



**INA GROUP
Q2 & H1 2022
FINANCIAL REPORT**

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q2 and H1 2022 results. This report contains unaudited consolidated financial statements for the period ending 30 June 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)

Q2 2021	Q2 2022	HRK mln	H1 2021	H1 2022	%
5,317	9,612	Net sales revenues*	9,270	15,574	68
772	1,626	EBITDA ⁽¹⁾	1,239	2,768	123
772	1,626	EBITDA excl. special items⁽²⁾	1,239	2,768	123
633	1,447	CCS EBITDA excl. special items	1,057	2,442	131
369	1,247	Profit/(loss) from operations	453	1,971	335
369	1,247	Profit/(loss) from operations excl. special items ⁽²⁾	453	1,971	335
230	1,068	CCS Profit/(loss) from operations excl. special items	271	1,645	507
177	(86)	Net (loss)/profit from financial activities	163	(84)	n.a.
484	950	Profit/(loss) for the period attributable to Owners of the Company	534	1,536	188
484	950	Profit/(loss) for the period excl. special items ⁽²⁾	534	1,536	188
252	947	Simplified Free Cash Flow ⁽³⁾	448	1,096	145
1,016	(1,115)	Net operating cash flow	865	(635)	n.a.
Earnings per share					
48.4	95.0	Basic and diluted gain/(loss) per share (HRK per share)	53.4	153.6	188
2,011	2,379	Net debt	2,011	2,379	18
16.9	17.2	Net gearing (%)	16.9	17.2	
381	500	CAPEX total	609	1,346	121
321	471	Domestic	500	1,283	157
60	29	International	109	63	(42)

Q2 2021	Q2 2022	USD mln ⁽⁴⁾	H1 2021	H1 2022	%
851	1,361	Net sales revenues*	1,481	2,248	52
124	230	EBITDA ⁽¹⁾	198	400	102
124	230	EBITDA excl. special items⁽²⁾	198	400	102
101	205	CCS EBITDA excl. special items	169	353	109
59	177	Profit/(loss) from operations	72	284	292
59	177	Profit/(loss) from operations excl. special items ⁽²⁾	72	284	292
37	151	CCS Profit/(loss) from operations excl. special items	43	237	447
28	(12)	Net (loss)/profit from financial activities	26	(12)	n.a.
77	134	Profit/(loss) for the period attributable to Owners of the Company	85	222	159
77	134	Profit/(loss) for the period excl. special items ⁽²⁾	85	222	159
40	134	Simplified Free Cash Flow ⁽³⁾	72	156	118
163	(158)	Net operating cash flow	139	(86)	n.a.
Earnings per share					
7.7	13.4	Basic and diluted gain/(loss) per share (USD per share)	8.5	22.2	159
320	332	Net debt	320	332	4
61	71	CAPEX total	97	197	102
51	67	Domestic	80	188	135
10	4	International	17	9	(47)

* Related to Revenue from contracts with customers

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

(2) In H1 2021 and H1 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: as at 31 December 2021 – 6.6435 HRK/USD; as at 30 June 2021 – 6.2904 HRK/USD; as at 30 June 2022 – 7.1635 HRK/USD; for Q1 2021 – 6.2739 HRK/USD; for Q1 2022 – 6.7147 HRK/USD; for Q2 2021 – 6.2464 HRK/USD; for Q2 2022 – 7.0649 HRK/USD

H1 2022 financial and operational highlights

Due to geopolitical risks and supply uncertainties, global energy markets continued to be marked by high prices, with Brent levels above USD 100 per barrel and CEGH gas price exceeding 100 EUR/MWh in Q2 2022.

Driven by the favorable price environment, results remained strong. H1 2022 INA Group CCS EBITDA excl. special items amounted to more than HRK 2.4 billion while net profit exceeded HRK 1.5 billion. Results improved throughout the segments with Exploration and Production revenues of almost HRK 3 billion and EBITDA of HRK 2.1 billion. High realized hydrocarbon prices significantly overcompensated the effect of continued natural decline of production. Negative cash flow of Refining and Marketing incl. Consumer services and Retail segment caused by ongoing investment activities is mitigated by the improved CCS EBITDA performance of almost HRK 0.8 billion. High energy prices and government restrictions in Retail prices and margins at the same time had a negative impact on the result. Non-fuel growth continued with 15% increase in margin driven by expanded offer and improved sales activities.

Intensified investment activities continued, CAPEX spending more than doubled compared to H1 2021 and reached HRK 1.3 billion, of which almost a billion spent in Refining and Marketing. Aimed at moderating trend of natural production decline, Exploration and Production also increased CAPEX level, focusing on development activities, both onshore and offshore. Despite the strong operative results, the cash flow of the company in H1 2022 was negative, as a consequence of the increased investments and the unprecedented financing need of the working capital due to the global energy price levels.



President of the Management Board comment

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

“2022 continue to be a challenging year for the global economy, with market turmoil in many areas, especially in the energy sector. High level of both oil and gas prices, together with uncertainty in the safety of supply, have led to government interventions in many countries. Rise in the prices pushed the revenues of the entire oil and gas industry but various regulatory decisions on the other hand create a position where future trends are not easy to foresee.

INA's result in such environment stayed strong, with Exploration and Production bringing the biggest contribution to the result. Production declines as expected in line with the mature portfolio, but multiple development activities aimed at moderating natural decline are underway, both onshore and offshore.

Due to the mentioned global risks and lower product availability, refining margins improved greatly and supported the result of the Refining and Marketing, including Customer Services and Retail, despite the regulatory constraints on price and margins. In these circumstances INA's priority is the safe supply of the market, which is ensured with no major disturbances in the supply. Seasonality of Croatian market is visible with growth of Retail volumes, not just in fuel but also in non-fuel segment. Considering all the above factors INA's EBITDA exceeded HRK 2.7 billion in first half 2022. Tourist season is in full swing and the Q3 result will likely show even stronger result, providing the regulatory measures don't additionally impact the market.

Apart from the strong revenues INA is also in a period of high investments. Capital expenditure more than double compared to first half 2021 and exceeded HRK 1.3 billion, of which more than a billion in the Refining segment. Rijeka Refinery Upgrade Project total completion is at more than 50% and continues as one of the largest investments in recent years, not just on INA level but also on country level. With the completion of the project supply of the domestic and core markets will be not just safe but also significantly more economically sustainable.”

Exploration and Production*

Q2 2021	Q2 2022	Segment IFRS results (HRK mln)	H1 2021	H1 2022	%
869	1,606	Net sales revenues	1,557	2,960	90
510	1,194	EBITDA	911	2,070	127
510	1,194	EBITDA excl. special items **	911	2,070	127
327	1,031	Profit from operations	562	1,706	204
327	1,031	Profit from operations excl. special items **	562	1,706	204
383	1,059	Simplified Free Cash Flow***	690	1,763	156
127	135	CAPEX	221	307	39

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

** In H1 2021 and H1 2022 the result was not impacted by special items

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

Q2 2021	Q2 2022	Hydrocarbon production (boe/d)	H1 2021	H1 2022	%
12,590	11,982	Crude oil production (boe/d)	12,596	12,258	(3)
10,311	9,814	Croatia	10,306	10,095	(2)
1,769	1,558	Egypt	1,816	1,574	(13)
510	611	Angola	474	589	24
13,765	13,046	Natural gas production (boe/d)	13,991	12,892	(8)
3,290	3,700	Croatia – offshore	3,467	3,420	(1)
10,475	9,347	Croatia – onshore	10,524	9,472	(10)
1,009	920	Condensate (boe/d)	1,037	921	(11)
27,364	25,948	Total hydrocarbon production	27,624	26,071	(6)

Q2 2021	Q2 2022	Average realized hydrocarbon price	H1 2021	H1 2022	%
56	106	Total hydrocarbon price (USD/boe)*	52	96	86

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

H1 2022 vs. H1 2021

Key drivers

- Higher prices impacted sales revenues positively by HRK 1.316 million. Increased gas prices added HRK 715 million positive effect, while 66% higher Brent price brought an additional HRK 492 million crude oil and condensate sales revenues with other products positive impact on revenues in the amount of HRK 109 million
- Despite higher oil production as a result of successfully performed projects in the 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
 - 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 increase of INA share on Block 3/05 by 1.3% due to exit of the partner

Capital expenditures

H1 2022 (HRK mln)	Croatia	Egypt	Angola
Exploration	1	-	-
Development	200	54	3
Other	49	-	-
TOTAL	250	54	3

Higher CAPEX level compared to H1 2021 mainly as a result of development activities on Croatia Offshore drilling campaign and on Croatia Onshore. Main activities in H1 2022 were related to:

Croatia Exploration:

- Drava-03: Permitting and preparation for drilling underway
- SZH-01: Seismic interpretation, geochronological study and laboratory analysis in progress
- DI-14: External G&G study completed, final G&G in-house study completed

Croatia Development Offshore:

- Ika B-1 R well: initial production started on March 3rd, 2022
- Marica D Dir well: Hook up completed. Trial production started on May 26th, 2022

Croatia Development Onshore:

- In total 25 workovers were performed
- Dravica-3: Drilling started on April 18th, finished on May 31st, 2022, the well is negative. Based on results, review of surface production concept is in progress
- EOR Šandrovac: finished CO₂ injection phase; start of water injection at beginning of April and it is ongoing

Egypt

- Egypt, North Bahariya concession: 7 development wells drilled (3 producers and 4 water injectors), out of which 2 put in production as oil producers, 3rd drilled oil well completion in progress.



Refining and Marketing, including Consumer Services and Retail*

Q2 2021	Q2 2022	Segment IFRS results (HRK mln)	H1 2021	H1 2022	%
5,132	9,482	Net sales revenues	8,972	15,191	69
367	720	EBITDA	529	1,105	109
367	720	EBITDA excl. special items**	529	1,105	109
228	541	CCS EBITDA excl. special items**	347	779	125
189	545	Profit/(loss) from operations	174	758	336
189	545	Profit/(loss) from operations excl. special items**	174	758	336
50	366	CCS Profit/(loss) from operations	(8)	432	n.a.
(16)	200	Simplified Free Cash Flow***	(24)	(223)	822
244	341	CAPEX	371	1,002	170

* 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 H1 2022 and FY 2021 result was not impacted by special items

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

Q2 2021	Q2 2022	Refining processing (kt)	H1 2021	H1 2022	%
38	138	Domestic crude oil	47	139	194
656	613	Imported crude oil	880	621	(29)
281	140	Other feedstock	336	159	(53)
975	891	Total refining throughput	1,263	919	(27)
		Refining production (kt)			
60	49	LPG*	74	49	(33)
18	32	Naphtha	37	32	(13)
228	188	Gasoline	276	192	(30)
15	50	Kerosene	20	50	153
417	359	Diesel	523	357	(32)
15	13	Heating oil	24	15	(35)
104	90	Fuel oil	148	104	(30)
29	24	Other products**	38	28	(28)
886	804	Total	1,139	826	(27)
10	11	Refining loss	15	12	(22)
79	76	Own consumption	109	81	(26)
975	891	Total refining production	1,263	919	(27)
		Refined product sales by country (kt)			
471	565	Croatia	857	989	15
150	149	B&H	274	276	1
15	15	Slovenia	26	25	(3)
18	4	Italy	20	8	(60)
436	230	Other markets	771	328	(57)
1,090	963	Total	1,948	1,627	(17)
		Refined product sales by product (kt)			
68	62	LPG*	110	104	(6)
19	29	Naphtha	36	29	(19)
247	206	Gasoline	339	297	(12)
15	50	Kerosene	21	66	214
445	492	Diesel	794	869	9
19	25	Heating oil	50	62	26
124	73	Fuel oil	141	89	(37)
22	18	Bitumen	35	30	(15)
131	10	Other ***	424	82	(81)
1,090	963	Total	1,948	1,627	(17)
257	276	o/w Consumer services and Retail segment sales	466	508	9
130	192	Total natural gas sales (mln m3)	299	410	37
505	504	Total number of service stations	504	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



H1 2022 vs. H1 2021

- Captive market sales higher, with commercial margins under pressure due to government price regulations on domestic market
- 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. Outstanding macro environment with elevated crack spreads strongly supporting refining contribution to the financial result in Q2, partially counterbalanced by high energy prices
- Total Retail sales volumes amounted to 508 kt in H1 2022 that is 9% above the same period of 2021, reflecting improved market conditions compared to the COVID restrictions in the past year and higher tourist consumption
- Non-fuel margin increased 15% driven by expanded non-fuel offer, Fresh Corner roll-out and improved sales activities
- Maintaining the leading position on the fuel market in Croatia is supported by the loyalty program reaching 380 thousand registered members. Roll out of first own label products started (Crunch&Go and Jim brands)

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 968 million:
 - Rijeka Refinery Upgrade Project - the last main purchase order for subcontractors was awarded for Electrical and Instrumentation works. Manufactory and delivery at the site reached ~90%. Construction of the Coke Drums Structure was finished by reaching ~120 meters, allowing for heavy lifting of equipment and steel structures – final height ~190 meters. The construction of a 110kV powerline and substation ended. Total project completion is at 56%
 - CDU energy efficiency upgrade project - Preparation of Main design ongoing (30% completion achieved). Ongoing tenders for main equipment delivery (Heat Exchangers, new pumps, overhaul of existing pumps)
- Consumer Services and Retail capital investments amounted to HRK 34 million in H1 2022 with focus on service station modernization and continued roll-out of Fresh Corner concept, which is present at 130 service stations

Main external parameters

Q2 2021	Q2 2022	Crude oil and gas prices	H1 2021	H1 2022	%
69	114	Brent dtd (USD/bbl)	65	108	66
1.7	34.7	Brent-Ural spread (USD/bbl)	1.4	23.1	1,573
25	102	CEGH gas price (EUR/MWh)	21	101	372
FOB MED Products prices and crack spreads					
649	1,215	Gasoline - premium unleaded 10 ppm (USD/t)	604	1,069	77
550	1,184	Diesel – ULSD 10 ppm (USD/t)	519	1,040	101
366	549	Fuel oil 3.5% (USD/t)	352	535	52
514	902	LPG (USD/t)	560	916	63
127	353	Crack spread – gasoline (USD/t)	112	252	124
29	322	Crack spread – diesel (USD/t)	27	224	724
(155)	(313)	Crack spread – fuel oil 3.5% (USD/t)	(140)	(282)	102
(8)	40	Crack spread – LPG (USD/t)	69	99	44
(1.48)	13.31	Indicative refining margins (USD/bbl)*	(1.35)	4.98	n.a.
Foreign exchange					
6.25	7.06	HRK/USD average	6.26	6.89	10
6.29	7.16	HRK/USD closing	6.29	7.16	14
7.53	7.54	HRK/EUR average	7.55	7.54	(0)
7.49	7.53	HRK/EUR closing	7.49	7.53	1
0.16	1.53	3m USD LIBOR (%)	0.18	1.02	467
(0.54)	(0.35)	3m EURIBOR (%)	(0.54)	(0.44)	(19)

*In light of recent market developments the refinery margin methodology was reviewed. Updated methodology includes purchased energy (enhanced fit to natural gas) and CO₂ costs, assuming Brent crude oil price as benchmark

Condensed Consolidated Statement of Profit or Loss

For the period ended 30 June 2021 and 2022 (in HRK millions)

Q2 2021	Q2 2022		Note	H1 2021	H1 2022	%
5,317	9,612	Revenue from contracts with customers	1	9,270	15,574	68
95	26	Other operating income		157	159	1
5,412	9,638	Total operating income		9,427	15,733	67
60	1,668	Changes in inventories of finished products and work in progress		636	1,541	142
(3,083)	(5,116)	Costs of raw materials and consumables	2	(4,071)	(5,373)	32
(403)	(379)	Depreciation, amortisation and impairment (net)	3	(786)	(797)	1
(516)	(715)	Other material costs	3	(937)	(1,169)	25
(109)	(124)	Service costs	3	(219)	(246)	12
(490)	(439)	Staff costs	4	(900)	(848)	(6)
(569)	(3,319)	Costs of other goods sold	5	(2,770)	(6,911)	149
1	(46)	Impairment charges (net)	3	1	(62)	n.a.
(5)	(11)	Provision for charges and risks (net)	3	(42)	(70)	67
71	90	Capitalised value of own performance		114	173	52
(5,043)	(8,391)	Operating expenses		(8,974)	(13,762)	53
369	1,247	Profit/(loss) from operations		453	1,971	335
144	69	Finance income		254	130	(49)
33	(155)	Finance costs		(91)	(214)	135
177	(86)	Net (loss)/profit from financial activities	6	163	(84)	n.a.
6	2	Share of net gain/(loss) of joint ventures accounted for using the equity method	6	(7)	(5)	(29)
552	1,163	Profit/(loss) before tax		609	1,882	209
(68)	(212)	Income tax benefit/(expense)	7	(75)	(345)	360
484	951	Profit/(loss) for the period		534	1,537	188
		Attributable to:				
484	950	Owners of the Company		534	1,536	188
-	1	Non-controlling interests		-	1	n.a.
		Earnings per share				
48.4	95.0	Basic and diluted earnings/(loss) per share (HRK per share)		53.4	153.6	188

Condensed Consolidated Statement of Financial Position

At 31 December 2021 and 30 June 2022 (in HRK millions)

	Note	31 December 2021	30 June 2022	%
Assets				
Non-current assets				
Intangible assets	9	449	458	2
Property, plant and equipment	10	11,429	12,262	7
Right-of-use assets		307	278	(9)
Investments in associates and joint venture		245	241	(2)
Other investments		17	17	(0)
Long-term receivables		835	801	(4)
Deferred tax assets		949	883	(7)
Long-term marketable securities		42	17	(60)
Non-current financial assets		655	779	19
Total non-current assets		14,928	15,736	5
Current assets				
Inventories	11	2,146	3,902	82
Trade receivables (net)	12	2,007	3,436	71
Other receivables		164	322	96
Corporative income tax receivables		6	7	17
Other current assets		79	255	223
Marketable securities		17	158	829
Cash and cash equivalents		2,630	1,928	(27)
Total current assets		7,049	10,008	42
Assets held for sale		13	14	8
Total current assets		7,062	10,022	42
Total assets	8	21,990	25,758	17
Equity and liabilities				
Capital and reserves				
Share capital	13	9,000	9,000	-
Legal reserves		199	250	26
Fair value reserves		280	378	35
Other reserves		1,562	1,609	3
(Accumulated losses)/Retained earnings		(274)	231	n.a.
Equity attributable to the owners of the Company		10,767	11,468	7
Non-controlling interests		15	16	7
Total equity		10,782	11,484	7
Non-current liabilities				
Long-term debts		1,983	1,985	0
Long-term lease liabilities		228	203	(11)
Other non-current liabilities		29	28	(3)
Employee benefits obligation		67	67	-
Provisions		3,668	3,843	5
Deferred tax liability		15	16	7
Total non-current liabilities		5,990	6,142	3
Current liabilities				
Bank loans and current portion of long-term debt		1,145	2,480	117
Current portion of long-term lease liabilities		84	80	(5)
Trade payables	15	2,143	2,130	(1)
Taxes and contributions		938	1,443	54
Other current liabilities		586	1,781	204
Employee benefits obligation		4	4	-
Provisions		318	214	(33)
Total current liabilities		5,218	8,132	56
Total liabilities	14	11,208	14,274	27
Total equity and liabilities		21,990	25,758	17

Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 30 June 2021 and 2022 (in HRK millions)

Q2 2021	Q2 2022		Note	H1 2021	H1 2022	%
484	951	Profit/(loss) for the period:		534	1,537	188
		Adjustments for:				
403	379	Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)		786	797	1
68	212	Income tax (benefit)/expense recognised in profit and loss		75	345	360
(1)	46	Impairment charges (net)		(1)	62	n.a.
(9)	(6)	Loss/(gain) on sale of property, plant and equipment		(9)	(6)	(33)
(55)	76	Foreign exchange (gain)/loss		1	57	5,600
4	8	Interest (gain)/expense (net)		7	15	114
(6)	(2)	Share of (profit)/loss of joint ventures accounted for using the equity method		7	5	(29)
(145)	(12)	Other finance (income)/expense recognised in profit		(209)	(15)	(93)
(70)	(186)	(Increase)/decrease in provision		(36)	(130)	261
19	14	Decommissioning interests and other provision		38	27	(29)
146	253	Net (gain)/loss on derivative financial instruments and hedge transactions		191	206	8
2	1	Other non-cash items		-	1	n.a.
840	1,734	Operating cash flow before working capital changes	16	1,384	2,901	110
		Movements in working capital	17			
(499)	(228)	Decrease/(increase) in inventories		(1,734)	(1,876)	8
(57)	(1,656)	(Increase)/decrease in receivables and prepayments		(1,128)	(1,957)	73
743	(957)	(Decrease)/increase in trade and other payables		2,360	318	(87)
1,027	(1,107)	Cash generated from operations		882	(614)	n.a.
(11)	(8)	Taxes paid		(17)	(21)	24
1,016	(1,115)	Net cash inflow/(outflow) from operating activities		865	(635)	n.a.
		Cash flows used in investing activities				
(382)	(524)	Capital expenditures, exploration and development costs		(609)	(1,307)	115
(20)	(11)	Payment for intangible assets		(51)	(21)	(59)
19	8	Proceeds from sale of non-current assets		27	12	(56)
-	122	(Investment)/proceeds from sale in securities		-	25	n.a.
160	-	Dividends received from companies classified as non-current financial assets available for sale and from other companies		160	-	n.a.
4	21	Interest received and other financial income		12	31	158
-	-	Loans and other investments (net)		1	2	100
(219)	(384)	Net cash used in investing activities	18	(460)	(1,258)	173
		Cash flows from financing activities				
14	-	Change in long-term borrowings (net)		204	-	n.a.
(179)	1,387	Change in short-term borrowings (net)		469	1,283	174
(23)	(17)	Change of principal portion of lease liabilities		(31)	(29)	(6)
-	-	Dividends paid		(585)	-	n.a.
(123)	(212)	Interest paid on short-term loans and other financing charges		(123)	(165)	34
(311)	1,158	Net cash flows (used in)/ from financing activities		(66)	1,089	n.a.
486	(341)	Net increase/(decrease) in cash and cash equivalents		339	(804)	n.a.
250	2,214	At the beginning of the period		399	2,630	559
7	57	Effect of foreign exchange rate changes		5	95	1,800
743	1,930	At the end of period		743	1,921	159
1	(2)	Overdrafts (net)		1	7	600
744	1,928	Cash and cash equivalents in statement of financial position		744	1,928	159

INA Group Summary Segmental Results of Operations

Q2 2021	Q2 2022	(HRK mln)	H1 2021	H1 2022	%
Net sales revenues					
869	1,606	Exploration & Production	1,557	2,960	90
5,132	9,482	Refining & Marketing including Consumer services and Retail	8,972	15,191	69
302	301	Corporate and Other	591	595	1
(986)	(1,776)	Intersegment transfers and consolidation adjustments	(1,850)	(3,172)	71
5,317	9,612	Total	9,270	15,574	68
EBITDA*					
510	1,194	Exploration & Production	911	2,070	127
367	720	Refining & Marketing including Consumer services and Retail	529	1,105	109
(33)	(30)	Corporate and Other	(66)	(46)	(30)
(72)	(258)	Intersegment transfers and consolidation adjustments	(135)	(361)	167
772	1,626	Total	1,239	2,768	123
EBITDA excluding special items					
510	1,194	Exploration & Production	911	2,070	127
367	720	Refining & Marketing including Consumer services and Retail	529	1,105	109
(33)	(30)	Corporate and Other	(66)	(46)	(30)
(72)	(258)	Intersegment transfers and consolidation adjustments	(135)	(361)	167
772	1,626	Total	1,239	2,768	123
Profit/(loss) from operations					
327	1,031	Exploration & Production	562	1,706	204
189	545	Refining & Marketing including Consumer services and Retail	174	758	336
(76)	(72)	Corporate and Other	(149)	(133)	(11)
(71)	(257)	Intersegment transfers and consolidation adjustments	(134)	(360)	169
369	1,247	Total	453	1,971	335
Profit/(loss) from operations excluding special items					
327	1,031	Exploration & Production	562	1,706	204
189	545	Refining & Marketing including Consumer services and Retail	174	758	336
(76)	(72)	Corporate and Other	(149)	(133)	(11)
(71)	(257)	Intersegment transfers and consolidation adjustments	(134)	(360)	169
369	1,247	Total	453	1,971	335
Property, plant and equipment					
4,453	4,368	Exploration & Production	4,453	4,368	(2)
6,470	7,361	Refining & Marketing including Consumer services and Retail	6,470	7,361	14
1,130	1,054	Corporate and Other	1,130	1,054	(7)
(493)	(521)	Intersegment transfers and consolidation adjustments	(493)	(521)	6
11,560	12,262	Total	11,560	12,262	6

*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 H1 2022 is HRK (361) million compared to HRK (135) million in H1 2021.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in H1 2022 amounted to HRK 15,574 million and is 68% higher compared to H1 2021, supported by improvement in hydrocarbon prices and product quotations
- 2 **Costs of raw materials and consumables** at HRK (5,373) million were 32% higher than H1 2021 level, reflecting different dynamic of refinery operations
- 3 Other **operating costs** realized in H1 2022 include:
 - Other material costs in the amount of HRK (1,169) million were higher by 25%, mainly driven by transportation costs and higher maintenance costs
 - Service costs in the amount of HRK (246) million were 12% higher than the H1 2021, mainly driven by the effect of subsidiary liquidation
 - Depreciation, amortisation and impairment (net) in the amount of HRK (797) million were at the level of H1 2021
 - Impairment charges (net) had a negative effect in the amount of HRK (62) million in H1 2022 compared to positive effect in the amount of HRK 1 million in H1 2021, mainly due to higher receivables collection in 2021
 - Provision for charges and risk (net) had a negative effect in the amount of HRK (70) million in H1 2022 compared to HRK (42) million negative effect in H1 2021
- 4 **Staff costs** in the amount HRK (848) million were 6% lower than the H1 2021
- 5 **Costs of other goods sold** in H1 2022 increased compared to H1 2021 and amounted to HRK (6,911) million resulting from price increase and higher import to ensure market supply
- 6 **Net result from financial activities** is negative in H1 2022 mainly as a result of:
 - Net foreign exchange loss amounted HRK (56) million in H1 2022, while in H1 2021 gain reached HRK 44 million
 - Interest expense amounted to HRK (43) million and interest income was neutral in H1 2022, while in H1 2021 interest expense amounted to HRK (45) million and interest income to HRK 1 million
 - Other financial net gain amounted to HRK 15 million in H1 2022 compared to HRK 163 million H1 2021
- 7 **Income tax expense** in H1 2022 amounted to HRK (345) million compared to HRK (75) million income tax expense in H1 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 30 June 2022 and 2021

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 30 June 2022 INA Group **total assets** amounted to HRK 25,758 million, 17% higher than 31 December 2021
- 9 In the period ended 30 June 2022, INA Group invested HRK 16 million in **intangible assets**. The effect of depreciation equals HRK 28 million
- 10 In the period ended 30 June 2022, INA Group invested HRK 1.330 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in the amount of HRK 718 million
- 11 **Inventories** amounted to HRK 3,902 million and increased compared to HRK 2,146 million on 31 December 2021 mainly due to higher prices
 - During H1 2022, HRK (19) million was recognized as an impairment of refined products and work in progress (H1 2021: impairment in the amount of HRK (10) million) within Changes in inventories of finished products and work in progress within statement of profit or loss
 - During H1 2022, HRK 10 million was recognized as reversal of impairment for merchandise (H1 2021: reversal impairment of HRK 2 million) within Cost of other goods sold within statement of profit or loss
- 12 **Trade receivables (net)** amounted to HRK 3,436 million, which is 71% higher than on 31 December 2021 mainly due to higher sales value and improving price environment
- 13 **Share capital** as at 30 June 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 30 June 2022 **total liabilities** amounted to HRK 14,274 million, 27% higher compared to 31 December 2021. INA Group **net debt** amounted to HRK 2,379 million and increased compared to 31 December 2021. **Net gearing** increased from 4.3% as at 31 December 2021 to 17.2% as at 30 June 2022
- 15 **Trade payables** amounted to HRK 2,130 million and decreased by 1% compared to 31 December 2021

Condensed Consolidated Cash Flow Statement (Indirect method)

Notes

- 16 The **operating cash flow before working capital changes** amounted to HRK 2,901 million in H1 2022 representing an increase compared to H1 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 (3,515) million, due to:
- Increase in value of inventories in the amount of HRK (1,876) million, mainly related to higher prices
 - Increase in receivables in the amount of HRK (1,957) million mainly related to higher sales prices
 - Increase in trade and other payables amounted to 318 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 (1,258) million of outflows due to intensive investment in Refining operations and is higher compared to HRK (460) million outflows in H1 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 H1 2021 and H1 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 30 June 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 3,789 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 2,149 million
- Issued long-term bond of HRK 2 bln, with a fixed annual interest rate and maturity in December 2026

Russia – Ukraine conflict

Management is continuously investigating and assessing the possible effects of the current geopolitical situation, international sanctions and other possible limitations on the supply chain and business activities of INA Group, driven by the Russia's invasion of Ukraine that commenced on 24 February 2022. INA Group exposure to Russia and Ukraine does not require any adjustments to these financial statements as of 30 June 2022, and is not expected to jeopardize the business continuity of the Group.

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	-	-	-	-	534	534	-	534
Other comprehensive gain/(loss), net	-	-	17	6	-	23	-	23
Total comprehensive income/(loss) for the period	-	-	17	6	534	557	-	557
Balance at 30 June 2021	9,000	199	1,546	208	(1,052)	9,901	13	9,914
Balance at 1 January 2022	9,000	199	1,562	280	(274)	10,767	15	10,782
Profit/(loss) for the period	-	-	-	-	1,536	1,536	1	1,537
Other comprehensive gain/(loss), net	-	-	47	98	-	145	-	145
Total comprehensive income/(loss) for the period	-	-	47	98	1,536	1,681	1	1,682
Transfer to legal reserves	-	51	-	-	(51)	-	-	-
Dividends	-	-	-	-	(980)	(980)	-	(980)
Balance at 30 June 2022	9,000	250	1,609	378	231	11,468	16	11,484



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 H1 2022, INA Group entered into the following trading transactions with the following related parties:

INA Group HRK mln	Sales of goods	Purchase of goods
	H1 2022	H1 2022
Companies available for sale		
JANAF d.d. Zagreb	4	29
Governing company		
MOL Nyrt.	517	612
Companies controlled by governing company		
Tifon d.o.o.	488	4
MOL Commodity Trading Kft.	102	184
MOL Slovenia d.o.o.	74	-
MOL Serbia d.o.o.	40	5
MOL Petrochemical	18	16
Slovnaft, a.s.	16	290
MOL-LUB Kft.	1	1
MOL Azerbaijan	-	1,005
Geoinform Kft.	-	2
Slovnaft Montaze a opravy a.s.	1	-
Petrolszolg Kft.	1	-

INA Group HRK mln	Amounts owed from related parties	Amounts owed to related parties
	30 June 2022	30 June 2022
Companies available for sale		
JANAF d.d. Zagreb	3	6
Governing company		
MOL Nyrt.	77	176
Companies controlled by governing company		
MOL Commodity Trading Kft.	211	195
Tifon d.o.o.	132	2
MOL Slovenia d.o.o.	47	2
MOL Serbia d.o.o.	30	1
Slovnaft, a.s.	6	37
MOL Petrochemicals Co. Ltd.	6	-
Petrolszolg Kft.	1	-
MOL LUB Kft.	1	-
Slovnaft Montaze a opravy a.s.	1	-
Geoinform Kft.	-	2

Management representation

Consolidated financial statements of INA Group for H1 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