

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q2 / H1 2018 results today. This report contains unaudited consolidated financial statements for the period ending 30 June 2018 as prepared by the management in accordance with the International Financial Reporting Standards.

## INA Group financial results (IFRS)

Q2 2017	Q2 2018	HRK mln	H1 2017	H1 2018	%
4,552	5,790	Net sales revenues*	8,386	9,495	13
1,149	1,131	EBITDA <sup>(1)</sup>	1,789	1,612	(10)
<b>896</b>	<b>1,131</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>1,536</b>	<b>1,612</b>	<b>5</b>
<b>1,027</b>	<b>845</b>	<b>CCS EBITDA excl. special items</b>	<b>1,544</b>	<b>1,328</b>	<b>(14)</b>
712	716	Profit/(loss) from operations	910	781	(14)
<b>459</b>	<b>716</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>657</b>	<b>781</b>	<b>19</b>
<b>590</b>	<b>430</b>	<b>CCS Operating profit excl. special items</b>	<b>665</b>	<b>497</b>	<b>(25)</b>
99	(75)	Net financial result	139	(68)	n.a.
662	532	Net profit/loss attributable to equity holder	861	533	(38)
<b>409</b>	<b>532</b>	<b>Net profit/loss for the period excl. special items <sup>(2)</sup></b>	<b>608</b>	<b>533</b>	<b>(12)</b>
716	524	Simplified Free Cash Flow <sup>(3)</sup>	1,024	810	(21)
<b>1,165</b>	<b>860</b>	<b>Operating cash flow</b>	<b>979</b>	<b>1,197</b>	<b>22</b>
<b>Earnings per share</b>					
66.2	53.2	Basic and diluted/(loss) earnings per share (kunas per share)	86.1	53.3	(38)
2,026	701	Net debt	2,026	701	(65)
15.3	5.8	Net gearing (%)	15.3	5.8	
<b>311</b>	<b>322</b>	<b>CAPEX total</b>	<b>520</b>	<b>518</b>	<b>(0)</b>
301	287	Domestic	496	451	(9)
10	35	International	24	67	178
Q2 2017	Q2 2018	USD mln <sup>(4)</sup>	H1 2017	H1 2018	%
674	934	Net sales revenues*	1,217	1,551	27
170	183	EBITDA <sup>(1)</sup>	260	263	1
<b>133</b>	<b>183</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>223</b>	<b>263</b>	<b>18</b>
<b>152</b>	<b>136</b>	<b>CCS EBITDA excl. special items</b>	<b>224</b>	<b>217</b>	<b>(3)</b>
105	116	Profit/(loss) from operations	132	128	(3)
<b>68</b>	<b>116</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>95</b>	<b>128</b>	<b>34</b>
<b>87</b>	<b>69</b>	<b>CCS Operating profit excl. special items</b>	<b>97</b>	<b>81</b>	<b>(16)</b>
15	(12)	Net financial result	20	(11)	n.a.
98	86	Net profit/loss attributable to equity holder	125	87	(30)
<b>60</b>	<b>86</b>	<b>Net profit/loss for the period excl. special items <sup>(2)</sup></b>	<b>88</b>	<b>87</b>	<b>(1)</b>
106	85	Simplified Free Cash Flow <sup>(3)</sup>	149	132	(11)
<b>172</b>	<b>139</b>	<b>Operating cash flow</b>	<b>142</b>	<b>196</b>	<b>38</b>
<b>Earnings per share</b>					
9.8	8.6	Basic and diluted/(loss) earnings per share (kunas per share)	12.5	8.7	(30)
312	111	Net debt	312	111	(64)
<b>46</b>	<b>52</b>	<b>CAPEX total</b>	<b>75</b>	<b>85</b>	<b>12</b>
45	46	Domestic	72	74	2
1	6	International	3	11	213

\* Related to Revenue from contracts with customers

<sup>(1)</sup> EBITDA = EBIT + Depreciation, amortization and impairment (net), restatement of comparable previous periods was made – see on page 10

<sup>(2)</sup> No significant one-off items in H1 2018, while H1 2017 Operating profit and EBITDA were positively impacted by HRK 253 mln of special items related to both retranslation and reversal of provision in Angola

<sup>(3)</sup> Simplified free cash flow = CCS EBITDA excluding special items - capital expenditures

<sup>(4)</sup> In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q2 2017 – 6.7576 HRK/USD; Q2 2018 – 6.1959 HRK/USD; H1 2017 – 6.8893 HRK/USD; H1 2018 – 6.1222 HRK/USD as at Dec 31, 2017 – 6.2697 HRK/USD; as at Jun 30, 2017 – 6.4902 HRK/USD; as at Jun 30, 2018 – 6.3150 HRK/USD

INA Group increased its revenues in H1 2018 by 13% to HRK 9,495 million, mainly driven by higher sales focused on utilising higher crude oil and product prices, which were partially offset by slightly lower Upstream production volumes. Total CCS EBITDA decreased by 14% year-on-year and amounted to HRK 1,328 million on lower Refining and Marketing including Retail contribution, yet operating cash flow strengthened by 22% to HRK 1,197 million in H1 2018.

Exploration and Production EBITDA excluding special items grew by 6% to HRK 1,478 million, driven by materially higher realized hydrocarbon price (+33% year-on-year in USD terms and +20% in HRK terms), which was, mostly offset by a 7% drop in hydrocarbon production. CCS EBITDA of Refining and Marketing incl. Retail in H1 2018 amounted to HRK 91 million, while the negative free cash flow widened, affected by the less favorable external environment. Planned maintenance activities in Q1 2018 impacted processing level in refining, retail fuel sales moderately improved together with the non-fuel sales which continued to grow.

CAPEX was at the level of the same period of 2017 and amounted to HRK 518 million with a continued focus on Croatian investments. At the same time net debt decreased further to HRK 701 million at the end of H1 2018, while net gearing dropped below 6%.

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

H1 2018 showed as a positive period for overall INA results. Combination of higher sales and utilization of favorable Upstream environment helped to keep the revenues on a high level.

Domestic crude oil production continues to grow, thanks to the ongoing activities in the EOR project and additional development projects, moderating the natural decline in the gas production, expected with the mature portfolio. Finalization of our transaction with ENI for the North Adriatic concession areas will also play its role in arresting the production decline in the years to come.

Refining volumes are in line with the regular, planned maintenance activities, somewhat lower compared to comparable period 2017, but great effort is given in making the operations more sustainable. Crude basket is constantly expanded and more favorable crude types are processed.

Moderate Retail growth is in line with the seasonal movements, while constant expansion of non-fuel related services stays our priority for the upcoming period.

This relief period in the form of rather favorable external environment, at least for Upstream operations, should also be used for further streamlining of the operations and strengthening of our market position, as the volatility of the market can once again prove challenging.

## Management discussion

### Exploration and Production\*

Q2 2017	Q2 2018	Segment IFRS results (HRK mln)	H1 2017	H1 2018	%
1,042	1,131	Net sales revenues	2,205	2,271	3
1,002	746	EBITDA **	1,642	1,478	(10)
<b>749</b>	<b>746</b>	<b>EBITDA excl. special items ***</b>	<b>1,389</b>	<b>1,478</b>	<b>6</b>
748	522	Operating profit	1,123	1,017	(9)
<b>495</b>	<b>522</b>	<b>Operating profit excl. special items ***</b>	<b>870</b>	<b>1,017</b>	<b>17</b>
<b>598</b>	<b>595</b>	<b>Simplified Free Cash Flow****</b>	<b>1,130</b>	<b>1,200</b>	<b>6</b>
151	151	CAPEX	259	278	7

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

\*\* Restatement of comparable previous periods was made – see on page 10

\*\*\* No significant one-off items in H1 2018, while H1 2017 Operating profit and EBITDA were positively impacted by HRK 253 mln of special items related to both retranslation and reversal of provision in Angola

\*\*\*\* Simplified free cash flow = EBITDA excluding special items - capital expenditures

Q2 2017	Q2 2018	Hydrocarbon production	H1 2017	H1 2018	%
<b>14,830</b>	<b>14,608</b>	<b>Crude oil production (boe/d)</b>	<b>14,467</b>	<b>14,365</b>	<b>(1)</b>
12,400	12,455	Croatia	11,952	12,272	3
1,569	1,470	Egypt	1,625	1,427	(12)
860	683	Angola	891	666	(25)
<b>21,449</b>	<b>19,021</b>	<b>Natural gas production (boe/d)</b>	<b>22,005</b>	<b>19,766</b>	<b>(10)</b>
8,153	6,420	Croatia - offshore	8,367	6,744	(19)
13,296	12,601	Croatia - onshore	13,638	13,023	(5)
<b>1,867</b>	<b>1,512</b>	<b>Condensate (boe/d)</b>	<b>1,881</b>	<b>1,567</b>	<b>(17)</b>
<b>38,146</b>	<b>35,141</b>	<b>Total hydrocarbon production (boe/d)</b>	<b>38,353</b>	<b>35,698</b>	<b>(7)</b>
Q2 2017	Q2 2018	Average realised hydrocarbon price	H1 2017	H1 2018	%
41	56	Total hydrocarbon price (USD/boe)*	40	54	33
Q2 2017	Q2 2018	Natural gas trading - mln cm	H1 2017	H1 2018	%
266	219	Total natural gas sales - domestic market	593	511	(14)

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

### H1 2018 vs. H1 2017

#### KEY DRIVERS

- Brent price higher by 37%; positive effect on oil and condensate sales revenues amounting to HRK 279 million
- Natural gas revenues HRK 156 million higher as a result of higher realized gas prices
- Domestic crude oil production higher by 3% resulting from:
  - Additional development projects and the EOR project
  - Start-up of two new wells on Hrastilnica field (Hrastilnica - 3&4)
- International crude oil production lower by 0.4 mboepd due to:
  - Natural production decline in Egypt
  - Natural production decline and various technical issues in Angola
- Natural gas production 10% lower and driven by:
  - Lower offshore production by 19% in line with the expected production curve
  - Lower onshore production by 5% mainly as a result of lower Deep Podravina fields performance

#### CAPITAL EXPENDITURES

H1 2018 (HRK million)	Croatia	Egypt	Angola
Exploration	57	-	-
Development	122	30	5
Other	64	-	-
<b>TOTAL</b>	<b>243</b>	<b>30</b>	<b>5</b>

- Higher investment level as a result of Drava-02 exploration drilling activities and activities in Egypt
- Total of 36 well workovers performed
- EOR - performed 5 well workovers; CO<sub>2</sub> injection ongoing currently on 8 wells at Ivanić and 6 at Žutica North
- Egypt: North Bahariya - Drilled 3 production wells (Abrar-10, Abrar-36, Ganna West-3) and 1 injection well (Abrar-38), total of 9 well workovers performed on North Bahariya and East Yidma

## Refining and Marketing, including Retail\*

Q2 2017	Q2 2018	Segment IFRS results (HRK mln)	H1 2017	H1 2018	%
3,975	5,218	Revenues	7,172	8,258	15
50	521	EBITDA**	222	375	69
<b>50</b>	<b>521</b>	<b>EBITDA excl. special items***</b>	<b>222</b>	<b>375</b>	<b>69</b>
181	235	CCS-based DS EBITDA excl. special items***	230	91	(61)
(91)	379	Operating profit/(loss)	(57)	100	n.a.
<b>(91)</b>	<b>379</b>	<b>Operating profit/(loss) excl. special items***</b>	<b>(57)</b>	<b>100</b>	<b>n.a.</b>
40	93	CCS-based DS operating loss	(49)	(184)	279
32	65	Simplified Free Cash Flow****	(14)	(143)	947
149	170	CAPEX and investments (w/o acquisition)	244	234	(4)

\*Refers to Refining & Marketing including Retail INA. d.d. and the following subsidiaries: INA Maziva d.o.o., INA Slovenija d.o.o., HoldINA d.o.o., INA Crna Gora d.o.o., INA d.o.o. Beograd, INA Kosovo d.o.o., Petrol d.d., Energopetrol d.d., INA BL d.o.o., INA MALOPRODAJNI SERVISI d.o.o.

\*\* Restatement of comparable previous periods was made – see on page 10

\*\*\* No significant one-off items in H1 2018 or H1 2017

\*\*\*\* Simplified free cash flow = CCS EBITDA excluding special items - capital expenditures

Q2 2017	Q2 2018	Refinery processing (kt)	H1 2017	H1 2018	%
256	192	Domestic crude oil	256	257	1
779	840	Imported crude oil	1,231	1,220	(1)
42	11	Condensate	42	29	(29)
103	206	Other feedstock	286	219	(24)
<b>1,179</b>	<b>1,249</b>	<b>Total refinery throughput</b>	<b>1,815</b>	<b>1,725</b>	<b>(5)</b>
Q2 2017	Q2 2018	Refinery production (kt)	H1 2017	H1 2018	%
77	67	LPG	111	90	(18)
300	19	Naphtha	37	20	(45)
394	302	Gasoline	452	402	(11)
23	58	Kerosene	61	78	27
47	434	Diesel	606	555	(8)
26	23	Heating oil	59	57	(5)
141	172	Fuel oil	211	267	27
37	44	Other products*	62	54	(13)
<b>1,045</b>	<b>1,118</b>	<b>Total</b>	<b>1,600</b>	<b>1,524</b>	<b>(5)</b>
14	16	Refinery loss	21	22	6
120	116	Own consumption	194	179	(8)
<b>1,179</b>	<b>1,249</b>	<b>Total refinery production</b>	<b>1,815</b>	<b>1,725</b>	<b>(5)</b>
Q2 2017	Q2 2018	Refined product sales by country (kt)	H1 2017	H1 2018	%
454	443	Croatia	842	808	(4)
153	170	B&H	270	299	11
18	21	Slovenia	34	40	18
456	547	Other markets	730	759	4
<b>1,080</b>	<b>1,181</b>	<b>Total</b>	<b>1,876</b>	<b>1,906</b>	<b>2</b>
Q2 2017	Q2 2018	Refined product sales by product (kt)	H1 2017	H1 2018	%
91	79	LPG	139	124	(11)
259	18	Naphtha	36	21	(41)
467	258	Gasoline	442	398	(10)
28	58	Kerosene	67	77	15
51	502	Diesel	817	864	6
24	22	Heating oil	80	72	(10)
120	168	Fuel oil	219	245	12
12	18	Bitumen	18	22	18
28	60	Other products*	58	83	40
<b>1,080</b>	<b>1,181</b>	<b>Total</b>	<b>1,876</b>	<b>1,906</b>	<b>2</b>
266	275	o/w Retail segment sales	473	483	2
	496	Total number of Service stations	494	496	0

\*Other products = Benzene rich cut, liquid sulphur, coke, motor oils, industrial lubricants, base oils, spindle oil, waxes, blended gas oil "M", atmospheric residue, intermediaries and other.

## H1 2018 vs. H1 2017

## KEY DRIVERS

- Higher DTD Brent price (increase from 52 USD/bbl to 71 USD/bbl) and less favorable external environment with lower gasoline (-5 USD/t) and fuel oil (-50 USD/t) crack spreads, partially mitigated by higher diesel (+16 USD/t) crack spread
- Lower total sales volumes on captive markets (-5 kt) and higher on other export markets (+35 kt) supported by stable sales margins
- Planned maintenance activities in the refineries resulted in lower processing level (-90 kt), with continued utilisation of extended crude basket, focusing on higher financial benefits of heavier crude oil types processed during H1 2018
- Total retail sales volumes at 483 kt moderately improved, with a significant contribution of the network in Bosnia and Herzegovina. Higher realization in Croatia was supported by active sales of Class PLUS fuels and RON 100 Gasoline
- Non-fuel margin increased by 8% and non-fuel contributed 52% of the total Retail margin growth compared to last year period due to the continuous expansion in goods with Fresh Corner concept implementation and development of new non-fuel related services

## CAPITAL EXPENDITURES

- Refining and Marketing capital expenditures amounted to HRK 172 million
  - Engineering Procurement and Construction tender for Residue Upgrade Project. Preparation of Front-End engineering design for all units done. Main designs preparation in final stage.
  - Contract for Engineering Procurement and Construction signed, Long Lead Items contracted and Building Permit issued for the Propane-propylene Splitter project. Civil preparation works on locations finished.
  - Continued investment activities in logistics and refinery development projects with special focus on environmental related projects and upcoming Rijeka Refinery projects
- Retail capital expenditures in H1 2018 amounted to HRK 62 million compared to HRK 39 million in H1 2017
  - Several investments projects including greenfield constructions, acquisitions, service station reconstructions, modernizations and other improvement projects
  - Multiple projects on expanding the non-fuel offer in line with the "Fresh corner" concept

## Main external parameters

Q2 2017	Q2 2018		H1 2017	H1 2018	%
49.6	74.4	Brent dtd (USD/bbl)	51.7	70.6	37
0.79	1.61	Brent-Ural spread (USD/bbl)	0.98	1.62	65
518.5	707.1	Gasoline - premium unleaded 10 ppm (USD/t)*	531.1	668.7	26
449.2	657.0	Diesel - ULSD 10 ppm (USD/t)*	463.7	622.7	34
277.7	402.0	Fuel oil 3.5% (USD/t)*	283.6	376.5	33
425.3	556.4	LPG (USD/t)*	484.4	541.9	12
143.0	144.3	Crack spread - gasoline (USD/t)*	139.9	134.8	(4)
73.7	94.2	Crack spread - diesel (USD/t)*	72.5	88.8	23
(97.9)	(160.7)	Crack spread - fuel oil 3.5% (USD/t)*	(107.6)	(157.4)	46
49.8	(6.4)	Crack spread - LPG (USD/t)*	93.1	8.0	(91)
2.3	0.45	Indicative refining margins (USD/bbl)**	2.07	(0.19)	n.a.
6.76	6.20	HRK/USD average	6.89	6.12	(11)
6.49	6.34	HRK/USD closing	6.49	6.34	(2)
7.43	7.39	HRK/EUR average	7.45	7.42	0
7.41	7.38	HRK/EUR closing	7.41	7.38	0
1.21	2.34	3m USD LIBOR (%)	1.14	2.13	87
(0.33)	(0.33)	3m EURIBOR (%)	(0.33)	(0.33)	(0)

\* FOB Mediterranean

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

Condensed Consolidated Statement of Profit or Loss – INA-GROUP  
For the period ended 30 June 2017 and 2018  
(In HRK millions)

Q2 2017	Q2 2018		Note	H1 2017	H1 2018	%
<b>4,552</b>	<b>5,790</b>	<b>Revenue from contracts with customers</b>	1	<b>8,386</b>	<b>9,495</b>	<b>13</b>
91	99	Capitalised value of own performance		152	182	20
93	46	Other operating income		145	115	(21)
<b>4,736</b>	<b>5,935</b>	<b>Total operating income</b>		<b>8,683</b>	<b>9,792</b>	<b>13</b>
84	149	Changes in inventories of finished products and work in progress		253	222	(12)
(2,440)	(3,184)	Cost of raw materials and consumables	2	(4,198)	(4,612)	10
(437)	(415)	Depreciation, amortization and impairment (net)*	4	(879)	(831)	(5)
(441)	(655)	Other material costs	4	(854)	(1,138)	33
(100)	(115)	Service costs	4	(214)	(229)	7
(424)	(466)	Staff costs	5	(835)	(891)	7
(626)	(686)	Cost of other goods sold	3	(1,438)	(1,713)	19
85	79	Impairment and charges (net)*	4	74	121	64
275	74	Provisions for charges and risks (net)	4	318	60	(81)
<b>(4,024)</b>	<b>(5,219)</b>	<b>Operating expenses</b>		<b>(7,773)</b>	<b>(9,011)</b>	<b>16</b>
<b>712</b>	<b>716</b>	<b>Profit/(Loss) from operations</b>		<b>910</b>	<b>781</b>	<b>(14)</b>
		Share in the profit of associated companies				
195	(30)	Finance income		380	48	(87)
(96)	(45)	Finance costs		(241)	(116)	(52)
<b>99</b>	<b>(75)</b>	<b>Net result from financial activities</b>	7	<b>139</b>	<b>(68)</b>	<b>n.a.</b>
<b>811</b>	<b>641</b>	<b>Profit/(Loss) before tax</b>		<b>1,049</b>	<b>713</b>	<b>(32)</b>
(136)	(114)	Income tax expense	6	(178)	(180)	1
<b>675</b>	<b>527</b>	<b>Profit/(Loss) for the year</b>		<b>871</b>	<b>533</b>	<b>(39)</b>
		Attributable to				
662	532	Owners of the Company		861	533	(38)
13	(5)	Non-controlling interests		10	-	n.a.
<b>675</b>	<b>527</b>			<b>871</b>	<b>533</b>	<b>(39)</b>
<b>Earnings per share</b>						
66.2	53.2	Basic and diluted earnings per share (kunas per share)		86.1	53.3	(38)

\* Restatement of comparable previous periods was made – see on page 10

**Condensed Consolidated Statement of Financial Position – INA-GROUP**  
**At 30 June 2018**  
**(in HRK millions)**

	Note	31 December 2017	30 June 2018	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	570	565	(1)
Property, plant and equipment	10	12,016	11,661	(3)
Other investments		13	17	31
Long-term receivables and other assets		96	155	61
Deferred tax		1,451	1,275	(12)
Non-current financial assets		665	643	(3)
<b>Total non-current assets</b>		<b>14,811</b>	<b>14,316</b>	<b>(3)</b>
<b>Current assets</b>				
Inventories	12	2,264	2,751	22
Trade receivables net	13	1,393	2,015	45
Other receivables		210	273	30
Corporative income tax receivables		10	13	30
Other current assets		139	160	15
Cash and cash equivalents		428	467	9
<b>Current assets</b>		<b>4,444</b>	<b>5,679</b>	<b>28</b>
Assets classified as held for sale		8	8	0
<b>Total current assets</b>		<b>4,452</b>	<b>5,687</b>	<b>28</b>
<b>Total assets</b>	<b>8</b>	<b>19,263</b>	<b>20,003</b>	<b>4</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	11	9,000	9,000	0
Legal reserves		28	99	254
Revaluation reserve		289	270	(7)
Other reserves		1,516	1,521	0
Retained earnings / (Deficit)		827	391	(53)
<b>Equity attributable to equity holder of the parent</b>		<b>11,660</b>	<b>11,281</b>	<b>(3)</b>
Non-controlling interests		(134)	10	n.a.
<b>Total equity</b>		<b>11,526</b>	<b>11,291</b>	<b>(2)</b>
<b>Non-current liabilities</b>				
Long-term loans		122	62	(49)
Other non-current liabilities		52	48	(8)
Employee benefits obligation		73	73	0
Provisions		3,119	3,084	(1)
Deferred tax liability		14	11	(21)
<b>Total non-current liabilities</b>		<b>3,380</b>	<b>3,278</b>	<b>(3)</b>
<b>Current liabilities</b>				
Bank loans and overdrafts		1,581	983	(38)
Current portion of long-term debt		122	123	1
Trade payables	15	1,171	1,983	69
Taxes and contributions		626	778	24
Other current liabilities		540	1,269	135
Employee benefits obligation		5	5	0
Provisions		312	293	(6)
<b>Total current liabilities</b>		<b>4,357</b>	<b>5,434</b>	<b>25</b>
<b>Total liabilities</b>	<b>14</b>	<b>7,737</b>	<b>8,712</b>	<b>13</b>
<b>Total equity and liabilities</b>		<b>19,263</b>	<b>20,003</b>	<b>4</b>

**Condensed Consolidated Cash Flow Statement - INA GROUP**  
**For the period ended 30 June 2017 and 2018**  
**(in HRK millions)**

Q2 2017	Q2 2018		Note	H1 2017	H1 2018	%
675	527	<b>Profit for the year</b>		871	533	(39)
		<b>Adjustments for:</b>				
437	415	Depreciation, amortisation and impairment (net)		879	831	(5)
136	114	Tax expense recognised in statement of profit or loss		178	180	1
(84)	(79)	Impairment charges (net)		(74)	(121)	64
(7)	(1)	Gain on sale of property, plant and equipment		(7)	(3)	(57)
(103)	44	Foreign exchange loss/(gain)		(171)	12	n.a.
8	7	Interest expense (net)		37	12	(68)
(11)	26	Other finance expense/(income) recognised in profit		(17)	37	n.a.
(276)	(81)	(Decrease)/increase in provisions		(319)	(69)	(78)
6	9	Decommissioning interests and other provision		12	19	58
(57)	110	Net (gain)/loss on derivative financial instruments and hedge transactions		(82)	139	n.a.
5	(4)	Other non-cash items		6	1	(83)
<b>729</b>	<b>1,087</b>	<b>Operating cash flow before working capital changes</b>	<b>16</b>	<b>1,313</b>	<b>1,571</b>	<b>20</b>
		<b>Movements in working capital</b>	17			
(161)	87	Decrease/(increase) in inventories		(441)	(753)	71
203	(598)	Decrease/(increase) in receivables and prepayments		49	(565)	n.a.
410	290	(Decrease)/increase in trade and other payables		77	954	1,139
<b>1,181</b>	<b>866</b>	<b>Cash generated from operations</b>		<b>998</b>	<b>1,207</b>	<b>21</b>
(16)	(6)	Taxes paid		(19)	(10)	(47)
<b>1,165</b>	<b>860</b>	<b>Net cash inflow from operating activities</b>		<b>979</b>	<b>1,197</b>	<b>22</b>
		<b>Cash flows used in investing activities</b>				
(274)	(315)	Capital expenditures, exploration and development costs		(470)	(533)	13
(11)	(17)	Payment for intangible assets		(24)	(52)	117
11	3	Proceeds from sale of non-current assets		13	5	(62)
-	-	Payments related to sale of subsidiary		-	-	n.a.
-	1	Dividends received from companies classified as available for sale and from other companies		-	1	n.a.
2	6	Interest received and other financial income		7	7	(0)
6	(2)	Investments and loans to third parties, net		(5)	(3)	(40)
<b>(266)</b>	<b>(324)</b>	<b>Net cash used for investing activities</b>	<b>18</b>	<b>(479)</b>	<b>(575)</b>	<b>20</b>
		<b>Cash flows from financing activities</b>				
-	-	Repayment of long-term borrowings		(67)	(59)	(12)
2,381	2,617	Additional short-term borrowings		4,570	5,144	13
(2,996)	(2,954)	Repayment of short term borrowings		(5,131)	(5,743)	12
(152)	-	Dividends paid		(152)	-	n.a.
(1)	4	Interest paid on long-term loans		(4)	2	n.a.
(10)	33	Interest paid on short-term loans and other interest charges		2	53	2,550
<b>(778)</b>	<b>(300)</b>	<b>Net cash used in financing activities</b>		<b>(782)</b>	<b>(603)</b>	<b>(23)</b>
121	236	Net (decrease)/increase in cash and cash equivalents		(282)	19	n.a.
215	226	At 1 January		611	428	(30)
(14)	6	Effect of foreign exchange rate changes		(7)	21	n.a.
107	242	At the end of period		322	468	45



## INA Group Summary Segmental Results of Operations

Q2 2017	Q2 2018	(HRK mln)	H1 2017	H1 2018	%
<b>Sales</b>					
1,042	1,131	Exploration and Production	2,205	2,271	3
3,975	5,218	Refining and Marketing including Retail	7,172	8,258	15
363	429	Corporate and Other	635	808	27
(828)	(988)	Inter-segment revenue eliminations	(1,626)	(1,842)	13
<b>4,552</b>	<b>5,790</b>	<b>Sales</b>	<b>8,386</b>	<b>9,495</b>	<b>13</b>
<b>EBITDA*</b>					
(294)	746	Exploration and Production	1,642	1,478	(10)
(4,066)	521	Refining and Marketing including Retail	222	375	69
(426)	(6)	Corporate and Other	(72)	(37)	(49)
946	(130)	Inter-segment profit eliminations	(3)	(204)	6,700
<b>(3,840)</b>	<b>1,131</b>	<b>Total</b>	<b>1,789</b>	<b>1,612</b>	<b>(10)</b>
<b>EBITDA Excluding Special Items</b>					
748	746	Exploration and Production	1,389	1,478	6
(91)	521	Refining and Marketing including Retail	222	375	69
(63)	(6)	Corporate and Other	(72)	(37)	(49)
118	(130)	Inter-segment profit eliminations	(3)	(204)	6,700
<b>712</b>	<b>1,131</b>	<b>Total</b>	<b>1,536</b>	<b>1,612</b>	<b>5</b>
<b>Operating Profit/Loss</b>					
748	522	Exploration and Production	1,123	1,017	(9)
(91)	379	Refining and Marketing including Retail	(57)	100	n.a.
(63)	(55)	Corporate and Other	(153)	(132)	(14)
118	(130)	Inter-segment profit eliminations	(3)	(204)	6,700
<b>712</b>	<b>716</b>	<b>Total</b>	<b>910</b>	<b>781</b>	<b>(14)</b>
<b>Operating Profit/Loss Excluding Special Items</b>					
1,002	522	Exploration and Production	870	1,017	17
50	379	Refining and Marketing including Retail	(57)	100	n.a.
(21)	(55)	Corporate and Other	(153)	(132)	(14)
118	(130)	Inter-segment profit eliminations	(3)	(204)	6,700
<b>1,149</b>	<b>716</b>	<b>Total</b>	<b>657</b>	<b>781</b>	<b>19</b>
<b>Property, plant and equipment</b>					
5,412	5,114	Exploration and Production	5,412	5,114	(6)
5,461	5,520	Refining and Marketing including Retail	5,461	5,520	1
1,398	1,363	Corporate and Other	1,398	1,363	(3)
(198)	(336)	Inter-segment assets eliminations	(198)	(336)	70
<b>12,073</b>	<b>11,661</b>	<b>Total</b>	<b>12,073</b>	<b>11,661</b>	<b>(3)</b>

\* EBITDA = EBIT + Depreciation, restatement of comparable previous periods was made – see on page 10

### Intersegment profit eliminations

Intersegment elimination 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 2018 is HRK -204 million which is lower compared to HRK -3 million in H1 2017 due to different schedule of domestic crude processing.

## Financial overview and notes

### STATEMENT OF PROFIT OR LOSS

Notes	H1 2018 RESULTS
1	<b>Total sales revenues</b> in H1 2018 amounted to HRK 9,495 million and were 13% above the H1 2017 level, triggered mainly by Refining and Marketing including Retail sales revenue increase as a result of higher sales focused on utilising higher product prices.
2	<b>Costs of raw materials and consumables</b> were 10% above the H1 2017 level at HRK 4,612 million, resulting mainly from higher crude prices.
3	<b>Costs of goods sold</b> in H1 2018 recorded an increase of 19% compared to H1 2017, and amounted to HRK 1,713 million resulting from different sales structure.
4	Other <b>operating costs</b> realized in H1 2018 include: <ul style="list-style-type: none"> <li>- Other material costs were higher by 33% and amounted to HRK 1,138 million related to higher Croscos engagement both in Croatia and abroad.</li> <li>- Service costs in the amount of HRK 229 million were higher than H1 2017 level due to higher royalty related to higher prices and slightly higher legal costs.</li> <li>- Depreciation in the amount of HRK 831 million was 5% lower compared to H1 2017.</li> <li>- Adjustments and provisions had a positive effect in the amount of HRK 181 million but were still HRK 211 million lower compared to H1 2017 related mainly to the positive impact of provisions in Angola in H1 2017.</li> </ul>
5	<b>Staff costs</b> in the amount HRK 891 million were 7% higher compared to H1 2017.
6	<b>Income tax expense</b> in H1 2018 amounted to HRK 180 million compared to HRK 178 million income tax expense in H1 2017. 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 2017 and 30 June 2018.
7	<b>Net financial result</b> is negative in H1 2018 compared to positive H1 2017 impact mainly as a result of <ul style="list-style-type: none"> <li>- Net foreign exchange loss reached HRK 32 million in H1 2018, while in H1 2017 net foreign exchange gain reached HRK 206 million.</li> <li>- Interest payable amounted to HRK 22 million and interest received to HRK 1 million in H1 2018 while in H1 2017 interest payable amounted to HRK 54 million and interest received to HRK 1 million.</li> <li>- Other financial net expenses amounted to HRK 15 million and are higher compared to HRK 13 million in H1 2017.</li> </ul>

### STATEMENT OF FINANCIAL POSITION

Notes	
8	As at 30 June 2018 INA Group <b>total assets</b> amounted to HRK 20,003 million, 4% higher compared to 31 December 2017.
9	In the period ended 30 June 2018, INA Group invested HRK 52 million in <b>intangible assets</b> . The effect of depreciation equals HRK 23 million.
10	In the period ended 30 June 2018, INA Group invested HRK 466 million in <b>property, plant and equipment</b> . The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 823 million.
11	<b>Issued capital</b> as at 30 June 2018 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	<b>Inventories</b> amounted to HRK 2,751 million, and have increased by 22% compared to 31 December 2017 as a result of higher prices.
13	<b>Trade receivables</b> amounted to HRK 2,015 million which is 45% higher than 31 December 2017.
14	As at 30 June 2018 <b>total liabilities</b> amounted to HRK 8,712 million which is 13% or HRK 975 million higher compared to 31 December 2017. INA Group <b>net debt</b> amounted to HRK 701 million and decreased by 50% compared to 31 December 2017. <b>Gearing ratio</b> <sup>1</sup> decreased from 10.7% as at 31 December 2017, to 5.8% as at 30 June 2018.
15	<b>Trade payables</b> increased by 69% to HRK 1,983 million, as a result of higher liabilities for imported crude oil.

### CASH FLOW

Notes	
16	The <b>operating cash-flow before changes in working capital</b> amounted to HRK 1,571 million in H1 2018 representing an increase of HRK 258 million compared to H1 2017, which is in line with the change in EBITDA performance excluding non-cash items compared to the previous year.
17	<b>Changes in working capital</b> affected the operating cash flow negatively by HRK 364 million, due to: <ul style="list-style-type: none"> <li>- Increased value of inventories by HRK 753 million mainly related to higher quantities of imported crude and higher prices.</li> <li>- Increase in receivables by HRK 565 million as a result of higher sales revenues in H1 2018 compared to H1 2017.</li> <li>- Increase in trade and other payables by HRK 954 million as result of higher liabilities for imported crude oil.</li> </ul>
18	<b>Net outflows in investing activities</b> amounted to HRK 575 million, in comparison to HRK 479 million outflows in H1 2017.

#### Restatement

INA adjusted its EBITDA methodology and classification between impairment and value adjustment lines to better align the reporting to business reporting standards with EBITDA now being calculated as EBIT + Depreciation, amortization and impairment (net).

<sup>1</sup> Net debt / net debt plus equity incl. minority interests

## 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 H1 2018, there were no special items to report.

HRK mln	H1 2017	H1 2018
<b>INA GROUP</b>		
Total impact of special items on operating profit/(loss)	(253)	-
Total impact of special items on EBITDA	(253)	-
<b>Exploration &amp; Production</b>		
Total impact of special items on operating profit/(loss)	(253)	-
Total impact of special items on EBITDA	(253)	-
Severance payment	-	-
Retranslation related to Angola	(18)	-
Net Provisions for incentives	-	-
Reversal of provisions for additional tax Angola including retranslation	(235)	-

## 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 2017.

As of 30 June 2018 INA 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 2,209 million excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products and
- Contracted and available long-term credit lines amounting to HRK 2,720 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 2018, 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 2018	30 June 2018
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	3	17
<b>Strategic partner</b>		
MOL Nyrt.	113	287
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	269	3
MOL Petrochemical	71	6
MOL SLOVENIJA d.o.o.	21	32
MOL Serbia	7	-
Mélyfűrási Zrt.	4	3
MOL-LUB Kft.	3	3
Slovnaft, a.s.	2	86
MOL Commodity Trading Kft.	-	24
MOL Germany GMBH	-	6
<hr/>		
INA-Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 June 2018	30 June 2018
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	1	7
<b>Strategic partner</b>		
MOL Nyrt.	34	56
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	91	2
MOL Petrochemicals	35	1
MOL SLOVENIJA d.o.o.	2	8
Slovnaft, a.s.	2	16
Geoinform Kft.	2	-
MOL-LUB Kft.	-	1
MOL Commodity Trading Kft.	-	5

## Management representation

INA Group's consolidated financial statements for Q2 / H1 2018 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.

Supervisory board of INA, d.d. acknowledged written statement on resignation by Mr. Zoltán Áldott, Mr. Gábor Horváth and Mr. Péter Ratatics from the Management Board positions effective from 30 June 2018. Supervisory board also approved the appointment of Mr. Sándor Fasimon as the President of the Management Board and Mr. Ákos Székely and Mr. Zsolt Pethó as the members of the Management Board for the period of 1 July 2018 until 30 June 2021.

Management Board:

<b>Sándor Fasimon</b>	<b>President</b>
<b>Niko Dalić</b>	<b>Member</b>
<b>Ivan Krešić</b>	<b>Member</b>
<b>Davor Mayer</b>	<b>Member</b>
<b>Zsolt Pethó</b>	<b>Member</b>
<b>Ákos Székely</b>	<b>Member</b>