

ENCLOSURE 1

Reporting period:

1 January 2016

to

30 June 2016

Quartely Financial Report TFI-PODTax number (MB): **03586243**Registration number (MBS): **080000604**Personal identification
number (OIB): **27759560625**Issuer: **INA - Industrija nafte d.d., Zagreb**Postal code and location: **10 000** **Zagreb**Street and number: **Avenija Većeslava Holjevcica 10**E-mail: investitori@ina.hrInternet address: www.ina.hrCode and city / municipality: **133** **ZAGREB**Code and county: **21** **GRAD ZAGREB**Number of employees: **4,428**
(at the end of year)Consolidated Report: **NO**Business activity code: **1920**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office: **Top Računovodstvo Servisi d.o.o.; Member of INA Group**Contact person: **Ratko Marković**
(Name and surname of contact person)Telephone: **01 612-3143**Telefaks: **01 612-3115**E-mail: Ratko.Markovic@trs.ina.hrName and surname: **Zoltán Sándor Áldott**
(authorized representatives)**Documents to be published:**

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

(seal)

(signature of authorized representative)

Balance Sheet
as of 30 June 2016

Issuer: INA - Industrija nafte d.d., Zagreb

Item	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON-PAID CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	16,366,000,000	16,287,000,000
I. INTANGIBLE ASSETS (004 do 009)	003	426,000,000	409,000,000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	163,000,000	151,000,000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	41,000,000	39,000,000
5. Intangible assets in preparation	008	222,000,000	219,000,000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	11,557,000,000	11,390,000,000
1. Land	011	1,022,000,000	1,012,000,000
2. Buildings	012	5,183,000,000	5,129,000,000
3. Plant and equipment	013	2,538,000,000	2,438,000,000
4. Instruments, plant inventories and transportation assets	014	267,000,000	250,000,000
5. Biological asset	015		
6. Advances for tangible assets	016	15,000,000	26,000,000
7. Tangible assets in preparation	017	2,525,000,000	2,528,000,000
8. Other material assets	018	3,000,000	3,000,000
9. Investment in property	019	4,000,000	4,000,000
III. LONG-TERM FINANCIAL ASSETS (021 do 028)	020	2,295,000,000	2,324,000,000
1. Investments in subsidiaries	021	1,000,000,000	939,000,000
2. Loans given to related parties	022	678,000,000	758,000,000
3. Participating interests (shares)	023	29,000,000	27,000,000
4. Loans to entrepreneurs in which the entity holds participating interests	024		
5. Investments in securities	025		
6. Loans, deposits and similar assets	026	7,000,000	7,000,000
7. Other long-term financial assets	027	581,000,000	593,000,000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	93,000,000	179,000,000
1. Receivables from subsidiaries	030	110,000,000	11,000,000
2. Receivables based on trade loans	031	82,000,000	168,000,000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1,995,000,000	1,985,000,000
C) SHORT-TERM ASSETS (035+043+050+058)	034	3,408,000,000	3,695,000,000
I. INVENTORIES (036 do 042)	035	1,597,000,000	1,897,000,000
1. Raw materials & consumables	036	531,000,000	605,000,000
2. Work in progress	037	515,000,000	692,000,000
3. Finished goods	038	375,000,000	518,000,000
4. Merchandise	039	176,000,000	82,000,000
5. Advances for inventories	040		
6. Long-term assets held for sale	041		
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	1,408,000,000	1,449,000,000
1. Receivables from subsidiaries	044	140,000,000	156,000,000
2. Trade receivables	045	1,176,000,000	1,144,000,000
3. Receivables from participating entities	046		
4. Receivables from employees and shareholders	047	3,000,000	4,000,000
5. Receivables from government and other institutions	048	21,000,000	60,000,000
6. Other receivables	049	68,000,000	85,000,000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	208,000,000	198,000,000
1. Investments in subsidiaries	051		
2. Loans given to related parties	052		
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in which the entity holds participating interests	054		
5. Investments in securities	055		
6. Loans, deposits and similar assets	056	178,000,000	171,000,000
7. Other financial assets	057	30,000,000	27,000,000
IV. CASH AT BANK AND IN CASH REGISTER	058	195,000,000	151,000,000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	42,000,000	108,000,000
E) TOTAL ASSETS (001+002+034+059)	060	19,816,000,000	20,090,000,000
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	10,509,000,000	10,456,000,000
I. SHARE CAPITAL	063	9,000,000,000	9,000,000,000
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	1,603,000,000	1,238,000,000
1. Legal reserves	066	330,000,000	20,000,000
2. Reserves for treasury shares	067		
3. Treasury shares and stakes (deduction)	068		
4. Statutory reserves	069		
5. Other reserves	070	1,273,000,000	1,218,000,000
IV. REVALUATION RESERVES	071	216,000,000	225,000,000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	892,000,000	0
1. Retained earnings	073	892,000,000	0
2. Accumulated loss	074		
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	075	-1,202,000,000	-7,000,000
1. Profit for the financial year	076		
2. Loss for the financial year	077	1,202,000,000	7,000,000
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3,907,000,000	3,517,000,000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	70,000,000	45,000,000
2. Provisions for tax obligations	081		
3. Other provisions	082	3,837,000,000	3,472,000,000
C) NON-CURRENT LIABILITIES (084 do 092)	083	465,000,000	666,000,000
1. Liabilities to subsidiaries	084		
2. Liabilities for loans, deposits and other	085		
3. Liabilities to banks and other financial institutions	086	400,000,000	604,000,000
4. Liabilities for received advances	087		
5. Trade payables	088		
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in which the entity holds participating interests	090		
8. Other non-current liabilities	091	65,000,000	62,000,000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	4,918,000,000	5,436,000,000
1. Liabilities to subsidiaries	094	488,000,000	454,000,000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	2,641,000,000	2,806,000,000
4. Liabilities for received advances	097	23,000,000	25,000,000
5. Trade payables	098	967,000,000	1,487,000,000
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in which the entity holds participating interests	100		
8. Liabilities to employees	101	83,000,000	44,000,000
9. Liabilities for taxes, contributions and similar fees	102	606,000,000	511,000,000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	110,000,000	109,000,000
E) ACCRUAL AND DEFERRED INCOME	106	17,000,000	15,000,000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	19,816,000,000	20,090,000,000
G) OFF-BALANCE SHEET ITEMS	108		
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders of the parent company's capital	109		
2. Attributable to non controlling interest	110		

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

PROFIT AND LOSS
for the period 1 January 2016 to 30 June 2016

Issuer: INA - Industrija nafte d.d., Zagreb

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	8,490,000,000	5,162,000,000	5,966,000,000	3,530,000,000
1. Sales revenue	112	8,341,000,000	5,148,000,000	5,864,000,000	3,471,000,000
2. Other operating income	113	149,000,000	14,000,000	102,000,000	59,000,000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	7,858,000,000	4,774,000,000	5,910,000,000	3,367,000,000
1. Changes in inventories of finished products and work in progress	115	-254,000,000	32,000,000	-327,000,000	-211,000,000
2. Material costs (117 do 119)	116	6,333,000,000	3,849,000,000	4,652,000,000	2,821,000,000
a) Cost of raw materials & consumables	117	3,917,000,000	2,753,000,000	2,592,000,000	2,032,000,000
b) Cost of goods sold	118	1,349,000,000	448,000,000	1,188,000,000	332,000,000
c) Other costs	119	1,067,000,000	648,000,000	872,000,000	457,000,000
3. Staff costs (121 do 123)	120	689,000,000	357,000,000	563,000,000	258,000,000
a) Net salaries and wages	121	395,000,000	202,000,000	309,000,000	141,000,000
b) Costs for taxes and contributions from salaries	122	190,000,000	100,000,000	171,000,000	79,000,000
c) Contributions on gross salaries	123	104,000,000	55,000,000	83,000,000	38,000,000
4. Depreciation and amortisation	124	768,000,000	388,000,000	776,000,000	406,000,000
5. Other costs	125	380,000,000	191,000,000	585,000,000	308,000,000
6. Impairment charges (127+128)	126	68,000,000	57,000,000	62,000,000	-23,000,000
a) impairment of long-term assets (excluding financial assets)	127	29,000,000	25,000,000	18,000,000	16,000,000
b) impairment of short-term assets (excluding financial assets)	128	39,000,000	32,000,000	44,000,000	-39,000,000
7. Provisions	129	-126,000,000	-100,000,000	-401,000,000	-192,000,000
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 do 136)	131	147,000,000	28,000,000	150,000,000	8,000,000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	91,000,000	11,000,000	27,000,000	20,000,000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	39,000,000	7,000,000	121,000,000	-13,000,000
3. Part of income from associates and participating interests	134				
4. Unrealized gains (income) from the financial assets	135				
5. Other financial income	136	17,000,000	10,000,000	2,000,000	1,000,000
IV. FINANCIAL COSTS (138 do 141)	137	328,000,000	15,000,000	173,000,000	80,000,000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	8,000,000	5,000,000	22,000,000	-14,000,000
2. Interest, foreign exchange losses and other expenses from third parties	139	235,000,000	-22,000,000	51,000,000	29,000,000
3. Unrealized loss (expenses) on financial assets	140				
4. Other financial expenses	141	85,000,000	32,000,000	100,000,000	65,000,000
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES	142				
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTITIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	8,637,000,000	5,190,000,000	6,116,000,000	3,538,000,000
X. TOTAL EXPENSES (114+137+143 + 145)	147	8,186,000,000	4,789,000,000	6,083,000,000	3,447,000,000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	451,000,000	401,000,000	33,000,000	91,000,000
1. Profit before tax (146-147)	149	451,000,000	401,000,000	33,000,000	91,000,000
2. Loss before tax (147-146)	150	0	0	0	0
XII. CORPORATE INCOME TAX EXPENSE	151	92,000,000	78,000,000	40,000,000	48,000,000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	359,000,000	323,000,000	-7,000,000	43,000,000
1. Profit for the period (149-151)	153	359,000,000	323,000,000	0	43,000,000
2. Loss for the period (151-148)	154	0	0	7,000,000	0
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to equity holders of the parent company	155				
2. Attributable to non-controlling interests	156				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	359,000,000	323,000,000	-7,000,000	43,000,000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	363,000,000	-53,000,000	-46,000,000	43,000,000
1. Exchange differences on translation of foreign operations	159	273,000,000	-117,000,000	-56,000,000	32,000,000
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				
3. Gains or loss from reevaluation of financial assets available for sale	161	75,000,000	47,000,000	9,000,000	9,000,000
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investments in foreign countries	163				
6. Share in other comprehensive income/loss of associates companies	164				
7. Actuarial gain / losses on defined benefit plans	165	15,000,000	17,000,000	1,000,000	2,000,000
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	363,000,000	-53,000,000	-46,000,000	43,000,000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	722,000,000	270,000,000	-53,000,000	86,000,000
APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD					
1. Attributable to equity holders of the parent company	169				
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 1 January 2016 to 30 June 2016

Issuer: INA - Industrija nafte d.d., Zagreb			
Item	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	451,000,000	33,000,000
2. Depreciation and amortisation	002	768,000,000	776,000,000
3. Increase in short-term liabilities	003		416,000,000
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006	353,000,000	141,000,000
I. Total increase of cash flow from operating activities (001 do 006)	007	1,572,000,000	1,366,000,000
1. Decrease in short-term liabilities	008	526,000,000	
2. Increase in short-term receivables	009	297,000,000	142,000,000
3. Increase in inventories	010	582,000,000	295,000,000
4. Other cash flow decreases	011	131,000,000	499,000,000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1,536,000,000	936,000,000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	430,000,000
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash inflows from sale of long-term tangible and intangible assets	015	2,000,000	
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	27,000,000	24,000,000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	15,000,000	16,000,000
III. Total cash inflows from investment activities (015 do 019)	020	44,000,000	40,000,000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	520,000,000	678,000,000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	70,000,000	189,000,000
IV. Total cash outflows from investment activities (021 do 023)	024	590,000,000	867,000,000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	546,000,000	827,000,000
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipts from issuance from equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	7,828,000,000	5,614,000,000
3. Other cash inflows from financial activities	029		
V. Total cash inflows from financial activities (027 do 029)	030	7,828,000,000	5,614,000,000
1. Cash outflows for repayment of loans and bonds	031	7,418,000,000	5,239,000,000
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financial activities	035	22,000,000	22,000,000
VI. Total cash outflows from financial activities (031 do 035)	036	7,440,000,000	5,261,000,000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	388,000,000	353,000,000
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	158,000,000	44,000,000
Cash and cash equivalents at the beginning of the period	041	327,000,000	195,000,000
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	214,000,000	44,000,000
Cash and cash equivalents at the end of the period	044	113,000,000	151,000,000

STATEMENT OF CHANGES IN EQUITY

for the period **1.1.2016** to **30.6.2016**

Item	AOP	Previous period	Current period
1	2	3	4
1. Share capital	001	9,000,000,000	9,000,000,000
2. Capital reserves	002		
3. Reserves from profit	003	1,177,000,000	1,218,000,000
4. Retained earnings or accumulated loss	004	1,316,000,000	20,000,000
5. Profit / loss for the current year	005	359,000,000	-7,000,000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	196,000,000	225,000,000
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	12,048,000,000	10,456,000,000
11. Currency gains and losses arising from net investments in foreign operations	011	273,000,000	-56,000,000
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes in prior period	015		
16. Other changes in capital	016	449,000,000	3,000,000
17. Total increase or decrease in capital (AOP 011 do 016)	017	722,000,000	-53,000,000
17 a. Attributable to equity holders of the parent company's capital	018		
17 b. Attributable to non-controlling interests	019		

Items that decrease equity have negative sign
 Items from 001 to 009 are state of balance sheet date

Notes with financial statements

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

H1 2016 AND Q2 2016 – REPORT INA, D.D. NON-CONSOLIDATED

INA, d.d. financial results (IFRS)

Q1 2016	Q2 2016	Q2 2015	%	HRK mln	H1 2015*	H1 2016	%
2,393	3,471	5,148	(33)	Net sales revenues	8,341	5,864	(30)
139	354	733	(52)	EBITDA ⁽¹⁾	1,342	493	(63)
299	420	742	(43)	EBITDA excl. special items ⁽²⁾	1,355	719	(47)
(107)	163	388	(58)	Operating profit/(loss)	632	56	(91)
(107)	163	388	(58)	Operating profit/(loss) excl. special items ⁽²⁾	632	56	(91)
49	(72)	13	n.a.	Net financial expenses	(181)	(23)	(87)
(50)	43	323	(87)	Net profit/loss attributable to equity holder	359	(7)	n.a.
(50)	43	323	(87)	Net profit/(loss) excl. special items ⁽²⁾	359	(7)	n.a.
11	419	693	(40)	Operating cash flow	(56)	430	n.a.
				Earnings per share			
(5.0)	4.3	32.3		Basic and diluted earnings/(loss) per share (kunas per share)	35.9	(0.7)	
3,151	3,260	3,555	(8)	Net debt	3,555	3,260	(8)
23.30	23.77	22.78		Net gearing	22.78	23.77	
327	357	279		CAPEX	469	684	46

Q1 2016	Q2 2016	Q2 2015	%	USD mln ⁽³⁾	H1 2015*	H1 2016	%
346	523	750	(30)	Net sales revenues	1,219	866	(29)
20	53	107	(50)	EBITDA (1)	196	73	(63)
43	63	108	(41)	EBITDA excl. special items ⁽²⁾	198	106	(46)
(15)	25	57	(57)	Operating profit/(loss)	92	8	(91)
(15)	25	57	(57)	Operating profit/(loss) excl. special items ⁽²⁾	92	8	(91)
7	(11)	2	n.a.	Net financial expenses	(26)	(3)	(87)
(7)	6	47	(86)	Net profit/loss attributable to equity holder	52	(1)	n.a.
(7)	6	47	(86)	Net profit/(loss) excl. special items ⁽²⁾	52	(1)	n.a.
2	63	101	(37)	Operating cash flow	(8)	63	n.a.
				Earnings per share			
(0.7)	0.6	4.7	(86)	Basic and diluted earnings/(loss) per share (USD per share)	5.2	(0.1)	n.a.
474	480	521	(8)	Net debt	521	480	(8)
47	54	41	32	CAPEX	69	101	47

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

⁽²⁾ The H1 2016 EBITDA was negatively influenced by HRK 226 million special items related to severance payments

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1 2016 – 6.9116 HRK/USD; Q2 2016 – 6.6386 HRK/USD; Q2 2015 – 6.8657 HRK/USD; H1 2015 – 6.8411 HRK/USD; H1 2016 – 6.7740 HRK/USD; as at March 31, 2016 – 6.6481 HRK/USD; as at June 30, 2015 – 6.8294 HRK/USD; as at June 30, 2016 – 6.7915 HRK/USD

*A change has been made in the recording of "Financial income and expenses"; "Realized and unrealized loss of fair value hedge transactions"; "Negative unrealized FV of hedged items"; "Realized and unrealized gain of fair value hedge transactions"; "Positive unrealized FV of hedged items" are now recorded in "Other Income".

H1 2016 RESULTS

In H1 2016, INA d.d. achieved EBITDA in the amount of HRK 493 million which represents an decrease of HRK 849 million compared to H1 2015. INA's Exploration and Production segment was burdened by a 31% lower Brent price compared to H1 2015. The decrease in Brent impacted the gas price too, while general market developments further eroded gas sales by 6% on an H1 basis. Nevertheless, continuous efforts for maximizing production on existing Upstream assets resulted in a 12% increase in oil production, with domestic production increasing by 16%. Gas production on the other hand decreased by 11%, mainly on the back of offshore drop. On the upside, INA signed an onshore exploration agreement for block Drava-2 in June, while additional potential for future growth was created in July when INA acquired additional 33.5% share in Energopetrol. Starting from Q3 2016 Energopetrol will be fully consolidated in INA results. Refining and Marketing business is operating in a somewhat less supportive environment, as average crack spreads deteriorated by 38%, highlighting the need for further optimization and adjustment to market conditions. Retail remained stable, and when adjusting for the one-off effect of severance payments, it will have a more competitive operating model.

The overall result was impacted by special items related to severance payments, which amounted to HRK 226 million on EBITDA level, primarily caused by the new operating model of Retail.

Income statement

Total sales revenues in H1 2016 amounted HRK 5,864 million, 30% lower compared to H1 2015 level, primarily triggered by lower Exploration and production sales revenue due to lower Brent together with a less supportive Downstream environment and a continued depressed market demand.

Costs of raw materials and consumables were 34% lower and amounted to HRK 2,592 million, resulting from lower prices and lower processing.

Costs of goods sold recorded decrease of 12%, and amounted HRK 1,188 million, resulting from different sales structure.

Within the **other operating costs** realized in H1 2016:

- Other material costs amounted to HRK 872 million, which is 18% lower compared to the same period last year resulting from lower Brent impacting E&P royalty, production cost and transportation costs.
- Service costs in the amount of HRK 402 million recorded an increase of 50% mainly due to additional profit oil tax in Angola and higher legal costs.
- Depreciation was 1% higher and amounted to HRK 776 million mainly due to higher Exploration&Production depreciation.
- Adjustments and provisions had a positive effect of HRK 339 million and were higher by HRK 281 million compared to H1 2015 resulting from released employee related provisions connected with establishment of INA Maloprodajni servisi and released litigation provisions in Holdina together with release of provision related to additional profit oil tax in Angola..

Staff costs in the amount HRK 746 million were 7% lower than H1 2015.

Net financial loss in the amount of HRK 23 million was recorded in H1 2016, compared to the financial loss of HRK 181 million in H1 2015.

Balance sheet

Total assets of INA, d.d., as at 30 June 2016 amounted to HRK 20.090 million and were 1% higher compared to 31 December 2015.

Property, plant and equipment amounted to HRK 11,364 million and were lower 2% than at as 31 December 2015.

Trade receivables outside of INA-Group amounted to HRK 1,144 million and were 3% lower compared to 31 December 2015.

Total liabilities amounted to HRK 9,634 million and were 4% higher compared to 31 December 2015.

Net indebtedness of INA, d.d., amounted to HRK 3,260 million as at 30 June 2016 what is 15% higher compared to 31 December 2015. **Gearing ratio**¹ increased from 21.3% as at 31 December 2015 to 23.8% as at 30 June 2016

As at 30 June 2016 **trade payables** outside of INA-Group amounted HRK 1,487 million, which is an increase 54% compared to the 31 December 2015.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 451 million in H1 2016, which is a decrease of 67% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 14 million, primarily due to:

- Increased value of inventories by HRK 295 million
- Increase in receivables by HRK 135 million,
- Payables increased by HRK 416 million.

Taxes paid influenced the operating cash flow in the amount of HRK 7 million. All the above factors resulted in HRK 430 million net outflows from operating activities generated by INA d.d. in H1 2016.

¹ Net debt / net debt plus equity incl. minority interests

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Income Statement
For the period ended 30 June 2016
(HRK millions)

Q1 2016	Q2 2016	Q2 2015	%		H1 2015	H1 2016	%
				Sales revenue			
1,802	2,187	2,862	(24)	a) domestic	5,216	3,989	(24)
591	1,284	2,286	(44)	b) exports	3,125	1,875	(40)
2,393	3,471	5,148	(33)	Total sales revenue	8,341	5,864	(30)
2	2	2	0	Capitalised value of own performance	3	4	33
41	57	12	375	Other operating income	146	98	(33)
2,436	3,530	5,162	(32)	Total operating income	8,490	5,966	(30)
				Changes in inventories of finished products and work in progress	254	327	29
116	211	(32)	n.a.	Cost of raw materials and consumables	(3,917)	(2,592)	(34)
(560)	(2,032)	(2,753)	(26)	Depreciation and amortization	(768)	(776)	1
(370)	(406)	(388)	5	Other material costs	(1,067)	(872)	(18)
(415)	(457)	(648)	(29)	Service costs	(268)	(402)	50
(149)	(253)	(127)	99	Staff costs	(801)	(746)	(7)
(433)	(313)	(421)	(26)	Cost of other goods sold	(1,349)	(1,188)	(12)
(856)	(332)	(448)	(26)	Impairment and charges (net)	(68)	(62)	(9)
(85)	23	(57)	n.a.	Provisions for charges and risks (net)	126	401	218
209	192	100	92				
(2,543)	(3,367)	(4,774)	(29)	Operating expenses	(7,858)	(5,910)	(25)
(107)	163	388	(58)	Profit/(loss) from operations	632	56	(91)
				Share in the profit of associated companies			
142	8	28	(71)	Finance income	147	150	2
(93)	(80)	(15)	433	Finance costs	(328)	(173)	(47)
49	(72)	13	n.a.	Net loss from financial activities	(181)	(23)	(87)
(58)	91	401	(77)	Profit/(loss) before tax	451	33	(93)
8	(48)	(78)	(38)	Income tax expense	(92)	(40)	(57)
(50)	43	323	(87)	Profit/(loss) for the year	359	(7)	n.a.
				Attributable to			
(50)	43	323	(87)	Owners of the Company	359	(7)	n.a.
-	-	-	n.a.	Non-controlling interests	-	-	n.a.
(50)	43	323	(87)		359	(7)	n.a.
				Earnings per share			
(5.0)	4.3	32.3	(87)	Basic and diluted earnings per share (kunas per share)	35.9	(0.7)	n.a.

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 30 June 2016
(HRK millions)

	31 Dec 2015	30 June 2016	%
Assets			
Non-current assets			
Intangible assets	385	370	(4)
Property, plant and equipment	11,542	11,364	(2)
Investments in subsidiaries	1,000	939	(6)
Investments in associates and joint ventures	22	22	0
Other investments	692	770	11
Long-term receivables	149	244	64
Deferred tax	1,995	1,985	(1)
Available for sale assets	581	593	2
Total non-current assets	16,366	16,287	(0)
Current assets			
Inventories	1,597	1,897	19
Trade receivables net	1,176	1,144	(3)
Intercompany receivables	140	156	11
Other receivables	84	149	77
Corporative Income tax receivables	8	-	n.a.
Other current assets	208	198	(5)
Prepaid expenses and accrued income	42	108	157
Cash and cash equivalents	195	151	(23)
Total current assets	3,450	3,803	10
Total assets	19,816	20,090	1
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	330	20	(94)
Revaluation reserve	216	225	4
Other reserves	1,273	1,218	(4)
Retained earnings / (Deficit)	(310)	(7)	(98)
Total equity	10,509	10,456	(1)
Non-controlling interests	-	-	n.a.
Total equity	10,509	10,456	(1)
Non-current liabilities			
Long-term loans	400	604	51
Other non-current liabilities	65	62	(5)
Employee benefits obligation	66	44	(33)
Provisions	3,374	3,255	(4)
Total non-current liabilities	3,905	3,965	2
Current liabilities			
Bank loans and overdrafts	2,508	2,677	7
Current portion of long-term loans	133	130	(2)
Intercompany payables	488	454	(7)
Trade payables	967	1,487	54
Taxes and contributions	606	511	(16)
Other current liabilities	216	177	(18)
Accruals and deferred income	17	15	(12)
Employee benefits obligation	4	1	(75)
Provisions	463	217	(53)
Total current liabilities	5,402	5,669	5
Total liabilities	9,307	9,634	4
Total equity and liabilities	19,816	20,090	1

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 30 June 2016
(HRK millions)

Q1 2016	Q2 2016	Q2 2015	%		H1 2015	H1 2016	%
(50)	43	323	(87)	Profit/(loss) for the year	359	(7)	n.a.
				Adjustments for:			
370	406	388	5	Depreciation and amortisation	768	776	1
(8)	48	78	(38)	Income tax (benefit)/expenses recognized in (loss)/profit	92	40	(57)
85	(23)	57	n.a.	Impairment charges (net)	68	62	(9)
(13)	15	(2)	n.a.	Gain on sale of property, plant and equipment	(2)	2	n.a.
(88)	29	(75)	n.a.	Foreign exchange loss/(gain)	83	(59)	n.a.
(4)	(16)	-	n.a.	Interest income, net	(1)	(20)	1,900
1	29	3	867	Other financial expense recognised in profit	(9)	30	n.a.
(209)	(192)	(131)	47	(Decrease)/increase in provisions	(128)	(401)	213
14	15	74	(80)	Decommissioning interests	91	29	(68)
				Net gain/loss on derivative financial instruments and hedge transactions	25	18	(28)
(4)	(15)	(3)	400	Other non-cash items	3	(19)	n.a.
103	348	746	(53)	Operating cash flow before working capital changes	1,349	451	(67)
				Movements in working capital			
95	(390)	(40)	875	(Increase)/decrease in inventories	(582)	(295)	(49)
(65)	(70)	(83)	(16)	(Increase)/decrease in receivables and prepayments	(297)	(135)	(55)
(118)	534	183	192	(Decrease)/increase in trade and other payables	(406)	416	n.a.
15	422	806	(48)	Cash generated from operations	64	437	583
(4)	(3)	(113)	(97)	Taxes paid	(120)	(7)	(94)
11	419	693	(40)	Net cash inflow from operating activities	(56)	430	n.a.
				Cash flows used in investing activities			
(316)	(356)	(289)	23	Capital expenditures, exploration and development costs	(482)	(672)	39
(22)	17	51	(67)	Payment for intangible assets	(38)	(5)	(87)
-	(2)	2	n.a.	Proceeds from sale of non-current assets	2	(2)	n.a.
13	(13)	-	n.a.	Payments related to sale of subsidiary	-	-	n.a.
				Dividends received from companies classified under available for sale and other companies	-	15	n.a.
-	15	15	n.a.	Proceeds from profit of companies	15	-	n.a.
9	15	13	15	Interest received and other financial income	27	24	(11)
(56)	(131)	(11)	1,091	Investments and loans to third parties	(70)	(187)	167
(372)	(455)	(219)	108	Net cash (outflow) used for investing activities	(546)	(827)	51
				Cash flows from financing activities			
816	286	236	21	Additional long-term borrowings	1,602	1,102	(31)
(99)	(778)	(1,294)	(40)	Repayment of long-term borrowings	(1,845)	(877)	(52)
2,110	2,402	3,187	(25)	Additional short-term borrowings	6,226	4,512	(28)
(2,578)	(1,784)	(2,587)	(31)	Repayment of short term borrowings	(5,573)	(4,362)	(22)
(3)	(3)	(4)	(25)	Interest paid on long-term loans	(9)	(6)	(33)
(3)	(1)	13	n.a.	Other long-term liabilities	6	(4)	n.a.
(7)	(6)	15	n.a.	Interest paid on short term loans and other financing charges	(20)	(13)	(35)
236	116	(434)	n.a.	Net cash from financing activities	387	352	(9)
(125)	80	40	100	Net (decrease)/increase in cash and cash equivalents	(215)	(45)	(79)
195	70	79	(11)	At 1 January	327	195	(40)
-	1	(6)	n.a.	Effect of foreign exchange rate changes	1	1	0
70	151	113	34	At the end of period	113	151	34

Announcements in 2016

12 July 2016	INA acquired 33.5% share in Energopetrol d.d. Sarajevo
29 June 2016	Supervisory Board meeting held
10 June 2016	Signing of onshore exploration and production sharing agreement
09 June 2016	General Assembly Decisions
25 May 2016	Amendment of the Invitation to the General Assembly
28 April 2016	General Assembly INA Industrija nafte d.d.
27 April 2016	Management board meeting announcement
12 April 2016	Supervisory Board Employee representative
30 March 2016	Code of Corporate Governance Questionnaire for 2015
30 March 2016	Supervisory Board meeting held
25 March 2016	Supervisory Board meeting announcement
23 March 2016	Decrease of regulated gas price for households
25 February 2016	Notification of Home Member State
19 February 2016	Management Board meeting announcement

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	30 June 2016
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 Depository Company

Changes in organization, Management Board or Supervisory Board

Supervisory Board

On the meeting held on 12 April 2016, Workers Council of INA-Industrija nafte, d.d. revoked Ms Maja Rilović and elected Ms Jasna Pipunić as the Employee representative in the Supervisory Board of INA, d.d.

On the General Shareholders' Assembly of INA held on 09 June 2016, Siniša Petrović, Željko Perić and Mladen Proštenik were dismissed as Members of the Supervisory Board, while Dario Čehić, Luka Burilović and Damir Vandelić were elected as new members.

Management Board

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

Board of Executive Directors

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

Management representation

INA Group's consolidated financial statements for Q2/H1 2016 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