



**INA GROUP
Q3 & Q1-Q3 2022
FINANCIAL REPORT**

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q3 and Q1-Q3 2022 results. This report contains unaudited consolidated financial statements for the period ending 30 September 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)

Q3 2021	Q3 2022	HRK mln	Q1-Q3 2021	Q1-Q3 2022	%
6,978	11,659	Net sales revenues*	16,248	27,233	68
1,102	1,897	EBITDA ⁽¹⁾	2,341	4,665	99
1,102	1,897	EBITDA excl. special items⁽²⁾	2,341	4,665	99
1,052	2,274	CCS EBITDA excl. special items⁽²⁾	2,109	4,716	124
700	1,469	Profit/(loss) from operations	1,153	3,440	198
700	1,469	Profit/(loss) from operations excl. special items ⁽²⁾	1,153	3,440	198
650	1,846	CCS Profit/(loss) from operations excl. special items⁽²⁾	921	3,491	279
(35)	3	Net (loss)/profit from financial activities	128	(81)	n.a.
563	1,233	Profit/(loss) for the period attributable to Owners of the Company	1,097	2,769	152
563	1,233	Profit/(loss) for the period excl. special items ⁽²⁾	1,097	2,769	152
758	1,705	Simplified Free Cash Flow ⁽³⁾	1,206	2,801	132
699	1,748	Net operating cash flow	1,564	1,113	(29)
Earnings per share					
56.3	123.3	Basic and diluted gain/(loss) per share (HRK per share)	109.7	276.9	152
1,639	1,919	Net debt	1,639	1,919	17
13.5	13.1	Net gearing (%)	13.5	13.1	
294	569	CAPEX total	903	1,915	112
253	552	Domestic	753	1,835	144
41	17	International	150	80	(47)

Q3 2021	Q3 2022	USD mln ⁽⁴⁾	Q1-Q3 2021	Q1-Q3 2022	%
1,098	1,564	Net sales revenues*	2,580	3,812	48
173	254	EBITDA ⁽¹⁾	371	655	76
173	254	EBITDA excl. special items⁽²⁾	371	655	76
166	305	CCS EBITDA excl. special items⁽²⁾	335	658	97
110	197	Profit/(loss) from operations	183	481	164
110	197	Profit/(loss) from operations excl. special items ⁽²⁾	183	481	164
102	248	CCS Profit/(loss) from operations excl. special items⁽²⁾	146	485	233
(6)	0	Net (loss)/profit from financial activities	21	(11)	n.a.
89	165	Profit/(loss) for the period attributable to Owners of the Company	174	387	122
89	165	Profit/(loss) for the period excl. special items ⁽²⁾	174	387	122
119	229	Simplified Free Cash Flow ⁽³⁾	191	385	102
110	234	Net operating cash flow	249	148	(40)
Earnings per share					
8.9	16.5	Basic and diluted gain/(loss) per share (USD per share)	17.4	38.7	122
255	247	Net debt	255	247	(3)
46	76	CAPEX total	144	273	90
40	74	Domestic	120	262	118
6	2	International	24	11	(52)

* Related to Revenue from contracts with customers

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

(2) In Q1-Q3 2021 and Q1-Q3 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 September 2021 – 6.4266 HRK/USD; as at 30 September 2022 – 7.7681 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; for Q3 2021 – 6.3528 HRK/USD; for Q3 2022 – 7.4560 HRK/USD

Q1-Q3 2022 financial and operational highlights

Energy market turmoil driven by the geopolitical risks and supply issues continues to keep the hydrocarbon prices at elevated levels, with Brent prices above USD 100 per barrel and CEGH gas price fluctuating, but shortly exceeding even 200 EUR/MWh during Q3 2022. In such environment, entire oil and gas industry delivers strong results.

INA Group CCS EBITDA excl. special items in first nine months 2022 amounted to more than HRK 4.7 billion while net profit exceeded HRK 2.7 billion. Results are stronger in all segments with Exploration and Production naturally being the main cash generator, mainly due to the strong environment. Exploration and Production revenues amounted to HRK 5.4 billion with EBITDA HRK 3.9 billion. Natural decline of production continues, but the effect of ongoing Offshore drilling campaign is already visible in production volumes. Ongoing investment cycle in Refining and Marketing incl. Consumer services and Retail segment caused negative cash flow although the operating results improved. Various regulatory restrictions in Retail had a negative impact on the result but on the other side the refining margins improved leading to better overall results with CCS EBITDA excl. special items of almost HRK 1.3 billion.

Investment activities continue to be on high levels, throughout the segments, more than doubling compared to first nine months 2021. Refining and Marketing, with the Residue Upgrade Project remain the biggest investment, but the ongoing Offshore drilling campaign is also a significant development project, with the effect of increase production already showing.

Despite the strong operative results, operating cash flow of the company is lower compared to last year, due to major investments and large financing needs for the working capital.



President of the Management Board comment

Mr. Péter Rátatics, President of the Management Board comments on the results:

“ Third quarter of 2022 brought continuation of worldwide energy market volatility, with gas prices oscillating and oil price at continued high level. Questionable security of supply in some countries, caused by the global turmoil, alongside with elevated price level led to numerous regulatory interventions throughout the world. In such environment INA's result stayed strong, primarily due to the Exploration and Production, the strongest cash generator in the conditions of high hydrocarbon prices. Ongoing Offshore drilling campaign already brought some results with two new wells put into production, although further development is needed and underway in order to mitigate the natural production decline, something expected with the mature portfolio of INA.

Compared to the same period last year, refining margins are greatly improved, which led to improved Refining and Marketing operations, despite the fact that increased energy prices also burden their result. Captive market sales also increased, with the results under pressure with the various limitations on margins. Nevertheless, the safe supply of the market remains INA's priority. Excellent tourist season and consumption assisted the growth of Retail volumes in fuel, with third quarter amounting to more than 40% of volumes in the first nine months 2022. Alongside with fuel, a non-fuel growth continued due to expansion of offer and improved sales.

Although the external environment of high hydrocarbon prices enabled us to increase our income, it is important to emphasize that a large part of INA's profit is returned to investments, so the period of strong investments continued. Our CAPEX more than doubled compared to the first nine months of 2021. The Rijeka Refinery upgrade project continues as INA's largest investment in history, the goal of which is to ensure the long-term profitability of INA's refining, on top of already ensured security of supply. The aforementioned offshore drilling campaigns will ensure an increase in natural gas production.

It is ungrateful to predict what will the future bring since the volatile markets, the regulatory measures that are hard to foresee, the rising inflation and probable recession bring a higher level of uncertainty. Therefore, INA will continue to continuously improve its operations to strengthen its position for the years ahead.”

Exploration and Production*

Q3 2021	Q3 2022	Segment IFRS results (HRK mln)	Q1-Q3 2021	Q1-Q3 2022	%
1,031	2,440	Net sales revenues	2,588	5,400	109
652	1,832	EBITDA	1,563	3,902	150
652	1,832	EBITDA excl. special items **	1,563	3,902	150
470	1,616	Profit from operations	1,032	3,322	222
470	1,616	Profit from operations excl. special items **	1,032	3,322	222
516	1,675	Simplified Free Cash Flow***	1,206	3,438	185
136	157	CAPEX	357	464	30

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

** In Q1-Q3 2021 and Q1-Q3 2022 the result was not impacted by special items

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

Q3 2021	Q3 2022	Hydrocarbon production (boe/d)	Q1-Q3 2021	Q1-Q3 2022	%
12,567	12,267	Crude oil production (boe/d)	12,586	12,261	(3)
10,383	10,097	Croatia	10,332	10,096	(2)
1,703	1,613	Egypt	1,778	1,587	(11)
481	557	Angola	476	578	21
13,325	13,062	Natural gas production (boe/d)	13,767	12,949	(6)
3,139	3,640	Croatia – offshore	3,356	3,494	4
10,187	9,422	Croatia – onshore	10,410	9,455	(9)
930	886	Condensate (boe/d)	1,001	909	(9)
26,822	26,214	Total hydrocarbon production	27,354	26,119	(5)

Q3 2021	Q3 2022	Average realized hydrocarbon price	Q1-Q3 2021	Q1-Q3 2022	%
70	137	Total hydrocarbon price (USD/boe)*	58	110	91

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

Q1-Q3 2022 vs. Q1-Q3 2021

Key drivers

- Higher prices impacted sales revenues positively by HRK 2.601 million. Increased gas prices added HRK 1.729 million positive effect, while 56% higher Brent price brought an additional HRK 718 million crude oil and condensate sales revenues with other products positive impact on revenues in the amount of HRK 154 million
- Gas sales towards HEP regulated at fixed price with negative impact expected from Q4 2022
- Despite of successfully performed actions in the scope of Production optimization project and positive effect of putting into production two new Offshore wells (Ika B & Marica D), 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: production is higher with the increase of INA share on Block 3/05 by 1.3% due to exit of the partner

Capital expenditures

Q1-Q3 2022 (HRK mln)	Croatia	Egypt	Angola
Exploration	1	1	-
Development	325	66	2
Other	69	-	-
TOTAL	395	67	2

Higher CAPEX level compared to Q1-Q3 2021 mainly as a result of development activities on Croatia Offshore drilling campaign and on Croatia Onshore. Main activities in Q1-Q3 2022 were related to:

Croatia Exploration:

- Drava-03: Permitting and preparation for drilling underway, drilling postponed from 2022 year-end to 2023
- SZH-01: Seismic interpretation finished, attribute analysis, geochronological study 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. Preparation for authority technical inspection in progress
- Drilling and well testing of Ilena-2 finished, next to be drilled is Ida D-1
- Preparatory activities for drilling of Ira-1 dir & Ida D-2 ver in progress

Croatia Development Onshore:

- In total 45 workovers were performed
- Dravica-3: Drilling finished on May 31st, 2022, the well is negative. Preparation of PreFEED study and conceptual designs for surface ongoing
- EOR Šandrovac: CO₂ injection phase finished; water injection phase started in April and it is ongoing

Egypt

- Egypt, North Bahariya concession: 7 development wells drilled (3 producers and 4 water injectors), all 3 oil wells put in production. Rig audits ongoing, drilling campaign will continue in October



Refining and Marketing, including Consumer Services and Retail*

Q3 2021	Q3 2022	Segment IFRS results (HRK mln)	Q1-Q3 2021	Q1-Q3 2022	%
6,886	11,504	Net sales revenues	15,860	26,697	68
530	108	EBITDA	1,063	1,213	14
530	108	EBITDA excl. special items**	1,063	1,213	14
480	485	CCS EBITDA excl. special items**	831	1,264	52
354	(61)	Profit/(loss) from operations	532	697	31
354	(61)	Profit/(loss) from operations excl. special items**	532	697	31
304	316	CCS Profit/(loss) from operations	300	748	149
337	115	Simplified Free Cash Flow***	317	(108)	n.a.
143	370	CAPEX	514	1,372	167

* 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-Q3 2021 and Q1-Q3 2022 the result was not impacted by special items

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

Q3 2021	Q3 2022	Refining processing (kt)	Q1-Q3 2021	Q1-Q3 2022	%
33	111	Domestic crude oil	80	250	213
665	649	Imported crude oil	1,545	1,271	(18)
265	290	Other feedstock	601	449	(25)
962	1,050	Total refining throughput	2,225	1,969	(12)
		Refining production (kt)			
60	60	LPG*	133	109	(18)
13	37	Naphtha	49	69	39
233	225	Gasoline	509	417	(18)
43	73	Kerosene	63	122	95
396	438	Diesel	920	794	(14)
19	4	Heating oil	42	19	(54)
87	92	Fuel oil	235	196	(17)
25	26	Other products**	63	53	(15)
875	954	Total	2,014	1,780	(12)
9	13	Refining loss	24	24	3
78	83	Own consumption	187	165	(12)
962	1,050	Total refining production	2,225	1,969	(12)
		Refined product sales by country (kt)			
644	738	Croatia	1,501	1,727	15
174	185	B&H	448	461	3
17	15	Slovenia	43	40	(6)
27	6	Italy	47	14	(70)
423	233	Other markets	1,193	561	(53)
1,285	1,177	Total	3,233	2,803	(13)
		Refined product sales by product (kt)			
59	55	LPG*	169	158	(7)
14	37	Naphtha	50	66	34
246	219	Gasoline	585	516	(12)
58	87	Kerosene	79	153	92
558	580	Diesel	1,352	1,448	7
23	34	Heating oil	73	96	32
69	98	Fuel oil	210	187	(11)
19	19	Bitumen	55	49	(10)
237	48	Other ***	662	130	(80)
1,285	1,177	Total	3,233	2,803	(13)
345	365	o/w Consumer services and Retail segment sales	811	873	8
141	170	Total natural gas sales (mln m³)	440	580	32
504	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



Q1-Q3 2022 vs. Q1-Q3 2021

Key drivers

- 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. Favorable macro environment with strong crack spreads supported refining contribution to the financial result mostly in Q2, partially counterbalanced by high energy prices
- Captive market sales higher, with commercial margins under pressure due to government price regulations on domestic market
- Total Retail sales volumes amounted to 873 kt in Q1-Q3 2022 which is 8% above the same period of 2021, reflecting improved market conditions due to the COVID restrictions lifting and excellent tourist season and tourist consumption, 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 17% driven by expanded non-fuel offer, Fresh Corner roll-out and improved sales activities. INA Loyalty program in Croatia surpassed 400 thousand registered members

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 1,306 million:
 - Rijeka Refinery Upgrade Project - all equipment ordered and main subcontractors signed. Equipment and Long Lead Items are delivered in line with construction needs. Heavy equipment lifted on Coke Drum Structure, works on DCU continued with focus on Coke Pit and Steel Structures lifting. Coke Port connected with the land. Hydrocracker revamp, new Sulphur Recovery Unit and pipeline connection points in focus to be ready for Refinery Shutdown in 2023. The 110kV powerline and substation in test works
 - Replacement of condensing turbines with electric drives - preparation of detail design and documentation for main equipment in progress
 - CDU energy efficiency upgrade project - Main design completed and submitted for obtaining Building permit. Signed contracts for Heat Exchangers and new pumps delivery and overhaul of existing pump
- Consumer Services and Retail capital investments amounted to HRK 66.2 million in Q1-Q3 2022 with focus on service station modernization and continued roll-out of Fresh Corner concept, which is present at 132 service stations

Main external parameters

Q3 2021	Q3 2022	Crude oil and gas prices	Q1-Q3 2021	Q1-Q3 2022	%
74	101	Brent dtd (USD/bbl)	68	106	56
2.4	27.1	Brent-Ural spread (USD/bbl)	1.7	24.4	1,329
47	201	CEGH gas price (EUR/MWh)	30	135	349
FOB MED Products prices and crack spreads					
717	954	Gasoline - premium unleaded 10 ppm (USD/t)	643	1,029	60
600	1,065	Diesel – ULSD 10 ppm (USD/t)	547	1,049	92
396	400	Fuel oil 3.5% (USD/t)	367	489	33
681	669	LPG (USD/t)	605	831	37
161	191	Crack spread – gasoline (USD/t)	129	231	79
44	302	Crack spread – diesel (USD/t)	33	251	660
(160)	(363)	Crack spread – fuel oil 3.5% (USD/t)	(147)	(310)	111
124	(94)	Crack spread – LPG (USD/t)	91	33	(64)
(0.8)	0.3	Indicative refining margins (USD/bbl)*	(1.2)	3.4	n.a.
Foreign exchange					
6.36	7.46	HRK/USD average	6.30	7.08	12
6.43	7.77	HRK/USD closing	6.43	7.77	21
7.49	7.51	HRK/EUR average	7.53	7.53	0
7.50	7.53	HRK/EUR closing	7.50	7.53	0
0.13	3.00	3m USD LIBOR (%)	0.16	1.70	963
(0.55)	0.49	3m EURIBOR (%)	(0.54)	(0.12)	(78)

*In light of recent market developments the refinery margin methodology was reviewed. The 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 September 2021 and 2022 (in HRK millions)

Q3 2021	Q3 2022		Note	Q1-Q3 2021	Q1-Q3 2022	%
6,978	11,659	Revenue from contracts with customers	1	16,248	27,233	68
62	83	Other operating income		219	242	11
7,040	11,742	Total operating income		16,467	27,475	67
(9)	(171)	Changes in inventories of finished products and work in progress		627	1,370	119
(3,305)	(5,789)	Costs of raw materials and consumables	2	(7,376)	(11,162)	51
(402)	(428)	Depreciation, amortisation and impairment (net)	3	(1,188)	(1,225)	3
(484)	(485)	Other material costs	3	(1,421)	(1,654)	16
(112)	(128)	Service costs	3	(331)	(374)	13
(390)	(416)	Staff costs	4	(1,290)	(1,264)	(2)
(1,548)	(2,825)	Costs of other goods sold	5	(4,318)	(9,736)	125
(24)	(30)	Impairment charges (net)	3	(23)	(92)	300
(139)	(102)	Provision for charges and risks (net)	3	(181)	(172)	(5)
73	101	Capitalised value of own performance		187	274	47
(6,340)	(10,273)	Operating expenses		(15,314)	(24,035)	57
700	1,469	Profit/(loss) from operations		1,153	3,440	198
47	158	Finance income		301	288	(4)
(82)	(155)	Finance costs		(173)	(369)	113
(35)	3	Net (loss)/profit from financial activities	6	128	(81)	n.a.
7	12	Share of net gain/(loss) of joint ventures accounted for using the equity method	6	-	7	n.a.
672	1,484	Profit/(loss) before tax		1,281	3,366	163
(109)	(245)	Income tax benefit/(expense)	7	(184)	(590)	221
563	1,239	Profit/(loss) for the period		1,097	2,776	153
		Attributable to:				
563	1,233	Owners of the Company		1,097	2,769	152
-	6	Non-controlling interests		-	7	n.a.
		Earnings per share				
56.3	123.3	Basic and diluted earnings/(loss) per share (HRK per share)		109.7	276.9	152

Condensed Consolidated Statement of Financial Position

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

	Note	31 December 2021	30 September 2022	%
Assets				
Non-current assets				
Intangible assets	9	449	489	9
Property, plant and equipment	10	11,429	12,385	8
Righth-of-use assets	10	307	265	(14)
Investments in associates and joint venture		245	253	3
Other investments		17	17	(0)
Long-term receivables		835	856	3
Deferred tax assets		949	959	1
Long-term marketable securities		42	17	(60)
Non-current financial assets		655	714	9
Total non-current assets		14,928	15,955	7
Current assets				
Inventories	11	2,146	3,923	83
Trade receivables, net	12	2,007	3,398	69
Other receivables		164	127	(23)
Corporative income tax receivables		6	20	233
Other current assets		79	386	389
Marketable securities		17	170	900
Cash and cash equivalents		2,630	1,158	(56)
Current assets		7,049	9,182	30
Assets held for sale		13	131	908
Total current assets		7,062	9,313	32
Total assets	8	21,990	25,268	15
Equity and liabilities				
Capital and reserves				
Share capital	13	9,000	9,000	-
Legal reserves		199	250	26
Fair value reserves		280	324	16
Other reserves		1,562	1,644	5
(Accumulated losses)/Retained earnings		(274)	1,464	n.a.
Equity attributable to the owners of the Company		10,767	12,682	18
Non-controlling interests		15	22	47
Total equity		10,782	12,704	18
Non-current liabilities				
Long-term debts		1,983	1,985	0
Long-term lease liabilities		228	195	(14)
Other non-current liabilities		29	27	(7)
Employee benefits obligation		67	66	(1)
Provisions		3,668	3,837	5
Deferred tax liability		15	16	7
Total non-current liabilities		5,990	6,126	2
Current liabilities				
Bank loans and current portion of long-term debt		1,145	1,262	10
Current portion of long-term lease liabilities		84	76	(10)
Trade payables	15	2,143	2,355	10
Taxes and contributions		938	1,631	74
Other current liabilities		586	729	24
Employee benefits obligation		4	4	-
Provisions		318	354	11
Total current liabilities		5,218	6,411	23
Liabilities directly associated with assets classified held for sale		-	27	n.a.
Total liabilities	14	11,208	12,564	12
Total equity and liabilities		21,990	25,268	15

Condensed Consolidated Cash Flow Statement (Indirect method)

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

Q3 2021	Q3 2022		Note	Q1-Q3 2021	Q1-Q3 2022	%
563	1,239	Profit/(loss) for the period:		1,097	2,776	153
		Adjustments for:				
		Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)		1,188	1,225	3
402	428					
109	245	Income tax (benefit)/expense recognised in profit and loss		184	590	221
24	30	Impairment charges (net)		23	92	300
(9)	(17)	Loss/(gain) on sale of property, plant and equipment		(18)	(23)	28
(20)	(10)	Foreign exchange (gain)/loss		(19)	47	n.a.
3	5	Interest (gain)/expense (net)		10	20	100
(7)	(12)	Share of (profit)/loss of joint ventures accounted for using the equity method		-	(7)	n.a.
34	(13)	Other finance (income)/expense recognised in profit		(175)	(28)	(84)
205	99	(Increase)/decrease in provision		169	(31)	n.a.
18	15	Decommissioning interests and other provision		56	42	(25)
69	(182)	Net (gain)/loss on derivative financial instruments and hedge transactions		260	24	(91)
-	(1)	Other non-cash items		-	-	n.a.
1,391	1,826	Operating cash flow before working capital changes	16	2,775	4,727	70
		Movements in working capital	17			
307	(302)	Decrease/(increase) in inventories		(1,427)	(2,178)	53
(393)	(199)	(Increase)/decrease in receivables and prepayments		(1,521)	(2,156)	42
(605)	426	(Decrease)/increase in trade and other payables		1,755	744	(58)
700	1,751	Cash generated from operations		1,582	1,137	(28)
(1)	(3)	Taxes paid		(18)	(24)	33
699	1,748	Net cash inflow/(outflow) from operating activities		1,564	1,113	(29)
		Cash flows used in investing activities				
(352)	(574)	Capital expenditures, exploration and development costs		(961)	(1,881)	96
(29)	(23)	Payment for intangible assets		(80)	(44)	(45)
12	20	Proceeds from sale of non-current assets		39	32	(18)
-	-	(Investment)/proceeds from sale in securities		-	25	n.a.
9	9	Dividends received from companies classified as non-current financial assets available for sale and from other companies		169	9	(95)
6	37	Interest received and other financial income		18	68	278
1	1	Loans and other investments (net)		2	3	50
(353)	(530)	Net cash used in investing activities	18	(813)	(1,788)	120
		Cash flows from financing activities				
(1)	-	Change in long-term borrowings (net)		203	-	n.a.
(728)	(1,243)	Change in short-term borrowings (net)		(259)	40	n.a.
17	(12)	Change of principal portion of lease liabilities		(14)	(41)	193
-	(979)	Dividends paid		(585)	(979)	67
42	337	Interest paid on short-term loans and other financing charges		(81)	172	n.a.
(670)	(1,897)	Net cash flows (used in)/ from financing activities		(736)	(808)	10
(324)	(679)	Net increase/(decrease) in cash and cash equivalents		15	(1,483)	n.a.
744	1,928	At the beginning of the period		399	2,630	559
(10)	(84)	Effect of foreign exchange rate changes		(5)	11	n.a.
-	-	At the end of period		409	1,158	183
-	(7)	Overdrafts (net)		1	-	n.a.
410	1,158	Cash and cash equivalents in statement of financial position		410	1,158	182

INA Group Summary Segmental Results of Operations

Q3 2021	Q3 2022	(HRK mln)	Q1-Q3 2021	Q1-Q3 2022	%
Net sales revenues					
1,031	2,440	Exploration & Production	2,588	5,400	109
6,886	11,504	Refining & Marketing including Consumer services and Retail	15,860	26,697	68
343	331	Corporate and Other	929	921	(1)
(1,282)	(2,616)	Intersegment transfers and consolidation adjustments	(3,129)	(5,785)	85
6,978	11,659	Total	16,248	27,233	68
EBITDA*					
652	1,832	Exploration & Production	1,563	3,902	150
530	108	Refining & Marketing including Consumer services and Retail	1,063	1,213	14
41	(1)	Corporate and Other	(29)	(47)	62
(121)	(42)	Intersegment transfers and consolidation adjustments	(256)	(403)	57
1,102	1,897	Total	2,341	4,665	99
EBITDA excluding special items					
652	1,832	Exploration & Production	1,563	3,902	150
530	108	Refining & Marketing including Consumer services and Retail	1,063	1,213	14
41	(1)	Corporate and Other	(29)	(47)	62
(121)	(42)	Intersegment transfers and consolidation adjustments	(256)	(403)	57
1,102	1,897	Total	2,341	4,665	99
Profit/(loss) from operations					
470	1,616	Exploration & Production	1,032	3,322	222
354	(61)	Refining & Marketing including Consumer services and Retail	532	697	31
(4)	(44)	Corporate and Other	(157)	(177)	13
(120)	(42)	Intersegment transfers and consolidation adjustments	(254)	(402)	58
700	1,469	Total	1,153	3,440	198
Profit/(loss) from operations excluding special items					
470	1,616	Exploration & Production	1,032	3,322	222
354	(61)	Refining & Marketing including Consumer services and Retail	532	697	31
(4)	(44)	Corporate and Other	(157)	(177)	13
(120)	(42)	Intersegment transfers and consolidation adjustments	(254)	(402)	58
700	1,469	Total	1,153	3,440	198
Property, plant and equipment					
4,394	4,279	Exploration & Production	4,394	4,279	(3)
6,458	7,580	Refining & Marketing including Consumer services and Retail	6,458	7,580	17
1,109	1,054	Corporate and Other	1,109	1,054	(5)
(499)	(528)	Intersegment transfers and consolidation adjustments	(499)	(528)	6
11,462	12,385	Total	11,462	12,385	8

*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-Q3 2022 is HRK (403) million compared to HRK (257) million in Q1-Q3 2021.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in Q1-Q3 2022 amounted to HRK 27,233 million and is 68% higher compared to Q1-Q3 2021, supported by improvement in hydrocarbon prices and product quotations
- 2 **Costs of raw materials and consumables** at HRK (11,162) million were 51% higher than Q1-Q3 2021 level, reflecting different dynamic of refinery operations and higher prices
- 3 Other **operating costs** realized in Q1-Q3 2022 include:
 - Other material costs in the amount of HRK (1,654) million were higher by 16%, mainly driven by transportation costs and higher maintenance costs
 - Service costs in the amount of HRK (374) million were 13% higher than the Q1-Q3 2021, mainly driven by the effect of subsidiary liquidation
 - Depreciation, amortisation and impairment (net) in the amount of HRK (1,225) million were at the level of Q1-Q3 2021
 - Impairment charges (net) had a negative effect in the amount of HRK (92) million in Q1-Q3 2022 compared to negative effect in the amount of HRK (23) million in Q1-Q3 2021, mainly due to higher receivables collection in 2021
 - Provision for charges and risk (net) had a negative effect in the amount of HRK (172) million in Q1-Q3 2022 compared to HRK (181) million negative effect in Q1-Q3 2021
- 4 **Staff costs** in the amount HRK (1,264) million were 2% lower than the Q1-Q3 2021
- 5 **Costs of other goods sold** in Q1-Q3 2022 increased compared to Q1-Q3 2021 and amounted to HRK (9,736) million resulting from price increase and higher import to ensure market supply
- 6 **Net result from financial activities** is negative in Q1-Q3 2022 mainly as a result of:
 - Net foreign exchange loss amounted HRK (47) million in Q1-Q3 2022, while in Q1-Q3 2021 gain reached HRK 19 million
 - Interest expense amounted to HRK (65) million and interest income amounted to HRK 3 million Q1-Q3 2022, while in Q1-Q3 2021 interest expense amounted to HRK (67) million and interest income to HRK 1 million
 - Other financial net gain amounted to HRK 28 million in Q1-Q3 2022 compared to HRK 175 million Q1-Q3 2021
- 7 **Income tax expense** in Q1-Q3 2022 amounted to HRK (590) million compared to HRK (184) million income tax expense in Q1-Q3 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 September 2022 and 2021

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 30 September 2022 INA Group **total assets** amounted to HRK 25,268 million, 15% higher than 31 December 2021
- 9 In the period ended 30 September 2022, INA Group invested HRK 35 million in **intangible assets**. The effect of depreciation equals HRK 42 million
- 10 In the period ended 30 September 2022, INA Group invested HRK 1.880 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in the amount of HRK 1.105 million
- 11 **Inventories** amounted to HRK 3,923 million and increased compared to HRK 2,146 million on 31 December 2021 mainly due to higher prices
 - During Q1-Q3 2022, HRK (174) million was recognized as an impairment of refined products and work in progress (Q1-Q3 2021: impairment in the amount of HRK (4) million) within Changes in inventories of finished products and work in progress within statement of profit or loss
 - During Q1-Q3 2022, HRK (1) million was recognized as impairment for merchandise (Q1-Q3 2021: reversal impairment of HRK 1 million) within Cost of other goods sold within statement of profit or loss
- 12 **Trade receivables (net)** amounted to HRK 3,398 million, which is 69% higher than on 31 December 2021 mainly due to higher sales value and improving price environment
- 13 **Share capital** as at 30 September 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 September 2022 **total liabilities** amounted to HRK 12,564 million, 12% higher compared to 31 December 2021. INA Group **net debt** amounted to HRK 1,919 million and increased compared to 31 December 2021. **Net gearing** increased from 4.3% as at 31 December 2021 to 13.1% as at 30 September 2022
- 15 **Trade payables** amounted to HRK 2,355 million and increased by 10% 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 4,727 million in Q1-Q3 2022 representing an increase compared to Q1-Q3 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 (3,590) million, due to:
- Increase in value of inventories in the amount of HRK (2,178) million, mainly related to higher prices and volumes
 - Increase in receivables in the amount of HRK (2,156) million mainly related to higher sales prices
 - Increase in trade and other payables amounted to 744 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 (1,788) million of outflows due to intensive investment in Refining operations and is higher compared to HRK (813) million outflows in Q1-Q3 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 Q1-Q3 2021 and Q1-Q3 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 September 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 4,379 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 2,330 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 September 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	-	-	-	-	1,097	1,097	-	1,097
Other comprehensive gain/(loss), net	-	-	22	37	-	59	-	59
Total comprehensive income/(loss) for the period	-	-	22	37	1,097	1,156	-	1,156
Balance at 30 September 2021	9,000	199	1,551	239	(489)	10,500	13	10,513
Balance at 1 January 2022	9,000	199	1,562	280	(274)	10,767	15	10,782
Profit/(loss) for the period	-	-	-	-	2,769	2,769	7	2,776
Other comprehensive gain/(loss), net	-	-	82	44	-	126	-	126
Total comprehensive income/(loss) for the period	-	-	82	44	2,769	2,895	7	2,902
Transfer to legal reserves	-	51	-	-	(51)	-	-	-
Dividends	-	-	-	-	(980)	(980)	-	(980)
Balance at 30 September 2022	9,000	250	1,644	324	1,464	12,682	22	12,704

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-Q3 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-Q3 2022	Q1-Q3 2022
Companies available for sale		
JANAF d.d. Zagreb	6	60
Governing company		
MOL Nyrt.	662	948
Companies controlled by governing company		
Tifon d.o.o.	852	6
MOL Serbia d.o.o.	151	6
MOL Slovenia d.o.o.	148	6
MOL Commodity Trading Kft.	103	207
MOL Petrochemical	55	37
Slovnaft, a.s.	16	346
Petrolszolg Kft.	3	-
MOL-LUB Kft.	1	1
Slovnaft Montaze a opravy a.s.	1	-
MOL Azerbaijan	-	2,121
Mélyfűrási Zrt.	-	3

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 September 2022	30 September 2022
Companies available for sale		
JANAF d.d. Zagreb	-	8
Governing company		
MOL Nyrt.	157	154
Companies controlled by governing company		
MOL Commodity Trading Kft.	232	222
Tifon d.o.o.	114	1
MOL Serbia d.o.o.	44	1
MOL Slovenia d.o.o.	40	6
MOL Petrochemicals Co. Ltd.	13	7
Petrolszolg Kft.	3	-
Slovnaft, a.s.	1	25
MOL LUB Kft.	1	-
Mélyfűrási Zrt.	-	1

Management representation

Consolidated financial statements of INA Group for Q1-Q3 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:

- Péter Rataatics – President of the Management Board
- dr.sc. Berislav Gašo – Member of the Management Board
- Krisztián Pulay – Member of the Management Board
- Miroslav Skalicki – Member of the Management Board
- dr.sc. Hrvoje Šimović – Member of the Management Board
- Marin Zovko – Member of the Management Board