

SUPERVISORY BOARD

Av. V. Holjevca 10
ZAGREB

No: 1-9/19

Date: 20.03.2019.

Pursuant to Article 263, paragraph 3 and Article 300c of the Companies Act and Article 27 of the Articles of Association of INA – Industrija nafte, d.d., at the date of issuing of this report, the Supervisory Board of the company INA- Industrija nafte, d.d. Zagreb, Av. V. Holjevca 10, (hereinafter referred to as the “Company”), comprised of Mr. Damir Vandelić, President of the Supervisory Board, Mr. József Molnár, Vice President of the Supervisory Board, and members of the Supervisory Board: Mr. József Simola, Mr. Szabolcs I. Ferencz, Mr. Damir Mikuljan, Mr. Luka Burilović, Mr. Ferenc Horváth, Mr. László Uzsoki and Ms. Jasna Pipunić, as the workers’ representative, hereby submits to the General Assembly the following

REPORT ON THE SUPERVISION OF THE CONDUCT OF COMPANY’S BUSINESS IN 2018

This report includes the following:

- Method and the extent in which the Supervisory Board performed supervision of the Company’s business in 2018,
- Results of examination of the annual financial statements as at 31 December 2017, together with the Auditor’s Report and proposal for profit allocation,
- Results of examination of the Management Board’s report on the status of business operations in 2017,
- Results of examination of report on relations with the governing company and affiliated companies thereof.

Corporate profile

On 31 December 2018, according to the list of top ten shareholders of the Company, published by the Central Depository & Clearing Company, major securities holders of the Company are as follows:

ZAGREBAČKA BANKA D.D. 4.908.207 shares, MINISTARSTVO DRŽAVNE IMOVINE /REPUBLIKA HRVATSKA 4.483.552 shares, OTP BANKA D.D. /AZ OMF KATEGORIJE B 227.685 2,28 shares, ADDIKO BANK D.D. /RAIFFEISEN OMF KATEGORIJE B 80.000 shares, ADDIKO BANK D.D. /PBZ CO OMF - KATEGORIJA B 66.170 0,66 shares, ZAGREBAČKA BANKA D.D. 59.659 shares, OTP BANKA D.D. /ERSTE PLAVI OMF KATEGORIJE B 46.100 shares, ZAGREBAČKA BANKA D.D. /AZ PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND 10.755 shares, ZAGREBAČKA BANKA D.D. 1.403 shares, OTP BANKA D.D. /ERSTE PLAVI EXPERT - DOBROVOLJNI MIROVINSKI FOND 1.100 shares.

Last update of the Company’s top ten shareholders is available on the Central Depository Agency’s website.

The shares of the Company are included in depository services of the Central Depository & Clearing Company as of 9 October 2003.

The Company’s shares have been listed on the Zagreb Stock Exchange since 1 December 2006.

INA, d.d.	Banka - Bank	Adresa - Address	IBAN broj - IBAN Number	Trgovački sud u Zagrebu Commercial Court in Zagreb
Avenija Većeslava Holjevca 10 10 002 Zagreb p.p. 555 Hrvatska - Croatia Telefon - Telephone +385(1)6450000 Faks - Fax + 385(1)6452100	Banka - Bank Privredna banka Zagreb d.d. Raiffeisenbank Austria d.d. Zagrebačka banka d.d. Societe Generale-Splitska banka d.d. OTP banka Hrvatska d.d. Hrvatska poštanska banka d.d. Sberbank d.d. NATIXIS UniCredit Bank Austria AG BNP Paribas (Suisse) SA ING Bank NV Credit Agricole (Suisse) SA	Adresa - Address Radnička cesta 50, 10000 Zagreb Petrijska 59, 10000 Zagreb Trg bana Josipa Jelačića 10, 10000 Zagreb R. Boškovića 16, 21000 Split Domovinskog rata 3, 23000 Zadar Juršićeva 4, 10000 Zagreb Varšavska 9, 10000 Zagreb Avenue Pierre Mendes 30, 75013 Paris Schottengasse 6-8, A-1010 Wien Place de Hollande 2, Case Postale 5060 1211 Geneve 11 PO BOX 1800, 1000 BV Amsterdam 4 quai General - Guisan, CH 1204	IBAN broj - IBAN Number HR92 2340 0091 1000 2290 2 HR70 2484 0081 1006 1948 3 HR62 2360 0001 1013 0359 5 HR81 2330 0031 1002 0454 6 HR96 2407 0001 1001 5214 9 HR78 2390 0011 1003 3707 6 HR75 2503 0071 1000 6218 3 FR76 30007 99999 27 021 672 000 59 AT21 1200 0528 4400 3466 (EUR) AT91 1200 0528 4400 3467 (USD) CH95 0868 6001 0887 4000 2 (EUR) CH25 0868 6001 0887 4000 1 (USD) NL98 INGB 0650 7815 38 (EUR) NL23 INGB 0020 0370 90 (USD) CH36 0874 1016 2235 0000 1	Uplaćen temeljni kapital – Paid capital stock 10.000.000 / 900,00 kn - HRK Broj izdanih dionica / Nominalna vrijednost No. of issued shares / Nominal value 10.000.000 / 900,00 kn - HRK Matični broj – Reg. No. 3586243 OIB – 27759560625 PDV identifikacijski broj / VAT identification number HR27759560625

At the date of issuing of this report, the Supervisory Board comprised five members elected based on the proposal put forth by MOL Plc. to the General Assembly, three members elected based on the proposal put forth by the Government of the Republic of Croatia and one member appointed by the Works Council of INA, d.d.

Supervisory Board

In 2018 the Supervisory Board of the Company comprised the following members:

- Mr. Damir Vanđelić, President of the Supervisory Board
- Mr. József Molnár, Vice President of the Supervisory Board
- Mr. József Simola, member of the Supervisory Board (*as of 19.12.2016*)
- Mr. Szabolcs I. Ferencz, member of the Supervisory Board
- Mr. Damir Mikuljan, member of the Supervisory Board
- Mr. Luka Burilović, member of the Supervisory Board
- Mr. Ferenc Horváth, member of the Supervisory Board
- Mr. László Uzsoki, member of the Supervisory Board (*as of 19.12.2016*)
- Ms. Jasna Pipunić, member of the Supervisory Board as the workers' representative

Audit Committee

The Audit Committee also participated in the supervision of the Company's business, acting as an auxiliary committee of the Supervisory Board, and in 2018 it held 6 (six) meetings, at which it reviewed Flash Reports, appointment of external auditor for 2018 and had no objections proposed appointment, audit results; it reflected on the performance of the external auditor and reviewed Internal Audit Status Reports.

In 2018 members of the Committee were as follows:

- Judit Szilágyi, Audit Committee Chairman
- József Simola, Audit Committee member
- Damir Vanđelić, Audit Committee member

Management Board

In 2018 and at the date of issuing of this report, the Management Board of the Company comprised six (6) members.

In 2018 the Management Board of the Company from January 1, 2018. until June 30, 2018. comprised the following members:

- Mr. Sándor Áldott, President of the Management Board,
- Mr. Niko Dalić, member of the Management Board
- Mr. Gabor Horváth, member of the Management Board
- Mr. Davor Mayer, member of the Management Board
- Mr. Péter Ratatics, member of the Management Board and
- Mr. Ivan Krešić, member of the Management Board.

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From July 1, 2018 the Management Board of the Company comprised the following members:

- Mr. Sándor Fasimon, President of the Management Board,
- Mr. Niko Dalić, member of the Management Board
- Mr. Ákos Székely, member of the Management Board
- Mr. Davor Mayer, member of the Management Board
- Mr. Zsolt Pethő, member of the Management Board
- Mr. Ivan Krešić, member of the Management Board

Supervision conducted in 2018

In 2018, the Supervisory Board supervised the conduct of business of INA – Industrija nafte d.d., as a share based company, within the scope of its legal and statutory responsibility.

The Supervisory Board supervised the conduct of the Company's business by holding the total of 9 (nine) meetings, 4 (four) of which were held by circular vote (voting in written form).

Supervising activities were performed regularly in compliance with the law and statutory requirement by reviewing Management Board's reports on conducting the business of INA d.d. and INA Group (quarterly, semi-annual and annual reports) and holding discussions on the current matters and issues, whereby the following topics were of particular importance:

1. Pursuant to the provisions of the Articles of Association of INA, d.d. (Article 17), the Supervisory Board provided prior consent for the following decisions:

- Approval of INA Group 2019 Business Plan
- Proposal for investment in Petrokemija d.d.

2. The Supervisory Board paid particular attention to the review and supervision of specific business issues and the following topics:

- Financial Risk Report (*quarterly report*),
- Overview of Refinery & Marketing including INA Refining & Marketing Business cases 2019 -2023 & INA Downstream 2023 New Course
- Retail market developments - Pavgord Acquisition (Montenegro)
- INA SD & HSE Performance Review,
- Report about HR related activities.
- purchase of Eni's share in Northern Adriatic offshore gas fields
- E&P Portfolio Development

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Results of the examination of the Management Board report on relations with the governing company and affiliated companies thereof

The Management Board submitted to the Supervisory Board Report of the Management Board on relations with the governing company and affiliated companies thereof (Report of the Subsidiary), compiled in accordance with Articles 474 and 497 of the Companies Act and in conformity with the principles of conscientious and accurate accounting.

According to the opinion of the Management Board, relations of the affiliated companies in the business (calendar) year 2018 were realized within the scope of regular business and entrepreneurial relations, and performed in standard conditions and by application of regular prices.

The Company's Auditor, Ernst & Young d.o.o., Zagreb reviewed and examined the Management Board's Report on relations with the affiliated companies, i.e. compliance with Article 497 of the Croatian Companies Act and provided unqualified opinion that the report was prepared correctly based on accounting records and notes and in line with the audited financial statements for the year ended on 31 December 2018.

The Supervisory Board was informed about the audit results and has no objections to the results of the Auditor's examination of the Management Board's Report on relations with the governing company and the affiliated companies thereof.

After the examination of the Management Board's Report, statements of the Management Board and the results of the Auditor's examination, the Supervisory Board hereby states that the Company, according to the circumstances that were known at the time the legal affairs and actions stated in the stated Management Board's report were attended to, received a respective counteraction for each legal affair, without any damage to the Company.

Results of the examination of the Financial Statements and the Auditor's Report, Management Board's Report on the status of the business operations for the business year 2018 and proposal of the decision on the allocation of profit of INA d.d.

The Supervisory Board issued an order to the Company's Auditor, Ernst & Young d.o.o. to audit the financial statements of the Company and consolidated financial statements of INA d.d. for the year 2018.

After consideration of the audited financial statements of the Company and consolidated financial statements of INA Group in 2018, the Supervisory Board established that in 2018 the Company acted in accordance with the law, the Company procedures as well as General Assembly resolutions and that the annual financial statements have been prepared in accordance with Company's accounting records and that they indicate correct asset and business status of the Company, present fairly financial position of the Company and the Group as at 31 December, 2018, their financial performance and cash flows.

The Supervisory Board has no objections to the Auditor's Report on the examination of the annual financial statements of the Company and consolidated annual financial statements for INA Group for the business year 2018.

The Supervisory Board has no objections to the audited annual financial statements submitted by the Management Board and approves the submitted audited financial statements, whereupon the stated financial statements are deemed as adopted by the Management Board and the Supervisory Board, and they are to be presented to the General Assembly.

The Supervisory Board reviewed Report on payments to the public sector in 2018, which was prepared in accordance with the law, and it agrees that the Report be included in the INA d.d. and INA Group Annual Report.

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The Supervisory Board reviewed the report on the Company and INA Group status for the business year 2018 and has no objections to the submitted report. Furthermore, the Supervisory Board has no objections to the statement on the Code of Corporate Governance applied under the above-stated Report. The Supervisory Board has no objections to the statements provided in the answers from the questionnaire attached, which was completed as requested by the Zagreb Stock Exchange, and states that the answers provided in this questionnaire were given to best of their knowledge and were true in their entirety.

The Supervisory Board considers that the proposal of the Management Board on the profit allocation of INA, d.d. for the year ended 31 December 2018 is in line with the business results and protects the interests of the Company and its shareholders and is in accordance with positive regulations of the Republic of Croatia.

Therefore, the Supervisory Board gives its consent to the proposal of the Management Board for profit allocation for year 2017 in amount of HRK 1,334,288,921.13 to be distributed to:

- legal reserves in amount of HRK 66,714,446.06
- retained earnings in amount of HRK 17,574,475.07
- dividend payment in amount of HRK 1,250,000,000.00 (i.e. HRK 125.00 per shares)

The joint proposal of the Management Board and the Supervisory Board on the 2018 profit allocation will be submitted to the General Assembly for approval.

Summary

The Management Board of the Company regularly informed the Supervisory Board of the Company's business, state of assets and liabilities, revenues and organizational and other changes related to management of the Company's business.

Supervisory Board analyzed realization of the planned results and implementation of the main objectives of the business policy of the Company in 2018.

Aside from the financial results in 2018, the Supervisory Board examined and gave consent to the INA Group 2019 Business Plan, and acknowledged the Overview for 2020-2023.

In view of the above, the Supervisory Board will submit this Report on the Supervision of the Conduct of Company's Business in 2018 to the General Assembly of the Company.

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