

Hungary, Croatia: Oil company INA MOL, net profit drops by 83% income drops 21%

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In 2015 INA Group achieved sales in the amount of 2,5 billion euro, which is 21 percent less than the year before, while net profit, excluding special items, fell by 83 percent, to 7,6 million euro, shows the business report of that oil company.

According to the business report Ina Group last year made a profit before interest, taxes, depreciation and amortization (EBITDA) of 0.4 billion, which is 10 percent more than the year before. CCS EBITDA excluding special items was, however amounted to 0.5 billion, which is 9 percent more than in 2014.

Net income, excluding the impact of special items, amounted to 7.61 million or 83 percent less than a year earlier. However, when taking into account exceptional items, Ina Group operated with a loss of 0.19 billion euro, which is 25 percent smaller loss than in 2014.

The result is influenced by special items totaling 1,476 billion, and most of these one-time items relate to the impairment of assets in the Exploration and production segment, due to the weakening of oil prices and the further continuation of the Syrian crisis.

"Further impairment of assets in Syria, which affected the final result, was necessary and unavoidable because of the political and security situation in that country, but it is important to point out that it just an accounting adjustment that does not impact cash," the statement said. However, we note that the cost of impairment, in accordance with the Law on Corporate Income Tax, is not tax-deductible.

Ina has maintained a small piece of property in case the geopolitical circumstances change and the return to Syria becomes possible.

Constant efforts of the segment Exploration and production for repairs of wells and optimization of production, as well as starting with new fields, resulted in a change in the trend of natural decline in production from the previous year. Thus, the total hydrocarbon production rose by 6 percent, while domestic oil production increased by 20 percent.

"Last year was challenging for the entire oil industry, but despite the unfavorable environment INA was able to secure an increase in EBITDA CCS for 9 percent. The net result, however, was heavily influenced by impairment at the end of the year in the amount of 0.16 billion. Most of the impairment relates to the Exploration and production Segment, particularly to property in Syria, which has no cash impact on INA's business " Zoltán Áldott INA CEO commented the results.

He noted that considerable efforts in Exploration and production, which resulted in an

increase in hydrocarbon production by 6 percent, and better refining environment, which resulted in an increase in the average refining margins by 24 percent, were not sufficient to compensate for the effect of the halved price of Brent segment. He also said that the drop in gas prices for industrial customers also affected the level of profitability and sales.

"With such significant external factors that are beyond the Company's control, internal optimization and measures to increase productivity are of additional importance. Restructuring the Retail is definitely one of the major steps achieved in 2015 regarding the increase in productivity, which has helped to make the operating costs of the segment adapt to competition. However, given the continuing low oil prices, the Company will need to make additional steps, through a combination of reduced capital and operating costs, in order to ensure future financial strength and sustainability of the business," concluded Áldott.

Last year the company invested a total of 216 billion euro, which is a stable bearing in mind the overall deterioration in the external environment, it said in a statement.

Net debt remained stable at 0.39 billion, while the debt to equity ratio recorded a slight increase, but it is still very stable and amounts to 22.3 percent, transmits Serbia-energy.eu