

## Q3 AND Q1-Q3 2015 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1-Q3 2015 results today. This report contains unaudited consolidated financial statements for the period ending 30 September 2015 as prepared by the management in accordance with the International Financial Reporting Standards.

### INA Group financial results (IFRS)

Q2 2015	Q3 2015	Q3 2014	%	HRK mln.	Q1-Q3 2014*	Q1-Q3 2015	%
5,505	5,640	7,103	(21)	Net sales revenues	18,864	14,943	(21)
804	631	917	(31)	EBITDA <sup>(1)</sup>	2,384	2,142	(10)
<b>696</b>	<b>1,061</b>	<b>1,024</b>	<b>4</b>	<b>CCS EBITDA</b>	<b>2,593</b>	<b>2,696</b>	<b>4</b>
396	63	511	(88)	Profit/(loss) from operations	1,049	777	(26)
<b>262</b>	<b>499</b>	<b>625</b>	<b>(20)</b>	<b>CCS Operating profit</b>	<b>1,267</b>	<b>1,318</b>	<b>4</b>
(35)	2	(218)	n.a.	Net financial expenses	(349)	(284)	(19)
278	31	211	(85)	Net profit/loss attributable to equity holder	583	359	(38)
<b>758</b>	<b>1,277</b>	<b>841</b>	<b>52</b>	<b>Operating cash flow</b>	<b>2,029</b>	<b>1,367</b>	<b>(33)</b>
				<b>Earnings per share</b>			
				Basic and diluted/(loss) earnings per share (kunas per share)	58.3	35.9	(38)
3,691	2,963	4,010	(26)	Net debt	4,010	2,963	(26)
23.2	19.5	22.3		Net gearing	22.3	19.5	
<b>312</b>	<b>424</b>	<b>430</b>	<b>(1)</b>	<b>CAPEX total</b>	<b>1,095</b>	<b>973</b>	<b>(11)</b>
264	346	372	(7)	Domestic	980	799	(18)
49	78	58	35	International	116	174	50

Q2 2015	Q3 2015	Q3 2014	%	USD mln <sup>(2)</sup>	Q1-Q3 2014*	Q1-Q3 2015	%
802	829	1,238	(33)	Net sales revenues	3,356	2,188	(35)
117	93	160	(42)	EBITDA <sup>(1)</sup>	424	314	(26)
<b>101</b>	<b>156</b>	<b>178</b>	<b>(13)</b>	<b>CCS EBITDA</b>	<b>461</b>	<b>395</b>	<b>(14)</b>
58	9	89	(90)	Profit/(loss) from operations	187	114	(39)
<b>38</b>	<b>73</b>	<b>109</b>	<b>(33)</b>	<b>CCS Operating profit</b>	<b>225</b>	<b>193</b>	<b>(14)</b>
(5)	0	(38)	n.a.	Net financial expenses	(62)	(42)	(33)
41	5	37	(88)	Net profit/loss attributable to equity holder	104	53	(49)
<b>110</b>	<b>188</b>	<b>147</b>	<b>28</b>	<b>Operating cash flow</b>	<b>361</b>	<b>200</b>	<b>(45)</b>
				<b>Earnings per share</b>			
				Basic and diluted/(loss) earnings per share (kunas per share)	10.4	5.3	(49)
540	436	667	(35)	Net debt	667	436	(35)
<b>46</b>	<b>62</b>	<b>75</b>	<b>(17)</b>	<b>CAPEX total</b>	<b>195</b>	<b>142</b>	<b>(27)</b>
38	51	65	(22)	Domestic	174	117	(33)
7	11	10	14	International	21	25	24

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

<sup>(2)</sup> In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q2 2015 – 6.8657 HRK/USD; Q3 2014 – 5.7390 HRK/USD; Q3 2015 – 6.8049 HRK/USD; Q1-Q3 2014 – 5.6215 HRK/USD; Q1-Q3 2015 – 6.8285 HRK/USD; as at June 30, 2015 – 6.8294 HRK/USD; as at Sept 30, 2015 – 6.7931 HRK/USD

\* Restatement of comparable previous periods was made – see on page 12

INA Group's CCS EBITDA in Q1-Q3 2015 increased by 4%, compared to the same period last year, reaching HRK 2,696 million, a strong result having in mind the low oil price environment this year. INA's successful production intensification efforts resulted in an over 3 mboepd increase in hydrocarbon production, and more favourable external conditions of the downstream segment partly counter-balanced the negative impact of halved oil prices. The strengthening of USD also had a strong positive impact on results in HRK terms, bringing CCS operating profit to HRK 1,318 million, 4% above the level in Q1-Q3 2014.

Exploration and Production results show a strong rise in production, especially in Croatia. Domestic crude leads the way with a 21% increase compared to Q1-Q3 2014, while offshore gas production also showed a remarkable 15% increase. With INA's international production also growing, total hydrocarbon production increased by 8%. However, weakening Brent price led to a 29% lower average realized price, while HRK weakening to USD helped to moderate the decrease of Upstream EBITDA to just 16%.

Refining and Marketing, on the other side, benefited significantly from the decreased oil price and improving crack spreads. Additionally higher refinery utilization and continued optimization of crude slate helped to achieve positive CCS EBITDA of the segment on Q1-Q3 basis, however, reported figures are still in the red, showing the need for further rationalization of

operations. On the sales side, INA managed to increase both the volumes sold on its captive markets in Croatia and Bosnia and Herzegovina but also significantly increased exports to Slovenia (by 23%).

The financial position of the Company continues to strengthen in line with previous years trends as gearing fell below 20 reaching a record low of 19.5 while net debt was reduced by 26% to below HRK 3 billion. INA carried out investments worth HRK 973 million in Q1-Q3 2015, which, although 11% below the same period 2014, is a robust performance taking into consideration the volatile external environment.

- ▶ **Exploration and Production:** In Q1-Q3 2015, EBITDA reached HRK 2,454 million, which was lower by HRK 466 millions in comparison with the same period of last year. Significant negative impact derived primarily from Brent price drop and lower natural gas prices as a consequence of reduced households gas price and general intensification of the competition. Besides, increased royalty due to regulatory decisions from 2014 continues to burden the operations. On the other hand, increased domestic and international crude oil production together with higher offshore natural gas production partly mitigated these negative factors.
- ▶ **Refining and Marketing (including Retail):** In Q1-Q3 2015 CCS-based EBITDA amounted to HRK 179 million (while reported EBITDA amounted to HRK (375) million), both considerably improved over last years level. The result was driven by more favorable refining margins, higher sales volumes on captive wholesale and retail markets, further supported by the continued implementation of improved retail operating model.
- ▶ **Corporate and Other<sup>1</sup>:** EBITDA of the segment amounted to HRK (65) million, a decrease compared to Q1-Q3 2014 level by HRK 182 million. EBITDA was lower mainly due to decreased contribution of Croscoco, driven by lower engagement of drilling platforms.

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

We managed to increase INA's CCS EBITDA by 4% to HRK 2.7 billion in the first three quarters of 2015, in an environment which sees oil prices halved compared to the same period last year. INA's investment performance remains robust taking into account the low oil price environment with close to one billion kunas invested in Q1-Q3 2015. Management efforts demonstrated success in increasing hydrocarbon production with domestic oil output up by 21% versus the base period, having reversed the natural depletion of our mature fields. This environment has been more favourable for INA's refining segment, although the result is still not positive. Increased level of refinery production has taken advantage of the improved crack spread environment. We increased our refined product sales in all of our markets (Croatia by 1%, Bosnia and Herzegovina by 2%, Slovenia by 23%) boosting export sales significantly, by 12% i.e. 149 thousand tons. Retail sales remain stable while ongoing processes aim to improve the operational efficiency of the segment.

<sup>1</sup> Include Corporate Functions and subsidiaries providing technical services, accounting services, corporate support and other services.

## Management discussion

### Exploration and Production\*

Q2 2015	Q3 2015	Q3 2014	%	Segment IFRS results (HRK mln)	Q1-Q3 2014**	Q1-Q3 2015	%
1,385	1,265	1,399	(10)	Net sales revenues	5,282	3,887	(26)
765	819	834	(2)	EBITDA	2,920	2,454	(16)
466	420	565	(26)	Operating profit	2,217	1,587	(28)
187	225	356	(37)	CAPEX with one-off	822	560	(32)

\* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Adriagas S.r.l. Milano, Prirodni plin d.o.o. (merged in INA Nov 3, 2014)

\*\* Restatement of comparable previous periods was made – see on page 12

Q2 2015	Q3 2015	Q3 2014	%	Hydrocarbon production	Q1-Q3 2014	Q1-Q3 2015	%
<b>13,549</b>	<b>13,885</b>	<b>11,588</b>	<b>20</b>	<b>Crude oil production (boe/d)</b>	<b>11,817</b>	<b>13,720</b>	<b>16</b>
10,193	10,574	8,499	24	Croatia	8,605	10,411	21
2,098	2,102	1,904	10	Egypt	2,041	2,084	2
1,257	1,209	1,185	2	Angola	1,171	1,224	5
<b>24,892</b>	<b>24,568</b>	<b>22,127</b>	<b>11</b>	<b>Natural gas production (boe/d)</b>	<b>23,743</b>	<b>25,151</b>	<b>6</b>
11,958	11,973	10,798	11	Croatia - offshore	10,664	12,303	15
12,934	12,595	11,329	11	Croatia - onshore	13,080	12,848	(2)
<b>1,915</b>	<b>1,858</b>	<b>1,894</b>	<b>(2)</b>	<b>Condensate (boe/d)</b>	<b>2,110</b>	<b>1,919</b>	<b>(9)</b>
<b>40,356</b>	<b>40,311</b>	<b>35,609</b>	<b>13</b>	<b>Total hydrocarbon production (boe/d)</b>	<b>37,671</b>	<b>40,789</b>	<b>8</b>

Q2 2015	Q3 2015	Q3 2014	%	Average realised hydrocarbon price	Q1-Q3 2014	Q1-Q3 2015	%
53	50	73	(32)	Total hydrocarbon price (USD/boe)*	71	50	(29)

Q2 2015	Q3 2015	Q3 2014	%	Natural gas trading - mln cm	Q1-Q3 2014	Q1-Q3 2015	%
292	275	276	(0)	Total natural gas sales - domestic market**	1,189	856	(28)

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

\*\* Not including forced natural gas sales from Okoli in 2014

#### Q1-Q3 2015 vs. Q1-Q3 2014

In Q1-Q3 2015, EBITDA reached HRK 2,454 million, which was 16% lower than last year. Overall production increase of 8%, coming mainly from higher crude oil and offshore natural gas production was offset by the decreased realised hydrocarbon prices of 29%. A Brent price decrease of 48% had a negative impact on crude oil sales in the amount of HRK (1,392) million. Lower realised natural gas prices by 16% caused HRK (429) million negative result consisting of HRK (333) million due to adverse market environment and reduction in the regulated gas price that created further HRK (96) million negative difference compared to base period. The lower realised prices were partially mitigated with 21% HRK weakening to USD, with a HRK (830) million positive FX change.

**Crude oil production** increased in Q1-Q3 2015 by 16% compared to Q1-Q3 2014:

- Domestic crude oil production increased by 21% as a result of continued well workovers, well optimisations and additional production from Hrastilnica
- International oil production was 5% higher in Angola due to start up of new Block 3/05A and 2% in Egypt.

Total **natural gas** production in Q1-Q3 2015 was 6% higher than in Q1-Q3 2014:

- Off-shore natural gas production increased mainly as a result of production from new offshore field Ika SW (from November 2014) and Isabela start up (from July 2014)
- Onshore natural gas production was negatively impacted by natural decline and water cuts on mature gas fields.

Lower domestic **condensate** production by 9% as a consequence of natural decline on main gas condensate fields.

### Q3 2015 vs. Q3 2014

In Q3 2015, EBITDA decreased by 2% compared to 2014 mainly as a consequence of Brent drop and additional decrease of natural gas regulated price to households (1.59 HRK/cm in Q3 2015 vs. 1.76 HRK/cm in Q3 2014).

This was mitigated by increased domestic crude oil production after performed workovers and well optimisation, as well as higher international production and favourable FX changes. International increase came from the same drivers described in Q1-Q3 section above. Natural gas production was also higher, on onshore resulting from impact of annual overhaul on GTP Molve and Ethane plant that diminished production in Q3 2014, while it did not occur in Q3 2015 and on offshore as a result of production from new offshore fields Ika SW and Isabela.

### Q3 2015 vs. Q2 2015

In Q3 2015, EBITDA increased by 7% compared to Q2 2015 resulting mostly from increased domestic crude oil production after performed workovers and well optimisation. This positive impact was pushed by lower cost (mainly production cost and excess cost), partially offset with lower onshore natural gas production because of the sharp natural decline and water cut on mature gas fields as well as lower Angolan crude oil production (due to technical issue on Picassa field and shut down wells on Oombo filed) together with 7% decreased realised hydrocarbon prices.

### CAPITAL EXPENDITURES

Exploration and Production segment's CAPEX in period Q1-Q3 2015 amounted to HRK 560 million. Capital investments in Croatia amounted to HRK 441 million and capital investments abroad HRK 119 million. In comparison with Q1-Q3 2014 capital investments were lower in total for HRK 262 million or 32%. Decreased investments level was mainly a result of lower offshore development and lower onshore exploration and development in Croatia.

E&P CAPEX Q1-Q3 2015 (HRK million)	Croatia	Egypt	Angola
Exploration	53.7		
Development	304.6	75.1	44.3
<p>Exploration: 53.7 (9.6%) Development: 424.0 (75.7%) Other: 82.2 (14.7%)</p>	<p><b>Exploration Onshore:</b></p> <p>Hrastlinica-5: Status: Plug &amp; Abandon due to unfavourable drilling results Kloštar-8, well test finalised 3D Seismic Legrad acquisition (79 km2) performed, data processing and seismic interpretation on-going. Bunjani-2 South: Drilling finished on July 29<sup>th</sup>. Preparation for well test is on-going. Đeletovci-2 West: Spud in was on Aug 24<sup>th</sup>, drilling of deviated wellbore is on-going.</p> <p><b>Development Onshore:</b></p> <p><b>EOR project</b> - Trial exploitation of CO<sub>2</sub> injection system on Ivanić (12 wells) on-going. Preparation workovers performed in 16 wells, on one well workover is on-going. Legal property rights to enable CO<sub>2</sub> injection in two additional wells on Ivanić and Žutica North fields solved and concession for Žutica as well as permit for trial CO<sub>2</sub> injection on Žutica North obtained. Workovers in production wells on Ivanić and preparation workover for re-lining on injection wells Žutica south (2nd phase of the project) in progress.</p> <p><b>Međimurje project:</b> Construction works in progress on Vučkovec, Vukanovec and Zebanec fields; Preparation of well site Mac-1R for injection formation water. Construction permit obtained in July and pipeline construction from node Međimurje to GTP Molve has started, works in progress.</p> <p><b>Gola-10 well</b> - put in test production to the flare. Obtaining construction permit in progress as well as preparation activities for constructing surface gathering &amp; transport system.</p> <p><b>Capital well workovers</b> started mid-March, nineteen performed and two are in progress.</p> <p><b>4P Program (HF):</b> Project activities on-going. HFT execution started in August and was performed on fourteen wells.</p> <p><b>Development Offshore:</b></p> <p><b>Ika JZ:</b> Gas test production started in November 2014 and is in progress. Documentation preparation for issuing Operating license, preparations for technical committee are on-going.</p> <p><b>Ivana A/K optimization:</b> Process skid and booster unit assembly and installation activities finished. Request for test production submitted. Preparation works for start-up are on-going.</p>	<p><b>Exploration:</b></p> <p>No activities, Q1-Q3 actual related to billing statement's adjustments received for East Yidma concession which resulted in slight negative actual. Concession expired.</p> <p><b>Development:</b></p> <p><b>North Bahariya Concession</b> - six wells were drilled, completed and put in production, drilling of one well is on-going, while drilling of one well is temporarily suspended due to pipe stuck. Several workover operations were completed.</p> <p><b>West Abu Gharadig Concession</b> - Tendering process is on-going for Contaminated Sand Treatment. Some facilities upgrading and civil works performed. Workover operations were successfully performed on 1 well in Q3 2015.</p> <p><b>Ras Qattara Concession</b> - Faras GPG &amp; network project is completed while tendering process is ongoing for Contaminated Sand Treatment. In addition, some facilities upgrading is performed. Workover operations were successfully performed on twenty-seven wells.</p> <p><b>Sidi Rahman Concession</b> - work program for Sidi Rahman-5 well workover was completed and preparations for upcoming workover campaign are in progress.</p>	<p><b>Development:</b></p> <p><b>Block 3/05:</b> Buřalo-113 Infill Well: well spud on March 20<sup>th</sup> 2015, revised depth reached on Sep 30<sup>th</sup>, well completion to follow. Also, Operator continued with the execution of planned production, well interventions, maintenance, inspection and facilities engineering activities and continued with implementing on-going major development projects.</p> <p><b>Block 3/05A:</b> Caco Gazela Development Area: Drilling of Gazela-101 well started on July 28<sup>th</sup> 2014. Occurred unexpected technical problems during drilling (stuck in hole). Gazela-101/Gazela-101ST-1 development well drilled to revised MD 4,488 m. Well put in production on Feb 25<sup>th</sup> 2015.</p> <p>Punja Development Area: Final Investment Decision (FID) to be made by Partners in Q4 2015.</p>

## Refining and Marketing, including Retail\*

Q2 2015	Q3 2015	Q3 2014	%	Segment IFRS results (HRK mln)	Q1-Q3 2014**	Q1-Q3 2015	%
4,453	4,680	5,979	(22)	Revenues	14,548	11,709	(20)
138	(228)	(89)	156	EBITDA	(596)	(375)	(37)
30	202	18	1,026	CCS-based R&M EBITDA	(387)	179	n.a.
57	(371)	(234)	59	Operating profit/(loss)	(1,089)	(749)	(31)
(77)	65	(120)	n.a.	CCS-based R&M operating loss	(871)	(208)	(76)
99	137	87	57	CAPEX and investments (w/o acquisition)	244	274	12

\*Refers to Refining & Marketing including Retail INA, d.d. and following subsidiaries: INA-Maziva, Polybit Rijeka, InterINA Ljubljana, INA BH Sarajevo, HoldINA Sarajevo, INA Crna Gora, INA Beograd, INA Kosovo, Osijek Petrol, Petrol Rijeka

\*\* Restatement of comparable previous periods was made – see on page 12

Q2 2015	Q3 2015	Q3 2014	%	Refinery processing (kt)	Q1-Q3 2014	Q1-Q3 2015	%
173	159	161	(1)	Domestic crude oil	254	408	61
691	799	517	55	Imported crude oil	1,536	1,758	14
28	28	41	(33)	Condensate	74	64	(14)
155	218	256	(15)	Other feedstock	644	557	(14)
<b>1,047</b>	<b>1,205</b>	<b>975</b>	<b>23</b>	<b>Total refinery throughput</b>	<b>2,508</b>	<b>2,786</b>	<b>11</b>
Q2 2015	Q3 2015	Q3 2014	%	Refinery production (kt)	Q1-Q3 2014	Q1-Q3 2015	%
74	66	64	4	LPG	154	168	9
285	307	266	15	Motor gasoline	658	737	12
353	422	323	31	Diesel	820	914	11
40	41	30	36	Heating oil	85	109	29
36	41	32	27	Kerosene	87	88	0
15	20	7	176	Naphtha	26	45	69
110	129	111	17	Fuel oil	296	284	(4)
-	-	-	n.a.	Bitumen	3	-	n.a.
2	37	20	83	Other products*	62	103	66
<b>914</b>	<b>1,064</b>	<b>853</b>	<b>25</b>	<b>Total</b>	<b>2,191</b>	<b>2,447</b>	<b>12</b>
9	9	7	29	Refinery loss	17	25	50
124	132	115	14	Own consumption	301	313	4
<b>1,047</b>	<b>1,205</b>	<b>975</b>	<b>23</b>	<b>Total refinery production</b>	<b>2,508</b>	<b>2,786</b>	<b>11</b>
Q2 2015	Q3 2015	Q3 2014	%	Refined product sales by country (kt)	Q1-Q3 2014	Q1-Q3 2015	%
417	546	518	6	Croatia	1,311	1,325	1
131	145	139	5	B&H	379	388	2
59	100	69	46	Slovenia	137	169	23
386	357	320	11	Other markets	736	844	15
<b>992</b>	<b>1,149</b>	<b>1,046</b>	<b>10</b>	<b>Total</b>	<b>2,563</b>	<b>2,726</b>	<b>6</b>
Q2 2015	Q3 2015	Q3 2014	%	Refined product sales by product (kt)	Q1-Q3 2014	Q1-Q3 2015	%
79	71	67	6	LPG	170	190	12
298	309	306	1	Motor gasoline	691	749	8
369	471	412	14	Diesel	1,069	1,114	4
26	40	31	29	Heating oil	97	116	20
36	58	57	0	Kerosene	108	108	0
18	21	12	71	Naphtha	31	45	44
113	109	120	(10)	Fuel oil	304	252	(17)
10	10	10	(2)	Bitumen	26	25	(4)
42	60	29	106	Other products*	69	128	86
<b>992</b>	<b>1,149</b>	<b>1,046</b>	<b>10</b>	<b>Total</b>	<b>2,563</b>	<b>2,726</b>	<b>6</b>
246	317	306	3	o/w Retail segment sales	754	760	1

\*Other products = Benzene-rich cut, liquid sulphur, coke, motor oils. Industrial lubricants, base oils, spindle oil, waxes, blended gas oil "M", atmospheric residue, intermediaries and other.

**Q1-Q3 2015 vs. Q1-Q3 2014**

In Q1-Q3 2015 CCS-based EBITDA moved into the positive territory to reach to HRK 179 million, while EBITDA amounted to HRK (375) million, a considerable improvement over the Q1-Q3 2014 level.

**Refining & Marketing operations**

The result was driven by 1) a sustained favourable external environment due to positive effect of crude price (average Brent price in the period compared to the previous year dropped from 107USD/bbl to 55USD/bbl), 2) improved refinery margins, 3) higher total sales on captive markets together with higher export market realization (Slovenian, Albanian and sea spot markets), 4) positive effect of lower energy costs and 5) a continued crude slate optimization with higher utilization of refining units. Likewise, gasoline production in the refineries was maximised to benefit from extremely favourable gasoline crack spreads while benefiting from better fuel oil spreads.

The result was negatively impacted by higher realized OPEX compared to base period primarily driven by higher staff costs related to severance payments and transfers of several activities to business segments.

**Retail operations**

In Q1-Q3 2015, total sales volumes of the Retail segment amounted to 760 kt, a 1% increase vs. Q1-Q3 2014. The increase was mainly driven by higher sales of diesel and heating oil by 3% (16kt) while sales of motor gasoline is in a continuous decline 4% (10kt). LPG sales recorded a decrease of 1% primarily resulting from lower sales of LPG bottles. Sales structure shows an increase in diesel fuels sales, indicating growing customers' preference towards diesel. Non-fuel margin revenue increased, on the back of continuous goods supplier expansion and development of new, additional services.

On 30 September 2015, INA Group operated a network of 438 filling stations (388 in Croatia, 43 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro), of which 33 filling stations in Croatia were included in the Entrepreneurship model. Compared to the same date previous year, four underperforming filling stations were closed.

**Q3 2015 vs. Q3 2014**

In Q3 2015 CCS EBITDA amounted to HRK 202 million, HRK 184 million above the base value, while EBITDA amounted to HRK (228) million.

Positive impact on CCS EBITDA resulted from 1) better refinery margins driven by more favourable external environment (lower Brent price with higher level of heavy product crack spreads) together with 2) higher refining conversion and 3) higher sales volume on captive markets fully offset with 4) lower sales margins and 5) higher OPEX.

**Q3 2015 vs. Q2 2015**

In Q3 2015 Refining and Marketing (including Retail) realized higher result on CCS-based EBITDA level by HRK 172 million compared to the previous quarter. Main drivers of the positive difference were 1) more favourable external environment (Brent drop from 62USD/bbl to 51USD/bbl) supporting the lower price level of energy, 2) significantly higher motor fuel sales volume in line with seasonal patterns and market opportunities, especially increase of sales in Slovenia, 3) continued stable refinery operation with 23% higher processing levels compared to Q2 2015 and (4) a seasonally improved retail contribution.

**CAPITAL EXPENDITURES**

Total capital expenditures amounted to HRK 274 million in Q1-Q3 2015, HRK 30 million higher compared to same period 2014. Refining and Marketing capital expenditures amounted to HRK 208 million and mainly related to logistics projects, while Retail segment expenditures reached HRK 66 million, being 8 HRK million above the same period in 2014. Retail segment completed five knock-down-rebuild projects, two modernization projects and other minor modernization projects. Additional four knock-down-rebuild projects started during H1 2015 and additional improvement projects are on-going or being initiated (e.g. further modernization of filling stations, non- fuel area e.g. cafe bars and car washes).

**Condensed Consolidated Income Statement – INA-GROUP**  
**For the period ended 30 September 2014 and 2015**  
**(In HRK millions)**

Q2 2015	Q3 2015	Q3 2014	%		Note	Q1-Q3 2014	Q1-Q3 2015	%
				Sales revenue				
2,899	3,339	3,908	(15)	a) domestic		11,137	8,632	(22)
2,606	2,301	3,195	(28)	b) exports		7,727	6,311	(18)
<b>5,505</b>	<b>5,640</b>	<b>7,103</b>	<b>(21)</b>	<b>Total sales revenue</b>	<b>1</b>	<b>18,864</b>	<b>14,943</b>	<b>(21)</b>
88	138	114	21	Capitalised value of own performance		326	292	(10)
85	50	75	(33)	Other operating income		201	260	29
<b>5,678</b>	<b>5,828</b>	<b>7,292</b>	<b>(20)</b>	<b>Total operating income</b>		<b>19,391</b>	<b>15,495</b>	<b>(20)</b>
				Changes in inventories of finished products and work in progress		(511)	78	n.a.
(2,812)	(2,800)	(3,405)	(18)	Cost of raw materials and consumables	2	(9,518)	(6,833)	(28)
(415)	(421)	(444)	(5)	Depreciation and amortization	4	(1,351)	(1,249)	(8)
(715)	(691)	(770)	(10)	Other material costs	4	(1,794)	(1,976)	10
(152)	(181)	(190)	(5)	Service costs	4	(626)	(514)	(18)
(633)	(587)	(639)	(8)	Staff costs	5	(1,817)	(1,813)	(0)
(503)	(757)	(945)	(20)	Cost of other goods sold	3	(2,741)	(2,295)	(16)
(109)	(107)	(32)	234	Impairment and charges (net)		(94)	(224)	138
116	(40)	70	n.a.	Provisions for charges and risks (net)		110	108	(2)
<b>(5,282)</b>	<b>(5,765)</b>	<b>(6,781)</b>	<b>(15)</b>	<b>Operating expenses</b>		<b>(18,342)</b>	<b>(14,718)</b>	<b>(20)</b>
<b>396</b>	<b>63</b>	<b>511</b>	<b>(88)</b>	<b>Profit/(loss) from operations</b>		<b>1,049</b>	<b>777</b>	<b>(26)</b>
				Share in the profit of associated companies				
216	391	189	107	Finance income		279	1,021	266
(251)	(389)	(407)	(4)	Finance costs		(628)	(1,305)	108
<b>(35)</b>	<b>2</b>	<b>(218)</b>	<b>n.a.</b>	<b>Net loss from financial activities</b>	<b>7</b>	<b>(349)</b>	<b>(284)</b>	<b>(19)</b>
<b>361</b>	<b>65</b>	<b>293</b>	<b>(78)</b>	<b>Profit/(loss) before tax</b>		<b>700</b>	<b>493</b>	<b>(30)</b>
(83)	(34)	(82)	(59)	Income tax expense	6	(117)	(134)	15
<b>278</b>	<b>31</b>	<b>211</b>	<b>(85)</b>	<b>Profit/(loss) for the year</b>		<b>583</b>	<b>359</b>	<b>(38)</b>
				Attributable to				
278	31	211	(85)	Owners of the Company		583	359	(38)
(0)	(0)	(0)	0	Non-controlling interests		-	-	n.a.
<b>278</b>	<b>31</b>	<b>211</b>	<b>(85)</b>			<b>583</b>	<b>359</b>	<b>(38)</b>
				<b>Earnings per share</b>				
27.8	3.1	21.1	(85)	Basic and diluted earnings per share (kunus per share)		58.3	35.9	(38)

**Condensed Consolidated Statement of Comprehensive Income – INA-GROUP**  
**For the period ended 30 September 2014 and 2015**  
**(in HRK million)**

Q2 2015	Q3 2015	Q3 2014	%		Q1-Q3 2014	Q1-Q3 2015	%
<b>278</b>	<b>31</b>	<b>211</b>	<b>(85)</b>	<b>Profit/(loss) for the year</b>	<b>583</b>	<b>359</b>	<b>(38)</b>
				Other comprehensive income, net of income tax:			
31	8	-	n.a.	Remeasurement of defined benefit obligation	-	29	n.a.
(140)	-	369	n.a.	Exchange differences on translating foreign operations	377	264	(30)
47	(4)	135	n.a.	Gain/(loss) on available-for-sale financial assets	153	71	(54)
<b>(62)</b>	<b>4</b>	<b>504</b>	<b>(99)</b>	<b>Other comprehensive income/(loss), net of income tax</b>	<b>530</b>	<b>364</b>	<b>(31)</b>
<b>216</b>	<b>35</b>	<b>715</b>	<b>(95)</b>	<b>Total comprehensive income/(loss) for the period</b>	<b>1,113</b>	<b>723</b>	<b>(35)</b>
				Attributable to:			
216	35	715	(95)	Owners of the Company	1,113	723	(35)
(0)	(0)	(0)	0	Non-controlling interests	-	-	n.a.

**Condensed Consolidated Statement of Financial Position – INA-GROUP**  
**At 30 September 2015**  
**(in HRK millions)**

	Note	31 Dec 2014	30 Sept 2015	%
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	9	457	480	5
Property, plant and equipment	10	14,038	13,927	(1)
Goodwill		183	183	0
Investments in associates and joint ventures		22	22	0
Other investments		23	14	(39)
Long-term receivables		170	203	19
Deferred tax		1,742	1,612	(7)
Available for sale assets		462	552	19
<b>Total non-current assets</b>		<b>17,097</b>	<b>16,993</b>	<b>(1)</b>
<b>Current assets</b>				
Inventories	12	1,924	2,159	12
Trade receivables net	13	1,998	2,008	1
Other receivables		181	223	23
Corporative income tax receivables		112	32	(71)
Other current assets		282	282	0
Prepaid expenses and accrued income		154	162	5
Cash and cash equivalents		467	134	(71)
<b>Current assets</b>		<b>5,118</b>	<b>5,000</b>	<b>(2)</b>
Assets classified as held for sale		-	1	n.a.
<b>Total current assets</b>		<b>5,118</b>	<b>5,001</b>	<b>(2)</b>
<b>Total assets</b>	8	<b>22,215</b>	<b>21,994</b>	<b>(1)</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	11	9,000	9,000	0
Legal reserves		330	330	0
Revaluation reserve		121	192	59
Other reserves		2,851	1,522	(47)
Retained earnings / (Deficit)		(641)	1,190	n.a.
<b>Equity attributable to equity holder of the parent</b>		<b>11,661</b>	<b>12,234</b>	<b>5</b>
Non-controlling interests		(1)	(1)	0
<b>Total equity</b>		<b>11,660</b>	<b>12,233</b>	<b>5</b>
<b>Non-current liabilities</b>				
Long-term loans		628	393	(37)
Other non-current liabilities		64	67	5
Employee benefits obligation		172	125	(27)
Provisions		2,837	3,157	11
Deferred tax liability		9	11	22
<b>Total non-current liabilities</b>		<b>3,710</b>	<b>3,753</b>	<b>1</b>
<b>Current liabilities</b>				
Bank loans and overdrafts		2,631	2,561	(3)
Current portion of long-term debt		199	143	(28)
Trade payables	15	1,713	1,955	14
Taxes and contributions		1,054	654	(38)
Other current liabilities		554	333	(40)
Accruals and deferred income		114	90	(21)
Employee benefits obligation		12	4	(67)
Provisions		568	268	(53)
<b>Total current liabilities</b>		<b>6,845</b>	<b>6,008</b>	<b>(12)</b>
<b>Total liabilities</b>	14	<b>10,555</b>	<b>9,761</b>	<b>(8)</b>
<b>Total equity and liabilities</b>		<b>22,215</b>	<b>21,994</b>	<b>(1)</b>



**Condensed Consolidated Cash Flow Statement - INA GROUP**  
**For the period ended 30 September 2014 and 2015**  
 (in HRK millions)

Q2 2015	Q3 2015	Q3 2014	%		Note	Q1-Q3 2014	Q1-Q3 2015	%
278	31	211	(85)	<b>Profit/(loss) for the year</b>		583	359	(38)
				<b>Adjustments for:</b>				
415	421	444	(5)	Depreciation and amortisation		1,351	1,249	(8)
83	34	82	(59)	Income tax expense recognised in income statement		117	134	15
109	107	32	234	Impairment charges (net)		94	224	138
(9)	(4)	(6)	(33)	Gain on sale of property, plant and equipment		(9)	(17)	89
(31)	(1)	-	n.a.	Gain on sale investments and shares		-	(32)	n.a.
(81)	5	166	(97)	Foreign exchange loss		166	100	(40)
13	7	21	(67)	Interest expense (net)		76	35	(54)
31	(31)	7	n.a.	Other financial expense recognised in profit		40	42	5
(118)	42	(70)	n.a.	(Decrease)/increase in provisions		(110)	(108)	(2)
73	15	22	(32)	Decommissioning interests and other provision		65	106	63
24	3	10	(70)	Other non-cash items		9	13	44
<b>787</b>	<b>629</b>	<b>919</b>	<b>(32)</b>	<b>Operating cash flow before working capital changes</b>	16	<b>2,382</b>	<b>2,105</b>	<b>(12)</b>
				<b>Movements in working capital</b>	17			
3	303	719	(58)	(Increase)/decrease in inventories		234	(294)	n.a.
(213)	236	297	(21)	(Increase)/decrease in receivables and prepayments		171	(183)	n.a.
196	124	(1,077)	n.a.	(Decrease)/increase in trade and other payables		(636)	(116)	(82)
<b>773</b>	<b>1,292</b>	<b>858</b>	<b>51</b>	<b>Cash generated from operations</b>		<b>2,151</b>	<b>1,512</b>	<b>(30)</b>
(15)	(15)	(17)	(12)	Taxes paid		(122)	(145)	19
<b>758</b>	<b>1,277</b>	<b>841</b>	<b>52</b>	<b>Net cash inflow from operating activities</b>		<b>2,029</b>	<b>1,367</b>	<b>(33)</b>
				<b>Cash flows used in investing activities</b>				
(369)	(437)	(300)	46	Capital expenditures, exploration and development costs		(953)	(963)	1
33	10	(56)	n.a.	Payment for intangible assets		(63)	(29)	(54)
17	9	15	(40)	Proceeds from sale of non-current assets		20	31	55
(3)	3	-	n.a.	Payments related to sale of subsidiary		-	-	n.a.
-	1	7	(86)	Dividends received from companies classified as available for sale and from other companies		7	1	(86)
-	(3)	-	n.a.	Payments related to sale of subsidiary		-	(3)	n.a.
-	8	5	60	Interest received and other financial income		15	18	20
(2)	(2)	2	n.a.	Investments and loans to third parties, net		41	10	(76)
<b>(324)</b>	<b>(411)</b>	<b>(327)</b>	<b>26</b>	<b>Net cash used for investing activities</b>	18	<b>(933)</b>	<b>(935)</b>	<b>0</b>
				<b>Cash flows from financing activities</b>				
236	-	229	n.a.	Additional long-term borrowings		2,203	1,602	(27)
(1,299)	(70)	(628)	(89)	Repayment of long-term borrowings		(3,557)	(1,920)	(46)
3,159	3,996	4,629	(14)	Additional short-term borrowings		12,642	10,121	(20)
(2,592)	(4,747)	(4,712)	1	Repayment of short term borrowings		(12,403)	(10,269)	(17)
-	(150)	-	n.a.	Dividends paid		-	(150)	n.a.
(3)	(4)	(11)	(64)	Interest paid on long-term loans		(36)	(13)	(64)
(7)	10	(15)	n.a.	Interest paid on short-term loans and other interest charges		(59)	(87)	47
<b>(506)</b>	<b>(965)</b>	<b>(508)</b>	<b>90</b>	<b>Net cash used in financing activities</b>		<b>(1,210)</b>	<b>(716)</b>	<b>(41)</b>
(72)	(99)	6	n.a.	Net (decrease)/increase in cash and cash equivalents		(114)	(284)	149
282	224	283	(21)	At 1 January		402	467	16
14	9	(1)	n.a.	Effect of foreign exchange rate changes		-	(49)	n.a.
224	134	288	(53)	At the end of period		288	134	(53)

**Condensed Consolidated Statement of Changes in Equity – INA-GROUP**  
**For the period ended 30 September 2014 and 2015**  
**(in HRK millions)**

**Attributable to equity holders of the parent**

	Share capital	Legal reserves	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Non controlling interest	Total equity
<b>Balance as at 1 January 2014</b>	<b>9,000</b>	<b>330</b>	<b>2,284</b>	<b>6</b>	<b>1,256</b>	<b>12,876</b>	<b>(1)</b>	<b>12,875</b>
Profit for the period	-	-	-	-	583	583	-	583
Purchase of non-controlling interest	-	-	-	-	-	-	-	-
Other comprehensive profit net	-	-	377	153	-	530	-	530
<b>Total comprehensive income, net</b>	<b>-</b>	<b>-</b>	<b>377</b>	<b>153</b>	<b>583</b>	<b>1,113</b>	<b>-</b>	<b>1,113</b>
Dividends payable	-	-	-	-	-	-	-	-
<b>Balance as at 30 Sept 2014</b>	<b>9,000</b>	<b>330</b>	<b>2,661</b>	<b>159</b>	<b>1,839</b>	<b>13,989</b>	<b>(1)</b>	<b>13,988</b>
<b>Balance as at 1 January 2015</b>	<b>9,000</b>	<b>330</b>	<b>2,851</b>	<b>121</b>	<b>(641)</b>	<b>11,661</b>	<b>(1)</b>	<b>11,660</b>
Profit for the period	-	-	-	-	359	359	-	359
Other comprehensive income net	-	-	293	71	-	364	-	364
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>293</b>	<b>71</b>	<b>359</b>	<b>723</b>	<b>-</b>	<b>723</b>
Transfer other reserves to retained earnings	-	-	(1,640)	-	1,640	-	-	-
Reclassification of FX differences from foreign subsidiaries that are liquidated	-	-	18	-	(18)	-	-	-
Dividends paid	-	-	-	-	(150)	(150)	-	(150)
<b>Balance as at 30 Sept 2015</b>	<b>9,000</b>	<b>330</b>	<b>1,522</b>	<b>192</b>	<b>1,190</b>	<b>12,234</b>	<b>(1)</b>	<b>12,233</b>

## INA Group Summary Segmental Results of Operations

Q2 2015	Q3 2015	Q3 2014	%	(HRK mln)	Q1-Q3 2014	Q1-Q3 2015	%
				<b>Sales</b>			
1,385	1,265	1,399	(10)	Exploration & Production	5,282	3,887	(26)
4,453	4,680	5,979	(22)	Refining & Marketing including Retail	14,548	11,709	(20)
499	571	719	(21)	Corporate and Other	1,907	1,742	(9)
(832)	(876)	(994)	(12)	Inter-segment revenue	(2,873)	(2,395)	(17)
<b>5,505</b>	<b>5,640</b>	<b>7,103</b>	<b>(21)</b>	<b>Sales</b>	<b>18,864</b>	<b>14,943</b>	<b>(21)</b>
				<b>Operating expenses, net other income from operating activities</b>			
(919)	(845)	(834)	1	Exploration & Production	(3,065)	(2,300)	(25)
(4,396)	(5,051)	(6,213)	(19)	Refining & Marketing including Retail	(15,637)	(12,458)	(20)
(553)	(672)	(715)	(6)	Corporate and Other	(1,957)	(1,909)	(2)
759	991	1,170	(15)	Inter-segment eliminations	2,844	2,501	(12)
<b>(5,109)</b>	<b>(5,577)</b>	<b>(6,592)</b>	<b>(15)</b>	<b>Expenses</b>	<b>(17,815)</b>	<b>(14,166)</b>	<b>(20)</b>
				<b>Profit/(loss) from operations</b>			
466	420	565	(26)	Exploration & Production	2,217	1,587	(28)
57	(371)	(234)	59	Refining & Marketing including Retail	(1,089)	(749)	(31)
(54)	(101)	4	n.a.	Corporate and Other	(50)	(167)	234
(73)	115	176	(35)	Inter-segment eliminations	(29)	106	n.a.
<b>396</b>	<b>63</b>	<b>511</b>	<b>(88)</b>	<b>Profit/(loss) from operations</b>	<b>1,049</b>	<b>777</b>	<b>(26)</b>
				<b>Share in the profit of associate companies</b>			
(35)	2	(218)	n.a.	<b>Net loss from financial activities</b>	<b>(349)</b>	<b>(284)</b>	<b>(19)</b>
<b>361</b>	<b>65</b>	<b>293</b>	<b>(78)</b>	<b>Profit/(loss) before taxation</b>	<b>700</b>	<b>493</b>	<b>(30)</b>
(83)	(34)	(82)	(59)	Income tax expense	(117)	(134)	15
<b>278</b>	<b>31</b>	<b>211</b>	<b>(85)</b>	<b>Profit/(loss) for the year</b>	<b>583</b>	<b>359</b>	<b>(38)</b>
				<b>Depreciation</b>			
237	246	254	(3)	Exploration & Production	777	707	(9)
132	131	139	(6)	Refining & Marketing including Retail	414	399	(4)
46	44	51	(14)	Corporate and Other	160	143	(11)
<b>415</b>	<b>421</b>	<b>444</b>	<b>(5)</b>	<b>Total</b>	<b>1,351</b>	<b>1,249</b>	<b>(8)</b>
				<b>EBITDA*</b>			
765	819	835	(2)	Exploration & Production	2,920	2,454	(16)
138	(228)	(90)	153	Refining & Marketing including Retail	(596)	(375)	(37)
(45)	(71)	16	n.a.	Corporate and Other	117	(65)	n.a.
(54)	111	156	(29)	Inter-segment eliminations	(57)	128	n.a.
<b>804</b>	<b>631</b>	<b>917</b>	<b>(31)</b>	<b>Total</b>	<b>2,384</b>	<b>2,142</b>	<b>(10)</b>
				<b>Operating Profit</b>			
466	420	565	(26)	Exploration & Production	2,217	1,587	(28)
57	(371)	(234)	59	Refining & Marketing including Retail	(1,089)	(749)	(31)
(54)	(101)	4	n.a.	Corporate and Other	(50)	(167)	234
(73)	115	176	(35)	Inter-segment eliminations	(29)	106	n.a.
<b>396</b>	<b>63</b>	<b>511</b>	<b>(88)</b>	<b>Total</b>	<b>1,049</b>	<b>777</b>	<b>(26)</b>

\* 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.

## Financial overview and notes

### INCOME STATEMENT

#### Notes Q1-Q3 2015 RESULTS

- 1 **Total sales revenues** in Q1-Q3 2015 amounted to HRK 14,943 million and were 21% below the Q1-Q3 2014 level, primarily triggered by lower Exploration and production sales revenue due to lower Brent, and consequently also lower average wholesale and retail prices of oil derivatives.
- 2 **Costs of raw materials and consumables** were 28% below Q1-Q3 2014 level at HRK 6,833 million, mainly resulting from lower prices.
- 3 **Costs of goods sold** in Q1-Q3 2015 recorded a decrease of 16% compared to Q1-Q3 2014, and amounted to HRK 2,295 million resulting from different sales structure.
- 4 Other **operating costs** realized in Q1-Q3 2015 include:
  - Other material costs were higher by 10% and amounted to HRK 1,976 million resulting from subcontractors costs related to STSI project in Belarus, slightly higher royalty costs because of regulation changes, and maintenance costs.
  - Service costs in the amount of HRK 514 million recorded a decrease of 18% mainly due to ENI tax posted in 2014 (cost related to 2013 for which provision was released in the same amount).
  - Depreciation in the amount of HRK 1,249 million was 8% lower compared to Q1-Q3 2014 mainly due to lower Syrian depreciation.
  - Adjustments and provisions had a negative effect in the amount of HRK 116 million and was HRK 132 million higher (HRK 16 million positive effect in 2014) compared to Q1-Q3 2014 resulting from impairment of Croscos's Libyan assets, additional charges for tax in Angola (related to 2012 revision by local authorities) and provisions for severance payments.
- 5 Staff costs in the amount HRK 1,813 million were in line with Q1-Q3 2014. Staff cost represents cost of net salaries in the amount of HRK 908 million, cost of tax and contributions for pension and health insurance in the amount of HRK 631 million, severance payments for employees whose employment contracts are terminated due to business reasons in amount of HRK 107 million and other payroll related costs in the amount of HRK 167 million for the year ended 30 September 2015. For the year ended 30 September 2014 staff cost includes cost of net salaries in the amount of HRK 930 million, cost of tax and contributions for pension and health insurance in the amount HRK 642 million, severance payments for employees whose employment contracts are terminated due to business reasons in amount of HRK 53 million and other payroll related costs in the amount HRK 192 million.
- 6 **Income tax** in Q1-Q3 2015 amounted to HRK 134 million (HRK 29 million of current taxes and HRK 105 million of deferred taxes decrease) and is higher compared to HRK 117 million in Q1-Q3 2014.  
Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the periods ended 30 September 2015 and 30 September 2014.
- 7 **Net financial expenses** recorded decrease in Q1-Q3 2015 compared to Q1-Q3 2014 resulting from lower FX losses and lower interest paid.
  - Net foreign exchange loss was HRK 106 million in 2015 and is lower compared to HRK 163 million in 2014.
  - Interest payable amounted to HRK 117 million and interests received to HRK 22 million in 2015 while in 2014 interest payables amounted to HRK 146 million and interests received to HRK 14 million.
  - Other financial net expenses amounted to HRK 82 million and are higher, compared to HRK 54 million in 2014.

#### Restatement

\*A change has been made in the recording of „Impairment of short term loans - financial cost" originally recorded in „Value Adj. and other Provisions Impairment charges (net)", which are now recorded in „Financial costs"; „Reversal of impairment before insolvency deal" originally recorded in „Finance Costs", which are now recorded in „Value Adj. and other Provisions Impairment charges (net)"; „Book value of tangible & intangible assets sold" originally recorded in „Value Adj. and other Provisions Impairment charges (net)" are now recorded in „Other Operating Income"; „Interest - tax & contributions" originally recorded in „Service costs" are now recorded in „Finance expenses".

#### Special items

In addition to international accounting standards, international reporting standards and regulatory requests the company discloses special items to achieve a 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. INA has adopted the materiality level for the special items in the amount of EUR 10 million or above. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period if impairment indicators are assessed to be significant.

#### 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 fulfil the highest requests of consistency and reliability. For this purpose and also for the 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 Exploration and production and Refining and Marketing including Retail is based on delivered quantities. This line shows the effect of the change on operating profit 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 company level profit is only reported when the related third party sale has taken place. Intersegment EBITDA effect on results in Q1-Q3 2015 is HRK +128 million which is higher compared to HRK -57 million in Q1-Q3 2014 due to different operational mode of Sisak refinery.

## BALANCE SHEET

### Notes

- 8 As at 30 September 2015 INA Group **total assets** amounted to HRK 21,994 million and were 1% lower compared to 31 December 2014.
- 9 At 30 September 2015, INA, d.d. invested HRK 26 million in intangible assets. The effect of depreciation decreases the intangible assets for HRK 26 million. Foreign exchange revaluation of oil and gas fields increased value of intangible assets in amount of HRK 18 million. Additionally, the values of intangible assets were increased due to buying the emission quotas in amount of HRK 8 million. Moreover, transfer to property; plant and equipment in amount of HRK 3 million were occurred.
- 10 In the period ended 30 September 2015, INA, d.d. invested HRK 939 million in property, plant and equipment. Foreign exchange revaluation increased net book value in amount of HRK 219 million Capitalized decommissioning costs increased the value of assets by HRK 14 million. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 1,223 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 was HRK 42 million in 2015. Value adjustment and write-off of assets under construction decreased NBV in amount of HRK 25 million. Impairment of assets in use reduced net book value in amount of HRK 28 million. Disposal of tangible assets equals HRK 9 million. Transfer from intangible assets increased NBV of property, plant and equipment in amount of HRK 3 million. Strategic inventories in amount of HRK 1 million are transferred from warehouses.
- 11 **Issued capital** as at 30 September 2015 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 2,159 million, and have increased by 12% compared to 31 December 2014 as a result of higher crude oil inventories (imported) and own produced finished products.
- 13 **Trade receivables** are almost in line with opening balance on 31 December 2014 and amounted to HRK 2,008 million.
- 14 As at 30 September 2015 **total liabilities** amounted to HRK 9,761 which is 8% or HRK 794 million lower compared to 31 December 2014  
INA Group **net debt** is in line with 31 December 2014 and amounts HRK 2.963 million. **Gearing ratio**<sup>2</sup> decreased from 20.4% as at 31 December 2014, to 19.5% as at 30 September 2015.
- 15 **Trade payables** increased by 14% to HRK 1,955 million, as a result of higher liabilities for imported crude oil.

## CASH FLOW

### Notes

- 16 The **operating cash-flow before changes in working capital** amounted to HRK 2,105 million in Q1-Q3 2015 representing a decrease of HRK 277 million, or 12%, compared to Q1-Q3 2014, which is in line with change in EBITDA performance compared to the previous year.
- 17 **Changes in working capital** affected the operating cash flow negatively by HRK 593 million, due to:
- Decrease in trade and other payables by HRK 116 million as result of decrease of other payables, mostly related to tax and other related liabilities
  - Increased value of inventories by HRK 294 million due to higher level of crude oil and finished products
  - Increase in receivables by HRK 183 million as a result of higher sales volumes in Q3 2015 compared to Q4 2014.
- 18 **Net outflows in investing activities** amounted to HRK 935 million, in comparison with HRK 933 million of outflows in Q1-Q3 2014.

<sup>2</sup> Net debt / net debt plus equity incl. minority interests

## *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 30 September 2015, INA had opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods and fixed price contracts.

#### **Foreign currency risk management**

Many INA Group's transactions are priced and denominated in foreign currency and thus INA Group is exposed to currency risk. INA Group has net long USD and EUR, and net short HRK exposure of operative cash flow position. INA Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 30 September 2015, 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 and consequently INA Group is exposed to the interest rate risk. INA Group does not speculate on interest rate developments and primarily chooses floating rates. INA Group may use interest rate swap to manage interest rate risk. As of 30 September 2015, 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 on the services provided by credit rating agencies. There is no significant credit risk exposure of INA Group that is not covered with payment security instruments, 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*

INA 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 30 September 2015, INA Group had contracted and available short-term bank lines amounting to HRK 2.03 bn excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products, and contracted and available long-term credit lines amounting to HRK 5.30 bn.

### 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 2015, INA Group entered into the following trading transactions with the following related parties:

INA-Group	Sales of goods	Purchase of goods
HRK mln	30 Sept 2015	30 Sept 2015
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	2	37
<b>Strategic partner</b>		
MOL Nyrt.	452	660
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	417	15
Energopetrol d.d.	199	-
MOL SLOVENIJA d.o.o.	75	50
Kalegran Ltd.	49	2
TVK Ingatlankezeslo Kft.	26	-
Slovnaft, a.s.	16	310
MOL GERMANY GMBH	4	-
Mol Commodity Trading Kft.	-	29

During the period, INA Group entered into the following outstanding balances with the following related parties:

INA-Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 Sept 2015	30 Sept 2015
<b>Companies available for sale</b>		
JANAF d.d. Zagreb	46	5
<b>Strategic partner</b>		
MOL Nyrt.	46	29
<b>Companies controlled by strategic partner</b>		
Tifon d.o.o.	51	1
Energopetrol d.d.	46	-
MOL SLOVENIJA d.o.o.	10	8
Kalegran Ltd.	3	-
Slovnaft, a.s.	3	9

## Segmental Information

30 September 2015					
Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	7,317	4,907	1,840	(137)	13,927
Intangible assets	347	27	106	-	480
Investments in associates and joint ventures	22	-	-	-	22
Inventories	154	1,959	249	(203)	2,159
Trade receivables, net	601	1,117	518	(228)	2,008
Not allocated assets					3,398
<b>Total assets</b>					<b>21,994</b>
Trade payables	456	1,390	337	(228)	1,955
Not allocated liabilities					7,806
<b>Total liabilities</b>					<b>9,761</b>
<b>Other segment information</b>					
<b>Capital expenditure:</b>	<b>552</b>	<b>274</b>	<b>164</b>	<b>(25)</b>	<b>965</b>
Property, plant and equipment	537	272	155	(25)	939
Intangible assets	15	2	9	-	26
<b>Depreciation and amortisation</b>	<b>707</b>	<b>399</b>	<b>143</b>	<b>-</b>	<b>1,249</b>
Impairment losses/(income) PP&E, net recognized in profit and loss	-	-	29	-	29
Other impairment losses/(income), net recognized in profit and loss	99	29	45	22	195
<b>Total impairment losses/(income), net</b>	<b>99</b>	<b>29</b>	<b>74</b>	<b>22</b>	<b>224</b>
<b>31 December 2014</b>					
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
<b>Total assets</b>					<b>22,215</b>
Trade payables	479	1,123	427	(316)	1,713
Not allocated liabilities					8,842
<b>Total liabilities</b>					<b>10,555</b>
<b>Other segment information</b>					
<b>Capital expenditure:</b>	<b>1,100</b>	<b>474</b>	<b>172</b>	<b>(57)</b>	<b>1,689</b>
Property, plant and equipment	1,092	471	143	(57)	1,649
Intangible assets	8	3	29	-	40
<b>Depreciation and amortisation</b>	<b>1,344</b>	<b>570</b>	<b>218</b>	<b>-</b>	<b>2,132</b>
Impairment losses/(income) PP&E, net recognized in profit and loss	1,214	387	17	-	1,618
Other impairment losses/(income), net recognized in profit and loss	265	180	10	(21)	434
<b>Total impairment losses/(income), net</b>	<b>1,479</b>	<b>567</b>	<b>27</b>	<b>(21)</b>	<b>2,052</b>



### Main external parameters

Q2 2015	Q3 2015	Q3 2014	%		Q1-Q3 2014	Q1-Q3 2015	%
61.9	50.5	101.8	(50.4)	Brent dtd (USD/bbl)	106.6	55.3	(48.1)
(0.37)	0.55	0.38	44.0	Brent-Ural spread	1.17	0.29	(74.9)
661.0	563.5	949.5	(40.7)	Premium unleaded gasoline 10 ppm (USD/t)*	973.2	588.7	(39.5)
561.0	481.9	877.7	(45.1)	Gas oil – ULSD 10 ppm (USD/t)*	904.8	523.5	(42.1)
322.9	242.2	558.2	(56.6)	Fuel oil 3,5% (USD/t)*	568.3	279.1	(50.9)
434.6	402.4	784.6	(48.7)	LPG (USD/t)*	832.1	450.7	(45.8)
82.1	82.6	72.4	14.1	Average crack spread	57.8	83.9	45.1
192.9	181.7	179.1	1.5	Crack spread – premium unleaded (USD/t)*	170.6	170.3	(0.2)
92.9	100.1	107.3	(6.6)	Crack spread – gas oil (USD/t)*	98.8	105.1	6.3
(145.2)	(139.6)	(207.4)	(32.7)	Crack spread - fuel oil 3,5% (USD/t)*	(229.2)	(139.3)	(39.2)
(33.5)	20.6	14.1	46.1	Crack spread - LPG (USD/t)*	24.5	32.3	32.1
6.87	6.80	5.74	18.5	HRK/USD average	5.62	6.83	21.5
6.83	6.79	6.02	12.8	HRK/USD closing	6.02	6.79	12.8
7.57	7.57	7.61	(0.5)	HRK/EUR average	7.62	7.61	(0.1)
7.58	7.63	7.63	0.0	HRK/EUR closing	7.63	7.63	0.0
0.28	0.31	0.23	33.9	3m USD LIBOR (%)	0.23	0.28	22.4
(0.01)	(0.03)	0.16	n.a.	3m EURIBOR (%)	0.25	0.00	(98.7)

\* FOB Mediterranean

## Announcements in Q1-Q3 2015

28 August 2015	Merger agreement between Ina d.d. and INA-Osijek Petrol d.d.
30 July 2015	Agreement on new retail operating model
20 July 2015	Contract signed with Petrokemija
12 June 2015	General Assembly Decisions
06 May 2015	Invitation to the General Assembly
31 March 2015	Supervisory Board meeting held
31 March 2015	Code of Corporate Governance Questionnaire for 2014
13 March 2015	Regulated gas price decrease
24 February 2015	Revocation of exploration license
06 February 2015	Ruling from the Tax Administration
03 February 2015	Letter by MOL
21 January 2015	Verdict by the High Administrative Court
15 January 2015	Notice regarding inquiry of the Zagreb Stock Exchange

## INA, d.d. Shareholders structure by number of shares

	31 Dec 2006	31 Dec 2007	31 Dec 2008 31 Dec 2009 31 Dec 2010	31 Dec 2011	31 Dec 2012 31 Dec 2013 31 Dec 2014	30 Sept 2015
MOL Plc.	2,500,001	2,500,001	4,715,538	4,725,620	4,908,207	4,908,207
Government of the Rep. of Croatia	5,180,367	4,484,918	4,483,552	4,483,552	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,91	790,828	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>

Source: Central Clearing Depository Company

## Changes in organization, Management Board or Supervisory Board

### Supervisory Board

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

### Management Board

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

### Board of Executive Directors

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

## Management representation

INA Group's consolidated financial statements for Q3 / Q1-Q3 2015 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 Rataics	Member