they meet the definition of a foreign operation in accordance with IAS 21.

Quantification and determination of the decommissioning obligations for oil and gas properties

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to legal and regulatory requirements, new technologies becoming available and experience of decommissioning other assets. The expected timing, scope, expenditure and risk profile may also change. Therefore, significant estimates and assumptions are made in determining decommissioning provisions. The provision estimate requires significant Management judgement and is reviewed on annual basis.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Quantification and determination of the decommissioning obligations for oil and gas properties(continued)

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 EUR 323,214 thousand at the Group and the Company EUR 346,166 thousand as at 31 December 2023 (31 December 2022: the Group EUR 393,337 thousand and the Company EUR 419,744 thousand) (see Note 33). Change in decommissioning costs of 10% effects the provision in the same direction and percentage. Discount rate higher by one percentage point reduces the provision by 11%, while a discount rate lower by one percentage point increases the provision by 13%.

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 and the Company have 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 2023 the Group recognized environmental provision and provision for green rights in the amount of EUR 68,685 thousand (2022: EUR 69,529 thousand) and the Company in the amount of EUR 68,486 thousand (2022: EUR 69,258 thousand) (see Note 33), which covers investigation to determine the extent of contamination at specific site, treatment of accumulated waste generated by former activity, preliminary site investigation with corresponding laboratory analyses, soil excavation and replacement during the reconstruction of service stations and provision for emission quotas. It does not cover the cost of remediation in lack of detailed National regulations.

Recognition of excise duties

The accounting for sales or excise duties may vary depending on the different tax regimes in various jurisdictions. When determining the transaction price, the entity takes into account the terms of the contract, its usual business practice and the business practice of the industry. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods, excluding amounts collected on behalf of third parties.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Recognition of excise duties (continued)

The Management assessed the following indicators regarding excise duties: the triggering event to pay, the base for calculation of excise duty, collection and settlement of liability and other rights and obligations connected with excise duties. Based on the indicators considered and the nature of excise duty system, where excise duties are set up to be levied on the end consumer, the Management applied judgement to determine that excise duties represent amounts collected on behalf of third parties and therefore are not included in the entity's revenue. At 31 December 2023 the entity settled excise duty liabilities in the amount of EUR 820,827 thousand (2022: EUR 732,853 thousand).

Availability of taxable profits on which the deferred tax assets can be recognised

A deferred tax asset for unused tax losses carried forward is recognized to the extent to which taxable profit is likely to be available, respectively to the extent of the available taxable temporary differences of the same Tax Authorities, which will result in taxable amounts for which unused tax losses can be used before its expiration.

Management believes that recognized deferred tax asset is recoverable. At 31 December 2023 the carrying amount of deferred tax assets of the Group amounted to EUR 112,354 thousand (2022: EUR 129,716 thousand) and deferred tax liabilities amounted to EUR 2,343 thousand at 31 December 2023 (2022: EUR 2,261 thousand). At 31 December 2023 the carrying amount of deferred tax assets of the Company amounted to EUR 103,079 thousand, (31 December 2022: EUR 110,284 thousand) (see Note 12). If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by EUR 2.660 thousand at 31 December 2023 (31 December 2022: EUR 2,685 thousand).

Useful life of the assets

The Group and the Company 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 2023 had no significant changes compared to the previous estimate. Increase of useful life of property plant and equipment by 5% results in decrease of depreciation of EUR 7,468 thousand (31 December 2022 decrease in the amount of EUR 8,892 thousand). Decrease of useful life of property plant and equipment by 5% results in increase of depreciation by EUR 8,254 thousand in 2023 (2022: EUR 10,087 thousand increase).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Estimates of incremental borrowing rate for lease contracts

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, they use incremental borrowing rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group and the Company estimate the incremental borrowing rate using available observable inputs (such as market interest rates) for each company. The decrease or increase of the incremental borrowing rate for 3 basis points does not have a significant impact on the value of the lease liabilities for the Group and the Company.

Hydrocarbon reserves

Exploration and development projects involve many uncertainties and business risks that may give rise to significant expenditures. Exploration and development projects of the Group and the Company may be delayed or unsuccessful for many various reasons, including budgeted cost overrun, geological issues, difficulties in meeting the requirements of competent bodies, lack of equipment and technical problems. These projects, particularly those pertaining to the wells in continental areas or other demanding terrain, often require deployment of new and advanced technologies, the development, purchase and installation of which may be expensive and that may not operate as expected.

Oil and natural gas exploration and drilling activities are subject to a wide range of inherent risks, including the risk of eruption, deposit damage, loss of control over the wells, perforation, craters, fire and natural disasters.

The Group and the Company estimate and report hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. Estimation of hydrocarbon reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Group's and the Company'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 Group's and the Company'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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Hydrocarbon reserves (continued)

As part of standard practice, resources and reserves level were assessed at the year end. Within the most relevant profiles, no fields with negative reserves change above materiality threshold have been identified. In line with industry practice, the Proven and Probable (2P) level of reserves is considered the basis for determining management's best estimate of future cash flows.

Carrying value of investments and given loans to subsidiaries (INA, d.d.)

The carrying amount of the investment in subsidiaries amounts to EUR 238,091 thousand as at 31 December 2023 and EUR 242,652 thousand as at 31 December 2022. The carrying amount of loans given to subsidiaries amounts to EUR 79,245 thousand as at 31 December 2023 and EUR 109,168 thousand at 31 December 2022.

Due to the significant exposure to subsidiaries (calculated as the sum of carrying value of investment and given loans, net) the existence of impairment indicators requires Management judgement in determining the appropriate approach for testing impairment. In impairment testing, discount rate higher by one percentage point would result in an impairment of EUR 12,904 thousand, while a decrease by one percentage point would result in a reversal of EUR 13,654 thousand.

Effect of climate-related matters and energy transition on the significant accounting estimates

Climate change risks and corporate long-term horizons are included in MOL Group 2030+ Strategy, which is following global sustainability goals and energy transformation trends. INA Group uses it as a long-term frame for its own business strategies, where climate change is covered through business sustainability risks, out of which market risks become certain due to potential product demand decrease and change of customers' expectations and behaviour. 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.

IFRS requires entities to use the latest available and reliable information when developing an accounting estimate. The significant accounting estimates affecting the amounts reported in the financial statements are prepared in line with the long-term climate frame, which represents management's best estimate of the possible outcomes and risks associated with the transition to a low carbon world. INA Group expects climate-related matters to have an impact on the financial statements in the long-term and incorporates these factors into accounting estimates. Assumptions and information used like: Brent oil, Natural gas, EUA price assumptions and applied industrial discount rates take into consideration the effects of the climate related matters and are in line with external information.

Significant accounting estimates that could be affected by the climate change and energy transition are recoverability of assets, useful lives of property, plant and equipment and intangible assets and provision for future decommissioning liabilities.

(all amounts are presented in EUR thousands)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgements and estimates in applying accounting policies (continued)

Contract balances

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Trade receivables (note 24)	319,226	363,483	284,440	323,488
Contract assets	116	1,202	-	-
Contract liabilities (note 30)	9,157	11,334	6,778	9,121

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 EUR 9,157 thousand in 2023 as well as EUR 11,334 thousand in 2022 for the Group (the Company: EUR 6,778 in 2023 and EUR 9,121 thousand in 2022). The remaining performance obligations are expected to be recognised in following year.

Performance obligations

Revenue from the sale and transportation of crude oil, natural gas, petroleum products and other merchandise is recognised when the customer obtains control of the goods, which is normally when title passes to the customer and the customer takes the physical possession, based on the contractual terms of the agreements.

Sales agreements mainly represent one performance obligation and the Group and the Company principally satisfies its performance obligations at a point in time.

Russia – Ukraine conflict

Management is continuously investigating and assessing the possible effects of the current geopolitical situation, international sanctions and other possible limitations on the supply chain and business activities of the Group and the Company, driven by the Russia's invasion of Ukraine that commenced on 24 February 2022. Although Croatia was granted the exception, under certain conditions, for Russian VGO import, the Management is continuously investigating also the possibility for potential non-Russian VGO import, all for the purpose to preserve the regular and uninterrupted supply chain and business activity.

The Group's and the Company's exposure to Russia and Ukraine does not require any adjustments to these financial statements as at 31 December 2023, and is not expected to jeopardize the business continuity of the Group and the Company.

(all amounts are presented in EUR thousands)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Reclassification of statement of financial position items

During 2023, the Group and the Company changed the classification of short-term receivables arising from closed derivative transactions from the derivative financial instruments item to other short-term financial assets and the classification of short-term liabilities arising from closed derivative transactions from derivative financial instruments to other short-term financial liabilities in order to present the nature of these transactions more appropriately. Comparative data has been reclassified for consistency and comparability.

The effect of the reclassification in the statement of financial position is as follows:

INA Group

	31 December 2022 before reclassification	Reclassification	31 December 2022 reclassified
Current assets			
Derivative financial instruments	5,087	(5,045)	42
Other current financial assets	4,786	5,045	9,831
Total	**9,873**	**-**	**9,873**
Current liabilities			
Derivative financial instruments	2,765	(789)	1,976
Other current financial liabilities	225	789	1,014
Total	**2,990**	**-**	**2,990**

INA, d.d.

	31 December 2022 before reclassification	Reclassification	31 December 2022 reclassified
Current assets			
Derivative financial instruments	5,087	(5,045)	42
Other current financial assets	7,079	5,045	12,124
Total	**12,166**	**-**	**12,166**
Current liabilities			
Derivative financial instruments	2,765	(789)	1,976
Other current financial liabilities	185	789	974
Total	**2,950**	**-**	**2,950**

4. SEGMENT INFORMATION

The Group operates through three core business segments. The strategic business segments offer different products and services. Reporting segments, which in the 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;
- Corporate and other - in addition to the core segments above, the operations of the Group provide services for core activities.

Information regarding the results of each reportable segment is included below. Profit from operations is used to measure performance, as management believes that such information is the most relevant in evaluating the result of certain segments. However, Group financing (including finance costs and finance income) and income taxes are managed on Group basis and are not relevant to making business decisions at the level of business segments.

Intersegment transfer represents the effect of unrealized profit arising in respect of transfers of inventories from Exploration and Production to Refining and Marketing. Evaluation of inventories of domestic crude, finished and semi-finished products in Refining and Marketing is based on the transfer price from Exploration and Production to Refining and Marketing. Elimination of unrealized profit (difference between transfer price and book value of domestic crude oil and gas) is performed through intersegment transfer. For segmental reporting purposes, the transfer of segment records a profit immediately at the point of transfer. However, at the Company level profit is only reported when the related third-party sale has taken place.

(all amounts are presented in EUR thousands)

4. SEGMENT INFORMATION (CONTINUED)

The following table presents information on revenues and expenditures of the Group operations for 2023:

For the year ended 31 December 2023	Exploration and Production	Refining and Marketing	Corporate and other	Intersegment transfers and consolidation adjustments	Total
Sales to external customers	48,480	3,804,460	43,355	-	3,896,295
Intersegment sales	533,786	16,904	176,365	(727,055)	-
Total revenue	**582,266**	**3,821,364**	**219,720**	**(727,055)**	**3,896,295**
Operating expenses, net of other operating income	(259,164)	(3,814,004)	(236,006)	743,283	(3,565,891)
Profit/(loss) from operations	**323,102**	**7,360**	**(16,286)**	**16,228**	**330,404**
Net finance loss					(31,947)
Share of net gain in associate companies accounted for using the equity method					6,694
Profit before tax					305,151
Income tax expense					(54,860)
Profit for the year					**250,291**

The following table presents information on revenues and expenditures of the Group operations for 2022:

For the year ended 31 December 2022	Exploration and Production	Refining and Marketing	Corporate and other	Intersegment transfers and consolidation adjustments	Total
Sales to external customers	74,903	4,554,822	30,681	-	4,660,406
Intersegment sales	817,530	13,430	150,356	(981,316)	-
Total revenue	**892,433**	**4,568,252**	**181,037**	**(981,316)**	**4,660,406**
Operating expenses, net of other operating income	(375,802)	(4,612,221)	(210,203)	966,539	(4,231,687)
Profit/(loss) from operations	**516,631**	**(43,970)**	**(29,166)**	**(14,777)**	**428,719**
Net finance gain					(16,478)
Share of net loss in associate companies accounted for using the equity method					(3,633)
Profit before tax					408,608
Income tax expense					(156,176)
Profit for the year					**252,432**

(all amounts are presented in EUR thousands)

4. SEGMENT INFORMATION (CONTINUED)

The following table presents information of financial position of the Group operations for 2023:

31 December 2023 Assets and liabilities	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Intangible assets	36,484	10,955	22,456	-	69,895
Property, plant and equipment	467,101	1,138,339	144,708	(75,877)	1,674,271
Investment property	-	7,093	16,063	-	23,156
Right-of-use assets	239	45,865	1,823	(106)	47,821
Investments in associates and joint venture	2,690	118,825	-	7,802	129,317
Inventories	15,270	305,413	26,610	(1,922)	345,371
Trade receivables (net)	39,227	267,945	38,536	(26,482)	319,226
Not allocated assets					532,832
Total assets					**3,141,889**
Trade payables	39,100	260,430	51,404	(26,517)	324,417
Not allocated liabilities					1,174,841
Total liabilities					**1,499,258**
Other segment information					
Property, plant and equipment	91,777	191,217	19,853	(7,988)	294,859
Intangible assets	9,420	427	7,270	-	17,117
Capital expenditure:	**101,197**	**191,644**	**27,123**	**(7,988)**	**311,976**
Depreciation, amortisation	89,697	85,624	17,494	(211)	192,604
Impairment charges	2,327	10,435	2,204	(166)	14,800

The following table presents information of financial position of the Group operations for 2022:

31 December 2022 Assets and liabilities	**Exploration and Production**	**Refining and Marketing**	**Corporate and other**	**Intersegment transfers and consolidation adjustments**	**Total**
Intangible assets	34,967	7,424	23,790	-	66,181
Property, plant and equipment	498,397	1,031,604	135,838	(68,106)	1,597,733
Investment property	-	2,138	15,933	-	18,071
Right-of-use assets	632	37,071	2,759	(272)	40,190
Investments in associates and joint venture	2,674	1,018	-	-	3,692
Inventories	22,720	355,783	21,396	(1,887)	398,012
Trade receivables (net)	30,179	321,933	11,371	-	363,483
Not allocated assets					681,702
Total assets					**3,169,064**
Trade payables	46,001	258,742	45,113	(20,214)	329,642
Not allocated liabilities					1,255,367
Total liabilities					**1,585,009**
Other segment information					
Property, plant and equipment	103,161	232,929	19,199	(4,349)	350,940
Intangible assets	2,387	487	8,285	-	11,159
Capital expenditure:	**105,548**	**233,416**	**27,484**	**(4,349)**	**362,099**
Depreciation, amortisation	132,640	91,666	19,908	(209)	244,005
Impairment charges	1,680	15,336	1,592	(371)	18,237

(all amounts are presented in EUR thousands)

4. SEGMENT INFORMATION (CONTINUED)

BY GEOGRAPHICAL AREAS

INA Group

31 December 2023	Republic of Croatia	Bosnia and Herzegovina	Egypt	Syria	Other countries	Total
Intangible assets	60,167	714	2,525	-	6,489	69,895
Property, plant and equipment	1,558,291	64,970	19,109	-	31,901	1,674,271
Investment property	22,455	366	-	-	335	23,156
Right-of-use assets	43,264	3,053	-	-	1,504	47,821
Investments in associates and joint venture	116,702	-	-	-	12,615	129,317
Inventories	338,029	2,644	-	-	4,698	345,371
Trade receivables, net	198,935	17,124	37,614	-	65,553	319,226
Not allocated assets						532,832
Total assets						**3,141,889**
Other segment information						
Property, plant and equipment	276,020	3,251	13,379	-	2,209	294,859
Intangible assets	15,606	95	1,394	-	22	17,117
Capital expenditure:	**291,626**	**3,346**	**14,773**	**-**	**2,231**	**311,976**

INA Group

31 December 2022	Republic of Croatia	Bosnia and Herzegovina	Egypt	Syria	Other countries	Total
Intangible assets	52,185	753	6,766	-	6,477	66,181
Property, plant and equipment	1,495,278	54,591	12,556	-	35,308	1,597,733
Investment property	17,466	383			222	18,071
Right-of-use assets	35,276	3,174	-	-	1,740	40,190
Investments in associates and joint venture	3,692	-	-	-	-	3,692
Inventories	377,753	13,052	-	-	7,207	398,012
Trade receivables, net	247,668	21,616	28,978	-	65,221	363,483
Not allocated assets						681,702
Total assets						**3,169,064**
Other segment information						
Property, plant and equipment	333,125	2,475	11,955	-	3,547	351,102
Intangible assets	8,970	37	2,152	-	-	11,159
Capital expenditure:	**342,095**	**2,512**	**14,107**	**-**	**3,547**	**362,261**

(all amounts are presented in EUR thousands)

4. SEGMENT INFORMATION (CONTINUED)

INA Group

	Revenues from external customers	
	2023	**2022**
Republic of Croatia	2,640,285	3,128,547
Bosnia and Hercegovina	503,849	608,794
Hungary	205,574	205,823
Great Britain	117,960	254,193
Switzerland	106,059	15,631
Montenegro	61,999	71,242
Malta	59,108	23,940
Egypt	45,256	53,175
Serbia	30,401	24,996
Albania	29,137	37,977
Slovenia	21,389	45,504
Italy	14,541	53,409
Germany	12,297	29,005
Other countries	48,440	108,170
	3,896,295	**4,660,406**

INA, d.d.

	Revenues from external customers	
	2023	**2022**
Republic of Croatia	2,619,957	3,113,331
Bosnia and Hercegovina	439,922	558,283
Hungary	180,257	187,261
Great Britain	117,959	254,191
Switzerland	106,057	15,629
Montenegro	73,647	98,639
Malta	59,108	23,940
Egypt	45,256	53,175
Serbia	29,737	24,324
Slovenia	16,577	41,386
Italy	14,399	53,279
Germany	12,172	28,648
Other countries	47,854	106,831
	3,762,902	**4,558,917**

Information about major customers

In 2023 and 2022 there was no single third-party customer that would contribute to 10% or more of the Group's and the Company's revenue.

(all amounts are presented in EUR thousands)

4. SEGMENT INFORMATION (CONTINUED)

Revenue by nature at the Group and the Company:

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Sales of oil and oil products	3,114,138	3,557,060	3,056,342	3,516,194
Sales of natural gas and gas products	377,260	785,679	371,720	780,142
Sales of retail products	263,831	198,404	232,288	171,454
Sales of services	74,381	62,020	35,965	34,194
Other sales revenue	66,685	57,243	66,587	56,933
Sales to external customers	**3,896,295**	**4,660,406**	**3,762,902**	**4,558,917**
Products transferred at point of time	3,821,914	4,598,386	3,726,937	4,524,723
Products and services transferred over time	74,381	62,020	35,965	34,194

5. OTHER OPERATING INCOME

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Gain from the sale of the concession rights	17,426	-	17,426	-
Income from rental activities	9,612	8,357	9,231	8,760
Commission fee and charges	9,369	3,742	9,107	3,565
Income from collected damage claims	8,061	306	8,056	109
Surpluses	4,580	5,319	4,881	4,191
Gain from sale of property, plant and equipment	3,821	13,103	3,194	12,450
Write off of liabilities	2,948	13	2,828	13
Revenues - state budget subsidies and grants	2,176	-	1,970	-
Payment in kind	1,272	1,800	1,052	1,468
Income from default interest for customers	1,193	578	1,010	578
Income from won court disputes	1,035	204	970	191
Income from sediment reduction	147	1,988	146	1,988
Income from contractual penalties	-	6,870	-	7,064
Other	12,619	6,179	7,854	4,235
Total	**74,259**	**48,459**	**67,725**	**44,612**

In 2023 the Company sold concession in Angola and gain from sale was recognized in the amount of EUR 17,426 thousand.

(all amounts are presented in EUR thousands)

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Depreciation of property, plant and equipment (note 15)	164,569	192,260	157,035	187,123
Depreciation of right-of-use asset (note 32)	13,544	12,372	15,448	14,271
Amortisation of intangible assets (note 14)	7,907	8,392	7,502	8,136
Impairment of property, plant and equipment and intangible assets (note 14 and 15)	3,060	27,404	8,416	31,166
Depreciation of investment property (note 17)	1,024	978	554	517
Write-off property, plant and equipment	2,500	2,599	2,466	1,196
Total	**192,604**	**244,005**	**191,421**	**242,409**

7. OTHER MATERIAL COSTS

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
The cost of exploitation of raw materials	57,510	99,717	57,510	99,717
Transport services	56,605	57,868	54,638	56,910
Maintenance costs	30,474	29,562	42,072	45,569
Costs of concession	25,432	30,042	25,432	30,042
Cost of partnership fee	12,104	8,843	12,103	8,843
Security services	11,806	9,355	20,478	17,267
Subcontracted services	9,978	7,830	435	232
Cleaning services	7,292	6,470	6,622	5,940
Net losses on derivatives	2,880	19,027	2,880	19,027
Other	6,501	23,780	32,209	34,670
Total	**220,582**	**292,494**	**254,379**	**318,217**

(all amounts are presented in EUR thousands)

8. STAFF COSTS

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Net salaries and wages	148,539	132,422	63,769	59,807
Tax and contributions for pensions and health insurance	86,022	75,340	41,370	37,913
Other payroll related costs	20,692	31,473	4,045	12,319
	255,253	**239,235**	**109,184**	**110,039**

In 2023, the expense for defined contribution of the Group amounted to EUR 38,246 thousand, while expense for defined contribution plan of the Company amounted to EUR 16,954 thousand, (2022: the Group EUR 34,222 thousand and the Company EUR 16,127 thousand).

In 2023, the Group occurred expense of severance payments in the amount of EUR 6,479 thousand which is included in total staff costs (2022: EUR 6,292), while the Company occurred expense of severance payment in the amount of EUR 4,698 thousand (2022: EUR 4,853 thousand).

The Group and the Company employ the following number of employees at year-end, the majority of whom work within the Republic of Croatia:

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
	Number of employees	Number of employees	Number of employees	Number of employees
Refining and Marketing	5,556	5,647	1,654	1,673
Corporate and other	3,055	2,918	430	414
Exploration and Production	865	907	864	889
	9,476	**9,472**	**2,948**	**2,976**

9. IMPAIRMENT CHARGES (NET)

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Non-financial assets				
Impairment of inventory, net	12,997	17,432	11,321	12,603
Financial assets				
Expected credit losses on trade receivables, net	65	(373)	(149)	(415)
Expected credit losses on long-term loans, net	(18)	-	-	-
Other impairment, net	1,756	1,178	1,573	985
Total	**14,800**	**18,237**	**12,745**	**13,173**

(all amounts are presented in EUR thousands)

10. PROVISIONS FOR CHARGES AND RISKS (NET)

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Provision for emission rights	33,512	30,805	33,513	30,805
Provision for renewable energy	9,169	7,058	9,169	7,058
Provision for decommissioning charges	2,203	1,341	2,204	293
(Reversal of provision)/Provision for retirement and jubilee benefits	1,097	(1,087)	234	(358)
Provision for severance pay	262	7,058	(308)	6,017
Provision for legal claims/(Reversal of provision)	20	(7,668)	(21)	162
(Reversal of provision) /provision for environmental liabilities	(2,882)	3,608	(2,860)	3,633
Reversal of provision for taxation	(27)	(1,869)	-	-
Other provisions	1,093	8,243	1,229	7,980
	44,447	**47,489**	**43,160**	**55,590**

11. FINANCE INCOME AND FINANCE COSTS

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Interest income and other finance income	8,808	11,303	13,839	13,546
Foreign exchange gains from loans and cash	5,723	7,047	5,638	6,861
Foreign exchange gains from trade receivables and payables	5,461	13,746	4,434	12,366
Dividends income	1,369	1,189	4,468	9,158
Reversal of impairment from investment	-	-	4,836	362
Finance income	**21,361**	**33,285**	**33,215**	**42,293**
Interest expense on borrowings and other	20,650	10,368	21,794	10,891
Foreign exchange losses from loans and cash	10,776	10,564	10,637	10,390
Foreign exchange losses from trade receivables and payables	7,399	22,338	5,965	19,253
Fees on bank loans	5,010	2,363	4,956	2,305
Interest expense from lease agreements	744	605	676	595
Impairment of investment in subsidiaries	-	-	9,590	-
Other finance costs	8,729	3,525	8,728	3,523
Finance costs	**53,308**	**49,763**	**62,346**	**46,957**
Net loss from financing activities	**(31,947)**	**(16,478)**	**(29,131)**	**(4,664)**

(all amounts are presented in EUR thousands)

12. TAXATION

	INA Group		INA, d.d.	
	2023	2022	2023	2022
Deferred tax expense related to creation and reversal of temporary differences	18,777	(6,095)	8,572	(6,903)
Current tax expense	36,081	81,130	32,345	79,906
Extra profit tax expense	2	81,141	-	81,141
Income tax expense	**54,860**	**156,176**	**40,917**	**154,144**

Corporate income tax on profit generated in Croatia is determined by applying the tax rate of 18% to the tax base determined in accordance with the tax regulation prevailing in Croatia.

Extra Profit Tax in 2022 was a Croatian substitute measure for solidarity tax that ensured the implementation of Chapter III. of Council Regulation (EU) 2022/1854 of 6 October 2022 on emergency intervention to address high energy prices. Extra Profit Taxpayers were Income taxpayers whose total income in 2022 exceeded EUR 39,817 thousand and taxable profit in 2022 was more than 20% higher than the average taxable profit in the previous four tax periods.

The Extra Profit Tax rate was 33% and was applied only for the year 2022. INA, d.d. was the only company of the Group that was subject to Extra Profit Tax payments in the amount of EUR 81,141 thousand.

In 2023, ADRIAGAS S.r.l. was the only company that was subject to solidarity contribution for energy companies in the amount of EUR 2 thousand. ADRIAGAS S.r.l. is a tax resident of Italy.

The income tax, determined on the basis of the accounting profit, is assessed as follows:

	INA Group		INA, d.d.	
	2023	2022	2023	2022
Profit before tax	305,151	408,608	264,931	397,904
Income tax expense calculated at tax rate of 18%	54,927	73,549	47,688	71,623
Income tax effect from previous years	(5,244)	(155)	(5,244)	-
Adjustment of deferred tax assets/liabilities related to- previous years	4,852	3,382	(1,281)	2,771
Income tax expense from operations in other jurisdictions	(746)	547	-	364
Tax effect of permanent differences	1,069	(2,288)	(246)	(1,755)
Extra profit tax	2	81,141	-	81,141
Income tax expense	**54,860**	**156,176**	**40,917**	**154,144**
Effective tax rate	**17.98%**	**38.22%**	**15.44%**	**38.74%**

Deferred tax assets and liabilities are determined by applying income tax rates to be implemented in the period when the asset is realized or the liability is settled, based on tax rates (and tax regulation) that have been enacted or put into effect at the end of the reporting period.

(all amounts are presented in EUR thousands)

12. TAXATION (CONTINUED)

Movements in deferred tax assets and liabilities are set out in the following table:

INA Group	Impairment of property, plant and equipment and intangible assets	Impairment of current assets	Provisions	Impairment of financial investments	Tax losses	Other	Total
At 1 January 2022	**78,729**	**8,005**	**25,683**	**8,400**	**3,754**	**(917)**	**123,654**
Charge directly to equity	-	-	(141)	(2,177)	-	-	(2,318)
Reversal of temporary differences	(11,570)	(1,079)	(9,511)	(7,690)	(821)	-	(30,671)
Origination of temporary differences	11,749	6,346	12,759	1,398	4,513	25	36,790
At 31 December 2022	**78,908**	**13,272**	**28,790**	**(69)**	**7,446**	**(892)**	**127,455**
Charge directly to equity	-	-	-	1,346	-	-	1,346
Reversal of temporary differences	(9,915)	(5,865)	(14,285)	(1,559)	(7,186)	-	(38,810)
Origination of temporary differences	3,640	2,401	9,973	3,960	26	20	20,020
At 31 December 2023	**72,633**	**9,808**	**24,478**	**3,678**	**286**	**(872)**	**110,011**

INA, d.d.	Impairment of property, plant and equipment and intangible assets	Impairment of current assets	Provisions	Impairment of financial investments	Tax losses	Total
At 1 January 2022	**77,880**	**6,543**	**23,061**	**(2,681)**	**821**	**105,624**
Charge directly to equity	-	-	(68)	(2,177)	-	(2,245)
Reversal of temporary differences	(10,516)	(871)	(8,029)	(3,249)	(821)	(23,486)
Origination of temporary differences	11,634	5,796	11,599	1,362	-	30,391
At 31 December 2022	**78,998**	**11,468**	**26,563**	**(6,745)**	**-**	**110,284**
Charge directly to equity	-	-	21	1,346	-	1,367
Reversal of temporary differences	(9,720)	(5,605)	(12,775)	421	-	(27,679)
Origination of temporary differences	3,652	1,994	9,514	3,947	-	19,107
At 31 December 2023	**72,930**	**7,857**	**23,323**	**(1,031)**	**-**	**103,079**

(all amounts are presented in EUR thousands)

12. TAXATION (CONTINUED)

The effects of provisions included in the previous tables mostly relate to provisions for bonuses, provisions based on IAS 19, provisions for emission units, for renewable energy sources, and for environmental protection.

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Tax losses can be utilised:				
- without expiry	10,619	10,531	-	-
- within 1 year	-	-	-	-
- within 2 years	599	49	-	-
- within 3 years	191	13,101	-	-
- within 4 years	4,360	4,176	-	-
- within 5 years	1,226	29,057	-	-
Total tax losses	**16,995**	**56,914**	**-**	**-**
Deferred tax on tax losses	286	7,446	-	-
Unrecognized deferred tax on tax losses	2,633	2,670	-	-

Impact of Pillar Two on deferred taxes and financial statement disclosures

The Group applies IAS 12 to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. In accordance with paragraph 4A of IAS 12 the Group applies the temporary exception and neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

In 2023 no current tax expense was recognised in relation to the Pillar Two income taxes.

As of 31 December 2023, the Group is in the process of assessing the full impact of each jurisdiction's legislation where it operates and the exposure of Pillar Two on the financial statements.

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Unrecognised deferred tax assets on:				
- unused tax losses (without expiry)	2,018	2,001	-	-
- unused tax losses (expiry within 5 years)	615	669	-	-
- other temporary differences:				
- difference between tax and carrying values of PP&E	25	9	-	-
- provisions	2	6	-	-
Total unrecognised deferred tax assets	**2,660**	**2,685**	**-**	**-**

13. EARNINGS PER SHARE

	INA Group	
	31 December 2023	**31 December 2022**
Basic and diluted earnings per share (EUR per share)	**25.00**	**25.15**

Earnings		**INA Group**
	31 December 2023	**31 December 2022**
Earnings attributable to the owners of the Company	250,012	251,481
	250,012	**251,481**

Number of shares		**INA Group**
	31 December 2023	**31 December 2022**
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

On 15 June 2023, the Regular Shareholders' Assembly of INA, d.d. was held and the decision on dividend pay-out in the amount of EUR 200,000 thousand was made (EUR 20.00 per share). Dividend was paid-out to shareholders on 4 July 2023.

On 15 June 2022, the Regular Shareholders' Assembly of INA, d.d. was held and the decision on dividend pay-out in the amount of EUR 130.068 thousand was made (EUR 13.01 per share). Dividend was paid-out to shareholders on 14 July 2022.

(all amounts are presented in EUR thousands)

14. INTANGIBLE ASSETS AND GOODWILL

INA Group	Oil and gas properties	Software	Patents, licences and other rights	Intangible assets under construction	Emission quotas	Goodwill	Total
Cost	**65,198**	**114,473**	**25,925**	**11,004**	**-**	**26,837**	**243,427**
Accumulated depreciation and impairment	**(33,695)**	**(103,087)**	**(23,846)**	**-**	**-**	**(23,166)**	**(183,794)**
Net book value at 1 January 2022	**31,503**	**11,386**	**2,079**	**11,004**	**-**	**3,671**	**59,634**
Additions	2,337	-	-	8,822	31,772	-	42,931
Amortisation	(8)	(7,717)	(667)	-	-	-	(8,392)
Foreign exchange translation of foreign operations	211	-	-	-	-	-	211
Transfer to property, plant and equipment	-	44	725	(1,683)	-	-	(915)
Impairment	(1,174)	-	-	-	-	-	(1,174)
Utilisation of emission quotas	-	-	-	-	(26,123)	-	(26,123)
Assets put in use, transfer	(48)	6,132	415	(6,499)	-	-	-
Cost	**65,117**	**120,612**	**27,037**	**11,644**	**5,649**	**26,837**	**256,896**
Accumulated depreciation and impairment	**(32,296)**	**(110,768)**	**(24,485)**	**-**	**-**	**(23,166)**	**(190,715)**
Net book value at 31 December 2022	**32,821**	**9,844**	**2,552**	**11,644**	**5,649**	**3,671**	**66,181**
Additions	9,330	-	-	7,787	37,028	-	54,145
Amortisation	(7)	(7,258)	(642)	-	-	-	(7,907)
Foreign exchange translation of foreign operations	(508)	-	-	-	-	-	(508)
Transfer to property, plant and equipment	(5,126)	241	870	(2,342)	-	-	(6,357)
Impairment	(4,280)	-	-	-	-	-	(4,280)
Disposal	-	-	-	(319)	-	-	(319)
Utilisation of emission quotas	-	-	-	-	(31,182)	-	(31,182)
Assets put in use, transfer	(2)	2,440	160	(2,598)	-	-	-
Other	-	66	56	-	-	-	122
Cost	**64,694**	**118,169**	**20,572**	**14,172**	**11,495**	**26,837**	**255,939**
Accumulated depreciation and impairment	**(32,466)**	**(112,836)**	**(17,576)**	**-**	**-**	**(23,166)**	**(186,044)**
Net book value at 31 December 2023	**32,228**	**5,333**	**2,996**	**14,172**	**11,495**	**3,671**	**69,895**

(all amounts are presented in EUR thousands)

14. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

INA, d.d.	Oil and gas properties	Software	Patents, licences and other rights	Intangible assets under construction	Emission quotas	Total
Cost	**65,198**	**114,107**	**17,441**	**10,679**	**-**	**207,425**
Accumulated depreciation and impairment	**(33,695)**	**(102,841)**	**(16,136)**	**-**	**-**	**(152,672)**
Net book value at 1 January 2022	**31,503**	**11,266**	**1,305**	**10,679**	**-**	54,753
Additions	2,337	-	-	8,732	31,771	42,840
Amortisation	(8)	(7,618)	(510)	-	-	(8,136)
Foreign exchange translation of foreign operations	210	-	-	-	-	210
Transfer to property, plant and equipment	(48)	6,103	1,067	(8,046)	-	(924)
Impairment	(1,174)	-	-	-	-	(1,174)
Utilisation of emission quotas	-	-	-	-	(26,123)	(26,123)
Cost	**65,117**	**120,209**	**18,508**	**11,365**	**5,648**	**220,847**
Accumulated depreciation and impairment	**(32,297)**	**(110,458)**	**(16,646)**	**-**	**-**	**(159,401)**
Net book value at 31 December 2022	**32,820**	**9,751**	**1,862**	**11,365**	**5,648**	**61,446**
Additions	9,330	-	-	7,446	37,028	53,804
Amortisation	(6)	(7,013)	(483)	-	-	(7,502)
Foreign exchange translation of foreign operations	(508)	-	-	-	-	(508)
Transfer to property, plant and equipment	(5,127)	2,874	748	(4,853)	-	(6,358)
Impairment	(4,280)	-	-	-	-	(4,280)
Disposals	-	-	-	(318)	-	(318)
Utilisation of emission quotas	-	-	-	-	(31,173)	(31,173)
Cost	**64,694**	**120,771**	**14,401**	**13,640**	**11,503**	**225,009**
Accumulated depreciation and impairment	**(32,465)**	**(115,159)**	**(12,274)**	**-**	**-**	**(159,898)**
Net book value at 31 December 2023	**32,229**	**5,612**	**2,127**	**13,640**	**11,503**	**65,111**

(all amounts are presented in EUR thousands)

14. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Goodwill

Investment of Crosco, d.o.o. in Rotary Zrt. Hungary

	INA Group	
	31 December 2023	**31 December 2022**
Goodwill	**3,671**	**3,671**

As at 31 December 2023 and 31 December 2022 relating to the company Rotary Zrt. was tested for impairment and the test showed that there is no need for impairment.

At 31 December 2023 and 31 December 2022, the recoverable amount of Rotary Zrt. operations were determined based on a value in use calculation using cash flow projections from financial budgets approved by the Company management covering a five-year period. The discount rate applied to cash flow projections is 9.5% (2022: 7.5%) and cash flows beyond the five-year period are prepared taking into consideration the historical average EBIT margin and future predictions in the projected period. The growth rates are based on industry growth forecasts and Exploration and production segment assumptions, whereby for this particular case no long-term growth rate is foreseen in line with expectations.

The calculation of Rotary's value in use is most sensitive to the following assumptions:

- Discount rates 9.5% (7.5% in 2022)
- Average EBIT margin 3.7% (3.8% in 2022)

A change in the estimates of these premises would influence the value in use of the CGU, having an impact on the amount of impairment recognised in relation to Rotary's net realisable value. The sensitivity analysis of the key assumptions used in the impairment test shows the following effects:

- 1% increase in the discount rate indicates EUR 2,431 thousand decrease (impairment of EUR 2,366 thousand), 1% decrease results in EUR 3,244 thousand increase in the value in use.
- +/-1% alteration of the average EBIT margin indicates EUR 4,231 thousand difference in the value in use (impairment of EUR 3,671 thousand if the average margin would be lower).

The average EBIT margin is based on management's estimates. Discount rates represent the current market assessment of the risks specific to Rotary Zrt., taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

(all amounts are presented in EUR thousands)

15. PROPERTY, PLANT AND EQUIPMENT

INA Group	Oil and gas properties	Land and buildings	Plant and machinery	Vehicles and office equipment	Collective consumption assets	Assets under construction	Total
Cost	5,799,619	1,672,372	2,041,883	360,690	5,898	208,097	**10,088,559**
Accumulated depreciation and impairment	(5,344,974)	(1,248,115)	(1,660,451)	(312,654)	(5,214)	(24,111)	**(8,595,519)**
Net book value at 1 January 2022	**454,645**	**424,257**	**381,432**	**48,036**	**684**	**183,986**	**1,493,040**
Additions	94,751	-	-	-	-	256,189	350,940
Depreciation charge	(99,916)	(29,360)	(49,411)	(13,542)	(31)	-	(192,260)
Impairment	(30,092)	(1,009)	4,720	-	-	-	(26,381)
Change in capitalised decommissioning cost	(12,538)	-	-	-	-	-	(12,538)
Assets put in use, Transfer	(386)	38,879	4,565	16,020	-	(59,077)	-
Transfer to assets held for sale	(9,490)	(493)	502	-	(4)	-	(9,486)
Transfer to investment property	-	(6,678)	-	-	-	-	(6,678)
Disposals	-	(564)	(1,644)	(89)	-	(169)	(2,466)
Currency translation, FX of foreign operations	2,463	689	(260)	(124)	15	(104)	2,679
Other movements	1,120	334	-	-	(265)	(307)	882
Cost	5,481,071	1,648,640	2,027,707	356,479	5,584	404,234	**9,923,715**
Accumulated depreciation and impairment	(5,080,514)	(1,222,585)	(1,687,804)	(306,178)	(5,185)	(23,716)	**(8,325,982)**
Net book value at 31 December 2022	**400,557**	**426,055**	**339,903**	**50,301**	**399**	**380,518**	**1,597,733**
Additions	76,777	-	-	-	-	218,082	294,859
Depreciation charge	(79,869)	(17,124)	(56,707)	(10,851)	(18)	-	(164,569)
Impairment	(4,077)	4,873	417	7	-	-	1,220
Change in capitalised decommissioning cost	(43,645)	-	-	-	-	-	(43,645)
Assets put in use, Transfer	5,031	27,711	99,147	10,230	(12)	(135,750)	6,357
Transfer to assets held for sale	(159)	(6)	-	-	(146)	-	(311)
Transfer to investment property	-	(5,558)	(17)	-	(88)	(446)	(6,109)
Disposals	-	(3,106)	(8,234)	(143)	-	(22)	(11,505)
Currency translation, FX of foreign operations	(371)	-	-	-	-	-	(371)
Other movements	8	785	(29)	(152)	-	-	612
Cost	5,584,250	1,551,420	1,972,332	358,967	2,957	486,098	**9,956,024**
Accumulated depreciation and impairment	(5,229,998)	(1,117,790)	(1,597,852)	(309,575)	(2,822)	(23,716)	**(8,281,753)**
Net book value at 31 December 2023	**354,252**	**433,630**	**374,480**	**49,392**	**135**	**462,382**	**1,674,271**

(all amounts are presented in EUR thousands)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

INA, d.d.	**Oil and gas properties**	**Land and buildings**	**Plant and machinery**	**Vehicles and office equipment**	**Collective consumption assets**	**Assets under construction**	**Total**
Cost	5,815,501	1,388,883	1,716,323	292,455	5,394	255,652	**9,474,208**
Accumulated depreciation and impairment	(5,356,757)	(1,044,006)	(1,468,387)	(248,980)	(5,126)	(24,111)	**(8,147,367)**
Net book value at 1 January 2022	**458,744**	**344,877**	**247,936**	**43,475**	**268**	**231,541**	**1,326,841**
Additions	94,751	-	-	-	-	248,879	343,630
Depreciation charge	(101,000)	(21,618)	(54,564)	(9,914)	(27)	-	(187,123)
Impairment	(30,035)	-	-	-	-	-	(30,035)
Change in capitalised decommissioning cost	(12,412)	-	-	-	-	-	(12,412)
Assets put in use, Transfer	(264)	12,793	27,297	8,737	-	(47,638)	925
Transfer to assets held for sale	(9,490)	(351)	-	-	(4)	-	(9,845)
Disposals	-	(695)	(39)	(60)	-	(169)	(963)
Currency translation, FX of foreign operations	2,405	-	-	-	-	-	2,405
Other movements	1,120	-	295	-	-	(307)	1,108
Cost	5,496,910	1,392,589	1,729,755	297,523	5,330	456,022	**9,378,129**
Accumulated depreciation and impairment	(5,093,091)	(1,057,583)	(1,508,830)	(255,285)	(5,093)	(23,716)	**(7,943,598)**
Net book value at 31 December 2022	**403,819**	**335,006**	**220,925**	**42,238**	**237**	**432,306**	**1,434,531**
Additions	76,778	-	-	-	-	209,210	285,988
Depreciation charge	(80,207)	(21,157)	(46,891)	(8,764)	(16)	-	(157,035)
Impairment	(4,136)	-	-	-	-	-	(4,136)
Change in capitalised decommissioning cost	(45,786)	-	-	-	-	-	(45,786)
Transfer from/to intangible assets	5,031	26,206	91,684	7,670	(13)	(124,220)	6,358
Transfer to assets held for sale	(159)	-	-	-	-	-	(159)
Transfer to Investment property	-	(4,421)	-	-	(88)	-	(4,509)
Disposals	-	(2,030)	(8,216)	(127)	-	(21)	(10,394)
Currency translation, FX of foreign operations	(164)	-	-	-	-	-	(164)
Other movements	8	-	10	(150)	-	-	(132)
Cost	5,584,250	1,335,724	1,720,283	301,285	2,917	540,991	**9,485,450**
Accumulated depreciation and impairment	(5,229,066)	(1,002,120)	(1,462,771)	(260,418)	(2,797)	(23,716)	**(7,980,888)**
Net book value at 31 December 2023	**355,184**	**333,604**	**257,512**	**40,867**	**120**	**517,275**	**1,504,562**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

I) Oil and gas reserves

The ability of the Group and the Company to realise the net book value of oil and gas properties in the future depends on the extent to which commercially recoverable oil and gas reserves are available. During 2023, Exploration and Production assessed the quantities of the Company's remaining proved and probable developed oil and gas reserves which were commercially recoverable.

II) Ownership of land and buildings

Due to political developments in Croatia since 1990, certain local municipal land registers have not been fully established. The Company is in the process of registering its ownership, through the local courts in Croatia. Until the date of issuing these financial statements, no claims have been made against the Company concerning its title to these assets.

III) Collective consumption assets

Collective consumption assets refer to domestic residential accommodation for the employees of the Company and some of its subsidiaries.

IV) Carrying value of property, plant and equipment

The Management Board identified and assessed the impairment indicators in accordance with IAS 36. An impairment test was performed on assets where impairment indicators have been identified.

In 2023, the Group's impairment charge amounted to EUR 1,541 thousand and reversal of impairment amounted to EUR 5,923 thousand, while the total impairment of Company amounted also EUR 1,671 thousand and reversal of impairment EUR 698 thousand (2022: the Group's impairment of EUR 26,412 thousand, the Company's impairment of EUR 30,035 thousand).

a) Exploration and Production

Exploration and Production at Group level recorded impairment in amount of EUR 4,704 thousand as of 31 December 2023 while Company recorded impairment in the amount of EUR 4,834 thousand (decommission assets of non-productive fields EUR 1,541 thousand on Group level and EUR 1,671 thousand on Company level; assets under construction on Group and Company level recorded value adjustment in the amount of EUR 3,163 thousand: Kozarice 2,291, Ras Qatara 663, Lipovljani 209). In 2023, Group recorded reversal of impairment in amount of EUR 627 thousand, while Company recorded EUR 698 thousand (decommission assets of non-productive fields).

The Group in 2022 recorded impairment of asset in the amount of EUR 49,170 thousand while Company recorded impairment in the amount of EUR 49,252 thousand (Syria – EUR 37,403 thousand, Hrastilnica – EUR 2,336 thousand, Angola 3/05A – EUR 1,441 thousand, Mramor Brdo – EUR 948 thousand, Števkovica – EUR 802 thousand, Ježevo – EUR 698 thousand, Čepelovac Hampovica – EUR 636 thousand, Egypt Sidi Rahman – EUR 2,115 thousand, Egypt Ras Qattara EUR 955 thousand, Molve EUR 558 thousand, other on Group EUR 1,278 thousand while on Company level EUR 1,360 thousand).). The Group and the Company recorded reversal of impairment in amount of EUR 19,217 thousand (2022: (NACA – EUR 13,781 thousand, Angola 3/05A – EUR 1,763 thousand, Križ Bunjani – EUR 1,584 thousand, Mramor Brdo – EUR 842 thousand, Beničanci – EUR 627 thousand, Ježevo – EUR 258 thousand, Bilogora – EUR 203 thousand, Zebanec – EUR 159 thousand).

(all amounts are presented in EUR thousands)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

IV) Carrying value of property, plant and equipment (continued)

a) *Exploration and Production (continued)*

The discount rates used in the current assessment in 2023 and in 2022 are asset specific and are as follows:

Exploration and Production	**December 2023**	**December 2022**
Croatia, Egypt	8% - 12%	6.5% - 9.5%

b) Refining and Marketing, Consumer services and Retail did not record an impairment of property, plant and equipment as of 31 December 2023 (2022: EUR 106 thousand).
c) Corporate and other did recorded a reversal of impairment of property, plant and equipment as of 31 December 2023 in the amount of EUR 5,297 thousand (2022: the Group recorded an impairment of EUR 902 thousand and reversal of impairment EUR 4,720 thousand).

V) Internal labour capitalisation

Capitalised internal labour includes all direct labour costs that can be identified or associated with and are properly allocable to the construction, modification, or installation of specific items of capital assets and, as such, can be amortised. In 2023, the Group and the Company capitalised internal labour in amount of EUR 5,191 thousand (2022: EUR 4,765 thousand).

VI) Capitalised value of own performance

In 2023, the Group capitalised the total amount of EUR 57,970 thousand (2022: EUR 56,300 thousand) of internal costs as property, plant and equipment. The total costs comprise drilling, overhaul and auxiliary works on oil and gas fields in the amount of EUR 37,912 thousand (2022: EUR 43,426 thousand), capital maintenance on buildings, plants and petrol stations in the amount of EUR 17,790 thousand (2022: EUR 2,389 thousand) and other costs in the amount of EUR 2,268 thousand (2022: EUR 2,389 thousand). In the same period, the Company capitalised the total amount of EUR 6,413 thousand (2022: EUR 7,510 thousand) of internal costs as property, plant and equipment.

VII) Review of the residual value

The Group and the Company have reviewed the residual value for depreciation purposes to reflect the changes in the definition of the residual value provided in IAS 16 and no need for any adjustment to the residual values related to the current or prior periods has been established. The useful life of decommissioning assets has been adjusted to reflect the economic life of the fields.

VIII) Borrowing costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of qualifying assets. Additions to the gross book value of property, plant and equipment include borrowing costs of EUR 3,747 thousand in 2023 (2022: EUR 918 thousand).

(all amounts are presented in EUR thousands)

16. NON-CURRENT ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Management expects that sales transactions will be closed within the following twelve months.

	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Property, plant and equipment	860	10,516	-	10,177
Investment in Terra Mineralna Gnojiva d.o.o.	-	27,500	-	27,500
Other assets	-	7,194	-	6,667
Assets classified as held-for-sale	**860**	**45,210**	**-**	**44,344**

In 2022 the concession in Angola met the definition of Asset held for sale and was reclassified accordingly. Property, plant and equipment and other assets in the amount of EUR 16,843 thousand and liabilities of disposal group classified as held for sale in the amount of EUR 5,401 thousand relate to the Angola concession.

In May 2023 concession in Angola was sold and gain from sale was recognized in the amount of EUR 17,425 thousand.

Disposal of investments in Terra Mineralna Gnojiva d.o.o.

The process of changing the ownership of Terra Mineralna Gnojiva d.o.o. started with signing the Agreement on the purchase and sale of business shares with the Turkish group YILDIRIM. Terra Mineralna Gnojiva is a joint venture company owned by PPD and INA, d.d. which entered the ownership structure of Petrokemija on 31 October 2018. The ownership was changed, and this process was finalised after meeting the conditions from the sales contract. In 2022, the investment in Terra Mineralna Gnojiva d.o.o. was classified under *Assets held for sale* in the amount of EUR 27,500 thousand.

(all amounts are presented in EUR thousands)

17. INVESTMENT PROPERTY

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Opening balance - Cost	68,975	62,523	58,334	58,334
Opening balance - Accumulated depreciation and impairment	(50,904)	(50,022)	(48,593)	(48,076)
Net opening balance	**18,071**	**12,501**	**9,741**	**10,258**
Depreciation	(1,024)	(978)	(554)	(517)
Transfer to / from property, plant and equipment	6,109	6,548	4,509	-
Net closing balance	**23,156**	**18,071**	**13,696**	**9,741**
Closing balance - Cost	178,018	68,975	157,769	58,334
Closing balance - Accumulated depreciation and impairment	(154,862)	(50,904)	(144,073)	(48,593)

As at 31 December 2023, the fair value of the Group's and the Company's investment property amounts to EUR 142,938 thousand and EUR 71,414 thousand, respectively.

	INA Group	
	31 December 2023	**31 December 2022**
Rental income from investment property	2,451	837
Operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year	538	93
Operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the year	52	54

(all amounts are presented in EUR thousands)

18. INVESTMENTS IN SUBSIDIARIES (in the separate financial statements of INA, d.d.)

	INA, d.d.	
	31 December 2023	**31 December 2022**
Investments in subsidiaries	238,091	242,652

	INA, d.d.	
	31 December 2023	**31 December 2022**
Investments in subsidiaries at 1 January	**242,652**	**242,290**
INA Slovenija - reversal of impairment	4,836	362
INA Industrijski servisi d.o.o, - increase investments in subsidiaries	1,165	-
Energopetrol - impairment	(6,755)	-
INA Industrijski servisi d.o.o.- impairment	(2,836)	-
Holdina Sarajevo d.o.o. - decrease in share capital	(971)	-
At 31 December 2023	**238,091**	**242,652**

The following portfolio changes were recorded in 2023:

Based on the decision of the Commercial Court decision dated 11 May 2023 Holdina Sarajevo decrease the share capital of the company in the amount of EUR 971 thousand by distribution to the Company.

In 2023, INA, d.d. recognised the reversal of impairment of investment of INA Slovenia in the amount of EUR 4,836 thousand, and the impairment of investment of Energopetrol in the amount of EUR 6,755 thousand and impairment of investment of INA Industrijski servisi d.o.o. in amount 2,836 thousand was recorded.

The following portfolio changes were recorded in 2022:

Based on the decision of the Commercial Court decision dated 10 January 2022, INA BH was liquidated. The net value of the shares at the time of liquidation was zero. Based on the liquidation of INA BH, 28,590 shares of TGA Stolac were transferred to the Company.

(all amounts are presented in EUR thousands)

18. INVESTMENTS IN SUBSIDIARIES (in the separate financial statements of INA, d.d.) (CONTINUED)

The following are subsidiaries in which the Company has a share (*subsidiary indirectly owned by the Company):

Composition of the Group

Name of subsidiary	Principal activity	Place of incorporation and operation	**Proportion of ownership interest and voting power held by the Group**	
			31 December 2023	31 December 2022
Oilfield services				
*CROSCO, naftni servisi d.o.o.	Oilfield services	Croatia	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%
*SEA HORSE SHIPPING Inc	Lease of drilling platforms	Marshall Islands	-	100%
*ROTARY D&WS S.R.L.	Oilfield services	Romania	-	100%
Tourism				
Hostin d.o.o.	Asset management, tourism	Croatia	100%	100%
Ancillary services				
*STSI Integrirani tehnički servisi d.o.o.	Technical services	Croatia	100%	100%
Top Računovodstvo Servisi d.o.o.	Accounting services	Croatia	100%	100%
*Plavi tim d.o.o.	Informatics service	Croatia	100%	100%
INA Vatrogasni Servisi d.o.o.	Firefighting	Croatia	100%	100%
INA Industrijski Servisi d.o.o.	Holding company	Croatia	100%	100%
Production and trading				
INA MAZIVA d.o.o.	Production and lubricants trading	Croatia	100%	100%
Trading				
INA Slovenija d.o.o. Ljubljana	Foreign trading	Slovenia	100%	100%
Holdina d.o.o. Sarajevo	Foreign trading	Bosnia and Herzegovina	100%	100%
INA d.o.o. Beograd	Foreign trading	Serbia	100%	100%
INA Kosovo d.o.o.	Foreign trading	Kosovo	100%	100%
Adriagas S.r.l. Milano	Pipeline project company	Italy	100%	100%
INA Crna Gora d.o.o. Podgorica	Foreign trading	Montenegro	100%	100%
CROPLIN d.o.o.	Distribution network of gas fuels	Croatia	100%	100%
INA Maloprodajni servisi d.o.o.	Trade agency	Croatia	100%	100%
Energopetrol d.d.	Retail (oil and lubricant)	Bosnia and Herzegovina	88.66%	88.66%
INA BL d.o.o. Banja Luka	Trading	Bosnia and Herzegovina	100%	100%

(all amounts are presented in EUR thousands)

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Investments in associates	129,316	3,691	121,155	2,331
Investment in joint ventures	1	1	1	1
	129,317	**3,692**	**121,156**	**2,332**

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Investments at 1 January	**3,692**	**32,594**	**2,332**	**32,594**
Movements	125,625	(28,902)	118,824	(30,262)
At 31 December	**129,317**	**3,692**	**121,156**	**2,332**

(all amounts are presented in EUR thousands)

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The Company has direct and indirect interests in other entities as follows:

			INA Group			
Name of company	**Activity**	**Place of incorporation and operation**	**31 December 2023**	**31 December 2022**	**Fer value 31 December 2023**	**Fer value 31 December 2022**
Hayan Petroleum Company*	Operating company (oil exploration, development and production)	Damascus, Syria	50%	50%	-	-
ED INA d.o.o. Zagreb*	Research, development and hydrocarbon production	Zagreb, Croatia	50%	50%	1	1
Plinara Pula d.o.o.	Distribution and supply of gas	Pula, Croatia	49%	49%	2,689	2,673
MOL & INA d.o.o.	Sale of petroleum products	Koper, Slovenia	33%	-	125,440	-
TGA Stolac	Production of wire, chain and spring products	Stolac, Bosnia and Herzegovina	25.75%	25.75%	-	-
Plinara istočne Slavonije	Distribution network of gas fuels	Vinkovci, Croatia	40%	40%	1,187	1,018
					129,317	**3,692**

(all amounts are presented in EUR thousands)

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

					INA, d.d.	
Name of company	**Activity**	**Place of incorporation and operation**	**31 December 2023**	**31 December 2022**	**Fer value 31 December 2023**	**Fer value 31 December 2022**
Hayan Petroleum Company*	Operating company (oil exploration, development and production)	Damascus, Syria	50%	50%	-	-
ED INA d.o.o. Zagreb*	Research, development and hydrocarbon production	Zagreb, Croatia	50%	50%	1	1
Plinara Pula d.o.o.	Distribution and supply of gas	Pula, Croatia	49%	49%	2,331	2,331
MOL & INA d.o.o.	Sale of petroleum products	Koper, Slovenia	33%	-	118,824	-
TGA Stolac	Production of wire, chain and spring products	Stolac, Bosnia and Herzegovina	25.75%	25.75%	-	-
					121,156	**2,332**

*Investments that are joint ventures at the Group and the Company

(all amounts are presented in EUR thousands)

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Non-material associates and joint operations are as follows: Hayan Petroleum Company, ED - INA d.o.o. Zagreb and TGA Stolac.

In 2023, using the equity method the Group recorded a share in profit amounting to EUR 6,694 thousand (2022: share in loss of EUR 3,633 thousand).

In 2023, the Company increased its share in OMV Slovenia, which was renamed MOL & INA d.o.o., from 7.75% to 33%. For the mentioned share increase of 25.25% INA, d.d. paid EUR 92,703 thousand.

Based on the Commercial Court's decision on the deletion dated 18 February 2022, the deregistration of Elektrometal was recorded. The net value of Elektrometal's shares at the time of deletion was zero.

By signing the Deed of Assignment between INA, d.d. and National Petroleum Co. South Ramadan Limited on 14 November 2022. The Company sold ownership in Marina Petroleum Company and the share in the company was written off. By the decision of the General Assembly dated 25 February 2022 on increasing the share capital by investing rights - claims and business shares by issuing new ordinary shares, the Company share reduced in the Belvedere d.d. from 31.80% to 8.95%.

Summarised statements of financial position and comprehensive income of MOL & INA d.o.o. (INA, d.d. 33% share):

Place of incorporation and operation	Koper, Slovenia	Koper, Slovenia
	2023	**2022**
Non-current assets	323,744	-
Current assets	128,064	-
Non-current liabilities	(24,338)	-
Current liabilities	(81,238)	-
Net assets	**346,232**	**-**
Group's share of assets	**114,257**	**-**
Goodwill	**11,184**	-
Carrying amount of the investment	**125,441**	**-**
Total operating income	415,762	-
Profit from operations	24,747	-
Net profit	20,048	-
INA, d.d. share of profit (33%)	**6,616**	**-**
INA Group share of profit	**6,616**	**-**

(all amounts are presented in EUR thousands)

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Summarised statements of financial position and comprehensive income of Terra Mineralna Gnojiva d.o.o. - consolidated (INA, d.d. 50% share).

Place of incorporation and operation	Zagreb, Republic of Croatia	Zagreb, Republic of Croatia
	2023	**2022**
Non-current assets	-	81,191
Current assets	-	114,788
Non-current liabilities	-	(13,421)
Current liabilities	-	(92,598)
Net assets	**-**	**89,960**
Minority interest	-	**40,917**
Asset attributed to the owners	**-**	**49,043**
Group's share of assets	**-**	**24,615**
Goodwill	**-**	8,931
Carrying amount of the investment	**-**	**33,546**
Total operating income	-	142,021
Profit from operations	-	7,048
Net profit	-	3,472
Net profit attributable to Terra Mineralna Gnojiva d.o.o, after non-controlling interest	-	1,893
INA, d.d, share of profit (50%)	**-**	**947**
INA Group share of profit	**-**	**947**

Data for 2022 is based on PTK Group data as at 30 June 2022, Prior to year-end 2022, investment in Terra Mineralna Gnojiva was reclassified to assets held for sale. Immediately prior to reclassification, the investment was remeasured which resulted in an impairment of EUR 6,046 thousand. In April 2023 investment in Terra Mineralna Gnojiva was sold.

In addition to the abovementioned associated company and joint venture, the Group also has other investments in associated companies and joint ventures. The Group's share in the profit from these companies amounts to EUR 79 thousand for the year 2023 (2022: EUR 1,465 thousand).

(all amounts are presented in EUR thousands)

20. OTHER NON-CURRENT FINANCIAL ASSETS

INA Group	31 December 2023	31 December 2022
Receivables from non-current contracts	72,963	82,867
Receivables for apartments sold	1,018	1,646
Deposits	3	978
	73,984	**85,491**

INA, d.d.	31 December 2023	31 December 2022
Receivables from non-current contracts	72,963	82,867
Long-term loans given to subsidiaries	71,261	105,087
Receivables for apartments sold	1,018	1,647
Deposits	-	975
	145,242	**190,576**

Intragroup financing terms, i.e., arm's length price of the Group companies' loan transactions is determined consistently based on internal and external comparable transactions using Comparable uncontrolled price method. Inclusive 31 December 2023 intragroup loan placement currency EUR, in most majority of the cases loans are unsecured.

Receivables from non-current contracts present receivables from ENI International BV relating to decommissioning obligation for North Adriatic assets. These receivables are defined in the Sales and Purchase Agreement from 2018, and the expected collection of all of the amount is by end of 2036.

21. OTHER NON-CURRENT ASSETS

	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Prepayments for property, plant and equipment	27,033	25,320	26,795	25,276
Prepayments for intangible assets	295	2	296	2
Other non-current receivables	231	257	217	241
Non-current receivables from related party	-	-	31	1,196
	27,559	**25,579**	**27,339**	**26,715**

(all amounts are presented in EUR thousands)

22. NON-CURRENT FINANCIAL ASSETS

			INA Group and INA, d.d.			
					Fair value of investment	
Company name	**Activity**	**Place of incorporation and operation**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Jadranski Naftovod d.d.	Pipeline ownership and operations	Zagreb, Croatia	11.795%	11.795%	98,650	93.071
Hoc Bjelolasica d.o.o.	Sport facilities activities	Jasenak, Croatia	7.17%	7.17%	-	-
Bina Fincom d.d.	Construction of motorways and other roads, and airport airfields	Zagreb, Croatia	5.00%	5.00%	-	-
OMV Slovenija d.o.o.	Sale of petroleum products	Koper, Slovenia	-	7.75%	-	17.485

	2023	**2022**
Balance at the beginning of the year	110,556	97,936
Remeasurement recognition in OCI, gross of income tax	14,215	12,620
Transfer of investment in OMV Slovenia to associate company (MOL&INA)	(26,121)	-
Balance at the end of the year non-current financial assets	**98,650**	**110,556**

(all amounts are presented in EUR thousands)

22. NON-CURRENT FINANCIAL ASSETS (CONTINUED)

The equity share value in Jadranski Naftovod d.d. ("JANAF") was reported by reference to the market value of a share as quoted on the Zagreb Stock Exchange as at 31 December 2023. The fair value of the equity investment in JANAF increased by EUR 5,579 thousand compared to the balance as at 31 December 2022 due to an increase in the market value of the JANAF shares on the Zagreb Stock Exchange. The market value of the shares (118,855 shares) as at 31 December 2023 amounted to EUR 830 per share (31 December 2022: EUR 783 per share).

In 2022, Company and MOL Nyrt. reached an agreement to acquire OMV's 92.25% stake in OMV Slovenija d.o.o. The transaction included 120 service stations across Slovenia as well as the wholesale business of the acquired company. Company increased investment in OMV Slovenija d.o.o. from 7.75% to 33%. In 2023 OMV Slovenija was renamed to MOL & INA d.o.o.

23. INVENTORIES

	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Merchandise	94,369	143,450	89,615	136,117
Refined products	70,864	83,857	62,658	66,727
Crude oil	40,793	67,506	39,412	67,506
Work in progress	68,870	60,366	68,755	60,278
Raw material	54,345	27,585	47,432	17,736
Spare parts, materials and supplies	16,130	15,248	11,575	8,973
	345,371	**398,012**	**319,447**	**357,337**

In 2023, EUR 19,094 thousand was recognized as reversal of impairment of refined products and work in progress for the Group and the Company (2022: EUR 24,078 thousand was recognized for the Group and the Company). This impairment and reversal of impairment is presented under the Changes in inventories of finished products and work in progress line in consolidated and separate statement of profit or loss.

In 2023, EUR 3,271 thousand was recognized as reversal of impairment of merchandise for the Group and the Company (2022: EUR 3,573 thousand was recognized as impairment for the Group and the Company). This impairment and reversal of impairment is presented under the *Cost of goods sold* line in consolidated and separate statement of profit or loss.

In 2023, the Group recognized the cost of sold goods and finished products in the amount of EUR 3,012,553 thousand (2022: EUR 3,757,734 thousand). In 2023, the Company recognized the cost of sold goods and finished products in the amount of EUR 2,962,402 thousand (2022: EUR 3,587,879 thousand).

(all amounts are presented in EUR thousands)

24. TRADE RECEIVABLES (NET)

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Trade receivables	359,893	404,570	313,891	353,255
Impairment of trade receivables	(40,667)	(41,087)	(29,451)	(29,767)
	319,226	**363,483**	**284,440**	**323,488**

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 0.14% is EUR 231 thousand in 2023 (2022: ECL: 0.13%).

Trade receivables of the Group presented above also includes related party receivables of EUR 64,408 thousand as at 31 December 2023 (2022: EUR 53,707 thousand) with related party entities outside of the Group (see Note 40).

Impairment of trade receivables:

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
At beginning of the year	41,087	48,869	29,767	31,815
Impairment losses recognised on receivables	916	1,188	578	893
Amounts written off as uncollectable	(410)	(7,568)	(171)	(1,660)
Reversal of impairment on amounts recovered	(926)	(1,402)	(723)	(1,281)
At end of the year	**40,667**	**41,087**	**29,451**	**29,767**

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Current (not past due)	274,170	326,843	245,270	293,213
1-30 days	18,015	17,716	15,425	15,036
31-60 days	3,960	6,208	3,909	4,800
61-90 days	3,944	5,177	3,919	5,136
91-180 days	14,039	7,282	13,790	7,237
More than 180 days	45,765	41,344	31,578	27,833
At end of the year	**359,893**	**404,570**	**313,891**	**353,255**

(all amounts are presented in EUR thousands)

25. OTHER CURRENT FINANCIAL ASSETS

	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Claims from insurance companies	7,923	-	7,923	-
Margining receivables	3,538	-	3,538	-
Prepaid loans fees	1,755	1,918	1,574	1,736
Short-term loans and deposits	1,174	1,259	8,012	4,251
Short-term derivative financial instruments (awaiting settlement)	1,746	5,045	1,746	5,045
Other current receivable	2,289	1,609	1,745	145
Current portion of long-term loans	-	-	1,028	947
	18,425	**9,831**	**25,566**	**12,124**

26. OTHER CURRENT ASSETS

	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Prepaid and recoverable excise duties	10,289	8,563	10,119	8,563
Prepayments for customs, duties and other charges	8,816	6,050	7,716	2,900
Tax prepayments	5,361	5,121	1,874	1,320
Prepayment receivables	2,460	2,138	1,572	783
Foreign concessions receivables	1,195	948	1,195	948
Government receivables	876	853	87	85
Employees receivables	48	38	40	58
Other	5,001	4,208	2,381	2,478
	34,046	**27,919**	**24,984**	**17,135**

(all amounts are presented in EUR thousands)

27. MARKETABLE SECURITIES

The Group and the Company invest in investment grade debt securities, as long-term and short-term government bonds. At 31 December 2023 the Group's fair value of debt securities was EUR 2,492 thousand (2022: EUR 18,499 thousand), and at 31 December 2023 INA, d.d. fair value of debt securities was EUR 2,492 thousand (2022: EUR 18,479 thousand). When debt securities mature or are sold, changes in fair value previously recognised in other comprehensive income and accumulated in equity are recognized in statement of profit or loss. Short-term securities matured on 4 April 2023, and long-term securities are maturing on 4 February 2030.

	INA Group	INA, d.d.
Balance at 1 January 2022	**7,902**	**7,862**
Additions	15,240	15,260
Interest and amortization	(769)	(769)
Foreign exchange	1,674	1,674
Bonds matured	(5,012)	(5,012)
Change in fair value	(536)	(536)
Balance at 31 December 2022	**18,499**	**18,479**
Interest and amortization	(344)	(344)
Foreign exchange	(321)	(321)
Bonds matured	(15,666)	(15,646)
Change in fair value	324	324
Balance at 31 December 2023	**2,492**	**2,492**
Short-term marketable securities as at 31 December 2022	16,157	16,157
Long-term marketable securities as at 31 December 2022	2,342	2,322
Short-term marketable securities as at 31 December 2023	-	-
Long-term marketable securities as at 31 December 2023	2,492	2,492

(all amounts are presented in EUR thousands)

28. CASH AND CASH EQUIVALENTS

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Demand deposit	19,737	130,260	11,038	122,866
Deposits until three months	117,460	88,639	117,257	88,472
Cash on hand	13,663	7,669	11,545	6,310
Cash and cash equivalents in statement of financial position	**150,860**	**226,568**	**139,840**	**217,648**
Overdrafts	-	-	-	-
Cash and cash equivalents in statement of cash flows	**150,860**	**226,568**	**139,840**	**217,648**

In accordance with the contract for front-loading of euro, OTP bank supplied INA, d.d. with euro banknotes and coins in the amount of EUR 16 million in 2022. OTP bank has blocked the specified amount on the Company's account in the bank, as a security deposit for front-loading. Amount is disclosed as part of the demand deposits as at 31 December 2022.

Euro banknotes and coins delivered to the locations was recorded off-balance sheet in 2022, and after the introduction of the euro on 1 January 2023, the off-balance sheet posting was reversed, and the amount was posted as cash.

29. BANK LOANS AND CURRENT PORTION OF LONG-TERM DEBTS

The most significant short-term loans as at 31 December 2023 are credit facilities for the financing of crude oil and petroleum products purchase (“trade finance”) concluded with first class banks, framework agreements for granting loans, issuing bank guarantees and opening letters of credits concluded with domestic banks, as well as short-term credit lines with foreign creditors.

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Bank loans	102,258	69,500	83,257	64,000
Short-term corporate bond issuance	189	188	189	188
	102,447	**69,688**	**83,446**	**64,188**

(all amounts are presented in EUR thousands)

29. BANK LOANS AND CURRENT PORTION OF LONG-TERM DEBTS (CONTINUED)

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Unsecured bank loans in EUR	102,258	69,500	-	64,000
Unsecured bank loans in HUF	-	-	83,257	-
Unsecured corporate bond issuance in EUR	189	188	189	188
	102,447	**69,688**	**83,446**	**64,188**

Short-term loans are contracted as multicurrency lines with variable interest rates. Company short-term loans are unsecured and do not contain financial covenants.

In order to secure the Group subsidiaries short – term credit facilities, the Company issued corporate guarantees.

30. TRADE PAYABLES, TAXES AND CONTRIBUTIONS AND OTHER CURRENT LIABILITIES

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Financial liabilities				
Trade payables	324,417	329,642	276,819	290,371
Dividend payables	142	145	142	145
Non-financial liabilities				
Value added tax, excise duties and other tax	177,662	95,314	164,234	86,280
Accrued bonuses	5,572	22,290	3,209	13,308
Payroll payables	19,669	15,572	11,697	8,755
Contract liabilities	9,157	11,334	6,778	9,121
Payroll taxes and contributions	6,707	5,863	3,239	2,787
Mining fee	4,444	5,603	4,444	5,603
Liabilities for received deposits and sureties for tender	3,291	2,168	3,050	1,910
Accrued unused holiday	3,257	2,761	654	528
Other	5,993	5,685	4,776	4,477
	560,311	**496,377**	**479,042**	**423,285**

(all amounts are presented in EUR thousands)

30. TRADE PAYABLES, TAXES AND CONTRIBUTIONS AND OTHER CURRENT LIABILITIES (CONTINUED)

The management considers that the carrying amount of trade payables approximates their fair values.

Trade payables are unsecured and are usually paid within 60 days of recognition.

Trade payables includes payables with related party entities outside of the Group in the amount of EUR 51,962 thousand as at 31 December 2023 (2022: EUR 20,336 thousand) (see Note 40).

Accruals for unused holiday is determined based on actual data (number of employees, unused days, payroll) taken into calculation.

The auditor's fee for 2023 for the audit service of the Group and the Company amounts to EUR 450 thousand and EUR 250 thousand (2022: EUR 432 thousand and EUR 276), respectively, recognised within service costs.

31. LONG-TERM DEBT

Long-term loans can be utilized in different currencies and are subject to different interest rates. Long-term loans of INA, d.d. are unsecured and contain financial covenants which have been met.

The Group's and the Company's outstanding debt is analysed as follows:

INA Group	Weighted average interest rate **31 December 2023**	Weighted average interest rate **31 December 2022**	**31 December 2023**	**31 December 2022**
	%	%		
Corporate bond issuance in EUR	0.88	0.88	264,105	263,670
Total			**264,105**	**263,670**
Payable within one year			-	-
Total long-term debts			**264,105**	**263,670**

INA, d.d.	Weighted average interest rate **31 December 2023**	Weighted average interest rate **31 December 2022**	**31 December 2023**	**31 December 2022**
	%	%		
Corporate bond issuance in EUR	0.88	0.88	264,105	263,670
Intercompany loans in EUR	-	-	17,612	18,748
Total			**281,717**	**282,418**
Payable within one year			-	-
Total long-term debts			**281,717**	**282,418**

(all amounts are presented in EUR thousands)

31. LONG-TERM DEBT (CONTINUED)

The maturity of the debts may be summarised as follows:

	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Payable within one to two years	-	-	17,612	18,748
Payable within two to three years	-	-	-	-
Payable within three to four years	264,105	-	264,105	-
Payable within four to five years	-	263,670	-	263,670
Total	**264,105**	**263,670**	**281,717**	**282,418**

The movement in long-term debts during the year is summarised as follows:

	INA Group	INA, d.d.
Balance at 1 January 2022	**263,242**	**280,336**
Amortisation of bond discount	428	428
New borrowings	-	79,338
Amounts repaid	-	(77,684)
Balance at 31 December 2022	**263,670**	**282,418**
At 1 January 2023	**263,670**	**282,418**
Amortisation of bond discount	435	435
New borrowings	-	70,976
Amounts repaid	-	(72,112)
Balance at 31 December 2023	**264,105**	**281,717**

(all amounts are presented in EUR thousands)

31. LONG-TERM DEBT (CONTINUED)

CORPORATE BONDS

In December 2021, INA, d.d. issued corporate bonds in the amount of HRK 2 billion (EUR 265,446 thousand) at an issue price of 99.445%, with a coupon of 0.875% p.a. and semi-annual interest payment. The bonds finally mature on 6 December 2026. The purpose of the bonds is financing general corporate purposes, investments, potential acquisitions and partial refinancing of existing debts.

The principal long-term loans outstanding as at 31 December 2023 were as follows:

ING BANK N.V., LONDON BRANCH

In October 2022 INA, d.d. signed a long-term multi-currency revolving credit facility agreement for general corporate purposes in the amount of EUR 300,000 thousand. The facility can be used in EUR and USD and is subject to different interest rates. Lenders are banking groups represented by both international and domestic banks. The Facility Agent is ING Bank N.V., London Branch. The maturity of the credit facility is 3 years with an option for 1+1-year extension. First extension option has been exercised and the facility was extended for 1 additional year until October 2026 in the full amount of EUR 300,000 thousand. The revolving credit facility signed in 2018 in the amount of USD 300,000 thousand was refinanced with this facility.

Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities arising from financing activities, including both cash and noncash changes, and which the Group and the Company assess to be material. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated and separate statements of cash flow as cash flows from financial activities.

INA Group	1 January 2023	Cash flow	Foreign exchange movement	Interest expenses	Additions	31 December 2023
Short-term loans	69,688	17,206	868	14,685	-	102,447
Corporate bonds	263,670	-	-	435	-	264,105
Lease liabilities	41,201	(13,457)	-	-	21,198	48,942
Dividend payable	145	(200,003)	-	-	200,000	142
Total liabilities	**374,704**	**(196,254)**	**868**	**15,120**	**221,198**	**415,636**

INA, d.d.	1 January 2023	Cash flow	Foreign exchange movement	Interest expenses	Additions	31 December 2023
Short-term loans	64,188	3,566	858	14,834	-	83,446
Long-term loans from related parties	18,748	(1,136)	-	-	-	17,612
Short-term loans from related parties	1,600	7,546	-	-	-	9,146
Corporate bonds	263,670	-	-	435	-	264,105
Lease liabilities	52,468	(15,331)	-	-	20,447	57,584
Dividend payable	144	(200,003)	-	-	200,000	141
Total liabilities	**400,818**	**(205,358)**	**858**	**15,269**	**220,447**	**432,034**

(all amounts are presented in EUR thousands)

31. LONG-TERM DEBT (CONTINUED)

INA Group	1 January 2022	Cash flow	Foreign exchange movement	Interest expenses	Additions	31 December 2022
Short-term loans	151,944	(90,855)	7,340	1,259	-	69,688
Corporate bonds	263,242	-	-	428	-	263,670
Lease liabilities	41,441	(12,660)	71	605	11,744	41,201
Dividend payable	14	(129,936)	-	-	130,067	145
Total liabilities	**456,641**	**(233,451)**	**7,411**	**2,292**	**141,811**	**374,704**

INA, d.d.	1 January 2022	Cash flow	Foreign exchange movement	Interest expenses	Additions	31 December 2022
Short-term loans	124,692	(69,236)	7,342	1,390	-	64,188
Long-term loans from related parties	17,094	1,654	-	-	-	18,748
Short-term loans from related parties	4,518	(2,922)	4	-	-	1,600
Corporate bonds	263,242	-	-	428	-	263,670
Lease liabilities	59,086	(14,884)	60	595	7,611	52,468
Dividend payable	14	(129,937)	-	-	130,067	144
Total liabilities	**468,646**	**(215,325)**	**7,406**	**2,413**	**137,678**	**400,818**

Compliance with loan agreements

In 2023 the Group members and the Company paid all of their due liabilities in respect of the loans (principal, interest and fees) on a timely basis, without any delays or defaults. Long-term loan agreement of the Company contains financial covenants which have been complied with.

32. LEASES

The Group and the Company present right-of-use assets from leases in separate line items of the statement of financial position. The recognised right-of-use assets relate to the following types of assets and movements during the year:

IN GROUP	Land and buildings	Vehicles	Plant and machinery, office equipment and other	Total
Balance at 1 January 2022	**21,272**	**14,263**	**5,178**	**40,713**
Additions in the year due to new contracts	9,869	1,789	761	**12,419**
Depreciation for the year	(3,336)	(6,212)	(2,824)	**(12,372)**
Other decrease (i.e., impairment, termination)	(8)	(209)	(353)	**(570)**
Balance at 31 December 2022	**27,797**	**9,631**	**2,762**	**40,190**
Additions in the year due to new contracts	11,090	5,200	4,902	**21,192**
Depreciation for the year	(3,904)	(6,505)	(3,135)	**(13,544)**
Other decrease (i.e., impairment, termination)	-	(17)	-	**(17)**
Balance at 31 December 2023	**34,983**	**8,309**	**4,529**	**47,821**

(all amounts are presented in EUR thousands)

32. LEASES (CONTINUED)

INA, d.d.	**Land and buildings**	**Vehicles**	**Plant, machinery, office equipment and other**	**Total**
Balance at 1 January 2022	**41,474**	**11,522**	**5,170**	**58,166**
Additions	5,959	1,381	758	8,098
Depreciation	(6,360)	(5,093)	(2,818)	(14,271)
Other decrease	(8)	(117)	(354)	(479)
Balance at 31 December 2022	**41,065**	**7,693**	**2,756**	**51,514**
Additions	10,783	4,785	4,884	**20,452**
Depreciation	(6,957)	(5,380)	(3,111)	**(15,448)**
Other decrease	-	(2)	-	**(2)**
Balance at 31 December 2023	**44,891**	**7,095**	**4,529**	**56,515**

Lease liabilities

Maturity analysis of contractual undiscounted cash flow as at 31 December 2023 and 31 December 2022:

	INA Group		**INA, d.d.**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Analysed as:				
Liabilities within 1 year	14,125	10,764	16,365	13,040
Liabilities between 1-5 years	22,307	18,140	30,991	30,503
Liabilities over 5 years	16,585	13,942	13,751	10,735
Total undiscounted liabilities	**53,017**	**42,846**	**61,107**	**54,278**

(all amounts are presented in EUR thousands)

32. LEASES (CONTINUED)

Total carrying amounts of lease liabilities are presented separately in the statement of financial position:

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Lease liabilities at 1 January	41,201	41,441	52,468	59,086
Additions	21,198	11,744	20,447	7,611
Accretion of interest	744	605	676	595
Payments	(14,201)	(12,660)	(16,007)	(14,884)
Foreign exchange difference	-	71	-	60
Lease liabilities at 31 December	**48,942**	**41,201**	**57,584**	**52,468**
Analysed as:				
Current lease liabilities	13,271	10,644	15,436	12,575
Non-current lease liabilities	35,671	30,557	42,148	39,893

The following amounts were recognised in profit or loss:

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Expenses for the year relating to short-term leases or leases of low-value assets	7,480	8,348	6,205	7,514
Depreciation of right -of-use asset	13,544	12,372	15,448	14,271
Interest expense for lease agreements	744	605	676	595
	21,768	**21,325**	**22,329**	**22,380**

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
Amounts recognized in statement of cash flows	**21,681**	**21,008**	**22,213**	**22,398**

(all amounts are presented in EUR thousands)

33. PROVISIONS

INA Group	Decommissioning charges	Environmental provision	Legal claims	Renewable energy provision	Redundancy costs	Other	Total
Balance at 1 January 2022	**407,134**	**61,518**	**11,740**	**3,393**	**1,496**	**43,834**	**529,115**
Charge for the year	-	30,957	624	7,072	7,937	8,921	**55,511**
Effect of change in estimates	(19,915)	3,608	(8,220)	**-**	(879)	3,804	**(21,602)**
Unwinding of discount on provision	6,118	511	104	**-**	-	722	**7,455**
Provision utilised during the year (paid)	-	(27,065)	(689)	(3,393)	(5,045)	(1,048)	**(37,240)**
Balance at 31 December 2022	**393,337**	**69,529**	**3,559**	**7,072**	**3,509**	**56,233**	**533,239**
Charge for the year	-	33,520	312	9,494	818	1,824	**45,968**
Effect of change in estimates	(66,308)	(2,890)	(293)	(325)	(488)	(2,232)	**(72,536)**
Unwinding of discount on provision	13,548	1,308	24	-	-	4,793	**19,673**
Provision utilised during the year (paid)	(17,363)	(32,782)	(655)	(6,747)	(1,448)	(2,527)	**(61,522)**
Balance at 31 December 2023	**323,214**	**68,685**	**2,947**	**9,494**	**2,391**	**58,091**	**464,822**

(all amounts are presented in EUR thousands)

33. PROVISIONS (CONTINUED)

INA, d.d.	**Decommissioning charges**	**Environmental provision**	**Legal claims**	**Renewable energy provision**	**Redundancy costs**	**Other**	**Total**
Balance at 1 January 2022	**434,437**	**61,163**	**948**	**3,393**	**688**	**41,342**	**541,971**
Charge for the year	-	30,957	162	7,072	6,698	8,622	**53,511**
Effect of change in estimates	(21,140)	3,633	-	**(14)**	(681)	1,539	**(16,663)**
Unwinding of discount on provision	6,525	503	-	**-**	-	722	**7,750**
Provision utilised during the year (paid)	(78)	(26,998)	(402)	(3,379)	(4,915)	(792)	**(36,564)**
Balance at 31 December 2022	**419,744**	**69,258**	**708**	**7,072**	**1,790**	**51,433**	**550,005**
Charge for the year	-	33,512	-	9,494	-	1,792	**44,798**
Effect of change in estimates	(70,649)	(2,859)	(21)	(325)	(308)	(1,842)	**(76,004)**
Unwinding of discount on provision	14,466	1,301	-	-	-	4,793	**20,560**
Provision utilised during the year (paid)	(17,395)	(32,726)	(197)	(6,747)	(460)	(2,436)	**(59,961)**
Balance at 31 December 2023	**346,166**	**68,486**	**490**	**9,494**	**1,022**	**53,740**	**479,398**

	INA Group		**INA, d.d.**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Analysed as:				
Current liabilities	52,090	66,889	49,913	63,517
Non-current liabilities	412,732	466,350	429,485	486,488
	464,822	**533,239**	**479,398**	**550,005**

33. PROVISIONS (CONTINUED)

Decommissioning charges

The Group and the Company record provisions at present value of estimated future costs of abandoning oil and gas production facilities estimated at the end of production. Estimate provisions are based on the applicable legal regulations, technology and price levels. Decommissioning assets are created in an amount equalling the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommissioning assets. In case there is no related asset, the change in provision estimate is charged to profit or loss.

As at 31 December 2023, the decommissioning provision decreases the Group's property, plant and equipment by EUR 56,038 thousand and the Company's property plant and equipment by EUR 59,156 thousand.

As at 31 December 2023 the Company recognised a decommissioning provision for 46 oil and gas production fields, 5 non-production fields, 9 positive non-production fields and 349 dry non-production wells. As at 31 December 2022, the Company recognised a decommissioning provision for 46 oil and gas production fields, 6 non-production fields, 9 positive non-production fields and 373 dry non-production wells.

Environmental provision

As at 31 December 2023, the environmental provision recorded by the Group amounted to EUR 68,685 thousand (2022: EUR 69,529 thousand). The environmental provision covers treatment of accumulated waste generated by former activity, soil excavation and replacement during the reconstruction of service stations and comprehensive investigation to determine the extent of the soil and groundwater contaminations.

Provision for green rights

Within the Emission Unit Trading System, certain emission units were allocated free of charge to INA, d.d. Emission units are allocated on an annual basis, and in return INA, d.d. is obliged to submit emission units equal to the verified emissions. Free emission units are allocated on the basis of the European Commission form filled out by the facilities, which is submitted to the Ministry of Environment every year by 31 December of the current year for that same year.

INA, d.d. adopted the calculation of costs on a net basis for emission units allocated free of charge. Therefore, the provision is recognised only when the actual emission exceeds the allocated one. The provision for the emission unit obligation exceeding the number of emission units allocated free of charge is decreased by purchased emission units. The cost of emission units is recognised as other material cost. A detailed explanation of the provisioning method and calculation is given in the Rulebook on the Management of Greenhouse Gas Emissions and Emission Units in INA, d.d.

Emission units are distributed by the competent authority and are allocated free of charge for a period of one year.

(all amounts are presented in EUR thousands)

33. PROVISIONS (CONTINUED)

Legal claims

Provisions for legal claims are based on the legal counsel and management estimate, taking into consideration the claim value and the probability that an outflow of resources will be required to settle the obligation.

Renewable energy provision

The renewable energy provision relates to the projection of renewable energy targets compliance cost which is defined by the Act on biofuels for transport and further regulated by the Regulation on special environmental fee. It is a special environmental fee arising from the stated regulations and consists of partially unfulfilled savings targets regarding renewable energy sources and greenhouse gases.

Other provisions

Other provisions of the Company in the amount of EUR 53,740 thousand relate to provision for contractual liability relating to investments in Iran in the amount of EUR 42,813 thousand. Under the Production Agreement, the Company has committed to spending certain funds. Since the activities in Iran have been discontinued, the difference between the contractual liability and actual funds spent was recognised as a provision. The remaining amount relates to the provision for the conservation of production facilities in the Sisak Oil Refinery, the provision for maritime domain concessions as well as the provision for sediment and non-pumpable inventories in the total amount of EUR 10,927 thousand.

34. 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 EUR 2,654 of which EUR 1,327 is non-taxable. No other post-retirement benefits are provided. Jubilee awards are paid out according to the Collective Agreement in the following fixed amounts and anniversary dates for the total service at the Group and the Company:

Years of continuous services	**10**	**15**	**20**	**25**	**30**	**35**	**40** and every **5** additional years
Fixed amounts - EUR	199	265	332	398	465	531	664

The net amounts specified above are non-taxable in terms of tax regulations. The defined amounts of jubilee awards are effective for the Collective Agreement signed in 2023.

The actuarial valuations of the present value of the defined benefit obligation were carried out as at 31 December 2023 and 2022 by an independent actuarial expert.

(all amounts are presented in EUR thousands)

34. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

In 2023, the Company made a provision of EUR 437 thousand in respect of jubilee awards and EUR 162 thousand for regular retirement allowances, whereas in 2022 the Company made a provision in respect of jubilee awards in the amount of EUR 1,419 thousand and for regular retirement allowances in the amount of EUR 1,085 thousand.

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 2023	**31 December 2022**
Discount rate	2.84%	4.25%
Average longevity at retirement age for current pensioners (years)		
males	16.70	16.70
females	20.10	20.10
Average longevity at retirement age for current employees (future pensioners) (years)		
males	16.70	16.70
females	20.10	20.10

The amounts recognised in other comprehensive income related to retirement and other employee benefits are as follows:

	INA Group		**INA, d.d.**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Service cost:				
Cost of current period	537	465	96	141
Interest	226	-	36	-
Past service cost, including losses/(gains) on curtailments	695	-	-	-
Components of defined benefit costs recognised in profit or loss:	**1,458**	**465**	**132**	**141**
Remeasurement of the net defined benefit liability:				
Actuarial gains and losses arising from changes in demographic assumptions	18	(207)	116	(42)
Actuarial gains and losses arising from changes in financial assumptions	379	(1,776)	152	(779)
Actuarial gains and losses arising from experience adjustments	(427)	(54)	(14)	(54)
Components of defined benefit costs recognised in profit or loss and other comprehensive income:	(30)	(2,037)	254	(875)
Total	**1,428**	**(1,572)**	**386**	**(734)**

(all amounts are presented in EUR thousands)

34. RETIREMENT AND OTHER EMPLOYEE BENEFITS (CONTINUED)

The change of the present value of the defined benefit obligation may be analysed as follows:

	INA Group		INA, d.d.	
	2023	**2022**	**2023**	**2022**
At 1 January	6,840	9,344	2,079	2,977
Cost of current period	537	465	96	141
Interest	226	-	36	-
Actuarial (gains) or losses				
Actuarial gains and losses arising from changes in demographic assumptions	18	(207)	116	(42)
Actuarial gains and losses arising from changes in financial assumptions	379	(1,776)	152	(779)
Actuarial gains and losses arising from experience adjustments	(427)	(54)	(14)	(53)
Past service cost, including losses/(gains) on curtailments	695	-	-	-
Benefit paid	(829)	(932)	(266)	(165)
Closing defined benefit obligation	**7,439**	**6,840**	**2,199**	**2,079**

35. DERIVATIVE INSTRUMENTS

Derivative financial assets	INA Group and INA, d.d.	
	31 December 2023	**31 December 2022**
Commodity derivatives	9,918	42
	9,918	**42**

Derivative financial liabilities	INA Group and INA, d.d.	
	31 December 2023	**31 December 2022**
Commodity derivatives	12,058	1,976
	12,058	**1,976**

(all amounts are presented in EUR thousands)

36. SHARE CAPITAL

	INA Group and INA, d.d.	
	31 December 2023	**31 December 2022**
Issued and fully paid:		
10 million shares (EUR 120 per share)	**1,200,000**	**1,194,505**

By the decision of the General Assembly and legal obligations to adjust the share capital after currency conversion Croatian kuna to euro, the registered capital was increased from EUR 1,194,505 thousand to EUR 1,200,000 thousand. The Company's share capital consists of 10 million authorised and issued shares of par value EUR 120 per share. Each share carries one vote and is entitled to dividends.

37. FAIR VALUE RESERVES

	INA Group		INA, d.d.	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
At the beginning of the year	58,012	48,094	58,006	48,088
Increase arising on revaluation of non-current financial assets	14,534	12,095	14,534	12,095
Deferred tax effect	1,347	(2,177)	1,347	(2,177)
At the end of the year	**73,893**	**58,012**	**73,887**	**58,006**

In 2023 and 2022, increase of fair value reserves was recorded due to increase in value of JANAF shares.

(all amounts are presented in EUR thousands)

38. OTHER RESERVES

The Group's and the Company's combined reserves include amounts of accumulated surpluses and deficits, revaluations of property, plant and equipment and foreign exchange gains and losses which have arisen over many years prior to 1993. For several years, the Croatian economy was subject to hyperinflation and, prior to 31 December 1993, neither the Group nor the Company had been subject to audit. For these reasons, it was not practicable to analyse the constituent parts which Group's or the Company's reserves were composed as at 31 December 1993. Total other reserves are not available for dividend payout.

Movements on reserves during the year were as follows:

INA Group	**Combined reserves at 31 December 1993**	**Foreign currency translation reserves**	**Reserve of defined benefit obligation**	**Other reserves**	**Total**
At 1 January 2022	**3,950**	**101,094**	**6,963**	**95,260**	**207,267**
Movements during 2022	**-**	6,502	640	-	7,142
At 31 December 2022	**3,950**	**107,596**	**7,603**	**95,260**	**214,409**
Movements during 2023	-	(7,595)	-	665	(6,930)
Balance at 31 December 2023	**3,950**	**100,001**	**7,603**	**95,925**	**207,479**

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 2022	**3,950**	**114,006**	**5,472**	**37,413**	**160,841**
Movements during 2022	-	491	308	-	799
Balance at 31 December 2022	**3,950**	**114,497**	**5,780**	**37,413**	**161,640**
Movements during 2023	-	(8,201)	(96)	-	(8,297)
Balance at 31 December 2023	**3,950**	**106,296**	**5,684**	**37,413**	**153,343**

(all amounts are presented in EUR thousands)

39. NON-CONTROLLING INTEREST

	INA Group	
	31 December 2023	**31 December 2022**
At the beginning of the year	2,919	1,968
Share of profit for the year	279	951
At the end of the year	**3,198**	**2,919**

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**	**2023**	**2022**
Government of the Federation of Bosnia and Herzegovina	Federation of Bosnia and Herzegovina	7.61%	7.61%
Small shareholders		3.73%	3.73%

The table below presents the financial information for subsidiary Energopetrol d.d. that has non-controlling interests material to Group. The amounts disclosed for Energopetrol d.d. are before intercompany eliminations.

	31 December 2023 Energopetrol d.d.	**31 December 2022 Energopetrol d.d.**
Non-current assets	32,045	33,519
Non-current liabilities	11,732	6,005
Current assets	2,091	8,042
Current liabilities	8,757	9,788
Operating income	80,007	82,705
Net income for the year	2,588	8,436
Total comprehensive income for the year	**2,588**	**8,436**

40. RELATED PARTY TRANSACTIONS

The Company has a dominant position in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the Company's strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is performed with the Croatian Government, its departments and agencies, and companies whose majority shareholder is the Republic of Croatia.

The Group is in a related party relationship with the ultimate parent company and ultimate controlling party MOL Nyrt, as well as with legal entities under its control or influence, key management, immediate family members of key management, and legal entities that are under the control or significant influence of key management and their immediate family members, in accordance with the provisions set forth in International Accounting Standard 24 *Related Party Disclosures* ("IAS 24").

The Group is also significantly influenced by its second largest shareholder the Republic of Croatia. Accordingly, the Group is in a related party relationship with state institutions and other majority state-owned companies or companies in which the state has significant influence. For the purpose of disclosing related party transactions, the Group does not consider routine transactions (such as payment of taxes, fees, mineral rents, excise duties, etc.) with various local utility companies (directly or indirectly owned by the State) or with other government bodies as related parties' transactions. Significant transactions performed by INA Group with state-owned enterprises are disclosed below and refer to HEP d.d. During 2023, INA Group realised revenue from transactions with HEP d.d. amounting to EUR 117,979 thousand and referring to gas selling contracts, while Group's costs to HEP d.d. amount to EUR 53,537 thousand relating to the purchase of electricity (2022: revenue amounted to EUR 203,767 thousand, and cost EUR 30,325 thousand). Group recorded receivables from HEP d.d. in the amount of EUR 1,810 thousand and liabilities in the amount of EUR 2,738 thousand as at 31 December 2023 (2022: receivables from HEP d.d. amounted to EUR 80,357 thousand and liabilities to HEP d.d. amounted to EUR 3,880 thousand). Transactions between Company and its subsidiaries, which are the Company's related parties, have been eliminated on the Group level consolidation.

Company purchased and sold goods and services in transactions with related parties during the ordinary course of business in 2023 and 2022. All of these transactions were conducted under market prices and conditions. Details of the transactions between Company and the Group companies and other related parties are disclosed below.

(all amounts are presented in EUR thousands)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, the Group entered into the following related party transactions:

INA Group	**Sales of goods and services**		**Purchase of goods and services**	
	2023	**2022**	**2023**	**2022**
Share in company as non-current financial assets				
JANAF d.d. Zagreb	792	996	9,265	10,782
Ultimate parent company				
MOL Nyrt.	199,108	178,175	110,778	147,082
Related companies controlled through the same ultimate parent				
Tifon d.o.o.	146,206	149,571	1,003	1,071
MOL Serbia d.o.o.	30,048	24,503	21	722
MOL Slovenija d.o.o.	3,406	23,905	35	32
MOL Petrochemicals Co. Ltd.	2,378	9,052	(750)	4,964
SLOVNAFT, a.s.	1,056	2,116	223,193	63,019
Petrolszolg Kft.	198	874	1,518	-
Geoinform Kft.	160	176	216	484
MOL & INA d.o.o.	20	-	-	-
MOL Pakistan	8	-	-	-
MOL POLSKA SP z.o.o.	8	-	-	-
MOL Commodity Trading Kft.	-	13,621	41,032	27,534
MOL-LUB Kft.	-	124	146	267
IES - Italiana Energia e Servizi S.p.A	5	-	876	-
ISO-SZER Kft.	-	-	586	-
FGSZ Zrt.	-	-	248	2
MOL C.F. Kft.	-	-	6	-
MOL Germany GMBH	(178)	3,005	-	-
SLOVNAFT MONTÁŽE A OPRAVY a.s.	-	166	-	-
Panta Distribuzione S.p.A	-	2	-	9
MOL Azerbaijan Ltd.	-	-	-	281,497
MOL Racing Kft.	-	-	-	3
FER Tuzoltosag Kft	-	-	-	1

(all amounts are presented in EUR thousands)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

As at the date of the statement of financial position, the Group had the following outstanding balances with related parties:

INA Group	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Share in company as non-current financial assets				
JANAF d.d. Zagreb	179	109	1,587	1,047
Ultimate parent company				
MOL Nyrt.	38,707	36,187	21,314	10,103
Related companies controlled through the same ultimate parent				
Tifon d.o.o.	13,990	12,514	315	241
MOL Commodity Trading Kft.	9,629	1,057	8,746	1,192
MOL Petrochemicals Co. Ltd.	913	1,174	83	32
MOL Serbia d.o.o.	625	2,120	94	80
MOL Slovenija d.o.o.	167	306	6,598	260
SLOVNAFT, a.s.	76	42	11,920	7,112
Petrolszolg Kft.	45	116	7	-
Geoinform Kft.	39	53	206	216
SC MOL Romania Petroleum Products S	16	3	3	2
MOL Czech Republic Llc	12	12	7	6
MOL & INA d.o.o.	7	-	-	-
MOL LUB Kft.	3	14	13	42
ISO-SZER Kft.	-	-	586	-
IES - Italiana Energia e Servizi S.p.A	-	-	283	-
MOL Slovenia Downstream Investment B.V.	-	-	163	-
MOL Austria Handels GmbH	-	-	18	3
FGSZ Zrt.	-	-	16	-
MOL POLSKA SP z.o.o.	-	-	2	-
MOL C.F. Kft.	-	-	1	-
MOL Germany GMBH	-	-	-	632

(all amounts are presented in EUR thousands)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year, the Company entered the following related party transactions:

INA, d.d.	**Sales of goods and services**		**Purchase of goods and services**	
	2023	**2022**	**2023**	**2022**
Related companies through direct or indirect ownership -subsidiaries				
Holdina d.o.o. Sarajevo	430,217	556,510	261	127
INA Crna Gora d.o.o. Podgorica	68,537	92,704	-	-
INA Slovenija d.o.o. Ljubljana	13,289	16,701	-	-
Plavi tim d.o.o.	1,834	1,836	14,367	12,834
STSI, Integrirani tehnički servisi d.o.o.	3,394	3,573	87,077	61,487
CROSCO, naftni servisi d.o.o.	1,791	2,140	44,426	43,096
INA Maloprodajni servisi d.o.o.	973	945	55,543	45,998
INA MAZIVA d.o.o.	436	508	11,877	9,120
INA Vatrogasni Servisi d.o.o.	356	325	11,198	10,027
Top Računovodstvo Servisi d.o.o.	208	202	5,241	4,873
Hostin d.o.o.	102	248	74	45
Croplin d.o.o.	22	22	-	-
Energopetrol d.d.	1	-	-	-
Adriagas S.r.l. Milano	-	-	334	316
INA Kosovo d.o.o.	-	-	82	77
INA d.o.o. Banja Luka	-	-	71	71
INA d.o.o. Beograd	-	-	21	21
Share in company as non-current financial assets				
JANAF d.d. Zagreb	117	98	9,265	10,782
Ultimate parent company				
MOL Nyrt.	175,940	161,705	105,566	133,506
Related companies controlled through the same ultimate parent				
Tifon d.o.o.	145,887	149,277	1,003	1,071
MOL Serbia d.o.o.	29,738	24,324	-	-
MOL Slovenija d.o.o.	2,829	23,246	-	-
MOL Petrochemicals Co. Ltd.	2,378	9,052	(750)	4,702
SLOVNAFT, a.s.	1,055	2,114	223,194	62,543
MOL Pakistan Oil and Gas Co. B	8	-	-	-
MOL Czech Republic Llc	1	-	-	-
MOL Germany GmbH	(178)	3,005	-	-
MOL Commodity Trading Kft.	-	13,621	41,032	27,533
Geoinform Kft.	-	23	-	-
MOL Azerbaijan Ltd.	-	-	-	281,497
IES - Italiana Energia e Servizi S.p.A	5	-	876	-
FGSZ Zrt.	-	-	248	2
MOL C.F. Kft.	-	-	6	-
Petrolszolg Kft.	-	-	2	-
Panta Distribuzione S.p.A	-	-	-	8
MOL Racing Kft.	-	-	-	3

(all amounts are presented in EUR thousands)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

As at the date of the statement of financial position, the Company had the following outstanding balances with related parties:

INA, d.d.	**Amounts owed by related parties**		**Amounts owed to related parties**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Related companies through direct or indirect ownership -subsidiaries				
Holdina d.o.o. Sarajevo	15,952	27,748	212	240
INA Crna Gora d.o.o. Podgorica	6,340	8,875	2	1
INA Slovenija d.o.o. Ljubljana	1,417	1,494	-	-
STSI, Integrirani tehnički servisi d.o.o.	500	445	22,833	11,325
CROSCO, naftni servisi d.o.o.	340	1,440	7,300	6,871
Plavi tim d.o.o.	212	359	2,827	3,554
INA Maloprodajni servisi d.o.o.	200	119	6,295	5,552
INA MAZIVA d.o.o.	126	218	1,326	1,504
Top Računovodstvo Servisi d.o.o.	51	31	228	204
INA Vatrogasni Servisi d.o.o.	43	32	1,418	932
Hostin d.o.o.	32	171	22	413
Energopetrol d.d.	14	3	-	-
Croplin d.o.o.	5	2	-	-
Adriagas S.r.l. Milano	-	-	56	82
INA d.o.o. Banja Luka	-	-	12	12
INA Kosovo d.o.o.	-	-	10	9
INA Beograd d.o.o.	-	-	7	7
Share in company as non-current financial assets				
JANAF d.d. Zagreb	42	88	1,587	1,045
Ultimate parent company				-
MOL Nyrt.	35,793	32,904	15,332	6,446
Related companies controlled through the same ultimate parent				
Tifon d.o.o.	13,929	12,484	308	237
MOL Commodity Trading Kft.	9,629	1,057	8,746	1,192
MOL Petrochemicals Co. Ltd.	913	1,174	-	-
MOL Serbia d.o.o.	593	2,098	78	73
MOL Slovenija d.o.o.	104	244	6,491	206
SLOVNAFT, a.s.	75	40	11,870	7,054
SC MOL Romania Petroleum Products S	16	3	3	2
MOL Czech Republic Llc	12	12	3	4
IES - Italiana Energia e Servizi S.p.A	-	-	283	-
MOL Slovenia Downstream Investment B.V	-	-	163	-
FGSZ ZRT	-	-	16	-
MOL Group International Services B.V.	-	-	3	-
MOL C.F. Kft.	-	-	1	-
MOL Germany GMBH	-	-	-	632

(all amounts are presented in EUR thousands)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

The loans from the ultimate controlling party are unsecured. Intragroup financing terms, i.e., arm's length price of the Group companies' loan transactions is determined consistently based on internal and external comparable transactions using Comparable uncontrolled price method. Inclusive 31 December 2023 intragroup loan placement currency was EUR, in vast majority of the cases loans are unsecured.

Loan to and from related parties:

INA, d.d.	**Amounts of loans owed by related parties**		**Amounts of loans owed to related parties**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Related companies through direct or indirect ownership -subsidiaries				
Hostin d.o.o.	47,916	49,571	-	-
INA Crna Gora d.o.o. Podgorica	16,294	17,230	-	-
STSI, Integrirani tehnički servisi d.o.o.	6,998	3,143	-	-
CROSCO, naftni servisi d.o.o.	6,207	22,957	-	-
INA Slovenija d.o.o. Ljubljana	2,310	2,653	-	-
Holdina d.o.o. Sarajevo	1	4,010	-	-
Energopetrol d.d.	1	3,061	-	-
INA MAZIVA d.o.o.	-	6,756	1,289	-
INA Industrijski Servisi d.o.o.	-	-	9,673	8,606
INA Maloprodajni servisi d.o.o.	-	-	7,279	3,700
Plavi tim d.o.o.	-	-	4,011	2,173
Adriagas S.r.l. Milano	-	-	1,622	1,612
INA Vatrogasni Servisi d.o.o.	-	-	1,266	2,512
Top Računovodstvo Servisi d.o.o.	-	-	1,000	1,128
Croplin d.o.o.	-	-	734	690

Derivative transactions with related parties:

INA Group and INA, d.d.	**Gain/(loss)**	
	31 December 2023	**31 December 2022**
Related companies controlled through the same ultimate parent		
MOL Commodity Trading Kft.	7,809	(14,542)

(all amounts are presented in EUR thousands)

40. RELATED PARTY TRANSACTIONS (CONTINUED)

Deposits with related parties:

INA Group and INA, d.d.	**Deposits over three months**	
	31 December 2023	**31 December 2022**
Related companies controlled through the same ultimate parent		
MOL FGSZ ZRT	170	150

Product sales and purchases between related parties were made at the Group's usual prices, reduced by discounts and rebates depending on each relationship. For oil products sales to related parties, INA, d.d. does not require payment security instruments, except in the case of sales on foreign markets, in order to be compliant with the Foreign Exchange Act.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	INA, d.d.	
	2023	**2022**
Short-term employee benefits	5,132	5,671
Severance payments	601	381
Total	**5,733**	**6,052**

The amounts included above refer to the remuneration of the Management Board Members and directors of second and third level organisational units.

A number of key management members in INA, d.d. or their related parties, hold positions in other companies of the Group that result in them having control or significant influence over these companies.

In 2023, for the period January to December expense for contributions plan to key management personnel of the Company amounted to EUR 787 thousand (2022: EUR 818 thousand).

(all amounts are presented in EUR thousands)

41. COMMITMENTS

The Group and the Company have a number of continuing operational and financial commitments in the normal course of their businesses including:

- exploration and development commitments arising under production sharing agreements;
- exploratory drilling and well commitments abroad;
- take or pay contract, gas transportation contract and gas selling contract;
- guarantees, performance bonds and letters of credit with Croatian and foreign banks;
- completion of the construction of certain assets.

Gas Transportation contracts

At 1 January 2024, the future gas transportation contracted commitments with LNG Croatia, and Croatia Energy Trade d.o.o., until 30 September 2024 amounted to EUR 3,748 thousand, those from 1 October 2024 until 31 December 2028 amounted to EUR 7,506 thousand, those from 1 January 2029 until 1 January 2040 amounted to EUR 20,642 thousand.

Gas purchase contract obligations (Take or pay)

INA, d.d concluded a Gas Purchase Obligation (Take or pay). The obligation refers to the one-year natural gas import contract signed for a gas year. As at 1 January 2024, the future contractual obligations for natural gas concluded with MET Croatia Energy Trade d.o.o., until 30 September 2024 amounted to EUR 24,379 thousand. The contract contains an embedded derivative because the deliveries are priced by reference to the future market price of gas. This embedded derivative is closely related to the own use supply contracts and therefore is not separated and calculated according to IFRS 9.

Lease contracts

The future lease payments under non-cancellable lease contracts outside the Group are as follows:

	INA Group		**INA, d.d.**	
	2023	**2022**	**2023**	**2022**
within 1 year	1,788	1,559	1,548	1,445
between 1 - 5 years	2,018	2,820	1,959	2,792
	3,806	**4,379**	**3,507**	**4,237**

41. COMMITMENTS (CONTINUED)

Guarantees

The Group guarantees the performance under the respective contracts. The total value of guarantees undertaken to third parties is contractually EUR 94,687 thousand (2022: EUR 71,067 thousand) , which is the maximum amount the Group is exposed to (INA, d.d, 2023: EUR 65,116 thousand, 2022: EUR 42,466 thousand). In the event of default, the contract terms contain a maximum compensation payment to the unrelated parties. At 31 December 2023 INA, d.d., had guarantees for related parties in amount of EUR 86,692 thousand (2022: EUR 91,157 thousand). Based on expectations at the end of the reporting period, the Group does not expect any liability is expected to arise. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Capital and Contractual Commitments

The total value of contractual commitments for capital investments as of 31 December 2023 amounts to EUR 147,000 thousand. Highest contractual commitments are related to research of geothermal waters in Croatia – Leščan and Međimurje (EUR 119,000 thousand), Egyptian operations (EUR 21,000 thousand) where INA operates several concessions, together with contractual commitments for exploration concessions in Panona related to Drava - 03 concession (EUR 7,000 thousand) and contractual commitments towards EDINA (EUR 35 thousand, confirmed scope) related to Offshore drilling campaign on North Adriatic. All other commitments (2024 and forward) are not confirmed, they depend on the approval of the founders (Energean and INA, d.d.) for the continuation of the Irena and Izabela JI projects. Other capital commitments in the amount of EUR 176,000 thousand as of 31 December 2023 are related primarily to activities in Croatia and present contracted investments that can be cancelled.

The total value of contractual commitments for capital investments as of 31 December 2022 amounts to EUR 41,094 thousand. Highest contractual commitments are related to Egyptian operations EUR 20,410 thousand where INA operates several concessions, together with contractual commitments for exploration concessions in Onshore Croatia EUR 15,055 thousand and contractual commitments towards ED-INA EUR 3,015 thousand (confirmed scope) related to Offshore drilling campaign.

Other capital commitments in the amount of EUR 222,983 thousand as of 31 December 2022 are related primarily to activities in Croatia and present contracted investments that can be cancelled.

42. CONTINGENT LIABILITIES (CONTINUED)

Environmental matters

The Group's and the Company's principal activities which comprise of 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.

The Group and the Company regularly record, monitor and report on environmental emissions and are committed to transparency towards interested stakeholders. The increasingly demanding regulatory framework in environmental protection area requires a continuous assessment of the impact on business in order to identify the most cost-effective measures for compliance with increasingly strict legal requirements.

The Group and the Company are aware of the importance of taking care of nature and environment and building a sustainable society and mitigate possible negative impacts on the environment, since safeguarding the environment is one of the biggest business imperatives of our time.

In 2023, development and improvement of the EOR (Enhanced Oil Recovery) project continued, increasing production capacities by injecting CO2 into mature production fields, and helping to protect the environment by permanently storing CO2. So far, more than 3 million tons of CO2 have been injected, most of which is permanently stored in deposits.

European Union Emissions Trading System (EU ETS System) is one of the fundamental mechanisms of the European Union fighting against climate change. Inside the System, a part of the emission allowances (one allowance = 1 tonne of CO2) is allocated to installations for free and they are used to "cover" the emissions from the previous year. If the installation has a shortage of allowances in respect of verified emissions, the rest must be bought on the market through auctioning. To achieve the EU's overall greenhouse gas emissions reduction target for 2030, the organisational units covered by the EU ETS must reduce their emissions. All three INA's ETS installations are aligned with the 4th EU ETS Trading Phase, which is valid until 2030. Free allocated emission allowances are reduced due to the historical activity level decrease and application of more stringent benchmarks for refinery products heat and fuel.

The Group and the Company continued to implement best available techniques, invest in renewable energy sources and energy efficiency projects. The Virje solar power plant was put into operation, which made the Company a commercial producer of electricity from renewable sources and confirmed its commitment to the transition to a low-carbon society.

42. CONTINGENT LIABILITIES (CONTINUED)

Environmental matters (continued)

Environmental provisions

Environmental obligations are the obligations of a company to recover pollutions caused by the Company's operations. They can be divided into two categories: environmental provisions and contingencies. Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable, and the amount recognised is the best estimate of the expenditure required. In case of a non-current liability, the present value of the estimated future expenditure is recognised. Typical provision-based actions are soil and groundwater pollution assessment, remediation, monitoring actions in order to control the long-term compliance and re-cultivation of old waste storage depots. Provision based environmental liabilities are revised in every quarter.

As at 31 December 2023, the Company made environmental provisions in the amount of EUR 68,486 thousand, whereas the provisions at the Group level amounted to EUR 68,685 thousand, while as at 31 December 2022, the Company made environmental provisions in the amount of EUR 69,258 thousand, whereas the provisions at the Group level amounted to EUR 69,529 thousand.

As at 31 December 2023, contingencies at the Company were estimated at EUR 61,062 thousand and at the Group level they were estimated at EUR 65,645 thousand, while as at 31 December 2022 contingencies at the Company were estimated at EUR 59,786 thousand and at the Group level they were estimated at EUR 64,881 thousand.

Legal disputes

The Group and the Company is exposed to various legal disputes. The following disputes are considered contingencies and no provision is recognised in the financial statements in their respect.

GWDF

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-INDUSTRIJA NAFTE, d.d. and INA-Naftaplin International Exploration, Channel Islands, before the Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of EUR 7,938 thousand plus interest, 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 3 October 2019. There were no changes since then, waiting for Supreme Court’s ruling.

42. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

EKO MEDIA d.o.o.

In September 2012 INA, d.d. entered into an agreement with EKO MEDIA d.o.o. EKO MEDIA failed to regularly comply with its obligations. INA, d.d. terminated the agreement with EKO MEDIA d.o.o. at the beginning of 2014. On 19 December 2014 EKO MEDIA d.o.o. filed a lawsuit against INA, d.d. in which EKO MEDIA d.o.o. specified its claim in the amount of EUR 14,069 thousand. INA, d.d. filed its official reply to EKO MEDIA's lawsuit and filed a counterclaim for the return of unjust enrichment and requiring an interim measure to be issued to prohibit the use of advertising boards. The first instance court rejected EKO MEDIA's claims as unfounded. That decision was confirmed by the second instance court, finally resolving the case in favour of INA, d.d. EKO MEDIA has filed a motion for allowing the revision to the Supreme Court. The motion for revision has been rejected by the Supreme Court. The procedure regarding INA's counter-claim is still in progress.

Belvedere cases (CLEOSTONE claim included)

In 2005 INA, d.d. and Belvedere d.d. concluded an Agreement on the notarial insurance of claims by establishing a lien over the real estate of Belvedere d.d. for the purpose of ensuring loan repayment. Since the loan was not repaid, INA, d.d. initiated the sale of the real estate, and the real estate was sold to Vila Larus d.o.o., whereby INA, d.d. collected EUR 3,185 thousand comprising the principal amount and contractual interest rate.

The plaintiff initiated the proceeding to declare the real estate sale and purchase agreement null and void, as well as the proceeding to cancel the enforceability clause on the Fiduciary Agreement. The first instance proceeding for the annulment of the agreement on the sale and purchase of real estate has been finalised in favour of INA, d.d. and upon an appeal filed by the plaintiff, the first instance decision became legally binding after the High Commercial Court of the Republic of Croatia rejected the appeal and confirmed the judgment. The Supreme Court of the Republic of Croatia has also rejected the plaintiff`s revision. The litigation has been terminated in favour of INA, d.d.

The proceeding to cancel the enforceability clause was concluded in the first instance in favour of INA, d.d. Regarding the plaintiff's appeal, the High Commercial Court of the Republic of Croatia rejected the appeal and confirmed the first-instance verdict. The litigation has been terminated in favour of INA, d.d.

42. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

Belvedere – EUR 3,185 thousand 018-11/17

The plaintiff has filed a claim with the Commercial Court in Zagreb, seeking reimbursement of funds received for the sale of “Hotel Belvedere”, claiming that the sale of the real estate, encumbered by INA’s liens – fiduciary, is illegal. The plaintiff alleges that INA, d.d. had no right to collect its claims by selling the real estate, because the plaintiff was in a state of crisis at the moment of loan placement, so the loan was actually a loan substituting the capital which is settled in a bankruptcy proceeding as a lower payment priority claim. It has also been stated that the notary public violated other legal regulations. The response to the claim has been submitted, in which the plaintiff’s allegations have been contested, i.e., that the loan was not actually a loan substituting the capital. A preparatory hearing was held, as well as hearings at which witnesses were heard. The first instance court reached a judgment in favour of the plaintiff, against which an appeal was lodged. Based on INA`s appeal, the appellate court reversed the judgement and rejected the plaintiff`s request. The plaintiff filed a request for granting a second instance appeal. The request was dismissed by the Supreme Court. The litigation has been terminated in favour of INA, d.d.

Belvedere – EUR 29,199 thousand, 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 proceeding 018-11/17 is finalised. The court’s continuation of the proceeding is still pending.

Belvedere d.d., Dubrovnik– EUR 3,000 thousand , 018-11/23

The plaintiff has filed a claim with the Commercial Court in Zagreb to determine null and void Loen agreement dated 09 February 2005 and Agreement on securing the claim by transferring the ownership of the RE (fiduciary ownership) no. SP-0134-00025/04 dated 10 February 2005. Main argument used by plaintiff is that defendant, as one of the shareholders of the plaintiff, used the state of crisis at the moment of loan placement and coerced plaintiff into signing usurious contract.

Reply of the lawsuit has been submitted on 16 October 2023 and the hearing has not been scheduled yet.

42. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

Belvedere d.d., Dubrovnik – EUR 12,181 thousand, 018-14/23 pas

The plaintiff has filed a claim against INA, d.d. and Vila Larus d.o.o with the Commercial Court in Zagreb to determine null and void Purchase agreement no. OU-221/2014 dated 10 February 2015. In a nutshell plaintiff is using the same argumentation used by Clestone Corp Ltd in the proceeding held before Commercial Court in Zagreb under no. P-1626/2014 which was finished in favour of INA, d.d. and Vila Larus d.o.o. Main argument used by plaintiff is that sale should note have been done by notary public but exclusively within the bankruptcy proceeding. Both defendants have submitted the replies to the lawsuit but the hearing has not been scheduled yet.

RSG Europe Service Limited - INA and Manšped d.o.o., NŠ-13/21, EUR 2,820 thousand

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, while the next hearing will be scheduled after the decision of the Court on the request of INA and the second defendant MANŠPED d.o.o. that the plaintiff (an insurance company from Great Britain) should pay the down payment for the costs of the procedure in accordance with art. 61. of the Law on international private law becomes legally valid.

On 8 July 2022 the Court issued the decision that the plaintiff should pay the amount of EUR 265 thousand total for both defendants) on the account number of the Court as a guarantee for the costs of the procedure.

On 1 August 2022 the plaintiff submitted an appeal against that decision, and on 23 August 2022 paid the mentioned amount, so that the procedure shall continue regardless of the outcome of plaintiff’s appeal, regarding which there is no decision yet.

42. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

RSG Europe Service Limited - INA and Manšped d.o.o., NŠ-13/21, EUR 2,820 thousand (continued)

On 25 November 2022 the High Commercial Court rejected the appeal of the plaintiff. The procedure at the Commercial Court in Rijeka continued. The next hearing was held on December 4, 2023, when the officials of the Pula Port Authority – Dolores Brenko Škerjanc (Harbour Master's Office) and Ivica Lazarić (Inspector of the Port Authority) were heard. Inspector Lazarić, as a witness, stated that there were problems in the communication between the fuel supplier and the crew of the ship, which was intensified due to bad weather, and that they did not do everything necessary to prevent pollution, but at the same time he confirmed that all fuel had crossed the point at the ship's bunker station after which, in accordance with the contract concluded between INA and the shipping company, all the risk passes to the shipper, and other mistakes of the ship's crew members are mentioned. The judge already determined, at the conclusion of the preliminary proceedings, that an expert report on the cause of the accident would be carried out, so this expert report has now been ordered. This expert report should not indicate any other causes than those already listed in the Report of the Port Authority of Pula and the report of the Accident Investigation Agency, which are already in the file.

Labour proceedings against Energopetrol d.d.

At the Municipal Court in Sarajevo, 449 plaintiffs filed several lawsuits against the company Energopetrol d.d. The lawsuits were filed in period from 2018 until 2019, and the plaintiffs are seeking payment of salary differences in line with the Branch Collective Agreement and payment based on discrimination for the workers who did not file lawsuits for the period from 2014 until 2020. In the case named “103” which represented the legal basis for all 449 plaintiffs, on 21 June 2022, the Supreme Court of the Federation of Bosnia and Herzegovina issued a decision entirely in favour of Energopetrol d.d. Considering the outcome of the mentioned case, 72 out of 449 plaintiffs have withdrawn the lawsuit. The remaining 377 plaintiffs, due to the fact that their case is before the second-instance court, are unable to withdraw their claim without the consent of Energopetrol d.d. Bearing in mind the above, the originally reserved amounts of 10% and 30% for the 449 plaintiffs were released. In accordance with the above 377 of 449 plaintiffs have an active court dispute with Energopetrol d.d. in the second instance court, and the total amount of claims of these 377 plaintiffs amounts to EUR 19,422 thousand, specifically EUR 9,257 thousand for the principal amount, EUR 2,858 thousand for interest, and EUR 7,307 thousand for taxes and contributions.

In addition to the above mentioned 377 active plaintiffs, Energopetrol d.d. has an additional 64 active plaintiffs who, in the period from 2014 to 2023, have filed lawsuits on various legal grounds: salary compensation, annulment of the decision on dismissal, non-material damage and other monetary claims from the employment relationship. Of the 64 plaintiffs, 54 have, depending on the prospect of success as well as the legal basis of the claim, made provisions in the amounts of 50% and 100% respectively of the total claim, while the remaining 10 plaintiffs do not have a provision according to the prospect of success. The total provision for the aforementioned 54 plaintiffs amounts to EUR 1,620 thousand.

42. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

MOL Nyrt. and INA, d.d. vs Federation of Bosnia and Herzegovina (FBIH)

MOL Nyrt. and INA, d.d. were involved in an arbitration against the FBIH, before the ICC Zürich.

INA/MOL claim:

INA, d.d. and MOL Nyrt. claim arises out of the alleged breach of representations and warranties under the Recapitalization Agreement signed with FBIH, with regard to Energopetrol's alleged (non-)compliance with the employment laws of FBiH. The amount in dispute, according to the Terms of Reference dated 20 April 2020 is EUR 22,032 thousand) (plus ancillary claims such as claims for legal interest and legal costs). Still as at 31 March 2020 court proceedings are pending in an amount of EUR 26,943 thousand in relation to which Claimant maintains a relief for a declaratory decision.

FBIH counterclaim:

FBIH claims INA, d.d. and MOL Nyrt. did not perform their investment obligations in Energopetrol d.d., according to the Recapitalization Agreement. FBIH request the court to order MOL/INA "to jointly and severally make investments in the amount of EUR 46,984 thousand into Energopetrol d.d. Sarajevo, i.e. (i) ensure the provision of funds in the corresponding amount including, without limitation, loans, investment in kind and other financial instruments which shall be reflected in the liabilities and/or equity side of the balance sheet of Energopetrol d.d. Sarajevo (all without diluting the respondent's shareholding in Energopetrol d.d. Sarajevo) and (ii) ensure the application of these funds to projects and purposes set forth in Article XII of the Recapitalization Agreement and Appendix 16 (Investment Plan) of the Recapitalization Agreement within 365 days as at the date the arbitral award is issued". FBIH also claims INA, d.d. and MOL Nyrt. "jointly and severally pay Respondent (FBIH) EUR 31,323 thousand plus interest of 5 % per annum as at 28 March 2010 until full and final payment thereof and there is a rather unsubstantiated other counterclaim of EUR 29,995 thousand plus interest of 5% per annum as at 30 March 2010 until full and final payment thereof. Evidentiary hearing took place on the week of 22 November 2021, in Zürich. Certain follow up submissions have been requested by the Tribunal. The parties provided their own cost submissions on 14 January 2022. The Tribunal rendered a partial award, dated 13 April 2022 ("Partial Award"). In this Partial Award the Tribunal has dismissed FBiH's Counterclaim in its entirety. As to MOL/INA's Claim, the Tribunal dismissed a substantial part thereof. In essence, the Tribunal only reserved the decision on MOL/INA's request to order FBiH to pay Energopetrol d.d. Sarajevo EUR 21,634 thousand) plus statutory interest (in particular, requests for payment to MOL/INA are dismissed). Yet, the Tribunal also noted that only employment periods up to the Date of Execution of the Transaction (i.e., 28 March 2007) are covered by the relevant representation and warranty ("Residual Claim"). The Tribunal has not stated that MOL/INA's present Claim, even if only limited to employment periods up to the Date of Execution of the Transaction, is indeed justified. In any event, it appears to us that the remaining amount of the Claim, if any at all, would be effectively relatively low. Finally, the Tribunal reserved also its cost decision.

42. CONTINGENT LIABILITIES (CONTINUED)

Legal disputes (continued)

MOL Nyrt. and INA, d.d. vs Federation of Bosnia and Herzegovina (FBIH) (continued)

On 5 May 2022, the Tribunal directed the Parties to advise it as to the following matters: Which procedural calendar the Parties would propose for the filing of further submissions in respect of the Residual Claim; and Whether the Parties would be content for the Tribunal to decide the Residual Claim "on the papers" rather than having a further hearing; and, to the extent the Parties would deem a hearing necessary, any proposed hearing date regarding the Residual Claim.

The Tribunal indicated that it would also welcome any update from the Parties in the event that they are exploring other possibilities to resolve the Residual Claim in a more amicable way and would require more time for that purpose. The next formal procedural step, CMC, was planned for October 2022. On 19 December 2022, the Parties jointly requested the Tribunal grant them additional days to continue the discussion about a potential settlement on the residual issues. The Tribunal granted this request. The Parties shall revert with an update in second half of March 2023.

On 27 June 2023 a Settlement Agreement was concluded between INA, MOL, Energopetrol and the Federation of Bosnia and Herzegovina in the INA/MOL/ENERGOPERTOL and FBIH arbitration proceedings, whereby, among other things, it has been agreed that the Federation of Bosnia and Herzegovina will reimburse the cost of the arbitration proceedings in the amount of EUR 400 thousand, by direct payment of the amount to INA and MOL. The costs have been paid and this case is to be considered closed.

(all amounts are presented in EUR thousands)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group's primary objective in managing its capital is to ensure good capital ratios in order to support all business activities and maximise the value to all shareholders by optimising the debt and equity ratio.

The Group's capital structure consists of the debt portion which includes borrowings as detailed in Notes 29 and 31 offset by cash and bank balances as well as short-term marketable securities (so-called net debt) and shareholder equity comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in Notes 38 and 39.

The Group's and the Company's capital structure is reviewed quarterly. As a part of the review, the cost of equity and debt capital is considered, and risks are associated with each class of debt and equity capital. Internally, the Group's and the Company's maximum gearing ratio is determined.

The gearing ratio at the end of the reporting year was as follows:

	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Debt:	**366,552**	**333,358**	**365,163**	**346,606**
Bonds issuance	264,105	263,670	264,105	263,670
Long term loans	-	-	17,612	18,748
Short-term loans	102,447	69,688	83,446	64,188
Short-term marketable securities	-	(16,157)	-	(16,157)
Cash and cash equivalents	(150,860)	(226,568)	(139,840)	(217,648)
Net debt	**215,692**	**90,633**	**225,323**	**112,801**
Equity	1,642,631	1,584,055	1,725,501	1,693,903
Equity and net debt	1,858,323	1,674,688	1,950,824	1,806,704
Gearing ratio	**12%**	**5%**	**12%**	**6%**

Fair value issued bond as at 31 December 2023 amounts to EUR 240,864 thousand and EUR 250,487 thousand at 31 December 2022.

(all amounts are presented in EUR thousands)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments

	Carrying amount			
	INA Group		INA, d.d.	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial assets				
Cash and cash equivalents	150,860	226,568	139,840	217,648
Trade receivables	319,226	363,483	310,151	363,472
Other financial assets	92,409	95,322	170,808	202,700
Non-current financial assets	98,650	110,556	98,650	110,556
Derivative financial instruments	9,918	42	9,918	42
Marketable securities	2,492	18,499	2,492	18,479
Financial assets designated as at fair value through profit or loss	887	887	619	619
Financial liabilities				
Bonds issuance	264,105	263,670	264,105	263,670
Loans and borrowings	102,447	69,688	83,446	64,188
Lease liabilities	48,942	41,201	57,584	52,468
Trade payables	324,417	329,642	328,631	322,677
Derivative financial instruments	12,058	1,976	12,058	1,976

Financial risk management objectives

The Group and the Company continuously monitors and manages financial risks. In accordance with internal procedures the Group and the Company 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 the Group.

The Company carries out finance activities of the Company, coordinates finance operations of the Group and the Company on domestic and international financial markets, monitors and manages the financial risks related to the operations of the Group and the Company.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management objectives (continued)

Risks, together with methods used for managing of these risks are described below. the 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) Agreements and Derivative financial instruments framework agreements with counterparties. The Group does not use derivative financial instruments for speculative purposes.

Market risk

Commodity price risk management

The volatility of crude oil and gas prices is the prevailing element in the business environment of the Group and the Company. The Group and the Company buys crude oil mostly through short-term arrangements in USD at the current spot market price. In 2023, the Group and the Company bought necessary natural gas quantities in EUR based on the spot price.

In addition to exploration and production, and refinery operations, one of the main core activities of the Group and the Company are marketing and sale of refinery products and natural gas. Wholesale prices of crude products were determined weekly based on market principles, but retail prices were influenced by state regulations.

In accordance with internal procedures, for the purpose of hedging financial risk exposure on the corporate and business operations level, the Company may use forward, swap and option instruments. In 2023, the Group and the Company entered into short-term swap transactions and options to hedge its exposure to changes in inventory levels, changes in pricing periods, crack spreads and fixed price contracts. The transactions were initiated to reduce exposures to potential fluctuations in prices over the period of decreasing inventories at the refineries, as well as to match the pricing period of purchased crude oil and crude products with the crude oil processing and refinery product retail pricing periods.

Commodity swap derivative financial instruments entered into by the Company are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

Foreign currency risk management

As the Group and the Company operates both in Croatia and abroad, many of its transactions are denominated and executed in foreign currencies, hence Group and the Company is exposed to exchange rate risks. Group and the Company 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 the 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), the Group and the Company monitors the currency mix of its debt portfolio.

(all amounts are presented in EUR thousands)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency risk management (continued)

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

INA Group

	Liabilities		Assets	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Currency USD	203,856	62,408	243,498	166,037
	203,856	**62,408**	**243,498**	**166,037**

INA, d.d.

	Liabilities		Assets	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Currency USD	203,021	57,645	239,519	163,525
	203,021	**57,645**	**239,519**	**163,525**

Foreign currency sensitivity analysis

The Group and the Company is mainly exposed to currency risk related to change of the EUR exchange rate against USD, due to the fact that crude oil and natural gas trading on international markets and the Group's and the Company's debt portfolio are denominated in the mentioned currencies.

The following table details the sensitivity of the Group and the Company to a 10% strengthening or weakening of EUR at 31 December 2023 and 2022 (same sensitivity rate used for the preceding period) against the USD. The sensitivity rate used, represent managements' assessment of the usual change in foreign exchange rates. The sensitivity analysis includes monetary assets and liabilities in foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates expressed as percentage. A negative number below indicates a decrease in profit where EUR changes against the relevant currency by the percentage specified above. For the same change of EUR versus the relevant currency in the opposite direction, there would be an equal and opposite impact on the profit.

INA Group

	Currency USD Impact	
	31 December 2023	**31 December 2022**
Profit/(Loss)	3,964/(3,964)	10,363/(10,363)

INA, d.d.

	Currency USD Impact	
	31 December 2023	**31 December 2022**
Profit/(Loss)	3,650/(3,650)	10,588/(10,588)

Exposure to a change in the dollar exchange rate by 10% is mostly related to the balance of receivables from customers and other receivables, received loans and the balance of liabilities to suppliers expressed in US dollars (USD).

(all amounts are presented in EUR thousands)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk management

The Group and the Company is exposed to interest rate risk, since the Group and the Company generally borrow funds at floating interest rates.

Interest rate risk analysis

The sensitivity analysis below has been determined based on interest rate risk exposure at the statement of financial position date, for those borrowings where the Group and the Company is exposed to third parties. 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.

Result of sensitivity analyses is disclosed below:

	INA Group		**INA, d.d.**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Change of interest rate short-term (50 basis points)	511/(511)	349/(349)	416/(416)	320/(320)
Change of interest rate short-term (200 basis points)	2,045/(2,045)	1,398/(1,398)	1,665/(1,665)	1,280/(1,280)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Other price risks

The Group and the Company is exposed to changes in market prices of equity investments in the form of investment in JANAF. 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 other equity reserves of the Group and the Company would increase by gross EUR 9,865 thousand. If equity prices had been 10% lower, there would be an equal but opposite gross 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 the customers of the Group and the Company. Overdue receivables have negative impact on the Group's and the Company's liquidity of, whereas impaired overdue receivables have a negative impact on the financial results as well. Under currently valid internal procedures, measures are taken as a precaution against the risk of default. Customers are classified into risk groups by reference to their financial indicators and the trading records with the Group and the Company, and appropriate measures to provide protection against credit risk are taken for each group of customers. The information used to classify the customers into risk groups is mainly derived from the publicly available financial statements of the customers 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 2023 and 2022, credit risk management was under additional scrutiny, taking into account the potential decrease of market liquidity influenced by the external environment i.e., inflation, high uncertainty regarding the price development of energy prices, governmental limitation of margins. Whenever possible, the Group and the Company collects collaterals (payment security instruments) from customers in order to minimize the risk of collection of receivables arising from contractual liabilities of customers.

The Group and the Company 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.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (continued)

There is no significant credit risk exposure of the Group and the Company 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.

Liquidity risk management

The Group and the Company manages liquidity risk by maintaining and utilising adequate reserves and credit facilities while monitoring the due dates of receivables and liabilities. On an operative level within INA Group, liquidity optimisation is additionally achieved through cash pooling.

The Group's policy is to ensure sufficient external funding sources in order to achieve the appropriate level of available frame credit lines ensuring Group's liquidity as well as investment needs.

Based on business needs and industry practice, the Company has contracted short-term credit facilities ("trade finance'') with first class banking groups for financing crude oil and oil products purchase. As at 31 December 2023, the Group had contracted and available short-term credit facilities for financing crude oil and oil products purchase amounting to EUR 552,036 thousand.

As at 31 December 2023, the Group had contracted and available short-term credit lines amounting to EUR 484,642 thousand, excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products.

As at 31 December 2023, the Group had contracted and available long-term credit lines amounting to EUR 300,000 thousand.

For details of the main external sources of funding for INA Group and the Company, see Note 29 and 31.

With the purpose of diversification of funding sources and in order to ensure a sufficient liquidity and financial stability level, the Company is continuously considering different funding opportunities with other creditors as well and in December 2021 the Company issued bonds in the amount of HRK 2 billion (EUR 265,446 thousand) with a 5-year maturity and fixed coupon rate.

(all amounts are presented in EUR thousands)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity and interest risk tables

The following tables detail the remaining contractual maturity for financial liabilities of the Group and the Company at the period end. Analyses have been drawn up based on the undiscounted cash flows at the earliest date on which the payment can be required. The tables include both principal and interest cash flows.

INA Group	Less than 1 month	1 - 12 months	1 - 5 years	5+ years	Total
31 December 2023					
Non-interest bearing	315,752	72,437	2,463	8	390,660
Interest bearing	84,958	32,274	286,896	16,107	420,235
	400,710	**104,711**	**289,359**	**16,115**	**810,895**
31 December 2022					
Non-interest bearing	315,998	81,397	2,983	13	400,391
Interest bearing	65,095	15,315	281,320	13,736	375,466
	381,093	**96,712**	**284,303**	**13,749**	**775,857**

INA, d.d.	Less than 1 month	1 - 12 months	1 - 5 years	5+ years	Total
31 December 2023					
Non-interest bearing	323,748	51,880	2,398	8	378,034
Interest bearing	85,126	15,238	312,709	13,751	426,824
	408,874	**67,118**	**315,107**	**13,759**	**804,858**
31 December 2022					
Non-interest bearing	64,280	8,550	279,473	10,735	363,038
Interest bearing	315,545	69,628	2,832	13	388,018
	379,825	**78,178**	**282,305**	**10,748**	**751,056**

In 2023, non-interest-bearing liabilities of the Company due in a period of less than one month consist mainly of trade payables in the amount of EUR 276,819 thousand (2022: EUR 290,398 thousand).

Non-interest-bearing liabilities of the Company due in a period of over five years include liabilities to the state for sold flats and deferred income for sold flats.

Interest bearing liabilities include short-term borrowings, long-term borrowing, and leases.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(all amounts are presented in EUR thousands)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognized in the statement of financial position:

INA GROUP

				31 December 2023
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Non-current financial assets	98,650	-	-	**98,650**
Other investments	-	-	887	**887**
Marketable securities	2,492	-	-	**2,492**
Derivative financial instruments	-	9,918	-	**9,918**
Financial liabilities at fair value		-		
Derivative financial instruments	-	12,058	-	**12,058**

				31 December 2022
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Non-current financial assets	93,071	-	17,485	**110,556**
Other investments	-	-	887	**887**
Marketable securities	18,499	-	-	**18,499**
Derivative financial instruments	-	42	-	**42**
Financial liabilities at fair value				
Derivative financial instruments	-	1,976	-	**1,976**

(all amounts are presented in EUR thousands)

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

INA, d.d.

				31 December 2023
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Non-current financial assets	98,650	-	-	**98,650**
Other investments	-	-	619	**619**
Marketable securities	2,492	-	-	**2,492**
Derivative financial instruments	-	9,918	-	**9,918**
Financial liabilities at fair value				
Derivative financial instruments	-	12,058	-	**12,058**

				31 December 2022
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
Non-current financial assets	93,071	-	17,485	**110,556**
Other investments	-	-	619	**619**
Marketable securities	18,479	-	-	**18,479**
Derivative financial instruments	-	42	-	**42**
Financial liabilities at fair value				
Derivative financial instruments	-	1,976	-	**1,976**

There were no transfers between levels 1 and 2 during the year.

- Financial instruments in level 1

The fair value of financial instruments included in Level 1 comprise JANAF shares equity investments classified as non-current financial assets and marketable securities that are based on quoted market prices. A market is considered as active if quoted prices are current and regularly available.

- Financial instruments in level 2 and level 3

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

Specific valuation techniques used to value financial instruments include:

- The fair value of derivative transactions is calculated based on actual historic quotations from Platts (provider of energy and metals information and a source of benchmark price assessments in the physical energy markets) 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

44. SUBSEQUENT EVENTS

No events or transactions have occurred since 31 December 2023 or are pending that would have a material effect on the financial statements at that date or for the year then ended, or that are of such significance in relation to the Group's and the Company's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position and results of operations of the Group and the Company.

44. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorised for issue on 14 March 2024.

Signed on behalf of the Group and the Company on 14 March 2024 by:

Zsuzsanna Éva Ortutay President of the Management Board of INA, d.d.

Zsombor Ádám Marton, Member of the Management Board

Krisztián Pulay, Member of the Management Board

Hrvoje Šimović, Member of the Management Board

Marin Zovko, Member of the Management Board

Miroslav Skalicki, Member of the Management Board