

ENCLOSURE 1

Reporting period:

1 January 2014

to

30 June 2014

Quartely Financial Report TFI-PODTax number (MB): **03586243**Registration number (MBS): **080000604**Personal identification
number (OIB): **27759560625**Issuer: **INA - Industrija nafte d.d.**Postal code and location: **10 000****ZAGREB**Street and number: **Avenija Većeslava Holjevca 10**E-mail: investitori@ina.hrInternet address: www.ina.hrCode and city / municipality: **133 ZAGREB**Code and county: **21 GRAD ZAGREB**Number of employees: **8.418**
(at the end of year)Consolidated Report: **NO**Business activity code: **1920**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office:

Top Računovodstvo Servisi d.o.o.Contact person: **Ratko Marković**
(Name and surname of contact person)Telephone: **01 612 3143**Telefaks: **01 612-3115**E-mail: Ratko.Markovic@trs.ina.hrName and surname: **Zoltán Sándor Áldott**
(authorized representatives)**Documents to be published:**

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Statement of persons in charge of making Financial Statements
3. Management Board's Report

(seal)

(signature of authorized representative)

Balance Sheet
as of 30 June 2014

Issuer: INA - Industrija nafte d.d. Zagreb

Item	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON-PAID CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	18.451.000.000	17.619.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	586.000.000	578.000.000
1. Assets development	004	107.000.000	104.000.000
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005		
3. Goodwill	006	64.000.000	66.000.000
4. Advances for purchase of intangible assets	007	415.000.000	408.000.000
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	14.400.000.000	14.299.000.000
1. Land	011	999.000.000	1.000.000.000
2. Buildings	012	6.196.000.000	5.984.000.000
3. Plant and equipment	013	3.547.000.000	3.238.000.000
4. Instruments, plant inventories and transportation assets	014	309.000.000	299.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	60.000.000	48.000.000
7. Tangible assets in preparation	017	3.281.000.000	3.722.000.000
8. Other material assets	018	3.000.000	3.000.000
9. Investment in property	019	5.000.000	5.000.000
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	2.274.000.000	1.517.000.000
1. Investments in subsidiaries	021	1.127.000.000	1.124.000.000
2. Loans given to related parties	022	626.000.000	0
3. Participating interests (shares)	023	27.000.000	27.000.000
4. Loans to entrepreneurs in which the entity holds participating interests	024		
5. Investments in securities	025		
6. Loans, deposits and similar assets	026	164.000.000	17.000.000
7. Other long-term financial assets	027	330.000.000	349.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	115.000.000	110.000.000
1. Receivables from subsidiaries	030	110.000.000	11.000.000
2. Receivables based on trade loans	031	104.000.000	99.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.076.000.000	1.115.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	6.623.000.000	6.965.000.000
I. INVENTORIES (036 do 042)	035	2.526.000.000	3.364.000.000
1. Raw materials & consumables	036	595.000.000	1.239.000.000
2. Work in progress	037	995.000.000	1.031.000.000
3. Finished goods	038	881.000.000	963.000.000
4. Merchandise	039	55.000.000	131.000.000
5. Advances for inventories	040		
6. Long-term assets held for sale	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	3.695.000.000	2.692.000.000
1. Receivables from subsidiaries	044	1.677.000.000	601.000.000
2. Trade receivables	045	1.291.000.000	1.580.000.000
3. Receivables from participating entities	046		
4. Receivables from employees and shareholders	047	4.000.000	4.000.000
5. Receivables from government and other institutions	048	631.000.000	395.000.000
6. Other receivables	049	92.000.000	112.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	150.000.000	794.000.000
1. Investments in subsidiaries	051	66.000.000	611.000.000
2. Loans given to related parties	052		
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in which the entity holds participating interests	054		
5. Investments in securities	055		
6. Loans, deposits and similar assets	056	29.000.000	179.000.000
7. Other financial assets	057	55.000.000	4.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	252.000.000	115.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	98.000.000	131.000.000
E) TOTAL ASSETS (001+002+034+059)	060	25.172.000.000	24.715.000.000
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	13.329.000.000	13.100.000.000
I. SHARE CAPITAL	063	9.000.000.000	9.000.000.000
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	1.933.000.000	1.947.000.000
1. Legal reserves	066		
2. Reserves for treasury shares	067		
3. Treasury shares and stakes (deduction)	068		
4. Statutory reserves	069	-9.000.000	4.000.000
5. Other reserves	070	1.942.000.000	1.943.000.000
IV. REVALUATION RESERVES	071	6.000.000	24.000.000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	4.023.000.000	2.389.000.000
1. Retained earnings	073	4.023.000.000	2.389.000.000
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	075	-1.633.000.000	-260.000.000
1. Profit for the financial year	076		
2. Loss for the financial year	077	1.633.000.000	260.000.000
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.202.000.000	3.245.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	105.000.000	137.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.097.000.000	3.108.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	1.891.000.000	970.000.000
1. Liabilities to subsidiaries	084		
2. Liabilities for loans, deposits and other	085		
3. Liabilities to banks and other financial institutions	086	1.826.000.000	909.000.000
4. Liabilities for received advances	087		
5. Trade payables	088		
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in which the entity holds participating interests	090		
8. Other non-current liabilities	091	65.000.000	61.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	6.710.000.000	7.307.000.000
1. Liabilities to subsidiaries	094	569.000.000	452.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	3.019.000.000	3.346.000.000
4. Liabilities for received advances	097	21.000.000	18.000.000
5. Trade payables	098	2.144.000.000	2.499.000.000
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in which the entity holds participating interests	100		
8. Liabilities to employees	101	74.000.000	80.000.000
9. Liabilities for taxes, contributions and similar fees	102	590.000.000	651.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	293.000.000	261.000.000
E) ACCRUAL AND DEFERRED INCOME	106	40.000.000	93.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	25.172.000.000	24.715.000.000
G) OFF-BALANCE SHEET ITEMS	108		
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders of the parent company's capital	109		
2. Attributable to non controlling interest	110		

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

PROFIT AND LOSS
for the period 1 January 2014 to 30 June 2014

Issuer: INA - Industrija nafte d.d. Zagreb

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	11.913.000.000	6.050.000.000	10.369.000.000	5.570.000.000
1. Sales revenue	112	11.608.000.000	5.882.000.000	10.146.000.000	5.473.000.000
2. Other operating income	113	305.000.000	168.000.000	223.000.000	97.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	11.585.000.000	5.905.000.000	10.407.000.000	5.546.000.000
1. Changes in inventories of finished products and work in progress	115	-130.000.000	239.000.000	-129.000.000	-326.000.000
2. Material costs (117 do 119)	116	8.714.000.000	4.136.000.000	7.982.000.000	4.745.000.000
a) Cost of raw materials & consumables	117	7.284.000.000	3.305.000.000	6.289.000.000	3.848.000.000
b) Cost of goods sold	118	750.000.000	477.000.000	1.068.000.000	561.000.000
c) Other costs	119	680.000.000	354.000.000	625.000.000	336.000.000
3. Staff costs (121 do 123)	120	669.000.000	355.000.000	629.000.000	319.000.000
a) Net salaries and wages	121	392.000.000	205.000.000	369.000.000	185.000.000
b) Costs for taxes and contributions from salaries	122	188.000.000	102.000.000	172.000.000	87.000.000
c) Contributions on gross salaries	123	89.000.000	48.000.000	88.000.000	47.000.000
4. Depreciation and amortisation	124	1.046.000.000	526.000.000	827.000.000	409.000.000
5. Other costs	125	537.000.000	298.000.000	634.000.000	310.000.000
6. Impairment charges (127+128)	126	702.000.000	320.000.000	505.000.000	86.000.000
a) impairment of long-term assets (excluding financial assets)	127	1.000.000	1.000.000	9.000.000	0
b) impairment of short-term assets (excluding financial assets)	128	701.000.000	319.000.000	496.000.000	86.000.000
7. Provisions	129	47.000.000	31.000.000	-41.000.000	3.000.000
8. Other operating expenses	130		0		0
III. FINANCIAL INCOME (132 do 136)	131	246.000.000	97.000.000	121.000.000	48.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	38.000.000	2.000.000	42.000.000	18.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	96.000.000	62.000.000	25.000.000	-22.000.000
3. Part of income from associates and participating interests	134		0		0
4. Unrealized gains (income) from the financial assets	135		0		0
5. Other financial income	136	112.000.000	33.000.000	54.000.000	52.000.000
IV. FINANCIAL COSTS (138 do 141)	137	318.000.000	31.000.000	343.000.000	89.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	7.000.000	6.000.000	4.000.000	3.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	142.000.000	-41.000.000	65.000.000	4.000.000
3. Unrealized loss (expenses) on financial assets	140		0		0
4. Other financial expenses	141	169.000.000	66.000.000	274.000.000	82.000.000
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES	142				
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTITIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	12.159.000.000	6.147.000.000	10.490.000.000	5.618.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	11.903.000.000	5.936.000.000	10.750.000.000	5.635.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	256.000.000	211.000.000	-260.000.000	-17.000.000
1. Profit before tax (146-147)	149	256.000.000	211.000.000	0	0
2. Loss before tax (147-146)	150	0	0	260.000.000	17.000.000
XII. CORPORATE INCOME TAX EXPENSE	151	40.000.000	35.000.000	0	-53.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	216.000.000	176.000.000	-260.000.000	36.000.000
1. Profit for the period (149-151)	153	216.000.000	176.000.000	0	36.000.000
2. Loss for the period (151-148)	154	0	0	260.000.000	0
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to equity holders of the parent company	155				
2. Attributable to non-controlling interests	156				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	216.000.000	285.000.000	-260.000.000	36.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	-45.000.000	-285.000.000	31.000.000	-35.000.000
1. Exchange differences on translation of foreign operations	159	-7.000.000	-243.000.000	13.000.000	-14.000.000
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				0
3. Gains or loss from reevaluation of financial assets available for sale	161	-29.000.000	-42.000.000	18.000.000	-21.000.000
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investments in foreign countries	163				
6. Share in other comprehensive income/loss of associates companies	164				
7. Actuarial gain / losses on defined benefit plans	165	-9.000.000			
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	-45.000.000	-285.000.000	31.000.000	-35.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	171.000.000	-109.000.000	-229.000.000	1.000.000
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD					
1. Attributable to equity holders of the parent company	169				
2. Attributable to non-controlling interests	170	0	0	0	0

CASH FLOW STATEMENT - Indirect method
in the period 1 January 2014 to 30 June 2014

Issuer: INA - Industrija nafte d.d. Zagreb			
Item	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	256.000.000	-260.000.000
2. Depreciation and amortisation	002	1.046.000.000	827.000.000
3. Increase in short-term liabilities	003	1.400.000.000	237.000.000
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006	1.817.000.000	2.608.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	4.519.000.000	3.412.000.000
1. Decrease in short-term liabilities	008		
2. Increase in short-term receivables	009	1.729.000.000	34.000.000
3. Increase in inventories	010	577.000.000	919.000.000
4. Other cash flow decreases	011	198.000.000	1.957.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	2.504.000.000	2.910.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	2.015.000.000	502.000.000
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash inflows from sale of long-term tangible and intangible assets	015	7.000.000	3.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017		46.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	39.000.000	644.000.000
III. Total cash inflows from investment activities (015 do 019)	020	46.000.000	693.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	517.000.000	665.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	45.000.000	
IV. Total cash outflows from investment activities (021 do 023)	024	562.000.000	665.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	28.000.000
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	516.000.000	0
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipts from issuance from equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	11.154.000.000	10.034.000.000
3. Other cash inflows from financial activities	029	60.000.000	
V. Total cash inflows from financial activities (027 do 029)	030	11.214.000.000	10.034.000.000
1. Cash outflows for repayment of loans and bonds	031	12.511.000.000	10.631.000.000
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financial activities	035	53.000.000	70.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	12.564.000.000	10.701.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	1.350.000.000	667.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	149.000.000	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	137.000.000
Cash and cash equivalents at the beginning of the period	041	270.000.000	252.000.000
Increase of cash and cash equivalents	042	149.000.000	
Decrease of cash and cash equivalents	043	0	137.000.000
Cash and cash equivalents at the end of the period	044	419.000.000	115.000.000

STATEMENT OF CHANGES IN EQUITY

for the period **1.1.2014** to **30.6.2014**

Item	AOP	Previous period	Current period
1	2	3	4
1. Share capital	001	9.000.000.000	9.000.000.000
2. Capital reserves	002		
3. Reserves from profit	003	2.086.000.000	1.947.000.000
4. Retained earnings or accumulated loss	004	4.022.000.000	2.389.000.000
5. Profit / loss for the current year	005	448.000.000	-260.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	6.000.000	24.000.000
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	15.562.000.000	13.100.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	-7.000.000	13.000.000
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes in prior period	015		
16. Other changes in capital	016	178.000.000	-242.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	171.000.000	-229.000.000
17 a. Attributable to equity holders of the parent company's capital	018		
17 b. Attributable to non-controlling interests	019		

Items that decrease equity have negative sign

Items from 001 to 009 are state of balance sheet date

Notes with financial statements

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

Q2 AND H1 2014 – REPORT INA, D.D. NON-CONSOLIDATED

INA, d.d. financial results (IFRS)

Q1 2014*	Q2 2014	Q2 2013*	%	HRK mln.	H1 2013*	H1 2014	%
4,673	5,473	5,882	(7)	Net sales revenues	11,608	10,146	(13)
731	522	1,022	(49)	EBITDA ⁽¹⁾	2,123	1,253	(41)
(62)	24	145	(83)	Operating profit/(loss)	328	(38)	n.a.
(181)	(41)	66	n.a.	Net financial expenses	(72)	(222)	208
(296)	36	176	(80)	Net profit/loss attributable to equity holder	216	(260)	n.a.
(75)	578	1,916	(70)	Operating cash flow	2,015	503	(75)
				Earnings per share			
(29.60)	3.60	17.60		Basic and diluted earnings/(loss) per share (kunas per share)	21.60	(26.00)	
4,522	4,140	4,914	(16)	Net debt	4,914	4,140	(16)
25.66	24.01	24.00		Net gearing	24.00	24.01	
Q1 2014*	Q2 2014	Q2 2013*	%	USD mln ⁽²⁾	H1 2013*	H1 2014	%
837	988	1,016	(3)	Net sales revenues	2,014	1,825	(9)
131	94	177	(47)	EBITDA ⁽¹⁾	368	225	(39)
(11)	4	25	(83)	Operating profit/(loss)	57	(7)	n.a.
(32)	(7)	11	n.a.	Net financial expenses	(12)	(40)	220
(53)	6	30	(79)	Net profit/loss attributable to equity holder	37	(47)	n.a.
(13)	104	331	(68)	Operating cash flow	350	90	(74)
				Earnings per share			
(5.3)	0.6	3.0	(79)	Basic and diluted earnings/(loss) per share (USD per share)	3.7	(4.7)	n.a.
805	745	853	(13)	Net debt	853	745	(13)

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

⁽²⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1 2014 – 5.5811 HRK/USD; Q2 2013 – 5.7902 HRK/USD; Q2 2014 – 5.5392 HRK/USD; H1 2013 – 5.7638 HRK/USD; H1 2014 – 5.5603 HRK/USD

* A change has been made in recording of „Suppliers/buyers forex gain“ and „reversal of impairment before insolvency deal“ (originally recorded in „Other operating income“), which are now recorded in „Financial income“. On the other hand „Forex loss on suppliers/buyers“ originally recorded in „Other nonmaterial expenses“, and „realised fees of bank charge accrued long term loan“ originally recorded in „impairment and charges“ are now recorded in „Financial expenditures“.

H1 2014 results

In H1 2014 INA d.d. realized EBITDA in the amount of HRK 1,253 million and operating loss of HRK 38 million. The decrease of sales revenues by 13% compared to H1 2013 which was impacted by (1) 15% lower average realized hydrocarbon prices partly due to new regulation and decrease in natural gas price in Croatia coupled with (2) 7% lower hydrocarbon production as well as (3) unfavourable refining environment reflected in 22% lower average crack spread, (4) in the frame of aforementioned regulatory changes made in Q1 with starting their negative effects in Q2, royalty rate was also doubled on existing fields.

Income statement

Total sales revenues in H1 2014 amounted HRK 10,146 million, 13% lower compared to H1 2013 level, primarily triggered by lower natural gas sales deriving from lower production due to natural decline and lower prices reflecting direct sales to HEP, unfavorable external environment which reflected in lower sales prices and lower sales volumes of oil products on export markets.

Costs of raw materials and consumables were 14% lower and amounted to HRK 6,289 million, as processing of other raw material volumes was lower.

Costs of goods sold recorded increase of 42%, and amounted HRK 1,068 million, resulting from higher import of crude oil products compared to H1 2013.

Within the **other operating costs** realized in H1 2014:

- Other material costs were lower by 8% and amounted to HRK 625 million.
- Service costs in the amount of HRK 560 million recorded a increase of 18% mainly due to ENI tax related to 2013 which had neutral impact on H1 2014 result due to release of related provision.
- Depreciation was 21% lower and amounted to HRK 827 million mainly due to 2013 Syria depreciation.
- Adjustments and provisions of HRK 464 million decreased by 38% as a result of value adjustments reversal related to EGPC receivables and reversal of ENI tax provision.

Staff costs in the amount HRK 703 million were 4% lower H1 2013.

Net financial expenses in the amount of HRK 222 million were recorded in H1 2014, compared to the HRK 72 million in H1 2013.

Balance sheet

Total assets of INA, d.d., as at 30 June 2014 amounted to HRK 24,715 million and were 2% lower compared to 31 December 2013.

Property, plant and equipment amounted to HRK 14,251 million and were lower 1% as 31 December 2013.

Trade receivables outside INA-Group amounted to HRK 1,580 million and were 22% higher compared to 31 December 2013.

Total liabilities amounted to HRK 11,615 million and were 2% lower compared to 31 December 2013.

Net indebtedness of INA, d.d., amounted to HRK 4,140 million as at 30 June 2014 what is 10% lower compared to 31 December 2013. **Gearing ratio**¹ decreased from 25.6% as at 31 December 2013 to 24.0% as at 30 June 2014.

Trade payables increased by 17% to HRK 2,499 million, as a result of higher liabilities for imported crude oil.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 1,218 million in H1 2014, decrease of 58% 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 648 million, primarily due to:

- Increased value of inventories by HRK 919 million
- Increase in receivables by HRK 34 million, while
- Payables increased by HRK 305 million.

Taxes paid influenced the operating cash flow in the amount of HRK 67 million. All the above factors resulted in HRK 503 million net outflows from operating activities generated by INA d.d. in H1 2014.

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 2013 and 2014
(HRK millions)

Q1 2014	Q2 2014	Q2 2013	%		H1 2013	H1 2014	%
				Sales revenue			
3,098	3,319	4,016	(17)	a) domestic	7,491	6,417	(14)
1,575	2,154	1,866	15	b) exports	4,117	3,729	(9)
4,673	5,473	5,882	(7)	Total sales revenue	11,608	10,146	(13)
-	-	-	n.a.	Income from own consumption of products and services	-	-	n.a.
126	97	168	(42)	Other operating income	305	223	(27)
4,799	5,570	6,050	(8)	Total operating income	11,913	10,369	(13)
				Changes in inventories of finished products and work in progress	130	129	(1)
(197)	326	(239)	n.a.	Cost of raw materials and consumables	(7,284)	(6,289)	(14)
(2,441)	(3,848)	(3,305)	16	Depreciation and amortization	(1,046)	(827)	(21)
(418)	(409)	(526)	(22)	Other material costs	(680)	(625)	(8)
(289)	(336)	(354)	(5)	Service costs	(474)	(560)	18
(292)	(268)	(263)	2	Staff costs	(732)	(703)	(4)
(342)	(361)	(390)	(7)	Cost of other goods sold	(750)	(1,068)	42
(507)	(561)	(477)	18	Impairment and charges (net)	(702)	(505)	(28)
(419)	(86)	(320)	(73)	Provisions for charges and risks (net)	(47)	41	n.a.
44	(3)	(31)	(90)				
(4,861)	(5,546)	(5,905)	(6)	Operating expenses	(11,585)	(10,407)	(10)
(62)	24	145	(83)	Profit/(loss) from operations	328	(38)	n.a.
				Share in the profit of associated companies			
73	48	97	(51)	Finance income	246	121	(51)
(254)	(89)	(31)	187	Finance costs	(318)	(343)	8
(181)	(41)	66	n.a.	Net loss from financial activities	(72)	(222)	208
(243)	(17)	211	n.a.	Profit/(loss) before tax	256	(260)	n.a.
(53)	53	(35)	n.a.	Income tax expense	(40)	-	n.a.
(296)	36	176	(80)	Profit/(loss) for the year	216	(260)	n.a.
				Attributable to			
(296)	36	176	(80)	Owners of the Company	216	(260)	n.a.
-	-	-	n.a.	Non-controlling interests	-	-	n.a.
(296)	36	176	(80)		216	(260)	n.a.
				Earnings per share			
(29.6)	3.6	17.6	(80)	Basic and diluted earnings per share (kunas per share)	21.6	(26.0)	n.a.

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 30 June 2014
(HRK millions)

	1 January 2014	30 June 2014	%
Assets			
Non-current assets			
Intangible assets	522	512	(2)
Property, plant and equipment	14,340	14,251	(1)
Goodwill	-	-	n.a.
Investments in subsidiaries	1,127	1,124	(0)
Investments in associates and joint ventures	22	22	0
Other investments	795	23	(97)
Long-term receivables	239	223	(7)
Derivative financial instruments	-	-	n.a.
Deferred tax	1,076	1,115	4
Available for sale assets	330	349	6
Total non-current assets	18,451	17,619	(5)
Current assets			
Inventories	2,526	3,364	33
Trade receivables net	1,291	1,580	22
Intercompany receivables	1,677	601	(64)
Other receivables	727	511	(30)
Derivative financial instruments	-	-	n.a.
Other current assets	150	794	429
Prepaid expenses and accrued income	98	131	34
Cash and cash equivalents	252	115	(54)
Current assets	6,721	7,096	6
Assets classified as held for sale	-	-	n.a.
Total current assets	6,721	7,096	6
Total assets	25,172	24,715	(2)
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Revaluation reserve	6	24	300
Other reserves	1,933	1,946	1
Retained earnings / (Deficit)	2,390	2,130	(11)
Total equity	13,329	13,100	(2)
Non-controlling interests	-	-	n.a.
Total equity	13,329	13,100	(2)
Non-current liabilities			
Long-term loans	1,826	909	(50)
Other non-current liabilities	65	61	(6)
Employee benefits obligation	98	132	35
Provisions	2,707	2,790	3
Total non-current liabilities	4,696	3,892	(17)
Current liabilities			
Bank loans and overdrafts	2,764	3,092	12
Current portion of long-term loans	255	254	(0)
Calculated derivative agreements	-	-	n.a.
Intercompany payables	569	452	(21)
Trade payables	2,144	2,499	17
Taxes and contributions	590	651	10
Other current liabilities	388	358	(8)
Accruals and deferred income	40	93	133
Employee benefits obligation	7	5	(29)
Provisions	390	319	(18)
Current liabilities	7,147	7,723	8
Liabilities directly associated with assets classified held for sale	-	-	n.a.
Total current liabilities	7,147	7,723	8
Total liabilities	11,843	11,615	(2)
Total equity and liabilities	25,172	24,715	(2)

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 30 June 2013 and 2014
(HRK millions)

Q1 2014	Q2 2014	Q2 2013	%		H1 2013	H1 2014	%
(296)	36	176	(80)	Profit/(loss) for the year	216	(260)	n.a.
				Adjustments for:			n.a.
418	409	526	(22)	Depreciation and amortisation	1,046	827	(21)
53	(53)	35	n.a.	Income tax (benefit)/expenses recognized in (loss)/profit	40	-	n.a.
1,885	483	351	38	Impairment charges	1,707	2,368	39
(1,465)	(398)	889	n.a.	Reversal of impairment	(85)	(1,863)	2,092
(2)	(1)	(1)	0	Gain on sale of property, plant and equipment	(7)	(3)	(57)
16	(24)	(115)	(79)	Foreign exchange loss/(gain)	(3)	(8)	167
(48)	(28)	(14)	100	Interest expense	(102)	(76)	(25)
134	61	12	408	Other financial expense recognised in profit	15	195	1,200
(47)	41	50	(18)	(Decrease)/increase in provisions	85	(6)	n.a.
-	-	-	n.a.	Merger of Proplin	-	-	n.a.
21	21	20	5	Decommissioning interests	28	42	50
15	(13)	(20)	(35)	Other non-cash items	(19)	2	n.a.
684	534	1,909	(72)	Operating cash flow before working capital changes	2,921	1,218	(58)
				Movements in working capital			
206	(1,125)	55	n.a.	(Increase)/decrease in inventories	(577)	(919)	59
164	(198)	(1,166)	(83)	(Increase)/decrease in receivables and prepayments	(1,729)	(34)	(98)
(1,069)	1,374	1,200	15	(Decrease)/increase in trade and other payables	1,513	305	(80)
(15)	585	1,998	(71)	Cash generated from operations	2,128	570	(73)
(60)	(7)	(82)	(91)	Taxes paid	(113)	(67)	(41)
(75)	578	1,916	(70)	Net cash inflow from operating activities	2,015	503	(75)
				Cash flows used in investing activities			
(297)	(361)	(257)	40	Payments for property, plant and equipment	(407)	(658)	62
(46)	39	(99)	n.a.	Payment for intangible assets	(109)	(7)	(94)
2	1	1	0	Proceeds from sale of non-current assets	7	3	(57)
-	-	-	n.a.	Proceeds from sale of investments	-	-	n.a.
-	-	-	n.a.	Acquisition of investments in associates and joint ventures and other companies	-	-	n.a.
-	-	(35)	n.a.	Dividends received from companies classified under available for sale and other companies	-	-	n.a.
-	4	56	(93)	Proceeds from profit of companies	38	4	(89)
23	23	-	n.a.	Interest received and other financial income	-	46	n.a.
514	126	(45)	n.a.	Investments and loans to third parties	(45)	640	n.a.
196	(168)	(379)	(56)	Net cash (outflow) used for investing activities	(516)	28	n.a.
				Cash flows from financing activities			
1,243	731	3,984	(82)	Additional long-term borrowings	3,984	1,974	(50)
(2,310)	(584)	(6,808)	(91)	Repayment of long-term borrowings	(6,941)	(2,894)	(58)
3,819	4,241	3,565	19	Additional short-term borrowings	7,170	8,060	12
(2,913)	(4,825)	(2,805)	72	Repayment of short term borrowings	(5,569)	(7,738)	39
-	-	-	n.a.	Payment dividends	-	-	n.a.
(15)	(8)	(27)	(70)	Interest paid on long-term loans	(44)	(23)	(48)
(1)	(2)	(1)	100	Other long-term liabilities	(3)	(3)	0
(26)	(15)	12	n.a.	Interest paid on short term loans and other financing charges	60	(41)	n.a.
(203)	(462)	(2,080)	(78)	Net cash from financing activities	(1,343)	(665)	(50)
(82)	(52)	(543)	(90)	Net (decrease)/increase in cash and cash equivalents	156	(134)	n.a.
252	168	963	(83)	At 1 January	270	252	(7)
(2)	(1)	(1)	0	Effect of foreign exchange rate changes	(7)	(3)	(57)
168	115	419	(73)	At the end of period	419	115	(73)

Announcements in H1 2014

July 09, 2014	Supervisory Board Employee representative
July 04, 2014	Start of production on the Izabela field
June 27, 2014	Disposal of shares
June 24, 2014	General Assembly Decisions
June 20, 2014	Amendment of the Invitation to the General Assembly
May 21, 2014	Supervisory Board meeting held
May 16, 2014	General Meeting notice
March 26, 2014	Supervisory Board meeting held
March 26, 2014	Code of Corporate Governance Questionnaire for 2013
March 21, 2014	Changes in regulation
March 03, 2014	Response to the inquiry of the Zagreb Stock Exchange
February 28, 2014	Announcement
January 14, 2014	Contracts signed for works on Medimurje project

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	31 Dec 13	30 June 14
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	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	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	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	10,000,000

Source: Central Clearing Depository Company.

Changes in organization, Management Board or Supervisory Board

Supervisory Board

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

Management Board

At the session of the Supervisory Board held on 21 May 2014, Supervisory Board accepted the resignation of Dr. Pál Kara from the position of the member of INA, d.d. Management Board and unanimously appointed Dr. Gábor Horváth as member of INA, d.d. Management Board for a period from 21 May 2014 until 31 March 2015.

Board of Executive Directors

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

Management representation

INA Group's consolidated financial statements for H1 2014 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
Niko Dalić	Member
Gábor Horváth	Member
Ivan Krešić	Member
Davor Mayer	Member
Péter Ratatics	Member