

**ENCLOSURE 1**

Reporting period:

1 January 2016

to

30 September 2016

**Quartely Financial Report TFI-POD**Tax 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.hr](mailto:investitori@ina.hr)Internet address: [www.ina.hr](http://www.ina.hr)Code and city / municipality: **133** **ZAGREB**Code and county: **21** **GRAD ZAGREB**Number of employees: **4,443**  
(at the end of year)Consolidated Report: **NO**Business activity code: **1920**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office:

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

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

(seal)

(signature of authorized representative)

**Balance Sheet**  
as of 30 September 2016

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

Item	AOP	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED AND NON-PAID CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	16,366,000,000	15,803,000,000
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	426,000,000	394,000,000
1. Assets development	<b>004</b>		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	163,000,000	153,000,000
3. Goodwill	<b>006</b>		
4. Advances for purchase of intangible assets	<b>007</b>	41,000,000	29,000,000
5. Intangible assets in preparation	<b>008</b>	222,000,000	212,000,000
6. Other intangible assets	<b>009</b>		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	11,557,000,000	11,214,000,000
1. Land	<b>011</b>	1,022,000,000	1,012,000,000
2. Buildings	<b>012</b>	5,183,000,000	5,305,000,000
3. Plant and equipment	<b>013</b>	2,538,000,000	2,411,000,000
4. Instruments, plant inventories and transportation assets	<b>014</b>	267,000,000	248,000,000
5. Biological asset	<b>015</b>		
6. Advances for tangible assets	<b>016</b>	15,000,000	21,000,000
7. Tangible assets in preparation	<b>017</b>	2,525,000,000	2,210,000,000
8. Other material assets	<b>018</b>	3,000,000	3,000,000
9. Investment in property	<b>019</b>	4,000,000	4,000,000
<b>III. LONG-TERM FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	2,295,000,000	2,164,000,000
1. Investments in subsidiaries	<b>021</b>	1,000,000,000	772,000,000
2. Loans given to related parties	<b>022</b>	678,000,000	716,000,000
3. Participating interests (shares)	<b>023</b>	29,000,000	27,000,000
4. Loans to entrepreneurs in which the entity holds participating interests	<b>024</b>		
5. Investments in securities	<b>025</b>		
6. Loans, deposits and similar assets	<b>026</b>	7,000,000	7,000,000
7. Other long-term financial assets	<b>027</b>	581,000,000	642,000,000
8. Investment accounted by equity method	<b>028</b>		
<b>IV. RECEIVABLES (030 do 032)</b>	<b>029</b>	93,000,000	115,000,000
1. Receivables from subsidiaries	<b>030</b>	110,000,000	11,000,000
2. Receivables based on trade loans	<b>031</b>	82,000,000	104,000,000
3. Other receivables	<b>032</b>		
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>	1,995,000,000	1,916,000,000
<b>C) SHORT-TERM ASSETS (035+043+050+058)</b>	<b>034</b>	3,408,000,000	4,027,000,000
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	1,597,000,000	1,875,000,000
1. Raw materials & consumables	<b>036</b>	531,000,000	769,000,000
2. Work in progress	<b>037</b>	515,000,000	625,000,000
3. Finished goods	<b>038</b>	375,000,000	410,000,000
4. Merchandise	<b>039</b>	176,000,000	71,000,000
5. Advances for inventories	<b>040</b>		
6. Long-term assets held for sale	<b>041</b>		
7. Biological asset	<b>042</b>		
<b>II. RECEIVABLES (044 do 049)</b>	<b>043</b>	1,408,000,000	1,692,000,000
1. Receivables from subsidiaries	<b>044</b>	140,000,000	210,000,000
2. Trade receivables	<b>045</b>	1,176,000,000	1,333,000,000
3. Receivables from participating entities	<b>046</b>		
4. Receivables from employees and shareholders	<b>047</b>	3,000,000	4,000,000
5. Receivables from government and other institutions	<b>048</b>	21,000,000	87,000,000
6. Other receivables	<b>049</b>	68,000,000	58,000,000
<b>III. SHORT-TERM FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	208,000,000	362,000,000
1. Investments in subsidiaries	<b>051</b>	0	327,000,000
2. Loans given to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to entrepreneurs in which the entity holds participating interests	<b>054</b>		
5. Investments in securities	<b>055</b>		
6. Loans, deposits and similar assets	<b>056</b>	178,000,000	14,000,000
7. Other financial assets	<b>057</b>	30,000,000	21,000,000
<b>IV. CASH AT BANK AND IN CASH REGISTER</b>	<b>058</b>	195,000,000	98,000,000
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	42,000,000	80,000,000
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	19,816,000,000	19,910,000,000
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>061</b>		

<b>EQUITY AND LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	10,509,000,000	10,726,000,000
I. SHARE CAPITAL	<b>063</b>	9,000,000,000	9,000,000,000
II. CAPITAL RESERVES	<b>064</b>		
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	1,603,000,000	1,214,000,000
1. Legal reserves	<b>066</b>	330,000,000	20,000,000
2. Reserves for treasury shares	<b>067</b>		
3. Treasury shares and stakes (deduction)	<b>068</b>		
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>	1,273,000,000	1,194,000,000
IV. REVALUATION RESERVES	<b>071</b>	216,000,000	264,000,000
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	892,000,000	0
1. Retained earnings	<b>073</b>	892,000,000	0
2. Accumulated loss	<b>074</b>		
VI. PROFIT/LOSS FOR THE FINANCIAL YEAR (076-077)	<b>075</b>	-1,202,000,000	248,000,000
1. Profit for the financial year	<b>076</b>		248,000,000
2. Loss for the financial year	<b>077</b>	1,202,000,000	
VII. NON-CONTROLLING INTERESTS	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	3,907,000,000	3,491,000,000
1. Provisions for redundancy costs, severance pays and similar liabilities	<b>080</b>	70,000,000	50,000,000
2. Provisions for tax obligations	<b>081</b>		
3. Other provisions	<b>082</b>	3,837,000,000	3,441,000,000
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	465,000,000	316,000,000
1. Liabilities to subsidiaries	<b>084</b>		
2. Liabilities for loans, deposits and other	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	400,000,000	256,000,000
4. Liabilities for received advances	<b>087</b>		
5. Trade payables	<b>088</b>		
6. Liabilities arising from debt securities	<b>089</b>		
7. Liabilities to entrepreneurs in which the entity holds participating interests	<b>090</b>		
8. Other non-current liabilities	<b>091</b>	65,000,000	60,000,000
9. Deferred tax liability	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	4,918,000,000	5,364,000,000
1. Liabilities to subsidiaries	<b>094</b>	488,000,000	466,000,000
2. Liabilities for loans, deposits and other	<b>095</b>		
3. Liabilities to banks and other financial institutions	<b>096</b>	2,641,000,000	2,829,000,000
4. Liabilities for received advances	<b>097</b>	23,000,000	115,000,000
5. Trade payables	<b>098</b>	967,000,000	1,242,000,000
6. Liabilities arising from debt securities	<b>099</b>		
7. Liabilities to entrepreneurs in which the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	83,000,000	38,000,000
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	606,000,000	570,000,000
10. Dividend payables	<b>103</b>		
11. Liabilities for long-term assets held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>	110,000,000	104,000,000
<b>E) ACCRUAL AND DEFERRED INCOME</b>	<b>106</b>	17,000,000	13,000,000
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	19,816,000,000	19,910,000,000
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>108</b>		
<b>ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributable to equity holders of the parent company's capital	<b>109</b>		
2. Attributable to non controlling interest	<b>110</b>		

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

**PROFIT AND LOSS**  
for the period 1 January 2016 to 30 September 2016

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

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112+113)</b>	<b>111</b>	13,791,000,000	5,301,000,000	10,419,000,000	4,453,000,000
1. Sales revenue	112	13,562,000,000	5,221,000,000	10,285,000,000	4,421,000,000
2. Other operating income	113	229,000,000	80,000,000	134,000,000	32,000,000
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	13,010,000,000	5,152,000,000	9,914,000,000	4,004,000,000
1. Changes in inventories of finished products and work in progress	115	-74,000,000	180,000,000	-158,000,000	169,000,000
2. Material costs (117 do 119)	116	10,257,000,000	3,924,000,000	7,723,000,000	3,071,000,000
a) Cost of raw materials & consumables	117	6,656,000,000	2,739,000,000	4,747,000,000	2,155,000,000
b) Cost of goods sold	118	2,026,000,000	677,000,000	1,619,000,000	431,000,000
c) Other costs	119	1,575,000,000	508,000,000	1,357,000,000	485,000,000
3. Staff costs (121 do 123)	120	1,029,000,000	340,000,000	777,000,000	214,000,000
a) Net salaries and wages	121	591,000,000	196,000,000	429,000,000	120,000,000
b) Costs for taxes and contributions from salaries	122	283,000,000	93,000,000	233,000,000	62,000,000
c) Contributions on gross salaries	123	155,000,000	51,000,000	115,000,000	32,000,000
4. Depreciation and amortisation	124	1,164,000,000	396,000,000	1,176,000,000	400,000,000
5. Other costs	125	587,000,000	207,000,000	778,000,000	193,000,000
6. Impairment charges (127+128)	126	119,000,000	51,000,000	56,000,000	-6,000,000
a) impairment of long-term assets (excluding financial assets)	127	32,000,000	3,000,000	23,000,000	5,000,000
b) impairment of short-term assets (excluding financial assets)	128	87,000,000	48,000,000	33,000,000	-11,000,000
7. Provisions	129	-72,000,000	54,000,000	-438,000,000	-37,000,000
8. Other operating expenses	130				
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	185,000,000	38,000,000	199,000,000	49,000,000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	106,000,000	15,000,000	47,000,000	20,000,000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	62,000,000	23,000,000	134,000,000	13,000,000
3. Part of income from associates and participating interests	134		0		0
4. Unrealized gains (income) from the financial assets	135		0		0
5. Other financial income	136	17,000,000	0	18,000,000	16,000,000
<b>IV. FINANCIAL COSTS (138 do 141)</b>	<b>137</b>	373,000,000	45,000,000	351,000,000	178,000,000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	6,000,000	-2,000,000	34,000,000	12,000,000
2. Interest, foreign exchange losses and other expenses from third parties	139	244,000,000	9,000,000	47,000,000	-4,000,000
3. Unrealized loss (expenses) on financial assets	140		0		0
4. Other financial expenses	141	123,000,000	38,000,000	270,000,000	170,000,000
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTITIES</b>	<b>142</b>				
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTITIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	13,976,000,000	5,339,000,000	10,618,000,000	4,502,000,000
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	13,383,000,000	5,197,000,000	10,265,000,000	4,182,000,000
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	593,000,000	142,000,000	353,000,000	320,000,000
1. Profit before tax (146-147)	149	593,000,000	142,000,000	353,000,000	320,000,000
2. Loss before tax (147-146)	150	0	0	0	0
<b>XII. CORPORATE INCOME TAX EXPENSE</b>	<b>151</b>	135,000,000	43,000,000	105,000,000	65,000,000
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	458,000,000	99,000,000	248,000,000	255,000,000
1. Profit for the period (149-151)	153	458,000,000	99,000,000	248,000,000	255,000,000
2. Loss for the period (151-148)	154	0	0	0	0
<b>ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to equity holders of the parent company	155				
2. Attributable to non-controlling interests	156				
<b>STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	458,000,000	99,000,000	248,000,000	255,000,000
<b>II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	350,000,000	-13,000,000	-31,000,000	15,000,000
1. Exchange differences on translation of foreign operations	159	257,000,000	-16,000,000	-78,000,000	-22,000,000
2. Movements in revaluation reserves of long-term tangible and intangible assets	160		0		0
3. Gains or loss from reevaluation of financial assets available for sale	161	71,000,000	-4,000,000	48,000,000	39,000,000
4. Gains or losses on efficient cash flow hedging	162		0		0
5. Gains or losses on efficient hedge of a net investments in foreign countries	163		0		0
6. Share in other comprehensive income/loss of associates companies	164		0		0
7. Actuarial gain / losses on defined benefit plans	165	22,000,000	7,000,000	-1,000,000	-2,000,000
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)</b>	<b>167</b>	350,000,000	-13,000,000	-31,000,000	15,000,000
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	808,000,000	86,000,000	217,000,000	270,000,000
<b>APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)</b>					
<b>VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>					
1. Attributable to equity holders of the parent company	169				
2. Attributable to non-controlling interests	170				

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

Issuer: INA - Industrija nafte d.d., Zagreb			
Item	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	593,000,000	353,000,000
2. Depreciation and amortisation	002	1,164,000,000	1,176,000,000
3. Increase in short-term liabilities	003		206,000,000
4. Decrease in short-term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006	288,000,000	287,000,000
<b>I. Total increase of cash flow from operating activities (001 do 006)</b>	<b>007</b>	<b>2,045,000,000</b>	<b>2,022,000,000</b>
1. Decrease in short-term liabilities	008	268,000,000	
2. Increase in short-term receivables	009	176,000,000	454,000,000
3. Increase in inventories	010	297,000,000	270,000,000
4. Other cash flow decreases	011	188,000,000	553,000,000
<b>II. Total decrease of cash flow from operating activities (008 do 011)</b>	<b>012</b>	<b>929,000,000</b>	<b>1,277,000,000</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>1,116,000,000</b>	<b>745,000,000</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash inflows from sale of long-term tangible and intangible assets	015	3,000,000	
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	41,000,000	42,000,000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	25,000,000	31,000,000
<b>III. Total cash inflows from investment activities (015 do 019)</b>	<b>020</b>	<b>69,000,000</b>	<b>73,000,000</b>
1. Cash outflows for purchase of long-term tangible and intangible assets	021	888,000,000	917,000,000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	104,000,000	91,000,000
<b>IV. Total cash outflows from investment activities (021 do 023)</b>	<b>024</b>	<b>992,000,000</b>	<b>1,008,000,000</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>026</b>	<b>923,000,000</b>	<b>935,000,000</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash receipts from issuance from equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	11,842,000,000	9,045,000,000
3. Other cash inflows from financial activities	029	61,000,000	
<b>V. Total cash inflows from financial activities (027 do 029)</b>	<b>030</b>	<b>11,903,000,000</b>	<b>9,045,000,000</b>
1. Cash outflows for repayment of loans and bonds	031	12,197,000,000	8,913,000,000
2. Dividends paid	032	150,000,000	
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financial activities	035	15,000,000	39,000,000
<b>VI. Total cash outflows from financial activities (031 do 035)</b>	<b>036</b>	<b>12,362,000,000</b>	<b>8,952,000,000</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>037</b>	<b>0</b>	<b>93,000,000</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>038</b>	<b>459,000,000</b>	<b>0</b>
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	266,000,000	97,000,000
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	266,000,000	97,000,000
Cash and cash equivalents at the end of the period	044	61,000,000	98,000,000

## STATEMENT OF CHANGES IN EQUITY

for the period **1.1.2016** to **30.9.2016**

Item	AOP	Previous period	Current period
1	2	3	4
1. Share capital	<b>001</b>	9,000,000,000	9,000,000,000
2. Capital reserves	<b>002</b>		
3. Reserves from profit	<b>003</b>	1,168,000,000	1,194,000,000
4. Retained earnings or accumulated loss	<b>004</b>	1,316,000,000	20,000,000
5. Profit / loss for the current year	<b>005</b>	458,000,000	248,000,000
6. Revaluation of long-term tangible assets	<b>006</b>		
7. Revaluation of intangible assets	<b>007</b>		
8. Revaluation of financial assets available for sale	<b>008</b>	192,000,000	264,000,000
9. Other revaluation	<b>009</b>		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	12,134,000,000	10,726,000,000
11. Currency gains and losses arising from net investments in foreign operations	<b>011</b>	257,000,000	-78,000,000
12. Current and deferred taxes (part)	<b>012</b>		
13. Cash flow hedging	<b>013</b>		
14. Changes in accounting policies	<b>014</b>		
15. Correction of significant mistakes in prior period	<b>015</b>		
16. Other changes in capital	<b>016</b>	551,000,000	295,000,000
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	808,000,000	217,000,000
17 a. Attributable to equity holders of the parent company's capital	<b>018</b>		
17 b. Attributable to non-controlling interests	<b>019</b>		

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

## **Notes with financial statements**

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

## Q1-Q3 2016 AND Q3 2016 – REPORT INA, D.D. NON-CONSOLIDATED

## INA, d.d. financial results (IFRS)

Q2 2016	Q3 2016	Q3 2015	%	HRK mln	Q1-Q3 2015*	Q1-Q3 2016	%
3,471	4,421	5,221	(15)	Net sales revenues	13,562	10,285	(24)
354	806	650	24	EBITDA <sup>(1)</sup>	1,992	1,299	(35)
<b>420</b>	<b>811</b>	<b>658</b>	<b>23</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>2,013</b>	<b>1,530</b>	<b>(24)</b>
163	449	149	201	Operating profit/(loss)	781	505	(35)
<b>163</b>	<b>449</b>	<b>202</b>	<b>122</b>	<b>Operating profit/(loss) excl. special items <sup>(2)</sup></b>	<b>834</b>	<b>505</b>	<b>(39)</b>
(72)	(129)	(7)	1,743	Net financial expenses	(188)	(152)	(19)
43	255	99	158	Net profit/loss attributable to equity holder	458	248	(46)
<b>43</b>	<b>255</b>	<b>152</b>	<b>67</b>	<b>Net profit/(loss) excl. special items <sup>(2)</sup></b>	<b>511</b>	<b>248</b>	<b>(51)</b>
419	315	1,268	(75)	Operating cash flow	1,212	745	(39)
				<b>Earnings per share</b>			
4.3	25.5	9.9		Basic and diluted earnings/(loss) per share (kunas per share)	45.8	24.8	
3,260	2,987	2,764	8	Net debt	2,764	2,987	8
23.77	21.78	18.55		Net gearing	18.55	21.78	
<b>357</b>	<b>244</b>	<b>377</b>		<b>CAPEX</b>	<b>846</b>	<b>928</b>	<b>10</b>

  

Q2 2016	Q3 2016	Q3 2015	%	USD mln <sup>(3)</sup>	Q1-Q3 2015*	Q1-Q3 2016	%
523	659	767	(14)	Net sales revenues	1,986	1,523	(23)
53	120	96	26	EBITDA (1)	292	192	(34)
<b>63</b>	<b>121</b>	<b>97</b>	<b>25</b>	<b>EBITDA excl. special items <sup>(2)</sup></b>	<b>295</b>	<b>227</b>	<b>(23)</b>
25	67	22	206	Operating profit/(loss)	114	75	(35)
<b>25</b>	<b>67</b>	<b>30</b>	<b>125</b>	<b>Operating profit/(loss) excl. special items <sup>(2)</sup></b>	<b>122</b>	<b>75</b>	<b>(39)</b>
(11)	(19)	(1)	1,770	Net financial expenses	(28)	(23)	(18)
6	38	15	161	Net profit/loss attributable to equity holder	67	37	(45)
<b>6</b>	<b>38</b>	<b>22</b>	<b>70</b>	<b>Net profit/(loss) excl. special items <sup>(2)</sup></b>	<b>75</b>	<b>37</b>	<b>(51)</b>
63	47	186	(75)	Operating cash flow	177	110	(38)
				<b>Earnings per share</b>			
0.6	3.8	1.5	161	Basic and diluted earnings/(loss) per share (USD per share)	6.7	3.7	(45)
480	446	407	10	Net debt	407	446	10
<b>54</b>	<b>36</b>	<b>55</b>	<b>(34)</b>	<b>CAPEX</b>	<b>124</b>	<b>137</b>	<b>11</b>

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

<sup>(2)</sup> The Q1-Q3 2016 EBITDA was negatively influenced by HRK 231 million special items related to severance payments

<sup>(3)</sup> In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q3 2016 – 6.7064 HRK/USD; Q2 2016 – 6.6386 HRK/USD; Q3 2015 – 6.8049 HRK/USD; Q1-Q3 2015 – 6.8285 HRK/USD; Q1-Q3 2016 – 6.7511 HRK/USD; as at September 30, 2016 – 6.6962 HRK/USD; as at June 30, 2016 – 6.7915 HRK/USD; as at September 30, 2015 – 6.7931 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-Q3 2016 RESULTS

In Q1-Q3 2016, INA d.d. achieved EBITDA in the amount of HRK 1,299 million which represents a decrease of HRK 693 million compared to Q1-Q3 2015. INA's Exploration and Production segment was burdened by a 24% lower Brent price compared to Q1-Q3 2015. The decrease in Brent impacted the gas price too, while general market developments further eroded gas sales by 4% on an Q1-Q3 basis. Nevertheless, continuous efforts for maximizing production on existing Upstream assets resulted in a 11% increase in oil production, with domestic production increasing by 15%. Gas production on the other hand decreased by 12%, 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 is fully consolidated in INA results. Refining and Marketing business is operating in a somewhat less supportive environment, as average crack spreads almost halved compared to the corresponding period of last year, 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 231 million on EBITDA level, primarily caused by the new operating model of Retail.



### **Income statement**

**Total sales revenues in Q1-Q3 2016** amounted HRK 10,285 million, 24% lower compared to Q1-Q3 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 29% lower and amounted to HRK 4,747 million, resulting from lower prices and lower processing.

**Costs of goods sold** recorded decrease of 20%, and amounted HRK 1,619 million, resulting from different sales structure.

Within the **other operating costs** realized in Q1-Q3 2016:

- Other material costs amounted to HRK 1,357 million, which is 14% 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 580 million recorded an increase of 40% mainly due to additional profit oil tax in Angola and higher legal costs.
- Depreciation was 1% higher and amounted to HRK 1,176 million mainly due to higher Exploration and Production depreciation.
- Adjustments and provisions had a positive effect of HRK 382 million and were higher by HRK 429 million compared to Q1-Q3 2015 resulting from released employee related provisions related to 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 975 million were 19% lower than Q1-Q3 2015.

**Net financial loss** in the amount of HRK 152 million was recorded in Q1-Q3 2016, compared to the financial loss of HRK 188 million in Q1-Q3 2015.

### **Balance sheet**

**Total assets** of INA, d.d., as at 30 September 2016 amounted to HRK 19,910 million and were at the same level as 31 December 2015.

**Property, plant and equipment** amounted to HRK 11,193 million and were lower 3% than at as 31 December 2015.

**Trade receivables** outside of INA-Group amounted to HRK 1,333 million and were 13% higher compared to 31 December 2015.

**Total liabilities** amounted to HRK 9,184 million and were 1% lower compared to 31 December 2015.

**Net indebtedness** of INA, d.d., amounted to HRK 2,987 million as at 30 September 2016 what is 5% higher compared to 31 December 2015. **Gearing ratio**<sup>1</sup> increased from 21.3% as at 31 December 2015 to 21.8% as at 30 September 2016.

As at 30 September 2016 **trade payables** outside of INA-Group amounted HRK 1,242 million, which is an increase 28% compared to the 31 December 2015.

### **Cash flow**

**The operating cash-flow before changes in working capital** amounted to HRK 1,263 million in Q1-Q3 2016, which is a decrease of 39% compared to the same period last year.

**Changes in working capital affected the operating cash flow** negatively by HRK 480 million, primarily due to:

- Increased value of inventories by HRK 270 million
- Increase in receivables by HRK 454 million,
- Payables increased by HRK 244 million.

Taxes paid influenced the operating cash flow in the amount of HRK 38 million. All the above factors resulted in HRK 745 million net outflows from operating activities generated by INA d.d. in Q1-Q3 2016.

<sup>1</sup> Net debt / net debt plus equity incl. minority interests

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

Q2 2016	Q3 2016	Q3 2015	%		Q1-Q3 2015	Q1-Q3 2016	%
				Sales revenue			
2,187	2,760	3,223	(14)	a) domestic	8,439	6,749	(20)
1,284	1,661	1,998	(17)	b) exports	5,123	3,536	(31)
<b>3,471</b>	<b>4,421</b>	<b>5,221</b>	<b>(15)</b>	<b>Total sales revenue</b>	<b>13,562</b>	<b>10,285</b>	<b>(24)</b>
2	1	4	(75)	Capitalised value of own performance	7	5	(29)
57	31	76	(59)	Other operating income	222	129	(42)
<b>3,530</b>	<b>4,453</b>	<b>5,301</b>	<b>(16)</b>	<b>Total operating income</b>	<b>13,791</b>	<b>10,419</b>	<b>(24)</b>
				Changes in inventories of finished products and work in progress	74	158	114
211	(169)	(180)	(6)	Cost of raw materials and consumables	(6,656)	(4,747)	(29)
(2,032)	(2,155)	(2,739)	(21)	Depreciation and amortization	(1,164)	(1,176)	1
(406)	(400)	(396)	1	Other material costs	(1,575)	(1,357)	(14)
(457)	(485)	(508)	(5)	Service costs	(414)	(580)	40
(253)	(178)	(146)	22	Staff costs	(1,202)	(975)	(19)
(313)	(229)	(401)	(43)	Cost of other goods sold	(2,026)	(1,619)	(20)
(332)	(431)	(677)	(36)	Impairment and charges (net)	(119)	(56)	(53)
23	6	(51)	n.a.	Provisions for charges and risks (net)	72	438	508
192	37	(54)	n.a.	<b>Operating expenses</b>	<b>(13,010)</b>	<b>(9,914)</b>	<b>(24)</b>
<b>(3,367)</b>	<b>(4,004)</b>	<b>(5,152)</b>	<b>(22)</b>	<b>Profit/(loss) from operations</b>	<b>781</b>	<b>505</b>	<b>(35)</b>
<b>163</b>	<b>449</b>	<b>149</b>	<b>201</b>	Share in the profit of associated companies			
8	49	37	32	Finance income	184	199	8
(80)	(178)	(44)	305	Finance costs	(372)	(351)	(6)
<b>(72)</b>	<b>(129)</b>	<b>(7)</b>	<b>1,743</b>	<b>Net loss from financial activities</b>	<b>(188)</b>	<b>(152)</b>	<b>(19)</b>
<b>91</b>	<b>320</b>	<b>142</b>	<b>125</b>	<b>Profit/(loss) before tax</b>	<b>593</b>	<b>353</b>	<b>(40)</b>
(48)	(65)	(43)	51	Income tax expense	(135)	(105)	(22)
<b>43</b>	<b>255</b>	<b>99</b>	<b>158</b>	<b>Profit/(loss) for the year</b>	<b>458</b>	<b>248</b>	<b>(46)</b>
				Attributable to			
43	255	99	158	Owners of the Company	458	248	(46)
-	-	-	n.a.	Non-controlling interests	-	-	n.a.
<b>43</b>	<b>255</b>	<b>99</b>	<b>158</b>		<b>458</b>	<b>248</b>	<b>(46)</b>
				<b>Earnings per share</b>			
4.3	25.5	9.9	158	Basic and diluted earnings per share (kunas per share)	45.8	24.8	(46)

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

	31 Dec 2015	30 Sept 2016	%
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	385	365	(5)
Property, plant and equipment	11,542	11,193	(3)
Goodwill	-	-	n.a.
Investments in subsidiaries	1,000	772	(23)
Investments in associates and joint ventures	22	22	0
Other investments	692	728	5
Long-term receivables	149	165	11
Derivative financial instruments	-	-	n.a.
Deferred tax	1,995	1,916	(4)
Available for sale assets	581	642	10
<b>Total non-current assets</b>	<b>16,366</b>	<b>15,803</b>	<b>(3)</b>
<b>Current assets</b>			
Inventories	1,597	1,875	17
Trade receivables net	1,176	1,333	13
Intercompany receivables	140	210	50
Other receivables	84	148	76
Corporative Income tax receivables	8	1	(88)
Other current assets	208	362	74
Prepaid expenses and accrued income	42	80	90
Cash and cash equivalents	195	98	(50)
<b>Current assets</b>	<b>3,450</b>	<b>4,107</b>	<b>19</b>
Assets classified as held for sale	-	-	n.a.
<b>Total current assets</b>	<b>3,450</b>	<b>4,107</b>	<b>19</b>
<b>Total assets</b>	<b>19,816</b>	<b>19,910</b>	<b>0</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	9,000	9,000	0
Legal reserves	330	20	(94)
Revaluation reserve	216	264	22
Other reserves	1,273	1,194	(6)
Retained earnings / (Deficit)	(310)	248	n.a.
<b>Total equity</b>	<b>10,509</b>	<b>10,726</b>	<b>2</b>
Non-controlling interests	-	-	n.a.
<b>Total equity</b>	<b>10,509</b>	<b>10,726</b>	<b>2</b>
<b>Non-current liabilities</b>			
Long-term loans	400	256	(36)
Other non-current liabilities	65	60	(8)
Employee benefits obligation	66	49	(26)
Provisions	3,374	3,209	(5)
<b>Total non-current liabilities</b>	<b>3,905</b>	<b>3,574</b>	<b>(8)</b>
<b>Current liabilities</b>			
Bank loans and overdrafts	2,508	2,701	8
Current portion of long-term loans	133	128	(4)
Calculated derivative agreements	-	-	n.a.
Intercompany payables	488	466	(5)
Trade payables	967	1,242	28
Taxes and contributions	606	570	(6)
Other current liabilities	216	257	19
Accruals and deferred income	17	13	(24)
Employee benefits obligation	4	1	(75)
Provisions	463	232	(50)
<b>Current liabilities</b>	<b>5,402</b>	<b>5,610</b>	<b>4</b>
Liabilities directly associated with assets classified held for sale	-	-	n.a.
<b>Total current liabilities</b>	<b>5,402</b>	<b>5,610</b>	<b>4</b>
<b>Total liabilities</b>	<b>9,307</b>	<b>9,184</b>	<b>(1)</b>
<b>Total equity and liabilities</b>	<b>19,816</b>	<b>19,910</b>	<b>0</b>

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

Q2 2016	Q3 2016	Q3 2015	%		Q1-Q3 2015	Q1-Q3 2016	%
43	255	99	158	<b>Profit/(loss) for the year</b>	458	248	(46)
				<b>Adjustments for:</b>			
406	400	396	1	Depreciation and amortisation	1,164	1,176	1
48	65	43	51	Income tax (benefit)/expenses recognized in (loss)/profit	135	105	(22)
(23)	(6)	51	n.a.	Impairment charges (net)	119	56	(53)
-	-	-	n.a.	Reversal of impairment	-	-	n.a.
15	4	(1)	n.a.	Gain on sale of property, plant and equipment	(3)	6	n.a.
-	-	-	n.a.	Gain on sale investments and shares	-	-	n.a.
29	(19)	30	n.a.	Foreign exchange loss/(gain)	113	(78)	n.a.
(16)	(12)	(4)	200	Interest income, net	(5)	(32)	540
29	128	66	94	Other financial expense recognised in profit	57	158	177
-	-	-	n.a.	Decommissioning interests	-	-	n.a.
(192)	(38)	106	n.a.	(Decrease)/increase in provisions	(22)	(439)	1,895
-	-	-	n.a.	Merger of Proplin	-	-	n.a.
15	14	(35)	n.a.	Decommissioning interests	56	43	(23)
9	6	(30)	n.a.	Net gain/loss on derivative financial instruments and hedge transactions	(5)	24	n.a.
(15)	15	(4)	n.a.	Other non-cash items	(1)	(4)	300
<b>348</b>	<b>812</b>	<b>717</b>	<b>13</b>	<b>Operating cash flow before working capital changes</b>	<b>2,066</b>	<b>1,263</b>	<b>(39)</b>
				<b>Movements in working capital</b>			
(390)	25	285	(91)	(Increase)/decrease in inventories	(297)	(270)	(9)
(70)	(319)	121	n.a.	(Increase)/decrease in receivables and prepayments	(176)	(454)	158
534	(172)	138	n.a.	(Decrease)/increase in trade and other payables	(268)	244	n.a.
-	-	-	n.a.	Decrease/(increase) in provisions	-	-	n.a.
<b>422</b>	<b>346</b>	<b>1,261</b>	<b>(73)</b>	<b>Cash generated from operations</b>	<b>1,325</b>	<b>783</b>	<b>(41)</b>
(3)	(31)	7	n.a.	Taxes paid	(113)	(38)	(66)
<b>419</b>	<b>315</b>	<b>1,268</b>	<b>(75)</b>	<b>Net cash inflow from operating activities</b>	<b>1,212</b>	<b>745</b>	<b>(39)</b>
				<b>Cash flows used in investing activities</b>			
(356)	(235)	(369)	(36)	Capital expenditures, exploration and development costs	(851)	(907)	7
17	1	1	0	Payment for intangible assets	(37)	(4)	(89)
(2)	(4)	1	n.a.	Proceeds from sale of non-current assets	3	(6)	n.a.
(13)	-	-	n.a.	Payments related to sale of subsidiary	-	-	n.a.
-	-	-	n.a.	Acquisition of investments in associates and joint ventures and other companies	-	-	n.a.
15	1	7	(86)	Dividends received from companies classified under available for sale and other companies	7	16	129
-	16	1	1,500	Proceeds from profit of companies	16	16	0
15	18	16	13	Interest received and other financial income	43	42	(2)
(131)	95	(34)	n.a.	Investments and loans to third parties	(104)	(92)	(12)
<b>(455)</b>	<b>(108)</b>	<b>(377)</b>	<b>(71)</b>	<b>Net cash (outflow) used for investing activities</b>	<b>(923)</b>	<b>(935)</b>	<b>1</b>
				<b>Cash flows from financing activities</b>			
286	90	-	n.a.	Additional long-term borrowings	1,602	1,192	(26)
(778)	(433)	(67)	546	Repayment of long-term borrowings	(1,912)	(1,310)	(31)
2,402	3,341	4,014	(17)	Additional short-term borrowings	10,240	7,853	(23)
(1,784)	(3,241)	(4,711)	(31)	Repayment of short term borrowings	(10,284)	(7,603)	(26)
-	-	(150)	n.a.	Payment dividends	(150)	-	n.a.
(3)	(3)	(3)	0	Interest paid on long-term loans	(12)	(9)	(25)
(1)	(2)	(3)	(33)	Other long-term liabilities	3	(6)	n.a.
(6)	(9)	(19)	(53)	Interest paid on short term loans and other financing charges	(39)	(22)	(44)
<b>116</b>	<b>(257)</b>	<b>(939)</b>	<b>(73)</b>	<b>Net cash from financing activities</b>	<b>(552)</b>	<b>95</b>	<b>n.a.</b>
80	(50)	(48)	4	Net (decrease)/increase in cash and cash equivalents	(263)	(95)	(64)
70	151	113	34	At 1 January	327	195	(40)
1	(3)	(4)	(25)	Effect of foreign exchange rate changes	(3)	(2)	(33)
151	98	61	61	At the end of period	61	98	61

## Announcements in 2016

18 October 2016	Report on takeover of Energopetrol d.d. Sarajevo
09 September 2016	Bid on takeover of Energopetrol d.d. Sarajevo
06 September 2016	Decision on approval of Takeover Offer for Energopetrol d.d.
26 August 2016	Disposal of shares
28 July 2016	INA starts production at new gas fields in Medimurje
25 July 2016	Management board meeting announcement
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 September 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
<b>Total</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>

Source: Central Clearing Depository Company

## Changes in organization, Management Board or Supervisory Board

### Supervisory Board

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

### Management Board

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

### Board of Executive Directors

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

## Management representation

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