



**INA GROUP
Q2 & H1 2019
FINANCIAL REPORT**

Zagreb, July, 2019

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q2 and H1 2019 results. This report contains unaudited consolidated financial statements for the period ending 30 June 2019 as prepared by the Management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

Q2 2018	Q2 2019	HRK mln	H1 2018	H1 2019	%
5,790	5,543	Net sales revenues*	9,495	9,794	3
1,131	583	EBITDA (1)	1,612	1,122	(30)
1,131	583	EBITDA excl. special items (2)	1,612	1,122	(30)
845	673	CCS EBITDA excl. special items	1,327	1,175	(11)
716	157	Profit from operations	781	287	(63)
716	157	Profit from operations excl. special items (2)	781	287	(63)
430	247	CCS Profit from operations excl. special items	496	340	(31)
(75)	(1)	Net loss from financial activities	(68)	(37)	(46)
532	130	Profit for the period attributable to Owners of the Company	533	188	(65)
532	130	Profit for the period excl. special items (2)	533	188	(65)
523	108	Simplified Free Cash Flow (3)	809	(8)	n.a.
860	(487)	Net operating cash flow	1,197	1,009	(16)
Earnings per share					
53.2	13.0	Basic and diluted earnings per share (HRK per share)	53.3	18.8	(65)
701	1,763	Net debt	701	1,763	151
5.8	14.0	Net gearing (%)	5.8	14.0	
322	565	CAPEX total	518	1,183	128
287	511	Domestic	451	992	120
35	54	International	67	191	185

Q2 2018	Q2 2019	USD mln ⁽⁴⁾	H1 2018	H1 2019	%
934	839	Net sales revenues*	1,551	1,492	(4)
183	88	EBITDA (1)	263	171	(35)
183	88	EBITDA excl. special items (2)	263	171	(35)
136	102	CCS EBITDA excl. special items	217	179	(18)
116	24	Profit from operations	128	44	(66)
116	24	Profit from operations excl. special items (2)	128	44	(66)
69	37	CCS Profit from operations excl. special items	81	52	(36)
(12)	(0)	Net loss from financial activities	(11)	(6)	(45)
86	20	Profit for the period attributable to Owners of the Company	87	29	(67)
86	20	Profit for the period excl. special items (2)	87	29	(67)
84	16	Simplified Free Cash Flow (3)	132	(1)	n.a.
139	(74)	Net operating cash flow	196	154	(21)
Earnings per share					
8.6	2.0	Basic and diluted earnings per share (HRK per share)	8.7	2.9	(67)
111	271	Net debt	111	271	144
52	85	CAPEX total	85	180	112
46	77	Domestic	74	151	104
6	8	International	11	29	164

* Related to Revenue from contracts with customers

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

(2) In reporting period the result was not impacted by special items

(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 Q2 2018 – 6.20 HRK/USD; Q2 2019 – 6.56 HRK/USD; for H1 2018 – 6.34 HRK/USD; for H1 2019 – 6.56 HRK/USD; as at 31 December 2018 – 6.47 HRK/USD; as at 30 June 2019 – 6.50 HRK/USD

INA Group revenues totaled at HRK 9,794 million while CCS EBITDA excluding special items amounted to HRK 1,175 million in H1 2019, declining 11% compared to the same period last year, and Profit for the period excluding special items fell to HRK 188 million, driven mainly by lower refining margin environment.

Exploration and Production EBITDA decreased by 14% to HRK 1,238 million on the back of slightly lower realized hydrocarbon price (-2% year-on-year in USD terms) and 2% lower production at around 35 mboepd. Crude oil production was higher in Croatia and Egypt, driven by increased development activities and higher investments. Refining and Marketing including Consumer Services and Retail CCS EBITDA excluding special items deteriorated and turned to negative HRK (10) million. The main result driver was deteriorated refining environment. Retail volumes increased by 4% as a result of better performance in Croatia and network expansion in Montenegro.

CAPEX more than doubled in H1 2019 and amounted to HRK 1,183 million, mainly driven by refining investments. Net gearing increased to 14.0% with net debt at HRK 1,763 million, still reflecting a very strong balance sheet.

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

First half of 2019 was a period of intensive investment for INA. Total investments reached almost HRK 1.2 billion, majority of which was spent domestically. Refining capital expenditures more than tripled compared to the same period last year, to more than HRK 800 million, mainly related to the Rijeka Refinery turnover, one of the largest ones in the company's history. During this turnover, the main column on Crude Distillation Unit has been replaced, as well as numerous other works were completed, with the aim of sustainable and efficient refining operations. This investment shows INA's commitment to further development of its refining segment, together with additional activities in INA's Downstream 2023 New Course program.

Less favorable external environment, had negatively impacted the results, but INA still managed to capture higher demand both domestically and in Bosnia and Herzegovina. Retail continued its growth in non-fuel segment, but also benefited from the expanded Montenegro network, demonstrating the strength of INA brand as customers' first choice throughout the regional markets. As for Upstream, crude production increase partially offset the lower natural gas production. Overall crude production increase continues to be driven by not just domestic oil production increase, but also by additional production in Egypt, coming from increased investments. Still, the Brent price decrease of 7% lowered the segment results compared to the same period of 2018. Despite the challenging environment INA Group total revenues recorded a 3% increase, amounting to almost HRK 10 billion.

INA's financial position stays strong with a positive outlook for H2 2019.

Management discussion

Exploration and Production*

Q2 2018	Q2 2019	Segment IFRS results (HRK mln)	H1 2018	H1 2019	%
1,014	1,016	Net sales revenues	1,958	1,985	1
746	669	EBITDA	1,444	1,238	(14)
746	669	EBITDA excl. special items **	1,444	1,238	(14)
522	444	Profit from operations	983	798	(19)
522	444	Profit from operation excl. special items **	983	798	(19)
595	511	Simplified Free Cash Flow***	1,166	932	(20)
151	158	CAPEX	278	306	10

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Adriagas S.r.l. Milano, INA Adria BV, INA Jadran d.o.o.

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

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

Q2 2018	Q2 2019	Hydrocarbon production (boe/d)	H1 2018	H1 2019	%
14,608	14,732	Crude oil production	14,365	14,748	3
12,455	12,285	Croatia	12,272	12,349	1
1,470	1,845	Egypt	1,427	1,794	26
683	602	Angola	666	605	(9)
19,021	18,365	Natural gas production	19,766	19,018	(4)
6,420	6,248	Croatia - offshore	6,744	6,612	(2)
12,601	12,117	Croatia - onshore	13,023	12,406	(5)
1,512	1,296	Condensate (boe/d)	1,567	1,342	(14)
35,141	34,393	Total hydrocarbon production	35,698	35,108	(2)

Q2 2018	Q2 2019	Average realised hydrocarbon price	H1 2018	H1 2019	%
53	50	Total hydrocarbon price (USD/boe)*	51	50	(2)

* Calculated based on total sales revenue including natural gas internal selling price as well; restated with the move of gas trading operations from the Exploration and Production to Refining and Marketing incl. Consumer Services and Retail.

H1 2019 vs. H1 2018

Key drivers

- Brent price lower by 7% negatively impacting crude oil and condensate sales revenues by HRK 68 million
- Domestic crude oil production slightly higher as a result of performed well workovers, well optimisation and more favourable EOR project increment on Ivanić field
- International crude oil production:
 - Egypt: Higher production due to executed workover activities, drilling activities and lower natural production decline
 - Angola: Lower volumes due to natural decline together with various technical limitations on Block 3/05
- Natural gas production 4% lower as a result of:
 - Lower offshore production driven by natural decline and increased water cut on Izabela, partially offset by the ENI share acquisition effect on the North Adriatic and Aiza-Laura contract areas
 - Lower onshore production by 5% due to natural decline and lower performance on the main gas fields (Deep Podravina and Međimurje)
- Condensate production 14% lower due to:
 - Natural decline and decreased production on the main gas fields
- Lower collection of Egyptian receivables

Capital expenditures

H1 2019 (HRK mln)	Croatia	Egypt	Angola
Exploration	7	54	-
Development	91	43	5
Other	106	-	-
TOTAL	204	97	5

- Higher investment level compared to H1 2018 focusing on exploration drilling and development activities in Egypt
- Total of 22 well workovers performed on onshore Croatia with additional two well workovers being part of EOR project in Ivanić and Žutica
- Egypt: Drilling of exploration well Rizk-2D finished in May, well tests are in progress; on North Bahariya concession six wells were drilled, drilling of one well is ongoing; on Ras Qattara concession three wells were drilled



Refining and Marketing, including Consumer Services and Retail*

Q2 2018	Q2 2019	Segment IFRS results (HRK mln)	H1 2018	H1 2019	%
5,592	5,242	Net sales revenues	9,121	9,286	2
541	(113)	EBITDA	426	(63)	n.a.
541	(113)	EBITDA excl. special items**	426	(63)	n.a.
255	(23)	CCS EBITDA excl. special items***	141	(10)	n.a.
399	(271)	Profit/(loss) from operations	151	(373)	n.a.
399	(271)	Profit/(loss) from operations excl. special items***	151	(373)	n.a.
113	(181)	CCS Profit/(loss) from operations	(134)	(320)	139
85	(404)	Simplified Free Cash Flow***	(93)	(855)	819
170	381	CAPEX	234	845	261

*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 not impacted by special items

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

Q2 2018	Q2 2019	Refining processing (kt)	H1 2018	H1 2019	%
192	178	Domestic crude oil	257	367	43
840	440	Imported crude oil	1,220	440	(64)
11	13	Condensate	29	34	17
206	(56)	Other feedstock	219	(42)	n.a.
1,249	575	Total refining throughput	1,725	799	(54)
		Refining production (kt)			
67	25	LPG	90	32	(64)
19	4	Naphtha	20	4	(80)
302	115	Gasoline	402	196	(51)
58	35	Kerosene	78	35	(55)
434	173	Diesel	555	220	(60)
23	17	Heating oil	57	31	(46)
172	107	Fuel oil	267	124	(54)
44	21	Other products*	54	35	(35)
1,118	497	Total	1,524	677	(56)
16	12	Refining loss	22	18	(18)
116	66	Own consumption	179	104	(42)
1,249	575	Total refining production	1,725	799	(54)
		Refined product sales by country (kt)			
443	496	Croatia	808	892	10
170	209	B&H	299	366	22
21	12	Slovenia	40	29	(28)
101	88	Italy	179	159	(11)
446	202	Other markets	580	299	(48)
1,181	1,007	Total	1,906	1,745	(8)
		Refined product sales by product (kt)			
79	53	LPG	124	102	(18)
18	4	Naphtha	21	5	(76)
258	194	Gasoline	398	337	(15)
58	67	Kerosene	77	87	13
502	542	Diesel	864	954	10
22	23	Heating oil	72	64	(11)
168	57	Fuel oil	245	74	(70)
18	25	Bitumen	22	34	55
60	42	Other products**	83	88	6
1,181	1,007	Total	1,906	1,745	(8)
275	279	o/w consumer services and Retail segment sales	483	502	4
219	294	Total natural gas sales (mln m3)	511	657	29
496	507	Total number of Service stations	496	507	2

*Other products = Benzene concentrate, liquid sulphur, coke, motor oils, industrial lubricants, other intermediaries

**Other products = Benzene concentrate, heavy naphtha, vacuum gas oil, liquid sulphur, coke, crude oil, motor oils, ind. lubricants

H1 2019 vs. H1 2018

Key drivers

- External environment driven by lower Brent price (-5 USD/bbl), decreased gasoline (-38 USD/t) and LPG (-29 USD/t) crack spreads, and slightly higher diesel crack spread (+6 USD/t)
- Lower processing due to the Rijeka Refinery Turnaround, with higher import of diesel and gasoline, focused on meeting regional market demand
- Increased wholesale volumes on the domestic market (+84 kt) and B&H market (+67 kt) as a result of higher demand mainly resulting from the lack of supply from Bosanski Brod Refinery
- Decreased sales of fuel oil on export markets due to lower processing level
- Total retail sales volumes were at 502 kt (+4%) with significant contribution coming from Croatian (+10 kt) and Montenegro markets (+7 kt)
- Non-fuel margin increased by 12%, reflecting continuous expansion in consumer goods, increasing number of Fresh Corners and development of new non-fuel related services

Capital expenditures

- Refining and Marketing CAPEX increased materially and amounted to HRK 722 million compared to HRK 172 million in H1 2018, mainly driven by Rijeka Refinery turnaround
 - The turnaround was completed and Rijeka Refinery started processing beginning of May. Turnaround activities included replacement of a new main column on Crude Distillation Unit, works on Reformer and Hydrocracker unit, and completion of other investment projects at site
 - Engineering Procurement and Construction tender for the Residue Upgrade Project is now finalized. Negotiation with bidders is nearing completion. Preparation of Front-End Engineering Design for all units is completed. Main design was prepared for all units and was submitted to the Ministry for issuing Construction permits
 - Activities on the Propane-Propylene Splitter project are on-going. Critical tie-ins were installed during the turnaround. Civil and mechanical works on the site are in progress
- Consumer Services and Retail CAPEX amounted to HRK 123 million compared to HRK 62 million in H1 2018
 - Various investments projects included greenfield constructions, service station reconstructions, modernizations and other improvement projects (car wash modernization, LPG installation, tank replacement)
 - Multiple projects on expanding the non-fuel offer in line with the "Fresh Corner" concept have been executed, ongoing or in preparation, including caffe bar, shop or toilet modernization and installation of own coffee-to-go machines

Main external parameters

Q2 2018	Q2 2019	Crude oil prices	H1 2018	H1 2019	%
74	69	Brent dtd (USD/bbl)	71	66	(7.0)
1.61	0.74	Brent-Ural spread (USD/bbl)	1.62	0.23	(85.8)
FOB MED Products prices and crack spreads					
707	644	Gasoline - premium unleaded 10 ppm (USD/t)	669	596	(10.9)
657	603	Diesel – ULSD 10 ppm (USD/t)	623	594	(4.7)
402	382	Fuel oil 3.5% (USD/t)	377	377	0.0
556	456	LPG (USD/t)	542	478	(11.8)
144	123	Crack spread – gasoline (USD/t)	135	97	(28.1)
94	82	Crack spread – diesel (USD/t)	89	95	6.7
(161)	(139)	Crack spread – fuel oil 3.5% (USD/t)	(157)	(122)	(22.4)
(6)	(65)	Crack spread – LPG (USD/t)	8	(21)	n.a.
0.45	(1.28)	Indicative refining margins (USD/bbl)*	(0.19)	(1.02)	436.8
Foreign exchange					
6.20	6.56	HRK/USD average	6.12	6.56	7.2
6.34	6.50	HRK/USD closing	6.34	6.50	2.5
7.39	7.42	HRK/EUR average	7.42	7.42	0.0
7.38	7.39	HRK/EUR closing	7.38	7.39	0.1
2.34	2.51	3m USD LIBOR (%)	2.13	2.60	22.1
(0.33)	(0.32)	3m EURIBOR (%)	(0.33)	(0.31)	(6.1)

* Indicative refining margins based on 2016 Solomon yields, dated Ural price used for all feedstock

Condensed Consolidated Statement of Profit or Loss

For the period ended 30 June 2018 and 2019 (in HRK millions)

Q2 2018	Q2 2019		Note	H1 2018	H1 2019	%
5,790	5,543	Revenue from contracts with customers	1	9,495	9,794	3
99	86	Capitalised value of own performance		182	201	10
47	90	Other operating income*		115	156	36
5,936	5,719	Total operating income		9,792	10,151	4
149	771	Changes in inventories of finished products and work in progress		222	254	14
(3,184)	(1,897)	Cost of raw materials and consumables	2	(4,612)	(2,159)	(53)
(415)	(426)	Depreciation, amortisation and impairment (net)	4	(831)	(835)	1
(656)	(608)	Other material costs*	4	(1,138)	(1,050)	(8)
(115)	(223)	Service costs	4	(229)	(367)	60
(466)	(480)	Staff costs	5	(891)	(926)	4
(686)	(2,908)	Cost of other goods sold	3	(1,713)	(4,899)	186
79	(30)	Impairment charges (net)	4	121	(84)	n.a.
74	239	Provision for charges and risks (net)	4	60	202	237
(5,220)	(5,562)	Operating expenses		(9,011)	(9,864)	9
716	157	Profit from operations		781	287	(63)
(30)	34	Finance income		48	67	40
(45)	(35)	Finance costs		(116)	(104)	(10)
(75)	(1)	Net (loss)/income from financial activities	7	(68)	(37)	(46)
-	5	Share of net loss of joint ventures accounted for using the equity method	7	-	(18)	n.a.
641	161	Profit before tax		713	232	(67)
(114)	(30)	Income tax expense	6	(180)	(44)	(76)
527	131	Profit for the period		533	188	(65)
		Attributable to:				
532	130	Owners of the Company		533	188	(65)
(5)	1	Non-controlling interests		-	-	n.a.
527	131			533	188	(65)
		Earnings per share				
53.2	13.0	Basic and diluted earnings per share (HRK per share)		53.3	18.8	(65)

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

Condensed Consolidated Statement of Financial Position

At 31 December 2018 and 30 June 2019 (in HRK millions)

	Note	31 December 2018	30 June 2019	%
Assets				
Non-current assets				
Intangible assets	9	644	611	(5)
Intangible assets - ROU	9	-	14	n.a.
Property, plant and equipment	10	12,284	12,604	3
Property, plant and equipment - ROU	10	-	188	n.a.
Investments in associates and joint venture		150	133	(11)
Other investments		16	17	6
Long-term receivables and other assets		732	580	(21)
Deferred tax		1,199	1,146	(4)
Non-current financial assets		479	570	19
Total non-current assets		15,504	15,863	2
Current assets				
Inventories	12	2,645	3,077	16
Trade receivables, net	13	1,837	2,124	16
Other receivables		121	128	6
Corporative Income tax receivables		8	14	75
Marketable securities		27	27	0
Other current assets		174	142	(18)
Cash and cash equivalents		422	713	69
Current assets		5,234	6,225	19
Assets held for sale		4	10	150
Total current assets		5,238	6,235	19
Total assets	8	20,742	22,098	7
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	0
Legal reserves		99	166	68
Revaluation reserve		135	208	54
Other reserves		1,544	1,544	0
Retained earnings		1,036	(91)	n.a.
Equity attributable to equity holders of the parent		11,814	10,827	(8)
Non-controlling interests		9	9	0
Total equity		11,823	10,836	(8)
Non-current liabilities				
Long-term loans		4	-	n.a.
Long-term lease liabilities		-	155	n.a.
Other non-current liabilities		45	43	(4)
Employee benefits obligation		77	73	(5)
Provisions		3,462	3,462	0
Deferred tax liability		14	14	0
Total non-current liabilities		3,602	3,747	4
Current liabilities				
Bank loans and overdrafts		1,962	2,503	28
Current portion of long-term loans		125	-	n.a.
Current portion of long-term lease liabilities		-	47	n.a.
Trade payables	15	1,720	2,202	28
Taxes and contributions		612	885	45
Other current liabilities		590	1,721	192
Employee benefits obligation		5	5	0
Provisions		303	152	(50)
Total current liabilities		5,317	7,515	41
Total liabilities	14	8,919	11,262	26
Total equity and liabilities		20,742	22,098	7

Condensed Consolidated Cash Flow Statement

For the period ended 30 June 2018 and 2019 (in HRK millions)

Q2 2018	Q2 2019		Note	H1 2018	H1 2019	%
527	131	Profit for the period		533	188	(65)
		Adjustments for:				
415	426	Depreciation, amortisation and impairment (net)		831	835	0
114	30	Tax expense recognised in income statement		180	44	(76)
(79)	30	Impairment charges (net)		(121)	84	n.a.
(1)	(6)	Loss/(Gain) on sale of property, plant and equipment		(3)	(4)	33
44	(18)	Foreign exchange (gain)/loss		12	(6)	n.a.
7	3	Interest expense (net)		12	8	(33)
26	(10)	Other finance (income)/expense recognised in profit		37	12	(68)
(81)	(239)	Decrease in provision		(69)	(202)	193
9	24	Decommissioning interests and other provision		19	44	132
110	(26)	Net (gain)/loss on derivative financial instruments and hedge transactions		139	(34)	n.a.
(4)	6	Other non-cash items		1	(3)	n.a.
1,087	351	Operating cash flow before working capital changes	16	1,571	966	(39)
		Movements in working capital	17			
87	(865)	Decrease/(Increase) in inventories		(753)	(375)	(50)
(599)	(237)	(Increase)/Decrease in receivables and prepayments		(565)	(342)	(39)
291	275	Increase in trade and other payables		954	774	(19)
866	(476)	Cash generated from operations		1,207	1,023	(15)
(6)	(11)	Taxes paid		(10)	(14)	40
860	(487)	Net cash inflow from operating activities		1,197	1,009	(16)
		Cash flows used in investing activities				
(315)	(421)	Capital expenditures, exploration and development costs		(533)	(1,015)	90
(17)	(35)	Payment for intangible assets		(52)	(66)	27
3	6	Proceeds from sale of non-current assets		5	7	40
(1)	-	Investment in joint venture		-	-	n.a.
1	-	Dividends received from companies classified as non-current financial assets and from other companies		1	-	n.a.
7	11	Interest received and other financial income		7	21	200
(2)	3	Loans and other investments (net)		(3)	2	n.a.
(324)	(436)	Net cash used for investing activities	18	(575)	(1,051)	83
		Cash flows from financing activities				
-	-	Repayment of long-term borrowings		(59)	(126)	114
(337)	1,184	Change in short-term borrowings (net)		(599)	546	n.a.
4	(89)	Interest paid on long-term loans		2	(90)	n.a.
33	72	Interest paid on short-term loans and other financing charges		53	(1)	n.a.
(300)	1,167	Net cash from financing activities		(603)	329	n.a.
236	244	Net increase in cash and cash equivalents		19	287	1,411
226	473	At the beginning of the period		428	422	(1)
6	(7)	Effect of foreign exchange rate changes		21	1	(95)
468	710	At the end of period		468	710	52

INA Group Summary Segmental Results of Operations

Q2 2018	Q2 2019	(HRK mln)	H1 2018	H1 2019	%
Net sales revenues					
1,014	1,016	Exploration and Production	1,958	1,985	1
5,592	5,242	Refining and Marketing including Consumer services and Retail	9,121	9,286	2
431	508	Corporate and Other	808	996	23
(1,247)	(1,223)	Intersegment transfers and consolidation adjustments	(2,392)	(2,473)	3
5,790	5,543	Total	9,495	9,794	3
EBITDA*					
746	669	Exploration and Production	1,444	1,238	(14)
541	(113)	Refining and Marketing including Consumer services and Retail	426	(63)	n.a.
(6)	19	Corporate and Other	(37)	11	n.a.
(150)	8	Intersegment transfers and consolidation adjustments	(221)	(64)	(71)
1,131	583	Total	1,612	1,122	(30)
EBITDA excluding Special Items					
746	669	Exploration and Production	1,444	1,238	(14)
541	(113)	Refining and Marketing including Consumer services and Retail	426	(63)	n.a.
(6)	19	Corporate and Other	(37)	11	n.a.
(150)	8	Intersegment transfers and consolidation adjustments	(221)	(64)	(71)
1,131	583	Total	1,612	1,122	(30)
Profit/(Loss) from operations					
522	444	Exploration and Production	983	798	(19)
399	(271)	Refining and Marketing including Consumer services and Retail	151	(373)	n.a.
(55)	(24)	Corporate and Other	(132)	(74)	(44)
(150)	8	Intersegment transfers and consolidation adjustments	(221)	(64)	(71)
716	157	Total	781	287	(63)
Profit/(Loss) from operations excluding Special Items					
522	444	Exploration and Production	983	798	(19)
399	(271)	Refining and Marketing including Consumer services and Retail	151	(373)	n.a.
(55)	(24)	Corporate and Other	(132)	(74)	(44)
(150)	8	Intersegment transfers and consolidation adjustments	(221)	(64)	(71)
716	157	Total	781	287	(63)
Property, plant and equipment					
5,114	5,038	Exploration and Production	5,114	5,038	(1)
5,545	6,594	Refining and Marketing including Consumer services and Retail	5,545	6,594	19
1,363	1,402	Corporate and Other	1,363	1,402	3
(361)	(430)	Intersegment transfers and consolidation adjustments	(361)	(430)	19
11,661	12,604	Total	11,661	12,604	8

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

Intersegment transfers and consolidation adjustments

Intersegment transfers and consolidation adjustments indicates 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 H1 2019 is HRK (64) million compared to HRK (221) million in H1 2018.

Financial overview and notes

Statement of profit or loss

Notes

- 1 **Revenue from contract with customers** in H1 2019 amounted to HRK 9,794 million and were 3% above the H1 2018 level, triggered mainly by higher wholesales volumes on domestic market and B&H market.
- 2 **Costs of raw materials and consumables** were 53% lower than the H1 2018 level at HRK (2,159) million, resulting mainly from lower processing triggered by Rijeka Refinery turnaround.
- 3 **Costs of other goods sold** in H1 2019 recorded an increase of 186% compared to H1 2018 and amounted to HRK 4,899 million resulting from higher import of goods (primarily diesel and gasoline) to meet market demand.
- 4 Other **operating costs** realized in H1 2019 include:
- Other material costs were lower by 8% and amounted to HRK 1,050 million mainly related to transportation costs.
 - Service costs in the amount of HRK 367 million were 60% higher than in H1 2018 level.
 - Depreciation, amortisation and impairment (net) in the amount of HRK 835 million was in line with previous period.
 - Impairment and provisions had a positive effect in the amount of HRK 118 million which is lower than H1 2018 mainly related to reversal of EGPC receivables.
- 5 **Staff costs** in the amount HRK 926 million were 4% higher compared to H1 2018.
- 6 **Income tax expense** in H1 2019 amounted to HRK 44 million compared to HRK 180 million income tax expense in H1 2018. Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 18% for the periods ended 30 June 2019 and 30 June 2018.
- 7 **Net result from financial activities** is negative in H1 2019 mainly as a result of:
- Net foreign exchange gain reached HRK 13 million in H1 2019, while in H1 2018 net foreign exchange loss reached HRK 32 million.
 - Interest payable amounted to HRK (24) million and interest received to HRK 2 million in H1 2019, while in H1 2018 interest payable amounted to HRK (22) million and interest received to HRK 1 million.
 - Other financial net expenses amounted to HRK (28) million and are higher compared to HRK (15) million financial expenses in H1 2018.

Statement of financial position

Notes

- 8 As at 30 June 2019 INA Group **total assets** amounted to HRK 22,098 million, 7% higher compared to 31 December 2018.
- 9 In the period ended 30 June 2019, INA Group invested HRK 66 million in **intangible assets**. The effect of depreciation equals HRK 24 million. Emission quotas decreased NBV in amount of HRK 70 million. Intangible assets with right of use equals HRK 14 million.
- 10 In the period ended 30 June 2019, INA Group invested HRK 1,117 million in **property, plant and equipment**. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 786 million.
- 11 **Share capital** as at 30 June 2019 amounted to HRK 9,000 million. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.
- 12 **Inventories** amounted to HRK 3,077 million, and have increased by 16% compared to 31 December 2018 as a result of Rijeka Refinery turnaround and preparation for upcoming tourist season.
- 13 **Trade receivables, net** amounted to HRK 2,124 million which is 16% higher than 31 December 2018.
- 14 As at 30 June 2019 **total liabilities** amounted to HRK 11,262 million, 26% higher compared to 31 December 2018. INA Group net debt amounted to HRK 1,763 million and increased compared to 31 December 2018. **Net gearing**¹ increased from 12.2 % as at 31 December 2018, to 14.0 % as at 30 June 2019.
- 15 **Trade payables** increased compared to 31 December 2018 by 28% to HRK 2,202 million related to crude oil import.

Cash flow

- 16 The **operating cash flow before working capital changes** amounted to HRK 966 million in H1 2019 representing an decrease of HRK 605 million compared to H1 2018, 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 57 million, due to:
- Increased value of inventories in the amount of HRK 375 million mainly related to refinery turnaround and upcoming mid-season.
 - Increase in receivables in the amount of HRK 342 million related to domestic operations.
 - Increase in trade and other payables in the amount of HRK 774 million related to crude oil import.
- 18 **Net cash used for investing activities** amounted to HRK 1,051 million of outflows, compared to HRK 575 million outflows in H1 2018 mainly reflecting intensive investments in refining operations.

¹ Net debt/ net debt plus equity incl. minority interests

Restatement

Gas trading operations have been moved from Exploration and Production to Refining and Marketing including Consumer Services and Retail and the comparable periods restated.

Special items in operating profit and EBITDA (in HRK mln)

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 reaches 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 Q2 and H1 2019, the result was not impacted by special items.

Financial instruments and risk management

Risk Management procedures of INA Group are described in detail in INA's Consolidated and separate Financial Statements for the year ended 31 December 2018.

As of 30 June 2019 INA Group had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods, inventory levels and refining margins.
- Contracted and available short-term credit lines amounting to HRK 2,079 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 amounting to HRK 2,598 million.

Related party transactions

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA Group strategic position 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 Q2 and H1 2019, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	30 June 2019	30 June 2019
Companies available for sale		
JANAF d.d. Zagreb	5	3
Strategic partner		
MOL Nyrt.	192	785
Companies controlled by strategic partner		
Tifon d.o.o.	283	4
Slovnaft, a.s.	34	128
MOL Slovenia d.o.o.	19	34
MOL Petrochemical	11	2
MOL-LUB Kft.	1	2
Geoinform Kft.	1	-
MOL Commodity Trading Kft.	-	52

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 June 2019	30 June 2019
Companies available for sale		
JANAF d.d. Zagreb	2	4
Strategic partner		
MOL Nyrt.	80	61
Companies controlled by strategic partner		
Tifon d.o.o.	96	2
MOL Commodity Trading Kft.	21	27
MOL Petrochemicals	11	-
Slovnaft, a.s.	9	3
MOL Slovenia d.o.o.	4	9
Geoinform Kft.	1	-
MOL-LUB Kft.	-	1
IES S.p.A	-	1

Management representation

INA Group's consolidated financial statements for Q2 and H1 2019 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
- Ivan Krešić – Member of the Management Board
- Davor Mayer – Member of the Management Board
- Zsolt Pethő – Member of the Management Board
- Ákos Székely – Member of the Management Board