INDUSTRIJA NAFTE, d.d.

Q4 AND Q1-Q4 2015 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; www.ina.hr) announced its Q1-Q4 2015 results today. This report contains unaudited consolidated financial statements for the period ending 31 December 2015 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

Q3 2015	Q4 2015	Q4 2014	%	HRK mln.	2014	2015	%
5,640	3,918	4,895	(20)	Net sales revenues	23,759	18,861	(21)
661	517	179	189	EBITDA (1)	2,570	2,664	4
728	**632**	298	112	**EBITDA excl. special items (2)**	**2,689**	**2,952**	**10**
1,128	**800**	785	2	**CCS EBITDA excl. special items**	**3,378**	**3,669**	**9**
93	(2,120)	(2,778)	(24)	Profit/(loss) from operations	(1,722)	(1,338)	(22)
175	**(741)**	(543)	36	**Operating profit excl. special items (2)**	**513**	**138**	**(73)**
581	**(572)**	(62)	830	**CCS Operating profit excl. special items**	**1,206**	**843**	**(30)**
(28)	(122)	(255)	(52)	Net financial expenses	(612)	(411)	(33)
31	(1,777)	(2,480)	(28)	Net profit/loss attributable to equity holder	(1,897)	(1,418)	(25)
97	**(379)**	(239)	58	**Net profit/loss for the period excl. special items (2)**	**344**	**58**	**(83)**
1,307	**607**	**1,814**	**(67)**	**Operating cash flow**	**3,849**	**1,979**	**(49)**
				Earnings per share			
3.1	(177.7)	(248.0)	(28)	Basic and diluted/(loss) earnings per share (kunas per share)	(189.7)	(141.8)	(25)
2,963	3,032	2,991	1	Net debt	2,991	3,032	1
19.5	22.3	20.4		Net gearing	20.4	22.3	
424	**677**	**595**	**14**	**CAPEX total**	**1,691**	**1,650**	**(2)**
346	588	510	15	Domestic	1,490	1,387	(7)
78	89	86	5	International	201	263	31

Q3 2015	Q4 2015	Q4 2014	%	USD mln (3)	2014	2015	%
829	563	799	(30)	Net sales revenues	4,133	2,748	(33)
97	74	29	154	EBITDA (1)	447	388	(13)
107	**91**	49	87	**EBITDA excl. special items (2)**	**468**	**430**	**(8)**
166	**115**	128	(10)	**CCS EBITDA excl. special items**	**588**	**535**	**(9)**
14	(305)	(453)	(33)	**Profit/(loss) from operations**	(300)	(195)	(35)
26	**(106)**	(89)	20	**Operating profit excl. special items (2)**	**89**	**20**	**(77)**
85	**(82)**	(10)	719	**CCS Operating profit excl. special items**	**210**	**123**	**(41)**
(4)	(18)	(42)	(58)	Net financial expenses	(106)	(60)	(44)
5	(255)	(405)	(37)	Net profit/loss attributable to equity holder	(330)	(207)	(37)
14	**(54)**	(39)	39	**Net profit/loss for the period excl. special items (2)**	**60**	**8**	**(86)**
192	**87**	**296**	**(71)**	**Operating cash flow**	**669**	**288**	**(57)**
				Earnings per share			
0.5	(25.5)	(40.5)	(37)	Basic and diluted/(loss) earnings per share (kunas per share)	(33.0)	(20.7)	(37)
436	434	475	(9)	Net debt	475	434	(9)
62	**97**	**97**	**0**	**CAPEX total**	**294**	**240**	**(18)**
51	84	83	2	Domestic	259	202	(22)
11	13	14	(8)	International	35	38	10

(1) EBITDA = EBIT + Depreciation + Impairment + Provisions
(2) The 2015 EBIT was negatively influenced by HRK 1,476 million special items
(3) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q3 2015 – 6.8049 HRK/USD; Q4 2014 – 6.1287 HRK/USD; Q4 2015 – 6.9608 HRK/USD; Q1-Q4 2014 – 5.7493 HRK/USD; Q1-Q4 2015 – 6.8623 HRK/USD; as at Sept 30, 2015 – 6.7931 HRK/USD; as at Dec 31, 2015 – 6.9918 HRK/USD
** Restatement of comparable previous periods was made – see on page 12*

INA result in 2015 stayed stable compared to previous year, which is positive achievement for an Upstream oriented company in a year like 2015. Halving Brent prices weighted on the result, but this was offset by weakening of HRK against the USD, a more supportive Downstream environment and increasing hydrocarbon production. CCS EBITDA excl. special items in 2015 even increased slightly and amounted to HRK 3,669 million, while CCS operating profit excl. special items decreased to the level of HRK 843 million. The CCS EBITDA excl. special items in USD terms decreased by 9% to USD 535 million.

Net loss of the Company, although lower than in 2014 amounted to HRK (1,418) million, impacted by the special items in the total amount of HRK 1,476 million. The major part of these one offs relates to the asset impairments in the Upstream segment, driven by the deteriorated oil price and ongoing Syrian crisis. Nevertheless, excluding effect of the special items the result would turn positive, HRK 58 million.

The Exploration & Production segment constant efforts in well workovers and production optimization, as well as new fields going into production, resulted in reversing the natural decline trend from previous years. It needs to be stressed that this is achieved regardless of the fact INA currently has no exploration licenses. The increase is especially visible in the domestic oil segment, with a 20% increase.

Downstream CCS EBITDA excl. special items turned positive for the first time in more than five years and amounted to HRK 307 million, driven mainly by the uplift of refining margins primarily on the back of lower cost of own consumption and losses, as well as constant optimization measures. Among other measures, change in INA's Retail operating model is definitively a strong move forward with the aim of ensuring INA more competitive position.

Net debt remained stable at HRK 3,032 million and gearing amounted to slightly higher but nevertheless very safe 22.3%. CAPEX level of HRK 1,650 million was only 2% lower than in 2014, which is a stable result having in mind the overall deteriorated environment.

- **Exploration and Production**: In 2015, EBITDA excl. special items reached HRK 3,212 million, representing a decrease of HRK 527 million compared to the previous 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 that pushed the prices down. Additionally, doubled royalty due to regulatory decisions from 2014 continued to burden INA operations during 2015. However, 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 2015 CCS EBITDA excl. special items amounted to HRK 307 million while reported EBITDA amounted to HRK (575) million, both considerably improved compared to the previous year. The result was driven by the more favourable refining margin environment captured by higher processing levels, higher sales volumes on captive market and extention on other export markets together with a stable retail performance, further supported by the continued implementation of the improved retail operating model.
- **Corporate and Other[1]: EBITDA** excl. special items of the segment amounted to HRK 8 million, a decrease compared to 2014 level by HRK 157 million. EBITDA was lower mainly due to decreased contribution of Crosco, driven by lower engagement of drilling platforms due to unfavorable external environment.

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

2015 was a challenging year for the entire oil & gas industry, nevertheless INA managed to provide a 9% increase of CCS EBITDA in spite of generally deteriorated environment, amounting to HRK 3,669 million. Net result on the other hand, was heavily impacted by year's end impairments of more than HRK 1.2 billion. Majority of impairments relate to Exploration & Production segment, especially Syrian assets, and have no cash effect on INA operations.

Significant efforts made in the Exploration & Production segment, resulting in 6% increased hydrocarbon production, as well as improved refining environment with 24% increase in average crack spread, were not sufficient to compensate the effect of halved Brent price on Exploration and Production segment. Besides the Brent price, falling gas prices for industrial buyers also impacted the profitability and the sales level. With such significant factors being outside the Company's scope, internal optimization and productivity increase measures gain additional importance. Retail restructuring is definitely one of the major steps made during 2015 leading in this direction, which helps to bring INA's retail operating cost in line with the competition.

Nevertheless, having in mind the ongoing low oil prices environment, Company will need to make additional steps, through combination of capital and operational expenses decrease, to ensure future financial strength and sustainability of its operations.

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

Management discussion
Exploration and Production*

Q3 2015	Q4 2015	Q4 2014	%	Segment IFRS results (HRK mln)	2014**	2015	%
1,265	1,083	1,450	(25)	Net sales revenues	6,732	4,970	(26)
819	696	819	(15)	EBITDA	3,739	3,150	(16)
828	**722**	**819**	**(12)**	**EBITDA excl. special items**	**3,739**	**3,212**	**(14)**
420	(1,215)	(1,256)	(3)	Operating profit	961	372	(61)
461	**(252)**	**348**	**n.a.**	**Operating profit excl. special items**	**2,565**	**1,376**	**(46)**
225	280	280	0	CAPEX with one-off	1,102	840	(24)

* 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 into INA, d.d. in Q4 2014)
** Restatement of comparable previous periods was made – see on page 12

Q3 2015	Q4 2015	Q4 2014	%	Hydrocarbon production	2014	2015	%
13,885	**14,730**	**13,106**	**12**	**Crude oil production (boe/d)**	**12,142**	**13,974**	**15**
10,574	11,452	9,895	16	Croatia	8,931	10,674	20
2,102	2,121	2,013	5	Egypt	2,034	2,093	3
1,209	1,157	1,197	(3)	Angola	1,177	1,207	3
24,568	**24,422**	**25,421**	**(4)**	**Natural gas production (boe/d)**	**24,166**	**24,967**	**3**
11,973	11,903	12,538	(5)	Croatia - offshore	11,136	12,202	10
12,595	12,519	12,882	(3)	Croatia - onshore	13,030	12,765	(2)
1,858	**1,907**	**2,059**	**(7)**	**Condensate (boe/d)**	**2,097**	**1,916**	**(9)**
40,311	**41,058**	**40,585**	**1**	**Total hydrocarbon production (boe/d)**	**38,405**	**40,857**	**6**

Q3 2015	Q4 2015	Q4 2014	%	Average realised hydrocarbon price	2,014	2,015	%
50	41	62	(33)	Total hydrocarbon price (USD/boe)*	72	48	(33)

Q3 2015	Q4 2015	Q4 2014	%	Natural gas trading - mln cm	2,014	2,015	%
275	286	353	(19)	Total natural gas sales - domestic market**	1,542	1,142	(26)

* Calculated based on total external sales revenue including natural gas selling price as well.
** Not including forced natural gas sales from Okoli in 2014

2015 vs. 2014

In 2015, Exploration and Production segment's EBITDA excl. special items reached HRK 3,212 million, representing a decrease of 14% compared to 2014. Operating profit of the segment stayed positive and amounted to HRK 372 million, in spite of the HRK 1,004 million effect of the special items, most significant being the impairments of the assets. Total hydrocarbon production reached 40.9 mboe per day, up by 2.5 mboe per day compared to the previous year, driven by higher domestic and international crude oil as well as increased offshore natural gas production.

Continuous declining trend in Brent price throughout the whole year (47% decrease compared to 2014), had a negative impact on crude oil sales in the amount of HRK (1,622) million. Lower realized natural gas prices caused by reduction in the regulated gas price and adverse market environment (new contracts from Q4 2015) caused additional HRK (528) million negative effect compared to the base year (o/w HRK (112) million related to reduction in the regulated gas price). The lower realized prices were partially mitigated with 19% HRK weakening to USD, leading to HRK 877 million positive FX change effect.

Crude oil production in 2015 increased by 15% compared to last year as a result of:

- Domestic crude oil production increased by 20% as a result of continued well workovers, well optimisations and additional production from Hrastilnica
- International oil production higher by 3% in Egypt due to additional production from new development wells and performed workovers on North Bahariya as well as better well performance on Ras Qattara and East Yidma Concessions and 3% rise in Angola as a result of start up of new Block 3/05A in February 2015

Total **natural gas** production in 2015 was 3% higher than in 2014 manly resulting from:

- Offshore natural gas production increased mostly as a result of a full year production of Izabela and Ika SW in 2015 (Izabela started in July 2014 and Ika SW in November 2014) that mitigated natural decline of other offshore fields
- 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.

Q4 2015 vs. Q4 2014

In Q4 2015, EBITDA excl. special items amounted to HRK 722 million and decreased by 12% compared to the same quarter of 2014 mainly resulting from significantly lower Brent price and additional decrease of natural gas regulated price to households (1.59 HRK/cm in Q4 2015 vs. 1.76 HRK/cm in Q4 2014).

Above mentioned external factors were mitigated by 16% higher domestic crude oil production after performed workovers and well optimization, as well as higher Egyptian production and favorable FX changes. Angolan production was somewhat lower due to technical issues on the Picassa field and wells shut down on Oombo field on Block 3/05. Natural gas production was 4% lower. Natural decline impacted both onshore and offshore operations in a negative way. In addition onshore production was also hindered by water cut. Condensate production dropped even more significantly compared to Q4 2014.

Q4 2015 vs. Q3 2015

In Q4 2015, realized EBITDA excl. special items was 13% lower compared to Q3 2015 mostly as a consequence of further Brent price decrease and lower natural gas prices as new contracts are in force from Q4 2015, which altogether led to 18% lower total hydrocarbon price.

Domestic crude oil production increased compared to previous quarter due to performed workovers and well optimization, which was partially offset with lower Angolan crude oil production (technical issue on the Picassa field and shut down wells on Oombo filed), while natural gas production was almost at the same level.

CAPITAL EXPENDITURES

Exploration and Production segment's CAPEX in 2015 amounted to HRK 840 million. Capital investments in Croatia amounted HRK 678 million and capital investments abroad HRK 162 million. In comparison with 2014, capital investments were lower in total by HRK 261 million or 24%. Decreased investments level was mainly a result of lower offshore development, onshore exploration and sustain type projects in Croatia.

E&P CAPEX 2015 (HRK million)	Croatia	Egypt	Angola
Exploration	71.4		
Development	552.1	105.9	55.9
Exploration: 71.4 (8.5 %) Development: 713.9 (84.9%) Other: 55.2 (6.6%)	**Exploration Onshore:** **Hrastilnica-5**: Drilling finished on Jan 7th Status: P&A - unfavorable drilling results **Kloštar-8, well test** finalized **3D Seismic Legrad** acquisition (79 km2) finalized on May 20th 2015, data processing and seismic interpretation on-going. **Bunjani-2 South**: Drilling finished on July 29th. Well testing which started on Dec 12th is in progress. **Đeletovci-2 West**: Drilling and completion finished at the end of Q3. During 4Q well test performed with no signs of oil. Drilling rig was demobilized. **Development Onshore:** **EOR project** - Trial injection of CO_2 is in progress on Ivanić field and on Žutica North field. Approximately 120 million m^3 of CO_2 were injected in 2015 into both fields. Workovers have been performed on several production wells on the Ivanić and Žutica North fields as well as on injection wells on the Žutica South field. Revitalization of surface facilities on production wells Žutica North is in progress. Prefeasibility study for the third phase of the EOR project is currently in progress. **Međimurje project**: Drilled and completed Mač-1R injection well. In progress are construction works on fields and on pipeline from node Međimurje to GTP Molve. **Gola-10 well**: drilling finished in March. The well was put in test production to the flare. Obtaining of construction permit for constructing surface gathering and transport system is in progress. **Selec-2 well**: Drilling finished on Dec 18th **Capital well workovers:** In 2015 25 capital well workovers were performed. **4P Program (HF):** Well stimulation (HF) operations (project Phase 1) started in Aug 2015. 20 HF operations were performed on 19 wells (3 gas wells, 16 oil wells). Well testing and measurements (project Phase 2) were performed on 13 wells **Development Offshore:** **Ika JZ**: Gas test production started on the 27th Nov 2014. Technical shortcomings were removed. Permitting for an operational permit is in progress – awaiting Ministry decision. **Ivana A/K optimization**: Process skid and booster unit installed. Ministry of Mining issued an approval for test exploitation of the booster compressor. 100-hour test and service of the booster compressor were successfully completed. Additional works on the booster are in progress. EX Agency inspection was completed.	**Exploration:** No activities, 2015 actual related to billing statement's adjustments received for East Yidma concession which resulted in slight negative actual. Concession expired. **Development:** **North Bahariya Concession** – nine wells were drilled, completed and put in production, fracturing of one well is on-going, while drilling of one well is suspended due to pipe stuck. Several workover operations were completed. **West Abu Gharadig Concession** – Contract for Contaminated Sand Treatment awarded in 2015. Some facilities upgrading and civil works performed. Workover operations were successfully performed on 1 well in Q3 2015. **Ras Qattara Concession** – Faras GPG & network project is completed. Contract for Contaminated Sand Treatment awarded in 2015. In addition, some facilities upgrading is performed. Workover operations were successfully performed on twenty-eight wells. **Sidi Rahman Concession** – Sidi Rahman-5 well workover was completed, two new intervals were perforated and open for production.	**Development:** **Block 3/05**: Bufalo-113 Infill Well: well spud on March 20th 2015, revised depth reached on Sep 30th, performed logging data interpretation. 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. **Block 3/05A**: Caco Gazela Development Area: Drilling of Gazela-101 well started on July 28th 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 25th 2015. Punja Development Area: Final Investment Decision (FID) postponed by the Contractor Group due to low crude oil price environment.

*Refining and Marketing, including Retail**

Q3 2015	Q4 2015	Q4 2014	%	Segment IFRS results (HRK mln)	2014**	2015	%
4,680	3,122	3,674	(15)	Revenues	18,222	14,831	(19)
(197)	(206)	(724)	(72)	EBITDA	(1,313)	(575)	(56)
(149)	**(146)**	**(605)**	**(76)**	**EBITDA excl. special items**	**(1,194)**	**(410)**	**(66)**
251	22	(118)	n.a.	CCS-based DS EBITDA	(505)	307	n.a.
(340)	(582)	(1,417)	(59)	Operating profit/(loss)	(2,499)	(1,325)	(47)
(340)	**(358)**	**(853)**	**(58)**	**Operating profit/(loss) excl. special items**	**(1,935)**	**(1,101)**	**(43)**
66	(189)	(372)	(49)	CCS-based DS operating loss	(1,242)	(396)	(68)
137	339	229	48	CAPEX and investments (w/o acquisition)	474	613	29

*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 (merged into INA, d.d. in Q4 2015), Petrol Rijeka
** Restatement of comparable previous periods was made – see on page 12

Q3 2015	Q4 2015	Q4 2014	%	Refinery processing (kt)	2014	2015	%
159	145	140	4	Domestic crude oil	394	553	40
799	455	344	32	Imported crude oil	1,880	2,212	18
28	21	27	(22)	Condensate	102	85	(17)
218	116	105	11	Other feedstock	749	673	(10)
1,205	**737**	**616**	**20**	**Total refinery throughput**	**3,125**	**3,523**	**13**
Q3 2015	**Q4 2015**	**Q4 2014**	**%**	**Refinery production (kt)**	**2014**	**2015**	**%**
66	41	36	16	LPG	190	210	11
307	209	166	26	Motor gasoline	824	946	15
422	216	201	7	Diesel	1,022	1,130	11
41	35	23	54	Heating oil	107	144	34
41	17	19	(11)	Kerosene	107	105	(2)
20	8	7	18	Naphtha	33	52	59
129	105	62	70	Fuel oil	358	389	9
-	-	-	n.a.	Bitumen	3	-	n.a.
37	6	24	(76)	Other products*	86	108	26
1,064	**638**	**537**	**19**	**Total**	**2,728**	**3,085**	**13**
9	4	6	(27)	Refinery loss	22	29	31
132	95	73	31	Own consumption	374	409	9
1,205	**737**	**616**	**20**	**Total refinery production**	**3,125**	**3,523**	**13**
Q3 2015	**Q4 2015**	**Q4 2014**	**%**	**Refined product sales by country (kt)**	**2014**	**2015**	**%**
546	465	445	4	Croatia	1,756	1,790	2
145	135	131	3	B&H	510	523	3
100	14	13	4	Slovenia	151	183	22
357	283	131	115	Other markets	867	1,126	30
1,149	**896**	**721**	**24**	**Total**	**3,284**	**3,622**	**10**
Q3 2015	**Q4 2015**	**Q4 2014**	**%**	**Refined product sales by product (kt)**	**2014**	**2015**	**%**
71	48	44	10	LPG	214	238	11
309	191	153	25	Motor gasoline	844	940	11
471	352	346	2	Diesel	1,415	1,465	4
40	57	49	15	Heating oil	146	172	18
58	19	21	(8)	Kerosene	128	127	(1)
21	5	6	(19)	Naphtha	37	49	34
109	142	62	127	Fuel oil	366	394	8
10	12	14	(14)	Bitumen	40	37	(7)
60	71	26	174	Other products*	95	199	111
1,149	**896**	**721**	**24**	**Total**	**3,284**	**3,622**	**10**
317	236	240	(2)	o/w Retail segment sales	994	996	0

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

2015 vs. 2014

In 2015 CCS-based EBITDA excl. special items increased and reached HRK 307 million, while EBITDA amounted to HRK (575) million, a considerable improvement over 2014 levels.

Refining & Marketing operations

The result was driven by 1) a sustained favorable external environment due to positive effect of crude price (average Brent price in the period compared to the previous year dropped from 99 USD/bbl to 52 USD/bbl) resulting in lower costs of own consumption and energy, 2) higher processing levels supported by improved refinery margins and 3) a continued crude slate optimization and higher utilization of both refining units, 4) higher sales driven by increasing domestic volumes as well as better motor fuel export sales to Slovenia, further supported by 5) lower fixed OPEX driven by efficiency efforts.

Retail operations

Total sales volumes of Retail segment in 2015 amounted to 996 kt, achieved in spite of still present economic downturn on level of sold volumes in 2014. The increase was mainly driven by higher sales of diesel and heating oil by 2% (15kt) while sales of motor gasoline is in a continuous decline 4% (13kt). In relation to the previous year, there was evident downward trend in motor gasoline share in favor of diesel fuel as a consequence of dieselization of market.

Throughput per site in 2015 was 1.5% higher compared to the previous year.

Non-fuel margin revenue increased compared to 2014, on the back of continuous goods supplier expansion and development of new, additional services.

Implementation of the new, business sustainable, retail operating model has been announced in Q4 2015. Around 70% of INA Retail employees will be transferred to a new company within the INA Group; with continuity of service and material rights adjusted to labor market conditions. Start of the new model started in January 2016, while employees who decided against the transfer will be taken care of in line with the Collective Agreement. On 31 December 2015, INA Group operated a network of 438 Retail sites (388 in Croatia, 43 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro), of which 39 Retail sites in Croatia were included in the Entrepreneurship model. Compared to 2014, four underperforming Retail sites were closed. The integration of seven INA Osijek Petrol sites in INA, d.d. was finished on 1st of November 2015.

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Q4 2015 vs. Q4 2014

In Q4 2015 CCS EBITDA excl. special items amounted to HRK 22 million, HRK 139 million above base value and EBITDA amounted to HRK (206) million, HRK 518 million above base value.

Positive impact on CCS EBITDA resulted from 1) better refinery margins driven by more favorable external environment (Brent price drop by 33 USD/bbl, 2) higher total sales mostly due to higher export gasoline sales on the Mediterranean market taking advantage of better sales margins and 3) decreased operating expenses driven by lower fixed costs due to continued cost control efforts.

Q4 2015 vs. Q3 2015

In Q4 2015 Refining and Marketing (including Retail) realized lower result on CCS-based EBITDA level by HRK (229) million compared to the previous quarter.

Main contributors to negative difference were 1) lower refinery margins due to lower crack spreads (related to Brent) along with 2) lower processing level due to seasonal demand patterns and several operational disturbances resulting in earlier shut down of the Rijeka Refinery and 3) lower sales on captive markets with decreased sales margins, 4) reduced gasoline export sales mostly on Slovenian and Albanian market together with 5) higher goods import.

CAPITAL EXPENDITURES

Total capital expenditures amounted to HRK 613 million in 2015, HRK 138 million higher compared to 2014. Refining and Marketing capital expenditures amounted to HRK 451 million and mainly related to logistics projects, while Retail segment expenditures reached HRK 161 million, being HRK 5 million above the 2014. Retail segment in Croatia and Bosnia and Herzegovina completed six knock-down-rebuild projects, three modernization projects, five tank replacement projects and other minor modernization projects. Additional modernizations and improvements such as new „Fresh corner“ nonfuel concept have been approved. Preparations and construction of 4 new highway Greenfield projects in Bosnia and Herzegovina also started.

Condensed Consolidated Income Statement – INA-GROUP
For the period ended 31 December 2014 and 2015
(In HRK millions)

Q3 2015	Q4 2015	Q4 2014	%		Note	2014	2015	%
				Sales revenue				
3,339	2,484	3,050	(19)	a) domestic		14,187	11,116	(22)
2,301	1,434	1,845	(22)	b) exports		9,572	7,745	(19)
5,640	**3,918**	**4,895**	**(20)**	**Total sales revenue**	1	**23,759**	**18,861**	**(21)**
138	174	133	31	Capitalised value of own performance		459	466	2
80	183	59	210	Other operating income		267	448	68
5,858	**4,275**	**5,087**	**(16)**	**Total operating income**		**24,485**	**19,775**	**(19)**
(181)	(316)	(424)	(25)	Changes in inventories of finished products and work in progress		(935)	(238)	(75)
(2,800)	(1,531)	(1,835)	(17)	Cost of raw materials and consumables	2	(11,353)	(8,364)	(26)
(421)	(942)	(781)	21	Depreciation and amortization	4	(2,132)	(2,191)	3
(691)	(596)	(661)	(10)	Other material costs	4	(2,455)	(2,572)	5
(181)	(192)	(374)	(49)	Service costs	4	(1,000)	(706)	(29)
(587)	(609)	(650)	(6)	Staff costs	5	(2,467)	(2,422)	(2)
(757)	(514)	(964)	(47)	Cost of other goods sold	3	(3,705)	(2,809)	(24)
(107)	(1,322)	(1,958)	(32)	Impairment and charges (net)	4	(2,052)	(1,546)	(25)
(40)	(373)	(218)	71	Provisions for charges and risks (net)	4	(108)	(265)	145
(5,765)	**(6,395)**	**(7,865)**	**(19)**	**Operating expenses**		**(26,207)**	**(21,113)**	**(19)**
93	**(2,120)**	**(2,778)**	**(24)**	**Profit/(loss) from operations**		**(1,722)**	**(1,338)**	**(22)**
				Share in the profit of associated companies				
21	42	77	(45)	Finance income		208	197	(5)
(49)	(164)	(332)	(51)	Finance costs		(820)	(608)	(26)
(28)	**(122)**	**(255)**	**(52)**	**Net loss from financial activities**	7	**(612)**	**(411)**	**(33)**
65	**(2,242)**	**(3,033)**	**(26)**	**Profit/(loss) before tax**		**(2,334)**	**(1,749)**	**(25)**
(34)	465	553	(16)	Income tax expense	6	437	331	(24)
31	**(1,777)**	**(2,480)**	**(28)**	**Profit/(loss) for the year**		**(1,897)**	**(1,418)**	**(25)**
				Attributable to				
31	(1,777)	(2,480)	(28)	Owners of the Company		(1,897)	(1,418)	(25)
(0)	-	-	n.a.	Non-controlling interests		-	-	n.a.
31	**(1,777)**	**(2,480)**	**(28)**			**(1,897)**	**(1,418)**	**(25)**
				Earnings per share				
3.1	(177.7)	(248.0)	(28)	Basic and diluted earnings per share (kunas per share)		(189.7)	(141.8)	(25)

Condensed Consolidated Statement of Comprehensive Income – INA-GROUP
For the period ended 31 December 2014 and 2015
(in HRK million)

Q3 2015	Q4 2015	Q4 2014	%		2014	2015	%
31	**(1,777)**	**(2,480)**	**(28)**	**Profit/(loss) for the year**	**(1,897)**	**(1,418)**	**(25)**
				Other comprehensive income, net of income tax:			
8	7	-	n.a.	Remeasurement of defined benefit obligation	-	36	n.a.
-	94	190	(51)	Exchange differences on translating foreign operations	567	358	(37)
(4)	24	(38)	n.a.	Gain/(loss) on available-for-sale financial assets	115	95	(17)
4	**125**	**152**	**(18)**	**Other comprehensive income/(loss), net of income tax**	**682**	**489**	**(28)**
35	**(1,652)**	**(2,328)**	**(29)**	**Total comprehensive income/(loss) for the period**	**(1,215)**	**(929)**	**(24)**
				Attributable to:			
35	(1,652)	(2,328)	(29)	Owners of the Company	(1,215)	(929)	(24)
(0)	-	-	n.a.	Non-controlling interests	-	-	n.a.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Financial Position – INA-GROUP
At 31 December 2015
(in HRK millions)

	Note	31 Dec 2014	31 Dec 2015	%
Assets				
Non-current assets				
Intangible assets	9	457	388	(15)
Property, plant and equipment	10	14,038	12,730	(9)
Goodwill		183	152	(17)
Investments in associates and joint ventures		22	22	0
Other investments		23	14	(39)
Long-term receivables		170	144	(15)
Deferred tax		1,742	2,094	20
Available for sale assets		462	581	26
Total non-current assets		**17,097**	**16,125**	**(6)**
Current assets				
Inventories	12	1,924	1,820	(5)
Trade receivables net	13	1,998	1,724	(14)
Other receivables		181	136	(25)
Corporative income tax receivables		112	23	(79)
Other current assets		282	224	(21)
Prepaid expenses and accrued income		154	54	(65)
Cash and cash equivalents		467	275	(41)
Current assets		**5,118**	**4,256**	**(17)**
Assets classified as held for sale		-	1	n.a.
Total current assets		**5,118**	**4,257**	**(17)**
Total assets	8	**22,215**	**20,382**	**(8)**
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	0
Legal reserves		330	330	0
Revaluation reserve		121	216	79
Other reserves		2,851	1,641	(42)
Retained earnings / (Deficit)		(641)	(602)	(6)
Equity attributable to equity holder of the parent		**11,661**	**10,585**	**(9)**
Non-controlling interests		(1)	0	n.a.
Total equity		**11,660**	**10,585**	**(9)**
Non-current liabilities				
Long-term loans		628	400	(36)
Other non-current liabilities		64	66	3
Employee benefits obligation		172	101	(41)
Provisions		2,837	3,266	15
Deferred tax liability		9	22	144
Total non-current liabilities		**3,710**	**3,855**	**4**
Current liabilities				
Bank loans and overdrafts		2,631	2,768	5
Current portion of long-term debt		199	139	(30)
Trade payables	15	1,713	1,400	(18)
Taxes and contributions		1,054	665	(37)
Other current liabilities		554	271	(51)
Accruals and deferred income		114	64	(44)
Employee benefits obligation		12	8	(33)
Provisions		568	627	10
Current liabilities		**6,845**	**5,942**	**(13)**
Liabilities directly associated with assets classified held for sale		-	-	n.a.
Total current liabilities		**6,845**	**5,942**	**(13)**
Total liabilities	14	**10,555**	**9,797**	**(7)**
Total equity and liabilities		**22,215**	**20,382**	**(8)**

FINANCIAL STATEMENTS IN THIS REPORT ARE UNAUDITED

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 31 December 2014 and 2015
(in HRK millions)

Q3 2015	Q4 2015	Q4 2014	%		Note	2014	2015	%
31	**(1,777)**	**(2,480)**	**(28)**	**Profit/(loss) for the year**		**(1,897)**	**(1,418)**	**(25)**
				Adjustments for:				
421	942	781	21	Depreciation and amortisation		2,132	2,191	3
34	(465)	(553)	(16)	Income tax expense recognised in income statement		(437)	(331)	(24)
107	1,322	1,958	(32)	Impairment charges (net)		2,052	1,546	(25)
(4)	(2)	(7)	(71)	Gain on sale of property, plant and equipment		(16)	(19)	19
(1)	-	-	n.a.	Gain on sale investments and shares		-	(32)	n.a.
5	105	83	27	Foreign exchange gain		249	205	(18)
7	23	120	(81)	Interest expense (net)		196	58	(70)
(1)	30	30	0	Other financial expense recognised in profit		77	77	0
42	302	157	92	(Decrease)/increase in provisions		47	194	313
15	(36)	24	n.a.	Decommisioning interests and other provision		89	70	(21)
3	(5)	(4)	25	Other non-cash items		5	8	60
659	**439**	**109**	**303**	**Operating cash flow before working capital changes**	**16**	**2,497**	**2,549**	**2**
				Movements in working capital	17			
303	306	967	(68)	(Increase)/decrease in inventories		1,201	12	(99)
236	403	668	(40)	(Increase)/decrease in receivables and prepayments		839	220	(74)
124	(529)	102	n.a.	(Decrease)/increase in trade and other payables		(534)	(645)	21
1,322	**619**	**1,846**	**(66)**	**Cash generated from operations**		**4,003**	**2,136**	**(47)**
(15)	(12)	(32)	(63)	Taxes paid		(154)	(157)	2
1,307	**607**	**1,814**	**(67)**	**Net cash inflow from operating activities**		**3,849**	**1,979**	**(49)**
				Cash flows used in investing activities				
(437)	(598)	(339)	76	Capital expenditures, exploration and development costs		(1,292)	(1,561)	21
10	(9)	(234)	(96)	Payment for intangible assets		(297)	(38)	(87)
9	2	14	(86)	Proceeds from sale of non-current assets		34	33	(3)
3	(3)	-	n.a.	Payments related to sale of subsidiary		-	(3)	n.a.
1	-	-	n.a.	Dividends received from companies classified as available for sale and from other companies		7	1	(86)
(3)	3	-	n.a.	Payments related to sale of subsidiary		-	-	n.a.
8	(3)	19	n.a.	Interest received and other financial income		34	15	(56)
(2)	35	8	338	Investments and loans to third parties, net		49	45	(8)
(411)	**(573)**	**(532)**	**8**	**Net cash used for investing activities**	**18**	**(1,465)**	**(1,508)**	**3**
				Cash flows from financing activities				
-	-	(1)	n.a.	Additional long-term borrowings		2,202	1,602	(27)
(70)	(6)	(149)	(96)	Repayment of long-term borrowings		(3,706)	(1,926)	(48)
3,996	2,116	2,073	2	Additional short-term borrowings		14,715	12,237	(17)
(4,747)	(1,952)	(2,855)	(32)	Repayment of short term borrowings		(15,258)	(12,221)	(20)
(150)	-	-	n.a.	Dividends paid		-	(150)	n.a.
(4)	(3)	(9)	(67)	Interest paid on long-term loans		(45)	(16)	(64)
(20)	(57)	(133)	(57)	Interest paid on short-term loans and other interest charges		(199)	(149)	(25)
(995)	**98**	**(1,074)**	**n.a.**	**Net cash used in financing activities**		**(2,291)**	**(623)**	**(73)**
(99)	132	208	(37)	Net (decrease)/increase in cash and cash equivalents		93	(152)	n.a.
224	134	287	(53)	At 1 January		402	467	16
9	9	(28)	n.a.	Effect of foreign exchange rate changes		(28)	(40)	43
134	275	467	(41)	At the end of period		467	275	(41)

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Changes in Equity – INA-GROUP
For the period ended 31 December 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
Balance as at 1 January 2014	**9,000**	**330**	**2,284**	**6**	**1,256**	**12,876**	**(1)**	**12,875**
Loss for the period	-	-	-	-	(1,897)	(1,897)	-	(1,897)
Other comprehensive profit net	-	-	567	115	-	682	-	682
Total comprehensive loss, net	**-**	**-**	**567**	**115**	**(1,897)**	**(1,215)**	**-**	**(1,215)**
Balance as at 31 Dec 2014	**9,000**	**330**	**2,851**	**121**	**(641)**	**11,661**	**(1)**	**11,660**
Balance as at 1 January 2015	**9,000**	**330**	**2,851**	**121**	**(641)**	**11,661**	**(1)**	**11,660**
Loss for the period	-	-	-	-	(1,418)	(1,418)	-	(1,418)
Other comprehensive income net	-	-	394	95	-	489	-	489
Total comprehensive loss for the year	**-**	**-**	**394**	**95**	**(1,418)**	**(929)**	**-**	**(929)**
Transfer other reserves to retained earnings	-	-	(1,640)	-	1,640	-	-	-
Reclasification of exchange differences arrising from foreign operations to retained earnings	-	-	36	-	(33)	3	1	4
Dividends paid	-	-	-	-	(150)	(150)	-	(150)
Balance as at 31 Dec 2015	**9,000**	**330**	**1,641**	**216**	**(602)**	**10,585**	**-**	**10,585**

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q3 2015	Q4 2015	Q4 2014	%	(HRK mln)	2014	2015	%
				Sales			
1,265	1,083	1,450	(25)	Exploration & Production	6,732	4,970	(26)
4,680	3,122	3,674	(15)	Refining & Marketing including Retail	18,222	14,831	(19)
571	606	758	(20)	Corporate and Other	2,665	2,348	(12)
(876)	(893)	(987)	(10)	Inter-segment revenue	(3,860)	(3,288)	(15)
5,640	**3,918**	**4,895**	**(20)**	**Sales**	**23,759**	**18,861**	**(21)**
				Operating expenses, net other income from operating activities			
(845)	(2,298)	(2,706)	(15)	Exploration & Production	(5,771)	(4,598)	(20)
(5,020)	(3,704)	(5,091)	(27)	Refining & Marketing including Retail	(20,721)	(16,156)	(22)
(672)	(947)	(892)	6	Corporate and Other	(2,849)	(2,856)	0
990	911	1,016	(10)	Inter-segment eliminations	3,860	3,411	(12)
(5,547)	**(6,038)**	**(7,673)**	**(21)**	**Expenses**	**(25,481)**	**(20,199)**	**(21)**
				Profit/(loss) from operations			
420	(1,215)	(1,256)	(3)	Exploration & Production	961	372	(61)
(340)	(582)	(1,417)	(59)	Refining & Marketing including Retail	(2,499)	(1,325)	(47)
(101)	(341)	(134)	154	Corporate and Other	(184)	(508)	176
114	18	29	(38)	Inter-segment eliminations	-	123	n.a.
93	**(2,120)**	**(2,778)**	**(24)**	**Profit/(loss) from operations**	**(1,722)**	**(1,338)**	**(22)**
				Share in the profit of associate companies			
(28)	**(122)**	**(255)**	**(52)**	**Net loss from financial activities**	**(612)**	**(411)**	**(33)**
65	**(2,242)**	**(3,033)**	**(26)**	**Profit/(loss) before taxation**	**(2,334)**	**(1,749)**	**(25)**
(34)	465	553	(16)	Income tax expense	437	331	(24)
31	**(1,777)**	**(2,480)**	**(28)**	**Profit/(loss) for the year**	**(1,897)**	**(1,418)**	**(25)**

Q3 2015	Q4 2015	Q4 2014	%	Depreciation	2014	2015	%
246	761	567	34	Exploration & Production	1,344	1,468	9
131	134	156	(14)	Refining & Marketing including Retail	570	533	(6)
44	47	58	(19)	Corporate and Other	218	190	(13)
421	**942**	**781**	**21**	**Total**	**2,132**	**2,191**	**3**

Q3 2015	Q4 2015	Q4 2014	%	EBITDA*	2014	2015	%
819	696	818	(15)	Exploration & Production	3,739	3,150	(16)
(197)	(206)	(725)	(72)	Refining & Marketing including Retail	(1,313)	(575)	(56)
(71)	12	28	(57)	Corporate and Other	165	(53)	n.a.
110	15	58	(74)	Inter-segment eliminations	(21)	142	n.a.
661	**517**	**179**	**189**	**Total**	**2,570**	**2,664**	**4**

Q3 2015	Q4 2015	Q4 2014	%	Operating Profit Excluding Special Items	2014	2015	%
461	(252)	348	n.a.	Exploration & Production	2,565	1,376	(46)
(340)	(358)	(853)	(58)	Refining & Marketing including Retail	(1,935)	(1,101)	(43)
(60)	(149)	(67)	122	Corporate and Other	(117)	(260)	122
114	18	29	(38)	Inter-segment eliminations	-	123	n.a.
175	**(741)**	**(543)**	**36**	**Total**	**513**	**138**	**(73)**

* 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 **2015 RESULTS**

1 **Total sales revenues** in 2015 amounted to HRK 18,861 million and were 21% below the 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 26% below 2014 level at HRK 8,364 million, mainly resulting from lower prices.

3 **Costs of goods sold** in 2015 recorded a decrease of 24% compared to 2014, and amounted to HRK 2,809 million resulting from different sales structure.

4 Other **operating costs** realized in 2015 include:

- Other material costs were higher by 5% and amounted to HRK 2,572 million resulting from subcontractors costs related to STSI project in Belarus and maintenance costs.
- Service costs in the amount of HRK 706 million recorded a decrease of 29% 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 2,191 million was 3% higher compared to 2014 mainly due to higher Exploration&Production depreciation.
- Adjustments and provisions had a negative effect in the amount of HRK 1,811 million and was HRK 349 million lower compared to 2014 resulting mainly from lower Syrian asset impairment.

5 **Staff costs** in the amount HRK 2,422 million were in line with 2014. Staff cost represents cost of net salaries in the amount of HRK 1,191 million, cost of tax and contributions for pension and health insurance in the amount of HRK 825 million, severance payments for employees whose employment contracts are terminated due to business reasons in amount of HRK186 million and other payroll related costs in the amount of HRK 220 million for the year ended 31 December 2015. For the year ended 31 December 2014 staff cost includes cost of net salaries in the amount of HRK 1,250 million, cost of tax and contributions for pension and health insurance in the amount HRK 861 million, severance payments for employees whose employment contracts are terminated due to business reasons in amount of HRK 100 million and other payroll related costs in the amount HRK 256 million.

6 **Income tax in** 2015 amounted to HRK 331 million (HRK 43 million of current taxes and HRK 374 million of deferred taxes decrease) and is lower compared to HRK 437 million in 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 31 December 2015 and 31 December 2014.

7 **Net financial expenses** recorded decrease in 2015 compared to 2014 resulting from lower FX loses and lower interest paid.

- Net foreign exchange loss was HRK 130 million in 2015 and is lower compared to HRK 247 million in 2014.
- Interest payable amounted to HRK 174 million and interests received to HRK 19 million in 2015 while in 2014 interest payables amounted to HRK 291 million and interests received to HRK 19 million.
- Other financial net expenses amounted to HRK 126 million and are higher, compared to HRK 92 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"; "Realized and unrealized gain and loss of non hedge commodity price transactions" from "Financial income and expenses" are now recorded in "Other Income".

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 USD 10 million or above. If special items reache materiality level on cumulative basis, previous quarters are restated. 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 2015 is HRK +142 million which is higher compared to HRK -21 million in 2014 due to different operational mode of Sisak refinery.

BALANCE SHEET

Notes

8 As at 31 December 2015 INA Group **total assets** amounted to HRK 20,382 million and were 8% lower compared to 31 December 2014.

9 At 31 December 2015, INA d.d. invested HRK 47 million in intangible assets. The effect of depreciation decreases the intangible assets for HRK 35 million. Foreign exchange revaluation of oil and gas fields increased value of intangible assets in amount of HRK 2 million. Impairment of exploration wells in Syria decreased value of intangible asset in the amount of HRK 102 million. Additionally, the values of intangible assets was increased due to buying the emission quotas in amount of HRK 22 million. Transfer to PP&E equals HRK 3 million.

10 In the period ended 31 December 2015, INA d.d. invested HRK 1.593 million in property, plant and equipment. Foreign exchange revaluation increased net book value in amount of HRK 321 million Capitalized decommissioning costs increased the value of assets by HRK 132 million. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 2.156 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 56 million in 2015. Value adjustment and write-off of assets under construction decreased NBV in amount of HRK 25 million. Other changes in property, plant and equipment including value adjustment of assets in use amounts to HRK 912 million. Transfer from intangible assets increased NBV of PP&E in amount of HRK 3 million. Strategic inventories in amount of HRK 1 million are transferred from warehouses.

11 **Issued capital** as at 31 December 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 1,820 million, and have decreased by 5% compared to 31 December 2014 as a result of lower Brent.

13 **Trade receivables** decreased to HRK 1,724 million and are 14% lower compared to the opening balance, on 31 December 2014 resulting from lower sales revenue.

14 As at 31 December 2015 **total liabilities** amounted to HRK 9,797 which is 7% or HRK 758 million lower compared to 31 December 2014

INA Group **net debt** increased slightly by 1% and amounted to HRK 3,032 million compared to 31 December 2014 due to negative changes in working capital. **Gearing ratio**[2] increased from 20.4% as at 31 December 2014, to 22.3% as at 31 December 2015.

15 **Trade payables** decreased by 18% to HRK 1,400 million, as a result of lower liabilities for imported crude oil.

CASH FLOW

Notes

16 The **operating cash-flow before changes in working capital** amounted to HRK 2,549 million in 2015 representing a increase of HRK 52 million, or 2%, compared to 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 413 million, due to:

- Decrease in trade and other payables by HRK 645 million as result of lower liabilities for imported crude oil.
- Decreased value of inventories by HRK 12 million due to lower Brent, partly compensated by higher volumes of imported crude.
- Decrease in receivables by HRK 220 million as a result of lower sales revenues in 2015 compared to 2014.

18 **Net outflows in investing activities** amounted to HRK 1,508 million, in comparison with HRK 1,465 million outflows in 2014.

[2] 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 credit risk and 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 31 December 2015, INA had opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods and to changes in inventory levels.

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 31 December 2015, there were no open cross currency swap transactions.

Interest rate risk management

INA Group companies use borrowed funds at both floating and fixed interest rates and consequently INA Group is exposed to the interest rate risk. INA Group does not speculate on interest rate developments and generally chooses floating rates. INA Group may use interest rate swap to manage interest rate risk. As of 31 December 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 “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 and attorneys-at-law offices 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 and by continuous monitoring of projected and actual cash flow and due dates for account receivables and payables.

As of 31 December 2015, INA Group had contracted and available short-term credit lines amounting to HRK 1.69 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 3.44 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	31 Dec 2015	31 Dec 2015
Companies available for sale		
JANAF d.d. Zagreb	3	50
Strategic partner		
MOL Nyrt.	563	780
Companies controlled by strategic partner		
Tifon d.o.o.	523	17
Energopetrol d.d.	257	-
MOL SLOVENIJA d.o.o.	95	66
Kalegran Ltd.	53	2
MOL Petrochemical Co. Ltd.	27	-
Slovnaft, a.s.	22	412

INA-Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 Dec 2015	31 Dec 2015
Companies available for sale		
JANAF d.d. Zagreb	1	-
Strategic partner		
MOL Nyrt.	35	28
Companies controlled by strategic partner		
Kalegran Ltd.	101	-
Energopetrol d.d.	51	-
Tifon d.o.o.	45	1
MOL SLOVENIJA d.o.o.	3	5
Slovnaft, a.s.	1	4
ROSSI BIOFUEL ZRT.	-	7

INDUSTRIJA NAFTE, d.d.

Segmental Information

31 December 2015 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	6,056	5,130	1,692	(148)	12,730
Intangible assets	224	45	119	-	388
Investments in associates and joint ventures	22	-	-	-	22
Inventories	164	1,604	227	(175)	1,820
Trade receivables, net	582	790	611	(259)	1,724
Not allocated assets					3,698
Total assets					**20,382**
Trade payables	371	837	451	(259)	1,400
Not allocated liabilities					8,397
Total liabilities					**9,797**
Other segment information					
Capital expenditure:	**830**	**613**	**234**	**(37)**	**1,640**
Property, plant and equipment	814	608	208	(37)	1,593
Intangible assets	16	5	26	-	47
Depreciation and amortisation	**1,468**	**533**	**190**	**-**	**2,191**
Impairment losses/(income) PP&E, net recognized in profit and loss	931	11	209	-	1,151
Other impairment losses/(income), net recognized in profit and loss	287	(3)	92	19	395
Total impairment losses/(income), net	**1,218**	**8**	**301**	**19**	**1,546**

31 December 2014 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	7,270	5,107	1,774	(113)	14,038
Intangible assets	318	19	120	-	457
Investments in associates and joint ventures	22	-	-	-	22
Inventories	152	1,844	262	(334)	1,924
Trade receivables, net	630	983	701	(316)	1,998
Not allocated assets					3,776
Total assets					**22,215**
Trade payables	479	1,123	427	(316)	1,713
Not allocated liabilities					8,842
Total liabilities					**10,555**
Other segment information					
Capital expenditure:	**1,100**	**474**	**172**	**(57)**	**1,689**
Property, plant and equipment	1,092	471	143	(57)	1,649
Intangible assets	8	3	29	-	40
Depreciation and amortisation	**1,344**	**570**	**218**	**-**	**2,132**
Impairment losses/(income) PP&E,net recognized in profit and loss	1,214	387	17	-	1,618
Other impairment losses/(income),net recognized in profit and loss	265	180	10	(21)	434
Total impairment losses/(income), net	**1,479**	**567**	**27**	**(21)**	**2,052**

INDUSTRIJA NAFTE, d.d.

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

	2014	2015
INA GROUP		
Total impact of special items on net profit/(loss)	**(2,441)**	**(1,476)**
Total impact of special items on operating profit/(loss)	**(2,235)**	**(1,476)**
Total impact of special items on EBITDA	**(119)**	**(288)**
Exploration & Production		
Total impact of special items on operating profit/(loss)	**(1,604)**	**(1,004)**
Total impact of special items on EBITDA	**-**	**(62)**
Impairment of assets - Syria, Croatia Offshore, Angola, Egypt	(1,562)	(987)
Severance payment	-	(62)
Provisions for incentives	(42)	(17)
Refining & Marketing including Retail		
Total impact of special items on operating profit/(loss)	**(564)**	**(224)**
Total impact of special items on EBITDA	**(119)**	**(165)**
Impairment of assets	(395)	-
Refinery - tax case*	(119)	-
Severance payment	-	(165)
Provisions for incentives	(50)	(224)
Corporate functions		
Total impact of special items on operating profit/(loss)	**(67)**	**(248)**
Total impact of special items on EBITDA	**-**	**(61)**
Impairment of assets - Zagreb 1, Libya	(34)	(234)
Severance payment	-	(61)
Provisions for incentives	(33)	(14)
Impacts on financial result and income tax		
Finance expenses*	(106)	-
Income tax*	(100)	-

*Total impact of refinery tax case amounts to HRK 325 mln in 2014

Main external parameters

Q3 2015	Q4 2015	Q4 2014	%		2014	2015	%
50.5	43.8	76.3	(42.6)	Brent dtd (USD/bbl)	99.0	52.4	(47.1)
0.55	1.16	0.59	98.9	Brent-Ural spread	0.99	0.51	(48.3)
563.5	464.3	701.8	(33.8)	Premium unleaded gasoline 10 ppm (USD/t)*	905.3	557.2	(38.4)
481.9	406.2	687.6	(40.9)	Diesel – ULSD 10 ppm (USD/t)*	850.5	493.8	(41.9)
242.2	183.5	399.5	(54.1)	Fuel oil 3,5% (USD/t)*	526.1	254.9	(51.6)
402.4	434.1	600.1	(27.7)	LPG (USD/t)*	774.1	446.5	(42.3)
82.6	38.7	63.7	(39.3)	Average crack spread	59.0	72.8	23.5
181.7	133.3	126.2	5.6	Crack spread – premium unleaded (USD/t)*	162.6	160.9	(1.0)
100.1	75.1	112.4	(33.1)	Crack spread – diesel (USD/t)*	101.5	97.5	(4.0)
(139.6)	(147.6)	(176.8)	(16.5)	Crack spread - fuel oil 3,5% (USD/t)*	(220.3)	(141.4)	(35.8)
20.6	103.0	13.7	652.7	Crack spread - LPG (USD/t)*	22.3	50.2	125.4
6.80	6.96	6.13	13.6	HRK/USD average	5.75	6.86	19.3
6.79	6.99	6.30	10.9	HRK/USD closing	6.30	6.99	10.9
7.57	7.62	7.66	(0.5)	HRK/EUR average	7.63	7.61	(0.3)
7.63	7.64	7.66	(0.3)	HRK/EUR closing	7.66	7.64	(0.3)
0.31	0.41	0.24	72.4	3m USD LIBOR (%)	0.23	0.32	35.1
(0.03)	(0.09)	0.08	n.a.	3m EURIBOR (%)	0.21	(0.02)	n.a.

** FOB Mediterranean*

Announcements in 2015

28 December 2015	Personnel changes in the Finance Business Function
2 December 2015	USD 300 million revolving credit facility agreement signed
30 November 2015	Announcement on Plavi Tim
23 November 2015	New retail operating model
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	31 Dec 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
Total	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**

Source: Central Clearing Depositary Company

Changes in organization, Management Board or Supervisory Board

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

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

Board of Executive Directors
During the fourth quarter there was no change in the Board of Executive Directors. Nevertheless on 28 December 2015 it was announced that effective from 1 February 2016, Dr. Ákos Székely will be replacing Mr. András Huszár as Executive Director for Finance.

Management representation

INA Group's consolidated financial statements for Q4 / Q1-Q4 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 Ratatics	Member