Q3 AND Q1-Q3 2013 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q3 and Q1-Q3 2013 results today. This report contains unaudited consolidated financial statements for the period ending 30 September 2013 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

HRK mln.	H1 2013 modified [5]	Q3 2013	Q3 2012	%	Q1-Q3 2012	Q1-Q3 2013	%
Net sales revenues	13,355	7,428	8,089	(8)	22,620	20,783	(8)
EBITDA reported [1]	1,750	1,051	1,462	(28)	3,691	2,801	(24)
EBITDA excl. special items	1,750	1,178	1,504	(22)	3,954	2,928	(26)
Operating result	321	356	1,031	(65)	1,522	677	(56)
Operating profit excl. special items[2]	321	483	1,096	(56)	2,273	804	(65)
Net financial expenses	(62)	(94)	34	n.a.	(217)	(156)	(28)
Net profit/loss for the period	211	175	825	(79)	933	386	(59)
Net profit/loss for the period excl. special items	211	277	877	(68)	1,534	488	(68)
Operating cash flow	**2,134**	**490**	**1,500**	**(67)**	**3,434**	**2,624**	**(24)**
Earnings per share							
Basic and diluted earnings per share (kunas per share)	21.1	17.5	82.5	(79)	93.3	38.6	(59)
Net debt	5,200				6,351	5,709	
Net gearing	25.78	27.76	29.41		29.41	27.76	
CAPEX total	500	519	334	56	740	1,019	38
Domestic	383	398	321	24	665	781	17
International	117	121	13	831	75	238	217

USD mln [3]	H1 2013 modified	Q3 2013	Q3 2012	%	Q1-Q3 2012	Q1-Q3 2013	%
Net sales revenues	2,317	1,305	1,353	(4)	3,856	3,621	(6)
EBITDA reported [1]	304	185	245	(25)	629	488	(22)
EBITDA excl. special items	304	207	252	(18)	674	510	(24)
Operating result	56	63	172	(64)	259	118	(55)
Operating profit excl. special items[2]	56	85	183	(54)	387	140	(64)
Net financial expenses	(11)	(17)	6	n.a.	(37)	(27)	(27)
Net profit/loss for the period	37	31	138	(78)	159	67	(58)
Net profit/loss for the period excl. special items	37	49	147	(67)	261	85	(68)
Operating cash flow	**370**	**86**	**251**	**(66)**	**585**	**457**	**(22)**
Earnings per share							
Basic and diluted earnings per share (USD per share)	3.7	3.1	13.8	(78)	15.9	6.7	(58)
Net debt	902				1,083	995	
CAPEX total	87	91	56	63	126	178	41
Domestic	66	70	54	30	113	136	20
International	20	21	2	878	13	41	224

[1] EBITDA = EBIT + Depreciation + Impairment + Provisions
[2] The 2013 EBIT was negatively influenced by HRK 127 million special items
[3] In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q2 2013 – 5.7902 HRK/USD; Q3 2012 – 5.9788 HRK/USD; Q3 2013 – 5.6928 HRK/USD; Q1-Q3 2012 – 5,8664 HRK/USD; Q1-Q3 2013 – 5,7396 HRK/USD
[4] Starting from 1 January 2013, the reporting of Refining and Marketing segment and Retail segment is merged as Refining and Marketing including Retail segment value chain aligning the presentation with international industry reporting practice. As a result of this resegmentation, the Group has the following two reporting segments: Upstream and Refining and Marketing including Retail. Comparative periods have been restated accordingly.
[5] Linear depreciation method was applied starting from 01 January 2013 in order to fairly reflect the amortization of the equipment in Syria. Depreciation impact for the first nine months of 2013 was HRK 410 million.

INA Group delivered solid performance with EBITDA excluding special items for the first nine months 2013 at the level of HRK 3 billion, despite the economic slowdown on INA Group's major markets which continues to burden our operations. Slow recovery in the European Union and decline in the domestic market have a continued adverse effect, further underlined by the lack of Syrian revenues and mixed external environment. Cumulative operating result and net profit excluding special items amounted to HRK 804 million and HRK 488 million, driven also by changing methodology of depreciation calculation in Syria. INA has been constantly monitoring and evaluating situation unfolding in Syria and the possibility that the facilities' maintenance may not be performed in line with INA standards. In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeure, linear depreciation method was applied starting from 01 January 2013 in order to fairly reflect the amortization of the equipment. Depreciation impact for the first nine months of 2013 was HRK 410 million. Company will continue to monitor the value of its assets and if needed apply adjustments in accordance with usual business practice to ensure adequate valuation.

Upstream operations are marked by the stable realized hydrocarbon prices and natural production decline of Croatian onshore fields as well as temporary decrease in offshore volumes due to restitution on Annamaria field and lower INA share.
Refinery operations have been negatively impacted by deteriorated crack spreads compared to the previous year, however in spite of the challenging environment constant efforts in internal efficiency improvements have resulted in further decrease of refinery loss and own consumption. Additional growth was achieved in the export markets: a fivefold sales volume increase in Slovenia and a solid 6% increase in B&H compared to the same period last year.

Capital expenditures for the first nine months of 2013 increased significantly by 38% to the level of HRK 1,019 million, driven by intensive domestic exploration and development campaign as well as higher level of activities in Egypt. Furthermore, multiple projects aimed at replacing or modernizing key production units in both Sisak and Rijeka refineries are underway and are to be implemented by the end of 2013. As regards our retail network modernization project, the Blue Concept, INA has renewed 145 filling stations, while additional 14 are in tendering and construction phase.

Constant effort in maintaining the Group's solid financial position have stabilized the gearing levels at around 27.8% as at 30 September 2013 with net debt amounting to HRK 5,709 million, decrease of 14% compared to 31 December 2012.

- **Exploration and Production**: In Q1-Q3 2013, EBITDA reached HRK 3.9 billion, just above the same period last year due to higher average realized hydrocarbon price, moderated losses of the gas trading operations (driven by decreased imported natural gas volumes) and decreased operating expenditures. These positive trends were moderated by lower hydrocarbon production reflecting natural depletion of domestic fields and lower INA share from block production on Annamaria offshore field.
- **Refining and Marketing (including Retail)**: The segment reported EBITDA excluding special items of HRK (150) million in the first nine months of 2013, compared to 170 million in the same period last year. Lower result was primarily impacted by the 28% lower average crack spread available on international markets, especially negative LPG and lower gasoline and fuel oil crack spreads, lower retail sales and less favorable price change effect on inventories. Additionally, continuously high employee costs in Retail had a negative effect on the business. These negative effects were mitigated with significantly improved motor fuel wholesale performance driven by supply of IOC's on the domestic market resulting in increased market share, increased export to Bosnia and Slovenia, continuous optimization of production capacities including on-demand and block refineries operation, as well as focused cost control efforts.
- **Corporate and Other**[1]**:** The 11% lower operating loss of the segment (HRK 429 million) in Q1-Q3 2013 compared to the same period last year is a result of the management's efforts in further process optimization and cost consciousness.

Commenting on the results, Mr. Zoltán Áldott, President of the Management Board said:

In spite of the challenging environment INA has increased its capital expenditures by almost 40% compared to the last year. Investments increase is driven primarily by intensive domestic exploration and development activities, but also multiple refining projects aimed at replacing and modernizing production units in Rijeka and Sisak refineries along with higher level of activities in Egypt.

INA Group delivered EBITDA for the first nine months 2013 excluding special items in the amount of around HRK 3 billion in spite of the continued economic slowdown in the core markets and mixed external environment, staying an important contributor to domestic economy in the ongoing downturn.

Upstream activities are still challenged by natural production decline but internal efficiency improvements, optimizing maintenance and decreasing the operating expenses, have helped maintaining the strong results of the segment. Constantly monitoring the situation in Syria, the Company adjusted its depreciation calculation method for Syrian assets. Depreciation of Syrian assets burdens the operating profit by HRK 137 million per each quarter in 2013.

Refining has seen a significant deterioration of crack spread environment along with lower domestic retail sales, but strong marketing efforts put into the wholesale have partially offset the negative effects. Strengthening of exports is visible, with fivefold increase of exports to Slovenia being the most significant. Additionally, permanent efforts in operations improvement including, among others, feedstock optimization and active crude selection lead to a constant increase in production flexibility and yield improvement.

[1] Include Corporate Functions and subsidiaries providing safety and protection services, technical services, accounting services, corporate support and other services.

Management discussion
Exploration and Production*

Q2 2013 modified ***	Q3 2013	Q3 2012	%	Segment IFRS results (HRK mln)	Q1-Q3 2012	Q1-Q3 2013	%
2,463	2,079	2,428	(14)	Net sales revenues	8,968	7,724	(14)
1,074	1,249	1,259	(1)	EBITDA reported	3,905	3,934	1
1,074	1,249	1,276	(2)	EBITDA excl. special items**	4,106	3,934	(4)
497	801	1,066	(25)	Operating profit reported	2,545	2,495	(2)
497	801	1,094	(27)	Operating profit excl. special items**	3,183	2,495	(22)
248	417	234	78	CAPEX **	462	780	69

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Crosco Group, INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Prirodni plin d.o.o.
** Not including one-off exploration OPEX
***Linear depreciation method was applied starting from 01 January 2013 in order to fairly reflect the amortization of the equipment in Syria. Depreciation impact for the first nine months of 2013 was HRK 410 million

Q2 2013	Q3 2013	Q3 2012	%	Hydrocarbon production*	Q1-Q3 2012	Q1-Q3 2013	%
11,767	**11,516**	**12,134**	**(5)**	**Crude oil production (boe/d)***	**12,396**	**11,589**	**(7)**
8,700	8,847	8,914	(1)	Croatia	8,841	8,653	(2)
-	-	-	n.a.	Syria**	146	-	n.a.
1,815	1,839	1,878	(2)	Egypt	1,922	1,828	(5)
1,252	830	1,342	(38)	Angola	1,487	1,107	(26)
27,440	**25,214**	**27,831**	**(9)**	**Natural gas production (boe/d)**	**34,770**	**26,861**	**(23)**
13,345	10,718	14,879	(28)	Croatia - offshore	16,718	12,558	(25)
14,095	14,497	12,952	12	Croatia - onshore	15,009	14,303	(5)
-	-	-	n.a.	Syria**	3,043	-	n.a.
2,337	**2,370**	**2,156**	**10**	**Condensate (boe/d)**	**3,477**	**2,389**	**(31)**
2,337	2,370	2,156	10	Croatia	2,546	2,389	(6)
-	-	-	n.a.	Syria**	931	-	n.a.
41,544	**39,100**	**42,121**	**(7)**	**Total hydrocarbon production (boe/d)**	**50,643**	**40,838**	**(19)**
Q2 2013	**Q3 2013**	**Q3 2012**	**%**	**Average realised hydrocarbon price*** **	**Q1-Q3 2012**	**Q1-Q3 2013**	**%**
81	85	88	(4)	Total hydrocarbon price (USD/boe)*	82	83	1
Q2 2013	**Q3 2013**	**Q3 2012**	**%**	**Natural gas trading - mln cm**	**Q1-Q3 2012**	**Q1-Q3 2013**	**%**
164	104	248	(58)	Natural gas imports	859	513	(40)
402	365	425	(14)	Total natural gas sales - domestic market	1,914	1,567	(18)

*Excluding separated condensate
**The production on Syrian fields in 2012 lasted only 57 days. From 26 of February 2012 Syrian production was stopped by Force Majeure announcement. (the data should not be taken into consideration). Crude production in Syria decreased at faster rate as the crude production cuts started already in Q4 2011 due to local constraints.
*** Calculated based on total external sales revenue including natural gas selling price as well

Q3 2013 vs. Q2 2013 results
In Q3 2013, EBITDA increased compared to Q2 2013 reflecting increased average realized hydrocarbon prices. Upstream operations remain burdened by the negative contribution of Prirodni Plin which reached lower loss than in Q2 2013. Our service company, Crosco, had a more favorable contribution to the upstream results than in the previous quarter.

Q3 2013 vs. Q3 2012 results
EBITDA in third quarter reached the same level as in Q3 2012.

Q1-Q3 2013 vs. Q1-Q3 2012 results
The Upstream result improvement over Q1-Q3 2012 reflects (1) 40% lower natural gas imports combined with a lower price differential visible in improved but still negative contribution of the gas trading operations, (2), the improved average realized hydrocarbon price and (3) internal efficiency improvements resulting in decreased operating expenditures. The Q1-Q3 2013 result was unfavorably affected by a decrease in hydrocarbon production due to natural depletion both in on and offshore fields. During the first nine months of 2013, the Company experienced tightening of the domestic gas market, materialized in decreased demand from both households and industrial customers, in line with negative domestic economic trends. This development, coupled with gas trading market liberalization, placed significant pressure on pricing levels.

Total **natural gas** production was 22.7 % lower than in Q1-Q3 2012, reflecting the absence of Syrian production in 2013 due to the earlier announcement of Force Majeure, a natural decline and water cuts on both on and offshore fields in Croatia. Natural gas production at the Croatian offshore fields decreased due to natural decline on North Adriatic that was partly compensated with higher production on Aiza Laura because of lower intensity of maintenance works on the partner's side of the Aiza Laura field, optimization of well working parameters and acid treatments. In addition, lower offshore production was caused by Annamaria restitution (re-determination of new tract participation, based on new reservoir study, resulted with lower Croatian share, approved by Ministry). Despite the lower INA share from the total block production due to higher investments of the partners on exploration and developments projects, offshore contribution averaged around daily 12,6 thousand barrel of oil equivalent (mboepd) during Q1-Q3 2013.

Croatian **crude production** declined by 2% in Q1-Q3 2013 due to natural depletion of the fields. Internationally, crude production was 14 % lower. In Egypt, by 4.9% due to a natural production decline at the mature fields on Ras Qattara and West Abu Gharadig concessions, as well as a production decline at the Sidi Rahman field on the East Yidma Concession and postponed activities on drilling new development wells. This negative effect was further compounded by a 25.5 % lower crude production in Angola mostly related to gas lift injection and delayed well perforating operations by the operator and natural decline. No Syrian crude volumes were recorded in 2013 as the Company temporarily suspended activities in line with international and domestic regulation and local Syrian developments. Production volumes in Syria were accounted for only up to the Force Majeure announcement (February 26, 2012). In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeure, linear depreciation method was applied starting from 01 January 2013 in order to fairly reflect the amortization of the equipment. Depreciation impact for the first nine months of 2013 was HRK 410 million.

Excluding Syrian production volumes in 2012, the comparable total hydrocarbon production decrease was 12.5%.

As a result of the above mentioned negative trends, Upstream sales revenues were 14% lower year-on-year at HRK 7,724 million. These negative effects were mitigated in part by the higher average realized hydrocarbon price.
Under current practice and in line with the international accounting standards, the Company adjusts its receivables that are 60 days or older. Adjustment of receivables is a recurring process generally applicable to all receivables; therefore it is not considered a one-off item. Accordingly, the Company has impaired HRK 169 million of its receivables in Egypt that meet these criteria.

Exploration and Production capital expenditures

Exploration and Production segment's CAPEX in Q1-Q3 2013 amounted to HRK 781.2 million. Capital investments in Croatia amounted HRK 525.0 million, capital investments abroad HRK 190.8 million and CROSCO's investment HRK 65.4 million. In comparison with Q1-Q3 2012 capital investments are higher in total by HRK 264.3 million or 51.1%. Increased investments level is result of exploration drilling activities on new Disouq concession in Egypt and higher development activities on other concessions in Egypt, stronger offshore exploration and development activities due to on-going drilling campaign, higher activities related to main projects in Angola block 3/05 and higher level of Panon exploration activities.

E&P CAPEX Q1-Q3 2013. (HRK million)	Croatia	Syria	Egypt	Angola
Exploration	160.3	0	99.7	0
o/w exploration one off opex	1.0	0	0	0
Development	312.2	0	57.3	33.8
Exploration: 260.05 (33 %) Development: 403.30 (52 %) Other: 117.85 (15%)	**Exploration:** **Onshore** performed well sites preparation and drilling activities on three exploration wells – Bunjani-1 South, Krunoslavlje-2 (dry hole) and Caginec-1. On Bunjani-1 South additional well test is on-going. Spud in of Caginec-1 well was in June and drilling finished in July, well test is planned for Q4. On Iva-2 DU well spud in was in August and drilling is on-going. Also, started activities related to wells preparation for frac services. **Offshore** (Ivana C) - Positioning of drilling rig Labin at the location. Start of drilling Ilena 1 dir was in July. Drilling is finished on July 24th. Well test performed and production casing installed. Well is temporary abandoned, waiting for development solution. Start of drilling Ivna-1 well was on August 22nd. Drilling is finished on September 6th. Well is abandoned as a dry hole. **Development:** **Onshore** in scope of EOR project on-going were on-site activities on Ivanić field, Ethane and Žutica field; in September started well re-lining activities and are on-going on both fields. The main of the rest onshore development activities were related to well general workowers. **Offshore** investments were related to Ika JZ project: platform engineering, jacket and deck construction activities with finalization of jacket construction and its transportation to the site also started installation campaign (jacket & sealine installation, riser installation on the IKA A platform). In scope of Ika B3 HOR project performed were platform preparation works for Drilling Rig arrival.	No activities due to announced Force Majeure	Exploration: On new concession Disouq Helal-1 exploratory well was spud on March 03, 2013. Well reached Total depth of 5,466 m. The well is P&A and the rig was released on September 27, 2013. Development: North Bahariya: In period 1-3Q four wells out of six planned were drilled, completed and put into production: Abrar-17, Abrar-8, Ganna West-1 and Abrar South-3. Drilling of well Abrar-14 started in September and it is on-going. Ras Qattara and West Abu El Gharadig: Workower operations were performed in order of optimizing production level. On WAG Raml-27 well was completed and put into production in January. On RQ four wells were drilled: Zarif-42 (dry, P&A), Zarif-43 (oil producer); Faras-47 (oil producer) and Faras-48 (water injector). In Q3 started drilling of well Faras-49. Sidi Rahman – drilling of SR-6 well started in May, finished in Q2 and well is put into production at the end of July. Sidi Rahman-5 - The well was spud in Q3 2013. Due to technical problems, the rig ECDC-6 was released and new rig EDC-10 is contracted. It is expected to resume the drilling in Q4 2013.	Q1-Q3 2013 investments on block 3/05a were related to FEED (front engineering and design) activities on Punja and Caco Gazela Fields. Drilling of well Gazela -1 is postponed due to rig availability; also most of the activities related to drilling of Gazela-101 are postponed. Rig contracting process was re-started in order to secure a rig for Q1 2014. On block 3/05 investments were related to Topsides Facilities Upgrade (TFU), while FSO Terminal Palanca dry dock hull repair activities were postponed from May to July and started on July 20th, 2013 and were completed on August 9th, 2013.

INDUSTRIJA NAFTE, d.d.

*Refining and Marketing, including Retail**

Q2 2013	Q3 2013	Q3 2012	%	Segment IFRS results (HRK mln)	Q1-Q3 2012	Q1-Q3 2013	%
3,650	6,112	6,323	(3)	Revenues	16,096	15,582	(3)
(131)	(129)	315	n.a.	EBITDA reported	146	(277)	n.a.
(131)	(2)	330	n.a.	EBITDA excl. special items**	170	(150)	n.a.
74	(60)	187	n.a.	CCS-based R&M EBITDA**	(101)	19	n.a.
(359)	(361)	100	n.a.	Operating profit/(loss) reported	(539)	(923)	71
(359)	(234)	110	n.a.	Operating profit/(loss) excl. special items**	(512)	(796)	55
(145)	(298)	(33)	806	CCS-based R&M operating loss***	(783)	(622)	(21)
72	97	88	10	CAPEX and investments (w/o acquisition)	189	214	13

*Refers to Refining & Marketing including retail INA. d.d. and following subsidiaries: INA MazivaInterIna Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA Hungary, INA Crna Gora, INA Beograd, INA Kosovo
**Excluding negative special items (HRK 127 million in Q1-Q3 2013)
***As of Q3 2013 applied clean CCS methodology eliminates from EBITDA/operating profit inventory holding gain/loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains/losses on debtors and creditors/operating profit by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.

Q2 2013	Q3 2013	Q3 2012	%	Refinery processing (kt)	Q1-Q3 2012	Q1-Q3 2013	%
144	109	104	4	Domestic crude oil	358	291	(19)
615	774	748	3	Imported crude oil	1,872	2,063	10
35	26	19	40	Condensate	79	71	(11)
167	213	223	(5)	Other feedstock	802	573	(29)
962	**1,121**	**1,094**	**2**	**Total refinery throughput**	**3,112**	**2,997**	**(4)**
Q2 2013	**Q3 2013**	**Q3 2012**	**%**	**Refinery production (kt)**	**Q1-Q3 2012**	**Q1-Q3 2013**	**%**
56	66	67	(2)	LPG	184	171	(7)
282	329	330	(0)	Motor gasoline	897	869	(3)
319	403	383	5	Diesel	1,029	1,031	0
37	41	49	(16)	Heating oil	127	133	5
34	49	35	41	Kerosene	82	104	27
3	6	10	(34)	Naphtha	48	20	(58)
127	118	122	(3)	Fuel oil	319	359	13
13	6	14	(61)	Bitumen	26	22	(13)
(13)	(27)	(50)	(47)	Other products*	(6)	(53)	770
857	**991**	**960**	**3**	**Total**	**2,705**	**2,657**	**(2)**
5	6	7	(10)	Refinery loss	21	17	(20)
99	123	128	(3)	Own consumption	385	323	(16)
962	**1,121**	**1,094**	**2**	**Total refinery production**	**3,112**	**2,997**	**(4)**
Q2 2013	**Q3 2013**	**Q3 2012**	**%**	**Refined product sales by country (kt)**	**Q1-Q3 2012**	**Q1-Q3 2013**	**%**
478	558	550	2	Croatia	1,391	1,409	1
122	139	130	7	B&H	356	376	6
43	107	13	713	Slovenia	30	177	495
208	227	329	(31)	Other markets	822	711	(13)
851	**1,031**	**1,022**	**1**	**Total**	**2,599**	**2,673**	**3**
Q2 2013	**Q3 2013**	**Q3 2012**	**%**	**Refined product sales by product (kt)**	**Q1-Q3 2012**	**Q1-Q3 2013**	**%**
62	64	75	(14)	LPG	202	183	(9)
216	298	284	5	Motor gasoline	764	765	0
352	421	409	3	Diesel	996	1,035	4
33	29	31	(4)	Heating oil	109	111	2
37	53	52	3	Kerosene	99	104	5
3	6	9	(33)	Naphtha	49	22	(54)
113	125	119	5	Fuel oil	285	359	26
19	17	20	(13)	Bitumen	41	42	4
15	17	23	(28)	Other products*	56	52	(8)
851	**1,031**	**1,022**	**1**	**Total**	**2,599**	**2,673**	**3**
262	321	324	(1)	o/w Retail segment sales	801	776	(3)

*Other products = Benzene-rich cut, liquid sulphur, coke, motor oils. Ind, lubricants, base oils, spindle oil, waxes, blend. gas oil “M”, atmosp. residue, intermediaries and other

Q3 2013 vs. Q2 2013 results

In Q3 2013, the Refining and Marketing (including Retail) reported EBITDA excluding special items amounted to HRK (2) million, above the previous quarter primarily due to (1) stronger quotations on international markets, (2) continued strong wholesale performance and (3) higher seasonal sales volumes in retail.

Positive contributors were partially moderated with negative effects of: (1) lower Brent-Ural crude spread, (2) transportation costs associated with delivering higher volumes, (3) higher crude price leading to higher monetized own consumption and losses and (4) higher energy costs associated to higher processing volume.

R&M segment's **'clean' CCS-based EBITDA** decline by HRK 134 million compared to Q2 2013 to the amount of HRK (60) mln resulting from above mentioned negative drivers.

Q3 2013 vs. Q3 2012 results

In Q3 2013, the Refining and Marketing (including Retail) reported EBITDA without special items was below Q3 2012 level by HRK 332 million, mainly as a result of (1) lower available quotations on international markets, (31% lower average crack spread) especially gasoline, fuel oil and negative LPG crack spreads, (2) lower motor sales in own retail and (3) higher energy costs mainly resulting from increased natural gas consumption, while own consumption and losses decreased.

These factors were offset by (1) improved wholesale performance on the Croatian market and increased export to Bosnia and Slovenia, (2) continuous optimization of production capacities including on-demand and block refineries operation, (3) strong cost control .

R&M segment's **'clean' CCS-based EBITDA excluding special items** declined by HRK 247 million compared to Q3 2012 as a result of above mentioned drivers.

Q1-Q3 2013 vs. Q1-Q3 2012 results

By cleaning the reported number from the market volatility R&M segment's **'clean' CCS-based EBITDA** demonstrated the improved performance with breaking through into the positive zone and amounted to HRK 19 million surpassing Q1-Q3 2012 result by HRK 121 million.

The Refining and Marketing (including Retail) segment's reported EBITDA excluding special items was at HRK (150) million, representing a decrease compared to Q1-Q3 2012, mainly resulting from (1) lower available quotations on international markets with 28% lower average crack spread as well as negative LPG and fuel oil crack spreads and lower gasoline crack spreads and (2) lower motor fuel sales of own retail.

The above-mentioned negative drivers were partially offset with (1) strong domestic wholesale performance, (2) timely captured export opportunities (3) diversified feedstock selection and extending the crude basket, (4) continued optimization of production capacities including on-demand and block refineries operation, (5) stringent cost control resulting in lower operating expenses and (6) lower own consumption and losses.

The segment operating profit in Q1-Q3 2013 excluding special items declined over the same period last year by HRK 284 million, reaching HRK (796) million.

While retail sales declined, wholesale performance demonstrated improvement resulting in increased total sales of 2.8% compared to Q1-Q3 2012. INA also improved its sales position in the value creating motor fuel sales with higher sales in Bosnia and significantly improved export to Slovenia which additionally backed earnings performance compared to the same period of 2012.

The yield of profitable motor fuel products further improved which predominantly resulted from on-demand refinery operations and increased share of more quality crude oil used in processing.

Retail operations sales volume

In Q1-Q3 2013, Retail Segment recorded 3% fall in total retail sales volumes compared to the same period last year. In the same period, sales volumes of gasoline declined by 6%, while sales of gas oil fell by 2%. LPG sales were down 6%. The decline in sales was presumably driven by the continuing economic downturn, such as the weakening purchasing power, lower living standards, higher selling prices and increased unemployment. Sales volumes were also adversely affected by a smaller number of active filling stations due to intensive modernization of retail network.

Throughput per site in the first three quarters of 2013 was 1% lower compared to the same period of the previous year, which indicates the market contraction and intensified modernization program due to which a certain number of filling stations was temporarily closed.

On 30 September 2013, INA Group operated a network of 444 stations (392 in Croatia and 52 abroad, of which 45 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro).

Capital expenditures

Capital expenditures in period Q1-Q3 2013 were HRK 25 million higher than in the same period of 2012 (HRK 214 million in Q1-Q3 2013 vs. HRK 189 million in period Q1-Q3 2012). Major projects as the Delayed Coker closed blow down system and Coke chamber replacement in Sisak, Deep cut on Vacuum Distillation and Turnaround in Rijeka are in implementation phase. Most of the capital investments related to these projects are expected to be realized till the end of 2013. Numerous HSE/sustainable projects launched in 2012 as part of this division's development programs will also be completed or further developed in 2013. Retail capital expenditures in Q1-Q3 2013 amounted to HRK 105 million and were higher by HRK 12 million than the investments in the same period of the 2012. As part of the intensive INA Retail network modernization program, which aims to increase the visual identity and functionality of filling stations and achieve a high level of customer service and consumer satisfaction, 145 filling stations were modernized, while 14 filling stations are in tendering and construction phase.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Income Statement – INA-GROUP
For the period ended 30 September 2012 and 2013
(In HRK millions)

Q2 2013 modified	Q3 2013	Q3 2012	%		Note	Q1-Q3 2012	Q1-Q3 2013	%
				Sales revenue				
4,016	4,561	4,908	(7)	a) domestic		14,274	13,023	(9)
2,216	2,867	3,181	(10)	b) exports		8,346	7,760	(7)
6,232	**7,428**	**8,089**	**(8)**	**Total sales revenue**	1	**22,620**	**20,783**	**(8)**
67	87	82	6	Income from own consumption of products and services		165	190	15
220	280	52	438	Other operating income		238	605	154
6,519	**7,795**	**8,223**	**(5)**	**Total operating income**		**23,023**	**21,578**	**(6)**
(168)	28	5	460	Changes in inventories of finished products and work in progress		347	125	(64)
(3,214)	(4,482)	(4,464)	0	Cost of raw materials and consumables	2	(11,630)	(11,584)	(0)
(567)	(546)	(387)	41	Depreciation and amortization	4	(1,444)	(1,677)	16
(404)	(372)	(440)	(15)	Other material costs	4	(1,281)	(1,138)	(11)
(307)	(402)	(267)	51	Service costs	4	(1,015)	(1,001)	(1)
(637)	(578)	(589)	(2)	Staff costs	5	(1,864)	(1,774)	(5)
(1,047)	(938)	(1,006)	(7)	Cost of other goods sold	3	(3,889)	(3,405)	(12)
(243)	(85)	(70)	21	Impairment and charges (net)		(370)	(350)	(5)
(16)	(64)	26	n.a.	Provisions for charges and risks (net)		(355)	(97)	(73)
(6,603)	**(7,439)**	**(7,192)**	**3**	**Operating expenses**		**(21,501)**	**(20,901)**	**(3)**
(84)	**356**	**1,031**	**(65)**	**Profit from operations**		**1,522**	**677**	**(56)**
				Share in the profit of associated companies				
89	289	77	275	Finance income		157	435	177
(20)	(383)	(43)	791	Finance costs		(374)	(591)	58
69	**(94)**	**34**	**n.a.**	**Net loss from financial activities**	7	**(217)**	**(156)**	**(28)**
(15)	**262**	**1,065**	**(75)**	**Profit before tax**		**1,305**	**521**	**(60)**
(35)	(87)	(240)	(64)	Income tax expense	6	(365)	(135)	(63)
(50)	**175**	**825**	**(79)**	**Profit for the year**		**940**	**386**	**(59)**
				Attributable to				
(50)	175	825	(79)	Owners of the Company		933	386	(59)
-	-	-	n.a.	Non-controlling interests		7	-	n.a.
(50)	**175**	**825**	**(79)**			**940**	**386**	**(59)**
				Earnings per share				
(5.0)	17.5	82.5	(79)	Basic and diluted earnings per share (kunas per share)		93.3	38.6	(59)

Condensed Consolidated Statement of Comprehensive Income – INA-GROUP
For the period ended 30 September 2012 and 2013
(in HRK million)

Q2 2013 modified	Q3 2013	Q3 2012	%		Q1-Q3 2012	Q1-Q3 2013	%
(50)	**175**	**825**	**(79)**	**Profit for the year**	**940**	**386**	**(59)**
				Other comprehensive income:			
(256)	(69)	(278)	(75)	Exchange differences arising from foreign operations	(71)	(134)	89
(20)	11	(2)	n.a.	Gains on available-for-sale investments, net	6	4	(33)
-	-	-	n.a.	Actuar gain/losses on defined benefit plans	-	(11)	n.a.
(276)	**(58)**	**(280)**	**(79)**	**Other comprehensive income, net**	**(65)**	**(141)**	**117**
(326)	**117**	**545**	**(79)**	**Total comprehensive income for the year**	**875**	**245**	**(72)**
				Attributable to:			
(326)	117	545	(79)	Owners of the Company	868	245	(72)
-	-	-	n.a.	Non- controlling interests	7	-	n.a.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Financial Position – INA-GROUP
At 30 September 2013
(in HRK millions)

	Note	1 January 2013	30 Sept 2013	%
Assets				
Non-current assets				
Intangible assets	9	676	845	25
Property, plant and equipment	10	18,716	17,840	(5)
Goodwill		183	183	0
Investments in associates and joint ventures		34	26	(24)
Other investments		187	218	17
Long-term receivables		202	295	46
Derivative financial instruments		5	3	(40)
Deferred tax		557	587	5
Available for sale assets		340	331	(3)
Total non-current assets		**20,900**	**20,328**	**(3)**
Current assets				
Inventories	12	3,352	3,623	8
Trade receivables net	13	2,770	2,269	(18)
Other receivables		516	936	81
Derivative financial instruments		2	2	0
Other current assets		30	59	97
Prepaid expenses and accrued income		142	238	68
Cash and cash equivalents		488	311	(36)
Current assets		**7,300**	**7,438**	**2**
Assets classified as held for sale		-	-	n.a.
Total current assets		**7,300**	**7,438**	**2**
Total assets	8	**28,200**	**27,766**	**(2)**
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	0
Revaluation reserve		13	6	(54)
Other reserves		2,505	2,371	(5)
Retained earnings / (Deficit)		3,437	3,480	1
Equity attributable to equity holder of the parent		**14,955**	**14,857**	**(1)**
Non-controlling interests		(1)	(1)	0
Total equity		**14,954**	**14,856**	**(1)**
Non-current liabilities				
Long-term loans		1,161	1,615	39
Other non-current liabilities		101	79	(22)
Employee benefits obligation		100	131	31
Provisions		2,713	2,733	1
Deferred tax liability		13	11	(15)
Total non-current liabilities		**4,088**	**4,569**	**12**
Current liabilities				n.a.
Bank loans and overdrafts		1,266	4,098	224
Current portion of long-term debt		4,725	307	(94)
Trade payables	15	1,684	2,001	19
Taxes and contributions		497	638	28
Other current liabilities		596	710	19
Accruals and deferred income		36	136	278
Employee benefits obligation		10	2	(80)
Provisions		344	449	31
Current liabilities		**9,158**	**8,341**	**(9)**
Liabilities directly associated with assets classified held for sale		-	-	n.a.
Total current liabilities		**9,158**	**8,341**	**(9)**
Total liabilities	14	**13,246**	**12,910**	**(3)**
Total equity and liabilities		**28,200**	**27,766**	**(2)**

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 30 September 2012 and 2013
(in HRK millions)

Q2 2013 modified	Q3 2013	Q3 2012	%		Note	Q1-Q3 2012	Q1-Q3 2013	%
(50)	175	825	(79)	**Profit/(loss) for the year**		940	386	(59)
				Adjustments for:				
567	546	387	41	Depreciation and amortisation		1,444	1,677	16
35	87	240	(64)	Income tax (benefit)/expenses recognized in (loss)/profit		365	135	(63)
246	101	79	28	Impairment charges (net)		533	545	2
(3)	(16)	(9)	78	Reversal of impairment		(163)	(195)	20
(1)	(1)	(5)	(80)	Gain on sale of property, plant and equipment		(7)	(5)	(29)
-	(48)	-	n.a.	Gain on purchase of investments and shares		-	(48)	n.a.
(113)	22	(132)	n.a.	Foreign exchange loss/(gain)		(82)	9	n.a.
40	35	29	21	Interest expense (net)		95	97	2
16	22	84	(74)	Other financial expense recognised in profit		119	10	(92)
15	64	(35)	n.a.	Increase in provisions		355	96	(73)
21	21	39	(46)	Decommissioning interests		87	62	(29)
(6)	(11)	(36)	(69)	Other non-cash items		(6)	(15)	150
767	**997**	**1,466**	**(32)**	**Operating cash flow before working capital changes**	**16**	**3,680**	**2,754**	**(25)**
				Movements in working capital	17			
(122)	139	(368)	n.a.	(Increase)/decrease in inventories		(618)	(337)	(45)
312	157	82	91	(Increase)/decrease in receivables and prepayments		71	(283)	n.a.
1,006	(633)	540	n.a.	(Decrease)/increase in trade and other payables		1,363	783	(43)
1,963	**660**	**1,720**	**(62)**	**Cash generated from operations**		**4,496**	**2,917**	**(35)**
(89)	(170)	(220)	(23)	Taxes paid		(1,062)	(293)	(72)
1,874	**490**	**1,500**	**(67)**	**Net cash inflow from operating activities**		**3,434**	**2,624**	**(24)**
				Cash flows used in investing activities				
(333)	(403)	(338)	19	Payments for property, plant and equipment		(660)	(919)	39
(76)	(162)	(33)	391	Payment for intangible assets		(63)	(248)	294
2	1	5	(80)	Proceeds from sale of non-current assets		7	6	(14)
-	13	-	n.a.	Purchase of subsidiaries		-	13	n.a.
-	3	-	n.a.	Dividends received from companies classified as available for sale and from other companies		1	3	200
7	6	5	20	Interest received and other financial income		20	17	(15)
(23)	1	-	n.a.	Investments and loans to third parties, net		145	(24)	n.a.
(423)	**(541)**	**(361)**	**50**	**Net cash used for investing activities**	**18**	**(550)**	**(1,152)**	**109**
				Cash flows from financing activities				
3,984	564	46	1,126	Additional long-term borrowings		276	4,548	1,548
(6,821)	(1,567)	(208)	653	Repayment of long-term borrowings		(1,907)	(8,539)	348
3,512	5,536	3,344	66	Additional short-term borrowings		11,404	12,664	11
(2,838)	(4,263)	(4,195)	2	Repayment of short term borrowings		(12,193)	(9,846)	(19)
-	(343)	-	n.a.	Dividends paid		-	(343)	n.a.
(29)	(22)	(22)	0	Interest paid on long-term loans		(73)	(71)	(3)
-	-	-	n.a.	Other long-term liabilities, net		(1)	-	n.a.
(2)	(43)	(72)	(40)	Interest paid on short term loans and other financing charges		(117)	(35)	(70)
(2,194)	**(138)**	**(1,107)**	**(88)**	**Net cash from financing activities**		**(2,611)**	**(1,622)**	**(38)**
(743)	(189)	32	n.a.	Net (decrease)/increase in cash and cash equivalents		273	(150)	n.a.
1,206	498	559	(11)	At 1 January		337	488	45
35	2	18	(89)	Effect of foreign exchange rate changes		(1)	(27)	2,600
498	311	609	(49)	At the end of period		609	311	(49)

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Changes in Equity – INA-GROUP
For the period ended 30 September 2012 and 2013
(in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Non controlling interest	Total equity
Balance as at 1 January 2012	**9,000**	**2,616**	**-**	**2,759**	**14,375**	**(10)**	**14,365**
Profit for the year	-	-	-	933	933	7	940
Purchase of non-controlling interest	-	-	-	(3)	(3)	3	-
Other comprehensive income, net	-	(71)	6	-	(65)	-	(65)
Total comprehensive income, net	**-**	**(71)**	**6**	**930**	**865**	**10**	**875**
Dividends payable	-	-	-	-	-	-	-
Balance as at 30 Sept 2012	**9,000**	**2,545**	**6**	**3,689**	**15,240**	**-**	**15,240**
Balance as at 1 January 2013	**9,000**	**2,505**	**13**	**3,437**	**14,955**	**(1)**	**14,954**
Profit for the year	-	-	-	386	386	-	386
Other comprehensive income, net	-	(134)	(7)	-	(141)	-	(141)
Total comprehensive income for the year	**-**	**(134)**	**(7)**	**386**	**245**	**-**	**245**
Dividends paid	-	-	-	(343)	(343)	-	(343)
Balance as at 30 Sept 2013	**9,000**	**2,371**	**6**	**3,480**	**14,857**	**(1)**	**14,856**

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q2 2013 modified	Q3 2013	Q3 2012	%	(HRK mln)	Q1-Q3 2012	Q1-Q3 2013	%
				Sales			
2,463	2,079	2,428	(14)	Exploration & Production	8,968	7,724	(14)
3,650	6,112	6,323	(3)	Refining & Marketing including Retail	16,096	15,582	(3)
148	157	158	(1)	Corporate and Other	365	403	10
(29)	(920)	(820)	12	Inter-segment revenue	(2,809)	(2,926)	4
6,232	**7,428**	**8,089**	**(8)**	**Sales**	**22,620**	**20,783**	**(8)**
				Operating expenses, net other income from operating activities			
(1,966)	(1,278)	(1,362)	(6)	Exploration & Production	(6,423)	(5,229)	(19)
(4,009)	(6,473)	(6,223)	4	Refining & Marketing including Retail	(16,635)	(16,505)	(1)
(314)	(284)	(293)	(3)	Corporate and Other	(849)	(832)	(2)
(27)	963	820	17	Inter-segment eliminations	2,809	2,460	(12)
(6,316)	**(7,072)**	**(7,058)**	**0**	**Expenses**	**(21,098)**	**(20,106)**	**(5)**
				Profit/(loss) from operations			
497	801	1,066	(25)	Exploration & Production	2,545	2,495	(2)
(359)	(361)	100	n.a.	Refining & Marketing including Retail	(539)	(923)	71
(166)	(127)	(135)	(6)	Corporate and Other	(484)	(429)	(11)
(56)	43	-	n.a.	Inter-segment eliminations	-	(466)	n.a.
(84)	**356**	**1,031**	**(65)**	**Profit from operations**	**1,522**	**677**	**(56)**
				Share in the profit of associate companies			
69	**(94)**	**34**	**n.a.**	**Net loss from financial activities**	**(217)**	**(156)**	**(28)**
(15)	**262**	**1,065**	**(75)**	**Profit before taxation**	**1,305**	**521**	**(60)**
(35)	(87)	(240)	(64)	Income tax expense	(365)	(135)	(63)
(50)	**175**	**825**	**(79)**	**Profit for the year**	**940**	**386**	**(59)**

Q2 2013 modified	Q3 2013	Q3 2012	%	Depreciation (HRK mln)	Q1-Q3 2012	Q1-Q3 2013	%
379	358	192	86	Exploration & Production	842	1,118	33
166	167	176	(5)	Refining & Marketing including Retail	520	493	(5)
22	21	19	11	Corporate and Other	82	66	(20)
567	**546**	**387**	**41**	**Total**	**1,444**	**1,677**	**16**

Q2 2013	Q3 2013	Q3 2012	%	EBITDA* (HRK mln)	Q1-Q3 2012	Q1-Q3 2013	%
1,074	1,249	1,259	(1)	Exploration & Production	3,905	3,934	1
(131)	(129)	315	n.a.	Refining & Marketing including Retail	146	(277)	n.a.
(132)	(116)	(112)	4	Corporate and Other	(360)	(363)	1
(69)	47	-	n.a.	Inter-segment eliminations	-	(493)	n.a.
742	**1,051**	**1,462**	**(28)**	**Total**	**3,691**	**2,801**	**(24)**

** EBITDA = EBIT + Depreciation + Impairment + Provisions*

Sales data include intra-group sales and related costs are included in the operating costs of the business segment making the purchase. Intra-group transactions are eliminated for consolidated sales data and operating costs.

INDUSTRIJA NAFTE, d.d.

Financial overview and notes

Income statement

Notes

Q1-Q3 2013 results

1 **Total sales revenues** in Q1-Q3 2013 amounted to HRK 20,783 million and were 8% below the Q1-Q3 2012 level, primarily triggered by lower Brent, lower average crack spread, decreased natural gas sales volumes and slightly lower natural gas prices.

2 **Costs of raw materials and consumables** were slightly below Q1-Q3 2012 levels at HRK 11,584 million, as processing of other raw material volumes and average import price were lower.

3 **Costs of goods sold** recorded a decrease of 12% to HRK 3,405 million resulting from lower sold volumes of imported natural gas compared to Q1-Q3 2013.

4 Within **other operating costs** realized in Q1-Q3 2013:

- Other material costs were lower by 11% year-on-year at HRK 1,138 million.
- Service costs in the amount of HRK 1,001 million recorded a decrease of 1% mainly due to lower royalty and lower other non-production services.
- Depreciation was 16% higher and amounted to HRK 1,677 million mainly due to decrease in hydrocarbon production due to natural depletion both in on and offshore fields, the lack of Syrian volumes and depreciation method change in Syria.
- Adjustments and provisions of HRK 447 million down 38% mainly related to Angolan provisions that occurred in 2012.

5 **Staff costs** in the amount HRK 1,774 million were 5% lower compared to Q1-Q3 2012 as a result of workforce optimization. Staff cost represents cost of net salaries in the amount of HRK 942 million, cost of employee income tax in the amount of HRK 404 million, tax on payroll in the amount of HRK 222 million and other payroll related costs in the amount of HRK 206 million for the nine month period ended 30 September 2013. For the nine month period ended 30 September 2012 staff cost includes cost of net salaries in the amount of HRK 936 million, cost of employee income tax in the amount HRK 409 million, tax on payroll in the amount HRK 246 million, and other payroll related costs in the amount HRK 273 million.

6 **Income tax expense** decreased by 63% to HRK 135 million.
Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the periods ended 30 September 2013 and 30 September 2012.

7 **Net financial expenses** in the amount of HRK 156 million were recorded in Q1-Q3 2013, compared to net financial expenses of HRK 217 million in Q1-Q3 2012.

- Net foreign exchange losses were HRK 13 million in Q1-Q3 2013 mainly related to long term loans, compared to HRK 86 million net foreign exchange gains recorded in Q1-Q3 2012.
- Interest payable amounted to HRK 145 million and interest received HRK 13 million in Q1-Q3 2013, compared to interest payable of HRK 158 million and HRK 17million interests received in Q1-Q3 2012.
- Other financial expenses amounted to HRK 9 mln, compared to HRK 162 mln in Q1-Q3 2012.

One off items

In addition to international accounting standards and international reporting standards and regulatory requests the company discloses one-off items to achieve higher level of transparency and to provide better understanding of the usual business operations. Economic events in company's income statement that are non-recurring in their nature are triggered by different than usual operating conditions. One-off items are considered to be the ones not accruing regularly and having the effect to the results which is above EUR 10 million. Company has established the practice of providing the one off items in its reports; however absence in a given quarter only indicates that no such items have been identified in that quarter and not a change in its approach.
One off-item in the amount of HRK 127 million relates to the additional VAT and income tax obligation for 2008 and 2009 based on the Ministry of Finance Resolution.

Intersegment eliminations

Intersegment elimination line within the operating results has been introduced for the company to be able to provide segmental results as International Accounting Standards requests, guided with the transparency of presented information which needs to fulfill the highest requests of consistency and reliability. For this purpose and for purpose of having the segmental results presenting fair market relations between the segments, which are fully aligned with on demand operations of the Refining and Marketing including Retail segment, parity of internal transfer between E&P and R&M including retail has changed to be based on delivered quantities. This line shows the effect on operating profit of the change in the amount of unrealized profit deferred in respect of transfers between segments. Unrealized profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the deliverer segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. The change is introduced from 1st of January 2013 and effect on E&P and R&M including retail results amounts to HRK 262 million and HRK 204 million, respectively.

Balance sheet

Notes

8 As at 30 September 2013, INA Group **total assets** amounted to HRK 27,766 million and were 2% lower compared to 31 December 2012.

9 In the period ended 30 September 2013, INA Group invested HRK 197 million in **intangible assets**. The effect of depreciation equals to HRK 21 million. Foreign exchange revaluation of oil and gas fields decreased the net book value in amount of HRK 10 million. Disposals of intangible assets equals HRK 1 million. Transfer from tangible assets increased net book value of intangible assets in amount of HRK 4 million

10 In the period ended 30 September 2013, INA Group invested HRK 821 million in property, plant and equipment. Reversal of capitalized decommissioning costs decreased the value of assets by HRK 21 million. Foreign exchange revaluation decreased the net book value in amount of HRK 79 million The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 1.656 million. In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeur, straight-line depreciation method for surface assets in Syria was applied starting from 1 January 2013, in order to fairly reflect the amortization of the equipment. For the first nine months of 2013 depreciation impact of suraface assets in Syria was HRK 410 million and a foreign currency retranslation of depreciation was HRK 22 million. Correction of prior year depreciation increased net book value of property, plant and equipment in amount of HRK 2 million. Increase of INA Group net book value is also result of foreign exchange differences in the amount of HRK 13 million. Transfer to intangible assets decreased net book value in amount of HRK 4 million. Disposals of intangible assets equals HRK 2 million. Correction of prior year eliminations increased INA Group net book value in amount of HRK 34 million. Correction of prior year impairment increased INA Group net book value in amount of HRK 16 million.

11 **Issued capital** as at 30 September 2013 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 3,623 million, which is an increase of 8% compared to 31 December 2012, mainly as a result of higher crude oil inventories.

13 **Trade receivables** decreased by 18% to the amount of HRK 2,269 million resulting from lower sales revenues lower Brent, lower average crack spread, decreased natural gas sales volumes and slightly lower natural gas prices.

14 As at 30 September 2013 **total liabilities** amounted to HRK 12,910 million, which is a decrease of 3% compared to the 31 December 2012 level mainly driven by higher crude oil liabilities.
INA Group **net indebtedness** decreased by 14% and amounted to HRK 5,709 million, as a result of lower working capital compared to 31 December 2012. **Gearing ratio**[2] decreased from 30.8% as at 31 December 2012, to 27.8% as at 30 September 2013.

15 **Trade payables** increased by 19% to HRK 2,001 million, as a result of higher liabilities for imported crude oil.

Cash flow

Notes

16 The **operating cash-flow before changes in working capital** amounted to HRK 2,754 million in Q1-Q3 2013, representing a decrease of HRK 926 million, or 25%, compared to Q1-Q3 2012, mainly as a result of lower EBITDA.

17 **Changes in working capital** affected the operating cash flow positively by HRK 163 million, primarily due to
- Increase in trade payables by HRK 783 mln, partially offset by
- Increase in receivables by HRK 283 million,
- Increased value of inventories by HRK 337 million.

18 **Net outflows in investing activities** amounted to HRK 1,152 million, in comparison with HRK 550 million of outflows in Q1-Q3 2012.

IRAN Moghan-2 Block

INA entered into the Service Contract for the Exploration and Development of the Moghan-2 Block with the National Iranian Oil Company (NIOC) on 8 April 2008, with the minimum financial obligation amounting to USD 40.3 million. Obligatory Exploration phase expired on 31 May 2012 with the actual project costs amounting to USD 4.5 million.
Since the coming into force of international restrictive measures, INA has been constantly taking significant steps to comply with the sanctions regime in relation to its investment in Iran. Since 2011 INA has not conducted any of its contracted activities and after the expiry of the Exploration phase of the contract in May 2012 INA ceased all of its activities in Iran.

Subsequent events

[2] Net debt / net debt plus equity incl. minority interests

INDUSTRIJA NAFTE, d.d.

Financial instruments and risk management

Risk Management and Hedging Policy for INA Group is providing the framework under which INA and its consolidated subsidiaries manage and maintain commodity, foreign exchange and interest rate risk at an acceptable level. Beside financial (market) risks, the most important risks include the credit risk and the liquidity risk.

a) Market risk

Commodity price risk management

INA purchases crude oil on a spot market price in US dollars, mostly through short-term credit facility arrangements. The required quantities of gas are purchased at a price denominated in US dollars in accordance to 3-year supply contract with Italian ENI. Domestic prices of refined products are determined under the pricing formula set out in the Highest Retail Refined Product Pricing Regulation which, to a limited extent, is protecting the Group from the changes in crude and oil product prices and the foreign currency risk, enabling refinery products to be reprised bi-weekly. INA may also use derivative instruments in managing its commodity exposure.

Foreign currency risk management

Many Group transactions are priced and denominated in foreign currency and thus the Group is exposed to currency risk. The Group has net long USD and EUR, and net short HRK exposure of operative cash flow position. The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of September 30, 2013, there were no open cross currency transactions.

Interest rate risk management

INA Group companies use borrowed funds at both fixed and floating interest rates consequently the Group is exposed to the interest rate risk. The Group does not speculate on interest rate developments and primarily chooses floating rates. As of September 30, 2013, there were no open interest rate swap transactions.

Other price risk

INA is exposed to equity price risks arising from equity investments held for strategic reasons and not for trading.

b) Credit risk

Sales of goods and services with deferred payment create credit risk, a risk of non-payment and risk that the counterparty will default on its contractual obligations. According to existing “Credit Risk Management Procedure” creditworthiness and risk in dealing with customers is estimated based on internal credit assessment model as well as using the services of creditworthiness agencies. There is no significant credit risk exposure of INA Group that is not covered with collateral, other than those to the institutions and entities controlled by the state and the local government, and exposure toward customers under certain concession agreements abroad. INA to a limited extent is also using services of agencies for “out of court” collection of receivables.

c) Liquidity risk

The Group's liquidity risk is managed by maintaining adequate reserves of liquidity and credit lines by continuous monitoring of projected and actual cash flow and due dates for account receivables and payables.

As of September 30, 2013, the INA Group had contracted short-term bank credit lines amounting to HRK 1.82 bn, excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products, and contracted long-term credit lines amounting to HRK 5.27 bn.

d) Fair value of financial instruments

The Group has concluded some long-term sale or purchase contracts that contain embedded derivatives as defined by IAS 39.

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 the nine months period ended 2013 and 2012, INA Group entered into the following trading transactions with the following related parties

INA-Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 Sept 2013	30 Sept 2013
Companies available for sale		
JANAF d.d. Zagreb	-	42
Strategic partner		
MOL Plc	46	104
Companies controlled by strategic partner		
Energopetrol d.d.	51	-
Tifon d.o.o.	50	3
Kalegran Ltd.	26	-
Mol Commodity Trading Kft.	11	7
MOL SLOVENIJA d.o.o.	3	8
Companies controlled by the State		
Hrvatska elektroprivreda	152	26
Petrokemija Kutina	197	-
Jadrolinija	46	2
Croatia Airlines	42	-
Hrvatske željeznice	37	14
Government budget users	33	93
Podzemno skladište plina Okoli	1	8
Plinacro	1	12

INA-Group	Sales of goods	Purchase of goods
HRK mln	30 Sept 2013	30 Sept 2013
Companies available for sale		
JANAF d.d. Zagreb	2	61
Strategic partner		
MOL Plc	290	706
Companies controlled by strategic partner		
Tifon d.o.o.	617	39
Energopetrol d.d.	280	-
Kalegran Ltd.	95	2
Mol Commodity Trading Kft.	99	-
MOL SLOVENIJA d.o.o.	27	63
MOL SERBIA d.o.o.	5	-
IES-Italiana Energia e Servizi s.p.a.	2	2
Slovnaft, a.s.	4	69
Companies controlled by the State		
Hrvatska elektroprivreda	1,417	127
Petrokemija Kutina	961	1
Croatia Airlines	181	-
Jadrolinija	143	6
Government budget users	113	106
Hrvatske željeznice	98	39
Podzemno skladište plina Okoli	51	114
Plinacro	9	170
Hrvatske autoceste	-	39

INDUSTRIJA NAFTE, d.d.

Segmental Information

30 September 2013 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	11,000	6,177	677	(14)	17,840
Intangible assets	733	14	98	-	845
Investments in associates and joint ventures	26	-	-	-	26
Inventories	874	3,083	131	(465)	3,623
Trade receivables, net	904	1,453	117	(205)	2,269
Not allocated assets					3,163
Total assets					**27,766**
Trade payables	719	1,362	125	(205)	2,001
Not allocated liabilities					10,909
Total liabilities					**12,910**
Other segment information					
Depreciation and amortisation	**1,118**	**493**	**66**	**-**	**1,677**
Impairment losses/(income) PP&E, net recognized in profit and loss	-	-	-	-	-
Other impairment losses/(income), net recognized in profit and loss	279	95	3	(27)	350
Total impairment losses/(income), net	**279**	**95**	**3**	**(27)**	**350**

31 December 2012 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	11,571	6,475	695	(25)	18,716
Intangible assets	565	15	96	-	676
Investments in associates and joint ventures	34	-	-	-	34
Inventories	1,610	2,278	139	(675)	3,352
Trade receivables, net	1,748	1,039	217	(234)	2,770
Not allocated assets					2,652
Total assets					**28,200**
Trade payables	832	909	248	(305)	1,684
Not allocated liabilities					11,562
Total liabilities					**13,246**
Other segment information					
Depreciation and amortisation	**1,192**	**720**	**104**	**-**	**2,016**
Impairment losses/(income) PP&E,net recognized in profit and loss	(38)	662	-	-	624
Other impairment losses/(income),net recognized in profit and loss	243	193	3	-	439
Total impairment losses/(income), net	205	855	3	-	1,063

INDUSTRIJA NAFTE, d.d.

Main external parameters

Q2 2013	Q3 2013	Q3 2012	%		Q1-Q3 2012	Q1-Q3 2013	%
102.4	110.4	109.6	0.7	Brent dtd (USD/bbl)	112.1	108.5	(3.2)
947.7	993.4	1,043.9	(4.8)	Premium unleaded gasoline 10 ppm (USD/t)*	1,039.0	995.1	(4.2)
880.4	943.5	971.6	(2.9)	Gas oil – ULSD 10 ppm (USD/t)*	971.4	929.4	(4.3)
574.1	592.8	618.0	(4.1)	Fuel oil 3,5% (USD/t)*	638.7	591.7	(7.4)
737.9	822.9	888.8	(7.4)	LPG (USD/t)*	912.4	809.3	(11.3)
59.2	66.2	95.6	(30.8)	Average crack spread	87.6	63.2	(27.9)
172.7	158.5	214.7	(26.2)	Crack spread – premium unleaded (USD/t)*	191.0	174.7	(8.5)
105.4	108.6	142.4	(23.7)	Crack spread – gas oil (USD/t)*	123.4	108.9	(11.8)
(200.8)	(242.1)	(211.1)	14.7	Crack spread - fuel oil 3,5% (USD/t)*	(209.3)	(228.8)	9.3
(37.0)	(12.0)	59.6	n.a.	Crack spread - LPG (USD/t)*	64.4	(11.2)	n.a.
5.79	5.69	5.98	(4.8)	HRK/USD average	5.87	5.74	(2.2)
5.71	5.64	5.76	(2.0)	HRK/USD closing	5.76	5.64	(2.0)
7.56	7.53	7.47	0.8	HRK/EUR average	7.52	7.56	0.5
7.45	7.61	7.45	2.2	HRK/EUR closing	7.45	7.61	2.2
0.28	0.26	0.43	(38.5)	3m USD LIBOR (%)	0.47	0.28	(41.1)
0.21	0.22	0.36	(38.2)	3m EURIBOR (%)	0.70	0.21	(69.4)

** FOB Mediterranean*

Announcements in Q1-Q3 2013

September 03 2013	Acquisition of a further 50% in Croplin d.o.o.
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 Sept 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 Depositary Company.

Changes in organization, Management Board or Supervisory Board

Supervisory Board
During the third quarter there was no change in the Supervisory Board

Management Board
During the third quarter there was no change in the Management Board.

Board of Executive Directors
During the third quarter there was no change in the Board of Executive Directors.

Management representation

INA Group's consolidated financial statements for I-IX 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