

ENCLOSURE 1

Reporting period:

1 January 2018

to

31 March 2018

Quartely Financial Report TFI-POD

Tax 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.hr

Internet address: www.ina.hr

Code and city / municipality: 133 ZAGREB

Code and county: 21 GRAD ZAGREB

Number of employees: 4.204
(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.hr

Name 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 2018

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	14.847.000.000	14.679.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	429.000.000	479.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	166.000.000	191.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	21.000.000	24.000.000
5. Intangible assets in preparation	008	242.000.000	264.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	10.591.000.000	10.388.000.000
1. Land	011	1.010.000.000	1.009.000.000
2. Buildings	012	5.060.000.000	4.874.000.000
3. Plant and equipment	013	2.224.000.000	2.237.000.000
4. Instruments, plant inventories and transportation assets	014	215.000.000	214.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	13.000.000	65.000.000
7. Tangible assets in preparation	017	2.062.000.000	1.983.000.000
8. Other material assets	018	7.000.000	6.000.000
9. Investment in property	019		
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	2.413.000.000	2.470.000.000
1. Investments in subsidiaries	021	1.079.000.000	1.083.000.000
2. Loans given to related parties	022	657.000.000	674.000.000
3. Participating interests (shares)	023	6.000.000	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	664.000.000	700.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	71.000.000	68.000.000
1. Receivables from subsidiaries	030	11.000.000	11.000.000
2. Receivables based on trade loans	031	60.000.000	57.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.343.000.000	1.274.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	4.314.000.000	4.996.000.000
I. INVENTORIES (036 do 042)	035	2.021.000.000	2.737.000.000
1. Raw materials & consumables	036	563.000.000	1.040.000.000
2. Work in progress	037	746.000.000	1.070.000.000
3. Finished goods	038	646.000.000	384.000.000
4. Merchandise	039	66.000.000	243.000.000
5. Advances for inventories	040		
6. Long-term assets held for sale	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	1.487.000.000	1.938.000.000
1. Receivables from subsidiaries	044	225.000.000	692.000.000
2. Trade receivables	045	1.118.000.000	1.112.000.000
3. Receivables from participating entities	046		
4. Receivables from employees and shareholders	047	2.000.000	2.000.000
5. Receivables from government and other institutions	048	65.000.000	86.000.000
6. Other receivables	049	77.000.000	46.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	442.000.000	165.000.000
1. Investments in subsidiaries	051		
2. Loans given to related parties	052	376.000.000	130.000.000
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	3.000.000	1.000.000
7. Other financial assets	057	63.000.000	34.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	364.000.000	156.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	53.000.000	62.000.000
E) TOTAL ASSETS (001+002+034+059)	060	19.214.000.000	19.737.000.000
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	11.881.000.000	12.164.000.000
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	1.166.000.000	1.139.000.000
1. Legal reserves	066	28.000.000	28.000.000
2. Reserves for treasury shares	067		
3. Treasury shares and stakes (deduction)	068		
4. Statutory reserves	069		
5. Other reserves	070	1.138.000.000	1.111.000.000
IV. REVALUATION RESERVES	071	289.000.000	318.000.000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	0	1.483.000.000
1. Retained earnings	073		1.483.000.000
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	075	1.426.000.000	224.000.000
1. Profit for the financial year	076	1.426.000.000	224.000.000
2. Loss for the financial year	077		
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.496.000.000	3.515.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	40.000.000	38.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.456.000.000	3.477.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	173.000.000	108.000.000
1. Liabilities to subsidiaries	084		
2. Liabilities for loans, deposits and other	085		
3. Liabilities to banks and other financial institutions	086	122.000.000	59.000.000
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	51.000.000	49.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	3.559.000.000	3.838.000.000
1. Liabilities to subsidiaries	094	495.000.000	442.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	1.481.000.000	1.206.000.000
4. Liabilities for received advances	097	63.000.000	41.000.000
5. Trade payables	098	787.000.000	1.345.000.000
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in which the entity holds participating interests	100		
8. Liabilities to employees	101	50.000.000	38.000.000
9. Liabilities for taxes, contributions and similar fees	102	527.000.000	645.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	156.000.000	121.000.000
E) ACCRUAL AND DEFERRED INCOME	106	105.000.000	112.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	19.214.000.000	19.737.000.000
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 2018 to 31 March 2018

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	3.686.000.000	3.686.000.000	3.516.000.000	3.516.000.000
1. Sales revenue	112	3.637.000.000	3.637.000.000	3.464.000.000	3.464.000.000
2. Other operating income	113	49.000.000	49.000.000	52.000.000	52.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	3.514.000.000	3.514.000.000	3.456.000.000	3.456.000.000
1. Changes in inventories of finished products and work in progress	115	-195.000.000	-195.000.000	-66.000.000	-66.000.000
2. Material costs (117 do 119)	116	2.938.000.000	2.938.000.000	2.779.000.000	2.779.000.000
a) Cost of raw materials & consumables	117	1.707.000.000	1.707.000.000	1.358.000.000	1.358.000.000
b) Cost of goods sold	118	784.000.000	784.000.000	972.000.000	972.000.000
c) Other costs	119	447.000.000	447.000.000	449.000.000	449.000.000
3. Staff costs (121 do 123)	120	184.000.000	184.000.000	184.000.000	184.000.000
a) Net salaries and wages	121	110.000.000	110.000.000	109.000.000	109.000.000
b) Costs for taxes and contributions from salaries	122	47.000.000	47.000.000	48.000.000	48.000.000
c) Contributions on gross salaries	123	27.000.000	27.000.000	27.000.000	27.000.000
4. Depreciation and amortisation	124	425.000.000	425.000.000	391.000.000	391.000.000
5. Other costs	125	195.000.000	195.000.000	195.000.000	195.000.000
6. Impairment charges (127+128)	126	10.000.000	10.000.000	-45.000.000	-45.000.000
a) impairment of long-term assets (excluding financial assets)	127	1.000.000	1.000.000	0	0
b) impairment of short-term assets (excluding financial assets)	128	9.000.000	9.000.000	-45.000.000	-45.000.000
7. Provisions	129	-43.000.000	-43.000.000	18.000.000	18.000.000
8. Other operating expenses	130		0		0
III. FINANCIAL INCOME (132 do 136)	131	122.000.000	122.000.000	294.000.000	294.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	20.000.000	20.000.000	231.000.000	231.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	102.000.000	102.000.000	63.000.000	63.000.000
3. Part of income from associates and participating interests	134				
4. Unrealized gains (income) from the financial assets	135				
5. Other financial income	136				
IV. FINANCIAL COSTS (138 do 141)	137	95.000.000	95.000.000	67.000.000	67.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	38.000.000	38.000.000	16.000.000	16.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	32.000.000	32.000.000	27.000.000	27.000.000
3. Unrealized loss (expenses) on financial assets	140				
4. Other financial expenses	141	25.000.000	25.000.000	24.000.000	24.000.000
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	3.808.000.000	3.808.000.000	3.810.000.000	3.810.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	3.609.000.000	3.609.000.000	3.523.000.000	3.523.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	199.000.000	199.000.000	287.000.000	287.000.000
1. Profit before tax (146-147)	149	199.000.000	199.000.000	287.000.000	287.000.000
2. Loss before tax (147-146)	150	0	0	0	0
XII. CORPORATE INCOME TAX EXPENSE	151	38.000.000	38.000.000	63.000.000	63.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	161.000.000	161.000.000	224.000.000	224.000.000
1. Profit for the period (149-151)	153	161.000.000	161.000.000	224.000.000	224.000.000
2. Loss for the period (151-148)	154	0	0	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	161.000.000	161.000.000	224.000.000	224.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	-14.000.000	-14.000.000	2.000.000	2.000.000
1. Exchange differences on translation of foreign operations	159	-53.000.000	-53.000.000	-27.000.000	-27.000.000
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	29.000.000	29.000.000
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				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	-14.000.000	-14.000.000	2.000.000	2.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	147.000.000	147.000.000	226.000.000	226.000.000
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 2018 to 31 March 2018

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	199.000.000	287.000.000
2. Depreciation and amortisation	002	426.000.000	391.000.000
3. Increase in short-term liabilities	003		739.000.000
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006	27.000.000	58.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	652.000.000	1.475.000.000
1. Decrease in short-term liabilities	008	121.000.000	
2. Increase in short-term receivables	009	202.000.000	487.000.000
3. Increase in inventories	010	288.000.000	799.000.000
4. Other cash flow decreases	011	112.000.000	293.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	723.000.000	1.579.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	71.000.000	104.000.000
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash inflows from sale of long-term tangible and intangible assets	015	1.000.000	2.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	12.000.000	6.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019		461.000.000
III. Total cash inflows from investment activities (015 do 019)	020	13.000.000	469.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	199.000.000	245.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	122.000.000	4.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	321.000.000	249.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	220.000.000
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	308.000.000	0
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	2.256.000.000	2.606.000.000
3. Other cash inflows from financial activities	029	38.000.000	34.000.000
V. Total cash inflows from financial activities (027 do 029)	030	2.294.000.000	2.640.000.000
1. Cash outflows for repayment of loans and bonds	031	2.266.000.000	2.959.000.000
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	38.000.000	5.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	2.304.000.000	2.964.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	10.000.000	324.000.000
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	389.000.000	208.000.000
Cash and cash equivalents at the beginning of the period	041	500.000.000	364.000.000
Increase of cash and cash equivalents	042	0	0
Decrease of cash and cash equivalents	043	389.000.000	208.000.000
Cash and cash equivalents at the end of the period	044	111.000.000	156.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 01.01.2018. to 31.03.2018.

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	1.235.000.000	1.111.000.000
4. Retained earnings or accumulated loss	004	20.000.000	28.000.000
5. Profit / loss for the current year	005	161.000.000	224.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	338.000.000	318.000.000
9. Other revaluation	009	160.000.000	1.483.000.000
10. Total capital and reserves (AOP 001 do 009)	010	10.914.000.000	12.164.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	-53.000.000	-26.000.000
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		57.000.000
15. Correction of significant mistakes in prior period	015		
16. Other changes in capital	016	200.000.000	253.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	147.000.000	284.000.000
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)

2017	HRK mln	Q1 2017	Q1 2018	%
17,578	Net sales revenues*	3,637	3,464	(5)
3,481	EBITDA ⁽¹⁾	598	451	(25)
3,342	EBITDA excl. special items ⁽²⁾	598	451	(25)
1,700	Operating profit/(loss)	172	60	(65)
1,561	Operating profit/(loss) excl. special items ⁽²⁾	172	60	(65)
73	Net financial result	27	227	741
1,425	Net profit/loss attributable to equity holder	161	224	39
1,286	Net profit/(loss) excl. special items ⁽²⁾	161	224	39
2,176	Operating cash flow	(71)	(104)	46
Earnings per share				
142.5	Basic and diluted earnings/(loss) per share (kunas per share)	16.1	22.4	39
1,239	Net debt	2,698	1,109	(59)
9.44	Net gearing	19.82	8.36	
1,352	CAPEX	203	190	(6)
2017	USD mln ⁽³⁾	Q1 2017	Q1 2018	%
2,654	Net sales revenues	518	572	10
526	EBITDA ⁽¹⁾	85	75	(13)
505	EBITDA excl. special items ⁽²⁾	85	75	(13)
257	Operating profit/(loss)	25	10	(60)
236	Operating profit/(loss) excl. special items ⁽²⁾	25	10	(60)
11	Net financial result	4	38	874
215	Net profit/loss attributable to equity holder	23	37	61
194	Net profit/(loss) excl. special items ⁽²⁾	23	37	61
329	Operating cash flow	(10)	(17)	70
Earnings per share				
21.5	Basic and diluted earnings/(loss) per share (USD per share)	2.3	3.7	61
198	Net debt	389	184	(53)
204	CAPEX	29	31	9

* Related to Revenue from contracts with customers

⁽¹⁾ EBITDA = EBIT + Depreciation, amortization and impairment (net), restatement of comparable previous periods was made – see on page 2

⁽²⁾ No significant one-off items in Q1 2018 or Q1 2017

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1 2017 – 7.0148 HRK/USD; Q1 2018 – 6.0530 HRK/USD; 2017 – 6.6224 HRK/USD; as at Dec 31, 2017 – 6.2697 HRK/USD; as at Mar 31, 2017 – 6.9278 HRK/USD; as at Mar 31, 2018 – 6.0296 HRK/USD

Q1 2018 RESULTS

INA d.d. achieved strong results in Q1 2018, with EBITDA reaching HRK 451 million. Despite the recovering Brent price, overall external environment slightly deteriorated and was reflected in lower refining margins. Exploration & Production benefited from the Brent increase with 29% higher realized hydrocarbon price and consequently EBITDA increased to HRK 732 million despite 7% lower hydrocarbon production. Refining Marketing incl. Retail CCS EBITDA in Q1 2018 turned to negative HRK (145) million. The less favourable environment together with planned maintenance activities resulted in lower processing level in refining, which also impacted the total sales volumes. Retail fuel sales remained stable while the non-fuel sales continued to grow.

CAPEX amounted to HRK 190 million, a decrease of 6% compared to Q1 2017. Despite the slight decrease, stable revenues supported already favourable financial position of the Company, with Net gearing decreasing to 8.4%, while net debt reached HRK 1,109 million, a 10% decrease compared to 2017 closing.

Statement of Profit or Loss

Total sales revenues in Q1 2018 amounted HRK 3,464 million, 5% lower compared to Q1 2017 level, primarily triggered mainly by Refining & Marketing including Retail sales revenue decrease as a result of the less favourable external environment and refinery maintenance shut down.

Costs of raw materials and consumables were 20% lower and amounted to HRK 1,358 million, resulting mainly from lower processing.

Costs of goods sold recorded an increase of 24%, and amounted HRK 972 million, resulting from different sales structure.

Within the **other operating costs** realized in Q1 2018:

- Other material costs amounted to HRK 448 million, remaining at the level of Q1 2017.
- Service costs in the amount of HRK 170 million reached last year's level.
- Depreciation, amortisation and impairment (net) was 8% lower compared to Q1 2017 and amounted to HRK 391 million.
- Adjustments and provisions had a positive effect of HRK 27 million and were lower by HRK 7 million compared to Q1 2017 related mainly to the positive impact of net impairment of Egyptian (EGPC) receivables driven by better collection and lower value adjustments, partly offset by lower net provision for litigation.

Staff costs in the amount HRK 210 million were 1% higher than Q1 2017.

Net financial profit in the amount of HRK 227 million was recorded in Q1 2018, compared HRK 27 million of net financial profit in Q1 2017.

Statement of Financial Position

Total assets of INA, d.d., as at 31 March 2018 amounted to HRK 19,737 million and was 3% higher than 31 December 2017.

Property, plant and equipment amounted to HRK 10,323 million and were 2% lower than 31 December 2017.

Trade receivables outside of INA-Group amounted to HRK 1,112 million and were 1% lower compared to 31 December 2017.

Total liabilities amounted to HRK 7,573 million and were 3% higher compared to 31 December 2017.

Net indebtedness of INA, d.d., amounted to HRK 1,109 million as at 31 March 2018 which is 10% lower compared to 31 December 2017. **Gearing ratio**¹ decreased from 9.4% as at 31 December 2017 to 8.4% as at 31 March 2018.

As at 31 March 2018 **trade payables** outside of INA-Group amounted HRK 1,345 million, which is an increase of 71% compared to the 31 December 2017.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 443 million in Q1 2018, which is a decrease of 18% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 547 million, primarily due to:

- Increased value of inventories by HRK 799 million
- Increase in receivables by HRK 487 million,
- Payables decrease by HRK 739 million.

In both Q1 2018 and Q1 2017, no taxes were paid having no influence on the operating cash flow. All the above factors resulted in HRK 104 million net outflows from operating activities generated by INA d.d. in Q1 2018.

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

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Profit or Loss
For the period ended 31 March 2018
(HRK millions)

2017		Q1 2017	Q1 2018	%
17,578	Revenue from Contracts with Customers	3,637	3,464	(5)
10	Capitalised value of own performance	2	5	150
365	Other operating income	47	47	0
17,953	Total operating income	3,686	3,516	(5)
288	Changes in inventories of finished products and work in progress	195	66	(66)
(8,816)	Cost of raw materials and consumables	(1,707)	(1,358)	(20)
(1,781)	Depreciation, amortisation and impairment (net)*	(426)	(391)	(8)
(1,834)	Other material costs	(446)	(448)	0
(700)	Service costs	(172)	(170)	(1)
(909)	Staff costs	(208)	(210)	1
(2,666)	Cost of other goods sold	(784)	(972)	24
19	Impairment and charges (net)*	(9)	45	n.a.
146	Provision for charges and risks (net)	43	(18)	n.a.
(16,253)	Operating expenses	(3,514)	(3,456)	(2)
1,700	Profit/(loss) from operations	172	60	(65)
	Share in the profit of associated companies			
384	Finance income	122	294	141
(311)	Finance costs	(95)	(67)	(29)
73	Net profit/(loss) from financial activities	27	227	741
1,773	Profit/(loss) before tax	199	287	44
(348)	Income tax expense	(38)	(63)	66
1,425	Profit/(loss) for the year	161	224	39
	Attributable to			
1,425	Owners of the Company	161	224	39
-	Non-controlling interests	-	-	n.a.
1,425		161	224	39
	Earnings per share			
142.5	Basic and diluted earnings per share (kunas per share)	16.1	22.4	39

* Restatement of comparable previous periods was made – see on page 2

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 31 March 2018
(HRK millions)

	31 December 2017	31 March 2018	%
Assets			
Non-current assets			
Intangible assets	408	455	11
Property, plant and equipment	10,578	10,323	(2)
Investment in subsidiaries	1,079	1,083	0
Investments in associates and joint ventures	-	-	n.a.
Other investments	669	686	3
Long-term receivables	105	158	51
Deferred tax	1,343	1,274	(5)
Non-current financial assets	665	700	5
Total non-current assets	14,847	14,679	(1)
Current assets			
Inventories	2,021	2,737	35
Intercompany receivables	225	692	208
Trade receivables, net	1,118	1,112	(1)
Other receivables	144	133	(8)
Prepaid expenses and accrued income	1	1	(7)
Other current assets	494	227	(54)
Cash and cash equivalents	364	156	(57)
Total current assets	4,367	5,058	16
Total assets	19,214	19,737	3
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	28	28	(0)
Revaluation reserve	289	318	10
Other reserves	1,138	1,111	(2)
Retained earnings / (Deficit)	1,426	1,707	20
Total equity	11,881	12,164	2
Non-current liabilities			
Long-term loans	122	59	(52)
Other non-current liabilities	51	49	(4)
Employee benefits obligation	31	31	0
Provisions	3,241	3,199	(1)
Total non-current liabilities	3,445	3,338	(3)
Current liabilities			
Bank loans and overdrafts	1,359	1,088	(20)
Current portion of long-term loans	122	118	(3)
Intercompany payables	495	442	(11)
Trade payables	787	1,345	71
Taxes and contributions	527	645	22
Other current liabilities	374	313	(16)
Employee benefits obligation	3	3	0
Provisions	221	281	27
Total current liabilities	3,888	4,235	9
Total liabilities	7,333	7,573	3
Total equity and liabilities	19,214	19,737	3

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 31 March 2018
(HRK millions)

2017		Q1 2017	Q1 2018	%
1,425	Profit/(loss) for the year	161	224	39
	Adjustments for:			
1,781	Depreciation, amortisation and impairment (net)	426	391	(8)
348	Income tax (benefit)/expenses recognized in (loss)/profit	38	63	66
30	Impairment charges (net)	9	(45)	n.a.
(268)	Gain on sale of property, plant and equipment	-	(2)	n.a.
43	Foreign exchange loss/(gain)	(44)	(25)	(43)
-	Interest expense /(income) (net)	10	(1)	n.a.
(59)	Other finance income/(expense) recognised in income statement	-	(220)	n.a.
(150)	(Decrease)/increase in provisions	(43)	17	n.a.
21	Decommissioning interests	6	10	67
48	Net gain/loss on derivative financial instruments and hedge transactions	(25)	29	n.a.
-	Other non-cash items	2	2	0
3,140	Operating cash flow before working capital changes	540	443	(18)
	Movements in working capital			
(314)	(Increase)/decrease in inventories	(288)	(799)	177
(643)	Increase in receivables and prepayments	(202)	(487)	141
6	Decrease in trade and other payables	(121)	739	n.a.
2,189	Cash generated from operations	(71)	(104)	46
(13)	Taxes paid	-	-	n.a.
2,176	Net cash inflow from operating activities	(71)	(104)	46
	Cash flows used in investing activities			
(1,263)	Capital expenditures, exploration and development costs	(187)	(211)	13
(85)	Payment for intangible assets	(12)	(34)	183
470	Proceeds from sale of non-current assets	-	2	n.a.
-	Payments related to sale of subsidiary	1	(4)	n.a.
	Dividends received from companies classified under available for sale and			
20	other companies	-	-	n.a.
20	Proceeds from profit of companies	-	-	n.a.
60	Interest received and other financial income	12	6	(50)
(164)	Investments and loans to third parties	(122)	461	n.a.
(942)	Net cash (outflow) used for investing activities	(308)	220	n.a.
	Cash flows from financing activities			
(129)	Repayment of long-term borrowings	(67)	(59)	(12)
10,519	Additional short-term borrowings	2,256	2,606	16
(11,458)	Repayment of short term borrowings	(2,199)	(2,900)	32
(8)	Interest paid on long-term loans	(3)	(1)	(67)
-	Other long-term liabilities	38	25	(34)
(75)	Interest paid on short term loans and other financing charges	(26)	(4)	(85)
(1,303)	Net cash from financing activities	(1)	(333)	33,200
(116)	Net (decrease)/increase in cash and cash equivalents	(380)	(217)	(43)
500	At 1 January	500	364	(27)
(20)	Effect of foreign exchange rate changes	(9)	9	n.a.
364	At the end of period	111	156	41

Management representation

INA, d.d. non-consolidated financial statements for Q1 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows.

Management Board:

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