



**INA GROUP
Q4 & Q1-Q4 2020
FINANCIAL REPORT**

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q4 and Q1-Q4 2020 results. This report contains unaudited consolidated financial statements for the period ending 31 December 2020 as prepared by the Management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

| Q4 2019 | Q4 2020 | HRK mln | 2019 | 2020 | % |
|---------------------------|--------------|---|--------------|--------------|-------------|
| 6,047 | 3,579 | Net sales revenues* | 22,597 | 14,788 | (35) |
| 650 | 521 | EBITDA ⁽¹⁾ | 2,856 | 991 | (65) |
| 650 | 521 | EBITDA excl. special items | 2,856 | 991 | (65) |
| 499 | 443 | CCS EBITDA excl. special items | 2,894 | 1,783 | (38) |
| (219) | (108) | Profit/(loss) from operations | 722 | (1,298) | n.a. |
| 63 | 97 | Profit/(loss) from operations excl. special items ⁽²⁾ | 1,004 | (798) | n.a. |
| (88) | 19 | CCS Profit/(loss) from operations excl. special items | 1,043 | (6) | n.a. |
| 23 | (12) | Net (loss)/profit from financial activities | (73) | (68) | (7) |
| (193) | (83) | Profit/(loss) for the period attributable to Owners of the Company | 486 | (1,138) | n.a. |
| 89 | 122 | Profit/(loss) for the period excl. special items ⁽²⁾ | 768 | (638) | n.a. |
| (110) | (89) | Simplified Free Cash Flow ⁽³⁾ | 744 | 501 | (33) |
| 1,483 | 1,400 | Net operating cash flow | 2,860 | 2,198 | (23) |
| Earnings per share | | | | | |
| (19.3) | (8.3) | Basic and diluted gain/(loss) per share (HRK per share) | 48.6 | (113.8) | n.a. |
| 2,554 | 1,608 | Net debt | 2,554 | 1,608 | (37) |
| 18.5 | 14.7 | Net gearing (%) | 18.5 | 14.7 | |
| 609 | 532 | CAPEX total | 2,150 | 1,282 | (40) |
| 535 | 494 | Domestic | 1,829 | 1,161 | (37) |
| 74 | 38 | International | 321 | 121 | (62) |

| Q4 2019 | Q4 2020 | USD mln ⁽⁴⁾ | 2019 | 2020 | % |
|---------------------------|------------|---|------------|--------------|-------------|
| 900 | 564 | Net sales revenues* | 3,412 | 2,236 | (34) |
| 97 | 82 | EBITDA ⁽¹⁾ | 431 | 150 | (65) |
| 97 | 82 | EBITDA excl. special items | 431 | 150 | (65) |
| 74 | 70 | CCS EBITDA excl. special items | 437 | 270 | (38) |
| (33) | (17) | Profit/(loss) from operations | 109 | (196) | n.a. |
| 9 | 15 | Profit/(loss) from operations excl. special items ⁽²⁾ | 152 | (121) | n.a. |
| (13) | 3 | CCS Profit/(loss) from operations excl. special items | 157 | (1) | n.a. |
| 3 | (2) | Net (loss)/profit from financial activities | (11) | (10) | (9) |
| (29) | (13) | Profit/(loss) for the period attributable to Owners of the Company | 73 | (172) | n.a. |
| 13 | 19 | Profit/(loss) for the period excl. special items ⁽²⁾ | 116 | (96) | n.a. |
| (16) | (14) | Simplified Free Cash Flow ⁽³⁾ | 112 | 76 | (32) |
| 221 | 221 | Net operating cash flow | 432 | 332 | (23) |
| Earnings per share | | | | | |
| (2.9) | (1.3) | Basic and diluted gain/(loss) per share (HRK per share) | 7.3 | (17.2) | n.a. |
| 384 | 262 | Net debt | 384 | 262 | (32) |
| 91 | 84 | CAPEX total | 325 | 194 | (40) |
| 80 | 78 | Domestic | 276 | 176 | (36) |
| 11 | 6 | International | 48 | 18 | (63) |

* Related to Revenue from contracts with customers

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

(2) 2020 result was negatively impacted by HRK (500) million of assets impairment, while 2019 was impacted by HRK (282) million of assets impairment

(3) Simplified free cash flow = CCS EBITDA excluding special items - CAPEX

(4) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2019 – 6.7178 HRK/USD; Q4 2020 – 6.3433 HRK/USD; for Q1-Q4 2019 – 6.6223 HRK/USD; Q1-Q4 2020 6.6141 HRK/USD; as at 31 December 2019 – 6.6499 HRK/USD; as at 31 December 2020 – 6.1390 HRK/USD

2020 ended as one of the most challenging years for INA, but also for the global economy. Product demand in certain periods 2020 dropped 30-50% compared to 2019 period, heavily impacting performance on captive market. Regardless of the partial oil market recovery in the second half of 2020, oil and gas prices were more than 30% lower in average in 2020 compared to 2019. This had significant impact on the Upstream result, but the severe mobility restrictions and significant decline in economic activity, caused by the COVID-19 restrictions, also impacted the Refining and Retail operations.

Timely reaction of the Company to changes in the macro environment helped to maintain positive cash flow, and to secure stable financial position. Operational result moved in line with the deteriorated environment and CCS EBITDA excl. special items of INA Group dropped significantly to HRK 1,783 million, 38% decline compared to 2019. Loss for the period amounted to HRK (1,138) million, as it was also significantly impacted by one-off non-cash items, such as impairment charges related to refinery assets in Sisak and Croscos Group assets, related to drop in engagement. Operation of Exploration and Production, traditionally the main driver of result, was marked by a combination of the mentioned drop in realized prices and continued trend of lower production. This drove the segment's EBITDA to HRK 1,013 million, 57% lower compared to 2019. CCS EBITDA excluding special items of Refining and Marketing including Consumer Services and Retail stayed strong at HRK 639 million in 2020 mainly due to Retail contribution and cost saving measures. Retail sales volumes deteriorated due to the weaker tourist season and mobility restrictions, with volumes decreased by 16% year-on-year, which is still a strong performance considering the challenging environment.

Investment activities were also adjusted in order to safeguard the financial stability of the company, which resulted in lower net debt compared to 2019 and gearing of 14.7%, while at the same time INA stayed committed to the strategic projects, primarily Rijeka Residue Upgrade Project.



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

“In 2020 INA Group managed to keep its stable financial position and continue with the strategic projects, despite the fact it was a year unpredictable and challenging for many segments of the world economy, oil & gas industry being among the heavily impacted. Unforeseen drop in the hydrocarbon prices, at first driven by OPEC+ disagreements and then deepened by COVID-19 pandemic, affected even the biggest oil & gas players. Timely reaction of INA management, including postponing non-critical investments and numerous internal optimization activities, enabled us to secure financial position of the company. With such reaction we protected our long-term strategic investments, such as Rijeka Residue Upgrade Project, in order to ensure sustainability of operations on the long run.

As for the 2020 results, they are mainly driven by external factors, with drop in both product prices and market demand. During the summer months some positive effect was achieved by somewhat better tourist season than expected, but the overall effect on 2020 resulted in deteriorated results. Exploration & Production experienced 32% lower realized hydrocarbon prices, further impacted by the lower production. In such environment, 16% decrease in Retail volumes can be considered a solid result, as INA kept its market share on core markets.

With the adjustment of economy to the ongoing pandemic the oil & gas prices started to recover close to the 2020 end, but return of oil & gas industry to pre-crisis levels will not be quick. Therefore, INA will continue with its strategic projects and adjustment to the new environment, strengthening our future growth potential.”

Management discussion

Exploration and Production*

| Q4 2019 | Q4 2020 | Segment IFRS results (HRK mln) | 2019 | 2020 | % |
|------------|------------|--|--------------|--------------|-------------|
| 908 | 546 | Net sales revenues | 3,745 | 2,188 | (42) |
| 537 | 306 | EBITDA | 2,356 | 1,013 | (57) |
| 537 | 306 | EBITDA excl. special items ** | 2,356 | 1,013 | (57) |
| (18) | 136 | Profit from operations | 1,149 | 220 | (81) |
| 264 | 136 | Profit from operations excl. special items ** | 1,431 | 220 | (85) |
| 344 | 147 | Simplified Free Cash Flow*** | 1,669 | 571 | (66) |
| 193 | 159 | CAPEX | 687 | 442 | (36) |

* 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

| Q4 2019 | Q4 2020 | Hydrocarbon production (boe/d) | 2019 | 2020 | % |
|---------------|---------------|---------------------------------------|---------------|---------------|-------------|
| 13,981 | 12,807 | Crude oil production (boe/d) | 14,479 | 13,165 | (9) |
| 11,648 | 10,426 | Croatia | 12,097 | 10,811 | (11) |
| 1,752 | 1,891 | Egypt | 1,783 | 1,838 | 3 |
| 581 | 490 | Angola | 599 | 516 | (14) |
| 16,911 | 14,557 | Natural gas production (boe/d) | 18,134 | 15,273 | (16) |
| 5,371 | 4,028 | Croatia - offshore | 6,094 | 4,663 | (23) |
| 11,540 | 10,529 | Croatia - onshore | 12,040 | 10,610 | (12) |
| 1,190 | 1,087 | Condensate (boe/d) | 1,283 | 1,067 | (17) |
| 32,082 | 28,451 | Total hydrocarbon production | 33,896 | 29,505 | (13) |

| Q4 2019 | Q4 2020 | Average realised hydrocarbon price | 2019 | 2020 | % |
|---------|---------|------------------------------------|------|------|------|
| 46 | 35 | Total hydrocarbon price (USD/boe)* | 48 | 32 | (32) |

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

2020 vs. 2019

Key drivers

- Lower prices impacted sales revenues negatively by HRK 1,042 million. 34% lower realised Brent price resulted in HRK 611 million lower crude oil and condensate sales revenues, while lower gas prices resulted in additional HRK 396 million negative effect
- Domestic crude oil production decreased as a result of natural decline and increased water cut on main fields
- International crude oil production:
 - Egypt: Slightly higher production at North Bahariya and East Yidma concessions offset by lower Ras Qattara and West Abu Gahradig production
 - Angola: Lower volumes reflecting weaker wells performance on Block 3/05 and shutdown events
- Natural gas production decreased as a result of:
 - Decreased offshore production driven by natural decline, water cut and no production from Ivana D (in December) on Ivana field
 - Lower onshore production mainly due to high natural decline on main gas fields including downtimes due to turnaround on Gas Treatment Plant Molve and Fractionation Facility Ivanić Grad
- Condensate production was lower in accordance with decreasing production on main gas condensate fields

Capital expenditures

| 2020 (HRK mln) | Croatia | Egypt | Angola |
|----------------|------------|-----------|-----------|
| Exploration | 46 | 2 | - |
| Development | 167 | 80 | 11 |
| Other | 136 | - | - |
| TOTAL | 349 | 82 | 11 |

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

- Izabela: Irena-2 appraisal well - drilling completed in October, well testing completed successfully with gas discovery
- Drava-02: Jankovac-1 well - commercial oil discovery declared
- Drava-03: seismic acquisition on Crnac West polygon started mid-September and finished mid-December
- Total of 41 well workovers performed onshore Croatia
- EOR project, Ivanić and Žutica: CO₂ injection ongoing with 9 well workovers performed
- Upstream turnaround performed successfully on 3 regions and 16 locations during September
- Egypt, North Bahariya concession: 9 development wells drilled, out of which 8 wells completed and put in production as oil producers



Refining and Marketing, including Consumer Services and Retail*

| Q4 2019 | Q4 2020 | Segment IFRS results (HRK mln) | 2019 | 2020 | % |
|-------------|-------------|--|--------------|--------------|-------------|
| 5,727 | 3,344 | Net sales revenues | 21,530 | 14,153 | (34) |
| 182 | 181 | EBITDA | 518 | (153) | n.a. |
| 182 | 181 | EBITDA excl. special items | 518 | (153) | n.a. |
| 31 | 103 | CCS EBITDA excl. special items | 556 | 639 | 15 |
| (83) | (26) | Profit/(loss) from operations | (230) | (1,231) | 435 |
| (83) | (26) | Profit/(loss) from operations excl. special items** | (230) | (936) | 307 |
| (234) | (104) | CCS Profit/(loss) from operations | (192) | (144) | (25) |
| (319) | (216) | Simplified Free Cash Flow*** | (780) | (109) | (86) |
| 350 | 319 | CAPEX | 1,336 | 748 | (44) |

* Refers to Refining and Marketing including Consumer Services and Retail INA d.d. and the following subsidiaries: INA Maziva d.o.o., INA Slovenija d.o.o., HoldINA d.o.o. Sarajevo, INA Crna Gora d.o.o., INA d.o.o. Beograd, INA Kosovo d.o.o., Energopetrol d.d., INA MALOPRODAJNI SERVISI d.o.o., Croplin d.o.o.

** In 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

| Q4 2019 | Q4 2020 | Refining processing (kt) | 2019 | 2020 | % |
|--------------|------------|--|--------------|--------------|-------------|
| 29 | 16 | Domestic crude oil | 516 | 90 | (82) |
| 794 | 249 | Imported crude oil | 2,032 | 1,889 | (7) |
| - | - | Condensate | 38 | - | n.a. |
| 325 | 187 | Other feedstock | 550 | 757 | 38 |
| 1,148 | 452 | Total refining throughput | 3,136 | 2,737 | (13) |
| | | Refining production (kt) | | | |
| 60 | 24 | LPG* | 157 | 153 | (3) |
| 2 | 27 | Naphtha | 14 | 122 | 774 |
| 282 | 107 | Gasoline | 775 | 616 | (20) |
| 43 | 5 | Kerosene | 162 | 58 | (64) |
| 439 | 165 | Diesel | 1,096 | 1,119 | 2 |
| 36 | 16 | Heating oil | 89 | 79 | (11) |
| 130 | 44 | Fuel oil | 371 | 247 | (33) |
| 42 | 11 | Other products** | 121 | 69 | (44) |
| 1,034 | 401 | Total | 2,785 | 2,464 | (12) |
| 15 | 5 | Refining loss | 44 | 26 | (41) |
| 99 | 46 | Own consumption | 307 | 247 | (20) |
| 1,148 | 452 | Total refining production | 3,136 | 2,737 | (13) |
| | | Refined product sales by country (kt) | | | |
| 566 | 432 | Croatia | 2,218 | 1,803 | (19) |
| 189 | 158 | B&H | 769 | 607 | (21) |
| 20 | 11 | Slovenia | 64 | 44 | (31) |
| 72 | 26 | Italy | 309 | 140 | (55) |
| 426 | 339 | Other markets | 1,044 | 1,498 | 43 |
| 1,273 | 966 | Total | 4,404 | 4,093 | (7) |
| | | Refined product sales by product (kt) | | | |
| 71 | 52 | LPG* | 248 | 227 | (8) |
| - | 2 | Naphtha | 13 | 38 | 196 |
| 232 | 112 | Gasoline | 848 | 737 | (13) |
| 37 | 8 | Kerosene | 220 | 58 | (73) |
| 562 | 428 | Diesel | 2,135 | 1,808 | (15) |
| 37 | 30 | Heating oil | 128 | 123 | (4) |
| 145 | 73 | Fuel oil | 364 | 252 | (31) |
| 21 | 25 | Bitumen | 74 | 75 | 1 |
| 168 | 236 | Other products*** | 374 | 775 | 107 |
| 1,273 | 966 | Total | 4,404 | 4,093 | (7) |
| 261 | 225 | o/w Consumer services and Retail segment sales | 1,115 | 938 | (16) |
| 284 | 200 | Total natural gas sales (mln m3) | 1,271 | 894 | (30) |
| 511 | 505 | Total number of service stations | 511 | 505 | (1) |

* LPG+propylene

** 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

2020 vs. 2019

Key drivers

- Negative reported result reflects sharp drop in Brent price and product quotations causing significant negative change in inventory value
- Refining margins remained under pressure due to less favourable crack spreads of key products (diesel and gasoline) while lower crude oil prices and lower energy costs had a positive impact
- Processing was lower by 399 kt versus last year due to the reduced processing level driven by unfavourable external conditions and negative refinery margins
- Total Retail sales volumes amounted to 938 kt, 16% below 2019 realisation due to the negative effects of the pandemic (nationwide lockdowns, weaker tourist season and mobility restrictions)
- Non-fuel margin was stable (+1%) compared to 2019, despite the weaker tourist season, primarily as a result of non-fuel offer adjustment to the new market conditions
- Clean CCS EBITDA result was HRK 83 million above the previous year mainly driven by improved Retail results

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 622 million:
 - Rijeka Refinery Upgrade Project - issuance of engineering documentation is ongoing. Necessary equipment has been ordered and manufacturing is in progress. Preparation activities of the construction site started in accordance with the obtained building permits
 - Biorefinery Project - listed as strategic investment project. Innovation Fund first call application submitted. Basic Engineering Design package delivered and Biomass supply chain business model prepared
 - Propane - Propylene Splitter - unit mechanically completed and in operation from Q3 2020
- Consumer Services and Retail capital investments amounted to HRK 126 million in 2020 with a focus on reconstructions and the Fresh Corner concept roll-out

Main external parameters

| Q4 2019 | Q4 2020 | Crude oil and gas prices | 2019 | 2020 | % |
|--|---------|--|--------|--------|--------|
| 63 | 44 | Brent dtd (USD/bbl) | 64 | 42 | (34.4) |
| 0.28 | (0.23) | Brent-Ural spread (USD/bbl) | 0.02 | 0.26 | n.a. |
| 14.5 | 15.3 | CEGH gas price (EUR/MWh) | 16.4 | 11.1 | (32.3) |
| FOB MED Products prices and crack spreads | | | | | |
| 582 | 397 | Gasoline - premium unleaded 10 ppm (USD/t) | 595 | 382 | (35.8) |
| 578 | 365 | Diesel – ULSD 10 ppm (USD/t) | 586 | 362 | (38.2) |
| 223 | 253 | Fuel oil 3.5% (USD/t) | 324 | 216 | (33.3) |
| 492 | 467 | LPG (USD/t) | 454 | 395 | (13.0) |
| 104 | 62 | Crack spread – gasoline (USD/t) | 109 | 65 | (40.4) |
| 100 | 31 | Crack spread – diesel (USD/t) | 100 | 45 | (55.0) |
| (256) | (82) | Crack spread – fuel oil 3.5% (USD/t) | (162) | (101) | (37.7) |
| 14 | 133 | Crack spread – LPG (USD/t) | (32) | 78 | n.a. |
| (1.71) | (2.87) | Indicative refining margins (USD/bbl)* | (0.70) | (2.49) | n.a. |
| Foreign exchange | | | | | |
| 6.72 | 6.34 | HRK/USD average | 6.62 | 6.61 | (0.3) |
| 6.65 | 6.14 | HRK/USD closing | 6.65 | 6.14 | (7.7) |
| 7.46 | 7.55 | HRK/EUR average | 7.44 | 7.53 | 1.2 |
| 7.44 | 7.54 | HRK/EUR closing | 7.44 | 7.54 | 1.3 |
| 1.93 | 0.22 | 3m USD LIBOR (%) | 2.33 | 0.65 | (72.1) |
| (0.40) | (0.52) | 3m EURIBOR (%) | (0.36) | (0.43) | 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 December 2019 and 2020 (in HRK millions)

| Q4 2019 | Q4 2020 | Note | 2019 | 2020 | % |
|---------------------------|----------------|---|-----------------|-----------------|-------------|
| 6,047 | 3,579 | Revenue from contracts with customers | 22,597 | 14,788 | (35) |
| 150 | 92 | Capitalised value of own performance | 466 | 286 | (39) |
| 25 | 65 | Other operating income | 234 | 181 | (23) |
| 6,222 | 3,736 | Total operating income | 23,297 | 15,255 | (35) |
| (4) | (263) | Changes in inventories of finished products and work in progress | (160) | (686) | 329 |
| (3,218) | (875) | Costs of raw materials and consumables | (8,460) | (5,710) | (33) |
| (869) | (629) | Depreciation, amortisation and impairment (net) | (2,134) | (2,289) | 7 |
| (581) | (496) | Other material costs | (2,125) | (1,874) | (12) |
| (132) | (101) | Service costs* | (629) | (465) | (26) |
| (599) | (529) | Staff costs | (1,970) | (1,731) | (12) |
| (913) | (975) | Costs of other goods sold | (7,114) | (3,699) | (48) |
| (32) | 34 | Impairment charges (net) | (109) | (108) | (1) |
| (93) | (10) | Provision for charges and risks (net) | 126 | 9 | (93) |
| (6,441) | (3,844) | Operating expenses | (22,575) | (16,553) | (27) |
| (219) | (108) | Profit/(loss) from operations | 722 | (1,298) | n.a. |
| (15) | 64 | Finance income | 104 | 176 | 69 |
| 38 | (76) | Finance costs* | (177) | (244) | 38 |
| 23 | (12) | Net (loss)/profit from financial activities | (73) | (68) | (7) |
| 26 | 24 | Share of net gain/(loss) of joint ventures accounted for using the equity method | 10 | 94 | 840 |
| (170) | (96) | Profit/(loss) before tax | 659 | (1,272) | n.a. |
| (22) | 13 | Income tax benefit/(expense) | (170) | 135 | n.a. |
| (192) | (83) | Profit/(loss) for the period | 489 | (1,137) | n.a. |
| Attributable to: | | | | | |
| (193) | (83) | Owners of the Company | 486 | (1,138) | n.a. |
| 1 | - | Non-controlling interests | 3 | 1 | (67) |
| (192) | (83) | | 489 | (1,137) | n.a. |
| Earnings per share | | | | | |
| (19.3) | (8.3) | Basic and diluted earnings/(loss) per share (HRK per share) | 48.6 | (113.8) | n.a. |

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

Condensed Consolidated Statement of Financial Position

At 31 December 2019 and 2020 (in HRK millions)

| | Note | 31 December 2019 | 31 December 2020 | % |
|---|-----------|------------------|------------------|-------------|
| Assets | | | | |
| Non-current assets | | | | |
| Intangible assets | 9 | 635 | 485 | (24) |
| Property, plant and equipment | 10 | 12,567 | 11,700 | (7) |
| Right-of-use assets | | 342 | 304 | (11) |
| Investments in associates and joint venture | | 160 | 254 | 59 |
| Other Investments | | 17 | 17 | (0) |
| Long-term receivables | | 898 | 843 | (6) |
| Deferred tax assets | | 1,035 | 1,210 | 17 |
| Marketable securities | | 39 | - | n.a. |
| Non-current financial assets | | 607 | 560 | (8) |
| Total non-current assets | | 16,300 | 15,373 | (6) |
| Current assets | | | | |
| Inventories | 11 | 2,299 | 1,624 | (29) |
| Trade receivables (net) | 12 | 2,026 | 1,206 | (40) |
| Other receivables* | | 167 | 192 | 15 |
| Corporative Income tax receivables | | 16 | 5 | (69) |
| Marketable securities | | - | 78 | n.a. |
| Other current assets* | | 112 | 89 | (21) |
| Cash and cash equivalents | | 606 | 399 | (34) |
| Current assets | | 5,226 | 3,593 | (31) |
| Assets held for sale | | 6 | 30 | 400 |
| Total current assets | | 5,232 | 3,623 | (31) |
| Total assets | 8 | 21,532 | 18,996 | (12) |
| Equity and liabilities | | | | |
| Capital and reserves | | | | |
| Share capital | 13 | 9,000 | 9,000 | - |
| Legal reserves | | 166 | 199 | 20 |
| Fair value reserves | | 241 | 202 | (16) |
| Other reserves | | 1,590 | 1,529 | (4) |
| (Accumulated losses)/Retained earnings | | 207 | (1,586) | n.a. |
| Equity attributable to the owners of the Company | | 11,204 | 9,344 | (17) |
| Non-controlling interests | | 12 | 13 | 8 |
| Total equity | | 11,216 | 9,357 | (17) |
| Non-current liabilities | | | | |
| Long-term lease liabilities | | 276 | 232 | (16) |
| Other non-current liabilities | | 40 | 33 | (18) |
| Employee benefits obligation | | 70 | 64 | (9) |
| Provisions | | 3,716 | 3,696 | (1) |
| Deferred tax liability | | 15 | 16 | 7 |
| Total non-current liabilities | | 4,117 | 4,041 | (2) |
| Current liabilities | | | | |
| Bank loans | | 3,160 | 2,085 | (26) |
| Current portion of long-term lease liabilities | | 68 | 77 | 13 |
| Trade payables | 15 | 1,511 | 1,426 | (6) |
| Taxes and contributions | | 650 | 637 | (2) |
| Other current liabilities | | 624 | 1,122 | 80 |
| Employee benefits obligation | | 7 | 4 | (43) |
| Provisions | | 179 | 247 | 38 |
| Total current liabilities | | 6,199 | 5,598 | (10) |
| Total liabilities | 14 | 10,316 | 9,639 | (7) |
| Total equity and liabilities | | 21,532 | 18,996 | (12) |

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

Condensed Consolidated Cash Flow Statement (Indirect method)

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

| Q4 2019 | Q4 2020 | | Note | 2019 | 2020 | % |
|--------------|--------------|--|-----------|----------------|----------------|-------------|
| (193) | (83) | Profit/(loss) for the period: | | 489 | (1,137) | n.a. |
| | | Adjustments for: | | | | |
| 869 | 629 | Depreciation, amortisation and impairment of property, plant and equipment and ROU asset (net) | | 2,134 | 2,289 | 7 |
| 22 | (13) | Income tax (benefit)/expense recognised in profit and loss | | 170 | (135) | n.a. |
| 32 | (34) | Impairment charges (net) | | 109 | 108 | (1) |
| (1) | (6) | Loss/(Gain) on sale of property, plant and equipment | | (11) | (11) | - |
| (57) | (36) | Foreign exchange (gain)/loss | | (29) | (38) | 31 |
| 7 | 3 | Interest expense (net) | | 22 | 17 | (23) |
| (6) | (24) | Share of of joint ventures accounted for using the equity method | | 10 | (94) | n.a. |
| 43 | 23 | Other finance (income)/expense recognised in profit | | 26 | 33 | 27 |
| 84 | 6 | (Increase)/decrease in provision | | (135) | (14) | (90) |
| (21) | 21 | Decommissioning interests and other provision | | 49 | 56 | 14 |
| 40 | 67 | Net (gain)/loss on derivative financial instruments and hedge transactions | | 8 | 242 | 2,925 |
| (10) | (5) | Other non-cash items | | (2) | (3) | 50 |
| 809 | 548 | Operating cash flow before working capital changes | 16 | 2,840 | 1,313 | (54) |
| | | Movements in working capital | 17 | | | |
| 632 | 563 | Decrease/(increase) in inventories | | 322 | 402 | 25 |
| 283 | 280 | (Increase)/decrease in receivables and prepayments | | (362) | 570 | n.a. |
| (224) | 15 | (Decrease)/increase in trade and other payables | | 101 | (68) | n.a. |
| 1,500 | 1,406 | Cash generated from operations | | 2,901 | 2,217 | (24) |
| (17) | (6) | Taxes paid | | (41) | (19) | (54) |
| 1,483 | 1,400 | Net cash inflow/(outflow) from operating activities | | 2,860 | 2,198 | (23) |
| | | Cash flows used in investing activities | | | | |
| (803) | (590) | Capital expenditures, exploration and development costs | | (2,442) | (1,213) | (50) |
| (66) | 61 | Payment for intangible assets | | (143) | (74) | (48) |
| 2 | 9 | Proceeds from sale of non-current assets | | 20 | 17 | (15) |
| (17) | - | Investment in securities | | (35) | 39 | n.a. |
| - | - | Dividends received from companies classified as non-current financial assets available for sale and from other companies | | 10 | 9 | (10) |
| (32) | 18 | Interest received and other financial income | | 5 | 39 | 680 |
| 39 | 1 | Loans and other investments (net) | | 42 | 6 | (86) |
| (877) | (501) | Net cash used for investing activities | 18 | (2,543) | (1,177) | (54) |
| | | Cash flows from financing activities | | | | |
| 334 | - | Change in long-term borrowings (net) | | 208 | (332) | n.a. |
| (704) | (504) | Change in short-term borrowings (net) | | 823 | (685) | n.a. |
| - | - | Dividends paid | | (1,250) | (38) | (97) |
| (69) | (14) | Change of principal portion of lease liabilities | | 197 | (35) | n.a. |
| - | - | Interest paid on long-term loans | | (1) | - | n.a. |
| (18) | (41) | Interest paid on short-term loans and other financing charges | | (121) | (97) | (20) |
| (457) | (559) | Net cash flows (used in)/ from financing activities | | (144) | (1,187) | 724 |
| 149 | 340 | Net increase/(decrease) in cash and cash equivalents | | 173 | (166) | n.a. |
| 469 | 108 | At the beginning of the period | | 422 | 606 | 44 |
| (9) | (2) | Effect of foreign exchange rate changes | | 6 | (36) | n.a. |
| - | - | At the end of period | | 601 | 404 | (33) |
| (3) | (51) | Overdrafts (net) | | 5 | (5) | n.a. |
| 606 | 395 | Cash and cash equivalents in statement of financial position | | 606 | 399 | (34) |

INA Group Summary Segmental Results of Operations

| Q4 2019 | Q4 2020 | (HRK mln) | 2019 | 2020 | % |
|--|---------------|---|---------------|----------------|-------------|
| Net sales revenues | | | | | |
| 908 | 546 | Exploration & Production | 3,745 | 2,188 | (42) |
| 5,727 | 3,344 | Refining & Marketing including Consumer services and Retail | 21,530 | 14,153 | (34) |
| 613 | 491 | Corporate and Other | 2,137 | 1,543 | (28) |
| (1,201) | (802) | Intersegment transfers and consolidation adjustments | (4,815) | (3,096) | (36) |
| 6,047 | 3,579 | Total | 22,597 | 14,788 | (35) |
| EBITDA* | | | | | |
| 537 | 306 | Exploration & Production | 2,356 | 1,013 | (57) |
| 182 | 181 | Refining & Marketing including Consumer services and Retail | 518 | (153) | n.a. |
| (52) | 46 | Corporate and Other | 24 | (52) | n.a. |
| (17) | (12) | Intersegment transfers and consolidation adjustments | (42) | 183 | n.a. |
| 650 | 521 | Total | 2,856 | 991 | (65) |
| EBITDA excluding special items | | | | | |
| 537 | 306 | Exploration & Production | 2,356 | 1,013 | (57) |
| 182 | 181 | Refining & Marketing including Consumer services and Retail | 518 | (153) | n.a. |
| (52) | 46 | Corporate and Other | 24 | (52) | n.a. |
| (17) | (12) | Intersegment transfers and consolidation adjustments | (42) | 183 | n.a. |
| 650 | 521 | Total | 2,856 | 991 | (65) |
| Profit/(loss) from operations | | | | | |
| (17) | 136 | Exploration & Production | 1,149 | 220 | (81) |
| (83) | (26) | Refining & Marketing including Consumer services and Retail | (230) | (1,231) | 435 |
| (103) | (207) | Corporate and Other | (156) | (472) | 203 |
| (16) | (11) | Intersegment transfers and consolidation adjustments | (41) | 185 | n.a. |
| (219) | (108) | Total | 722 | (1,298) | n.a. |
| Profit/(loss) from operations excluding special items | | | | | |
| 264 | 136 | Exploration & Production | 1,431 | 220 | (85) |
| (83) | (26) | Refining & Marketing including Consumer services and Retail | (230) | (936) | 307 |
| (103) | (2) | Corporate and Other | (156) | (267) | 71 |
| (16) | (11) | Intersegment transfers and consolidation adjustments | (41) | 185 | n.a. |
| 62 | 97 | Total | 1,004 | (798) | n.a. |
| Property, plant and equipment | | | | | |
| 4,932 | 4,592 | Exploration & Production | 4,932 | 4,592 | (7) |
| 6,674 | 6,417 | Refining & Marketing including Consumer services and Retail | 6,674 | 6,417 | (4) |
| 1,422 | 1,177 | Corporate and Other | 1,422 | 1,177 | (17) |
| (461) | (486) | Intersegment transfers and consolidation adjustments | (461) | (486) | 5 |
| 12,567 | 11,700 | Total | 12,567 | 11,700 | (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 2020 is HRK 183 million compared to HRK (42) million in 2019.

Financial overview and notes

Condensed Consolidated Statement of Profit or Loss

Notes

- 1 **Revenue from contracts with customers** in 2020 amounted to HRK 14,788 million and is below the 2019 level, triggered mainly by lower sales on core markets (Croatia and B&H) as a result of lower economic activity caused by the COVID-19 pandemic, together with sharp drop in Brent price and product quotations
- 2 **Costs of raw materials and consumables** were 33% lower than 2019 level at HRK (5,710) million, reflecting different dynamic of refinery operations and lower crude prices
- 3 Other **operating costs** realized in 2020 include:
- Other material costs in the amount of HRK (1,874) million were lower by 12% mainly driven by costs dependent on oil prices and lower scope of work
 - Service costs in the amount of HRK (465) million were 26% lower than the 2019 level mainly due to lower intellectual services in 2020
 - Depreciation, amortisation and impairment (net) in the amount of HRK (2,289) million were 7% higher compared to 2019
 - Impairment charges in the amount of HRK (108) million were 1% lower compared to 2019
 - Provision for charges and risk had a positive effect in the amount of HRK 9 million in 2020 compared to HRK 126 million positive effect in 2019
- 4 **Staff costs** in the amount HRK (1,731) million were 12% lower compared to 2019
- 5 **Costs of other goods sold** in 2020 decreased by 48% compared to 2019 and amounted to HRK (3,699) million resulting from lower sales and prices
- 6 **Net result from financial activities** is negative in 2020 mainly as a result of:
- Net foreign exchange loss amounted HRK (16) million in 2020, while in 2019 reached HRK (25) million
 - Interest expense amounted to HRK (76) million and interest income to HRK 3 million in 2020, while in 2019 interest expense amounted to HRK (75) million and interest income to HRK 5 million
 - Other financial net gain amounted to HRK 21 million in 2020, slightly lower compared to the HRK 22 million financial gain in 2019
- 7 **Income tax benefit** in 2020 amounted to HRK 135 million compared to HRK (170) million income tax expense in 2019. Tax costs and deferred taxes during the reporting period are calculated based on actual results and the profit tax rate, 18% for the periods ended 31 December 2020 and 31 December 2019

Condensed Consolidated Statement of Financial Position

Notes

- 8 As at 31 December 2020 INA Group **total assets** amounted to HRK 18,996 million, 12% lower than 31 December 2019
- 9 In the period ended 31 December 2020, INA Group invested HRK 69 million in **intangible assets**. The effect of depreciation equals HRK 45 million
- 10 In the period ended 31 December 2020, INA Group invested HRK 1,213 million in **property, plant and equipment**. The effect of depreciation and impairment reduced net book value in amount of HRK 1,572 million
- 11 **Inventories** amounted to HRK 1,624 million, and have decreased by 29% compared to 31 December 2019 mainly due to lower prices and processing level aligned with lower demand
- 12 **Trade receivables (net)** amounted to HRK 1,206 million which is 40% lower than 31 December 2019 mainly due to lower sales revenues
- 13 **Share capital** as at 31 December 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 31 December 2020 **total liabilities** amounted to HRK 9,639 million, 7% lower compared to 31 December 2019. INA Group **net debt** amounted to HRK 1,608 million and decreased compared to 31 December 2019. **Net gearing** decreased from 18.5% as at 31 December 2019, to 14.7% as at 31 December 2020
- 15 **Trade payables** decreased compared to 31 December 2019 by 6% to HRK 1,426 million mainly driven by the lower prices of imported crude oil and refined products

Condensed Consolidated Cash Flow Statement (Indirect method)

Notes

- 16 The **operating cash flow before working capital changes** amounted to HRK 1,313 million in 2020 representing a decrease compared to 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 904 million, due to:
- Decrease in value of inventories in the amount of HRK 402 million mainly related to lower prices together with lower crude oil inventories and finished products
 - Decrease in receivables in the amount of HRK 570 million mainly related to lower sales volumes and prices
 - Decrease in trade and other payables amounted to (68) HRK million mainly related to lower purchase prices and volumes in line with production dynamics
- 18 **Net cash used for investing activities** amounted to HRK (1,177) million of outflows, compared to HRK (2,543) million outflows in 2019 mainly due to lower business activities



Restatement

INA Group adjusted its EBIT methodology and classification between financial cost and service cost lines to align Group reporting standards in amount of HRK 3 million. Additionally, reclassification was made for accounts of margining receivables that are reclassified from line Other current asset to line Other receivables in amount of HRK 24 million. The reclassification is performed in accordance with new INA Group Accounting policies and procedures and the comparable periods restated.

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 2019, the result was negatively impacted by HRK (282) millions of special items related to impairment of assets - Croatian gas fields, due to lower gas prices. In 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 and impairment of INA Group oil service company Croscos Group assets due to the decreased demand for oil field services on the market in the amount of HRK (205) million.

| HRK mln | 2019 | 2020 |
|--|-------|-------|
| INA GROUP | | |
| Total impact of special items on net profit/(loss) | (282) | (500) |
| Total impact of special items on operating profit/(loss) | (282) | (500) |
| Total impact of special items on EBITDA | - | - |
| Exploration & Production | | |
| Total impact of special items on operating profit/(loss) | (282) | - |
| Total impact of special items on EBITDA | - | - |
| Impairment of assets - Croatia gas fields | (282) | - |
| Refining & Marketing including Customer services and retail | | |
| Total impact of special items on operating profit/(loss) | - | (295) |
| Total impact of special items on EBITDA | - | - |
| Impairment of assets – Sisak refinery asset | - | (295) |
| Corporate functions | | |
| Total impact of special items on operating profit/(loss) | - | (205) |
| Total impact of special items on EBITDA | - | - |
| Impairment of assets – Croscos asset | - | (205) |

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 2020.

As of 31 December 2020 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in inventory levels and pricing periods.
- Contracted and available short-term credit lines amounted to HRK 2,570 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 2,179 million

Changes in equity

| HRK mln | Share capital | Legal reserves | Other reserves | Fair value reserves | (Accumulated losses) / 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 | - | - | - | - | 486 | 486 | 3 | 489 |
| Other comprehensive gain, net | - | - | 46 | 106 | - | 152 | - | 152 |
| Total comprehensive income/(loss) for the period | - | - | 46 | 106 | 486 | 638 | 3 | 641 |
| Transfer | - | - | - | - | 2 | 2 | - | 2 |
| Transfer to legal reserves from retained earnings | - | 67 | - | - | (67) | - | - | - |
| Dividend paid | - | - | - | - | (1,250) | (1,250) | - | (1,250) |
| Balance at 1 January 2020 | 9,000 | 166 | 1,590 | 241 | 207 | 11,204 | 12 | 11,216 |
| Loss for the year | - | - | - | - | (1,138) | (1,138) | 1 | (1,137) |
| Transfer | - | - | - | - | (2) | (2) | - | (2) |
| Other comprehensive loss, net | - | - | (58) | (39) | - | (97) | - | (97) |
| Total comprehensive income/(loss) for the period | - | - | (58) | (39) | (1,140) | (1,237) | 1 | (1,236) |
| Transfer to legal reserves from retained earnings | - | 33 | (3) | - | (30) | - | - | - |
| Dividends paid | - | - | - | - | (623) | (623) | - | (623) |
| Balance at 31 December 2020 | 9,000 | 199 | 1,529 | 202 | (1,586) | 9,344 | 13 | 9,357 |

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 2020, INA Group entered into the following trading transactions with the following related parties:

| INA Group | Sales of goods | Purchase of goods |
|--|-----------------------|--------------------------|
| HRK mln | 31 December 2020 | 31 December 2020 |
| Companies available for sale | | |
| JANAF d.d. Zagreb | 5 | 59 |
| Strategic partner | | |
| MOL Nyrt. | 1,508 | 800 |
| Companies controlled by strategic partner | | |
| Tifon d.o.o. | 380 | 9 |
| MOL Petrochemical | 57 | 8 |
| MOL Commodity Trading Kft. | 42 | 13 |
| MOL Slovenia d.o.o. | 32 | 11 |
| MOL Serbia d.o.o. | 5 | - |
| MOL-LUB Kft. | 1 | 2 |
| MOL Norge AS | 1 | - |
| Geoinform Kft. | 1 | - |
| MOL Azerbaijan | - | 662 |
| Slovnaft, a.s. | - | 120 |

| INA Group | Amounts owed from related parties | Amounts owed to related parties |
|--|--|--|
| HRK mln | 31 December 2020 | 31 December 2020 |
| Companies available for sale | | |
| JANAF d.d. Zagreb | - | 2 |
| Strategic partner | | |
| MOL Nyrt. | 70 | 88 |
| Companies controlled by strategic partner | | |
| MOL Commodity Trading Kft. | 75 | 80 |
| Tifon d.o.o. | 5 | 3 |
| MOL Petrochemicals | 2 | 3 |
| MOL Slovenia d.o.o. | 1 | - |
| Slovnaft, a.s. | - | 3 |
| IES S.p.A | - | 1 |

Management representation

Consolidated financial statements of INA Group for Q4 and Q1-Q4 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 29 January 2021 to appoint new members of the company's Management Board. New members of the INA Management Board are Ferenc Horváth and József Simola. They were appointed starting from February 1, 2021, until March 31, 2024.

Management Board:

- Sándor Fasimon – President of the Management Board
- Niko Dalić – Member of the Management Board
- Barbara Dorić – Member of the Management Board
- Ferenc Horváth – Member of the Management Board
- Darko Markotić – Member of the Management Board
- József Simola – Member of the Management Board