

**ENCLOSURE 1**

Reporting period:

1 January 2014

to

31 December 2014

**Quartely Financial Report TFI-POD**Tax number (MB): **03586243**Registration number (MBS): **080000604**Personal identification  
number (OIB): **27759560625**Issuer: **INA - Industrija nafte d.d.**Postal code and location: **10 000****ZAGREB**Street and number: **Avenija Većeslava Holjevca 10**E-mail: [investitori@ina.hr](mailto:investitori@ina.hr)Internet address: [www.ina.hr](http://www.ina.hr)Code and city / municipality: **133** **ZAGREB**Code and county: **21** **GRAD ZAGREB**Number of employees: **8.150**  
(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.; Member of INA Group**Contact person: **Ratko Marković**  
(Name and surname of contact person)Telephone: **01 612 3143**Telefaks: **01 612-3115**E-mail: [Ratko.Markovic@trs.ina.hr](mailto:Ratko.Markovic@trs.ina.hr)Name and surname: **Zoltán Sándor Áldott**  
(authorized representatives)**Documents to be published:**

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

(seal)

(signature of authorized representative)

**Balance Sheet**  
as of 31 December 2014

Issuer: INA - Industrija nafte d.d. Zagreb

Item	AOP	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED AND NON-PAID CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	18.451.000.000	16.539.000.000
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	586.000.000	505.000.000
1. Assets development	<b>004</b>		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	107.000.000	130.000.000
3. Goodwill	<b>006</b>		
4. Advances for purchase of intangible assets	<b>007</b>	64.000.000	50.000.000
5. Intangible assets in preparation	<b>008</b>	415.000.000	325.000.000
6. Other intangible assets	<b>009</b>		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	14.400.000.000	12.587.000.000
1. Land	<b>011</b>	999.000.000	1.000.000.000
2. Buildings	<b>012</b>	6.196.000.000	5.043.000.000
3. Plant and equipment	<b>013</b>	3.547.000.000	3.019.000.000
4. Instruments, plant inventories and transportation assets	<b>014</b>	309.000.000	301.000.000
5. Biological asset	<b>015</b>		
6. Advances for tangible assets	<b>016</b>	60.000.000	23.000.000
7. Tangible assets in preparation	<b>017</b>	3.281.000.000	3.193.000.000
8. Other material assets	<b>018</b>	3.000.000	3.000.000
9. Investment in property	<b>019</b>	5.000.000	5.000.000
<b>III. LONG-TERM FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	2.274.000.000	1.641.000.000
1. Investments in subsidiaries	<b>021</b>	1.127.000.000	1.133.000.000
2. Loans given to related parties	<b>022</b>	626.000.000	0
3. Participating interests (shares)	<b>023</b>	27.000.000	28.000.000
4. Loans to entrepreneurs in which the entity holds participating interests	<b>024</b>		
5. Investments in securities	<b>025</b>		
6. Loans, deposits and similar assets	<b>026</b>	164.000.000	18.000.000
7. Other long-term financial assets	<b>027</b>	330.000.000	462.000.000
8. Investment accounted by equity method	<b>028</b>		
<b>IV. RECEIVABLES (030 do 032)</b>	<b>029</b>	115.000.000	104.000.000
1. Receivables from subsidiaries	<b>030</b>	110.000.000	11.000.000
2. Receivables based on trade loans	<b>031</b>	104.000.000	93.000.000
3. Other receivables	<b>032</b>		
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>	1.076.000.000	1.702.000.000
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	6.623.000.000	4.505.000.000
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	2.526.000.000	1.659.000.000
1. Raw materials & consumables	<b>036</b>	595.000.000	359.000.000
2. Work in progress	<b>037</b>	995.000.000	776.000.000
3. Finished goods	<b>038</b>	881.000.000	347.000.000
4. Merchandise	<b>039</b>	55.000.000	177.000.000
5. Advances for inventories	<b>040</b>		
6. Long-term assets held for sale	<b>041</b>		
7. Biological asset	<b>042</b>		
<b>II. RECEIVABLES (044 do 049)</b>	<b>043</b>	3.695.000.000	1.730.000.000
1. Receivables from subsidiaries	<b>044</b>	1.677.000.000	117.000.000
2. Trade receivables	<b>045</b>	1.291.000.000	1.399.000.000
3. Receivables from participating entities	<b>046</b>		
4. Receivables from employees and shareholders	<b>047</b>	4.000.000	4.000.000
5. Receivables from government and other institutions	<b>048</b>	631.000.000	103.000.000
6. Other receivables	<b>049</b>	92.000.000	107.000.000
<b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	150.000.000	789.000.000
1. Investments in subsidiaries	<b>051</b>	66.000.000	517.000.000
2. Loans given to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to entrepreneurs in which the entity holds participating interests	<b>054</b>		
5. Investments in securities	<b>055</b>		
6. Loans, deposits and similar assets	<b>056</b>	29.000.000	192.000.000
7. Other financial assets	<b>057</b>	55.000.000	80.000.000
<b>IV. CASH AT BANK AND IN CASH REGISTER</b>	<b>058</b>	252.000.000	327.000.000
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	98.000.000	149.000.000
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	25.172.000.000	21.193.000.000
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>061</b>		

<b>EQUITY AND LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	13.329.000.000	11.476.000.000
I. SHARE CAPITAL	<b>063</b>	9.000.000.000	9.000.000.000
II. CAPITAL RESERVES	<b>064</b>		
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	1.933.000.000	2.529.000.000
1. Legal reserves	<b>066</b>		
2. Reserves for treasury shares	<b>067</b>		
3. Treasury shares and stakes (deduction)	<b>068</b>		
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>	1.933.000.000	2.529.000.000
IV. REVALUATION RESERVES	<b>071</b>	6.000.000	121.000.000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	4.023.000.000	-805.000.000
1. Retained earnings	<b>073</b>	4.023.000.000	
2. Accumulated loss	<b>074</b>		805.000.000
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	<b>075</b>	-1.633.000.000	631.000.000
1. Profit for the financial year	<b>076</b>		631.000.000
2. Loss for the financial year	<b>077</b>	1.633.000.000	
VII. NON-CONTROLLING INTERESTS	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	3.202.000.000	3.408.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	<b>080</b>	105.000.000	136.000.000
2. Provisions for tax obligations	<b>081</b>		
3. Other provisions	<b>082</b>	3.097.000.000	3.272.000.000
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	1.891.000.000	682.000.000
1. Liabilities to subsidiaries	<b>084</b>		
2. Liabilities for loans, deposits and other	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	1.826.000.000	619.000.000
4. Liabilities for received advances	<b>087</b>		
5. Trade payables	<b>088</b>		
6. Liabilities arising from debt securities	<b>089</b>		
7. Liabilities to entrepreneurs in which the entity holds participating interests	<b>090</b>		
8. Other non-current liabilities	<b>091</b>	65.000.000	63.000.000
9. Deferred tax liability	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	6.710.000.000	5.539.000.000
1. Liabilities to subsidiaries	<b>094</b>	569.000.000	443.000.000
2. Liabilities for loans, deposits and other	<b>095</b>		
3. Liabilities to banks and other financial institutions	<b>096</b>	3.018.000.000	2.578.000.000
4. Liabilities for received advances	<b>097</b>	21.000.000	22.000.000
5. Trade payables	<b>098</b>	2.146.000.000	1.256.000.000
6. Liabilities arising from debt securities	<b>099</b>		
7. Liabilities to entrepreneurs in which the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	74.000.000	81.000.000
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	561.000.000	970.000.000
10. Dividend payables	<b>103</b>		
11. Liabilities for long-term assets held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>	321.000.000	189.000.000
<b>E) ACCRUAL AND DEFERRED INCOME</b>	<b>106</b>	40.000.000	88.000.000
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	25.172.000.000	21.193.000.000
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>108</b>		
<b>ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributable to equity holders of the parent company's capital	<b>109</b>		
2. Attributable to non controlling interest	<b>110</b>		

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

**PROFIT AND LOSS**  
for the period 1 January 2014 to 31 December 2014

Issuer: INA - Industrija nafte d.d. Zagreb

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112+113)</b>	<b>111</b>	24.374.000.000	5.347.000.000	21.487.000.000	4.422.000.000
1. Sales revenue	112	23.882.000.000	5.255.000.000	21.079.000.000	4.315.000.000
2. Other operating income	113	492.000.000	92.000.000	408.000.000	107.000.000
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	26.206.000.000	7.884.000.000	21.487.000.000	4.835.000.000
1. Changes in inventories of finished products and work in progress	115	71.000.000	208.000.000	705.000.000	395.000.000
2. Material costs (117 do 119)	116	18.085.000.000	3.752.000.000	16.348.000.000	3.300.000.000
a) Cost of raw materials & consumables	117	14.105.000.000	2.275.000.000	11.624.000.000	1.836.000.000
b) Cost of goods sold	118	2.210.000.000	996.000.000	2.704.000.000	846.000.000
c) Other costs	119	1.770.000.000	481.000.000	2.020.000.000	618.000.000
3. Staff costs (121 do 123)	120	1.339.000.000	348.000.000	1.323.000.000	338.000.000
a) Net salaries and wages	121	786.000.000	203.000.000	766.000.000	196.000.000
b) Costs for taxes and contributions from salaries	122	376.000.000	99.000.000	367.000.000	92.000.000
c) Contributions on gross salaries	123	177.000.000	46.000.000	190.000.000	50.000.000
4. Depreciation and amortisation	124	2.101.000.000	549.000.000	1.980.000.000	744.000.000
5. Other costs	125	831.000.000	196.000.000	951.000.000	353.000.000
6. Impairment charges (127+128)	126	3.633.000.000	2.746.000.000	-7.000.000	-574.000.000
a) impairment of long-term assets (excluding financial assets)	127	2.440.000.000	2.439.000.000	1.882.000.000	1.873.000.000
b) impairment of short-term assets (excluding financial assets)	128	1.193.000.000	307.000.000	-1.889.000.000	-2.447.000.000
7. Provisions	129	146.000.000	85.000.000	79.000.000	171.000.000
8. Other operating expenses	130				
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	412.000.000	118.000.000	807.000.000	630.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	83.000.000	22.000.000	130.000.000	33.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	93.000.000	15.000.000	81.000.000	33.000.000
3. Part of income from associates and participating interests	134				
4. Unrealized gains (income) from the financial assets	135				
5. Other financial income	136	236.000.000	81.000.000	596.000.000	564.000.000
<b>IV. FINANCIAL COSTS (138 do 141)</b>	<b>137</b>	547.000.000	144.000.000	657.000.000	80.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	25.000.000	12.000.000	3.000.000	
2. Interest, foreign exchange losses and other expenses from third parties	139	200.000.000	10.000.000	412.000.000	121.000.000
3. Unrealized loss (expenses) on financial assets	140				
4. Other financial expenses	141	322.000.000	122.000.000	350.000.000	67.000.000
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES</b>	<b>142</b>				
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTITIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	24.786.000.000	5.465.000.000	22.294.000.000	5.052.000.000
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	26.753.000.000	8.028.000.000	22.144.000.000	4.915.000.000
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	-1.967.000.000	-2.563.000.000	150.000.000	137.000.000
1. Profit before tax (146-147)	149	0	0	150.000.000	137.000.000
2. Loss before tax (147-146)	150	1.967.000.000	2.563.000.000	0	0
<b>XII. CORPORATE INCOME TAX EXPENSE</b>	<b>151</b>	-334.000.000	-452.000.000	-481.000.000	-545.000.000
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-1.633.000.000	-2.111.000.000	631.000.000	682.000.000
1. Profit for the period (149-151)	153	0	0	631.000.000	682.000.000
2. Loss for the period (151-148)	154	1.633.000.000	2.111.000.000	0	0
<b>ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to equity holders of the parent company	155				
2. Attributable to non-controlling interests	156	0	0	0	0
<b>STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-1.633.000.000	-2.111.000.000	631.000.000	682.000.000
<b>II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	-197.000.000	-93.000.000	711.000.000	163.000.000
1. Exchange differences on translation of foreign operations	159	-181.000.000	-93.000.000	596.000.000	443.000.000
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	-7.000.000		115.000.000	-280.000.000
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			
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)</b>	<b>167</b>	-197.000.000	-93.000.000	711.000.000	163.000.000
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	-1.830.000.000	-2.204.000.000	1.342.000.000	845.000.000
<b>APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)</b>					
<b>VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>					
1. Attributable to equity holders of the parent company	169				
2. Attributable to non-controlling interests	170	0	0	0	0

**CASH FLOW STATEMENT - Indirect method**  
in the period 1 January 2014 to 31 December 2014

Issuer: INA - Industrija nafte d.d. Zagreb			
Item	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	<b>001</b>	-1.967.000.000	150.000.000
2. Depreciation and amortisation	<b>002</b>	2.101.000.000	1.980.000.000
3. Increase in short-term liabilities	<b>003</b>	1.038.000.000	
4. Decrease in short-term receivables	<b>004</b>		291.000.000
5. Decrease in inventories	<b>005</b>		766.000.000
6. Other cash flow increases	<b>006</b>	5.001.000.000	3.018.000.000
<b>I. Total increase of cash flow from operating activities (001 do 006)</b>	<b>007</b>	6.173.000.000	6.205.000.000
1. Decrease in short-term liabilities	<b>008</b>		888.000.000
2. Increase in short-term receivables	<b>009</b>	787.000.000	
3. Increase in inventories	<b>010</b>	122.000.000	
4. Other cash flow decreases	<b>011</b>	1.210.000.000	2.481.000.000
<b>II. Total decrease of cash flow from operating activities (008 do 011)</b>	<b>012</b>	2.119.000.000	3.369.000.000
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	4.054.000.000	2.836.000.000
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	0	0
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash inflows from sale of long-term tangible and intangible assets	<b>015</b>	5.000.000	
2. Cash inflows from sale of equity and debt instruments	<b>016</b>	0	
3. Interest receipts	<b>017</b>	94.000.000	82.000.000
4. Dividends receipts	<b>018</b>		
5. Other cash inflows from investment activities	<b>019</b>	59.000.000	864.000.000
<b>III. Total cash inflows from investment activities (015 do 019)</b>	<b>020</b>	158.000.000	946.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	<b>021</b>	1.930.000.000	1.570.000.000
2. Cash outflows for purchase of equity and debt financial instruments	<b>022</b>	10.000.000	
3. Other cash outflows from investment activities	<b>023</b>		
<b>IV. Total cash outflows from investment activities (021 do 023)</b>	<b>024</b>	1.940.000.000	1.570.000.000
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>025</b>	0	0
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>026</b>	1.782.000.000	624.000.000
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash receipts from issuance from equity and debt financial instruments	<b>027</b>		
2. Cash inflows from loans, debentures, credits and other borrowings	<b>028</b>	21.220.000.000	16.969.000.000
3. Other cash inflows from financial activities	<b>029</b>		
<b>V. Total cash inflows from financial activities (027 do 029)</b>	<b>030</b>	21.220.000.000	16.969.000.000
1. Cash outflows for repayment of loans and bonds	<b>031</b>	23.038.000.000	18.932.000.000
2. Dividends paid	<b>032</b>	343.000.000	
3. Cash outflows for finance lease	<b>033</b>		
4. Cash outflows for purchase of own stocks	<b>034</b>		
5. Other cash outflows from financial activities	<b>035</b>	129.000.000	174.000.000
<b>VI. Total cash outflows from financial activities (031 do 035)</b>	<b>036</b>	23.510.000.000	19.106.000.000
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>037</b>	0	0
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>038</b>	2.290.000.000	2.137.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	0	75.000.000
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	18.000.000	0
Cash and cash equivalents at the beginning of the period	<b>041</b>	270.000.000	252.000.000
Increase of cash and cash equivalents	<b>042</b>	0	75.000.000
Decrease of cash and cash equivalents	<b>043</b>	18.000.000	
Cash and cash equivalents at the end of the period	<b>044</b>	252.000.000	327.000.000

## STATEMENT OF CHANGES IN EQUITY

for the period **1.1.2014** to **31.12.2014**

Item	AOP	Previous period	Current period
1	2	3	4
1. Share capital	<b>001</b>	9.000.000.000	9.000.000.000
2. Capital reserves	<b>002</b>		
3. Reserves from profit	<b>003</b>	1.933.000.000	2.529.000.000
4. Retained earnings or accumulated loss	<b>004</b>	4.023.000.000	-805.000.000
5. Profit / loss for the current year	<b>005</b>	-1.633.000.000	631.000.000
6. Revaluation of long-term tangible assets	<b>006</b>		
7. Revaluation of intangible assets	<b>007</b>		
8. Revaluation of financial assets available for sale	<b>008</b>	6.000.000	121.000.000
9. Other revaluation	<b>009</b>		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	13.329.000.000	11.476.000.000
11. Currency gains and losses arising from net investments in foreign operations	<b>011</b>	-181.000.000	596.000.000
12. Current and deferred taxes (part)	<b>012</b>		
13. Cash flow hedging	<b>013</b>		
14. Changes in accounting policies	<b>014</b>		
15. Correction of significant mistakes in prior period	<b>015</b>		
16. Other changes in capital	<b>016</b>	-1.992.000.000	746.000.000
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	-2.173.000.000	1.342.000.000
17 a. Attributable to equity holders of the parent company's capital	<b>018</b>		
17 b. Attributable to non-controlling interests	<b>019</b>		

Items that decrease equity have negative sign

Items from 001 to 009 are state of balance sheet date

## **Notes with financial statements**

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

**Q4 AND Q1-Q4 2014 – REPORT INA, D.D. NON-CONSOLIDATED**
*INA, d.d. financial results (IFRS)*

Q3 2014	Q4 2014	Q4 2013*	%	HRK mln.	2013*	2014	%
6,618	4,315	5,255	(18)	Net sales revenues	23,882	21,079	(12)
881	36	843	(96)	EBITDA <sup>(1)</sup>	4,048	2,160	(47)
<b>881</b>	<b>155</b>	<b>843</b>	<b>(82)</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>4,175</b>	<b>2,279</b>	<b>(45)</b>
451	(305)	(2,537)	(88)	Operating profit/(loss)	(1,832)	108	n.a.
<b>451</b>	<b>1,883</b>	<b>(295)</b>	<b>n.a.</b>	<b>Operating profit/(loss) excl. special items <sup>(2)</sup></b>	<b>537</b>	<b>2,296</b>	<b>328</b>
(178)	442	(26)	n.a.	Net financial expenses	(135)	42	n.a.
209	682	(2,111)	n.a.	Net profit/loss attributable to equity holder	(1,633)	631	n.a.
<b>209</b>	<b>2,876</b>	<b>248</b>	<b>1,058</b>	<b>Net profit/(loss) excl. special items <sup>(2)</sup></b>	<b>828</b>	<b>2,825</b>	<b>241</b>
940	1,392	1,735	(20)	Operating cash flow	4,054	2,835	(30)
				<b>Earnings per share</b>			
20.90	68.20	(211.10)		Basic and diluted earnings/(loss) per share (kunas per share)	(163.30)	63.10	
3,893	2,870	4,592	(38)	Net debt	4,592	2,870	(38)
21.97	20.01	25.62		Net gearing	25.62	20.01	
Q3 2014	Q4 2014	Q4 2013*	%	USD mln <sup>(3)</sup>	2013*	2014	%
1,153	704	938	(25)	Net sales revenues	4,185	3,666	(12)
154	6	150	(96)	EBITDA <sup>(1)</sup>	709	376	(47)
<b>154</b>	<b>25</b>	<b>150</b>	<b>(83)</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>732</b>	<b>396</b>	<b>(46)</b>
79	(50)	(453)	(89)	Operating profit/(loss)	(321)	19	n.a.
<b>79</b>	<b>307</b>	<b>(53)</b>	<b>n.a.</b>	<b>Operating profit/(loss) excl. special items <sup>(2)</sup></b>	<b>94</b>	<b>399</b>	<b>324</b>
(31)	72	(5)	n.a.	Net financial expenses	(24)	7	n.a.
36	111	(377)	n.a.	Net profit/loss attributable to equity holder	(286)	110	n.a.
<b>36</b>	<b>469</b>	<b>44</b>	<b>959</b>	<b>Net profit/(loss) excl. special items <sup>(2)</sup></b>	<b>145</b>	<b>491</b>	<b>239</b>
164	227	310	(27)	Operating cash flow	710	493	(31)
				<b>Earnings per share</b>			
3.6	11.1	(37.7)	n.a.	Basic and diluted earnings/(loss) per share (USD per share)	(28.6)	11.0	n.a.
693	499	805	(38)	Net debt	805	499	(38)

<sup>(1)</sup> EBITDA = EBIT + Depreciation + Impairment + Provisions

<sup>(2)</sup> The 2014 EBIT was negatively influenced by HRK 2,188 million special items

<sup>(3)</sup> 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

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

**2014 results**

In 2014, INA d.d. achieved EBITDA excluding special items in the amount of 2,279 million and operating profit excluding special items of 2,296 million. Decrease of EBITDA in the amount of 1,896 million came from the following reasons: (1) changes in the regulatory environment in the Upstream: the royalty rate has increased from 5% to 10%, starting on 26 March 2014 and regulated natural gas prices for households was reduced from 2.2 to 1.7 kn/m<sup>3</sup>, which resulted in significantly lower average realized price of hydrocarbons. In addition, a significant drop in Brent in the second half of 2014 had a further negative impact on the result, (2) lower sales in Downstream (including Retail) which was partially offset by improved sales structure (ie. the share of motor fuel has increased, while the share of fuel oil decreased).



### **Income statement**

**Total sales revenues in 2014** amounted HRK 21,079 million, 12% lower compared to 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.

**Costs of raw materials and consumables** were 18% lower and amounted to HRK 11,624 million, as processing of other raw material volumes was lower.

**Costs of goods sold** recorded increase of 22%, and amounted HRK 2,704 million, resulting from higher import of crude oil products compared to 2013.

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

- Other material costs were higher by 14% and amounted to HRK 2,020 million.
- Service costs in the amount of HRK 786 million recorded an increase of 13% mainly due to ENI tax related to 2013 which had neutral impact on 2014 result due to release of related provision.
- Depreciation was 6% lower and amounted to HRK 1,980 million mainly due to lower Syrian and R&M depreciation.
- Adjustments and provisions had a positive effect of HRK 3,707 million compared to 2013 due to reversal of impairment of receivables from Prirodni plin which was merged to INA d.d. on November 3, 2014. This almost completely offset negative effect of additional impairment of Syrian assets and refineries.

**Staff costs** in the amount HRK 1,488 million were 1% higher than 2013.

**Net financial income** in the amount of HRK 42 million were recorded in 2014, compared to the HRK 135 million net financial expenses in 2013.

### **Balance sheet**

**Total assets** of INA, d.d., as at 31 December 2014 amounted to HRK 21,193 million and were 16% lower compared to 31 December 2013.

**Property, plant and equipment** amounted to HRK 12,564 million and were lower 12% as 31 December 2013.

**Trade receivables** outside INA-Group amounted to HRK 1,399 million and were 8% lower compared to 31 December 2013.

**Total liabilities** amounted to HRK 9,717 million and were 18% lower compared to 31 December 2013.

**Net indebtedness** of INA, d.d., amounted to HRK 2,870 million as at 31 December 2014 what is 38% lower compared to 31 December 2013. **Gearing ratio**<sup>1</sup> decreased from 25.6% as at 31 December 2013 to 20.0% as at 31 December 2014.

**Trade payables** decreased by 41% to HRK 1,256 million, as a result of lower liabilities for imported crude oil and natural gas.

### **Cash flow**

**The operating cash-flow before changes in working capital** amounted to HRK 2,666 million in 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 255 million, primarily due to:

- Decrease value of inventories by HRK 766 million
- Decrease in receivables by HRK 291 million,
- Payables decreased by HRK 802 million.

Taxes paid influenced the operating cash flow in the amount of HRK 86 million. All the above factors resulted in HRK 2,835 million net outflows from operating activities generated by INA d.d. in 2014.

<sup>1</sup> 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 December 2013 and 2014**  
**(HRK millions)**

Q3 2014	Q4 2014	Q4 2013*	%		2013*	2014	%
				Sales revenue			
3,899	3,078	3,531	(13)	a) domestic	15,558	13,394	(14)
2,719	1,237	1,724	(28)	b) exports	8,324	7,685	(8)
<b>6,618</b>	<b>4,315</b>	<b>5,255</b>	<b>(18)</b>	<b>Total sales revenue</b>	<b>23,882</b>	<b>21,079</b>	<b>(12)</b>
1	1	1	0	Capitalised value of own performance	4	4	0
87	106	91	16	Other operating income	488	404	(17)
<b>6,706</b>	<b>4,422</b>	<b>5,347</b>	<b>(17)</b>	<b>Total operating income</b>	<b>24,374</b>	<b>21,487</b>	<b>(12)</b>
				Changes in inventories of finished products and work in progress	(71)	(705)	893
(439)	(395)	(208)	90	Cost of raw materials and consumables	(14,105)	(11,624)	(18)
(3,499)	(1,836)	(2,275)	(19)	Depreciation and amortization	(2,101)	(1,980)	(6)
(409)	(744)	(549)	36	Other material costs	(1,770)	(2,020)	14
(546)	(618)	(481)	28	Service costs	(698)	(786)	13
(158)	(299)	(150)	99	Staff costs	(1,472)	(1,488)	1
(393)	(392)	(394)	(1)	Cost of other goods sold	(2,210)	(2,704)	22
(790)	(846)	(996)	(15)	Impairment and charges (net)	(3,633)	7	n.a.
(62)	574	(2,746)	n.a.	Provisions for charges and risks (net)	(146)	(79)	(46)
41	(171)	(85)	101	<b>Operating expenses</b>	<b>(26,206)</b>	<b>(21,379)</b>	<b>(18)</b>
<b>(6,255)</b>	<b>(4,727)</b>	<b>(7,884)</b>	<b>(40)</b>	<b>Profit/(loss) from operations</b>	<b>(1,832)</b>	<b>108</b>	<b>n.a.</b>
<b>451</b>	<b>(305)</b>	<b>(2,537)</b>	<b>(88)</b>	Share in the profit of associated companies			
99	630	118	434	Finance income	412	807	96
(277)	(188)	(144)	31	Finance costs	(547)	(765)	40
<b>(178)</b>	<b>442</b>	<b>(26)</b>	<b>n.a.</b>	<b>Net loss from financial activities</b>	<b>(135)</b>	<b>42</b>	<b>n.a.</b>
<b>273</b>	<b>137</b>	<b>(2,563)</b>	<b>n.a.</b>	<b>Profit/(loss) before tax</b>	<b>(1,967)</b>	<b>150</b>	<b>n.a.</b>
(64)	545	452	21	Income tax expense	334	481	44
<b>209</b>	<b>682</b>	<b>(2,111)</b>	<b>n.a.</b>	<b>Profit/(loss) for the year</b>	<b>(1,633)</b>	<b>631</b>	<b>n.a.</b>
				Attributable to			
209	682	(2,111)	n.a.	Owners of the Company	(1,633)	631	n.a.
-	-	-	n.a.	Non-controlling interests	-	-	n.a.
<b>209</b>	<b>682</b>	<b>(2,111)</b>	<b>n.a.</b>		<b>(1,633)</b>	<b>631</b>	<b>n.a.</b>
				<b>Earnings per share</b>			
20.9	68.2	(211.1)	n.a.	Basic and diluted earnings per share (kunas per share)	(163.3)	63.1	n.a.

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

	1 January 2014	31 December 2014	%
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	522	455	(13)
Property, plant and equipment	14,340	12,564	(12)
Goodwill	-	-	n.a.
Investments in subsidiaries	1,127	1,133	1
Investments in associates and joint ventures	22	22	0
Other investments	795	23	(97)
Long-term receivables	239	178	(26)
Derivative financial instruments	-	-	n.a.
Deferred tax	1,076	1,702	58
Available for sale assets	330	462	40
<b>Total non-current assets</b>	<b>18,451</b>	<b>16,539</b>	<b>(10)</b>
<b>Current assets</b>			
Inventories	2,526	1,659	(34)
Trade receivables net	1,291	1,399	8
Intercompany receivables	1,677	117	(93)
Other receivables	330	122	(63)
Corporative Income tax receivables	397	92	(77)
Other current assets	150	789	426
Prepaid expenses and accrued income	98	149	52
Cash and cash equivalents	252	327	30
<b>Current assets</b>	<b>6,721</b>	<b>4,654</b>	<b>(31)</b>
Assets classified as held for sale	-	-	n.a.
<b>Total current assets</b>	<b>6,721</b>	<b>4,654</b>	<b>(31)</b>
<b>Total assets</b>	<b>25,172</b>	<b>21,193</b>	<b>(16)</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	9,000	9,000	0
Revaluation reserve	6	121	1,917
Other reserves	1,933	2,529	31
Retained earnings / (Deficit)	2,390	(174)	n.a.
<b>Total equity</b>	<b>13,329</b>	<b>11,476</b>	<b>(14)</b>
Non-controlling interests	-	-	n.a.
<b>Total equity</b>	<b>13,329</b>	<b>11,476</b>	<b>(14)</b>
<b>Non-current liabilities</b>			
Long-term loans	1,826	619	(66)
Other non-current liabilities	65	62	(5)
Employee benefits obligation	98	128	31
Provisions	2,707	2,850	5
<b>Total non-current liabilities</b>	<b>4,696</b>	<b>3,659</b>	<b>(22)</b>
<b>Current liabilities</b>			
Bank loans and overdrafts	2,764	2,391	(13)
Current portion of long-term loans	255	187	(27)
Calculated derivative agreements	-	-	n.a.
Intercompany payables	569	443	(22)
Trade payables	2,146	1,256	(41)
Taxes and contributions	561	970	73
Other current liabilities	416	293	(30)
Accruals and deferred income	40	88	120
Employee benefits obligation	7	8	14
Provisions	390	422	8
<b>Current liabilities</b>	<b>7,147</b>	<b>6,058</b>	<b>(15)</b>
Liabilities directly associated with assets classified held for sale	-	-	n.a.
<b>Total current liabilities</b>	<b>7,147</b>	<b>6,058</b>	<b>(15)</b>
<b>Total liabilities</b>	<b>11,843</b>	<b>9,717</b>	<b>(18)</b>
<b>Total equity and liabilities</b>	<b>25,172</b>	<b>21,193</b>	<b>(16)</b>

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

Q3 2014	Q4 2014	Q4 2013*	%		2013*	2014	%
209	682	(2,111)	n.a.	<b>Profit/(loss) for the year</b>	<b>(1,633)</b>	<b>631</b>	<b>n.a.</b>
				<b>Adjustments for:</b>			
409	744	549	36	Depreciation and amortisation	2,101	1,980	(6)
64	(545)	(452)	21	Income tax (benefit)/expenses recognized in (loss)/profit	(334)	(481)	44
128	(126)	2,800	n.a.	Impairment charges	4,728	2,370	(50)
(64)	(450)	(54)	733	Reversal of impairment	(1,095)	(2,377)	117
(4)	7	-	n.a.	Gain on sale of property, plant and equipment	(5)	-	n.a.
147	53	(23)	n.a.	Foreign exchange loss/(gain)	12	192	1,500
(28)	(1)	(27)	(96)	Interest income, net	(110)	(105)	(5)
17	(158)	23	n.a.	Other financial expense recognised in profit	7	54	671
(70)	328	48	583	(Decrease)/increase in provisions	172	252	47
-	-	-	n.a.	Merger of Proplin	-	-	n.a.
22	23	35	(34)	Decommissioning interests	80	87	9
10	51	16	219	Other non-cash items	2	63	3,050
<b>840</b>	<b>608</b>	<b>804</b>	<b>(24)</b>	<b>Operating cash flow before working capital changes</b>	<b>3,925</b>	<b>2,666</b>	<b>(32)</b>
				<b>Movements in working capital</b>			
729	956	219	337	(Increase)/decrease in inventories	(122)	766	n.a.
499	(174)	204	n.a.	(Increase)/decrease in receivables and prepayments	(787)	291	n.a.
(1,117)	10	605	(98)	(Decrease)/increase in trade and other payables	1,395	(802)	n.a.
<b>951</b>	<b>1,400</b>	<b>1,832</b>	<b>(24)</b>	<b>Cash generated from operations</b>	<b>4,411</b>	<b>2,921</b>	<b>(34)</b>
(11)	(8)	(97)	(92)	Taxes paid	(357)	(86)	(76)
<b>940</b>	<b>1,392</b>	<b>1,735</b>	<b>(20)</b>	<b>Net cash inflow from operating activities</b>	<b>4,054</b>	<b>2,835</b>	<b>(30)</b>
				<b>Cash flows used in investing activities</b>			
(380)	(504)	(865)	(42)	Payments for property, plant and equipment	(1,685)	(1,542)	(8)
8	(29)	1	n.a.	Payment for intangible assets	(245)	(28)	(89)
4	(7)	-	n.a.	Proceeds from sale of non-current assets	5	-	n.a.
-	-	(4)	n.a.	Proceeds from sale of investments	-	-	n.a.
-	-	(1)	n.a.	Acquisition of investments in associates and joint ventures and other companies	(10)	-	n.a.
7	-	1	n.a.	Dividends received from companies classified under available for sale and other companies	3	7	133
-	-	-	n.a.	Proceeds from profit of companies	39	4	(90)
21	15	28	(46)	Interest received and other financial income	97	82	(15)
(128)	341	63	441	Investments and loans to third parties	14	853	5,993
<b>(468)</b>	<b>(184)</b>	<b>(777)</b>	<b>(76)</b>	<b>Net cash (outflow) used for investing activities</b>	<b>(1,782)</b>	<b>(624)</b>	<b>(65)</b>
				<b>Cash flows from financing activities</b>			
228	-	1,612	n.a.	Additional long-term borrowings	6,160	2,202	(64)
(629)	(41)	(1,321)	(97)	Repayment of long-term borrowings	(9,798)	(3,564)	(64)
4,641	2,066	2,348	(12)	Additional short-term borrowings	15,060	14,767	(2)
(4,701)	(2,929)	(3,444)	(15)	Repayment of short term borrowings	(13,240)	(15,368)	16
-	-	-	n.a.	Payment dividends	(343)	-	n.a.
(9)	(9)	(15)	(40)	Interest paid on long-term loans	(79)	(41)	(48)
(2)	3	(2)	n.a.	Other long-term liabilities	(7)	(2)	(71)
1	(91)	(29)	214	Interest paid on short term loans and other financing charges	(40)	(131)	228
<b>(471)</b>	<b>(1,001)</b>	<b>(851)</b>	<b>18</b>	<b>Net cash from financing activities</b>	<b>(2,287)</b>	<b>(2,137)</b>	<b>(7)</b>
1	207	107	94	Net (decrease)/increase in cash and cash equivalents	(15)	74	n.a.
115	117	145	(19)	At 1 January	270	252	(7)
1	3	-	n.a.	Effect of foreign exchange rate changes	(3)	1	n.a.
117	327	252	30	At the end of period	252	327	30

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

	2013	2014
<b>INA, d.d.</b>		
<b>Total impact of special items on net profit/(loss)</b>	<b>(2,461)</b>	<b>(2,394)</b>
<b>Total impact of special items on operating profit/(loss)</b>	<b>(2,369)</b>	<b>(2,188)</b>
<b>Total impact of special items on EBITDA</b>	<b>(127)</b>	<b>(119)</b>
<b>Exploration &amp; Production</b>		
<b>Total impact of special items on operating profit/(loss)</b>	<b>(1,504)</b>	<b>(1,604)</b>
<b>Total impact of special items on EBITDA</b>	<b>-</b>	<b>-</b>
Impairment of assets	(215)	-
Impairment of assets - Syria	(1,289)	(1,562)
Provisions for incentives	-	(42)
<b>Refining &amp; Marketing</b>		
<b>Total impact of special items on operating profit/(loss)</b>	<b>(865)</b>	<b>(564)</b>
<b>Total impact of special items on EBITDA</b>	<b>(127)</b>	<b>(119)</b>
Impairment of assets - Refinery	(738)	(395)
Refinery - tax case	(127)	(119)
Provisions for incentives	-	(50)
<b>Corporate functions</b>		
<b>Total impact of special items on operating profit/(loss)</b>	<b>-</b>	<b>(20)</b>
<b>Total impact of special items on EBITDA</b>	<b>-</b>	<b>-</b>
Provisions for incentives	-	(20)
<b>Impacts on financial result and income tax</b>		
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)

### 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 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 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
<b>Total</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>

Source: Central Clearing Depository 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