

ENCLOSURE 1

Reporting period:

1 January 2018

to

30 September 2018

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: **4.209**
(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)Telephone: **01 612-4960**Telefaks: **01 612 3115**E-mail: Snjezana.RamacPosavec@trs.ina.hrName 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 September 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	14.870.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	429.000.000	478.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	166.000.000	164.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	21.000.000	27.000.000
5. Intangible assets in preparation	008	242.000.000	287.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	10.591.000.000	10.328.000.000
1. Land	011	1.010.000.000	1.008.000.000
2. Buildings	012	5.060.000.000	4.708.000.000
3. Plant and equipment	013	2.224.000.000	2.260.000.000
4. Instruments, plant inventories and transportation assets	014	215.000.000	228.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	13.000.000	88.000.000
7. Tangible assets in preparation	017	2.062.000.000	2.030.000.000
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	2.906.000.000
1. Investments in subsidiaries	021	1.079.000.000	1.679.000.000
2. Loans given to related parties	022	657.000.000	700.000.000
3. Participating interests (shares)	023	6.000.000	8.000.000
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	512.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	71.000.000	64.000.000
1. Receivables from subsidiaries	030	11.000.000	11.000.000
2. Receivables based on trade loans	031	60.000.000	53.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.343.000.000	1.094.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	4.314.000.000	5.851.000.000
I. INVENTORIES (036 do 042)	035	2.021.000.000	2.859.000.000
1. Raw materials & consumables	036	563.000.000	901.000.000
2. Work in progress	037	746.000.000	1.049.000.000
3. Finished goods	038	646.000.000	846.000.000
4. Merchandise	039	66.000.000	63.000.000
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	2.287.000.000
1. Receivables from subsidiaries	044	225.000.000	317.000.000
2. Trade receivables	045	1.118.000.000	1.679.000.000
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	186.000.000
6. Other receivables	049	77.000.000	104.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	441.000.000	119.000.000
1. Investments in subsidiaries	051		
2. Loans given to related parties	052	376.000.000	71.000.000
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in which the entity holds participating interests	054		
5. Investments in securities	055		
6. Loans, deposits and similar assets	056	3.000.000	1.000.000
7. Other financial assets	057	62.000.000	47.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	365.000.000	586.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	53.000.000	52.000.000
E) TOTAL ASSETS (001+002+034+059)	060	19.214.000.000	20.773.000.000
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	12.394.000.000
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	1.275.000.000
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	1.176.000.000
IV. REVALUATION RESERVES	071	289.000.000	163.000.000
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	1.356.000.000
1. Profit for the financial year	076	1.426.000.000	1.356.000.000
2. Loss for the financial year	077		
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.496.000.000	3.501.000.000
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	3.465.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	173.000.000	46.000.000
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	
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	46.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	3.559.000.000	4.787.000.000
1. Liabilities to subsidiaries	094	495.000.000	381.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	1.481.000.000	1.609.000.000
4. Liabilities for received advances	097	63.000.000	34.000.000
5. Trade payables	098	787.000.000	1.756.000.000
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	769.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	156.000.000	200.000.000
E) ACCRUAL AND DEFERRED INCOME	106	105.000.000	45.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	19.214.000.000	20.773.000.000
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 September 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	12.864.000.000	4.782.000.000	15.490.000.000	6.419.000.000
1. Sales revenue	112	12.722.000.000	4.784.000.000	15.318.000.000	6.373.000.000
2. Other operating income	113	142.000.000	-2.000.000	172.000.000	46.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	11.713.000.000	4.473.000.000	14.205.000.000	5.858.000.000
1. Changes in inventories of finished products and work in progress	115	-260.000.000	14.000.000	-522.000.000	-309.000.000
2. Material costs (117 do 119)	116	9.874.000.000	3.570.000.000	12.522.000.000	5.358.000.000
a) Cost of raw materials & consumables	117	6.306.000.000	2.210.000.000	8.164.000.000	3.705.000.000
b) Cost of goods sold	118	2.231.000.000	894.000.000	2.637.000.000	1.065.000.000
c) Other costs	119	1.337.000.000	466.000.000	1.721.000.000	588.000.000
3. Staff costs (121 do 123)	120	617.000.000	185.000.000	631.000.000	181.000.000
a) Net salaries and wages	121	361.000.000	111.000.000	364.000.000	108.000.000
b) Costs for taxes and contributions from salaries	122	165.000.000	48.000.000	174.000.000	47.000.000
c) Contributions on gross salaries	123	91.000.000	26.000.000	93.000.000	26.000.000
4. Depreciation and amortisation	124	1.283.000.000	439.000.000	1.173.000.000	383.000.000
5. Other costs	125	497.000.000	178.000.000	519.000.000	179.000.000
6. Impairment charges (127+128)	126	3.000.000	80.000.000	-102.000.000	18.000.000
a) impairment of long-term assets (excluding financial assets)	127	51.000.000	49.000.000	-3.000.000	4.000.000
b) impairment of short-term assets (excluding financial assets)	128	-48.000.000	31.000.000	-99.000.000	14.000.000
7. Provisions	129	-301.000.000	7.000.000	-16.000.000	48.000.000
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 do 136)	131	388.000.000	73.000.000	480.000.000	7.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	68.000.000	12.000.000	461.000.000	9.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	299.000.000	41.000.000	19.000.000	-2.000.000
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	21.000.000	20.000.000	0	0
IV. FINANCIAL COSTS (138 do 141)	137	276.000.000	46.000.000	133.000.000	25.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	135.000.000	6.000.000	17.000.000	-3.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	86.000.000	27.000.000	68.000.000	11.000.000
3. Unrealized loss (expenses) on financial assets	140		0		0
4. Other financial expenses	141	55.000.000	13.000.000	48.000.000	17.000.000
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES	142				
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATES ENTITIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	13.252.000.000	4.855.000.000	15.970.000.000	6.426.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	11.989.000.000	4.519.000.000	14.338.000.000	5.883.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	1.263.000.000	336.000.000	1.632.000.000	543.000.000
1. Profit before tax (146-147)	149	1.263.000.000	336.000.000	1.632.000.000	543.000.000
2. Loss before tax (147-146)	150	0	0	0	0
XII. CORPORATE INCOME TAX EXPENSE	151	224.000.000	56.000.000	276.000.000	101.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	1.039.000.000	280.000.000	1.356.000.000	442.000.000
1. Profit for the period (149-151)	153	1.039.000.000	280.000.000	1.356.000.000	442.000.000
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	1.039.000.000	280.000.000	1.356.000.000	442.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	-168.000.000	-61.000.000	-88.000.000	-93.000.000
1. Exchange differences on translation of foreign operations	159	-168.000.000	-22.000.000	39.000.000	15.000.000
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	0	-39.000.000	-127.000.000	-108.000.000
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	-168.000.000	-61.000.000	-88.000.000	-93.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	871.000.000	219.000.000	1.268.000.000	349.000.000
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 September 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	1.263.000.000	1.632.000.000
2. Depreciation and amortisation	002	1.283.000.000	1.173.000.000
3. Increase in short-term liabilities	003	745.000.000	1.488.000.000
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006	65.000.000	288.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	3.356.000.000	4.581.000.000
1. Decrease in short-term liabilities	008		
2. Increase in short-term receivables	009	97.000.000	825.000.000
3. Increase in inventories	010	527.000.000	1.100.000.000
4. Other cash flow decreases	011	499.000.000	566.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1.123.000.000	2.491.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	2.233.000.000	2.090.000.000
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	12.000.000	4.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	56.000.000	25.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	21.000.000	1.000.000
III. Total cash inflows from investment activities (015 do 019)	020	89.000.000	30.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	780.000.000	940.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	181.000.000	106.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	961.000.000	1.046.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	872.000.000	1.016.000.000
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	7.508.000.000	10.138.000.000
3. Other cash inflows from financial activities	029		77.000.000
V. Total cash inflows from financial activities (027 do 029)	030	7.508.000.000	10.215.000.000
1. Cash outflows for repayment of loans and bonds	031	8.824.000.000	10.235.000.000
2. Dividends paid	032	152.000.000	812.000.000
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financial activities	035	86.000.000	21.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	9.062.000.000	11.068.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	1.554.000.000	853.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	221.000.000
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	193.000.000	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	221.000.000
Decrease of cash and cash equivalents	043	193.000.000	0
Cash and cash equivalents at the end of the period	044	307.000.000	586.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 1.1.2018 to 30.9.2018

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	600.000.000
5. Profit / loss for the current year	005	1.039.000.000	1.356.000.000
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	163.000.000
9. Other revaluation	009	1.120.000.000	1.176.000.000
10. Total capital and reserves (AOP 001 do 009)	010	11.486.000.000	12.394.000.000
11. Currency gains and losses arising from net investments in foreign operations	011		39.000.000
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	719.000.000	417.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	719.000.000	456.000.000
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)

Q3 2017	Q3 2018	HRK mln	Q1-Q3 2017	Q1-Q3 2018	%
4,784	6,373	Net sales revenues*	12,722	15,318	20
798	948	EBITDA ⁽¹⁾	2,484	2,455	(1)
798	948	EBITDA excl. special items ⁽²⁾	2,231	2,455	10
309	561	Operating profit/(loss)	1,151	1,285	12
309	561	Operating profit/(loss) excl. special items ⁽²⁾	898	1,285	43
27	(18)	Net financial result	112	347	210
280	442	Net profit/loss attributable to equity holder	1,039	1,356	31
280	442	Net profit/(loss) excl. special items ⁽²⁾	786	1,356	73
1,057	807	Operating cash flow	2,233	2,090	(6)
Earnings per share					
28.0	44.2	Basic and diluted earnings/(loss) per share (kunas per share)	103.9	135.6	31
1,071	1,022	Net debt	1,071	1,022	(5)
8.53	7.62	Net gearing	8.53	7.62	
289	361	CAPEX	803	861	7
Q3 2017	Q3 2018	USD mln ⁽³⁾	Q1-Q3 2017	Q1-Q3 2018	%
757	1,001	Net sales revenues	1,900	2,468	30
126	149	EBITDA ⁽¹⁾	371	396	7
126	149	EBITDA excl. special items ⁽²⁾	333	396	19
49	88	Operating profit/(loss)	172	207	20
49	88	Operating profit/(loss) excl. special items ⁽²⁾	134	207	54
4	(3)	Net financial result	17	56	229
44	69	Net profit/loss attributable to equity holder	155	218	41
44	69	Net profit/(loss) excl. special items ⁽²⁾	117	218	86
167	127	Operating cash flow	333	337	1
Earnings per share					
4.4	6.9	Basic and diluted earnings/(loss) per share (USD per share)	15.5	21.8	41
169	160	Net debt	169	160	(5)
46	57	CAPEX	120	139	16

* 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-Q3 2018, while Q1-Q3 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 Q3 2017 – 6.3192 HRK/USD; Q3 2018 – 6.3696 HRK/USD; Q1-Q3 2017 – 6.6967 HRK/USD; Q1-Q3 2018 – 6.2064 HRK/USD as at Dec 31, 2017 – 6.2697 HRK/USD; as at Sep 30, 2017 – 6.3540 HRK/USD; as at Sep 30, 2018 – 6.4028 HRK/USD

Q1-Q3 2018 vs. Q1-Q3 2017

INA, d.d. achieved strong results in Q1-Q3 2018, with revenues reaching HRK 15,318 million and topping Q1-Q3 2017 by 20%, mainly as a result of the improving external environment. Exploration and Production benefited from the Brent increase with 34% higher realized hydrocarbon price, which offset the negative impact of the 9% lower hydrocarbon production and supported EBITDA excluding special items at HRK 2,159 million. Refining and Marketing including Retail EBITDA excluding special items reached HRK 727 million in Q1-Q3 2018 improving from the same period last year. The 46% higher result was triggered mainly by higher refined products sales combined with favourable crude oil and product prices and improving Retail fuel and non-fuel sales.

CAPEX amounted to HRK 861 million with continued focus on Croatian investments, and marked a 7% increase compared to Q1-Q3 2017. Higher revenues supported already favourable financial position of the Company, with net gearing decreasing to 7.6% which is a noticeable improvement compared to Q1-Q3 2017, while net debt fell to HRK 1,022 million, a solid 18% decrease compared to 2017 closing.

Statement of Profit or Loss

Total sales revenues in Q1-Q3 2018 amounted HRK 15,318 million, 20% higher compared to Q1-Q3 2017 level, primarily triggered by higher refined products sales combined with higher crude oil and product prices

Costs of raw materials and consumables were 29% higher and amounted to HRK 8,164 million, resulting mainly from higher processing and crude prices.

Costs of other goods sold recorded an increase of 18%, and amounted HRK 2,637 million, resulting from different sales structure.

Within the **other operating costs** realized in Q1-Q3 2018:

- Other material costs amounted to HRK 1,721 million, a 29% increase compared to Q1-Q3 2017.
- Service costs in the amount of HRK 520 million raised 3% above the last year's level.
- Depreciation, amortisation and impairment (net) was 12% lower compared to Q1-Q3 2017 and amounted to HRK 1,170 million.
- Adjustments and provisions had a positive effect of HRK 115 million but were still HRK 234 million lower compared to Q1-Q3 2017 related mainly to the positive impact of provisions in Angola in Q1-Q3 2017.

Staff costs in the amount HRK 630 million were 4% higher than Q1-Q3 2017.

Net profit from financial activities in the amount of HRK 347 million was recorded in Q1-Q3 2018, compared to HRK 112 million in Q1-Q3 2017.

Statement of Financial Position

Total assets of INA, d.d., as at 30 September 2018 amounted to HRK 20,773 million and was 8% higher than 31 December 2017.

Property, plant and equipment amounted to HRK 10,240 million and were 3% lower than 31 December 2017.

Trade receivables, net outside of INA Group amounted to HRK 1,679 million and were 50% higher compared to 31 December 2017.

Total liabilities amounted to HRK 8,379 million and were 14% higher compared to 31 December 2017.

Net indebtedness of INA, d.d., amounted to HRK 1,022 million as at 30 September 2018 which is 18% lower compared to 31 December 2017. **Gearing ratio**¹ decreased from 9.4% as at 31 December 2017 to 7.6% as at 30 September 2018.

As at 30 September 2018 **trade payables** outside of INA Group amounted HRK 1,756 million, which is an increase of 123% compared to the 31 December 2017 and is mainly related to liabilities for imported crude.

Cash flow

The operating cashflow before working capital changes amounted to HRK 2,527 million in Q1-Q3 2018, which is an increase of 20% compared to the same period last year.

Movements in working capital affected the operating cash flow negatively by HRK 430 million, primarily due to:

- Increased value of inventories by HRK 1,100 million
- Increase in receivables by HRK 825 million,
- Payables increase by HRK 1,495 million.

In Q1-Q3 2018, taxes paid influenced the operating cash flow by HRK 7 million, while in Q1-Q3 2017 taxed paid influenced the operating cash flow negatively by HRK 6 million. All the above factors resulted in HRK 2,090 million net cash inflows from operating activities in Q1-Q3 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 September 2018
(HRK millions)

Q3 2017	Q3 2018		Q1-Q3 2017	Q1-Q3 2018	%
4,784	6,373	Revenue from Contracts with Customers	12,722	15,318	20
2	3	Capitalised value of own performance	6	12	100
(4)	43	Other operating income	136	160	18
4,782	6,419	Total operating income	12,864	15,490	20
		Changes in inventories of finished products and work in progress	260	522	101
(14)	309				
(2,210)	(3,705)	Cost of raw materials and consumables	(6,306)	(8,164)	29
(489)	(387)	Depreciation, amortisation and impairment (net)*	(1,333)	(1,170)	(12)
(467)	(589)	Other material costs	(1,339)	(1,721)	29
(173)	(173)	Service costs	(507)	(520)	3
(191)	(186)	Staff costs	(606)	(630)	4
(894)	(1,065)	Cost of other goods sold	(2,231)	(2,637)	18
(28)	(14)	Impairment and charges (net)*	48	99	106
(7)	(48)	Provision for charges and risks (net)	301	16	(95)
(4,473)	(5,858)	Operating expenses	(11,713)	(14,205)	21
309	561	Profit/(loss) from operations	1,151	1,285	12
		Share in the profit of associated companies			
73	7	Finance income	388	480	24
(46)	(25)	Finance costs	(276)	(133)	(52)
27	(18)	Net profit/(loss) from financial activities	112	347	210
336	543	Profit/(loss) before tax	1,263	1,632	29
(56)	(101)	Income tax expense	(224)	(276)	23
280	442	Profit/(loss) for the year	1,039	1,356	31
		Attributable to			
280	442	Owners of the Company	1,039	1,356	31
280	442		1,039	1,356	31
		Earnings per share			
28.0	44.2	Basic and diluted earnings per share (kunas per share)	103.9	135.6	31

* 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 September 2018
(HRK millions)

	31 December 2017	30 September 2018	%
Assets			
Non-current assets			
Intangible assets	408	451	11
Property, plant and equipment	10,578	10,240	(3)
Investment in subsidiaries	1,079	1,679	56
Other investments	669	715	7
Long-term receivables	105	179	70
Deferred tax	1,343	1,094	(19)
Non-current financial assets	665	512	(23)
Total non-current assets	14,847	14,870	0
Current assets			
Inventories	2,021	2,859	41
Intercompany receivables	225	317	41
Trade receivables, net	1,118	1,679	50
Other receivables	144	291	102
Prepaid expenses and accrued income	1	-	n.a.
Other current assets	494	171	(65)
Cash and cash equivalents	364	586	61
Total current assets	4,367	5,903	35
Total assets	19,214	20,773	8
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	28	99	254
Revaluation reserve	289	163	(44)
Other reserves	1,138	1,176	3
Retained earnings / (Deficit)	1,426	1,956	37
Total equity	11,881	12,394	4
Non-current liabilities			
Long-term loans	122	-	n.a.
Other non-current liabilities	51	46	(10)
Employee benefits obligation	31	31	0
Provisions	3,241	3,188	(2)
Total non-current liabilities	3,445	3,265	(5)
Current liabilities			
Bank loans and overdrafts	1,359	1,485	9
Current portion of long-term loans	122	123	1
Intercompany payables	495	381	(23)
Trade payables	787	1,756	123
Taxes and contributions	527	769	46
Other current liabilities	374	318	(15)
Employee benefits obligation	3	3	0
Provisions	221	279	26
Total current liabilities	3,888	5,114	32
Total liabilities	7,333	8,379	14
Total equity and liabilities	19,214	20,773	8

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

Q3 2017	Q3 2018		Q1-Q3 2017	Q1-Q3 2018	%
280	442	Profit/(loss) for the year	1,039	1,356	31
		Adjustments for:			
489	387	Depreciation, amortisation and impairment (net)	1,333	1,170	(12)
56	101	Income tax (benefit)/expenses recognized in (loss)/profit	224	276	23
28	14	Impairment charges (net)	(48)	(99)	106
(1)	(1)	Gain on sale of property, plant and equipment	(7)	(3)	(57)
-	-	Gain on sale investments and shares	-	(9)	n.a.
(35)	2	Foreign exchange loss/(gain)	(136)	46	n.a.
(2)	2	Interest expense /(income) (net)	45	3	(93)
14	2	Other finance income/(expense) recognised in income statement	(29)	(428)	1,376
1	46	(Decrease)/increase in provisions	(308)	(27)	(91)
6	11	Decommissioning interests	18	31	72
63	57	Net gain/loss on derivative financial instruments and hedge transactions	(19)	196	n.a.
(5)	11	Other non-cash items	-	15	n.a.
894	1,074	Operating cash flow before working capital changes	2,112	2,527	20
		Movements in working capital			
(85)	(388)	(Increase)/decrease in inventories	(527)	(1,100)	109
(139)	(220)	(Increase) /decrease in receivables and prepayments	(97)	(825)	751
387	348	(Decrease)/increase in trade and other payables	751	1,495	99
1,057	814	Cash generated from operations	2,239	2,097	(6)
-	(7)	Taxes paid	(6)	(7)	17
1,057	807	Net cash inflow from operating activities	2,233	2,090	(6)
		Cash flows used in investing activities			
(281)	(346)	Capital expenditures, exploration and development costs	(734)	(859)	17
(23)	(31)	Payment for intangible assets	(46)	(81)	76
1	1	Proceeds from sale of non-current assets	12	4	(67)
-	-	Dividends received from companies classified under available for sale and other companies	-	1	n.a.
20	-	Proceeds from profit of companies	21	-	n.a.
5	8	Interest received and other financial income	56	25	(55)
14	(25)	Investments and loans to third parties	(181)	(106)	(41)
(264)	(393)	Net cash (outflow) used for investing activities	(872)	(1,016)	17
		Cash flows from financing activities			
(62)	(63)	Repayment of long-term borrowings	(129)	(122)	(5)
2,976	4,897	Additional short-term borrowings	7,508	10,138	35
(3,622)	(4,207)	Repayment of short term borrowings	(8,695)	(10,113)	16
-	(812)	Payment dividends	(152)	(812)	434
(1)	(2)	Interest paid on long-term loans	(6)	(5)	(17)
(44)	(30)	Other long-term liabilities	(6)	53	n.a.
(4)	(6)	Interest paid on short term loans and other financing charges	(38)	(16)	(58)
(757)	(223)	Net cash from financing activities	(1,518)	(877)	(42)
36	191	Net (decrease)/increase in cash and cash equivalents	(157)	197	n.a.
273	389	At 1 January	500	365	(27)
(2)	6	Effect of foreign exchange rate changes	(36)	24	n.a.
307	586	At the end of period	307	586	91

Management representation

INA, d.d. non-consolidated financial statements for Q1 - Q3 / Q3 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 Ratatics 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