

ENCLOSURE 1

Reporting period:

1 January 2014

to

31 March 2014

Quartely Financial Report TFI-PODTax number (MB): **03586243**Registration number (MBS): **080000604**Personal identification
number (OIB): **27759560625**Issuer: **INA - Industrija nafte d.d., Zagreb**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: **8.413**
(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 at 31 March 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	17.793.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	586.000.000	625.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	107.000.000	109.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	64.000.000	103.000.000
5. Intangible assets in preparation	008	415.000.000	413.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	14.400.000.000	14.301.000.000
1. Land	011	999.000.000	999.000.000
2. Buildings	012	6.196.000.000	6.058.000.000
3. Plant and equipment	013	3.547.000.000	3.400.000.000
4. Instruments, plant inventories and transportation assets	014	309.000.000	307.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	60.000.000	83.000.000
7. Tangible assets in preparation	017	3.281.000.000	3.446.000.000
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	1.699.000.000
1. Investments in subsidiaries	021	1.127.000.000	1.125.000.000
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	171.000.000
7. Other long-term financial assets	027	330.000.000	376.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	115.000.000	112.000.000
1. Receivables from subsidiaries	030	11.000.000	11.000.000
2. Receivables based on trade loans	031	104.000.000	101.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.076.000.000	1.056.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	6.623.000.000	5.739.000.000
I. INVENTORIES (036 do 042)	035	2.526.000.000	2.283.000.000
1. Raw materials & consumables	036	595.000.000	534.000.000
2. Work in progress	037	995.000.000	917.000.000
3. Finished goods	038	881.000.000	756.000.000
4. Merchandise	039	55.000.000	76.000.000
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	2.624.000.000
1. Receivables from subsidiaries	044	1.677.000.000	905.000.000
2. Trade receivables	045	1.291.000.000	1.034.000.000
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	581.000.000
6. Other receivables	049	92.000.000	100.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	150.000.000	664.000.000
1. Investments in subsidiaries	051	66.000.000	635.000.000
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	27.000.000
7. Other financial assets	057	55.000.000	2.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	252.000.000	168.000.000
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	23.663.000.000
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	13.099.000.000
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	1.960.000.000
1. Legal reserves	066		
2. Reserves for treasury shares	067		
3. Treasury shares and stakes (deduction)	068		
4. Statutory reserves	069	-9.000.000	18.000.000
5. Other reserves	070	1.942.000.000	1.942.000.000
IV. REVALUATION RESERVES	071	6.000.000	45.000.000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	4.023.000.000	2.390.000.000
1. Retained earnings	073	4.023.000.000	2.390.000.000
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	075	-1.633.000.000	-296.000.000
1. Profit for the financial year	076		
2. Loss for the financial year	077	1.633.000.000	296.000.000
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.202.000.000	3.168.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	105.000.000	135.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.097.000.000	3.033.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	1.891.000.000	829.000.000
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	766.000.000
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	63.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	6.710.000.000	6.458.000.000
1. Liabilities to subsidiaries	094	569.000.000	409.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	3.019.000.000	3.923.000.000
4. Liabilities for received advances	097	21.000.000	22.000.000
5. Trade payables	098	2.144.000.000	1.121.000.000
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	65.000.000
9. Liabilities for taxes, contributions and similar fees	102	590.000.000	676.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	293.000.000	242.000.000
E) ACCRUAL AND DEFERRED INCOME	106	40.000.000	109.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	25.172.000.000	23.663.000.000
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 2013 to 31 March 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	5.863.000.000	5.863.000.000	4.799.000.000	4.799.000.000
1. Sales revenue	112	5.726.000.000	5.726.000.000	4.673.000.000	4.673.000.000
2. Other operating income	113	137.000.000	137.000.000	126.000.000	126.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	5.680.000.000	5.680.000.000	4.861.000.000	4.861.000.000
1. Changes in inventories of finished products and work in progress	115	-369.000.000	-369.000.000	197.000.000	197.000.000
2. Material costs (117 do 119)	116	4.578.000.000	4.578.000.000	3.237.000.000	3.237.000.000
a) Cost of raw materials & consumables	117	3.979.000.000	3.979.000.000	2.441.000.000	2.441.000.000
b) Cost of goods sold	118	273.000.000	273.000.000	507.000.000	507.000.000
c) Other costs	119	326.000.000	326.000.000	289.000.000	289.000.000
3. Staff costs (121 do 123)	120	314.000.000	314.000.000	310.000.000	310.000.000
a) Net salaries and wages	121	187.000.000	187.000.000	184.000.000	184.000.000
b) Costs for taxes and contributions from salaries	122	86.000.000	86.000.000	85.000.000	85.000.000
c) Contributions on gross salaries	123	41.000.000	41.000.000	41.000.000	41.000.000
4. Depreciation and amortisation	124	520.000.000	520.000.000	418.000.000	418.000.000
5. Other costs	125	239.000.000	239.000.000	324.000.000	324.000.000
6. Impairment charges (127+128)	126	382.000.000	382.000.000	419.000.000	419.000.000
a) impairment of long-term assets (excluding financial assets)	127			9.000.000	9.000.000
b) impairment of short-term assets (excluding financial assets)	128	382.000.000	382.000.000	410.000.000	410.000.000
7. Provisions	129	16.000.000	16.000.000	-44.000.000	-44.000.000
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 do 136)	131	149.000.000	149.000.000	73.000.000	73.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	36.000.000	36.000.000	24.000.000	24.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	34.000.000	34.000.000	47.000.000	47.000.000
3. Part of income from associates and participating interests	134				
4. Unrealized gains (income) from the financial assets	135				
5. Other financial income	136	79.000.000	79.000.000	2.000.000	2.000.000
IV. FINANCIAL COSTS (138 do 141)	137	287.000.000	287.000.000	254.000.000	254.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	1.000.000	1.000.000	1.000.000	1.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	183.000.000	183.000.000	61.000.000	61.000.000
3. Unrealized loss (expenses) on financial assets	140		0		
4. Other financial expenses	141	103.000.000	103.000.000	192.000.000	192.000.000
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES	142				
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATES ENTITIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	6.012.000.000	6.012.000.000	4.872.000.000	4.872.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	5.967.000.000	5.967.000.000	5.115.000.000	5.115.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	45.000.000	45.000.000	-243.000.000	-243.000.000
1. Profit before tax (146-147)	149	45.000.000	45.000.000	0	0
2. Loss before tax (147-146)	150	0	0	243.000.000	243.000.000
XII. CORPORATE INCOME TAX EXPENSE	151	5.000.000	5.000.000	53.000.000	53.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	40.000.000	40.000.000	-296.000.000	-296.000.000
1. Profit for the period (149-151)	153	40.000.000	40.000.000	0	0
2. Loss for the period (151-148)	154	0	0	296.000.000	296.000.000
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to equity holders of the parent company	155				
2. Attributable to non-controlling interests	156				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	40.000.000	40.000.000	-296.000.000	-296.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	240.000.000	240.000.000	66.000.000	66.000.000
1. Exchange differences on translation of foreign operations	159	236.000.000	236.000.000	27.000.000	27.000.000
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				
3. Gains or loss from reevaluation of financial assets available for sale	161	13.000.000	13.000.000	39.000.000	39.000.000
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	-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	240.000.000	240.000.000	66.000.000	66.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	280.000.000	280.000.000	-230.000.000	-230.000.000
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD					
1. Attributable to equity holders of the parent company	169				
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 1 January 2014 to 31 March 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	45.000.000	-243.000.000
2. Depreciation and amortisation	002	520.000.000	418.000.000
3. Increase in short-term liabilities	003	314.000.000	
4. Decrease in short-term receivables	004		164.000.000
5. Decrease in inventories	005		206.000.000
6. Other cash flow increases	006	1.515.000.000	2.071.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	2.394.000.000	2.616.000.000
1. Decrease in short-term liabilities	008		1.129.000.000
2. Increase in short-term receivables	009	563.000.000	
3. Increase in inventories	010	633.000.000	
4. Other cash flow decreases	011	1.099.000.000	1.562.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	2.295.000.000	2.691.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	99.000.000	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	75.000.000
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash inflows from sale of long-term tangible and intangible assets	015	6.000.000	2.000.000
2. Cash inflows from sale of equity and debt instruments	016		0
3. Interest receipts	017		23.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	35.000.000	514.000.000
III. Total cash inflows from investment activities (015 do 019)	020	41.000.000	539.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	160.000.000	343.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	18.000.000	
IV. Total cash outflows from investment activities (021 do 023)	024	178.000.000	343.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	196.000.000
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	137.000.000	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	3.605.000.000	5.062.000.000
3. Other cash inflows from financial activities	029	48.000.000	
V. Total cash inflows from financial activities (027 do 029)	030	3.653.000.000	5.062.000.000
1. Cash outflows for repayment of loans and bonds	031	2.897.000.000	5.223.000.000
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	25.000.000	44.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	2.922.000.000	5.267.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	731.000.000	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	0	205.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	693.000.000	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	84.000.000
Cash and cash equivalents at the beginning of the period	041	270.000.000	252.000.000
Increase of cash and cash equivalents	042	693.000.000	
Decrease of cash and cash equivalents	043		84.000.000
Cash and cash equivalents at the end of the period	044	963.000.000	168.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 1.1.2013 to 31.3.2014

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	2.359.000.000	1.960.000.000
4. Retained earnings or accumulated loss	004	4.366.000.000	2.390.000.000
5. Profit / loss for the current year	005	155.000.000	-296.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	17.000.000	45.000.000
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	15.897.000.000	13.099.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	236.000.000	27.000.000
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	44.000.000	-257.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	280.000.000	-230.000.000
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, income statement, cash flow statement and statement of changes in equity in accordance with the regulations of the relevant international financial reporting standards.

Q1 2014 – REPORT INA, D.D. NON-CONSOLIDATED

INA, d.d. financial results (IFRS)

Q4 2013*	2013*	HRK mln.	Q1 2013*	Q1 2014	%
5,255	23,882	Net sales revenues	5,726	4,673	(18)
848	4,052	EBITDA reported ⁽¹⁾	1,103	731	(34)
848	4,179	EBITDA excl. special items ⁽²⁾	1,103	731	(34)
(2,536)	(1,832)	Operating profit/(loss)	185	(62)	n.a.
(294)	537	Operating profit/(loss) excl. special items ⁽²⁾	185	(62)	n.a.
(26)	(135)	Net financial expenses	(140)	(181)	29
(2,110)	(1,633)	Net profit/(loss) ⁽³⁾	40	(296)	n.a.
249	828	Net profit/(loss) excl. special items ⁽²⁾	40	(296)	n.a.
1,740	4,058	Operating cash flow	99	(75)	n.a.
Earnings per share					
(211.00)	(163.30)	Basic and diluted earnings/(loss) per share (kunas per share)	4.00	(29.60)	
4,593	4,593	Net debt	6,649	4,522	(32)
25.63	25.63	Net gearing	29.49	25.66	

Q4 2013*	2013*	USD mln ⁽⁴⁾	Q1 2013*	Q1 2014	%
938	4,185	Net sales revenues	998	837	(16)
151	710	EBITDA reported ⁽¹⁾	192	131	(32)
151	732	EBITDA excl. special items ⁽²⁾	192	131	(32)
(453)	(321)	Operating profit/(loss)	32	(11)	n.a.
(52)	94	Operating profit/(loss) excl. special items ⁽²⁾	32	(11)	n.a.
(5)	(24)	Net financial expenses	(24)	(32)	33
(377)	(286)	Net profit/(loss) ⁽³⁾	7	(53)	n.a.
45	145	Net profit/(loss) excl. special items ⁽²⁾	7	(53)	n.a.
310	711	Operating cash flow	17	(13)	n.a.
Earnings per share					
(37.7)	(28.6)	Basic and diluted earnings/(loss) per share (USD per share)	0.7	(5.3)	n.a.
805	805	Net debt	1,159	810	(30)

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

⁽²⁾ No special items were recognized in 2014.

⁽³⁾ INA Group net profit attributable to equity holder

⁽⁴⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2013 – 5.6036 HRK/USD; Q1-Q4 2013 – 5.7059 HRK/USD; Q1 2013 – 5.7383 HRK/USD; Q1 2014 – 5.5811 HRK/USD

* A change has been made in recording of „Suppliers/buyers forex gain“ (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“, are now recorded in „Financial expenditures“.

Q1 2014 results

In Q1 2014 INA d.d. realized EBITDA in the amount of HRK 731 million and operating loss of HRK (62) million. The decrease of sales revenues by 18% compared to Q1 2013 is largely due to 1) accommodating our natural gas sales to close to the level of our domestic production, with much smaller import content, as a response to increasing competition since the opening of the market and 2) adapting refinery utilization and refined product sales to less available profitable export sales opportunities.

Income statement

Total sales revenues in Q1 2014 amounted HRK 4,673 million, 18% lower compared to Q1 2013 level, primarily triggered by lower average realized hydrocarbon price, lower hydrocarbon production reflecting natural depletion of domestic fields, unfavourable external environment which reflected in 32% lower average crack spread and lower sales volumes of oil products on export markets.

Costs of raw materials and consumables were 39% lower and amounted to HRK 2,441 million, as processing of other raw material volumes was lower.

Costs of goods sold recorded increase of 86%, and amounted HRK 507 million, resulting from higher import of crude oil products compared to Q1 2013.

Within the **other operating costs** realized in Q1 2014:

- Other material costs were lower by 11% and amounted to HRK 289 million.
- Service costs in the amount of HRK 292 million recorded a increase of 39% mainly due to ENI tax related to 2013 which had neutral impact on Q1 2014 result due to release of related provision.
- Depreciation was 20% lower and amounted to HRK 418 million mainly due to 2013 Syria depreciation.
- Adjustments and provisions of HRK 375 million decreased by 6% mainly as a result of value adjustments reversal related to EGPC receivables and reversal of ENI tax provision.

Staff costs in the amount HRK 342 million were on the same level compared to Q1 2013

Net financial expenses in the amount of HRK 181 million were recorded in Q1 2014., compared to the HRK 140 million in Q1 2013.

Balance sheet

Total assets of INA, d.d., as at 31 March 2014 amounted to HRK 23,663 million and were 6% lower compared to 31 December 2013.

Property, plant and equipment amounted to HRK 14,218 million and were lower 1% as 31 December 2013.

Trade receivables outside INA-Group amounted to HRK 1,034 million and were 20% lower compared to 31 December 2013.

Total liabilities amounted to HRK 10,564 million and were 11% lower compared to 31 December 2013.

Net indebtedness of INA, d.d., amounted to HRK 4,522 million as at 31 March 2013 what is 2% lower compared to 31 December 2013. **Gearing ratio**¹ remained at the same level 25.6% as at 31 December 2013.

Trade payables decreased by 48% to HRK 1,121 million, resulting from lower average realized hydrocarbon price, lower hydrocarbon production, lower average crack spread and lower sales volumes of oil products on export markets.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 684 million in Q1 2014, decrease of 32% 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 699 million, primarily due to:

- Decreased value of inventories by HRK 206 million
- Decrease in receivables by HRK 164 million, while
- Payables decreased by HRK 1,069 million.

Taxes paid influenced the operating cash flow in the amount of HRK 60 million. All the above factors resulted in HRK 75 million net outflows from operating activities generated by INA d.d. in Q1 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 31 March 2013 and 2014
(HRK millions)

Q4 2013	2013		Q1 2013	Q1 2014	%
		Sales revenue			
3,531	15,558	a) domestic	3,475	3,098	(11)
1,724	8,324	b) exports	2,251	1,575	(30)
5,255	23,882	Total sales revenue	5,726	4,673	(18)
-	-	Income from own consumption of products and services	-	-	n.a.
133	644	Other operating income	138	126	(9)
5,388	24,526	Total operating income	5,864	4,799	(18)
(208)	(71)	Changes in inventories of finished products and work in progress	369	(197)	n.a.
(2,312)	(14,253)	Cost of raw materials and consumables	(3,979)	(2,441)	(39)
(549)	(2,101)	Depreciation and amortization	(520)	(418)	(20)
(385)	(1,394)	Other material costs	(326)	(289)	(11)
(245)	(1,074)	Service costs	(210)	(292)	39
(394)	(1,472)	Staff costs	(342)	(342)	0
(996)	(2,210)	Cost of other goods sold	(273)	(507)	86
(2,750)	(3,637)	Impairment and charges (net)	(382)	(419)	10
(85)	(146)	Provisions for charges and risks (net)	(16)	44	n.a.
(7,924)	(26,358)	Operating expenses	(5,679)	(4,861)	(14)
(2,536)	(1,832)	Profit/(loss) from operations	185	(62)	n.a.
		Share in the profit of associated companies			
247	819	Finance income	148	73	(51)
(273)	(954)	Finance costs	(288)	(254)	(12)
(26)	(135)	Net loss from financial activities	(140)	(181)	29
(2,562)	(1,967)	Profit/(loss) before tax	45	(243)	n.a.
452	334	Income tax expense	(5)	(53)	960
(2,110)	(1,633)	Profit/(loss) for the year	40	(296)	n.a.
		Attributable to			
(2,110)	(1,633)	Owners of the Company	40	(296)	n.a.
-	-	Non-controlling interests	-	-	n.a.
(2,110)	(1,633)		40	(296)	n.a.
Earnings per share					
(211.0)	(163.3)	Basic and diluted earnings per share (kunas per share)	4.0	(29.6)	n.a.

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 31 March 2014
(HRK millions)

	31 December 2013	31 March 2014	%
Assets			
Non-current assets			
Intangible assets	522	522	0
Property, plant and equipment	14,340	14,218	(1)
Goodwill	-	-	n.a.
Investments in subsidiaries	1,127	1,125	(0)
Investments in associates and joint ventures	22	22	0
Other investments	795	177	(78)
Long-term receivables	239	298	25
Derivative financial instruments	-	-	n.a.
Deferred tax	1,076	1,056	(2)
Available for sale assets	330	375	14
Total non-current assets	18,451	17,793	(4)
Current assets			
Inventories	2,526	2,283	(10)
Trade receivables net	1,291	1,034	(20)
Intercompany receivables	1,677	905	(46)
Other receivables	727	685	(6)
Derivative financial instruments	-	-	n.a.
Other current assets	150	664	343
Prepaid expenses and accrued income	98	131	34
Cash and cash equivalents	252	168	(33)
Current assets	6,721	5,870	(13)
Assets classified as held for sale	-	-	n.a.
Total current assets	6,721	5,870	(13)
Total assets	25,172	23,663	(6)
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Revaluation reserve	6	45	650
Other reserves	1,933	1,960	1
Retained earnings / (Deficit)	2,390	2,094	(12)
Total equity	13,329	13,099	(2)
Non-controlling interests	-	-	n.a.
Total equity	13,329	13,099	(2)
Non-current liabilities			
Long-term loans	1,826	766	(58)
Other non-current liabilities	65	63	(3)
Employee benefits obligation	98	129	32
Provisions	2,707	2,710	0
Total non-current liabilities	4,696	3,668	(22)
Current liabilities			
Bank loans and overdrafts	2,764	3,668	33
Current portion of long-term loans	255	256	0
Calculated derivative agreements	-	-	n.a.
Intercompany payables	569	409	(28)
Trade payables	2,144	1,121	(48)
Taxes and contributions	590	676	15
Other current liabilities	388	330	(15)
Accruals and deferred income	40	109	173
Employee benefits obligation	7	6	(14)
Provisions	390	321	(18)
Current liabilities	7,147	6,896	(4)
Liabilities directly associated with assets classified held for sale	-	-	n.a.
Total current liabilities	7,147	6,896	(4)
Total liabilities	11,843	10,564	(11)
Total equity and liabilities	25,172	23,663	(6)

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 31 March 2013 and 2014
(HRK millions)

Q4 2013	2013		Q1 2013	Q1 2014	%
(2,110)	(1,633)	Profit/(loss) for the year	40	(296)	n.a.
		Adjustments for:			n.a.
549	2,101	Depreciation and amortisation	520	418	(20)
(452)	(334)	Income tax (benefit)/expenses recognized in (loss)/profit	5	53	960
2,804	4,732	Impairment charges	1,356	1,885	39
(54)	(1,095)	Reversal of impairment	(974)	(1,465)	50
-	(5)	Gain on sale of property, plant and equipment	(6)	(2)	(67)
(23)	12	Foreign exchange loss/(gain)	112	16	(86)
(27)	(110)	Interest expense	(88)	(48)	(45)
23	7	Other financial expense recognised in profit	3	134	4,367
48	172	(Decrease)/increase in provisions	35	(47)	n.a.
-	-	Merger of Proplin	-	-	n.a.
35	80	Decommissioning interests	8	21	163
16	2	Other non-cash items	1	15	1,400
809	3,929	Operating cash flow before working capital changes	1,012	684	(32)
		Movements in working capital			
219	(122)	(Increase)/decrease in inventories	(632)	206	n.a.
204	(787)	(Increase)/decrease in receivables and prepayments	(563)	164	n.a.
605	1,395	(Decrease)/increase in trade and other payables	313	(1,069)	n.a.
1,837	4,415	Cash generated from operations	130	(15)	n.a.
(97)	(357)	Taxes paid	(31)	(60)	94
1,740	4,058	Net cash inflow from operating activities	99	(75)	n.a.
		Cash flows used in investing activities			
(869)	(1,689)	Payments for property, plant and equipment	(150)	(297)	98
1	(245)	Payment for intangible assets	(10)	(46)	360
-	5	Proceeds from sale of non-current assets	6	2	(67)
(4)	-	Proceeds from sale of investments	-	-	n.a.
(1)	(10)	Acquisition of investments in associates and joint ventures and other companies	-	-	n.a.
-	2	Dividends received from companies classified under available for sale and other companies	35	-	n.a.
-	39	Proceeds from profit of companies	(18)	-	n.a.
29	98	Interest received and other financial income	-	23	n.a.
63	14	Investments and loans to third parties	-	514	n.a.
(781)	(1,786)	Net cash (outflow) used for investing activities	(137)	196	n.a.
		Cash flows from financing activities			
1,612	6,160	Additional long-term borrowings	-	1,243	n.a.
(1,321)	(9,798)	Repayment of long-term borrowings	(133)	(2,310)	1,637
2,348	15,060	Additional short-term borrowings	3,605	3,819	6
(3,444)	(13,240)	Repayment of short term borrowings	(2,764)	(2,913)	5
-	(343)	Payment dividends	-	-	n.a.
(15)	(79)	Interest paid on long-term loans	(17)	(15)	(12)
(2)	(7)	Other long-term liabilities	(2)	(1)	(50)
(29)	(40)	Interest paid on short term loans and other financing charges	48	(26)	n.a.
(851)	(2,287)	Net cash from financing activities	737	(203)	n.a.
107	(15)	Net (decrease)/increase in cash and cash equivalents	699	(82)	n.a.
145	270	At 1 January	270	252	(7)
-	(3)	Effect of foreign exchange rate changes	(6)	(2)	(67)
252	252	At the end of period	963	168	(83)

Announcements in Q1 2014

March 26, 2014	Supervisory Board meeting held
March 26, 2014	Code of Corporate Governance Questionnaire for 2013
March 21, 2014	Changes in regulation
February 28., 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	31 March 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 first quarter there was no change in the Supervisory Board

Management Board

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

Board of Executive Directors

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

Management representation

INA Group's consolidated financial statements for Q1 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 of INA, d.d. Board
Niko Dalić	Member
Pál Zoltán Kara	Member
Ivan Krešić	Member
Davor Mayer	Member
Péter Ratatics	Member