



**INA GROUP
Q1 2022
FINANCIAL REPORT**

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1 2022 results. This report contains unaudited consolidated financial statements for the period ending 31 March 2022 as prepared by the Management in accordance with the International Financial Reporting Standards.

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Management discussion and analysis: INA Group financial results (IFRS)

2021	HRK mln	Q1 2021	Q1 2022	%
22,400	Net sales revenues*	3,953	5,962	51
3,315	EBITDA ⁽¹⁾	467	1,142	145
3,403	EBITDA excl. special items⁽²⁾	467	1,142	145
3,029	CCS EBITDA excl. special items	424	995	135
1,502	Profit/(loss) from operations	84	724	762
1,590	Profit/(loss) from operations excl. special items ⁽²⁾	84	724	762
1,216	CCS Profit/(loss) from operations excl. special items	41	577	1,313
94	Net (loss)/profit from financial activities	(14)	2	n.a.
1,312	Profit/(loss) for the period attributable to Owners of the Company	50	586	1,072
1,400	Profit/(loss) for the period excl. special items ⁽²⁾	50	586	1,072
1,431	Simplified Free Cash Flow ⁽³⁾	196	149	(24)
3,365	Net operating cash flow	(151)	480	n.a.
Earnings per share				
131.2	Basic and diluted gain/(loss) per share (HRK per share)	5.0	58.6	1,072
482	Net debt	2,723	790	(71)
4.3	Net gearing (%)	22.4	6.5	
1,598	CAPEX total	228	846	271
1,384	Domestic	179	812	354
214	International	49	34	(31)

2021	USD mln ⁽⁴⁾	Q1 2021	Q1 2022	%
3,522	Net sales revenues*	630	888	41
521	EBITDA ⁽¹⁾	74	170	128
535	EBITDA excl. special items⁽²⁾	74	170	128
476	CCS EBITDA excl. special items	68	148	119
236	Profit/(loss) from operations	13	108	705
250	Profit/(loss) from operations excl. special items ⁽²⁾	13	108	705
191	CCS Profit/(loss) from operations excl. special items	7	86	1,221
15	Net (loss)/profit from financial activities	(2)	0	n.a.
206	Profit/(loss) for the period attributable to Owners of the Company	8	87	995
220	Profit/(loss) for the period excl. special items ⁽²⁾	8	87	995
225	Simplified Free Cash Flow ⁽³⁾	31	22	(29)
529	Net operating cash flow	(24)	71	n.a.
Earnings per share				
20.6	Basic and diluted gain/(loss) per share (USD per share)	0.8	8.7	995
73	Net debt	422	116	(73)
251	CAPEX total	36	126	247
218	Domestic	29	121	324
34	International	8	5	(35)

* Related to Revenue from contracts with customers

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

(2) In 2021 result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning, while in Q1 2021 and Q1 2022 there were no special items impacting the result

(3) Simplified free cash flow = CCS EBITDA excluding special items - CAPEX

(4) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for 2021 – 6.3601 HRK/USD; Q1 2021 – 6.2739 HRK/USD; for Q1 2022 – 6.7147 HRK/USD; as at 31 December 2021 – 6.6435 HRK/USD; as at 31 March 2021 – 6.4487 HRK/USD; as at 31 March 2022 – 6.8062 HRK/USD

Q1 2022 Financial and operational highlights

High hydrocarbon price levels have continued in Q1 2022 as well. Further sharp rise of prices from late February is reflecting the increased geopolitical risk and uncertainty regarding effects of sanctions on global energy markets.

In such environment, results show a strong INA Group CCS EBITDA ex. special items in Q1 2022 amounting to almost HRK 1.0 billion and net profit reaching HRK 0.6 billion. Exploration and Production revenues (HRK 1.4 billion) and EBITDA (HRK 0.9 billion) roughly doubled in the supportive price environment, significantly overcompensating the effect of continued natural decline of production. Negative cash flow of Refining and Marketing incl. Consumer services and Retail segment was partially reduced by the improved CCS EBITDA that reached almost HRK 0.2 billion on the back of better captive market fuels and natural gas sales.

Investment activities intensified and CAPEX spending increased threefold compared to Q1 2021 with CAPEX level of HRK 0.8 billion, of which majority spent in Refining and Marketing. Rijeka Refinery Upgrade Project, as the main strategic investment, continues with construction works and equipment delivery to the site. Also, Croatian offshore campaign continues with two new wells finished, one of them already connected to production system of the Ika field.



President of the Management Board comment

Mr. Sándor Fasimon, President of the Management Board comments on the results:

„Global markets continue their volatile trend, in line with the high level of uncertainty in global economy and trade, although their level shows a more favourable environment for oil and gas companies. Sharp rise in both oil and gas prices is the main driver of the strong revenue growth in the entire oil and gas industry.

In such environment, Exploration and Production stays the biggest cash generator of the company. Offshore campaign is the main investment activity of the segment, aimed at moderating natural decline and assisting the safe market supply from domestic sources, important in the time of rising geopolitical challenges.

Despite the increased overall prices, Customer Services and Retail sales stayed strong and no major disturbances in the market supply occurred, proving INA's reliable service on the core markets, regardless of the market uncertainty. As a result of these factors INA EBITDA exceeded HRK 1.1 billion in just first quarter of 2022, with the usually stronger summer quarters yet to come.

Period of strong results is also used to strengthen INA's position in the coming years. Total investment level increased more than three times compared to the same period 2021, with the majority spent in Croatia. Rijeka Refinery Upgrade Project continues as the largest investment of INA, with the engineering almost finished and delivery of facility on site.“

Exploration and Production*

2021	Segment IFRS results (HRK mln)	Q1 2021	Q1 2022	%
3,877	Net sales revenues	688	1,354	97
2,427	EBITDA	401	876	118
2,515	EBITDA excl. special items **	401	876	118
1,568	Profit from operations	235	675	187
1,656	Profit from operations excl. special items **	235	675	187
1,907	Simplified Free Cash Flow***	307	704	129
608	CAPEX	94	172	83

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

** In FY 2021 result was negatively impacted by HRK (88) million of cost of provisions for Ivana D decommissioning, in Q1 2021 and Q1 2022 the result was not impacted by special items

*** Simplified free cash flow = EBITDA excluding special items – CAPEX

2021	Hydrocarbon production (boe/d)	Q1 2021	Q1 2022	%
12,643	Crude oil production (boe/d)	12,603	12,538	(1)
10,390	Croatia	10,301	10,380	1
1,737	Egypt	1,864	1,590	(15)
516	Angola	437	567	30
13,503	Natural gas production (boe/d)	14,219	12,736	(10)
3,229	Croatia – offshore	3,646	3,137	(14)
10,274	Croatia – onshore	10,573	9,599	(9)
977	Condensate (boe/d)	1,067	922	(14)
27,123	Total hydrocarbon production	27,888	26,196	(6)

2021	Average realized hydrocarbon price	Q1 2021	Q1 2022	%
64	Total hydrocarbon price (USD/boe)*	47	87	86

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

Q1 2022 vs. Q1 2021

Key drivers

- Higher prices impacted sales revenues positively by HRK 556 million. Increased gas prices added HRK 270 million positive effect, while 67% higher Brent price brought an additional HRK 247 million crude oil and condensate sales revenues with other products positive impact on revenues in the amount of HRK 39 million
- Despite higher oil production as a result of successfully performed projects in scope of Production optimization, Croatian production decreased as a result of:
 - natural decline on Onshore oil fields and higher water cut on major gas fields
 - increased water cut on Offshore gas fields
 - natural decline on major gas condensate fields in Deep Podravina
- International crude oil production:
 - Egypt: lower well performance at all concessions.
 - Angola: higher production due to change of INA share on Block 3/05

Capital expenditures

Q1 2022 (HRK mln)	Croatia	Egypt	Angola
Exploration	1	-	-
Development	127	30	3
Other	11	-	-
TOTAL	139	30	3

Higher CAPEX level compared to Q1 2021 mainly as a result of development activities on Croatia Offshore drilling campaign and on Croatia Onshore. Main activities in Q1 2022 were related to:

Croatia Exploration:

- Drava-03: Documentation preparation and permitting for drilling Obradovci-1J and Veliki Rastovac-1 wells in progress
- SZH-01: 3D seismic data processing
- DI-14: Preparation of 2 G&G studies underway

Croatia Development Offshore:

- Ika B-1 R well – all permissions for production start obtained, initial production started on March 3rd, 2022. Marica D well test finished, hook up in progress

Croatia Development Onshore:

- In total 14 workovers were performed
- Dravica-3: Well site preparation in progress; drilling start planned for mid-April
- EOR Šandrovac: finished CO₂ injection phase; start of water injection at beginning of April

Egypt

- Egypt, North Bahariya concession: 5 development wells drilled (2 producers and 3 water injectors), out of which 2 put in production as oil producers. New exploration concession East Bir El Nus (block WD-08) in Egypt (Western Desert) awarded to INA and Energean (the Operator), with 50-50% participating interest split. Expected to be effective after ratification in Egypt parliament during H2 2022



Refining and Marketing, including Consumer Services and Retail*

2021	Segment IFRS results (HRK mln)	Q1 2021	Q1 2022	%
21,912	Net sales revenues	3,840	5,709	49
1,253	EBITDA	162	385	138
1,253	EBITDA excl. special items**	162	385	138
879	CCS EBITDA excl. special items**	119	238	100
523	Profit/(loss) from operations	(15)	213	n.a.
523	Profit/(loss) from operations excl. special items**	(15)	213	n.a.
149	CCS Profit/(loss) from operations	(58)	66	n.a.
(25)	Simplified Free Cash Flow***	(8)	(423)	5,058
904	CAPEX	127	661	420

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

** In Q1 2022 and FY 2021 result was not impacted by special items

*** Simplified free cash flow = CCS EBITDA excluding special items – CAPEX

2021	Refining processing (kt)	Q1 2021	Q1 2022	%
91	Domestic crude oil	9	0	(96)
1,761	Imported crude oil	225	9	(96)
4	Condensate	-	-	n.a.
732	Other feedstock	55	19	(65)
2,588	Total refining throughput	288	28	(90)
Refining production (kt)				
153	LPG*	14	-	n.a.
63	Naphtha	18	0	(100)
601	Gasoline	48	4	(91)
80	Kerosene	4	0	(100)
1,032	Diesel	106	(2)	n.a.
70	Heating oil	9	3	(71)
267	Fuel oil	45	14	(69)
74	Other products**	9	4	(61)
2,340	Total	253	22	(91)
27	Refining loss	5	1	(86)
221	Own consumption	30	5	(83)
2,588	Total refining production	288	28	(90)
Refined product sales by country (kt)				
2,009	Croatia	386	423	10
587	B&H	124	128	3
61	Slovenia	11	10	(6)
66	Italy	3	4	46
1,468	Other markets	335	98	(71)
4,191	Total	859	663	(23)
Refined product sales by product (kt)				
237	LPG*	42	42	(1)
63	Naphtha	17	-	n.a.
724	Gasoline	91	91	(0)
102	Kerosene	6	16	153
1,808	Diesel	349	377	8
113	Heating oil	31	38	22
267	Fuel oil	16	16	(0)
70	Bitumen	13	12	(11)
807	Other ***	293	72	(75)
4,191	Total	859	663	(23)
1,060	o/w Consumer services and Retail segment sales	209	232	11
590	Total natural gas sales (mln m3)	170	218	28
504	Total number of service stations	505	504	(0)

Note: Refined product sales by country and product were adjusted for 2021, as previously announced wholesale quantities also partially included retail values. In addition, adjustment was made by product group for the purpose of identical classification with refinery processing.

*LPG+propylene

**Other products = Benzene concentrate, liquid sulphur, coke, motor oils, industrial lubricants, other intermediates

***Other = Benzene concentrate, vacuum gas oil, liquid sulphur, coke, crude oil, motor oils, industrial lubricants



Q1 2022 vs. Q1 2021

Key drivers

- Captive market sales higher, with strong commercial margins on the domestic market of Croatia
- Margins supported by more favourable product price movements (diesel, gasoline, jet) driven mainly by higher demand due to volatile market situation
- Natural gas price upward trend positively contributed to gas trading result in Q1 2022
- Total Retail sales volumes amounted to 232 kt in Q1 2022, 11% above 2021 the same period realization due to COVID restrictions in previous year, while additional sales growth is result of crude oil price increase and consumers fear of shortages and further price increase of oil products
- Non-fuel margin increased 6% driven by expanded non-fuel offer, Fresh Corner roll-out and improved sales activities
- Refining & Marketing was operating in product import mode during Q1 2022 utilizing market opportunities, with Rijeka Refinery performing planned maintenance activities
- Refinery operation started end of March ensuring stable captive market supply in the upcoming months, mitigating risk of lower product availability on global market driven by Russia-Ukraine crisis
- Operational discipline of key assets and strong OPEX management efforts additionally supported overall downstream result

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 649 million:
 - Rijeka Refinery Upgrade Project – overall Engineering is almost finished, manufacturing and delivery at the site reached ~80%. Construction of the Port and Handling system started after obtaining building permits, while works on the Hydrocracker Unit (HCU) and Sulphur Recovery Unit (SRU) were performed ahead of the schedule during the Refinery processing suspension
 - Continued investment activities in logistics and refining development projects with focus on sustainability and energy efficiency. Energy efficiency projects Replacement of condensing turbines with electric drives and CDU energy efficiency upgrade project are defined and ready for Financial authorization
- Consumer Services and Retail capital investments amounted to HRK 12 million in Q1 2022 with focus on service station modernization and continued roll-out of Fresh Corner concept, which is already present at 130 service stations

Main external parameters

		Q1 2021	Q1 2022	%
2021	Crude oil and gas prices			
71	Brent dtd (USD/bbl)	61	102	67
1.7	Brent-Ural spread (USD/bbl)	1.1	12.0	1,014
46	CEGH gas price (EUR/MWh)	18	101	458
FOB MED Products prices and crack spreads				
670	Gasoline - premium unleaded 10 ppm (USD/t)	561	929	66
580	Diesel – ULSD 10 ppm (USD/t)	488	903	85
381	Fuel oil 3.5% (USD/t)	338	522	54
666	LPG (USD/t)	597	929	56
133	Crack spread – gasoline (USD/t)	98	156	58
43	Crack spread – diesel (USD/t)	26	130	406
(155)	Crack spread – fuel oil 3.5% (USD/t)	(125)	(252)	102
129	Crack spread – LPG (USD/t)	135	156	16
(1.2)	Indicative refining margins (USD/bbl)*	(2.6)	10.6	n.a.
Foreign exchange				
6.36	HRK/USD average	6.27	6.71	7
6.64	HRK/USD closing	6.45	6.81	6
7.52	HRK/EUR average	7.57	7.54	(0)
7.52	HRK/EUR closing	7.57	7.58	0
0.16	3m USD LIBOR (%)	0.20	0.52	160
(0.55)	3m EURIBOR (%)	(0.54)	(0.53)	(2)

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



Condensed Consolidated Statement of Profit or Loss

For the period ended 31 March 2021 and 2022 (in HRK millions)

2021	Note	Q1 2021	Q1 2022	%
22,400	Revenue from contracts with customers	3,953	5,962	51
319	Other operating income	62	133	115
22,719	Total operating income	4,015	6,095	52
199	Changes in inventories of finished products and work in progress	576	(127)	n.a.
(8,768)	Costs of raw materials and consumables	(988)	(257)	(74)
(1,813)	Depreciation, amortisation and impairment (net)	(383)	(418)	9
(1,868)	Other material costs	(421)	(454)	8
(468)	Service costs	(110)	(122)	11
(1,765)	Staff costs	(410)	(409)	(0)
(6,644)	Costs of other goods sold	(2,201)	(3,592)	63
(81)	Impairment charges (net)	-	(16)	n.a.
(313)	Provision for charges and risks (net)	(37)	(59)	59
304	Capitalised value of own performance	43	83	93
(21,217)	Operating expenses	(3,931)	(5,371)	37
1,502	Profit/(loss) from operations	84	724	762
343	Finance income	110	61	(45)
(249)	Finance costs	(124)	(59)	(52)
94	Net (loss)/profit from financial activities	(14)	2	n.a.
(9)	Share of net gain/(loss) of joint ventures accounted for using the equity method	(13)	(7)	(46)
1,587	Profit/(loss) before tax	57	719	1,161
(273)	Income tax benefit/(expense)	(7)	(133)	1,800
1,314	Profit/(loss) for the period	50	586	1,072
Attributable to:				
1,312	Owners of the Company	50	586	1,072
2	Non-controlling interests	-	-	n.a.
Earnings per share				
131.2	Basic and diluted earnings/(loss) per share (HRK per share)	5.0	58.6	1,072

Condensed Consolidated Statement of Financial Position

At 31 December 2021 and 31 March 2022 (in HRK millions)

	Note	31 December 2021	31 March 2022	%
Assets				
Non-current assets				
Intangible assets	9	449	446	(1)
Property, plant and equipment	10	11,429	12,105	6
Right-of-use assets		307	294	(4)
Investments in associates and joint venture		245	239	(2)
Other investments		17	17	(0)
Long-term receivables		835	795	(5)
Deferred tax assets		949	969	2
Long-term marketable securities		42	139	231
Non-current financial assets		655	678	4
Total non-current assets		14,928	15,682	5
Current assets				
Inventories	11	2,146	3,762	75
Trade receivables (net)	12	2,007	2,198	10
Other receivables		164	154	(6)
Corporative income tax receivables		6	18	200
Other current assets		79	302	282
Marketable securities		17	34	100
Cash and cash equivalents		2,630	2,214	(16)
Current assets		7,049	8,682	23
Assets held for sale		13	13	0
Total current assets		7,062	8,695	23
Total assets	8	21,990	24,377	11
Equity and liabilities				
Capital and reserves				
Share capital	13	9,000	9,000	-
Legal reserves		199	199	-
Fair value reserves		280	298	6
Other reserves		1,562	1,598	2
(Accumulated losses)/Retained earnings		(274)	312	n.a.
Equity attributable to the owners of the Company		10,767	11,407	6
Non-controlling interests		15	15	0
Total equity		10,782	11,422	6
Non-current liabilities				
Long-term debt		1,983	1,983	0
Long-term lease liabilities		228	216	(5)
Other non-current liabilities		29	28	(3)
Employee benefits obligation		67	67	-
Provisions		3,668	3,845	5
Deferred tax liability		15	14	(7)
Total non-current liabilities		5,990	6,153	3
Current liabilities				
Bank loans and current portion of long-term debt		1,145	1,055	(8)
Current portion of long-term lease liabilities		84	84	-
Trade payables	15	2,143	3,322	55
Taxes and contributions		938	1,155	23
Other current liabilities		586	770	31
Employee benefits obligation		4	4	-
Provisions		318	412	30
Total current liabilities		5,218	6,802	30
Total liabilities	14	11,208	12,955	16
Total equity and liabilities		21,990	24,377	11

Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 31 March 2021 and 2022 (in HRK millions)

2021	Note	Q1 2021	Q1 2022	%
1,314		50	586	1,072
Profit/(loss) for the period:				
Adjustments for:				
1,813		383	418	9
Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)				
273		7	133	1,800
Income tax (benefit)/expense recognised in profit and loss				
81		-	16	n.a.
Impairment charges (net)				
(36)		-	-	n.a.
Loss/(gain) on sale of property, plant and equipment				
(10)		56	(19)	n.a.
Foreign exchange (gain)/loss				
13		3	7	133
Interest (gain)/expense (net)				
9		13	7	(46)
Share of (profit)/loss of joint ventures accounted for using the equity method				
(171)		(64)	(3)	(95)
Other finance (income)/expense recognised in profit				
258		34	56	65
(Increase)/decrease in provision				
74		19	13	(32)
Decommissioning interests and other provision				
288		45	(47)	n.a.
Net (gain)/loss on derivative financial instruments and hedge transactions				
-		(2)	-	n.a.
Other non-cash items				
3,906	16	544	1,167	115
Operating cash flow before working capital changes				
	17			
Movements in working capital				
(967)		(1,235)	(1,648)	33
Decrease/(increase) in inventories				
(1,655)		(1,071)	(301)	(72)
(Increase)/decrease in receivables and prepayments				
2,103		1,617	1,275	(21)
(Decrease)/increase in trade and other payables				
3,387		(145)	493	n.a.
Cash generated from operations				
(22)		(6)	(13)	117
Taxes paid				
3,365		(151)	480	n.a.
Net cash inflow/(outflow) from operating activities				
Cash flows used in investing activities				
(1,602)		(227)	(783)	245
Capital expenditures, exploration and development costs				
(131)		(31)	(10)	(68)
Payment for intangible assets				
59		8	4	(50)
Proceeds from sale of non-current assets				
(42)		-	(97)	n.a.
Investment in securities				
170		-	-	n.a.
Dividends received from companies classified as non-current financial assets available for sale and from other companies				
18		8	10	25
Interest received and other financial income				
3		1	2	100
Loans and other investments (net)				
(1,525)	18	(241)	(874)	263
Net cash used in investing activities				
Cash flows from financing activities				
-		190	-	n.a.
Change in long-term borrowings (net)				
(988)		648	(104)	n.a.
Change in short-term borrowings (net)				
1,983		-	-	n.a.
Proceeds from bonds issuance				
3		(8)	(12)	50
Change of principal portion of lease liabilities				
(585)		(585)	-	n.a.
Dividends paid				
(13)		-	47	n.a.
Interest paid on short-term loans and other financing charges				
400		245	(69)	n.a.
Net cash flows (used in)/ from financing activities				
2,240		(147)	(463)	215
Net increase/(decrease) in cash and cash equivalents				
399		399	2,630	559
At the beginning of the period				
(9)		(2)	38	n.a.
Effect of foreign exchange rate changes				
2,630		250	2,205	782
At the end of period				
-		-	9	n.a.
Overdrafts (net)				
2,630		250	2,214	786
Cash and cash equivalents in statement of financial position				

INA Group Summary Segmental Results of Operations

2021	(HRK mln)	Q1 2021	Q1 2022	%
Net sales revenues				
3,877	Exploration & Production	688	1,354	97
21,912	Refining & Marketing including Consumer services and Retail	3,840	5,709	49
1,346	Corporate and Other	289	295	2
(4,735)	Intersegment transfers and consolidation adjustments	(864)	(1,396)	62
22,400	Total	3,953	5,962	51
EBITDA*				
2,427	Exploration & Production	401	876	118
1,253	Refining & Marketing including Consumer services and Retail	162	385	138
(73)	Corporate and Other	(33)	(16)	(52)
(292)	Intersegment transfers and consolidation adjustments	(63)	(103)	63
3,315	Total	467	1,142	145
EBITDA excluding special items				
2,515	Exploration & Production	401	876	118
1,253	Refining & Marketing including Consumer services and Retail	162	385	138
(73)	Corporate and Other	(33)	(16)	(52)
(292)	Intersegment transfers and consolidation adjustments	(63)	(103)	63
3,403	Total	467	1,142	145
Profit/(loss) from operations				
1,568	Exploration & Production	235	675	187
523	Refining & Marketing including Consumer services and Retail	(15)	213	n.a.
(299)	Corporate and Other	(73)	(61)	(16)
(290)	Intersegment transfers and consolidation adjustments	(63)	(103)	63
1,502	Total	84	724	762
Profit/(loss) from operations excluding special items				
1,656	Exploration & Production	235	675	187
523	Refining & Marketing including Consumer services and Retail	(15)	213	n.a.
(299)	Corporate and Other	(73)	(61)	(16)
(290)	Intersegment transfers and consolidation adjustments	(63)	(103)	63
1,590	Total	84	724	762
Property, plant and equipment				
4,182	Exploration & Production	4,522	4,365	(3)
6,676	Refining & Marketing including Consumer services and Retail	6,390	7,189	13
1,082	Corporate and Other	1,164	1,066	(8)
(511)	Intersegment transfers and consolidation adjustments	(488)	(515)	6
11,429	Total	11,588	12,105	4

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

Intersegment transfers and consolidation adjustments

Intersegment transfers and consolidation adjustments indicate unrealised profit/loss on domestic crude oil and natural gas being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil/natural gas or finished/semi-finished product. Intersegment EBITDA effect on result in Q1 2022 is HRK (103) million compared to HRK (63) million in Q1 2021.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in Q1 2022 amounted to HRK 5,962 million and is 51% higher compared to Q1 2021, supported by improvement in hydrocarbon prices and product quotations
- 2 **Costs of raw materials and consumables** at HRK (257) million were 74% lower than Q1 2021 level, reflecting different dynamic of refinery operations
- 3 Other **operating costs** realized in Q1 2022 include:
 - Other material costs in the amount of HRK (454) million were higher by 8%, mainly driven by maintenance and transportation costs
 - Service costs in the amount of HRK (122) million were 11% higher than the Q1 2021, mainly driven by the effect of subsidiary liquidation
 - Depreciation, amortisation and impairment (net) in the amount of HRK (418) million were 9% higher compared to Q1 2021
 - Impairment charges (net) had a negative effect in the amount of HRK (16) million in Q1 2022 compared to neutral effect in Q1 2021, mainly due to higher receivables collection in 2021
 - Provision for charges and risk (net) had a negative effect in the amount of HRK (59) million in Q1 2022 compared to HRK (37) million negative effect in Q1 2021
- 4 **Staff costs** in the amount HRK (409) million were at the level of Q1 2021
- 5 **Costs of other goods sold** in Q1 2022 increased by 63% compared to Q1 2021 and amounted to HRK (3,592) million resulting from price increase and higher import to ensure market supply
- 6 **Net result from financial activities** is positive in Q1 2022 mainly as a result of:
 - Net foreign exchange gain amounted HRK 19 million in Q1 2022, while in Q1 2021 gain reached HRK 5 million
 - Interest expense amounted to HRK (20) million and interest income was neutral in Q1 2022, while in Q1 2021 interest expense amounted to HRK (23) million and interest income to HRK 1 million
 - Other financial net gain amounted to HRK 3 million in both Q1 2022 and Q1 2021
- 7 **Income tax expense** in Q1 2022 amounted to HRK (133) million compared to HRK (7) million income tax expense in Q1 2021. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 March 2022 and 2021

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 31 March 2022 INA Group **total assets** amounted to HRK 24,377 million, 11% higher than 31 December 2021
- 9 In the period ended 31 March 2022, INA Group invested HRK 5 million in **intangible assets**. The effect of depreciation equals HRK 14 million
- 10 In the period ended 31 March 2022, INA Group invested HRK 841 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in the amount of HRK 338 million
- 11 **Inventories** amounted to HRK 3,762 million and increased compared to HRK 2,146 million on 31 December 2021 mainly due to higher prices
 - During Q1 2022, HRK (1) million was recognized as an impairment of refined products and work in progress (Q1 2021: impairment in the amount of HRK (13) million) within Changes in inventories of finished products and work in progress within statement of profit or loss
 - During Q1 2022, HRK (27) million was recognized as an impairment for merchandise (Q1 2021: impairment of HRK (2) million) within Cost of other goods sold within statement of profit or loss
- 12 **Trade receivables (net)** amounted to HRK 2,198 million, which is 10% higher than on 31 December 2021 mainly due to higher sales value and improving price environment
- 13 **Share capital** as at 31 March 2022 amounted to HRK 9,000 million. There were no movements in the issued capital of the Company in either the current or the prior financial reporting
- 14 As at 31 March 2022 **total liabilities** amounted to HRK 12,955 million, 16% higher compared to 31 December 2021. INA Group **net debt** amounted to HRK 790 million and increased compared to 31 December 2021. **Net gearing** increased from 4.3% as at 31 December 2021 to 6.5% as at 31 March 2022
- 15 **Trade payables** increased by 55% compared to 31 December 2021 to HRK 3,322 million, mainly driven by higher prices of imported crude oil and refined products

Condensed Consolidated Cash Flow Statement (Indirect method)

Notes

- 16 The **operating cash flow before working capital changes** amounted to HRK 1,167 million in Q1 2022 representing an increase compared to Q1 2021, which is in line with the change in EBITDA performance excluding non-cash items
- 17 **Movements in working capital** affected the operating cash flow negatively by HRK (674) million, due to:
- Increase in value of inventories in the amount of HRK (1,648) million, mainly related to higher prices
 - Increase in receivables in the amount of HRK (301) million mainly related to higher sales prices
 - Increase in trade and other payables amounted to 1,275 HRK million, mainly related to higher purchase prices and volumes in line with production dynamics
- 18 **Net cash used in investing activities** amounted to HRK (874) million of outflows due to intensive investment in Refining operations and is higher compared to HRK (241) million outflows in Q1 2021

Special items in operating profit and EBITDA

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

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

In Q1 2021 and Q1 2022, there were no special items impacting the result.

Financial instruments and risk management

Risk Management procedures of INA Group are described in detail in Consolidated and separate Financial Statements of INA for the year ended 31 December 2021.

As of 31 March 2022 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods and fixed price contracts
- Contracted and available short-term credit lines amounted to HRK 3,685 million excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products
- Contracted and available long-term credit lines amounted to HRK 2,041 million
- Issued long-term bond of HRK 2 bln, with a fixed annual interest rate and maturity in December 2026

Changes in equity

	Share capital	Legal reserves	Other reserves	Fair value reserves	(Accumulated losses)/ Retained earnings	Attributable to equity holders of the parent company	Non controlling interest	Total
Balance at 1 January 2021	9,000	199	1,529	202	(1,586)	9,344	13	9,357
Profit/(loss) for the period	-	-	-	-	50	50	-	50
Other comprehensive gain/(loss), net	-	-	26	6	-	32	-	32
Total comprehensive income/(loss) for the period	-	-	26	6	50	82	-	82
Balance at 31 March 2021	9,000	199	1,555	208	(1,536)	9,426	13	9,439
Balance at 1 January 2022	9,000	199	1,562	280	(274)	10,767	15	10,782
Profit/(loss) for the period	-	-	-	-	586	586	-	586
Other comprehensive gain/(loss), net	-	-	36	18	-	54	-	54
Total comprehensive income/(loss) for the period	-	-	36	18	586	640	-	640
Balance at 31 March 2022	9,000	199	1,598	298	312	11,407	15	11,422

Related party transactions

INA Group has dominant position in Croatia in oil and gas exploration and production, oil refining and sale of gas and petroleum products. As a result of the strategic position of INA Group within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation.

During Q1 2022, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	Q1 2022	Q1 2022
Companies available for sale		
JANAF d.d. Zagreb	1	6
Governing company		
MOL Nyrt.	362	173
Companies controlled by governing company		
Tifon d.o.o.	191	2
MOL Commodity Trading Kft.	33	3
MOL Slovenia d.o.o.	13	-
MOL Serbia d.o.o.	7	4
MOL-LUB Kft.	1	-
Slovnaft, a.s.	-	202

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 March 2022	31 March 2022
Companies available for sale		
JANAF d.d. Zagreb	1	6
Governing company		
MOL Nyrt.	99	146
Companies controlled by governing company		
MOL Commodity Trading Kft.	174	170
Tifon d.o.o.	98	1
MOL Serbia d.o.o.	5	3
MOL Slovenia d.o.o.	5	2
Slovnaft, a.s.	-	76
Geoinform Kft.	-	1

Management representation

Consolidated financial statements of INA Group for Q1 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows.

Management Board:

- Sándor Fasimon – President of the Management Board
- Niko Dalić – Member of the Management Board
- Barbara Dorić – Member of the Management Board
- Ferenc Zoltán Horváth – Member of the Management Board
- Darko Markotić – Member of the Management Board
- József Farkas Simola – Member of the Management Board