

ENCLOSURE 1

Reporting period:

1 January 2016

to

31 December 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: **4.387**
(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: **64603058187****Top Računovodstvo Servisi d.o.o.; Member of INA Group**Contact person: **Goran Pavlović**
(Name and surname of contact person)Telephone: **01 612-4885**Telefaks: **01 612-3115**E-mail: Goran.Pavlovic@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 December 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	15.682.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	426.000.000	399.000.000
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	163.000.000	157.000.000
3. Goodwill	006		
4. Advances for purchase of intangible assets	007	41.000.000	20.000.000
5. Intangible assets in preparation	008	222.000.000	222.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	11.557.000.000	11.207.000.000
1. Land	011	1.022.000.000	1.005.000.000
2. Buildings	012	5.183.000.000	5.245.000.000
3. Plant and equipment	013	2.538.000.000	2.607.000.000
4. Instruments, plant inventories and transportation assets	014	267.000.000	240.000.000
5. Biological asset	015		
6. Advances for tangible assets	016	15.000.000	37.000.000
7. Tangible assets in preparation	017	2.525.000.000	2.066.000.000
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	2.310.000.000
1. Investments in subsidiaries	021	1.000.000.000	805.000.000
2. Loans given to related parties	022	678.000.000	795.000.000
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	676.000.000
8. Investment accounted by equity method	028		
IV. RECEIVABLES (030 do 032)	029	93.000.000	82.000.000
1. Receivables from subsidiaries	030	11.000.000	11.000.000
2. Receivables based on trade loans	031	82.000.000	71.000.000
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033	1.995.000.000	1.684.000.000
C) SHORT-TERM ASSETS (035+043+050+058)	034	3.408.000.000	4.429.000.000
I. INVENTORIES (036 do 042)	035	1.597.000.000	1.802.000.000
1. Raw materials & consumables	036	531.000.000	608.000.000
2. Work in progress	037	515.000.000	564.000.000
3. Finished goods	038	375.000.000	563.000.000
4. Merchandise	039	176.000.000	67.000.000
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	1.727.000.000
1. Receivables from subsidiaries	044	140.000.000	258.000.000
2. Trade receivables	045	1.176.000.000	1.315.000.000
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	92.000.000
6. Other receivables	049	68.000.000	59.000.000
III. SHORT-TERM FINANCIAL ASSETS (051 do 057)	050	208.000.000	400.000.000
1. Investments in subsidiaries	051	0	330.000.000
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	14.000.000
7. Other financial assets	057	30.000.000	56.000.000
IV. CASH AT BANK AND IN CASH REGISTER	058	195.000.000	500.000.000
D) PREPAID EXPENSES AND ACCRUED INCOME	059	42.000.000	34.000.000
E) TOTAL ASSETS (001+002+034+059)	060	19.816.000.000	20.145.000.000
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	10.767.000.000
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	1.308.000.000
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	1.288.000.000
IV. REVALUATION RESERVES	071	216.000.000	299.000.000
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	160.000.000
1. Profit for the financial year	076		160.000.000
2. Loss for the financial year	077	1.202.000.000	
VII. NON-CONTROLLING INTERESTS	078		
B) PROVISIONS (080 do 082)	079	3.791.000.000	3.479.000.000
1. Provisions for redundancy costs, severance pays and similar liabilities	080	70.000.000	48.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	3.721.000.000	3.431.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	465.000.000	331.000.000
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	271.000.000
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	60.000.000
9. Deferred tax liability	092		
D) CURRENT LIABILITIES (094 do 105)	093	4.962.000.000	5.463.000.000
1. Liabilities to subsidiaries	094	488.000.000	560.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities to banks and other financial institutions	096	2.641.000.000	2.622.000.000
4. Liabilities for received advances	097	23.000.000	36.000.000
5. Trade payables	098	967.000.000	1.498.000.000
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	53.000.000
9. Liabilities for taxes, contributions and similar fees	102	606.000.000	552.000.000
10. Dividend payables	103		
11. Liabilities for long-term assets held for sale	104		
12. Other current liabilities	105	154.000.000	142.000.000
E) ACCRUAL AND DEFERRED INCOME	106	89.000.000	105.000.000
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	19.816.000.000	20.145.000.000
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 December 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	17.469.000.000	3.680.000.000	14.944.000.000	4.527.000.000
1. Sales revenue	112	17.161.000.000	3.599.000.000	14.642.000.000	4.357.000.000
2. Other operating income	113	308.000.000	81.000.000	302.000.000	170.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	18.635.000.000	5.627.000.000	14.037.000.000	4.125.000.000
1. Changes in inventories of finished products and work in progress	115	233.000.000	307.000.000	-256.000.000	-98.000.000
2. Material costs (117 do 119)	116	12.683.000.000	2.427.000.000	10.952.000.000	3.231.000.000
a) Cost of raw materials & consumables	117	8.102.000.000	1.446.000.000	7.230.000.000	2.483.000.000
b) Cost of goods sold	118	2.494.000.000	470.000.000	1.889.000.000	271.000.000
c) Other costs	119	2.087.000.000	511.000.000	1.833.000.000	477.000.000
3. Staff costs (121 do 123)	120	1.354.000.000	325.000.000	973.000.000	196.000.000
a) Net salaries and wages	121	779.000.000	188.000.000	545.000.000	116.000.000
b) Costs for taxes and contributions from salaries	122	372.000.000	89.000.000	284.000.000	51.000.000
c) Contributions on gross salaries	123	203.000.000	48.000.000	144.000.000	29.000.000
4. Depreciation and amortisation	124	2.078.000.000	914.000.000	1.600.000.000	424.000.000
5. Other costs	125	826.000.000	274.000.000	1.006.000.000	338.000.000
6. Impairment charges (127+128)	126	1.213.000.000	1.094.000.000	108.000.000	52.000.000
a) impairment of long-term assets (excluding financial assets)	127	1.016.000.000	983.000.000	47.000.000	24.000.000
b) impairment of short-term assets (excluding financial assets)	128	197.000.000	111.000.000	61.000.000	28.000.000
7. Provisions	129	248.000.000	286.000.000	-346.000.000	-18.000.000
8. Other operating expenses	130		0		0
III. FINANCIAL INCOME (132 do 136)	131	306.000.000	121.000.000	155.000.000	-44.000.000
1. Interest income, foreign exchange gains, dividends and other financial income from subsidiaries	132	219.000.000	113.000.000	92.000.000	45.000.000
2. Interest income, foreign exchange gains, dividends and other financial income from third parties	133	65.000.000	4.000.000	44.000.000	-90.000.000
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	22.000.000	4.000.000	19.000.000	1.000.000
IV. FINANCIAL COSTS (138 do 141)	137	638.000.000	265.000.000	560.000.000	209.000.000
1. Interest, foreign exchange losses and other expenses from subsidiaries	138	6.000.000	0	8.000.000	-26.000.000
2. Interest, foreign exchange losses and other expenses from third parties	139	301.000.000	57.000.000	126.000.000	79.000.000
3. Unrealized loss (expenses) on financial assets	140		0		0
4. Other financial expenses	141	331.000.000	208.000.000	426.000.000	156.000.000
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	17.775.000.000	3.801.000.000	15.099.000.000	4.483.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	19.273.000.000	5.892.000.000	14.597.000.000	4.334.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	-1.498.000.000	-2.091.000.000	502.000.000	149.000.000
1. Profit before tax (146-147)	149	0	0	502.000.000	149.000.000
2. Loss before tax (147-146)	150	1.498.000.000	2.091.000.000	0	0
XII. CORPORATE INCOME TAX EXPENSE	151	-296.000.000	-431.000.000	342.000.000	237.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-1.202.000.000	-1.660.000.000	160.000.000	-88.000.000
1. Profit for the period (149-151)	153	0	0	160.000.000	0
2. Loss for the period (151-148)	154	1.202.000.000	1.660.000.000	0	88.000.000
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				
STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-1.202.000.000	-1.660.000.000	160.000.000	-88.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	479.000.000	129.000.000	98.000.000	129.000.000
1. Exchange differences on translation of foreign operations	159	355.000.000	99.000.000	14.000.000	92.000.000
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	95.000.000	24.000.000	83.000.000	35.000.000
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	29.000.000	6.000.000	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	479.000.000	129.000.000	98.000.000	129.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	-723.000.000	-1.531.000.000	258.000.000	41.000.000
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 December 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	-1.498.000.000	502.000.000
2. Depreciation and amortisation	002	2.078.000.000	1.600.000.000
3. Increase in short-term liabilities	003		404.000.000
4. Decrease in short-term receivables	004	266.000.000	
5. Decrease in inventories	005		
6. Other cash flow increases	006	1.889.000.000	596.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	2.735.000.000	3.102.000.000
1. Decrease in short-term liabilities	008	969.000.000	
2. Increase in short-term receivables	009		255.000.000
3. Increase in inventories	010	39.000.000	228.000.000
4. Other cash flow decreases	011	45.000.000	514.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1.053.000.000	997.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	1.682.000.000	2.105.000.000
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	10.000.000	17.000.000
2. Cash inflows from sale of equity and debt instruments	016		
3. Interest receipts	017	53.000.000	8.000.000
4. Dividends receipts	018		
5. Other cash inflows from investment activities	019	25.000.000	33.000.000
III. Total cash inflows from investment activities (015 do 019)	020	88.000.000	58.000.000
1. Cash outflows for purchase of long-term tangible and intangible assets	021	1.455.000.000	1.322.000.000
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investment activities	023	99.000.000	261.000.000
IV. Total cash outflows from investment activities (021 do 023)	024	1.554.000.000	1.583.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	1.466.000.000	1.525.000.000
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	14.029.000.000	11.730.000.000
3. Other cash inflows from financial activities	029	4.000.000	
V. Total cash inflows from financial activities (027 do 029)	030	14.033.000.000	11.730.000.000
1. Cash outflows for repayment of loans and bonds	031	14.181.000.000	11.866.000.000
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	50.000.000	139.000.000
VI. Total cash outflows from financial activities (031 do 035)	036	14.381.000.000	12.005.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	348.000.000	275.000.000
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	305.000.000
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	132.000.000	0
Cash and cash equivalents at the beginning of the period	041	327.000.000	195.000.000
Increase of cash and cash equivalents	042		305.000.000
Decrease of cash and cash equivalents	043	132.000.000	
Cash and cash equivalents at the end of the period	044	195.000.000	500.000.000

STATEMENT OF CHANGES IN EQUITY

for the period 1.1.2016 to 31.12.2016

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	1.273.000.000	1.288.000.000
4. Retained earnings or accumulated loss	004	1.222.000.000	20.000.000
5. Profit / loss for the current year	005	-1.202.000.000	160.000.000
6. Revaluation of long-term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	216.000.000	299.000.000
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	10.509.000.000	10.767.000.000
11. Currency gains and losses arising from net investments in foreign operations	011	355.000.000	14.000.000
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	-1.078.000.000	244.000.000
17. Total increase or decrease in capital (AOP 011 do 016)	017	-723.000.000	258.000.000
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-Q4 2016 AND Q4 2016 – REPORT INA, D.D. NON-CONSOLIDATED

INA, d.d. financial results (IFRS)

Q3 2016	Q4 2016	Q4 2015	%	HRK mln	Q1-Q4 2015*	Q1-Q4 2016	%
4,421	4,357	3,599	21	Net sales revenues	17,161	14,642	(15)
806	970	381	155	EBITDA ⁽¹⁾	2,373	2,269	(4)
811	992	618	61	EBITDA excl. special items ⁽²⁾	2,631	2,522	(4)
449	402	(1,947)	n.a.	Operating profit/(loss)	(1,166)	907	n.a.
449	434	(760)	n.a.	Operating profit/(loss) excl. special items ⁽²⁾	74	939	1,169
(129)	(253)	(144)	76	Net financial expenses	(332)	(405)	22
255	(88)	(1,660)	(95)	Net profit/loss attributable to equity holder	(1,202)	160	n.a.
255	(56)	(340)	(84)	Net profit/(loss) excl. special items ⁽²⁾	171	192	12
315	1,360	470	189	Operating cash flow	1,682	2,105	25
Earnings per share							
25.5	(8.8)	(166.0)		Basic and diluted earnings/(loss) per share (kunas per share)	(120.2)	16.0	
2,987	2,393	2,846	(16)	Net debt	2,846	2,393	(16)
21.78	18.18	21.31		Net gearing	21.31	18.18	
244	381	612		CAPEX	1,458	1,309	(10)
Q3 2016	Q4 2016	Q4 2015	%	USD mln ⁽³⁾	Q1-Q4 2015*	Q1-Q4 2016	%
659	626	517	21	Net sales revenues	2,501	2,152	(14)
120	139	55	155	EBITDA ⁽¹⁾	346	333	(4)
121	142	89	61	EBITDA excl. special items ⁽²⁾	383	371	(3)
67	58	(280)	n.a.	Operating profit/(loss)	(170)	133	n.a.
67	62	(109)	n.a.	Operating profit/(loss) excl. special items ⁽²⁾	11	138	1,180
(19)	(36)	(21)	76	Net financial expenses	(48)	(60)	23
38	(13)	(238)	(95)	Net profit/loss attributable to equity holder	(175)	24	n.a.
38	(8)	(49)	(84)	Net profit/(loss) excl. special items ⁽²⁾	25	28	13
47	195	68	189	Operating cash flow	245	309	26
Earnings per share							
3.8	(1.3)	(23.8)	(95)	Basic and diluted earnings/(loss) per share (USD per share)	(17.5)	2.4	n.a.
446	335	407	(18)	Net debt	407	335	(18)
36	55	88	(38)	CAPEX	212	192	(9)

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

⁽²⁾ The Q1-Q4 2016 EBITDA was negatively influenced by HRK 253 million special items related to severance payments, while EBIT and Net profit were negatively impacted by HRK 32 mn of net effect of provisions for incentives and severance payments

⁽³⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2016 – 6.9614 HRK/USD; Q3 2016 – 6.7064 HRK/USD; Q4 2015 – 6.9608 HRK/USD; Q1-Q4 2015 – 6.8623 HRK/USD; Q1-Q4 2016 – 6.8037 HRK/USD; as at September 30, 2016 – 6.6962 HRK/USD; as at December 31, 2016 – 7.1365 HRK/USD; as at December 31, 2015 – 6.9918 HRK/USD

*A change has been made in profit and loss statement and statement of financial position 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". "Provision": cost and revenue of bonuses and unused holidays are now recorded in "Staff cost"; "Realized additional discount from other operating profit" is now recorded in other material costs or cost of other goods sold. A change has been made in statement of financial position in the recording of: "Short-term provision": Provision for bonuses and unused holiday are now recorded as accrued bonuses and unused holiday in "Other short-term liabilities."

Q1-Q4 2016 RESULTS

In 2016, INA d.d. achieved EBITDA in the amount of HRK 2,269 million which represents an decrease of HRK 104 million compared to 2015. Despite the challenging environment in the form of Brent and crack spreads decrease, affecting both the Exploration and production as well as Refining segment, Company achieved the positive development in results. This was achieved primarily with the ongoing program of operational adjustment to lower commodity prices. Exploration and production remained the main cash generator during 2016.

Downstream operations achieved a positive result. The introduction of a more competitive operating model in Retail has already resulted in a decrease in fixed OPEX, which supported by an increase in non-fuel revenues has led to an improvement in underlying profitability.

CAPEX amounted to HRK 1,309 million, decrease of 10% compared to 2015. On the back of a disciplined approach to CAPEX spending, the financial position of the Company remained stable during 2016. Net gearing decreased to 18.18%, whilst net debt reached HRK 2,393 million, a 16% decrease compared to 2015.

Income statement

Total sales revenues in 2016 amounted HRK 14,642 million, 15% lower compared to 2015 level, primarily triggered by lower Brent, lower natural gas prices and lower hydrocarbon production in Exploration and Production Segment.

Costs of raw materials and consumables were 11% lower and amounted to HRK 7,230 million, resulting mainly from lower prices.

Costs of goods sold recorded decrease of 24%, and amounted HRK 1,889 million, resulting from different sales structure.

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

- Other material costs amounted to HRK 1,833 million, which is 12% 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 804 million recorded an increase of 43% mainly due to additional profit oil tax in Angola and higher legal costs.
- Depreciation was 23% lower and amounted to HRK 1,600 million mainly due to lower Exploration and Production depreciation.
- Adjustments and provisions had a positive effect of HRK 238 million and were higher by HRK 1,699 million compared to 2015 resulting from high level of asset impairments in 2015, and partly offset by 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 in 2016.

Staff costs in the amount HRK 1,175 million were 27% lower than 2015.

Net financial loss in the amount of HRK 405 million was recorded in 2016, compared to the financial loss of HRK 332 million in 2015.

Balance sheet

Total assets of INA, d.d., as at 31 December 2016 amounted to HRK 20,145 million and was 2% higher than 31 December 2015.

Property, plant and equipment amounted to HRK 11,169 million and were lower 3% than at 31 December 2015.

Trade receivables outside of INA-Group amounted to HRK 1,315 million and were 12% higher compared to 31 December 2015.

Total liabilities amounted to HRK 9,378 million and were 1% higher compared to 31 December 2015.

Net indebtedness of INA, d.d., amounted to HRK 2,393 million as at 31 December 2016 which is 16% lower compared to 31 December 2015. **Gearing ratio**¹ decreased from 21.3% as at 31 December 2015 to 18.8% as at 31 December 2016.

As at 31 December 2016 **trade payables** outside of INA-Group amounted HRK 1,498 million, which is an increase 55% compared to the 31 December 2015.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 2,184 million in 2016, which is a decrease of 10% compared to the same period last year.

Changes in working capital affected the operating cash flow negatively by HRK 42 million, primarily due to:

- Increased value of inventories by HRK 228 million
- Increase in receivables by HRK 255 million,
- Payables increased by HRK 441 million.

Taxes paid influenced the operating cash flow in the amount of HRK 37 million. All the above factors resulted in HRK 2,105 million net outflows from operating activities generated by INA d.d. in 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 December 2016
(HRK millions)

Q3 2016	Q4 2016	Q4 2015	%		Q1-Q4 2015	Q1-Q4 2016	%
				Sales revenue			
2,760	2,432	2,431	0	a) domestic	10,870	9,181	(16)
1,661	1,925	1,168	65	b) exports	6,291	5,461	(13)
4,421	4,357	3,599	21	Total sales revenue	17,161	14,642	(15)
1	1	2	(50)	Capitalised value of own performance	9	6	(33)
31	167	80	109	Other operating income	302	296	(2)
4,453	4,525	3,681	23	Total operating income	17,472	14,944	(14)
				Changes in inventories of finished products and work in progress	(233)	256	n.a.
(169)	98	(307)	n.a.	Cost of raw materials and consumables	(8,102)	(7,230)	(11)
(2,155)	(2,483)	(1,446)	72	Depreciation and amortization	(2,078)	(1,600)	(23)
(400)	(424)	(914)	(54)	Other material costs	(2,086)	(1,833)	(12)
(485)	(476)	(511)	(7)	Service costs	(563)	(804)	43
(178)	(224)	(149)	50	Staff costs	(1,618)	(1,175)	(27)
(229)	(200)	(416)	(52)	Cost of other goods sold	(2,497)	(1,889)	(24)
(431)	(270)	(471)	(43)	Impairment and charges (net)	(1,213)	(108)	(91)
6	(52)	(1,094)	(95)	Provisions for charges and risks (net)	(248)	346	n.a.
37	(92)	(320)	(71)				
(4,004)	(4,123)	(5,628)	(27)	Operating expenses	(18,638)	(14,037)	(25)
449	402	(1,947)	n.a.	Profit/(loss) from operations	(1,166)	907	n.a.
				Share in the profit of associated companies			
49	(44)	122	n.a.	Finance income	306	155	(49)
(178)	(209)	(266)	(21)	Finance costs	(638)	(560)	(12)
(129)	(253)	(144)	76	Net loss from financial activities	(332)	(405)	22
320	149	(2,091)	n.a.	Profit/(loss) before tax	(1,498)	502	n.a.
(65)	(237)	431	n.a.	Income tax expense	296	(342)	n.a.
255	(88)	(1,660)	(95)	Profit/(loss) for the year	(1,202)	160	n.a.
				Attributable to			
255	(88)	(1,660)	(95)	Owners of the Company	(1,202)	160	n.a.
-	-	-	n.a.	Non-controlling interests	-	-	n.a.
255	(88)	(1,660)	(95)		(1,202)	160	n.a.
				Earnings per share			
25.5	(8.8)	(166.0)	(95)	Basic and diluted earnings per share (kunas per share)	(120.2)	16.0	n.a.

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

	31 Dec 2015	31 Dec 2016	%
Assets			
Non-current assets			
Intangible assets	385	380	(1)
Property, plant and equipment	11,542	11,169	(3)
Goodwill	-	-	n.a.
Investments in subsidiaries	1,000	805	(20)
Investments in associates and joint ventures	22	22	0
Other investments	692	809	17
Long-term receivables	149	137	(8)
Derivative financial instruments	-	-	n.a.
Deferred tax	1,995	1,684	(16)
Available for sale assets	581	676	16
Total non-current assets	16,366	15,682	(4)
Current assets			
Inventories	1,597	1,802	13
Trade receivables net	1,176	1,315	12
Intercompany receivables	140	258	84
Other receivables	84	153	82
Corporative Income tax receivables	8	1	(88)
Other current assets	208	434	109
Prepaid expenses and accrued income	42	-	n.a.
Cash and cash equivalents	195	500	156
Current assets	3,450	4,463	29
Assets classified as held for sale	-	-	n.a.
Total current assets	3,450	4,463	29
Total assets	19,816	20,145	2
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	330	20	(94)
Revaluation reserve	216	299	38
Other reserves	1,273	1,288	1
Retained earnings / (Deficit)	(310)	160	n.a.
Total equity	10,509	10,767	2
Non-controlling interests	-	-	n.a.
Total equity	10,509	10,767	2
Non-current liabilities			
Long-term loans	400	271	(32)
Other non-current liabilities	65	60	(8)
Employee benefits obligation	66	46	(30)
Provisions	3,374	3,314	(2)
Total non-current liabilities	3,905	3,691	(5)
Current liabilities			
Bank loans and overdrafts	2,508	2,487	(1)
Current portion of long-term loans	133	135	2
Calculated derivative agreements	-	-	n.a.
Intercompany payables	488	560	15
Trade payables	967	1,498	55
Taxes and contributions	606	552	(9)
Other current liabilities	216	336	56
Accruals and deferred income	17	-	n.a.
Employee benefits obligation	4	2	(50)
Provisions	463	117	(75)
Current liabilities	5,402	5,687	5
Liabilities directly associated with assets classified held for sale	-	-	n.a.
Total current liabilities	5,402	5,687	5
Total liabilities	9,307	9,378	1
Total equity and liabilities	19,816	20,145	2

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

Q3 2016	Q4 2016	Q4 2015	%		Q1-Q4 2015	Q1-Q4 2016	%
255	(88)	(1,660)	(95)	Profit/(loss) for the year	(1,202)	160	n.a.
				Adjustments for:			
400	424	914	(54)	Depreciation and amortisation	2,078	1,600	(23)
65	237	(431)	n.a.	Income tax (benefit)/expenses recognized in (loss)/profit	(296)	342	n.a.
(6)	52	1,094	(95)	Impairment charges (net)	1,213	108	(91)
4	(7)	(7)	(0)	Gain on sale of property, plant and equipment	(10)	(1)	(90)
-	(135)	-	n.a.	Gain on sale investments and shares	-	(135)	n.a.
(19)	101	26	288	Foreign exchange loss/(gain)	139	23	(83)
(12)	21	(7)	n.a.	Interest income, net	(12)	(11)	(8)
128	184	114	61	Other financial expense recognised in profit	171	342	100
(38)	73	284	(74)	(Decrease)/increase in provisions	262	(366)	n.a.
14	8	19	(58)	Decommissioning interests	75	51	(32)
				Net gain/loss on derivative financial instruments and hedge transactions	(19)	44	n.a.
6	20	(14)	n.a.				
-	28	29	(3)	Net gain/loss on emission quotas	29	28	(3)
15	3	(3)	n.a.	Other non-cash items	(4)	(1)	(75)
812	921	358	157	Operating cash flow before working capital changes	2,424	2,184	(10)
				Movements in working capital			
25	42	258	(84)	(Increase)/decrease in inventories	(39)	(228)	485
(319)	199	442	(55)	(Increase)/decrease in receivables and prepayments	266	(255)	n.a.
(172)	197	(587)	n.a.	(Decrease)/increase in trade and other payables	(855)	441	n.a.
346	1,359	471	189	Cash generated from operations	1,796	2,142	19
(31)	1	(1)	n.a.	Taxes paid	(114)	(37)	(68)
315	1,360	470	189	Net cash inflow from operating activities	1,682	2,105	25
				Cash flows used in investing activities			
(235)	(353)	(543)	(35)	Capital expenditures, exploration and development costs	(1,394)	(1,260)	(10)
1	(58)	(24)	142	Payment for intangible assets	(61)	(62)	2
(4)	23	7	229	Proceeds from sale of non-current assets	10	17	70
-	1	2	(50)	Payments related to sale of subsidiary	2	1	(50)
				Dividends received from companies classified under available for sale and other companies	7	16	129
1	-	-	n.a.				
16	(1)	-	n.a.	Proceeds from profit of companies	16	15	(6)
18	(34)	10	n.a.	Interest received and other financial income	53	8	(85)
95	(168)	5	n.a.	Investments and loans to third parties	(99)	(260)	163
(108)	(590)	(543)	9	Net cash (outflow) used for investing activities	(1,466)	(1,525)	4
				Cash flows from financing activities			
90	-	-	n.a.	Additional long-term borrowings	1,602	1,192	(26)
(433)	1	(1)	n.a.	Repayment of long-term borrowings	(1,913)	(1,309)	(32)
3,341	2,685	2,187	23	Additional short-term borrowings	12,427	10,538	(15)
(3,241)	(2,954)	(1,984)	49	Repayment of short term borrowings	(12,268)	(10,557)	(14)
-	-	-	n.a.	Payment dividends	(150)	-	n.a.
(3)	(3)	(3)	0	Interest paid on long-term loans	(15)	(12)	(20)
(2)	6	-	n.a.	Other long-term liabilities	3	-	n.a.
(9)	(98)	4	n.a.	Interest paid on short term loans and other financing charges	(35)	(120)	243
(257)	(363)	203	n.a.	Net cash from financing activities	(349)	(268)	(23)
(50)	407	130	213	Net (decrease)/increase in cash and cash equivalents	(133)	312	n.a.
151	98	61	61	At 1 January	327	195	(40)
(3)	(5)	4	n.a.	Effect of foreign exchange rate changes	1	(7)	n.a.
98	500	195	156	At the end of period	195	500	156

Announcements in 2016

29 December 2016	Announcement on media statements
19 December 2016	General Assembly Decisions
18 November 2016	Amendment of the Invitation to the General Assembly
11 November 2016	Invitation to the General Assembly
10 November 2016	INA prepares detailed design for Residue Upgrade Project
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	31 Dec 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 19 December 2016 the General Shareholders' Assembly of INA, d.d. elected the following members of the Supervisory Board for a mandate of 4 years: Luka Burilović, Dario Čehić, Szabolcs Ferencz I., Ferenc Horváth, József Molnár, József Simola, László Uzsocki and Damir Vandelić.

Management Board

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

Board of Executive Directors

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

Management representation

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