

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q4 2018 and Q1-Q4 2018 results. This report contains unaudited consolidated financial statements for the period ending 31 December 2018 as prepared by the Management in accordance with the International Financial Reporting Standards.

## INA Group financial results (IFRS)

Q4 2017	Q4 2018	HRK mln	2017	2018	%
5,116	6,122	Net sales revenues*	18,582	22,349	20
693	803	EBITDA <sup>(1)</sup>	3,373	3,489	3
<b>808</b>	<b>556</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>3,234</b>	<b>3,291</b>	<b>2</b>
<b>592</b>	<b>848</b>	<b>CCS EBITDA excl. special items</b>	<b>3,053</b>	<b>3,116</b>	<b>2</b>
121	247	Profit from operations	1,418	1,687	19
<b>335</b>	<b>0</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>1,379</b>	<b>1,489</b>	<b>8</b>
<b>119</b>	<b>292</b>	<b>CCS Operating profit excl. special items</b>	<b>1,198</b>	<b>1,314</b>	<b>10</b>
(22)	(72)	Net financial result	146	(167)	n.a.
8	123	Net profit attributable to equity holder	1,220	1,178	(3)
<b>222</b>	<b>(124)</b>	<b>Net profit for the period excl. special items <sup>(2)</sup></b>	<b>1,181</b>	<b>980</b>	<b>(17)</b>
23	(57)	Simplified Free Cash Flow <sup>(3)</sup>	1,660	1,299	(22)
<b>390</b>	<b>709</b>	<b>Operating cash flow</b>	<b>2,484</b>	<b>2,729</b>	<b>10</b>
<b>Earnings per share</b>					
0.8	12.3	Basic and diluted earnings per share (HRK per share)	122.0	117.8	(3)
1,397	1,642	Net debt	1,397	1,642	18
10.8	12.2	Net gearing (%)	10.8	12.2	
<b>569</b>	<b>905</b>	<b>CAPEX total</b>	<b>1,393</b>	<b>1,817</b>	<b>30</b>
479	794	Domestic	1,262	1,587	26
90	111	International	131	230	75
Q4 2017	Q4 2018	USD mln <sup>(4)</sup>	2017	2018	%
800	942	Net sales revenues*	2,806	3,560	27
108	124	EBITDA <sup>(1)</sup>	509	556	9
<b>126</b>	<b>86</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>488</b>	<b>524</b>	<b>7</b>
<b>92</b>	<b>131</b>	<b>CCS EBITDA excl. special items</b>	<b>461</b>	<b>496</b>	<b>8</b>
19	38	Profit from operations	214	269	26
<b>52</b>	<b>0</b>	<b>Operating profit excl. special items <sup>(2)</sup></b>	<b>208</b>	<b>237</b>	<b>14</b>
<b>19</b>	<b>45</b>	<b>CCS Operating profit excl. special items</b>	<b>181</b>	<b>209</b>	<b>15</b>
(3)	(11)	Net financial result	22	(27)	n.a.
1	19	Net profit attributable to equity holder	184	188	2
<b>35</b>	<b>(19)</b>	<b>Net profit for the period excl. special items <sup>(2)</sup></b>	<b>178</b>	<b>156</b>	<b>(12)</b>
4	(9)	Simplified Free Cash Flow <sup>(3)</sup>	251	207	(18)
<b>61</b>	<b>109</b>	<b>Operating cash flow</b>	<b>375</b>	<b>435</b>	<b>16</b>
<b>Earnings per share</b>					
0.1	1.9	Basic and diluted earnings per share (HRK per share)	18.4	18.8	2
223	254	Net debt	223	254	14
<b>89</b>	<b>139</b>	<b>CAPEX total</b>	<b>210</b>	<b>289</b>	<b>38</b>
75	122	Domestic	191	253	32
14	17	International	20	37	85

\* Related to Revenue from contracts with customers

<sup>(1)</sup> EBITDA = EBIT + Depreciation, amortization and impairment (net), restatement of comparable previous periods was made – see on page 10

<sup>(2)</sup> 2018 result negatively impacted by HRK (93) mln of net impact of severance payments and related provisions together with positive impact of HRK 291 mln of gain on INAgip acquisition

<sup>(3)</sup> Simplified free cash flow = CCS EBITDA excluding special items - CAPEX

<sup>(4)</sup> In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2017 – 6.3958 HRK/USD; Q4 2018 – 6.4968 HRK/USD; for 2017 – 6.6224 HRK/USD; for 2018 – 6.2784 HRK/USD; as at 31 December 2017 – 6.2697 HRK/USD; as at 31 December 2018 – 6.469192 HRK/USD;

INA Group revenues increased by 20% during 2018 driven by growth in all segments, utilizing higher hydrocarbon price and sales. At the same time, EBITDA remained at the last year level with CCS EBITDA excluding special items of HRK 3,116 million in 2018, 2% higher year-on-year. Net profit excl. special items decreased by 17% to HRK 980 million, primarily due to higher financial expenses.

Exploration and Production EBITDA excluding special items grew by 23% to HRK 3,014 million, with significantly higher realized hydrocarbon price (+33% year-on-year in USD terms) which compensated the mature structure of assets and 7% decrease in hydrocarbon production. CCS EBITDA of Refining and Marketing including Retail excluding special items was at HRK 286 million in 2018, HRK 581 million lower compared to 2017, with negative simplified free cash flow of the segment amounting to HRK (784) million, underlining the need for the execution of the INA Downstream 2023 New Course program.

Compared to 2017, CAPEX increased by 30% to the level of HRK 1,817 million. Net gearing remained low at 12.2% with year-end net debt at HRK 1,642 million.

**Commenting on the results, Mr. Sándor Fasimon, President of the Management Board said:**

Following the 2017, as a record year for INA's dividend in recent years, INA Group in 2018 once again achieved a very strong result. INA utilized the market conditions and increased both its sales and EBITDA, revenues growing over the strong 2017 result by further 20%, to the level of over HRK 22 billion.

Upstream, as the main cash generator of the company, benefited from the increased Brent price as well as growth projects. EBITDA of the segment exceeded HRK 3 bln, 22% up from 2017 result. INA's purchase of ENI's share in the Northern Adriatic offshore gas fields was the biggest M&A in recent years, demonstrating focus in investments where return can be achieved. Still, the period of favorable Upstream environment should not be taken for granted and long term sustainability of all businesses needs to be ensured. Natural decline of the production remains a challenge due to the maturity of INA upstream assets, however multiple projects aimed at addressing this are underway.

Downstream operations remain burdened with the negative cash generation of Refining operations. Nevertheless, increase in CAPEX spending shows INA commitment on maintaining vertically integrated business model. INA Group CAPEX spending increased by 30%, majority of which in Refining, mostly focused on Propane-Propylene Splitter project in Rijeka as well as other refining development projects. Retail operations stay focused on expanding the portfolio of goods and services offered to customers, together with regional expansion. Increase of Montenegro network in 2018 is an evidence of INA's future focus in regional markets, while constant growth of non-fuel margin demonstrates the viability of non-fuel related investments.

2019 is expected to witness further company investments alongside with the comprehensive INA Downstream 2023 New Course program implementation, aimed to ensure the long term future of sustainable and profitable operations.

## Management discussion

### Exploration and Production\*

Q4 2017	Q4 2018	Segment IFRS results (HRK mln)	2017	2018	%
1,024	1,140	Net sales revenues	3,760	4,187	11
559	1,158	EBITDA **	2,702	3,287	22
<b>559</b>	<b>876</b>	<b>EBITDA excl. special items ***</b>	<b>2,449</b>	<b>3,014</b>	<b>23</b>
285	809	Operating profit	1,586	2,256	42
<b>285</b>	<b>527</b>	<b>Operating profit excl. special items ***</b>	<b>1,333</b>	<b>1,983</b>	<b>49</b>
<b>352</b>	<b>657</b>	<b>Simplified Free Cash Flow****</b>	<b>1,831</b>	<b>2,365</b>	<b>29</b>
207	219	CAPEX	618	649	5

\* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Adriagas S.r.l. Milano, Croplin d.o.o., INA Adria BV, INA Jadran d.o.o.

\*\* Restatement of comparable previous periods was made – see on page 10

\*\*\* In 2018 EBITDA and Operating profit were positively impacted by HRK 291 mln of special items related to revenues from gain on INAgip acquisition and HRK (18) mln of severance payment and related provision

\*\*\*\* Simplified free cash flow = EBITDA excluding special items – CAPEX

Q4 2017	Q4 2018	Hydrocarbon production	2017	2018	%
<b>14,165</b>	<b>14,870</b>	<b>Crude oil production (boe/d)</b>	<b>14,515</b>	<b>14,550</b>	<b>0</b>
12,087	12,735	Croatia	12,165	12,443	2
1,414	1,628	Egypt	1,536	1,496	(3)
664	507	Angola	815	611	(25)
<b>20,430</b>	<b>19,409</b>	<b>Natural gas production (boe/d)</b>	<b>21,287</b>	<b>18,926</b>	<b>(11)</b>
6,770	6,526	Croatia - offshore	7,723	6,507	(16)
13,660	12,883	Croatia - onshore	13,564	12,419	(8)
<b>1,670</b>	<b>1,441</b>	<b>Condensate (boe/d)</b>	<b>1,786</b>	<b>1,441</b>	<b>(19)</b>
<b>36,266</b>	<b>35,720</b>	<b>Total hydrocarbon production (boe/d)</b>	<b>37,588</b>	<b>34,917</b>	<b>(7)</b>
Q4 2017	Q4 2018	Average realised hydrocarbon price	2017	2018	%
45	55	Total hydrocarbon price (USD/boe)*	40	53	33

\* Calculated based on total sales revenue including natural gas selling price as well.

### 2018 vs. 2017

#### KEY DRIVERS

- Brent price higher by 32% having a positive effect on crude oil and condensate sales revenues amounting to HRK 626 million
- Domestic crude oil production slightly higher as a result of:
  - Additional development projects and the EOR project
  - Full year production from two new wells on Hrastilnica field
- International crude oil production lower by 0.2 mboepd due to:
  - Natural production decline in Egypt
  - Natural production decline and various technical limitations in Angola
- Natural gas production 11% lower, driven by:
  - Lower offshore production by 16% in line with the expected production curve
  - Lower onshore production by 8% mainly as a result of lower Deep Podravina fields performance as well as planned general overhaul of facilities at Molve and Ivanić Grad locations
- Completed purchase of Eni's share in INAgip and Northern Adriatic offshore gas fields in November 2018
- Decrease of Egyptian overdue receivables

#### CAPITAL EXPENDITURES

2018 (HRK million)	Croatia	Egypt	Angola
Exploration	85	1	-
Development	324	78	9
Other	152	-	-
<b>TOTAL</b>	<b>561</b>	<b>79</b>	<b>9</b>

- Higher investment level compared to 2017 mainly as a result of Drava-02 exploration drilling activities and activities in Egypt
- Total of 91 well workovers performed onshore Croatia with additional seven workovers in the EOR activities
- Egypt drilling activities and production wells put in production: North Bahariya concession - eight production and two injection wells; West Abu Gharadig concession – one production well; Ras Qattara concession - five production wells

## Refining and Marketing, including Retail\*

Q4 2017	Q4 2018	Segment IFRS results (HRK mln)	2017	2018	%
5,056	5,852	Revenues	17,999	21,420	19
252	(438)	EBITDA**	934	419	(55)
<b>367</b>	<b>(423)</b>	<b>EBITDA excl. special items***</b>	<b>1,049</b>	<b>461</b>	<b>(56)</b>
150	(131)	CCS-based DS EBITDA excl. special items***	867	286	(67)
103	(594)	Operating profit/(loss)	366	(158)	n.a.
<b>218</b>	<b>(579)</b>	<b>Operating profit/(loss) excl. special items***</b>	<b>481</b>	<b>(116)</b>	<b>n.a.</b>
1	(287)	CCS-based DS operating profit/(loss)	299	(291)	n.a.
(176)	(737)	Simplified Free Cash Flow****	154	(784)	n.a.
326	606	CAPEX	713	1,070	50

\*Refers to Refining & Marketing including Retail INA, d.d. and the following subsidiaries: INA Maziva d.o.o., INA Slovenija d.o.o., HoldINA d.o.o., INA Crna Gora d.o.o., INA d.o.o. Beograd, INA Kosovo d.o.o., Petrol d.d., Energopetrol d.d., INA MALOPRODAJNI SERVISI d.o.o.

\*\* Restatement of comparable previous periods was made – see on page 10

\*\*\* In 2018 Operating profit and EBITDA were negatively impacted by HRK 42 mln of special items related to severance payment and related provision

\*\*\*\* Simplified free cash flow = CCS EBITDA excluding special items - CAPEX

Q4 2017	Q4 2018	Refining processing (kt)	2017	2018	%
260	158	Domestic crude oil	587	552	(6)
776	863	Imported crude oil	2,803	2,965	6
25	11	Condensate	80	59	(26)
198	202	Other feedstock	622	613	(1)
<b>1,259</b>	<b>1,234</b>	<b>Total refining throughput</b>	<b>4,092</b>	<b>4,189</b>	<b>2</b>
		<b>Refining production (kt)</b>			
73	62	LPG	242	215	(11)
1	2	Naphtha	52	39	(25)
354	296	Gasoline	1,058	979	(7)
24	47	Kerosene	133	192	44
413	415	Diesel	1,355	1,406	4
50	57	Heating oil	143	144	1
149	183	Fuel oil	512	622	21
51	42	Other products*	141	137	(2)
<b>1,116</b>	<b>1,104</b>	<b>Total</b>	<b>3,635</b>	<b>3,734</b>	<b>3</b>
12	15	Refining loss	43	55	28
132	115	Own consumption	415	400	(3)
<b>1,259</b>	<b>1,234</b>	<b>Total refining production</b>	<b>4,092</b>	<b>4,189</b>	<b>2</b>
		<b>Refined product sales by country (kt)</b>			
432	483	Croatia	1,814	1,839	1
168	208	B&H	616	701	14
17	20	Slovenia	70	77	10
515	469	Other markets	1,727	1,714	(1)
<b>1,132</b>	<b>1,180</b>	<b>Total</b>	<b>4,227</b>	<b>4,331</b>	<b>2</b>
		<b>Refined product sales by product (kt)</b>			
84	75	LPG	291	267	(8)
4	7	Naphtha	50	40	(20)
309	219	Gasoline	1,044	862	(17)
28	30	Kerosene	175	201	15
424	523	Diesel	1,755	1,926	10
48	57	Heating oil	163	159	(2)
175	164	Fuel oil	536	579	8
18	18	Bitumen	51	60	18
43	87	Other products*	162	237	46
<b>1,132</b>	<b>1,180</b>	<b>Total</b>	<b>4,227</b>	<b>4,331</b>	<b>2</b>
246	255	o/w Retail segment sales	1,056	1,082	2
393	407	Total natural gas sales (cmc)	1,416	1,360	(4)
494	500	Total number of Service stations	494	500	1

\*Other products = Benzene rich cut, liquid sulphur, coke, motor oils, industrial lubricants, base oils, spindle oil, waxes, blended gas oil "M", atmospheric residue, intermediaries and other.

## 2018 vs. 2017

## KEY DRIVERS

- Negative impact of higher Brent price (increase from 54 USD/bbl to 71 USD/bbl), lower gasoline (-15 USD/t) and fuel oil (-34 USD/t) crack spreads, partially mitigated by higher diesel (+17 USD/t) crack spread
- Increased total wholesale volumes on the back of higher sales on the domestic market (+25 kt) and the B&H markets (+85 kt) supported by stable sales margins, together with increased jet fuel sales driven by strong demand supported by increased production while lowering the import need
- Full extent of the new operating mode of both refineries was implemented resulting in a higher processing level (+97 kt) supporting increased sales, with continued utilisation of an extended crude basket
- Total retail sales volumes at 1,082 kt moderately improved (+2%), with a significant contribution of the network in Bosnia and Herzegovina (+7 kt) and due to network expansion in Montenegro from one to five service stations (+4 kt)
- Non-fuel margin increased by 11% and contributed 55% of the total Retail margin growth compared to last year period due to the continuous expansion in goods and development of new non-fuel related services

## CAPITAL EXPENDITURES

- Refining and Marketing CAPEX amounted to HRK 857 million compared to HRK 550 million in 2017
  - Engineering Procurement and Construction tender for Residue Upgrade Project was finalized. Preparation of Front-End engineering design for all units has been completed. Main design prepared for all units and submitted to the Ministry for issuing Construction permits
  - Activities on the Propane-Propylene Splitter project on-going and civil works on the site are in progress
  - Preparation for the Rijeka Refinery Turnaround to be executed during Q1 2019
  - Continued investment activities in logistics and refining development projects with focus on environmental related projects
- Retail CAPEX amounted to HRK 213 million compared to HRK 163 million in 2017
  - Over 70 investments projects finished in INA Group Retail including greenfield constructions, acquisitions, service station reconstructions, modernizations, new auto LPG POS, new car washes and double-wall tanks
  - From the total investments, 33 projects aimed at expanding and improving the non-fuel offer in line with the "Fresh corner" concept
- Inorganic growth in Montenegro on top of CAPEX

## Main external parameters

Q4 2017	Q4 2018	Crude oil prices	2017	2018	%
61	69	Brent dtd (USD/bbl)	54	71	31.5
0.66	0.32	Brent-Ural spread (USD/bbl)	0.92	1.09	18.5
<b>FOB MED Products prices and crack spreads</b>					
586	597	Gasoline - premium unleaded 10 ppm (USD/t)	548	662	20.8
549	637	Diesel - ULSD 10 ppm (USD/t)	490	638	30.2
333	399	Fuel oil 3.5% (USD/t)	298	394	32.2
583	510	LPG (USD/t)	512	552	7.8
123	76	Crack spread - gasoline (USD/t)	138	123	(10.9)
85	117	Crack spread - diesel (USD/t)	81	98	21.0
(130)	(121)	Crack spread - fuel oil 3.5% (USD/t)	(112)	(146)	30.4
120	(10)	Crack spread - LPG (USD/t)	102	13	(87.3)
0.35	(0.38)	Indicative refining margins (USD/bbl)*	1.80	(0.03)	n.a.
<b>Foreign exchange</b>					
6.40	6.50	HRK/USD average	6.62	6.28	(5.1)
6.27	6.47	HRK/USD closing	6.27	6.47	3.2
7.53	7.42	HRK/EUR average	7.46	7.41	(0.7)
7.51	7.42	HRK/EUR closing	7.51	7.42	(1.2)
1.43	3.00	3m USD LIBOR (%)	1.26	2.31	83.3
(0.33)	(0.32)	3m EURIBOR (%)	(0.33)	(0.32)	(3.0)

\* Indicative refining margins based on 2016 Solomon yields, dated Ural price used for all feedstock

**Condensed Consolidated Statement of Profit or Loss – INA Group**  
**For the period ended 31 December 2017 and 2018**  
**(In HRK millions)**

Q4 2017	Q4 2018		Note	2017	2018	%
<b>5,116</b>	<b>6,122</b>	<b>Revenue from contracts with customers</b>	1	<b>18,582</b>	<b>22,349</b>	<b>20</b>
95	56	Capitalised value of own performance		327	416	27
18	366	Other operating income		174	529	204
<b>5,229</b>	<b>6,544</b>	<b>Total operating income</b>		<b>19,083</b>	<b>23,294</b>	<b>22</b>
30	(164)	Changes in inventories of finished products and work in progress		274	365	33
(2,601)	(3,637)	Cost of raw materials and consumables	2	(9,061)	(12,033)	33
(572)	(556)	Depreciation, amortisation and impairment (net)	4	(1,955)	(1,802)	(8)
(548)	(387)	Other material costs	4	(1,871)	(2,188)	17
(138)	(215)	Service costs	4	(466)	(569)	22
(571)	(620)	Staff costs	5	(1,803)	(1,927)	7
(511)	(737)	Cost of other goods sold	3	(2,942)	(3,605)	23
(32)	57	Impairment charges (net)	4	8	165	1,963
(165)	(38)	Provision for charges and risks (net)	4	151	(13)	n.a.
<b>(5,108)</b>	<b>(6,297)</b>	<b>Operating expenses</b>		<b>(17,665)</b>	<b>(21,607)</b>	<b>22</b>
<b>121</b>	<b>247</b>	<b>Profit from operations</b>		<b>1,418</b>	<b>1,687</b>	<b>19</b>
		Share in the profit of associated companies				
(6)	6	Finance income		452	54	(88)
(16)	(78)	Finance costs		(306)	(221)	(28)
<b>(22)</b>	<b>(72)</b>	<b>Net result from financial activities</b>	7	<b>146</b>	<b>(167)</b>	<b>n.a.</b>
<b>99</b>	<b>175</b>	<b>Profit before tax</b>		<b>1,564</b>	<b>1,520</b>	<b>(3)</b>
(101)	(54)	Income tax expense	6	(342)	(343)	0
<b>(2)</b>	<b>121</b>	<b>Profit for the year</b>		<b>1,222</b>	<b>1,177</b>	<b>(4)</b>
		Attributable to				
8	123	Owners of the Company		1,220	1,178	(3)
(10)	(2)	Non-controlling interests		2	(1)	n.a.
<b>(2)</b>	<b>121</b>			<b>1,222</b>	<b>1,177</b>	<b>(4)</b>
		<b>Earnings per share</b>				
0.8	12.3	Basic and diluted earnings per share (HRK per share)		122.0	117.8	(3)

\* Restatement of comparable previous periods was made – see on page 10

**Condensed Consolidated Statement of Financial Position – INA Group**  
**At 31 December 2018**  
**(in HRK millions)**

	Note	31 December 2017	31 December 2018	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	570	644	13
Property, plant and equipment	10	12,016	12,284	2
Investments in associates and joint ventures		-	150	n.a.
Investments in other companies		13	16	23
Long-term receivables and other assets		96	732	663
Deferred tax		1,451	1,199	(17)
Non-current financial assets		665	479	(28)
<b>Total non-current assets</b>		<b>14,811</b>	<b>15,504</b>	<b>5</b>
<b>Current assets</b>				
Inventories	12	2,264	2,645	17
Trade receivables net	13	1,393	1,837	32
Other receivables		210	121	(42)
Corporative income tax receivables		10	8	(20)
Marketable securities		-	27	n.a.
Other current assets		139	174	25
Cash and cash equivalents		428	422	(1)
<b>Current assets</b>		<b>4,444</b>	<b>5,234</b>	<b>18</b>
Assets classified as held for sale		8	4	(50)
<b>Total current assets</b>		<b>4,452</b>	<b>5,238</b>	<b>18</b>
<b>Total assets</b>	<b>8</b>	<b>19,263</b>	<b>20,742</b>	<b>8</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	11	9,000	9,000	0
Legal reserves		28	99	254
Revaluation reserve		289	135	(53)
Other reserves		1,516	1,544	2
Retained earnings		827	1,036	25
<b>Equity attributable to equity holder of the parent</b>		<b>11,660</b>	<b>11,814</b>	<b>1</b>
Non-controlling interests		(134)	9	n.a.
<b>Total equity</b>		<b>11,526</b>	<b>11,823</b>	<b>3</b>
<b>Non-current liabilities</b>				
Long-term loans		122	4	(97)
Other non-current liabilities		52	45	(13)
Employee benefits obligation		73	77	5
Provisions		3,119	3,462	11
Deferred tax liability		14	14	(0)
<b>Total non-current liabilities</b>		<b>3,380</b>	<b>3,602</b>	<b>7</b>
<b>Current liabilities</b>				
Bank loans and overdrafts		1,581	1,962	24
Current portion of long-term debt		122	125	2
Trade payables	15	1,171	1,720	47
Taxes and contributions		626	612	(2)
Other current liabilities		540	590	9
Employee benefits obligation		5	5	0
Provisions		312	303	(3)
<b>Total current liabilities</b>		<b>4,357</b>	<b>5,317</b>	<b>22</b>
<b>Total liabilities</b>	<b>14</b>	<b>7,737</b>	<b>8,919</b>	<b>15</b>
<b>Total equity and liabilities</b>		<b>19,263</b>	<b>20,742</b>	<b>8</b>

**Condensed Consolidated Cash Flow Statement - INA Group**  
**For the period ended 31 December 2017 and 2018**  
**(in HRK millions)**

Q4 2017	Q4 2018	Note	2017	2018	%
(2)	120	<b>Profit for the year</b>	<b>1,222</b>	<b>1,177</b>	<b>(4)</b>
		<b>Adjustments for:</b>			
572	557	Depreciation, amortisation and impairment (net)	1,955	1,802	(8)
101	54	Tax expense recognised in statement of profit or loss	342	343	0
35	(58)	Impairment charges (net)	(8)	(165)	1,963
2	7	Gain on sale of property, plant and equipment	(16)	3	n.a.
-	(291)	Gain on sale investments and shares	-	(291)	n.a.
(33)	20	Foreign exchange (gain)/loss	(223)	45	n.a.
3	7	Interest expense (net)	45	26	(42)
49	21	Other finance expense recognised in profit	11	58	427
162	12	Decrease in provisions	(155)	(23)	(85)
3	33	Decommissioning interests and other provision	21	62	195
67	(100)	Net loss on derivative financial instruments and hedge transactions	48	96	100
1	(10)	Other non-cash items	10	(2)	n.a.
<b>960</b>	<b>372</b>	<b>Operating cash flow before working capital changes</b>	<b>16</b>	<b>3,252</b>	<b>(4)</b>
		<b>Movements in working capital</b>	17		
209	426	Increase in inventories	(327)	(725)	122
(8)	454	Increase in receivables and prepayments	(76)	(319)	320
(759)	(502)	(Decrease)/Increase in trade and other payables	(333)	703	n.a.
<b>402</b>	<b>750</b>	<b>Cash generated from operations</b>	<b>2,516</b>	<b>2,790</b>	<b>11</b>
(12)	(41)	Taxes paid	(32)	(61)	91
<b>390</b>	<b>709</b>	<b>Net cash inflow from operating activities</b>	<b>2,484</b>	<b>2,729</b>	<b>10</b>
		<b>Cash flows used in investing activities</b>			
(509)	(928)	Capital expenditures, exploration and development costs	(1,277)	(1,842)	44
(67)	(43)	Payment for intangible assets	(114)	(125)	10
1	4	Proceeds from sale of non-current assets	26	9	(65)
23	(297)	Payments related to sale of subsidiary	23	(297)	n.a.
-	-	Dividends received from companies classified as available for sale and from other companies	20	1	(95)
2	3	Interest received and other financial income	11	11	0
57	1	Investments and loans to third parties, net	11	1	(91)
<b>(493)</b>	<b>(1,260)</b>	<b>Net cash used for investing activities</b>	<b>18</b>	<b>(2,242)</b>	<b>72</b>
		<b>Cash flows from financing activities</b>			
-	-	Repayment of long-term borrowings	(129)	(122)	(5)
2,937	4,674	Additional short-term borrowings	10,103	14,634	45
(2,751)	(4,393)	Repayment of short term borrowings	(11,103)	(14,258)	28
-	-	Dividends paid	(152)	(812)	434
(2)	(4)	Interest paid on long-term loans	(8)	(5)	(38)
(26)	28	Interest paid on short-term loans and other interest charges	(78)	46	n.a.
<b>158</b>	<b>305</b>	<b>Net cash used in financing activities</b>	<b>(1,367)</b>	<b>(517)</b>	<b>(62)</b>
55	(246)	Net decrease in cash and cash equivalents	(183)	(30)	(84)
355	667	At 1 January	611	428	(30)
18	1	Effect of foreign exchange rate changes	-	24	n.a.
428	422	At the end of period	428	422	(1)



## INA Group Summary Segmental Results of Operations

Q4 2017	Q4 2018	(HRK mln)	2017	2018	%
<b>Net sales revenues</b>					
1,024	1,140	Exploration & Production	3,760	4,187	11
5,056	5,852	Refining & Marketing including Retail	17,999	21,420	19
444	560	Corporate and Other	1,451	1,829	26
(1,408)	(1,430)	Inter-segment revenue eliminations	(4,628)	(5,087)	10
<b>5,116</b>	<b>6,122</b>	<b>Total</b>	<b>18,582</b>	<b>22,349</b>	<b>20</b>
<b>EBITDA*</b>					
559	1,158	Exploration & Production	2,702	3,287	22
252	(438)	Refining & Marketing including Retail	934	419	(55)
(84)	(81)	Corporate and Other	(157)	(88)	(44)
(34)	164	Inter-segment profit eliminations	(106)	(129)	22
<b>693</b>	<b>803</b>	<b>Total</b>	<b>3,373</b>	<b>3,489</b>	<b>3</b>
<b>EBITDA Excluding Special Items</b>					
559	876	Exploration & Production	2,449	3,014	23
367	(423)	Refining & Marketing including Retail	1,049	461	(56)
(84)	(61)	Corporate and Other	(157)	(55)	(65)
(34)	164	Inter-segment profit eliminations	(106)	(129)	22
<b>808</b>	<b>556</b>	<b>Total</b>	<b>3,234</b>	<b>3,291</b>	<b>2</b>
<b>Operating Profit/(Loss)</b>					
285	809	Exploration & Production	1,586	2,256	42
103	(594)	Refining & Marketing including Retail	366	(158)	n.a.
(233)	(132)	Corporate and Other	(428)	(282)	(34)
(34)	164	Inter-segment profit eliminations	(106)	(129)	22
<b>121</b>	<b>247</b>	<b>Total</b>	<b>1,418</b>	<b>1,687</b>	<b>19</b>
<b>Operating Profit/(Loss) Excluding Special Items</b>					
285	527	Exploration & Production	1,333	1,983	49
218	(579)	Refining & Marketing including Retail	481	(116)	n.a.
(133)	(112)	Corporate and Other	(328)	(249)	(24)
(34)	164	Inter-segment profit eliminations	(106)	(129)	22
<b>335</b>	<b>0</b>	<b>Total</b>	<b>1,379</b>	<b>1,489</b>	<b>8</b>
<b>Property, plant and equipment</b>					
5,329	5,228	Exploration & Production	5,329	5,228	(2)
5,582	6,069	Refining & Marketing including Retail	5,582	6,069	9
1,418	1,385	Corporate and Other	1,418	1,385	(2)
(313)	(398)	Inter-segment assets eliminations	(313)	(398)	27
<b>12,016</b>	<b>12,284</b>	<b>Total</b>	<b>12,016</b>	<b>12,284</b>	<b>2</b>

\* EBITDA = EBIT + Depreciation, restatement of comparable previous periods was made – see on page 10

### Intersegment profit eliminations

Intersegment elimination indicates unrealised profit/loss on domestic crude oil being transferred from Exploration and Production to Refining and Marketing but still being kept on INA inventory as crude oil or finished / semi-finished product. Intersegment EBITDA effect on results in 2018 is HRK (129) million which is lower compared to HRK 106 million in 2017 due to different schedule of domestic crude processing.

## Financial overview and notes

### STATEMENT OF PROFIT OR LOSS

Notes	2018 RESULTS
1	<b>Revenues from contract with customers</b> in 2018 amounted to HRK 22,349 million and were 20% above the 2017 level, triggered mainly by higher crude oil and product prices and increased total sales volume on domestic and B&H market.
2	<b>Costs of raw materials and consumables</b> were 33% above the 2017 level at HRK 12,033 million, resulting mainly from higher processing and higher crude prices.
3	<b>Costs of other goods sold</b> in 2018 recorded an increase of 23% compared to 2017, and amounted to HRK 3,605 million resulting from different sales structure.
4	Other <b>operating costs</b> realized in 2018 include: <ul style="list-style-type: none"> <li>- Other material costs were higher by 17% and amounted to HRK 2,188 million related to increasing oil prices and higher Croscoc engagement abroad.</li> <li>- Service costs in the amount of HRK 569 million were 22% higher than 2017 level mainly due to emission charge</li> <li>- Depreciation, amortisation and impairment (net) in the amount of HRK 1,802 million was 8% lower compared to 2017</li> <li>- Adjustments and provisions had a positive effect in the amount of HRK 152 million mainly related to collection of previously value adjusted EGPC receivables</li> </ul>
5	<b>Staff costs</b> in the amount HRK 1,927 million were 7% higher compared to 2017.
6	<b>Income tax expense</b> in 2018 amounted to HRK 343 million compared to HRK 342 million income tax expense in 2017. Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 18 % for the periods ended 31 December 2017 and 31 December 2018.
7	<b>Net result from financial activities</b> is negative in 2018 compared to positive 2017 impact mainly as a result of: <ul style="list-style-type: none"> <li>- Net foreign exchange loss reached HRK 38 million in 2018, while in 2017 net foreign exchange gain reached HRK 223 million.</li> <li>- Interest payable amounted to HRK 68 million and interest received to HRK 3 million in 2018, while in 2017 interest payable amounted to HRK 57 million and interest received to HRK 4 million.</li> <li>- Other financial net expenses amounted to HRK 64 million and are higher compared to HRK 40 million financial expenses in 2017.</li> </ul>

### STATEMENT OF FINANCIAL POSITION

Notes	
8	As at 31 December 2018 INA Group <b>total assets</b> amounted to HRK 20,742 million, 8% higher compared to 31 December 2017.
9	In the period ended 31 December 2018, INA Group invested HRK 121 million in intangible assets. The effect of depreciation equals HRK 48 million. Acquisition of INA Adria entity increased NBV of intangible assets in amount of HRK 47 million.
10	In the period ended 31 December 2018, INA Group invested HRK 1,696 million in property, plant and equipment. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 1,632 million.
11	<b>Share capital</b> as at 31 December 2018 amounted to HRK 9,000 million. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.
12	<b>Inventories</b> amounted to HRK 2,645 million, and have increased by 17% compared to 31 December 2017 as a result of higher crude oil volume together with higher price.
13	<b>Trade receivables net</b> amounted to HRK 1,837 million which is 32% higher than 31 December 2017 and in line with the sales revenues dynamic.
14	As at 31 December 2018 <b>total liabilities</b> amounted to HRK 8,919 million which is 15% or HRK 1,182 million higher compared to 31 December 2017. INA Group <b>net debt</b> amounted to HRK 1,642 million and increased by 18% compared to 31 December 2017. <b>Net gearing</b> <sup>1</sup> increased from 10.8% as at 31 December 2017, to 12.2% as at 31 December 2018.
15	<b>Trade payables</b> increased by 47% to HRK 1,720 million, as a result of INAgip acquisition.

### CASH FLOW

Notes	
16	The <b>operating cash flow before changes in working capital</b> amounted to HRK 3,131 million in 2018 representing a decrease of HRK 121 million compared to 2017, which is in line with the change in EBITDA performance excluding non-cash items compared to the previous year.
17	<b>Movements in working capital</b> affected the operating cash flow negatively by HRK 341 million, due to: <ul style="list-style-type: none"> <li>- Increased value of inventories in the amount of HRK 725 million mainly related to higher prices and domestic crude inventory volume change</li> <li>- Increase in receivables in the amount of HRK 319 million as a result of higher sales revenues in 2018 compared to 2017</li> <li>- Increase in trade and other payables in the amount of HRK 703 million affected by INAgip acquisition.</li> </ul>
18	<b>Net cash used for investing activities</b> amounted to HRK 2,242 million of outflows, compared to HRK 1,300 million outflows in 2017.

#### Restatement

INA adjusted its EBITDA methodology and classification between impairment and value adjustment lines to better align the reporting to business reporting standards with EBITDA now being calculated as EBIT + Depreciation, amortization and impairment (net). Additionally, gas trading operations have been moved from the Exploration and Production to Refining and Marketing incl. Retail and the comparable periods restated.

<sup>1</sup> Net debt / net debt plus equity incl. minority interests

## Special items in operating profit and EBITDA (in HRK mln)

In addition to international accounting standards, international reporting standards and regulatory requests the company discloses special items to achieve a higher level of transparency and to provide better understanding of the usual business operations. Business events not occurring regularly and having significant effect on operations and results are considered as special items. INA has adopted the materiality level for the special items in the amount of USD 10 million or above. If special items reaches materiality level on cumulative basis, previous quarters are restated. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period if impairment indicators are assessed to be significant. In 2018, the result was materially impacted by gain on INAgip acquisition and severance payment as described below.

HRK mln	2017	2018
<b>INA GROUP</b>		
Total impact of special items on operating profit/(loss)	39	198
Total impact of special items on EBITDA	139	198
<b>Exploration &amp; Production</b>		
Total impact of special items on operating profit/(loss)	253	273
Total impact of special items on EBITDA	253	273
Severance payment and net provisions	-	(18)
Gain on INAgip acquisition	-	291
Retranslation related to Angola	18	-
Reversal of provisions for additional tax Angola including retranslation	235	-
<b>Refining &amp; Marketing including Retail</b>		
Total impact of special items on operating (loss)	(115)	(42)
Total impact of special items on EBITDA	(115)	(42)
Environment related provision	(115)	-
Severance payment and net provisions	-	(42)
<b>Corporate functions</b>		
Total impact of special items on operating (loss)	(100)	(33)
Total impact of special items on EBITDA	-	(33)
Impairment of assets - Zagreb 1	(100)	-
Severance payment	-	(33)

## Financial instruments and risk management

Risk Management procedures of INA Group are described in detail in INA's Consolidated and separate Financial Statements for the year ended 31 December 2017.

As of 31 December 2018 INA had:

- Opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods, inventory levels and refining margins
- Contracted and available short-term credit lines amounting to HRK 2,232 million excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products
- Contracted and available long-term credit lines amounting to HRK 2,713 million.

## Related party transactions

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA Group strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation.

During 2018, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	31 December 2018	31 December 2018
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	5	54
<b>Strategic partner</b>		
MOL Nyrt.	304	662
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	613	7
MOL Petrochemical	111	5
MOL SLOVENIJA d.o.o.	70	68
Slovnaft, a.s.	23	187
MOL Srbija	20	-
Geoinform Kft.	7	3
Mélyfűrási Zrt.	6	4
MOL-LUB Kft.	-	62
MOL Commodity Trading Kft.	-	6
MOL Germany GMBH	-	5
FGSZ Zrt.	-	1

INA Grupa	Potraživanja od povezanih strana	Obveze prema povezanim stranama
mil. kn	31.12.2018.	31.12.2018.
<b>Društva raspoloživa za prodaju</b>		
JANAF d.d. Zagreb	1	7
<b>Strateški partner</b>		
MOL Nyrt.	33	77
<b>Društvo koje kontrolira strateški partner</b>		
Tifon d.o.o.	70	1
MOL Commodity Trading Kft.	-	8
MOL Petrochemicals	10	-
Slovnaft, a.s.	7	7
MOL SLOVENIJA d.o.o.	6	5
MOL Srbija	1	-
Geoinform Kft.	1	-
MOL-LUB Kft.	1	1
MOL Commodity Trading Kft.	-	8

## Management representation

INA Group's consolidated financial statements for Q4 and Q1-Q4 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:

<b>Sándor Fasimon</b>	<b>President</b>
<b>Niko Dalić</b>	<b>Member</b>
<b>Ivan Krešić</b>	<b>Member</b>
<b>Davor Mayer</b>	<b>Member</b>
<b>Zsolt Pethő</b>	<b>Member</b>
<b>Ákos Székely</b>	<b>Member</b>