

# FINANCIAL RESULTS

## Q1 2017

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**IBAN broj - IBAN Number**

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**Trgovački sud u Zagrebu**

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Matični broj – Reg. No. 3586243  
OJB – 27759560625  
PDV identifikacijski broj / VAT identification  
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Predsjednik i članovi Uprave / President and members of the Management Board:  
Zoltán Aldott, Niko Dalić, Gábor Horváth, Ivan Krešić, Davor Mayer, Péter Ratatits  
Predsjednik Nadzornog odbora / President of the Supervisory Board: Damir Vandelić

## INA achieved strong results in Q1 2017

### Key achievements

- ✓ INA Group's EBITDA<sup>1</sup> amounted to HRK 607 million, 495% above the level in Q1 2016, while net profit amounted to HRK 199 million
- ✓ Stable financial position of the Company
- ✓ CAPEX amounted to HRK 209 million
- ✓ Domestic crude production remains stable, while domestic gas production onshore went up by 13% in relation to Q1 2016
- ✓ Refinery production increased by as much as 84%, and refined product sales grew by 37%

**Zagreb, April 27, 2017 – INA Group achieved strong results in Q1 2017, with EBITDA reaching HRK 607 million, an almost six-fold increase compared to the corresponding period of last year. The external environment, mainly in the form of recovering Brent prices, was the main driver behind the positive change in earnings.**

Constant efficiency efforts and continuous adjustments to operations given the market dynamics further contributed to the positive results. Consequently, Exploration & Production performance improved significantly with an EBITDA increase of 18%, to the level of HRK 635 million. On the other hand, mainly on the back of inventory gains, Refining & Marketing incl. Retail EBITDA reached HRK 149 million for the quarter, a moderately positive result given the favourable refining environment. Nevertheless, the increase in sales volumes on captive markets is a reflection of an overall macroeconomic improvement. Finally, a stable increase in non-fuel revenues contributed to the growth in the profitability of R&M incl. Retail operations.

<sup>1</sup> EBITDA = EBIT + Depreciation + Impairment + Provisions

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CAPEX amounted to HRK 209 million, however, a more intensive investment campaign is expected in the second half of 2017. Revenue growth contributed to keeping the financial position of the Company stable. Net gearing increased slightly compared to end of 2016, to 20.8%, whilst net debt reached HRK 2,824 million, a 13% increase compared to 2016 closing.

President of the Management Board of INA Mr. Zoltán Áldott said: “For INA, 2017 started strongly, showing optimism driven by actions taken last year to keep our financial position stable and to improve business performance. Additionally, increase in Brent prices gave a boost to INA operations, especially in Upstream. All these factors combined led to almost HRK 200 million net profit in just one quarter, with a safe balance sheet capable to finance significant investments planned for the next few years.

We are on good track with our ongoing projects as well: EOR project is continuing to Žutica field, while the design phase of the Rijeka Residue Upgrade Project is progressing as planned. Upstream could not avoid the natural decline, stronger in the offshore fields, but this was greatly offset by the production from new Međimurje fields. Also, the natural gas sales show a moderate growth compared to Q1 2016, while the long awaited liberalization started to drive the market on a more sustainable level.

Refining and Marketing including Retail had a quarter of favorable refining margins and no turnovers were performed on main assets, which resulted in almost doubled processing. Sales also grew on all markets, adding to the results, while non-fuel sales continue to grow, backed with continuous expansion of products and services offered at retail sites. Nevertheless, it is no time to relax, having in mind INA’s refining operations still require restructuring to make the operations cash positive.”

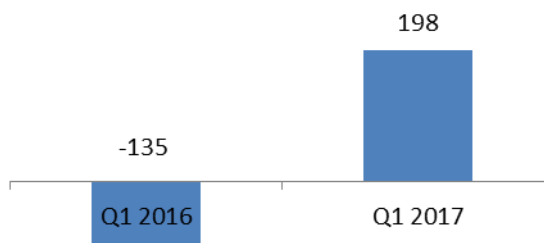
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## Operative results overview

- ✓ Group's EBITDA was HRK 607 million
- ✓ Operating profit amounted to HRK 198 million
- ✓ Net profit amounted to HRK 199 million
- ✓ Capital expenditures reached HRK 209 million
- ✓ Increase of 13% in the onshore natural gas production

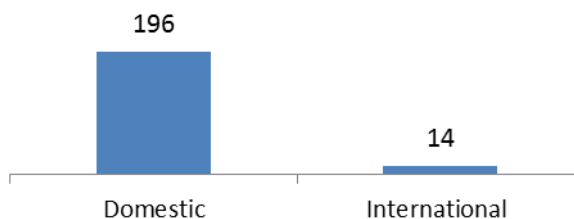
### Operating profit

HRK mio



### Capital investments

Q1 2017  
HRK mio



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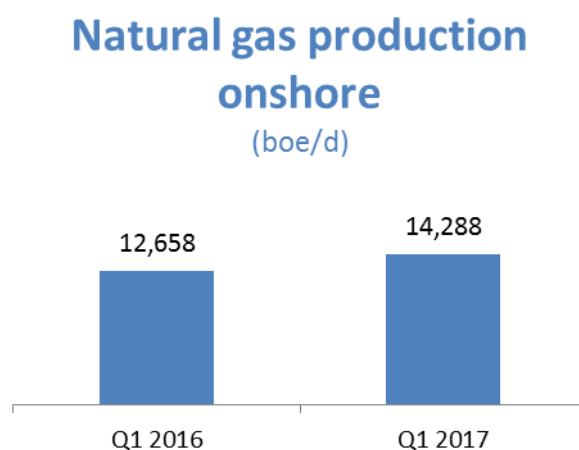
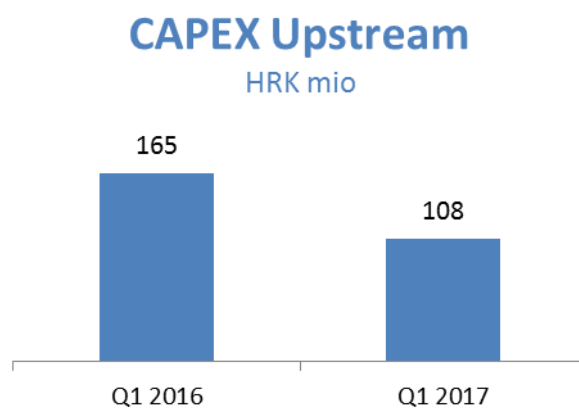
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**Exploration and Production** – In Q1 2017, EBITDA reached HRK 635 million, 18% more than in Q1 2016. The 58% higher Brent price had a positive effect on oil and condensate sales revenues in the amount of HRK 188 million, while lower realised gas prices caused a HRK (85) drop in revenues. Domestic crude oil production registered a slight decrease mainly due to natural decline and problems with the Hrastilnica field pipeline, but the decline was partially offset thanks to higher production from new wells and the positive effect of full field optimisation and the EOR projects. Natural gas production drop was offset by 13% higher onshore natural gas production mainly as a result of production from Međimurje fields. CAPEX amounted to HRK 108 million, out of which HRK 102.7 million in Croatia.

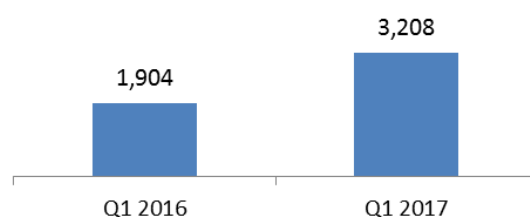


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**Refining and Marketing, including Retail – Q1 2017 EBITDA** amounted to HRK 149 million, while operating profit reached HRK 34 million compared to the Q1 2016 loss of HRK (302) million. Revenues amounted to HRK 3,208 million, 68% more than in Q1 2016. The result was positively impacted by a number of factors: favourable external environment which impacted refining margin positively, higher DTD Brent price, higher diesel crack spread, as well as increased sales on captive markets. Processing levels were higher due to the stable operations of the Rijeka Refinery compared to the Q1 2016 turnaround period, triggering substantial yield improvement. Retail sales volumes grew mainly thanks to network expansion activities, while non-fuel margin revenue increased on the back of continuous expansion in goods. Total CAPEX amounted to HRK 95 million; HRK 83 million in R&M and HRK 12 million in Retail. On March 31, 2017, INA Group operated a network of 495 retail sites.

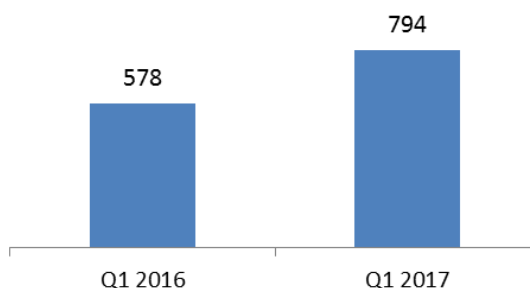
### Revenues R&M including Retail

HRK mio



### Total sales volume

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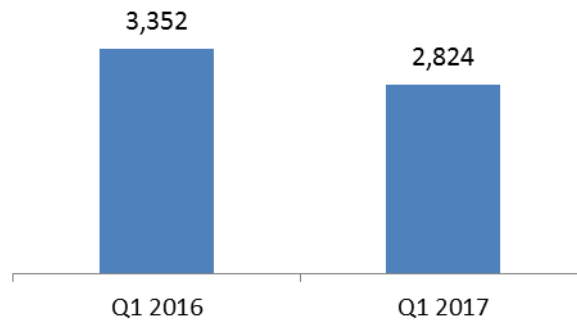


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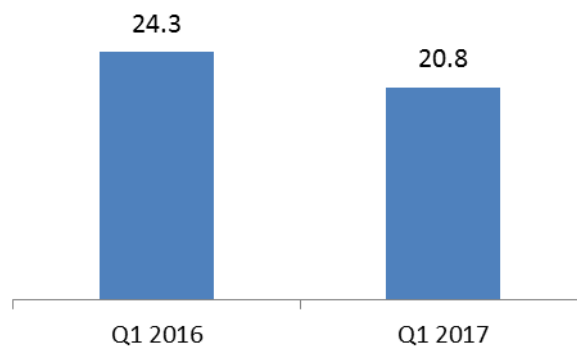
Net gearing amounted to 20.8%, whilst net debt reached HRK 2,824 million.

## Net debt

HRK mio



## Gearing ratio



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