



**INA GROUP
Q4 & Q1-Q4 2019
FINANCIAL REPORT**

Zagreb, February, 2020

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q4 and Q1-Q4 2019 results. This report contains unaudited consolidated financial statements for the period ending 31 December 2019 as prepared by the Management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

Q4 2018	Q4 2019	HRK mln	2018	2019	%
6,122	6,047	Net sales revenues*	22,349	22,597	1
803	651	EBITDA (1)	3,489	2,859	(18)
556	651	EBITDA excl. special items (2)	3,291	2,859	(13)
848	500	CCS EBITDA excl. special items	3,116	2,897	(7)
247	(218)	Profit/(loss) from operations	1,687	725	(57)
0	64	Profit from operations excl. special items (2)	1,489	1,007	(32)
292	(87)	CCS Profit/(loss) from operations excl. special items	1,314	1,046	(20)
(73)	21	Net Profit/(loss) from financial activities	(167)	(76)	(54)
122	(193)	Profit/(loss) for the period attributable to Owners of the Company	1,178	486	(59)
(125)	89	Profit/(loss) for the period excl. special items (2)	980	768	(22)
(57)	(109)	Simplified Free Cash Flow (3)	1,299	747	(42)
811	1,484	Net operating cash flow	2,831	2,862	1
Earnings per share					
12.2	(19.3)	Basic and diluted earnings/(loss) per share (HRK per share)	117.8	48.6	(59)
1,642	2,554	Net debt	1,642	2,554	56
12.2	18.5	Net gearing (%)	12.2	18.5	
905	609	CAPEX total	1,817	2,150	18
794	541	Domestic	1,587	1,860	17
111	68	International	230	290	26
Q4 2018	Q4 2019	USD mln ⁽⁴⁾	2018	2019	%
942	900	Net sales revenues*	3,560	3,412	(4)
124	97	EBITDA (1)	556	432	(22)
86	97	EBITDA excl. special items (2)	524	432	(18)
131	74	CCS EBITDA excl. special items	496	437	(12)
38	(32)	Profit/(loss) from operations	269	109	(59)
0	10	Profit from operations excl. special items (2)	237	152	(36)
45	(13)	CCS Profit/(loss) from operations excl. special items	209	158	(24)
(11)	3	Net Profit/(loss) from financial activities	(27)	(11)	(59)
19	(29)	Profit/(loss) for the period attributable to Owners of the Company	188	73	(61)
(19)	13	Profit/(loss) for the period excl. special items (2)	156	116	(26)
(9)	(16)	Simplified Free Cash Flow (3)	207	113	(45)
125	221	Net operating cash flow	451	432	(4)
Earnings per share					
1.9	(2.9)	Basic and diluted earnings/(loss) per share (HRK per share)	18.8	7.3	(61)
254	384	Net debt	254	384	51
139	91	CAPEX total	289	325	12
122	80	Domestic	253	281	11
17	10	International	37	44	19

* Related to Revenue from contracts with customers

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

(2) 2018 result negatively impacted by HRK (93) mln of net impact of severance payments and related provisions together with positive impact of HRK 291 mln of gain on INAqip acquisition; 2019 result was negatively impacted by HRK (262) mln impairment of assets - Croatian gas fields

(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 Q4 2018 - 6.50 HRK/USD; Q4 2019 - 6.72 HRK/USD; for Q1-Q4 2018 - 6.28 HRK/USD; for Q1-Q4 2019 - 6.63 HRK/USD; as at 31 December 2018 - 6.47 HRK/USD; as at 31 December 2019 - 6.65 HRK/USD

INA Group sales revenues amounted to HRK 22,597 million in 2019, a stable performance compared to 2018, despite the more challenging external environment. CCS EBITDA excluding special items came in at HRK 2,897 million in 2019, a decrease of 7% compared to 2018, mainly due to the 10% decline in Brent crude price.

Exploration and Production revenues and EBITDA excluding special items decreased in 2019 by 11% and 22% respectively, on the back of 9% lower realized hydrocarbon prices and a 3% decline in hydrocarbon production. Overall production volumes were supported by higher crude oil production in Egypt, which was more than offset by the natural decline on Croatian fields, especially on gas fields. Refining and Marketing including Consumer Services and Retail CCS EBITDA excluding special items amounted to HRK 557 million in 2019, increasing by HRK 271 million year-on-year, while Simplified Free Cash Flow of the segment was negative HRK 779 million in 2019 due to the negative Refining and Marketing cash flow. The main events of the year for Refining included a large scale turnaround completed in May and also the final investment decision on Rijeka Refinery Upgrade Project, the largest investment in the recent history of INA. At the same time sales were stable, utilizing market conditions. Higher retail volumes (+ 3%) resulted from the improving performance in Croatia and the network expansion in Montenegro.

CAPEX was higher by 18% in 2019 year-on-year and amounted to HRK 2,150 million, with increased investments in Refining and Marketing. Net gearing amounted to 18.5% with net debt standing at HRK 2,554 million at the end of 2019.

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

“In 2019 INA Group managed to achieve stable revenues in the challenging environment.

Crude production stayed stable where increased level of activities in Egypt already started giving results, offsetting the lower domestic production. Still, the 10% lower Brent levels impacted both the revenues and EBITDA.

For the Refining segment 2019 was a busy year, in a positive manner. Large scale turnaround of Rijeka Refinery, worth HRK 800 million, was finished and the results of the turnaround are already visible in improved product structure. Additionally, final investment decision on the Residue Upgrade Project was made, the company’s biggest investment in recent history, amounting around HRK 4 billion. Commission of the new unit is planned for 2023 and with the Residue Upgrade unit, the product structure of Rijeka Refinery will further improve by increasing the share of profitable white products. This, alongside with other activities in line with the INA Downstream 2023 New Course program, is aimed to turn our Refining business currently negative cash flow into sustainable and profitable in the long run.

As for the regular activities, sales on the core markets of Croatia and B&H increased and further strengthened INA leading position while Retail operations continue to improve, biggest contribution coming from Croatia and Montenegro markets.”

Management discussion

Exploration and Production*

Q4 2018	Q4 2019	Segment IFRS results (HRK mln)	2018	2019	%
1,140	908	Net sales revenues	4,187	3,745	(11)
1,158	537	EBITDA	3,287	2,356	(28)
876	537	EBITDA excl. special items **	3,014	2,356	(22)
809	(18)	Profit/(loss) from operations	2,256	1,149	(49)
527	264	Profit from operation excl. special items **	1,983	1,431	(28)
657	344	Simplified Free Cash Flow***	2,365	1,669	(29)
219	193	CAPEX	649	687	6

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Adriagas S.r.l. Milano, INA Adria BV, INA Jadran d.o.o.

** In 2018, the result was positively impacted by HRK 291 mln of special items related to revenues from gain on INAgip acquisition and HRK (18) mln of severance payment and related provision; 2019 result was negatively impacted by HRK (282) mln impairment of assets - Croatian gas fields

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

Q4 2018	Q4 2019	Hydrocarbon production (boe/d)	2018	2019	%
14,870	13,981	Crude oil production	14,550	14,479	(1)
12,735	11,648	Croatia	12,443	12,097	(3)
1,628	1,752	Egypt	1,496	1,783	19
507	581	Angola	611	599	(2)
19,409	16,911	Natural gas production	18,926	18,134	(4)
6,526	5,371	Croatia - offshore	6,507	6,094	(6)
12,883	11,540	Croatia - onshore	12,419	12,040	(3)
1,441	1,190	Condensate (boe/d)	1,441	1,283	(11)
35,720	32,082	Total hydrocarbon production	34,917	33,896	(3)

Q4 2018	Q4 2019	Average realised hydrocarbon price	2018	2019	%
55	46	Total hydrocarbon price (USD/boe)*	53	48	(9)

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

2019 vs. 2018

Key drivers

- Brent price lower by 10% negatively impacting crude oil and condensate sales revenues by HRK 257 million
- Domestic crude oil production lower as a result of natural decline mainly on Đeletovci and Stružec fields offsetting the positive effect of additional development, well optimization and EOR project
- International crude oil production:
 - Egypt: Higher production supported by workover and drilling activities
 - Angola: Lower volumes reflecting natural production decline and various technical limitations on Block 3/05
- Natural gas production decreased as a result of:
 - Lower offshore production driven by natural decline and increased water cut on Izabela
 - Lower onshore production mainly due to reservoir maturity resulting in increased water cut on the main gas fields (Deep Podravina and Vučkovec together with Stružec)
- Condensate production lower due to:
 - Natural decline and increased water cut on main gas condensate fields

Capital expenditures

2019 (HRK mln)	Croatia	Egypt	Angola
Exploration	42	66	-
Development	279	94	8
Other	198	-	-
TOTAL	519	160	8

- Higher investment level compared to 2018 focusing on exploration drilling and development activities in Egypt
- Total of 64 well workovers performed on onshore Croatia with additional six well workovers on EOR Ivanić and Žutica project
- Drava-02 exploration program -1st phase: Commercial gas discovery was declared on Severovci-1 well in July.
- Jankovac-1 well was drilled in December. The 1st exploration phase work program will be finished in 2020. In December the Government of Croatia announced a decision approving INA's entrance into the 2nd exploration phase
- 2nd Croatia onshore bid round: in August INA was awarded licenses for two exploration blocks: DR-03 and SZH-01
- 3rd Croatia onshore bid round: in December INA was awarded licence for exploration block DR-14
- Selnica-1 East exploration well drilling started in December
- Egypt: Exploration well Rizk-2D drilled in May was put into production in December; on North Bahariya concession 15 development wells were drilled, while on Ras Qattara concession three development wells were drilled



Refining and Marketing, including Consumer Services and Retail*

Q4 2018	Q4 2019	Segment IFRS results (HRK mln)	2018	2019	%
5,852	5,727	Net sales revenues	21,420	21,530	1
(438)	182	EBITDA	419	519	24
(423)	182	EBITDA excl. special items**	461	519	12
(131)	31	CCS EBITDA excl. special items**	286	557	95
(594)	(83)	Loss from operations	(158)	(229)	45
(579)	(83)	Loss from operations excl. special items**	(116)	(229)	98
(287)	(234)	CCS loss from operations	(291)	(191)	(34)
(737)	(319)	Simplified Free Cash Flow***	(784)	(779)	(1)
606	350	CAPEX	1,070	1,336	25

*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., Petrol d.d., Energopetrol d.d., INA MALOPRODAJNI SERVISI d.o.o., Croplim d.o.o.

** In 2018 Operating profit and EBITDA were negatively impacted by HRK (42) mln of special items related to severance payment and related provision

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

Q4 2018	Q4 2019	Refining processing (kt)	2018	2019	%
158	29	Domestic crude oil	552	516	(7)
863	794	Imported crude oil	2,965	2,032	(31)
11	-	Condensate	59	38	(36)
202	325	Other feedstock	613	550	(10)
1,234	1,148	Total refining throughput	4,189	3,136	(25)
		Refining production (kt)			
62	60	LPG	215	157	(27)
2	2	Naphtha	39	14	(64)
296	282	Gasoline	979	775	(21)
47	43	Kerosene	192	162	(16)
415	439	Diesel	1,406	1,096	(22)
57	36	Heating oil	144	89	(38)
183	130	Fuel oil	622	371	(40)
42	42	Other products*	137	121	(12)
1,104	1,034	Total	3,734	2,785	(25)
15	15	Refining loss	55	44	(20)
115	99	Own consumption	400	307	(23)
1,234	1,148	Total refining production	4,189	3,136	(25)
		Refined product sales by country (kt)			
483	541	Croatia	1,839	2,056	12
208	189	B&H	701	769	10
20	20	Slovenia	77	64	(17)
96	72	Italy	356	309	(13)
373	451	Other markets	1,358	1,206	(11)
1,180	1,273	Total	4,331	4,404	2
		Refined product sales by product (kt)			
75	71	LPG	267	248	(7)
7	-	Naphtha	40	13	(68)
219	232	Gasoline	862	848	(2)
30	37	Kerosene	201	220	9
523	562	Diesel	1,926	2,135	11
57	37	Heating oil	159	128	(19)
164	145	Fuel oil	579	364	(37)
18	21	Bitumen	60	74	23
87	168	Other products**	237	374	58
1,180	1,273	Total	4,331	4,404	2
255	261	o/w consumer services and Retail segment sales	1,082	1,115	3
573	284	Total natural gas sales (mln m3)	1,360	1,271	(7)
500	511	Total number of service stations	500	511	2

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

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

2019 vs. 2018

Key drivers

- Asset structure and production overcapacity with two refineries compared to captive market demand leading to negative refining cash flow
- A deteriorating headline margin in refining: lower Brent price (-7 USD/bbl), decreased gasoline (-14 USD/t), fuel oil (-16 USD/t), LPG (-45 USD/t) crack spreads, and higher diesel crack spread (+2 USD/t)
- Significantly higher sales on core markets, Croatia (+217 kt) and B&H market (+68 kt) as a result of higher demand, stronger wholesale focus and lack of supply from the Bosanski Brod Refinery. INA's fuel position on captive markets has strengthened and represents a sales growth of +15% in diesel sales and +13% in gasoline sales
- Overall lower processing is mainly caused by the Jan-May Rijeka turnaround but refinery yields have improved driven by processing of lighter crudes
- Higher motor fuel import volumes (+633 kt) focused on meeting regional market demand
- Sales of domestic crude in Q4 through the Janaf pipeline
- Total Retail sales volumes were at 1,115 kt (+3%) with significant contribution coming from the Croatian (+12 kt) and Montenegro markets (+17 kt) as a result of reconstructions, modernizations and new service stations openings
- Non-fuel margin increased by 17%, reflecting continuous expansion in consumer goods and services

Capital expenditures

- Refining and Marketing CAPEX significantly increased and amounted to HRK 1,071 million compared to HRK 857 million in Q1-Q4 2018, mainly driven by the Rijeka Refinery turnaround and Propane-Propylene Splitter project:
 - The turnaround was completed and Rijeka Refinery started processing at the beginning of May
 - Final Investment decision (FID) was obtained for the Rijeka Refinery Upgrade Project and contract to start implementation works was signed
 - Activities on the Propane-Propylene Splitter project related to civil and mechanical works on site are in progress and reached the final phase of implementation where pre-commissioning activities, operating instructions and trainings for operators started and final connections of piping and insulation are ongoing
- Consumer Services and Retail CAPEX amounted to HRK 265 million compared to HRK 213 million in 2018 due to:
 - Various investment projects aimed at network development, including greenfield constructions, new service station rentals, existing service station reconstructions and modernizations, together with investments in car wash, facilities upgrade and other improvements of consumer services
 - Expanding the non-fuel offer through "Fresh Corner" concept with multiple projects executed, ongoing or in preparation

Main external parameters

Q4 2018	Q4 2019	Crude oil prices	2018	2019	%
69	63	Brent dtd (USD/bbl)	71	64	(9.9)
0.32	1.28	Brent-Ural spread (USD/bbl)	1.09	0.43	(60.6)
FOB MED Products prices and crack spreads					
597	582	Gasoline - premium unleaded 10 ppm (USD/t)	662	595	(10.1)
637	578	Diesel - ULSD 10 ppm (USD/t)	638	586	(8.2)
399	223	Fuel oil 3.5% (USD/t)	394	324	(17.8)
510	492	LPG (USD/t)	552	454	(17.8)
76	104	Crack spread - gasoline (USD/t)	123	109	(11.4)
117	100	Crack spread - diesel (USD/t)	98	100	2.0
(121)	(256)	Crack spread - fuel oil 3.5% (USD/t)	(146)	(162)	11.0
(10)	14	Crack spread - LPG (USD/t)	13	(32)	n.a.
(0.38)	(1.54)	Indicative refining margins (USD/bbl)*	(0.03)	(0.81)	2,600
Foreign exchange					
6.50	6.72	HRK/USD average	6.28	6.63	5.6
6.47	6.62	HRK/USD closing	6.47	6.65	2.8
7.42	7.46	HRK/EUR average	7.41	7.44	0.4
7.42	7.47	HRK/EUR closing	7.42	7.44	0.3
2.62	1.93	3m USD LIBOR (%)	2.31	2.33	0.9
(0.32)	(0.40)	3m EURIBOR (%)	(0.32)	(0.36)	12.5

* Indicative refining margins based on 2016 Solomon yields, dated Ural price used for all feedstock

Condensed Consolidated Statement of Profit or Loss

For the period ended 31 December 2018 and 2019 (in HRK millions)

Q4 2018	Q4 2019	Note	2018	2019	%
6,122	6,047	Revenue from contracts with customers	22,349	22,597	1
56	150	Capitalised value of own performance	416	466	12
365	25	Other operating income	529	234	(56)
6,543	6,222	Total operating income	23,294	23,297	0
(165)	(4)	Changes in inventories of finished products and work in progress	365	(160)	n.a.
(3,638)	(3,218)	Costs of raw materials and consumables	(12,033)	(8,460)	(30)
(556)	(869)	Depreciation, amortisation and impairment (net)	(1,802)	(2,134)	18
(386)	(580)	Other material costs	(2,188)	(2,125)	(3)
(215)	(131)	Service costs	(569)	(626)	10
(620)	(599)	Staff costs	(1,927)	(1,970)	2
(736)	(914)	Costs of other goods sold	(3,605)	(7,114)	97
58	(32)	Impairment charges (net)	165	(109)	n.a.
(38)	(93)	Provision for charges and risks (net)	(13)	126	n.a.
(6,296)	(6,440)	Operating expenses	(21,607)	(22,572)	4
247	(218)	Profit/(loss) from operations	1,687	725	(57)
6	(16)	Finance income	54	104	93
(79)	37	Finance costs	(221)	(180)	(19)
(73)	21	Net loss/(profit) from financial activities	(167)	(76)	(54)
-	26	Share of net profit of joint ventures accounted for using the equity method	-	10	n.a.
174	(171)	Profit before tax	1,520	659	(57)
(54)	(21)	Income tax expense	(343)	(170)	(50)
120	(192)	Profit/(loss) for the period	1,177	489	(58)
Attributable to:					
122	(193)	Owners of the Company	1,178	486	(59)
(2)	1	Non-controlling interests	(1)	3	n.a.
120	(192)		1,177	489	(58)
Earnings per share					
12.2	(19.3)	Basic and diluted earnings/(loss) per share (HRK per share)	117.8	48.6	(59)

Condensed Consolidated Statement of Financial Position

At 31 December 2018 and 2019 (in HRK millions)

	Note	31 December 2018	31 December 2019	%
Assets				
Non-current assets				
Intangible assets	9	644	635	(1)
Property, plant and equipment	10	12,284	12,567	2
Property, plant and equipment - ROU	10	-	342	n.a.
Investments in associates and joint venture		150	160	7
Other investments		16	17	6
Long-term receivables and other assets		732	898	23
Deferred tax		1,199	1,035	(14)
Long term marketable securities		-	39	n.a.
Non-current financial assets		479	607	27
Total non-current assets		15,504	16,300	5
Current assets				
Inventories	12	2,645	2,299	(13)
Trade receivables, net	13	1,837	2,026	10
Other receivables		121	143	18
Corporative Income tax receivables		8	16	100
Marketable securities		27	-	n.a.
Other current assets		174	136	(22)
Cash and cash equivalents		422	606	44
Current assets		5,234	5,226	(0)
Assets held for sale		4	6	50
Total current assets		5,238	5,232	(0)
Total assets	8	20,742	21,532	4
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	-
Legal reserves		99	166	68
Fair value reserves		135	241	79
Other reserves		1,544	1,590	3
Retained earnings		1,036	207	(80)
Equity attributable to equity holders of the parent		11,814	11,204	(5)
Non-controlling interests		9	12	33
Total equity		11,823	11,216	(5)
Non-current liabilities				
Long-term loans		4	-	n.a.
Long-term lease liabilities		-	276	n.a.
Other non-current liabilities		45	40	(11)
Employee benefits obligation		77	70	(9)
Provisions		3,462	3,716	7
Deferred tax liability		14	15	7
Total non-current liabilities		3,602	4,117	14
Current liabilities				
Bank loans		1,962	2,825	44
Current portion of long-term loans		125	335	168
Current portion of long-term lease liabilities		-	68	n.a.
Trade payables	15	1,720	1,511	(12)
Taxes and contributions		612	650	6
Other current liabilities		590	624	6
Employee benefits obligation		5	7	40
Provisions		303	179	(41)
Total current liabilities		5,317	6,199	17
Total liabilities	14	8,919	10,316	16
Total equity and liabilities		20,742	21,532	4

Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 31 December 2018 and 2019 (in HRK millions)

Q4 2018	Q4 2019	Note	2018	2019	%
120	(192)		1,177	489	(58)
Profit for the period					
Adjustments for:					
557	869		1,802	2,134	18
54	21		343	170	(50)
(58)	32		(165)	109	n.a.
7	(1)		3	(11)	n.a.
(291)	-		(291)	-	n.a.
20	(57)		45	(29)	n.a.
7	8		26	24	(8)
-	(6)		-	10	n.a.
21	43		58	26	(55)
12	84		(23)	(135)	487
33	(21)		62	49	(21)
(100)	40		96	8	(92)
(10)	(10)		(2)	(2)	0
372	810		3,131	2,842	(9)
Operating cash flow before working capital changes					
Movements in working capital					
426	632		(725)	322	n.a.
495	283		(278)	(362)	30
(441)	(224)		764	101	(87)
852	1,501		2,892	2,903	0
(41)	(17)		(61)	(41)	(33)
811	1,484		2,831	2,862	1
Net cash inflow from operating activities					
Cash flows used in investing activities					
(928)	(817)		(1,842)	(2,442)	33
(43)	(65)		(125)	(143)	14
4	2		9	20	122
(147)	-		(147)	-	n.a.
(150)	-		(150)	-	n.a.
-	-		-	(35)	n.a.
-	-		1	10	900
3	(32)		11	5	(55)
1	40		1	42	4,100
(1,260)	(889)		(2,242)	(2,543)	13
Net cash used for investing activities					
Cash flows from financing activities					
-	334		(122)	208	n.a.
281	(704)		376	823	119
-	-		(812)	(1,250)	54
-	(69)		-	197	n.a.
(4)	-		(5)	(1)	(80)
(74)	(7)		(56)	(123)	120
203	(446)		(619)	(146)	(76)
(246)	149		(30)	173	n.a.
667	469		428	422	(1)
1	(9)		24	6	(75)
-	(3)		-	5	n.a.
422	606		422	606	44

INA Group Summary Segmental Results of Operations

Q4 2018	Q4 2019	(HRK mln)	2018	2019	%
Net sales revenues					
1,140	908	Exploration & Production	4,187	3,745	(11)
5,852	5,727	Refining & Marketing including Consumer services and Retail	21,420	21,530	1
560	615	Corporate and Other	1,829	2,139	17
(1,430)	(1,203)	Intersegment transfers and consolidation adjustments	(5,087)	(4,817)	(5)
6,122	6,047	Total	22,349	22,597	1
EBITDA*					
1,158	537	Exploration & Production	3,287	2,356	(28)
(438)	182	Refining & Marketing including Consumer services and Retail	419	519	24
(80)	(51)	Corporate and Other	(88)	26	n.a.
164	(17)	Intersegment transfers and consolidation adjustments	(129)	(42)	(67)
804	651	Total	3,489	2,859	(18)
EBITDA Excluding Special Items					
876	537	Exploration & Production	3,014	2,356	(22)
(423)	182	Refining & Marketing including Consumer services and Retail	461	519	12
(60)	(51)	Corporate and Other	(55)	26	n.a.
164	(17)	Intersegment transfers and consolidation adjustments	(129)	(42)	(67)
557	651	Total	3,291	2,859	(13)
Profit/(Loss) from operations					
809	(18)	Exploration & Production	2,256	1,149	(49)
(594)	(83)	Refining & Marketing including Consumer services and Retail	(158)	(229)	45
(132)	(101)	Corporate and Other	(282)	(154)	(45)
164	(16)	Intersegment transfers and consolidation adjustments	(129)	(41)	(68)
247	(218)	Total	1,687	725	(57)
Profit/(Loss) from operations Excluding Special Items					
527	264	Exploration & Production	1,983	1,431	(28)
(579)	(83)	Refining & Marketing including Consumer services and Retail	(116)	(229)	98
(112)	(101)	Corporate and Other	(249)	(154)	(38)
164	(16)	Intersegment transfers and consolidation adjustments	(129)	(41)	(68)
0	64	Total	1,489	1,007	(32)
Property, plant and equipment					
5,228	4,932	Exploration & Production	5,228	4,932	(6)
6,069	6,674	Refining & Marketing including Consumer services and Retail	6,069	6,674	10
1,385	1,422	Corporate and Other	1,385	1,422	3
(398)	(461)	Intersegment transfers and consolidation adjustments	(398)	(461)	16
12,284	12,567	Total	12,284	12,567	2

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

Intersegment transfers and consolidation adjustments

Intersegment transfers and consolidation adjustments indicates unrealised profit/loss on domestic crude oil being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil or finished / semi-finished product. Intersegment EBITDA effect on results in 2019 is HRK (42) million compared to HRK (129) million in 2018.

Financial overview and notes

Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in 2019 amounted to HRK 22,597 million and is slightly above the 2018 level, triggered mainly by higher wholesale, lack of supply from Bosanski Brod Refinery and sales growth on captive market
- 2 **Costs of raw materials and consumables** were 30% lower than 2018 level at HRK (8,460) million, resulting mainly from lower processing triggered by Rijeka Refinery turnaround from January until May
- 3 **Costs of other goods sold in** 2019 recorded an increase of 97% compared to 2018 and amounted to HRK (7,114) million resulting from higher import of goods to meet market demand
- 4 Other **operating costs** realized in 2019 include:
 - Other material costs were lower by 3% mainly mining royalty and transportation costs related to lower production and lower Brent price and amounted to HRK (2,125) million
 - Service costs in the amount of HRK (626) million were 10% higher than on 2018 level concerning higher intellectual services, insurance premium costs and other service costs
 - Depreciation, amortisation and impairment (net) in the amount of HRK (2,134) million was 18% higher than previous year
 - Impairment and provisions had a positive effect in the amount of HRK 17 million and was lower than HRK 152 mln of positive impact in 2018
- 5 **Staff costs** in the amount HRK (1,970) million were 2% higher compared to 2018
- 6 **Income tax expense** in 2019 amounted to HRK (170) million compared to HRK (343) million income tax expense in 2018 Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 18% for the periods ended 31 December 2019 and 31 December 2018
- 7 **Net result from financial activities** is negative in 2019 mainly as a result of:
 - Net foreign exchange loss reached HRK (24) million in 2019, while in 2018 net foreign exchange loss reached HRK (38) million
 - Interest payable amounted to HRK (51) million and interest received to HRK 4 million in 2019, while in 2018 interest payable amounted to HRK (68) million and interest received to HRK 3 million
 - Other financial net expenses amounted to HRK (4) million and are lower compared to HRK (64) million financial expenses in 2018

Statement of Financial Position

Notes

- 8 As at 31 December 2019 INA Group **total assets** amounted to HRK 21,532 million, 4% higher compared to 31 December 2018
- 9 In the period ended 31 December 2019, INA Group invested HRK 131 million in **intangible assets**. The effect of depreciation equals HRK 45 million
- 10 In the period ended 31 December 2019, INA Group invested HRK 2,018 million in **property, plant and equipment**. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 1,695 million
- 11 **Share capital** as at 31 December 2019 amounted to HRK 9,000 million. There was no movements in the issued capital of the Company in either the current or the prior financial reporting
- 12 **Inventories** amounted to HRK 2,299 million, and have decreased by 13% compared to 31 December 2018, mainly imported crude oil and semifinished products
- 13 **Trade receivables, net** amounted to HRK 2,026 million which is 10% higher than 31 December 2018 related to domestic crude oil external sales
- 14 As at 31 December 2019 **total liabilities** amounted to HRK 10,316 million, 16% higher compared to 31 December 2018. INA Group **net debt** amounted to HRK 2,554 million and increased compared to 31 December 2018. **Net gearing** increased from 12.2% as at 31 December 2018, to 18.5% as at 31 December 2019
- 15 **Trade payables** decreased compared to 31 December 2018 by 12% to HRK 1,511 million due to lower payables for imported crude oil

Cash flow Statement

- 16 The **operating cash flow before working capital changes** amounted to HRK 2,842 million in 2019 representing a decrease of HRK 289 million compared to 2018, which is in line with the change in EBITDA performance excluding non-cash items
- 17 **Movements in working capital** affected the operating cash flow positively by HRK 61 million, due to:
 - Decreased value of inventories in the amount of HRK 322 million mainly related to imported crude oil (HRK 67 million) and semifinished products (HRK 163 million)
 - Increase in receivables in the amount of HRK (362) million mainly related to crude oil export
 - Increase in trade and other payables amounted to 101 HRK million
- 18 **Net cash used for investing activities** amounted to HRK (2,543) million of outflows, compared to HRK (2,242) million outflows in 2018 mainly reflecting intensive investments in refining operations

Special items in operating profit and EBITDA (in HRK millions)

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 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 reaches 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 2019, the result was negatively impacted by HRK (282) millions of special items related to impairment of assets - Croatian gas fields, due to lower gas prices.

HRK mln	2018	2019
INA GROUP		
Total impact of special items on operating profit/(loss)	198	(282)
Total impact of special items on EBITDA	198	-
Exploration & Production		
Total impact of special items on operating profit/(loss)	273	(282)
Total impact of special items on EBITDA	273	-
Severance payment and net provisions	(18)	-
Gain on INAgip acquisition	291	-
Impairment of assets - Croatian gas fields	-	(282)
Refining & Marketing including Consumer Services and Retail		
Total impact of special items on operating (loss)	(42)	-
Total impact of special items on EBITDA	(42)	-
Severance payment and net provisions	(42)	-
Corporate functions		
Total impact of special items on operating (loss)	(33)	-
Total impact of special items on EBITDA	(33)	-
Severance payment and net provisions	(33)	-

Financial instruments and risk management

Risk Management procedures of INA Group are described in detail in INA's Consolidated and separate Financial Statements for the year ended 31 December 2019.

As of 31 December 2019 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods, inventory levels and refining margins.
- Contracted and available short-term credit lines amounting to HRK 2,569 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 amounting to HRK 2,659 million.

Related party transactions

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA Group strategic position 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-Q4 2019, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	31 December 2019	31 December 2019
Companies available for sale		
JANAF d.d. Zagreb	8	42
Strategic partner		
MOL Nyrt.	790	1,106
Companies controlled by strategic partner		
Tifon d.o.o.	609	9
MOL Serbia d.o.o.	78	-
MOL Slovenia d.o.o.	49	69
Slovnaft, a.s.	34	221
MOL Petrochemical	21	3
MOL Commodity Trading Kft.	19	134
MOL Austria Handels GmbH	17	-
MOL NORGE AS	2	-
Geoinform Kft.	2	-
MOL-LUB Kft.	1	4
IES-Italiana Energia e Servizi s.p.a.	-	7
FGSZ Zrt.	-	3

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 December 2019	31 December 2019
Companies available for sale		
JANAF d.d. Zagreb	1	2
Strategic partner		
MOL Nyrt.	230	60
Companies controlled by strategic partner		
Tifon d.o.o.	70	3
MOL Commodity Trading Kft.	48	-
MOL Slovenia d.o.o.	5	6
MOL Serbia d.o.o.	1	-
Geoinform Kft.	1	-
Slovnaft, a.s.	-	36
MOL-LUB Kft.	-	1
IES S.p.A	-	1

Management representation

INA Group's consolidated financial statements for Q4 and Q1-Q4 2019 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
- Ivan Krešić – Member of the Management Board
- Davor Mayer – Member of the Management Board
- Zsolt Pethő – Member of the Management Board
- Ákos Székely – Member of the Management Board