INDUSTRIJA NAFTE, d.d.

Q4 AND Q1-Q4 2014 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1-Q4 2014 results today. This report contains unaudited consolidated financial statements for the period ending 31 December 2014 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

Q3 2014	Q4 2014	Q4 2013*	%	HRK mln.	2013*	2014	%
7,103	4,895	6,661	(27)	Net sales revenues	27,444	23,759	(13)
916	200	836	(76)	EBITDA (1)	3,678	2,580	(30)
916	**320**	**836**	**(62)**	**EBITDA excl. special items (2)**	**3,805**	**2,699**	**(29)**
1,023	**741**	**868**	**(15)**	**CCS EBITDA excl. special items**	**3,983**	**3,329**	**(16)**
509	(2,756)	(2,273)	21	Profit/(loss) from operations	(1,553)	(1,712)	10
509	**(520)**	**(31)**	**1,577**	**Operating profit excl. special items (2)**	**816**	**523**	**(36)**
623	**(104)**	**12**	**n.a.**	**CCS Operating profit excl. special items**	**1,010**	**1,157**	**15**
(215)	(279)	(65)	329	Net financial expenses	(263)	(622)	137
212	(2,480)	(1,895)	31	Net profit/loss attributable to equity holder	(1,508)	(1,897)	26
212	**(239)**	**464**	**n.a.**	**Net profit/loss for the period excl. special items (2)**	**953**	**344**	**(64)**
838	**1,837**	**1,904**	**(4)**	**Operating cash flow**	**4,528**	**3,859**	**(15)**
				Earnings per share			
21.2	(248.0)	(189.5)	31	Basic and diluted/(loss) earnings per share (kunas per share)	(150.8)	(189.7)	26
4,010	2,991	4,761	(37)	Net debt	4,761	2,991	(37)
22.3	20.4	27.0		Net gearing	27.0	20.4	
430	**595**	**994**	**(40)**	**CAPEX total**	**2,013**	**1,691**	**(16)**
372	510	874	(42)	Domestic	1,655	1,490	(10)
58	86	120	(29)	International	358	201	(44)

Q3 2014	Q4 2014	Q4 2013*	%	USD mln (3)	2013*	2014	%
1,238	799	1,189	(33)	Net sales revenues	4,810	4,133	(14)
160	33	149	(78)	EBITDA (1)	645	449	(30)
160	**52**	**149**	**(65)**	**EBITDA excl. special items (2)**	**667**	**469**	**(30)**
178	**121**	**155**	**(22)**	**CCS EBITDA excl. special items**	**698**	**579**	**(17)**
89	(450)	(406)	11	Profit/(loss) from operations	(272)	(298)	9
89	**(85)**	**(6)**	**1,434**	**Operating profit excl. special items (2)**	**143**	**91**	**(36)**
109	**(17)**	**2**	**n.a.**	**CCS Operating profit excl. special items**	**177**	**201**	**14**
(37)	(46)	(12)	292	Net financial expenses	(46)	(108)	135
37	(405)	(338)	20	Net profit/loss attributable to equity holder	(264)	(330)	25
37	**(39)**	**83**	**n.a.**	**Net profit/loss for the period excl. special items (2)**	**167**	**60**	**(64)**
146	**300**	**340**	**(12)**	**Operating cash flow**	**794**	**671**	**(15)**
				Earnings per share			
3.7	(40.5)	(33.8)	20	Basic and diluted/(loss) earnings per share (kunas per share)	(26.4)	(33.0)	25
713	520	834	(38)	Net debt	834	520	(38)
75	**97**	**177**	**(45)**	**CAPEX total**	**353**	**294**	**(17)**
65	83	156	(47)	Domestic	290	259	(11)
10	14	21	(35)	International	63	35	(44)

(1) EBITDA = EBIT + Depreciation + Impairment + Provisions
(2) The 2014 EBIT was negatively influenced by HRK 2,235 million special items
(3) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q3 2014 – 5.7390 HRK/USD; Q4 2013 – 5.6036 HRK/USD; Q4 2014 – 6.1287 HRK/USD; Q1-Q4 2013 – 5.7059 HRK/USD; Q1-Q4 2014 – 5.7493 HRK/USD
** Restatement of comparable previous periods was made – see on page 12*

INA Group CCS operating profit excluding special items in 2014 amounted to HRK 1,157 million, a 15% increase compared to 2013. Reported operating results were impacted by further impairment of Syrian assets of HRK 1.6 billion, not having direct cash effect but applied in accordance with previous good business practice, as well as a significant Brent drop and HRK 395 million impairment in the Downstream segment. INA Group CCS EBITDA excluding special items amounted to HRK 3.3 billion, which is a 16% decrease compared to 2013. Negative regulatory decisions had a significant and ongoing negative effect on Upstream operations. The combined effect of forced gas sale, regulated gas price reduction and doubled royalty as well as another subsequent refinery tax obligation on the result reached almost HRK 1.1. billion. Consequently realized hydrocarbon prices decreased and were also influenced by considerable Brent price drop in the second half of the year. Constant efforts of Exploration & Production in compensating the natural decline have resulted in crude oil production increase, first time in more than a decade, with a 5% improvement compared to 2013. This increase was however not enough to compensate for the drop in gas production of 8%, bringing the total production to a 4% decrease. Furthermore Upstream hydrocarbon production rose significantly by 5 mboepd in the last quarter partly due successful development activities both on- and off- shore.

Refining & Marketing made efforts to increase productivity and market position of INA but the performance was impacted by sustained tight European refining macro environment and the impact of prolonged economic slowdown in Croatia and INA's other key markets resulting in lower sales volumes. In spite of these negative impacts the retail sales domestically remained rather stable with a decrease of 2%. At the same time the Company continues with operations optimization with the development of new retail operating model that ensures more efficient operations.

Operating cash flow reached the level of HRK 3,859 million in 2014, a drop of 15%. In order to compensate the effect of adverse regulatory changes, measures have been made resulting in the further improvement of already stable financial position, decreasing net debt by further 37% to the level of HRK 2,991 million and net gearing to 20.4%, compared to 27.0% at the end of 2013.

Investment level of HRK 1,691 million is 16% lower than in 2013, but having in mind the regulatory changes not stimulating the investment it remains as strong figure, focused mainly in Croatia, primarily in the Upstream segment.

- **Exploration and Production**: In Q1-Q4 2014, EBITDA reached HRK 3,732 million, which is lower by HRK 1,086 million than in the same period last year. In 2014 the regulatory environment changed significantly which had a negative impact on Upstream business. Royalty rate was increased from 5% to 10% starting from March 26, 2014 and the regulated price of natural gas to households was reduced from 2.2 to 1.7 HRK/cm, resulting in a much lower average realized hydrocarbon price. Besides, the significant Brent drop down in H2 2014 had additional negative effect on the result. Additionally, the inventory transfer in 2013 had a one-off positive effect on previous year results. Finally, despite some major achievements as a result of continuation of investment activities, the Group faced production decline in offshore and onshore production of natural gas as well as condensate production in comparison with the base period. On the positive side INA increased its crude oil production by 5% in 2014 compared to the base period.
- **Refining and Marketing (including Retail)**: In 2014 the Refining and Marketing segment's reported 'clean' CCS-based EBITDA amounted to HRK (554) million and was below 2013 levels. Although total sales volumes decreased, the sales structure improved (i.e. motor fuel share increased, while fuel oil share decreased). The fire in the Sisak Delayed Coker Unit boiler in 2013 led to further availability problems in the same boiler in 2014 and production upsets on FCC units in both refineries in 2014 resulted in less favourable production yields. Refining and Marketing continued its disciplined cost control efforts, on-demand operation, and reduced the reaction time in response to market changes.
- **Corporate and Other[1]: EBITDA** of the segment increased by HRK 404 million from HRK (239) million in Q1-Q4 2013 to HRK 165 million in Q1-Q4 2014, mainly because of higher Crosco contribution. Higher Crosco revenues are a result of better capacities utilization, higher well services and workover rigs revenues. This was backed with lower maintenance, transportation costs and freight forwarding services than in 2013.

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

Despite the considerable challenges caused by regulatory changes as well as a significant drop in oil and gas prices, INA increased operating profit adjusted for inventory effects and special items by 15%, while further strengthening its financial position. It needs to be pointed out that the effect of regulatory changes in Upstream segment combined with another refining tax surpassed HRK 1.1 billion, which have to be mitigated by internal efficiency measures. While our EBITDA decreased by 30% in such adverse environment, we kept our investments at the level of HRK 1.7 billion, higher than the average of the last two years.

We are proud with that we increased our oil production by 5%, something not seen in over a decade, despite the almost complete lack of exploration concessions in Croatia. On the other side, Refining and marketing segment is still burdened by the unfavourable crack spread environment as well as lower sale volumes, driven by ongoing economic depression.

Nevertheless, reported results are negatively impacted by a further impairment of Syrian assets taking the investment value to a fraction of the original value. After the discussion with management and auditors, it was concluded that the impairment is unavoidable due to the fact that political and security situation in Syria has become even more complex and that INA's potential return to operations could take a longer time.

Having in mind the adverse regulatory changes and the heavily decreased oil prices, we further strengthened our financial discipline and we are prepared for further optimization of INA's activities in the coming period in order to ensure sustainable operations and further value creation.

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

INDUSTRIJA NAFTE, d.d.

Management discussion

*Exploration and Production**

Q3 2014	Q4 2014	Q4 2013**	%	Segment IFRS results (HRK mln)	2013**	2014	%
1,400	1,450	2,460	(41)	Net sales revenues	9,325	6,732	(28)
833	824	1,013	(19)	EBITDA	4,825	3,739	(23)
833	**824**	**1,013**	**(19)**	**EBITDA excl. special items*** **	**4,825**	**3,739**	**(23)**
564	(1,252)	(1,004)	25	Operating profit	1,487	961	(35)
564	**353**	**500**	**(30)**	**Operating profit excl. special items*** **	**2,991**	**2,565**	**(14)**
306	256	615	(58)	CAPEX	1,396	1,048	(25)

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Prirodni plin d.o.o.
*** Restatement of comparable previous periods was made – see on page 12*
***The 2014 EBIT performance includes HRK 1,604 million negative special items

Q3 2014	Q4 2014	Q4 2013	%	Hydrocarbon production	2013	2014	%
11,588	**13,106**	**11,699**	**12**	**Crude oil production (boe/d)**	**11,617**	**12,142**	**5**
8,499	9,895	8,474	17	Croatia	8,608	8,931	4
1,904	2,013	2,037	(1)	Egypt	1,881	2,034	8
1,185	1,197	1,188	1	Angola	1,128	1,177	4
22,127	**25,421**	**24,231**	**5**	**Natural gas production (boe/d)**	**26,198**	**24,166**	**(8)**
10,798	12,538	9,936	26	Croatia - offshore	11,897	11,136	(6)
11,329	12,882	14,295	(10)	Croatia - onshore	14,301	13,030	(9)
1,894	**2,059**	**2,297**	**(10)**	**Condensate (boe/d)**	**2,365**	**2,097**	**(11)**
1,894	2,059	2,297	(10)	Croatia	2,365	2,097	(11)
35,609	**40,585**	**38,227**	**6**	**Total hydrocarbon production (boe/d)**	**40,180**	**38,405**	**(4)**
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**Average realised hydrocarbon price****	**2,013**	**2,014**	**%**
73	62	80	(23)	Total hydrocarbon price (USD/boe)*	82	69	(17)
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**Natural gas trading - mln cm**	**2,013**	**2,014**	**%**
12	6	260	(98)	Natural gas imports	774	107	(86)
276	353	661	(47)	Total natural gas sales - domestic market	2,228	1,718	(23)

* Calculated based on total external sales revenue including natural gas selling price as well.

2014 vs. 2013 RESULTS

In Q1-Q4 2014, EBITDA reached HRK 3,739 million, which is 23% lower than last year. Average Brent price decrease of 9% coupled with significant adverse changes in the regulatory environment, had a negative impact on the Upstream segment result through lower realized prices. Forced gas inventory sale negatively impacted the result by HRK (270) million, while the reduction in the regulated gas price created additional HRK (260) million difference compared to the base period. Furthermore the effect of doubled royalty reached a negative impact of HRK (223) million, totaling HRK (753) million of negative effect in 2014. Additionally, the inventory transfer in 2013 had one off positive effect on the previous year results. Finally, overall production volumes decreased by 4% despite the increase in crude oil production, both domestic and international.

Similarly to 2013, operating profit of 2014 was also impacted by impairment of fixed assets. In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeure in Syria, linear depreciation method was applied starting from 01 January 2013 in order to fairly reflect the amortization of the equipment. Syrian depreciation impact for 2014 was HRK 306 million. Additionally, the value of its Syrian assets has been adjusted with impairment of HRK 1,562 million, not having direct cash effect but applied in accordance with good business practice to ensure fair valuation of INA Syrian assets.

Total **natural gas** production in Q1-Q4 2014 was 7.8% lower than in Q1-Q4 2013,

- The year-on-year decrease on off-shore natural gas production mainly derives from water cuts and higher restitution on Annamaria offshore field. Natural decline was somewhat compensated by start up of production on Izabela field.
- Onshore-natural gas production was impacted by more complex and longer annual overhaul on main facilities GTP Molve and Ethane plant agravated by natural decline.

Crude oil production increased in Q1-Q4 2014 by 5% compared to Q1-Q4 2013:

- The natural decline of domestic crude oil production was more than offset with performed workovers, well optimisation and additional production from Hrastilnica.
- Lower domestic condensate production was a consequence of more complex and longer annual overhaul on main facilities GTP Molve and Ethane plant and natural decline.
- Egyptian oil production in Q1-Q4 2014 was higher by 8.1% than Q1-Q4 2013 as a result of higher production on North Bahariya after an aggressive drilling campaign and performed workover operations and of higher production on East Yidma since the production share changed from 29% to 58%.
- Angolan 2014 crude oil production in yearly comparison showed a 4.4% decrease due to natural decline.

Additional unfavorable regulatory changes have been imposed on the Upstream segment, which have already affected Q1 results and continue to burden operations on an on-going basis, started in Q2 2014. Gas trading regulation changes have appointed HEP as wholesale market supplier for tariff customers starting from 1 April 2014 and INA has been obliged to supply HEP at a reduced price compared to the previous regulated household gas price. As a result operating loss of Prirodni Plin amounted to HRK 537 mln in 2014.

Q4 2014 vs. Q3 2014 RESULTS

In Q4 2014, EBITDA decreased by 1.2% compared to Q3 2014 reflecting primarily continuing Brent decrease which influenced a 25% lower average crude oil and condensate price.

The negative price effect was almost fully offset by increased production of 14.0%. This is mainly attributable to higher onshore production as a result of well workover and optimization together with test production from Hrastilnica, lower onshore gas production in Q3 due to annual overhauls on GTP Molve and Ethane plant, and in addition continue production on Bilogora gas field while on offshore higher gas production resulted from the start up of Ika JZ in November. International production increase was a result of well workover and in addition production from new development wells in Egypt.

Q4 2014 vs. Q4 2013 RESULTS

Lower Upstream EBITDA in Q4 2014 is mainly a consequence of the 23% lower average realized hydrocarbon price due to lower crude oil and condensate price resulting from lower Brent and lower natural gas prices as a result of regulatory changes also described above. Furthermore, the result was negatively affected the increased royalty to 10%. These effects were mitigated slightly by higher production driven by higher onshore crude oil production as a result of performed workover and additional production from Hrastilnica. Additional positive impact derives from the start up of production on Izabela offshore gas field.

EXPLORATION AND PRODUCTION CAPITAL EXPENDITURES

Exploration and Production segment's CAPEX in period 2014 amounted to HRK 1,048 million. Capital investments in Croatia amounted HRK 899 million and capital investments abroad HRK 149 million. In comparison with 2013 capital investments are lower in total for HRK 348 million or 25%. Decreased investments level is mainly result of lower offshore development, lower development activities in Angola and Egypt and finishing of exploration activities in Egypt in 2013.

E&P CAPEX 1Q-4Q 2014 (HRK million)	**Croatia**	**Egypt**	**Angola**
Exploration	**97.2**	**-3.9**	
Development	**752.1**	**117.3**	**36.0**
Exploration: 93.4 (8.9%) Development: 905.4 (86.4%) Other: 49.7 (4.7%)	**Exploration Onshore:** Hrastilnica-4 well drilled in Q1. Drilling of Čepelovac-1 North well drilled from July 31st till October 16th declared unsuccessful. Hrastilnica-5 well drilling started on November 7th 2014 and it is on-going. Fracturing campaign, unconventional, three wells - Peteranec -4, Žutica -249 DU and Iva -2DU which started on September 29th conducted successfully. Results evaluation to follow. **Development Onshore:** EOR project - Finalized workovers on the injection wells for CO_2 and salt water and finalization of connections on surface facilities. Trial exploitation of the injection system and CO_2 injection into 12 Ivanić wells has started on October 14th based on approval from the Ministry. Well preparation for second phase of EOR Project is in progress. Construction activities in scope of Međimurje project are on-going. Drilling of Gola-10 well is on hold after drilling of new deviated wellbore which is finished and casing is installed. Drilling and testing of well will be continued in 2015. During 2014, 43 capital well workovers were performed, also 3 hydraulic fracturing job was performed, 2 in progress. **Development Offshore:** Ika JZ project – 4 wells were drilled and completed, Ika JZ platform deck construction and detail engineering finished. Hook-up and Commissioning activities finished. Gas test production started on the 27th November 2014 and is in progress. Ika B platform revamping works were completed in 1Q 2014. Project Ika A-4 HOR development well which started in May 2014 is finished. Well is drilled, completed and connected to existing gathering system. Ivana A/K optimization project - Contract award is finished and detail engineering of process skid is on-going. Gas production from Izabela field started on the 2nd July 2014. Gas production and maintenance activities are in progress.	**Exploration:** No activities, 1Q-4Q actual related to billing statement's adjustments received for Disouq and East Yidma concessions which resulted in negative figures. Both concessions expired. **Development:** **North Bahariya Concession** – Eight wells were successfully drilled and seven of them put in production. One well drilled is unsuccessful. Workover operations were performed on twenty two wells and on one well workower operations are in progress. **West Abu Gharadig Concession** – Four wells were drilled and put into production. Workover operations were performed on seven wells while on one well operations are on-going. Also, performed were activities related to planned projects (contaminated sand treatment, facilities upgrading). **Ras Qattara Concession** – Six workover activities were performed. Two wells drilled, completed and put in production **Sidi Rahman Concession** – workover operations and rig-less operations were conducted on Sidi Rahman-1 and Sidi Rahman-6 wells. Rizk East-1ST well is drilled and put into production. Workover operations were performed on Sidi Rahman-5 and Rizk East-1 ST wells in order to perforate new intervals.	**Development:** **Block 3/05**: The Operator continued with the execution of planned production, well intervention, maintenance, inspection and facilities engineering activities and continued with implementing on going major development projects. **Block 3/05A**: Drilling of Gazela-101 well started on July 28th 2014. In September occurred unexpected technical problems during drilling – stuck in hole. Decided to side-track. Gazela-101 ST-1 development well drilled to revised TD of 4,488 m. Well completion is on-going.

Refining and Marketing, including Retail*

Q3 2014	Q4 2014	Q4 2013**	%	Segment IFRS results (HRK mln)	2013**	2014	%
5,978	3,674	4,555	(19)	Revenues	20,137	18,222	(10)
(91)	(706)	(220)	220	EBITDA	(473)	(1,303)	175
(91)	**(587)**	**(220)**	**166**	**EBITDA excl. special items*** **	**(346)**	**(1,184)**	**242**
16	(165)	(188)	(12)	CCS-based R&M EBITDA	(168)	(554)	230
(235)	(1,399)	(1,215)	15	Operating profit/(loss)	(2,114)	(2,489)	18
(235)	**(835)**	**(477)**	**75**	**Operating profit/(loss) excl. special items*** **	**(1,249)**	**(1,925)**	**54**
(121)	(419)	(433)	(3)	CCS-based R&M operating loss	(1,055)	(1,291)	22
85	227	331	(32)	CAPEX and investments (w/o acquisition)	545	470	(14)

*Refers to Refining & Marketing including Retail INA. d.d. and following subsidiaries: Maziva Zagreb, InterIna Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA Hungary, INA Crna Gora, INA Beograd, INA Kosovo
*** Restatement of comparable previous periods was made – see on page 12*
*** The 2014 EBIT performance includes HRK 564 million negative special items

Q3 2014	Q4 2014	Q4 2013	%	Refinery processing (kt)	2013	2014	%
161	140	142	(1)	Domestic crude oil	433	394	(9)
517	344	364	(6)	Imported crude oil	2,427	1,880	(23)
41	27	25	8	Condensate	96	102	6
256	105	177	(41)	Other feedstock	750	749	(0)
975	**616**	**710**	**(13)**	**Total refinery throughput**	**3,707**	**3,125**	**(16)**
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**Refinery production (kt)**	**2013**	**2014**	**%**
64	36	38	(5)	LPG	209	190	(9)
266	166	199	(16)	Motor gasoline	1,068	824	(23)
323	201	236	(15)	Diesel	1,268	1,022	(19)
30	23	60	(62)	Heating oil	193	107	(44)
32	19	5	300	Kerosene	109	107	(2)
7	7	7	(7)	Naphtha	27	33	21
111	62	60	3	Fuel oil	419	358	(15)
-	-	16	n.a.	Bitumen	38	3	(93)
20	24	(3)	n.a.	Other products*	(56)	86	n.a.
853	**537**	**617**	**(13)**	**Total**	**3,274**	**2,728**	**(17)**
7	6	6	1	Refinery loss	23	22	(1)
115	73	87	(16)	Own consumption	410	374	(9)
975	**616**	**710**	**(13)**	**Total refinery production**	**3,707**	**3,125**	**(16)**
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**Refined product sales by country (kt)**	**2013**	**2014**	**%**
518	445	463	(4)	Croatia	1,877	1,756	(6)
139	131	133	(2)	B&H	509	510	0
69	13	60	(78)	Slovenia	237	151	(36)
320	131	130	1	Other markets	844	867	3
1,046	**721**	**786**	**(8)**	**Total**	**3,467**	**3,284**	**(5)**
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**Refined product sales by product (kt)**	**2013**	**2014**	**%**
67	44	45	(2)	LPG	231	214	(8)
306	153	190	(19)	Motor gasoline	955	844	(12)
412	346	359	(4)	Diesel	1,394	1,415	2
31	49	50	(1)	Heating oil	164	146	(11)
57	21	20	3	Kerosene	124	128	3
12	6	7	(22)	Naphtha	30	37	25
120	62	58	7	Fuel oil	418	366	(12)
10	14	15	(9)	Bitumen	57	40	(30)
29	26	43	(39)	Other products*	95	95	0
1,046	**721**	**786**	**(8)**	**Total**	**3,467**	**3,284**	**(5)**
306	240	244	(1)	o/w Retail segment sales	1,019	994	(2)

*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. Negative values in production can occur as a result of higher volume of semifinished products used in processing than produced in certain period.

2014 vs. 2013 RESULTS

In 2014, the Refining and Marketing (including Retail) 'clean' CCS-based EBITDA and EBITDA excluding special items amounted to HRK (554) million and HRK (1,184) million respectively, both significantly below 2013 level. Reported EBITDA drop mostly derived from the collapse in Brent price which caused the inventories revaluation in the amount of HRK 523 million.

The result was mainly under the pressure of (1) a continuing unfavorable crack environment reflected in 5% lower average crack spreads (i.e. lower diesel crack spreads), which also led to (2) lower sales volumes by 5% combined with (3) less favorable production yields mainly related to fall-outs of some conversion units during Q1 2014, which was driven by the fire in the Sisak Delayed Coker Unit's boiler in 2013 which led to further availability problems in the same boiler in 2014 and also production upsets on Fluid Catalytic Cracker units in both refineries during 2014. These production upsets also caused (4) higher share of own consumption and losses.

However, (1) although total sales volumes decreased, sales structure improved, i.e. motor fuel share increased and fuel oil share decreased, (2) Brent-Ural spread was more favorable and (3) Retail fuel unit margin was higher, which was enabled by free pricing of fuel in Croatia from 20 February 2014.

A decline in estimated motor fuel demand in Croatia as well as weaker purchasing power put pressure on sales resulting in lower transfers to own retail and sales volumes to end users. Export sales volumes primarily on Slovenian and Albanian markets were lower primarily due to lower levels of processing and partly due to lower sales margins. Additionally 2013 performance was positively influenced by the change in inventory evaluation methodology HRK 216 mln and revenues from insurance and contractual penalties HRK 85 mln.

RETAIL OPERATIONS

Total sales volumes of Retail segment in 2014 amounted to 994 kt, recording (2%) decrease in comparison to the previous year as a result of weaker purchasing power, still present economic downturn and negative consequences of bad weather and the floods in May 2014. Throughput per site in 2014 was 3% lower compared to the same period last year. The decrease in sales volumes compared to 2013 was influenced by lower sales of motor gasoline by 7% while gas and heating oils maintained the same level as in 2013. Analysis of the structure of motor gasoline sales showed decrease in sales of premium fuels in favor of regular fuels with more affordable price, indicating still present market contraction.

On 31 December 2014, INA Group operated a network of 442 stations (391 in Croatia and 51 abroad, of which 44 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro). During 2014 strong focus of Retail was on development of new retail operating model by launching a pilot project with the objective that certain filling stations use a form of partnership governance that ensures more efficient operations. Based on detailed trend analyses of 17 pilot filling stations already operating in Entrepreneurship model, the Management Board expressed their positive opinion towards the project continuation.

Q4 2014 vs. Q3 2014 RESULTS

In Q4 2014 Refining and Marketing (including Retail) realized a negative result on 'clean' CCS-based EBITDA level, in the amount of HRK (165) million, which was HRK 181 million lower result compared to the previous quarter. The main contributors to the negative difference were (1) lower sales volumes (by 31%), (2) an unfavourable external environment, i.e. lower crack spreads especially on motor gasoline and (3) higher specific energy consumption driven by lower processing. The shut-down of the Rijeka Refinery in November and the start-up of the Sisak Refinery in December impacted the negative difference as well. The result was however partially offset with more favorable Brent-Ural spread (0.4 USD/barrel in Q3 2014 vs. 0.6 USD/barrel in Q4 2014).

EBITDA excluding special items in Q4 2014 amounted to HRK (587) mln and was HRK 496 mln lower in comparison with Q3 2014 primarily as a result of the aforementioned factors.

Q4 2014 vs. Q4 2013 RESULTS

Refining and Marketing (including Retail) 'clean' CCS-based EBITDA amounted to HRK (165) million in Q4 2014, representing a slight improvement compared to Q4 2013.

The segment's performance was supported by (1) improved external environment with 10% higher average crack spread, especially on motor gasoline and diesel, (2) improved wholesale margin by 29% and increased Retail fuel unit margin, which was enabled by free pricing of fuel from 20 February 2014, as well as (3) decreased operating expenses driven by lower fixed costs. These factors were partially offset by the negative effects of (1) lower sales volumes especially on export (Slovenian) market, (2) higher specific energy mainly resulting from lower processing.

CAPITAL EXPENDITURES

Capital expenditures amounted to HRK 470 million in 2014, which is HRK 75 million lower than the investments in the same period of the 2013.

R&M capital expenditures in 2014 amounted to HRK 314 million. CAPEX utilization was lower due to achieved savings in contracting, projects postponements and delays in contracts realization. An important project in Refining and Marketing, the Turnaround in Refinery Sisak (which included the installation of new coke chambers in the Delayed Coker Unit) is finished in Q4. Many projects, that are still on-going, continued in 2014 in regards to improving the logistics infrastructure as well.

Retail capital expenditures in 2014 amounted to HRK 156 million and were lower by HRK 65 million than the investments in the same period of the 2013. CAPEX performance is lower due to tender savings, delay in construction start Knock Down Rebuilds and delay of tender for Property protection equipment. The major part of realization consisted of intensive program of modernization in Croatia and start of KDR's in Bosnia and Herzegovina.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Income Statement – INA-GROUP
For the period ended 31 December 2013 and 2014
(In HRK millions)

Q3 2014	Q4 2014	Q4 2013	%		Note	2013	2014	%
				Sales revenue				
3,908	3,050	4,508	(32)	a) domestic		17,531	14,187	(19)
3,195	1,845	2,153	(14)	b) exports		9,913	9,572	(3)
7,103	**4,895**	**6,661**	**(27)**	**Total sales revenue**	1	**27,444**	**23,759**	**(13)**
114	133	171	(22)	Capitalised value of own performance		361	459	27
75	76	27	181	Other operating income		496	277	(44)
7,292	**5,104**	**6,859**	**(26)**	**Total operating income**		**28,301**	**24,495**	**(13)**
(426)	(424)	(216)	96	Changes in inventories of finished products and work in progress		(91)	(935)	927
(3,405)	(1,835)	(2,253)	(19)	Cost of raw materials and consumables	2	(13,727)	(11,353)	(17)
(444)	(781)	(584)	34	Depreciation and amortization	4	(2,261)	(2,132)	(6)
(770)	(661)	(572)	16	Other material costs	4	(1,991)	(2,455)	23
(191)	(369)	(224)	65	Service costs	4	(863)	(1,000)	16
(639)	(650)	(641)	1	Staff costs	5	(2,415)	(2,467)	2
(945)	(964)	(2,131)	(55)	Cost of other goods sold	3	(5,536)	(3,705)	(33)
(33)	(1,957)	(2,421)	(19)	Impairment and charges (net)		(2,769)	(2,052)	(26)
70	(218)	(104)	110	Provisions for charges and risks (net)		(201)	(108)	(46)
(6,783)	**(7,859)**	**(9,146)**	**(14)**	**Operating expenses**		**(29,854)**	**(26,207)**	**(12)**
509	**(2,756)**	**(2,287)**	**20**	**Profit/(loss) from operations**		**(1,553)**	**(1,712)**	**10**
				Share in the profit of associated companies				
191	82	32	156	Finance income		213	234	10
(406)	(361)	(83)	335	Finance costs		(476)	(856)	80
(215)	**(279)**	**(51)**	**447**	**Net loss from financial activities**	7	**(263)**	**(622)**	**137**
294	**(3,034)**	**(2,338)**	**30**	**Profit/(loss) before tax**		**(1,816)**	**(2,334)**	**29**
(82)	554	443	25	Income tax expense	6	308	437	42
212	**(2,480)**	**(1,895)**	**31**	**Profit/(loss) for the year**		**(1,508)**	**(1,897)**	**26**
				Attributable to				
212	(2,480)	(1,895)	31	Owners of the Company		(1,508)	(1,897)	26
(0)	(0)	-	n.a.	Non-controlling interests		-	-	n.a.
212	**(2,480)**	**(1,895)**	**31**			**(1,508)**	**(1,897)**	**26**
				Earnings per share				
21.2	(248.0)	(189.5)	31	Basic and diluted earnings per share (kunas per share)		(150.8)	(189.7)	26

Condensed Consolidated Statement of Comprehensive Income – INA-GROUP
For the period ended 31 December 2013 and 2014
(in HRK million)

Q3 2014	Q4 2014	Q4 2013	%		2013	2014	%
212	**(2,480)**	**(1,895)**	**31**	**Profit/(loss) for the year**	**(1,508)**	**(1,897)**	**26**
				Other comprehensive income, net of income tax:			
-	-	-	n.a.	Remeasurement of defined benefit obligation	(11)	-	n.a.
369	190	(76)	n.a.	Exchange differences on translating foreign operations	(210)	567	n.a.
135	(38)	(11)	245	Gain/(loss) on available-for-sale financial assets	(7)	115	n.a.
504	**152**	**(87)**	**n.a.**	**Other comprehensive income/(loss), net of income tax**	**(228)**	**682**	**n.a.**
716	**(2,328)**	**(1,982)**	**17**	**Total comprehensive income/(loss) for the period**	**(1,736)**	**(1,215)**	**(30)**
				Attributable to:			
716	(2,328)	(1,982)	17	Owners of the Company	(1,736)	(1,215)	(30)
(0)	(0)	-	n.a.	Non-controlling interests	-	-	n.a.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Financial Position – INA-GROUP
At 31 December 2014
(in HRK millions)

	Note	31 Dec 2013	31 Dec 2014	%
Assets				
Non-current assets				
Intangible assets	9	524	457	(13)
Property, plant and equipment	10	15,979	14,038	(12)
Goodwill		183	183	0
Investments in associates and joint ventures		22	22	0
Other investments		169	23	(86)
Long-term receivables		233	170	(27)
Derivative financial instruments		-	-	n.a.
Deferred tax		1,127	1,742	55
Available for sale assets		330	462	40
Total non-current assets		**18,567**	**17,097**	**(8)**
Current assets				
Inventories	12	3,219	1,924	(40)
Trade receivables net	13	2,564	1,998	(22)
Other receivables		426	181	(58)
Corporative income tax receivables		421	112	(73)
Derivative financial instruments		-	-	n.a.
Other current assets		144	282	96
Prepaid expenses and accrued income		166	154	(7)
Cash and cash equivalents		402	467	16
Current assets		**7,342**	**5,118**	**(30)**
Assets classified as held for sale		-	0	n.a.
Total current assets		**7,342**	**5,118**	**(30)**
Total assets	8	**25,909**	**22,215**	**(14)**
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	0
Revaluation reserve		6	121	1,917
Other reserves		2,284	2,851	25
Retained earnings / (Deficit)		1,586	(311)	n.a.
Equity attributable to equity holder of the parent		**12,876**	**11,661**	**(9)**
Non-controlling interests		(1)	(1)	0
Total equity		**12,875**	**11,660**	**(9)**
Non-current liabilities				
Long-term loans		1,889	628	(67)
Other non-current liabilities		76	64	(16)
Employee benefits obligation		135	172	27
Provisions		2,754	2,837	3
Deferred tax liability		7	9	29
Total non-current liabilities		**4,861**	**3,710**	**(24)**
Current liabilities				
Bank loans and overdrafts		2,975	2,631	(12)
Current portion of long-term debt		299	199	(33)
Trade payables	15	2,841	1,713	(40)
Taxes and contributions		720	1,054	46
Other current liabilities		690	554	(20)
Accruals and deferred income		126	114	(10)
Employee benefits obligation		11	12	9
Provisions		511	568	11
Current liabilities		**8,173**	**6,845**	**(16)**
Liabilities directly associated with assets classified held for sale		-	-	n.a.
Total current liabilities		**8,173**	**6,845**	**(16)**
Total liabilities	14	**13,034**	**10,555**	**(19)**
Total equity and liabilities		**25,909**	**22,215**	**(14)**

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 31 December 2013 and 2014
(in HRK millions)

Q3 2014	Q4 2014	Q4 2013	%		Note	2013	2014	%
211	**(2,481)**	**(1,895)**	**31**	**Profit/(loss) for the year**		**(1,508)**	**(1,897)**	**26**
				Adjustments **for:**				
444	781	584	34	Depreciation and amortisation		2,261	2,132	(6)
82	(554)	(443)	25	Income tax (benefit)/expenses recognized in (loss)/profit		(308)	(437)	42
115	2,076	2,491	(17)	Impairment charges		3,035	2,574	(15)
(72)	(131)	(71)	85	Reversal of impairment		(266)	(522)	96
(6)	(7)	1	n.a.	Gain on sale of property, plant and equipment		(4)	(16)	300
-	-	48	n.a.	Gain on purchase of investments and shares		-	-	n.a.
166	83	(44)	n.a.	Foreign exchange loss/(gain)		(35)	249	n.a.
20	125	31	303	Interest expense (net)		128	196	53
7	47	78	(40)	Other financial expense recognised in profit		88	87	(1)
(70)	157	103	52	Increase in provisions		199	47	(76)
22	24	20	20	Decommissioning interests		82	89	9
(1)	10	(23)	n.a.	Other non-cash items		(38)	5	n.a.
918	**130**	**880**	**(85)**	**Operating cash flow before working capital changes**	**16**	**3,634**	**2,507**	**(31)**
				Movements in working capital	17			
719	967	425	128	(Increase)/decrease in inventories		88	1,201	1,265
295	670	(20)	n.a.	(Increase)/decrease in receivables and prepayments		(303)	839	n.a.
(1,077)	102	816	(88)	(Decrease)/increase in trade and other payables		1,599	(534)	n.a.
855	**1,869**	**2,101**	**(11)**	**Cash generated from operations**		**5,018**	**4,013**	**(20)**
(17)	(32)	(197)	(84)	Taxes paid		(490)	(154)	(69)
838	**1,837**	**1,904**	**(4)**	**Net cash inflow from operating activities**		**4,528**	**3,859**	**(15)**
				Cash flows used in investing activities				
(300)	(339)	(924)	(63)	Payments for property, plant and equipment		(1,843)	(1,292)	(30)
(56)	(234)	-	n.a.	Payment for intangible assets		(248)	(297)	20
15	14	8	75	Proceeds from sale of non-current assets		14	34	143
-	-	(20)	n.a.	Purchase of subsidiaries		(7)	-	n.a.
7	-	-	n.a.	Dividends received from companies classified as available for sale and from other companies		3	7	133
5	19	8	138	Interest received and other financial income		25	34	36
4	6	(56)	n.a.	Investments and loans to third parties, net		(80)	49	n.a.
(325)	**(534)**	**(984)**	**(46)**	**Net cash used for investing activities**	**18**	**(2,136)**	**(1,465)**	**(31)**
				Cash flows from financing activities				
229	(1)	1,613	n.a.	Additional long-term borrowings		6,160	2,202	(64)
(628)	(149)	(1,339)	(89)	Repayment of long-term borrowings		(9,878)	(3,706)	(62)
4,629	2,073	2,422	(14)	Additional short-term borrowings		15,086	14,715	(2)
(4,712)	(2,855)	(3,540)	(19)	Repayment of short term borrowings		(13,386)	(15,258)	14
-	-	-	n.a.	Dividends paid		(343)	-	n.a.
(11)	(9)	(17)	(47)	Interest paid on long-term loans		(88)	(45)	(49)
-	-	-	n.a.	Other long-term liabilities, net		-	-	n.a.
(14)	(155)	11	n.a.	Interest paid on short term loans and other financing charges		(24)	(209)	771
(507)	**(1,096)**	**(851)**	**29**	**Net cash from financing activities**		**(2,473)**	**(2,301)**	**(7)**
6	207	69	200	Net (decrease)/increase in cash and cash equivalents		(81)	93	n.a.
283	288	311	(7)	At 1 January		488	402	(18)
(1)	(28)	22	n.a.	Effect of foreign exchange rate changes		(5)	(28)	460
288	467	402	16	At the end of period		402	467	16

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Changes in Equity – INA-GROUP
For the period ended 31 December 2013 and 2014
(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 2013	**9,000**	**2,505**	**13**	**3,437**	**14,955**	**(1)**	**14,954**
Profit for the period	-	-	-	(1,508)	(1,508)	-	(1,508)
Purchase of non-controlling interest	-	-	-	-	-	-	-
Other comprehensive loss, net	-	(221)	(7)	-	(228)	-	(228)
Total comprehensive income, net	**-**	**(221)**	**(7)**	**(1,508)**	**(1,736)**	**-**	**(1,736)**
Dividends payable	-	-	-	(343)	(343)	-	(343)
Balance as at 31 Dec 2013	**9,000**	**2,284**	**6**	**1,586**	**12,876**	**(1)**	**12,875**

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Non controlling interest	Total equity
Balance as at 1 January 2014	**9,000**	**2,284**	**6**	**1,586**	**12,876**	**(1)**	**12,875**
Loss for the period	-	-	-	(1,897)	(1,897)	-	(1,897)
Other comprehensive loss, net	-	567	115	-	682	-	682
Total comprehensive loss for the year	**-**	**567**	**115**	**(1,897)**	**(1,215)**	**-**	**(1,215)**
Dividends paid	-	-	-	-	-	-	-
Balance as at 31 Dec 2014	**9,000**	**2,851**	**121**	**(311)**	**11,661**	**(1)**	**11,660**

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q3 2014	Q4 2014	Q4 2013	%	(HRK mln)	2013	2014	%
				Sales			
1,400	1,450	2,460	(41)	Exploration & Production	9,325	6,732	(28)
5,978	3,674	4,555	(19)	Refining & Marketing including Retail	20,137	18,222	(10)
735	758	683	11	Corporate and Other	2,135	2,665	25
(1,010)	(987)	(1,038)	(5)	Inter-segment revenue	(4,153)	(3,860)	(7)
7,103	**4,895**	**6,661**	**(27)**	**Sales**	**27,444**	**23,759**	**(13)**
				Operating expenses, net other income from operating activities			
(836)	(2,702)	(3,464)	(22)	Exploration & Production	(7,838)	(5,771)	(26)
(6,213)	(5,073)	(5,784)	(12)	Refining & Marketing including Retail	(22,251)	(20,711)	(7)
(744)	(857)	(837)	2	Corporate and Other	(2,694)	(2,849)	6
1,198	981	1,137	(14)	Inter-segment eliminations	3,786	3,860	2
(6,595)	**(7,651)**	**(8,948)**	**(14)**	**Expenses**	**(28,997)**	**(25,471)**	**(12)**
				Profit/(loss) from operations			
564	(1,252)	(1,004)	25	Exploration & Production	1,487	961	(35)
(235)	(1,399)	(1,229)	14	Refining & Marketing including Retail	(2,114)	(2,489)	18
(9)	(99)	(154)	(36)	Corporate and Other	(559)	(184)	(67)
188	(6)	99	n.a.	Inter-segment eliminations	(367)	-	n.a.
509	**(2,756)**	**(2,287)**	**20**	**Profit/(loss) from operations**	**(1,553)**	**(1,712)**	**10**
				Share in the profit of associate companies			
(215)	**(279)**	**(51)**	**447**	**Net loss from financial activities**	**(263)**	**(622)**	**137**
294	**(3,035)**	**(2,338)**	**30**	**Profit/(loss) before taxation**	**(1,816)**	**(2,334)**	**29**
(82)	554	443	25	Income tax expense	308	437	42
212	**(2,480)**	**(1,895)**	**31**	**Profit/(loss) for the year**	**(1,508)**	**(1,897)**	**26**
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**Depreciation**	**2013**	**2014**	**%**
254	567	380	49	Exploration & Production	1,400	1,344	(4)
139	156	152	3	Refining & Marketing including Retail	645	570	(12)
51	58	52	12	Corporate and Other	216	218	1
444	**781**	**584**	**34**	**Total**	**2,261**	**2,132**	**(6)**
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**EBITDA***	**2013**	**2014**	**%**
834	823	1,012	(19)	Exploration & Production	4,825	3,739	(23)
(91)	(705)	(236)	199	Refining & Marketing including Retail	(473)	(1,303)	175
39	48	(56)	n.a.	Corporate and Other	(239)	165	n.a.
134	35	102	(66)	Inter-segment eliminations	(435)	(21)	(95)
916	**200**	**822**	**(76)**	**Total**	**3,678**	**2,580**	**(30)**
Q3 2014	**Q4 2014**	**Q4 2013**	**%**	**Operating Profit Excluding Special Items**	**2013**	**2014**	**%**
564	353	500	(30)	Exploration & Production	2,991	2,565	(14)
(235)	(835)	(491)	70	Refining & Marketing including Retail	(1,249)	(1,925)	54
(9)	(32)	(154)	(79)	Corporate and Other	(559)	(117)	(79)
188	(6)	99	n.a.	Inter-segment eliminations	(367)	-	n.a.
508	**(521)**	**(45)**	**1,047**	**Inter-segment eliminations**	**816**	**523**	**(36)**

* 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

2014 RESULTS

1 **Total sales revenues** in 2014 amounted to HRK 23,759 million and were 13% below the 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 average crack spread and lower sales volumes of oil products.

2 Costs of raw materials and consumables were 17% below 2013 levels at HRK 11,353 million, as processing of other raw material volumes was lower.

3 Costs of goods sold recorded a decrease of 33% to HRK 3,705 million resulting from lower import of natural gas compared to 2013.

4 Within other operating costs realized in 2014

- Other material costs were higher by 23% and amounted to HRK 2,455 million, firstly due to subcontractors costs related to STSI project in Belarus and secondly due to long term gas transportation contracts which are on 'take or pay' principle and transportation costs were incurred although there was no imports.
- Service costs in the amount of HRK 1,000 million recorded an increase of 16% mainly due to ENI tax related to 2013 which had neutral impact on 2014 result due to release of related provision.
- Depreciation in the amount of HRK 2,132 million was 6% lower compared to 2013 mainly due to lower Syrian and R&M depreciation.
- Adjustments and provisions had a positive effect of HRK 810 million compared to 2013 due to lower impairment of natural gas as a result on lower natural gas inventories, value adjustments reversal related to EGPC receivables and lower impairment of Syrian assets.

5 **Staff costs** in the amount HRK 2,467 million were 2% higher compared to 2013. Staff cost represents cost of net salaries in the amount of HRK 1,250 million, cost of employee income tax in the amount of HRK 542 million, tax on payroll in the amount of HRK 319 million, severance payments for employees whose employment contracts are terminated due to business reasons in amount of HRK 100 million and other payroll related costs in the amount of HRK 256 million for the year ended 31 December 2014. For the year ended 31 December 2013 staff cost includes cost of net salaries in the amount of HRK 1.273 million, cost of employee income tax in the amount HRK 546 million, tax on payroll in the amount HRK 300 million, severance payments for employees whose employment contracts are terminated due to business reasons in amount of HRK 37 million and other payroll related costs in the amount HRK 259 million.

6 **Deferred tax in** 2014 amounted to HRK 437 million compared to HRK 308 million in 2013.
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 31 December 2014 and 31 December 2013.

7 **Net financial expenses** in the amount of HRK 622 million were recorded in 2014, compared to net financial expenses of HRK 263 million in 2013.

- Net foreign exchange loss was HRK 247 million in 2014, compared to HRK 0.1 million net foreign exchange received recorded in 2013.
- Interest payable amounted to HRK 292 million and interest received HRK 19 million in 2014, compared to interest payable of HRK 202 million and HRK 17 million interests received in 2013.
- Other financial net expenses amounted to HRK 102 mln, compared to financial net expenses of HRK 61 mln in 2013.

Prirodni Plin

Prirodni plin d.d. was merged into INA d.d. in November 2014 due to its activity being focused mostly on marketing of domestic produced gas starting from November 2014.

Restatement

*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 "realized fees of bank charge accrued long term loan" originally recorded in "impairment and charges" are now recorded in „Financial expenditures".

Crosco Group reclassification

Starting from 1 January 2014, INA Group has revised its operational segments to integrate all corporate support and other service related activities in Corporate and Other segment. As a consequence, Crosco Group has been reclassified to Corporate and Other segment from Exploration & Production. Comparative periods have been restated accordingly.

Special items

In addition to international accounting standards and international reporting standards and regulatory requests the company discloses special items to achieve higher level of transparency and to provide better understanding of the usual business operations. Business events not occurring regularly and having significant effect on operations and results are considered as special items. At the beginning of 2013 INA has adopted the materiality level for the special items in the amount of EUR 10 million or above. Furthermore, in accordance with adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period.

Intersegment eliminations

Intersegment elimination line within the operating results is used 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 is 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. Intersegment EBITDA effect on E&P and R&M including retail results in 2014 is HRK 21 million which is lower compared to HRK 435 million in 2013 due to different operational mode of Sisak refinery.

INDUSTRIJA NAFTE, d.d.

BALANCE SHEET

Notes

8 As at 31 December 2014, INA Group **total assets** amounted to HRK 22,215 million and were 14% lower compared to 31 December 2013.

9 In the period ended 31 December 2014, INA Group invested HRK 40 million in intangible assets. The effect of depreciation equals to HRK 35 million. Foreign exchange revaluation of oil and gas fields increased net book value in amount of HRK 31 million. Impairment of negative wells reduced a value of intangible assets in amount of HRK 107 million. Purchase of emission quotas increased an intangible asset for HRK 4 million.

10 In the period ended 31 December 2014, INA Group invested HRK 1,649 million in property, plant and equipment. Decommissioning costs decreased the value of assets by HRK 173 million. Foreign exchange revaluation increased net book value in amount of HRK 489 million. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 2,097 million. In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeure, 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. Depreciation impact of surface assets in Syria in 2014 was HRK 306 million. Impairment of assets are HRK 1,618 million. Impairment of negative wells reduced value of assets in amount of HRK 166 million. Disposals of tangible assets in amount of HRK 29 million. Transfer from strategic inventories increased a value of tangible assets by HRK 5 million. Furthermore, transfer to merchandizing goods decreased a value of tangible assets by HRK 1 million

11 **Issued capital** as at 30 September 2014 amounted to HRK 9,000 million. There was no movement in the issued capital of the Company in either the current or the prior financial reporting.

12 **Inventories** amounted to HRK 1,924 million, which is a decrease of 40% compared to 31 December 2013 as a result of lower inventories of crude oil, crude oil products and natural gas inventories (caused by changes in Croatian gas market).

13 **Trade receivables** decreased by 22% to the amount of HRK 1,998 million due to lower sales of oil products and lower natural gas sales deriving from lower production due to natural decline and lower prices reflecting direct sales to HEP.

14 As at 31 December 2014 **total liabilities** amounted to HRK 10,555 million, which is a decrease of 19% compared to the 31 December 2013 level.

INA Group **net debt** decreased by 37% and amounted to HRK 2,991 million compared to 31 December 2013. **Gearing ratio**[2] decreased from 27.0% as at 31 December 2013, to 20.4% as at 31 December 2014.

15 **Trade payables** decreased by 40% to HRK 1,713 million, as a result of lower liabilities for imported crude oil and natural gas.

CASH FLOW

Notes

16 The **operating cash-flow before changes in working capital** amounted to HRK 2,507 million in Q1-Q4 2014, representing a decrease of HRK 1,127 million, or 31%, compared to Q1-Q4 2013, mainly as a result of lower EBITDA.

17 **Changes in working capital** affected the operating cash flow positively by HRK 1,506 million, primarily due to

- Decrease in trade payables by HRK 534 mln
- Decrease value of inventories by HRK 1,201 million and
- Decrease in receivables by HRK 839 million.

18 **Net outflows in investing activities** amounted to HRK 1,465 million, in comparison with HRK 2,136 million of outflows in Q1-Q4 2013.

Subsequent events

Decision by the High Administrative Court

INA-Industrija nafte, d.d. received the verdict by the High Administrative Court accepting INA's lawsuit and annulling the Resolution of the Ministry of Economy, Labour and Entrepreneurship from 29 July 2011, which has revoked INA's license for mineral resources exploration in the exploration area “Drava“.

Although the exploration license has once again became valid with this verdict, deadline for exploration activities expired at the end of 2014 and there is also a significant overlap of concession area “Drava” with the blocks currently involved in the Croatian onshore exploration bid round. Therefore prior to starting any exploration process INA will request for the prolongation of the exploration license validity for the period from the revocation of the license until reaching a verdict by the Republic of Croatia High Administrative Court.

[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 are the credit risk and the liquidity risk.

a) Market risk

Commodity price risk management (price risk)
INA purchases crude oil on a spot market in USD, mostly using short-term credit facility arrangements. The required quantities of gas had been purchased in EUR based on spot prices. INA may use derivative instruments in managing its commodity exposure. As of December 31, 2014 INA, d.d. had opened short-term forward commodity swap transactions to hedge its exposure on changes in pricing periods and fixed price contracts.

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 December 31, 2014, there were no open cross currency swap 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. The Group may use interest rate swap to manage interest rate risk. As of December 31, 2014 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 “Customer Credit Management Procedure” creditworthiness and risk in dealing with customers is estimated based on internal credit assessment model as well as using the services of credit rating 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. In order to minimize credit risk INA is using credit risk insurance services. 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 December 31, 2014, the INA Group had contracted short-term bank lines amounting to HRK 1.88 bln, excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products, and long-term credit lines amounting to HRK 5.35 bln.

INDUSTRIJA NAFTE, d.d.

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 2014 and 2013, 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	31 Dec 2014	31 Dec 2014
Associates		
INAGip	30	32
ED-INA	-	-
Companies available for sale		
JANAF d.d. Zagreb	-	-
Strategic partner		
MOL Plc	77	56
Companies controlled by strategic partner		
Tifon d.o.o.	51	1
Energopetrol d.d.	41	-
Kalegran Ltd.	22	-
MOL SLOVENIJA d.o.o.	3	7
Slovnaft, a.s.	-	6
Companies controlled by the State		
Petrokemija Kutina	214	-
Hrvatska elektroprivreda	159	14
Hrvatske željeznice	33	14
HANDA	32	52
Jadrolinija	27	1
Croatia Airlines	17	-
Podzemno skladište plina Okoli	14	1
Plinacro	-	20

INA-Group	Sales of goods	Purchase of goods
HRK mln	31 Dec 2014	31 Dec 2014
Associates		
INAGip	206	335
ED-INA	9	9
Companies available for sale		
JANAF d.d. Zagreb	3	28
Strategic partner		
MOL Plc	649	756
Companies controlled by strategic partner		
Tifon d.o.o.	733	28
Energopetrol d.d.	341	-
Kalegran Ltd.	135	3
Mol Commodity Trading Kft.	109	5
MOL SLOVENIJA d.o.o.	92	81
Slovnaft, a.s.	26	123
Companies controlled by the State		
Hrvatska elektroprivreda	1,467	135
Petrokemija Kutina	518	1
Croatia Airlines	212	-
Jadrolinija	196	7
HANDA	162	52
Hrvatske željeznice	120	68
Podzemno skladište plina Okoli	27	41
Plinacro	4	239

INDUSTRIJA NAFTE, d.d.

Segmental Information

31 December 2014 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	7,270	5,107	1,774	(113)	14,038
Intangible assets	318	19	120	-	457
Investments in associates and joint ventures	22	-	-	-	22
Inventories	152	1,844	262	(334)	1,924
Trade receivables, net	630	983	701	(316)	1,998
Not allocated assets					3,776
Total assets					**22,215**
Trade payables	479	1,123	427	(316)	1,713
Not allocated liabilities					8,842
Total liabilities					**10,555**
Other segment information					
Capital expenditure:	**1,047**	**470**	**172**	**-**	**1,689**
Property, plant and equipment	1,039	467	143	-	1,649
Intangible assets	8	3	29	-	40
Depreciation and amortisation	**1,344**	**570**	**218**	**-**	**2,132**
Impairment losses/(income) PP&E, net recognized in profit and loss	1,213	388	18	-	1,619
Other impairment losses/(income), net recognized in profit and loss	265	172	27	(21)	443
Total impairment losses/(income), net	**1,478**	**560**	**45**	**(21)**	**2,062**

31 December 2013 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	8,581	5,589	1,865	(56)	15,979
Intangible assets	389	16	119	-	524
Investments in associates and joint ventures	22	-	-	-	22
Inventories	509	2,779	298	(367)	3,219
Trade receivables, net	936	1,432	585	(389)	2,564
Not allocated assets					3,601
Total assets					**25,909**
Trade payables	873	1,949	408	(389)	2,841
Not allocated liabilities					10,193
Total liabilities					**13,034**
Other segment information					
Capital expenditure:	**1,256**	**545**	**210**	**-**	**2,011**
Property, plant and equipment	1,062	540	162	-	1,764
Intangible assets	194	5	48	-	247
Depreciation and amortisation	**1,400**	**645**	**216**	**-**	**2,261**
Impairment losses/(income) PP&E,net recognized in profit and loss	1,300	738	-	-	2,038
Other impairment losses/(income),net recognized in profit and loss	568	167	40	(33)	742
Total impairment losses/(income), net	**1,868**	**905**	**40**	**(33)**	**2,780**

INDUSTRIJA NAFTE, d.d.

Special items in operating profit and EBITDA
(in HRK mln)

	2013	2014
INA GROUP		
Total impact of special items on net profit/(loss)	**(2,461)**	**(2,441)**
Total impact of special items on operating profit/(loss)	**(2,369)**	**(2,235)**
Total impact of special items on EBITDA	**(127)**	**(119)**
Exploration & Production		
Total impact of special items on operating profit/(loss)	**(1,504)**	**(1,604)**
Total impact of special items on EBITDA	**-**	**-**
Write-off - Aphamia	(215)	-
Impairment of assets - Syria	(1,289)	(1,562)
Impairment of assets under construction	-	-
Provisions for incentives	-	(42)
Refining & Marketing including Retail		
Total impact of special items on operating profit/(loss)	**(865)**	**(564)**
Total impact of special items on EBITDA	**(127)**	**(119)**
Impairment of assets	(738)	(395)
Refinery - tax case*	(127)	(119)
Provisions for incentives	-	(50)
Corporate functions		
Total impact of special items on operating profit/(loss)	**-**	**(67)**
Total impact of special items on EBITDA	**-**	**-**
Impairment of assets - Syria	-	(34)
Provisions for incentives	-	(33)
Impacts on financial result and income tax		
Finance expenses*	-	(106)
Income tax*	(92)	(100)

*Total impact of refinery tax case amounts to HRK 325 mln in 2014 (HRK 219 mln in 2013)

Main external parameters

Q3 2014	Q4 2014	Q4 2013	%		2013	2014	%
101.8	76.3	109.2	(30.2)	Brent dtd (USD/bbl)	108.7	99.0	(8.9)
0.38	0.59	0.4	30.9	Brent-Ural spread	0.45	0.99	118.7
949.5	701.8	941.7	(25.5)	Premium unleaded gasoline 10 ppm (USD/t)*	981.4	905.3	(7.8)
877.7	687.6	935.1	(26.5)	Gas oil – ULSD 10 ppm (USD/t)*	930.8	850.5	(8.6)
558.2	399.5	576.4	(30.7)	Fuel oil 3,5% (USD/t)*	587.8	526.1	(10.5)
784.6	600.1	981.3	(38.8)	LPG (USD/t)*	852.5	774.1	(9.2)
72.4	63.7	57.8	10.2	Average crack spread	62.1	59.0	(5.1)
179.1	126.2	115.3	9.4	Crack spread – premium unleaded (USD/t)*	159.4	162.6	2.0
107.3	112.4	108.7	3.4	Crack spread – gas oil (USD/t)*	108.8	101.5	(6.6)
(207.4)	(176.8)	(250.0)	(29.3)	Crack spread - fuel oil 3,5% (USD/t)*	(234.2)	(220.3)	(6.0)
14.1	13.7	154.9	(91.2)	Crack spread - LPG (USD/t)*	30.5	22.3	(27.0)
5.74	6.13	5.60	9.4	HRK/USD average	5.71	5.75	0.8
5.74	6.30	5.55	13.6	HRK/USD closing	5.55	6.30	13.6
7.61	7.66	7.62	0.5	HRK/EUR average	7.57	7.63	0.7
7.61	7.66	7.64	0.3	HRK/EUR closing	7.64	7.66	0.3
0.23	0.24	0.24	(2.1)	3m USD LIBOR (%)	0.27	0.23	(12.5)
0.16	0.08	0.24	(66.0)	3m EURIBOR (%)	0.22	0.21	(5.4)

** FOB Mediterranean*

INDUSTRIJA NAFTE, d.d.

Announcements in Q1-Q4 2014

November 26, 2014	Announcement by MOL
November 19, 2014	Revocation of exploration licenses
October 28, 2014	Supervision by the Ministry of Finance Report
October 17, 2014	Verdict by the High Administrative Court
October 09, 2014	Redundancy Program
September 02, 2014	Announcement
September 02, 2014	GDR delisting
August 04, 2014	Personnel changes in Refining and Marketing BD
August 01, 2014	Intention to delist GDR
July 31,2014	Merger agreement - Prirodni plin
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
February 28, 2014	Response to the inquiry of the Zagreb Stock Exchange
February 28, 2014	Announcement
January 14, 2014	Contracts signed for works on Međimurje 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 Dec 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 Depositary Company

Changes in organization, Management Board or Supervisory Board

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

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

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

Management representation

INA Group's consolidated financial statements for Q1-Q4 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