



**INA GROUP
Q3 & Q1-Q3 2020
FINANCIAL REPORT**

Zagreb, October, 2020

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q3 and Q1-Q3 2020 results. This report contains unaudited consolidated financial statements for the period ending 30 September 2020 as prepared by the Management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

Q3 2019	Q3 2020	HRK mln	Q1-Q3 2019	Q1-Q3 2020	%
6,756	4,129	Net sales revenues*	16,550	11,209	(32)
1,085	525	EBITDA ⁽¹⁾	2,207	470	(79)
1,085	525	EBITDA excl. special items	2,207	470	(79)
1,221	529	CCS EBITDA excl. special items	2,396	1,340	(44)
655	(207)	Profit/(loss) from operations	942	(1,190)	n.a.
655	88	Profit/(loss) from operations excl. special items ⁽²⁾	942	(895)	n.a.
791	92	CCS Profit/(loss) from operations excl. special items	1,131	(24)	n.a.
(59)	26	Net (loss)/income from financial activities	(96)	(56)	(42)
491	(90)	Profit/(loss) for the period attributable to Owners of the Company	679	(1,055)	n.a.
491	205	Profit/(loss) for the period excl. special items ⁽²⁾	679	(760)	n.a.
863	297	Simplified Free Cash Flow ⁽³⁾	855	590	(31)
369	196	Net operating cash flow	1,377	798	(42)
Earnings per share					
49.1	(9.0)	Basic and diluted earnings/(loss) per share (HRK per share)	67.9	(105.5)	n.a.
3,036	2,503	Net debt	3,036	2,503	(18)
21.0	20.9	Net gearing (%)	21.0	20.9	
358	232	CAPEX total	1,541	750	(51)
327	215	Domestic	1,319	672	(49)
31	17	International	222	78	(65)

Q3 2019	Q3 2020	USD mln ⁽⁴⁾	Q1-Q3 2019	Q1-Q3 2020	%
1,017	641	Net sales revenues*	2,511	1,672	(33)
163	82	EBITDA ⁽¹⁾	335	70	(79)
163	82	EBITDA excl. special items	335	70	(79)
184	82	CCS EBITDA excl. special items	364	200	(45)
99	(32)	Profit/(loss) from operations	143	(177)	n.a.
99	14	Profit/(loss) from operations excl. special items ⁽²⁾	143	(133)	n.a.
119	14	CCS Profit/(loss) from operations excl. special items	172	(4)	n.a.
(9)	4	Net (loss)/income from financial activities	(15)	(8)	(47)
74	(14)	Profit/(loss) for the period attributable to Owners of the Company	103	(157)	n.a.
74	32	Profit/(loss) for the period excl. special items ⁽²⁾	103	(113)	n.a.
130	46	Simplified Free Cash Flow ⁽³⁾	130	88	(32)
56	30	Net operating cash flow	209	119	(43)
Earnings per share					
7.4	(1.4)	Basic and diluted earnings/(loss) per share (HRK per share)	10.0	(16.0)	n.a.
448	388	Net debt	448	388	(13)
54	36	CAPEX total	234	112	(52)
49	33	Domestic	200	100	(50)
5	3	International	34	12	(65)

* Related to Revenue from contracts with customers

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

(2) In reporting period, the result was negatively impacted by HRK (295) million of impairment of assets

(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 2019 – 6.6420 HRK/USD; Q3 2020 – 6.4391 HRK/USD; for Q1-Q3 2019 – 6.5908 HRK/USD; Q1-Q3 2020 6.7043 HRK/USD; as at 30 September 2019 - 6.7749 HRK/USD; as at 30 September 2020 – 6.4529 HRK/USD; as at 31 December 2019 – 6.6499 HRK/USD

2020 continues to be one of the most challenging years for the entire oil & gas industry and INA consequently. Although the oil markets partially stabilized, the price environment is still far from pre-crisis levels. Upstream is burdened by lower realized prices, while Downstream witnesses lower demand and deteriorated refining margins.

CCS EBITDA excl. special items of INA Group amounted to HRK 1,340 million in the first nine months of 2020, of which around 40% was generated in Q3 2020 in line with the usual seasonality trends. This is 44% decline compared to the same period of 2019, still the reported EBITDA turned positive in Q3 2020. Additionally, following the concentration of refining activities in Rijeka, one-off non cash impairment of asset values was made related to refinery assets in Sisak.

Operation of Exploration and Production is marked with the combination of 13% lower production due to natural decline and lower realized hydrocarbon prices, driving EBITDA to HRK 707 million, 61% lower compared to Q1-Q3 2019. CCS EBITDA excluding special items of Refining and Marketing including Consumer Services and Retail stayed positive at HRK 536 million in Q1-Q3 2020, mainly due to the Retail contribution and additionally supported by higher share of own product sales and cost saving measures, needed to offset the effects of the economic downturn and lower demand. Retail sales volumes, although 16% lower in Q1-Q3 2020 compared to the same period 2019, show a healthy spike in Q3 2020, with almost 300 kt sold in the last quarter.

Strategic projects in INA Downstream continued, amounting to almost half of the spent CAPEX. Despite the market turmoil, financial stability of INA stayed strong with a gearing ratio of 20.9%, reflecting strict cost control and efficiency improvements across all segments.



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

“During the summer months Croatia still experienced somewhat better tourist season than expected, but its effect and the seasonal increase in turnover could not compensate for the overall deteriorated environment. INA operations during 2020 required several operative adjustments in order to ensure sustainable cash generation. Postponing non-critical investments and taking other numerous internal optimization activities were the main focus, thanks to which strategic projects INA is committed to, such as Rijeka Refinery Upgrade project as part of INA R&M New Course program, are not endangered.

As for the results of the first nine months 2020, they remained strong on operational level, with CCS EBITDA of HRK 1.3 billion. Expected seasonality effect helped boost the result during Q3 2020, driving the reported EBITDA also to positive area after a negative first half 2020. Exploration and Production expected natural production decline stayed burdened by the low hydrocarbon prices, especially in the natural gas area, with reduced prices but also lower demand considering the economic downturn. Refining on one side benefited from higher share of own product sales, but on the other side witnesses’ negative margins caused by lower economic activity. Compared to first half of 2020 Retail performed significantly better in Q3 2020, and the 16% decrease in volumes compared to first nine months 2019, can be considered a strong result taking into consideration the overall market conditions.

A year such as 2020 can hardly be repeated, but the autumn and winter months are also difficult to foresee, and the full economic recovery is still not near. Still, INA will enter 2021 as a company adjusted to this unseen crisis and with the strong strategic projects underway, aimed to ensure future growth potential.”

Management discussion

Exploration and Production*

Q3 2019	Q3 2020	Segment IFRS results (HRK mln)	Q1-Q3 2019	Q1-Q3 2020	%
852	462	Net sales revenues	2,837	1,642	(42)
581	153	EBITDA	1,819	707	(61)
581	153	EBITDA excl. special items **	1,819	707	(61)
369	(8)	Profit from operations	1,167	84	(93)
369	(8)	Profit from operation excl. special items **	1,167	84	(93)
393	54	Simplified Free Cash Flow***	1,325	424	(68)
188	99	CAPEX	494	283	(43)

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Adriagas S.r.l. Milano, INA, Adria BV. integrated in INA d.d. as of September 1st 2020

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

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

Q3 2019	Q3 2020	Hydrocarbon production (boe/d)	Q1-Q3 2019	Q1-Q3 2020	%
14,450	13,033	Crude oil production (boe/d)	14,647	13,283	(9)
12,050	10,695	Croatia	12,248	10,937	(11)
1,791	1,841	Egypt	1,793	1,820	2
610	498	Angola	606	525	(13)
17,617	13,705	Natural gas production (boe/d)	18,546	15,513	(16)
5,798	4,519	Croatia - offshore	6,338	4,876	(23)
11,819	9,186	Croatia - onshore	12,208	10,637	(13)
1,259	876	Condensate (boe/d)	1,314	1,060	(19)
33,325	27,614	Total hydrocarbon production	34,507	29,856	(13)

Q3 2019	Q3 2020	Average realised hydrocarbon price	Q1-Q3 2019	Q1-Q3 2020	%
45	30	Total hydrocarbon price (USD/boe)*	48	31	(35)

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

Q1-Q3 2020 vs. Q1-Q3 2019

Key drivers

- 36% lower realised Brent price impacted the sales revenues negatively by HRK 850 million, with the main effects on crude oil and condensate sales revenues of HRK 476 million and additional HRK 345 million negative effect on gas sales
- Domestic crude oil production lowered as a result of natural decline and increased water cut mainly on Đeletovci and Stružec fields
- International crude oil production:
 - Egypt: Slightly higher production supported by drilling activities on North Bahariya
 - Angola: Lower volumes reflecting weaker wells performance on Block 3/05 and unplanned production shutdown events
- Natural gas production decreased as a result of:
 - Decreased offshore production driven by natural decline and increased water cut
 - Lower onshore production mainly due to high natural decline on the main gas fields (driven by Kalinovac and Vučkovec)
- Condensate production was lower in accordance with decreasing production on main gas fields

Capital expenditures

Q1-Q3 2020 (HRK mln)	Croatia	Egypt	Angola
Exploration	26	2	-
Development	106	58	8
Other	83	-	-
TOTAL	215	60	8

Lower investment level compared to Q1-Q3 2019 as result of projects rescheduling following Brent price decrease and COVID-19 pandemic:

- Izabela: Irena-2 appraisal well – drilling completed in October, well testing in progress
- Drava-02: Jankovac-1 well testing completed successfully, commercial discovery decision to follow
- Drava-03: seismic acquisition on Crnac West polygon started mid-September
- Total of 25 well workovers performed on onshore Croatia
- EOR project, Ivanić and Žutica: CO₂ injection ongoing with seven well workovers performed
- Upstream turnaround performed successfully on 3 regions and 16 locations during September
- Egypt, North Bahariya concession: 6 development wells were drilled and put in production as oil producers



Refining and Marketing, including Consumer Services and Retail*

Q3 2019	Q3 2020	Segment IFRS results (HRK mln)	Q1-Q3 2019	Q1-Q3 2020	%
6,517	3,997	Net sales revenues	15,803	10,809	(32)
399	348	EBITDA	336	(334)	n.a.
399	348	EBITDA excl. special items	336	(334)	n.a.
535	352	CCS EBITDA excl. special items	525	536	2
226	(145)	Profit/(loss) from operations	(147)	(1,205)	720
226	150	Profit/(loss) from operations excl. special items**	(147)	(910)	519
362	154	CCS Profit/(loss) from operations	42	(39)	n.a.
394	226	Simplified Free Cash Flow***	(461)	107	n.a.
141	126	CAPEX	986	429	(56)

* 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 negatively impacted by HRK (295) mln of impairment of assets

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

Q3 2019	Q3 2020	Refining processing (kt)	Q1-Q3 2019	Q1-Q3 2020	%
120	33	Domestic crude oil	487	74	(85)
798	655	Imported crude oil	1,238	1,640	32
4	-	Condensate	38	-	n.a.
267	282	Other feedstock	225	570	154
1,189	970	Total refining throughput	1,988	2,284	15
		Refining production (kt)			
65	63	LPG***	97	128	33
8	46	Naphtha	12	95	709
297	219	Gasoline	493	509	3
84	21	Kerosene	119	53	(56)
437	412	Diesel	657	954	45
23	9	Heating oil	54	63	18
117	89	Fuel oil	241	203	(16)
44	23	Other products*	79	57	(28)
1,075	882	Total	1,752	2,063	18
11	8	Refining loss	29	21	(27)
104	81	Own consumption	208	201	(3)
1,189	970	Total refining production	1,988	2,284	15
		Refined product sales by country (kt)			
701	534	Croatia	1,652	1,370	(17)
213	159	B&H	580	449	(23)
15	7	Slovenia	44	34	(24)
78	57	Italy	236	114	(52)
378	399	Other markets	619	1,159	87
1,386	1,156	Total	3,131	3,126	(0)
		Refined product sales by product (kt)			
74	71	LPG***	177	175	(1)
8	10	Naphtha	13	37	182
280	242	Gasoline	616	625	1
97	27	Kerosene	184	50	(73)
619	494	Diesel	1,573	1,380	(12)
28	13	Heating oil	92	94	2
145	73	Fuel oil	219	179	(18)
20	24	Bitumen	53	50	(6)
116	203	Other products**	205	537	163
1,386	1,156	Total	3,131	3,126	(0)
352	293	o/w Consumer services and Retail segment sales	854	713	(16)
330	208	Total natural gas sales (mln m3)	987	694	(30)
510	507	Total number of service stations	510	507	(1)

*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

*** LPG+propylene



Q1-Q3 2020 vs. Q1-Q3 2019

Key drivers

- Negative reported result reflects sharp drop in Brent price and product quotations causing significant negative change in inventory value
- Clean CCS result was HRK +11 mln above the previous year mainly driven by higher share of own product sales, strong sales margins on core markets and disciplined cost saving measures, offsetting the lower demand for refined products caused by the economic downturn
- Refinery margin remained under pressure due to less favourable diesel and gasoline crack spreads, while lower crude oil prices and lower energy costs had a positive impact
- Processing was higher by 296 kt versus last year when large turnaround in Rijeka refinery was executed, but still on a reduced level in order to adjust decreased demand following COVID-19 pandemic
- Total Retail sales volumes were (713 kt) 16% below the Q1-Q3 2019 level due to the negative effects of the pandemic (nationwide lockdowns and weak tourist season)
- Non-fuel margin above the same period last year by 2% despite the weaker tourist season, primarily as a result of non fuel offer adjustment to the new market conditions in lockdown

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 342 million:
 - Rijeka Refinery Upgrade Project - Issuing of Engineering Designs is ongoing. Partially issued civil design and architectural drawings. Underground piping relocation and General excavation activities are ongoing
 - Biorefinery project - Project is listed as strategic investment project. Innovation Fund call application documentation preparation is in progress
 - Propane - Propylene Splitter - project was mechanically completed and Unit is in operation. First commercial on-spec propylene product achieved which is regularly dispatched. Works on installation of propane part (bullets) are in progress and planned to be finished until November 2020
- Focus of capital investments in reconstructions and Fresh corner concept roll-out. Capital investments in Consumer Services and Retail amounted to HRK 87 million in Q1-Q3 2020

Main external parameters

Q3 2019	Q3 2020	Crude oil and gas prices	Q1-Q3 2019	Q1-Q3 2020	%
62.00	43	Brent dtd (USD/bbl)	65	41	(36.9)
0.05	(0.43)	Brent-Ural spread (USD/bbl)	(0.07)	0.43	n.a.
12.38	9.76	CEGH gas price (EUR/MWh)	17.03	9.66	(43.3)
FOB MED Products prices and crack spreads					
605	396	Gasoline - premium unleaded 10 ppm (USD/t)	599	377	(37.1)
578	353	Diesel – ULSD 10 ppm (USD/t)	588	361	(38.6)
323	235	Fuel oil 3.5% (USD/t)	358	203	(43.3)
370	358	LPG (USD/t)	442	371	(16.1)
136	71	Crack spread – gasoline (USD/t)	110	66	(40.2)
109	28	Crack spread – diesel (USD/t)	99	50	(49.4)
(147)	(90)	Crack spread – fuel oil 3.5% (USD/t)	(131)	(107)	(17.7)
(99)	32	Crack spread – LPG (USD/t)	(47)	60	n.a.
0.5	(3.51)	Indicative refining margins (USD/bbl)*	(0.36)	(2.37)	558
Foreign exchange					
6.64	6.44	HRK/USD average	6.59	6.70	1.7
6.78	6.45	HRK/USD closing	6.78	6.45	(4.9)
7.39	7.65	HRK/EUR average	7.41	7.57	2.2
7.40	7.54	HRK/EUR closing	7.40	7.54	1.9
2.11	0.25	3m USD LIBOR (%)	2.46	0.79	(67.9)
(0.40)	(0.47)	3m EURIBOR (%)	0.34	(0.39)	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 30 September 2019 and 2020 (in HRK millions)

Q3 2019	Q3 2020		Note	Q1-Q3 2019	Q1-Q3 2020	%
6,756	4,129	Revenue from contracts with customers	1	16,550	11,209	(32)
115	75	Capitalised value of own performance		316	194	(39)
54	37	Other operating income		209	116	(44)
6,925	4,241	Total operating income		17,075	11,519	(33)
(410)	(30)	Changes in inventories of finished products and work in progress		(156)	(423)	171
(3,083)	(2,079)	Costs of raw materials and consumables	2	(5,242)	(4,835)	(8)
(430)	(732)	Depreciation, amortisation and impairment (net)	3	(1,265)	(1,660)	31
(495)	(395)	Other material costs	3	(1,544)	(1,378)	(11)
(129)	(115)	Service costs	3	(497)	(364)	(27)
(446)	(387)	Staff costs	5	(1,371)	(1,202)	(12)
(1,301)	(625)	Costs of other goods sold	4	(6,200)	(2,724)	(56)
7	(82)	Impairment charges (net)	3	(77)	(142)	84
17	(3)	Provision for charges and risks (net)	3	219	19	(91)
(6,270)	(4,448)	Operating expenses		(16,133)	(12,709)	(21)
655	(207)	Profit/(Loss) from operations		942	(1,190)	n.a.
53	35	Finance income	-	120	112	(7)
(112)	(9)	Finance costs		(216)	(168)	(22)
(59)	26	Net (loss)/income from financial activities	6	(96)	(56)	(42)
2	25	Share of net gain/(loss) of joint ventures accounted for using the equity method	6	(16)	70	n.a.
598	(156)	Profit/(Loss) before tax		830	(1,176)	n.a.
(105)	67	Income tax benefit/(expense)	7	(149)	122	n.a.
493	(89)	Profit/(Loss) for the period		681	(1,054)	n.a.
		Attributable to:				
491	(90)	Owners of the Company		679	(1,055)	n.a.
2	1	Non-controlling interests		2	1	(50)
493	(89)			681	(1,054)	n.a.
		Earnings per share				
49.1	(9.0)	Basic and diluted earnings/(loss) per share (HRK per share)		67.9	(105.5)	n.a.

Condensed Consolidated Statement of Financial Position

At 31 December 2019 and 30 September 2020 (in HRK millions)

	Note	31 December 2019	30 September 2020	%
Assets				
Non-current assets				
Intangible assets	9	635	594	(6)
Property, plant and equipment	10	12,567	11,675	(7)
Righth-of-use assets	10	342	318	(7)
Investments in associates and joint venture		160	230	44
Other Investments		17	17	(0)
Long-term receivables		898	855	(5)
Deferred tax assets		1,035	1,189	15
Marketable securities		39	4	(90)
Non-current financial assets		607	552	(9)
Total non-current assets		16,300	15,434	(5)
Current assets				
Inventories	11	2,299	2,189	(5)
Trade receivables, net	12	2,026	1,388	(31)
Other receivables		143	183	28
Corporative Income tax receivables		16	15	(6)
Marketable securities		-	63	n.a.
Other current assets		136	225	65
Cash and cash equivalents		606	108	(82)
Total current assets		5,226	4,171	(20)
Assets held for sale		6	23	283
Total current assets		5,232	4,194	(20)
Total assets	8	21,532	19,628	(9)
Equity and liabilities				
Capital and reserves				
Share capital	13	9,000	9,000	-
Legal reserves		166	199	20
Fair value reserves		241	197	(18)
Other reserves		1,590	1,544	(3)
Retained earnings		207	(1,506)	n.a.
Equity attributable to the owners of the Company		11,204	9,434	(16)
Non-controlling interests		12	13	8
Total equity		11,216	9,447	(16)
Non-current liabilities				
Long-term loans		-	-	n.a.
Long-term lease liabilities		276	249	(10)
Other non-current liabilities		40	35	(13)
Employee benefits obligation		70	69	(1)
Provisions		3,716	3,717	0
Deferred tax liability		15	15	0
Total non-current liabilities		4,117	4,085	(1)
Current liabilities				
Bank loans		3,160	2,674	(15)
Current portion of long-term lease liabilities		68	73	7
Trade payables	15	1,511	1,292	(14)
Taxes and contributions		650	806	24
Other current liabilities		624	1,059	70
Employee benefits obligation		7	5	(29)
Provisions		179	187	4
Total current liabilities		6,199	6,096	(2)
Total liabilities	14	10,316	10,181	(1)
Total equity and liabilities		21,532	19,628	(9)

Condensed Consolidated Cash Flow Statement (Indirect method)

For the period ended 30 September 2019 and 2020 (in HRK millions)

Q3 2019	Q3 2020		Note	Q1-Q3 2019	Q1-Q3 2020	%
493	(89)	Profit/(loss) for the period:		681	(1,054)	n.a.
		Adjustments for:				
		Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net)		1,265	1,660	31
430	731					
105	(67)	Income tax (benefit)/expense recognised in profit and loss		149	(122)	n.a.
(7)	82	Impairment charges (net)		77	142	84
(6)	(3)	Loss/(Gain) on sale of property, plant and equipment		(10)	(5)	(50)
37	(33)	Foreign exchange (gain)/loss		28	(2)	n.a.
7	5	Interest expense (net)		15	14	(7)
		Share of (gain)/loss of joint ventures accounted for using the equity method		16	(70)	n.a.
(2)	(25)					
(11)	(6)	Other finance (income)/expense recognised in profit		(17)	10	n.a.
(17)	2	Increase/(decrease) in provision		(219)	(20)	(91)
26	9	Decommissioning interests and other provision		70	35	(50)
		Net (gain)/loss on derivative financial instruments and hedge transactions		(32)	175	n.a.
2	4					
9	3	Other non-cash items		8	2	(75)
1,066	613	Operating cash flow before working capital changes	16	2,031	765	(62)
		Movements in working capital	17			
		Decrease/(Increase) in inventories		(310)	(161)	(48)
65	170					
(303)	(136)	(Increase)/Decrease in receivables and prepayments		(645)	290	n.a.
(449)	(449)	(Decrease)/Increase in trade and other payables		325	(83)	n.a.
379	198	Cash generated from operations		1,401	811	(42)
(10)	(2)	Taxes paid		(24)	(13)	(46)
369	196	Net cash inflow/(outflow) from operating activities		1,377	798	(42)
		Cash flows used in investing activities				
(432)	(100)	Capital expenditures, exploration and development costs		(1,639)	(623)	(62)
(11)	(123)	Payment for intangible assets		(77)	(135)	75
11	3	Proceeds from sale of non-current assets		18	8	(56)
(18)	17	Investment in securities		(18)	35	n.a.
		Dividends received from companies classified as non-current financial assets available for sale and from other companies		10	9	(10)
10	9					
16	6	Interest received and other financial income		37	21	(43)
1	3	Loans and other investments (net)		3	5	67
(423)	(185)	Net cash used for investing activities	18	(1,666)	(680)	(59)
		Cash flows from financing activities				
-	(6)	Change in long-term borrowings (net)		(126)	(332)	163
981	(271)	Change in short-term borrowings (net)		1,527	(181)	n.a.
(1,250)	(38)	Dividends paid		(1,250)	(38)	(97)
69	(16)	Change of principal portion of lease liabilities		266	(21)	n.a.
-	-	Interest paid on long-term loans		(1)	-	n.a.
(9)	76	Interest paid on short-term loans and other financing charges		(103)	(56)	(46)
(209)	(255)	Net cash from financing activities		313	(628)	n.a.
(263)	(244)	Net increase/(decrease) in cash and cash equivalents		24	(510)	n.a.
713	324	At 1 January		422	606	44
14	(22)	Effect of foreign exchange rate changes		15	(34)	n.a.
-	-	At the end of period		461	62	(87)
5	50	Overdrafts		8	46	475
469	108	Cash and cash equivalents in statement of financial position		469	108	(77)

INA Group Summary Segmental Results of Operations

Q3 2019	Q3 2020	(HRK mln)	Q1-Q3 2019	Q1-Q3 2020	%
Net sales revenues					
852	462	Exploration & Production	2,837	1,642	(42)
6,517	3,997	Refining & Marketing including Consumer services and Retail	15,803	10,809	(32)
528	362	Corporate and Other	1,524	1,052	(31)
(1,141)	(692)	Intersegment transfers and consolidation adjustments	(3,614)	(2,294)	(37)
6,756	4,129	Total	16,550	11,209	(32)
EBITDA*					
581	153	Exploration & Production	1,819	707	(61)
399	348	Refining & Marketing including Consumer services and Retail	336	(334)	n.a.
66	18	Corporate and Other	77	(98)	n.a.
39	6	Intersegment transfers and consolidation adjustments	(25)	195	n.a.
1,085	525	Total	2,207	470	(79)
EBITDA Excluding Special Items					
581	153	Exploration & Production	1,819	707	(61)
399	348	Refining & Marketing including Consumer services and Retail	336	(334)	n.a.
66	18	Corporate and Other	77	(98)	n.a.
39	6	Intersegment transfers and consolidation adjustments	(25)	195	n.a.
1,085	525	Total	2,207	470	(79)
Profit/(Loss) from operations					
369	(8)	Exploration & Production	1,167	84	(93)
226	(145)	Refining & Marketing including Consumer services and Retail	(147)	(1,205)	720
21	(59)	Corporate and Other	(53)	(265)	400
39	5	Intersegment transfers and consolidation adjustments	(25)	196	n.a.
655	(207)	Total	942	(1,190)	n.a.
Profit/(Loss) from operations Excluding Special Items					
369	(8)	Exploration & Production	1,167	84	(93)
226	150	Refining & Marketing including Consumer services and Retail	(147)	(910)	519
21	(59)	Corporate and Other	(53)	(265)	400
39	5	Intersegment transfers and consolidation adjustments	(25)	196	n.a.
655	88	Total	942	(895)	n.a.
Property, plant and equipment					
5,051	4,566	Exploration & Production	5,051	4,566	(10)
6,576	6,278	Refining & Marketing including Consumer services and Retail	6,576	6,278	(5)
1,398	1,307	Corporate and Other	1,398	1,307	(7)
(445)	(476)	Intersegment transfers and consolidation adjustments	(445)	(476)	7
12,580	11,675	Total	12,580	11,675	(7)

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

Intersegment transfers and consolidation adjustments

Intersegment transfers and consolidation adjustments indicate unrealised profit/loss on domestic crude oil 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 2020 is HRK 195 million compared to HRK (25) million in Q1-Q3 2019.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in Q1-Q3 2020 amounted to HRK 11,209 million and is below the Q1-Q3 2019 level, triggered mainly by lower sales on core markets (Croatia and B&H) by Refining and Marketing as a result of COVID-19 pandemic related lower economic activity, together with sharp drop in Brent price and product quotations
- 2 **Costs of raw materials and consumables** were 8% lower than Q1-Q3 2019 level at HRK (4,835) million, reflecting different processing dynamic and lower crude prices
- 3 Other **operating costs** realized in Q1-Q3 2020 include:
 - Other material costs in the amount of HRK (1,378) million were lower by 11% mainly driven by costs dependent on oil prices and lower scope of work
 - Service costs in the amount of HRK (364) million were 27% lower than on Q1-Q3 2019 level mainly regarding lower intellectual services in 2020
 - Depreciation, amortisation and impairment (net) in the amount of HRK (1,660) million was 31% higher compared to Q1-Q3 2019
 - Impairment and provisions had a negative effect in the amount of HRK (123) mn as opposed to positive effect in 2019 in the amount of HRK 142 mn
- 4 **Costs of other goods sold** in Q1-Q3 2020 decreased 56% compared to Q1-Q3 2019 and amounted to HRK (2,724) million resulting from decreased sales and lower prices
- 5 **Staff costs** in the amount HRK (1,202) million were 12% lower compared to Q1-Q3 2019
- 6 **Net result from financial activities** is negative in Q1-Q3 2020 mainly as a result of:
 - Net foreign exchange loss amounted HRK (14) million in Q1-Q3 2020, while in Q1-Q3 2019 reached HRK (28) million
 - Interest expense amounted to HRK (51) million and interest income to HRK 3 million in Q1-Q3 2020, while in Q1-Q3 2019 interest expense amounted to HRK (89) million and interest income to HRK 4 million
 - Other financial net gain amounted to HRK 6 million and are lower compared to HRK 17 million financial gain in Q1-Q3 2019
- 7 **Income tax benefit** in Q1-Q3 2020 amounted to HRK 122 million compared to HRK (149) million income tax expense in Q1-Q3 2019. Tax costs and deferred taxes during the interim period are calculated based on actual results and the profit tax rate, 18% for the periods ended 30 September 2020 and 30 September 2019

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 30 September INA Group **total assets** amounted to HRK 19,628 million, 9% lower compared to 31 December 2019
- 9 In the period ended 30 September 2020, INA Group invested HRK 30 million in **intangible assets**. The effect of depreciation equals HRK 33 million
- 10 In the period ended 30 September 2020, INA Group invested HRK 720 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in amount of HRK 1,565 million
- 11 **Inventories** amounted to HRK 2,189 million, and have decreased by 5% compared to 31 December 2019, due to lower prices and Rijeka refinery working on minimum capacity aligned with lower demand
- 12 **Trade receivables, net** amounted to HRK 1,388 million which is 31% lower than 31 December 2019 mainly due to lower sales revenues
- 13 **Share capital** as at 30 September 2020 amounted to HRK 9,000 million. There were no movements in the issued capital of the Company in either the current or the prior financial reporting
- 14 As at 30 September 2020 **total liabilities** amounted to HRK 10,181 million, 1% lower compared to 31 December 2019. INA Group **net debt** amounted to HRK 2,503 million and decreased compared to 31 December 2019. **Net gearing** increased from 18.5% as at 31 December 2019, to 20.9% as at 30 September 2020
- 15 **Trade payables** decreased compared to 31 December 2019 by 14% to HRK 1,292 million mainly related to crude oil import driven by lower prices

Condensed Consolidated Cash Flow Statement (Indirect method)

Notes

- 16 The **operating cash flow before working capital changes** amounted to HRK 765 million in Q1-Q3 2020 representing a decrease compared to Q1-Q3 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 46 million, due to:
 - Increase in value of inventories in the amount of HRK (161) million related to volume increase of finished products, imported crude and raw materials
 - Decrease in receivables in the amount of HRK 290 million mainly related to lower sales revenues
 - Decrease in trade and other payables amounted to (83) HRK million mainly related to imported crude oil
- 18 **Net cash used for investing activities** amounted to HRK (680) million of outflows, compared to HRK (1,666) million outflows in Q1-Q3 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 reach materiality level on cumulative basis, previous quarters are restated. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period if impairment indicators are assessed to be significant. In Q1-Q3 2020, the result was impacted by impairment of refinery assets in Sisak in the amount of HRK (295) million, due to the concentration of refining operations in Rijeka refinery.

HRK mln	Q1-Q3 2019	Q1-Q3 2020
INA GROUP		
Total impact of special items on net profit/(loss)	-	(295)
Total impact of special items on operating profit/(loss)	-	(295)
Total impact of special items on EBITDA	-	-
Exploration & Production		
Total impact of special items on operating profit/(loss)	-	-
Total impact of special items on EBITDA	-	-
Refining & Marketing including Customer services and retail		
Total impact of special items on operating profit/(loss)	-	(295)
Total impact of special items on EBITDA	-	-
Corporate functions		
Total impact of special items on operating profit/(loss)	-	-
Total impact of special items on EBITDA	-	-

Financial instruments and risk management

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

As of 30 September 2020 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods and inventory levels
- Contracted and available short-term credit lines amounted to HRK 2,628 million excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products
- Contracted and available long-term credit lines amounted to HRK 2,581 million

Changes in equity

	Share capital	Legal reserves	Other reserves	Fair value reserves	Retained earnings	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2019	9,000	99	1,544	135	1,036	11,814	9	11,823
Profit for the period	-	-	-	-	679	679	2	681
Other comprehensive gain, net	-	-	53	83	-	136	-	136
Total comprehensive income/(loss) for the period	-	-	53	83	679	815	2	817
Correction of prior period	-	-	-	-	2	2	-	2
Transfer to legal reserves from retained earnings	-	67	-	-	(67)	-	-	-
Dividend paid	-	-	-	-	(1,250)	(1,250)	-	(1,250)
Balance at 30 September 2019	9,000	166	1,597	218	1,715	11,381	11	11,392
Balance at 1 January 2020	9,000	166	1,590	241	207	11,204	12	11,216
Loss for the year	-	-	-	-	(1,055)	(1,055)	1	(1,054)
Correction of prior period	-	-	-	-	(2)	(2)	-	(2)
Other comprehensive loss, net	-	-	(46)	(44)	-	(90)	-	(90)
Total comprehensive income/(loss) for the period	-	-	(46)	(44)	(1,057)	(1,147)	1	(1,146)
Transfer to legal reserves from retained earnings	-	33	-	-	(33)	-	-	-
Dividends paid	-	-	-	-	(623)	(623)	-	(623)
Balance at 30 September 2020	9,000	199	1,544	197	(1,506)	9,434	13	9,447

Related party transactions

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and sale of gas and petroleum products. As a result of the strategic position of INA Group within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation.

During Q1-Q3 2020, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	30 September 2020	30 September 2020
Companies available for sale		
JANAF d.d. Zagreb	4	45
Strategic partner		
MOL Nyrt.	1,012	680
Companies controlled by strategic partner		
Tifon d.o.o.	293	7
MOL Petrochemical	53	4
MOL Commodity Trading Kft.	43	-
MOL Slovenia d.o.o.	23	-
MOL Serbia d.o.o.	5	-
MOL Azerbaijan	-	477
Slovnaft, a.s.	-	91
IES-Italiana Energia e Servizi s.p.a.	-	5
MOL-LUB Kft.	-	2

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 September 2020	30 September 2020
Companies available for sale		
JANAF d.d. Zagreb	2	3
Strategic partner		
MOL Nyrt.	77	31
Companies controlled by strategic partner		
MOL Commodity Trading Kft.	85	69
Tifon d.o.o.	63	2
MOL Petrochemicals	6	-
MOL Slovenia d.o.o.	1	-
MOL Serbia d.o.o.	2	-
MOL Azerbaijan	-	148
IES S.p.A	-	1

Management representation

Consolidated financial statements of INA Group for Q3 and Q1-Q3 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.

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