

ENCLOSURE 1

Reporting period:

1 January 2017

to

30 June 2017

Quartely Financial Report TFI-POD

Tax number (MB): 03586243

Registration number (MBS): 08000604

Personal identification number (OIB): 27759560625

Issuer: INA - Industrija nafte d.d

Postal code and location: 10 000

ZAGREB

Street and number: Avenija Većeslava Holjevca 10

E-mail: investitori@ina.hrInternet address: www.ina.hr

Code and city / municipality: 133 ZAGREB

Code and county: 21 GRAD ZAGREB

Number of employees: 4.318
(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)

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(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 30 June 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	14.863.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	399.000.000	376.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	157.000.000	147.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	20.000.000	12.000.000
5. Intangible assets in preparation	008	222.000.000	217.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	11.207.000.000	10.719.000.000
1. Land	011	1.005.000.000	1.002.000.000
2. Buildings	012	5.245.000.000	4.888.000.000
3. Plant and equipment	013	2.607.000.000	2.362.000.000
4. Instruments, plant inventories and transportation assets	014	240.000.000	222.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	37.000.000	15.000.000
7. Tangible assets in preparation	017	2.066.000.000	2.223.000.000
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	2.151.000.000
1. Investments in subsidiaries	021	805.000.000	669.000.000
2. Loans given to related parties	022	795.000.000	724.000.000
3. Participating interests (shares)	023	27.000.000	27.000.000
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	109.000.000
1. Receivables from subsidiaries	030	11.000.000	11.000.000
2. Receivables based on trade loans	031	71.000.000	98.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.684.000.000	1.508.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	4.429.000.000	4.362.000.000
I. INVENTORIES (036 do 042)	035	1.802.000.000	2.207.000.000
1. Raw materials & consumables	036	608.000.000	724.000.000
2. Work in progress	037	564.000.000	798.000.000
3. Finished goods	038	563.000.000	590.000.000
4. Merchandise	039	67.000.000	95.000.000
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	1.458.000.000
1. Receivables from subsidiaries	044	258.000.000	180.000.000
2. Trade receivables	045	1.315.000.000	1.125.000.000
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	56.000.000
6. Other receivables	049	59.000.000	94.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	400.000.000	425.000.000
1. Investments in subsidiaries	051	0	
2. Loans given to related parties	052	330.000.000	354.000.000
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in which the entity holds participating interests	054		
5. Investments in securities	055		
6. Loans, deposits and similar assets	056	14.000.000	2.000.000
7. Other financial assets	057	56.000.000	69.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	500.000.000	272.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	34.000.000	75.000.000
E) TOTAL ASSETS (001+002+034+059)	060	20.145.000.000	19.300.000.000
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	11.267.000.000
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	1.170.000.000
1. Legal reserves	066	20.000.000	28.000.000
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	1.142.000.000
IV. REVALUATION RESERVES	071	299.000.000	338.000.000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	0	0
1. Retained earnings	073		
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	075	160.000.000	759.000.000
1. Profit for the financial year	076	160.000.000	759.000.000
2. Loss for the financial year	077		
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.479.000.000	3.120.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	64.000.000	57.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.415.000.000	3.063.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	331.000.000	242.000.000
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	187.000.000
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	55.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	5.463.000.000	4.629.000.000
1. Liabilities to subsidiaries	094	560.000.000	381.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	2.622.000.000	1.939.000.000
4. Liabilities for received advances	097	36.000.000	215.000.000
5. Trade payables	098	1.498.000.000	1.341.000.000
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	45.000.000
9. Liabilities for taxes, contributions and similar fees	102	552.000.000	587.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	142.000.000	121.000.000
E) ACCRUAL AND DEFERRED INCOME	106	105.000.000	42.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	20.145.000.000	19.300.000.000
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 30 June 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	111	5.965.000.000	3.529.000.000	8.105.000.000	4.409.000.000
1. Sales revenue	112	5.864.000.000	3.471.000.000	7.961.000.000	4.314.000.000
2. Other operating income	113	101.000.000	58.000.000	144.000.000	95.000.000
II. OPERATING EXPENSES	114	5.909.000.000	3.366.000.000	7.263.000.000	3.738.000.000
1. Changes in inventories of	115	-327.000.000	-211.000.000	-274.000.000	-79.000.000
2. Material costs (117 do 119)	116	4.651.000.000	2.820.000.000	6.305.000.000	3.367.000.000
a) Cost of raw materials &	117	2.592.000.000	2.032.000.000	4.096.000.000	2.389.000.000
b) Cost of goods sold	118	1.187.000.000	331.000.000	1.337.000.000	553.000.000
c) Other costs	119	872.000.000	457.000.000	872.000.000	425.000.000
3. Staff costs (121 do 123)	120	563.000.000	258.000.000	432.000.000	248.000.000
a) Net salaries and wages	121	309.000.000	141.000.000	250.000.000	140.000.000
b) Costs for taxes and	122	171.000.000	79.000.000	118.000.000	71.000.000
c) Contributions on gross	123	83.000.000	38.000.000	64.000.000	37.000.000
4. Depreciation and	124	776.000.000	406.000.000	844.000.000	419.000.000
5. Other costs	125	532.000.000	265.000.000	340.000.000	134.000.000
6. Impairment charges	126	62.000.000	-23.000.000	-76.000.000	-86.000.000
a) impairment of long-term	127	18.000.000	16.000.000	3.000.000	1.000.000
b) impairment of short-term	128	44.000.000	-39.000.000	-79.000.000	-87.000.000
7. Provisions	129	-348.000.000	-149.000.000	-308.000.000	-265.000.000
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 do	131	150.000.000	8.000.000	315.000.000	192.000.000
1. Interest income, foreign	132	27.000.000	20.000.000	56.000.000	36.000.000
exchange gains, dividends and					
2. Interest income, foreign	133	121.000.000	-13.000.000	258.000.000	155.000.000
exchange gains, dividends and					
other financial	134				0
3. Part of income from	135				0
4. Unrealized gains (income)	136	2.000.000	1.000.000	1.000.000	1.000.000
5. Other financial income	137	173.000.000	80.000.000	230.000.000	135.000.000
IV. FINANCIAL COSTS (138 do	138	22.000.000	-14.000.000	129.000.000	91.000.000
1. Interest, foreign exchange	139	51.000.000	29.000.000	59.000.000	27.000.000
losses and other expenses	140				0
2. Interest, foreign exchange	141	100.000.000	65.000.000	42.000.000	17.000.000
losses and other expenses	142				0
3. Unrealized loss (expenses)	143				
4. Other financial expenses	144				
V. INCOME FROM	145				
VI. LOSS FROM INVESTMENT -	146				
VII. EXTRAORDINARY - OTHER	147				
VIII. EXTRAORDINARY - OTHER	148				
IX. TOTAL INCOME	149	6.115.000.000	3.537.000.000	8.420.000.000	4.601.000.000
X. TOTAL EXPENSES	150	6.082.000.000	3.446.000.000	7.493.000.000	3.873.000.000
XI. PROFIT OR LOSS BEFORE	151	33.000.000	91.000.000	927.000.000	728.000.000
1. Profit before tax (146-147)	152	33.000.000	91.000.000	927.000.000	728.000.000
2. Loss before tax (147-146)	153	0	0	0	0
XII. CORPORATE INCOME TAX	154	40.000.000	48.000.000	168.000.000	130.000.000
XIII. PROFIT OR LOSS FOR THE	155	-7.000.000	43.000.000	759.000.000	598.000.000
1. Profit for the period (149-	156	0	43.000.000	759.000.000	598.000.000
151)	157	7.000.000	0	0	0
2. Loss for the period (151-	158				
148)	159				
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial					
XIV. PROFIT OR LOSS FOR					
1. Attributable to equity	160				
2. Attributable to non-	161				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE	162	-7.000.000	43.000.000	759.000.000	598.000.000
II. OTHER COMPREHENSIVE	163	-46.000.000	43.000.000	-107.000.000	-93.000.000
1. Exchange differences on	164	-56.000.000	32.000.000	-146.000.000	-93.000.000
2. Movements in revaluation	165				0
reserves of long-term tangible	166				0
and intangible assets	167	9.000.000	9.000.000	39.000.000	0
3. Gains or loss from	168				
reevaluation of financial assets	169				
4. Gains or losses on	170				
efficient cash flow hedging	171				
5. Gains or losses on	172				
efficient hedge of a net	173				
6. Share in other	174				
comprehensive income/loss of	175				
7. Actuarial gain / losses on	176	1.000.000	2.000.000	0	0
defined benefit plans	177				
III. TAX ON OTHER	178				
IV. NET OTHER	179	-46.000.000	43.000.000	-107.000.000	-93.000.000
V. TOTAL COMPREHENSIVE	180	-53.000.000	86.000.000	652.000.000	505.000.000
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD					
1. Attributable to equity	181				
2. Attributable to non-	182				
controlling interests	183				

CASH FLOW STATEMENT - Indirect method
in the period 1 January 2017 to 30 June 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	33.000.000	927.000.000
2. Depreciation and amortisation	002	776.000.000	844.000.000
3. Increase in short-term liabilities	003	366.000.000	358.000.000
4. Decrease in short-term receivables	004		42.000.000
5. Decrease in inventories	005		
6. Other cash flow increases	006	139.000.000	63.000.000
i. Total increase of cash flow from operating activities (001 do 006)	007	1.314.000.000	2.234.000.000
1. Decrease in short-term liabilities	008		
2. Increase in short-term receivables	009	135.000.000	
3. Increase in inventories	010	295.000.000	442.000.000
4. Other cash flow decreases	011	454.000.000	617.000.000
ii. Total decrease of cash flow from operating activities (008 do 011)	012	884.000.000	1.059.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	430.000.000	1.175.000.000
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash inflows from sale of long-term tangible and intangible assets	015		11.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	24.000.000	51.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	16.000.000	1.000.000
III. Total cash inflows from investment activities (015 do 019)	020	40.000.000	63.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	678.000.000	476.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	189.000.000	195.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	867.000.000	671.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	827.000.000	608.000.000
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	5.614.000.000	4.532.000.000
3. Other cash inflows from financial activities	029		38.000.000
V. Total cash inflows from financial activities (027 do 029)	030	5.614.000.000	4.570.000.000
1. Cash outflows for repayment of loans and bonds	031	5.239.000.000	5.140.000.000
2. Dividends paid	032		152.000.000
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financial activities	035	22.000.000	73.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	5.261.000.000	5.365.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	353.000.000	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	0	795.000.000
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	44.000.000	228.000.000
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	44.000.000	228.000.000
Cash and cash equivalents at the end of the period	044	151.000.000	272.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 1/1/2017 to 6/30/2017

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	20.000.000	28.000.000
4. Retained earnings or accumulated loss	004		
5. Profit / loss for the current year	005	-7.000.000	759.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	225.000.000	338.000.000
9. Other revaluation	009	1.218.000.000	1.142.000.000
10. Total capital and reserves (AOP 001 do 009)	010	10.456.000.000	11.267.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	-56.000.000	-146.000.000
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	3.000.000	646.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	-53.000.000	500.000.000
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)

Q2 2016	Q2 2017	%	HRK mln	H1 2016	H1 2017	%
3,471	4,314	24	Net sales revenues	5,864	7,961	36
407	739	82	EBITDA ⁽¹⁾	546	1,302	138
473	721	52	EBITDA excl. special items ⁽²⁾	772	1,284	66
163	671	312	Operating profit/(loss)	56	842	1,404
163	418	156	Operating profit/(loss) excl. special items ⁽²⁾	56	589	951
(72)	57	n.a.	Net financial expenses	(23)	85	n.a.
43	598	1,291	Net profit/loss attributable to equity holder	(7)	759	n.a.
43	345	702	Net profit/(loss) excl. special items ⁽²⁾	(7)	506	n.a.
419	1,246	197	Operating cash flow	430	1,175	173
Earnings per share						
4.3	59.8	1,291	Basic and diluted earnings/(loss) per share (kunas per share)	(0.7)	75.9	n.a.
3,260	1,854	(43)	Net debt	3,260	1,854	(43)
23.77	14.13		Net gearing	23.77	14.13	
365	303	(17)	CAPEX	692	506	(27)
Q2 2016	Q2 2017	%	USD mln ⁽³⁾	H1 2016	H1 2017	%
523	638	22	Net sales revenues	866	1,156	33
61	109	78	EBITDA ⁽¹⁾	81	189	134
71	107	50	EBITDA excl. special items ⁽²⁾	114	186	64
25	99	304	Operating profit/(loss)	8	122	1,378
25	62	152	Operating profit/(loss) excl. special items ⁽²⁾	8	85	934
(11)	8	n.a.	Net financial expenses	(3)	12	n.a.
6	88	1,266	Net profit/loss attributable to equity holder	(1)	110	n.a.
6	51	688	Net profit/(loss) excl. special items ⁽²⁾	(1)	73	n.a.
63	184	192	Operating cash flow	63	171	169
Earnings per share						
0.6	8.8	1,266	Basic and diluted earnings/(loss) per share (USD per share)	(0.1)	11.0	n.a.
480	286	(40)	Net debt	480	286	(40)
55	45	(18)	CAPEX	102	73	(28)

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

⁽²⁾ In H1 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

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q2 2016 – 6.6386 HRK/USD; Q2 2017 – 6.7576 HRK/USD; H1 2016 – 6.7740 HRK/USD; H1 2017 – 6.8893 HRK/USD; as at Dec 31, 2016 – 7.1685 HRK/USD; as at Jun 30, 2016 – 6.7915 HRK/USD; as at Jun 30, 2017 – 6.4902 HRK/USD

H1 2017 RESULTS

INA d.d. achieved strong results in H1 2017, with EBITDA reaching HRK 1,302 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 H1 2017 with improving performance despite a hydrocarbon production decrease of 4%. Furthermore, Refining & Marketing incl. Retail benefited from a period of favourable crack spreads, which alongside higher processing levels and strong Retail performance resulted in positive EBITDA of HRK 122 mn. Retail sales in both the fuel and non-fuel segments showed a record increase. The continued period of favourable environment will be used for further efficiency measures in order to eliminate cash losses of the segment.

CAPEX amounted to HRK 506 million, a decrease of 27% compared to H1 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 decreasing compared to end of 2016, to 14.1%, while net debt reached HRK 1,854 million, a 23% decrease compared to 2016 closing.

Income statement

Total sales revenues in H1 2017 amounted HRK 7,961 million, 36% higher compared to H1 2016 level, primarily triggered by the improved price environment, higher processing level and retail network expansion activities.

Costs of raw materials and consumables were 58% higher and amounted to HRK 4,096 million, resulting mainly from higher prices and higher processing in both refineries.

Costs of goods sold recorded an increase of 13%, and amounted HRK 1,337 million, resulting from different sales structure.

Within the **other operating costs** realized in H1 2017:

- Other material costs amounted to HRK 872 million, reaching the level of the same period last year.
- Service costs in the amount of HRK 357 million recorded a decrease of 11% mainly due absence of additional profit oil tax in Angola paid in H1 2016.
- Depreciation was 9% higher compared to H1 2016 and amounted to HRK 844 million.
- Adjustments and provisions had a positive effect of HRK 384 million and were higher by HRK 98 million compared to H1 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.

Staff costs in the amount HRK 415 million were 40% lower than H1 2016, mainly due to lower severance payments.

Net financial profit in the amount of HRK 85 million was recorded in H1 2017, compared HRK 23 million of net financial loss in H1 2016.

Balance sheet

Total assets of INA, d.d., as at 30 June 2017 amounted to HRK 19,300 million and was 4% lower than 31 December 2016.

Property, plant and equipment amounted to HRK 10,704 million and were lower 4% than at as 31 December 2016.

Trade receivables outside of INA-Group amounted to HRK 1,125 million and were 14% lower compared to 31 December 2016.

Total liabilities amounted to HRK 8,033 million and were 14% lower compared to 31 December 2016.

Net indebtedness of INA, d.d., amounted to HRK 1,854 million as at 30 June 2017 which is 23% lower compared to 31 December 2016. **Gearing ratio**¹ decreased from 18.2% as at 31 December 2016 to 14.1% as at 30 June 2017.

As at 30 June 2017 **trade payables** outside of INA-Group amounted HRK 1,341 million, which is a decrease 10% compared to the 31 December 2016.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 1,217 million in H1 2017, which is an increase of 170% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 36 million, primarily due to:

- Increased value of inventories by HRK 442 million
- Decrease in receivables by HRK 42 million,
- Payables increase by HRK 364 million.

In H1 2017, taxes paid influenced the operating cash flow in the amount of HRK 6 million, while in H1 2016 taxes paid influenced the operating cash flow in the amount of HRK 7 million. All the above factors resulted in HRK 1,175 million net outflows from operating activities generated by INA d.d. in H1 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 30 June 2017
(HRK millions)

Q2 2016	Q2 2017	%		H1 2016	H1 2017	%
3,471	4,314	24	Total sales revenue	5,864	7,961	36
2	2	0	Capitalised value of own performance	4	4	0
56	93	66	Other operating income	97	140	44
3,529	4,409	25	Total operating income	5,965	8,105	36
211	79	(63)	Changes in inventories of finished products and work in progress	327	274	(16)
(2,032)	(2,389)	18	Cost of raw materials and consumables	(2,592)	(4,096)	58
(406)	(419)	3	Depreciation and amortization	(776)	(844)	9
(457)	(425)	(7)	Other material costs	(872)	(872)	(0)
(253)	(175)	(31)	Service costs	(402)	(357)	(11)
(260)	(207)	(20)	Staff costs	(693)	(415)	(40)
(331)	(553)	67	Cost of other goods sold	(1,187)	(1,337)	13
23	86	274	Impairment and charges (net)	(62)	76	n.a.
139	265	91	Provisions for charges and risks (net)	348	308	(11)
(3,366)	(3,738)	11	Operating expenses	(5,909)	(7,263)	23
163	671	312	Profit/(loss) from operations	56	842	1,404
			Share in the profit of associated companies			
8	192	2,300	Finance income	150	315	110
(80)	(135)	69	Finance costs	(173)	(230)	33
(72)	57	n.a.	Net profit/(loss) from financial activities	(23)	85	n.a.
91	728	700	Profit/(loss) before tax	33	927	2,709
(48)	(130)	171	Income tax expense	(40)	(168)	320
43	598	1,291	Profit/(loss) for the year	(7)	759	n.a.
			Attributable to			
43	598	1,291	Owners of the Company	(7)	759	n.a.
-	-	n.a.	Non-controlling interests	-	-	n.a.
43	598	1,291		(7)	759	n.a.
			Earnings per share			
4.3	59.8	1,291	Basic and diluted earnings per share (kunas per share)	(0.7)	75.9	n.a.

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 30 June 2017
(HRK millions)

	30 June 2016	30 June 2017	%
Assets			
Non-current assets			
Intangible assets	380	364	(4)
Property, plant and equipment	11,169	10,704	(4)
Investments in subsidiaries	805	669	(17)
Investments in associates and joint ventures	22	22	0
Other investments	809	736	(9)
Long-term receivables	137	136	(1)
Deferred tax	1,684	1,508	(10)
Available for sale assets	676	724	7
Total non-current assets	15,682	14,863	(5)
Current assets			
Inventories	1,802	2,207	22
Trade receivables net	1,315	1,125	(14)
Intercompany receivables	258	180	(30)
Other receivables	153	153	0
Corporative Income tax receivables	1	-	n.a.
Other current assets	434	500	15
Cash and cash equivalents	500	272	(46)
Total current assets	4,463	4,437	(1)
Total assets	20,145	19,300	(4)
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	20	28	40
Revaluation reserve	299	338	13
Other reserves	1,288	1,142	(11)
Retained earnings / (Deficit)	160	759	374
Total equity	10,767	11,267	5
Non-current liabilities			
Long-term loans	271	187	(31)
Other non-current liabilities	60	55	(8)
Employee benefits obligation	46	46	0
Provisions	3,314	2,947	(11)
Total non-current liabilities	3,691	3,235	(12)
Current liabilities			
Bank loans and overdrafts	2,487	1,814	(27)
Current portion of long-term loans	135	125	(7)
Intercompany payables	560	381	(32)
Trade payables	1,498	1,341	(10)
Taxes and contributions	552	587	6
Other current liabilities	336	424	26
Employee benefits obligation	2	2	0
Provisions	117	124	6
Total current liabilities	5,687	4,798	(16)
Total liabilities	9,378	8,033	(14)
Total equity and liabilities	20,145	19,300	(4)

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 30 June 2017
(HRK millions)

Q2 2016	Q2 2017	%		H1 2016	H1 2017	%
43	598	1,291	Profit/(loss) for the year	(7)	759	n.a.
		n.a.	Adjustments for:			n.a.
406	419	3	Depreciation and amortisation	776	844	9
48	130	171	Income tax (benefit)/expenses recognized in (loss)/profit	40	168	320
(23)	(86)	274	Impairment charges (net)	62	(76)	n.a.
15	(6)	n.a.	Gain on sale of property, plant and equipment	2	(6)	n.a.
-	-	n.a.	Gain on sale investments and shares	-	-	n.a.
29	(57)	n.a.	Foreign exchange loss/(gain)	(59)	(101)	71
(16)	37	n.a.	Interest income, net	(20)	47	n.a.
29	(43)	n.a.	Other financial expense recognised in profit	30	(43)	n.a.
(192)	(266)	39	(Decrease)/increase in provisions	(401)	(309)	(23)
15	6	(60)	Decommissioning interests	29	12	(59)
9	(57)	n.a.	Net gain/loss on derivative financial instruments and hedge transactions	18	(82)	n.a.
-	-	n.a.	Net gain/loss on emission quotas	-	-	n.a.
(15)	2	n.a.	Other non-cash items	(19)	4	n.a.
348	677	95	Operating cash flow before working capital changes	451	1,217	170
			Movements in working capital			
(390)	(154)	(61)	(Increase)/decrease in inventories	(295)	(442)	50
(70)	244	n.a.	(Increase)/decrease in receivables and prepayments	(135)	42	n.a.
534	485	(9)	(Decrease)/increase in trade and other payables	416	364	(13)
422	1,252	197	Cash generated from operations	437	1,181	170
(3)	(6)	100	Taxes paid	(7)	(6)	(14)
419	1,246	197	Net cash inflow from operating activities	430	1,175	173
			Cash flows used in investing activities			
(356)	(266)	(25)	Capital expenditures, exploration and development costs	(672)	(453)	(33)
17	(11)	n.a.	Payment for intangible assets	(5)	(23)	360
(2)	11	n.a.	Proceeds from sale of non-current assets	(2)	11	n.a.
(13)	(1)	(92)	Payments related to sale of subsidiary	-	-	n.a.
15	-	n.a.	Dividends received from companies classified under available for sale and other companies	15	-	n.a.
-	1	n.a.	Proceeds from profit of companies	-	1	n.a.
15	39	160	Interest received and other financial income	24	51	113
(131)	(73)	(44)	Investments and loans to third parties	(187)	(195)	4
(455)	(300)	(34)	Net cash (outflow) used for investing activities	(827)	(608)	(26)
			Cash flows from financing activities			
286	-	n.a.	Additional long-term borrowings	1,102	-	n.a.
(778)	-	n.a.	Repayment of long-term borrowings	(877)	(67)	(92)
2,402	2,276	(5)	Additional short-term borrowings	4,512	4,532	0
(1,784)	(2,874)	61	Repayment of short term borrowings	(4,362)	(5,073)	16
(3)	(2)	(33)	Interest paid on long-term loans	(6)	(5)	(17)
(1)	-	n.a.	Other long-term liabilities	(4)	38	n.a.
(6)	(8)	33	Interest paid on short term loans and other financing charges	(13)	(34)	162
116	(760)	n.a.	Net cash from financing activities	352	(761)	n.a.
80	186	133	Net (decrease)/increase in cash and cash equivalents	(45)	(194)	331
70	-	n.a.	At 1 January	195	500	156
1	(25)	n.a.	Effect of foreign exchange rate changes	1	(34)	n.a.
151	161	7	At the end of period	151	272	80

Management representation

INA Group's nonconsolidated financial statements for Q2 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