

ENCLOSURE 1

Reporting period:

1 January 2018

to

30 June 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 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: 4.190
(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: Snježana Ramač Posavec

(Name and surname of contact person)

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E-mail: Snjezana.RamacPosavec@trs.ina.hr

Name and surname: Sándor Fasimon

(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 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	15.014.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	429.000.000	425.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	166.000.000	140.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	21.000.000	21.000.000
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	10.349.000.000
1. Land	011	1.010.000.000	1.008.000.000
2. Buildings	012	5.060.000.000	4.827.000.000
3. Plant and equipment	013	2.224.000.000	2.287.000.000
4. Instruments, plant inventories and transportation assets	014	215.000.000	236.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	13.000.000	76.000.000
7. Tangible assets in preparation	017	2.062.000.000	1.909.000.000
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	3.003.000.000
1. Investments in subsidiaries	021	1.079.000.000	1.678.000.000
2. Loans given to related parties	022	657.000.000	668.000.000
3. Participating interests (shares)	023	6.000.000	7.000.000
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	643.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	71.000.000	66.000.000
1. Receivables from subsidiaries	030	11.000.000	11.000.000
2. Receivables based on trade loans	031	60.000.000	55.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.343.000.000	1.171.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	4.314.000.000	5.216.000.000
I. INVENTORIES (036 do 042)	035	2.021.000.000	2.488.000.000
1. Raw materials & consumables	036	563.000.000	773.000.000
2. Work in progress	037	746.000.000	969.000.000
3. Finished goods	038	646.000.000	624.000.000
4. Merchandise	039	66.000.000	122.000.000
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	2.178.000.000
1. Receivables from subsidiaries	044	225.000.000	263.000.000
2. Trade receivables	045	1.118.000.000	1.671.000.000
3. Receivables from participating entities	046		
4. Receivables from employees and shareholders	047	2.000.000	1.000.000
5. Receivables from government and other institutions	048	65.000.000	132.000.000
6. Other receivables	049	77.000.000	111.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	441.000.000	161.000.000
1. Investments in subsidiaries	051		
2. Loans given to related parties	052	376.000.000	94.000.000
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	62.000.000	66.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	365.000.000	389.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	53.000.000	69.000.000
E) TOTAL ASSETS (001+002+034+059)	060	19.214.000.000	20.299.000.000
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	12.044.000.000
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	1.260.000.000
1. Legal reserves	066	28.000.000	99.000.000
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	1.161.000.000
IV. REVALUATION RESERVES	071	289.000.000	270.000.000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	0	600.000.000
1. Retained earnings	073		600.000.000
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	075	1.426.000.000	914.000.000
1. Profit for the financial year	076	1.426.000.000	914.000.000
2. Loss for the financial year	077		
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.496.000.000	3.441.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	40.000.000	36.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.456.000.000	3.405.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	173.000.000	109.000.000
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	62.000.000
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	47.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	3.559.000.000	4.653.000.000
1. Liabilities to subsidiaries	094	495.000.000	331.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	1.481.000.000	910.000.000
4. Liabilities for received advances	097	63.000.000	36.000.000
5. Trade payables	098	787.000.000	1.695.000.000
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	57.000.000
9. Liabilities for taxes, contributions and similar fees	102	527.000.000	647.000.000
10. Dividend payables	103		812.000.000
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	156.000.000	165.000.000
E) ACCRUAL AND DEFERRED INCOME	106	105.000.000	52.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	19.214.000.000	20.299.000.000
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 30 June 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	8.082.000.000	4.396.000.000	9.071.000.000	5.555.000.000
1. Sales revenue	112	7.938.000.000	4.301.000.000	8.945.000.000	5.481.000.000
2. Other operating income	113	144.000.000	95.000.000	126.000.000	74.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	7.240.000.000	3.726.000.000	8.347.000.000	4.891.000.000
1. Changes in inventories of finished products and work in progress	115	-274.000.000	-79.000.000	-213.000.000	-147.000.000
2. Material costs (117 do 119)	116	6.304.000.000	3.367.000.000	7.164.000.000	4.385.000.000
a) Cost of raw materials & consumables	117	4.096.000.000	2.389.000.000	4.459.000.000	3.101.000.000
b) Cost of goods sold	118	1.337.000.000	553.000.000	1.572.000.000	600.000.000
c) Other costs	119	871.000.000	425.000.000	1.133.000.000	684.000.000
3. Staff costs (121 do 123)	120	432.000.000	248.000.000	450.000.000	266.000.000
a) Net salaries and wages	121	250.000.000	140.000.000	256.000.000	147.000.000
b) Costs for taxes and contributions from salaries	122	117.000.000	70.000.000	127.000.000	79.000.000
c) Contributions on gross salaries	123	65.000.000	38.000.000	67.000.000	40.000.000
4. Depreciation and amortisation	124	844.000.000	419.000.000	790.000.000	399.000.000
5. Other costs	125	319.000.000	124.000.000	340.000.000	145.000.000
6. Impairment charges (127+128)	126	-77.000.000	-88.000.000	-120.000.000	-75.000.000
a) impairment of long-term assets (excluding financial assets)	127	2.000.000	0	-7.000.000	-7.000.000
b) impairment of short-term assets (excluding financial assets)	128	-79.000.000	-88.000.000	-113.000.000	-68.000.000
7. Provisions	129	-308.000.000	-265.000.000	-64.000.000	-82.000.000
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 do 136)	131	315.000.000	193.000.000	473.000.000	179.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	56.000.000	36.000.000	452.000.000	221.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	258.000.000	156.000.000	21.000.000	-42.000.000
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	1.000.000	1.000.000	0	0
IV. FINANCIAL COSTS (138 do 141)	137	230.000.000	135.000.000	108.000.000	41.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	129.000.000	91.000.000	20.000.000	4.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	59.000.000	27.000.000	57.000.000	30.000.000
3. Unrealized loss (expenses) on financial assets	140		0		0
4. Other financial expenses	141	42.000.000	17.000.000	31.000.000	7.000.000
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	8.397.000.000	4.589.000.000	9.544.000.000	5.734.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	7.470.000.000	3.861.000.000	8.455.000.000	4.932.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	927.000.000	728.000.000	1.089.000.000	802.000.000
1. Profit before tax (146-147)	149	927.000.000	728.000.000	1.089.000.000	802.000.000
2. Loss before tax (147-146)	150	0	0	0	0
XII. CORPORATE INCOME TAX EXPENSE	151	168.000.000	130.000.000	175.000.000	112.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	759.000.000	598.000.000	914.000.000	690.000.000
1. Profit for the period (149-151)	153	759.000.000	598.000.000	914.000.000	690.000.000
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 in by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	759.000.000	598.000.000	914.000.000	690.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	-107.000.000	-93.000.000	5.000.000	3.000.000
1. Exchange differences on translation of foreign operations	159	-146.000.000	-93.000.000	24.000.000	51.000.000
2. Movements in revaluation reserves of long-term tangible and intangible assets	160		0		0
3. Gains or loss from reevaluation of financial assets available for sale	161	39.000.000	0	-19.000.000	-48.000.000
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	-107.000.000	-93.000.000	5.000.000	3.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	652.000.000	505.000.000	919.000.000	693.000.000
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 30 June 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	927.000.000	1.089.000.000
2. Depreciation and amortisation	002	844.000.000	790.000.000
3. Increase in short-term liabilities	003	358.000.000	1.147.000.000
4. Decrease in short-term receivables	004	42.000.000	
5. Decrease in inventories	005		
6. Other cash flow increases	006	64.000.000	201.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	2.235.000.000	3.227.000.000
1. Decrease in short-term liabilities	008		
2. Increase in short-term receivables	009		605.000.000
3. Increase in inventories	010	442.000.000	712.000.000
4. Other cash flow decreases	011	617.000.000	627.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1.059.000.000	1.944.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	1.176.000.000	1.283.000.000
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	11.000.000	3.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	51.000.000	17.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	1.000.000	1.000.000
III. Total cash inflows from investment activities (015 do 019)	020	63.000.000	21.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	476.000.000	563.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	195.000.000	81.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	671.000.000	644.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	608.000.000	623.000.000
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	4.532.000.000	5.241.000.000
3. Other cash inflows from financial activities	029	38.000.000	101.000.000
V. Total cash inflows from financial activities (027 do 029)	030	4.570.000.000	5.342.000.000
1. Cash outflows for repayment of loans and bonds	031	5.140.000.000	5.965.000.000
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	73.000.000	13.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	5.365.000.000	5.978.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	795.000.000	636.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	24.000.000
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	227.000.000	0
Cash and cash equivalents at the beginning of the period	041	500.000.000	365.000.000
Increase of cash and cash equivalents	042	0	24.000.000
Decrease of cash and cash equivalents	043	227.000.000	0
Cash and cash equivalents at the end of the period	044	273.000.000	389.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 01.01.2018. to 30.6.2018

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	28.000.000	99.000.000
4. Retained earnings or accumulated loss	004	0	599.000.000
5. Profit / loss for the current year	005	759.000.000	914.000.000
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	270.000.000
9. Other revaluation	009	1.142.000.000	1.162.000.000
10. Total capital and reserves (AOP 001 do 009)	010	11.267.000.000	12.044.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	-146.000.000	24.000.000
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	646.000.000	83.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	500.000.000	107.000.000
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 2017	Q2 2018	HRK mln	H1 2017	H1 2018	%
4,301	5,481	Net sales revenues*	7,938	8,945	13
1,088	1,056	EBITDA ⁽¹⁾	1,686	1,507	(11)
835	1,056	EBITDA excl. special items ⁽²⁾	1,433	1,507	5
670	664	Operating profit/(loss)	842	724	(14)
417	664	Operating profit/(loss) excl. special items ⁽²⁾	589	724	23
58	138	Net financial result	85	365	329
598	690	Net profit/loss attributable to equity holder	759	914	20
345	690	Net profit/(loss) excl. special items ⁽²⁾	506	914	81
1,247	1,387	Operating cash flow	1,176	1,283	9
Earnings per share					
59.8	69.0	Basic and diluted earnings/(loss) per share (kunas per share)	75.9	91.4	20
1,854	583	Net debt	1,854	583	(69)
14.13	4.62	Net gearing	14.13	4.62	
311	310	CAPEX	514	500	(3)
Q2 2017	Q2 2018	USD mln ⁽³⁾	H1 2017	H1 2018	%
636	885	Net sales revenues	1,152	1,461	27
161	170	EBITDA ⁽¹⁾	245	246	1
124	170	EBITDA excl. special items ⁽²⁾	208	246	18
99	107	Operating profit/(loss)	122	118	(3)
62	107	Operating profit/(loss) excl. special items ⁽²⁾	85	118	38
9	22	Net financial result	12	60	383
88	111	Net profit/loss attributable to equity holder	110	149	36
51	111	Net profit/(loss) excl. special items ⁽²⁾	73	149	103
185	224	Operating cash flow	171	210	23
Earnings per share					
8.8	11.1	Basic and diluted earnings/(loss) per share (USD per share)	11.0	14.9	36
286	92	Net debt	286	92	(68)
46	50	CAPEX	75	82	10

* 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 H1 2018, while H1 2017 Operating profit and EBITDA were positively impacted by HRK 253 mln of special items related to both retranslation and reversal of provision in Angola

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q2 2017 – 6.7576 HRK/USD; Q2 2018 – 6.1959 HRK/USD; H1 2017 – 6.8893 HRK/USD; H1 2018 – 6.1222 HRK/USD as at Dec 31, 2017 – 6.2697 HRK/USD; as at Jun 30, 2017 – 6.4902 HRK/USD; as at Jun 30, 2018 – 6.3150 HRK/USD

H1 2018 RESULTS

INA d.d. achieved strong results in H1 2018, with revenues reaching HRK 8,945 million, a 13% increase compared to the same period last year reflecting an improving external environment. Exploration & Production benefited from the Brent increase with 33% higher realized hydrocarbon price and consequently EBITDA excluding special items HRK 1,483 million despite 7% lower hydrocarbon production. Refining Marketing incl. Retail EBITDA excluding special items reached HRK 345 million in H1 2018 improving from the same period last year due to higher sales focused on utilizing higher crude oil and product prices and higher Retail fuel and non-fuel sales.

CAPEX amounted to HRK 500 million, a decrease of 3% compared to H1 2017. Higher revenues supported already favourable financial position of the Company, with net gearing decreasing to 4.6% which is a noticeable improvement compared to H1 2017, while net debt fell significantly to HRK 583 million, a remarkable 53% decrease compared to 2017 closing.

Statement of Profit or Loss

Total sales revenues in H1 2018 amounted HRK 8,945 million, 13% higher compared to H1 2017 level, primarily triggered mainly by Refining and Marketing including Retail sales revenue increase as a result of higher sales focused on utilising higher product prices.

Costs of raw materials and consumables were 9% higher and amounted to HRK 4,459 million, resulting mainly from higher crude prices.

Costs of goods sold recorded an increase of 18%, and amounted HRK 1,572 million, resulting from different sales structure.

Within the **other operating costs** realized in H1 2018:

- Other material costs amounted to HRK 1,132 million, a 30% increase compared to H1 2017.
- Service costs in the amount of HRK 347 million raised 4% above the last year's level.
- Depreciation, amortisation and impairment (net) was 7% lower compared to H1 2017 and amounted to HRK 783 million.
- Adjustments and provisions had a positive effect of HRK 177 million but were still HRK 207 million lower compared to H1 2017 related mainly to the positive impact of provisions in Angola in H1 2017.

Staff costs in the amount HRK 444 million were 7% higher than H1 2017.

Net financial profit in the amount of HRK 365 million was recorded in H1 2018, compared HRK 85 million of net financial profit in H1 2017.

Statement of Financial Position

Total assets of INA, d.d., as at 30 June 2018 amounted to HRK 20,299 million and was 6% higher than 31 December 2017.

Property, plant and equipment amounted to HRK 10,273 million and were 3% lower than 31 December 2017.

Trade receivables outside of INA-Group amounted to HRK 1,671 million and were 49% higher compared to 31 December 2017.

Total liabilities amounted to HRK 8,255 million and were 13% higher compared to 31 December 2017.

Net indebtedness of INA, d.d., amounted to HRK 583 million as at 30 June 2018 which is 53% lower compared to 31 December 2017. **Gearing ratio**¹ decreased from 9.4% as at 31 December 2017 to 4.6% as at 30 June 2018.

As at 30 June 2018 **trade payables** outside of INA-Group amounted HRK 1,695 million, which is an increase of 115% compared to the 31 December 2017 and is mainly related to the imported crude.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 1,453 million in H1 2018, which is an increase of 19% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 170 million, primarily due to:

- Increased value of inventories by HRK 712 million
- Increase in receivables by HRK 605 million,
- Payables increase by HRK 1,147 million.

In H1 2018 no taxes were paid having no influence on the operating cash flow, while in H1 2017 taxed paid influenced the operating cash flow negatively by HRK 6 million. All the above factors resulted in HRK 1,283 million net inflows from operating activities generated by INA d.d. in H1 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 30 June 2018
(HRK millions)

Q2 2017	Q2 2018		H1 2017	H1 2018	%
4,301	5,481	Revenue from Contracts with Customers	7,938	8,945	13
2	4	Capitalised value of own performance	4	9	125
93	70	Other operating income	140	117	(16)
4,396	5,555	Total operating income	8,082	9,071	12
		Changes in inventories of finished products and work in progress			
79	147		274	213	(22)
(2,389)	(3,101)	Cost of raw materials and consumables	(4,096)	(4,459)	9
(418)	(392)	Depreciation, amortisation and impairment (net)*	(844)	(783)	(7)
(426)	(684)	Other material costs	(872)	(1,132)	30
(162)	(177)	Service costs	(334)	(347)	4
(207)	(234)	Staff costs	(415)	(444)	7
(553)	(600)	Cost of other goods sold	(1,337)	(1,572)	18
85	68	Impairment and charges (net)*	76	113	49
265	82	Provision for charges and risks (net)	308	64	(79)
(3,726)	(4,891)	Operating expenses	(7,240)	(8,347)	15
670	664	Profit/(loss) from operations	842	724	(14)
		Share in the profit of associated companies			
193	179	Finance income	315	473	50
(135)	(41)	Finance costs	(230)	(108)	(53)
58	138	Net profit/(loss) from financial activities	85	365	329
728	802	Profit/(loss) before tax	927	1,089	17
(130)	(112)	Income tax expense	(168)	(175)	4
598	690	Profit/(loss) for the year	759	914	20
		Attributable to			
598	690	Owners of the Company	759	914	20
-	-	Non-controlling interests	-	-	n.a.
598	690		759	914	20
		Earnings per share			
59.8	69.0	Basic and diluted earnings per share (kunas per share)	75.9	91.4	20

* 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 30 June 2018
(HRK millions)

	31 December 2017	30 June 2018	%
Assets			
Non-current assets			
Intangible assets	408	403	(1)
Property, plant and equipment	10,578	10,273	(3)
Investment in subsidiaries	1,079	1,678	56
Investments in associates and joint ventures	-	-	n.a.
Other investments	669	683	2
Long-term receivables	105	163	55
Deferred tax	1,343	1,171	(13)
Non-current financial assets	665	643	(3)
Total non-current assets	14,847	15,014	1
Current assets			
Inventories	2,021	2,488	23
Intercompany receivables	225	263	17
Trade receivables, net	1,118	1,671	49
Other receivables	144	243	69
Prepaid expenses and accrued income	1	-	n.a.
Other current assets	494	231	(53)
Cash and cash equivalents	364	389	7
Total current assets	4,367	5,285	21
Total assets	19,214	20,299	6
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	28	99	254
Revaluation reserve	289	270	(7)
Other reserves	1,138	1,162	2
Retained earnings / (Deficit)	1,426	1,513	6
Total equity	11,881	12,044	1
Non-current liabilities			
Long-term loans	122	62	(49)
Other non-current liabilities	51	47	(8)
Employee benefits obligation	31	31	0
Provisions	3,241	3,198	(1)
Total non-current liabilities	3,445	3,338	(3)
Current liabilities			
Bank loans and overdrafts	1,359	788	(42)
Current portion of long-term loans	122	122	0
Intercompany payables	495	331	(33)
Trade payables	787	1,695	115
Taxes and contributions	527	647	23
Other current liabilities	374	1,122	200
Employee benefits obligation	3	3	0
Provisions	221	209	(5)
Total current liabilities	3,888	4,917	26
Total liabilities	7,333	8,255	13
Total equity and liabilities	19,214	20,299	6

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 30 June 2018
(HRK millions)

Q2 2017	Q2 2018		H1 2017	H1 2018	%
598	690	Profit/(loss) for the year	759	914	20
		Adjustments for:			
418	392	Depreciation, amortisation and impairment (net)	844	783	(7)
130	112	Income tax (benefit)/expenses recognized in (loss)/profit	168	175	4
(85)	(68)	Impairment charges (net)	(76)	(113)	49
(6)	-	Gain on sale of property, plant and equipment	(6)	(2)	(67)
(57)	69	Foreign exchange loss/(gain)	(101)	44	n.a.
37	2	Interest expense /(income) (net)	47	1	(98)
(43)	(210)	Other finance income/(expense) recognised in income statement	(43)	(430)	900
(266)	(90)	(Decrease)/increase in provisions	(309)	(73)	(76)
6	10	Decommissioning interests	12	20	67
(57)	110	Net gain/loss on derivative financial instruments and hedge transactions	(82)	139	n.a.
3	2	Other non-cash items	5	4	(20)
678	1,010	Operating cash flow before working capital changes	1,218	1,453	19
		Movements in working capital			
(154)	87	(Increase)/decrease in inventories	(442)	(712)	61
244	(118)	(Increase) /decrease in receivables and prepayments	42	(605)	n.a.
485	408	(Decrease)/increase in trade and other payables	364	1,147	215
1,253	1,387	Cash generated from operations	1,182	1,283	9
(6)	-	Taxes paid	(6)	-	n.a.
1,247	1,387	Net cash inflow from operating activities	1,176	1,283	9
		Cash flows used in investing activities			
(266)	(302)	Capital expenditures, exploration and development costs	(453)	(513)	13
(11)	(16)	Payment for intangible assets	(23)	(50)	117
11	1	Proceeds from sale of non-current assets	11	3	(73)
(1)	4	Payments related to sale of subsidiary	-	-	n.a.
		Dividends received from companies classified under available for sale and			
-	1	other companies	-	1	n.a.
1	-	Proceeds from profit of companies	1	-	n.a.
39	11	Interest received and other financial income	51	17	(67)
(73)	(542)	Investments and loans to third parties	(195)	(81)	(58)
(300)	(843)	Net cash (outflow) used for investing activities	(608)	(623)	2
		Cash flows from financing activities			
-	-	Repayment of long-term borrowings	(67)	(59)	(12)
2,276	2,635	Additional short-term borrowings	4,532	5,241	16
(2,874)	(3,006)	Repayment of short term borrowings	(5,073)	(5,906)	16
(2)	(2)	Interest paid on long-term loans	(5)	(3)	(40)
-	58	Other long-term liabilities	38	83	118
(8)	(6)	Interest paid on short term loans and other financing charges	(34)	(10)	(71)
(760)	(321)	Net cash from financing activities	(761)	(654)	(14)
187	223	Net (decrease)/increase in cash and cash equivalents	(193)	6	n.a.
111	1	At 1 January	500	365	(27)
(25)	9	Effect of foreign exchange rate changes	(34)	18	n.a.
273	233	At the end of period	273	389	42

Management representation

INA, d.d. non-consolidated financial statements for Q2 / H1 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows.

Supervisory board of INA, d.d. acknowledged written statement on resignation by Mr. Zoltán Áldott, Mr. Gábor Horváth and Mr. Péter Rátatics from the Management Board positions effective from 30 June 2018. Supervisory board also approved the appointment of Mr. Sándor Fasimon as the President of the Management Board and Mr. Ákos Székely and Mr. Zsolt Pethő as the members of the Management Board for the period of 1 July 2018 until 30 June 2021.

Management Board:

Sándor Fasimon	President
Niko Dalić	Member
Ivan Krešić	Member
Davor Mayer	Member
Zsolt Pethő	Member
Ákos Székely	Member