

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1-Q3 / Q3 2018 results today. This report contains unaudited consolidated financial statements for the period ending 30 September 2018 as prepared by the Management in accordance with the International Financial Reporting Standards.

## INA Group financial results (IFRS)

Q3 2017	Q3 2018	HRK mln	Q1-Q3 2017	Q1-Q3 2018	%
5,080	6,731	Net sales revenues*	13,466	16,227	21
891	1,073	EBITDA <sup>(1)</sup>	2,680	2,685	0
<b>891</b>	<b>1,073</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>2,427</b>	<b>2,685</b>	<b>11</b>
<b>918</b>	<b>890</b>	<b>CCS EBITDA excl. special items</b>	<b>2,462</b>	<b>2,217</b>	<b>(10)</b>
387	659	Profit/(loss) from operations	1,297	1,440	11
<b>387</b>	<b>659</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>1,044</b>	<b>1,440</b>	<b>38</b>
<b>414</b>	<b>476</b>	<b>CCS Operating profit excl. special items</b>	<b>1,079</b>	<b>972</b>	<b>(10)</b>
29	(26)	Net financial result	168	(94)	n.a.
363	524	Net profit/loss attributable to equity holder	1,224	1,056	(14)
<b>363</b>	<b>524</b>	<b>Net profit/loss for the period excl. special items <sup>(2)</sup></b>	<b>971</b>	<b>1,056</b>	<b>9</b>
614	496	Simplified Free Cash Flow <sup>(3)</sup>	1,638	1,305	(20)
<b>1,115</b>	<b>823</b>	<b>Operating cash flow</b>	<b>2,094</b>	<b>2,020</b>	<b>(4)</b>
<b>Earnings per share</b>					
36.3	52.4	Basic and diluted/(loss) earnings per share (kunas per share)	122.4	105.6	(14)
1,241	1,136	Net debt	1,241	1,136	(8)
9.7	8.8	Net gearing (%)	9.7	8.8	
<b>304</b>	<b>394</b>	<b>CAPEX total</b>	<b>824</b>	<b>912</b>	<b>11</b>
287	342	Domestic	783	793	1
17	52	International	41	119	190

  

Q3 2017	Q3 2018	USD mln <sup>(4)</sup>	Q1-Q3 2017	Q1-Q3 2018	%
804	1,057	Net sales revenues*	2,011	2,615	30
141	168	EBITDA <sup>(1)</sup>	400	433	8
<b>141</b>	<b>168</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>362</b>	<b>433</b>	<b>20</b>
<b>145</b>	<b>140</b>	<b>CCS EBITDA excl. special items</b>	<b>368</b>	<b>357</b>	<b>(3)</b>
61	103	Profit/(loss) from operations	194	232	20
<b>61</b>	<b>103</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>156</b>	<b>232</b>	<b>49</b>
<b>65</b>	<b>75</b>	<b>CCS Operating profit excl. special items</b>	<b>161</b>	<b>157</b>	<b>(2)</b>
5	(4)	Net financial result	25	(15)	n.a.
57	82	Net profit/loss attributable to equity holder	183	170	(7)
<b>57</b>	<b>82</b>	<b>Net profit/loss for the period excl. special items <sup>(2)</sup></b>	<b>145</b>	<b>170</b>	<b>17</b>
97	78	Simplified Free Cash Flow <sup>(3)</sup>	245	210	(14)
<b>176</b>	<b>129</b>	<b>Operating cash flow</b>	<b>313</b>	<b>325</b>	<b>4</b>
<b>Earnings per share</b>					
5.7	8.2	Basic and diluted/(loss) earnings per share (kunas per share)	18.0	17.0	(6)
185	183	Net debt	185	183	(1)
<b>48</b>	<b>62</b>	<b>CAPEX total</b>	<b>123</b>	<b>147</b>	<b>20</b>
45	54	Domestic	117	128	9
3	8	International	6	19	217

\* 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 Q1-Q3 2018, while Q1-Q3 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 - CAPEX

<sup>(4)</sup> In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q3 2017 – 6.3192 HRK/USD; Q3 2018 – 6.3696 HRK/USD; Q1-Q3 2017 – 6.6967 HRK/USD; Q1-Q3 2018 – 6.2064 HRK/USD as at Dec 31, 2017 – 6.2697 HRK/USD; as at Sep 30, 2017 – 6.3540 HRK/USD; as at Sep 30, 2018 – 6.4028 HRK/USD

INA Group increased its revenues in the first nine months of 2018 by 21% to HRK 16,227 million, mainly driven by higher refined products sales combined with higher crude oil and product prices, which were partially offset by lower Upstream production volumes. Total CCS EBITDA excluding special items decreased by 10% year-on-year and amounted to HRK 2,217 million due to lower contribution of Refining and Marketing including Retail.

Exploration and Production EBITDA excluding special items grew by 11% to HRK 2,162 million, driven by significantly higher realized hydrocarbon price (+34% year-on-year in USD terms), while maturing of the production assets brought a 9% drop in hydrocarbon production. CCS EBITDA of Refining and Marketing incl. Retail amounted to HRK 339 million, 47% lower compared to the same period of 2017, mainly affected by the less favorable external environment. Planned maintenance activities in the first part of 2018 impacted processing level in refining, compensated in Q3 2018. Retail fuel sales moderately improved with the network growth.

Compared to the Q1 – Q3 2017, CAPEX increased and amounted to HRK 912 million with a continued focus on Croatian investments. At the same time net debt decreased to HRK 1,136 million at the end of Q3 2018, with net gearing below 9%.

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

INA operations in 2018 continue to be positively impacted by oil prices increase and favorable Upstream environment. The total effect on INA revenues was significant, with more than 20% increase, and profit even surpassed the comparable 2017 level.

Upstream operations continue to address the natural decline with ongoing EOR activities and well workover campaign. All these activities kept the domestic crude oil production stable, while the natural decline in the gas production proves more challenging to moderate, at least until the finalization of our transaction with ENI for the North Adriatic concession areas.

Refining volumes increased in Q3, offsetting the earlier regular maintenance activities and bringing the 2018 throughput to somewhat higher level in relation to the comparable period of 2017. Crude basket continues to be expanded thus altering the production yield, but we are also processing more favorable crude types.

Despite the improved Downstream EBITDA, its cash flow remains negative, emphasizing the necessary change toward sustainable operations and prudent investments in the ever changing market conditions. We are focused on sustainable, profitable return-providing investments which would increase our competitiveness on the regional market.

Moderate Retail growth is in line with the seasonal movements, while growth on B&H market shows strong INA position on core markets. Positive result and continuous sales increase are the best indicators that INA provides high quality services and meets the needs of the market.

## Management discussion

### Exploration and Production\*

Q3 2017	Q3 2018	Segment IFRS results (HRK mln)	Q1-Q3 2017	Q1-Q3 2018	%
994	1,366	Net sales revenues	3,199	3,637	14
566	684	EBITDA **	2,208	2,162	(2)
<b>566</b>	<b>684</b>	<b>EBITDA excl. special items ***</b>	<b>1,955</b>	<b>2,162</b>	<b>11</b>
243	463	Operating profit	1,366	1,480	8
<b>243</b>	<b>463</b>	<b>Operating profit excl. special items ***</b>	<b>1,113</b>	<b>1,480</b>	<b>33</b>
414	532	Simplified Free Cash Flow****	1,544	1,732	12
152	152	CAPEX	411	430	5

\* 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 Q1-Q3 2018, while Q1-Q3 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 - CAPEX

Q3 2017	Q3 2018	Hydrocarbon production	Q1-Q3 2017	Q1-Q3 2018	%
<b>14,959</b>	<b>14,594</b>	<b>Crude oil production (boe/d)</b>	<b>14,634</b>	<b>14,442</b>	<b>(1)</b>
12,661	12,485	Croatia	12,191	12,344	1
1,483	1,501	Egypt	1,577	1,452	(8)
815	608	Angola	866	646	(25)
<b>20,732</b>	<b>16,789</b>	<b>Natural gas production (boe/d)</b>	<b>21,575</b>	<b>18,763</b>	<b>(13)</b>
7,410	6,021	Croatia - offshore	8,044	6,500	(19)
13,322	10,768	Croatia - onshore	13,531	12,263	(9)
<b>1,715</b>	<b>1,192</b>	<b>Condensate (boe/d)</b>	<b>1,825</b>	<b>1,440</b>	<b>(21)</b>
<b>37,406</b>	<b>32,575</b>	<b>Total hydrocarbon production (boe/d)</b>	<b>38,034</b>	<b>34,645</b>	<b>(9)</b>
Q3 2017	Q3 2018	Average realised hydrocarbon price	Q1-Q3 2017	Q1-Q3 2018	%
41	57	Total hydrocarbon price (USD/boe)*	41	55	34
Q3 2017	Q3 2018	Natural gas trading - mln cm	Q1-Q3 2017	Q1-Q3 2018	%
274	277	Total natural gas sales - domestic market	866	787	(9)

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

### Q1-Q3 2018 vs. Q1-Q3 2017

#### KEY DRIVERS

- Brent price higher by 39% having a positive effect on oil and condensate sales revenues amounting to HRK 490 million
- Natural gas revenues HRK 318 million higher as a result of higher realized gas prices
- Domestic crude oil production slightly higher as a result of:
  - Additional development projects and the EOR project
  - Full year production from two new wells on Hrastilnica field
- International crude oil production lower by 0.3 mboepd due to:
  - Natural production decline in Egypt
  - Natural production decline and various technical issues in Angola
- Natural gas production 13% lower driven by:
  - Lower offshore production by 19% in line with the expected production curve
  - Lower onshore production by 9% mainly as a result of lower Deep Podravina fields performance as well as planned general overhaul of facilities of Molve and Ivanić Grad locations

#### CAPITAL EXPENDITURES

Q1-Q3 2018 (HRK million)	Croatia	Egypt	Angola
Exploration	71	-	-
Development	202	45	7
Other	105	-	-
<b>TOTAL</b>	<b>378</b>	<b>45</b>	<b>7</b>

- Higher investment level mainly as a result of Drava-02 exploration drilling activities and activities in Egypt
- Total of 60 well workovers performed
- EOR - performed 7 well workovers; CO<sub>2</sub> injection ongoing currently on 8 wells at Ivanić and 6 at Žutica North
- Egypt: North Bahariya concession - drilled 7 production wells and 1 injection well; West Abu Gharadig concession – 1 well drilled and put in production

## Refining and Marketing, including Retail\*

Q3 2017	Q3 2018	Segment IFRS results (HRK mln)	Q1-Q3 2017	Q1-Q3 2018	%
4,495	5,939	Revenues	11,667	14,197	22
381	432	EBITDA**	603	807	34
<b>381</b>	<b>432</b>	<b>EBITDA excl. special items***</b>	<b>603</b>	<b>807</b>	<b>34</b>
408	249	CCS-based DS EBITDA excl. special items***	638	339	(47)
241	286	Operating profit/(loss)	184	386	110
<b>241</b>	<b>286</b>	<b>Operating profit/(loss) excl. special items***</b>	<b>184</b>	<b>386</b>	<b>110</b>
268	103	CCS-based DS operating loss	219	(82)	n.a.
265	19	Simplified Free Cash Flow****	251	(125)	n.a.
143	230	CAPEX and investments (w/o acquisition)	387	464	20

\*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 MALOPRODAJNI SERVISI d.o.o.

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

\*\*\* No significant one-off items in Q1-Q3 2018 nor Q1-Q3 2017

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

Q3 2017	Q3 2018	Refinery processing (kt)	Q1-Q3 2017	Q1-Q3 2018	%
71	140	Domestic crude oil	327	397	21
796	883	Imported crude oil	2,027	2,103	4
13	16	Condensate	54	45	(17)
138	191	Other feedstock	425	410	(4)
<b>1,018</b>	<b>1,230</b>	<b>Total refinery throughput</b>	<b>2,833</b>	<b>2,955</b>	<b>4</b>
Q3 2017	Q3 2018	Refinery production (kt)	Q1-Q3 2017	Q1-Q3 2018	%
58	64	LPG	169	155	(8)
13	16	Naphtha	50	36	(28)
252	281	Gasoline	704	683	(3)
47	67	Kerosene	108	145	34
336	436	Diesel	942	991	5
33	30	Heating oil	93	87	(6)
152	172	Fuel oil	363	439	21
27	41	Other products*	90	95	6
<b>918</b>	<b>1,107</b>	<b>Total</b>	<b>2,519</b>	<b>2,631</b>	<b>4</b>
10	18	Refinery loss	31	40	29
90	105	Own consumption	283	284	0
<b>1,018</b>	<b>1,230</b>	<b>Total refinery production</b>	<b>2,833</b>	<b>2,955</b>	<b>4</b>
Q3 2017	Q3 2018	Refined product sales by country (kt)	Q1-Q3 2017	Q1-Q3 2018	%
540	549	Croatia	1,382	1,357	(2)
178	195	B&H	448	493	10
19	17	Slovenia	53	57	8
482	486	Other markets	1,212	1,245	3
<b>1,219</b>	<b>1,247</b>	<b>Total</b>	<b>3,095</b>	<b>3,152</b>	<b>2</b>
Q3 2017	Q3 2018	Refined product sales by product (kt)	Q1-Q3 2017	Q1-Q3 2018	%
67	68	LPG	207	192	(7)
10	12	Naphtha	46	33	(28)
294	244	Gasoline	736	643	(13)
80	94	Kerosene	147	171	16
515	538	Diesel	1,331	1,403	5
34	31	Heating oil	114	102	(11)
142	170	Fuel oil	361	415	15
15	20	Bitumen	33	42	27
62	70	Other products*	120	151	26
<b>1,219</b>	<b>1,247</b>	<b>Total</b>	<b>3,095</b>	<b>3,152</b>	<b>2</b>
336	344	o/w Retail segment sales	809	827	2
495	494	Total number of Service stations	494	500	1

\*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 2018 vs. Q1-Q3 2017

## KEY DRIVERS

- Weakening of the external refining environment: negative impact of higher DTD Brent price (increase from 52 USD/bbl to 72 USD/bbl) and lower gasoline (-6 USD/t) and fuel oil (-48 USD/t) crack spreads, partially mitigated by higher diesel (+13 USD/t) crack spread
- Increased total sales volumes on the back of higher sales on B&H market (+45 kt) and other export markets (+33 kt) supported by stable sales margins
- Higher processing level (+122 kt), with continued utilisation of extended crude basket increasing diesel production
- Total retail sales volumes at 827 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 9% and non-fuel contributed 59% 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 CAPEX amounted to HRK 337 million compared to HRK 313 million in Q1 – Q3 2017
  - Engineering Procurement and Construction tender is ongoing 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 for Propane-propylene Splitter project. Detail design in preparation. Civil works are in progress.
  - Continued investment activities in logistics and refinery development projects with special focus on environmental related projects
- Retail CAPEX amounted to HRK 127 million compared to HRK 74 million in Q1 – Q3 2017
  - Over 40 investments projects finished in INA Group Retail including greenfield constructions, acquisitions, service station reconstructions, modernizations and other improvement projects
  - Additional 25 projects on expanding and improving the non-fuel offer in line with the "Fresh corner" concept ongoing or to start in 2018

## Main external parameters

Q3 2017	Q3 2018		Q1-Q3 2017	Q1-Q3 2018	%
52	75	Brent dtd (USD/bbl)	52	72	38.5
1.06	0.84	Brent-Ural spread (USD/bbl)	1.01	1.34	32.7
544.6	712.1	Gasoline - premium unleaded 10 ppm (USD/t)*	535.6	683.4	27.6
485.3	667.8	Diesel – ULSD 10 ppm (USD/t)*	471.0	638.0	35.5
292.7	422.3	Fuel oil 3.5% (USD/t)*	286.7	392.0	36.7
494.0	613.8	LPG (USD/t)*	487.6	566.3	16.1
150.6	143.5	Crack spread – gasoline (USD/t)*	143.5	137.8	(4.0)
91.4	99.2	Crack spread – diesel (USD/t)*	78.9	92.3	17.0
(101.3)	(146.3)	Crack spread – fuel oil 3.5% (USD/t)*	(105.5)	(153.7)	45.7
100.1	45.2	Crack spread – LPG (USD/t)*	95.5	20.6	(78.4)
3.75	0.54	Indicative refining margins (USD/bbl)**	2.65	0.09	(96.6)
6.32	6.37	HRK/USD average	6.70	6.21	(7.3)
6.35	6.40	HRK/USD closing	6.35	6.40	0.8
7.42	7.41	HRK/EUR average	7.44	7.41	(0.4)
7.50	7.42	HRK/EUR closing	7.50	7.42	(1.1)
1.31	2.34	3m USD LIBOR (%)	1.20	2.20	83.3
(0.33)	(0.03)	3m EURIBOR (%)	(0.33)	(0.32)	(3.0)

\* 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 September 2017 and 2018**  
**(In HRK millions)**

Q3 2017	Q3 2018		Note	Q1-Q3 2017	Q1-Q3 2018	%
<b>5,080</b>	<b>6,731</b>	<b>Revenue from contracts with customers</b>	1	<b>13,466</b>	<b>16,227</b>	<b>21</b>
79	178	Capitalised value of own performance		231	360	56
11	49	Other operating income		156	163	4
<b>5,170</b>	<b>6,958</b>	<b>Total operating income</b>		<b>13,853</b>	<b>16,750</b>	<b>21</b>
(9)	307	Changes in inventories of finished products and work in progress		244	530	117
(2,262)	(3,783)	Cost of raw materials and consumables	2	(6,460)	(8,395)	30
(504)	(414)	Depreciation, amortisation and impairment (net)	4	(1,383)	(1,245)	(10)
(469)	(664)	Other material costs	4	(1,323)	(1,802)	36
(117)	(125)	Service costs	4	(331)	(354)	7
(397)	(416)	Staff costs	5	(1,232)	(1,308)	6
(992)	(1,155)	Cost of other goods sold	3	(2,430)	(2,868)	18
(31)	(14)	Impairment charges (net)	4	43	107	149
(2)	(35)	Provision for charges and risks (net)	4	316	25	(92)
<b>(4,783)</b>	<b>(6,299)</b>	<b>Operating expenses</b>		<b>(12,556)</b>	<b>(15,310)</b>	<b>22</b>
<b>387</b>	<b>659</b>	<b>Profit/(Loss) from operations</b>		<b>1,297</b>	<b>1,440</b>	<b>11</b>
		Share in the profit of associated companies				
79	1	Finance income		459	49	(89)
(50)	(27)	Finance costs		(291)	(143)	(51)
<b>29</b>	<b>(26)</b>	<b>Net result from financial activities</b>	7	<b>168</b>	<b>(94)</b>	<b>n.a.</b>
<b>416</b>	<b>633</b>	<b>Profit/(Loss) before tax</b>		<b>1,465</b>	<b>1,346</b>	<b>(8)</b>
(63)	(109)	Income tax expense	6	(241)	(289)	20
<b>353</b>	<b>524</b>	<b>Profit/(Loss) for the year</b>		<b>1,224</b>	<b>1,057</b>	<b>(14)</b>
		Attributable to				
363	524	Owners of the Company		1,224	1,056	(14)
(10)	-	Non-controlling interests		-	1	n.a.
<b>353</b>	<b>524</b>			<b>1,224</b>	<b>1,057</b>	<b>(14)</b>
<b>Earnings per share</b>						
36.3	52.4	Basic and diluted earnings per share (kunas per share)		122.4	105.6	(14)

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

**Condensed Consolidated Statement of Financial Position – INA Group**  
**At 30 September 2018**  
**(in HRK millions)**

	Note	31 December 2017	30 September 2018	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	570	612	7
Property, plant and equipment	10	12,016	11,638	(3)
Investments in other companies		13	17	31
Long-term receivables and other assets		96	172	79
Deferred tax		1,451	1,196	(18)
Non-current financial assets		665	512	(23)
<b>Total non-current assets</b>		<b>14,811</b>	<b>14,147</b>	<b>(4)</b>
<b>Current assets</b>				
Inventories	12	2,264	3,131	38
Trade receivables net	13	1,393	2,091	50
Other receivables		210	325	55
Corporative income tax receivables		10	16	60
Other current assets		139	126	(9)
Cash and cash equivalents		428	667	56
<b>Current assets</b>		<b>4,444</b>	<b>6,356</b>	<b>43</b>
Assets classified as held for sale		8	11	38
<b>Total current assets</b>		<b>4,452</b>	<b>6,367</b>	<b>43</b>
<b>Total assets</b>	<b>8</b>	<b>19,263</b>	<b>20,514</b>	<b>6</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	163	(44)
Other reserves		1,516	1,540	2
Retained earnings / (Deficit)		827	914	11
<b>Equity attributable to equity holder of the parent</b>		<b>11,660</b>	<b>11,716</b>	<b>0</b>
Non-controlling interests		(134)	11	n.a.
<b>Total equity</b>		<b>11,526</b>	<b>11,727</b>	<b>2</b>
<b>Non-current liabilities</b>				
Long-term loans		122	-	n.a.
Other non-current liabilities		52	47	(10)
Employee benefits obligation		73	73	0
Provisions		3,119	3,072	(2)
Deferred tax liability		14	11	(21)
<b>Total non-current liabilities</b>		<b>3,380</b>	<b>3,203</b>	<b>(5)</b>
<b>Current liabilities</b>				
Bank loans and overdrafts		1,581	1,680	6
Current portion of long-term debt		122	123	1
Trade payables	15	1,171	2,082	78
Taxes and contributions		626	882	41
Other current liabilities		540	458	(15)
Employee benefits obligation		5	5	0
Provisions		312	354	13
<b>Total current liabilities</b>		<b>4,357</b>	<b>5,584</b>	<b>28</b>
<b>Total liabilities</b>	<b>14</b>	<b>7,737</b>	<b>8,787</b>	<b>14</b>
<b>Total equity and liabilities</b>		<b>19,263</b>	<b>20,514</b>	<b>6</b>

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

Q3 2017	Q3 2018		Note	Q1-Q3 2017	Q1-Q3 2018	%
353	524	<b>Profit for the year</b>		1,224	1,057	(14)
		<b>Adjustments for:</b>				
504	414	Depreciation, amortisation and impairment (net)		1,383	1,245	(10)
63	109	Tax expense recognised in statement of profit or loss		241	289	20
31	14	Impairment charges (net)		(43)	(107)	149
(11)	(1)	Gain on sale of property, plant and equipment		(18)	(4)	(78)
(19)	13	Foreign exchange loss/(gain)		(190)	25	n.a.
5	7	Interest expense (net)		42	19	(55)
(21)	-	Other finance expense/(income) recognised in profit		(38)	37	n.a.
2	34	(Decrease)/increase in provisions		(317)	(35)	(89)
6	10	Decommissioning interests and other provision		18	29	61
63	57	Net (gain)/loss on derivative financial instruments and hedge transactions		(19)	196	n.a.
3	7	Other non-cash items		9	8	(11)
<b>979</b>	<b>1,188</b>	<b>Operating cash flow before working capital changes</b>	<b>16</b>	<b>2,292</b>	<b>2,759</b>	<b>20</b>
		<b>Movements in working capital</b>	<b>17</b>			
(95)	(398)	Increase in inventories		(536)	(1,151)	115
(117)	(208)	(Increase)/decrease in receivables and prepayments		(68)	(773)	1,037
349	251	(Decrease)/increase in trade and other payables		426	1,205	183
<b>1,116</b>	<b>833</b>	<b>Cash generated from operations</b>		<b>2,114</b>	<b>2,040</b>	<b>(4)</b>
(1)	(10)	Taxes paid		(20)	(20)	0
<b>1,115</b>	<b>823</b>	<b>Net cash inflow from operating activities</b>		<b>2,094</b>	<b>2,020</b>	<b>(4)</b>
		<b>Cash flows used in investing activities</b>				
(298)	(381)	Capital expenditures, exploration and development costs		(768)	(914)	19
(23)	(30)	Payment for intangible assets		(47)	(82)	74
12	-	Proceeds from sale of non-current assets		25	5	(80)
		Dividends received from companies classified as available for sale and				
20	-	from other companies		20	1	(95)
2	1	Interest received and other financial income		9	8	(11)
(41)	3	Investments and loans to third parties, net		(46)	-	n.a.
<b>(328)</b>	<b>(407)</b>	<b>Net cash used for investing activities</b>	<b>18</b>	<b>(807)</b>	<b>(982)</b>	<b>22</b>
		<b>Cash flows from financing activities</b>				
(62)	(63)	Repayment of long-term borrowings		(129)	(122)	(5)
2,596	4,816	Additional short-term borrowings		7,166	9,960	39
(3,221)	(4,122)	Repayment of short term borrowings		(8,352)	(9,865)	18
-	(812)	Dividends paid		(152)	(812)	434
(2)	(3)	Interest paid on long-term loans		(6)	(1)	(83)
(54)	(35)	Interest paid on short-term loans and other interest charges		(52)	18	n.a.
<b>(743)</b>	<b>(219)</b>	<b>Net cash used in financing activities</b>		<b>(1,525)</b>	<b>(822)</b>	<b>(46)</b>
44	197	Net (decrease)/increase in cash and cash equivalents		(238)	216	n.a.
322	468	At 1 January		611	428	(30)
(11)	2	Effect of foreign exchange rate changes		(18)	23	n.a.
355	667	At the end of period		355	667	88



## INA Group Summary Segmental Results of Operations

Q3 2017	Q3 2018	(HRK mln)	Q1-Q3 2017	Q1-Q3 2018	%
<b>Sales</b>					
994	1,366	Exploration & Production	3,199	3,637	14
4,495	5,939	Refining & Marketing including Retail	11,667	14,197	22
372	462	Corporate and Other	1,007	1,270	26
(781)	(1,035)	Inter-segment revenue eliminations	(2,407)	(2,877)	20
<b>5,080</b>	<b>6,732</b>	<b>Sales</b>	<b>13,466</b>	<b>16,227</b>	<b>21</b>
<b>EBITDA*</b>					
566	684	Exploration & Production	2,208	2,162	(2)
381	432	Refining & Marketing including Retail	603	807	34
(1)	29	Corporate and Other	(73)	(8)	(89)
(55)	(72)	Inter-segment profit eliminations	(58)	(276)	376
<b>891</b>	<b>1,073</b>	<b>Total</b>	<b>2,680</b>	<b>2,685</b>	<b>0</b>
<b>EBITDA Excluding Special Items</b>					
566	684	Exploration & Production	1,955	2,162	11
381	432	Refining & Marketing including Retail	603	807	34
(1)	29	Corporate and Other	(73)	(8)	(89)
(55)	(72)	Inter-segment profit eliminations	(58)	(276)	376
<b>891</b>	<b>1,073</b>	<b>Total</b>	<b>2,427</b>	<b>2,685</b>	<b>11</b>
<b>Operating Profit/Loss</b>					
243	463	Exploration & Production	1,366	1,480	8
241	286	Refining & Marketing including Retail	184	386	110
(42)	(18)	Corporate and Other	(195)	(150)	(23)
(55)	(72)	Inter-segment profit eliminations	(58)	(276)	376
<b>387</b>	<b>659</b>	<b>Total</b>	<b>1,297</b>	<b>1,440</b>	<b>11</b>
<b>Operating Profit/Loss Excluding Special Items</b>					
243	463	Exploration & Production	1,113	1,480	33
241	286	Refining & Marketing including Retail	184	386	110
(42)	(18)	Corporate and Other	(195)	(150)	(23)
(55)	(72)	Inter-segment profit eliminations	(58)	(276)	376
<b>387</b>	<b>659</b>	<b>Total</b>	<b>1,044</b>	<b>1,440</b>	<b>38</b>
<b>Property, plant and equipment</b>					
5,223	5,043	Exploration & Production	5,223	5,043	(3)
5,470	5,603	Refining & Marketing including Retail	5,470	5,603	2
1,375	1,343	Corporate and Other	1,375	1,343	(2)
(204)	(351)	Inter-segment assets eliminations	(204)	(351)	72
<b>11,864</b>	<b>11,638</b>	<b>Total</b>	<b>11,864</b>	<b>11,638</b>	<b>(2)</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 Q1-Q3 2018 is HRK -276 million which is lower compared to HRK -58 million in Q1-Q3 2017 due to different schedule of domestic crude processing.

## Financial overview and notes

### STATEMENT OF PROFIT OR LOSS

Notes	<b>Q1-Q3 2018 RESULTS</b>
1	<b>Total sales revenues</b> in Q1-Q3 2018 amounted to HRK 16,227 million and were 21% above the Q1-Q3 2017 level, triggered mainly by higher refined products sales combined with higher crude oil and product prices
2	<b>Costs of raw materials and consumables</b> were 30% above the Q1-Q3 2017 level at HRK 8,395 million, resulting mainly from higher processing and crude prices.
3	<b>Costs of other goods sold</b> in Q1-Q3 2018 recorded an increase of 18% compared to Q1-Q3 2017, and amounted to HRK 2,868 million resulting from different sales structure.
4	Other <b>operating costs</b> realized in Q1-Q3 2018 include: <ul style="list-style-type: none"> <li>- Other material costs were higher by 36% and amounted to HRK 1,802 million related to increasing oil prices and higher Croscoc engagement both in Croatia and abroad.</li> <li>- Service costs in the amount of HRK 354 million were 7% higher than Q1-Q3 2017 level due to higher royalty related to higher prices</li> <li>- Depreciation, amortisation and impairment (net) in the amount of HRK 1,245 million was 10% lower compared to Q1-Q3 2017.</li> <li>- Adjustments and provisions had a positive effect in the amount of HRK 132 million but were still HRK 227 million lower compared to Q1-Q3 2017 related mainly to the positive impact of provisions in Angola in Q1-Q3 2017.</li> </ul>
5	<b>Staff costs</b> in the amount HRK 1,308 million were 6% higher compared to Q1-Q3 2017.
6	<b>Income tax expense</b> in Q1-Q3 2018 amounted to HRK 289 million compared to HRK 241 million income tax expense in Q1-Q3 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 September 2017 and 30 September 2018.
7	<b>Net result from financial activities</b> is negative in Q1-Q3 2018 compared to positive Q1-Q3 2017 impact mainly as a result of: <ul style="list-style-type: none"> <li>- Net foreign exchange loss reached HRK 31 million in Q1-Q3 2018, while in Q1-Q3 2017 net foreign exchange gain reached HRK 233 million.</li> <li>- Interest payable amounted to HRK 37 million and interest received to HRK 2 million in Q1-Q3 2018, while in Q1-Q3 2017 interest payable amounted to HRK 67 million and interest received to HRK 3 million.</li> <li>- Other financial net expenses amounted to HRK 28 million and are higher compared to HRK 1 million in Q1-Q3 2017.</li> </ul>

### STATEMENT OF FINANCIAL POSITION

Notes	
8	As at 30 September 2018 INA Group <b>total assets</b> amounted to HRK 20,514 million, 6% higher compared to 31 December 2017.
9	In the period ended 30 September 2018, INA Group invested HRK 77 million in <b>intangible assets</b> . The effect of depreciation equals HRK 35 million.
10	In the period ended 30 September 2018, INA Group invested HRK 835 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 1220 million.
11	<b>Share capital</b> as at 30 September 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 3,131 million, and have increased by 38% compared to 31 December 2017 as a result of higher prices.
13	<b>Trade receivables net</b> amounted to HRK 2,091 million which is 50% higher than 31 December 2017 and in line with the sales revenues dynamic.
14	As at 30 September 2018 <b>total liabilities</b> amounted to HRK 8,787 million which is 14% or HRK 1,050 million higher compared to 31 December 2017. INA Group <b>net debt</b> amounted to HRK 1,136 million and decreased by 8% compared to 31 December 2017. <b>Gearing ratio<sup>1</sup></b> decreased from 10.7% as at 31 December 2017, to 8.8% as at 30 September 2018.
15	<b>Trade payables</b> increased by 78% to HRK 2,082 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 2,759 million in Q1-Q3 2018 representing an increase of HRK 467 million compared to Q1-Q3 2017, which is in line with the change in EBITDA performance excluding non-cash items compared to the previous year.
17	<b>Movements in working capital</b> affected the operating cash flow negatively by HRK 719 million, due to: <ul style="list-style-type: none"> <li>- Increased value of inventories by HRK 1,151 million mainly related to higher prices.</li> <li>- Increase in receivables by HRK 773 million as a result of higher sales revenues in Q1-Q3 2018 compared to Q1-Q3 2017.</li> <li>- Increase in trade and other payables by HRK 1,205 million as result of higher liabilities for imported crude oil.</li> </ul>
18	<b>Net cash used for investing activities</b> amounted to HRK 982 million, compared to HRK 807 million outflows in Q1-Q3 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 Q1-Q3 2018, there were no special items to report.

HRK mln	Q1-Q3 2017	Q1-Q3 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 September 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 2,226 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 2,658 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 Q3 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 September 2018	30 September 2018
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	4	38
<b>Strategic partner</b>		
MOL Nyrt.	210	429
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	465	5
MOL Petrochemical	89	4
MOL SLOVENIJA d.o.o.	41	51
MOL Serbia	11	-
Mélyfűrási Zrt.	6	3
MOL-LUB Kft.	4	4
Slovnaft, a.s.	12	149
MOL Commodity Trading Kft.	-	37
MOL Germany GMBH	-	6

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 September 2018	30 September 2018
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	1	7
<b>Strategic partner</b>		
MOL Nyrt.	55	51
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	91	4
MOL Petrochemicals	24	1
MOL SLOVENIJA d.o.o.	7	8
Slovnaft, a.s.	9	22
Geoinform Kft.	4	-
MOL Serbia	-	1
MOL Commodity Trading Kft.	-	32

## Management representation

INA Group's consolidated financial statements for Q1-Q3 / Q3 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 Pethő 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 Pethő</b>	<b>Member</b>
<b>Ákos Székely</b>	<b>Member</b>