

H1 2013 – REPORT INA, D.D. NON-CONSOLIDATED

INA, d.d. financial results (IFRS)

HRK mln.	Q1 2013	Q2 2013	Q2 2012	%	H1 2012	H1 2013	%
Net sales revenues	5,726	5,882	6,876	(14)	12,767	11,608	(9)
EBITDA reported ⁽¹⁾	1,085	1,018	1,371	(26)	3,027	2,103	(31)
Operating profit reported	311	286	(229)	n.a.	680	597	(12)
Net financial expenses	(122)	70	(256)	n.a.	(185)	(52)	(72)
Net profit/(loss) ⁽²⁾	155	293	(428)	n.a.	367	448	22
Operating cash flow	99	1,916	1,756	9	2,002	2,015	1
Earnings per share							
Basic and diluted earnings/(loss) per share (kunas per share)	15.5	29.3	(42.8)	n.a.	36.7	44.8	22
Net gearing	29.49	24.00	32.93		32.93	24.00	
USD mln ⁽⁴⁾	Q1 2013	Q2 2013	Q2 2012	%	H1 2012	H1 2013	%
Net sales revenues	998	1,016	1,174	(13)	2,198	2,014	(8)
EBITDA reported ⁽¹⁾	189	176	234	(25)	521	365	(30)
Operating profit reported	54	49	(39)	n.a.	117	104	(12)
Net financial expenses	(21)	12	(44)	n.a.	(32)	(9)	(72)
Net profit/(loss) ⁽²⁾	27	51	(73)	n.a.	63	78	23
Operating cash flow	17	331	300	10	345	350	1
Earnings per share							
Basic and diluted earnings/(loss) per share (USD per share)	2.7	5.1	(7.3)	n.a.	6.3	7.8	23

⁽¹⁾ EBITDA = EBIT + Depreciation + Impairment + Provisions

⁽²⁾ INA d.d. net income attributable to equity holder

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1 2013 – 5.7383 HRK/USD; Q2 2012 - 5.8577 HRK/USD; Q2 2013 – 5.7902 HRK/USD; H1 2012 – 5.8084 HRK/USD; H1 2013 – 5.7638 HRK/USD

H1 2013 results

In H1 2013 INA d.d. realized EBITDA in the amount of HRK 2,103 million and operating profit of HRK 597 million. The Company continued to face challenges in the economic environment driven by the prolonged economic slowdown. Deteriorating macroeconomic environment including decreased crude oil prices, a drop in crack spreads and depressed market demand contributed to this trend. However, despite the unfavorable environment, INA was able to achieve an improved product yield and overall efficiency levels, supported by strong cost control. As a result of further optimization of the Company's marketing strategy and the proactive efforts of the commercial team directed at customer base growth, INA strengthened its market presence in the Company's core export markets of Slovenia and Bosnia, whilst maintaining its market leading position in its home market where sales continued to increase

On net profit level, INA, d.d. realized HRK 448 million, and operating cash flow of HRK 2,015 million.

Income statement

Total sales revenues in H1 2013 amounted HRK 11,608 million, 9% lower compared to H1 2012 level, primarily triggered by lower average crack spread, as well as decreased natural gas sales volumes, partially offset by higher oil derivatives sales volumes compared to the same period last year.

Costs of raw materials and consumables were 2% lower and amounted to HRK 7,309 million, as processing of other raw material and average import price were lower.

Costs of goods sold recorded increase of 20%, and amounted HRK 750 million, resulting from lower sold volumes of imported natural gas compared to H1 2012.

Within the **other operating costs** realized in H1 2013:

- Other material costs were lower by 12% and amounted to HRK 680 million
- Service costs in the amount of HRK 501 million recorded a decrease of 23% mainly due to lower royalty and decreased VAT costs
- Depreciation was 22% lower and amounted to HRK 757 million mainly due to decreased hydrocarbons production underlined with natural depletion.
- Adjustments and provisions of HRK 749 million were by 45% lower related to value adjustments of international operations in previous year.

Staff costs in the amount HRK 732 million were 6% lower compared to H1 2012 as a result of workforce optimization.

Net financial expenses in the amount of HRK 52 million were recorded in H1 2013. compared to the HRK 185 million in H1 2012.

Balance sheet

Total assets of INA, d.d., as at 30 June 2013 amounted to HRK 28,125 million and were 2% higher compared to 31 December 2012.

Property, plant and equipment remained at almost the same level as December 2012 and amounted to HRK 16,672 million.

Trade receivables amounted to HRK 1,348 million and were 22% higher compared to 31 December 2012.

Total liabilities amounted to HRK 12,563 million (5% higher compared to 31 December 2012), mainly driven by higher crude oil liabilities.

Net indebtedness of INA, d.d., amounted to HRK 4,914 million as at 30 June 2013 what is 24% lower compared to 31 December 2012.

Gearing ratio¹ decreased from 29.5% as at 31 December 2012, to 24.0% as at 30 June 2013.

Trade payables amounted to HRK 1,925 million, and increased doubled compared to 2012 end, as a result of higher amount of imported crude oil.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 2,921 million in H1 2013, decrease of 5% compared to the same period last year, mainly as result of lower EBITDA.

Changes in working capital affected the operating cash flow negatively by HRK 793 million, primarily due to:

- Increased value of inventories by HRK 577 million
- Increase in payables by HRK 1,513 million
- Increase in receivables by HRK 1,729 million

Taxes paid influenced the operating cash flow in the amount of HRK 113 million. All the above factors resulted in HRK 2,015 million net inflows from operating activities generated by INA d.d. in H1 2013.

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

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Income Statement
For the period ended 30 June 2012 and 2013
(HRK millions)

Q1 2013	Q2 2013	Q2 2012	%		H1 2012	H1 2013	%
				Sales revenue			
3,475	4,016	4,233	(5)	a) domestic	8,326	7,491	(10)
2,251	1,866	2,643	(29)	b) exports	4,441	4,117	(7)
5,726	5,882	6,876	(14)	Total sales revenue	12,767	11,608	(9)
-	-	-	n.a.	Income from own consumption of products and services	2	-	n.a.
160	177	62	185	Other operating income	173	337	95
5,886	6,059	6,938	(13)	Total operating income	12,942	11,945	(8)
				Changes in inventories of finished products and work in progress	360	130	(64)
369	(239)	(451)	(47)	Cost of raw materials and consumables	(7,450)	(7,309)	(2)
(3,979)	(3,330)	(3,929)	(15)	Depreciation and amortization	(974)	(757)	(22)
(376)	(381)	(389)	(2)	Other material costs	(769)	(680)	(12)
(326)	(354)	(361)	(2)	Service costs	(650)	(501)	(23)
(250)	(251)	(253)	(1)	Staff costs	(781)	(732)	(6)
(342)	(390)	(391)	(0)	Cost of other goods sold	(625)	(750)	20
(273)	(477)	(182)	162	Impairment and charges (net)	(1,016)	(702)	(31)
(382)	(320)	(951)	(66)	Provisions for charges and risks (net)	(357)	(47)	(87)
(16)	(31)	(260)	(88)	Operating expenses	(12,262)	(11,348)	(7)
(5,575)	(5,773)	(7,167)	(19)	Profit from operations	680	597	(12)
311	286	(229)	n.a.	Share in the profit of associated companies			
126	114	81	41	Finance income	233	240	3
(248)	(44)	(337)	(87)	Finance costs	(418)	(292)	(30)
(122)	70	(256)	n.a.	Net loss from financial activities	(185)	(52)	(72)
189	356	(485)	n.a.	Profit before tax	495	545	10
(34)	(63)	57	n.a.	Income tax expense	(128)	(97)	(24)
155	293	(428)	n.a.	Profit for the year	367	448	22
				Attributable to			
155	293	(428)	n.a.	Owners of the Company	367	448	22
-	-	-	n.a.	Non-controlling interests	-	-	n.a.
155	293	(428)	n.a.		367	448	22
				Earnings per share			
				Basic and diluted earnings/(loss) per share (kunas per share)			
15.5	29.3	(42.8)	n.a.		36.7	44.8	22

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 30 June 2013
(HRK millions)

	1 January 2013	30 June 2013	%
Assets			
Non-current assets			
Intangible assets	671	741	10
Property, plant and equipment	17,063	16,672	(2)
Goodwill	-	-	n.a.
Investments in subsidiaries	1,161	1,099	(5)
Investments in associates and joint ventures	34	34	0
Other investments	798	818	3
Long-term receivables	210	269	28
Derivative financial instruments	-	-	n.a.
Deferred tax	494	548	11
Available for sale assets	340	331	(3)
Total non-current assets	20,771	20,512	(1)
Current assets			
Inventories	2,485	3,026	22
Trade receivables net	1,103	1,348	22
Intercompany receivables	2,226	1,798	(19)
Other receivables	428	707	65
Derivative financial instruments	-	-	n.a.
Other current assets	83	140	69
Prepaid expenses and accrued income	79	175	122
Cash and cash equivalents	270	419	55
Current assets	6,674	7,613	14
Assets classified as held for sale	-	-	n.a.
Total current assets	6,674	7,613	14
Total assets	27,445	28,125	2
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Revaluation reserve	13	6	(54)
Other reserves	2,123	2,085	(2)
Retained earnings / (Deficit)	4,366	4,471	2
Total equity	15,502	15,562	0
Non-controlling interests	-	-	n.a.
Total equity	15,502	15,562	0
Non-current liabilities			
Long-term loans	1,053	2,475	135
Other non-current liabilities	71	68	(4)
Employee benefits obligation	67	86	28
Provisions	2,663	2,693	1
Total non-current liabilities	3,854	5,322	38
Current liabilities			
Bank loans and overdrafts	1,057	2,594	145
Current portion of long-term loans	4,648	264	(94)
Calculated derivative agreements	-	-	n.a.
Intercompany payables	383	401	5
Trade payables	964	1,925	100
Taxes and contributions	385	984	156
Other current liabilities	328	335	2
Accruals and deferred income	34	57	68
Employee benefits obligation	6	3	(50)
Provisions	284	678	139
Current liabilities	8,089	7,241	(10)
Liabilities directly associated with assets classified held for sale	-	-	n.a.
Total current liabilities	8,089	7,241	(10)
Total liabilities	11,943	12,563	5
Total equity and liabilities	27,445	28,125	2

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 30 June 2012 and 2013
(HRK millions)

Q1 2013	Q2 2013	Q2 2012	%		H1 2012	H1 2013	%
155	293	(428)	n.a.	Profit/(loss) for the year	367	448	22
				Adjustments for:			n.a.
376	381	389	(2)	Depreciation and amortisation	974	757	(22)
34	63	(57)	n.a.	Income tax (benefit)/expenses recognized in (loss)/profit	128	97	(24)
1,356	351	985	(64)	Impairment charges	1,116	1,707	53
(974)	889	(34)	n.a.	Reversal of impairment	(100)	(85)	(15)
(6)	(1)	-	n.a.	Gain on sale of property, plant and equipment	(7)	(7)	(0)
112	(115)	182	n.a.	Foreign exchange loss/(gain)	42	(3)	n.a.
(88)	(14)	(30)	(53)	Interest expense	(56)	(102)	82
3	12	70	(83)	Other financial expense recognised in profit	82	15	(82)
35	50	283	(82)	(Decrease)/increase in provisions	462	85	(82)
-	-	-	n.a.	Merger of Proplin	-	-	n.a.
8	20	24	(17)	Decommissioning interests	48	28	(42)
1	(20)	5	n.a.	Other non-cash items	13	(19)	n.a.
1,012	1,909	1,389	37	Operating cash flow before working capital changes	3,069	2,921	(5)
				Movements in working capital			
(632)	55	185	(70)	(Increase)/decrease in inventories	(335)	(577)	72
(563)	(1,166)	(395)	195	(Increase)/decrease in receivables and prepayments	(1,097)	(1,729)	58
313	1,200	1,364	(12)	(Decrease)/increase in trade and other payables	1,200	1,513	26
130	1,998	2,543	(21)	Cash generated from operations	2,837	2,128	(25)
(31)	(82)	(787)	(90)	Taxes paid	(835)	(113)	(86)
99	1,916	1,756	9	Net cash inflow from operating activities	2,002	2,015	1
				Cash flows used in investing activities			
(150)	(257)	(185)	39	Payments for property, plant and equipment	(267)	(407)	52
(10)	(99)	5	n.a.	Payment for intangible assets	(55)	(109)	98
6	1	7	(86)	Proceeds from sale of non-current assets	7	7	(0)
-	-	2	n.a.	Proceeds from sale of investments	2	-	n.a.
-	-	-	n.a.	Acquisition of investments in associates and joint ventures and other companies	(18)	-	n.a.
-	-	1	n.a.	Dividends received from companies classified under available for sale and other companies	1	-	n.a.
35	3	31	(90)	Proceeds from profit of companies	32	38	19
-	-	-	n.a.	Interest received and other financial income	-	-	n.a.
(18)	(27)	(245)	(89)	Investments and loans to third parties	77	(45)	n.a.
(137)	(379)	(384)	(1)	Net cash (outflow) used for investing activities	(221)	(516)	133
				Cash flows from financing activities			
-	3,984	122	3,166	Additional long-term borrowings	122	3,984	3,166
(133)	(6,808)	(1,415)	381	Repayment of long-term borrowings	(1,611)	(6,941)	331
3,605	3,565	3,700	(4)	Additional short-term borrowings	7,840	7,170	(9)
(2,764)	(2,805)	(3,942)	(29)	Repayment of short term borrowings	(7,868)	(5,569)	(29)
-	-	-	n.a.	Payment dividends	-	-	n.a.
(17)	(27)	(22)	23	Interest paid on long-term loans	(46)	(44)	(4)
(2)	(1)	(2)	(50)	Other long-term liabilities	(4)	(3)	(25)
48	12	6	100	Interest paid on short term loans and other financing charges	(21)	60	n.a.
737	(2,080)	(1,553)	34	Net cash from financing activities	(1,588)	(1,343)	(15)
699	(543)	(181)	200	Net (decrease)/increase in cash and cash equivalents	193	156	(19)
270	963	594	62	At 1 January	229	270	18
(6)	(1)	5	n.a.	Effect of foreign exchange rate changes	(4)	(7)	75
963	419	418	0	At the end of period	418	419	0

Announcements in H1 2013

June 28 2013	Arbitral Tribunal resolution
May 06 2013	General Meeting decisions
May 02 2013	Code of Corporate Governance Questionnaire for 2012
April 25 2013	General Meeting notice
April 12 2013	Contract on gas supply signed with Petrokemija d.d.
April 04 2013	Revolving credit facility agreement signed
March 29, 2013	Annual document of disclosed information
March 29, 2013	Disposal of shares
March 28, 2013	Supervisory Board Meeting held
January 15, 2013	Answer to Zagreb Stock Exchange Query

INA, d.d. Shareholders structure by number of shares

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10	31 Dec 11	31 Dec 12	30 June 13
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,725,620	4,908,207	4,908,207
Government of the Rep. of Croatia	5,180,367	4,484,918	4,483,552	4,483,552	4,483,552	4,483,552	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,91	800,91	800,91	790,828	608,241	608,241
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Source: Central Clearing Depository Company.

Changes in organization, Management Board or Supervisory Board

Supervisory Board

During the first half 2013 there was no change in the Supervisory Board

Management Board

During the first half 2013 there was no change in the Management Board.

Board of Executive Directors

During the first half 2013 there was no change in the Board of Executive Directors.

Management representation

INA Group's consolidated financial statements for Q2 H1 2013 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:

Zoltán Áldott	President of INA, d.d. Board
Niko Dalić	Member
Pál Zoltán Kara	Member
Ivan Krešić	Member
Davor Mayer	Member
Péter Ratatics	Member