

ENCLOSURE 1

Reporting period:

1 January 2017

to

31 December 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: **4.292**
(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 December 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	14.847.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	399.000.000	429.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	157.000.000	166.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	20.000.000	21.000.000
5. Intangible assets in preparation	008	222.000.000	242.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	11.207.000.000	10.591.000.000
1. Land	011	1.005.000.000	1.010.000.000
2. Buildings	012	5.245.000.000	5.060.000.000
3. Plant and equipment	013	2.607.000.000	2.224.000.000
4. Instruments, plant inventories and transportation assets	014	240.000.000	215.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	37.000.000	13.000.000
7. Tangible assets in preparation	017	2.066.000.000	2.062.000.000
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	2.413.000.000
1. Investments in subsidiaries	021	805.000.000	1.079.000.000
2. Loans given to related parties	022	795.000.000	657.000.000
3. Participating interests (shares)	023	27.000.000	6.000.000
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	664.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	82.000.000	71.000.000
1. Receivables from subsidiaries	030	11.000.000	11.000.000
2. Receivables based on trade loans	031	71.000.000	60.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.684.000.000	1.343.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	4.429.000.000	4.314.000.000
I. INVENTORIES (036 do 042)	035	1.802.000.000	2.021.000.000
1. Raw materials & consumables	036	608.000.000	563.000.000
2. Work in progress	037	564.000.000	746.000.000
3. Finished goods	038	563.000.000	646.000.000
4. Merchandise	039	67.000.000	66.000.000
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	1.487.000.000
1. Receivables from subsidiaries	044	258.000.000	225.000.000
2. Trade receivables	045	1.315.000.000	1.118.000.000
3. Receivables from participating entities	046		
4. Receivables from employees and shareholders	047	3.000.000	2.000.000
5. Receivables from government and other institutions	048	92.000.000	65.000.000
6. Other receivables	049	59.000.000	77.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	400.000.000	442.000.000
1. Investments in subsidiaries	051		
2. Loans given to related parties	052	330.000.000	376.000.000
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in which the entity holds participating interests	054		
5. Investments in securities	055	0	0
6. Loans, deposits and similar assets	056	14.000.000	3.000.000
7. Other financial assets	057	56.000.000	63.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	500.000.000	364.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	34.000.000	53.000.000
E) TOTAL ASSETS (001+002+034+059)	060	20.145.000.000	19.214.000.000
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	11.881.000.000
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	1.166.000.000
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	1.138.000.000
IV. REVALUATION RESERVES	071	299.000.000	289.000.000
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	1.426.000.000
1. Profit for the financial year	076	160.000.000	1.426.000.000
2. Loss for the financial year	077		
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.479.000.000	3.496.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	64.000.000	40.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.415.000.000	3.456.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	331.000.000	173.000.000
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	122.000.000
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	51.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	5.463.000.000	3.559.000.000
1. Liabilities to subsidiaries	094	560.000.000	495.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	2.618.000.000	1.481.000.000
4. Liabilities for received advances	097	36.000.000	63.000.000
5. Trade payables	098	1.498.000.000	787.000.000
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	50.000.000
9. Liabilities for taxes, contributions and similar fees	102	552.000.000	527.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	146.000.000	156.000.000
E) ACCRUAL AND DEFERRED INCOME	106	105.000.000	105.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	20.145.000.000	19.214.000.000
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 December 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	14.904.000.000	4.515.000.000	17.953.000.000	5.089.000.000
1. Sales revenue	112	14.602.000.000	4.346.000.000	17.578.000.000	4.856.000.000
2. Other operating income	113	302.000.000	169.000.000	375.000.000	233.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	13.997.000.000	4.113.000.000	16.253.000.000	4.540.000.000
1. Changes in inventories of finished products and work in progress	115	-256.000.000	-98.000.000	-288.000.000	-28.000.000
2. Material costs (117 do 119)	116	10.951.000.000	3.231.000.000	13.315.000.000	3.439.000.000
a) Cost of raw materials & consumables	117	7.230.000.000	2.483.000.000	8.816.000.000	2.510.000.000
b) Cost of goods sold	118	1.889.000.000	271.000.000	2.666.000.000	435.000.000
c) Other costs	119	1.832.000.000	477.000.000	1.833.000.000	494.000.000
3. Staff costs (121 do 123)	120	972.000.000	195.000.000	810.000.000	193.000.000
a) Net salaries and wages	121	545.000.000	116.000.000	476.000.000	115.000.000
b) Costs for taxes and contributions from salaries	122	284.000.000	51.000.000	214.000.000	49.000.000
c) Contributions on gross salaries	123	143.000.000	28.000.000	120.000.000	29.000.000
4. Depreciation and amortisation	124	1.600.000.000	424.000.000	1.733.000.000	450.000.000
5. Other costs	125	967.000.000	327.000.000	799.000.000	303.000.000
6. Impairment charges (127+128)	126	109.000.000	52.000.000	30.000.000	28.000.000
a) impairment of long-term assets (excluding financial assets)	127	47.000.000	24.000.000	51.000.000	0
b) impairment of short-term assets (excluding financial assets)	128	62.000.000	28.000.000	-21.000.000	28.000.000
7. Provisions	129	-346.000.000	-18.000.000	-146.000.000	155.000.000
8. Other operating expenses	130		0		0
III. FINANCIAL INCOME (132 do 136)	131	155.000.000	-44.000.000	384.000.000	-4.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	92.000.000	45.000.000	76.000.000	8.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	44.000.000	-90.000.000	286.000.000	-13.000.000
3. Part of income from associates and participating interests	134		0		0
4. Unrealized gains (income) from the financial assets	135		0		0
5. Other financial income	136	19.000.000	1.000.000	22.000.000	1.000.000
IV. FINANCIAL COSTS (138 do 141)	137	560.000.000	209.000.000	310.000.000	34.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	8.000.000	-26.000.000	137.000.000	2.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	126.000.000	79.000.000	88.000.000	2.000.000
3. Unrealized loss (expenses) on financial assets	140		0		0
4. Other financial expenses	141	426.000.000	156.000.000	85.000.000	30.000.000
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES	142				
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	15.059.000.000	4.471.000.000	18.337.000.000	5.085.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	14.557.000.000	4.322.000.000	16.563.000.000	4.574.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	502.000.000	149.000.000	1.774.000.000	511.000.000
1. Profit before tax (146-147)	149	502.000.000	149.000.000	1.774.000.000	511.000.000
2. Loss before tax (147-146)	150	0	0	0	0
XII. CORPORATE INCOME TAX EXPENSE	151	342.000.000	237.000.000	348.000.000	124.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	160.000.000	-88.000.000	1.426.000.000	387.000.000
1. Profit for the period (149-151)	153	160.000.000	0	1.426.000.000	387.000.000
2. Loss for the period (151-148)	154	0	88.000.000	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	160.000.000	-88.000.000	1.426.000.000	387.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	98.000.000	129.000.000	-160.000.000	8.000.000
1. Exchange differences on translation of foreign operations	159	14.000.000	92.000.000	-161.000.000	7.000.000
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	83.000.000	35.000.000	-10.000.000	-10.000.000
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	2.000.000	11.000.000	11.000.000
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	98.000.000	129.000.000	-160.000.000	8.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	258.000.000	41.000.000	1.266.000.000	395.000.000
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 December 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	502.000.000	1.774.000.000
2. Depreciation and amortisation	002	1.600.000.000	1.733.000.000
3. Increase in short-term liabilities	003	404.000.000	
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006	568.000.000	142.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	3.074.000.000	3.649.000.000
1. Decrease in short-term liabilities	008		7.000.000
2. Increase in short-term receivables	009	256.000.000	643.000.000
3. Increase in inventories	010	227.000.000	314.000.000
4. Other cash flow decreases	011	534.000.000	556.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1.017.000.000	1.520.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	2.057.000.000	2.129.000.000
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash inflows from sale of long-term tangible and intangible assets	015	37.000.000	470.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	8.000.000	60.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	32.000.000	40.000.000
III. Total cash inflows from investment activities (015 do 019)	020	77.000.000	570.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	1.294.000.000	1.348.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	260.000.000	164.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	1.554.000.000	1.512.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	1.477.000.000	942.000.000
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	11.730.000.000	10.519.000.000
3. Other cash inflows from financial activities	029		
V. Total cash inflows from financial activities (027 do 029)	030	11.730.000.000	10.519.000.000
1. Cash outflows for repayment of loans and bonds	031	11.866.000.000	11.587.000.000
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	139.000.000	103.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	12.005.000.000	11.842.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	275.000.000	1.323.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	305.000.000	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	136.000.000
Cash and cash equivalents at the beginning of the period	041	195.000.000	500.000.000
Increase of cash and cash equivalents	042	305.000.000	0
Decrease of cash and cash equivalents	043	0	136.000.000
Cash and cash equivalents at the end of the period	044	500.000.000	364.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 1.1.2017 to 31.12.2017

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	1.288.000.000	1.138.000.000
4. Retained earnings or accumulated loss	004	20.000.000	28.000.000
5. Profit / loss for the current year	005	160.000.000	1.426.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	299.000.000	289.000.000
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	10.767.000.000	11.881.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	14.000.000	-162.000.000
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	244.000.000	1.276.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	258.000.000	1.114.000.000
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)

Q4 2016	Q4 2017	%	HRK mln	2016.	2017.	%
4,346	4,856	12	Net sales revenues	14,602	17,578	20
860	1,182	37	EBITDA ⁽¹⁾	2,269	3,317	46
882	1,196	36	EBITDA excl. special items ⁽²⁾	2,522	3,313	31
402	549	37	Operating profit/(loss)	907	1,700	87
381	664	74	Operating profit/(loss) excl. special items ⁽²⁾	939	1,561	66
(253)	(38)	(85)	Net financial result	(405)	74	n.a.
(88)	387	n.a.	Net profit/loss attributable to equity holder	160	1,426	791
(109)	502	n.a.	Net profit/(loss) excl. special items ⁽²⁾	192	1,287	570
1,312	(104)	n.a.	Operating cash flow	2,057	2,129	4
Earnings per share						
(8.8)	38.7	n.a.	Basic and diluted earnings/(loss) per share (kunas per share)	16.0	142.6	791
2,393	1,239	(48)	Net debt	2,393	1,239	(48)
18.18	9.44		Net gearing	18.18	9.44	
373	557	49	CAPEX	1,309	1,352	3
Q4 2016	Q4 2017	%	USD mln ⁽³⁾	2016.	2017.	%
624	759	22	Net sales revenues	2,146	2,654	24
124	185	50	EBITDA ⁽¹⁾	333	501	50
127	187	48	EBITDA excl. special items ⁽²⁾	371	500	35
58	86	49	Operating profit/(loss)	133	257	93
55	104	90	Operating profit/(loss) excl. special items ⁽²⁾	138	236	71
(36)	(6)	(84)	Net financial result	(60)	11	n.a.
(13)	61	n.a.	Net profit/loss attributable to equity holder	24	215	816
(16)	78	n.a.	Net profit/(loss) excl. special items ⁽²⁾	28	194	588
188	(16)	n.a.	Operating cash flow	302	322	6
Earnings per share						
(1.3)	6.1	n.a.	Basic and diluted earnings/(loss) per share (USD per share)	2.4	21.5	816
334	198	(41)	Net debt	334	198	(41)
54	87	63	CAPEX	192	204	6

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

⁽²⁾ In 2017, EBITDA was positively impacted by HRK 4 mn related to reversal of provision in Angola, while EBIT was positively influenced by HRK 139 million net effect of reversal of provision in Angola and Environment related provision; 2016 EBITDA was negatively influenced by HRK 253 million special items related to Severance payments

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2016 – 6.9614 HRK/USD; Q4 2017 – 6.3958 HRK/USD; 2016 – 6.8037 HRK/USD; 2017 – 6.6224 HRK/USD; as at Dec 31, 2016 – 7.1685 HRK/USD; as at Dec 31, 2017 – 6.2657 HRK/USD

2017 RESULTS

INA d.d. achieved strong results in 2017, with EBITDA reaching HRK 3,317 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 2017 with improving performance despite a hydrocarbon production decrease of 5%. Furthermore, Refining & Marketing incl. Retail realized significant improvements in its performance thorough the year. The Refinery & Marketing business benefited from continuing period of positive external environment, mainly in the form of stable DTD Brent prices, higher diesel and motor gasoline crack spreads coupled with higher processing level in refineries and increased sales volumes on domestic and export markets. Retail sales also increased compared to 2016 supported mainly by market expansion activities, active sales of Class PLUS fuel, as well as non-fuel sales increase.

CAPEX amounted to HRK 1,352 million showing a 3% increase compared to 2016. Revenue growth supported the stable financial position of the Company, with gearing decreasing compared to end of 2016, to 9.44%, while net debt reached HRK 1,239 million, a 48% decrease compared to 2016 closing.

Income statement

Total sales revenues in 2017 amounted HRK 17,578 million, 20% higher compared to 2016 level, primarily triggered by the improved price environment, higher processing level and introduction of new fuels in 2017.

Costs of raw materials and consumables were 22% higher and amounted to HRK 8,816 million, resulting mainly from higher prices and higher processing in both refineries.

Costs of goods sold recorded an increase of 41%, and amounted HRK 2,666 million, resulting from different sales structure and higher prices.

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

- Other material costs amounted to HRK 1,833 million, remaining at last year's level.
- Service costs in the amount of HRK 700 million recorded a decrease of 8% mainly due absence of additional profit oil tax in Angola paid in 2016.
- Depreciation was 8% higher compared to 2016 and amounted to HRK 1,733 million.
- Adjustments and provisions had a positive effect of HRK 116 million and were lower by HRK 122 million compared to 2016 mainly due to significantly higher positive impact of reversal of provisions related to Angola in 2016, partly offset by released employee related provisions related to establishment of INA Maloprodajni servisi.

Staff costs in the amount HRK 909 million were 23% lower than 2016, mainly due to lower severance payments and efficiency improvements.

Net financial profit in the amount of HRK 74 million was recorded in 2017, compared HRK 405 million of net financial loss in 2016.

Balance sheet

Total assets of INA, d.d., as at 31 December 2017 amounted to HRK 19,214 million and was 5% lower than 31 December 2016.

Property, plant and equipment amounted to HRK 10,578 million and were lower 5% than at as 31 December 2016.

Trade receivables outside of INA-Group amounted to HRK 1,118 million and were 15% lower compared to 31 December 2016.

Total liabilities amounted to HRK 7,333 million and were 22% lower compared to 31 December 2016.

Net indebtedness of INA, d.d., amounted to HRK 1,239 million as at 31 December 2017 which is 48% lower compared to 31 December 2016. **Gearing ratio**¹ decreased from 18.2% as at 31 December 2016 to 9.44% as at 31 December 2017.

As at 31 December 2017 **trade payables** outside of INA-Group amounted HRK 787 million, which is a 47% decrease compared to 31 December 2016 resulting from lower liabilities for imported crude oil.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 3,093 million in 2017, which is an increase of 45% compared to the same period last year and is in line with change in EBITDA performance.

Changes in working capital affected the operating cash flow negatively by HRK 951 million, primarily due to:

- Increased value of inventories by HRK 314 million
- Increase in receivables by HRK 643 million,
- Payables increase by HRK 6 million.

In 2017, taxes paid influenced the operating cash flow in the amount of HRK 13 million, while in 2016 taxes paid influenced the operating cash flow in the amount of HRK 37 million. All the above factors resulted in HRK 2,129 million net outflows from operating activities generated by INA d.d. in 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 December 2017
(HRK millions)

Q4 2016	Q4 2017	%		2016.	2017.	%
4,346	4,856	12	Total sales revenue	14,602	17,578	20
1	4	300	Capitalised value of own performance	6	10	67
168	229	36	Other operating income	296	365	23
4,515	5,089	13	Total operating income	14,904	17,953	20
98	28	(71)	Changes in inventories of finished products and work in progress	256	288	13
(2,483)	(2,510)	1	Cost of raw materials and consumables	(7,230)	(8,816)	22
(424)	(450)	6	Depreciation and amortization	(1,600)	(1,733)	8
(476)	(494)	4	Other material costs	(1,833)	(1,833)	0
(213)	(193)	(9)	Service costs	(764)	(700)	(8)
(310)	(303)	(2)	Staff costs	(1,175)	(909)	(23)
(271)	(435)	61	Cost of other goods sold	(1,889)	(2,666)	41
(52)	(28)	(46)	Impairment and charges (net)	(108)	(30)	(72)
18	(155)	n.a.	Provisions for charges and risks (net)	346	146	(58)
(4,113)	(4,540)	10	Operating expenses	(13,997)	(16,253)	16
402	549	37	Profit/(loss) from operations	907	1,700	87
			Share in the profit of associated companies			
(44)	(4)	(91)	Finance income	155	384	148
(209)	(34)	(84)	Finance costs	(560)	(310)	(45)
(253)	(38)	(85)	Net profit/(loss) from financial activities	(405)	74	n.a.
149	511	243	Profit/(loss) before tax	502	1,774	253
(237)	(124)	(48)	Income tax expense	(342)	(348)	2
(88)	387	n.a.	Profit/(loss) for the year	160	1,426	791
			Attributable to			
(88)	387	n.a.	Owners of the Company	160	1,426	791
-	-	n.a.	Non-controlling interests	-	-	n.a.
(88)	387	n.a.		160	1,426	791
			Earnings per share			
(8.8)	38.7	n.a.	Basic and diluted earnings per share (kunas per share)	16.0	142.6	791

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

	31 December 2016	31 December 2017	%
Assets			
Non-current assets			
Intangible assets	380	408	7
Property, plant and equipment	11,169	10,578	(5)
Investments in subsidiaries	805	1,079	34
Investments in associates and joint ventures	22	-	n.a.
Other investments	809	669	(17)
Long-term receivables	137	105	(23)
Deferred tax	1,684	1,343	(20)
Available for sale assets	676	665	(2)
Total non-current assets	15,682	14,847	(5)
Current assets			
Inventories	1,802	2,021	12
Trade receivables net	1,315	1,118	(15)
Intercompany receivables	258	225	(13)
Other receivables	153	144	(6)
Corporative Income tax receivables	1	1	0
Other current assets	434	494	14
Cash and cash equivalents	500	364	(27)
Total current assets	4,463	4,367	(2)
Total assets	20,145	19,214	(5)
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	20	28	40
Revaluation reserve	299	289	(3)
Other reserves	1,288	1,138	(12)
Retained earnings / (Deficit)	160	1,426	791
Total equity	10,767	11,881	10
Non-current liabilities			
Long-term loans	271	122	(55)
Other non-current liabilities	60	51	(15)
Employee benefits obligation	46	31	(33)
Provisions	3,314	3,241	(2)
Total non-current liabilities	3,691	3,445	(7)
Current liabilities			
Bank loans and overdrafts	2,487	1,359	(45)
Current portion of long-term loans	135	122	(10)
Intercompany payables	560	495	(12)
Trade payables	1,498	787	(47)
Taxes and contributions	552	527	(5)
Other current liabilities	336	374	11
Employee benefits obligation	2	3	50
Provisions	117	221	89
Total current liabilities	5,687	3,888	(32)
Total liabilities	9,378	7,333	(22)
Total equity and liabilities	20,145	19,214	(5)

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

Q4 2016	Q4 2017	%		2016.	2017.	%
(88)	387	n.a.	Profit/(loss) for the year	160	1,426	791
		n.a.	Adjustments for:			n.a.
424	450	6	Depreciation and amortisation	1,600	1,733	8
237	124	(48)	Income tax (benefit)/expenses recognized in (loss)/profit	342	348	2
52	28	(46)	Impairment charges (net)	108	30	(72)
(27)	(261)	867	Gain on sale of property, plant and equipment	(21)	(268)	1,176
101	179	77	Foreign exchange loss/(gain)	23	43	87
21	(45)	n.a.	Interest expense /(income) (net)	(11)	-	n.a.
184	(30)	n.a.	Other finance income/(expense) recognised in income statement	342	(59)	n.a.
73	158	116	(Decrease)/increase in provisions	(366)	(150)	(59)
8	3	(63)	Decommissioning interests	51	21	(59)
20	67	235	Net gain/loss on derivative financial instruments and hedge transactions	44	48	9
3	-	n.a.	Other non-cash items	(1)	-	n.a.
873	981	12	Operating cash flow before working capital changes	2,136	3,093	45
			Movements in working capital			
43	213	395	(Increase)/decrease in inventories	(227)	(314)	38
198	(546)	n.a.	(Increase)/decrease in receivables and prepayments	(256)	(643)	151
197	(745)	n.a.	(Decrease)/increase in trade and other payables	441	6	(99)
1,311	(97)	n.a.	Cash generated from operations	2,094	2,142	2
1	(7)	n.a.	Taxes paid	(37)	(13)	(65)
1,312	(104)	n.a.	Net cash inflow from operating activities	2,057	2,129	4
			Cash flows used in investing activities			
(325)	(529)	63	Capital expenditures, exploration and development costs	(1,232)	(1,263)	3
(58)	(39)	(33)	Payment for intangible assets	(62)	(85)	37
43	458	965	Proceeds from sale of non-current assets	37	470	1,170
-	20	n.a.	Dividends received from companies classified under available for sale and other companies	16	20	25
(1)	(1)	0	Proceeds from profit of companies	15	20	33
(34)	4	n.a.	Interest received and other financial income	8	60	650
(168)	17	n.a.	Investments and loans to third parties	(260)	(164)	(37)
(542)	(70)	(87)	Net cash (outflow) used for investing activities	(1,477)	(942)	(36)
			Cash flows from financing activities			
-	-	n.a.	Additional long-term borrowings	1,192	-	n.a.
1	-	n.a.	Repayment of long-term borrowings	(1,309)	(129)	(90)
2,685	3,011	12	Additional short-term borrowings	10,538	10,519	(0)
(2,954)	(2,763)	(6)	Repayment of short term borrowings	(10,557)	(11,458)	9
(3)	(2)	(33)	Interest paid on long-term loans	(12)	(8)	(33)
6	6	0	Other long-term liabilities	-	-	n.a.
(98)	(37)	(62)	Interest paid on short term loans and other financing charges	(120)	(75)	(38)
(363)	215	n.a.	Net cash from financing activities	(268)	(1,303)	386
407	41	(90)	Net (decrease)/increase in cash and cash equivalents	312	(116)	n.a.
98	307	213	At 1 January	195	500	156
(5)	16	n.a.	Effect of foreign exchange rate changes	(7)	(20)	186
500	364	(27)	At the end of period	500	364	(27)

Management representation

INA, d.d. non-consolidated financial statements for Q1-Q4 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