



**INA GROUP  
Q3 & Q1-Q3 2019  
FINANCIAL REPORT**

Zagreb, October, 2019

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q3 and Q1-Q3 2019 results. This report contains unaudited consolidated financial statements for the period ending 30 September 2019 as prepared by the Management in accordance with the International Financial Reporting Standards.

## INA Group financial results (IFRS)

Q3 2018	Q3 2019	%	HRK mln	Q1-Q3 2018	Q1-Q3 2019	%
6,732	6,756	0	Net sales revenues*	16,227	16,550	2
1,073	1,086	1	EBITDA (1)	2,685	2,208	(18)
<b>1,073</b>	<b>1,086</b>	<b>1</b>	<b>EBITDA excl. special items (2)</b>	<b>2,685</b>	<b>2,208</b>	<b>(18)</b>
<b>890</b>	<b>1,222</b>	<b>37</b>	<b>CCS EBITDA excl. special items</b>	<b>2,217</b>	<b>2,397</b>	<b>8</b>
659	656	(1)	Profit from operations	1,440	943	(35)
<b>659</b>	<b>656</b>	<b>(1)</b>	<b>Profit from operations excl. special items (2)</b>	<b>1,440</b>	<b>943</b>	<b>(35)</b>
<b>476</b>	<b>792</b>	<b>66</b>	<b>CCS Profit from operations excl. special items</b>	<b>972</b>	<b>1,132</b>	<b>16</b>
(26)	(60)	131	Net (loss)/income from financial activities	(94)	(97)	3
523	491	(6)	Profit for the period attributable to Owners of the Company	1,056	679	(36)
<b>523</b>	<b>491</b>	<b>(6)</b>	<b>Profit for the period excl. special items (2)</b>	<b>1,056</b>	<b>679</b>	<b>(36)</b>
496	864	74	Simplified Free Cash Flow (3)	1,305	856	(34)
<b>824</b>	<b>366</b>	<b>(56)</b>	<b>Net operating cash flow</b>	<b>2,020</b>	<b>1,378</b>	<b>(32)</b>
<b>Earnings per share</b>						
52.3	49.1	(6)	Basic and diluted earnings/(loss) per share (HRK per share)	105.6	67.9	(36)
1,136	3,036	167	Net debt	1,136	3,036	167
8.8	21.0	139	Net gearing (%)	8.8	21.0	
<b>394</b>	<b>358</b>	<b>(9)</b>	<b>CAPEX total</b>	<b>912</b>	<b>1,541</b>	<b>69</b>
342	327	(4)	Domestic	793	1,319	66
52	31	(40)	International	119	222	87

Q3 2018	Q3 2019	%	USD mln <sup>(4)</sup>	Q1-Q3 2018	Q1-Q3 2019	%
1,057	1,017	(4)	Net sales revenues*	2,615	2,511	(4)
168	164	(2)	EBITDA (1)	433	335	(23)
<b>168</b>	<b>164</b>	<b>(2)</b>	<b>EBITDA excl. special items (2)</b>	<b>433</b>	<b>335</b>	<b>(23)</b>
<b>140</b>	<b>184</b>	<b>31</b>	<b>CCS EBITDA excl. special items</b>	<b>357</b>	<b>364</b>	<b>2</b>
103	99	(4)	Profit from operations	232	143	(38)
<b>103</b>	<b>99</b>	<b>(4)</b>	<b>Profit from operations excl. special items (2)</b>	<b>232</b>	<b>143</b>	<b>(38)</b>
<b>75</b>	<b>119</b>	<b>59</b>	<b>CCS Profit from operations excl. special items</b>	<b>157</b>	<b>172</b>	<b>10</b>
(4)	(9)	125	Net (loss)/income from financial activities	(15)	(15)	0
82	74	(10)	Profit for the period attributable to Owners of the Company	170	103	(39)
<b>82</b>	<b>74</b>	<b>(10)</b>	<b>Profit for the period excl. special items (2)</b>	<b>170</b>	<b>103</b>	<b>(39)</b>
78	130	67	Simplified Free Cash Flow (3)	210	130	(38)
<b>129</b>	<b>55</b>	<b>(57)</b>	<b>Net operating cash flow</b>	<b>325</b>	<b>209</b>	<b>(36)</b>
<b>Earnings per share</b>						
8.2	7.4	(10)	Basic and diluted earnings/(loss) per share (HRK per share)	17.0	10.0	(41)
177	448	153	Net debt	177	448	153
<b>62</b>	<b>54</b>	<b>(13)</b>	<b>CAPEX total</b>	<b>147</b>	<b>234</b>	<b>59</b>
54	49	(9)	Domestic	128	200	56
8	5	(38)	International	19	34	79

\* 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 Q3 2018 – 6.37 HRK/USD; Q3 2019 – 6.64 HRK/USD; for Q1-Q3 2018 – 6.21 HRK/USD; for Q1-Q3 2019 – 6.59 HRK/USD; as at 31 December 2018 – 6.47 HRK/USD; as at 30 September 2018 – 6.40; HRK/USD; as at 30 September 2019 – 6.78 HRK/USD

INA Group revenues totalled at HRK 16,550 million while CCS EBITDA excluding special items amounted to HRK 2,397 million in Q1-Q3 2019, improving 8% compared to the same period last year. Oil prices followed a different trajectory compared to the base period: the average oil prices decreased somewhat during the first nine months of 2019 therefore reported EBITDA fell by close to HRK 400 mln driving a similar drop of profit for the period excluding special items reaching HRK 679 million.

Exploration and Production EBITDA decreased by 15% to HRK 1,819 million mainly caused by lower realized hydrocarbon price (-13% year-on-year in USD terms). Overall production volumes were flat supported by higher crude oil production in Egypt, as a result of increased exploration drilling and development activities. Refining and Marketing including Consumer Services and Retail CCS EBITDA excluding special items amounted to HRK 526 million increasing by HRK 137 million year-on-year while Simplified Free Cash Flow of the segment amounted to HRK (460) million in Q1 – Q3 2019. The main driver of CCS EBITDA excluding special items was better sales performance, utilizing market conditions and improved Rijeka Refinery white product yields as well as improving consumer services performance. Higher retail volumes by 3% resulted from better performance in Croatia and network expansion in Montenegro.

CAPEX increased by 69% compared to the same period last year and amounted HRK 1,541 million, mainly driven by refining investments. Net gearing amounted to 21.0% with net debt at HRK 3,036 million.

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

*“Intensive investments INA carried out during the first nine months of 2019 started to show results. Total investments exceeded HRK 1.5 billion, majority of which was spent domestically. Rijeka refinery turnaround, as one of the largest ones in the company’s history, was completed. Numerous improvements implemented during this turnaround are already visible in the better production structure, with higher share of profitable white products. This is also to be further improved with future expected projects, in line with the INA Downstream 2023 New Course program. Also, the increased level of Upstream activities in Egypt is starting to give results with a 23% increase of oil production in Egypt. This, together with the continuous workover activities in Croatia, currently stabilized the hydrocarbon production impacted with natural decline.*

*The final results remain effected by the less favourable external environment, but INA utilized the market environment. Bosnia and Herzegovina sales increased by around 18% while total INA Downstream sales stayed stable at more than 3.1 million tonnes. Retail performance stayed strong, both domestically and in the expanded Montenegro network.*

*In general, with the lower processing due to planned Rijeka turnaround and deteriorated environment, INA Group EBITDA and other indicators are stable, but somewhat decreased. Still, the total revenues stayed strong and even increased by 2%, giving a favourable outlook for 2019 year end.”*

## Management discussion

### Exploration and Production\*

Q3 2018	Q3 2019	%	Segment IFRS results (HRK mln)	Q1-Q3 2018	Q1-Q3 2019	%
1,089	852	(22)	Net sales revenues	3,047	2,837	(7)
685	581	(15)	EBITDA	2,129	1,819	(15)
<b>685</b>	<b>581</b>	<b>(15)</b>	<b>EBITDA excl. special items **</b>	<b>2,129</b>	<b>1,819</b>	<b>(15)</b>
464	369	(20)	Profit from operations	1,447	1,167	(19)
<b>464</b>	<b>369</b>	<b>(20)</b>	<b>Profit from operation excl. special items **</b>	<b>1,447</b>	<b>1,167</b>	<b>(19)</b>
<b>533</b>	<b>393</b>	<b>(26)</b>	<b>Simplified Free Cash Flow***</b>	<b>1,699</b>	<b>1,325</b>	<b>(22)</b>
152	188	24	CAPEX	430	494	15

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

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

Q3 2018	Q3 2019	%	Hydrocarbon production (boe/d)	Q1-Q3 2018	Q1-Q3 2019	%
<b>14,594</b>	<b>14,450</b>	<b>(1)</b>	<b>Crude oil production</b>	<b>14,442</b>	<b>14,647</b>	<b>1</b>
12,485	12,050	(3)	Croatia	12,344	12,248	(1)
1,501	1,790	19	Egypt	1,452	1,793	23
608	610	0	Angola	646	606	(6)
<b>16,789</b>	<b>17,616</b>	<b>5</b>	<b>Natural gas production</b>	<b>18,763</b>	<b>18,546</b>	<b>(1)</b>
6,021	5,797	(4)	Croatia - offshore	6,500	6,338	(2)
10,768	11,819	10	Croatia - onshore	12,263	12,208	(0)
<b>1,192</b>	<b>1,259</b>	<b>6</b>	<b>Condensate (boe/d)</b>	<b>1,440</b>	<b>1,314</b>	<b>(9)</b>
<b>32,575</b>	<b>33,325</b>	<b>2</b>	<b>Total hydrocarbon production</b>	<b>34,645</b>	<b>34,507</b>	<b>(0)</b>

Q3 2018	Q3 2019	%	Average realised hydrocarbon price	Q1-Q3 2018	Q1-Q3 2019	%
57	45	(21)	Total hydrocarbon price (USD/boe)*	55	48	(13)

\* Calculated based on total sales revenue including natural gas internal selling price as well; restated with the move of gas trading operations from the Exploration and Production to Refining and Marketing incl. Consumer Services and Retail.

### Q1-Q3 2019 vs. Q1-Q3 2018

#### Key drivers

- Brent price lower by 10% negatively impacting crude oil and condensate sales revenues by HRK 160 million
- Domestic crude oil production stable with mild natural decline
- 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 rather stable as a result of:
  - Lower offshore production driven by natural decline and increased water cut on Izabela, partially offset by the ENI share acquisition effect on the North Adriatic and Aiza-Laura contract areas
  - Stable onshore production somewhat impacted by natural decline and lower performance on the main gas fields (Deep Podravina and Međimurje)
- Condensate production lower due to:
  - Natural decline and decreased production on main gas condensate fields
- Lower collection of Egyptian receivables

#### Capital expenditures

Q1-Q3 2019 (HRK mln)	Croatia	Egypt	Angola
Exploration	10	54	-
Development	192	69	7
Other	162	-	-
<b>TOTAL</b>	<b>364</b>	<b>123</b>	<b>7</b>

- Higher investment level compared to Q1-Q3 2018 focusing on exploration drilling and development activities in Egypt
- Total of 40 well workovers performed on onshore Croatia with additional four well workovers being part of EOR project in Ivanić and Žutica
- Drava-02 exploration program activities - Phase 1: Severovci-1 well: Commercial discovery reported to Ministry and Croatian Hydrocarbon Agency in July
- 2<sup>nd</sup> Croatia onshore bid round: in August 2019 INA was awarded licenses for two exploration blocks: DR-03 and SZH-01; Indicative deadline for concluding Production Sharing Agreements is April 30<sup>th</sup>, 2020
- Egypt: Drilling of exploration well Rizk-2D finished in May, well tests ongoing; on North Bahariya concession eight wells were drilled out of which one well was unsuccessful; on Ras Qattara concession three wells were drilled



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

Q3 2018	Q3 2019	%	Segment IFRS results (HRK mln)	Q1-Q3 2018	Q1-Q3 2019	%
6,447	6,517	1	Net sales revenues	15,568	15,803	2
431	400	(7)	EBITDA	857	337	(61)
<b>431</b>	<b>400</b>	<b>(7)</b>	<b>EBITDA excl. special items**</b>	<b>857</b>	<b>337</b>	<b>(61)</b>
248	536	116	CCS EBITDA excl. special items***	389	526	35
285	227	(20)	Profit/(loss) from operations	436	(146)	n.a.
<b>285</b>	<b>227</b>	<b>(20)</b>	<b>Profit/(loss) from operations excl. special items***</b>	<b>436</b>	<b>(146)</b>	<b>n.a.</b>
102	363	256	CCS Profit/(loss) from operations	(32)	43	n.a.
18	395	2,094	Simplified Free Cash Flow***	(75)	(460)	513
230	141	(39)	CAPEX	464	986	113

\*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

Q3 2018	Q3 2019	%	Refining processing (kt)	Q1-Q3 2018	Q1-Q3 2019	%
137	120	(12)	Domestic crude oil	394	487	24
883	798	(10)	Imported crude oil	2,103	1,238	(41)
19	4	(79)	Condensate	48	38	(21)
191	267	40	Other feedstock	410	225	(45)
<b>1,230</b>	<b>1,189</b>	<b>(3)</b>	<b>Total refining throughput</b>	<b>2,955</b>	<b>1,988</b>	<b>(33)</b>
		%	<b>Refining production (kt)</b>			
64	65	2	LPG	155	97	(37)
16	8	(50)	Naphtha	36	12	(67)
281	297	6	Gasoline	683	493	(28)
67	84	25	Kerosene	145	119	(18)
436	437	0	Diesel	991	657	(34)
30	23	(23)	Heating oil	87	54	(38)
172	117	(32)	Fuel oil	439	241	(45)
41	44	7	Other products*	95	79	(17)
<b>1,107</b>	<b>1,075</b>	<b>(3)</b>	<b>Total</b>	<b>2,631</b>	<b>1,752</b>	<b>(33)</b>
18	11	(39)	Refining loss	40	29	(28)
105	103	(2)	Own consumption	284	207	(27)
<b>1,230</b>	<b>1,189</b>	<b>(3)</b>	<b>Total refining production</b>	<b>2,955</b>	<b>1,988</b>	<b>(33)</b>
		%	<b>Refined product sales by country (kt)</b>			
549	623	13	Croatia	1,357	1,515	12
195	213	9	B&H	493	580	18
17	15	(12)	Slovenia	57	44	(23)
81	78	(4)	Italy	260	236	(9)
405	457	13	Other markets	985	756	(23)
<b>1,247</b>	<b>1,386</b>	<b>11</b>	<b>Total</b>	<b>3,152</b>	<b>3,131</b>	<b>(1)</b>
		%	<b>Refined product sales by product (kt)</b>			
68	74	9	LPG	192	177	(8)
12	8	(33)	Naphtha	33	13	(61)
244	280	15	Gasoline	643	616	(4)
94	97	3	Kerosene	171	184	8
538	619	15	Diesel	1,403	1,573	12
31	28	(10)	Heating oil	102	92	(10)
170	145	(15)	Fuel oil	415	219	(47)
20	20	0	Bitumen	42	53	26
70	115	64	Other products**	151	205	35
<b>1,247</b>	<b>1,386</b>	<b>11</b>	<b>Total</b>	<b>3,152</b>	<b>3,131</b>	<b>(1)</b>
344	352	2	o/w consumer services and Retail segment sales	827	854	3
		%	<b>Total natural gas sales (mln m3)</b>			
<b>276</b>	<b>330</b>	<b>20</b>	<b>Total natural gas sales (mln m3)</b>	<b>787</b>	<b>987</b>	<b>25</b>
<b>500</b>	<b>510</b>	<b>2</b>	<b>Total number of service stations</b>	<b>500</b>	<b>510</b>	<b>2</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-Q3 2019 vs. Q1-Q3 2018

### Key drivers

- Improvement of the refinery yield as an impact of the Rijeka Refinery Turnaround, whilst processing was lower
- Higher motor fuel import volumes focused on meeting regional market demand mitigated the impact of lower processing volumes
- Increased wholesale volumes and margins on the domestic market (+158 kt) and B&H market (+87 kt) as a result of higher demand related to lack of supply from the Bosanski Brod Refinery
- A deteriorating headline margin in refining: lower Brent price (-7 USD/bbl), decreased gasoline (-28 USD/t) and LPG (-68 USD/t) crack spreads, and higher diesel crack spread (+7 USD/t)
- Total retail sales volumes were at 854 kt (+3%) with significant contribution coming from Croatian (+11 kt) and Montenegro markets (+14 kt)
- Non-fuel margin increased by 18%, reflecting continuous expansion in consumer goods, increasing number of Fresh Corners and development of new non-fuel related services

### Capital expenditures

- Refining and Marketing CAPEX significantly increased and amounted to HRK 821 million compared to HRK 337 million in Q1-Q3 2018, mainly driven by the major Rijeka Refinery Turnaround
  - The turnaround was completed and Rijeka Refinery started processing in the beginning of May
  - Engineering Procurement and Construction tender for the Rijeka Refinery Upgrade Project is finalised. Preparation of Front-End Engineering Design for all units is completed. Main building permit is obtained
  - Activities on the Propane-Propylene Splitter project are on-going. Critical tie-ins were installed during the turnaround. Civil and mechanical works on the site are in progress
- Consumer Services and Retail CAPEX amounted to HRK 165 million compared to HRK 127 million in Q1-Q3 2018
  - Various investments projects including greenfield constructions, new service station rentals, existing service station reconstructions, modernizations and other improvement projects
  - Expanding the non-fuel offer in line with the "Fresh Corner" concept with multiple projects executed, ongoing or in preparation

### Main external parameters

Q3 2018	Q3 2019	%		Q1-Q3 2018	Q1-Q3 2019	%
75	62	(17.3)	<b>Crude oil prices</b>	72	65	(9.7)
0.84	(0.18)	n.a.	Brent dtd (USD/bbl)	1.34	(0.07)	n.a.
			Brent-Ural spread (USD/bbl)			
			<b>FOB MED Products prices and crack spreads</b>			
712	605	(15.0)	Gasoline - premium unleaded 10 ppm (USD/t)	683	599	(12.3)
668	578	(13.5)	Diesel – ULSD 10 ppm (USD/t)	638	588	(7.8)
422	323	(23.5)	Fuel oil 3.5% (USD/t)	392	358	(8.7)
614	370	(39.7)	LPG (USD/t)	566	442	(21.9)
144	136	(5.6)	Crack spread – gasoline (USD/t)	138	110	(20.3)
99	109	10.1	Crack spread – diesel (USD/t)	92	99	7.6
(146)	(147)	0.7	Crack spread – fuel oil 3.5% (USD/t)	(154)	(131)	(14.9)
45	(99)	n.a.	Crack spread – LPG (USD/t)	21	(47)	n.a.
0.54	0.33	(38.9)	Indicative refining margins (USD/bbl)*	0.59	(0.56)	n.a.
			<b>% Foreign exchange</b>			
6.37	6.64	4.2	HRK/USD average	6.21	6.59	6.1
6.40	6.78	5.9	HRK/USD closing	6.40	6.78	5.9
7.41	7.39	(0.3)	HRK/EUR average	7.41	7.41	0.0
7.42	7.40	(0.3)	HRK/EUR closing	7.42	7.40	(0.3)
2.34	2.09	(10.7)	3m USD LIBOR (%)	2.20	2.46	11.8
(0.03)	(0.42)	1,300	3m EURIBOR (%)	(0.32)	0.34	n.a.

\* 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 30 September 2018 and 2019 (in HRK millions)

Q3 2018	Q3 2019	%	Note	Q1-Q3 2018	Q1-Q3 2019	%
<b>6,732</b>	<b>6,756</b>	<b>0</b>		<b>16,227</b>	<b>16,550</b>	<b>2</b>
178	115	(35)	1	360	316	(12)
48	53	10		163	209	28
<b>6,958</b>	<b>6,924</b>	<b>(0)</b>		<b>16,750</b>	<b>17,075</b>	<b>2</b>
308	(410)	n.a.		530	(156)	n.a.
(3,783)	(3,083)	(19)	2	(8,395)	(5,242)	(38)
(414)	(430)	4	4	(1,245)	(1,265)	2
(664)	(494)	(26)	4	(1,802)	(1,544)	(14)
(125)	(129)	3	4	(354)	(496)	40
(417)	(445)	7	5	(1,308)	(1,371)	5
(1,155)	(1,301)	13	3	(2,868)	(6,200)	116
(14)	7	n.a.	4	107	(77)	n.a.
(35)	17	n.a.	4	25	219	776
<b>(6,299)</b>	<b>(6,268)</b>	<b>(0)</b>		<b>(15,310)</b>	<b>(16,132)</b>	<b>5</b>
<b>659</b>	<b>656</b>	<b>(0)</b>		<b>1,440</b>	<b>943</b>	<b>(35)</b>
1	53	5,200		49	120	145
(27)	(113)	319		(143)	(217)	52
<b>(26)</b>	<b>(60)</b>	<b>131</b>		<b>(94)</b>	<b>(97)</b>	<b>3</b>
-	2	n.a.	7	-	(16)	n.a.
<b>633</b>	<b>598</b>	<b>(6)</b>		<b>1,346</b>	<b>830</b>	<b>(38)</b>
(109)	(105)	(4)	6	(289)	(149)	(48)
<b>524</b>	<b>493</b>	<b>(6)</b>		<b>1,057</b>	<b>681</b>	<b>(36)</b>
		n.a.				
523	491	(6)		1,056	679	(36)
1	2	100		1	2	100
<b>524</b>	<b>493</b>	<b>(6)</b>		<b>1,057</b>	<b>681</b>	<b>(36)</b>
		n.a.				
52.3	49.1	(6)		105.6	67.9	(36)

\* Restatement of comparable previous periods was made – see on page 12

## Condensed Consolidated Statement of Financial Position

At 30 September 2019 (in HRK millions)

	Note	31 December 2018	30 September 2019	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	644	640	(1)
Property, plant and equipment	10	12,284	12,580	2
Property, plant and equipment - ROU	10	-	269	n.a.
Goodwill		-	-	n.a.
Investments in associates and joint venture		150	134	(11)
Other investments		16	17	6
Long-term receivables and other assets		732	597	(18)
Deferred tax		1,199	1,044	(13)
Long term marketable securities		-	22	n.a.
Non-current financial assets		479	578	21
<b>Total non-current assets</b>		<b>15,504</b>	<b>15,881</b>	<b>2</b>
<b>Current assets</b>				
Inventories	12	2,645	2,984	13
Trade receivables, net	13	1,837	2,349	28
Other receivables		121	195	61
Corporative Income tax receivables		8	18	125
Marketable securities		27	27	-
Other current assets		174	115	(34)
Cash and cash equivalents		422	469	11
<b>Current assets</b>		<b>5,234</b>	<b>6,157</b>	<b>18</b>
Assets held for sale		4	7	75
<b>Total current assets</b>		<b>5,238</b>	<b>6,164</b>	<b>18</b>
<b>Total assets</b>	<b>8</b>	<b>20,742</b>	<b>22,045</b>	<b>6</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	11	9,000	9,000	-
Legal reserves		99	166	68
Revaluation reserve		135	218	61
Other reserves		1,544	1,597	3
Retained earnings		1,036	400	(61)
<b>Equity attributable to equity holders of the parent</b>		<b>11,814</b>	<b>11,381</b>	<b>(4)</b>
Non-controlling interests		9	11	22
<b>Total equity</b>		<b>11,823</b>	<b>11,392</b>	<b>(4)</b>
<b>Non-current liabilities</b>				
Long-term loans		4	-	n.a.
Long-term lease liabilities		-	210	n.a.
Other non-current liabilities		45	41	(9)
Employee benefits obligation		77	73	(5)
Provisions		3,462	3,475	0
Deferred tax liability		14	14	(0)
<b>Total non-current liabilities</b>		<b>3,602</b>	<b>3,813</b>	<b>6</b>
<b>Current liabilities</b>				
Bank loans and overdrafts		1,962	3,532	80
Current portion of long-term loans		125	-	n.a.
Current portion of long-term lease liabilities		-	60	n.a.
Trade payables	15	1,720	1,889	10
Taxes and contributions		612	767	25
Other current liabilities		590	431	(27)
Employee benefits obligation		5	5	-
Provisions		303	156	(49)
<b>Total current liabilities</b>		<b>5,317</b>	<b>6,840</b>	<b>29</b>
<b>Total liabilities</b>	<b>14</b>	<b>8,919</b>	<b>10,653</b>	<b>19</b>
<b>Total equity and liabilities</b>		<b>20,742</b>	<b>22,045</b>	<b>6</b>



## Condensed Consolidated Cash Flow Statement

For the period ended 30 September 2018 and 2019 (in HRK millions)

Q3 2018	Q3 2019	%		Note	Q1-Q3 2018	Q1-Q3 2019	%
<b>524</b>	<b>493</b>	<b>(6)</b>	<b>Profit for the period</b>		<b>1,057</b>	<b>681</b>	<b>(36)</b>
			<b>Adjustments for:</b>				
414	430	4	Depreciation, amortisation and impairment (net)		1,245	1,265	2
109	105	(4)	Tax expense recognised in income statement		289	149	(48)
14	(7)	n.a.	Impairment charges (net)		(107)	77	n.a.
(1)	(6)	500	Loss/(Gain) on sale of property, plant and equipment		(4)	(10)	150
13	34	162	Foreign exchange (gain)/loss		25	28	12
7	8	14	Interest expense (net)		19	16	(16)
-	16	n.a.	Share of loss of an associate and a joint venture		-	16	n.a.
-	(29)	n.a.	Other finance (income)/expense recognised in profit		37	(17)	n.a.
34	(17)	n.a.	Decrease in provision		(35)	(219)	526
10	26	160	Decommissioning interests and other provision		29	70	141
57	2	(96)	Net (gain)/loss on derivative financial instruments and hedge transactions		196	(32)	n.a.
7	8	14	Other non-cash items		8	8	0
<b>1,188</b>	<b>1,063</b>	<b>(11)</b>	<b>Operating cash flow before working capital changes</b>	<b>16</b>	<b>2,759</b>	<b>2,032</b>	<b>(26)</b>
			<b>Movements in working capital</b>	<b>17</b>			
(398)	65	n.a.	Decrease/(Increase) in inventories		(1,151)	(310)	(73)
(208)	(303)	46	(Increase)/Decrease in receivables and prepayments		(773)	(645)	(17)
252	(449)	n.a.	Increase in trade and other payables		1,205	325	(73)
<b>834</b>	<b>376</b>	<b>(55)</b>	<b>Cash generated from operations</b>		<b>2,040</b>	<b>1,402</b>	<b>(31)</b>
(10)	(10)	0	Taxes paid		(20)	(24)	20
<b>824</b>	<b>366</b>	<b>(56)</b>	<b>Net cash inflow from operating activities</b>		<b>2,020</b>	<b>1,378</b>	<b>(32)</b>
			<b>Cash flows used in investing activities</b>				
(381)	(345)	(9)	Capital expenditures, exploration and development costs		(914)	(1,360)	49
(30)	(12)	(60)	Payment for intangible assets		(82)	(78)	(5)
-	11	n.a.	Proceeds from sale of non-current assets		5	18	260
-	(18)	n.a.	Investment in joint venture		-	(18)	n.a.
-	10	n.a.	Dividends received from companies classified as non-current financial assets available for sale and from other companies		1	10	900
1	16	1,500	Interest received and other financial income		8	37	363
3	1	(67)	Loans and other investments (net)		-	3	n.a.
<b>(407)</b>	<b>(337)</b>	<b>(17)</b>	<b>Net cash used for investing activities</b>	<b>18</b>	<b>(982)</b>	<b>(1,388)</b>	<b>41</b>
			<b>Cash flows from financing activities</b>				
(63)	-	n.a.	Repayment of long-term borrowings		(122)	(126)	3
694	981	41	Change in short-term borrowings (net)		95	1,527	1,507
(812)	(1,250)	54	Dividends paid		(812)	(1,250)	54
(3)	89	n.a.	Interest paid on long-term loans		(1)	(1)	-
-	8	n.a.	Overdrafts		-	8	n.a.
(35)	(115)	229	Interest paid on short-term loans and other financing charges		18	(116)	n.a.
<b>(219)</b>	<b>(287)</b>	<b>31</b>	<b>Net cash from financing activities</b>		<b>(822)</b>	<b>42</b>	<b>n.a.</b>
198	(258)	n.a.	Net increase/decrease in cash and cash equivalents		216	32	(85)
467	713	53	At the beginning of the period		428	422	(1)
2	14	600	Effect of foreign exchange rate changes		23	15	(35)
667	469	(30)	Cash and cash equivalents in statement of financial position		667	469	(30)

## INA Group Summary Segmental Results of Operations

Q3 2018	Q3 2019	%	(HRK mln)	Q1-Q3 2018	Q1-Q3 2019	%
<b>Net sales revenues</b>						
1,089	852	(22)	Exploration and Production	3,047	2,837	(7)
6,447	6,517	1	Refining and Marketing including Consumer services and Retail	15,568	15,803	2
461	528	15	Corporate and Other	1,269	1,524	20
(1,265)	(1,141)	(10)	Intersegment transfers and consolidation adjustments	(3,657)	(3,614)	(1)
<b>6,732</b>	<b>6,756</b>	<b>0</b>	<b>Total</b>	<b>16,227</b>	<b>16,550</b>	<b>2</b>
<b>EBITDA*</b>						
685	581	(15)	Exploration and Production	2,129	1,819	(15)
431	400	(7)	Refining and Marketing including Consumer services and Retail	857	337	(61)
29	66	128	Corporate and Other	(8)	77	n.a.
(72)	39	n.a.	Intersegment transfers and consolidation adjustments	(293)	(25)	(91)
<b>1,073</b>	<b>1,086</b>	<b>1</b>	<b>Total</b>	<b>2,685</b>	<b>2,208</b>	<b>(18)</b>
<b>EBITDA Excluding Special Items</b>						
685	581	(15)	Exploration and Production	2,129	1,819	(15)
431	400	(7)	Refining and Marketing including Consumer services and Retail	857	337	(61)
29	66	128	Corporate and Other	(8)	77	n.a.
(72)	39	n.a.	Intersegment transfers and consolidation adjustments	(293)	(25)	(91)
<b>1,073</b>	<b>1,086</b>	<b>1</b>	<b>Total</b>	<b>2,685</b>	<b>2,208</b>	<b>(18)</b>
<b>Profit/(Loss) from operations</b>						
464	369	(20)	Exploration and Production	1,447	1,167	(19)
285	227	(20)	Refining and Marketing including Consumer services and Retail	436	(146)	n.a.
(18)	21	n.a.	Corporate and Other	(150)	(53)	(65)
(72)	39	n.a.	Intersegment transfers and consolidation adjustments	(293)	(25)	(91)
<b>659</b>	<b>656</b>	<b>(0)</b>	<b>Total</b>	<b>1,440</b>	<b>943</b>	<b>(35)</b>
<b>Profit/(Loss) from operations Excluding Special Items</b>						
464	369	(20)	Exploration and Production	1,447	1,167	(19)
285	227	(20)	Refining and Marketing including Consumer services and Retail	436	(146)	n.a.
(18)	21	n.a.	Corporate and Other	(150)	(53)	(65)
(72)	39	n.a.	Intersegment transfers and consolidation adjustments	(293)	(25)	(91)
<b>659</b>	<b>656</b>	<b>(0)</b>	<b>Total</b>	<b>1,440</b>	<b>943</b>	<b>(35)</b>
<b>Property, plant and equipment</b>						
5,043	5,051	0	Exploration and Production	5,043	5,051	0
5,603	6,576	17	Refining and Marketing including Consumer services and Retail	5,603	6,576	17
1,343	1,398	4	Corporate and Other	1,343	1,398	4
(351)	(445)	27	Intersegment transfers and consolidation adjustments	(351)	(445)	27
<b>11,638</b>	<b>12,580</b>	<b>8</b>	<b>Total</b>	<b>11,638</b>	<b>12,580</b>	<b>8</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-Q3 2019 is HRK (25) million compared to HRK (293) million in Q1-Q3 2018.

## Financial overview and notes

### Statement of profit or loss

#### Notes

- 1 **Revenue from contract with customers** in Q1-Q3 2019 amounted to HRK 16,550 million and were 2% above the Q1-Q3 2018 level, triggered mainly by higher wholesale on captive market and retail volumes on domestic and Montenegro market.
- 2 **Costs of raw materials and consumables** were 38% lower than the Q1-Q3 2018 level at HRK (5,242) million, resulting mainly from lower processing triggered by Rijeka Refinery turnaround.
- 3 **Costs of other goods sold** in Q1-Q3 2019 recorded an increase of 116% compared to Q1-Q3 2018 and amounted to HRK (6,200) million resulting from higher import of goods to meet market demand.
- 4 Other **operating costs** realized in Q1-Q3 2019 include:
  - Other material costs were lower by 14% and amounted to HRK (1,544) million mainly related to transportation costs.
  - Service costs in the amount of HRK (496) million were 40% higher than in Q1-Q3 2018 level.
  - Depreciation, amortisation and impairment (net) in the amount of HRK (1,265) million was in line with previous period.
  - Impairment and provisions had a positive effect in the amount of HRK 142 million which is higher than in Q1-Q3 2018 mainly related to reversal of EGPC receivables.
- 5 **Staff costs** in the amount HRK (1,371) million were 5% higher compared to Q1-Q3 2018.
- 6 **Income tax expense** in Q1-Q3 2019 amounted to HRK (149) million compared to HRK (289) million income tax expense in Q1-Q3 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 30 September 2019 and 30 September 2018.
- 7 **Net result from financial activities** is negative in Q1-Q3 2019 mainly as a result of:
  - Net foreign exchange loss reached HRK (28) million in Q1-Q3 2019, while in Q1-Q3 2018 net foreign exchange loss reached HRK (31) million.
  - Interest payable amounted to HRK (43) million and interest received to HRK 4 million in Q1-Q3 2019, while in Q1-Q3 2018 interest payable amounted to HRK (37) million and interest received to HRK 2 million.
  - Other financial net expenses amounted to HRK (30) million and are higher compared to HRK (28) million financial expenses in Q1-Q3 2018.

### Statement of financial position

#### Notes

- 8 As at 30 September 2019 INA Group **total assets** amounted to HRK 22,045 million, 6% higher compared to 31 December 2018.
- 9 In the period ended 30 September 2019, INA Group invested HRK 76 million in **intangible assets**. The effect of depreciation equals HRK 34 million.
- 10 In the period ended 30 September 2019, INA Group invested HRK 1,465 million in **property, plant and equipment**. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 1,188 million.
- 11 **Share capital** as at 30 September 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 2,984 million, and have increased by 13% compared to 31 December 2018, mainly imported crude oil and semifinished products due to low level of inventory at the beginning of the year expecting Rijeka Refinery turnaround.
- 13 **Trade receivables, net** amounted to HRK 2,349 million which is 28% higher than 31 December 2018 due to higher revenues.
- 14 As at 30 September 2019 **total liabilities** amounted to HRK 10,653 million, 19% higher compared to 31 December 2018. INA Group **net debt** amounted to HRK 3,036 million and increased compared to 31 December 2018. **Net gearing** increased from 12.2 % as at 31 December 2018, to 21.0 % as at 30 September 2019.
- 15 **Trade payables** increased compared to 31 December 2018 by 10% to HRK 1,889 million related to crude oil import.

### Cash flow

- 16 The **operating cash flow before working capital changes** amounted to HRK 2,032 million in Q1-Q3 2019 representing an decrease of HRK 727 million compared to Q1-Q3 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 negatively by HRK 630 million, due to:
  - Increased value of inventories in the amount of HRK (310) million mainly related to imported crude oil volume change.
  - Increase in receivables in the amount of HRK (645) million related to higher sales revenues.
  - Increase in trade and other payables in the amount of HRK 325 million related to higher import of crude oil.
- 18 **Net cash used for investing activities** amounted to HRK (1,388) million of outflows, compared to HRK 982 million outflows in Q1-Q3 2018 mainly reflecting intensive investments in refining operations.

### **Restatement**

Gas trading operations have been moved from Exploration and Production to Refining and Marketing including Consumer Services and Retail and the comparable periods restated.

### **Special items in operating profit and EBITDA (in HRK mln)**

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-Q3 2019, 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 2018.

As of 30 September 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 1,867 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 2,710 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-Q3 2019, 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	30 September 2019	30 September 2019
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	6	24
<b>Strategic partner</b>		
MOL Nyrt.	202	944
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	465	7
MOL Serbia d.o.o.	44	-
MOL Slovenia d.o.o.	35	-
Slovnaft, a.s.	34	162
MOL Petrochemical	21	2
MOL Austria Handels GmbH	17	-
MOL-LUB Kft.	1	2
Geoinform Kft.	1	-
MOL Commodity Trading Kft.	-	117
IES-Italiana Energia e Servizi s.p.a.	-	4

<b>INA Group</b>	<b>Amounts owed from related parties</b>	<b>Amounts owed to related parties</b>
HRK mln	30 September 2019	30 September 2019
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	-	4
<b>Strategic partner</b>		
MOL Nyrt.	29	121
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	83	2
MOL Serbia d.o.o.	29	-
MOL Commodity Trading Kft.	15	31
MOL Slovenia d.o.o.	11	7
MOL Petrochemicals	8	-
Slovnaft, a.s.	-	14
MOL-LUB Kft.	-	1
IES S.p.A	-	2

## Management representation

INA Group's consolidated financial statements for Q3 and Q1-Q3 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