

ENCLOSURE 1

Reporting period:

1 January 2017

to

31 March 2017

Quartely Financial Report TFI-PODTax number (MB): **03586243**Registration number (MBS): **080000604**Personal identification
number (OIB): **27759560625**Issuer: **INA - Industrija nafte d.d**Postal code and location: **10 000****ZAGREB**Street and number: **Avenija Većeslava Holjevcica 10**E-mail: investitori@ina.hrInternet address: www.ina.hrCode and city / municipality: **133 ZAGREB**Code and county: **21 GRAD ZAGREB**Number of employees: **4,340**
(at the end of year)Consolidated Report: **NO**Business activity code: **1920**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office: **64603058187****Top Računovodstvo Servisi d.o.o.; Member of INA Group**Contact person: **Goran Pavlović**
(Name and surname of contact person)Telephone: **01 612-4885**Telefaks: **01 612 3115**E-mail: Goran.Pavlovic@trs.ina.hrName and surname: **Zoltán Sándor Áldott**
(authorized representatives)**Documents to be published:**

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Statement of persons in charge of making Financial Statements
3. Management Board's Report

(seal)

(signature of authorized representative)

Balance Sheet
as of 31 March 2017

Issuer: INA - Industrija nafte d.d. Zagreb

| Item | AOP | Previous period | Current period |
|--|------------|-----------------|----------------|
| 1 | 2 | 3 | 4 |
| A) RECEIVABLES FOR SUBSCRIBED AND NON-PAID CAPITAL | 001 | | |
| B) LONG-TERM ASSETS (003+010+020+029+033) | 002 | 15,682,000,000 | 15,255,000,000 |
| I. INTANGIBLE ASSETS (004 do 009) | 003 | 399,000,000 | 400,000,000 |
| 1. Assets development | 004 | | |
| 2. Concessions, patents, licence fees, merchandise and service brands, software and other rights | 005 | 157,000,000 | 157,000,000 |
| 3. Goodwill | 006 | | |
| 4. Advances for purchase of intangible assets | 007 | 20,000,000 | 19,000,000 |
| 5. Intangible assets in preparation | 008 | 222,000,000 | 224,000,000 |
| 6. Other intangible assets | 009 | | |
| II. TANGIBLE ASSETS (011 do 019) | 010 | 11,207,000,000 | 10,930,000,000 |
| 1. Land | 011 | 1,005,000,000 | 1,005,000,000 |
| 2. Buildings | 012 | 5,245,000,000 | 5,091,000,000 |
| 3. Plant and equipment | 013 | 2,607,000,000 | 2,491,000,000 |
| 4. Instruments, plant inventories and transportation assets | 014 | 240,000,000 | 231,000,000 |
| 5. Biological asset | 015 | | |
| 6. Advances for tangible assets | 016 | 37,000,000 | 33,000,000 |
| 7. Tangible assets in preparation | 017 | 2,066,000,000 | 2,072,000,000 |
| 8. Other material assets | 018 | 7,000,000 | 7,000,000 |
| 9. Investment in property | 019 | | |
| III. LONG-TERM FINANCIAL ASSETS (021 do 028) | 020 | 2,310,000,000 | 2,209,000,000 |
| 1. Investments in subsidiaries | 021 | 805,000,000 | 669,000,000 |
| 2. Loans given to related parties | 022 | 795,000,000 | 781,000,000 |
| 3. Participating interests (shares) | 023 | 27,000,000 | 28,000,000 |
| 4. Loans to entrepreneurs in which the entity holds participating interests | 024 | | |
| 5. Investments in securities | 025 | | |
| 6. Loans, deposits and similar assets | 026 | 7,000,000 | 7,000,000 |
| 7. Other long-term financial assets | 027 | 676,000,000 | 724,000,000 |
| 8. Investment accounted by equity method | 028 | | |
| IV. RECEIVABLES (030 do 032) | 029 | 82,000,000 | 79,000,000 |
| 1. Receivables from subsidiaries | 030 | 11,000,000 | 11,000,000 |
| 2. Receivables based on trade loans | 031 | 71,000,000 | 68,000,000 |
| 3. Other receivables | 032 | | |
| V. DEFERRED TAX ASSETS | 033 | 1,684,000,000 | 1,637,000,000 |
| C) SHORT-TERM ASSETS (035+043+050+058) | 034 | 4,429,000,000 | 4,305,000,000 |
| I. INVENTORIES (036 do 042) | 035 | 1,802,000,000 | 2,049,000,000 |
| 1. Raw materials & consumables | 036 | 608,000,000 | 675,000,000 |
| 2. Work in progress | 037 | 564,000,000 | 777,000,000 |
| 3. Finished goods | 038 | 563,000,000 | 540,000,000 |
| 4. Merchandise | 039 | 67,000,000 | 57,000,000 |
| 5. Advances for inventories | 040 | | |
| 6. Long-term assets held for sale | 041 | | |
| 7. Biological asset | 042 | | |
| II. RECEIVABLES (044 do 049) | 043 | 1,727,000,000 | 1,777,000,000 |
| 1. Receivables from subsidiaries | 044 | 258,000,000 | 251,000,000 |
| 2. Trade receivables | 045 | 1,315,000,000 | 1,445,000,000 |
| 3. Receivables from participating entities | 046 | | |
| 4. Receivables from employees and shareholders | 047 | 3,000,000 | 3,000,000 |
| 5. Receivables from government and other institutions | 048 | 92,000,000 | 24,000,000 |
| 6. Other receivables | 049 | 59,000,000 | 54,000,000 |
| III. SHORT-TERM FINANCIAL ASSETS (051 do 057) | 050 | 400,000,000 | 368,000,000 |
| 1. Investments in subsidiaries | 051 | 0 | |
| 2. Loans given to related parties | 052 | 330,000,000 | 323,000,000 |
| 3. Participating interests (shares) | 053 | | |
| 4. Loans to entrepreneurs in which the entity holds participating interests | 054 | | |
| 5. Investments in securities | 055 | | 0 |
| 6. Loans, deposits and similar assets | 056 | 14,000,000 | 14,000,000 |
| 7. Other financial assets | 057 | 56,000,000 | 31,000,000 |
| IV. CASH AT BANK AND IN CASH REGISTER | 058 | 500,000,000 | 111,000,000 |
| D) PREPAID EXPENSES AND ACCRUED INCOME | 059 | 34,000,000 | 80,000,000 |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 20,145,000,000 | 19,640,000,000 |
| F) OFF-BALANCE SHEET ITEMS | 061 | | |

| EQUITY AND LIABILITIES | | | |
|--|------------|----------------|----------------|
| A) CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | 10,767,000,000 | 10,914,000,000 |
| I. SHARE CAPITAL | 063 | 9,000,000,000 | 9,000,000,000 |
| II. CAPITAL RESERVES | 064 | | |
| III. RESERVES FROM PROFIT (066+067-068+069+070) | 065 | 1,308,000,000 | 1,255,000,000 |
| 1. Legal reserves | 066 | 20,000,000 | 20,000,000 |
| 2. Reserves for treasury shares | 067 | | |
| 3. Treasury shares and stakes (deduction) | 068 | | |
| 4. Statutory reserves | 069 | | |
| 5. Other reserves | 070 | 1,288,000,000 | 1,235,000,000 |
| IV. REVALUATION RESERVES | 071 | 299,000,000 | 338,000,000 |
| V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074) | 072 | 0 | 160,000,000 |
| 1. Retained earnings | 073 | | 160,000,000 |
| 2. Accumulated loss | 074 | | |
| VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077) | 075 | 160,000,000 | 161,000,000 |
| 1. Profit for the financial year | 076 | 160,000,000 | 161,000,000 |
| 2. Loss for the financial year | 077 | | |
| VII. NON-CONTROLLING INTERESTS | 078 | | |
| B) PROVISIONS (080 do 082) | 079 | 3,479,000,000 | 3,426,000,000 |
| 1. Provisions for redundancy costs, severance pays and similar liabilities | 080 | 48,000,000 | 60,000,000 |
| 2. Provisions for tax obligations | 081 | | |
| 3. Other provisions | 082 | 3,431,000,000 | 3,366,000,000 |
| C) NON-CURRENT LIABILITIES (084 do 092) | 083 | 331,000,000 | 254,000,000 |
| 1. Liabilities to subsidiaries | 084 | | |
| 2. Liabilities for loans, deposits and other | 085 | | |
| 3. Liabilities to banks and other financial institutions | 086 | 271,000,000 | 197,000,000 |
| 4. Liabilities for received advances | 087 | | |
| 5. Trade payables | 088 | | |
| 6. Liabilities arising from debt securities | 089 | | |
| 7. Liabilities to entrepreneurs in which the entity holds participating interests | 090 | | |
| 8. Other non-current liabilities | 091 | 60,000,000 | 57,000,000 |
| 9. Deferred tax liability | 092 | | |
| D) CURRENT LIABILITIES (094 do 105) | 093 | 5,463,000,000 | 4,943,000,000 |
| 1. Liabilities to subsidiaries | 094 | 560,000,000 | 390,000,000 |
| 2. Liabilities for loans, deposits and other | 095 | | |
| 3. Liabilities to banks and other financial institutions | 096 | 2,622,000,000 | 2,612,000,000 |
| 4. Liabilities for received advances | 097 | 36,000,000 | 138,000,000 |
| 5. Trade payables | 098 | 1,498,000,000 | 1,187,000,000 |
| 6. Liabilities arising from debt securities | 099 | | |
| 7. Liabilities to entrepreneurs in which the entity holds participating interests | 100 | | |
| 8. Liabilities to employees | 101 | 53,000,000 | 38,000,000 |
| 9. Liabilities for taxes, contributions and similar fees | 102 | 552,000,000 | 466,000,000 |
| 10. Dividend payables | 103 | | |
| 11. Liabilities for long-term assets held for sale | 104 | | |
| 12. Other current liabilities | 105 | 142,000,000 | 112,000,000 |
| E) ACCRUAL AND DEFERRED INCOME | 106 | 105,000,000 | 103,000,000 |
| F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106) | 107 | 20,145,000,000 | 19,640,000,000 |
| G) OFF-BALANCE SHEET ITEMS | 108 | | |
| ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report) | | | |
| A) CAPITAL AND RESERVES | | | |
| 1. Attributable to equity holders of the parent company's capital | 109 | | |
| 2. Attributable to non controlling interest | 110 | | |

Note 1.: APPENDIX TO THE BALANCE SHEET (to be filled in by entities who submitting consolidated financial statements).

PROFIT AND LOSS
for the period 1 January 2017 to 31 March 2017

Issuer: INA - Industrija nafte d.d. Zagreb

| Item | AOP | Previous period | | Current period | |
|--|------------|-----------------|---------------|----------------|---------------|
| | | Cumulative | Quarter | Cumulative | Quarter |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. OPERATING INCOME (112+113) | 111 | 2,436,000,000 | 2,436,000,000 | 3,696,000,000 | 3,696,000,000 |
| 1. Sales revenue | 112 | 2,393,000,000 | 2,393,000,000 | 3,647,000,000 | 3,647,000,000 |
| 2. Other operating income | 113 | 43,000,000 | 43,000,000 | 49,000,000 | 49,000,000 |
| II. OPERATING EXPENSES (115+116+120+124+125+126+129+130) | 114 | 2,543,000,000 | 2,543,000,000 | 3,525,000,000 | 3,525,000,000 |
| 1. Changes in inventories of finished products and work in progress | 115 | -116,000,000 | -116,000,000 | -195,000,000 | -195,000,000 |
| 2. Material costs (117 do 119) | 116 | 1,831,000,000 | 1,831,000,000 | 2,938,000,000 | 2,938,000,000 |
| a) Cost of raw materials & consumables | 117 | 560,000,000 | 560,000,000 | 1,707,000,000 | 1,707,000,000 |
| b) Cost of goods sold | 118 | 856,000,000 | 856,000,000 | 784,000,000 | 784,000,000 |
| c) Other costs | 119 | 415,000,000 | 415,000,000 | 447,000,000 | 447,000,000 |
| 3. Staff costs (121 do 123) | 120 | 305,000,000 | 305,000,000 | 184,000,000 | 184,000,000 |
| a) Net salaries and wages | 121 | 168,000,000 | 168,000,000 | 110,000,000 | 110,000,000 |
| b) Costs for taxes and contributions from salaries | 122 | 92,000,000 | 92,000,000 | 47,000,000 | 47,000,000 |
| c) Contributions on gross salaries | 123 | 45,000,000 | 45,000,000 | 27,000,000 | 27,000,000 |
| 4. Depreciation and amortisation | 124 | 370,000,000 | 370,000,000 | 425,000,000 | 425,000,000 |
| 5. Other costs | 125 | 267,000,000 | 267,000,000 | 206,000,000 | 206,000,000 |
| 6. Impairment charges (127+128) | 126 | 85,000,000 | 85,000,000 | 10,000,000 | 10,000,000 |
| a) impairment of long-term assets (excluding financial assets) | 127 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| b) impairment of short-term assets (excluding financial assets) | 128 | 84,000,000 | 84,000,000 | 9,000,000 | 9,000,000 |
| 7. Provisions | 129 | -199,000,000 | -199,000,000 | -43,000,000 | -43,000,000 |
| 8. Other operating expenses | 130 | 0 | 0 | 0 | 0 |
| III. FINANCIAL INCOME (132 do 136) | 131 | 142,000,000 | 142,000,000 | 123,000,000 | 123,000,000 |
| 1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries | 132 | 7,000,000 | 7,000,000 | 20,000,000 | 20,000,000 |
| 2. Interest income, foreign exchange gains, dividends and other financial income from third parties | 133 | 134,000,000 | 134,000,000 | 103,000,000 | 103,000,000 |
| 3. Part of income from associates and participating interests | 134 | 0 | 0 | 0 | 0 |
| 4. Unrealized gains (income) from the financial assets | 135 | 0 | 0 | 0 | 0 |
| 5. Other financial income | 136 | 1,000,000 | 1,000,000 | 0 | 0 |
| IV. FINANCIAL COSTS (138 do 141) | 137 | 93,000,000 | 93,000,000 | 95,000,000 | 95,000,000 |
| 1. Interest, foreign exchange losses and other expenses from subsidiaries | 138 | 36,000,000 | 36,000,000 | 38,000,000 | 38,000,000 |
| 2. Interest, foreign exchange losses and other expenses from third parties | 139 | 22,000,000 | 22,000,000 | 32,000,000 | 32,000,000 |
| 3. Unrealized loss (expenses) on financial assets | 140 | | | | |
| 4. Other financial expenses | 141 | 35,000,000 | 35,000,000 | 25,000,000 | 25,000,000 |
| V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES | 142 | | | | 0 |
| VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTITIES | 143 | | | | |
| VII. EXTRAORDINARY - OTHER INCOME | 144 | | | | |
| VIII. EXTRAORDINARY - OTHER EXPENSES | 145 | | | | |
| IX. TOTAL INCOME (111+131+142 + 144) | 146 | 2,578,000,000 | 2,578,000,000 | 3,819,000,000 | 3,819,000,000 |
| X. TOTAL EXPENSES (114+137+143 + 145) | 147 | 2,636,000,000 | 2,636,000,000 | 3,620,000,000 | 3,620,000,000 |
| XI. PROFIT OR LOSS BEFORE TAX (146-147) | 148 | -58,000,000 | -58,000,000 | 199,000,000 | 199,000,000 |
| 1. Profit before tax (146-147) | 149 | 0 | 0 | 199,000,000 | 199,000,000 |
| 2. Loss before tax (147-146) | 150 | 58,000,000 | 58,000,000 | 0 | 0 |
| XII. CORPORATE INCOME TAX EXPENSE | 151 | -8,000,000 | -8,000,000 | 38,000,000 | 38,000,000 |
| XIII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | -50,000,000 | -50,000,000 | 161,000,000 | 161,000,000 |
| 1. Profit for the period (149-151) | 153 | 0 | 0 | 161,000,000 | 161,000,000 |
| 2. Loss for the period (151-148) | 154 | 50,000,000 | 50,000,000 | 0 | 0 |
| ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements) | | | | | |
| XIV. PROFIT OR LOSS FOR THE PERIOD | | | | | |
| 1. Attributable to equity holders of the parent company | 155 | | | | |
| 2. Attributable to non-controlling interests | 156 | | | | |
| STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS) | | | | | |
| I. PROFIT OR LOSS FOR THE PERIOD (= 152) | 157 | -50,000,000 | -50,000,000 | 161,000,000 | 161,000,000 |
| II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165) | 158 | -89,000,000 | -89,000,000 | -14,000,000 | -14,000,000 |
| 1. Exchange differences on translation of foreign operations | 159 | -88,000,000 | -88,000,000 | -53,000,000 | -53,000,000 |
| 2. Movements in revaluation reserves of long-term tangible and intangible assets | 160 | | | | |
| 3. Gains or loss from reevaluation of financial assets available for sale | 161 | | | 39,000,000 | 39,000,000 |
| 4. Gains or losses on efficient cash flow hedging | 162 | | | | |
| 5. Gains or losses on efficient hedge of a net investments in foreign countries | 163 | | | | |
| 6. Share in other comprehensive income/loss of associates companies | 164 | | | | |
| 7. Actuarial gain / losses on defined benefit plans | 165 | -1,000,000 | -1,000,000 | | |
| III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD | 166 | | | | |
| IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166) | 167 | -89,000,000 | -89,000,000 | -14,000,000 | -14,000,000 |
| V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167) | 168 | -139,000,000 | -139,000,000 | 147,000,000 | 147,000,000 |
| APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements) | | | | | |
| VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD | | | | | |
| 1. Attributable to equity holders of the parent company | 169 | | | | |
| 2. Attributable to non-controlling interests | 170 | | | | |

CASH FLOW STATEMENT - Indirect method
in the period 1 January 2017 to 31 March 2017

| Issuer: INA - Industrija nafte d.d. Zagreb | | | |
|---|------------|-----------------|----------------|
| Item | AOP | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| 1. Profit before tax | 001 | -58,000,000 | 199,000,000 |
| 2. Depreciation and amortisation | 002 | 370,000,000 | 425,000,000 |
| 3. Increase in short-term liabilities | 003 | | |
| 4. Decrease in short-term receivables | 004 | | |
| 5. Decrease in inventories | 005 | 95,000,000 | |
| 6. Other cash flow increases | 006 | 109,000,000 | 28,000,000 |
| I. Total increase of cash flow from operating activities (001 do 006) | 007 | 516,000,000 | 652,000,000 |
| 1. Decrease in short-term liabilities | 008 | 122,000,000 | 121,000,000 |
| 2. Increase in short-term receivables | 009 | 65,000,000 | 202,000,000 |
| 3. Increase in inventories | 010 | | 288,000,000 |
| 4. Other cash flow decreases | 011 | 318,000,000 | 112,000,000 |
| II. Total decrease of cash flow from operating activities (008 do 011) | 012 | 505,000,000 | 723,000,000 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012) | 013 | 11,000,000 | 0 |
| A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007) | 014 | 0 | 71,000,000 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | |
| 1. Cash inflows from sale of long-term tangible and intangible assets | 015 | 13,000,000 | 1,000,000 |
| 2. Cash inflows from sale of equity and debt instruments | 016 | | |
| 3. Interest receipts | 017 | 9,000,000 | 12,000,000 |
| 4. Dividends receipts | 018 | | |
| 5. Other cash inflows from investment activities | 019 | | |
| III. Total cash inflows from investment activities (015 do 019) | 020 | 22,000,000 | 13,000,000 |
| 1. Cash outflows for purchase of long-term tangible and intangible assets | 021 | 338,000,000 | 199,000,000 |
| 2. Cash outflows for purchase of equity and debt financial instruments | 022 | | |
| 3. Other cash outflows from investment activities | 023 | 56,000,000 | 122,000,000 |
| IV. Total cash outflows from investment activities (021 do 023) | 024 | 394,000,000 | 321,000,000 |
| B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES | 025 | 0 | 0 |
| B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES | 026 | 372,000,000 | 308,000,000 |
| CASH FLOW FROM FINANCIAL ACTIVITIES | | | |
| 1. Cash receipts from issuance from equity and debt financial instruments | 027 | | |
| 2. Cash inflows from loans, debentures, credits and other borrowings | 028 | 2,926,000,000 | 2,256,000,000 |
| 3. Other cash inflows from financial activities | 029 | | 38,000,000 |
| V. Total cash inflows from financial activities (027 do 029) | 030 | 2,926,000,000 | 2,294,000,000 |
| 1. Cash outflows for repayment of loans and bonds | 031 | 2,677,000,000 | 2,266,000,000 |
| 2. Dividends paid | 032 | | |
| 3. Cash outflows for finance lease | 033 | | |
| 4. Cash outflows for purchase of own stocks | 034 | | |
| 5. Other cash outflows from financial activities | 035 | 13,000,000 | 38,000,000 |
| VI. Total cash outflows from financial activities (031 do 035) | 036 | 2,690,000,000 | 2,304,000,000 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES | 037 | 236,000,000 | 0 |
| C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES | 038 | 0 | 10,000,000 |
| Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038) | 039 | 0 | 0 |
| Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037) | 040 | 125,000,000 | 389,000,000 |
| Cash and cash equivalents at the beginning of the period | 041 | 195,000,000 | 500,000,000 |
| Increase of cash and cash equivalents | 042 | | 0 |
| Decrease of cash and cash equivalents | 043 | 125,000,000 | 389,000,000 |
| Cash and cash equivalents at the end of the period | 044 | 70,000,000 | 111,000,000 |

STATEMENT OF CHANGES IN EQUITY

for the period 1.1.2017 to 31.3.2017

| Item | AOP | Previous period | Current period |
|--|------------|-----------------|----------------|
| 1 | 2 | 3 | 4 |
| 1. Share capital | 001 | 9,000,000,000 | 9,000,000,000 |
| 2. Capital reserves | 002 | | |
| 3. Reserves from profit | 003 | 1,184,000,000 | 1,235,000,000 |
| 4. Retained earnings or accumulated loss | 004 | 20,000,000 | 180,000,000 |
| 5. Profit / loss for the current year | 005 | -50,000,000 | 161,000,000 |
| 6. Revaluation of long-term tangible assets | 006 | | |
| 7. Revaluation of intangible assets | 007 | | |
| 8. Revaluation of financial assets available for sale | 008 | 216,000,000 | 338,000,000 |
| 9. Other revaluation | 009 | | |
| 10. Total capital and reserves (AOP 001 do 009) | 010 | 10,370,000,000 | 10,914,000,000 |
| 11. Currency gains and losses arising from net investments in foreign operations | 011 | -88,000,000 | -53,000,000 |
| 12. Current and deferred taxes (part) | 012 | | |
| 13. Cash flow hedging | 013 | | |
| 14. Changes in accounting policies | 014 | | |
| 15. Correction of significant mistakes in prior period | 015 | | |
| 16. Other changes in capital | 016 | -51,000,000 | 200,000,000 |
| 17. Total increase or decrease in capital (AOP 011 do 016) | 017 | -139,000,000 | 147,000,000 |
| 17 a. Attributable to equity holders of the parent company's capital | 018 | | |
| 17 b. Attributable to non-controlling interests | 019 | | |

Items that decrease equity have negative sign
 Items from 001 to 009 are state of balance sheet date

Notes with financial statements

Notes to Financial Statements provide additional and supplementary information which are not presented in the statement of financial position, statement of profit and loss, cash flow statement and statement of changes in equity in accordance with the regulations of the relevant international financial reporting standards.

INA, d.d. financial results (IFRS)

| 2016 | HRK mln | Q1 2016 | Q1 2017 | % |
|---------------------------|---|--------------|------------|-------------|
| 14,642 | Net sales revenues | 2,393 | 3,647 | 52 |
| 2,269 | EBITDA ⁽¹⁾ | 139 | 563 | 305 |
| 2,522 | EBITDA excl. special items ⁽²⁾ | 299 | 563 | 88 |
| 907 | Operating profit/(loss) | (107) | 171 | n.a. |
| 939 | Operating profit/(loss) excl. special items ⁽²⁾ | (107) | 171 | n.a. |
| (405) | Net financial expenses | 49 | 28 | (43) |
| 160 | Net profit/loss attributable to equity holder | (50) | 161 | n.a. |
| 192 | Net profit/(loss) excl. special items ⁽²⁾ | (50) | 161 | n.a. |
| 2,085 | Operating cash flow | 11 | (71) | n.a. |
| Earnings per share | | | | |
| 16.0 | Basic and diluted earnings/(loss) per share (kunas per share) | (5.0) | 16.1 | n.a. |
| 2,393 | Net debt | 3,151 | 2,698 | (14) |
| 18.18 | Net gearing | 23.30 | 19.82 | |
| 1,309 | CAPEX | 327 | 203 | (38) |
| 2016 | USD mln ⁽³⁾ | Q1 2016 | Q1 2017 | % |
| 2,152 | Net sales revenues | 346 | 520 | 50 |
| 333 | EBITDA ⁽¹⁾ | 20 | 80 | 299 |
| 371 | EBITDA excl. special items ⁽²⁾ | 43 | 80 | 86 |
| 133 | Operating profit/(loss) | (15) | 24 | n.a. |
| 138 | Operating profit/(loss) excl. special items ⁽²⁾ | (15) | 24 | n.a. |
| (60) | Net financial expenses | 7 | 4 | (44) |
| 24 | Net profit/loss attributable to equity holder | (7) | 23 | n.a. |
| 28 | Net profit/(loss) excl. special items ⁽²⁾ | (7) | 23 | n.a. |
| 306 | Operating cash flow | 2 | (10) | n.a. |
| Earnings per share | | | | |
| 2.4 | Basic and diluted earnings/(loss) per share (USD per share) | (0.7) | 2.3 | n.a. |
| 335 | Net debt | 474 | 389 | (18) |
| 192 | CAPEX | 47 | 29 | (39) |

⁽¹⁾ EBITDA = EBIT + Depreciation + Impairment + Provisions

⁽²⁾ No significant one-off items in Q1 2017, while Q1 2016 EBITDA was negatively influenced by HRK 160 million special items related to severance payments

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for 2016 – 6.8037 HRK/USD; Q1 2016 – 6.9116 HRK/USD; Q1 2017 – 7.0148 HRK/USD; as at Dec 31, 2016 – 7.1685 HRK/USD; as at Mar 31, 2016 – 6.6481 HRK/USD; as at Mar 31, 2017 – 6.9278 HRK/USD

Q1 2017 RESULTS

INA d.d. achieved strong results in Q1 2017, with EBITDA reaching HRK 563 million, a significant increase compared to the same period last year. The external environment, mainly in the form of recovering Brent prices, was the main driver behind the positive change in earnings together with constant efficiency efforts and continuous adjustments to operations given the market dynamics. Consequently, Exploration & Production remained the main cash generator in Q1 2017 with improving performance despite a hydrocarbon production decrease of 3%. Furthermore, Refining & Marketing incl. Retail also realised a significant improvement and positive result on the back of inventory gains, higher processing level and retail network expansion activities. Nevertheless, the increase in sales volumes on captive markets is a reflection of an overall macroeconomic improvement. Finally, a stable increase in non-fuel revenues contributed to the growth in the segment's profitability.

CAPEX amounted to HRK 203 million, a decrease of 38% compared to Q1 2016. The more intensive investment campaign is expected in the second half of 2017. Revenue growth supported the stable financial position of the Company, with Net gearing increasing slightly compared to end of 2016, to 19.8%, while net debt reached HRK 2,698 million, a 13% increase compared to 2016 closing.

Income statement

Total sales revenues in Q1 2017 amounted HRK 3,647 million, 52% higher compared to Q1 2016 level, primarily triggered by the improved price environment, higher processing level and retail network expansion activities.

Costs of raw materials and consumables were 205% higher and amounted to HRK 1,707 million, resulting mainly from higher prices.

Costs of goods sold recorded decrease of 8%, and amounted HRK 784 million, resulting from different sales structure.

Within the **other operating costs** realized in Q1 2017:

- Other material costs amounted to HRK 447 million, which is 8% higher compared to the same period last year resulting from higher Brent impacting E&P royalty, production cost and transportation costs.
- Service costs in the amount of HRK 182 million recorded an increase of 22% mainly due to higher cost of operating service stations.
- Depreciation was 15% higher compared to Q1 2016 and amounted to HRK 425 million.
- Adjustments and provisions had a positive effect of HRK 33 million and were lower by HRK 167 million compared to Q1 2016 resulting from released employee related provisions connected with establishment of INA Maloprodajni servisi and released litigation provisions in Holdina, partially offset by receivables value adjustments.

Staff costs in the amount HRK 208 million were 52% lower than Q1 2016.

Net financial profit in the amount of HRK 28 million was recorded in Q1 2017, compared HRK 49 million of net financial profit in Q1 2016.

Balance sheet

Total assets of INA, d.d., as at 31 March 2017 amounted to HRK 19,640 million and was 2% lower than 31 December 2016.

Property, plant and equipment amounted to HRK 10,896 million and were lower 3% than at as 31 December 2016.

Trade receivables outside of INA-Group amounted to HRK 1,445 million and were 10% higher compared to 31 December 2016.

Total liabilities amounted to HRK 8,726 million and were 7% lower compared to 31 December 2016.

Net indebtedness of INA, d.d., amounted to HRK 2,698 million as at 31 March 2017 which is 13% higher compared to 31 December 2016. **Gearing ratio**¹ increased from 18.2% as at 31 December 2016 to 18.8% as at 31 March 2017.

As at 31 March 2017 **trade payables** outside of INA-Group amounted HRK 1,187 million, which is an decrease 21% compared to the 31 December 2016.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 540 million in Q1 2017, which is an increase of 424% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 611 million, primarily due to:

- Increased value of inventories by HRK 288 million
- Increase in receivables by HRK 202 million,
- Payables decrease by HRK 121 million.

In Q1 2017, no taxes were paid, while in Q1 2016, taxes paid influenced the operating cash flow in the amount of HRK 4 million. All the above factors resulted in HRK 71 million net outflows from operating activities generated by INA d.d. in Q1 2017.

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

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Income Statement
For the period ended 31 March 2017
(HRK millions)

| 2016 | | Q1 2016 | Q1 2017 | % |
|-----------------|--|----------------|----------------|-------------|
| 14,642 | Total sales revenue | 2,393 | 3,647 | 52 |
| 6 | Capitalised value of own performance | 2 | 2 | 0 |
| 296 | Other operating income | 41 | 47 | 15 |
| 14,944 | Total operating income | 2,436 | 3,696 | 52 |
| 256 | Changes in inventories of finished products and work in progress | 116 | 195 | 68 |
| (7,230) | Cost of raw materials and consumables | (560) | (1,707) | 205 |
| (1,600) | Depreciation and amortization | (370) | (425) | 15 |
| (1,833) | Other material costs | (415) | (447) | 8 |
| (804) | Service costs | (149) | (182) | 22 |
| (1,175) | Staff costs | (433) | (208) | (52) |
| (1,889) | Cost of other goods sold | (856) | (784) | (8) |
| (108) | Impairment and charges (net) | (85) | (10) | (88) |
| 346 | Provisions for charges and risks (net) | 209 | 43 | (79) |
| (14,037) | Operating expenses | (2,543) | (3,525) | 39 |
| 907 | Profit/(loss) from operations | (107) | 171 | n.a. |
| | Share in the profit of associated companies | | | |
| 155 | Finance income | 142 | 123 | (13) |
| (560) | Finance costs | (93) | (95) | 2 |
| (405) | Net loss from financial activities | 49 | 28 | (43) |
| 502 | Profit/(loss) before tax | (58) | 199 | n.a. |
| (342) | Income tax expense | 8 | (38) | n.a. |
| 160 | Profit/(loss) for the year | (50) | 161 | n.a. |
| | Attributable to | | | |
| 160 | Owners of the Company | (50) | 161 | n.a. |
| - | Non-controlling interests | - | - | n.a. |
| 160 | | (50) | 161 | n.a. |
| | Earnings per share | | | |
| 16.0 | Basic and diluted earnings per share (kunas per share) | (5.0) | 16.1 | n.a. |

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 31 March 2017
(HRK millions)

| | 31 December 2016 | 31 March 2017 | % |
|--|------------------|---------------|------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 380 | 381 | 0 |
| Property, plant and equipment | 11,169 | 10,896 | (2) |
| Investments in subsidiaries | 805 | 669 | (17) |
| Investments in associates and joint ventures | 22 | 22 | 0 |
| Other investments | 809 | 795 | (2) |
| Long-term receivables | 137 | 131 | (4) |
| Deferred tax | 1,684 | 1,637 | (3) |
| Available for sale assets | 676 | 724 | 7 |
| Total non-current assets | 15,682 | 15,255 | (3) |
| Current assets | | | |
| Inventories | 1,802 | 2,049 | 14 |
| Trade receivables net | 1,315 | 1,445 | 10 |
| Intercompany receivables | 258 | 251 | (3) |
| Other receivables | 153 | 80 | (48) |
| Corporative Income tax receivables | 1 | 1 | 0 |
| Other current assets | 434 | 448 | 3 |
| Cash and cash equivalents | 500 | 111 | (78) |
| Total current assets | 4,463 | 4,385 | (2) |
| Total assets | 20,145 | 19,640 | (3) |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 9,000 | 9,000 | 0 |
| Legal reserves | 20 | 20 | 0 |
| Revaluation reserve | 299 | 338 | 13 |
| Other reserves | 1,288 | 1,235 | (4) |
| Retained earnings / (Deficit) | 160 | 321 | 101 |
| Total equity | 10,767 | 10,914 | 1 |
| Non-current liabilities | | | |
| Long-term loans | 271 | 197 | (27) |
| Other non-current liabilities | 60 | 57 | (5) |
| Employee benefits obligation | 46 | 46 | 0 |
| Provisions | 3,314 | 3,259 | (2) |
| Total non-current liabilities | 3,691 | 3,559 | (4) |
| Current liabilities | | | |
| Bank loans and overdrafts | 2,487 | 2,481 | (0) |
| Current portion of long-term loans | 135 | 131 | (3) |
| Intercompany payables | 560 | 390 | (30) |
| Trade payables | 1,498 | 1,187 | (21) |
| Taxes and contributions | 552 | 466 | (16) |
| Other current liabilities | 336 | 391 | 16 |
| Employee benefits obligation | 2 | 2 | 0 |
| Provisions | 117 | 119 | 2 |
| Total current liabilities | 5,687 | 5,167 | (9) |
| Total liabilities | 9,378 | 8,726 | (7) |
| Total equity and liabilities | 20,145 | 19,640 | (3) |

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 31 March 2017
(HRK millions)

| 2016 | Q1 2016 | Q1 2017 | % |
|---|--------------|--------------|-------------|
| 160 Profit/(loss) for the year | (50) | 161 | n.a. |
| Adjustments for: | | | |
| 1,600 Depreciation and amortisation | 370 | 425 | 15 |
| 342 Income tax (benefit)/expenses recognized in (loss)/profit | (8) | 38 | n.a. |
| 108 Impairment charges (net) | 85 | 10 | (88) |
| (21) Gain on sale of property, plant and equipment | (13) | - | n.a. |
| (135) Gain on sale investments and shares | - | - | n.a. |
| 23 Foreign exchange loss/(gain) | (88) | (44) | (50) |
| (11) Interest income, net | (4) | 10 | n.a. |
| 342 Other financial expense recognised in profit | 1 | - | n.a. |
| (366) (Decrease)/increase in provisions | (209) | (43) | (79) |
| 51 Decommissioning interests | 14 | 6 | (57) |
| 44 Net gain/loss on derivative financial instruments and hedge transactions | 9 | (25) | n.a. |
| 28 Net gain/loss on emission quotas | - | - | n.a. |
| (1) Other non-cash items | (4) | 2 | n.a. |
| 2,164 Operating cash flow before working capital changes | 103 | 540 | 424 |
| Movements in working capital | | | |
| (227) (Increase)/decrease in inventories | 95 | (288) | n.a. |
| (256) (Increase)/decrease in receivables and prepayments | (65) | (202) | 211 |
| 441 (Decrease)/increase in trade and other payables | (118) | (121) | 3 |
| 2,122 Cash generated from operations | 15 | (71) | n.a. |
| (37) Taxes paid | (4) | - | n.a. |
| 2,085 Net cash inflow from operating activities | 11 | (71) | n.a. |
| Cash flows used in investing activities | | | |
| (1,260) Capital expenditures, exploration and development costs | (316) | (187) | (41) |
| (62) Payment for intangible assets | (22) | (12) | (45) |
| 37 Proceeds from sale of non-current assets | - | - | n.a. |
| 1 Payments related to sale of subsidiary | 13 | 1 | (92) |
| Dividends received from companies classified under available for sale and other companies | - | - | n.a. |
| 15 Proceeds from profit of companies | - | - | n.a. |
| 8 Interest received and other financial income | 9 | 12 | 33 |
| (260) Investments and loans to third parties | (56) | (122) | 118 |
| (1,505) Net cash (outflow) used for investing activities | (372) | (308) | (17) |
| Cash flows from financing activities | | | |
| 1,192 Additional long-term borrowings | 816 | - | n.a. |
| (1,309) Repayment of long-term borrowings | (99) | (67) | (32) |
| 10,538 Additional short-term borrowings | 2,110 | 2,256 | 7 |
| (10,557) Repayment of short term borrowings | (2,578) | (2,199) | (15) |
| (12) Interest paid on long-term loans | (3) | (3) | 0 |
| - Other long-term liabilities | (3) | 38 | n.a. |
| (120) Interest paid on short term loans and other financing charges | (7) | (26) | 271 |
| (268) Net cash from financing activities | 236 | (1) | n.a. |
| 312 Net (decrease)/increase in cash and cash equivalents | (125) | (380) | 204 |
| 195 At 1 January | 195 | 500 | 156 |
| (7) Effect of foreign exchange rate changes | - | (9) | n.a. |
| 500 At the end of period | 70 | 111 | 59 |

Management representation

INA Group's consolidated financial statements for Q1 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:

| | |
|-----------------------|------------------|
| Zoltán Áldott | President |
| Niko Dalić | Member |
| Gábor Horváth | Member |
| Ivan Krešić | Member |
| Davor Mayer | Member |
| Péter Ratatics | Member |