



**INA GROUP
Q1 2019
FINANCIAL REPORT**

Zagreb, April, 2019

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1 2019 results. This report contains unaudited consolidated financial statements for the period ending 31 March 2019 as prepared by the Management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

2018	HRK mln	Q1 2018	Q1 2019	%
22,349	Net sales revenues*	3,705	4,251	15
3,489	EBITDA ⁽¹⁾	481	539	12
3,291	EBITDA excl. special items ⁽²⁾	481	539	12
3,116	CCS EBITDA excl. special items	482	503	4
1,687	Profit from operations	65	130	100
1,489	Operating profit excl. special items ⁽²⁾	65	130	100
1,314	CCS Operating profit excl. special items	66	94	42
(167)	Net financial result	7	(36)	n.a.
1,178	Net profit attributable to equity holder	1	58	5,700
980	Net profit for the period excl. special items ⁽²⁾	1	58	5,700
1,299	Simplified Free Cash Flow ⁽³⁾	286	(115)	n.a.
2,729	Operating cash flow	337	1,496	344
Earnings per share				
117.8	Basic and diluted earnings per share (HRK per share)	0.1	5.8	5,700
1,642	Net debt	1,254	838	(33)
12.2	Net gearing (%)	9.8	6.6	
1,817	CAPEX total	196	618	215
1,587	Domestic	164	481	193
230	International	32	137	333

2018	USD mln ⁽⁴⁾	Q1 2018	Q1 2019	%
3,560	Net sales revenues*	612	651	6
556	EBITDA ⁽¹⁾	79	83	4
524	EBITDA excl. special items ⁽²⁾	79	83	4
495	CCS EBITDA excl. special items	80	77	(3)
269	Profit from operations	11	20	85
237	Operating profit excl. special items ⁽²⁾	11	20	85
208	CCS Operating profit excl. special items	11	14	32
(27)	Net financial result	1	(6)	n.a.
188	Net profit attributable to equity holder	0	9	5,278
156	Net profit for the period excl. special items ⁽²⁾	0	9	5,278
206	Simplified Free Cash Flow ⁽³⁾	47	(18)	n.a.
435	Operating cash flow	56	229	312
Earnings per share				
18.8	Basic and diluted earnings per share (USD per share)	0.0	0.9	5,278
254	Net debt	208	127	(39)
289	CAPEX total	32	95	192
253	Domestic	27	74	171
37	International	5	21	301

* Related to Revenue from contracts with customers

(1) EBITDA = EBIT + Depreciation, amortization and impairment (net)

(2) In reporting period there were no special items

(3) Simplified free cash flow = CCS EBITDA excluding special items - CAPEX

(4) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1 2018 – 6.0530 HRK/USD; Q1 2019 – 6.5281 HRK/USD; for 2018 – 6.2784 HRK/USD; as at 31 March 2018 – 6.0296 HRK/USD; as at 31 March 2019 – 6.6100 HRK/USD; as at 31 December 2018 – 6.4692 HRK/USD

INA Group revenues increased by 15% in Q1 2019 with the continuation of favourable hydrocarbon prices and increased sales. EBITDA recorded a 12% increase to HRK 539 million excluding special items while net profit excl. special items increased to HRK 58 million, being above previous year Q1 realisation.

Exploration and Production EBITDA excluding special items decreased by 18% to HRK 569 million with slightly lower realized hydrocarbon price (-2% year-on-year in USD terms) and production slightly below 36 mboe/d. Crude oil production increased, primarily in Croatia and Egypt, however it was fully offset with decline of gas production. CCS EBITDA of Refining and Marketing including Consumer services and Retail excluding special items amounted to HRK 14 million, compared to HRK (114) million in the same period last year. The result was achieved on the back of higher sales volumes in both wholesale and retail and strong sales margins, at a period of significantly lower processing due to major turnaround in Rijeka Refinery.

Compared to Q1 2018, CAPEX more than doubled to the level of HRK 618 million, mainly driven by investments into Rijeka Refinery. Net gearing further decreased to 6.6% with net debt at HRK 838 million.

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

“Following the 2018 strong performance, in Q1 2019 INA Group once again achieved a very strong result. INA utilized the market conditions and increased both its sales and EBITDA, revenues growing by 15%, to the level of over HRK 4 billion in just one quarter.

Upstream benefited from the stable hydrocarbon prices and production levels. Maturity of INA fields and the natural decline in gas production was offset by the continuous efforts in oil production increase. This was followed by the increase in investments, majority as before focused in Croatia, but also with a visible increase of spending in Egypt.

Refining operations are marked with a major turnaround in Rijeka refinery, one of the biggest in recent years. This, together with the other investments projects in the company, brought the investment level to HRK 618 million, biggest level in Q1 since 2010. Furthermore, this demonstrates INA commitment on developing all business activities in a sustainable way. Still, the deteriorated environment and the less favourable refining margins continue to burden the overall results of the segment expected to be mitigated in the future by INA DS New Course 2023 program.

Despite the expected lower processing levels, caused by turnaround, INA managed to increase its sales and utilize the market opportunities both domestically and on the core markets, visible by 8% sales increase in Croatia and 23% in Bosnia & Hercegovina. Retail operations also recorded a visible growth of 7%, partly due to expansion of Montenegro network.

Overall, despite the Q1 2019 being very investment intensive, the company’s financial position remains strong and the low debt level allows stable operations and future investments”

Management discussion

Exploration and Production*

2018	Segment IFRS results (HRK mln)	Q1 2018	Q1 2019	%
4,187	Net sales revenues	944	969	3
3,287	EBITDA	698	569	(18)
3,014	EBITDA excl. special items **	698	569	(18)
2,256	Operating profit	461	354	(23)
1,983	Operating profit excl. special items **	461	354	(23)
2,365	Simplified Free Cash Flow***	571	421	(26)
649	CAPEX	127	148	17

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

** In reporting period there were no special items

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

2018	Hydrocarbon production	Q1 2018	Q1 2019	%
14,550	Crude oil production (boe/d)	14,119	14,764	5
12,443	Croatia	12,087	12,414	3
1,496	Egypt	1,384	1,742	26
611	Angola	648	608	(6)
18,926	Natural gas production (boe/d)	20,519	19,679	(4)
6,507	Croatia - offshore	7,071	6,981	(1)
12,419	Croatia - onshore	13,448	12,698	(6)
1,441	Condensate (boe/d)	1,622	1,388	(14)
34,917	Total hydrocarbon production (boe/d)	36,261	35,831	(1)

2018	Average realised hydrocarbon price	Q1 2018	Q1 2019	%
53	Total hydrocarbon price (USD/boe)*	50	49	(2)

* Calculated based on total sales revenue including natural gas internal selling price as well; restated with the move of gas trading operations from the Exploration and Production to Refining and Marketing incl. Consumer services and Retail.

Q1 2019 vs. Q1 2018

Key drivers

- Brent price lower by 6% having a HRK 52 million negative effect on crude oil and condensate sales revenues
- Domestic crude oil production slightly higher as a result of additional development projects and more favourable EOR project increment on Ivanić field
- International crude oil production:
 - Egypt: Higher production (North Bahariya, Ras Qattara, Sidi Rahman) due to executed well workover and drilling activities
 - Angola: Lower volumes due to natural decline together with various technical limitations on Block 3/05
- Natural gas production 4% lower as a result of:
 - Lower offshore production driven by increased water cut on Izabela, partially offset by the ENI share acquisition effect on the North Adriatic and Aiza-Laura contract areas
 - Lower onshore production by 6% due to natural decline and lower performance on the main gas fields (Deep Podravina and Međimurje)
- Condensate production 14% lower due to:
 - Natural decline and decreased production on the main gas fields
- Lower collection of Egyptian receivables

Capital expenditures

Q1 2019 (HRK mln)	Croatia	Egypt	Angola
Exploration	-	19	-
Development	34	24	7
Other	64	-	-
TOTAL	98	43	7

- Higher investment level compared to Q1 2018 mainly as a result of exploration drilling and development activities in Egypt
 - Total of 11 well workovers performed on onshore Croatia and 1 well workover is ongoing
 - Egypt: Drilling of exploration well Rizk-2D is ongoing; North Bahariya concession - two wells drilled, drilling of one well is ongoing; Ras Qattara concession three wells drilled

Refining and Marketing, including Consumer services and Retail*

2018	Segment IFRS results (HRK mln)	Q1 2018	Q1 2019	%
21,420	Net sales revenues	3,529	4,044	15
419	EBITDA	(115)	50	n.a.
461	EBITDA excl. special items**	(115)	50	n.a.
286	CCS-based DS EBITDA excl. special items**	(114)	14	n.a.
(158)	Operating profit/(loss)	(248)	(102)	(59)
(116)	Operating profit/(loss) excl. special items**	(248)	(102)	(59)
(291)	CCS-based DS operating profit/(loss)	(247)	(138)	(44)
(784)	Simplified Free Cash Flow***	(178)	(450)	153
1,070	CAPEX	64	464	625

*Refers to Refining & Marketing including Consumer services and Retail INA. d.d. and the following subsidiaries: INA Maziva d.o.o., INA Slovenija d.o.o., HoldINA d.o.o. Sarajevo, 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., Croplin d.o.o.

** In reporting period there were no special items

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

2018	Refining processing (kt)	Q1 2018	Q1 2019	%
552	Domestic crude oil	65	190	192
2,965	Imported crude oil	381	-	n.a.
59	Condensate	18	21	17
613	Other feedstock	12	14	17
4,189	Total refining throughput	476	225	(53)
	Refining production (kt)			
215	LPG	24	7	(71)
39	Naphtha	1	-	n.a.
979	Gasoline	100	81	(19)
192	Kerosene	20	-	n.a.
1,406	Diesel	121	47	(61)
144	Heating oil	34	14	(59)
622	Fuel oil	95	16	(83)
137	Other products*	11	16	45
3,734	Total	406	181	(55)
55	Refining loss	7	6	(14)
400	Own consumption	64	38	(42)
4,189	Total refining production	476	225	(53)
	Refined product sales by country (kt)			
1,839	Croatia	365	396	8
701	B&H	128	157	23
77	Slovenia	18	17	(6)
356	Italy	78	71	(9)
1,358	Other markets	134	97	(28)
4,331	Total	723	738	2
	Refined product sales by product (kt)			
267	LPG	45	49	9
40	Naphtha	3	1	(67)
862	Gasoline	141	143	1
201	Kerosene	19	20	5
1,926	Diesel	363	412	13
159	Heating oil	50	41	(18)
579	Fuel oil	77	17	(78)
60	Bitumen	4	9	125
237	Other products*	21	46	119
4,331	Total	723	738	2
1,082	o/w Consumer services and Retail segment sales	208	223	7
1,360	Total natural gas sales (mln m³)	292	363	24
500	Total number of Service stations	495	501	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



Q1 2019 vs. Q1 2018

Key drivers

- External environment with lower Brent price (decrease from 67 USD/bbl to 63 USD/bbl), lower gasoline crack spread (-55 USD/t), increased diesel crack spread (+24 USD/t), and lower regional supply availability
- Increased total wholesale volumes driven by higher sales on the domestic market (+31 kt) and B&H market (+29 kt), additionally supported by stable sales margins
- Utilised higher demand on core markets partly due to lack of supply from Brod refinery
- Lower processing level, mainly due to turnaround in Rijeka Refinery, also lowering the fuel oil production and sales
- Total retail sales volumes at 223 kt improved (+7%), with a significant contribution of INA d.d. (+10 kt) as a result of positive market environment and supported by better fleet card realization, while network expansion in Montenegro from two to six service stations resulted in sales increase of 3 kt
- Non-fuel margin in retail increased by 6% compared to last year period reflecting continuous expansion in consumer goods, increasing number of Fresh Corners and the development of new non-fuel related services

Capital expenditures

- Refining and Marketing CAPEX amounted to HRK 375 million compared to HRK 51 million in Q1 2018, mainly driven by Rijeka Refinery turnaround
 - Engineering Procurement and Construction tender for Residue Upgrade Project is finalized. Negotiation with bidders is ongoing. Preparation of Front-End Engineering Design for all units 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. Critical tie-ins (related to turnaround) installed. Civil and mechanical works on sites in progress
 - Rijeka Refinery Turnaround is in final phase and will be finished during April. Main column of the Crude Distillation Unit has been replaced
 - Continued investment activities in logistics and refining development projects with focus on environmental related projects
- Consumer services and Retail CAPEX amounted to HRK 89 million compared to HRK 13 million in Q1 2018
 - Various investments projects including greenfield constructions, service station reconstructions, modernizations and other improvement projects (car wash modernization, LPG installation, tank replacement)
 - Multiple projects on expanding the non-fuel offer in line with the "Fresh Corner" concept have been executed, ongoing or in preparation, incl. cafe bar, shop or toilet modernization and installation of own coffee-to-go machines
- Inorganic growth in Montenegro on top of CAPEX

Main external parameters

2018	Crude oil prices	Q1 2018	Q1 2019	%
71	Brent dtd (USD/bbl)	67	63	(6.0)
1.09	Brent-Ural spread (USD/bbl)	1.60	(0.30)	n.a.
FOB MED Products prices and crack spreads				
662	Gasoline - premium unleaded 10 ppm (USD/t)	631	549	(13.0)
638	Diesel – ULSD 10 ppm (USD/t)	589	584	(0.8)
394	Fuel oil 3.5% (USD/t)	351	372	5.8
552	LPG (USD/t)	528	500	(5.2)
123	Crack spread – gasoline (USD/t)	126	71	(43.1)
98	Crack spread – diesel (USD/t)	83	107	28.1
(146)	Crack spread – fuel oil 3.5% (USD/t)	(154)	(106)	(31.2)
13	Crack spread – LPG (USD/t)	22	23	1.8
(0.03)	Indicative refining margins (USD/bbl)*	0.53	(0.77)	n.a.
Foreign exchange				
6.28	HRK/USD average	6.05	6.53	7.9
6.47	HRK/USD closing	6.03	6.61	9.6
7.41	HRK/EUR average	7.44	7.42	(0.3)
7.42	HRK/EUR closing	7.43	7.43	0.0
2.31	3m USD LIBOR (%)	1.93	2.69	39.4
(0.32)	3m EURIBOR (%)	(0.33)	(0.31)	(6.1)

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

Condensed Consolidated Statement of Profit or Loss

For the period ended 31 March 2018 and 2019 (in HRK millions)

2018	Note	Q1 2018	Q1 2019	%
22,349		3,705	4,251	15
416	1	83	115	39
529		68	66	(3)
23,294		3,856	4,432	15
365		73	(517)	n.a.
(12,033)	2	(1,428)	(262)	(82)
(1,802)	4	(416)	(409)	(2)
(2,188)	4	(482)	(442)	(8)
(569)	4	(114)	(144)	26
(1,927)	5	(425)	(446)	5
(3,605)	3	(1,027)	(1,991)	94
165	4	42	(54)	n.a.
(13)	4	(14)	(37)	164
(21,607)		(3,791)	(4,302)	13
1,687		65	130	100
54		78	33	(58)
(221)		(71)	(69)	(3)
(167)	7	7	(36)	n.a.
-	7	-	(23)	n.a.
1,520		72	71	(1)
(343)	6	(66)	(14)	(79)
1,177		6	57	850
Attributable to:				
1,178		1	58	5,700
(1)		5	(1)	n.a.
1,177		6	57	850
Earnings per share				
117.8		0.1	5.8	5,700

* Restatement of comparable previous periods was made – see on page 12

Condensed Consolidated Statement of Financial Position

At 31 March 2019 (in HRK millions)

	Note	31 December 2018	31 March 2019	%
Assets				
Non-current assets				
Intangible assets	9	644	683	6
Intangible assets - ROU	9	-	18	n.a.
Property, plant and equipment	10	12,284	12,517	2
Property, plant and equipment - ROU	10	-	93	n.a.
Investments in associates and joint ventures		150	127	(15)
Other investments		16	17	6
Long-term receivables and other assets		732	722	(1)
Deferred tax		1,199	1,181	(2)
Non-current financial assets		479	518	8
Total non-current assets		15,504	15,876	2
Current assets				
Inventories	12	2,645	2,222	(16)
Trade receivables net	13	1,837	1,807	(2)
Other receivables		121	136	12
Corporative income tax receivables		8	10	25
Marketable securities		27	27	-
Other current assets		174	117	(33)
Cash and cash equivalents		422	473	12
Current assets		5,234	4,792	(8)
Assets classified as held for sale		4	8	100
Total current assets		5,238	4,800	(8)
Total assets	8	20,742	20,676	(0)
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	-
Legal reserves		99	99	-
Revaluation reserve		135	165	22
Other reserves		1,544	1,572	2
Retained earnings		1,036	1,094	6
Equity attributable to equity holder of the parent		11,814	11,930	1
Non-controlling interests		9	10	11
Total equity		11,823	11,940	1
Non-current liabilities				
Long-term loans		4	72	1,700
Long term lease liabilities		45	43	(4)
Employee benefits obligation		77	73	(5)
Provisions		3,462	3,456	(0)
Deferred tax liability		14	14	(0)
Total non-current liabilities		3,602	3,658	2
Current liabilities				
Bank loans and overdrafts		1,962	1,338	(32)
Current portion of long-term debt		125	-	n.a.
Current portion of long-term lease liabilities		-	47	n.a.
Trade payables	15	1,720	1,690	(2)
Taxes and contributions		612	1,097	79
Other current liabilities		590	525	(11)
Employee benefits obligation		5	5	-
Provisions		303	376	24
Total current liabilities		5,317	5,078	(4)
Total liabilities	14	8,919	8,736	(2)
Total equity and liabilities		20,742	20,676	(0)

Condensed Consolidated Cash Flow Statement

For the period ended 31 March 2018 and 2019 (in HRK millions)

2018	Note	Q1 2018	Q1 2019	%
1,177		6	57	850
Profit for the year				
Adjustments for:				
1,802		416	409	(2)
343		66	14	(79)
(165)		(42)	54	n.a.
3		(2)	2	n.a.
(291)		-	-	n.a.
45		(32)	12	n.a.
26		5	5	-
58		11	22	100
(23)		12	37	208
62		10	20	100
96		29	(8)	n.a.
(2)		5	(9)	n.a.
3,131		16	615	27
Operating cash flow before working capital changes				
		17		
Movements in working capital				
(725)		(840)	490	n.a.
(278)		34	(105)	n.a.
764		663	499	(25)
2,892		341	1,499	340
Cash generated from operations				
(61)		(4)	(3)	(25)
2,831		337	1,496	344
Net cash inflow from operating activities				
Cash flows used in investing activities				
(1,842)		(218)	(594)	172
(125)		(35)	(31)	(11)
9		2	1	(50)
(147)		-	-	n.a.
(150)		1	-	n.a.
1		-	-	n.a.
11		-	10	n.a.
1		(1)	(1)	0
(2,242)		18	(615)	145
Net cash used for investing activities				
Cash flows from financing activities				
(122)		(59)	(126)	114
376		(262)	(638)	144
(812)		-	-	n.a.
(5)		(2)	(1)	(50)
(56)		20	(73)	n.a.
(619)		(303)	(838)	177
Net cash used in financing activities				
(30)		(217)	43	n.a.
428		428	422	(1)
24		15	8	(47)
422		226	473	109

INA Group Summary Segmental Results of Operations

2018	HRK mln	Q1 2018	Q1 2019	%
	Net sales revenues			
4,187	Exploration & Production	944	969	3
21,420	Refining & Marketing including Consumer services and Retail	3,529	4,044	15
1,829	Corporate and Other	377	488	29
(5,087)	Inter-segment revenue eliminations	(1,145)	(1,250)	9
22,349	Total	3,705	4,251	15
	EBITDA*			
3,287	Exploration & Production	698	569	(18)
419	Refining & Marketing including Consumer services and Retail	(115)	50	n.a.
(88)	Corporate and Other	(31)	(8)	(74)
(129)	Inter-segment profit eliminations	(71)	(72)	1
3,489	Total	481	539	12
	EBITDA Excluding Special Items			
3,014	Exploration & Production	698	569	(18)
461	Refining & Marketing including Consumer services and Retail	(115)	50	n.a.
(55)	Corporate and Other	(31)	(8)	(74)
(129)	Inter-segment profit eliminations	(71)	(72)	1
3,291	Total	481	539	12
	Operating Profit/(Loss)			
2,256	Exploration & Production	461	354	(23)
(158)	Refining & Marketing including Consumer services and Retail	(248)	(102)	(59)
(282)	Corporate and Other	(77)	(50)	(35)
(129)	Inter-segment profit eliminations	(71)	(72)	1
1,687	Total	65	130	100
	Operating Profit/(Loss) Excluding Special Items			
1,983	Exploration & Production	461	354	(23)
(116)	Refining & Marketing including Consumer services and Retail	(248)	(102)	(59)
(249)	Corporate and Other	(77)	(50)	(35)
(129)	Inter-segment profit eliminations	(71)	(72)	1
1,489	Total	65	130	100
	Property, plant and equipment			
5,228	Exploration & Production	5,163	5,149	(0)
6,069	Refining & Marketing including Consumer services and Retail	5,494	6,366	16
1,385	Corporate and Other	1,402	1,418	1
(398)	Inter-segment assets eliminations	(322)	(416)	29
12,284	Total	11,737	12,517	7

* EBITDA = EBIT + Depreciation, amortization and impairment (net)

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 Q1 2019 is HRK (72) million which is in line with Q1 2018 HRK (71) million.

Financial overview and notes

Statement of profit or loss

Notes

- 1 **Revenues from contract with customers** in Q1 2019 amounted to HRK 4,251 million and were 15% above the Q1 2018 level, triggered mainly by higher mofuel sales on domestic and B&H market additionally supported by stable sales margins.
- 2 **Costs of raw materials and consumables** were 82% lower than the Q1 2018 level at HRK 262 million, resulting mainly from lower processing triggered by Rijeka Refinery turnaround.
- 3 **Costs of other goods sold in** Q1 2019 recorded an increase of 94% compared to Q1 2018 and amounted to HRK 1,991 million resulting from higher import (primarily diesel) to ensure market supply during Rijeka Refinery turnaround.
- 4 Other **operating costs** realized in Q1 2019 include:
 - Other material costs were lower by 8% and amounted to HRK 442 million mainly related to lower rail and vessel transportation costs.
 - Service costs in the amount of HRK 144 million were 26% higher than in Q1 2018 level.
 - Depreciation, amortisation and impairment (net) in the amount of HRK 409 million was 2% lower compared to Q1 2018.
 - Impairment and provisions had a negative effect in the amount of HRK 91 million mainly related to impairment of EGPC receivables.
- 5 **Staff costs** in the amount HRK 446 million were 5% higher compared to Q1 2018.
- 6 **Income tax expense** in Q1 2019 amounted to HRK 14 million compared to HRK 66 million income tax expense in Q1 2018. 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 March 2019 and 31 March 2018.
- 7 **Net result from financial activities** is negative in Q1 2019 compared to positive Q1 2018 impact mainly as a result of:
 - Net foreign exchange loss reached HRK 3 million in Q1 2019, while in Q1 2018 net foreign exchange gain reached HRK 26 million.
 - Interest payable amounted to HRK 14 million and interest received to HRK 1 million in Q1 2019, while in Q1 2018 interest payable amounted to HRK 10 million and interest received to HRK 1 million.
 - Other financial net expenses amounted to HRK 19 million and are higher compared to HRK 10 million financial expenses in Q1 2018.

Statement of financial position

Notes

- 8 As at 31 March 2019 INA Group **total assets** amounted to HRK 20,676 million, remaining at the level of 31 December 2018.
- 9 In the period ended 31 March 2019, INA Group invested HRK 23 million in **intangible assets**. The effect of depreciation equals HRK 12 million. Intangible assets with right of use equals HRK 18 million. Foreign exchange revaluation of oil and gas fields increased net book value in amount of HRK 1 million.
- 10 In the period ended 31 March 2019, INA Group invested HRK 595 million in **property, plant and equipment**. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 386 million.
- 11 **Share capital** as at 31 March 2019 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 **Inventories** amounted to HRK 2,222 million, and have decreased by 16% compared to 31 December 2018 as a result of lower crude oil volume together with lower prices.
- 13 **Trade receivables net** amounted to HRK 1,807 million which is 2% lower than 31 December 2018.
- 14 As at 31 March 2019 **total liabilities** amounted to HRK 8,736 million which is 2% or HRK 183 million lower compared to 31 December 2018. INA Group net debt amounted to HRK 838 million and decreased compared to 31 December 2018. **Net gearing**¹ decreased from 12.2% as at 31 December 2018, to 6.6% as at 31 March 2019.
- 15 **Trade payables** decreased compared to 31 December 2018 by 2% to HRK 1,690 million as a result of no crude oil import.

Cash flow

- 16 The **operating cash flow before changes in working capital** amounted to HRK 615 million in Q1 2019 representing an increase of HRK 131 million compared to Q1 2018, which is in line with the change in EBITDA performance excluding non-cash items.
- 17 **Movements in working capital** affected the operating cash flow positively by HRK 884 million, due to:
 - Decreased value of inventories in the amount of HRK 490 million mainly related to higher sales and lower domestic crude inventory volume change.
 - Increase in receivables in the amount of HRK 105 million related to domestic customers.
 - Increase in trade and other payables in the amount of HRK 499 million related to VAT payables.
- 18 **Net cash used for investing activities** amounted to HRK 615 million of outflows, compared to HRK 251 million outflows in Q1 2018 mainly reflecting intensive investments in Refining operations.

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

Restatement

INA Group reclassified net loss effect from valuation of emission quotas from other operating income to other material cost in amount of HRK 10 million as 31 March 2019 as well as net loss effect from hedge transaction from other operating income to other material cost in amount of 28 HRK million as 31 March 2018.

Additionally, gas trading operations have been moved from the Exploration and Production to Refining and Marketing incl. Consumer services and Retail and the comparable periods restated.

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 Q1 2019, the result was not impacted by special items.

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 2018.

As of 31 March 2019 INA Group 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 2,249 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 2,644 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 Q1 2019, INA Group entered into the following trading transactions with the following related parties:

INA Group	Sales of goods	Purchase of goods
HRK mln	31 March 2019	31 March 2019
Companies available for sale		
JANAF d.d. Zagreb	2	-
Strategic partner		
MOL Nyrt.	10	484
Companies controlled by strategic partner		
Tifon d.o.o.	120	2
MOL Slovenia d.o.o.	11	16
MOL-LUB Kft.	1	4
Slovnaft, a.s.	-	114
Geoinform Kft.	1	-
MOL Commodity Trading Kft.	-	31

INA Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 March 2019	31 March 2019
Companies available for sale		
JANAF d.d. Zagreb	-	-
Strategic partner		
MOL Nyrt.	39	191
Companies controlled by strategic partner		
Tifon d.o.o.	76	1
MOL Petrochemicals	-	1
MOL Slovenia d.o.o.	3	7
Slovnaft, a.s.	-	24
MOL-LUB Kft.	-	1
MOL Commodity Trading Kft.	-	10

Management representation

INA Group's consolidated financial statements for Q1 2019 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 of the Management Board
- Niko Dalić – Member of the Management Board
- Ivan Krešić – Member of the Management Board
- Davor Mayer – Member of the Management Board
- Zsolt Pethő – Member of the Management Board
- Ákos Székely – Member of the Management Board