

ENCLOSURE 1

Reporting period:

1 January 2018

to

31 December 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: 4.138
(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.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 31 December 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	16.190.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	429.000.000	456.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	166.000.000	206.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	21.000.000	25.000.000
5. Intangible assets in preparation	008	242.000.000	225.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	10.591.000.000	10.766.000.000
1. Land	011	1.010.000.000	1.008.000.000
2. Buildings	012	5.060.000.000	4.697.000.000
3. Plant and equipment	013	2.224.000.000	2.244.000.000
4. Instruments, plant inventories and transportation assets	014	215.000.000	243.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	13.000.000	180.000.000
7. Tangible assets in preparation	017	2.062.000.000	2.388.000.000
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	3.341.000.000
1. Investments in subsidiaries	021	1.079.000.000	1.960.000.000
2. Loans given to related parties	022	657.000.000	738.000.000
3. Participating interests (shares)	023	6.000.000	157.000.000
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	479.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	71.000.000	538.000.000
1. Receivables from subsidiaries	030	11.000.000	12.000.000
2. Receivables based on trade loans	031	60.000.000	50.000.000
3. Other receivables	032		476.000.000
V. DEFERRED TAX ASSETS	033	1.343.000.000	1.089.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	4.314.000.000	4.663.000.000
I. INVENTORIES (036 do 042)	035	2.021.000.000	2.351.000.000
1. Raw materials & consumables	036	563.000.000	445.000.000
2. Work in progress	037	746.000.000	874.000.000
3. Finished goods	038	646.000.000	860.000.000
4. Merchandise	039	66.000.000	172.000.000
5. Advances for inventories	040		
6. Long-term assets held for sale	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	1.487.000.000	1.819.000.000
1. Receivables from subsidiaries	044	225.000.000	256.000.000
2. Trade receivables	045	1.118.000.000	1.490.000.000
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	2.000.000
6. Other receivables	049	77.000.000	70.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	442.000.000	158.000.000
1. Investments in subsidiaries	051		
2. Loans given to related parties	052	376.000.000	15.000.000
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in which the entity holds participating interests	054		
5. Investments in securities	055		27.000.000
6. Loans, deposits and similar assets	056	3.000.000	3.000.000
7. Other financial assets	057	63.000.000	113.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	364.000.000	335.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	53.000.000	34.000.000
E) TOTAL ASSETS (001+002+034+059)	060	19.214.000.000	20.887.000.000
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	12.352.000.000
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	1.283.000.000
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	1.184.000.000
IV. REVALUATION RESERVES	071	289.000.000	135.000.000
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	1.334.000.000
1. Profit for the financial year	076	1.426.000.000	1.334.000.000
2. Loss for the financial year	077		
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.496.000.000	3.863.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	40.000.000	37.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.456.000.000	3.826.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	173.000.000	44.000.000
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	44.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	3.559.000.000	4.518.000.000
1. Liabilities to subsidiaries	094	495.000.000	584.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	1.481.000.000	1.892.000.000
4. Liabilities for received advances	097	63.000.000	38.000.000
5. Trade payables	098	787.000.000	1.242.000.000
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	58.000.000
9. Liabilities for taxes, contributions and similar fees	102	527.000.000	514.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	156.000.000	190.000.000
E) ACCRUAL AND DEFERRED INCOME	106	105.000.000	110.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	19.214.000.000	20.887.000.000
G) OFF-BALANCE SHEET ITEMS	108		
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders of the parent company's capital	109		
2. Attributable to non controlling interest	110		

Note 1.: APPENDIX TO THE BALANCE SHEET (to be filled in by entities who submitting consolidated financial statements).

PROFIT AND LOSS
for the period 1 January 2018 to 31 December 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	18.001.000.000	5.137.000.000	21.419.000.000	5.929.000.000
1. Sales revenue	112	17.578.000.000	4.856.000.000	21.070.000.000	5.752.000.000
2. Other operating income	113	423.000.000	281.000.000	349.000.000	177.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	16.301.000.000	4.588.000.000	20.066.000.000	5.861.000.000
1. Changes in inventories of finished products and work in progress	115	-288.000.000	-28.000.000	-364.000.000	158.000.000
2. Material costs (117 do 119)	116	13.363.000.000	3.489.000.000	17.150.000.000	4.628.000.000
a) Cost of raw materials & consumables	117	8.816.000.000	2.510.000.000	11.819.000.000	3.655.000.000
b) Cost of goods sold	118	2.666.000.000	435.000.000	3.169.000.000	532.000.000
c) Other costs	119	1.881.000.000	544.000.000	2.162.000.000	441.000.000
3. Staff costs (121 do 123)	120	810.000.000	193.000.000	834.000.000	203.000.000
a) Net salaries and wages	121	476.000.000	115.000.000	486.000.000	122.000.000
b) Costs for taxes and contributions from salaries	122	214.000.000	49.000.000	226.000.000	52.000.000
c) Contributions on gross salaries	123	120.000.000	29.000.000	122.000.000	29.000.000
4. Depreciation and amortisation	124	1.733.000.000	450.000.000	1.579.000.000	406.000.000
5. Other costs	125	799.000.000	301.000.000	903.000.000	384.000.000
6. Impairment charges (127+128)	126	30.000.000	28.000.000	-53.000.000	49.000.000
a) impairment of long-term assets (excluding financial assets)	127	51.000.000	0	109.000.000	112.000.000
b) impairment of short-term assets (excluding financial assets)	128	-21.000.000	28.000.000	-162.000.000	-63.000.000
7. Provisions	129	-146.000.000	155.000.000	17.000.000	33.000.000
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 do 136)	131	384.000.000	-4.000.000	505.000.000	25.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	76.000.000	8.000.000	495.000.000	34.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	286.000.000	-13.000.000	21.000.000	2.000.000
3. Part of income from associates and participating interests	134	0	0		0
4. Unrealized gains (income) from the financial assets	135	0	0		0
5. Other financial income	136	22.000.000	1.000.000	-11.000.000	-11.000.000
IV. FINANCIAL COSTS (138 do 141)	137	310.000.000	34.000.000	201.000.000	68.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	137.000.000	2.000.000	18.000.000	1.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	88.000.000	2.000.000	84.000.000	16.000.000
3. Unrealized loss (expenses) on financial assets	140	0	0		0
4. Other financial expenses	141	85.000.000	30.000.000	99.000.000	51.000.000
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	18.385.000.000	5.133.000.000	21.924.000.000	5.954.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	16.611.000.000	4.622.000.000	20.267.000.000	5.929.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	1.774.000.000	511.000.000	1.657.000.000	25.000.000
1. Profit before tax (146-147)	149	1.774.000.000	511.000.000	1.657.000.000	25.000.000
2. Loss before tax (147-146)	150	0	0	0	0
XII. CORPORATE INCOME TAX EXPENSE	151	348.000.000	124.000.000	323.000.000	47.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	1.426.000.000	387.000.000	1.334.000.000	-22.000.000
1. Profit for the period (149-151)	153	1.426.000.000	387.000.000	1.334.000.000	0
2. Loss for the period (151-148)	154	0	0	0	22.000.000
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	1.426.000.000	387.000.000	1.334.000.000	-22.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	-160.000.000	8.000.000	-108.000.000	-20.000.000
1. Exchange differences on translation of foreign operations	159	-161.000.000	7.000.000	47.000.000	8.000.000
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	-10.000.000	-10.000.000	-154.000.000	-27.000.000
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	11.000.000	11.000.000	-1.000.000	-1.000.000
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	-160.000.000	8.000.000	-108.000.000	-20.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	1.266.000.000	395.000.000	1.226.000.000	-42.000.000
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD					
1. Attributable to equity holders of the parent company	169				
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 1 January 2018 to 31 December 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	1.774.000.000	1.657.000.000
2. Depreciation and amortisation	002	1.781.000.000	1.688.000.000
3. Increase in short-term liabilities	003	6.000.000	1.022.000.000
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006	136.000.000	222.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	3.697.000.000	4.589.000.000
1. Decrease in short-term liabilities	008		
2. Increase in short-term receivables	009	121.000.000	881.000.000
3. Increase in inventories	010	314.000.000	645.000.000
4. Other cash flow decreases	011	611.000.000	653.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1.046.000.000	2.179.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	2.651.000.000	2.410.000.000
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	14.000.000	8.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	13.000.000	51.000.000
4. Dividends receipts	018		121.000.000
5. Other cash inflows from investment activities	019	43.000.000	
III. Total cash inflows from investment activities (015 do 019)	020	70.000.000	180.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	1.348.000.000	1.404.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		415.000.000
3. Other cash outflows from investment activities	023	186.000.000	250.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	1.534.000.000	2.069.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	1.464.000.000	1.889.000.000
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	10.389.000.000	14.998.000.000
3. Other cash inflows from financial activities	029		
V. Total cash inflows from financial activities (027 do 029)	030	10.389.000.000	14.998.000.000
1. Cash outflows for repayment of loans and bonds	031	11.457.000.000	14.709.000.000
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	103.000.000	27.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	11.712.000.000	15.548.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	1.323.000.000	550.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	136.000.000	29.000.000
Cash and cash equivalents at the beginning of the period	041	500.000.000	364.000.000
Increase of cash and cash equivalents	042	0	0
Decrease of cash and cash equivalents	043	136.000.000	29.000.000
Cash and cash equivalents at the end of the period	044	364.000.000	335.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 01.01.2018. to 31.12.2018

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		600.000.000
5. Profit / loss for the current year	005	1.426.000.000	1.334.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	289.000.000	135.000.000
9. Other revaluation	009	1.138.000.000	1.184.000.000
10. Total capital and reserves (AOP 001 do 009)	010	11.881.000.000	12.352.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	-162.000.000	47.000.000
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	1.276.000.000	367.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	1.114.000.000	414.000.000
17 a. Attributable to equity holders of the parent company's capital	018		
17 b. Attributable to non-controlling interests	019		

Items that decrease equity have negative sign
 Items from 001 to 009 are state of balance sheet date

Notes with financial statements

Notes to Financial Statements provide additional and supplementary information which are not presented in the statement of financial position, statement of profit and loss, cash flow statement and statement of changes in equity in accordance with the regulations of the relevant international financial reporting standards.

INA, d.d. financial results (IFRS)

Q4 2017	Q4 2018	HRK mln	2017	2018	%
4,856	5,752	Net sales revenues*	17,578	21,070	20
997	586	EBITDA ⁽¹⁾	3,481	3,041	(13)
1,112	366	EBITDA excl. special items ⁽²⁾	3,342	2,821	(16)
549	68	Operating profit/(loss)	1,700	1,353	(20)
664	(151)	Operating profit/(loss) excl. special items ⁽²⁾	1,561	1,134	(27)
(38)	(43)	Net financial result	74	304	311
387	(22)	Net profit/loss attributable to equity holder	1,426	1,334	(6)
502	(242)	Net profit/(loss) excl. special items ⁽²⁾	1,287	1,114	(13)
418	320	Operating cash flow	2,651	2,410	(9)
Earnings per share					
38.7	(2.2)	Basic and diluted earnings/(loss) per share (kunas per share)	142.6	133.4	(6)
1,239	1,557	Net debt	1,239	1,557	26
9.4	11.2	Net gearing (%)	9.4	11.2	
549	814	CAPEX	1,352	1,675	24
Q4 2017	Q4 2018	USD mln ⁽³⁾	2017	2018	%
759	885	Net sales revenues*	2,654	3,356	26
156	90	EBITDA ⁽¹⁾	526	484	(8)
174	56	EBITDA excl. special items ⁽²⁾	505	449	(11)
86	10	Operating profit/(loss)	257	216	(16)
104	(23)	Operating profit/(loss) excl. special items ⁽²⁾	236	181	(23)
(6)	(7)	Net financial result	11	48	336
61	(3)	Net profit/loss attributable to equity holder	215	213	(1)
78	(37)	Net profit/(loss) excl. special items ⁽²⁾	194	178	(8)
65	49	Operating cash flow	400	384	(4)
Earnings per share					
6.1	(0.3)	Basic and diluted earnings/(loss) per share (USD per share)	21.5	21.3	(1)
198	241	Net debt	198	241	22
86	125	CAPEX	204	267	31

* 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⁾ 2018 result negatively impacted by HRK (72) mln of net impact of severance payments and related provisions together with positive impact of HRK 291 mln of gain on INAgip acquisition

⁽³⁾ 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;

2018 vs. 2017

INA d.d. ended 2018 with revenues reaching HRK 21,070 million, 20% higher than in 2017 utilizing higher hydrocarbon price and sales. Exploration & Production benefited from the 32% higher Brent which had positive effect on crude oil and condensate sales revenues.

Exploration and Production EBITDA excluding special items grew by 15% to HRK 2,803 million, reflecting significantly higher realized hydrocarbon price which compensated the mature structure of assets and 7% decrease in hydrocarbon production.

Refining and Marketing including Retail EBITDA excluding special items amounted to HRK 375 million in 2018 which is lower by 61% compared to previous year, since the improvement of sales activities together with Retail contribution was not enough to mitigate external environment.

CAPEX amounted to HRK 1,675 million with continued focus on Croatian investments, and marked a 24% increase compared to 2017. Net gearing increasing from 9.4% to 11.2%, while net debt increased by 26%.

Statement of Profit or Loss

Total sales revenues in 2018 amounted HRK 21,070 million, 20% higher compared to 2017 level, primarily triggered by higher refined products sales combined with higher crude oil price.

Costs of raw materials and consumables were 34% higher and amounted to HRK 11,819 million, resulting mainly from higher processing and higher crude prices.

Costs of goods sold recorded an increase of 19%, and amounted HRK 3,169 million, resulting from different sales structure.

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

- Other material costs amounted to HRK 2,162 million, a 15% increase compared to 2017.
- Service costs in the amount of HRK 787 million raised 12% above the last year's level.
- Depreciation, amortisation and impairment (net) was 5% lower compared to 2017 and amounted to HRK 1,688 million.
- Adjustments and provisions had a positive effect of HRK 145 million but were mainly related to collection of previously value adjusted EGPC receivables.

Staff costs in the amount HRK 950 million were 5% higher than 2017.

Net financial profit in the amount of HRK 304 million was recorded in 2018, compared to HRK 74 million of net financial profit in 2017.

Statement of Financial Position

Total assets of INA, d.d., as at 31 December 2018 amounted to HRK 20,887 million and was 9% higher than 31 December 2017.

Property, plant and equipment amounted to HRK 10,586 million and were in line with 31 December 2017.

Trade receivables outside of INA Group amounted to HRK 1,490 million and were 33% higher compared to 31 December 2017.

Total liabilities amounted to HRK 8,535 million and were 16% higher compared to 31 December 2017.

Net indebtedness of INA, d.d., amounted to HRK 1,557 million as at 31 December 2018 which is 26% higher compared to 31 December 2017. **Gearing ratio**¹ increased from 9.4% as at 31 December 2017 to 11.2% as at 31 December 2018.

As at 31 December 2018 **trade payables** outside of INA-Group amounted HRK 1,242 million, which is an increase of 58% compared to the 31 December 2017 as a result of INAgip acquisition.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 2,949 million in 2018, which is a decrease of 5% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 504 million, primarily due to:

- Increased value of inventories by HRK 645 million
- Increase in receivables by HRK 881 million,
- Payables increase by HRK 1,022 million.

In 2018, taxes paid influenced the operating cash flow negatively by HRK 35 million, while in 2017 taxes paid influenced the operating cash flow negatively by HRK 13 million. All the above factors resulted in HRK 2,410 million net inflows from operating activities generated by INA d.d. in 2018.

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.

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

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

Q4 2017	Q4 2018		2017	2018	%
4,856	5,752	Revenue from Contracts with Customers	17,578	21,070	20
4	2	Capitalised value of own performance	10	14	40
277	175	Other operating income	413	335	(19)
5,137	5,929	Total operating income	18,001	21,419	19
28	(158)	Changes in inventories of finished products and work in progress	288	364	26
(2,510)	(3,655)	Cost of raw materials and consumables	(8,816)	(11,819)	34
(448)	(518)	Depreciation, amortisation and impairment (net)*	(1,781)	(1,688)	(5)
(542)	(441)	Other material costs	(1,881)	(2,162)	15
(193)	(267)	Service costs	(700)	(787)	12
(303)	(320)	Staff costs	(909)	(950)	5
(435)	(532)	Cost of other goods sold	(2,666)	(3,169)	19
(30)	63	Impairment and charges (net)*	18	162	800
(155)	(33)	Provision for charges and risks (net)	146	(17)	n.a.
(4,588)	(5,861)	Operating expenses	(16,301)	(20,066)	23
549	68	Profit/(loss) from operations	1,700	1,353	(20)
		Share in the profit of associated companies			
(4)	25	Finance income	384	505	32
(34)	(68)	Finance costs	(310)	(201)	(35)
(38)	(43)	Net profit/(loss) from financial activities	74	304	311
511	25	Profit/(loss) before tax	1,774	1,657	(7)
(124)	(47)	Income tax expense	(348)	(323)	(7)
387	(22)	Profit/(loss) for the year	1,426	1,334	(6)
		Attributable to			
387	(22)	Owners of the Company	1,426	1,334	(6)
387	(22)		1,426	1,334	(6)
		Earnings per share			
38.7	(2.2)	Basic and diluted earnings per share (kunas per share)	142.6	133.4	(6)

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

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

	31 December 2017	30 December 2018	%
Assets			
Non-current assets			
Intangible assets	408	431	6
Property, plant and equipment	10,578	10,586	0
Investment in subsidiaries	1,079	1,960	82
Investments in associates and joint ventures	-	150	n.a.
Other investments	669	752	12
Long-term receivables	105	743	608
Deferred tax	1,343	1,089	(19)
Non-current financial assets	665	479	(28)
Total non-current assets	14,847	16,190	9
Current assets			
Inventories	2,021	2,351	16
Intercompany receivables	225	256	14
Trade receivables, net	1,118	1,490	33
Other receivables	144	73	(49)
Prepaid expenses and accrued income	1	-	n.a.
Other current assets	494	165	(67)
Utržive vrijednosnice	-	27	n.a.
Cash and cash equivalents	364	335	(8)
Total current assets	4,367	4,697	8
Total assets	19,214	20,887	9
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	28	99	254
Revaluation reserve	289	135	(53)
Other reserves	1,138	1,184	4
Retained earnings / (Deficit)	1,426	1,934	36
Total equity	11,881	12,352	4
Non-current liabilities			
Long-term loans	122	-	n.a.
Other non-current liabilities	51	44	(14)
Employee benefits obligation	31	33	6
Provisions	3,241	3,599	11
Total non-current liabilities	3,445	3,676	7
Current liabilities			
Bank loans and overdrafts	1,359	1,767	30
Current portion of long-term loans	122	125	2
Intercompany payables	495	584	18
Trade payables	787	1,242	58
Taxes and contributions	527	514	(2)
Other current liabilities	374	395	6
Employee benefits obligation	3	3	0
Provisions	221	229	4
Total current liabilities	3,888	4,859	25
Total liabilities	7,333	8,535	16
Total equity and liabilities	19,214	20,887	9

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

Q4 2017	Q4 2018		2017	2018	%
387	(22)	Profit/(loss) for the year	1,426	1,334	(6)
		Adjustments for:			
448	518	Depreciation, amortisation and impairment (net)	1,781	1,688	(5)
124	47	Income tax (benefit)/expenses recognized in (loss)/profit	348	323	(7)
30	(63)	Impairment charges (net)	(18)	(162)	800
(261)	(4)	Gain on sale of property, plant and equipment	(268)	(7)	(97)
-	9	Gain on sale investments and shares	-	-	n.a.
(23)	3	Foreign exchange loss/(gain)	(159)	49	n.a.
(48)	3	Interest expense /(income) (net)	(3)	6	n.a.
96	(1)	Other finance income/(expense) recognised in income statement	67	(429)	n.a.
158	7	(Decrease)/increase in provisions	(150)	(20)	(87)
3	25	Decommissioning interests	21	56	167
67	(100)	Net gain/loss on derivative financial instruments and hedge transactions	48	96	100
-	-	Other non-cash items	-	15	n.a.
981	422	Operating cash flow before working capital changes	3,093	2,949	(5)
		Movements in working capital			
213	455	(Increase)/decrease in inventories	(314)	(645)	105
(24)	(56)	(Increase) /decrease in receivables and prepayments	(121)	(881)	628
(745)	(473)	(Decrease)/increase in trade and other payables	6	1,022	16,933
425	348	Cash generated from operations	2,664	2,445	(8)
(7)	(28)	Taxes paid	(13)	(35)	169
418	320	Net cash inflow from operating activities	2,651	2,410	(9)
		Cash flows used in investing activities			
(507)	(420)	Capital expenditures, exploration and development costs	(1,241)	(1,279)	3
(61)	(44)	Payment for intangible assets	(107)	(125)	17
2	4	Proceeds from sale of non-current assets	14	8	(43)
23	-	Payments related to sale of subsidiary	23	-	n.a.
-	(415)	Acquisition of investments in associates and joint ventures and other companies	-	(415)	n.a.
		Dividends received from companies classified under available for sale and other companies	20	-	n.a.
(21)	121	Proceeds from profit of companies	-	121	n.a.
(43)	26	Interest received and other financial income	13	51	292
(5)	(144)	Investments and loans to third parties	(186)	(250)	34
(592)	(873)	Net cash (outflow) used for investing activities	(1,464)	(1,889)	29
		Cash flows from financing activities			
-	-	Repayment of long-term borrowings	(129)	(122)	(5)
2,881	4,860	Additional short-term borrowings	10,389	14,998	44
(2,633)	(4,469)	Repayment of short term borrowings	(11,328)	(14,582)	29
-	-	Payment dividends	(152)	(812)	434
(2)	-	Interest paid on long-term loans	(8)	(5)	(38)
6	(53)	Other long-term liabilities	-	-	n.a.
(37)	(34)	Interest paid on short term loans and other financing charges	(75)	(50)	(33)
215	304	Net cash from financing activities	(1,303)	(573)	(56)
41	(249)	Net (decrease)/increase in cash and cash equivalents	(116)	(52)	(55)
307	586	At 1 January	500	364	(27)
16	(1)	Effect of foreign exchange rate changes	(20)	23	n.a.
364	336	At the end of period	364	335	(8)

Management representation

INA, d.d. non-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:

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