



**Financial Statements for the Year Ended  
31 December 2022  
Together with Independent Auditor's Report  
for JANAF D.D.**

*Zagreb, March 2023*

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## Responsibility for financial statements

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The Management Board of the JADRANSKI NAFTOVOD d.d. , Miramarska cesta 24, Zagreb (“the Company”) is responsible for ensuring that annual financial statements for the year 2022 are prepared in accordance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) adopted by the European Union, so as to give a true and fair view of financial position, results of operations, changes in equity and cash flows of the Company for that period.

After making inquiries, the Management Board has a reasonable expectation that the has adequate resources to continue its business operations in the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparation of the annual financial statements.

When preparing annual financial statements, the Management Board is responsible for:

- selection and application of the suitable accounting policies in accordance with the applicable financial reporting standards ,
- giving of reasonable and prudent judgements and estimates;
- preparing of the annual financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue its business activities.

The Management Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position, results of operations, changes in equity and cash flows of the Company, as well as its compliance with the Accounting Act. and International Financial Reporting Standards (IFRS) adopted by the European Union. The Management Board is also responsible for safeguarding the assets of the Company, and hence for taking reasonable measures to prevent and detect a fraud and other irregularities.

Signed for and on behalf of the Company:

  
M.Sc. Stjepan Adanić, President of the Management Board

  
Vladislav Veselica, Member of the Management Board



**Jadranski naftovod d.d.**

Miramarska cesta 24

10000 Zagreb

Republic of Croatia

13 March 2023

## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of JADRANSKI NAFTAOVOD d.d., Zagreb**

### **Report on the Audit of Annual Financial Statements**

#### **Opinion**

We have audited the annual financial statements of JADRANSKI NAFTAOVOD d.d., Miramarska cesta 24, Zagreb ("the Company"), for the year ended 31 December 2022, which include Statement of Financial Position as at 31 December 2022, Statement of comprehensive income, Statement of cash flows and Statement of changes in equity for the year then ended, as well as the accompanying Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements fairly present, in all significant aspects the financial position of the Company as at 31 December 2022, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by European Union ("IFRS").

#### **Basis for Opinion**

We conducted our audit in accordance with the International Auditing Standards (ISAs). Our responsibilities under those standards are further described in our Independent Auditors' report under section *Auditors' responsibilities for the audit of the annual financial statements*. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code), including the International Standards of Independence issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA Code), as well as in accordance with ethical requirements relevant to our audit of financial statements in the Republic of Croatia and we have fulfilled our other ethical responsibilities accordingly requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter**

We draw attention to Note 33. Events after the reporting date to the annual financial statements, which describes significant contracts concluded in 2023, as well as the impact of Russia's military operations on the territory of Ukraine and the effects of sanctions against Russia on the Company's operations (ban on any direct or indirect purchase, import or transfer of petroleum products originating in Russia or exported from Russia). Our opinion has not been modified on this matter.

**Key Audit Matter**

Key audit matters are those matters that were, in our professional judgment, of greatest importance in our audit of the annual financial statements of the current period. We dealt with these issues in the context of our audit of the annual financial statements as a whole and when forming our opinion on them, and we do not give a separate opinion on these issues. We have determined that the matter below is a key audit matter to be disclosed in our Independent Auditor's Report.

<b>Technological oil</b>	
<p>As at 31 December 2022, in the Statement of Financial Position, the Company has reported technological oil in the amount of HRK 258,831 thousand, which is presented in the group of fixed assets - Property, plant and equipment and recorded in accordance with International Accounting Standard 16 - Property, plant and equipment. Please refer to significant accounting policies, Note 2.13. Property, plant and equipment and Note 2.25. Key accounting judgments and Note 16. Property, plant and equipment.</p>	
<b>Key audit matter</b>	<b>How we addressed the key audit matter</b>
<p>The technological oil that is in the oil pipeline and tanks for the purpose of enabling the transportation of oil, and the performance of the Company's core activities, is owned by the Company. The value of technological oil is stated at the acquisition cost, i.e. at the historical book value. The quantity of technological oil in circulation is estimated on an annual basis. The surplus or deficit is recognized as income or expense of the period.</p> <p>Considering that the definition of the value of technological oil at each reporting date requires the implementation of an appropriate methodology and valuation model and is to a certain extent dependent on the judgments of the Management Board, we concluded that the value of technological oil should be a key audit issue during our audit of the annual financial statements for the year ended 31 December 2022.</p>	<p>Our audit procedures related to this area included, but were not limited to::</p> <ul style="list-style-type: none"> <li>- interviews with the Management Board and other relevant persons with the aim of gaining an understanding of the process of evaluating technological oil;</li> <li>- confirmation of the accuracy and completeness of the data from the analytical records of the Company and the harmonization of the said review with the general ledger;</li> <li>- assessment of the methodology used by external evaluators who were engaged to estimate the amount of technological oil;;</li> <li>- assessment of competencies, abilities and objectivity of external assessors;;</li> <li>- collection and assessment of the accuracy, sufficiency and relevance of the documentation on the basis of which the evaluation of technological oil was performed;</li> <li>- assessment of the compliance of the policy of recognition and measurement of technological oil with International Accounting Standard 16 - Property, Plant and Equipment; and</li> <li>- assessment of the adequacy of disclosures related to the recognition and measurement of technological oil in accordance with International Accounting Standard 16 - Property, Plant and Equipment.</li> </ul> <p>Through our audit procedures, we made sure that technological oil was correctly recorded in all significant terms and that the Company chose the correct accounting model for presentation in accordance with International Financial Reporting Standards.</p>

**Other Matters**

The annual separate and consolidated financial statements of the Company and the Group for the year ended 31 December 2021 were audited by BDO Croatia d.o.o., Zagreb, which expressed an unmodified opinion on these annual unconsolidated and consolidated financial statements on 18 March 2022.

**Other Information in the Annual Report**

Management is responsible for other information. Other information includes the Management Report and the Statement on the Application of the Code of Corporate Governance, but does not include the annual financial statements and our Independent Auditor's Report thereon.

Our opinion on the annual financial statements does not include other information.

In connection with our audit of the annual financial statements, it is our responsibility to read the other information above and to consider whether other information is materially inconsistent with the annual financial statements or our findings or otherwise appear to be materially misstated.

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also performed the procedures prescribed by the Accounting Act. These procedures include checking whether the Management Report was prepared in accordance with Article 21 of the Accounting Act, and whether the Statement on the Application of the Corporate Governance Code contains information from Article 22 of the Accounting Act.

Based on the procedures performed, to the extent that we are able to assess it, we report that:

1. the information in the accorded Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the accorded annual financial statements;
2. accorded is the Management Report compiled in accordance with Article 21 of the Accounting Act; and
3. the accorded Statement on the Application of the Corporate Governance Code includes the information defined in Article 22 of the Accounting Act.

Based on the knowledge and understanding of the Company's operations and its environment acquired within the audit of the annual financial statements, we are obliged to report if we have established that there are significant misrepresentations in the accorded Management Report and Statement on the Application of the Corporate Governance Code. Regarding that, we have nothing to report.

**Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements**

Management Board is responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management Board determines are necessary to enable the preparation of annual financial statements that are free from material misstatement due to fraud or error.

In preparing the annual financial statements, Management Board is responsible for evaluation of the Company's ability to continue operations assuming going concern principle, disclosure, if applicable, issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Company or discontinue its business or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

## **Auditor's Responsibilities for the Audit of the Annual Financial Statements**

Our goals are to obtain reasonable assurance about whether the annual financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an Independent auditors' report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with ISA will always detect a material misstatement when it exists.

Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these annual financial statements.

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- identify and assess the risks of material misstatement of the annual financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.
- acquire an understanding of internal controls 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 internal controls.
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is material uncertainty regarding events or circumstances that may create significant doubts about the Company's and Group's ability to continue operating for an indefinite period of time. If we conclude that there is material uncertainty, we are required to call our attention to related disclosures in the annual financial statements in our Independent Auditor's Report or, if these are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditor's report. However, future events or conditions may cause the Company and the Group to discontinue their operations as a going concern
- evaluate the overall presentation, structure and content of the annual financial statements, including disclosures, as well as whether the annual financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.

We communicate with those charged with governance, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

We also provide a statement to those charged with governance that we have complied with the relevant independence requirements and that we will communicate with them on all relationships and other matters that may reasonably be considered to affect our independence, as well as, where applicable, on related safeguards.

Among the matters communicated to those charged with governance, we identify those matters that are of the utmost importance in the audit of the annual financial statements of the current period and are therefore key audit matters. We describe these matters in our Independent Auditor's Report unless the law or regulation prevents the matter from being made public or when we decide, in extremely rare circumstances, that the matter should not be disclosed in our Independent Auditor's Report because it can be reasonably expected that the negative consequences of such disclosure would surpass public interest.

## Report on Other Legal Requirements

### Report based on the request from Regulation (EU) no. 537/2014

1. On 20 July 2022, the General Assembly of the Company appointed us, based on the proposal of the Audit Committee, to audit the annual financial statements of the Company for the year 2022.
2. On the date of this report, we are continuously engaged in the statutory audit of the Company from the audit of the Company's annual financial statements for the year 2022 to the audit of the Company's annual financial statements for the year 2022, which is a total of 1 year.
3. In the audit of the Company's annual financial statements for the year 2022, we determined the materiality for the annual financial statements as a whole in the amount of HRK 30,100 thousand, which represents approximately 8% of the profit before taxation for the year 2022. We chose pre-tax profit as a measure of significance because we believe that it is the most appropriate measure considering the nature of the Company's business and the focus of the users of the annual financial statements.
4. Our audit opinion is consistent with the additional report for the Company's audit committee prepared in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.
5. During the period between the starting date of the audited financial statements of the Company for 2022 and the date of this Report, we did not provide prohibited non-audit services to the Company and did not provide design and implementation of internal control or risk management procedures related to the preparation and/or control of financial information or design and implementation of technological systems for financial information, and we maintained our independence in relation to the Company.

The Company's management is responsible for compiling the Company's annual financial statements for the year ending on 31 December 2022 in the prescribed form based on the Ordinance on the structure and content of annual financial statements (Official Gazette 95/16, 144/20), and in accordance with other regulations govern the Company's operations ("Standard Annual Financial Statements"). The financial information presented in the Company's standard annual financial statements is consistent with the information presented in the Company's annual financial statements presented on pages 9 to 78 for which we have expressed an opinion as presented in the Opinion section above.

### Report based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format.

Report on the assurance of the auditor on the compliance of the annual financial statements, compiled on the basis of the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20, 83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018/815 which determines a single electronic reporting format for issuers (hereinafter: ESEF Regulation).

We have conducted an engagement with the expression of reasonable belief as to whether the annual financial statements have been prepared for the purposes of publication to the public based on Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *jadranskinaftovod -2022-12-31-hr*, in all significant aspects prepared in accordance with the requirements of the ESEF Regulation.

### Responsibilities of the Management Board and Those Charged with Governance

The Company's management is responsible for the preparation and content of financial statements in accordance with the Regulation on ESEF.

In addition, the Company's Management is responsible for maintaining a system of internal controls that reasonably ensures the preparation of financial statements without significant non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.



The Management Board of the Company is also responsible for:

- publishing the financial reports contained in the annual report in the valid XHTML format;
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

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

### **Auditor's Responsibilities**

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

### **Procedures performed**

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

As part of the selected procedures, we performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of significant non-compliance with the ESEF Regulation due to fraud or error; and
- based on that, devised and designed procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- financial statements, which are included in the annual report, are prepared in the valid XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is labelled and all labels meet the following requirements:
  - o XBRL mark-up language was used,
  - o the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used; unless an additional taxonomy element has been created in accordance with Annex IV of ESEF Regulations,
  - o the labels comply with the common labelling rules under the ESEF Regulation.

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

### **Conclusion**

According to our belief, based on the procedures carried out and the evidence obtained, the financial statements presented in the ESEF format, contained in the above-mentioned electronic file and based on the provisions of Article 462, paragraph 5 of the Capital Market Act, prepared for publication to the public, are in accordance, in all materially significant aspects, with the requirements from Articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2022.

In addition to this conclusion, as well as the opinion contained in this Report of the independent auditor for the attached financial statements and the annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these presentations or on other information contained in the aforementioned file.

The engaged partner in the audit of the Company's annual financial statements for 2022, which results in this Independent Auditor's Report, is Darko Karić, certified auditor.

Zagreb, 13 March 2023

AUDIT d.o.o.  
Trg Johna Fitzgeralda Kennedyja 6B  
10000 Zagreb

  
Darko Karić, director, certified auditor d.o.o.



Statement of Comprehensive Income  
For the year ended 31 December 2022  
(all amounts are expressed in thousands of HRK)

	Note	2022	2021
<b>OPERATING INCOME</b>			
Sales income	3	874,099	767,079
Other income	4	5,025	10,956
<b>TOTAL OPERATING INCOME</b>		<b>879,124</b>	<b>778,035</b>
Material costs	5	(120,034)	(112,085)
Employee costs	6	(94,517)	(86,196)
Depreciation	7	(233,302)	(215,994)
Other expenses	8	(37,652)	(33,758)
Value adjustment	9	(8,253)	(3,645)
Provisions	10	(16,362)	(6,725)
Other operating expenses	11	(1,373)	(1,540)
<b>TOTAL OPERATING EXPENSES</b>		<b>(511,493)</b>	<b>(459,943)</b>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>367,631</b>	<b>318,092</b>
<b>FINANCIAL INCOME</b>	12	<b>17,831</b>	<b>15,584</b>
<b>FINANCIAL EXPENSES</b>	12	<b>(8,513)</b>	<b>(7,831)</b>
<b>PROFIT/LOSS FROM FINANCIAL OPERATIONS</b>	12	<b>9,318</b>	<b>7,753</b>
<b>TOTAL INCOME</b>		<b>896,955</b>	<b>793,619</b>
<b>TOTAL EXPENSES</b>		<b>(520,006)</b>	<b>(467,774)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>376,949</b>	<b>325,845</b>
<b>PROFIT TAX</b>	13	70,165	59,417
<b>PROFIT AFTER TAX</b>	26	<b>306,784</b>	<b>266,428</b>
<b>Other comprehensive income</b>		-	-
<b>TOTAL COMPREHENSIVE PROFIT</b>	26	<b>306,784</b>	<b>266,428</b>
<b>Earnings per share (in HRK)</b>	26	<b>304.45</b>	<b>264.40</b>

The accompanying notes form an integral part of these financial statements.

## Report on the financial position

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

<b>ASSETS</b>	Note	<b>2022</b>	<b>2021</b>
<b>FIXED ASSETS</b>			
Intangible assets	14	154,115	179,358
Right-of-use assets	14, 15	4,005	5,611
Property, plant and equipment	16	3,844,527	3,962,410
Investments in subsidiaries	34	-	215
Financial assets	17	125,345	50,000
Receivables		40	57
Deferred tax assets	13	4,489	4,793
<b>TOTAL FIXED ASSETS</b>		<b>4,132,521</b>	<b>4,202,444</b>
<b>CURRENT ASSETS</b>			
Inventories	18	22,196	21,203
Receivables from subsidiaries	34	-	4
Trade receivables	19	157,547	79,428
Other receivables	20	5,296	2,260
Financial assets	21	210,734	39,861
Cash and cash equivalents	22	658,425	560,325
<b>TOTAL CURRENT ASSETS</b>		<b>1,054,198</b>	<b>703,081</b>
<b>TOTAL ASSETS</b>		<b>5,186,719</b>	<b>4,905,525</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	23	2,952,438	2,952,438
Capital reserves	24	54	54
Legal reserves	24	138,026	124,705
Other reserves	24	907,346	780,793
Retained earnings	25	677,334	626,718
Profit for the current year		306,784	266,428
<b>TOTAL CAPITAL AND RESERVES</b>		<b>4,981,982</b>	<b>4,751,136</b>
<b>PROVISIONS</b>	27	<b>30,921</b>	<b>20,215</b>
<b>LONG TERM LIABILITIES</b>			
Long-term part of liabilities for right-of-use assets	15	2,229	3,834
Other long-term liabilities	28	90,246	84,874
<b>LONG TERM LIABILITIES</b>		<b>92,475</b>	<b>88,708</b>
<b>SHORT-TERM LIABILITIES</b>			
Short-term part of liabilities for right-of-use assets	15	1,976	1,971
Trade payables	29	52,747	27,597
Other liabilities	30	26,618	15,898
<b>TOTAL SHORT-TERM LIABILITIES</b>		<b>81,341</b>	<b>45,466</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,186,719</b>	<b>4,905,525</b>

The accompanying notes form an integral part of these financial statements.

## Statement of Cash Flows

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

	Note	2022	2021
<b>Operating activities</b>			
Profit for the current year	26	306,784	266,428
<i>Adjusted for:</i>			
Profit tax	13	70,165	59,417
Depreciation of property, plant and equipment	7,16	201,510	186,213
Amortization of intangible assets	7,14	29,772	27,745
Depreciation of right-of-use assets	7,15	2,020	2,036
Surpluses and carrying amount of fixed assets	14,16	7,325	3,641
Change in provisions, net	27	15,869	6,323
Interest income	12	(1,581)	(125)
Lease interest expenses	12	192	249
Exchange rate differences in loans	12	5,372	6,445
<b>Cash flow from operating activities before changes in working capital</b>		<b>637,428</b>	<b>558,372</b>
(Increase)/Reduction of receivables	19,20	(79,948)	6,308
Increase/(Reduction) of liabilities	29,30	36,156	(84,404)
Decrease/(increase) in inventories	18	(993)	1,708
Other reductions/(increases) in receivables		(14,283)	13,970
<b>Cash made from business</b>		<b>578,360</b>	<b>495,954</b>
Advances of income tax paid		(60,988)	(62,395)
<b>Net cash generated by operating activities</b>		<b>517,372</b>	<b>433,559</b>
<b>Investing activities</b>			
Interest receipts		426	134
Expenditures for the purchase of property, plant and equipment	16	(90,409)	(105,215)
Expenditures for the purchase of intangible assets	14	(5,111)	(4,023)
(Increase)/decrease in deposits and other financial	17,21	(246,218)	(3,027)
<b>Net cash used in investing activities</b>		<b>(341,312)</b>	<b>(112,131)</b>
<b>Financing activities</b>			
Dividend payment expenses		(75,938)	(82,114)
Lease liabilities		(2,022)	(2,782)
<b>Net cash used in financing activities</b>		<b>(77,960)</b>	<b>(84,896)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	22	<b>98,100</b>	<b>236,532</b>
<b>Cash and cash equivalents at the beginning of the year</b>	22	<b>560,325</b>	<b>323,793</b>
<b>Cash and cash equivalents at the end of the year</b>	22	<b>658,425</b>	<b>560,325</b>

The accompanying notes form an integral part of these financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

	Share capital	Capital reserves	Legal reserves	Other reserves	Retained earnings	Profit for the year	Total
<b>1 January 2021</b>	<b>2,952,438</b>	<b>54</b>	<b>110,300</b>	<b>643,942</b>	<b>571,982</b>	<b>288,106</b>	<b>4,566,822</b>
Total comprehensive income	-	-	-	-	-	266,428	266,428
Dividend paid	-	-	-	-	-	(82,114)	(82,114)
Allocation of profit from 2020	-	-	14,405	136,851	54,736	(205,992)	-
<b>1 January 2022</b>	<b>2,952,438</b>	<b>54</b>	<b>124,705</b>	<b>780,793</b>	<b>626,718</b>	<b>266,428</b>	<b>4,751,136</b>
Total comprehensive income	-	-	-	-	-	306,784	306,784
Dividend paid	-	-	-	-	-	(75,938)	(75,938)
Allocation of profit from 2021	-	-	13,321	126,553	50,616	(190,490)	-
<b>31 December 2022</b>	<b>2,952,438</b>	<b>54</b>	<b>138,026</b>	<b>907,346</b>	<b>677,334</b>	<b>306,784</b>	<b>4,981,982</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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## 1. GENERAL INFORMATION

### *History and incorporation*

Jadranski naftovod dioničko društvo ("the Company"), Miramarska cesta 24, Zagreb, Republic of Croatia, was established upon the transformation of the socially owned enterprise into a public limited company in 1992 in the Republic of Croatia and is registered at the Commercial Court in Zagreb under the registration number: 080118427, OIB: 89018712265, MB: 03334171.

In previous periods, the company published unconsolidated and consolidated financial statements. The consolidated financial statements referred to the Group consisting of JANAF d.d. and two subsidiaries wholly owned by the Company:

JANAF – upravljanje projektima d.o.o., Miramarska cesta 24, Zagreb, Republic of Croatia, is registered with the Commercial Court in Zagreb, Registration number: 080720869, OIB: 06731774966, MB: 02608987.

JANAF-TERMINAL BROD d.o.o. Brod, Zmaj Jove Jovanovića bb, Brod, Bosnia and Herzegovina, JIB: 4403201480002, MB: 11068235.

In the current year, the subsidiary company JANAF – upravljanje projektima d.o.o., Miramarska cesta 24, Zagreb, was merged with the parent company. Subsidiary company JANAF-TERMINAL BROD d.o.o. Brod, Zmaj Jove Jovanovića bb, Brod, Bosnia and Herzegovina, was liquidated in 2022.

Based on the merger and liquidation of subsidiaries, the obligation to consolidate financial statements has ended, and the annual financial statements for 2022 have been prepared only for the Company.

The principal activities of the Company are transport and storage of oil and oil products, and those of its subsidiaries are engineering and technical advisory services.

### *Related parties*

Affiliated companies are companies with which the Company has joint management or owners, and which are neither an investment nor an associated company, and refer to entities covered by the Decision on Legal Entities of Special Interest to the Republic of Croatia.

Affiliated companies comprise the following:

Croatia Airlines d.d., Zagreb	Hrvatske šume d.o.o.
HEP d.d.	INA - Industrija nafte d.d.
Financijska agencija (FINA)	Narodne novine d.d.
Hrvatske autoceste d.o.o.	Odašiljači i veze d.o.o.
Hrvatske ceste d.o.o.	Hrvatska poštanska banka d.d.
HP - Hrvatska pošta d.d.	Hrvatske vode

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 1. GENERAL INFORMATION (CONTINUED)

#### ***Management Board***

From 25 September 2020 the members of the Management Board are as follows:

President of the Management Board, MSc. Stjepan Adanić

Member of the Management Board, Vladislav Veselica

#### ***Supervisory Board***

From 26 July 2021 to 10 February 2022, the members of the Supervisory Board were:

Nina Ban Glasnović, president

Anja Bagarić, deputy president

Jadranka Čengija Šarić, member

Marijo Rođak, member

Josip Spajić, member

Nikolina Balen, member

From 11 February 2022 to 20 January 2023, the members of the Supervisory Board were:

Nina Ban Glasnović, president

Anja Bagarić, deputy president

Jadranka Čengija Šarić, member

Marijo Rođak, member

Josip Spajić, member

Melita Madžo, member

From 21 January 2023 to 22 January 2023, the members of the Supervisory Board were:

Nina Ban Glasnović, president

Jadranka Čengija Šarić, member

Melita Madžo, member



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 1. GENERAL INFORMATION (CONTINUED)

From 23 January 2023 onwards, the members of the Supervisory Board are:

Nina Ban Glasnović, president

Ivica Nuić, deputy president

Jadranka Čengija Šarić, member

Marijo Rođak, member

Josip Spajić, member

Melita Madžo, member

During 2022, ten sessions of the Supervisory Board were held, nine of which were attended by all members.

#### ***Audit committee of the Company***

From 19 July 2021 to 20 January 2023, the members of the Audit Committee are:

Nina Ban Glasnović, president

Anja Bagarić, member

Josip Spajić, member

From 23 January 2023 onwards, the members of the Audit Committee are:

Nina Ban Glasnović, president

Mario Rođak, member

Josip Spajić, member

Marijan Cingula, audit committee expert

During 2022, five sessions of the Audit Committee were held, at which all members were present.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. **Declaration of compliance**

The financial statements are prepared in accordance with the provisions of International Financial Reporting Standards (IFRS), as adopted by the European Union

The Company prepares financial statements to reflect the operations of the Company.

The Company presents the following annual financial statements

- Statement of comprehensive income ,
- Statement of financial position,
- Statement of cash flows,
- Statement of changes in equity,
- Notes to the financial statements.

The Company operates through segments of transportation and storage of oil and through storage of refinery products in Republic of Croatia. The Company does not have other operating business segments.

In addition to the annual financial statements, the Company prepares its Annual Management Report/Annual Report on the State of the Company.

Pursuant to International Accounting Standard 34 (IAS 34), the provisions of the Capital Market Act and the accompanying regulations, the Company presents financial statements for quarterly and semi-annual periods.

#### 2.2. **Fundamentals of presentation**

These financial statements are prepared on the basis of historical cost, with the exception of certain financial instruments that are stated at fair value. The accounting policies of the Company are applied consistently, unless otherwise stated.

#### 2.3. **Functional and display currency**

The Company's annual financial statements are drawn up in Croatian kuna as the Company's functional or reporting currency. The financial statements are presented in thousands of Croatian kuna (000 HRK), which, given that it is the currency in which most of the Company's business events are reported, is also the Company's functional currency. The exchange rates of the most important currencies on 31 December 2022 amounted to: EUR 1 = 7,5345 kn, USD 1 = 7,0640 kn (31 December 2021. : EUR 1 = HRK 7,517, USD 1 = HRK 6,644).

Starting on 1 January 2023, the Republic of Croatia changed its currency from the Croatian kuna to the euro. The euro became the functional and presentation currency in 2023.

In accordance with the Law on the introduction of the euro as the official currency in the Republic of Croatia, the company recalculated the accounting documents issued in the currency of EUR and presented them in the financial statements at a fixed conversion rate of 7.5345 HRK/EUR. The change in the functional and presentation currency in 2023 has no significant impact on these annual financial statements.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4. *The first application of new amendments to existing standards that are in force for the current reporting period*

##### Standards and interpretations in force in the current period

- Annual Improvements to IFRS from the 2018-2020 cycle - effective for annual periods beginning on or after 1 January 2022.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Harmful Contracts – Cost of Contract Performance): The amendments define which costs should be included in the entity's assessment of contract impairment (effective for annual periods beginning on or after January 1, 2022).
- IAS 16 Real estate, plant and equipment (amendment - Income before intended use): The amendment prohibits the reduction of acquisition costs for realized receipts of sold effects produced when bringing plant and equipment into working condition for intended use. Instead of the current practice, the entity will recognize both income and expenses generated by the trial operation through the profit or loss account (effective for annual periods beginning on or after January 1, 2022).
- IFRS 3 "Business Combinations" - link to the conceptual reporting framework (effective for annual periods beginning on or after January 1, 2022).

The Company is currently evaluating the impact of the new standards and interpretations on its annual financial statements. It is not expected that the new standards and interpretations will significantly affect the annual financial statements of the Company.

#### 2.5. *Amendments to existing standards that have been adopted in the European Union, but are not yet in force*

- **Amendments to IAS 1: Presentation of financial statements and publication of accounting policies;**

In March 2017, the IASB published Discussion Paper „Disclosure Initiative – Principles of Disclosure

In August 2019, the IASB publishes the Exposure Draft "Disclosure of Accounting Policies" in which it proposes changes to IAS 1.

On 12 February 2021, the IASB publishes amendments to IAS 1 that apply on or after 1 January 2023. Earlier application is allowed.

These amendments bring changes to points 117-122 of IAS 1. Presentation of financial statements in which the emphasis is on the requirement for the disclosure of significant accounting policies, an explanation of how the entity identifies a significant accounting policy to be disclosed, with the aim of assisting companies in improving the disclosure of accounting policies for primary users of financial statements.

The company decided not to apply these changes to the existing standards before their entry into force. The Company anticipates that the application of changes to existing standards will not have a material impact on the Company's financial statements in the period of initial application.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **2.5. Amendments to existing standards that have been adopted in the European Union, but are not yet in force (continued)**

Accounting policy information relating to immaterial transactions, other events or conditions is immaterial and should not be disclosed. Disclosure of insignificant information about the accounting policy must not obscure significant information about the accounting policy.

The conclusion that the accounting policy information is immaterial does not affect the related disclosure requirements established in other IFRSs.

The entity, along with significant information on the accounting policy or other notes, publishes the judgments and assessments made by the management in the process of applying the entity's accounting policies, which have the greatest impact on the amounts recognized in the financial statements.

The entity publishes information on assumptions for the future and other main sources of uncertainty of the assessment at the end of the reporting period that carry a significant risk that they will result in a significant adjustment of the book amounts of assets and liabilities in the next business year.

Entity-specific information is more meaningful than standardized information or information that repeats or summarizes IFRS requirements.

Entity-specific information may be Accounting policy information that emphasizes how the entity has applied the requirements of IFRS to its circumstances.

Significant accounting policy information may sometimes include information that is standardized or that repeats or summarizes IFRS requirements.

- **Amendments to IAS 8: Accounting policies, changes in accounting estimates and errors:**

The IASB concluded that the problems arise due to the insufficiently clear definition of a change in accounting estimate in IAS 8.

The IASB considered that the definition of "accounting policy" combined with the definition of "change in accounting estimate" obscured the distinction between accounting policies and accounting estimates. It was necessary to clarify the differences between accounting policies and accounting estimates for further consistent application of IFRS and comparability of financial statements.

Amendments to IAS 8 apply from 1 January 2023 or after that date.

To clarify the difference between accounting policies and accounting estimates, the IASB has replaced the definition of "changes in accounting estimates" with the definition of "accounting estimates".

Accounting estimates are monetary amounts in financial statements that cannot be measured with certainty. Measurement uncertainty is defined in the 2018 Supplement to the Conceptual Framework as uncertainty that occurs when monetary amounts in financial statements cannot be directly determined but must be estimated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5. Amendments to existing standards that have been adopted in the European Union, but are not yet in force (continued)

- **Amendments to IAS 12 Income taxes: Deferred tax related to assets and liabilities arising from a single transaction;**

Amendments to IAS 12 Income taxes: Deferred tax related to assets and liabilities arising from a single transaction;

On 7 May 2021, the IASB published amendments to IAS 12. The amendments to IAS 12 apply to reporting periods beginning on or after 1 January 2023.

The amendments clarify that companies are required to report deferred tax on transactions such as leases and liabilities based on decommissioning, with the aim of achieving uniformity in the reporting of deferred tax assets and liabilities for leases and liabilities based on decommissioning.

Deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from:

- initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction that is not a business merger and at the time of the transaction does not affect accounting profit or taxable profit (tax loss); and at the time of the transaction does not lead to equal taxable and deductible temporary differences-

Deferred tax assets and deferred tax liabilities are recognized upon initial lease recognition only when repayments, i.e. lease payments, are recognized as tax expenses, and this occurs when lease liabilities and right-of-use assets are recognized under IFRS 16, and tax law treats it as an operating lease that can be deducted when paying rent.

- **IFRS 17: Insurance contracts**

The IASB published IFRS 17 on 18 May 2017, and on 25 June 2020, amendments to IFRS 17, and on 9 December 2021, an additional amendment to IFRS 17.

IFRS 17 completely replaces the current IFRS 4, and the full application of the new standard becomes effective for annual periods beginning on or after 1 January 2023.

The objective of IFRS 17 is to ensure that the company provides relevant information in its financial statements that faithfully reflect insurance contracts so that users of the financial statements can reliably assess the effect of the contract on the company's financial position, financial result and cash flows.

Applies to insurance contracts, reinsurance contracts and investment contracts with features of discretionary participation.

IFRS 17, regulates that an insurance contract is a contract on the basis of which one party (the issuer) assumes a significant insurance risk from another party (the policyholder) and agrees to pay the policyholder compensation in the event that the policyholder suffers damage due to a certain uncertain future event (the insured an event).

This definition is similar to that in IFRS 4 and has not changed substantially.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6. *Foreign currencies*

Transactions in foreign currencies, in the Company's financial statements, are initially recognized by conversion into the functional currency of each entity, at the current exchange rate on the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are recalculated on the reporting date using the exchange rate valid on that day. Exchange rate differences arising during conversion are included in the Statement of Comprehensive Income. The results and financial position are presented in the annual financial statements in Croatian kuna (HRK), which is the functional currency of the Company and the presentation currency of the annual financial statements for the year ended on 31 December 2022.

#### 2.7. *Revenue recognition*

Revenue is the gross inflow of economic benefits over the period deriving from the ordinary activities of the Company which results in capital increase, in addition to the increase in capital relating to the inputs of participants in capital.

In accordance with IFRS 15, the Company recognizes revenue when (or to the extent) the Company fulfils its execution obligation by transferring the promised goods or service (i.e. the asset) to the customer. Assets have been transferred when (or to the extent) the buyer obtains control over that asset.

An entity transfers control over the service over time and therefore, over time, fulfils the execution obligation and recognizes revenue, given that the client simultaneously receives and uses the benefits that arise from the execution of the entity while the entity performs the execution.

The Company uses the output method to measure progress towards full completion of its obligations.

Output methods recognize income on the basis of a direct measurement of the value that the goods or services transferred until a certain date have for the buyer, in relation to the remaining goods or services promised by the contract.

The Company uses a practical solution from IFRS 15.B16 since it has the right to a client's compensation in the amount that directly corresponds to the value; it recognizes revenue in the amount that it has the right to invoice.

When (or to the extent to which) the execution obligation is met, the Company recognizes the transaction price (excluding the limited variable rate estimates) as revenue that is allocated to that execution obligation. The transaction price is the amount of compensation the entity is expecting to exercise the right to, in return for the transfer of the promised goods or services to the buyer, excluding the amounts charged on behalf of third parties. The compensation promised in the contract with the buyer may include fixed amounts, variable amounts or both.

#### *Provision of services*

When it was possible to reliably estimate the outcome of the transaction involving the provision of services, then the revenues associated with that transaction were recognized by the degree of completion of the transaction on the date of the Statement of financial position.

It was possible to reliably estimate the outcome of the transaction when all of the following conditions were met:

- (a) the amount of revenue could be reliably measured,
- (b) it was probable that the economic benefits associated with the transaction would flow to the Company,

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.8. *Revenue recognition (continued)*

(c) the degree of completion of the transaction at the statement of financial position date could be measured reliably, and

(d) transaction costs incurred and transaction completion costs could be measured reliably.

When it was not possible to reliably estimate the outcome of a transaction involving the provision of services, revenue was recognized only in the amount of recognized recoverable expenses.

Interest income is recognized in the statement of comprehensive income as it occurs, taking into account the effective interest rate of the asset or the applicable variable rate. Interest income includes the depreciation of any discount or premium and other differences between the initial carrying amount of the interest-bearing financial instrument and the amount at maturity, with the application of the effective interest rate.

#### 2.9. *Net financing costs*

Net financing cost consists of interest expense on borrowings, default interest expenses, interest income on receivables and cash balances, foreign exchange gains and losses, gains or losses on financial assets at fair value through profit and loss, gains and losses on sale of shares, and dividends.

#### 2.10. *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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred

#### 2.11. *Retirement benefit costs*

The Company and the Group have no defined post-retirement benefit plans for their employees or management. Accordingly, the Company and the Group have no outstanding liabilities for either their present or former employees based on the post-retirement payments.

Provisions for severance pay and jubilee awards was determined in the amount of the present value of benefits using a discount rate of 2.03% (2021: 0.5%) and taking into account the employee turnover rate of 1.29 (2021: 0.91) , which was determined based on the departure of employees from the Company in the previous five years. The discount rate of 2.03% was determined on the basis of average interest rates on Croatian government bonds.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.12. Taxation

Individual Group members determine their income tax in accordance with the laws applicable in the jurisdictions in which they operate. The Company assesses and pays taxes in accordance with Croatian laws. Income tax expense comprises the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year, using the tax rates that have been enacted or substantively enacted at the date of the financial statements, including adjustments to the tax liability in respect of prior years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is the tax expected to be payable or recoverable on the differences between the carrying amount of assets and liabilities using the tax rates that have been enacted or substantively enacted at the date of the financial statements. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognize to the extent that future taxable profits will be sufficient to allow those temporary differences and unused tax losses to be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

#### 2.13. Property, plant and equipment

Property, plant and equipment are recognized initially at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs costs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalized. Gains or losses on the retirement or disposal of property, plant and equipment are included in the statement of comprehensive income in the period they occur.

Depreciation is recognized in Statement of the comprehensive income on a straight-line basis over the estimated useful life of each item of property, plant and equipment. Land and assets under construction are not depreciated.

The estimated useful lives for individual categories of the assets are as follows:

	2022	2021
Buildings	40 years	40 years
Oil pipelines and tanks	40 years	40 years
Plant and equipment	10 – 20 years	10 – 20 years
Office furniture	5 years	5 years
Telecommunication and IT equipment	2-5 years	2-5 years
Personal vehicles	4 years	4 years

Additional investments in tanks, pipelines and other assets are depreciated over the remaining or estimated useful life of the related assets. Capitalized cost of pipeline testing using the intelligent PIG are depreciated over a period of five years.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.14. *Property, plant and equipment (continued)*

##### **Technological oil**

Technological oil is oil owned by the Company, which is located in oil pipelines and tanks for the purpose of facilitating oil transportation and carrying out the core business of the Company. The value of the operational crude oil is stated at cost, i.e. at historical book value. The amount of operational crude oil in circulation is estimated annually. Excess or deficit is recognized as profit or loss of the period.

#### 2.15. *Intangible assets*

Intangible assets with estimated useful life are recognized according to acquisition cost less accumulated depreciation.

In the statement of comprehensive income, the depreciation is recognized according to a straight-line method over the estimated useful life of each item of intangible assets. Assets with an indefinite useful life are not depreciated, but they are tested for impairment in accordance with IAS 36.

The useful life of individual groups of intangible assets is estimated as follows:

	<b>2022</b>	<b>2021</b>
Licences and software applications	4 years	4 years
Grid connection power permit	40 years	40 years
Monitoring and control system software	15 years	15 years
Production process monitoring systems	10 years	10 years

Currently, the Company has access to maritime demesne and assets thereon based on the concession agreement concluded with the State. Properties, plant and equipment covered by the agreement are recognized according to acquisition cost less value adjustments.

Assets under the concession agreement are depreciated using the straight-line method over the estimated useful life of an asset, taking into account the period of concession agreement.

#### 2.16. *Impairment of assets*

At each date of the financial statements, the Company and the Group 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 such indications exist, the recoverable amount of the asset is estimated to determine the extent of potential impairment loss. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. In 2022 there were no indications of a potential impairment of property, plant and equipment, and the management estimates that the carrying amount of those assets is lower than the recoverable amount.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17. Leases (IFRS 16)

The Company has adopted IFRS 16 with the date of initial application on 1 January 2020. At the beginning of the contract, the Company estimates whether the contract is a lease contract, i.e. whether it contains elements of a lease.

A contract is a lease contract, i.e. contains elements of a lease, if it grants the right to control the use of certain assets during a given period in exchange for a fee. In order to determine whether a contract contains a lease, the Company estimates whether:

- the contract explicitly defines the asset, but can also be determined by implicit reference at the time it is leased to the lessee. Asset should be physically specified or substantially represent the entire capacity of an asset. If the lessor has a significant right to substitute the asset, the asset is considered non specified;
- has the right to acquire substantially all the economic benefits from the use of certain assets;
- has the right to determine the purpose and manner of using the asset.

The right to determine the manner and purpose of using the asset exist if the Company, within the scope of its right of use set out in the contract, can change the manner and purpose of use of that asset throughout the period of use. In rare cases, the manner and purpose of the use of the asset is determined in advance and it is considered that the Company has the right to determine the purpose and manner of the use of the asset if:

(i) the user has the right to manage the asset (i.e. direct others to manage it in the manner that he had determined) throughout the entire period of use, whereat the supplier does not have the right to change these management instructions; or

(ii) the user has designed the asset (or some of its aspects) in a way that the manner and purpose of its use throughout the whole period of use are predetermined.

#### **i) Company as lessee**

The Company recognizes the right-of-use assets and lease liabilities from the first day of the lease.

The initial measurement of the right-of-use assets is at cost. Cost of the right-of-use assets includes:

- (a) the amount of the initially measured lease liability,
- (b) all lease payments made on or before the first day of the lease term, less any received lease aid;
- (c) any initial direct costs incurred by the lessee; and
- (d) cost estimate that the lessee will incur in dismantling and removing the underlying asset, restoring the location of the asset or restoring the asset to the state required by the terms of the lease contract, unless those costs have been incurred for the purpose of producing inventory.

The liability for the stated costs for the Company arises on the first day of the lease term or as a consequence of the use of the underlying asset during a specified period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17. Leases (IFRS 16) (continued)

#### Subsequent measurement of the right-of-use assets

After the first day of the lease, the Company measures the right-of-use assets using the cost model:

- (a) less any accumulated depreciation and impairment losses; and
- (b) adjusted for any remeasurement of the lease liability.

If the lease transfers the ownership of the asset to the Company until the end of the lease term, the Company depreciates the underlying asset from the first day of the lease term until the end of the useful life of the asset. In all other cases, the Company shall depreciate the right-of-use assets from the first day of the lease term until the end of its useful life or until the end of the lease period, whichever is earlier.

#### Initial measurement of the lease liability

On the first day of the lease, the Company measures the lease liability at the present value of all lease payments that were not made on that date. These payments are discounted at the incremental borrowing rate.

Lease payments included in the measurement of a lease liability on the first day of its lease term include the following payments for the underlying right-of-use assets during the lease term that were not paid on the first day of the lease term:

- (a) fixed payments (including essentially fixed payments), less any received lease aid;
- (b) variable payments that depend on a particular index or rate and are initially measured at that index or rate on the first day of the lease term;
- (c) amounts expected to be payable to the lessee within the guaranteed residual value;
- (d) cost of using the surrender option if there is a probability that the lessee will exercise that option; and
- (e) penalties for termination of the lease, if the lease term indicates that the lessee has exercised that option.

#### Subsequent measurement of the lease liability

After the first day of the lease term, the Company measures the lease liability by:

- (a) increasing book values, in order to take in account the interest on the lease obligation;
- (b) decreasing book values, in order to take in account the lease payments made; and
- (c) remeasuring book values, in order to take in account any reassessment or change in lease or fixed lease payments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17. Leases (IFRS 16) (continued)

The Company remeasures its lease liability by discounting the revised lease payments at a revised discount rate in the event of:

- (a) changes in the lease term, in which case the Company determines the revised lease payments based on the revised lease term; or
- (b) changes in the assessment of the option of repurchasing the underlying asset, by taking into account the events and circumstances in the context of the repurchase option. In this case, the Company establishes revised lease payments to reflect changes in the amount payable under the option of repurchasing.

The Company remeasures its lease liability by discounting revised lease payments if:

- (a) there is a change in the amount expected to be received under the guaranteed residual value, in which case the lessee establishes revised lease payments to reflect this change in the amount expected to be received under the guaranteed residual value;
- (b) there is a change in future lease payments as a result of a change in the index or rate used to determine them, including, for example, acknowledging changes in market lease prices. The Company remeasures its lease obligations to take into account changes in lease payments only when there are changes in cash flows. The Company determines revised lease payments until the end of the lease term based on revised contractual payments.

#### Reassessment of a lease liability

After the first day of the lease, the Company remeasures the lease obligation to acknowledge changes in the lease payments. The Company recognizes the value of the lease liability determined by this remeasurement as an adjustment of the right-of-use assets. However, if the book value of the right-of-use assets is reduced to zero and there is a further decrease in the measurement of the lease liability, the Company recognizes any remaining amount of that new measured value in the income statement.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17. Leases (IFRS 16) (continued)

##### Short-term leases and low-value asset leases

The Company has chosen not to recognize short-term lease contracts (12 months or less) and low-value lease contracts as the right-of-use assets and lease obligations. The Company recognizes payments on these leases as an expense in the statement of profit or loss on a straight-line basis over the duration of the contract.

##### ***ii) Company as lessor***

The Company classifies each lease at the beginning of the contract as a business lease or a financial lease. A lease is classified as a financial lease if it transfers substantially all the risks and benefits of ownership of the underlying asset. A lease is classified as an operating lease if it does not transfer substantially all of the risks and benefits of an ownership of the underlying asset.

##### Recognition and measurement

The Company recognized payments from operating leases as income on a straight-line basis under the item "Other income".

The lessor recognizes costs incurred in obtaining the lease income, including depreciation costs, as an expense. The lessor adds the initial direct costs incurred in obtaining the operating lease to the book value of underlying asset and recognizes it as an expense over the lease term on the same basis as the lease income.

The Company leases business premises, land and telecommunications infrastructure. The Company has classified these leases as operating leases because substantially all the risks and benefits of ownership of the asset are not transferred.

#### 2.18. Inventories

Inventories are valued according to acquisition cost or net market value, whichever is lower. Acquisition cost comprises costs directly attributable to purchase of inventories and bringing them to their present condition and to their present location. Cost is determined using the weighted average method.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **2.19. Financial instruments**

As of 1 January 2019, the Company classifies financial instruments in three categories: amortized cost, fair value through other comprehensive income or the fair value through profit or loss.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

In the ordinary course of operations, the Company uses the following primary financial instruments:

- investments in other financial instruments, which are presented in the balance sheet.

The Company recognizes financial liabilities initially at their fair value plus transaction costs directly attributable with the acquisition or delivery of a financial liability. They are measured subsequently at amortized cost using the effective interest method.

#### **2.20. Investments in other financial instruments**

Investments in other financial instruments comprise financial assets and financial liabilities from the following categories:

- financial assets or financial liabilities at fair value through profit and loss,
- held-to-maturity investments,
- loans and receivables, and
- financial assets available for sale, depending on the intent at the point of their acquisition.

#### **2.21. Financial assets or financial liabilities at fair value through profit and loss**

The Company recognizes financial assets and financial liabilities in the statement of financial position if and only if the Company becomes party to the contractual provisions of the instrument.

Financial assets are designated as fixed in the case of financial investments for a period longer than one year for the purpose of earning or profit. Investments over a period of less than one year represent short-term financial assets.

A financial instrument is any contract resulting in the formation of a financial asset of a company and a financial liability or equity instrument of another company.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.21. Financial assets or financial liabilities at fair value through profit and loss (continued)

Financial assets are any assets that are:

- a) money,
- b) equity instrument of another company,
- c) contractual right to:
  - i) receive money or other financial assets from another company, or
  - ii) exchange financial assets or financial liabilities with another company under conditions that are potentially more favourable to the Company, or
- d) a contract that will be settled or can be settled by the Company's own equity instruments and which represents:
  - i) non-derivative instrument for which the Company is or may be required to receive a variable number of its own equity instruments of another company or
  - ii) derivative that will be settled or can be settled in a manner different from the exchange of fixed amounts of money or other financial assets for the fixed number of the Company's own equity instruments.

In the ordinary course of operations, the Company uses the following primary financial instruments:

- Trade receivables
- Given loans
- Money and deposits
- Investments in other financial instruments as shown in the balance sheet

Except for trade receivables, at initial recognition, an entity measures the financial asset or financial liability at its fair value.

At initial recognition, the Company measures trade receivables that do not have a significant financial component (determined in accordance with IFRS 15) at their transaction price.

After initial recognition, the entity measures the financial assets by:

- (a) amortized cost,
- (b) fair value through other comprehensive income, or
- (c) fair value through profit or loss.

#### Classification of financial assets

Classification and measurement of financial assets is based on the characteristics of contracted cash flows of financial assets and, for financial assets whose contractual cash flows represent the remaining principal and interest payments, on the business model of the Company related to asset management. Depending on the business model, financial assets are classified as "held for collection" contractual cash flows (measured at amortized cost), assets "held for collection and sale" (measured at fair value through other comprehensive income) or "held for other purposes" (measured at fair value through profit or loss).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.21. Financial assets or financial liabilities at fair value through profit and loss (continued)**

##### Impairment of financial assets:

At each reporting date, the Company measures the impairment allowance for a financial instrument in the amount equal to the expected credit losses if the credit risk for that financial instrument has increased significantly from the initial recognition.

If, on the reporting date, the credit risk on the financial instrument has not increased significantly from the initial recognition, the Company shall measure the loss adjustment for this financial instrument in the amount equal to the 12-month expected credit losses.

The Company recognizes in profit or loss, as the profit or loss on value impairment, the amount of expected credit losses (or cancellations).

At each reporting date, the Company estimates whether there has been a significant increase in credit risk for financial instruments from initial recognition. When making an estimate, the Company uses the changes in the risk of non-payment occurred during the expected life of the financial instrument instead of the change in expected credit losses. To make an estimate, the Company compares the risk of non-payment occurred for the financial instrument on the reporting date with the risk of non-payment occurred for the financial instrument on the date of initial recognition and takes into account reasonable and acceptable information.

##### Significant increase in credit risk

When assessing whether the credit risk of a financial instrument has increased significantly from initial recognition, the Company will consider information that are reasonable and can be relied upon, as well as relevant information available without unnecessary expense or effort, including quantitative and qualitative information and analysis based on historical data of the Company wherever appropriate, including professional assessments and expectations of future trends.

The input data used to calculate the expected credit loss refer to the following variables:

- Probability of default
- Expected loss rate
- Exposure at the moment of default

These parameters will be derived from internally developed models, regulatory values and expert judgement. The specified variables will be adjusted to reflect the expected future trends.

##### Expected future trends

The Company will include forward-looking information when assessing whether the credit risk of the instrument has increased significantly from the initial recognition and when calculating the expected credit loss.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.21. Financial assets or financial liabilities at fair value through profit and loss (continued)**

##### Termination of recognition of financial assets

The Company ceases to recognize financial assets when:

- (a) contractual rights to cash flows from financial assets expire, or
- (b) it transfers financial assets and the transfer fulfils the terms for the termination of recognition.

##### Transfer of financial assets

An entity transfers financial assets when:

- (a) it transfers contractual rights to receive cash flows from financial assets, or
- (b) it retains contractual rights to receive cash flows from financial assets, while assuming a contractual obligation to pay cash flows to one or more recipients in the arrangement.

#### **2.22. Financial liabilities and equity instruments**

A financial liability is any obligation that is:

- a) a contractual obligation to:
  - i) deliver money or other financial assets to another company, or
  - ii) exchange financial assets or financial liabilities with another company under conditions that are potentially less favourable to the Company; or
- b) a contract that will be or can be settled with the Company's own equity instruments and represents:
  - i) non-derivative instrument for which the Company will be or may be required to deliver a variable number of Company's own equity instruments, or
  - ii) derivative that will be or can be settled in a manner different from the exchange of fixed amounts of money or other financial assets for the fixed number of own equity instruments of the Company.For this purpose, the entity's own equity instruments do not include instruments that are contracts for the future receipt or delivery of the equity instruments of the entity.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus the transaction costs that are directly related to the acquisition or delivery of a financial asset or a financial liability. The initial recognition of a financial asset is made on the date of the contract.

#### **2.23. Hedge accounting**

The Company does not apply any forms of hedge accounting other than natural hedge.

#### **2.24. Provisions**

Provisions are recognized in the Statement of comprehensive income and the Statement of financial position when the Group and the Company have a legal or contractual obligation as a result of past events and when it is probable that an outflow of resources will be required to settle the obligation.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.25. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

#### Useful life of property, plant and equipment

The determination of the useful life of the assets is based on past experience involving similar assets, as well as on anticipated changes in the economic environment and industry-specific factors. The useful life is reviewed annually or whenever there are indications of significant changes in the underlying assumptions. We believe this accounting estimate is significant given the considerable share of depreciable assets in the total assets. Therefore, any change in the underlying assumptions could be material for the Company's financial position and the results of its operations.

#### Impairment of financial assets

At each reporting date, the Company estimates whether there has been a significant increase in credit risk for financial instruments from initial recognition. When making an estimate, the Company uses the changes in the risk of non-payment occurred during the expected life of the financial instrument instead of the change in expected credit losses. To make an estimate, the Company compares the risk of non-payment occurred for the financial instrument on the reporting date with the risk of non-payment occurred for the financial instrument on the date of initial recognition and takes into account reasonable and acceptable information.

A simplified approach is applied to trade receivables, where expected credit losses are recognized for the entire period of receivables.

#### Actuarial estimates used in determining the retirement benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates.

#### Consequences of certain legal actions

The company is involved in lawsuits and proceedings arising in the ordinary course of business. Management uses estimates when the most likely consequences of those activities have been assessed and provisions are recognized on a consistent basis (see notes 27 and 32).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.25. Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Technological oil

Technological oil is owned by the Group and it comprises the oil in pipeline and tanks which facilitates the transportation of commercial oil. The Management estimates the amount of oil in circulation annually, according to an independent agency assessment.

##### Profit tax

Tax calculations are performed based on interpretations of current tax laws and regulations. Such calculations that support tax refunds must be reviewed and approved by local tax authorities.

##### Regulation on elimination of disturbances on the domestic energy market

On 9 September 2022, the Government of the Republic of Croatia adopted the Decree on Elimination of Disruptions in the Domestic Energy Market (Official Gazette 104/2022) and on 14 September 2022, the Decree on Amendments to the Regulation on Elimination of Disruptions on the Domestic Market (Official Gazette 106/2022 ) regulating special measures for electricity trade, the method and conditions of price formation for certain categories of electricity and thermal energy buyers, supervision over the application of prices determined by the Decree, and special conditions for performing energy activities. The specified special measures are temporary and are prescribed for the period from 1 October 2022 to 31 March 2023. On the basis of the aforementioned regulation, the company reduced the material costs of the period in the amount of HRK 15,099 thousand in the statement of comprehensive income.

##### The impact of the conflict in Ukraine on the Company's operations

The start of Russian military activities on the territory of Ukraine in February 2022 and the introduction of sanctions by the European Union against Russia will consequently have a significant direct or indirect impact on the economy of the Republic of Croatia. Given that the Company represents an infrastructure system of strategic importance for the Republic of Croatia, and is one of the largest economic entities in Croatia, it is extremely important in crisis conditions to ensure regular operations and orderly production, distribution and supply of energy products to the full extent.

The company operates with five business entities that are related to entities from the Russian Federation (NIS - Naftna industrija Srbije a.d., OPTIMA Grupa d.o.o. Banja Luka, Rafinerija nafte Brod a.d., Lukoil Croatia d.o.o. and LITASCO S.A. Switzerland). In addition to the above, the newly created circumstances also have an impact on the Crude Oil Transport Agreement, which JANAF d.d. concluded with the MOL company. It should be pointed out that JANAF has concluded transport and storage contracts based on the principle of "full for empty", for which reason no deviation is expected in the planned implementation of transport, storage and income. JANAF monitors and applies restrictive measures in view of Russia's actions that destabilize the situation in Ukraine. The most recent sanctions and their impact on the Company are listed in Note 29. Events after the reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### *The impact of the conflict in Ukraine on the Company's operations (continued)*

Looking at the overall operations of the Company, the current conflict on the territory of Ukraine will not have a major impact on the continuation of the Company's operations in terms of the loss of its own assets or the assumption of new liabilities, since the Company does not have its own assets in that area and does not carry out significant commercial activities

Since the beginning of the aforementioned conflict, the company has been analyzing energy procurement and consumption and modeling energy procurement optimization scenarios due to the increase in prices of input parameters, a possible decline in overall economic activity and poorer collection of receivables. Thanks to the previous successful operations and the implemented optimization measures, the Company has a sufficient amount of cash resources that enable regular operations in the short term.

The company will continue to actively monitor economic trends and take all measures to protect the interests of all stakeholders and maintain a stable financial position.

### 2.26. Merger of subsidiary company - JANAF-Upravljanje projektima d.o.o.

Subsidiary company JANAF-Upravljanje projektima d.o.o. which was 100% owned by the parent company JANAF d.d., was merged into the parent company in the current year without an increase in the subscribed capital (nominal capital) of JANAF, in accordance with the Merger Agreement dated 17 November 2022 and the Commercial Court Decision dated 30 November 2022.

The subsidiary company had no reported liabilities in the final balance sheet.

On the date of merger, the company took over the following assets of the subsidiary company:

Description	In thousands of HRK
<b>Assets</b>	
Other receivables	3
Cash and cash equivalents	2,134
<b>Total assets</b>	<b>2,137</b>
<b>Liabilities</b>	-
<b>Net assets assumed in the merger</b>	<b>2,137</b>

The total effect (net assets) of the merger of the subsidiary company, after deducting the value of shares and additional investments in the amount of HRK 221 thousand, was recognized within financial income in the amount of HRK 1,916 thousand (note 12).

### 2.27. Liquidation of the subsidiary - JANAF-TERMINAL BROD d.o.o.

In 2021, the operations of the subsidiary JANAF-TERMINAL BROD d.o.o., Zmaj Jove Jovanovića b.b., Brod, Brod, Bosnia and Herzegovina, were completed and the company's liquidation procedure was initiated. On February 23, 2022, the District Commercial Court in Doboj made a decision on liquidation. The total effect (net assets) of the liquidation of the subsidiary is recognized as part of financial income in the amount of HRK 6 thousand as a result of the remaining funds paid in the amount of HRK 14 thousand and the write-off of the share value in the amount of HRK 8 thousand.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 3. SALES REVENUE

The principal activities of the Company are divided into oil transportation activities and storage of oil and refinery products.

	<b>2022</b>	<b>2021</b>
Oil transportation	542,685	424,455
Oil storage	223,743	215,086
Storage of refinery products	97,183	122,563
Other	10,488	4,975
	<b>874,099</b>	<b>767,079</b>

Operating income is generated from the principal activities of the Company on the domestic and international markets.

	<b>2022</b>	<b>2021</b>
Domestic market		
Oil storage	137,316	118,332
Storage of refinery products	97,183	122,563
Oil transportation	45,399	39,937
Other	10,449	4,939
Total domestic market	<b>290,347</b>	<b>285,771</b>
International market		
Oil transportation	497,286	384,518
Oil storage	86,427	96,754
Other	39	36
Total international market	<b>583,752</b>	<b>481,308</b>
	<b>874,099</b>	<b>767,079</b>

#### **Revenue from contracts with customers**

In JANAF d.d. the invoicing is made monthly for the services provided in the previous month. Customers usually pay within 15-30 days.

The Company transfers control of the service over a period of time and therefore fulfils its obligation over a period of time and recognizes income as the customer simultaneously receives and uses the benefits arising from the service that customer receives from the Company.

The Company uses the output method to measure progress towards full completion of its obligations.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 3. SALES REVENUE (CONTINUED)

Through output methods the income is recognized on the basis of direct measurement of the value that the services transferred up to a given date have for the customer, in relation to the remaining services promised by the contract.

The Company uses a practical solution from IFRS 15.B16 since it has the right to a client's compensation in the amount that directly corresponds to the value; it recognizes revenue in the amount that it has the right to invoice.

#### ***Nature, time of fulfilment of obligations and significant payment conditions***

The following is a description of the services provided by the Company on the basis of which it generates its revenues:

<b>Oil transportation</b>	The Company fulfils its obligations regarding revenues from oil transportation services while the services are provided, in the month preceding the invoicing. Customers reserve transportation capacities on a "lot for empty" principle for contracted oil tonnage. Transport service includes: receiving of oil whose characteristics are within the limits previously contracted and transport via the Company's transportation system to the contracted location. Contracts do not have a significant funding component; the payment time frame explicitly agreed by the contracting parties does not allow the customer or the Company to benefit significantly from the financing of the transfer of services to the customer. Usual payment terms are within 30 days. The fee amount is variable in the case of overpassing the limits contracted and listed in the technical conditions for access to the Company's transport capacities. Most often the contract with the customer is concluded for a period of one year.
<b>Oil storage</b>	The Company fulfils its obligations related to the revenues from the oil storage services while the services are provided, in the month preceding the invoicing. Customers reserve the capacities on the "lot for empty" principle for contracted capacity in cubic meters. Storage service includes: reception, storage and delivery of oil at customer's request (handling). Contracts do not have a significant funding component; the payment time frame explicitly agreed by the contracting parties does not allow the customer or the Company to benefit significantly from the financing of the transfer of services to the customer. Usual payment terms are within 30 days. Most often the contract with the customer is concluded for a period of one year.
<b>Storage of refined petroleum products</b>	The Company fulfils its obligations related to the revenues from the storage of refined petroleum product services while the services are provided, in the month preceding the invoicing. Customers reserve the capacities on the "lot for empty" principle for contracted capacity in cubic meters. Storage service includes: reception, storage and delivery of oil at customer's request (manipulation). Contracts do not have a significant funding component; the payment time frame explicitly agreed by the contracting parties does not allow the customer or the Company to benefit significantly from the financing of the transfer of services to the customer. Usual payment terms are within 30 days. Most often the contract with the customer is concluded for a period of one year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 4. OTHER INCOME

	<b>2022</b>	<b>2021</b>
Revenues from collected written-off receivables and litigation	1,649	728
Rental income	1,583	1,470
Revenues from cancellation of provisions	493	3,250
Income from surpluses after inventory	466	-
Subsequent revenues from previous periods	312	984
Other revenue under contracts with customers	150	3,821
Other operating income	372	703
	<b>5,025</b>	<b>10,956</b>

### 5. MATERIAL EXPENSES

	<b>2022</b>	<b>2021</b>
Costs of raw materials and supplies:		
Operating electricity costs	33,098	27,613
Costs of materials and spare parts	9,999	6,788
Fuel and lubricant for vehicles	1,798	1,258
Other energy costs	1,984	1,445
	<b>46,879</b>	<b>37,104</b>
Other costs:		
Maintenance services	21,330	23,189
Costs of production services	20,373	20,490
Advertising, public relations and sponsorship costs	11,625	8,982
Other external services (Intellectual services)	8,768	11,067
Leases	1,824	1,714
License maintenance costs	1,295	2,476
Business premises cleaning services	1,242	1,147
Car worthiness tests, car maintenance and other maintenance costs	921	961
Systematic reviews	695	7
The right of easement	1,856	1,771
Transport and postal services	684	630
Environmental protection services	361	443
Other material costs	2,181	2,104
	<b>73,155</b>	<b>74,981</b>
	<b>120,034</b>	<b>112,085</b>

Other external services include compensation to the audit company for the legally prescribed audit of annual financial statements in the amount of HRK 155 thousand (2021: HRK 229 thousand). Tax consulting services in the current year amounted to HRK 82 thousand (2021: HRK 66 thousand). HRK 686 thousand (2021: HRK 2,687, thousand) related to other consulting services, except for audit and tax services.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 6. EMPLOYEE COSTS

	<b>2022</b>	<b>2021</b>
Gross wages	83,923	75,915
Wage contributions	14,282	13,013
	<u><b>98,205</b></u>	<u><b>88,928</b></u>
Capitalized personnel costs	(3,688)	(2,732)
Total personnel costs	<u><b>94,517</b></u>	<u><b>86,196</b></u>
Of these, gross wage costs are divided into:		
Net salaries	58,137	53,071
Taxes and contributions from salary	25,786	22,844
	<u><b>83,923</b></u>	<u><b>75,915</b></u>

As at 31 December 2022, the Company had 425 employees (31 December 2021: 410 employees).

The average actual number of employees in the current year was 413 (2021: 408 employees). The average number of employees based on working hours was 401 workers (2021: 399 employees).

Of the stated amounts of expenses of the Company's personnel of HRK 98,205 thousand (2021 HRK 88,928 thousand), HRK 3,688 thousand (2021: 2,732 thousand) were capitalized, and in the statement of comprehensive income, personnel costs are reduced by the stated amounts and are recognized as investments.

Expenses of the Company's employees include HRK 17,136 thousand (2021: HRK 15,651 thousand) of paid pension insurance contributions to mandatory pension funds, calculated as a percentage of the employee's gross salary. In 2022, 37 new employees were hired, and at the same time, 22 employees left the Company (in 2021 48 new employees were hired, and at the same time 20 employees left the Company).

### 7. DEPRECIATION

	<b>2022</b>	<b>2021</b>
Intangible assets	29,772	27,745
Right-of-use assets	2,020	2,036
Property, plant and equipment	201,510	186,213
	<u><b>233,302</b></u>	<u><b>215,994</b></u>

Depreciation of the Company in 2022 amounted to HRK 233,302 thousand (2021: HRK 215,994 thousand). Depreciation is calculated using the straight-line method on the individual cost of intangible assets, property, plant and equipment, without adjustment for residual value, at depreciation rates determined by the accounting policies of the Company. In 2022, depreciation recorded an increase compared to previous periods, mostly as a result of putting the long-term tangible assets of significant value into use. Depreciation of right-of-use assets in the current year amounted to HRK 2,020 thousand (2021: HRK 2,036 thousand).



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 8. OTHER EXPENSES

	<b>2022</b>	<b>2021</b>
Utility and concession fees	10,816	10,518
Insurance	10,618	10,080
Severance pay and other employee benefits	7,894	5,784
Travel expenses	2,506	1,837
Education	1,897	1,884
Transport to work	1,835	1,589
Membership fees to associations	442	541
Remuneration to members of the Supervisory and Audit Boards	337	343
Reserve costs	257	241
Bank charges	218	223
Other expenses	832	718
	<b>37,652</b>	<b>33,758</b>

Severance pays and other employee benefits include all the obligations of the Company under the Collective Agreement and Decisions adopted.

### 9. VALUE ADJUSTMENT

	<b>2022</b>	<b>2021</b>
Impairment losses on receivables	-	2
Impairment losses of other assets	6,541	3,619
Value adjustment of long-term and short-term assets	1,712	24
	<b>8,253</b>	<b>3,645</b>

The value adjustment of long-term and short-term tangible assets in the amount of HRK 8,253 thousand (year 2021: HRK 3,645 thousand for the Company) referred to the value adjustment of long-term tangible assets in preparation, the present value of assets spent during the year, and the identified deficits according to the inventory.

### 10. Provisions

	<b>2022</b>	<b>2021</b>
Litigation provisions and other provisions	8,905	63
Provisions for contractual obligations towards employees	7,115	6,662
Provisions for severance pay	342	-
	<b>16,362</b>	<b>6,725</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 11. OTHER OPERATING EXPENSES

Other operating expenses of the Company in the amount of HRK 1,373 thousand (2021: HRK 1,540 thousand) relate to subsequently determined expenses from previous periods and donation costs.

### 12. NET FINANCIAL INCOME

	<b>2022</b>	<b>2021</b>
Positive exchange rate differences	14,328	15,459
Income from the merger (negative goodwill)	1,922	-
Interest income	1,581	125
<b>Total financial income</b>	<b>17,831</b>	<b>15,584</b>
Negative exchange rate differences	(8,319)	(7,577)
Interest on right-of-use assets	(192)	(249)
Interest on liabilities on loans and borrowings, default interest and other financial expenses	(2)	(5)
<b>Total financial expenses</b>	<b>(8,513)</b>	<b>(7,831)</b>
<b>Net financial income/expenses</b>	<b>9,318</b>	<b>7,753</b>

In 2022, the Company recorded a net foreign exchange gain of HRK 6,009 thousand (2021: net gain for the Company amounted to HRK 7,882 thousand), as a result of the increase in the US dollar exchange rate against the Croatian kuna during the year.

Net financial profit from interest in the current year amounted to HRK 1,387 thousand (2021: net loss HRK 129 thousand).

In the current year, the company merged the subsidiary JANAF - project management d.o.o., and liquidated the subsidiary JANAF-TERMINAL BROD d.o.o. Brod. Based on status changes of subsidiaries, negative goodwill was realized in the amount of HRK 1,922 thousand.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 13. PROFIT TAX

<b>Profit tax</b>	<b>2022</b>	<b>2021</b>
Current tax	69,861	59,954
Deferred tax	304	(537)
<b>Tax expense</b>	<b>70,165</b>	<b>59,417</b>
<b>Profit before tax</b>	<b>376,949</b>	<b>325,845</b>
Income tax at the prescribed rate	67,851	58,652
The effect of permanent differences	2,314	765
<b>Tax expense</b>	<b>70,165</b>	<b>59,417</b>

Profit tax has been determined on the basis of taxable profit in accordance with tax regulations in force in the countries in which the Group's entities are domiciled. Profit tax generated in Croatia is calculated by applying the rate of 18% to the taxable profit for the financial year.

In accordance with the Croatian regulations, the Tax Administration may at any time audit the Company's books and records for a period of 3 years following the year in which the tax liability is declared and may impose additional tax liabilities and penalties.

In 2022, a net decrease in deferred tax assets was recorded in the amount of HRK 304 thousand (2021: increase of HRK 537 thousand), which refers to the net change in provisions for legal disputes and other non-taxable expenses. The total deferred tax asset as at 31 December 2022 is HRK 4,489 thousand (2021: HRK 4,793 thousand).

During the year 2021, the Tax Administration started with the implementation of the comprehensive supervision of profits for the year 2019. During the year 2022, a tax ruling was issued on the findings of the comprehensive supervision against which the Company appealed. A second-level administrative procedure is underway, which has not been completed by the date of publication of these financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

**13. PROFIT TAX (CONTINUED)**

Changes in deferred tax assets:

	Opening balance	Credited/(charged) to Statement of comprehensive income	Closing balance
<b>2022</b>			
Provisions for default interest	160	2	162
Provisions for jubilee awards	422	(61)	361
Impairment of receivables	1,448	(1,448)	-
Non-tax deductible expenses on inventories of materials and property, plant and equipment	1,548	3	1,551
Right-of-use assets	37	1	38
Other non-tax-deductible provisions	1,178	1,199	2,377
	<b>4,793</b>	<b>(304)</b>	<b>4,489</b>
	Opening balance	Credited/(charged) to Statement of comprehensive income	Closing balance
<b>2021</b>			
Provisions for default interest	149	11	160
Provisions for jubilee awards	435	(13)	422
Impairment of receivables	1,448	-	1,448
Non-tax deductible expenses on inventories of materials and property, plant and equipment	1,548	-	1,548
Right-of-use assets	26	11	37
Other non-tax-deductible provisions	650	528	1,178
	<b>4,256</b>	<b>537</b>	<b>4,793</b>

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

**14. INTANGIBLE ASSETS**

Item description	Patents, licences and other intangible assets	Assets on maritime demesne	Intangible assets under construction	Right-of-use assets - Vehicles	Total
<b>PURCHASE VALUE</b>					
<b>Balance on 1 January 2021</b>	<b>251,176</b>	<b>387,043</b>	<b>6,215</b>	<b>9,253</b>	<b>653,687</b>
Direct increases	-	-	4,023	1,320	5,343
Transfer from tangible assets under construction	-	-	49,908	-	49,908
Transfer to tangible assets under construction	-	-	(107)	-	(107)
Reclassification of costs	-	-	(158)	-	(158)
Transfer from assets under construction	53,290	3,527	(56,817)	-	-
Property expenditures	-	-	-	(890)	(890)
<b>Balance on 1 January 2022</b>	<b>304,466</b>	<b>390,570</b>	<b>3,064</b>	<b>9,683</b>	<b>707,783</b>
Direct increases	-	-	5,111	414	5,525
Transfer from tangible assets under construction	-	-	644	-	644
Transfer to tangible assets under construction	-	-	(1,226)	-	(1,226)
Transfer from intangible assets under construction	5,510	-	(5,510)	-	-
Property expenditures	(263)	-	-	(374)	(637)
<b>Balance on 31 December 2022</b>	<b>309,713</b>	<b>390,570</b>	<b>2,083</b>	<b>9,723</b>	<b>712,089</b>
<b>DEPRECIATION</b>					
<b>Balance on 1 January 2021</b>	<b>119,841</b>	<b>371,156</b>	<b>-</b>	<b>2,915</b>	<b>493,912</b>
Depreciation for the period	25,605	2,140	-	2,036	29,781
Impairment of depreciated assets	-	-	-	(879)	(879)
<b>Balance on 1 January 2022</b>	<b>145,446</b>	<b>373,296</b>	<b>-</b>	<b>4,072</b>	<b>522,814</b>
Depreciation for the period	27,407	2,365	-	2,020	31,792
Impairment of depreciated assets	(263)	-	-	(374)	(637)
<b>Balance on 31 December 2022</b>	<b>172,590</b>	<b>375,661</b>	<b>-</b>	<b>5,718</b>	<b>553,969</b>
<b>NET BOOK VALUE</b>					
<b>Net book value on 31 December 2022</b>	<b>137,123</b>	<b>14,909</b>	<b>2,083</b>	<b>4,005</b>	<b>158,120</b>
<b>Net book value on 1 January 2022</b>	<b>159,020</b>	<b>17,274</b>	<b>3,064</b>	<b>5,611</b>	<b>184,969</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 14. INTANGIBLE ASSETS (CONTINUED)

#### ***Patents, licences and other intangible assets***

Patents, licences and other intangible assets mainly consist of investments in monitoring and control system software in the amount of HRK 67,207 thousand (31 December 2021: HRK 79.662 thousand), the right to use an increased connection power in the amount of HRK 24,531 thousand (31 December 2021: HRK 24,756 thousand), the easement right in the amount of HRK 2,549 thousand (31 December 2021: HRK 2,549 thousand), the licences and other software in the total amount of HRK 32,934 thousand (31 December 2021: HRK 39,533 thousand) and assets on maritime demesne.

#### ***Ownership of assets on maritime demesne***

In accordance with the existing law, the assets on maritime demesne are state-owned under the Maritime Demesne Concession Agreement concluded in 2003 between the Port Authorities of Rijeka, on behalf of the Croatian Government, and the company Jadranski naftovod, d.d. The concession is contracted for a period of 32 years starting from 4 June 2003. At 31 December 2022 the net book value of assets on maritime demesne amounted to HRK 14,909 thousand (31 December 2021: HRK 17,274 thousand), which represents 3,8% of the purchase cost.

### 15. RIGHT-OF-USE ASSETS

#### **General information**

The Company rents vehicles and uses them mainly to conduct business activities.

In each individual contract, the rental period is 5 years.

#### **Assets**

The item intangible assets relates to assets owned by the Company and leased assets.

As on the balance sheet date, 31 December 2022, the Company has the right-of-use assets also relating to lease contracts of passenger cars.

New acquisitions of the right-of-use assets during 2022 amount to HRK 414 thousand (2021: HRK 1,320 thousand).

	31/12/2022	31/12/2021
Interest expense on lease obligations	192	249
Depreciation of the right-of-use assets	2.020	2.036
Cost of low value leases	257	140
Shot-term leases	257	140

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 15. RIGHT-OF-USE ASSETS (CONTINUED)

The entire amount of depreciation relates to the value adjustment of the right-of-use assets on the basis of passenger cars lease.

The Company made the exemption in accordance with provisions of IFRS 16 for low value contracts and short-term leases.

#### Liabilities for the right-of-use assets

As on the balance sheet date, December 31 2022, the Company has lease liabilities in the amount of HRK 4,205 thousand (31 December 2021: HRK 5,806 thousand ) and they are classified within the item Liabilities for the right-of-use assets.

- Maturity analysis - contracted undiscounted cash outflows

<b>Maturity analysis</b>	<b>2022</b>	<b>2021</b>
<b>&lt; 1 year</b>	1,976	1,972
<b>1-5 years</b>	2,229	3,834
<b>&gt; 5 years</b>		-
<b>Total undiscounted lease liabilities</b>	4,402	6,154
<b>Lease liabilities included in the balance sheet on 31 December</b>	4,205	5,806

The Company estimates that there is no liquidity risk associated with lease liabilities.

#### Rent income

The Company generates rent income in the following categories:

- Income from operating lease includes:

<b>Rent income</b>	<b>2022</b>	<b>2021</b>
Business premises rental	654	540
Equipment rental	929	930

The following table shows an analysis of the maturity of future lease payments, showing the undiscounted payments that will be received on an annual basis as minimum amounts:

<b>Income from business premises rental</b>	<b>2022</b>
<b>1 year</b>	654
<b>1-2 years</b>	654
<b>2-3 years</b>	615
<b>3-4 years</b>	615
<b>4-5 years</b>	615
<b>Remaining amount until the end of the contract</b>	
<b>Total</b>	<b>3,153</b>

#### Cash flows from leases

Cash flows from leases from operating activities in 2022 amounted to HRK 192 thousand (31 December 2021: HRK 249 thousand) for the Company based on interest expenses, while from financial activities they amounted to HRK 2,022 thousand (31 December 2021: 1,987 thousand) on the basis of lease liabilities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

**16. PROPERTY, PLANT AND EQUIPMENT**

Item description	Land	Buildings	Plant and equipment	Tools, power inventory and vehicles	Prepayments for property, plant and equipment	Property, plant and equipment under	Technological oil and other tangible assets	Total
<b>PURCHASE VALUE</b>								
<b>Balance on 1 January 2021</b>	<b>377,153</b>	<b>6,629,493</b>	<b>1,813,928</b>	<b>88,736</b>	<b>8,479</b>	<b>762,649</b>	<b>259,830</b>	<b>9,940,268</b>
Direct increases	-	-	-	-	-	105,215	-	105,215
Transfer from fixed assets under construction	746	379,270	301,651	8,314	-	(689,981)	-	-
Transfer to intangible assets under construction	-	-	-	-	-	(49,908)	-	(49,908)
Transfer to current assets	-	-	-	-	-	(5,425)	-	(5,425)
Transfer from inventories of current assets	-	-	-	-	-	181	-	181
Transfer from intangible assets under construction	-	-	-	-	-	107	-	107
Reclassification of expenditures	-	-	-	-	-	(4,605)	-	(4,605)
Transfer to current assets (inventories)	-	(486)	(253)	-	-	-	-	(739)
Increase in prepayments	-	-	-	-	1,099	-	-	1,099
Reduction of prepayments	-	-	-	-	(7,244)	-	-	(7,244)
Property expenditures / donation	-	(2,935)	(328)	(1,371)	-	-	-	(4,634)
<b>Balance on 1 January 2022</b>	<b>377,899</b>	<b>7,005,342</b>	<b>2,114,998</b>	<b>95,679</b>	<b>2,334</b>	<b>118,233</b>	<b>259,830</b>	<b>9,974,315</b>
Direct increases	-	-	-	-	-	79,703	-	79,703
Transfer from fixed assets under construction	-	46,737	13,276	4,167	-	(64,180)	-	-
Transfer to intangible assets under construction	-	-	-	-	-	(64)	-	(64)
Transfer from intangible assets under construction	-	-	-	-	-	1,226	-	1,226
Reclassification of expenditures	-	-	-	-	-	(437)	-	(437)
Transfer to current assets (inventories)	-	-	-	-	-	(83)	-	(83)
Increase in prepayments	-	-	-	-	13,389	-	-	13,389
Reduction of prepayments	-	-	-	-	(2,683)	-	-	(2,683)
Property expenditures / donation	-	(3,239)	(1,355)	(782)	-	(6,061)	(712)	(12,149)
<b>Balance on 31 December 2022</b>	<b>377,899</b>	<b>7,048,840</b>	<b>2,126,919</b>	<b>99,064</b>	<b>13,040</b>	<b>127,757</b>	<b>259,118</b>	<b>10,052,637</b>



Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

Item description	Land	Buildings	Plant and equipment	Tools, power inventory and vehicles	Prepayments for property, plant and equipment	Property, plant and equipment under	Technological oil and other tangible assets	Total
<b>DEPRECIATION</b>								
<b>Balance on 1 January 2021</b>	-	<b>4,679,755</b>	<b>1,094,333</b>	<b>56,215</b>	-	-	-	<b>5,830,303</b>
Depreciation for the period	-	89,206	88,097	8,909	-	-	-	186,212
Property expenditures / donation	-	(2,935)	(309)	(1,366)	-	-	-	(4,610)
<b>Balance on 1 January 2022</b>	-	<b>4,766,026</b>	<b>1,182,121</b>	<b>63,758</b>	-	-	-	<b>6,011,905</b>
Depreciation for the period	-	99,914	92,763	8,833	-	-	-	201,510
Property expenditures / donation	-	(3,239)	(1,289)	(777)	-	-	-	(5,305)
<b>Balance on 31 December 2022</b>	-	<b>4,862,701</b>	<b>1,273,595</b>	<b>71,814</b>	-	-	-	<b>6,208,110</b>
<b>NET BOOK VALUE</b>								
<b>Net book value on 31 December 2022</b>	<b>377,899</b>	<b>2,186,139</b>	<b>853,324</b>	<b>27,250</b>	<b>13,040</b>	<b>127,757</b>	<b>259,118</b>	<b>3,844,527</b>
<b>Net book value on 1 January 2022</b>	<b>377,899</b>	<b>2,239,316</b>	<b>932,877</b>	<b>31,921</b>	<b>2,334</b>	<b>118,233</b>	<b>259,830</b>	<b>3,962,410</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The decrease in the value of real estate, plant and equipment is the result of a lower value of new investments than the calculated depreciation in the current period. Investments in the current year mainly relate to investments in the rehabilitation of pipelines and tank space, IT solutions and equipment, and investments in facilities, buildings and equipment at terminals and routes.

In the current year, projects in the amount of HRK 6,541 thousand were written off from long-term tangible assets in preparation, which related to the costs of projects that are estimated to not meet the criteria for recognition as assets.

#### ***Fully depreciated property, plant and equipment***

Property, plant and equipment, with a purchase value of HRK 5,464,242 thousand, is still in use, although it is fully depreciated as of December 31, 2022 (31 December 2021: HRK 4,952,960 thousand), of which pipelines of HRK 3,157,247 thousand (31 December 2021: HRK 3,150,975 thousand) of purchase value, which are still in operation and with which the Company preforms its core activity of oil transportation.

In the current year, fully depreciated assets that are no longer used are depreciated with a total purchase value of HRK 5,169 thousand (31 December 2021: HRK 4,633 thousand), which is mainly related to the rehabilitation of tanks and pipelines and IT equipment.

#### ***Commitments***

At the date of the financial statements, the value of contracted but unrealized purchases of property, plant and equipment in the Company amounted to HRK 135,700 thousand (31 December 2021 godine: HRK 53,921 thousand).

#### ***Technological oil***

Technological oil is oil owned by the Company that is located in the pipeline and tanks for the purpose of enabling the transport of oil. The value of technological oil, in the amount of HRK 258,831 thousand (31 December 2021: 259,542 thousand) at the date of the financial statements, is stated at cost, i.e. at historical book value.

#### ***Assets under construction***

Assets under construction in the Company represent unfinished investments in the construction of new reservoir space, rehabilitation of main pipelines and existing reservoirs and security and protection systems, and as at 31 December 2022 they amounted to HRK 127,757 thousand (31 December 2021: HRK 118,233 thousand). In the current year, investments were made in property, plant and equipment in the amount of HRK 79,703 thousand (31 December 2021: HRK 105,215 thousand), and assets worth HRK 64,180 thousand were put into use (31 December 2021: HRK 689,981 thousand).

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 17. FINANCIAL ASSETS

	<b>31/12/2022</b>	<b>31/12/2021</b>
Time deposits up to 2 years	75,345	0
Financial assets at fair value through profit or loss	50,000	50,000
	<u><b>125,345</b></u>	<u><b>50,000</b></u>

In the current year, the company contracted a long-term MREL deposit in the amount of HRK 75,345 thousand (EUR 10,000 thousand) for a period of 24 months.

Financial assets at fair value through profit or loss in the amount of HRK 50,000 thousand (31 December 2021: HRK 50,000 thousand) refer to the payment of contributions for the recapitalization of Petrokemija d.d., fertilizer factory from Kutina in the amount of HRK 50,000 thousand..

In the process of increasing the share capital of Petrokemija d.d., based on the subscription and payment of 5,000,000 ordinary shares, the company acquired a 9.09% stake in the share capital of Petrokemija d.d.. The capital stock of the company Petrokemija d.d. it was increased by the payment of contributions in money, from the amount of HRK 100,287 thousand for the amount of HRK 450,000 thousand to the amount of HRK 550,287 thousand, by issuing new dematerialized ordinary shares of individual nominal amount of HRK 10.00. The listed equity securities represent investments that the Company intends to hold in the long term for strategic purposes.

### 18. INVENTORIES

The Company's inventories consist of spare parts and materials in the total amount of HRK 22,196 thousand (31. December 2021: HRK 21,203 thousand). The inventories of spare parts and consumables for maintenance is stated at cost, and the cost of inventories is calculated using the weighted average cost method.

Small inventory and car tires are written off in full when put into use.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 19. TRADE RECEIVABLES

	31/12/2022	31/12/2021
Trade receivables for services other than related companies	157,547	109,665
Impairment of financial instruments	-	(30,237)
<b>Net trade receivables</b>	<b>157,547</b>	<b>79,428</b>

At the date of financial statements the Company's total net balance of trade receivables amounted to HRK 157,547 thousand (31 December 2021: HRK 79,428 thousand), of which the amount of HRK 153,117 thousand is not yet due.

Trade receivables are charged in accordance with agreed upon deadlines. Late payments are subject to statutory default interest. The contractual due dates range between 15 and 30 days.

The Group and the Company have a small number of customers to whom they provide their services, mostly long-lasting customers who settle their commitments within the specified payment deadlines.

In the case of new or unknown customers for oil storage, advance payment is usually agreed upon.

In the current year, the company wrote off a disputed claim from earlier periods based on a lost court case.

Movement in the allowance for doubtful trade receivables:

	2022	2021
Balance on 1 January	30,237	30,237
Posting of disputed receivables from previous periods based on the settlement of the dispute	(30,237)	-
<b>Balance on 31 December</b>	<b>-</b>	<b>30,237</b>

Age analysis of overdue trade receivables, not impaired:

	31/12/2022	31/12/2021
Up to 30 days	3,787	3,520
31-60 days	1	-
61-90 days	577	-
Over 90 days	65	115
	<b>4,430</b>	<b>3,635</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 20. OTHER RECEIVABLES

	<b>31/12/2022</b>	<b>31/12/2021</b>
Interest receivables on time deposits	1,184	31
Receivables from the state for overpaid taxes	241	19
Paid expenses of the future period and accrued income	1,961	758
Other receivables	1,910	1,452
<b>Total</b>	<b>5,296</b>	<b>2,260</b>

### 21. SHORT-TERM FINANCIAL ASSETS

On the date of the financial statements, the balance of time deposits for a term of 3 to 6 months in the Company amounted to HRK 210,734 thousand (31 December 2021: HRK 39,861 thousand). The increase compared to the previous year is mostly the result of the reclassification of funds from deposits with a maturity of up to 3 months and money and cash assets into deposits with a maturity of over 3 months.

### 22. CASH AND CASH EQUIVALENTS

	<b>31/12/2022</b>	<b>31/12/2021</b>
Deposits with a term up to 3 months	50,000	50,000
Balance on the bank accounts	608,423	510,311
Cash in hand	2	14
	<b>658,425</b>	<b>560,325</b>

The Company has opened accounts in the following banks: Zagrebačka banka d.d., Privredna banka Zagreb d.d., OTP banka d.d., Hrvatska poštanska banka d.d., Raiffeisenbank Austria d.d., Erste&Steiermarkische bank d.d., Agram banka d.d.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 23. SHARE CAPITAL

On 31 December 2022 the share capital of the Company amounted to HRK 2,952,438 thousand (31 December 2021: HRK 2,952,438 thousand).

On 31 December 2022 the authorised and issued share capital consisted of 1,007,658 ordinary A-series shares (31 December 2021: 1,007,658 shares) with a nominal value of HRK 2,930 each (31 December 2021: HRK 2,930).

The market value of shares in 2022 ranged from HRK 5,000 to HRK 6,850 with an annual turnover of HRK 4,127 thousand.

The structure of the share capital at the date of the financial statements was as follows:

	31/12/2022		31/12/2021	
	Number of shares	%	Number of shares	%
MINISTRY OF PHYSICAL PLANNING, CONSTRUCTION AND STATE ASSETS/ Croatian Pension Insurance Institute	375,440	37,26	375,440	37,26
CERP (Croatian Centre for Restructuring and Sale)	264,812	26,28	264,812	26,28
MINISTRY OF PHYSICAL PLANNING, CONSTRUCTION AND STATE ASSETS/ Republic of Croatia	150,844	14,97	150,844	14,97
INA – Industrija nafte d.d. Zagreb (oil company)	118,855	11,80	118,855	11,80
HEP d.d. (electricity company)	53,981	5,36	53,981	5,36
Other private and institutional investors	43,726	4,33	43,726	4,33
	<b>1,007,658</b>	<b>100,00</b>	<b>1,007,658</b>	<b>100,00</b>

### 24. RESERVES

	31/12/2022	31/12/2021
Share premium	54	54
Legal reserves	138,026	124,705
Other reserves	907,346	780,793
<b>Reserves from profit</b>	<b>1,045,426</b>	<b>905,552</b>

The Company's legal reserves comprise 5% of the realized profit, reduced by the carried forward loss in 2002 and the profit realized in the period from 2003 to 2022. Other reserves of the Company result mainly from distributed profit from previous years based on the decisions of the Company's Supervisory and Management boards.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 25. RETAINED EARNINGS

On 31 December 2022, retained earnings of the Company amounted to HRK 677,334 thousand (31 December 2021: HRK 626,718 thousand).

### 26. EARNINGS PER SHARE

In 2022, the Company made a profit for the current year in the amount of HRK 306,784 thousand (2021: HRK 266,428 thousand).

Earnings per share are based on the net result of the ordinary shareholder and the number of ordinary shares and were calculated as follows:

	<b>31/12/2022</b>	<b>31/12/2021</b>
Profit after tax	306,784	266,428
Weighted average number of issued and paid-in shares	1,007,658	1,007,658
<b>Earnings per share (basic and diluted) in HRK</b>	<b>304,45</b>	<b>264,40</b>

### 27. PROVISIONS

	<b>31/12/2022</b>	<b>31/12/2021</b>
Unused vacation accruals and other provisions for employees	12,320	10,347
Litigations	11,883	3,156
Jubilee awards and severance costs	6,718	6,712
	<b>30,921</b>	<b>20,215</b>

Provisions of HRK 11,883 thousand (31 December 2021: HRK 3,156 thousand) relate to ongoing legal proceedings against the Company and other damages and disputes with employees. The amounts of provisions are determined based on estimates of the outcome of disputes by external attorneys and the Company's legal department.

The provision for retirement benefits and jubilee awards is based on an actuarial calculation. The main actuarial assumptions used to determine the liability were as follows:

	2022	2021
Fluctuation rate	1,29	0,91
Discount rate	2,03	0,50
Average expected retirement age (in years)	65 for men 65 for women	65 for men 65 for women

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 28. PROVISIONS (CONTINUED)

The movement of provisions during the year is shown as follows:

	<b>2022</b>	<b>2021</b>
Balance on 1 January	20,215	17,447
Decrease of provisions during the year	(5,656)	(3,957)
Provisions made during the year	16,362	6,725
<b>Balance on 31 December</b>	<b>30,921</b>	<b>20,215</b>

### 29. OTHER LONG-TERM LIABILITIES

	<b>31/12/2022</b>	<b>31/12/2021</b>
Long-term liabilities	90,246	84,874
Liabilities for the right-of-use assets	2,229	3,834
	<b>92,475</b>	<b>88,708</b>

As at 31 December 2022, the Company has a long-term liability in the amount of USD 12,775 thousand or HRK 90,246 thousand (31 December 2021: USD 12,775 thousand or HRK 84,874 thousand). The change in the amount of the long-term liability compared to the previous year is the result of calculated exchange rate differences.

Based on the Agreement on Succession Issues signed on 29 June 2001 in Vienna, the successor states of the former SFRY have been assigned the division of assets and liabilities in Annex C to the relevant agreement, the integral part of which is the stated long-term obligation. The authorized representative of the Republic of Croatia in the Committee for the Allocation of Financial Assets and Liabilities under Annex C of the Succession Settlement Agreement is the Croatian National Bank.

Long-term part of the liability for the right-of-use assets amounted to HRK 2,229 thousand on 31 December 2022 (31 December 2021: HRK 3,834 thousand).

### 30. LIABILITIES TO SUPPLIERS

	<b>31/12/2022</b>	<b>31/12/2021</b>
Trade payables	52,747	27,597
	<b>52,747</b>	<b>27,597</b>

The stated liabilities refer to the outstanding liabilities of the Company.

Accounts payable to suppliers increased in the current period by HRK 25,150 thousand. In 2022, the agreed payment deadline to suppliers was 45 days (2021: 45 days).



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 31. OTHER LIABILITIES

	<b>31.12.2022.</b>	<b>31.12.2021.</b>
Liabilities for taxes, contributions and other fees	19.212	7.251
Liabilities to employees	5.638	4.719
VAT liabilities in given advances	326	174
Liabilities to related companies	-	173
Deferred payment of expenses and income of the future period	1.012	3.315
Other liabilities	430	266
	<b>26.618</b>	<b>15.898</b>

Liabilities to employees and related taxes and contributions are paid within 10 days after the end of the month for which the salary is paid. Other liabilities are settled in accordance with the prescribed or agreed deadlines.

Other current liabilities and deferred income of the Group and the Company as at the date of the financial statements amount to HRK 1,012 thousand (31 December 2021: 3,315 thousand), mostly related to pre-invoiced services to customers that will be delivered in future periods.

### 32. CONCESSION FEES

The company leased real estate and equipment under a concession agreement as stated in note 14. Intangible assets. The Concession Agreement has been concluded for a period of 32 years. The concession fee has been agreed in US dollars and is payable as from 4 June 2003. In accordance with IFRS 9 Financial Instruments: Recognition and Measurement, lease liabilities should be accounted for as embedded derivatives. Given that no market values are available for future contracts denominated in USD for periods longer than six months, the Company is not able to calculate the fair value of the embedded derivative. Accordingly, the related profit and loss will be included in the statement of comprehensive income upon the payment of the concession fee.

The concession fee consists of a fixed and a variable component.

The fixed component amounts to USD 1,394 per year. The variable component is paid per transported tons as follows:

Transported tons	USD/ton
Up to 7,000,000	0.01
Up to 10,000,000	0.02
Over 10,000,000	0.03

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### **33. CONCESSION FEES (CONTINUED)**

The Maritime Demesne Concession Agreement from 1995 for the underwater pipeline from Omišalj to Urinj has been concluded for a period of 40 years. The fee payment is in Euro. In accordance with IFRS 9 Financial Instruments: Recognition and Measurement, lease liabilities should be accounted for as embedded derivatives. Given that no market values are available for future contracts denominated in Euro for periods beyond six months, the Company is not able to calculate the fair value of the embedded derivative. Accordingly, the related profit and loss will be included in the statement of comprehensive income upon the payment of the concession fee.

The concession fee consists of a fixed and a variable component.

The fixed component of the concession fee amounts to EUR 67 thousand per year. The variable component is paid per tons transported through the underwater pipeline at a price of 0.03 EUR/t of transported oil.

### **34. CONTINGENT LIABILITIES**

The management does not have any additional information on the basis of which it could be concluded the existence of potential liabilities that may have to be settled, and in accordance with legal advice, no provision has been made in the financial statements for these liabilities.

#### ***Warranties given***

The Company issued collateral in the amount of HRK 15,873 thousand and EUR 7,190 thousand (31 December 2021: HRK 16,832 thousand and EUR 7,134 thousand). The Company settles its liabilities in accordance with the maturity dates and the possibility of incurring liabilities under issued promissory notes is not expected.

#### ***Decommissioning costs***

There is a potential liability that could arise in the future related to the decommissioning costs of fixed assets used in the transportation and storage of oil. The probability of such an event is uncertain as of the date of these financial statements, and the amount of the liability cannot be estimated.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 35. EVENTS AFTER THE REPORTING DATE

In January 2023, Jadranski naftovod d.d., concluded contracts with the following customers:

- INA d.d. - Oil transportation contract for the quantity of min. 1,600,000 tons to max. 2,160,000 tons of oil on the section Omišalj - RN Rijeka in the period until 31 December 2023 and the Agreement on the storage of crude oil in the period until 31.12.2025 which includes capacities of 79,385 m<sup>3</sup> at Terminal Omišalj and 70,000 m<sup>3</sup> at Terminal Sisak;
- MOL - Contract for the transport of 500,000 tons of oil on the principle of "full for empty" on the section Omišalj - Gola for the period until 31.3.2023 and the Agreement on the storage of 149,385 m<sup>3</sup> of crude oil in the JANAF system at the Omišalj and Sisak Terminals for the period until 31 March 2023;
- LITASCO SA - Agreement on the storage of 239,856 m<sup>3</sup> of crude oil in the JANAF system for the period from April 1, 2023. until 31.3.2025.

At the session held on January 20, 2023, the Government of the Republic of Croatia adopted the Conclusion, class: 080-02/23-01/01, reg. number: 50301-15/28-23-03, by which the General Assembly of JANAF, d.d. proposed to elect Josip Spajić, Marija Rođak and M.Sc. as members of the Supervisory Board. Ivica Nuić until the implementation of the procedure for the election of members of the Supervisory Board prescribed by the Regulation of the Government of the Republic of Croatia on the conditions for the election and appointment of members of supervisory boards and boards of legal entities of special interest to the Republic of Croatia and the method of their election (Official Gazette No. 12/2019), at the latest on a period of six months from the date of the decision of the General Assembly of the Company on the election of members of the Supervisory Board.

At the Extraordinary General Assembly held on January 23, 2023, to the proposal of the Decision on the election of members of the Supervisory Board published in the Invitation to the Assembly, a counter-proposal was received from the shareholders of the Republic of Croatia to elect Josip Spajić, Marijo Rođak and M.Sc. as members of the Supervisory Board. Ivica Nuić for a term of office until the implementation of the procedure for the selection of members of the Supervisory Board prescribed by the Regulation of the Government of the Republic of Croatia on the conditions for the selection and appointment of members of the supervisory boards and boards of legal entities of special interest to the Republic of Croatia and the method of their selection (Official Gazette No. 12/2019), and for the longest six months from the date of adoption of the Decision on the election of members of the Supervisory Board. The counter-proposal was decided by 100% of the present shareholders and it was unanimously adopted, so for this reason, the proposed Decision on the election of members of the Supervisory Board published in the Invitation to the Assembly was not voted on.

On January 24, 2023, Addendum no. 3 of the Collective Agreement for JANAF, d.d., which entered into force on the day of its mutual signature, and is applicable from February 2, 2023. Addendum no. 3, the validity of the Collective Agreement for JANAF, Addendum no. 1 and Appendix no. 2 until the date of conclusion of the new Collective Agreement for JANAF, d.d., but no later than June 30, 2023.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### **35. EVENTS AFTER THE REPORTING DATE (CONTINUED)**

On February 4, 2023, Council Regulation (EU) 2023/250 amending Regulation (EU) no. 833/2014 on restrictive measures with regard to Russia's actions that destabilize the situation in Ukraine, there were additional changes to restrictive measures that did not have an impact on the Company's activities and operations.

On February 5, 2023, a ban on any direct or indirect purchase, import or transfer of petroleum products originating in Russia or exported from Russia entered into force in accordance with Council Regulation (EU) 2022/879 of June 3, 2022. on the amendment of Regulation (EU) no. 833/2014 on restrictive measures with regard to Russia's actions destabilizing the situation in Ukraine, which the Company applies. The aforementioned ban did not affect the Company's operations, given that the Company continued to properly fulfil all its existing contractual obligations, in accordance with the reserved storage capacities, in relation to the goods that were not covered by the restriction measures.

Regarding the military actions of Russia on the territory of Ukraine and the effects of sanctions on Russia and exposure to Russia, the Company monitors the development of events on a daily basis and is in constant contact with system users. The company operates with five business entities that are connected to entities from the Russian Federation. JANAF is able to adapt its operations to user requirements and alternative business scenarios in the market of oil transportation and storage of oil and oil derivatives. Based on currently available information, no significant negative deviations in the Company's operations are expected.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

**36. RELATED PARTY TRANSACTIONS (CONTINUED)**

The Company's transactions with other related companies are the same as transactions between JANAF d.d. and other affiliated companies as shown in the following table.

	<b>JANAF D.D.</b>							
	<b>Service and other sales</b>		<b>Purchases</b>		<b>Receivables from related parties</b>		<b>Liabilities to related parties</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>31.12. 2022</b>	<b>31.12. 2021</b>	<b>31.12. 2022</b>	<b>31.12. 2021</b>
<b>Related companies</b>	<b>44</b>	<b>144</b>	<b>1,357</b>	<b>2,104</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>174</b>
<i>JANAF – upravljanje projektima d.o.o.</i>	44	54	1,357	2,104	-	4	-	174
<i>JANAF-TERMINAL BROD d.o.o. Brod</i>	-	90	-	-	-	-	-	-
<b>Other affiliated companies</b>	<b>80,946</b>	<b>69,003</b>	<b>36,854</b>	<b>30,714</b>	<b>7,883</b>	<b>3,719</b>	<b>9,230</b>	<b>3,687</b>
INA d.d.	80,661	68,914	2,403	1,724	7,882	3,717	664	359
HEP d.d.	11	6	33,130	27,649		-	8,453	3,217
Odašiljači i veze d.o.o.	14	15	989	976	1	2	108	108
Hrvatske vode	-	5	46	26	-	-	-	-
Others	260	63	286	339	-	-	5	3

Sale of services to, and purchases from related parties have been made under common market conditions

Other affiliated companies refer to entities covered by the Decision on Legal Entities of Special Interest for the Republic of Croatia.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 34. RELATED PARTY TRANSACTIONS (CONTINUED)

#### **Key personnel remuneration**

The remuneration paid to key personnel during the year was as follows:

	<b>2022</b>	<b>2021</b>
Gross salaries	5,609	5,159
Gross benefits in kind	478	466
	<u><b>6,087</b></u>	<u><b>5,625</b></u>

The Company's key personnel as at 31 December 2022, consists of two members of the Management Board and six directors ( 31 December 2021: two members of the Management Board and six directors), as well as the head of the Management Office, the chief corporate lawyer and the head of the Quality Management Office.

#### **Remuneration of fees to Supervisory Board and Audit Committee Members**

	<b>2022</b>	<b>2021</b>
Audit Committee	224	188
Supervisory Board	113	155
	<u><b>337</b></u>	<u><b>343</b></u>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### 35.1. Capital risk management

The Company manages its capital with the aim of continuing as a going concern. The capital structure of the Company is presented in Note 23, 24 and 25.

#### **Gearing ratio**

The Management Board reviews the funding sources on a monthly basis. The funding sources of the Company's regular business and investments are Company's own cash funds.

Gearing ratio at the year-end can be presented as follows:

	<b>31/12/2022</b>	<b>31/12/2021</b>
Debt (i)	90,246	84,874
Cash and cash equivalents (ii)	(658,425)	(560,325)
Net debt	-	-
Equity (iii)	4,981,982	4,751,136
Net debt-to-equity capital	-	-

- (i) Debt comprises only the other long-term liabilities, the Company has no current borrowings.
- (ii) Cash and cash equivalents comprise only cash on bank accounts and term deposits with maturities of up to 3 months.
- (iii) Equity includes share capital, reserves, retained earnings and profit for the year.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### 35.2. Categories of financial instruments

	31.12.2022	31.12.2021
<i>Financial assets:</i>		
Cash up to three months	658,425	560,325
Deposits for a period exceeding three months	210,734	39,861
Loans and receivables	160,922	80,987
Long-term deposits	75,345	-
<b>Total financial assets</b>	<b>1,105,426</b>	<b>681,173</b>
<i>Financial liabilities:</i>		
Long-term liabilities	90,246	84,874
Trade and other payables	58,815	32,756
<b>Total financial liabilities</b>	<b>149,061</b>	<b>117,630</b>

#### 30.3. Risk exposures

The Company is exposed to credit and foreign exchange risk in the course of their ordinary business. There is no interest risk.

##### **Credit risk**

On the date of the financial statements, there was no credit risk of the Company.

##### **Interest rate risk management**

The Company is not exposed to interest rate risk.

##### **Foreign exchange risk**

The Company and the Group are mainly exposed to fluctuations in the exchange rates of EUR and USD, because a significant portion of their trade receivables and sales, cash and long-term borrowings are denominated in those currencies. Other assets and other liabilities are mainly denominated in HRK. Foreign exchange risk is managed by applying the adopted internal Policy for Financial Risk Management.

The introduction of EUR as the official currency in the Republic of Croatia from January 1, 2023. affects the Company's exposure to currency risk, i.e. the Company estimates that it will be exposed to currency risk to a lesser extent.



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Foreign exchange risk management

Set out below is an overview of the Company's cash and liabilities at 31 December denominated in foreign currencies, expressed in thousands of Croatian kunas:

	Assets		Liabilities	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
USD	127,284	167,483	90,246	84,874
EUR	447,357	5,083	5,409	-

#### Foreign currency sensitivity analysis

The Company is exposed mainly to the USD. The following table details the Company's sensitivity to a 10% increase and decrease in the USD/HRK exchange rate. The sensitivity analysis includes balance of monetary items and long-term liabilities denominated in USD at 31 December and adjusts their conversion to HRK at the end of reporting period for the 10% change in the foreign exchange rate. The amounts were calculated in thousands of USD and HRK.

##### Analysis of 10% increase in the exchange rate

	31/12/2022		Exchange rate	31/12/2021		Exchange rate		
	USD	HRK	>10%	USD	HRK	>10%		
<b>Assets</b>	18,019	127,284	140,012	12,728	25,210	167,483	184,232	16,748
<b>Liabilities</b>	12,775	90,246	99,270	(9,025)	12,775	84,874	93,361	(8,487)
<b>Net effect</b>					<b>3,703</b>			<b>8,261</b>

##### Analysis of 10% decrease in the exchange rate

	31/12/2022		Exchange rate	31/12/2021		Exchange rate		
	USD	HRK	<10%	USD	HRK	>10%		
<b>Assets</b>	18,019	127,284	114,556	(12,728)	25,210	167,483	150,735	(16,748)
<b>Liabilities</b>	12,775	90,246	81,221	9,025	12,775	84,874	76,386	8,487
<b>Net effect</b>					<b>(3,703)</b>			<b>(8,261)</b>

The analysis of the sensitivity to the effects of the changes indicates a moderate exchange rate risk.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Liquidity risk

Responsibility for liquidity risk management rests with the Management, which sets an appropriate liquidity risk management framework with the aim of managing of the short-, medium- and long-term financing and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserve of financial assets, by continuously monitoring forecasted and actual cash flows, and by matching the maturity profiles of assets and liabilities.

#### Liquidity risk tables

The tables below show the maturity of the Company's contractual obligations as reported in the Statement of financial position at the end of the period.

The tables have been drawn up on the basis of undiscounted cash outflows on financial liabilities at maturity date. They show the cash flows per principle asset.

	Weighted average effective interest rate %	Up to 1 month	From 1 to 3 month s	From 3 mont hs to 1 year	From 1 to 5 years	Over 5 years	Total
<b>2021</b>							
Non-interest bearing	-	-	32,756	-	-	84,874	117,630
Interest bearing		-	-	-	-	-	-
		-	<b>32,756</b>	-	-	<b>84,874</b>	<b>117,630</b>
<b>2022</b>							
Non-interest bearing	-	-	58,815	-	-	90,246	149,061
Interest bearing		-	-	-	-	-	-
		-	<b>58,815</b>	-	-	<b>90,246</b>	<b>149,061</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

### 35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Liquidity risk (continued)

The tables below show the maturity of the Company's financial assets as reported in the Statement of financial position at the end of the period and confirm the non-existence of the liquidity risk.

The tables have been drawn up on the basis of undiscounted cash inflows on financial assets at maturity date. They show the cash flows per principle asset.

	Weighted average effective interest rate %	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Total
<b>2021</b>					
Receivables and cash on bank accounts	-	591,312	-	-	591,312
Deposits and loans	0,06%	-	50,000	39,861	89,861
		<b>591,312</b>	<b>50,000</b>	<b>39,861</b>	<b>681,173</b>
<b>2022</b>					
Receivables and cash on bank accounts		769,347	-	-	769,347
Deposits and loans	0,41%	-	50,000	286,079	336,079
		<b>769,347</b>	<b>50,000</b>	<b>286,079</b>	<b>1,105,426</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices,
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from known market transactions and dealer quotes for similar instruments.

As on 31 December 2022, the presented amounts of cash, short term deposits, receivables, short term liabilities, accrued expenses, short term loans and other financial instruments correspond to their market value.

#### Fair value measurements recognised in the Statement of the financial position

Fair value of financial instruments is recognised on the basis of below indicated measurements:

1. 1st level measurements – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
2. 2nd level measurements – fair value measurements are those derived from inputs other than quoted prices included within the 1st Level that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. 3rd level measurements – 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.

#### Financial instruments and risk management

In 2022, the Company has financial assets that need to be assessed at a fair value. The fair value of these assets is determined using the 3rd level measurements, those measurement derived by using valuation methods in which input data used for asset or liability are not based on observable market data. Shares of Petrokemija d.d. in February 2022, they were withdrawn from listing on the Zagreb Stock Exchange d.d. The company estimates, based on the expert opinion of an independent appraiser, that the value shown in the business books corresponds to the fair market value as at 31 December 2022. The discounted cash flow method was used as an indicator of the fair market value of equity. The estimate used a discount rate corresponding to the weighted average cost of capital (WACC), which consists of two parts - the cost of debt and the cost of capital. The cost of the Company's debt for the purposes of the analysis was estimated at 5.63%. To determine the required level of return (cost of capital) in practice, the Capital Asset Pricing Model ("CAPM") is most often used, which is based on the premise that the investor requires a higher return from the investment, the higher the risk of the investment, compared to risk-free investing. CAPM measures the required rate of return based on three elements: risk-free rates of return, beta factors, and market risk premiums.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

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### 35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Fair value of financial instruments (continued)

#### Financial instruments and risk management (continued)

For the overall market, beta is by definition equal to 1.0. For the purposes of the valuation analysis, the beta factor was used as an average factor in the chemical industry, and according to the above, the beta is 0.56. The yield for capital risk for the purposes of the analysis was applied based on the current premium on the return above the risk-free rate increased by the government risk, which amounts to 7.01%. Based on the analysis, the weighted average cost of capital (WACC) is 9.07%.

#### Other reserves

Financial assets at fair value through other comprehensive income

The Company has chosen to recognize changes in the fair value of equity investments through other comprehensive income. These changes are included in the reserve for the fair value in equity.

The Company recognizes these amounts in retained earnings as the equity securities are derecognised.

### 36. NET CHANGES IN CASH AND CASH EQUIVALENTS

On December 31, 2022, the Company reported a total increase in cash and cash equivalents of HRK 98,100 thousand (December 31, 2021: increase of HRK 236,532 thousand). A positive cash flow of HRK 517,372 thousand was generated from operating activities (December 31, 2021: HRK 433,559 thousand). Investment activities generated a negative cash flow in the amount of HRK 341,312 thousand (December 31, 2021: HRK 112,131 thousand) as a result of higher expenditures for the purchase of real estate, plant and equipment, and intangible assets, as well as the reclassification of time deposits from cash receipts from interest. Financial activities recorded a negative cash flow in the amount of HRK 75,938 thousand paid dividends (December 31, 2021: HRK 82,114 thousand) and the effect of lease obligations in accordance with IFRS 16 in the amount of HRK 2,022 thousand (December 31, 2021: HRK 2,782 thousand).

### 37. PUBLICATION OF FINANCIAL STATEMENTS

The Company will publish the audited annual financial statements and they will be available on the official website of the Company as well as on the official website of the Zagreb Stock Exchange.

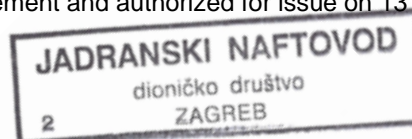
### 38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Management and authorized for issue on 13 March 2023.

Signed for and on behalf of the Company

MSc. Stjepan Adanić, President of the Management Board

Vladislav Veselica, Member of the Management Board



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

Pursuant to the Rulebook on the structure and content of annual financial statements (Official Gazette 95/2016, 144/20), the following tables show financial statements in accordance with the said Ordinance (Profit and Loss Account, including Statement of Comprehensive Income, Statement of Financial Position (Balance Sheet) and Cash Flow Statement). The notes to the financial statements and the Report on changes in capital are identical to those presented in the financial statements and are not presented here separately.

### Income Statement of JANAF D.D.

in HRK

<b>Obligator: JADRANSKI NAFTAVOD D.D.</b>			
<b>Item description</b>	<b>EDP code</b>	<b>Previous year</b>	<b>Current year</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>I. OPERATING INCOME (EDP 002 to 006)</b>	<b>001</b>	778,034,370	879,123,634
1. Revenues from sales with entrepreneurs within the group	002	0	0
2. Sales revenue (outside the group)	003	767,079,015	874,098,604
3. Revenues based on the use of own products, goods and services	004	0	0
4. Other operating income with entrepreneurs within the group	005	144,564	43,815
5. Other operating income (outside the group)	006	10,810,791	4,981,215
<b>II. OPERATING EXPENSES (EDP 8 + 009 + 013 + 017 + 018 + 019 + 022 + 029)</b>	<b>007</b>	459,943,280	511,493,128
1. Changes in the value of inventories of work in progress and finished goods	008	0	0
2. Material costs (EDP 010 to 011)	009	112,085,515	120,034,232
a) Costs of raw materials and supplies	010	37,103,663	46,878,738
b) Cost of goods sold	011	0	0
c) Other external costs	012	74,981,852	73,155,494
3. Staff costs (EDP 014 to 016)	013	86,196,105	94,517,334
a) Net wages and salaries	014	51,463,162	55,978,684
b) Costs of taxes and contributions from salaries	015	22,106,799	24,778,900
c) Wage contributions	016	12,626,144	13,759,750
4. Depreciation	017	215,994,108	233,302,099
5. Other costs	018	33,758,167	37,651,634
6. Value adjustments (EDP 020 + 021)	019	3,644,603	8,253,233
a) fixed assets other than financial assets	020	3,641,467	7,324,587
b) current assets other than financial assets	021	3,136	928,646
7. Provisions (EDP 023 to 028)	022	6,725,254	16,361,491
a) Provisions for pensions, severance pay and similar liabilities	023	0	341,282
b) Provisions for tax liabilities	024	0	0
c) Provisions for initiated litigation	025	62,665	8,905,042
d) Provisions for the costs of restoration of natural resources	026	0	0
e) Provisions for costs within the warranty period	027	0	0
f) Other provisions	028	6,662,589	7,115,167
8. Other operating expenses	029	1,539,528	1,373,105
<b>III. FINANCIAL INCOME (EDP 031 to 040)</b>	<b>030</b>	15,584,110	17,831,331
1. Income from investments in shares (stocks) of entrepreneurs within the group	031	0	0
2. Income from investments in shares (stocks) of related companies with participating interests	032	0	0
3. Income from other long-term financial investments and loans to entrepreneurs within the group	033	0	0
4. Other interest income from relations with entrepreneurs within the group	034	0	0

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)***Income Statement of JANAF D.D. (CONTINUED)**

Item description	EDP code	Previous year	Current year
1	2	3	4
5. Exchange differences and other financial income from relations with entrepreneurs within the group	035	269	0
6. Income from other long-term financial investments and loans	036	0	0
7. Other interest income	037	124,961	1,581,627
8. Exchange differences and other financial income	038	15,458,880	14,327,714
9. Unrealized gains (income) on financial assets	039	0	0
10. Other financial income	040	0	1,921,990
<b>IV. FINANCIAL EXPENSES (EDP 042 to 048)</b>	<b>041</b>	<b>7,830,903</b>	<b>8,513,334</b>
1. Interest expenses and similar expenses with entrepreneurs within the group	042	0	0
2. Exchange differences and other expenses with entrepreneurs within the group	043	0	0
3. Interest expenses and similar expenses	044	5,234	1,751
4. Exchange differences and other expenses	045	7,576,308	8,319,665
5. Unrealized losses (expenses) from financial assets	046	0	0
6. Value adjustments of financial assets (net)	047	0	0
7. Other financial expenses	048	249,361	191,918
<b>V. SHARE OF PROFIT FROM ASSOCIATES RELATED WITH PARTICIPATING INTEREST</b>	<b>049</b>	<b>0</b>	<b>0</b>
<b>VI. SHARE OF PROFIT FROM JOINT VENTURES</b>	<b>050</b>	<b>0</b>	<b>0</b>
<b>VII. SHARE OF LOSS FROM COMPANIES RELATED TO PARTICIPATING INTERESTS</b>	<b>051</b>	<b>0</b>	<b>0</b>
<b>VIII. SHARE OF LOSS FROM JOINT VENTURES</b>	<b>052</b>	<b>0</b>	<b>0</b>
<b>IX. TOTAL INCOME (EDP 001 + 030 + 049 + 050)</b>	<b>053</b>	<b>793,618,480</b>	<b>896,954,965</b>
<b>X. TOTAL EXPENSES (EDP 007 + 041 + 051 + 052)</b>	<b>054</b>	<b>467,774,183</b>	<b>520,006,462</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (EDP 053-054)</b>	<b>055</b>	<b>325,844,297</b>	<b>376,948,503</b>
1. Profit before tax (EDP 053-054)	056	325,844,297	376,948,503
2. Loss before tax (EDP 054-053)	057	0	0
<b>XII. PROFIT TAX</b>	<b>058</b>	<b>59,416,602</b>	<b>70,164,747</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (EDP 055-059)</b>	<b>059</b>	<b>266,427,695</b>	<b>306,783,756</b>
1. Profit for the period (EDP 055-059)	060	266,427,695	306,783,756
2. Loss for the period (EDP 059-055)	061	0	0
<b>DISCONTINUED OPERATIONS (to be completed by an entrepreneur, IFRS obligator, in the case of discontinued operations)</b>			
<b>XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXATION (EDP 063-064)</b>	<b>062</b>	<b>0</b>	<b>0</b>
1. Profit from discontinued operations before tax	063	0	0
2. Loss of discontinued operations before tax	064	0	0
<b>XV. INCOME TAX FOR DISCONTINUED OPERATIONS</b>	<b>065</b>	<b>0</b>	<b>0</b>
1. Profit from discontinued operations for the period (EDP 062-065)	066	0	0
2. Loss of discontinued operations for the period (EDP 065-062)	067	0	0
<b>TOTAL OPERATIONS (to be completed by an entrepreneur, IFRS obligator, in the case of discontinued operations)</b>			
<b>XVI. PROFIT OR LOSS BEFORE TAX (EDP 055 + 062)</b>	<b>068</b>	<b>0</b>	<b>0</b>
1. Profit before tax (EDP 068)	069	0	0
2. Loss before tax (EDP 068)	070	0	0
<b>XVII. PROFIT TAX (EDP 058 + 065)</b>	<b>071</b>	<b>0</b>	<b>0</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)***Income Statement of JANAF D.D. (continued)**

Item description	EDP code	Previous year	Current year
1	2	3	4
XVIII. PROFIT OR LOSS FOR THE PERIOD (EDP 068-071)	072	0	0
1. Profit for the period (EDP 068-071)	073	0	0
2. Loss for the period (EDP 071-068)	074	0	0
<b>INCOME STATEMENT SUPPLEMENT (to be completed by an entrepreneur preparing consolidated annual accounts)</b>			
XIX. PROFIT OR LOSS FOR THE PERIOD (EDP 076 + 077)	075	0	0
1. Attributable to equity holders of the parent	076	0	0
2. Attributable to minority (non-controlling) interest	077	0	0
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by an entrepreneur subject to IFRS reporting requirements)</b>			
I. PROFIT OR LOSS FOR THE PERIOD	078	266,427,695	306,783,756
II. OTHER COMPREHENSIVE PROFIT / LOSS BEFORE TAX (EDP 80 + 87)	079	0	0
III. Items that will not be reclassified to profit or loss (EDP 081 to 085)	080	0	0
1. Changes in revaluation reserves of long-term tangible and intangible assets	081	0	0
2. Gain or loss on subsequent measurement of equity securities at fair value through other comprehensive income	082	0	0
3. Changes in the fair value of financial liability at fair value through profit or loss attributable to changes in the credit risk of the liability	083	0	0
4. Actuarial gains/losses on defined benefit plans	084	0	0
5. Other items not to be reclassified	085	0	0
6. Income tax relating to items that will not be reclassified	086	0	0
IV. Items that can be reclassified to profit or loss (EDP 088 to 095)	087	0	0
1. Exchange differences from the conversion of foreign operations	088	0	0
2. Gain or loss on subsequent valuation of debt securities at fair value through other comprehensive income	089	0	0
3. Profit or loss from effective cash flow protection	090	0	0
4. Profit or loss from the effective hedging of net investments abroad	091	0	0
5. Share in other comprehensive income/loss of related companies with participating interest	092	0	0
6. Changes in the fair value of the time value of the option	093	0	0
7. Changes in the fair value of forward elements of futures contracts	094	0	0
8. Other items that can be reclassified to profit or loss	095	0	0
9. Income tax relating to items that can be reclassified to profit or loss	096	0	0
V. NET OTHER COMPREHENSIVE PROFIT OR LOSS (EDP 080 + 087 - 086 - 096)	097	0	0
VI. COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (EDP 078 + 097)	098	266,427,695	306,783,756
<b>SUPPLEMENT to the Statement of Other Comprehensive Income (to be completed by an entrepreneur preparing consolidated annual accounts)</b>			
VII. COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD (EDP 100 + 101)	099	0	0
1. Attributable to equity holders of the parent	100	0	0
2. Attributable to minority (non-controlling) interest	101	0	0



## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)***Balance Sheet of JANAF D.D.**

in HRK

<b>Obligator: JADRANSKI NAFTAVOVOD D.D.</b>			
<b>Item description</b>	<b>EDP code</b>	<b>Last day of the previous business year</b>	<b>At the reporting date of the current period</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (EDP 003 + 010 + 020 + 031 + 036)	002	4,202,443,829	4,132,520,794
I. INTANGIBLE ASSETS (EDP 004 to 009)	003	184,968,996	158,119,265
1. Development expenditures	004	0	0
2. Concessions, patents, licenses, trademarks and trademarks, software and other rights	005	176,293,795	152,031,468
3. Goodwill	006	0	0
4. Advances for the acquisition of intangible assets	007	0	0
5. Intangible assets in preparation	008	3,063,776	2,083,031
6. Other intangible assets	009	5,611,425	4,004,766
II. TANGIBLE ASSETS (EDP 011 to 019)	010	3,962,410,221	3,844,527,257
1. Land	011	377,899,636	377,899,636
2. Construction facilities	012	2,239,315,375	2,186,138,439
3. Plant and equipment	013	932,877,373	853,324,931
4. Tools, operating inventory and transport assets	014	31,920,679	27,249,847
5. Biological assets	015	0	0
6. Advances for tangible assets	016	2,334,141	13,039,559
7. Tangible assets in preparation	017	118,233,274	127,756,712
8. Other tangible assets	018	259,829,743	259,118,133
9. Investing in real estate	019	0	0
III. LONG-TERM FINANCIAL ASSETS (EDP 021 to 030)	020	50,214,791	125,345,000
1. Investments in shares (stocks) of entrepreneurs within the group	021	214,791	0
2. Investments in other securities of entrepreneurs within the group	022	0	0
3. Loans, deposits and the like given to entrepreneurs within the group	023	0	0
4. Investments in shares (stocks) of companies related with participating interest	024	0	0
5. Investments in other securities of affiliated companies with participating interest	025	0	0
6. Loans, deposits and similar given to affiliated companies	026	0	0
7. Investments in securities	027	0	0
8. Loans, deposits and similar	028	0	75,345,000
9. Other investments calculated using the equity method	029	0	0
10. Other long-term financial assets	030	50,000,000	50,000,000
IV. RECEIVABLES (EDP 032 to 035)	031	56,822	40,154
1. Receivables from entrepreneurs within the group	032	0	0
2. Receivables from participating interest companies	033	0	0
3. Trade receivables	034	0	0
4. Other receivables	035	56,822	40,154
V. DEFERRED TAX ASSETS	036	4,792,999	4,489,118

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)***Balance Sheet of JANAF D.D. (continued)**

Item description	EDP code	Last day of the previous business year	At the reporting date of the current period
1	2	3	4
<b>C) CURRENT ASSETS (EDP 038 + 046 + 053 + 063)</b>	<b>037</b>	702,323,331	1,052,236,767
<b>I. INVENTORIES (EDP 039 to 045)</b>	<b>038</b>	21,202,745	22,196,223
1. Raw materials	039	21,202,745	22,196,223
2. Production in progress	040	0	0
3. Finished products	041	0	0
4. Merchandise	042	0	0
5. Advances for inventories	043	0	0
6. Non-current assets held for sale	044	0	0
7. Biological assets	045	0	0
<b>II. RECEIVABLES (EDP 047 to 052)</b>	<b>046</b>	80,934,490	160,881,427
1. Receivables from entrepreneurs within the group	047	3,953	0
2. Receivables from participating interest companies	048	0	0
3. Trade receivables	049	79,427,579	157,546,962
4. Receivables from employees and members of the company	050	7,119	4,187
5. Receivables from the state and other institutions	051	19,517	241,059
6. Other receivables	052	1,476,322	3,089,219
<b>III. SHORT-TERM FINANCIAL ASSETS (EDP 054 to 062)</b>	<b>053</b>	39,861,288	210,734,297
1. Investments in shares (stocks) of entrepreneurs within the group	054	0	0
2. Investments in other securities of entrepreneurs within the group	055	0	0
3. Loans, deposits and the like given to entrepreneurs within the group	056	0	0
4. Investments in shares (stocks) of participating interest companies	057	0	0
5. Investments in other securities of participating interest companies	058	0	0
6. Loans, deposits and the like given to participating interest companies	059	0	0
7. Investments in securities	060	0	0
8. Loans, deposits and the like	061	39,861,288	210,734,297
9. Other financial assets	062	0	0
<b>IV. MONEY IN THE BANK AND THE CASH REGISTER</b>	<b>063</b>	560,324,808	658,424,820
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	758,058	1,961,365
<b>E) TOTAL ASSETS (EDP 001 + 002 + 037 + 064)</b>	<b>065</b>	4,905,525,218	5,186,718,926
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	2,990,373,114	5,225,294,530

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)***Balance Sheet of JANAF D.D. (continued)**

Item description	EDP code	Last day of the previous business year	At the reporting date of the current period
1	2	3	4
<b>EQUITY AND LIABILITIES</b>			
A) CAPITAL AND RESERVES (EDP 068 to 070 + 076 + 077 + 083 + 086 + 089)	<b>067</b>	4,751,135,215	4,981,981,864
I. SHARE (SUBSCRIBED) CAPITAL	<b>068</b>	2,952,437,940	2,952,437,940
II. CAPITAL RESERVES	<b>069</b>	53,585	53,585
III. RESERVES FROM PROFIT (EDP 071 + 072-073 + 074 + 075)	<b>070</b>	905,497,623	1,045,372,163
1. Legal reserves	<b>071</b>	124,704,482	138,025,867
2. Reserves for own shares	<b>072</b>	0	0
3. Own shares and stakes (deduction item)	<b>073</b>	0	0
4. Statutory reserves	<b>074</b>	0	0
5. Other reserves	<b>075</b>	780,793,141	907,346,296
IV. REVALUATION RESERVES	<b>076</b>	0	0
V. FAIR VALUE RESERVES AND OTHER (EDP 078 to 082)	<b>077</b>	0	0
1. Fair value of financial assets through other comprehensive income (i.e. available for sale)	<b>078</b>	0	0
2. An effective part of cash flow hedging	<b>079</b>	0	0
3. An effective part of net investment abroad hedging	<b>080</b>	0	0
4. Other fair value reserves	<b>081</b>	0	0
5. Foreign exchange differences from the translation of foreign operations (consolidation)	<b>082</b>	0	0
VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (EDP-085)	<b>083</b>	626,718,372	677,334,420
1. Retained earnings	<b>084</b>	626,718,372	677,334,420
2. Carried forward loss	<b>085</b>	0	0
VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (EDP 087-088)	<b>086</b>	266,427,695	306,783,756
1. Profit for the business year	<b>087</b>	266,427,695	306,783,756
2. Loss for the business year	<b>088</b>	0	0
VIII. MINORITY (NON-CONTROLLING) INTEREST	<b>089</b>	0	0
B) PROVISIONS (EDP 091 to 096)	<b>090</b>	20,215,783	30,920,611
1. Provisions for pensions, severance pay and similar liabilities	<b>091</b>	17,059,647	19,037,248
2. Provisions for tax liabilities	<b>092</b>	0	0
3. Provisions for initiated litigation	<b>093</b>	3,156,136	11,883,363
4. Provisions for the cost of restoring natural resources	<b>094</b>	0	0
5. Provisions for costs within the warranty period	<b>095</b>	0	0
6. Other provisions	<b>096</b>	0	0
C) LONG-TERM LIABILITIES (EDP 098 to 108)	<b>097</b>	88,708,155	92,474,955
1. Liabilities to entrepreneurs within the group	<b>098</b>	0	0
2. Liabilities for loans, deposits and the like of entrepreneurs within the group	<b>099</b>	0	0
3. Liabilities to companies with a participating interest	<b>100</b>	0	0
4. Liabilities for loans, deposits and similar to participating interest companies	<b>101</b>	0	0
5. Liabilities for loans, deposits and the like	<b>102</b>	0	0

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)***Balance Sheet of JANAF D.D. (continued)**

Item description	EDP code	Last day of the previous business year	At the reporting date of the current period
1	2	3	4
6. Liabilities to banks and other financial institutions	103	3,834,380	2,229,304
7. Liabilities for advances	104	0	0
8. Liabilities to suppliers	105	0	0
9. Liabilities on securities	106	0	0
10. Other long-term liabilities	107	84,873,775	90,245,651
11. Deferred tax liability	108	0	0
<b>D) CURRENT LIABILITIES (EDP 110 to 123)</b>	<b>109</b>	<b>42,151,566</b>	<b>80,329,202</b>
1. Liabilities to entrepreneurs within the group	110	173,970	0
2. Liabilities for loans, deposits and the like of entrepreneurs within the group	111	0	0
3. Liabilities to companies with a participating interest	112	0	0
4. Liabilities for loans, deposits and similar to companies with a participating interest	113	0	0
5. Liabilities for loans, deposits and the like	114	0	0
6. Liabilities to banks and other financial institutions	115	1,971,382	1,975,659
7. Liabilities for advances	116	36,459	163,956
8. Liabilities to suppliers	117	27,596,905	52,746,574
9. Liabilities on securities	118	0	0
10. Liabilities to employees	119	4,718,971	5,638,360
11. Liabilities for taxes, contributions and similar benefits	120	7,251,846	19,212,352
12. Liabilities based on the share in the result	121	191,238	228,986
13. Liabilities for non-current assets held for sale	122	0	0
14. Other current liabilities	123	210,795	363,315
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>3,314,499</b>	<b>1,012,294</b>
<b>F) TOTAL - LIABILITIES (EDP 067 + 090 + 097 + 109 + 124)</b>	<b>125</b>	<b>4,905,525,218</b>	<b>5,186,718,926</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>2,990,373,114</b>	<b>5,225,294,530</b>

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

(all amounts are expressed in thousands of HRK)

**Statement of Cash Flows of JANAF D.D.**

in HRK

Obligator: JADRANSKI NAFTAVOD D.D.			
Item description	EDP code	Previous year	Current year
1	2	3	4
<b>Cash flow from operating activities</b>			
1. Profit before tax	001	325,844,297	376,948,503
2. Adjustments (EDP 003-010):	002	229,528,613	261,603,457
a) Depreciation	003	215,994,108	233,302,099
b) Gain/loss from sale and value adjustments of non-current tangible and intangible asset	004	3,641,467	7,324,587
c) Gain/loss from sale and value adjustments of financial asset and unrealized gain/losses	005	0	0
d) Interest and dividend income	006	-124,961	-1,581,627
e) Interest expense	007	254,595	193,669
f) Provisions	008	6,322,640	15,868,657
g) Exchange rate differences (unrealized)	009	3,440,764	6,496,072
h) Other adjustments for non-cash transactions and unrealized gains and losses	010	0	0
<b>I Increase or decrease in cash flows before changes in working capital (EDP 001+002)</b>	<b>011</b>	<b>555,372,910</b>	<b>638,551,960</b>
3. Changes in working capital (EDP 013-016)	012	-58,481,483	-51,505,194
a) Decrease/increase in current liabilities	013	-84,404,100	36,155,617
b) Increase/decrease in current receivables	014	6,308,141	-79,946,937
c) Increase/decrease in inventories	015	1,707,959	-993,478
d) Other increases/decreases in working capital	016	17,906,517	-6,720,396
<b>II Cash from operating activities (EDP 011+012)</b>	<b>017</b>	<b>496,891,427</b>	<b>587,046,766</b>
4. Interest paid	018	-5,234	-1,751
5. Income tax paid	019	-62,394,787	-60,988,399
<b>A) NET CHANGE IN CASH FLOWS FROM OPERATING ACTIVITIES (EDP 017-019)</b>	<b>020</b>	<b>434,491,406</b>	<b>526,056,616</b>
<b>Cash flow from investing activities</b>			
1. Cash received from sale of non-current tangible and intangible assets	021	64,470	17,000
2. Cash received from sale of financial instruments	022	0	0
3. Interest received	023	133,935	426,477
4. Dividends received	024	0	0
5. Cash received from loans repaid and savings	025	494,864	0
6. Other cash received from investing activities	026	0	0
<b>III Total cash received from investing activities (EDP 021-026)</b>	<b>027</b>	<b>693,269</b>	<b>443,477</b>
1. Cash paid for purchase of non-current tangible and intangible assets	028	-103,092,960	-95,520,624
2. Cash paid on acquisition of financial instruments	029	0	0
3. Cash paid for loans and savings deposits for the period	030	0	0
4. Acquisition of subsidiary, less cash acquired	031	0	0
5. Other cash used in investing activities	032	-3,027,054	-246,218,009

**Statement of Cash Flows of JANAF D.D. (continued)**

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

Item description	EDP code	Previous year	Current year
1	2	3	4
<b>IV Total cash paid for investing activities</b> (EDP 028-032)	<b>033</b>	-106,120,014	-341,738,633
<b>B) NET CHANGE IN CASH FLOWS FROM INVESTING ACTIVITIES</b> (EDP 027+033)	<b>034</b>	-105,426,745	-341,295,156
<b>Cash flow from financing activities</b>			
1. Cash received from increase of share (subscribed) capital	<b>035</b>	0	0
2. Cash received from the issuance of equity and debt financial instruments	<b>036</b>	0	0
3. Cash received from loan principal, loans and other borrowings	<b>037</b>	0	0
4. Other cash receipts from financing activities	<b>038</b>	0	0
<b>V Total cash received from financing activities</b> (EDP 035-038)	<b>039</b>	0	0
1. Cash paid for repayments of loan and bond principals	<b>040</b>	0	0
2. Dividends paid	<b>041</b>	-82,114,051	-75,937,107
3. Cash paid under finance leases	<b>042</b>	-2,781,889	-2,022,019
4. Cash paid for purchase of own shares	<b>043</b>	0	0
5. Other cash used in financing activities	<b>044</b>	0	0
<b>VI Total cash paid for financing activities</b> (EDP 040-044)	<b>045</b>	-84,895,940	-77,959,126
<b>C) NET CHANGE IN CASH FLOWS FROM FINANCING ACTIVITIES</b> (EDP 039+045)	<b>046</b>	-84,895,940	-77,959,126
1. Unrealized exchange rate differences per cash and cash equivalents	<b>047</b>	-7,636,885	-8,702,322
<b>D) NET CHANGE IN CASH FLOW</b> (EDP 020+034+046+047)	<b>048</b>	236,531,836	98,100,012
<b>E) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>049</b>	323,792,972	560,324,808
<b>F) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> (EDP 048+049)	<b>050</b>	560,324,808	658,424,820

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### **Reconciliation between Non-statutory annual financial statements and the Statutory annual financial statements**

In accordance with the Ordinance on the Structure and Content of Annual Financial Statements (Official Gazette 95/2016, 144/20), entrepreneurs who prepare their financial statements in accordance with IFRS are obliged to submit to the Financial Agency, for the purposes of public announcement, reports drawn up in accordance with the prescribed structure and content ("Standard annual financial statements"). Standard annual financial statements represent an alternative presentation of annual financial statements in accordance with IFRS (for publication purposes they are called Non-standard annual financial statements). Since IFRS prescribe minimum positions, depending on the significance of individual items for the financial statements as a whole, and require a different classification of individual items, there are certain differences in the structure of Standard and Non-standard annual financial statements.

### **Differences between the Income Statement and the Statement of Comprehensive Income**

In the Statement of Comprehensive Income, the item Other business income, in the amount of HRK 5,025 thousand (2021: HRK 10,956 thousand), contains the following items from the Income Statement: Other business income with entrepreneurs within the group in the amount of HRK 44 thousand (2021: HRK 145 thousand) and Other business income (outside the group) in the amount of HRK 4,981 thousand (2021: HRK 10,811 thousand). All other items are identical in amounts and note structure.

### **Differences between the Balance Sheet and the Statement of Financial Position**

In the Report on the financial position, the item Concessions, software licenses and other rights, in the amount of HRK 154,115 thousand (2021: HRK 179,358 thousand), contains the following items from the Balance Sheet: Concessions, patents, licenses, trademarks and service marks, software and other rights in the amount of HRK 152,032 thousand (2021: HRK 176,294 thousand) and Intangible assets in preparation in the amount of HRK 2,083 thousand (2021: HRK 3,064 thousand).

The Report on the financial position of the item Other receivables in the amount of HRK 5,296 thousand (year 2021: HRK 2,260 thousand) contains the following items from the Balance Sheet: Receivables from the state in the amount of HRK 241 thousand (31 December 2021: HRK 19 thousand), Receivables from employees and members of entrepreneurs in the amount of HRK 4 thousand (31 December 2021: HRK 7 thousand), Other receivables in the amount of HRK 3,090 thousand (31 December 2021: HRK 1,476 thousand), and Paid costs of the future period and accrued income in the amount of HRK 1,961 thousand (31 December 2021: HRK 758 thousand).

In the Report on the financial position, the item Other liabilities, in the amount of HRK 26,618 thousand (2021: HRK 15,898 thousand), contains the following items from the Balance Sheet: Liabilities for advances in the amount of HRK 164 thousand (2021: HRK 36 thousand), Liabilities to employees in the amount of HRK 5,638 thousand (2021: HRK 4,719 thousand), Liabilities for taxes, contributions and similar payments in the amount of HRK 19,212 thousand (2021: HRK 7,252 thousand), Liabilities based on a share in the result in the amount of HRK 229 thousand (2021: HRK 191 thousand), Other short-term liabilities in the amount of HRK 363 thousand (2021: HRK 211 thousand) and in 2021 Liabilities to entrepreneurs within the group in the amount of HRK 174 thousand in 2021, of which there was no item in 2022, Deferred payment of expenses and income of the future period, which amounts to HRK 1,012 thousand (31 December 2021: HRK 3,315 thousand). All other items are identical in amounts and note structure.

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

*(all amounts are expressed in thousands of HRK)*

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### **Reconciliation between Non-statutory annual financial statements and the Statutory annual financial statements (continued)**

#### **Differences between the Statutory Cash Flow Statement and the Non-statutory Statement of Cash Flows**

The Statutory cash flow statement shows gross profit in the amount of HRK 376,949 thousand (2021: HRK 325,845 thousand), which in the Non-statutory report is shown through two items, net profit in the amount of HRK 306,784 thousand (2021: 266,428 HRK thousand) and Tax expenditure in the amount of HRK 70,165 thousand (2021: HRK 59,417 thousand).

In the Statutory cash flow statement, Depreciation is shown in the amount of HRK 233,302 thousand (2021: HRK 215,994 thousand), while in the Non-statutory report it is shown through the items Depreciation of property, plant and equipment in the amount of HRK 201,510 thousand (2021: 186,213 HRK thousand), Depreciation of intangible assets in the amount of HRK 29,772 thousand (2021: HRK 27,745 thousand) and Depreciation for right-of-use assets in the amount of HRK 2,020 thousand (2021: HRK 2,036 thousand).

In the Statutory report, under the item Cash expenditures for the purchase of long-term tangible and intangible assets, in the amount of HRK -95,520 thousand (2021: HRK -103,093 thousand), the following items from the Non-statutory report are included: Expenditures for the purchase of real estate, plant and equipment: - HRK 90,409 thousand (year 2021: HRK -105,215 thousand) and Expenditures for the purchase of intangible assets: HRK -5,111 thousand (year 2021: HRK -4,023 thousand intangible assets increased by the reduction of advances in the amount of HRK 6,145 thousand).

In the Statutory Statement of Cash Flow, the following items that give a total decrease in cash flow in the amount of HRK -8,719 thousand (2021: increase of HRK 14,519 thousand) refer to the following items: Interest expenses in the amount of HRK 193 thousand (2021 year: HRK 255 thousand), Exchange rate differences (unrealized) in the amount of HRK 6,496 thousand (2021: HRK 3,440 thousand), Other increases or decreases in working capital in the amount of HRK -6,721 thousand (2021: HRK 17,906 thousand), Interest expenses in the amount of HRK -2 thousand (2021: HRK -5 thousand), Cash receipts from the sale of long-term tangible and intangible assets in the amount of HRK 17 thousand (2021: HRK 65 thousand), Cash receipts from the basis of the return of loans and savings deposits (2021: HRK 495 thousand), Unrealized exchange rate differences in money and cash equivalents in the amount of HRK -8,702 thousand (2021: HRK -7,637 thousand). The previously mentioned items from the Statutory Report correspond to the total reduced by the following items from the Non-statutory Report: Interest expenses on leases in the amount of HRK 192 thousand (year 2021: HRK 249 thousand), Exchange rate differences of loans in the amount of HRK 5,372 thousand (year 2021 : HRK 6,445 thousand), Other reductions/increases in receivables in the amount of HRK -14,283 thousand (2021: HRK 13,970 thousand) and in 2021 minus the reduction of advances in the amount of HRK -6,145 thousand.

All other items are identical in terms of names, content and amounts, as well as the structure of the notes.