

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q3 2017 results today. This report contains unaudited consolidated financial statements for the period ending 30 September 2017 as prepared by the management in accordance with the International Financial Reporting Standards.

## INA Group financial results (IFRS)

Q3 2016	Q3 2017	%	HRK mln	Q1-Q3 2016	Q1-Q3 2017	%
4,690	5,056	8	Net sales revenues	10,985	13,466	23
886	924	4	EBITDA <sup>(1)</sup>	1,407	2,322	65
<b>897</b>	<b>924</b>	<b>3</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>1,688</b>	<b>2,304</b>	<b>37</b>
<b>855</b>	<b>958</b>	<b>12</b>	<b>CCS EBITDA excl. special items</b>	<b>1,678</b>	<b>2,339</b>	<b>39</b>
345	387	12	Profit/(loss) from operations	379	1,297	242
<b>499</b>	<b>387</b>	<b>(22)</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>580</b>	<b>1,044</b>	<b>80</b>
<b>463</b>	<b>413</b>	<b>(11)</b>	<b>CCS Operating profit excl. special items</b>	<b>568</b>	<b>1,079</b>	<b>90</b>
10	29	190	Net financial result	36	168	367
301	351	17	Net profit/loss attributable to equity holder	324	1,212	274
<b>455</b>	<b>351</b>	<b>(23)</b>	<b>Net profit/loss for the period excl. special items <sup>(2)</sup></b>	<b>525</b>	<b>959</b>	<b>83</b>
604	654	8	Simplified Free Cash Flow <sup>(3)</sup>	710	1,515	113
<b>791</b>	<b>1,115</b>	<b>41</b>	<b>Operating cash flow</b>	<b>1,135</b>	<b>2,094</b>	<b>84</b>
<b>Earnings per share</b>						
30.1	35.1	17	Basic and diluted/(loss) earnings per share (kunas per share)	32.4	121.2	274
3,096	1,241	(60)	Net debt	3,096	1,241	(60)
22.4	9.7		Net gearing (%)	22.4	9.7	
<b>251</b>	<b>304</b>	<b>21</b>	<b>CAPEX total</b>	<b>968</b>	<b>824</b>	<b>(15)</b>
241	287	19	Domestic	873	783	(10)
10	17	75	International	95	41	(57)

  

Q3 2016	Q3 2017	%	USD mln <sup>(4)</sup>	Q1-Q3 2016	Q1-Q3 2017	%
699	800	14	Net sales revenues	1,627	2,011	24
132	146	11	EBITDA <sup>(1)</sup>	208	347	66
<b>134</b>	<b>146</b>	<b>9</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>250</b>	<b>344</b>	<b>38</b>
<b>127</b>	<b>152</b>	<b>19</b>	<b>CCS EBITDA excl. special items</b>	<b>249</b>	<b>349</b>	<b>40</b>
51	61	19	Profit/(loss) from operations	56	194	245
<b>74</b>	<b>61</b>	<b>(18)</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>86</b>	<b>156</b>	<b>82</b>
<b>69</b>	<b>65</b>	<b>(5)</b>	<b>CCS Operating profit excl. special items</b>	<b>84</b>	<b>161</b>	<b>92</b>
1	5	208	Net financial result	5	25	370
45	56	24	Net profit/loss attributable to equity holder	48	181	277
<b>68</b>	<b>56</b>	<b>(18)</b>	<b>Net profit/loss for the period excl. special items <sup>(2)</sup></b>	<b>78</b>	<b>143</b>	<b>84</b>
90	104	15	Simplified Free Cash Flow <sup>(3)</sup>	105	226	115
<b>118</b>	<b>176</b>	<b>50</b>	<b>Operating cash flow</b>	<b>168</b>	<b>313</b>	<b>86</b>
<b>Earnings per share</b>						
4.5	5.6	24	Basic and diluted/(loss) earnings per share (kunas per share)	4.8	18.1	277
462	195	(58)	Net debt	462	195	(58)
<b>37</b>	<b>48</b>	<b>29</b>	<b>CAPEX total</b>	<b>143</b>	<b>123</b>	<b>(14)</b>
36	45	26	Domestic	129	117	(10)
1	3	86	International	14	6	(56)

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

<sup>(2)</sup> In Q1-Q3 2017, EBITDA was positively impacted by HRK 18 mn of retranslation related to Angola, while EBIT was positively influenced by HRK 253 million 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 Q3 2016 – 6.7064 HRK/USD; Q3 2017 – 6.3192 HRK/USD; Q1-Q3 2016 – 6.7511 HRK/USD; Q1-Q3 2017 – 6.6967 HRK/USD; as at Dec 31, 2016 – 7.1685 HRK/USD; as at Sep 30, 2016 – 6.6962 HRK/USD; as at Sep 30, 2017 – 6.3540 HRK/USD

INA Group's performance in Q3 2017 reveals that the Group continues to operate on successful path. In first nine months of 2017 EBITDA grew by 65%, reaching HRK 2,322 million, delivering operating cash flow of HRK 2,094 million, an 84% increase compared to the same period last year, demonstrating strong operational performance. Exploration & Production continues to be the main generator of the Group's results with operating profit growth of 52% to the level of HRK 1,366 million.

Refining & Marketing incl. Retail realized significant improvements in its performance with EBITDA reaching HRK 564 million for the first nine months of the year. The Refinery & Marketing business benefited from continuing period of positive external environment, mainly in the form of stable DTD Brent prices, higher diesel and motor gasoline crack spreads coupled with higher processing level in refineries and increased sales volumes on domestic and export markets. Total retail sales volumes reached 809 kt, a 6% increase compared to the first nine months in 2016 supported by retail network growth and active sales of Class PLUS fuel, as well as non-fuel sales increase.

CAPEX in 2017 amounted to HRK 824 million, 15% lower compared to first nine months 2016, although quarterly movement in Q3 2017 witnessed 21% increase compared to Q3 2016. Net debt decreased to HRK 1,241 million with gearing declining to a historically low level of 9.7%.

**Commenting on the results, Mr. Zoltán Áldott, President of the Management Board said:**

In the first nine months of 2017 INA Group delivered very strong figures across all businesses. With sales revenues increasing by 23%, the Group managed to achieve EBITDA growth by 65% demonstrating strong performance as well as improvements across all business segments. EBITDA excl. special items reached HRK 2,304 million compared to HRK 1,688 million in the first nine months of 2016.

Positive external environment affected both Upstream and Downstream. Although Upstream continues to be the main contributor to the Group's profit, Downstream realized significant improvements in its performance capturing the period of positive external environment. These effects combined for positive operating results generating positive free cash flow.

Upstream realized a 19% growth in terms of EBITDA compared to comparable period last year. Although facing natural production decline on international concessions and offshore, domestic crude oil production remained solid as a result of continuing investments in EOR project and other development projects. Additionally, stabilized performance of our oil service company CROSCO encourages positive prospects for the future.

Downstream delivered HRK 564 million EBITDA and positive cash flow of HRK 212 million, showing the best results in the last ten years. In line with strategic development, Downstream managed to increase total sales volumes across all markets. Retail continued with stable operating performance with the expansion in both regional network and non-fuel, assuring continuously stable results.

Strong balance sheet with historically low gearing of 9.7% shows that the company made very thoughtful choices in resource allocation and that we prepared and strengthened our company for future challenges.

95% of the Group capital investments in the first nine months of this year are related to domestic projects, confirming that the Group is still one of the major investors in Croatian economy.

## Management discussion

### Exploration and Production\*

Q3 2016	Q3 2017	%	Segment IFRS results (HRK mln)	Q1-Q3 2016	Q1-Q3 2017	%
979	994	2	Net sales revenues	2,838	3,199	13
557	595	7	EBITDA	1,591	1,897	19
<b>557</b>	<b>595</b>	<b>7</b>	<b>EBITDA excl. special items **</b>	<b>1,612</b>	<b>1,879</b>	<b>17</b>
318	243	(24)	Operating profit	901	1,366	52
<b>324</b>	<b>243</b>	<b>(25)</b>	<b>Operating profit excl. special items **</b>	<b>914</b>	<b>1,113</b>	<b>22</b>
<b>402</b>	<b>443</b>	<b>10</b>	<b>Simplified Free Cash Flow***</b>	<b>1,086</b>	<b>1,468</b>	<b>35</b>
155	152	(2)	CAPEX	526	411	(22)

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

\*\* In Q1-Q3 2017, EBITDA was positively impacted by HRK 18 mn of retranslation related to Angola, while EBIT was positively influenced by HRK 253 million special items related to both retranslation and reversal of provision in Angola

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

Q3 2016	Q3 2017	%	Hydrocarbon production	Q1-Q3 2016	Q1-Q3 2017	%
<b>15,160</b>	<b>14,960</b>	<b>(1)</b>	<b>Crude oil production (boe/d)</b>	<b>15,239</b>	<b>14,633</b>	<b>(4)</b>
12,156	12,661	4	Croatia	12,019	12,191	1
1,974	1,483	(25)	Egypt	2,140	1,577	(26)
1,030	815	(21)	Angola	1,081	866	(20)
<b>21,398</b>	<b>20,731</b>	<b>(3)</b>	<b>Natural gas production (boe/d)</b>	<b>22,171</b>	<b>21,575</b>	<b>(3)</b>
9,055	7,410	(18)	Croatia - offshore	9,502	8,044	(15)
12,344	13,322	8	Croatia - onshore	12,670	13,531	7
<b>1,666</b>	<b>1,715</b>	<b>3</b>	<b>Condensate (boe/d)</b>	<b>1,863</b>	<b>1,825</b>	<b>(2)</b>
<b>38,224</b>	<b>37,406</b>	<b>(2)</b>	<b>Total hydrocarbon production (boe/d)</b>	<b>39,273</b>	<b>38,034</b>	<b>(3)</b>

Q3 2016	Q3 2017	%	Average realised hydrocarbon price	Q1-Q3 2016	Q1-Q3 2017	%
38	41	9	Total hydrocarbon price (USD/boe)*	37	41	11

Q3 2016	Q3 2017	%	Natural gas trading - mln cm	Q1-Q3 2016	Q1-Q3 2017	%
274	274	(0)	Total natural gas sales - domestic market	825	866	5

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

### Q1-Q3 2017 vs. Q1-Q3 2016

#### KEY DRIVERS

- 24% higher Brent price; positive effect on oil and condensate sales revenues in the amount of HRK 310 million
- HRK (68) million lower natural gas revenues caused by lower realised gas prices
- Domestic crude oil production stable as a result of:
  - Additional development projects and the EOR project
  - Start-up of new wells Hrastilnica 3&4 partially offset by production pipeline constraints on Hrastilnica field
- International crude oil production lower by 0.8 mboepd due to:
  - Natural production decline on all Egypt concessions as well as delayed and reduced drilling activities on North Bahariya asset
  - Natural production decline and technical issues on Block 3/05 in Angola
- Natural gas production lower driven by:
  - 15% lower offshore natural gas production due to natural decline and water cut
  - Partially offset by 7% higher onshore natural gas mainly as a result of production start-up on Medimurje fields, positive impact of the EOR and additional development project

#### CAPITAL EXPENDITURES

E&P CAPEX Q1-Q3 2017 (HRK million)	Croatia	Egypt	Angola
Exploration	4.9	-	-
Development	306.3	6.1	0.6
Other	92.8	-	-
<b>Total</b>	<b>404.0</b>	<b>6.1</b>	<b>0.6</b>

- Lower investments level mainly as a result of lower Croatia Onshore activities and lower development in Egypt and Angola
- Drava-02 exploration program - Preparatory activities for drilling program in 2017 are in progress
- 3D seismic on Bokšić-Klokočevci field finished and started on fields Letičani, Bilogora, Šandrovac
- EOR project - Trial injection of CO<sub>2</sub> into 5 wells at Ivanič field and 8 at Žutica North is in progress
- Additional development on Žutica field - workovers finished on 15 wells, 11 brought into production, 4 transformed into measurement wells
- Production revitalization of inactive wells portfolio – Workovers executed on 7 wells
- Development well Kozarice-42 - Drilling finished
- Well Stimulation Campaign Phase II - Stimulations performed on 17 wells which were brought into production as well

## Refining and Marketing, including Retail\*

Q3 2016	Q3 2017	%	Segment IFRS results (HRK mln)	Q1-Q3 2016	Q1-Q3 2017	%
4,083	4,471	10	Revenues	9,096	11,667	28
323	381	18	EBITDA	(3)	564	n.a.
<b>326</b>	<b>381</b>	<b>17</b>	<b>EBITDA excl. special items**</b>	<b>200</b>	<b>564</b>	<b>182</b>
284	416	46	CCS-based DS EBITDA excl. special items**	191	599	214
185	241	30	Operating profit/(loss)	(113)	184	n.a.
<b>190</b>	<b>241</b>	<b>27</b>	<b>Operating profit/(loss) excl. special items**</b>	<b>(106)</b>	<b>184</b>	<b>n.a.</b>
154	268	73	CCS-based DS operating loss	(118)	219	n.a.
195	273	39	Simplified Free Cash Flow***	(231)	212	n.a.
89	143	61	CAPEX and investments (w/o acquisition)	422	387	(8)

\*Refers to Refining & Marketing including Retail INA, d.d. and following subsidiaries: INA-Maziva, INA Slovenija, INA BH Sarajevo, HoldINA Sarajevo, INA Crna Gora, INA Beograd, INA Kosovo, Petrol Rijeka, Energopetrol

\*\* No one-off items in Q1-Q3 2017, while Q1-Q3 2016 EBITDA was negatively influenced by HRK 203 million special items related to Severance payments

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

Q3 2016	Q3 2017	%	Refinery processing (kt)	Q1-Q3 2016	Q1-Q3 2017	%
189	71	(62)	Domestic crude oil	372	327	(12)
764	796	4	Imported crude oil	1,702	2,027	19
22	13	(42)	Condensate	58	54	(6)
237	138	(42)	Other feedstock	433	425	(2)
<b>1,213</b>	<b>1,018</b>	<b>(16)</b>	<b>Total refinery throughput</b>	<b>2,564</b>	<b>2,833</b>	<b>10</b>
Q3 2016	Q3 2017	%	Refinery production (kt)	Q1-Q3 2016	Q1-Q3 2017	%
69	58	(15)	LPG	140	169	21
19	13	(31)	Naphtha	49	50	2
297	252	(15)	Gasoline	644	704	9
45	47	4	Kerosene	88	109	24
433	336	(22)	Diesel	870	942	8
32	33	5	Heating oil	87	93	7
151	152	0	Fuel oil	318	363	14
39	27	(31)	Other products*	79	90	13
<b>1,085</b>	<b>919</b>	<b>(15)</b>	<b>Total</b>	<b>2,274</b>	<b>2,519</b>	<b>11</b>
16	10	(36)	Refinery loss	31	31	2
112	89	(20)	Own consumption	260	283	9
<b>1,213</b>	<b>1,018</b>	<b>(16)</b>	<b>Total refinery production</b>	<b>2,564</b>	<b>2,833</b>	<b>10</b>
Q3 2016	Q3 2017	%	Refined product sales by country (kt)	Q1-Q3 2016	Q1-Q3 2017	%
578	540	(7)	Croatia	1,369	1,382	1
156	178	14	B&H	397	448	13
109	20	(82)	Slovenia	193	53	(73)
358	482	35	Other markets	770	1,212	57
<b>1,201</b>	<b>1,219</b>	<b>2</b>	<b>Total</b>	<b>2,729</b>	<b>3,095</b>	<b>13</b>
Q3 2016	Q3 2017	%	Refined product sales by product (kt)	Q1-Q3 2016	Q1-Q3 2017	%
79	67	(15)	LPG	187	207	11
19	10	(45)	Naphtha	51	46	(10)
301	294	(3)	Gasoline	641	736	15
63	80	28	Kerosene	116	147	27
465	515	11	Diesel	1,127	1,331	18
33	34	4	Heating oil	121	114	(6)
148	142	(4)	Fuel oil	289	361	25
11	15	33	Bitumen	29	33	15
82	62	(24)	Other products*	168	120	(29)
<b>1,201</b>	<b>1,219</b>	<b>2</b>	<b>Total</b>	<b>2,729</b>	<b>3,095</b>	<b>13</b>
334	336	1	o/w Retail segment sales	767	809	6
495	494	(0)	Total number of Retail sites	495	494	(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.

## Q1-Q3 2017 vs. Q1-Q3 2016

## KEY DRIVERS

- Strong external environment had a positive impact on the results, mainly driven by stable DTD Brent prices at 51.8 USD/bbl, higher diesel (+19 USD/t) and gasoline (+12 USD/t) crack spreads and a less negative fuel oil spread which had a direct positive impact on refining margins
- Increased total sales volumes on the back of higher sales on both captive markets (+64kt) and other export markets (+302kt) which include increased sales to Italy
- Higher refining margins and sales demand together with higher processing level in refineries (+268kt), operating without major disturbances while capturing both margin drivers
- Total retail sales volumes reached 809 kt (+6% vs Q1-Q3 2016), mainly due to the integration of Energopetrol and supported by active sales of Class PLUS fuel (introduced in Q2 2017). Introduction of RON 100 Gasoline produced by INA.
- Non-fuel margin increased on the back of continuous investments and development activities in the goods segment, contributing 21% to total Retail margin

## CAPITAL EXPENDITURES

- Refining and Marketing capital expenditures in Q1-Q3 2017 amounted to HRK 313 mn
  - On-going activities on the FEED (Front End Engineering Design) and preparation of next phase of Residue upgrade project
  - FEED (Front-End Engineering Design) documentation and main design finalized for Propane-propylene splitter project
  - Continued investment activities in logistics, including Bakar port modernization, Solin depo development and refinery development projects with special focus on Environmental permit projects
- Retail capital expenditures in Q1-Q3 2017 amounted to HRK 74 mn
  - Various investments projects including highway greenfield constructions, service station reconstructions, modernizations and other improvement projects
  - Multiple projects on expanding the non-fuel offer in line with the "Fresh corner" concept have been executed, are ongoing or in preparation, incl. cafe bar, car wash or shop modernization

## Main external parameters

Q3 2016	Q3 2017	%		Q1-Q3 2016	Q1-Q3 2017	%
45.9	52.1	13.6	Brent dtd (USD/bbl)	41.9	51.8	23.8
1.50	1.06	(29.5)	Brent-Ural spread	1.34	1.00	(25.0)
461.3	544.6	18.0	Premium unleaded gasoline 10 ppm (USD/t)*	448.6	535.6	19.4
408.2	485.3	18.9	Diesel – ULSD 10 ppm (USD/t)*	376.7	471.0	25.1
228.5	292.7	28.1	Fuel oil 3,5% (USD/t)*	187.9	286.7	52.6
385.3	494.0	28.2	LPG (USD/t)*	379.6	487.6	28.4
114.4	150.6	31.6	Crack spread – premium unleaded (USD/t)*	131.7	143.5	8.9
61.2	91.4	49.2	Crack spread – diesel (USD/t)*	59.8	78.9	31.8
(118.4)	(101.3)	(14.4)	Crack spread - fuel oil 3,5% (USD/t)*	(128.9)	(105.5)	(18.2)
38.4	100.1	160.9	Crack spread - LPG (USD/t)*	62.8	95.5	52.0
0.86	3.37	293.1	Indicative refining margins (USD/bbl)**	1.43	2.29	60.2
6.71	6.32	(5.8)	HRK/USD average	6.75	6.70	(0.8)
6.70	6.35	(5.1)	HRK/USD closing	6.70	6.35	(5.1)
7.49	7.42	(0.9)	HRK/EUR average	7.53	7.44	(1.3)
7.51	7.50	(0.1)	HRK/EUR closing	7.51	7.50	(0.1)
0.79	1.31	67.1	3m USD LIBOR (%)	0.69	1.20	74.4
(0.30)	(0.33)	10.5	3m EURIBOR (%)	(0.25)	(0.33)	32.1

\* FOB Mediterranean

\*\* Indicative refining margins based on 2014 Solomon yields, dated Ural price used for all feedstock

**Condensed Consolidated Income Statement – INA-GROUP**  
For the period ended 30 September 2016 and 2017  
(In HRK millions)

Q3 2016	Q3 2017	%	Note	Q1-Q3 2016	Q1-Q3 2017	%
<b>4,690</b>	<b>5,056</b>	<b>8</b>	<b>Total sales revenue</b>	<b>10,985</b>	<b>13,466</b>	<b>23</b>
68	79	16	Capitalised value of own performance	277	231	(17)
45	11	(76)	Other operating income	153	156	2
<b>4,803</b>	<b>5,146</b>	<b>7</b>	<b>Total operating income</b>	<b>11,415</b>	<b>13,853</b>	<b>21</b>
(177)	(9)	(95)	Changes in inventories of finished products and work in progress	143	244	71
(2,204)	(2,263)	3	Cost of raw materials and consumables	(4,913)	(6,460)	31
(419)	(456)	9	Depreciation and amortization	(1,232)	(1,333)	8
(551)	(469)	(15)	Other material costs	(1,509)	(1,323)	(12)
(106)	(92)	(13)	Service costs	(454)	(330)	(27)
(397)	(397)	(0)	Staff costs	(1,537)	(1,232)	(20)
(482)	(992)	106	Cost of other goods sold	(1,738)	(2,430)	40
(129)	(79)	(39)	Impairment and charges (net)	(203)	(8)	(96)
7	(2)	n.a.	Provisions for charges and risks (net)	407	316	(22)
<b>(4,458)</b>	<b>(4,759)</b>	<b>7</b>	<b>Operating expenses</b>	<b>(11,036)</b>	<b>(12,556)</b>	<b>14</b>
<b>345</b>	<b>387</b>	<b>12</b>	<b>Profit from operations</b>	<b>379</b>	<b>1,297</b>	<b>242</b>
			Share in the profit of associated companies			
45	80	78	Finance income	201	459	128
(35)	(51)	46	Finance costs	(165)	(291)	76
<b>10</b>	<b>29</b>	<b>190</b>	<b>Net result from financial activities</b>	<b>36</b>	<b>168</b>	<b>367</b>
<b>355</b>	<b>416</b>	<b>17</b>	<b>Profit before tax</b>	<b>415</b>	<b>1,465</b>	<b>253</b>
(56)	(63)	13	Income tax expense	(93)	(241)	159
<b>299</b>	<b>353</b>	<b>18</b>	<b>Profit for the year</b>	<b>322</b>	<b>1,224</b>	<b>280</b>
			Attributable to			
301	351	17	Owners of the Company	324	1,212	274
(2)	2	n.a.	Non-controlling interests	(2)	12	n.a.
<b>299</b>	<b>353</b>	<b>18</b>		<b>322</b>	<b>1,224</b>	<b>280</b>
			<b>Earnings per share</b>			
30.1	35.1	17	Basic and diluted earnings per share (kunas per share)	32.4	121.2	274

**Condensed Consolidated Statement of Financial Position – INA-GROUP**  
**At 30 September 2017**  
**(in HRK millions)**

	Note	31 December 2016	30 September 2017	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	536	529	(1)
Property, plant and equipment	10	12,573	11,864	(6)
Investments in associates and joint ventures		22	22	0
Other investments		13	13	0
Long-term receivables		128	110	(14)
Deferred tax		1,769	1,540	(13)
Available for sale assets		676	676	0
<b>Total non-current assets</b>		<b>15,717</b>	<b>14,754</b>	<b>(6)</b>
<b>Current assets</b>				
Inventories	12	2,050	2,539	24
Trade receivables net	13	1,591	1,488	(6)
Other receivables		184	134	(27)
Corporative income tax receivables		11	16	45
Other current assets		120	156	30
Cash and cash equivalents		611	355	(42)
<b>Current assets</b>		<b>4,567</b>	<b>4,688</b>	<b>3</b>
Assets classified as held for sale		8	8	(4)
<b>Total current assets</b>		<b>4,575</b>	<b>4,696</b>	<b>3</b>
<b>Total assets</b>	<b>8</b>	<b>20,292</b>	<b>19,450</b>	<b>(4)</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	11	9,000	9,000	0
Legal reserves		20	28	40
Revaluation reserve		299	299	(0)
Other reserves		1,647	1,496	(9)
Retained earnings / (Deficit)		(233)	819	n.a.
<b>Equity attributable to equity holder of the parent</b>		<b>10,733</b>	<b>11,642</b>	<b>8</b>
Non-controlling interests		(136)	(124)	(9)
<b>Total equity</b>		<b>10,597</b>	<b>11,518</b>	<b>9</b>
<b>Non-current liabilities</b>				
Long-term loans		271	123	(55)
Other non-current liabilities		60	53	(12)
Employee benefits obligation		85	85	0
Provisions		3,224	2,805	(13)
Deferred tax liability		13	14	8
<b>Total non-current liabilities</b>		<b>3,653</b>	<b>3,080</b>	<b>(16)</b>
<b>Current liabilities</b>				
Bank loans and overdrafts		2,711	1,350	(50)
Current portion of long-term debt		135	123	(9)
Trade payables	15	1,857	1,836	(1)
Taxes and contributions		637	878	38
Other current liabilities		498	409	(18)
Employee benefits obligation		10	7	(30)
Provisions		194	249	28
<b>Total current liabilities</b>		<b>6,042</b>	<b>4,852</b>	<b>(20)</b>
<b>Total liabilities</b>	<b>14</b>	<b>9,695</b>	<b>7,932</b>	<b>(18)</b>
<b>Total equity and liabilities</b>		<b>20,292</b>	<b>19,450</b>	<b>(4)</b>



Condensed Consolidated Cash Flow Statement - INA GROUP  
For the period ended 30 September 2016 and 2017  
(in HRK millions)

Q3 2016	Q3 2017	%		Note	Q1-Q3 2016	Q1-Q3 2017	%
299	353	18	<b>Profit for the year</b>		322	1,224	280
			<b>Adjustments for:</b>				
419	456	9	Depreciation and amortisation		1,232	1,333	8
56	63	13	Tax expense recognised in income statement		93	241	159
129	79	(39)	Impairment charges (net)		203	8	(96)
(1)	(11)	1,000	Gain on sale of property, plant and equipment		(8)	(18)	125
-	-	n.a.	Gain on sale investments and shares		2	-	n.a.
(27)	(19)	(30)	Foreign exchange loss/(gain)		(93)	(190)	104
14	5	(64)	Interest expense (net)		24	42	75
(9)	(20)	122	Other finance expense/(income) recognised in profit		(5)	(37)	640
(8)	2	n.a.	(Decrease)/increase in provisions		(414)	(317)	(23)
12	6	(50)	Decommissioning interests and other provision		38	18	(53)
7	63	800	Net (gain)/loss on derivative financial instruments and hedge transactions		25	(19)	n.a.
1	2	100	Other non-cash items		3	7	133
<b>892</b>	<b>979</b>	<b>10</b>	<b>Operating cash flow before working capital changes</b>	<b>16</b>	<b>1,422</b>	<b>2,292</b>	<b>61</b>
			<b>Movements in working capital</b>	<b>17</b>			
43	(95)	n.a.	Decrease/(increase) in inventories		(276)	(536)	94
2	(117)	n.a.	Decrease/(increase) in receivables and prepayments		(74)	(68)	(8)
(138)	349	n.a.	(Decrease)/increase in trade and other payables		103	426	314
<b>799</b>	<b>1,116</b>	<b>40</b>	<b>Cash generated from operations</b>		<b>1,175</b>	<b>2,114</b>	<b>80</b>
(8)	(1)	(88)	Taxes paid		(40)	(20)	(50)
<b>791</b>	<b>1,115</b>	<b>41</b>	<b>Net cash inflow from operating activities</b>		<b>1,135</b>	<b>2,094</b>	<b>84</b>
			<b>Cash flows used in investing activities</b>				
(325)	(298)	(8)	Capital expenditures, exploration and development costs		(1,085)	(768)	(29)
(19)	(23)	21	Payment for intangible assets		(40)	(47)	18
2	12	500	Proceeds from sale of non-current assets		12	25	108
-	-	n.a.	Payments related to sale of subsidiary		1	-	n.a.
			Dividends received from companies classified as available for sale and				
16	20	25	from other companies		17	20	18
10	2	(80)	Interest received and other financial income		13	9	(31)
(169)	(41)	(76)	Investments and loans to third parties, net		(168)	(46)	(73)
<b>(485)</b>	<b>(328)</b>	<b>(32)</b>	<b>Net cash used for investing activities</b>	<b>18</b>	<b>(1,250)</b>	<b>(807)</b>	<b>(35)</b>
			<b>Cash flows from financing activities</b>				
90	-	n.a.	Additional long-term borrowings		1,192	-	n.a.
(464)	(62)	(87)	Repayment of long-term borrowings		(1,341)	(129)	(90)
3,260	2,596	(20)	Additional short-term borrowings		7,783	7,166	(8)
(3,182)	(3,221)	1	Repayment of short term borrowings		(7,544)	(8,352)	11
-	-	n.a.	Dividends paid		-	(152)	n.a.
(3)	(2)	(33)	Interest paid on long-term loans		(9)	(6)	(33)
(33)	(54)	64	Interest paid on short-term loans and other interest charges		(78)	(52)	(33)
<b>(332)</b>	<b>(743)</b>	<b>124</b>	<b>Net cash used in financing activities</b>		<b>3</b>	<b>(1,525)</b>	<b>n.a.</b>
(26)	44	n.a.	Net (decrease)/increase in cash and cash equivalents		(112)	(238)	113
262	322	23	At 1 January		275	611	122
(19)	(11)	(42)	Effect of foreign exchange rate changes		54	(18)	n.a.
217	355	64	At the end of period		217	355	64



## INA Group Summary Segmental Results of Operations

Q3 2016	Q3 2017	%	(HRK mln)	Q1-Q3 2016	Q1-Q3 2017	%
<b>Sales</b>						
979	994	2	Exploration & Production	2,838	3,199	13
4,083	4,471	10	Refining & Marketing including Retail	9,096	11,667	28
377	372	(1)	Corporate and Other	1,193	1,007	(16)
(749)	(781)	4	Inter-segment revenue eliminations	(2,142)	(2,407)	12
<b>4,690</b>	<b>5,056</b>	<b>8</b>	<b>Sales</b>	<b>10,985</b>	<b>13,466</b>	<b>23</b>
<b>EBITDA*</b>						
557	595	7	Exploration & Production	1,591	1,897	19
323	381	18	Refining & Marketing including Retail	(3)	564	n.a.
(37)	(4)	(89)	Corporate and Other	(138)	(83)	(40)
43	(49)	n.a.	Inter-segment profit eliminations	(43)	(57)	32
<b>886</b>	<b>924</b>	<b>4</b>	<b>Total</b>	<b>1,407</b>	<b>2,322</b>	<b>65</b>
<b>EBITDA Excluding Special Items</b>						
557	595	7	Exploration & Production	1,612	1,879	17
326	381	17	Refining & Marketing including Retail	200	564	182
(29)	(4)	(86)	Corporate and Other	(81)	(83)	2
43	(49)	n.a.	Inter-segment profit eliminations	(43)	(57)	32
<b>897</b>	<b>924</b>	<b>3</b>	<b>Total</b>	<b>1,688</b>	<b>2,304</b>	<b>36</b>
<b>Operating Profit/Loss</b>						
318	243	(24)	Exploration & Production	901	1,366	52
185	241	30	Refining & Marketing including Retail	(113)	184	n.a.
(207)	(42)	(80)	Corporate and Other	(363)	(195)	(46)
49	(55)	n.a.	Inter-segment profit eliminations	(46)	(58)	26
<b>345</b>	<b>387</b>	<b>12</b>	<b>Total</b>	<b>379</b>	<b>1,297</b>	<b>242</b>
<b>Operating Profit/Loss Excluding Special Items</b>						
324	243	(25)	Exploration & Production	914	1,113	22
190	241	27	Refining & Marketing including Retail	(106)	184	n.a.
(65)	(42)	(35)	Corporate and Other	(182)	(195)	7
49	(55)	n.a.	Inter-segment profit eliminations	(46)	(58)	26
<b>499</b>	<b>387</b>	<b>(22)</b>	<b>Total</b>	<b>580</b>	<b>1,044</b>	<b>80</b>
<b>Property, plant and equipment</b>						
5,796	5,223	(10)	Exploration & Production	5,796	5,223	(10)
5,422	5,470	1	Refining & Marketing including Retail	5,422	5,470	1
1,493	1,375	(8)	Corporate and Other	1,493	1,375	(8)
(174)	(204)	17	Inter-segment assets eliminations	(174)	(204)	17
<b>12,537</b>	<b>11,864</b>	<b>(5)</b>	<b>Total</b>	<b>12,537</b>	<b>11,864</b>	<b>(5)</b>

\* EBITDA = EBIT + Depreciation + Impairment + Provisions

### Intersegment profit eliminations

Intersegment transfer represents the effect of unrealized profit arising in respect of transfers of inventories from Exploration and Production to Refining and Marketing. Through intersegment transfer unrealized profit is eliminated (difference between transfer price and cost of domestic crude). For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. Intersegment EBITDA effect on results in Q1-Q3 2017 is HRK -57 million which is lower compared to HRK -43 million in Q1-Q3 2016 due to different schedule of domestic crude processing.

## Financial overview and notes

### INCOME STATEMENT

Notes

#### Q1-Q3 2017 RESULTS

- 1 **Total sales revenues** in Q1-Q3 2017 amounted to HRK 13,466 million and were 23% above Q1-Q3 2016 level, triggered by both Exploration and production and Refining & marketing including Retail sales revenue increase as a result of the improved price environment together with higher processing level, retail market expansion and introduction of new fuels in 2017.
- 2 **Costs of raw materials and consumables** were 31% above Q1-Q3 2016 level at HRK 6,460 million, resulting from higher crude prices and higher processing in both refineries.
- 3 **Costs of goods sold** in Q1-Q3 2017 recorded an increase of 40% compared to Q1-Q3 2016, and amounted to HRK 2,430 million resulting from different sales structure.
- 4 Other **operating costs** realized in Q1-Q3 2017 include:
- Other material costs were lower by 12% and amounted to HRK 1,323 million resulting from lower subcontractors costs related to STSI project in Belarus.
  - Service costs in the amount of HRK 330 million recorded a decrease of 27% mainly due to absence of additional profit oil tax in Angola paid in Q1-Q3 2016 and lower VAT related expenses.
  - Depreciation in the amount of HRK 1,333 million was 8% higher compared to Q1-Q3 2016.
  - Value adjustments and provisions had a positive effect in the amount of HRK 308 million and were HRK 104 million higher compared to Q1-Q3 2016, mainly due to positive impact of reversal of provisions related to Angola, partly offset by released employee related provisions related to establishment of INA Maloprodajni servisi and released litigation provisions in Holdina in Q1-Q3 2016.
- 5 **Staff costs** in the amount HRK 1,232 million were 20% lower compared to Q1-Q3 2016, mainly due to lower severance payments.
- 6 **Income tax expense** in Q1-Q3 2017 amounted to HRK 241 million and was HRK 148 million higher than in Q1-Q3 2016. Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the periods ended 30 September 2016 and 18% for the periods ended 30 September 2017.
- 7 **Net financial result** is positive in Q1-Q3 2017 and significantly higher compared to Q1-Q3 2016 mainly as a result of
- Net foreign exchange profit reached HRK 233 million in Q1-Q3 2017 while in Q1-Q3 2016 it amounted to HRK 99 million.
  - Interest payable amounted to HRK 46 million and interests received to HRK 3 million in Q1-Q3 2017 while in Q1-Q3 2016 interest payables amounted to HRK 58 million and interests received to HRK 15 million.
  - Other financial net expenses amounted to HRK 22 million, and are higher compared to HRK 20 million in Q1-Q3 2016.

### BALANCE SHEET

Notes

- 8 As at 30 September 2017 INA Group **total assets** amounted to HRK 19,450 million and were 4% lower compared to 31 December 2016.
- 9 In the period ended 30 September 2017, INA Group invested HRK 40 million in intangible assets. The effect of depreciation equals HRK 33 million
- 10 In the period ended 30 September 2017, INA Group invested HRK 784 million in property, plant and equipment. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 1,300 million.
- 11 **Issued capital** as at 30 September 2017 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 2,539 million, and have increased by 24% compared to 31 December 2016 as a result of different processing dynamics in both refineries.
- 13 **Trade receivables** decreased to HRK 1,488 million and are 6% lower compared to the opening balance resulting mainly from higher collection of receivables.
- 14 As at 30 September 2017 **total liabilities** amounted to HRK 7,932 which is 18% or HRK 1,763 million lower compared to 31 December 2016. INA Group **net debt** decreased by 50% and amounted to HRK 1,241 million compared to 31 December 2016. **Gearing ratio**<sup>1</sup> decreased from 19.1% as at 31 December 2016, to 9.7% as at 30 September 2017.
- 15 **Trade payables** decreased by 1% to HRK 1,836 million, as a result of lower liabilities for imported crude oil and raw materials.

### CASH FLOW

Notes

- 16 The **operating cash-flow before changes in working capital** amounted to HRK 2,292 million in Q1-Q3 2017 representing an increase of HRK 870 million compared to Q1-Q3 2016, which is in line with change in EBITDA performance compared to the previous year.
- 17 **Changes in working capital** affected the operating cash flow negatively by HRK 178 million, due to:
- Increased value of inventories by HRK 536 million mainly related to lower processing in both refineries
  - Increase in trade and other payables by HRK 426 million related to imported crude oil
  - Increase in receivables by HRK 68 million mainly as a result of higher sales revenues
- 18 **Net outflows in investing activities** amounted to HRK 807 million, in comparison with HRK 1,250 million outflows in Q1-Q3 2016.

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

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

HRK mn	Q1-Q3 2016	Q1-Q3 2017
<b>INA GROUP</b>		
Total impact of special items on operating profit/(loss)	201	253
Total impact of special items on EBITDA	281	18
<b>Exploration &amp; Production</b>		
Total impact of special items on operating profit/(loss)	13	253
Total impact of special items on EBITDA	21	18
Severance payment	21	-
Retranslation related to Angola		18
Net Provisions for incentives	8	-
Reversal of provisions for additional tax Angola including retranslation		253
<b>Refining &amp; Marketing including Retail</b>		
Total impact of special items on operating profit/(loss)	7	-
Total impact of special items on EBITDA	203	-
Severance payment	203	-
Net Provisions for incentives	196	-
<b>Corporate functions</b>		
Total impact of special items on operating profit/(loss)	181	-
Total impact of special items on EBITDA	57	-
Severance payment	57	-
Impairment of assets	133	-
Net Provisions for incentives	9	-

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. In Q1-Q3 2017, the result was materially impacted by Agreement between Angola Ministry of Finance and INA regarding the settlement of the Additional tax and Profit Oil in Angolan Blocks for previous periods. 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.

*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 2016.

As of 30 September 2017 INA had:

- opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods, inventory levels and refinery margins
- contracted and available short-term credit lines amounting to HRK 2.24 bn 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 2.79 bn.

## 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 the 2017 INA Group entered into the following trading transactions with the following related parties:

INA-Group	Sales of goods	Purchase of goods
HRK mln	30 September 2017	30 September 2017
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	2	36
<b>Strategic partner</b>		
MOL Nyrt.	163	565
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	415	6
MOL SLOVENIJA d.o.o.	74	40
MOL Serbia	40	-
MOL Petrochemical	48	4
Slovnaft, a.s.	3	190
MOL Lubricant	3	3

INA-Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 September 2017	30 September 2017
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	1	8
<b>Strategic partner</b>		
MOL Nyrt.	25	63
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	115	1
MOL Commodity Trading Kft.	-	2
MOL SLOVENIJA d.o.o.	10	7
MOL Petrochemicals	10	-
Slovnaft, a.s.	-	48

## Management representation

INA Group's consolidated financial statements for the period ended 30 September 2017 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:

<b>Zoltán Áldott</b>	<b>President</b>
<b>Niko Dalić</b>	<b>Member</b>
<b>Gábor Horváth</b>	<b>Member</b>
<b>Ivan Krešić</b>	<b>Member</b>
<b>Davor Mayer</b>	<b>Member</b>
<b>Péter Ratatics</b>	<b>Member</b>