

ENCLOSURE 1

Reporting period:

1 January 2016

to

31 March 2016

Quartely Financial Report TFI-PODTax number (MB): **03586243**Registration number (MBS): **080000604**Personal identification
number (OIB): **27759560625**Issuer: **INA - Industrija nafte d.d.**Postal code and location: **10 000****ZAGREB**Street and number: **Avenija Većeslava 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: **4.555**
(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 GroupContact 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 31 March 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	16.252.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	426.000.000	433.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	163.000.000	162.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	41.000.000	52.000.000
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	11.421.000.000
1. Land	011	1.022.000.000	1.022.000.000
2. Buildings	012	5.183.000.000	5.053.000.000
3. Plant and equipment	013	2.538.000.000	2.388.000.000
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	13.000.000
7. Tangible assets in preparation	017	2.525.000.000	2.688.000.000
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	2.302.000.000
1. Investments in subsidiaries	021	1.000.000.000	983.000.000
2. Loans given to related parties	022	678.000.000	691.000.000
3. Participating interests (shares)	023	29.000.000	29.000.000
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	18.000.000
7. Other long-term financial assets	027	581.000.000	581.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	93.000.000	90.000.000
1. Receivables from subsidiaries	030	11000000	11.000.000
2. Receivables based on trade loans	031	82.000.000	79.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.995.000.000	2.006.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	3.408.000.000	3.140.000.000
I. INVENTORIES (036 do 042)	035	1.597.000.000	1.514.000.000
1. Raw materials & consumables	036	531.000.000	434.000.000
2. Work in progress	037	515.000.000	556.000.000
3. Finished goods	038	375.000.000	448.000.000
4. Merchandise	039	176.000.000	76.000.000
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	1.372.000.000
1. Receivables from subsidiaries	044	140.000.000	129.000.000
2. Trade receivables	045	1.176.000.000	1.109.000.000
3. Receivables from participating entities	046		
4. Receivables from employees and shareholders	047	3.000.000	3.000.000
5. Receivables from government and other institutions	048	21.000.000	75.000.000
6. Other receivables	049	68.000.000	56.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	208.000.000	184.000.000
1. Investments in subsidiaries	051	0	
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	163.000.000
7. Other financial assets	057	30.000.000	21.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	195.000.000	70.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	42.000.000	90.000.000
E) TOTAL ASSETS (001+002+034+059)	060	19.816.000.000	19.482.000.000
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	10.370.000.000
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	1.514.000.000
1. Legal reserves	066	330.000.000	330.000.000
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	1.184.000.000
IV. REVALUATION RESERVES	071	216.000.000	216.000.000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	892.000.000	-310.000.000
1. Retained earnings	073	892.000.000	
2. Accumulated loss	074		310.000.000
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	075	-1.202.000.000	-50.000.000
1. Profit for the financial year	076		
2. Loss for the financial year	077	1.202.000.000	50.000.000
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.907.000.000	3.687.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	70.000.000	58.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.837.000.000	3.629.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	465.000.000	382.000.000
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	319.000.000
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	63.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	4.918.000.000	5.023.000.000
1. Liabilities to subsidiaries	094	488.000.000	447.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	2.641.000.000	2.902.000.000
4. Liabilities for received advances	097	23.000.000	26.000.000
5. Trade payables	098	967.000.000	929.000.000
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	41.000.000
9. Liabilities for taxes, contributions and similar fees	102	606.000.000	571.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	110.000.000	107.000.000
E) ACCRUAL AND DEFERRED INCOME	106	17.000.000	20.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	19.816.000.000	19.482.000.000
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 31 March 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	3.328.000.000	3.328.000.000	2.436.000.000	2.436.000.000
1. Sales revenue	112	3.193.000.000	3.193.000.000	2.393.000.000	2.393.000.000
2. Other operating income	113	135.000.000	135.000.000	43.000.000	43.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	3.084.000.000	3.084.000.000	2.543.000.000	2.543.000.000
1. Changes in inventories of finished products and work in progress	115	-286.000.000	-286.000.000	-116.000.000	-116.000.000
2. Material costs (117 do 119)	116	2.484.000.000	2.484.000.000	1.831.000.000	1.831.000.000
a) Cost of raw materials & consumables	117	1.164.000.000	1.164.000.000	560.000.000	560.000.000
b) Cost of goods sold	118	901.000.000	901.000.000	856.000.000	856.000.000
c) Other costs	119	419.000.000	419.000.000	415.000.000	415.000.000
3. Staff costs (121 do 123)	120	332.000.000	332.000.000	305.000.000	305.000.000
a) Net salaries and wages	121	193.000.000	193.000.000	168.000.000	168.000.000
b) Costs for taxes and contributions from salaries	122	90.000.000	90.000.000	92.000.000	92.000.000
c) Contributions on gross salaries	123	49.000.000	49.000.000	45.000.000	45.000.000
4. Depreciation and amortisation	124	380.000.000	380.000.000	370.000.000	370.000.000
5. Other costs	125	189.000.000	189.000.000	277.000.000	277.000.000
6. Impairment charges (127+128)	126	11.000.000	11.000.000	85.000.000	85.000.000
a) impairment of long-term assets (excluding financial assets)	127	4.000.000	4.000.000	2.000.000	2.000.000
b) impairment of short-term assets (excluding financial assets)	128	7.000.000	7.000.000	83.000.000	83.000.000
7. Provisions	129	-26.000.000	-26.000.000	-209.000.000	-209.000.000
8. Other operating expenses	130				0
III. FINANCIAL INCOME (132 do 136)	131	119.000.000	119.000.000	142.000.000	142.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	80.000.000	80.000.000	7.000.000	7.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	32.000.000	32.000.000	134.000.000	134.000.000
3. Part of income from associates and participating interests	134				
4. Unrealized gains (income) from the financial assets	135				
5. Other financial income	136	7.000.000	7.000.000	1.000.000	1.000.000
IV. FINANCIAL COSTS (138 do 141)	137	313.000.000	313.000.000	93.000.000	93.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	3.000.000	3.000.000	36.000.000	36.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	257.000.000	257.000.000	22.000.000	22.000.000
3. Unrealized loss (expenses) on financial assets	140				
4. Other financial expenses	141	53.000.000	53.000.000	35.000.000	35.000.000
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES	142				0
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	3.447.000.000	3.447.000.000	2.578.000.000	2.578.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	3.397.000.000	3.397.000.000	2.636.000.000	2.636.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	50.000.000	50.000.000	-58.000.000	-58.000.000
1. Profit before tax (146-147)	149	50.000.000	50.000.000	0	0
2. Loss before tax (147-146)	150	0	0	58.000.000	58.000.000
XII. CORPORATE INCOME TAX EXPENSE	151	14.000.000	14.000.000	-8.000.000	-8.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	36.000.000	36.000.000	-50.000.000	-50.000.000
1. Profit for the period (149-151)	153	36.000.000	36.000.000	0	0
2. Loss for the period (151-148)	154	0	0	50.000.000	50.000.000
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	0	0	0	0
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	36.000.000	36.000.000	-50.000.000	-50.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	416.000.000	416.000.000	-89.000.000	-89.000.000
1. Exchange differences on translation of foreign operations	159	390.000.000	390.000.000	-88.000.000	-88.000.000
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	28.000.000	28.000.000	0	0
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	-2.000.000	-2.000.000	-1.000.000	-1.000.000
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	416.000.000	416.000.000	-89.000.000	-89.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	452.000.000	452.000.000	-139.000.000	-139.000.000
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 31 March 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	50.000.000	-58.000.000
2. Depreciation and amortisation	002	380.000.000	370.000.000
3. Increase in short-term liabilities	003		
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		95.000.000
6. Other cash flow increases	006	255.000.000	109.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	685.000.000	516.000.000
1. Decrease in short-term liabilities	008	589.000.000	122.000.000
2. Increase in short-term receivables	009	214.000.000	65.000.000
3. Increase in inventories	010	542.000.000	
4. Other cash flow decreases	011	89.000.000	318.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1.434.000.000	505.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	11.000.000
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	749.000.000	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash inflows from sale of long-term tangible and intangible assets	015		13.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	14.000.000	9.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019		
III. Total cash inflows from investment activities (015 do 019)	020	14.000.000	22.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	282.000.000	338.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	59.000.000	56.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	341.000.000	394.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	327.000.000	372.000.000
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	4.405.000.000	2.926.000.000
3. Other cash inflows from financial activities	029		
V. Total cash inflows from financial activities (027 do 029)	030	4.405.000.000	2.926.000.000
1. Cash outflows for repayment of loans and bonds	031	3.537.000.000	2.677.000.000
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	40.000.000	13.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	3.577.000.000	2.690.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	828.000.000	236.000.000
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	248.000.000	125.000.000
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	248.000.000	125.000.000
Cash and cash equivalents at the end of the period	044	79.000.000	70.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 1.1.2016 to 31.3.2016

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	2.917.000.000	1.184.000.000
4. Retained earnings or accumulated loss	004	-174.000.000	20.000.000
5. Profit / loss for the current year	005	36.000.000	-50.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	149.000.000	216.000.000
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	11.928.000.000	10.370.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	390.000.000	-88.000.000
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	62.000.000	-51.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	452.000.000	-139.000.000
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.

Q1 2016 – REPORT INA, D.D. NON-CONSOLIDATED
INA, d.d. financial results (IFRS)

Q4 2015	2015	HRK mln	Q1 2015*	Q1 2016	%
3,599	17,161	Net sales revenues	3,193	2,393	(25)
381	2,373	EBITDA ⁽¹⁾	609	139	(77)
618	2,631	EBITDA excl. special items ⁽²⁾	614	299	(51)
(1,947)	(1,166)	Operating profit/(loss)	244	(107)	n.a.
(760)	74	Operating profit/(loss) excl. special items ⁽²⁾	244	(107)	n.a.
(144)	(332)	Net financial expenses	(194)	49	n.a.
(1,660)	(1,202)	Net profit/loss attributable to equity holder	36	(50)	n.a.
(340)	171	Net profit/(loss) excl. special items ⁽²⁾	37	(50)	n.a.
470	1,682	Operating cash flow	(749)	11	n.a.
Earnings per share					
(166.0)	(120.2)	Basic and diluted earnings/(loss) per share (kunas per share)	3.6	(5.0)	
2,846	2,846	Net debt	4,128	3,151	(24)
21.31	21.31	Net gearing	25.71	23.30	
612	1,458	CAPEX	190	327	72

Q4 2015	2015	USD mln ⁽³⁾	Q1 2015*	Q1 2016	%
517	2,501	Net sales revenues	468	346	(26)
55	346	EBITDA ⁽¹⁾	89	20	(77)
89	383	EBITDA excl. special items ⁽²⁾	90	43	(52)
(280)	(170)	Operating profit/(loss)	36	(15)	n.a.
(109)	11	Operating profit/(loss) excl. special items ⁽²⁾	36	(15)	n.a.
(21)	(48)	Net financial expenses	(28)	7	n.a.
(238)	(175)	Net profit/loss attributable to equity holder	5	(7)	n.a.
(49)	25	Net profit/(loss) excl. special items ⁽²⁾	5	(7)	n.a.
68	245	Operating cash flow	(110)	2	n.a.
Earnings per share					
(23.8)	(17.5)	Basic and diluted earnings/(loss) per share (USD per share)	0.5	(0.7)	n.a.
407	407	Net debt	586	474	(19)
88	212	CAPEX	28	47	70

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

⁽²⁾ The Q1 2016 EBITDA was negatively influenced by HRK 160 million special items related to severance payments

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2015 – 6.9608 HRK/USD; Q1-Q4 2015 – 6.8623 HRK/USD; Q1 2015 – 6.8173 HRK/USD; Q1 2016 – 6.9116 HRK/USD; as at Sept 30, 2015 – 6.7931 HRK/USD; as at Dec 31, 2015 – 6.9918 HRK/USD; as at Mar 31, 2016 – 6.6481 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".

Q1 2016 RESULTS

In Q1 2016, INA d.d. achieved EBITDA in the amount of HRK 139 million which represents an decrease of HRK 470 million compared to Q1 2015. Negative drivers impacting Exploration and Production have further deteriorated with Brent falling to 34 USD/bbl, thus also impacting the gas price, both regulated and market. On the other hand the upward trend in domestic crude production continued, driving total crude production over 15 mboe/d, a result not achieved since 2011. It needs to be emphasized that this has been achieved in a situation where INA has no exploration licenses. Refining and marketing operations have been challenged with a less supportive Downstream environment, with a 14% decrease in average crack spreads and a continued depressed market demand. On the other hand, rationalization of Retail operations that started in 2015, continued with the transfer of retail staff to INA Maloprodajni servisi. This will ensure a more sustainable and competitive business model for future operations.

The overall result was impacted by special items related to severance payments, amounting to HRK 160 million on EBITDA level, primarily caused by the previously mentioned new operating model of Retail.

Income statement

Total sales revenues in Q1 2016 amounted HRK 2,393 million, 25% lower compared to Q1 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 52% lower and amounted to HRK 560 million, resulting from lower prices.

Costs of goods sold recorded decrease of 5%, and amounted HRK 856 million, resulting from different sales structure.

Within the **other operating costs** realized in Q1 2016:

- Other material costs amounted to HRK 415 million, which is around the level of the same period last year (1%).
- Service costs in the amount of HRK 149 million recorded an increase of 6% mainly due to higher legal costs.
- Depreciation was 3% lower and amounted to HRK 370 million mainly due to higher Exploration&Production depreciation.
- Adjustments and provisions had a positive effect of HRK 124 million and were higher by HRK 109 million compared to Q1 2015 resulting from released employee related provisions connected with establishment of INA Maloprodajni servisi and released litigation provisions in Holdina, partially offset by receivables value adjustments.

Staff costs in the amount HRK 433 million were 14% higher than Q1 2015.

Net financial profit in the amount of HRK 49 million was recorded in Q1 2016, compared to the financial loss of HRK 194 million in Q1 2015.

Balance sheet

Total assets of INA, d.d., as at 31 March 2016 amounted to HRK 19,482 million and were 2% lower compared to 31 December 2015.

Property, plant and equipment amounted to HRK 11,408 million and were lower 1% than at as 31 December 2015.

Trade receivables outside of INA-Group amounted to HRK 1,109 million and were 6% lower compared to 31 December 2015.

Total liabilities amounted to HRK 9,112 million and were 2% lower compared to 31 December 2015.

Net indebtedness of INA, d.d., amounted to HRK 3,151 million as at 31 March 2016 what is 11% higher compared to 31 December 2015. **Gearing ratio**¹ increased from 21.3% as at 31 December 2015 to 23.3% as at 31 March 2016

As at 31 March 2016 **trade payables** outside of INA-Group amounted HRK 929 million, which is an decrease 4% compared to the 31 December 2015.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 103 million in Q1 2016, which is a decrease of 83% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 88 million, primarily due to:

- Decrease value of inventories by HRK 95 million
- Increase in receivables by HRK 65 million,
- Payables decreased by HRK 118 million.

Taxes paid influenced the operating cash flow in the amount of HRK 4 million. All the above factors resulted in HRK 11 million net outflows from operating activities generated by INA d.d. in Q1 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 31 March 2016
(HRK millions)

Q4 2015	2015		Q1 2015	Q1 2016	%
		Sales revenue			
2,431	10,870	a) domestic	2,354	1,802	(23)
1,168	6,291	b) exports	839	591	(30)
3,599	17,161	Total sales revenue	3,193	2,393	(25)
2	9	Capitalised value of own performance	1	2	100
80	302	Other operating income	134	41	(69)
3,681	17,472	Total operating income	3,328	2,436	(27)
(307)	(233)	Changes in inventories of finished products and work in progress	286	116	(59)
(1,446)	(8,102)	Cost of raw materials and consumables	(1,164)	(560)	(52)
(914)	(2,078)	Depreciation and amortization	(380)	(370)	(3)
(511)	(2,086)	Other material costs	(419)	(415)	(1)
(149)	(563)	Service costs	(141)	(149)	6
(416)	(1,618)	Staff costs	(380)	(433)	14
(471)	(2,497)	Cost of other goods sold	(901)	(856)	(5)
(1,094)	(1,213)	Impairment and charges (net)	(11)	(85)	673
(320)	(248)	Provisions for charges and risks (net)	26	209	704
(5,628)	(18,638)	Operating expenses	(3,084)	(2,543)	(18)
(1,947)	(1,166)	Profit/(loss) from operations	244	(107)	n.a.
		Share in the profit of associated companies			
122	306	Finance income	119	142	19
(266)	(638)	Finance costs	(313)	(93)	(70)
(144)	(332)	Net loss from financial activities	(194)	49	n.a.
(2,091)	(1,498)	Profit/(loss) before tax	50	(58)	n.a.
431	296	Income tax expense	(14)	8	n.a.
(1,660)	(1,202)	Profit/(loss) for the year	36	(50)	n.a.
		Attributable to			
(1,660)	(1,202)	Owners of the Company	36	(50)	n.a.
-	-	Non-controlling interests	-	-	n.a.
(1,660)	(1,202)		36	(50)	n.a.
		Earnings per share			
(166.0)	(120.2)	Basic and diluted earnings per share (kunas per share)	3.6	(5.0)	n.a.

INA-INDUSTRIJA NAFTE, d.d.
INA, d.d. Unconsolidated Statement of Financial Position
At 31 March 2016
(HRK millions)

	31 Dec 2015	31 March 2016	%
Assets			
Non-current assets			
Intangible assets	385	381	(1)
Property, plant and equipment	11,542	11,408	(1)
Investments in subsidiaries	1,000	983	(2)
Investments in associates and joint ventures	22	22	0
Other investments	692	716	3
Long-term receivables	149	155	4
Deferred tax	1,995	2,006	1
Available for sale assets	581	581	0
Total non-current assets	16,366	16,252	(1)
Current assets			
Inventories	1,597	1,514	(5)
Trade receivables net	1,176	1,109	(6)
Intercompany receivables	140	129	(8)
Other receivables	84	126	50
Corporative Income tax receivables	8	8	0
Other current assets	208	184	(12)
Prepaid expenses and accrued income	42	90	114
Cash and cash equivalents	195	70	(64)
Total current assets	3,450	3,230	(6)
Total assets	19,816	19,482	(2)
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	330	330	0
Revaluation reserve	216	216	0
Other reserves	1,273	1,184	(7)
Retained earnings / (Deficit)	(310)	(360)	16
Total equity	10,509	10,370	(1)
Non-current liabilities			
Long-term loans	400	319	(20)
Other non-current liabilities	65	63	(3)
Employee benefits obligation	66	54	(18)
Provisions	3,374	3,317	(2)
Total non-current liabilities	3,905	3,753	(4)
Current liabilities			
Bank loans and overdrafts	2,508	2,004	(20)
Current portion of long-term loans	133	898	575
Intercompany payables	488	447	(8)
Trade payables	967	929	(4)
Taxes and contributions	606	571	(6)
Other current liabilities	216	174	(19)
Accruals and deferred income	17	20	18
Employee benefits obligation	4	3	(25)
Provisions	463	313	(32)
Total current liabilities	5,402	5,359	(1)
Total liabilities	9,307	9,112	(2)
Total equity and liabilities	19,816	19,482	(2)

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA, d.d. Unconsolidated Statement of Cash Flow
For the period ended 31 March 2016
(HRK millions)

Q4 2015	2015		Q1 2015	Q1 2016	%
(1,660)	(1,202)	Profit/(loss) for the year	36	(50)	n.a.
		Adjustments for:			
914	2,078	Depreciation and amortisation	380	370	(3)
(431)	(296)	Income tax (benefit)/expenses recognized in (loss)/profit	14	(8)	n.a.
1,094	1,213	Impairment charges (net)	11	85	673
(7)	(10)	Gain on sale of property, plant and equipment	-	(13)	n.a.
26	139	Foreign exchange loss/(gain)	158	(88)	n.a.
(7)	(12)	Interest income, net	(1)	(4)	300
114	171	Other financial expense recognised in profit	(12)	1	n.a.
284	262	(Decrease)/increase in provisions	3	(209)	n.a.
19	75	Decommissioning interests	17	14	(18)
(14)	(19)	Net gain/loss on derivative financial instruments and hedge transactions	(9)	9	n.a.
26	25	Other non-cash items	6	(4)	n.a.
358	2,424	Operating cash flow before working capital changes	603	103	(83)
		Movements in working capital			
258	(39)	(Increase)/decrease in inventories	(542)	95	n.a.
442	266	(Increase)/decrease in receivables and prepayments	(214)	(65)	(70)
(587)	(855)	(Decrease)/increase in trade and other payables	(589)	(118)	(80)
471	1,796	Cash generated from operations	(742)	15	n.a.
(1)	(114)	Taxes paid	(7)	(4)	(43)
470	1,682	Net cash inflow from operating activities	(749)	11	n.a.
		Cash flows used in investing activities			
(543)	(1,394)	Capital expenditures, exploration and development costs	(193)	(316)	64
(24)	(61)	Payment for intangible assets	(89)	(22)	(75)
7	10	Proceeds from sale of non-current assets	-	-	n.a.
2	2	Payments related to sale of subsidiary	-	13	n.a.
-	7	Dividends received from companies classified under available for sale and other companies	-	-	n.a.
-	16	Proceeds from profit of companies	-	-	n.a.
10	53	Interest received and other financial income	14	9	(36)
5	(99)	Investments and loans to third parties	(59)	(56)	(5)
(543)	(1,466)	Net cash (outflow) used for investing activities	(327)	(372)	14
		Cash flows from financing activities			
-	1,602	Additional long-term borrowings	1,366	816	(40)
(1)	(1,913)	Repayment of long-term borrowings	(551)	(99)	(82)
2,187	12,427	Additional short-term borrowings	3,039	2,110	(31)
(1,984)	(12,268)	Repayment of short term borrowings	(2,986)	(2,578)	(14)
(3)	(15)	Interest paid on long-term loans	(5)	(3)	(40)
-	3	Other long-term liabilities	(7)	(3)	(57)
4	(35)	Interest paid on short term loans and other financing charges	(35)	(7)	(80)
203	(349)	Net cash from financing activities	821	236	(71)
130	(133)	Net (decrease)/increase in cash and cash equivalents	(255)	(125)	(51)
61	327	At 1 January	327	195	(40)
4	1	Effect of foreign exchange rate changes	7	-	n.a.
195	195	At the end of period	79	70	(11)

Announcements in 2016

28 April 2016	General shareholders' assembly of 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	31 March 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

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

Management Board

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

Board of Executive Directors

Effective from 1 February 2016, Dr. Ákos Székely replaced Mr. András Huszár as Executive Director for Finance.

Management representation

INA Group's consolidated financial statements for Q1 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