



**INA GROUP  
Q1 2020  
FINANCIAL REPORT**

Zagreb, April, 2020

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1 2020 results. This report contains unaudited consolidated financial statements for the period ending 31 March 2020 as prepared by the Management in accordance with the International Financial Reporting Standards.

## INA Group financial results (IFRS)

2019	HRK mln	Q1 2019	Q1 2020	%
22,597	Net sales revenues*	4,251	3,948	(7)
2,859	EBITDA (1)	539	(495)	n.a.
<b>2,859</b>	<b>EBITDA excl. special items (2)</b>	<b>539</b>	<b>(495)</b>	<b>n.a.</b>
<b>2,897</b>	<b>CCS EBITDA excl. special items</b>	<b>502</b>	<b>433</b>	<b>(14)</b>
725	Profit/(loss) from operations	130	(897)	n.a.
<b>1,007</b>	<b>Profit/(loss) from operations excl. special items (2)</b>	<b>130</b>	<b>(897)</b>	<b>n.a.</b>
<b>1,046</b>	<b>CCS Profit from operations excl. special items</b>	<b>93</b>	<b>31</b>	<b>(67)</b>
(76)	Net (loss)/income from financial activities	(36)	(83)	131
486	Profit/(loss) for the period attributable to Owners of the Company	58	(798)	n.a.
<b>768</b>	<b>Profit/(loss) for the period excl. special items (2)</b>	<b>58</b>	<b>(798)</b>	<b>n.a.</b>
747	Simplified Free Cash Flow (3)	(116)	238	n.a.
<b>2,835</b>	<b>Net operating cash flow</b>	<b>1,496</b>	<b>(43)</b>	<b>n.a.</b>
<b>Earnings per share</b>				
48.6	Basic and diluted earnings/(loss) per share (HRK per share)	5.8	(79.8)	n.a.
2,554	Net debt	838	2,823	237
18.5	Net gearing (%)	6.6	21.4	
<b>2,150</b>	<b>CAPEX total</b>	<b>618</b>	<b>195</b>	<b>(68)</b>
1,829	Domestic	481	158	(67)
321	International	137	37	(73)
2019	USD mln <sup>(4)</sup>	Q1 2019	Q1 2020	%
3,413	Net sales revenues*	651	582	(11)
432	EBITDA (1)	83	(73)	n.a.
<b>432</b>	<b>EBITDA excl. special items (2)</b>	<b>83</b>	<b>(73)</b>	<b>n.a.</b>
<b>438</b>	<b>CCS EBITDA excl. special items</b>	<b>77</b>	<b>64</b>	<b>(17)</b>
110	Profit/(loss) from operations	20	(132)	n.a.
<b>152</b>	<b>Profit/(loss) from operations excl. special items (2)</b>	<b>20</b>	<b>(132)</b>	<b>n.a.</b>
<b>158</b>	<b>CCS Profit from operations excl. special items</b>	<b>14</b>	<b>5</b>	<b>(64)</b>
(11)	Net (loss)/income from financial activities	(6)	(12)	100
73	Profit/(loss) for the period attributable to Owners of the Company	9	(118)	n.a.
<b>116</b>	<b>Profit/(loss) for the period excl. special items (2)</b>	<b>9</b>	<b>(118)</b>	<b>n.a.</b>
113	Simplified Free Cash Flow (3)	(18)	35	n.a.
<b>428</b>	<b>Net operating cash flow</b>	<b>229</b>	<b>(6)</b>	<b>n.a.</b>
<b>Earnings per share</b>				
7.3	Basic and diluted earnings/(loss) per share (HRK per share)	0.9	(11.8)	n.a.
384	Net debt	127	410	223
<b>325</b>	<b>CAPEX total</b>	<b>95</b>	<b>29</b>	<b>(70)</b>
276	Domestic	74	23	(69)
48	International	21	5	(76)

\* Related to Revenue from contracts with customers

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

(2) In reporting period the result was not impacted by special items

(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 Q1 2019 – 6.53 HRK/USD; Q1 2020 – 6.78 HRK/USD; as at 31 March 2019 – 6.61 HRK/USD; as at 31 March 2020 – 6.88 HRK/USD; for 2019 – 6.62 HRK/USD; as at 31 December 2019 – 6.65 HRK/USD

Operations of INA Group in Q1 2020 have witnessed unprecedented market dynamics, particularly during end of the quarter. The outbreak of the COVID-19 pandemic coupled with the disagreement within OPEC+ have led to a parallel supply and demand shock on global oil markets leading to a massive drop in oil & gas prices. Additionally INA experienced a cyber-attack which created operational challenges but core operations and market supply were not interrupted and the business continuity was ensured.

CCS EBITDA of INA Group remained positive at HRK 433 million, but declined by 14% compared to Q1 2019. However, the reported result turned negative, primarily due to inventory revaluation driven by external environment. Exploration and Production revenues of HRK 820 million, 15% lower than same period last year, were mainly driven by 12% lower hydrocarbon prices and the natural decline in production, primarily Croatian natural gas volumes. Still, the segment EBITDA amounted to HRK 424 million. Refining and Marketing including Consumer Services and Retail CCS EBITDA excluding special items amounted to negative HRK (15) million in Q1 2020, while the reported EBITDA, hit by the external drivers was negative in the amount of HRK (943) million. Consumer Services sale quantities were down only by 3% in Q1, as the bigger drop in demand triggered by the COVID-19 pandemic measures occurred at the end of the reporting period.

CAPEX was significantly lower in Q1 2020 compared to Q1 2019 due to the high base effect, as a major turnaround in the Rijeka refinery in 2019 boosted investment last year.

Due to the likely severe macroeconomic consequences of the coronavirus pandemic, a comprehensive review of operational expenditure is carried out in order to preserve cash flow. Also, some of the planned capital spending will be adjusted until the economic lockdown caused by the emergency measures remains in place.



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

*“Start of 2020 has been a challenging one for INA, starting with the cyber-attack and continuing with the outbreak of COVID-19 pandemic. It is a period for oil industry experts to be commented for years to come. Lack of consensus in OPEC+ on one side and the outbreak of COVID-19 on the other side have led to market dynamics not seen even by the most experienced O&G market professionals. Prices for crude oil have surged to levels that challenge even the strongest oil companies.*

*In such environment INA results are negative with EBITDA of HRK (495) million mainly due to revaluation of inventories, but stay stable when looking at pure operational level, with CCS EBITDA of HRK 433 million.*

*As a prelude to market drop, as mentioned, INA was also subjected to a cyber-attack during Q1 2020, but I am proud to say that during this period, despite some operational challenges, our core businesses were not endangered and we maintained stable operations and uninterrupted market supply.*

*Ongoing challenges such as natural production decline and overcapacity of Refining, are now even more emphasized. Despite its commitment to vertical integrated model, Exploration and Production remains main cash generator of INA and with the product prices on historically low levels and no quick recovery in sight, crisis management has become a must have for all energy companies. INA is no exemption and must quickly react to the new environment.*

*INA has already started implementing a number of measures, such as review of operational expenditures and adjusting some of the planned capital spending until the economic lockdown caused by the emergency measures ceases. Nevertheless, INA management stays committed to INA Downstream 2023 New course program.*

*Even after the emergency measures related to COVID-19 outbreak are ceased, oil & gas industry will need to make long term adjustments since the industry we knew is not likely to regain its strength in matter of months.”*

## Management discussion

### Exploration and Production\*

2019	Segment IFRS results (HRK mln)	Q1 2019	Q1 2020	%
3,745	Net sales revenues	969	820	(15)
2,356	EBITDA	569	424	(25)
<b>2,356</b>	<b>EBITDA excl. special items **</b>	<b>569</b>	<b>424</b>	<b>(25)</b>
1,149	Profit from operations	354	260	(27)
<b>1,431</b>	<b>Profit from operation excl. special items **</b>	<b>354</b>	<b>260</b>	<b>(27)</b>
1,669	Simplified Free Cash Flow***	421	317	(25)
687	CAPEX	148	107	(28)

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

\*\* In reporting period the result was not impacted by special items

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

2019	Hydrocarbon production (boe/d)	Q1 2019	Q1 2020	%
<b>14,479</b>	<b>Crude oil production</b>	<b>14,764</b>	<b>13,504</b>	<b>(9)</b>
12,097	Croatia	12,414	11,132	(10)
1,783	Egypt	1,742	1,818	4
599	Angola	608	554	(9)
<b>18,134</b>	<b>Natural gas production</b>	<b>19,679</b>	<b>16,833</b>	<b>(14)</b>
6,094	Croatia - offshore	6,981	5,216	(25)
12,040	Croatia - onshore	12,698	11,617	(9)
<b>1,283</b>	<b>Condensate (boe/d)</b>	<b>1,388</b>	<b>1,192</b>	<b>(14)</b>
<b>33,896</b>	<b>Total hydrocarbon production</b>	<b>35,831</b>	<b>31,529</b>	<b>(12)</b>

2019	Average realised hydrocarbon price	Q1 2019	Q1 2020	%
48	Total hydrocarbon price (USD/boe)*	49	43	(12)

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

### Q1 2020 vs. Q1 2019

#### Key drivers

- Average hydrocarbon price decreased by 12% negatively impacting sales revenues, mainly natural gas
- Domestic crude oil production was lower as a result of natural decline and increased water cut mainly on Đeletovci and Stružec fields offsetting the positive effect of EOR project on Ivanić and Žutica fields
- International crude oil production:
  - Egypt: Higher production was supported by workover and drilling activities
  - Angola: Lower volumes are reflecting weaker wells performance and 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
  - Lower onshore production mainly due to high natural decline and increased water cut on the main gas fields (Deep Podravina and Vučkovec)
- Condensate production was lower due to:
  - Main gas condensate fields suffering from natural decline and increased watercut

#### Capital expenditures

Q1 2020 (HRK mln)	Croatia	Egypt	Angola
Exploration	13		
Development	45	32	2
Other	15		
<b>TOTAL</b>	<b>73</b>	<b>32</b>	<b>2</b>

- Lower investment level compared to 2019 primarily due to lower activities in Croatia, efficiency increase and sustain type of projects, and lower activities in Egypt.
- Drava-02 -1<sup>st</sup> phase: Well Jankovac-1 testing program preparation finalized, well testing postponed for June/July
- Drava-02 -2<sup>nd</sup> phase: Work program for 2020 submitted to the Croatian Hydrocarbon Agency
- 2<sup>nd</sup> and 3<sup>rd</sup> Croatia Onshore Bid Rounds: PSAs signed for 3 awarded blocks (DR-03, SZH-01 and DI-14)
- Total of 12 well workovers performed on onshore Croatia
- EOR project, Ivanić and Žutica: CO<sub>2</sub> injection started in February on 2 wells in Žutica South; 3 well workovers performed
- Egypt, North Bahariya concession: 2 wells drilled (oil producers), drilling started for one development well



**Refining and Marketing, including Consumer Services and Retail\***

2019	Segment IFRS results (HRK mln)	Q1 2019	Q1 2020	%
21,530	Net sales revenues	4,044	3,788	(6)
519	EBITDA	50	(943)	n.a.
<b>519</b>	<b>EBITDA excl. special items**</b>	<b>50</b>	<b>(943)</b>	<b>n.a.</b>
557	CCS EBITDA excl. special items**	13	(15)	n.a.
(229)	Profit/(loss) from operations	(102)	(1,137)	1,015
<b>(229)</b>	<b>Profit/(loss) from operations excl. special items**</b>	<b>(102)</b>	<b>(1,137)</b>	<b>1,015</b>
(191)	CCS Profit/(loss) from operations	(139)	(209)	50
(779)	Simplified Free Cash Flow***	(451)	(91)	(80)
1,336	CAPEX	464	76	(84)

\*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., Croplin d.o.o.

\*\* In reporting period the result was not impacted by special items

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

2019	Refining processing (kt)	Q1 2019	Q1 2020	%
516	Domestic crude oil	190	11	(94)
2,032	Imported crude oil	-	311	n.a.
38	Condensate	21	-	n.a.
550	Other feedstock	14	78	457
<b>3,136</b>	<b>Total refining throughput</b>	<b>225</b>	<b>400</b>	<b>78</b>
	<b>Refining production (kt)</b>			
157	LPG	7	17	143
14	Naphtha	-	16	n.a.
775	Gasoline	81	87	7
162	Kerosene	-	18	n.a.
1,096	Diesel	47	150	219
89	Heating oil	14	24	71
371	Fuel oil	16	24	50
121	Other products*	16	13	(19)
<b>2,785</b>	<b>Total</b>	<b>181</b>	<b>349</b>	<b>93</b>
44	Refining loss	6	7	23
307	Own consumption	38	44	16
<b>3,136</b>	<b>Total refining production</b>	<b>225</b>	<b>400</b>	<b>78</b>
	<b>Refined product sales by country (kt)</b>			
2,056	Croatia	406	427	5
769	B&H	157	145	(8)
64	Slovenia	17	12	(29)
309	Italy	71	25	(65)
1,206	Other markets	87	237	172
<b>4,404</b>	<b>Total</b>	<b>738</b>	<b>846</b>	<b>15</b>
	<b>Refined product sales by product (kt)</b>			
248	LPG	49	45	(8)
13	Naphtha	1	3	200
848	Gasoline	143	136	(5)
220	Kerosene	20	18	(10)
2,135	Diesel	412	396	(4)
128	Heating oil	41	40	(2)
364	Fuel oil	17	9	(47)
74	Bitumen	9	9	-
374	Other products**	46	190	313
<b>4,404</b>	<b>Total</b>	<b>738</b>	<b>846</b>	<b>15</b>
1,115	o/w Consumer services and Retail segment sales	223	216	(3)
<b>1,271</b>	<b>Total natural gas sales (mln m3)</b>	<b>363</b>	<b>269</b>	<b>(26)</b>
<b>511</b>	<b>Total number of service stations</b>	<b>501</b>	<b>508</b>	<b>1</b>

\*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



## Q1 2020 vs. Q1 2019

### Key drivers

- Negative CCS EBITDA excluding special items and consequently cash flow reflect deteriorated external environment, primarily lower refining margin coupled with decreased economic activity in March
- Reported result additionally negatively impacted by impairment of inventories caused by collapsing Brent price
- Processing higher due to longer turnaround in Rijeka Refinery in the previous year, but nevertheless negatively impacted by COVID-19 related demand drop
- Yield improved driven by the processing of lighter crudes and higher conversion of refining units
- Lower motor fuel import volumes (-67 kt) since Rijeka refinery was in operation vs. planned turnaround in the previous year
- Total Retail sales volumes (216 kt) were 3% below the Q1 2019, affected by lower demand in the second half of March after the corona virus outbreak and nationwide lockdown
- Non-fuel margin increased by 18%, reflecting continuous expansion in consumer goods and services, with Gastro and Grocery having the highest share in total non-fuel margin increase

### Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 52 million due to:
  - Rijeka Refinery Upgrade Project - preparation for activities of Soil Mechanical Study and Early Works started. Detailed Engineering Design is in preparation
  - Propane-Propylene Splitter project - civil and mechanical works on site are in progress and reached the final phase of implementation  
Despite slight delays caused by negative trends in the external environment, the execution of Rijeka Refinery Upgrade and Propane-Propylene Splitter strategic projects continue
  - Investment activities continued in logistics and refining development projects with focus on sustainability and energy efficiency.
- Capital investments in Consumer Services and Retail amounted to HRK 24 million in Q1 2020 compared to HRK 89 million in Q1 2019:
  - In Q1 2019, Montenegro growth project accounted for significant part of the total investments. Excluding Montenegro capital investments in the Q1 2020 were slightly above the Q1 2019, with focus on Fresh Corner reconstructions.

### Main external parameters

2019	Crude oil and gas prices	Q1 2019	Q1 2020	%
64	Brent dtd (USD/bbl)	63	50	(20.6)
0.43	Brent-Ural spread (USD/bbl)	(0.28)	1.99	n.a.
16	CEGH gas price (EUR/MWh)	22	12	(45.3)
<b>FOB MED Products prices and crack spreads</b>				
595	Gasoline - premium unleaded 10 ppm (USD/t)	549	462	(15.9)
586	Diesel – ULSD 10 ppm (USD/t)	584	457	(21.8)
324	Fuel oil 3.5% (USD/t)	371	224	(39.7)
454	LPG (USD/t)	500	454	(9.3)
109	Crack spread – gasoline (USD/t)	71	83	16.2
100	Crack spread – diesel (USD/t)	107	78	(26.8)
(162)	Crack spread – fuel oil 3.5% (USD/t)	(106)	(155)	45.9
(32)	Crack spread – LPG (USD/t)	23	75	229.4
(0.81)	Indicative refining margins (USD/bbl)*	(0.53)	0.40	n.a.
<b>Foreign exchange</b>				
6.62	HRK/USD average	6.53	6.78	3.8
6.65	HRK/USD closing	6.61	6.88	4.1
7.44	HRK/EUR average	7.42	7.48	0.8
7.44	HRK/EUR closing	7.43	7.61	2.4
2.33	3m USD LIBOR (%)	2.69	1.53	(43.1)
(0.36)	3m EURIBOR (%)	(0.31)	0.41	n.a.

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

## Condensed Consolidated Statement of Profit or Loss

For the period ended 31 March 2019 and 2020 (in HRK millions)

2019	Note	Q1 2019	Q1 2020	%
<b>22,597</b>		<b>4,251</b>	<b>3,948</b>	<b>(7)</b>
466	1	115	73	(37)
234		66	44	(33)
<b>23,297</b>		<b>4,432</b>	<b>4,065</b>	<b>(8)</b>
(160)		(517)	(556)	8
(8,460)	2	(262)	(1,246)	376
(2,134)	4	(409)	(402)	(2)
(2,125)	4	(442)	(435)	(2)
(626)	4	(144)	(122)	(15)
(1,970)	5	(446)	(430)	(4)
(7,114)	3	(1,991)	(1,615)	(19)
(109)	4	(54)	(153)	183
126	4	(37)	(3)	(92)
<b>(22,572)</b>		<b>(4,302)</b>	<b>(4,962)</b>	<b>15</b>
<b>725</b>		<b>130</b>	<b>(897)</b>	<b>n.a.</b>
104		33	73	121
(180)		(69)	(156)	126
<b>(76)</b>	7	<b>(36)</b>	<b>(83)</b>	<b>131</b>
<b>10</b>	7	<b>(23)</b>	<b>5</b>	<b>n.a.</b>
<b>659</b>		<b>71</b>	<b>(975)</b>	<b>n.a.</b>
(170)	6	(14)	178	n.a.
<b>489</b>		<b>57</b>	<b>(797)</b>	<b>n.a.</b>
486		58	(798)	n.a.
3		(1)	1	n.a.
<b>489</b>		<b>57</b>	<b>(797)</b>	<b>n.a.</b>
48.6		5.8	(79.8)	n.a.



## Condensed Consolidated Statement of Financial Position

At 31 March 2020 and 31 December 2019 (in HRK millions)

	Note	31 December 2019	31 March 2020	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	635	632	(0)
Property, plant and equipment	10	12,567	12,423	(1)
Righth-of-use assets	10	342	352	3
Investments in associates and joint venture		160	165	3
Other Investments		17	17	(0)
Long-term receivables		898	911	1
Deferred tax assets		1,035	1,238	20
Marketable securities		39	22	(44)
Non-current financial assets		607	488	(20)
<b>Total non-current assets</b>		<b>16,300</b>	<b>16,248</b>	<b>(0)</b>
<b>Current assets</b>				
Inventories	12	2,299	1,784	(22)
Trade receivables, net	13	2,026	1,620	(20)
Other receivables		143	217	52
Corporative Income tax receivables		16	20	25
Marketable securities		-	45	n.a.
Other current assets		136	247	82
Cash and cash equivalents		606	1,118	84
<b>Current assets</b>		<b>5,226</b>	<b>5,051</b>	<b>(3)</b>
Assets held for sale		6	6	0
<b>Total current assets</b>		<b>5,232</b>	<b>5,057</b>	<b>(3)</b>
<b>Total assets</b>	<b>8</b>	<b>21,532</b>	<b>21,305</b>	<b>(1)</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	11	9,000	9,000	-
Legal reserves		166	166	-
Fair value reserves		241	143	(41)
Other reserves		1,590	1,634	3
Retained earnings		207	(591)	n.a.
<b>Equity attributable to equity holders of the parent</b>		<b>11,204</b>	<b>10,352</b>	<b>(8)</b>
Non-controlling interests		12	13	8
<b>Total equity</b>		<b>11,216</b>	<b>10,365</b>	<b>(8)</b>
<b>Non-current liabilities</b>				
Long-term loans		-	647	n.a.
Long-term lease liabilities		276	285	3
Other non-current liabilities		40	39	(3)
Employee benefits obligation		70	69	(1)
Provisions		3,716	3,725	0
Deferred tax liability		15	15	0
<b>Total non-current liabilities</b>		<b>4,117</b>	<b>4,780</b>	<b>16</b>
<b>Current liabilities</b>				
Bank loans		3,160	3,339	6
Current portion of long-term lease liabilities		68	73	7
Trade payables	15	1,511	1,398	(7)
Taxes and contributions		650	528	(19)
Other current liabilities		624	618	(1)
Employee benefits obligation		7	5	(29)
Provisions		179	199	11
<b>Total current liabilities</b>		<b>6,199</b>	<b>6,160</b>	<b>(1)</b>
<b>Total liabilities</b>	<b>14</b>	<b>10,316</b>	<b>10,940</b>	<b>6</b>
<b>Total equity and liabilities</b>		<b>21,532</b>	<b>21,305</b>	<b>(1)</b>



## Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 31 March 2019 and 2020 (in HRK millions)

2019	Note	Q1 2019	Q1 2020	%
<b>489</b>		<b>57</b>	<b>(797)</b>	<b>n.a.</b>
<b>Profit/(loss) for the period</b>				
<b>Adjustments for:</b>				
2,134		409	402	(2)
170		14	(178)	n.a.
109		54	153	183
(11)		(2)	(2)	-
(29)		(22)	70	n.a.
24		5	7	40
10		23	(5)	n.a.
26		22	8	(64)
(135)		37	4	(89)
49		20	13	(35)
8		(8)	(9)	13
(2)		6	1	(83)
<b>2,842</b>	<b>16</b>	<b>615</b>	<b>(333)</b>	<b>n.a.</b>
<b>Operating cash flow before working capital changes</b>				
<b>Movements in working capital</b>				
322		490	325	(34)
(389)		(105)	212	n.a.
101		499	(241)	n.a.
<b>2,876</b>		<b>1,499</b>	<b>(37)</b>	<b>n.a.</b>
<b>Cash generated from operations</b>				
(41)		(3)	(6)	100
<b>2,835</b>		<b>1,496</b>	<b>(43)</b>	<b>n.a.</b>
<b>Net cash inflow/(outflow) from operating activities</b>				
<b>Cash flows used in investing activities</b>				
(2,442)		(708)	(236)	(67)
(143)		(31)	-	n.a.
20		1	1	-
(12)		(4)	18	n.a.
10		-	-	-
42		10	3	(70)
9		2	7	250
<b>(2,516)</b>	<b>18</b>	<b>(730)</b>	<b>(207)</b>	<b>(72)</b>
<b>Net cash used for investing activities</b>				
<b>Cash flows from financing activities</b>				
208		(126)	309	n.a.
823		(638)	443	n.a.
197		114	14	(88)
(1,250)		-	-	-
(1)		(1)	-	n.a.
(123)		(73)	(16)	(78)
<b>(146)</b>		<b>(724)</b>	<b>750</b>	<b>n.a.</b>
<b>Net cash from financing activities</b>				
173		42	500	1,090
422		422	606	44
6		6	(3)	n.a.
601		470	1,103	135
5		3	15	400
<b>606</b>		<b>473</b>	<b>1,118</b>	<b>136</b>
<b>Cash and cash equivalents in statement of financial position</b>				

## INA Group Summary Segmental Results of Operations

2019	(HRK mln)	Q1 2019	Q1 2020	%
<b>Net sales revenues</b>				
3,745	Exploration & Production	969	820	(15)
21,530	Refining & Marketing including Consumer services and Retail	4,044	3,788	(6)
2,139	Corporate and Other	488	376	(23)
(4,817)	Intersegment transfers and consolidation adjustments	(1,250)	(1,036)	(17)
<b>22,597</b>	<b>Total</b>	<b>4,251</b>	<b>3,948</b>	<b>(7)</b>
<b>EBITDA*</b>				
2,356	Exploration & Production	569	424	(25)
519	Refining & Marketing including Consumer services and Retail	50	(943)	n.a.
26	Corporate and Other	(8)	(32)	300
(42)	Intersegment transfers and consolidation adjustments	(72)	56	n.a.
<b>2,859</b>	<b>Total</b>	<b>539</b>	<b>(495)</b>	<b>n.a.</b>
<b>EBITDA Excluding Special Items</b>				
2,356	Exploration & Production	569	424	(25)
519	Refining & Marketing including Consumer services and Retail	50	(943)	n.a.
26	Corporate and Other	(8)	(32)	300
(42)	Intersegment transfers and consolidation adjustments	(72)	56	n.a.
<b>2,859</b>	<b>Total</b>	<b>539</b>	<b>(495)</b>	<b>n.a.</b>
<b>Profit/(Loss) from operations</b>				
1,149	Exploration & Production	354	260	(27)
(229)	Refining & Marketing including Consumer services and Retail	(102)	(1,137)	1,015
(154)	Corporate and Other	(50)	(76)	52
(41)	Intersegment transfers and consolidation adjustments	(72)	56	n.a.
<b>725</b>	<b>Total</b>	<b>130</b>	<b>(897)</b>	<b>n.a.</b>
<b>Profit/(Loss) from operations Excluding Special Items</b>				
1,431	Exploration & Production	354	260	(27)
(229)	Refining & Marketing including Consumer services and Retail	(102)	(1,137)	1,015
(154)	Corporate and Other	(50)	(76)	52
(41)	Intersegment transfers and consolidation adjustments	(72)	56	n.a.
<b>1,007</b>	<b>Total</b>	<b>130</b>	<b>(897)</b>	<b>n.a.</b>
<b>Property, plant and equipment</b>				
4,932	Exploration & Production	5,149	4,899	(5)
6,674	Refining & Marketing including Consumer services and Retail	6,366	6,548	3
1,422	Corporate and Other	1,418	1,442	2
(461)	Intersegment transfers and consolidation adjustments	(416)	(466)	12
<b>12,567</b>	<b>Total</b>	<b>12,517</b>	<b>12,423</b>	<b>(1)</b>

\* 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 Q1 2020 is HRK 56 million compared to HRK (72) million in Q1 2019.

## Financial overview and notes

### Statement of Profit or Loss

#### Notes

- 1 **Revenue from contracts with customers** in Q1 2020 amounted to HRK 3,948 million and is slightly below the Q1 2019 level, triggered mainly by Refining and Marketing sales revenue decrease since higher sales couldn't compensate for the less favourable external environment
- 2 **Costs of raw materials and consumables** were 376% higher than Q1 2019 level at HRK (1,246) million, reflecting different processing dynamic, primarily due to Rijeka Refinery turnaround on Q1 2019
- 3 **Costs of other goods sold** in Q1 2020 decreased 19% compared to Q1 2019 and amounted to HRK (1,615) million resulting from lower goods sales
- 4 Other **operating costs** realized in Q1 2020 include:
  - Other material costs in the amount of HRK (435) million were lower by 2% mainly driven by costs dependent on oil prices
  - Service costs in the amount of HRK (122) million were 15% lower than on Q1 2019 level concerning higher intellectual services in 2019
  - Depreciation, amortisation and impairment (net) in the amount of HRK (402) million was 2% lower compared to Q1 2019
  - Impairment and provisions had a negative effect in the amount of HRK (156) million and was higher than in Q1 2019 at HRK (91) million level, mainly due to value adjustment of raw materials caused by hydrocarbon prices drop in Q1 2020.
- 5 **Staff costs** in the amount HRK (430) million were 4% lower compared to Q1 2019
- 6 **Income tax benefit** in Q1 2020 amounted to HRK 178 million compared to HRK (14) million income tax expense in Q1 2019. 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 March 2020 and 31 March 2019
- 7 **Net result from financial activities** is negative in Q1 2020 mainly as a result of:
  - Net foreign exchange loss reached HRK (55) million in Q1 2020, while in Q1 2019 net foreign exchange loss reached HRK (9) million
  - Interest expense amounted to HRK (21) million and interest income to HRK 1 million in Q1 2020, while in Q1 2019 interest expense amounted to HRK (28) million and interest income to HRK 1 million
  - Other financial net expenses amounted to HRK (8) million and are lower compared to HRK (0,2) million financial expenses in Q1 2019.

### Statement of Financial Position

#### Notes

- 8 As at 31 March Q1 2020 INA Group **total assets** amounted to HRK 21,305 million, 1% lower compared to 31 December 2019
- 9 In the period ended 31 March 2020, INA Group recognise additions in intangible assets in the amount of HRK 3 million. The effect of depreciation equals HRK 11 million
- 10 In the period ended 31 March 2020, INA Group recognised additions in property, plant and equipment in the amount of HRK 192 million. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 373 million
- 11 **Share capital** as at 31 March 2020 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 1,784 million, and have decreased by 22% compared to 31 December 2019, mainly finished products due to lower prices
- 13 **Trade receivables, net** amounted to HRK 1,620 million which is 20% lower than 31 December 2019 mainly due to lower sales revenues
- 14 As at 31 March 2020 **total liabilities** amounted to HRK 10,940 million, 6% higher compared to 31 December 2019. INA Group **net debt** amounted to HRK 2,823 million and increased compared to 31 December 2019. **Net gearing** increased from 18.5% as at 31 December 2019, to 21.4% as at 31 March 2020
- 15 **Trade payables** decreased compared to 31 December 2019 by 7% to HRK 1,398 million due to settled obligations for imported oil

### Cash flow Statement

- 16 The **operating cash flow before working capital changes** amounted to HRK (333) million in Q1 2020 representing a decrease compared to Q1 2019, 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 296 million, due to:
  - Decreased value of inventories in the amount of HRK 325 million mainly related to impairment of inventories caused by lower prices
  - Decrease in receivables in the amount of HRK 212 million mainly related to lower sales revenues
  - Decrease in trade and other payables amounted to (241) HRK million related to paid imported crude oil
- 18 **Net cash used for investing activities** amounted to HRK (207) million of outflows, compared to HRK (730) million outflows in Q1 2019 mainly due to lower business activities



## 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 Q1 2020, the result was not impacted by special items.

## 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 March 2020 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 2,637 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 2,750 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 2020, INA Group entered into the following trading transactions with the following related parties:

<b>INA Group</b>	<b>Sales of goods</b>	<b>Purchase of goods</b>
HRK mln	31 March 2020	31 March 2020
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	1	7
<b>Strategic partner</b>		
MOL Nyrt.	453	71
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	114	2
MOL Slovenia d.o.o.	14	4
MOL Petrochemical	11	1
MOL Commodity Trading Kft.	7	9
MOL-LUB Kft.	-	1
Slovnaft, a.s.	-	89

<b>INA Group</b>	<b>Amounts owed from related parties</b>	<b>Amounts owed to related parties</b>
HRK mln	31 March 2020	31 March 2020
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	1	3
<b>Strategic partner</b>		
MOL Nyrt.	148	71
<b>Companies controlled by strategic partner</b>		
MOL Commodity Trading Kft.	99	98
Tifon d.o.o.	53	2
MOL Slovenia d.o.o.	2	4
MOL Petrochemicals	2	1
Slovnaft, a.s.	-	39

## Management representation

INA Group's consolidated financial statements for and Q1 2020 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.

A meeting of INA Supervisory Board was held on 31 March 2020 to appoint new members of the company's Management Board at the proposal of the Government of the Republic of Croatia. New members of the INA Management Board are Barbara Dorić, Darko Markotić and Niko Dalić. They were appointed for a term of five years, starting from April 1st 2020.

### Management Board:

- Sándor Fasimon – President of the Management Board
- Niko Dalić – Member of the Management Board
- Barbara Dorić – Member of the Management Board
- Darko Markotić – Member of the Management Board
- Zsolt Pethő – Member of the Management Board
- Ákos Székely – Member of the Management Board