

## NADZORNI ODBOR

Av. V. Holjevcica 10  
ZAGREB

Number: 2-/14

Date: 26.03.2014.

Pursuant to Article 263, paragraph 3 and Article 300c of the Companies Act and Article 27 of the Articles of Association of INA – Industrija nafte, d.d., at the date of issuing of this report, the Supervisory Board of the company INA- Industrija nafte, d.d. Zagreb, Av. V. Holjevcica 10, (hereinafter referred to as the “Company”), comprised of Mr. Siniša Petrović, President of the Supervisory Board, Mr. György Mosonyi, Vice President of the Supervisory Board, and members: Mr. József Molnar, Mr. Szabolcs I. Ferencz, Mr. Željko Perić, Mr. Mladen Proštenik, Mr. Ferenc Horváth, Mr. Oszkár Világi and Mr. Božo Mikuš, as the workers’ representative, hereby submits to the General Assembly the following.

### REPORT ON THE SUPERVISION OF THE CONDUCT OF COMPANY’S BUSINESS IN 2013

This report includes the following:

- Method and the extent in which the Supervisory Board performed supervision of the Company’s business in 2013,
- Results of examination of the annual financial statements as at 31 December 2013, together with the Auditor’s Report and proposal for coverage of loss,
- Results of examination of the Management Board’s report on the status of business operations in 2013
- Results of examination of report on relations with the governing company and affiliated companies thereof.

#### Corporate profile

On 31 December 2013, according to the list of top ten shareholders of the Company, published by the Central Depository & Clearing Company, major securities holders of the Company are as follows: ZAGREBAČKA BANKA D.D. with the share of 49.08 % in the Custody Account, STATE PROPERTY MANAGEMENT ADMINISTRATION(21517370020)/REPUBLIKA HRVATSKA (52634238587) with the share of 44.84% in the Nominee Account, SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/AZ OBVEZNI MIROVINSKI FOND (59318506371) holds 2.28% in the Custody Account, HYPO ALPE-ADRIA-BANK D.D. (14036333877)/RAIFFEISEN OBVEZNI MIROVINSKI FOND (53009692506) holds 0.80% in the Custody Account, HYPO ALPE-ADRIA-BANK D.D. (14036333877)/PBZ CROATIA OSIGURANJE OBVEZNI MIROVINSKI FOND (99318944138) with a share of 0.66 % in the Custody Account, SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/ERSTE PLAVI OBVEZNI MIROVINSKI FOND (37688683890) with a share of 0.46% in the Custody Account, ZAGREBAČKA BANKA D.D. (92963223473) holds 0.20% in the Custody Account, ZAGREBAČKA BANKA D.D. (92963223473) holds 0.14% in the Custody Account, SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/AZ PROFIT DOBROVOLJNI

<b>INA, d.d.</b> Avenija Većeslava Holjevcica 10 10 002 Zagreb p.p. 555 Hrvatska - Croatia Telefon - Telephone +385(1)6450000 Faks - Fax + 385(1)6452100	Banka - Bank Privredna banka Zagreb d.d. Raiffeisenbank Austria d.d. Zagreb Zagrebačka banka d.d. Societe Generale-Splitska banka d.d. OTP banka Hrvatska d.d. Zadar Hrvatska poštanska banka d.d. Zagreb	Adresa - Address Račkoga 6, 10000 Zagreb Petrinjska 59, 10000 Zagreb Paromlinska 2, 10000 Zagreb R. Boškovića 16, 21000 Split Domovinskog rata 3, 23000 Zadar Jurišićeva 4, Zagreb	Žiro rač. - Giro acc 2340009-1100022902 2484008-1100619483 2360000-1101303595 2330003-1100204546 2407000-1100152149 2390001-1100337076	Trgovački sud u Zagrebu Commercial Court in Zagreb MBS: 08000604 Uplaćen temeljni kapital – Paid capital stock 9.000.000.000,00 kn - HRK Broj izdanih dionica / Nominalna vrijednost No. of issued shares / Nominal value 10.000.000 / 900,00 kn - HRK Matični broj – Reg. No. 3586243
Predsjednik i članovi Uprave / President and members of the Management Board: Zoltán Áldott, Pal Zoltán Kara, Niko Dalić, Peter Ratatics, Ivan Krešić, Davor Mayer				
Predsjednik Nadzornog odbora / President of the Supervisory Board: Siniša Petrović				

MIROVINSKI FOND (22134623145) with a share of 0.11% in the Custody Account and ZAGREBAČKA BANKA D.D. (92963223473) owns 0.06 % share in the Custody Account. Last update of the Company's top ten shareholders is available on the Central Depository Agency's website.

The shares of the Company are included in depository services of the Central Depository & Clearing Company as of 9 October 2003.

The Company's shares have been listed on the Zagreb Stock Exchange since 1 December 2006. Global Depository Receipts (GDR), each representing one (1) INA, d.d. share, have been listed on the London Stock Exchange since 1 December 2006.

At the date of issuing of this report, the Supervisory Board comprised of five members elected based on the proposal put forth by MOL Plc. to General Assembly, three members elected based on the proposal put forth by the Government of the Republic of Croatia and one member appointed by the Works Council of INA, d.d.

### **Supervisory Board**

In 2013, the composition of the Supervisory Board of the Company did not change and it was comprised of the following members:

- Mr. Siniša Petrović, President of the Supervisory Board
- Mr. György Mosonyi, Vice President of the Supervisory Board
- Mr. József Molnar, member of the Supervisory Board
- Mr. Szabolcs I. Ferencz, member of the Supervisory Board
- Mr. Željko Perić, member of the Supervisory Board
- Mr. Mladen Proštenik, member of the Supervisory Board
- Mr. Ferenc Horváth, member of the Supervisory Board
- Mr. Oszkár Világi, member of the Supervisory Board
- Mr. Božo Mikuš, member of the Supervisory Board as the workers' representative

### **Audit Committee**

The Audit Committee participated in the supervision of the Company's business as well, acting as the subsidiary body of the Supervisory Board, and in 2013 it held 5 (five) meetings, at which it reviewed short periodic financial statements (Flash Reports), audit results; it reflected on the performance of external auditor and reviewed Internal Audit Status Reports.

In 2013 and at the date of issuing of this report, members of the Committee were as follows: Mr. Željko Perić, Audit Committee Chairman, Mr. József Molnar, Mr. József Simola and Mr. Damir Vanđelić, Audit Committee Members.

### **Management Board**

In 2013 and at the date of issuing of this report, the Management Board of the Company was comprised of six (6) members.

Members of the Management Board were as follows: Mr. Zoltán Sándor Áldott, President of the Management Board, Mr. Niko Dalić, Mr. Pál Zoltán Kara, Mr. Davor Mayer, Mr. Péter Ratatics and Mr. Ivan Krešić, members of the Management Board of the Company.

### **Supervision conducted in 2013**

In 2013, the Supervisory Board supervised the conduct of business of INA – Industrija nafte d.d., as a share based company, within the scope of its legal and statutory responsibility,. The Supervisory Board supervised the conduct of the Company's business by holding the total of 8 (eight) meetings, 2 (two) of which were held by circular vote (voting in written form).

Supervising activities were performed regularly in compliance with the law and statutory requirement by reviewing Management Board's reports on conducting the business of INA d.d. and INA Group (quarterly, semi-annual and annual reports) and holding discussions on the current matters and issues, whereby the following topics were of particular importance :

**1. Pursuant to the provisions of the Articles of Association of INA, d.d. (Article 17), the Supervisory Board provided *prior consent* for the following decisions:**

- Business Plan for INA Group in 2013
- Business Plan for INA Group in 2014

**2. The Supervisory Board paid particular attention to the review and supervision of specific business issues and the following topics:**

- **Report on CAPEX realization and cash flow** (continuous reporting at every regular meeting)
- **Business Review of Refining and Marketing BD and Retail BD**
- **Business Review of Exploration and Production BD**
- **Business Review of Gas Trading**
- **General Overview of CROSCO d.o.o. strategy development**
- **Update on key regulatory issues, with the focus on issues related to adoption of the new Mining Act and Act on Exploration and Production of Hydrocarbons**
- **Update on Collective Agreement and Report on topics related to human resources**
- **External Audit of the Current Crude Oil Procurement Process**
- **Financial Risk Report**
- Upon request of the Management Board, the Supervisory Board was informed on the intended INA Plc. Management Board decision on **involvement of entrepreneurs in INA Retail network operations (Pilot Project)** for the purpose of obtaining the opinion of the Supervisory Board, on which the Supervisory Board provided a positive opinion
- **Supervisory Board reviewed and discussed matters related to establishment of INA Group Strategy**

**Results of the examination of the Management Board report on relations with the governing company and affiliated companies thereof**

Management Board submitted to the Supervisory Board Report of the Management Board on relations with the governing company and affiliated companies thereof (Report of the

Subsidiary), compiled in accordance with Articles 474 and 497 of the Companies Act and in conformity with the principles of conscientious and accurate accounting.

According to the opinion of the Management Board, relations of the affiliated companies in the business (calendar) year 2013, that were realized by contractual affiliating and undertaking of other legal actions, were within the scope of regular business and entrepreneurial relations, and performed in standard conditions and by application of regular prices.

The Company's Auditor, Deloitte d.o.o., Zagreb reviewed and examined the Management Board's Report on relations with the affiliated companies and provided unqualified opinion that the report is in line with Article 497 of the Companies Act.

The Supervisory Board was informed about the audit results and has no objections to the results of the Auditor's examination of the Management Board's Report on relations with the governing company and the affiliated companies thereof.

After the examination of the Management Board's Report, statements of the Management Board and the results of the Auditor's examination, the Supervisory Board hereby states that the Company, according to the circumstances that were known at the time the legal affairs and actions stated in the stated Management Board's report were attended to, received a respective counteraction for each legal affair, without any damage to the Company.

**Results of the examination of the annual financial statements and the Auditor's Report, Management Board's Report on the status of the business operations for the business year 2013 and proposal of the decision on the coverage of loss.**

The Supervisory Board issued an order to the Company's Auditor, Deloitte d.o.o., to examine the annual financial statements of INA, d.d. for the year 2013.

After examining financial statements of the Company and consolidated financial statements of INA Group in 2013, the Supervisory Board established that in 2013 the Company acted in accordance with the law, bylaws of the Company and decisions of the General Assembly, and that the annual financial statements were made in line with the business records of the Company, and that they accurately represent the state of the assets and business of the Company. The Supervisory Board has no objections to the Auditor's Report on the examination of the annual financial statements and consolidated financial statements for INA Group in 2013.

The Supervisory Board has no objections to the audited financial statements submitted by the Management Board and it hereby gives consent for the submitted audited financial statements, whereby the stated financial statements are to be deemed as adopted by the Management Board and the Supervisory Board, and they are to be presented to the General Assembly.

The Supervisory Board examined the Annual Report on the business status of INA Group in 2013 and has no objections to the delivered report. Furthermore, the Supervisory Board has no objections to the statement on the Code of Corporate Governance applied under the above-stated Report. The Supervisory Board has no objections to the statements provided in the answers from the questionnaire attached, which was completed as requested by the Zagreb Stock Exchange, and states that the answers provided in this questionnaire were given to best of their knowledge and were true in their entirety.

The Supervisory Board considers the proposal of the Management Board on the coverage of loss of INA, d.d. for the year ended 31 December 2013 to be in line with the business results and in accordance with the business plan for the current year, and that it is protective of the interests of the Company and the shareholders and in accordance with Croatian legislation.

Therefore, the Supervisory Board gives its consent to the proposal of the Management Board for the coverage of loss, whereby the loss of earnings of HRK 1,633,468,532.57 will be covered from the retained earnings of previous periods up to the amount of loss of earnings. Joint proposal of the Management Board and the Supervisory Board on the coverage of loss in 2013 is to be referred to the General Assembly for adoption of decision.

### **Summary**

Management Board of the Company regularly informed the Supervisory Board of the Company's business, state of assets and liabilities, revenues and organizational and other changes related to management of the Company's business.

Supervisory Board analyzed realization of the planned results and implementation of the main objectives of the business policy of the Company in 2013.

Aside from the financial results in 2013, the Supervisory Board examined and gave consent to the Business Plan for 2013, Business Plan for 2014 and the Overview for 2015-2016.

In view of the above, the Supervisory Board will submit this Report on the Supervision of the Conduct of Company's Business in 2013 to the General Assembly of the Company.

**PRESIDENT OF THE SUPERVISORY BOARD**

Siniša Petrović

**VICE PRESIDENT OF THE SUPERVISORY BOARD**

György Mosonyi