Q4 AND Q1-Q4 2013 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q4 and Q1-Q4 2013 results today. This report contains unaudited consolidated financial statements for the period ending 31 December 2013 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

HRK mln.	Q3 2013	Q4 2013	Q4 2012	%	2012	2013	%
Net sales revenues	7,428	6,661	7,275	(8)	29,895	27,444	(8)
EBITDA reported [1]	1,064	842	885	(5)	4,581	3,672	(20)
EBITDA excl. special items	**1,191**	**842**	**1,007**	**(16)**	**4,966**	**3,799**	**(23)**
Profit/(loss) from operations	369	(2,276)	(161)	1,314	1,359	(1,570)	n.a.
Operating profit excl. special items[2]	**496**	**(34)**	**595**	**n.a.**	**2,866**	**799**	**(72)**
Net financial expenses	(106)	(61)	(77)	(21)	(292)	(246)	(16)
Net profit/loss for the period[3]	176	(1,894)	(252)	652	681	(1,508)	n.a.
Net profit/loss for the period excl. special items	**278**	**465**	**353**	**32**	**1,887**	**953**	**(49)**
Operating cash flow	**491**	**1,919**	**560**	**243**	**3,742**	**4,543**	**21**
Earnings per share							
Basic and diluted earnings per share (kunas per share)	17.6	(189.4)	(25.2)	652	68.1	(150.8)	n.a.
Net debt	5,709				6,664	4,761	(29)
Net gearing	27.8	27.0	30.8		30.8	27.0	
CAPEX total	519	994	546	82	1,286	2,013	57
Domestic	398	874	501	74	1,166	1,655	42
International	121	120	45	167	120	358	199

USD mln [3]	Q3 2013	Q4 2013	Q4 2012	%	2012	2013	%
Net sales revenues	1,305	1,189	1,253	(5)	5,109	4,810	(6)
EBITDA reported [1]	187	150	152	(1)	783	644	(18)
EBITDA excl. special items	**209**	**150**	**174**	**(13)**	**849**	**666**	**(22)**
Profit/(loss) from operations	65	(406)	(28)	1,364	232	(275)	n.a.
Operating profit excl. special items[2]	**87**	**(6)**	**103**	**n.a.**	**490**	**140**	**(71)**
Net financial expenses	(19)	(11)	(13)	(18)	(50)	(43)	(14)
Net profit/loss for the period[3]	31	(338)	(43)	678	116	(264)	n.a.
Net profit/loss for the period excl. special items	**49**	**83**	**61**	**37**	**322**	**167**	**(48)**
Operating cash flow	**86**	**342**	**96**	**255**	**640**	**796**	**24**
Earnings per share							
Basic and diluted earnings per share (USD per share)	3.1	(33.8)	(4.3)	678	11.6	(26.4)	n.a.
Net debt	995				1,139	834	(27)
CAPEX total	91	177	94	89	220	353	60
Domestic	70	156	86	81	199	290	46
International	21	21	8	177	21	63	206

[1] EBITDA = EBIT + Depreciation + Impairment + Provisions
[2] The 2013 EBIT was negatively influenced by HRK 2,369 million special items
[3] INA Group net profit attributable to equity holder
[4] In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q3 2013 – 5.6928 HRK/USD; Q4 2012 – 5.804 HRK/USD; Q4 2013 – 5.6036 HRK/USD; Q1-Q4 2012 – 5.8509 HRK/USD; Q1-Q4 2013 – 5.7059 HRK/USD
[5] Starting from 1 January 2013, the reporting of Refining and Marketing segment and Retail segment is merged as Refining and Marketing including Retail segment value chain aligning the presentation with international industry reporting practice. As a result of this resegmentation, the Group has the following two reporting segments: Upstream and Refining and Marketing including Retail. Comparative periods have been restated accordingly.
[6] Linear depreciation method was applied starting from 01 January 2013 in order to fairly reflect the amortization of the equipment in Syria.

In 2013 INA Group EBITDA amounted to HRK 3.7 billion, which is a 20% drop compared to 2012. The shrinking EBITDA was largely driven by lower hydrocarbon production in domestic fields in the Upstream segment, as operations are characterized by the natural production decline and slightly decreased realized hydrocarbon prices with 3% lower Brent price. Gas imports in 2013 have been lower by 31% but still negative price movement in gas trading continuously burdens Upstream operations.
Refining & Marketing performance was impacted by higly pressured European refining macro enviroment. At the same time economic slowdown in Croatia and INA's other key markets influenced the performance in a negative way. Even though the Refining and Marketing segment's result was significantly impacted by lower available quotations on international markets with lower average crack spread and lower motor fuel sales of own retail, the clean CCS EBITDA improved, but remained in negative territory. The improving clean result was supported by strong domestic wholesale performance with solid growth of exports in the neighbouring markets and further optimization of production capacities including on-demand refineries operation.

Operating cash flow was in line in a yearly comparison, while with exclusion of working capital, cash flow decreased by 20% which is in line with company's operational result movement.

Operating profit excluding special items decreased to a larger extent than EBITDA excluding special items as linear depreciation was applied in 2013 in order to reflect the amortization of fixed assets in Syria, which impacted EBIT on top of the business drivers described above.

Group's financial position further improved with gearing level decreasing from 31% to 27% and net debt amounting to HRK 4,761 million, a 29% respectively compared to 31 December 2012. Net financial expenses also decreased in 2013 to the amount of HRK 246 million, compared to HRK 292 million in 2012.

Capital expenditures in 2013 increased significantly compared to 2012, by 57% to the level of HRK 2,013 million, with more than 80% invested domesticly, mainly in the Upstream segment. There are multiple projects aimed at moderating natural production decline underway, including continuation of EOR project at Ivanić-Žutica and Međimurje project, raising level of domestic investments to the level of HRK 1,655 million.

- **Exploration and Production**: In 2013, EBITDA reached HRK 5,04 billion, which is by HRK 321 million lower than last year due to lower average realized hydrocarbon price, lower hydrocarbon production reflecting natural depletion of domestic fields and lower INA share from block production on Annamaria offshore field. These negative trends were moderated by decreased losses of the gas trading operations (driven by decreased imported natural gas volumes) and decreased operating expenditures. Constantly monitoring the situation in Syria INA has, in accordance with international practice and taking into consideration the prolonged political risk included, adjusted the value of its Syrian assets. Impairment of HRK 1,504 million in Syria, was recorded in 2013 which has driven the operating result to the HRK 1,521 million. This impairment does not have a direct cash effect but it was applied in accordance with good business practice to ensure fair valuation of INA Syrian assets.
- **Refining and Marketing (including Retail)**: The Refining and Marketing segment's reported 'clean' CCS-based EBITDA amounted to HRK (164) mln, HRK 254 million improvement compared to 2012 result. Positive drivers, including improved motor fuel wholesale performance resulting in increased market share, increased export to Bosnia and Slovenia, continuous optimization of production capacities (on-demand refineries operation), as well as focused cost control efforts are still affected by high employee costs in Retail and lower Retail sales on the other side. In the same period EBITDA is under pressure of lower average crack spreads.
- **Corporate and Other**[1]**:** Operating loss of the segment was 3% higher (HRK 610 million) in 2013 compared to the same period last year.

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

2013 was a tough year for INA as its key markets (Croatia, Bosnia, Slovenia) continued to be depressed from an economic and demand point of view and situation in Syria did not move in any positive direction. Despite this, in order to ensure the sustainability of all our businesses, we focused on investments for the future, carried forward internal efficiency improvements and improved further the safety of our operations. We grew investments by almost 60% to above HRK 2 bn (of this 83% was spent in Croatia) with main priorities in offshore exploration and development drilling activities, Pannonian basin exploration drilling, our key EOR project, a turnaround project in Rijeka Refinery and an intensive retail modernization program.

Results of these activities is clearly visible in the dramatically slowed down production decline rate of our onshore oilfields and improvement in our domestic market share in motor fuels, as well as sharply lower own consumption and losses in our refineries. We applied a proactive approach towards export markets and achieved a solid export growth to neighboring countries. Improvements are also visible in the area of retail sales, where the continued modernization program (involving 30 stations in 2013, bringing the size of fully modern network to 160, far above any competitor in the country) elevate the quality and consumer perception of our services. We also launched a pilot project to involve entrepreneurs into the operation of our filling stations, a model widely used in the industry, with the aim of reaching competitive operating costs and highest quality of service. During its day-to-day operations INA has shown its ability to stay one step ahead and achieve considerable improvement in HSE performance, bringing INA close to best European industry benchmarks.

Accounting results last year were heavily impacted by external and special factors. Constantly monitoring situation in Syria we adjusted the value of our Syrian assets taking into consideration the prolonged political and security risks. This adjustment, applied to ensure fair valuation of the Syrian assets, decreased operating results by HRK 1,504 mn, however, had no direct cash effects. Reflecting on the incurred losses and the generally unfavourable outlook on the European refining scene, we impaired our downstream assets by HRK 738 mn. The retrospective taxes related to refinery own consumption and losses levied by the Croatian Tax Authority, additionally burdened the bottom line by HRK 220 mn.

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

INDUSTRIJA NAFTE, d.d.

Management discussion
Exploration and Production*

Q3 2013	Q4 2013	Q4 2012	%	Segment IFRS results (HRK mln)	2012	2013	%
2,079	2,802	3,296	(15)	Net sales revenues	12,264	10,526	(14)
1,261	1,089	1,442	(25)	EBITDA reported	5,356	5,035	(6)
1,261	1,089	1,451	(25)	EBITDA excl. special items**	5,566	5,035	(10)
813	(986)	1,236	n.a.	Operating profit reported	3,783	1,521	(60)
813	518	1,286	(60)	Operating profit excl. special items**	4,471	3,025	(32)
417	615	229	169	CAPEX	746	1,396	87

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Crosco Group, INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Prirodni plin d.o.o.

Q3 2013	Q4 2013	Q4 2012	%	Hydrocarbon production	2012	2013	%
11,516	**11,699**	**11,998**	**(2)**	**Crude oil production (boe/d)**	**12,296**	**11,617**	**(6)**
8,847	8,474	8,645	(2)	Croatia	8,792	8,608	(2)
-	-	-	n.a.	Syria*	109	-	n.a.
1,839	2,037	1,869	9	Egypt	1,909	1,881	(1)
830	1,188	1,484	(20)	Angola	1,486	1,128	(24)
25,214	**24,231**	**27,825**	**(13)**	**Natural gas production (boe/d)**	**33,025**	**26,198**	**(21)**
10,718	9,936	12,938	(23)	Croatia - offshore	15,768	11,897	(25)
14,497	14,295	14,887	(4)	Croatia - onshore	14,978	14,301	(5)
-	-	-	n.a.	Syria*	2,278	-	n.a.
2,370	**2,297**	**2,512**	**(9)**	**Condensate (boe/d)**	**3,234**	**2,365**	**(27)**
2,370	2,297	2,512	(9)	Croatia	2,537	2,365	(7)
-	-	-	n.a.	Syria*	697	-	n.a.
39,100	**38,227**	**42,335**	**(10)**	**Total hydrocarbon production (boe/d)**	**48,555**	**40,180**	**(17)**
Q3 2013	**Q4 2013**	**Q4 2012**	**%**	**Average realised hydrocarbon price****	**2012**	**2013**	**%**
85	80	85	(6)	Total hydrocarbon price (USD/boe)*	83	82	(1)
Q3 2013	**Q4 2013**	**Q4 2012**	**%**	**Natural gas trading - mln cm**	**2012**	**2013**	**%**
104	260	270	(4)	Natural gas imports	1,129	774	(31)
365	661	717	(8)	Total natural gas sales - domestic market	2,631	2,228	(15)

*The production on Syrian fields in 2012 lasted only 57 days. From 26 of February 2012 Syrian production was stopped by Force Majeure announcement. (the data should not be taken into consideration).
** Calculated based on total external sales revenue including natural gas selling price as well

Q4 2013 vs. Q3 2013 results

In Q4 2013, EBITDA decreased compared to Q3 2013 reflecting primarily lower average realized hydrocarbon prices. Upstream operations remain burdened by the negative contribution of Prirodni Plin which reached higher loss than in Q3 2013. Our service company, Crosco, had a more favorable contribution to Upstream results than in the previous quarter.

Q4 2013 vs. Q4 2012 results

EBITDA in fourth quarter fell below the level of the same quarter in 2012, reflecting decrease due to natural decline, with 10% lower total hydrocarbon production as well as shrinking average realized hydrocarbon prices.

2013 vs. 2012 results

The Upstream result decline over 2012 reflects (1) lower hydrocarbon production reflecting natural depletion of fields in both onshore and offshore Croatia (excluding Syrian production volumes in 2012, the comparable total hydrocarbon production decrease was 11.6%) and (2) decreased average realized hydrocarbon prices. These negative trends were moderated by (1) 31% lower natural gas imports combined with a lower price differential visible in improved but still negative contribution of the gas trading operations with Prirodni plin EBITDA loss of HRK 775 million in 2013 and (2) internal efficiency improvements resulting in decreased operating expenditures.

Total **natural gas** production was 20.7 % lower than in 2012:

- as Croatian offshore fields decreased due to natural decline on North Adriatic, downtime on Ika B platform as per drilling activities on new development well Ika B3 that was partly compensated with optimization of well working parameters and acid treatments as well as higher production on Aiza Laura because of lower intensity of maintenance works on the partner's side. During 2013 INA share from the total block production was lower due to higher investments of the partners on exploration and developments projects, leading to an average offshore contribution of around 12 thousand barrel of oil equivalent (mboepd) daily during 2013.
- also reflecting the absence of Syrian production in 2013 due to the earlier announcement of Force Majeure, and natural decline and water cuts on both onshore and offshore fields in Croatia.

Crude oil production declined by 6% on corporate level:

- production was foremost impacted by 24.1 % lower crude production in Angola mostly related to gas lift injection related problem, delayed well workover activities and natural decline.
- domestic production shrank by 2% in 2013 due to natural depletion of the fields
- no Syrian crude volumes were recorded in 2013 as the Company temporarily suspended activities and Egyptian output fell by 1.4% due to a natural production decline at the mature fields on Ras Qattara and West Abu Gharadig concessions.

In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeure, linear depreciation method was applied starting from 01 January 2013 in order to fairly reflect the amortization of the equipment. Depreciation impact for 2013 was HRK 547 million. Additonally, the value of its Syrian assets has been adjusted with impairment of HRK 1,504 million, not having a direct cash effect but applied in accordance with good business practice to ensure fair valuation of INA Syrian assets.
As a result of the above mentioned negative trends, Upstream sales revenues were 14% lower year-on-year at HRK 10,526 million. Under current practice and in line with the international accounting standards, the Company adjusts its receivables that are 60 days or older. Adjustment of receivables is a recurring process generally applicable to all receivables; therefore it is not considered a one-off item. Accordingly, the Company has impaired HRK 98 million of its receivables in Egypt that meet these criteria during 2013.

Exploration and Production capital expenditures

Exploration and Production segment's CAPEX in 2013 amounted to HRK 1,396 million (o/w HRK 2.3 million exploration one off opex). Capital investments in Croatia amounted HRK 967.0 million, capital investments abroad HRK 290.9 million and CROSCO's investment HRK 138.8 million. In comparison with 2012 capital investments are higher in total for HRK 650.6 million or 87.2%. Investments level in Croatia was higher for HRK 442.2 mln and investments abroad higher for HRK 208.4 mln. Higher Croatia investments level is mainly result of exploration and development offshore drilling activities, Panon exploration drilling activities and EOR project activities, CROSCO's investments were also higher. Higher investments abroad were result of drilling activities on Disouq concession, higher level of development activities on other concessions in Egypt and higher investments in Angola due to activities performed in scope of main projects on block 3/05.

E&P CAPEX 1-4Q 2013. (HRK million)	Croatia	Egypt	Angola
Exploration	240.8	109.3	0
o/w exploration one off opex	2.3		
Development	670.2	139.7	41.8
Exploration: 350.14 (25.1%) Development: 851.77 (61.0%) Other: 194.76 (13.9%)	**Exploration:** **On Onshore** performed drilling of four exploration wells – Bunjani-1 South, Krunoslavlje-2 (dry hole), Caginec-1 and Iva-2 DU. Drilling of fifth well Hrastilnica-4 started in 4Q. Performed were frac activities on Molve-23 and Žutica-249. On Bunjani-1 South additional well test finished in November. Spud in of Caginec-1 well was in June and drilling finished in July, well test performed in November. On Iva-2 DU well spud in was in August, well is drilled at the end of October. **On Offshore** (Ivana C) – Two wells were drilled. Start of drilling Ilena-1 dir well was in July. Drilling is finished on July 24th. Well test performed and production casing installed. Well is temporary abandoned, waiting for development solution. Start of drilling Ivna-1 well was on August 22nd. Drilling is finished on September 6th. Well is abandoned as a dry hole. **Development:** **On Offshore** in scope of Ika B-3 R HOR project performed was plugging and abandonment of old well and drilling and production completion of the new well. Drilling started in 3Q and finished together with well completion in 4Q. Revamping works of the existing platform Ika B in order to connect new well to the gas gathering system were accomplished and gas production started beginning of December 2013. In scope of IKA JZ project platform jacket installed, sealines and spools installation campaign is finished, wellhead and christmas trees were installed and riser on the existing Ika A platform is installed. Started drilling of wells Ika JZ-4 dir and Ika JZ-2 dir, drilling is ongoing. **On Onshore** in scope of EOR project performed on-site activities on Ivanić field, Ethane and Žutica field; in September started well re-lining activities and are on-going on both fields. The main of the rest onshore development activities were related to well general workowers which were performed in 36 wells, 34 of them finished in 2013. Also, in 4Q started Gola-10 well site preparation.	**Exploration:** On new concession Disouq Helal-1 exploratory well was spud on March 03, 2013. Well reached Total depth of 5,466 m. The well is P&A and the rig was released on September 27, 2013. **Development:** North Bahariya: In period 1-4Q five wells out of six planned were drilled, completed and put into production: four on Abrar (17, 8, South 3, 14), one on Ganna (West-1). Sixth well Abrar-12 was drilled and completion is ongoing. Drilling of additional well Ganna-5 finished in December. Ras Qattara and West Abu El Gharadig: Workower operations were performed in order of optimizing production level. On WAG Raml-27 well was completed and put into production in 1Q, while Raml -29 well was drilled and put into production in 4Q. On RQ drilled were six wells: Zarif-42 (dry, P&A), Zarif-43 (oil producer); Faras-47 (oil producer), Faras-49 (oil producer), Faras-50 (gas producer) and Faras-48 (water injector). Sidi Rahman – drilling of SR-6 well started in May, finished in Q2 and well is put into production at the end of July. Sidi Rahman-5 - The well was spud in Q3 2013. Drilling was resumed in Q4 2013. The well was successfully drilled and put in production by mid December 2013. Consideration for the Assignment for the acquiring of EY concession additional 50% share was signed in 4Q 2013.	1-4Q 2013 investments on block 3/05a were related to FEED (front engineering and design) activities on Punja and Caco Gazela Fields. Gazela-101 well drilling was postponed to 2014 by Operator's decision, due to drilling rig availability. Most of the Long Lead Items have been delivered. On block 3/05 investments were related to Topsides Facilities Upgrade (TFU), while FSO Terminal Palanca dry dock hull repair activities were postponed from May to July and started on July 20th, 2013 and were completed on August 9th, 2013. Workover activities, initially planned for 4Q 2013, were postponed to 2014 due to collision incident on PACF4 platform and due to PAMF1 platform Top Deck revamping activities. Due to concept change most of Topsides Facilities Upgrade Project activities on Block 3/05, initially planned for 4Q 2013, were postponed to 2014.

INDUSTRIJA NAFTE, d.d.

Refining and Marketing, including Retail*

Q3 2013	Q4 2013	Q4 2012	%	Segment IFRS results (HRK mln)	2012	2013	%
6,112	4,555	4,895	(7)	Revenues	20,994	20,137	(4)
(126)	(215)	(433)	(50)	EBITDA reported	(287)	(469)	63
1	(215)	(380)	(43)	EBITDA excl. special items**	(210)	(342)	63
(61)	(183)	(316)	(42)	CCS-based R&M EBITDA**	(418)	(164)	(61)
(358)	(1,214)	(1,290)	(6)	Operating profit/(loss) reported	(1,829)	(2,114)	16
(231)	(476)	(594)	(20)	Operating profit/(loss) excl. special items**	(1,106)	(1,249)	13
(299)	(433)	(530)	(18)	CCS-based R&M operating loss***	(1,314)	(1,055)	(20)
97	331	268	24	CAPEX and investments (w/o acquisition)	457	545	19

*Refers to Refining & Marketing including retail INA. d.d. and following subsidiaries: INA Maziva, Interlna Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA Hungary, INA Crna Gora, INA Beograd, INA Kosovo
**Excluding negative special items (HRK 865 million in 2013)
***As of Q3 2013 applied clean CCS methodology eliminates from EBITDA/operating profit inventory holding gain/loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains/losses on debtors and creditors/operating profit by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.

Q3 2013	Q4 2013	Q4 2012	%	Refinery processing (kt)	2012	2013	%
109	142	138	3	Domestic crude oil	496	433	(13)
774	364	576	(37)	Imported crude oil	2,448	2,427	(1)
26	25	33	(24)	Condensate	113	96	(15)
213	177	206	(14)	Other feedstock	1,009	750	(26)
1,121	**710**	**953**	**(26)**	**Total refinery throughput**	**4,065**	**3,707**	**(9)**
Q3 2013	**Q4 2013**	**Q4 2012**	**%**	**Refinery production (kt)**	**2012**	**2013**	**%**
66	38	52	(27)	LPG	236	209	(12)
329	199	238	(16)	Motor gasoline	1,135	1,068	(6)
403	236	306	(23)	Diesel	1,334	1,268	(5)
41	60	53	12	Heating oil	181	193	7
49	5	15	(69)	Kerosene	97	109	12
6	7	13	(45)	Naphtha	61	27	(55)
118	60	121	(50)	Fuel oil	440	419	(5)
6	16	(0)	n.a.	Bitumen	26	38	47
(27)	(3)	29	n.a.	Other products*	23	(56)	n.a.
991	**617**	**827**	**(25)**	**Total**	**3,532**	**3,274**	**(7)**
6	6	5	19	Refinery loss	26	23	(13)
123	87	121	(28)	Own consumption	507	410	(19)
1,121	**710**	**953**	**(26)**	**Total refinery production**	**4,065**	**3,707**	**(9)**
Q3 2013	**Q4 2013**	**Q4 2012**	**%**	**Refined product sales by country (kt)**	**2012**	**2013**	**%**
558	467	436	7	Croatia	1,828	1,877	3
139	133	129	3	B&H	485	509	5
107	60	8	625	Slovenia	38	237	523
227	133	268	(50)	Other markets	1,090	844	(23)
1,031	**793**	**841**	**(6)**	**Total**	**3,440**	**3,467**	**1**
Q3 2013	**Q4 2013**	**Q4 2012**	**%**	**Refined product sales by product (kt)**	**2012**	**2013**	**%**
64	49	57	(15)	LPG	259	231	(11)
298	190	217	(13)	Motor gasoline	981	955	(3)
421	359	325	10	Diesel	1,321	1,394	6
29	50	45	11	Heating oil	154	161	4
53	20	19	7	Kerosene	117	124	6
6	7	11	(35)	Naphtha	60	30	(51)
125	58	117	(50)	Fuel oil	402	418	4
17	15	16	(7)	Bitumen	57	57	1
17	46	34	35	Other products*	90	98	8
1,031	**793**	**841**	**(6)**	**Total**	**3,440**	**3,467**	**1**
321	244	241	1	o/w Retail segment sales	1,042	1,019	(2)

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

Q4 2013 vs. Q3 2013 results

R&M segment's 'clean' CCS-based EBITDA declined by HRK 122 million compared to Q3 2013 to the amount of HRK (183) mln resulting from seasonality in sales which is a strong characteristic of the Croatian market, lower transfers to retail and decline in available crack spreads on international markets, partially offset with strong domestic wholesale of motor fuels, lower own consumption and losses together with decreased energy costs associated to lower processing volumes.

In Q4 2013, the Refining and Marketing (including Retail) reported EBITDA excluding special items amounted to HRK (215) million, which is lower compared to the previous quarter primarily due to lower R&M spread primarily related to decreased average crack spread by 13% (especially gasoline crack spread that declined by 30%) on one side and (1) improved crude oil spread resulting from higher share of domestic crude oil and (2) lower natural gas prices.

Q4 2013 vs. Q4 2012 results

R&M segment's 'clean' CCS-based EBITDA was by HRK 133 million above Q4 2012 mainly as a result of (1) enhanced sales structure with higher mofuel and lower fuel oil sales volumes, (2) lower own consumption and losses together with decreased energy costs associated to lower processing volumes and (3) strong cost control while reported EBITDA excluding special items was above Q4 2012 level and amounted to HRK (215)million and was driven by, beside the above mentioned drivers, improved R&M spread as a result of higher average crack spread by 18%, partially moderated with negative effect of decreased Brent-crude spread.

2013 vs. 2012 results

The Refining and Marketing segment's reported 'clean' CCS-based EBITDA amounted to HRK (164) mln surpassing 2012 result by HRK 254 million. Management initiatives to improve results include (1) strong domestic wholesale performance, (2) timely captured export opportunities (3) diversified feedstock selection and extending the crude basket, (4) continued optimization of production capacities including on- demand refineries operation, (5) stringent cost control resulting in lower operating expenses and (6) lower own consumption and losses. Effect of these positive contributors was partially mitigated with (1) lower available quotations on international markets resulting in lower average crack spread, especially lower gasoline and gasoil crack spreads and (2) lower motor fuel sales of own retail resulting in segment's reported EBITDA excluding special items of HRK (342) million, representing a decrease compared to 2012.

The segment operating profit in 2013 excluding special items declined over the last year by HRK 143 million, reaching HRK (1,249) million.

Wholesale performance improved increasing sales by 2% compared to the previous year, while transfers to own retail decreased. Additionally, INA improved its sales position in the value creating motor fuel sales with higher sales in Bosnia and significantly improved export to Slovenia, strenghtening also its domestic sales postition with 8% growth, while sales on other export markets (where available margins are lower) decreased.

The yield of profitable motor fuel products further improved which predominantly resulted from on-demand refinery operations and increased share of more quality crude oil used in processing.

Retail operations sales volume

In 2013, Retail Segment recorded 2% fall in total retail sales volumes compared to 2012. The decline in sales was mainly driven by the continuing economic downturn, increased unemployment and weakening purchasing power. Consequently, throughput per site in 2013 was 1% lower compared to previous year.

In relation to the previous year, sales volumes of gasoline declined by 5% indicating a decrease in the share of gasoline in favor of diesel, while sales of gas oil fell by 1% due to decrease in heating oil sales. However, excluding heating oil sales, diesel sales were in line with 2012. LPG sales were down by 4%, but in relation to the previous years, negative sales trend decelerated partly due to installation of few additional LPG units. Negative trend in LPG sales should be terminated until the end of 2014 when a significant increase in the number of LPG units is expected.

On 31 December 2013, INA Group operated a network of 444 stations (392 in Croatia and 52 abroad, of which 45 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro).

Capital expenditures

Capital expenditures in 2013 were HRK 88 million higher than in the previous year. Major projects in R&M are under way, Turnaround in Rijeka Refinery completed in Q4 enabling operation of the refinery for coming years. Numerous HSE/sustainable projects launched in 2012 as part of Refining and Marketing including Retail division's development programs were completed and further developed in 2013. Positive opinion on the Environmental impact assessment study for the Residue upgrade project in Rijeka refinery received in December 2013.

Realisation of retail capital expenditure in 2013 amounted to HRK 221 million that represent 2% higher realisation compared to the previous year. The main reason for such high realization in 2013 is still an intensive modernization program.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Income Statement – INA-GROUP
For the period ended 31 December 2012 and 2013
(In HRK millions)

Q3 2013	Q4 2013	Q4 2012	%		Note	2012	2013	%
				Sales revenue				
4,561	4,508	4,816	(6)	a) domestic		19,090	17,531	(8)
2,867	2,153	2,459	(12)	b) exports		10,805	9,913	(8)
7,428	**6,661**	**7,275**	**(8)**	**Total sales revenue**	1	**29,895**	**27,444**	**(8)**
87	171	104	64	Income from own consumption of products and services		269	361	34
280	74	109	(32)	Other operating income		313	655	109
7,795	**6,906**	**7,488**	**(8)**	**Total operating income**		**30,477**	**28,460**	**(7)**
28	(216)	(66)	227	Changes in inventories of finished products and work in progress		281	(91)	n.a.
(4,482)	(2,291)	(3,521)	(35)	Cost of raw materials and consumables	2	(15,151)	(13,875)	(8)
(546)	(584)	(572)	2	Depreciation and amortization	4	(2,016)	(2,261)	12
(372)	(484)	(408)	19	Other material costs	4	(1,696)	(1,622)	(4)
(389)	(301)	(348)	(14)	Service costs	4	(1,317)	(1,249)	(5)
(578)	(641)	(772)	(17)	Staff costs	5	(2,636)	(2,415)	(8)
(938)	(2,131)	(1,488)	43	Cost of other goods sold	3	(5,377)	(5,536)	3
(85)	(2,430)	(693)	251	Impairment and charges (net)		(1,063)	(2,780)	162
(64)	(104)	219	n.a.	Provisions for charges and risks (net)		(143)	(201)	41
(7,426)	**(9,182)**	**(7,649)**	**20**	**Operating expenses**		**(29,118)**	**(30,030)**	**3**
369	**(2,276)**	**(161)**	**1,314**	**Profit/(loss) from operations**		**1,359**	**(1,570)**	**n.a.**
				Share in the profit of associated companies				
290	161	45	258	Finance income		177	620	250
(396)	(222)	(122)	82	Finance costs		(469)	(866)	85
(106)	**(61)**	**(77)**	**(21)**	**Net loss from financial activities**	7	**(292)**	**(246)**	**(16)**
263	**(2,337)**	**(238)**	**882**	**Profit/(loss) before tax**		**1,067**	**(1,816)**	**n.a.**
(87)	443	(15)	n.a.	Income tax expense	6	(380)	308	n.a.
176	**(1,894)**	**(253)**	**649**	**Profit/(loss) for the year**		**687**	**(1,508)**	**n.a.**
				Attributable to				
176	(1,894)	(252)	652	Owners of the Company		681	(1,508)	n.a.
-	-	(1)	n.a.	Non-controlling interests		6	-	n.a.
176	**(1,894)**	**(253)**	**649**			**687**	**(1,508)**	**n.a.**
				Earnings per share				
17.6	(189.4)	(25.2)	652	Basic and diluted earnings per share (kunas per share)		68.1	(150.8)	n.a.

Condensed Consolidated Statement of Comprehensive Income – INA-GROUP
For the period ended 31 December 2012 and 2013
(in HRK million)

Q3 2013	Q4 2013	Q4 2012	%		2012	2013	%
176	**(1,894)**	**(253)**	**649**	**Profit/(loss) for the year**	**687**	**(1,508)**	**n.a.**
				Other comprehensive income, net of income tax:			
-	-	-	n.a.	Items that will not be reclassified subsequently to profit or loss:	-	-	n.a.
-	-	-	n.a.	Remeasurement of defined benefit obligation	-	(11)	n.a.
				Items that may be reclassified subsequently to profit or loss:			
(69)	(76)	(40)	90	Exchange differences on translating foreign operations	(111)	(210)	89
11	(11)	7	n.a.	Net fail value gain/(loss) on available-for-sale financial assets	13	(7)	n.a.
(58)	**(87)**	**(33)**	**164**	**Other comprehensive (loss)/income, net**	**(98)**	**(228)**	**133**
118	**(1,981)**	**(286)**	**593**	**Total comprehensive income/(loss) for the year**	**589**	**(1,736)**	**n.a.**
				Attributable to:			
118	(1,981)	(285)	595	Owners of the Company	583	(1,736)	n.a.
-	-	(1)	n.a.	Non-controlling interests	6	-	n.a.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Financial Position – INA-GROUP
At 31 December 2013
(in HRK millions)

	Note	1 January 2013	31 Dec 2013	%
Assets				
Non-current assets				
Intangible assets	9	676	524	(22)
Property, plant and equipment	10	18,716	15,979	(15)
Goodwill		183	183	0
Investments in associates and joint ventures		34	22	(35)
Other investments		187	169	(10)
Long-term receivables		202	230	14
Derivative financial instruments		5	3	(40)
Deferred tax		557	1,127	102
Available for sale assets		340	330	(3)
Total non-current assets		**20,900**	**18,567**	**(11)**
Current assets				
Inventories	12	3,352	3,219	(4)
Trade receivables net	13	2,770	2,564	(7)
Other receivables		516	847	64
Derivative financial instruments		2	2	0
Other current assets		30	142	373
Prepaid expenses and accrued income		142	166	17
Cash and cash equivalents		488	402	(18)
Current assets		**7,300**	**7,342**	**1**
Assets classified as held for sale		-	-	n.a.
Total current assets		**7,300**	**7,342**	**1**
Total assets	**8**	**28,200**	**25,909**	**(8)**
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	0
Revaluation reserve		13	6	(54)
Other reserves		2,505	2,284	(9)
Retained earnings / (Deficit)		3,437	1,586	(54)
Equity attributable to equity holder of the parent		**14,955**	**12,876**	**(14)**
Non-controlling interests		(1)	(1)	0
Total equity		**14,954**	**12,875**	**(14)**
Non-current liabilities				
Long-term loans		1,161	1,889	63
Other non-current liabilities		101	76	(25)
Employee benefits obligation		100	135	35
Provisions		2,713	2,754	2
Deferred tax liability		13	7	(46)
Total non-current liabilities		**4,088**	**4,861**	**19**
Current liabilities				
Bank loans and overdrafts		1,266	2,975	135
Current portion of long-term debt		4,725	299	(94)
Trade payables	15	1,684	2,841	69
Taxes and contributions		497	749	51
Other current liabilities		596	661	11
Accruals and deferred income		36	126	250
Employee benefits obligation		10	11	10
Provisions		344	511	49
Current liabilities		**9,158**	**8,173**	**(11)**
Liabilities directly associated with assets classified held for sale		-	-	n.a.
Total current liabilities		**9,158**	**8,173**	**(11)**
Total liabilities	**14**	**13,246**	**13,034**	**(2)**
Total equity and liabilities		**28,200**	**25,909**	**(8)**

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 31 December 2012 and 2013
(in HRK millions)

Q3 2013	Q4 2013	Q4 2012	%		Note	2012	2013	%
176	(1,894)	(253)	649	**Profit/(loss) for the year**		687	(1,508)	n.a.
				Adjustments for:				
546	584	572	2	Depreciation and amortisation		2,016	2,261	12
87	(443)	15	n.a.	Income tax (benefit)/expenses recognized in (loss)/profit		380	(308)	n.a.
101	2,501	748	234	Impairment charges (net)		1,281	3,046	138
(16)	(71)	(127)	(44)	Reversal of impairment		(218)	(266)	22
(1)	1	(29)	n.a.	Gain on sale of property, plant and equipment		(36)	(4)	(89)
(48)	48	48	0	Gain on purchase of investments and shares		-	-	n.a.
22	(44)	126	n.a.	Foreign exchange loss/(gain)		44	(35)	n.a.
35	31	28	11	Interest expense (net)		123	128	4
22	78	(25)	n.a.	Other financial expense recognised in profit		98	88	(10)
64	103	(219)	n.a.	Increase in provisions		136	199	46
21	20	28	(29)	Decommissioning interests		115	82	(29)
(11)	(19)	(51)	(63)	Other non-cash items		(85)	(34)	(60)
998	**895**	**861**	**4**	**Operating cash flow before working capital changes**	16	**4,541**	**3,649**	**(20)**
				Movements in working capital	17			
139	425	1,060	(60)	(Increase)/decrease in inventories		190	88	(54)
157	(20)	308	n.a.	(Increase)/decrease in receivables and prepayments		379	(303)	n.a.
(633)	816	(1,483)	n.a.	(Decrease)/increase in trade and other payables		(120)	1,599	n.a.
661	**2,116**	**746**	**184**	**Cash generated from operations**		**4,990**	**5,033**	**1**
(170)	(197)	(186)	6	Taxes paid		(1,248)	(490)	(61)
491	**1,919**	**560**	**243**	**Net cash inflow from operating activities**		**3,742**	**4,543**	**21**
				Cash flows used in investing activities				
(403)	(935)	(782)	20	Payments for property, plant and equipment		(1,190)	(1,854)	56
(162)	-	(36)	n.a.	Payment for intangible assets		(99)	(248)	151
1	8	2	300	Proceeds from sale of non-current assets		9	14	56
13	(24)	-	n.a.	Purchase of subsidiaries		-	(11)	n.a.
3	-	-	n.a.	Dividends received from companies classified as available for sale and from other companies		1	3	200
6	8	(1)	n.a.	Interest received and other financial income		19	25	32
1	(56)	(3)	1,767	Investments and loans to third parties, net		142	(80)	n.a.
(541)	**(999)**	**(820)**	**22**	**Net cash used for investing activities**	18	**(1,118)**	**(2,151)**	**92**
				Cash flows from financing activities				
564	1,612	42	3,738	Additional long-term borrowings		318	6,160	1,837
(1,567)	(1,339)	(27)	4,859	Repayment of long-term borrowings		(1,934)	(9,878)	411
5,536	2,422	3,876	(38)	Additional short-term borrowings		15,280	15,086	(1)
(4,263)	(3,540)	(3,743)	(5)	Repayment of short term borrowings		(15,936)	(13,386)	(16)
(343)	-	-	n.a.	Dividends paid		-	(343)	n.a.
(22)	(17)	(20)	(15)	Interest paid on long-term loans		(93)	(88)	(5)
-	-	1	n.a.	Other long-term liabilities, net		-	-	n.a.
(43)	11	21	(48)	Interest paid on short term loans and other financing charges		(96)	(24)	(75)
(138)	**(851)**	**150**	**n.a.**	**Net cash from financing activities**		**(2,461)**	**(2,473)**	**0**
(188)	69	(110)	n.a.	Net (decrease)/increase in cash and cash equivalents		163	(81)	n.a.
497	311	609	(49)	At 1 January		337	488	45
2	22	(11)	n.a.	Effect of foreign exchange rate changes		(12)	(5)	(58)
311	402	488	(18)	At the end of period		488	402	(18)

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Changes in Equity – INA-GROUP
For the period ended 31 December 2012 and 2013
(in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Non controlling interest	Total equity
Balance as at 1 January 2012	**9,000**	**2,616**	**-**	**2,759**	**14,375**	**(10)**	**14,365**
Profit for the period	-	-	-	681	681	6	687
Purchase of non-controlling interest	-	-	-	(3)	(3)	3	-
Other comprehensive loss, net	-	(111)	13	-	(98)	-	(98)
Total comprehensive income, net	**-**	**(111)**	**13**	**678**	**580**	**9**	**589**
Dividends payable	-	-	-	-	-	-	-
Balance as at 31 Dec 2012	**9,000**	**2,505**	**13**	**3,437**	**14,955**	**(1)**	**14,954**
Balance as at 1 January 2013	**9,000**	**2,505**	**13**	**3,437**	**14,955**	**(1)**	**14,954**
Loss for the period	-	-	-	(1,508)	(1,508)	-	(1,508)
Other comprehensive loss, net	-	(221)	(7)	-	(228)	-	(228)
Total comprehensive loss for the year	**-**	**(221)**	**(7)**	**(1,508)**	**(1,736)**	**-**	**(1,736)**
Dividends paid	-	-	-	(343)	(343)	-	(343)
Balance as at 31 Dec 2013	**9,000**	**2,284**	**6**	**1,586**	**12,876**	**(1)**	**12,875**

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q3 2013	Q4 2013	Q4 2012	%	(HRK mln)	2012	2013	%
				Sales			
2,079	2,802	3,296	(15)	Exploration & Production	12,264	10,526	(14)
6,112	4,555	4,895	(7)	Refining & Marketing including Retail	20,994	20,137	(4)
157	268	233	15	Corporate and Other	598	671	12
(920)	(964)	(1,149)	(16)	Inter-segment revenue	(3,961)	(3,890)	(2)
7,428	**6,661**	**7,275**	**(8)**	**Sales**	**29,895**	**27,444**	**(8)**
				Operating expenses, net other income from operating activities			
(1,266)	(3,788)	(2,060)	84	Exploration & Production	(8,481)	(9,005)	6
(6,470)	(5,769)	(6,185)	(7)	Refining & Marketing including Retail	(22,823)	(22,251)	(3)
(286)	(443)	(340)	30	Corporate and Other	(1,193)	(1,281)	7
963	1,063	1,149	(7)	Inter-segment eliminations	3,961	3,523	(11)
(7,059)	**(8,937)**	**(7,436)**	**20**	**Expenses**	**(28,536)**	**(29,014)**	**2**
				Profit/(loss) from operations			
813	(986)	1,236	n.a.	Exploration & Production	3,783	1,521	(60)
(358)	(1,214)	(1,290)	(6)	Refining & Marketing including Retail	(1,829)	(2,114)	16
(129)	(175)	(107)	64	Corporate and Other	(595)	(610)	3
43	99	-	n.a.	Inter-segment eliminations	-	(367)	n.a.
369	**(2,276)**	**(161)**	**1,314**	**Profit/(loss) from operations**	**1,359**	**(1,570)**	**n.a.**
				Share in the profit of associate companies			
(106)	**(61)**	**(77)**	**(21)**	**Net loss from financial activities**	**(292)**	**(246)**	**(16)**
263	**(2,337)**	**(238)**	**882**	**Profit/(loss) before taxation**	**1,067**	**(1,816)**	**n.a.**
(87)	443	(15)	n.a.	Income tax expense	(380)	308	n.a.
176	**(1,894)**	**(253)**	**649**	**Profit/(loss) for the year**	**687**	**(1,508)**	**n.a.**

Q3 2013	Q4 2013	Q4 2012	%	Depreciation (HRK mln)	2012	2013	%
358	403	350	15	Exploration & Production	1,192	1,521	28
167	152	200	(24)	Refining & Marketing including Retail	720	645	(10)
21	29	22	32	Corporate and Other	104	95	(9)
546	**584**	**572**	**2**	**Total**	**2,016**	**2,261**	**12**

Q3 2013	Q4 2013	Q4 2012	%	EBITDA* (HRK mln)	2012	2013	%
1,261	1,089	1,442	(24)	Exploration & Production	5,356	5,035	(6)
(126)	(215)	(433)	(50)	Refining & Marketing including Retail	(287)	(469)	63
(118)	(125)	(124)	1	Corporate and Other	(488)	(494)	1
47	93	-	n.a.	Inter-segment eliminations	-	(400)	n.a.
1,064	**842**	**885**	**(5)**	**Total**	**4,581**	**3,672**	**(20)**

Q3 2013	Q4 2013	Q4 2012	%	Operating Profit Excluding Special Items (HRK mln)	2012	2013	%
813	518	1,286	(60)	Exploration & Production	4,471	3,025	(32)
(231)	(476)	(594)	(20)	Refining & Marketing including Retail	(1,106)	(1,249)	13
(129)	(175)	(97)	80	Corporate and Other	(499)	(610)	22
43	99	-	n.a.	Inter-segment eliminations	-	(367)	n.a.
496	**(34)**	**595**	**n.a.**	**Inter-segment eliminations**	**2,866**	**799**	**(72)**

** EBITDA = EBIT + Depreciation + Impairment + Provisions*

Sales data include intra-group sales and related costs are included in the operating costs of the business segment making the purchase. Intra-group transactions are eliminated for consolidated sales data and operating costs.

Income statement

Notes

2013 results

1 **Total sales revenues** in 2013 amounted to HRK 27,444 million and were 8% below the 2012 level, primarily triggered by lower Brent, lower average crack spread, decreased natural gas sales volumes.

2 **Costs of raw materials and consumables** were 8% below 2012 levels at HRK 13,875 million, as processing of other raw material volumes was lower.

3 **Costs of goods sold** recorded a increase of 3% to HRK 5.536 million resulting from higher import of crude oil products compared to 2012.

4 Within **other operating costs** realized in 2013:
- Other material costs were lower by 4% year-on-year at HRK 1,622 million.
- Service costs in the amount of HRK 1,249 million recorded a decrease of 5% mainly due to lower royalty and lower other non-production services.
- Depreciation was 12% higher and amounted to HRK 2,261 million mainly due to depreciation method change in Syria.
- Adjustments and provisions of HRK 2.981 million increased 147% mainly related to Syrian Hayan concessioin and Refining and Marketing assets impairment.

5 **Staff costs** in the amount HRK 2,415 million were 8% lower compared to 2012 as a result of workforce optimization. Staff cost represents cost of net salaries in the amount of HRK 1,273 million, cost of employee income tax in the amount of HRK 546 million, tax on payroll in the amount of HRK 300 million and other payroll related costs in the amount of HRK 296 million for the twelve month period ended 31 December 2013. For the twelve month period ended 31 December 2012 staff cost includes cost of net salaries in the amount of HRK 1,309 million, cost of employee income tax in the amount HRK 569 million, tax on payroll in the amount HRK 330 million, and other payroll related costs in the amount HRK 428 million.

6 **Income tax in** 2013 amounted to HRK 308 million compared to tax expense of HRK 380 million in 2012.
Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the periods ended 31 December 2013 and 31 December 2012.

7 **Net financial expenses** in the amount of HRK 246 million were recorded in 2013, compared to net financial expenses of HRK 292 million in 2012.
- Net foreign exchange gain was HRK 0,1 million in 2013, compared to HRK 39,6 million net foreign exchange gains recorded in 2012 related to long-term loans.
- Interest payable amounted to HRK 195 million and interest received HRK 17 million in 2013, compared to interest payable of HRK 192 million and HRK 23 million interests received in 2012.
- Other financial expenses amounted to HRK 68 mln, compared to HRK 162 mln in 2012.

Special items

In addition to international accounting standards and international reporting standards and regulatory requests the company discloses special items to achieve higher level of transparency and to provide better understanding of the usual business operations. Special items are considered to be the ones not occurring regularly and having the significant effect to the result. Beginning 2013 INA has adopted the materiality level for the special items of EUR 10 million. Furthermore, in accordance with adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period. Accordingly, significant amounts of impairments were recorded in the last quarter of 2013 thus increasing the loss from operations. Net profit excluding special items in the amount of HRK 953 million excludes special items included in the operating loss of HRK 2,369 million and special item included in the current taxation of HRK 92 million. This figure has not been adjusted for the impact of deferred taxation related to special items in the amount of HRK 474 million.

Intersegment eliminations

Intersegment elimination line within the operating results has been introduced for the company to be able to provide segmental results as International Accounting Standards requests, guided with the transparency of presented information which needs to fulfill the highest requests of consistency and reliability. For this purpose and for purpose of having the segmental results presenting fair market relations between the segments, which are fully aligned with on demand operations of the Refining and Marketing including Retail segment, parity of internal transfer between E&P and R&M including retail has changed to be based on delivered quantities. This line shows the effect on operating profit of the change in the amount of unrealized profit deferred in respect of transfers between segments. Unrealized profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the deliverer segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. The change is introduced from 1st of January 2013 and effect on E&P and R&M including retail results amounts to HRK 166 million and HRK 202 million, respectively.

Balance sheet

Notes

8 As at 31 December 2013, INA Group **total assets** amounted to HRK 25,909 million and were 8% lower compared to 31 December 2012.

9 In the period ended 31 December 2013, INA Group invested HRK 247 million in intangible assets. The effect of depreciation equals to HRK 30 million. Foreign exchange revaluation of oil and gas fields decreased the net book value in amount of HRK 23 million. Impairment of intangible assets equals HRK 1 million and disposals equal additional HRK 4 million. Impairment of investments equals HRK 343 million. Transfer from tangible assets increased net book value of intangible assets in amount of HRK 2 million.

10 In the period ended 31 December 2013, INA Group invested HRK 1.764 million in property, plant and equipment. Reversal of capitalized decommissioning costs decreased the value of assets by HRK 52 million. Foreign exchange revaluation decreased the net book value in amount of HRK 164 million. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 2.231 million. In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeur, straight-line depreciation method for surface assets in Syria was applied starting from 1 January 2013, in order to fairly reflect the amortization of the equipment. Depreciation impact of surface assets in Syria in 2013. was HRK 547 million and and a foreign currency retranslation of depreciation was HRK 89 million. Correction of prior year depreciation increased net book value of property, plant and equipment in amount of HRK 8 million. Impairment of assets equals HRK 2.037 million and impairment of investment equals HRK 65 million. Decrease of INA Group net book value is also result of foreign exchange differences in the amount of HRK 19 million. Transfer to intangible assets decreased net book value in amount of HRK 2 million. Disposals of tangible assets equals HRK 14 million. Acquisition of Croplin subsidiary increased net book value in amount of HRK 19 million, and transfer of PP&E from Plinacro additionally increased NBV in amount of HRK 6 million. Correction of prior year eliminations increased INA Group net book value in amount of HRK 34 million. Correction of prior year impairment increased INA Group net book value in amount of HRK 16 million.

11 Issued capital as at 31 December 2013 amounted to HRK 9,000 million. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

12 **Inventories** amounted to HRK 3,219 million, which is an decrease of 4% compared to 31 December 2012, result of lower crude oil inventories.

13 **Trade receivables** decreased by 7% to the amount of HRK 2,564 million resulting from lower sales revenues, lower Brent, lower average crack spread, decreased natural gas sales volumes.

14 As at 31 December 2013 **total liabilities** amounted to HRK 13,034 million, which is a decrease of 2% compared to the 31 December 2012 level.
INA Group **net debt** decreased by 29% and amounted to HRK 4,761 million, as a result of lower working capital compared to 31 December 2012. **Gearing ratio**[2] decreased from 30.8% as at 31 December 2012, to 27.0% as at 31 December 2013

15 **Trade payables** increased by 69% to HRK 2,841 million, as a result of higher liabilities for imported crude oil.

Cash flow

Notes

16 The **operating cash-flow before changes in working capital** amounted to HRK 3,649 million in 2013, representing a decrease of HRK 892 million, or 20%, compared to 2012, mainly as a result of lower EBITDA.

17 **Changes in working capital** affected the operating cash flow positively by HRK 1,384 million, primarily due to

- Increase in trade payables by HRK 1,599 mln
- Decrease value of inventories by HRK 88 million partially offset by
- Increase in receivables by HRK 303 million.

18 **Net outflows in investing activities** amounted to HRK 2,151 million, in comparison with HRK 1,118 million of outflows in 2012.

IRAN Moghan-2 Block

INA entered into the Service Contract for the Exploration and Development of the Moghan-2 Block with the National Iranian Oil Company (NIOC) on 8 April 2008, with the minimum financial obligation amounting to USD 40.3 million. Obligatory Exploration phase expired on 31 May 2012 with the actual project costs amounting to USD 4.5 million.
Since the coming into force of international restrictive measures, INA has been constantly taking significant steps to comply with the sanctions regime in relation to its investment in Iran. Since 2011 INA has not conducted any of its contracted activities and after the expiry of the Exploration phase of the contract in May 2012 INA ceased all of its activities in Iran.

Subsequent events

[2] Net debt / net debt plus equity incl. minority interests

Financial instruments and risk management

Risk Management and Hedging Policy for INA Group is providing the framework under which INA and its consolidated subsidiaries manage and maintain commodity, foreign exchange and interest rate risk at an acceptable level. Beside financial (market) risks, the most important risks include the credit risk and the liquidity risk.

a) Market risk

Commodity price risk management

INA purchases crude oil on a spot market price in US dollars, mostly through short-term credit facility arrangements. The required quantities of gas had been purchased at a price denominated in US dollars in accordance to 3-year supply contract with Italian ENI. Domestic prices of refined products had been determined under the pricing formula set out in the Highest Retail Refined Product Pricing Regulation which, to a limited extent, had protected the Group from the changes in crude and oil product prices and the foreign currency risk, enabling refinery products to be reprised bi-weekly. INA may also use derivative instruments in managing its commodity exposure.

Foreign currency risk management

Many Group transactions are priced and denominated in foreign currency and thus the Group is exposed to currency risk. The Group has net long USD and EUR, and net short HRK exposure of operative cash flow position. The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of December 31, 2013, there were no open cross currency transactions.

Interest rate risk management

INA Group companies use borrowed funds at both fixed and floating interest rates consequently the Group is exposed to the interest rate risk. The Group does not speculate on interest rate developments and primarily chooses floating rates. As of December 31, 2013, there were no open interest rate swap transactions.

Other price risk

INA is exposed to equity price risks arising from equity investments held for strategic reasons and not for trading.

b) Credit risk

Sales of goods and services with deferred payment create credit risk, a risk of non-payment and risk that the counterparty will default on its contractual obligations. According to existing “Customer Credit Management Procedure” creditworthiness and risk in dealing with customers is estimated based on internal credit assessment model as well as using the services of creditworthiness agencies. There is no significant credit risk exposure of INA Group that is not covered with collateral, other than those to the institutions and entities controlled by the state and the local government, and exposure toward customers under certain concession agreements abroad. INA to a limited extent is also using services of agencies for “out of court” collection of receivables.

c) Liquidity risk

The Group's liquidity risk is managed by maintaining adequate reserves of liquidity and credit lines by continuous monitoring of projected and actual cash flow and due dates for account receivables and payables.

As of December 31, 2013, the INA Group had contracted short-term bank credit lines amounting to HRK 1.63 bn, excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products, and contracted long-term credit lines amounting to HRK 5.89 bn.

d) Fair value of financial instruments

The Group has concluded some long-term sale or purchase contracts that contain embedded derivatives as defined by IAS 39.

INDUSTRIJA NAFTE, d.d.

Related party transactions

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA Group strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.
Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation. During 2013, INA Group entered into the following trading transactions with the following related parties:

INA-Group	Sales of goods	Purchase of goods
HRK mln	31 Dec 2013	31 Dec 2013
Companies available for sale		
JANAF d.d. Zagreb	3	86
Strategic partner		
MOL Plc	427	709
Companies controlled by strategic partner		
Energopetrol d.d.	535	1
Tifon d.o.o.	835	65
Kalegran Ltd.	129	3
Mol Commodity Trading Kft.	115	-
MOL SERBIA d.o.o.	5	-
MOL SLOVENIJA d.o.o.	41	85
IES-Italiana Energia e Servizi s.p.a.	2	5
Slovnaft, a.s.	101	82
Companies controlled by the State		
Hrvatska elektroprivreda	2,024	181
Petrokemija Kutina	1,253	1
Croatia Airlines	226	-
Jadrolinija	183	7
Hrvatske željeznice	138	69
Podzemno skladište plina Okoli	65	151
Plinacro	9	215
HANDA	112	189

INA-Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 Dec 2013	31 Dec 2013
Companies available for sale		
JANAF d.d. Zagreb	-	46
Strategic partner		
MOL Plc	83	43
Companies controlled by strategic partner		
Energopetrol d.d.	50	-
Tifon d.o.o.	36	2
Kalegran Ltd.	31	-
MOL SLOVENIJA d.o.o.	4	9
Slovnaft, a.s.	44	8
IES-Italiana Energia e Servizi s.p.a.	-	2
Companies controlled by the State		
Hrvatska elektroprivreda	159	16
Petrokemija Kutina	167	-
Hrvatske željeznice	40	14
Jadrolinija	26	2
Croatia Airlines	20	-
Podzemno skladište plina Okoli	14	15
Plinacro	-	20
HANDA	15	121

INDUSTRIJA NAFTE, d.d.

Segmental Information

31 December 2013 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	9,733	5,589	674	(17)	15,979
Intangible assets	390	16	118	-	524
Investments in associates and joint ventures	22	-	-	-	22
Inventories	698	2,779	109	(367)	3,219
Trade receivables, net	1,213	1,432	223	(304)	2,564
Not allocated assets					3,601
Total assets					**25,909**
Trade payables	945	1,949	251	(304)	2,841
Not allocated liabilities					10,193
Total liabilities					**13,034**
Other segment information					
Depreciation and amortisation	**1,521**	**645**	**95**	**-**	**2,261**
Impairment losses/(income) PP&E, net recognized in profit and loss	1,300	738	-	-	2,038
Other impairment losses/(income), net recognized in profit and loss	600	167	8	(33)	742
Total impairment losses/(income), net	**1,900**	**905**	**8**	**(33)**	**2,780**

31 December 2012 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	11,571	6,475	695	(25)	18,716
Intangible assets	565	15	96	-	676
Investments in associates and joint ventures	34	-	-	-	34
Inventories	1,610	2,278	139	(675)	3,352
Trade receivables, net	1,748	1,039	217	(234)	2,770
Not allocated assets					2,652
Total assets					**28,200**
Trade payables	832	909	248	(305)	1,684
Not allocated liabilities					11,562
Total liabilities					**13,246**
Other segment information					
Depreciation and amortisation	**1,192**	**720**	**104**	**-**	**2,016**
Impairment losses/(income) PP&E,net recognized in profit and loss	(38)	662	-	-	624
Other impairment losses/(income),net recognized in profit and loss	243	193	3	-	439
Total impairment losses/(income), net	**205**	**855**	**3**	**-**	**1,063**

INDUSTRIJA NAFTE, d.d.

SPECIAL ITEMS

HRK million	2012	2013
INA GROUP		
Total impact of special items on operating profit	**(1,507)**	**(2,369)**
Total impact of special items on EBITDA	**(385)**	**(127)**
Exploration & Production	**(688)**	**(1,504)**
Incentive measures	(82)	-
Write-off - Aphamia	-	(215)
Impairment of assets - Syria	-	(1,289)
Impairment of assets	(161)	-
Angola	(273)	-
Egypt - extra cost of production	(11)	-
Provisions (ENI, litigations, incentives)	(43)	-
Reversal - IAS 36	77	-
Reversal of provisions for incentives and litigations	(196)	-
Refining & Marketing including Retail	**(723)**	**(865)**
Impairment of assets	(696)	(738)
Refinery - tax case	-	(127)
Incentive measures	(92)	-
Provisions (litigations, incentives)	(10)	-
Reversal of provisions (litigations, incentives)	60	-
Revenues from insurance	15	-
Corporate functions	**(96)**	**-**
Incentive measures	(99)	-
Impairment of assets	(1)	-
Reversal of provisions (litigations, incentives)	21	-
Provisions for incentives	(18)	-
Revenues from insurance	1	-

Main external parameters

Q3 2013	Q4 2013	Q4 2012	%		2012	2013	%
110.4	109.2	110.0	(0.7)	Brent dtd (USD/bbl)	111.6	108.7	(2.6)
993.4	941.7	967.3	(2.6)	Premium unleaded gasoline 10 ppm (USD/t)*	1,021.1	981.4	(3.9)
943.5	935.1	959.7	(2.6)	Gas oil – ULSD 10 ppm (USD/t)*	968.5	930.8	(3.9)
592.8	576.4	582.3	(1.0)	Fuel oil 3,5% (USD/t)*	624.6	587.8	(5.9)
822.9	981.3	986.4	(0.5)	LPG (USD/t)*	930.9	852.5	(8.4)
66.2	57.8	49.1	17.7	Average crack spread	78.3	62.1	(20.7)
158.5	115.3	135.0	(14.6)	Crack spread – premium unleaded (USD/t)*	177.0	159.4	(9.9)
108.6	108.7	127.4	(14.7)	Crack spread – gas oil (USD/t)*	124.4	108.8	(12.6)
(242.1)	(250.0)	(250.0)	(0.0)	Crack spread - fuel oil 3,5% (USD/t)*	(219.5)	(234.2)	6.7
(12.0)	154.9	154.1	0.6	Crack spread - LPG (USD/t)*	86.8	30.5	(64.9)
5.69	5.60	5.80	(3.4)	HRK/USD average	5.85	5.71	(2.5)
5.64	5.55	5.73	(3.1)	HRK/USD closing	5.73	5.55	(3.1)
7.53	7.62	7.52	1.4	HRK/EUR average	7.51	7.57	0.8
7.61	7.64	7.55	1.2	HRK/EUR closing	7.55	7.64	1.2
0.26	0.24	0.32	(24.0)	3m USD LIBOR (%)	0.43	0.27	(37.9)
0.22	0.24	0.20	22.4	3m EURIBOR (%)	0.58	0.22	(61.7)

** FOB Mediterranean*

Announcements in 2013

December 04, 2013	Contract with Jadrolinija on procurement of fuel signed
November 11, 2013	Tax resolution
September 03, 2013	Acquisition of a further 50% in Croplin d.o.o.
June 28, 2013	Arbitral Tribunal resolution
May 06, 2013	General Meeting decisions
May 02, 2013	Code of Corporate Governance Questionnaire for 2012
April 25, 2013	General Meeting notice
April 12, 2013	Contract on gas supply signed with Petrokemija d.d.
April 04, 2013	Revolving credit facility agreement signed
March 29, 2013	Annual document of disclosed information
March 29, 2013	Disposal of shares
March 28, 2013	Supervisory Board Meeting held
January 15, 2013	Answer to Zagreb Stock Exchange Query

INA, d.d. Shareholders structure by number of shares

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10	31 Dec 11	31 Dec 12	31 Dec 13
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	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	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,91	800,91	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**	**10,000,000**	**10,000,000**

Source: Central Clearing Depositary Company.

Changes in organization, Management Board or Supervisory Board

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

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

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

Management representation

INA Group's consolidated financial statements for I-XII 2013 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 of INA, d.d. Board
Niko Dalić	Member
Pál Zoltán Kara	Member
Ivan Krešić	Member
Davor Mayer	Member
Péter Ratatics	Member