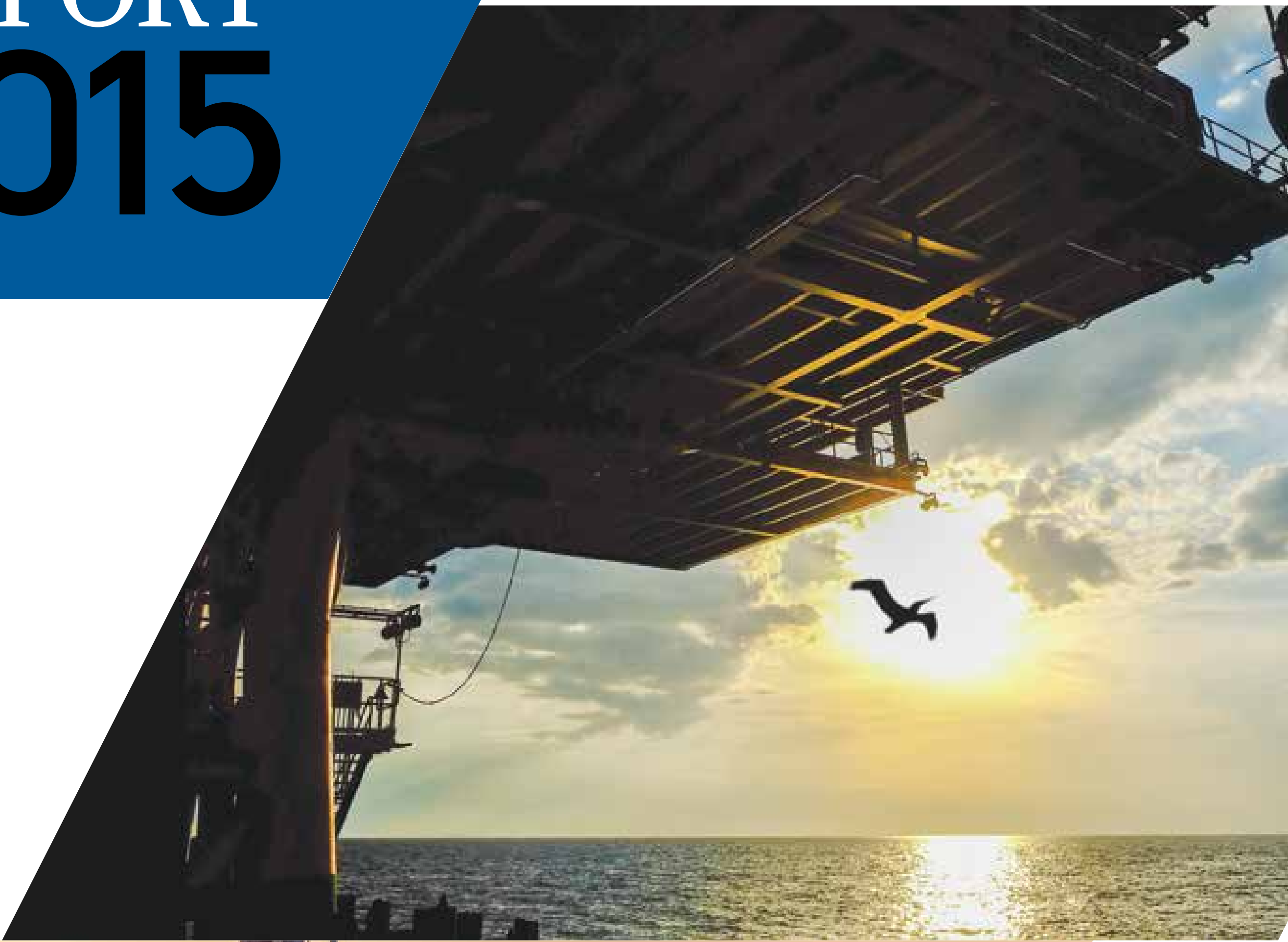
ANNUAL REPORT 2015



ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE

INA GROUP AT A GLANCE

INA is a medium-sized European oil and gas company. With 11,256 employees and Group EBITDA of HRK 2,664 million, INA has a leading role in the Croatian oil and gas business, including exploration and production, oil processing and oil products distribution activities, and a strong position in the regional motor fuel market. At the end of 2015, INA had 213 MMboe of proven and probable hydrocarbon reserves and hydrocarbon production of 40.9 Mboe/day on a yearly average. Its refineries in Rijeka and Sisak have a total throughput capacity of 6.7 Mtpa and produced a total of 3.1 Mt of refined products in 2015. As at 31 December 2015, Retail Business Division operated a network of 438 petrol stations.

OUR CORE ACTIVITIES IN A SNAPSHOT

Exploration and Production Business Division is engaged in exploration, development and production of oil and natural gas in Croatia and abroad. Since its establishment, INA Group has been involved in oilfield operations in 20 foreign countries and is currently operating in Angola and Egypt. In more than 60 years of onshore exploration and production activities, 45 oil and 30 gas fields were equipped and put into operation and around 4,500 exploration and development wells with the total depth of about seven million meters, about 1,200 producing oil wells with more than 4,000 km of pipelines and more than 200 production gas wells and oil facilities and installations were built. To this day, INA's hydrocarbon production was and still is between 50 and 60 percent of total domestic primary energy production. Due to dramatic fall in the oil and gas prices, starting in 2014 and continued throughout the 2015, the Division's activities have been focused on increasing production from existing fields and searching for new opportunities within existing concessions.
Refining and Marketing Business Division's key competencies are processing of crude oil as well as production, distribution and sales of crude oil products on the domestic and international markets. INA operates Croatia's two refineries located in Rijeka and Sisak. In the last few years, INA has invested over HRK 5 billion in the development of its refinery systems which resulted in the production of top quality EURO V fuels. Nevertheless, due to trends of declining market demands and pressures placed on the entire European refining business in 2015, adjusting refinery capacities to market demand is the key to future sustainable development and success.
Retail Business Division operates a regional network of 438 petrol stations, of which 388 stations are located in Croatia, while additional 50 petrol stations are in the neighbouring countries: Bosnia and Herzegovina, Slovenia and Montenegro. With over 200 petrol stations modernised in the past several years within the "Blue Concept" modernisation project, INA today owns the biggest modernized retil network in Croatia. Also, a new retail operating model was launched in 2015 in order to further increase competitiveness through improved cost position and service. As a result of the project, INA has the biggest modernized filling station network in Croatia.

INA IN THE COMMUNITY

In 2015, INA supported over 290 projects through its sponsorship and donations program aimed at assisting the most vulnerable populations such as children, youth and persons with special needs, as well as through culture promotion, sport and environment protection.

Aware of its responsibility towards the local communities in which it operates and the society as a whole, INA is committed to an open and constructive partnership with all stakeholders affected by the company's operations. In doing so, INA continuously seeks ways to further enhance its role of a desirable and reliable partner and to contribute to improving the quality of life in local communities by supporting numerous projects and development policies through donations and sponsorships and by engaging numerous working hours in volunteer work for the public good.
In order to be able to measure the results of these projects, while monitoring the long-term impact on the communities, INA applies the methodology known as LBG model (London Benchmarking Group) which measures the impact of the company on the community by taking into account cash payments, invested time, employee volunteering, in-kind donations and management costs.
Furthermore, in accordance with the sustainable business principle, INA devotes significant attention to the development and improvement of its technologies, know-how and capacity in order to minimize the impact of its business activities on the environment. In doing so, the company invests effort in the rational use of energy resources, reduction of greenhouse gas emissions and increasing the energy efficiency of its production processes, as well as improving the work safety with the aim of protecting human health and the environment in accordance with the most modern systems and methods.

AWARDS AND RECOGNITIONS

Recognition for contribution of the business sector to the development of volunteering

In 2015, INA Volunteer Club received a "Recognition for contribution of the business sector to the development of volunteering" by Osijek volonter club. This recognition serves as confirmation of the values promoted by INA and INA's volunteers through their activities, but it also represents an obligation for INA to constantly improve its position of a respected and recognized community partner. Additionally, INA has along side 20 other companies, signed a charter on acknowletging competences aquired through volunteering.

Golden Index

Recognizing the company's contribution to the student community, student associations eSTUDENT, AIESEC Croatia and BEST (Board of European Students of Technology) have once again awarded INA the Golden Index award in the field of "Expert support" and "Assistance in organization of student projects". Throughout 2015, INA continued with its programs and initiatives aimed at students and young people, as well as its successful collaboration with the student community by participating in events organized by the aforementioned associations and independent projects aimed at offering support to students.

Employer Partner Certificate

In 2015, for the fifth consecutive year, INA received the Employer Partner Certificate, which is awarded for excellence in human resources management. The primary purpose of the Employer Partner Certificate project is to recognize and highlight organizations with quality human resources management and promote and implement standards that meaningfully advance business results and work quality.

MAMFORCE COMPANY® Standard Certificate

In December 2015, INA was awarded the MAMFORCE company® standard, following the first stage of the certification process which began in March 2015. "Mamforce Company" is a renowned quality certificate that confirms a high level of competence in conducting "family friendly" human resources management in companies. This recognition confirms the success of INA's existing practices in the domain of responsibility to family and gender equality, which will be further enhanced next year based on the received recommendations, along with the implementation of new responsible practices during next year.

Green Frog Award 2015

INA was awarded Deloitte's Green Frog Award for the best report on sustainable development in Croatia for 2015. The Award, which aims to identify and reward excellence in corporate non-financial reporting, offers companies the opportunity to present their sustainable practices and methods of conscious and active environmental management, whereas the independent jury evaluates the reports based on the criteria of sustainability performance and strategic commitments, materiality, content and structure and creativity in communication.

CONTENTS

IMPRESSUM

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INA GROUP at a glance

Group EBITDA (HRK million)

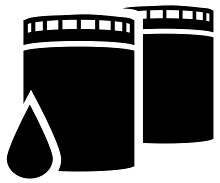
2,664

Production 2015

40.9 mboe/d

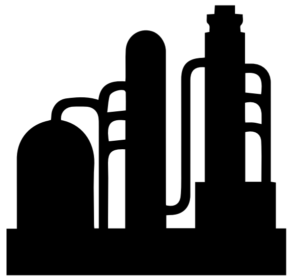
hydrocarbon reserves

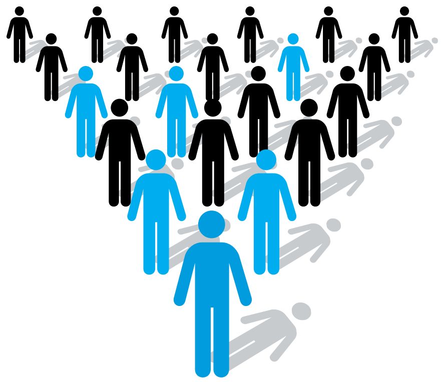
213 MMboe



Rijeka and Sisak capacity

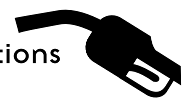
6.7 Mtpa





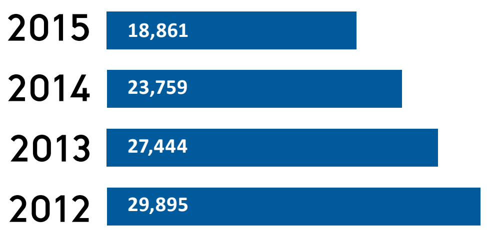
11,256 employees

Service stations 2015

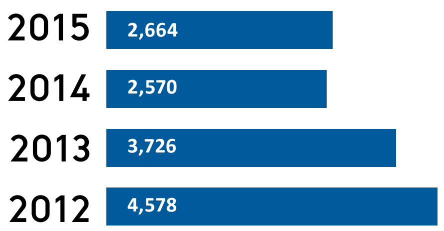


438

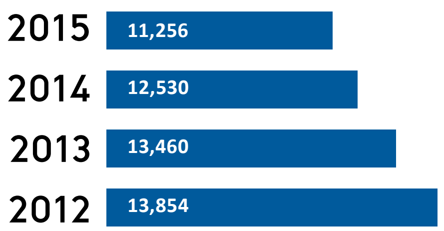
NET SALES RAVENUES (HRK MLN)



EBITDA (HRK MLN)



NUMBER OF EMPLOYEES



Key financial and operating data

KEY FINANCIAL DATA

	2013	2014	2015	2015/2014
HRK mln	**HRK mln**	**HRK mln**	**HRK mln**	**%**
Net sales revenues	27,444	23,759	18,861	(21)
EBITDA	3,726	2,570	2,664	4
EBITDA excl. special items	**3,805**	**2,689**	**2,952**	**10**
CCS EBITDA excl. special items	3,983	3,378	3,669	9
Operating profit/(loss)	(1,505)	(1,722)	(1,338)	(22)
Operating profit excl. special items	**816**	**513**	**138**	**(73)**
Net financial expenses	(311)	(612)	(411)	(33)
Net profit/loss for the period	(1,508)	(1,897)	(1,418)	(25)
Net profit for the period excl. special items	**953**	**344**	**58**	**(83)**
Operating cash flow	**4,576**	**3,849**	**1,979**	**(49)**
Capital expenditures with one-off	**2,013**	**1,691**	**1,650**	**(2)**
o/w Exploration and production	1,396	1,102	840	(24)
o/w Refining and Marketing	324	317	451	42
o/w Retail	221	156	162	4
Earnings per share				
Basic and diluted earnings per share (Kuna per share)	(150.8)	(189.7)	(141.8)	(25)
Net gearing %	26.99	20.41	22.27	-

KEY EXPLORATION AND PRODUCTION DATA	2013	2014	2015	2015/2014
Gross crude oil reserves (MM bbl) 2P	95	97	92	(5)
Gross natural gas reserves (MM boe) 2P	141	125	107	(14)
Total gross hydrocarbon reserves (MM boe) 2P	251	237	213	(10)
Average crude oil production (Mboe/day)	11.6	12.1	14.0	15
Average condensate production (Mboe/day)	2.4	2.1	1.9	(9)
Average natural gas production (Mboe/day)	26.2	24.2	25.0	3
Total hydrocarbon production (Mboe/day)	40.2	38.4	40.9	6

KEY REFINING AND MARKETING DATA	2013	2014	2015	2015/2014
Total refinery throughput (kt)	3,707	3,125	3,523	13
Total crude oil product sales (kt)	3,467	3,284	3,622	10

KEY RETAIL DATA	2013	2014	2015	2015/2014
Total number of petrol stations	444	442	438	(1)
Total sales (000 t)	1,019	994	996	0

NET SALES RAVENUES (HRK MLN)

2015	18,861
2014	23,759
2013	27,444
2012	29,895

OPERATING RESULT (HRK MLN)

2015	(1,338)
2014	(1,722)
2013	(1,505)
2012	1,359

EBITDA (HRK MLN)

2015	2,664
2014	2,570
2013	3,726
2012	4,578

CCS EBITDA EXCL.SPEC.ITEMS (HRK MLN)

2015	(1,418)
2014	(1,897)
2013	(1,505)
2012	681

NUMBER OF EMPLOYEES

2015	11,256
2014	12,530
2013	13,460
2012	13,854

LETTER FROM THE PRESIDENT OF INA MANAGEMENT BOARD

Zoltán Sándor Áldott
President of the Management Board

The year behind us was particularly challenging for the oil industry. Supply higher than demand caused imbalance on the oil market which resulted in the halving of the price of oil compared to the 2014 prices.
Nevertheless, INA's business result in 2015 is stable, which is a positive achievement in a year like the past one for a company in which Upstream is the primary cash generator.
Halved Brent prices weighted on the result, but this was offset by weakening of HRK against the USD, a more supportive Downstream environment and increasing hydrocarbon production. CCS EBITDA excluding special items even increased slightly and amounted to HRK 3,669 million, while CCS operating profit excluding special items decreased to the level of HRK 843 million. Net debt remained stable at HRK 3,032 million and gearing amounted to a very safe 22.3%.

The Exploration & Production segment constant efforts in well workovers and production optimization, as well as new fields going into production, resulted in reversing the natural decline trend from previous years, regardless of the fact INA currently has limited exploration licenses. The growth is particularly strong in the domestic oil segment, with a 20% increase. Downstream clean CCS EBITDA excluding special items turned positive for the first time in more than five years and amounted to HRK 307 million, driven mainly by the uplift of refining margins primarily on the back of lower cost of own consumption and losses, as well as constant optimization measures. It still remains a must for INA to optimize its production in order to prevent significant losses. A series of analyses have shown that the inability to focus processing on one site further burdens our result.

The change in INA's Retail operating model is definitively a strong move forward with the aim of ensuring INA a more competitive position – the implementation of the new retail model began on December 1, 2015, while INA Maloprodajni servisi, member of INA Group in 100 percent ownership of INA, began managing the filling stations on February 1, 2016.

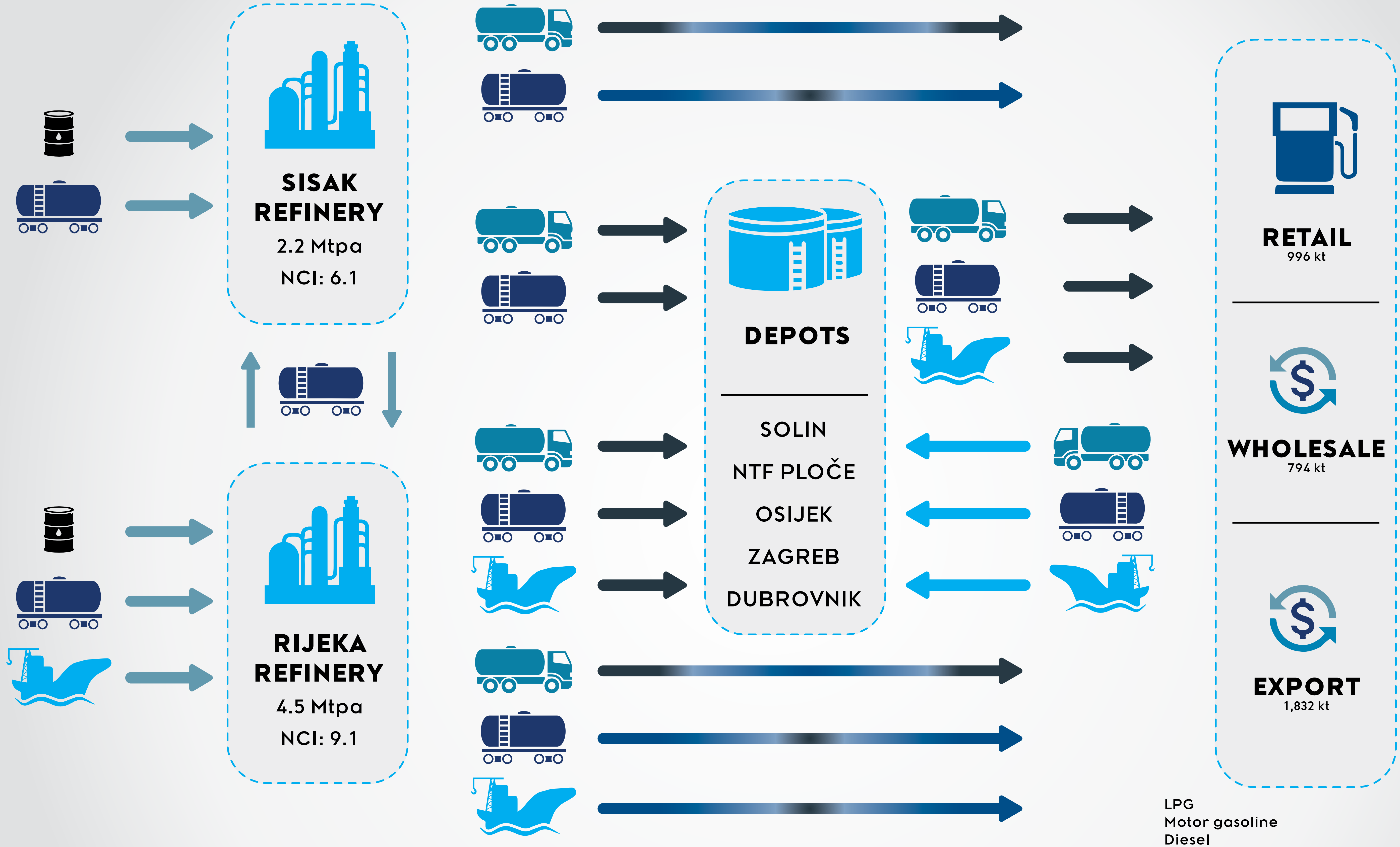
In 2015, total investments reached HRK 1,650 million, which is stable taking in consideration the adjustment to the volatile external environment. INA is currently carrying-out preparation works for the Residue Upgrade Project in Rijeka Refinery, which is a major investment and has to give its return on the long run. The investment into the residue upgrade technology is estimated to USD 400 million, while the plant is planned to be operational in early 2019. However, doing business in an unpredictable regulatory environment is making the situation difficult and having additional tax burden does not make the decision easier.

On 31 December 2015, INA Group operated a network of 438 Retail sites (388 in Croatia, 50 abroad), of which 39 Retail sites in Croatia were included in the Entrepreneurship model.

Sustainability is one of the basic principles on which INA does business. Since 2007 INA has been a signatory of UN Global Compact, the largest global initiative aimed at sustainable business, and thus committed to promotion of human and labour rights, as well as environmental protection and anti-corruption. We take pride in projects such as the Green Belt, INA Volunteers' Club or Spajalica in which we cooperate closely with local communities and institutions, but we are also proud of projects for young talents such as Growww, Freshhh and Junior Freshhh. At the same time, we make health and safety of employees, contractors and suppliers our priority, while we systematically pay attention to environmental protection by implementing projects related to emission reduction and energy efficiency in order to safeguard nature and its resources for generations yet to come. We must not forget about the high level of employee care, thanks to which we have been certified as Employer Partner for five years in a row.

Our plans for the upcoming year are ambitious and we remain committed to strong growth in all business segments. We are also very aware of the challenges we will be facing in 2016; primary among them is the already mentioned low price of oil which will have a direct impact on the profitability of INA's exploration and production business segment. In such circumstances, the performance of the refining business becomes even more important and the need to further improve and increase competitiveness in this business segment now becomes an urgency.

Although 2016 will be another challenging year for the oil industry, INA is entering it strengthened by a healthy financial foundation which represents the precondition to continue the investment cycle and further improve the operations of all core activities.



Domestic crude oil	553
Imported crude oil	2,212
Condensate	85
Other feedstock	673
Total refinery throughput	**3,523**

LPG	210
Motor gasoline	946
Diesel	1,130
Heating oil	144
Kerosene	105
Naphtha	52
Fuel oil	389
Bitumen	-
Other products	108
Total	3,085
Refinery loss	29
Own consumption	409
Total refinery production	**3,523**

CORPORATE GOVERNANCE

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

INA's management structure is based on a two-tier board system, comprising a Supervisory Board and a Management Board. With the General Assembly, these constitute the three mandatory internal bodies of INA in accordance with INA's Articles of Association and the Companies Act.
At a meeting held on 10 June 2009, INA Management Board appointed Executive Directors authorized to operate, manage and supervise the business divisions/functions of the Company. Each Executive Director is responsible to the Management Board for the overall operation of the assigned business segment.

The Supervisory Board is responsible for the appointment and recall of the Management Board members and supervises the conduct of the Company's business operations. Pursuant to INA's Articles of Association, the Supervisory Board consists of nine members, one member being the employees' representative. Based on the Shareholders' Agreement signed between MOL and the Croatian Government, five members are appointed by MOL and three by the Croatian Government. The Management Board consists of six members. Based on the Shareholders' Agreement, three members are appointed by MOL, including the President, and three by the Croatian Government.

MANAGEMENT BOARD

The list below contains the names of current members of the Management Board and their respective positions as at 31 December 2015. The business address for all members of the Management Board is Avenija V. Holjevca 10, 10002 Zagreb, Croatia.

Zoltán Sándor Áldott, President of the Management Board
Niko Dalić, member of the Management Board
Gábor Horváth, member of the Management Board
Ivan Krešić, member of the Management Board
Davor Mayer, member of the Management Board
Péter Ratatics, member of the Management Board

EXECUTIVE DIRECTORS

Executive Directors are appointed based on a Management Board decision. They are authorized and responsible for management of operations of INA's individual business divisions (Exploration and Production, Refining and Marketing, Retail, Finance, Corporate Centre and Corporate Affairs).

List of Executive Directors as at 31 December 2015:

András Huszár, Executive Director in charge of Finance (On 28 December 2015, it was announced that effective from 1 February 2016, Dr Ákos Székely will be replacing Mr András Huszár as Executive Director for Finance)
Darko Markotić, Executive Director in charge of Retail
Tvrtko Perković, Executive Director in charge of Corporate Centre
Želimir Šikonja, Executive Director in charge of Exploration and Production
Bengt Viktor Oldsberg, Executive Director in charge of Refining and Marketing
Tomislav Thür, Executive Director in charge of Corporate Affairs

SUPERVISORY BOARD

The list below contains the names of current members of the Supervisory Board and their respective positions (as at 31 December 2015). The business address for all members of the Supervisory Board is Avenija V. Holjevca 10, 10002 Zagreb, Croatia.

Siniša Petrović, President of the Supervisory Board
Szabolcs I. Ferencz, member of the Supervisory Board
Ferenc Horváth, member of the Supervisory Board
Maja Rilović, member of the Supervisory Board
József Molnár, member of the Supervisory Board
György Mosonyi, Vice President of the Supervisory Board
Željko Perić, member of the Supervisory Board
Mladen Proštenik, member of the Supervisory Board
Oszkár Világi, member of the Supervisory Board

ISSUER'S AUDIT COMMITTEE

The Audit Committee is a body appointed by the Supervisory Board with the purpose to assist the Supervisory and Management Board in the performance of their corporate management tasks, financial reporting and control of company operations. However, the Audit Committee is solely an auxiliary body and cannot relinquish the Supervisory Board and the Management Board of their responsibilities. The Supervisory Board discusses the Report on the Audit Committee's activities once a year.

The Audit Committee's responsibilities are related to:
1. Accounting segment;
2. External auditor segment;
3. Financial segment;
4. Risk-management segment
In performing its tasks, the Audit Committee is authorised to oversee the internal processes in INA, request additional information from the Company or its auditors and conduct interviews with employees. Furthermore, the Committee is authorised to engage independent consultants at the expense of the company.

Members of the INA Audit Committee as at 31 December 2015 are:

Željko Perić, Chairman
József Molnár, member
József Simola, member
Damir Vanđelić, member

Given the fact that INA's shares are listed on a regulated market, INA – Industrija nafte, d.d. applies the Corporate Governance Code effective from January 1, 2011, which was jointly prepared by the Croatian Financial Services Supervisory Agency (hereinafter: Agency) and the Zagreb Stock Exchange (Zagrebačka burza d.d. Zagreb)and is published on the Internet page of the Zagreb Stock Exchange (http://www.zse.hr).

In addition to the Corporate Governance Code, INA Group also applies its own Code of Ethics, which defines the basic values and principles of conduct of the management and the employees of INA Group regarding their attitude towards work, associates, business partners and the public. The Code also sets forth the obligations of INA Group to secure appropriate work conditions and professional development to employees and ensure avoidance of unacceptable forms of behaviour. The Code covers a broad area of business relationships and processes and has to be observed by all persons acting in the name and on behalf of INA Group, including natural persons and legal entities who are in a contractual relationship with INA Group (business partners, consultants, suppliers, sellers etc.). The Code can be accessed at INA, d.d. website (http://www.ina.hr). INA, d.d. generally abides by the provisions of the Corporate Governance Code, with the exceptions stated in the Annual Corporate Governance Questionnaire published on INA's website.

Some of the exceptions are as follows:
- INA, d.d. does not publish or update the list of shareholders. The ownership structure is available on the Company's website, whereas a detailed list of shareholders is kept by the Central Depository & Clearing Company Inc., which publishes a list of the ten largest shareholders on its website in accordance with the law.
- INA, d.d. does not publish data on the Company's shares held by the Management Board or Supervisory Board members on its website. Instead, all announcements in reference to the securities held by the Management Board or Supervisory Board members can be found on the Company's website.
- INA, d.d. does not provide proxies to the Company's shareholders who are not able to vote at the General Assembly, for any reason, without additional costs. The shareholders who are not able to vote themselves should, at their own discretion, appoint appropriate proxies who are obliged to vote in accordance with their instructions. The Company has not received any requests from shareholders in this respect.
- The Company sets the terms and formal conditions for participation of the shareholders in the General Assembly in accordance with the Companies Act and the Company's Articles of Association in order to protect the shareholders' rights in conditions of a large number of shareholders.
- The Supervisory Board is not composed of a majority of independent members. It is composed of major shareholders' representatives and a workers' representative in accordance with the Companies Act.
- The long-term succession plan has not been published; however, the existing systems of electing members to the Supervisory Board, Management Board and upper management take account of the continuity in performing supervisory, management and administrative functions.
- The Company's bonus policy is part of the internal rules published on the Company's website. Data on remunerations to the Management Board and Supervisory Board members are published in the annual report in their full amount. The current internal regulations do not envisage the possibility of public announcement of these data.
- The amounts of remunerations paid to independent auditors for rendered services have not been published and constitute a business secret.

Mr. Zoltán Sándor Áldott

PRESIDENT OF THE MANAGEMENT BOARD

Zoltán Áldott, President of INA Management Board since 1 April 2010, started his career in 1990 as an associate in Creditum Financial Consulting. From 1992 to 1995, he held various positions in Eurocorp Financial Consulting. He joined MOL in 1995 as head of the Privatization Department. From 1997 to 1999, he was Director of the Capital Markets Department, and from 1999 to 2000, Mr Áldott served as Director of the Strategy & Business Development department. From November 2000 to June 2001, he was the Chief Strategy Officer and then from June 2001, Group Chief Strategy Officer. From September 2004 to June 2011, he was the Executive Vice President of Exploration & Production Division of MOL Group. From October 2003 to April 2010, he was a member of the Supervisory Board of INA. He holds a university degree from Budapest University of Economics.

Mr. Niko Dalić

MEMBER OF THE MANAGEMENT BOARD

Niko Dalić was appointed member of INA Management Board in February 2011. He started his career in 1986 as a geologist working on upstream projects in Croatia. In 1996, he was appointed Head of business unit, responsible for Eastern Slavonia and Podravina. From 2005 to 2008, he was Assistant Executive Director of Naftaplin, where he was in charge of running international projects. Apart from that, he was also the Head of the strategy team in Naftaplin and the team for Energy Strategy of the Republic of Croatia, as well as the IPO team. After that, from 2008 to 2009, he was the Head of the Exploration Sector. As of June 2009, he has been serving as a member of the Management Board of Edina, a joint venture of INA and Italian company Edison, where he has focused on the activities in the Izabela field in Northern Adriatic. He graduated from the Faculty of Science (Prirodoslovno – matematički fakultet) at Zagreb University where he later acquired his master's degree. He passed his state licence exam at the Ministry of Science in 1996. Mr Dalić attended a number of seminars and professional trainings in Croatia and abroad. He is a member of numerous professional associations and has published several papers. He served two terms as president of the Croatian Geological Society, and is currently serving as chairman of the Supervisory Board of the Croatian Geological Society. As of December 2014, Mr Dalić has been serving as co-chairman for geology in HUNIG (Croatian Association of Petroleum Engineers and Geologists).

dr. Gábor Horváth

MEMBER OF THE MANAGEMENT BOARD

Gábor Horváth was appointed member of INA Management Board on 22 May 2014. He studied legal sciences at Eötvös Loránd University (ELTE) in Budapest. During his long career, he worked at the Hungarian National Development Bank and practised law in the fields of corporate finance, treasury and corporate governance. Since 1995, among other positions held, he was the Chairman of the Audit Committee, Supervisory Board member and Deputy Chairman of the Supervisory Board at OTP Bank. From 1999 to 2014, he acted as a member of the Board of Directors at MOL.

Mr. Ivan Krešić

MEMBER OF THE MANAGEMENT BOARD

Ivan Krešić was appointed member of INA Management Board in February 2011, after serving as Rijeka Refinery Director since 2006. He started his career as a process engineer in INA, in Rijeka-based refinery Maziva. He was the head of production from 2000 to 2004, when he was appointed Director of INA Maziva Rijeka. In August 2006, he was appointed Director of Rijeka Refinery. From 2009 to 2011, he was a member of the Supervisory Boards of INA Group members Maziva Zagreb and STSI. He graduated from the Faculty of Chemical Engineering and Technology in Zagreb, where he won a Rector's Award for best student paper. He acquired his Master's degree at the Rochester Institute of Technology, USA, in 2001. He holds an MBA certificate gained at Bled School of Management in 2003. Additionally, he attended executive education programs in the fields of finance, change management, mergers and acquisitions at London Business School, and effective risk management oversight for Board member. He is a member of the Alumni Club of Bled School of Management and executive education alumni of London Business School.

Mr. Davor Mayer

MEMBER OF THE MANAGEMENT BOARD

Davor Mayer was appointed member of INA Management Board in February 2011. He started his career as an intern in INA Refinery Zagreb (today Maziva Zagreb) and Sisak Oil Refinery, after which he worked on INA refinery processing optimization and then in international trade. He served as the Petroleum Products Wholesale Manager in OMV from 1998 to 2002, when he took up a position in Tifon, becoming the head of the representative office of Gulf Oil International. From 2005 to 2008, he was the Industrial Territory Manager for SEE in ExxonMobil. He started working in Tifon again in 2008 as a member of the Management Board and wholesales, procurement, logistics and card business manager, and in June 2009, he assumed the position of Fleet Card Management Sector Director in INA, alongside his seat in Tifon Management Board. He graduated from the Faculty of Chemical Engineering and Technology, and later on attended professional seminars and courses. From 2005 to 2008, he attended a postgraduate course on management systems at the international school Achieve Global in Brussels, Belgium.

Mr. Péter Ratatics

MEMBER OF THE MANAGEMENT BOARD

Péter Ratatics currently holds a position of Senior Vice President of Corporate Centre (Group Corporate Human Resources, Group Corporate Services and Group Corporate Communication) of MOL Hungarian Oil and Gas Plc. He graduated from the Faculty of Finance at Corvinus University of Budapest, with a specialization in capital markets. Mr Ratatics started his career as Gas Trading and Business Development expert in MOL Plc., after which he was appointed Head of the Executive Board Advisory team in 2009. Between 2009 and 2010, he also acted as Head of Organizational Development and Process Management and in the period from 2010 to 2011 as Head of Management Services. From May 2011, he has been serving as SVP of Corporate Centre. He was appointed member of INA Management Board in June 2011 and Vice-Chairman of the Supervisory Board of FGSZ (Natural Gas Transmission) in 2012. In 2015, he became responsible for MOL Group procurement, investment and communication activities as SVP of Corporate Centre.

Mr. András Huszár

EXECUTIVE DIRECTOR IN CHARGE OF FINANCE BUSINESS FUNCTION

Andras Huszár joined INA in 2010 as Executive Director for Finance business function, prior to which he was the Head of MOL Treasury since 2001. Over the years, he has held managerial positions in the domain of corporate finance in prominent companies/institutions, at Budapest Stock Exchange from 1991 to 1994 and in Matav (Deutsche Telekom Group) from 1994 to 2001. He graduated from the Faculty of Economic Planning at the University of Economic Sciences in 1988, and in 1993, he earned a PhD of Economic Science at Corvinus University of Budapest. In 1999, he earned the CFA Institute's Chartered Financial Analyst designation.

Mr. Darko Markotić

EXECUTIVE DIRECTOR IN CHARGE OF RETAIL BUSINESS DIVISION

Darko Markotić graduated from the Faculty of Law, Zagreb University, in 1998. He joined INA in 2000 and performed multiple functions within the Company in a variety of different organizational units. At the very beginning of his career in INA, he worked at the Legal Sector. In June 2002, he took the position of Business Secretary in the Office of the Management Board member for coordination of the privatization of INA. In late 2003, he was promoted to Assistant Company Secretary, following which he was appointed Company Secretary in 2005 and held that position for three years. In 2008, he was elected a new member of INA Management Board and after serving one year at the position, he was appointed Executive Director of Corporate Services BF in 2009. Since October 2010, he has been serving as the Executive Director of Retail Business Division.

Mr. Tvrtko Perković

EXECUTIVE DIRECTOR IN CHARGE OF CORPORATE CENTRE BUSINESS FUNCTION

Tvrtko Perković graduated from the Faculty of Mining, Geology and Petroleum Engineering at the University of Zagreb in 1985. He completed a number of courses and attended additional education at the international postgraduate study of Business Management – MBA at the Faculty of Economics & Business in Zagreb, 1993. Tvrtko Perković was appointed Executive Director for Corporate Centre BF in September 2012. He began his career as an intern in INA in 1986 in the Exploration & Production BD, Workover and Well Services Facility, after which he worked as an operating engineer and went on to become the head of the Special Services Sector in 1990. From 1995 to 1997, he was Assistant Director of the Technical Services Sector, following which he transferred to Crosco, d.o.o. to the position of Director of the Strategy and Development Sector. In 1999 and 2000, he managed the SAP system implementation project in INA, after which he was appointed to the position of Director of the Strategy, Human Resources and IT Sector at Crosco, d.o.o. In July 2009, he returned to INA to serve as Director of the Upstream Support Sector and was appointed to the position of president of the Management Board of STSI, ltd. in 2010, the position he held until July 2012.

Mr. Želimir Šikonja

EXECUTIVE DIRECTOR IN CHARGE OF OIL & GAS EXPLORATION AND PRODUCTION BUSINESS DIVISION

Mr Želimir Šikonja graduated from the Faculty of Mining, Geology and Petroleum Engineering, University of Zagreb, Croatia in 1983. On 14 June 2011, he was appointed Executive Director of Exploration & Production BD. He gained his extensive professional experience in various positions mainly within INA Exploration and Production. He started his career in 1983 as Production Engineer at Stružec Production Area, after which he served as Oil Transportation Department Director, and from 1994 to 1997, he was a Chief Production Engineer for Molve Oil Technology. Before his appointment as Executive Director, he held various managerial positions – from 1997 to 2000 he was Director of Development and Engineering Sector, and then, until 2005, Director of Production Coordination Department. He was General Manager of INAgip until 2007 when he was appointed Deputy Director of the Rijeka Refinery Modernisation Project. From 2009 to 2011, he served as Director of E&P SEE Sector. He attended additional education through Business Leadership and Mini MBA programs.

Mr. Bengt Viktor Oldsberg

EXECUTIVE DIRECTOR IN CHARGE OF REFINING AND MARKETING BUSINESS DIVISION

Mr Bengt Viktor Oldsberg assumed the position of Executive Director of Refining and Marketing business division in August 2014. Mr Bengt Viktor Oldsberg has more than 30 years of experience in the refining industry. While working for Shell Group from 1982 to 2005, Mr Oldsberg led projects in Sweden, Netherlands and Australia while holding various managerial positions. His professional experience also includes management positions at Swedish petroleum companies Preem Petroleum AB and Nynas AB. Mr Oldsberg joined INA in August 2013 as Director of the Production Centre where he was tasked with strengthening of production processes and the company's position in international refining markets, management of health, safety and environment protection and capital investments in INA's refineries. Mr Oldsberg holds a Master of Science degree in Chemical Engineering. He has attended various executive management training programmes within the Shell Group and with IFL Sweden.

Mr. Tomislav Thür

EXECUTIVE DIRECTOR IN CHARGE OF CORPORATE AFFAIRS BUSINESS FUNCTION

Tomislav Thür graduated from the Faculty of Law at the University of Zagreb in 1991 and gained his Master's degree at the Harvard Law School in 1998. Mr Thür joined INA as member of the Management Board and Director for Corporate Processes. In 2012, he was appointed Executive Director for Corporate Affairs. Before joining INA, he was General Secretary of Atlantic Grupa. From 1992 to 2001, he was employed at the Croatian Embassies in Bern and Washington and the Croatian mission at the UN office in Geneva. Mr Thür also served as the Head of the National Coordinator's Office for the Stability Pact. He studied executive management at London Business School, Harvard Business School and INSEAD. He is a member of the Executive Board of the Croatian Employers' Association and as of 2013, President of the Executive Board of the Energy Association within the Croatian Employers' Association. From 2012 to July 2015, Mr Thür was also a member of the National Competitiveness Council.

INA was founded on 1 January 1964 when the operations of Naftaplin (oil and gas exploration and production) were merged with those of Rijeka and Sisak refineries. In 1990, INA became a state-owned enterprise, and in 1993, a joint stock company ("d.d."). The share capital is divided into 10,000,000 ordinary shares with every share carrying one vote, dividend right and a nominal value of HRK 900.00.

In 2003, MOL Rt (MOL) acquired 25% plus one share of INA. Through acquisition of 25% plus one share, MOL became INA's strategic partner and INA became a part of an integrated regional partnership in the oil and gas industry consisting of MOL, INA, Slovnaft and TVK.

Two years later, in 2005, 7% of INA shares was transferred to the Croatian Homeland Independence War Veterans and Their Family Members' Fund.

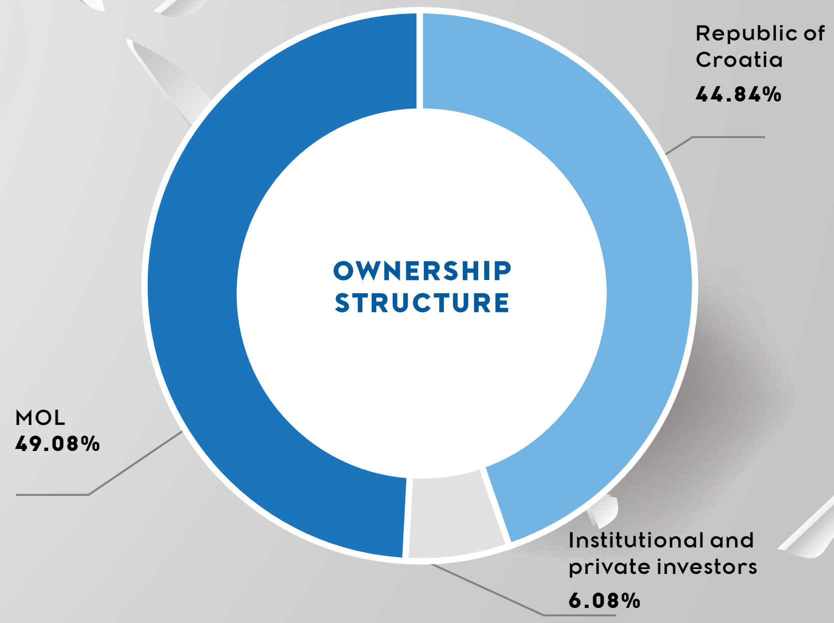
INA - Industrija nafte, d.d. was officially listed at the Zagreb Stock Exchange on 30 November 2006 with stock ticker symbol INA-R-A. INA's global depositary receipts ("GDR") have also been listed on the London Stock Exchange since September 2014.

In 2007, the Croatian Government decided to sell 7% of INA shares (700,000 shares) to the current and former INA employees.

In September 2008, the Croatian Financial Services Supervision Agency approved the publication of MOL's voluntary takeover offer, following which MOL's share in INA raised to 47.16% of the total share capital. Another offer was made at the end of 2010, raising MOL's stake to 47.26% of the Company's share capital.

As at 31 December 2015, INA's shareholder structure is as follows:

- MOL 4,908,207 shares – 49.08%
- Republic of Croatia 4,483,552 shares – 44.84%
- Institutional and private investors – 608,241 shares – 6.08%.



QUALITY MANAGEMENT

INNOVATION AND AWARDS

Regulation of the innovative work area has existed in INA, d.d. for more than 40 years and is constantly improved.
Numerous awards at innovation exhibitions in the country and abroad and regulated innovative work issues confirm a long-standing company tradition of encouraging employee inventiveness and creativity, ultimately resulting in the company innovativeness and finally, in intellectual property that can be protected.
In 2015, two invention shows were held - the jubilee 40th Croatian Invention Show INOVA and 11th BUDI UZOR 2015 show. Traditionally, INA's innovators performed and won two gold medals for 2 new products: "INA Transhidrol 10W-30" – innovation of authors Tonća Ćaleta Prolić and Miroslav Felja and "INA Polikal 150" - innovation authored by Ljiljana Pedišić, Helena Tkalčić and Irena Polenus.
INA, d.d. workers continuously submit their innovation proposals which can be categorized as patent (invention), industrial design, technical improvement, business rationalization or useful idea. In 2015, the Innovation Proposal Evaluation Committee made a decision on accepting two innovation proposals: "Project of automation of sales realisation input in the inventory table" and "Synthesis". Three more innovation proposals are in the process of approval.

QUALITY

INA Group companies are focused on management systems harmonization in all areas of business. At the same time, technologies, processes, products and services are being continuously developed. In the process, related risks regarding human health, safety, environment, energy performance and realisation of business goals in general are being considered and minimized, and preventive actions are being taken in this respect to prevent and/or reduce negative impacts. Since the first publication of the International Standard specifying requirements for a quality management system, INA Group companies developed an awareness about the need for action in accordance with the standard.
Today, ISO 9001 standard is applied, through an integrated company system, on main processes and processes in the function of management and support to INA, d.d. activities. Business management system certified according to ISO 9001 was also introduced by major INA Group companies. INA, d.d. divisions/sectors and other INA Group companies which have a potential or an actual impact on the environment, maintain and certify environmental management systems in accordance with ISO 14001 standard. Energy savings and energy efficiency programs have been implemented since 2015 in accordance with ISO 50001 standard. Health and safety protection at work is performed in order to prevent injury, occupational diseases and work-related diseases and protect working and living environment and material goods, in accordance with OHSAS 18001 standard.
Since 2011, certification cycle for all three management systems has been harmonized on INA Group level.
By creating INA Group documents, the process activities and their oversight have been harmonized on INA Group level.
The basic rules of activity management system in INA Group are covered by the "INA Group Operative Model" and "Regulation Management in Companies of INA Group" documents. Management systems auditing is also performed on INA Group level, mainly from the customer perspective and dissemination of good practices perspective.
The first step at INA, d.d. was certification of core processes in accordance with ISO 9001 standard (quality management). At the beginning of 2000, INA, d.d. Management opted for a new management philosophy. A unique system was developed that is basically an integrated business management system based on laws, company regulations, rules of profession and requirements of ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 standards.
Today, INA, d.d. has a total of 10 certificates according to ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 standards and ISCC certificate on biofuels sustainability (International Sustainability and Carbon Certification System). Proving the viability of biofuels at INA, d.d. in accordance with the ISCC standard is a required condition for the sale of biofuels on the EU market.
On INA, d.d. level, three certificates have been obtained:

- Quality management according to ISO 9001 since 2005
- Energy management according to ISO 50001 since 2015
- ISCC Standard (International Sustainability and Carbon Certification) certifies sustainable biofuels since 2013.

Commitment of INA, d.d. Management Board to continuously improve business processes and business quality was also acknowledged by introduction of an integrated information system – SAP - in 2006, and as early as 2007, the obligation of developing information security management system was determined. In 2008, in accordance with a legal obligation, HACCP system (Hazard Analysis and Critical Control Points) was implemented in INA restaurants. Transition to the new edition of ISO 9001 is planned in 2017, i.e. by the next recertification audit.
We are active participants in the development and implementation of new systems by means of full integration into the existing business management system. By integrating the business management system, we improved and achieved enhancements in transparent management processes, measurement

and presentation of business results, customers and employees satisfaction.
Monitoring of the entire system is carried out by means of external monitoring audits, internal audits and supplier audits in accordance with the annual planning, through specially developed IT support and by collecting and analysing data and reporting to the Management Board. There is also a cooperation with related processes – e.g. HSE audits, in order to check corrective actions arising from these audit results. Due to the requirements for further development of our company and other INA Group companies, we continue with improvement of a unified, centralized document management system on INA Group level to enable a more successful implementation and control of business rules on INA Group level. Documents are published in the Management System Regulation Database which is available to all INA Group companies. In cooperation with users, activities for further improvement of the database are initiated to achieve an even better alignment with the user requirements.
To increase the quality and efficiency of the process of management system internal audit with the least amount of resources, the lowest price and the reduction of other adverse consequences, a new management concept of internal audits has been implemented:

- Four lead auditors centrally monitor maintenance of certified management systems at INA, d.d. and conduct 65-75% of internal audit process activities. They are organisationally situated in the Quality, Standardisation & Intellectual Property Department (Company Secretariat);
- Other internal auditors are situated in other organisational units and conduct 25-35% of internal audit process activities.

In order to improve management systems at INA, d.d., we conduct internal training for management, management representatives and internal auditors. In 2015, INA, d.d. conducted an introductory training on the changes in the new edition of ISO 9001:2015 and ISO 14001:2015. Also, during the introduction of the energy management system (ISO 50001), INA, d.d. conducted a series of training sessions and workshops. INA, d.d. was the first large company in Croatia which received a certificate in accordance with the requirements of ISO 50001 standard. Furthermore, INA, d.d. experts actively participate in the work of the Croatian Society for Quality (CCS), and through membership in the CCS Supervisory Board they contribute to the development of good relations with stakeholders and build the reputation of our company.
In the Proceedings of the 15th annual Croatian Conference on Quality 2015, i.e. 6th CCS scientific congress, one scientific paper was published, which was presented with lecture: “Does quality management have a problem with ethical challenges?” During the Conference preparation, we actively participated in the work of the Organizational and Program Committee, where INA, d.d. was a silver sponsor.
In 2015, surveillance external audit again confirmed compliance with the corporate policies and conformity with the requirements of the standards as a prerequisite for certification retention.
A high degree of customer satisfaction and loyalty to our products and services confirmed that the quality management system is appropriate and effective and achieves the defined goals.

STANDARDISATION

Basic principles and business rules for standardisation management system, as well as the framework and guidelines for standard creation of individual companies, are defined on INA Group level. Control over the application of these business rules is managed centrally by INA, d.d. INA Group companies are free to define relevant areas for internal standards creation, in respect to the impact of these standards on business and company image. INA Group companies cooperate with the Croatian Standards Institute during the creation and publishing of standards relevant to INA Group companies.
For many years, INA, d.d. has been developing and improving the standardization system on a corporate level with the aim of establishing unique corporate standards. Furthermore, INA, d.d. continuously supports INA Group companies in developing their systems and creating standards related to their area of operation. INA standards define the specification of our products and raw materials and the elements of the visual identity of the company, and prescribe rules and standards in the field of business communication. This year, eight INA standards were revised (INA Logotype and its Application, Aviation turbine fuel, Appearance and content of INA, d.d. identification cards, ULTRA CLASS 102, Fatty acid methyl esters (FAME), Aviation Gasoline, Standardised business communication forms, Flags, Banners, Masts) according to the requirements of international and European standards and internal requirements.
INA, d.d. experts actively participate in the work of more than 38 technical committees and numerous subcommittees and working groups at CSI. At these committees, our experts also improve the process of sustainable development of our company while maintaining excellent connections with stakeholders, promoting the interests of our company in the society in a transparent and mutually acceptable manner.

INTELLECTUAL PROPERTY

Basic principles and business rules for intellectual property management system are defined on INA Group level. These include protection of the forms of intellectual property for which a requirement for protection was defined by INA Group companies, prevention of a possible infringement of protected intellectual property rights of INA Group companies by a third party and vice versa, copyrights and intellectual property rights which are not defined by legislation (technical improvements, business rationalisation, useful ideas, knowledge transfer within company and all other information which is under protection or should be protected in the scope of a business secret).
Protection of intellectual property rights on INA Group level has been managed since 2008. By centralization of the protected intellectual property on INA Group level, intellectual property of INA Group (Crosco, Proplin, INA Maziva and STSI) becomes a part of the INA brand and an integral part of the intellectual property of INA, d.d. This approach allows us to implement consistent and effective protection of intellectual property rights on INA Group level and to take appropriate measures if such rights are violated, bringing our company to the level required by the actual market environment. Prevention of a possible infringement of intellectual property of INA Group companies is carried out by continuous control of proprietary identity on the market. Success of the conducted protection is proportional to successful control and prevention of a possible infringement of our protected rights.

Protecting intellectual property of INA, d.d. and other INA Group companies includes the protection of inventions (patents), trade and service mark (trademark) and the protection of the external appearance i.e. product appearance (industrial design). It is implemented in accordance with the Company’s Intellectual Property Management Strategy both in Croatia and abroad, on the markets where INA, d.d. and other companies of INA Group are already present or intend to be present. Great attention is given to logo protection (the names of the INA Group companies), and protection of the lubricant product range, visual identity of INA’s petrol stations and all market recognisable marks in order to achieve the legal basis for countermeasures against their infringement and abuse.
International registration of INA’s name was also accomplished, which ensures its protection in 23 countries. In Croatia, there are 46 protected trademarks and 24 industrial designs. Abroad, INA, d.d. protects 17 trademarks in Slovenia, 17 trademarks in Macedonia, 17 trademarks in Bosnia and Herzegovina, 13 trademarks in Serbia, 11 trademarks in Albania, 13 trademarks in Kosovo, 13 trademarks in Montenegro and 9 trademarks in Hungary as well as 1 industrial design in Bosnia and Herzegovina and Slovenia and 4 industrial designs in Serbia, Kosovo and Montenegro.

In accordance with the business interest, protection was extended for 11 visual identity trademarks of petrol stations in Croatia, Serbia, Albania and Montenegro and for the industrial design for lubricant containers in Serbia. Protection of 17 trademarks in Croatia was aborted due to the lack of further business interest. Protection of two trademarks in Bosnia and Herzegovina was initiated. In the past few years, great attention has been given to the protection of INA’s web domain due to its extreme importance for company recognisability on the Internet and an easier accessibility.
INA, d.d. created, maintains and improves the complete process of intellectual property management that recognizes the authority and responsibility and all activities from idea generation through product realization, marketing and sales to the protection of the resulting intellectual property.
INA’s representative is an active member of the ICC Commission on Intellectual Property and ICC Croatia National Committee at the International Chamber of Commerce and an active member of the “Stop forgery and piracy” national team. This contributes to the development of a good relationship with the interested parties and improves our company’s reputation.

The other part of INA, d.d. intellectual property are employees and their knowledge, ideas and skills applied in their work in order to enrich the Company’s tangible property. Where appropriate, such intellectual property is adequately protected. At INA, d.d., we support and develop awareness that knowledge, creativity, innovativeness and intellectual creation result in company development. Our aim is to promote the importance and need of know-how on company and personal level through intellectual property management processes. Therefore, we constantly strive to improve the use of our fundamental operational resources, information and employee knowledge, and manage the intangible company assets as efficiently as possible, as they are vital factors of our competitiveness. The guidelines for managing corporate knowledge are an open and communicative corporate culture, a focus on core activities and encouragement of creativity and transformation of employee knowledge into a form that can be used and shared within the company. That was the goal behind setting up and continuously maintaining the Corporate Knowledge Base, where it is possible to find all information related to creative work of INA, d.d. employees. Corporate Knowledge Base is available to all INA Intranet users.

OVERVIEW OF THE ENVIRONMENT

The Global Economy: Stronger US and EU growth as emerging markets falter

The combination of a looser monetary policy in the Eurozone, lower energy prices and less restrictive fiscal policy all combined to boost the EU economy, which grew at an estimated 1.4% in 2015. Despite being at a cyclically favourable moment, the EU economy continues to be held back by high unemployment, increased aggregate indebtedness and the banking sector weighed down by non-performing loans. At the same time, the US economy expanded at an estimated 2.5% with unemployment falling to 5.0%, which resulted in the US Federal Reserve increasing interest rates by 0.25% in December 2015, for the first time since 2006. While developed world economies had a better year, emerging markets faltered. Lower commodity prices driven partly by slowing Chinese growth, a strong US dollar and expectations of a US interest rate hike, which finally materialised in December, exposed the structural weaknesses of numerous emerging markets such as Brazil and South Africa. Russia, subject to sanctions from the EU and US in addition to suffering from lower oil and gas prices saw its economy shrink 3.7% in 2015.

Global Oil Demand and Supply: significant excess supply drives prices lower

The rebalancing process in the oil market continued in 2015, taking longer than many market participants expected, and dashing any hopes that the oil price might begin to recover. There were a number of reasons for this. For one, OPEC stuck to its decision to maintain market share and increased production by approximately 1 million b/d. Currency depreciation against the USD in many commodity producing nations helped lower fixed costs, such as wages, while USD revenues for oil and gas boosted local currency revenues – this helped the likes of Russia to maintain production. Conventional oil producers maintained production given they have already spent billions of dollars up front to get fields to the stage of production and though oil and gas prices have fallen, in 2015 they remained above the operating cost of drilling and production. The US unconventional industry at the same time supported by efficiency gains, service cost cuts and access to US capital markets (for at least the first half of 2015) were able to limit production falls to 0.4 million b/d. With all of this production despite a strong rebound in demand as oil product prices fell, stocks of oil and oil products continued to rise in 2015. That excess of supply over demand coupled with above average stock builds helped push prices by the end of the year to $38/barrel. Towards the end of 2015 it became evident sanctions on Iran would be lifted in early 2016 and in mid-December the US lifted the 40-year ban on US crude oil exports which also pushed the price of oil lower. Brent averaged $52/barrel in 2015 while WTI traded at an average price of $49/barrel. On the Mediterranean market Urals averaged $51/barrel compared to $99/barrel in 2014.

Natural gas prices also fell during 2015, partly as a result of the continued decline in oil prices, but also because an increasing array of LNG export terminals are coming on line. Indeed, the most important development over the past 12 months has been the convergence of natural gas prices in the major regions of the world (Europe and Asia) as a result of these developments. The US however remains significantly advantaged in respect of natural gas prices with domestic price still well below those being paid in Europe and Asia due to the US' extensive domestic production and developed transportation infrastructure.

Refining margins in 2015 were the best since 2007 as gasoline crack spreads were much stronger than anticipated. Namely, although gasoline demand is more responsive to price changes, the jump in demand, especially in the US coupled with relatively low gasoline stocks helped support gasoline crack spreads throughout 2015. As refiners increased production to meet demand though diesel production also rose. This lead to increasing diesel stocks thus limiting the scope for higher diesel crack spreads in 2015. This effect was not enough to counterbalance the impact of lower oil prices, which resulted in a lower diesel-fuel oil spread at the end of 2015.

The Croatian Economy in 2015: clear benefits from EU accession

The Croatian economy grew by an estimated 1.5% in 2015 having finally emerged from a 6-year recession. A number of factors, some temporary and others more permanent were behind this welcome return to growth. While detrimental for INA, the lower oil and energy price environment is a boost to the Croatian (and wider EU) economy. As long as energy prices remain low, this will support economic growth in aggregate in Croatia. Income tax cuts, which came into effect at the beginning of the year, also supported disposable income growth. Another positive fact for the economy was the recovery in the EU and Eurozone. This favourable external environment was augmented by Croatia's accession to the EU in July 2013. Specifically, with Croatian companies and producers enjoying improved access to the wealthy EU market, exports of goods and services rose an estimated 9% in 2015. At the same time, with energy prices low, imports of goods and services rose only 5.5% in 2015. Thus, the recovery in domestic demand did not overwhelm the increase in exports, as in previous economic cycles. For a number of years the share of exports of goods and services in GDP hovered around 40%. At the end of 2013, after 6 months of EU membership, that share was 43% and we estimate that at the end of 2015 that share rose to 50%. As Croatian companies increasingly integrate into European and global supply chains on the back of EU membership, the contribution of net exports to GDP growth will continue to characterise the Croatian economy for a number of years.

Thus, in the first three quarters of 2015 the economy grew 1.6% with domestic consumption rising 0.8% yoy, investment spending rising 0.9% yoy and net exports contributing almost 1 percentage point to GDP over this period. This represents a broad based recovery.

Although the recovery in growth is welcome, the economy continues to be held down by structural impediments which most clearly manifest themselves in a high unemployment rate the continued fall in the number of employed persons and a high budget deficit.

Namely, while industrial production rose an estimated 2.8% yoy in 2015, retail sales recovered and companies began to increase investment, the levels of private sector indebtedness and overall uncertainty (the general election on October 8 was a temporary source of such uncertainty) over policy implementation saw the number of employed persons fall in each month compared to the corresponding month in 2014. This is despite a record tourist season. The good news is that with the economy set to expand in 2016 as well, we may finally see the number of employed rise.

The other main issue is the fiscal deficit which we estimate was slightly below 5% of GDP in 2015 on the back of rising revenues. Nonetheless, public debt rose to an estimated 90% of GDP In 2015. The new government confirmed in late January 2016 intends to lower the deficit on the basis of expenditure reductions. Success in this endeavour would be supported by financial markets further lowering the cost of finance for the economy and thus supporting investment activity and growth.

2015 again saw amendments to existing legislation governing exploration and production and the domestic gas market.

With respect to the domestic gas market, pursuant to a government decision under the auspices of the Gas Market Act, gas producers are obliged to deliver gas produced in Croatia at a regulated price to the nominated wholesale gas supplier for households. This price was reduced by 7% effective 1 April 1 2015, which has adverse financial implications for INA's gas business.

Heading into 2016, the recovery of the Croatian economy on the back of EU accession and the stronger Eurozone economy provides a source of optimism. Yet, with oil prices averaging $30/barrel in January 2016, another challenging year awaits INA.

Efficiency...

...dedicated to further increase efficiency

"2015 was an immensely successful year for E&P. It was marked by our ever-increasing efforts to fully utilize the potential of our domestic assets. Significant activities have been performed to help us build on the successes of 2014 and further increase production from our mature fields. We have managed to increase the domestic oil production by a staggering 20% and what makes this achievement even more impressive is the fact that the average age of our oil fields is 40 years."

Želimir Šikonja, Executive Director of Exploration and Production BD

2015 HIGHLIGHTS

- HSE KPIs: 0 fatalities, 1,311 FTEs with 2 LTIs
- CAPEX: 840.5 HRK mil.
- SPE 2P Reserves: 213 MMBOE
- Total Production: 40.9 MBOE/d

EXPLORATION AND PRODUCTION

The Exploration and Production Business Division is engaged in the exploration, development and production of oil and natural gas in Croatia and abroad.

Since it was founded, it has been involved in oilfield operations in 20 foreign countries and currently operates in Angola and Egypt. At the end of 2015, INA had 213 million BOE of proven and probable (2P) hydrocarbon reserves with an average hydrocarbon production of 40.9 MBOE/day.
In 2015, INA continued with its "4P Program" which started in late 2013. The Program focuses on full utilization of the remaining potential of onshore assets in Croatia by revitalising mature fields, approximately 40 years old, and by optimizing the entire production system which should consequently increase the production of hydrocarbons. An intensive well workover and well optimization campaign was executed during the year. Effects on the production were already visible in 2015 and will have an even greater impact in the future. The 4P Program accounted for 25% of total onshore oil production in Croatia in 2015.
INA's total hydrocarbon production in 2015 was 6% higher than in 2014. The domestic onshore oil production natural decline trend, which lasted for 17 years, was finally halted in 2014, as 2015 production increased even further, by 20% compared to 2014, slightly surpassing the 2009 production level. The of onshore gas production decline was greatly reduced in 2015 and the production was only 2% lower than in 2014, when the decline was 9%. Offshore gas production in 2015 was 10% higher than in 2014, which is an effect of the full-year production period of the Izabela and Ika SW fields.
In 2015, six (6) wells were drilled in Croatia, three (3) were exploration and appraisal wells and three (3) were development wells. Internationally, two (2) development wells were drilled in Angola and ten (10) development wells were drilled in Egypt.
In order to better define the remaining hydrocarbon potential and perspective areas, INA has performed two 3D seismic survey campaigns covering the areas of existing exploitation concessions Kozarice, Jamarice, Lipovljani and Legrad, which together cover an area of 198 km². The gathered data are being processed and interpreted by INA's experts.
The First Offshore Licensing Round for Licenses for the Exploration and Production of Hydrocarbons on the Adriatic Sea was held in 2014. 29 blocks were offered in the North, Central and South Adriatic. INA successfully submitted bids and was awarded licenses for two (2) exploration blocks, South Adriatic 25 and South Adriatic 26. Signing of the Production Sharing Agreements has been postponed by a decision of the Croatian Government.

The First Onshore Licensing Round for Licenses for the Exploration and Production of Hydrocarbons on six (6) onshore exploration blocks was held in 2015. INA successfully submitted bids and was awarded a license for one (1) exploration block, Drava-02. Signing of the production sharing agreements has been postponed by a decision of the Croatian Government. Natural gas price, by which INA is obliged to sell natural gas to HEP, was decreased by 6,89% based on a decision of the Croatian Government of 1 April 2015, and is valid until March 2016.

KEY ACHIEVEMENTS IN 2015

PRODUCTION

Total hydrocarbon production in 2015 was 40.9 MBOE/d, which is 6% higher than in 2014.

Domestic onshore oil production decline trend, which lasted for 17 years, was finally stopped in 2014, and in 2015, production increased even further, reaching 10.7 MBOE/d, which is an increase of 20% compared to 2014. Furthermore, it is slightly higher than the production in 2009.

Domestic onshore gas production decline trend was greatly reduced in 2015 and production reached 12.8 MBOE/d, which is only 2% lower than in 2014, when the decline was 9%.

Domestic offshore gas production in 2015 was impacted by full-year production of Izabela and Ika SW and reached 12.2 MBOE/d, which is 10% higher than in 2014.

INA's share of production in Angola was 1.2 MBOE/d, which is 3% higher than in 2014. Production increases are attributed to drilling two (2) wells and to production optimizations. Due to unfavourable conditions in an environment in which the fall in crude oil prices has heightened uncertainties, Partner Group remains dedicated to seeking every opportunity to maximize the project's efficiency and cost effectiveness and thus improve its economics.

INA's share of production in Egypt was 2.1 MBOE/d, which is 3% higher than in 2014. Production increase is mainly attributed to the successful drilling of ten (10) new wells on North Bahariya Concession. In addition, the drilling campaign performed in Q4 2014 on West Abu Gharadig Concession slightly reflected on a higher production in 2015. Further, intensive workover activities were performed in order to optimize the production on all Concessions.

+6%
TOTAL

+20%
DOMESTIC ONSHORE OIL

-2%
DOMESTIC ONSHORE GAS

+3%
INTERNATIONAL

3
EXPLORATION WELLS DRILLED

79 km²
SURVEYED

EXPLORATION 3D SEISMIC

CROATIA ONSHORE

INA started the Croatian onshore exploration and production activities more than 60 years ago. This accumulated knowledge of geological structures and experience make INA the most efficient company to exploit the remaining sizeable hydrocarbon potential of the continental part of Croatia. Production of oil and gas onshore is conducted on 3 (three) Production Regions (northern, central and eastern Croatia) and 1 (one) Production Unit with 35 oil fields, 17 gas fields and more than 3,000 kilometres of pipelines. Average age of oil and gas fields onshore is 39 years.

- **Reserves (SPE 2P, 2015 Y/E): 158 MMBOE**
- **Production (2015): 25.4 MBOE/d**

EXPLORATION

Regarding the exploration activities on Croatia onshore, drilling is finished on 3 wells, Đeletovci-2 West, Bunjani-2 South and Hrastilnica-5, which was plugged and abandoned after drilling, while on Bunjani-2 South well test is ongoing and on Đeletovci-2 West additional well test is to follow. Total expenditures for these three wells were around USD 7.9 mln. in 2015.
On the First Onshore Licensing Round for Licenses for the Exploration and Production of Hydrocarbons, INA was awarded Drava-02 Block. The Croatian Government postponed the signing of the Production Sharing Agreement (PSA).

In order to better define the perspective hydrocarbon areas, INA has performed a 3D seismic survey campaign covering the area of the existing exploitation concessions Legrad, Kutnjak-Đelekovec and Peteranec which cover an area of 79 km².

DEVELOPMENT

The Međimurje project is in its final phase. Intense work is underway and the project is close to completion with production expected to start in 2016. Construction works are in progress on each of the three fields within the project - Zebanec, Vučkovec and Vukanovec. The construction permit was obtained in July, and pipeline construction from the Međimurje node to GTP Molve has started and the works are in progress. Total expenditure in 2015 amounted to USD 19.1 mn.

The EOR project trial injection is in progress and CO_2 is being injected into wells on Ivanić and Žutica North fields. Approximately 120 million m^3 of CO_2 was injected in 2015 into both fields. Total expenditure in 2015 amounted to USD 17.3 mn

INA continues with its "4P Program" started in late 2013. The Program focuses on full utilization of the remaining potential of onshore assets in Croatia by revitalising mature fields approximately 40 years old, optimizing the entire production system and consequently increasing the production of hydrocarbons. An intensive well workover and well optimization campaign was executed throughout the year and it involved works which encompassed approximately 15% of all onshore production wells. Effects on the production were already visible in 2015 and will have an even greater impact in the future. The 4P Program accounted for 25% of all onshore oil production in Croatia in 2015.

Three (3) development wells were drilled in 2015. Selec-2 and Gola-10 will be put into production in the near future and Mačkovec-1R well will be used within the Međimurje project.

In order to better define the remaining hydrocarbon potential and perspective areas, INA has performed a 3D seismic survey campaign covering the areas of existing exploitation concessions Kozarice, Jamarice and Lipovljani which together cover an area of 119 km^2.

CROATIA OFFSHORE

Major offshore field development started after signing the North Adriatic Production Sharing Agreement (1996) and Aiza-Laura Production Sharing Agreement (1997). Extensive exploration and development activities in the North Adriatic were carried out in cooperation of INA and its Italian partners (ENI and EDISON Gas) within the Mining Plot areas. Until now, in the contract areas North Adriatic and Aiza-Laura, INA has invested a total of HRK 5.1 billion (USD 1.0 billion) in capital construction of plants and facilities.

- **Reserves (SPE 2P, 2015 Y/E): 13.9 MMBOE**
- **Production (2015): 12.2 MBOE/d**

120 MMm^3

CO_2 INJECTED

90

ONSHORE WELLS OPTIMIZED

25%

4P PROGRAM ONSHORE OIL PRODUCTION SHARE

3

DEVELOPMENT WELLS DRILLED

119 km^2

SURVEYED DEVELOPMENT 3D SEISMIC

Exploration

The First Offshore Licensing Round for Licenses for the Exploration and Production of Hydrocarbons on the Adriatic Sea was held in 2014. 29 blocks were offered in the North, Central and South Adriatic. INA successfully submitted bids and was awarded licenses for two (2) exploration blocks, South Adriatic 25 and South Adriatic 26. Signing of the production sharing agreements was postponed by a Government decision.

Development

In 2015, well optimization activities were undertaken to increase production. 2015 is marked by full-year production of Izabela and Ika SW, which were put into production in 2014 and are the main reasons for production increases in 2015.

1

WELLS DRILLED ON BLOCK 3/05

1

WELLS DRILLED ON BLOCK 3/05A

INTERNATIONAL CONCESSIONS

a) ANGOLA

- **Reserves (SPE 2P, 2015 Y/E): 3.9 MMBOE**
- **Production (2015): 1.2 MBOE/d**

INA entered Angola in 1981 by becoming a party to the Block 3 Production Sharing Agreement with a 5% participating interest. Block 3 was one of the biggest oil discoveries in the early 1980s and it included three contract areas: Block 3/80 (6 fields), Block 3/85 (2 fields) and Block 3/91 (1 field) at sea depths in the range from 40 to 105 m. Production in this area started in 1985, peaked in 1998, and is now in decline. As production licenses on Block 3/80 expired in 2001, INA and other partners accepted the National Concessionaire's offer to continue production under a new contract as Block 3/05 and in the remaining area of Block 3 exploration activities continued under contract for Block 3/05A. Blocks 3/85 and 3/91 were operated by Total E&P Angola S.A. until operatorship was transferred to Sonangol Pesquisa & Producao S.A. on 31 December 2010. INA's participating interest in Block 3/05 and Block 3/05A is 4%.

BLOCK 3/05

Block's Operator is Sonangol P&P with a 25% participating interest. Other partners are: China Sonangol (25%), AJOCO (20%), ENI (12%), Somoil (10%) and NIS (4%), while INA's participating interest is 4%. This is former Block 3/80 with license extended in 2005. There are eight (8) production oil fields in the Block: Palanca, Pacassa, Bufalo, Impala SE, Impala, Cobo, Pambi and Oombo. The Block's license expires on 30 June 2025. The 2015 works programme included drilling of the BUF-113 infill well, workovers on four (4) wells on the Palanca field and facility engineering activities.

BLOCK 3/05A

Block's Operator is Sonangol P&P with a 25% participating interest. Other partners are: China Sonangol (25%), AJOCO (20%), ENI (12%), Somoil (10%) and NIS (4%). INA's participating interest is 4%. Field Development Plans (FDPs) for Caco-Gazela and Punja development areas (DAs) were approved by the Ministry of Petroleum on 26 April 2012.The Block's license expires on 29 October 2030, which is 20 years after declaration of a commercial discovery. According to approved FDPs, production license on Punja DA is expected to expire in 2038 and on Caco-Gazela DA in 2035, which is 20 years after start of commercial production. Development well Gazela-101/Gazela-101 ST-1 was drilled and completed in 2015. In 2016, the Contractor Group is expected to make the Final Investment Decisions about further development of Caco-Gazela and Punja development areas.

b) EGYPT

- **Reserves (SPE 2P, 2015 Y/E): 2.3 MMBOE**
- **Production (2015): 2.1 MBOE/d**

INA has been involved in E&P activities in Egypt since 1989.
East Yidma Concession: INA is a 100% operator of the Concession after exercising its pre-emption rights to 50% of RWE Dea participating interest and after signing the Sales and Purchase Agreement (SPA) in 2012. The Deed of Assignment was signed in 2013. Concession consists of two Development Leases - Sidi Rahman and Rizk.

Sidi Rahman Development Lease is operated by JV - Marina Petroleum Company (MPC) established in 2007. Sidi Rahman is the only field in production. INA's share of production is 58%. The production licence expires in 2026 and has an optional 5-year extension period.

Rizk Development Lease is operated by JV - Marina Petroleum Company (MPC). Production started in 2012. INA's share of production is 58%. The production licence expires in 2029 and has an optional 5-year extension period. **Ras Qattara Concession** is operated by IEOC whose stake is 75%, while INA is the sole partner with a stake of 25%. Concession consists of two (2) oil fields: Zarif and El Faras. Production started in May 1994 on the Zarif field and in November 1996 on the El Faras field. INA's share of production is 10.8%. The production licence expires in 2018.

West Abu Gharadig Concession is operated by IEOC whose stake is 45%, while Dana Petroleum and INA are the two partners, with stakes of 30% and 25% respectively. There are two (2) oil fields in production: Raml and Raml SW. Production started in 1996 on the Raml field and in 1999 on the Raml SW field. INA's share of production is 14.5%. The production licence for the Raml Lease expires in 2016, while for the Raml SW, the Lease it expires in 2019. They both have an optional 5-year extension period.

North Bahariya Concession is operated by Sahara North Bahariya whose stake is 50%, while IPR and INA are the two partners, with stakes of 30% and 20% respectively. Currently, there are six (6) fields in production: Abrar, Sidra, Ferdaus, Ganna, Rayan, and Rawda. INA's share of production ranges from 8.95% to 9.0% depending on the total produced amount. The production licences expire in 2024 and have an optional 5-year extension period.

c) SYRIA

INA announced "force majeure" on 26 February 2012 and temporarily suspended all its business activities in Syria until the "force majeure" circumstances cease to exist. Compared to last year, the situation is unchanged.

DEVELOPMENT ACTIVITIES IN 2015

On the North Bahariya Concession, ten (10) development wells were drilled and nine (9) were put in production, while one (1) is under testing. Workover operations were successfully performed on 21 well and one (1) additional well workover is in progress.
On the Ras Qattara Concession, there were no drilling activities in 2015; however, the works program included projects such as Faras GPG, contaminated sand treatment and facility upgrades. Workover operations were successfully performed on 28 wells.
On the West Abu Gharadig Concession, there were no drilling activities in 2015; however, the works program included projects such as facility upgrading and construction works. Workover operations were successfully performed on one well.

10

WELLS DRILLED IN EGYPT

On the East Yidma Concession, there were no drilling activities in 2015. The works program included one (1) well workover and maintenance of surface facilities. Maintenance and construction of three (3) oil storage tanks on the Sidi Rahman field started in October and operations are in progress.

GAS TRADING

In 2015, INA's natural gas sales on the domestic market amounted to 1.142 bcm.

Almost 43% (0.492 bcm) of total natural gas sold was delivered to HEP according to the Government decision under which INA, as a producer of natural gas, is obliged to deliver to HEP (for households supply) up to 0.670 bcm of natural gas per year until 31 March 2017.

On 1 April 2015, the Government made a decision under which the price at which INA delivers natural gas to HEP was decreased by 6.89%. The new price will be valid until 31 March 2016.

-6,89%

REGULATED HOUSEHOLD GAS PRICE

The remaining part of delivered natural gas was sold to local suppliers/traders and other industrial customers (0.650 bcm). All contractual obligations towards customers in 2015 are being fulfilled.

In June 2015, INA managed to contract the entire planned volumes of natural gas for the gas year 2015/2016 (from 1 October 2015 until 30 September 2016) from its own production. Sales of additional (imported) volumes were not forced due to low and/or negative selling price (margin), compared to the costs of additional import volumes, correlated transport cost and flexibility fee.

The main objective in 2016 is to hold our present market share by maintaining our position as the leading seller of natural gas and provide a competitive, reliable and flexible supply of natural gas to customers, while maintaining a sustainable level of returns from all operations.

STRATEGY AND OUTLOOK

The plan is to continue with drilling exploration and development wells, 3D seismic acquisition and geological studies, activities on EOR project, as well as putting into production Međimurje project, Selec, Hrastilnica and Đeletovci West. Due to a complex business environment, the Međimurje project is going into production more than 5 years after the initial discovery was made. Other onshore activities are related to intensifying activities on additional development of mature fields through 4P program, process plant optimization and well general workovers in order to maintain a steady increase in the production level.
Exploration activities on both Croatian Onshore and Offshore are gravely dependent on the pace at which the Croatian Government will continue negotiations about the already awarded licenses for Drava-02 onshore block and offshore blocks South Adriatic 25 and South Adriatic 26.

Development activities onshore will be focused on 3D seismic acquisition on the area of Šandrovac and Bokšić fields, development of Selec-3 well within the Žutica oil field in 2016, continuance of 4P program for increasing production and reserves on the existing oil and gas fields and well workover operations.
EOR project will continue with injection of CO_2 on the Ivanić oil field and the northern part of the Žutica field. The second phase of the project related to the southern part of the Žutica field is expected to continue next year along with workovers on the production wells.
The Međimurje Project is expected to be finished in 2016. Bringing into production of gas fields Vučkovec, Vukanovec and Zebanec is expected in the second half of 2016.

In the next 3 years, INA will partake in multiple international tenders with the goal of acquiring both discovered reserves and new exploration opportunities, shifting the strategy from sole organic growth to both organic and inorganic growth. With diminished reserves, it is imperative that reserves replacement be considered as the highest priority, largely depending on the crude oil price. Oil industry turmoil comes with new possible threats, but also opportunities that could highly influence both short-term and long-term future of INA E&P.

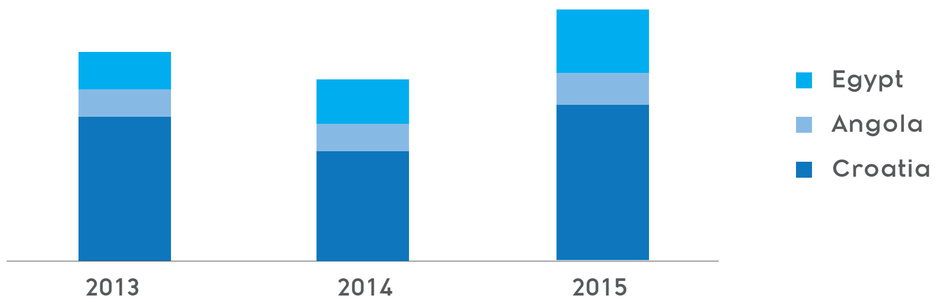
RESERVES BREAKDOWN

MMBOE	1P			2P		
	2013	2014	2015	2013	2014	2015
Country						
Croatia onshore	141	133	127	174	168	158
Croatia offshore	18	16	9	34	27	14
Syria	22	22	22	36	36	36
Egypt	2	2	1	2	3	2
Angola	2	2	1	5	3	4
Total	**186**	**175**	**161**	**251**	**237**	**213**
By-product						
Oil	75	71	66	95	97	92
Gas	99	93	84	141	125	107
Condensate	11	11	11	15	15	15
Total	**186**	**175**	**161**	**251**	**237**	**213**

HYDROCARBON PRODUCTION BY REGION

Mboe/day	2013	2014	2015	'15/'14Δ
Croatia	37.2	35.2	37.6	7%
Angola	1.1	1.2	1.2	0%
Egypt	1.9	2.0	2.1	5%
Syria	0.0	0.0	0.0	N.A.
Total	**40.2**	**38.4**	**40.9**	**6%**

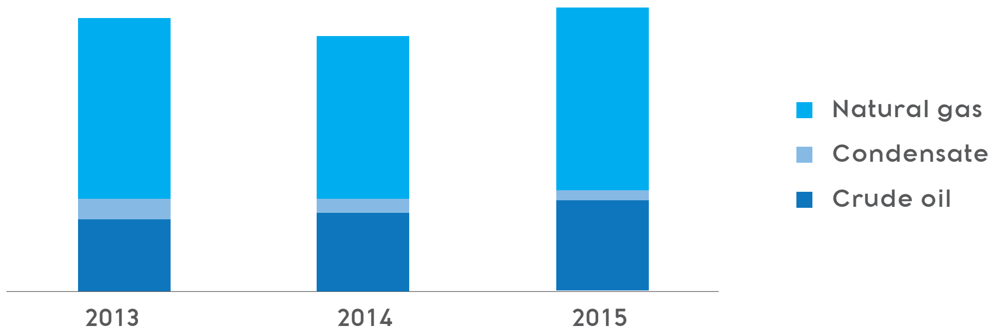
PRODUCTION BY REGION



HYDROCARBON PRODUCTION BY PRODUCTS

Mboe/day	2013	2014	2015	'15/'14Δ
	2013	2014	2015	'15/'14Δ
Crude oil	11.6	12.1	14	15
Natural gas	26.2	24.2	25.0	3
Condensate	2.4	2.1	1.9	(9)
Total	**40.2**	**38.4**	**40.9**	**6**

PRODUCTION BY PRODUCTS



EXPLORATION AND PRODUCTION SUSTAINABILITY ACHIEVEMENTS

High standards of health and safety protection and a constant care for people and nature applied in INA E&P BD were recognized in the MOL Group – in 2015, INA E&P BD was awarded the HSE MOL Group Chairman Award for 2014. Good HSE performance without fatalities, no penalties, no PSE1 and no incidents PEAR 3-5 (there was 1 HiPO incident-initial fire) marked the year 2015 as well. The number of LTIs (2) was halved compared to 2014 (4), while pipeline rehabilitation and critical pipeline sections replacing projects resulted in the reduction of pipeline ruptures and hydrocarbons spills into the environment (only 1 spill over $1m^3$).

As per environmental permits, the E&P BD's activities in 2015 were focused on fulfilment of the requirements prescribed by the issued decisions, i.e.: Noise protection measures implementation project at the Ivanić Grad Fractionation Facilities and Gas turbines NOx reduction project at FF Ivanić Grad and GPF Molve.
Our activities within the EU ETS system were carried out under legally defined requirements and deadlines. E&P BD successfully submitted verified emission allowances for 2014 to the facilities' accounts. As regards non-ETS emissions, significant CO_2) emission decrease was achieved by the EOR project, which started in Q4 2014 and continued in 2015. In 2015, for the purpose of enhanced oil recovery, a total of 120,197,869 m^3 of CO_2) was injected into the fields.
In 2015, the environmental impact assessment for INA E&P BD's mining plots was continued and resulted in the Decision on acceptability of mining facilities construction and hydrocarbons exploitation on Molve, Kalinovac, Stari Gradac, Gola, Ferdinandovac and Čepelovac-Hampovica Fields, which was issued in June 2015.
INA E&P BD's has prepared action plans for critical fields in terms of protected species (EF Kalinovac, Stružec and Gola). A Biodiversity Action Plan for the Kalinovac Field was prepared and implemented in collaboration with the Public Institution for Management of Natural Protection of the Koprivnica-Križevci County. It referred to the volunteering action in the Special geographical botanical reserve "Đurđevački Pesci".

Through its nominated representatives, E&P BD is actively involved in the activities of IOGP Subcommittee on the sea and the environment. In 2015, the emphasis was put on marine protected areas, marine spatial planning, environmental impact assessment, NATURA 2000 and ocean governance.
In 2015, INA E&P BD started the Process Safety Management (PSM) system implementation on its Production unit - processes and Production regions, in order to focus on improvement of operational safety and security. The focus activity was reorganisation of the process safety network, aiming at safety, prevention and addressing human factors through an HSE Leadership Engagement program. Within PSM implementation, the safety of control rooms was also highlighted and gaps were identified during the field visit made on sites. The projects to be implemented in the following years will focus on control rooms safety and LOTO (energy control) implementation, which will result in an additional safety level at INA E&P locations.

"Dedicated to our mission of improving performance, achieving goals and creating an even better company despite the challenges."

Dragutin Domitrović, Company Director

CROSCO

KEY ACHIEVEMENTS IN 2015

CROSCO maintained its presence in Croatia, Hungary, Albania, Egypt, Libya and Kurdistan despite unfavourable circumstances such as oil price, security and political situation, competition, etc. The company has also continued its long-term cooperation with local operators in Croatia and Hungary providing drilling services, workover, cementing, stimulation, well testing, well logging, coil tubing, nitrogen, fishing, directional drilling, coring and H_2S.

Crosco performed important work-over projects on revitalization of production wells in Croatia, preparing wells for hydraulic fracturing and completion and testing after stimulation works. Work-over of wells was performed for the second phase of EOR project. Testing and completion were done on two geothermal wells in central Croatia, and a contract was signed for drilling of two additional wells.

A long-term contract was signed with a Croatian UGS operator for workover and well services operations. Contracts for two drilling rigs in Egypt were also signed (one new and one extended). Drilling and cementing services were provided in Albania at the largest European onshore oil field. Class of offshore platform "Labin" was successfully renewed and upgraded according to highest standards.

OUTLOOK AND STRATEGY

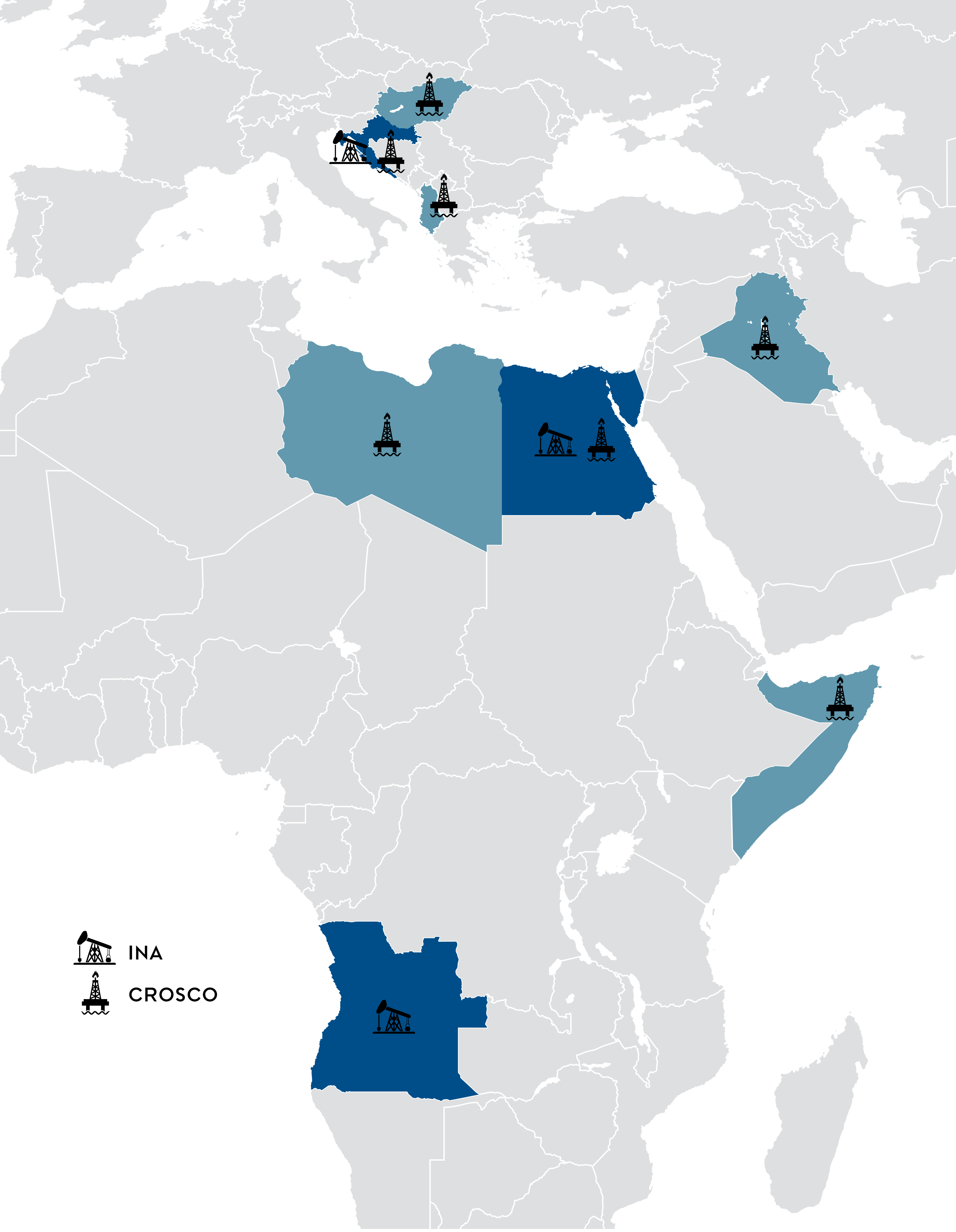
Our priority is to fulfil the drilling, workover and well services requirements of key legacy partners to the maximum extent, by full utilization of the existing assets. Optimizing international existing partner relationship and entering into new onshore and offshore markets in Europe, MENA, Caspian and Gulf region will provide stable long-term contracts. Low price environment, local competition, political instability and security risks in the target region will be the main source of uncertainty for Crosco in the forthcoming years.

The "5C" (Culture – Competence – Communication – Control – Check) HSE Culture change program started in 2015 is still in progress.

2015 HIGHLIGHTS

- Providing high-quality services to customers in CROSCO operational area (Europe, MENA, Gulf) even in a difficult business environment.
- Significant increase of workover and well service activities in Croatia and Hungary.
- Continuous class and field training of personnel preparing them for performing even the most demanding projects. Renewed IWCF certificate for internal Well Control training.
- Procurement of a new mobile drilling rig.
- Optimisation of CROSCO Group portfolio, resulting in the reduction of business risk and improvement of financial indicators.
- Successful recertification of the company according to ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001 standards.
- Successful surveillance audit of the company's business management systems according to ISO 9001, ISO 14001, OHSAS 18001 standards and implementation and certification of ISO 50001 standard.
- During the period February – October 2015, nine lifting and load manipulation related incidents occurred. Variety of immediate actions were taken, such as increased management participation, training of field personnel, audits of crane contractors and renewal of lifting equipment.
- Three days in-house "Rigging & Slinging" course was established for field personnel with 375 employees attending the course in 2015; continuation is planned in 2016.
- Crosco participated in MOL Group leadership engagement – business excellence through hse Program.
- In 2015, Crosco participated in the Safety Culture Survey and TOP 150 MOL Group Managers training.
- In 2016, Crosco will participate in "Train-the-Trainer" program for INA Group internal trainers education, "600+" training program for all INA Group HAY 18+ managers and "Dialog Workshops" program for managers and workers at the locations where the Safety culture survey took place in Q1 2015.
- In 2015, one fatality happened in Rotary. An employee was killed in a traffic accident caused by a third party.

INA GROUP ACTIVITIES GLOBALLY



"In a year with dramatic changes on the market, we have managed to capture the opportunities presented while maintaining safe and reliable operation. This is a tangible proof of the fantastic capabilities of the INA R&M team."

Bengt Oldsberg – Executive Director of BD Refining and Marketing

REFINING AND MARKETING

INTRODUCTION

INA's Refining and Marketing Business Division ("INA R&M") manages two crude oil refineries, lubricants production, a commercial wholesale network and a logistics network for storing and distributing crude oil derivatives on the market. The refined products are transported by road, sea, rail, river and pipeline utilizing owned and rented product depots. Main refinery products include EURO V quality gasoline and diesel, jet fuel, virgin naphtha, benzene concentrate, heating oils, several grades of fuel oil, sulphur, bitumen and green (regular) petroleum coke. INA's core markets are Croatia and Bosnia and Herzegovina with other export markets involving sales to Slovenia, Serbia, Albania, Hungary, Italy and the Mediterranean.

RIJEKA REFINERY

The refinery is located on the Mediterranean Sea with a connection to the Adria pipeline ("JANAF") crude oil pipeline system. This location enables Rijeka Refinery to purchase crude oil, feedstock, and finished products from the world market and to export finished products to the liquid Mediterranean market. The refinery is also connected to other depots located on the Adriatic coast line via rented vessels, while an extensive rail network connects it to inland depots.

During the modernisation program, which was completed in 2011, three facilities were completed within the Hydrocracking complex - Mild Hydrocracking, Hydrogen Unit and Desulphurization Plant (Claus), as well as numerous supporting facilities and installations. The hydrocracking complex significantly increased conversion and the complexity of the refinery (9.1 Nelson Complexity Index, "NCI"). After the modernisation program, Rijeka Refinery produces only EURO V quality gasoline and diesel fuels, and complies with high European environmental standards. In addition to gasoline and diesel fuels, Rijeka Refinery produces jet fuel, virgin naphtha for the petrochemical industry, benzene concentrate, heating oils and several grades of fuel oils.

SISAK REFINERY

Sisak Refinery is located in central Croatia in the close vicinity of Zagreb, placing it near the main centre of the Croatian motor fuel consumption. The connection to the JANAF crude oil pipeline system enables the transport of continental and sea purchased crude to the refinery. Crude oil and condensate is transported from domestic oil fields in Moslavina via local oil pipeline and from domestic oil fields in Slavonia via the Sava River.

Recent infrastructural improvements included the Isomerization Unit, finalised in 2011 as part of the refinery modernisation program, increasing the refinery complexity index to and NCI of 6.1. The Turnaround in Sisak Refinery (which included the installation of new coke chambers in the Delayed Coker Unit) was successfully finished in 2014.

The Refinery is able to produce EURO V diesel and motor gasoline, high sulphur gas oils, virgin naphtha, benzene concentrate, heating oils, several grades of fuel oils, bitumen and regular petroleum coke.

COMPETITIVE ADVANTAGE

INA Refining and Marketing operates two refineries in a favourable geographical position allowing the possibility to optimize and extend

2015 HIGHLIGHTS

- Strong focus on zero accident operation resulted in safe and secure operations. 2015 HSE efforts aimed at process safety management and HSE Leadership Engagement.
- Market share on the domestic market remained stable with increased sales on export markets.
- Gasoline production in the refineries was maximised to benefit from extremely favourable gasoline crack spreads, benefitting at the same time from improved fuel oil spreads.
- Production optimisation resulted in increased processing and enhanced third-party sourcing of middle distillates, while maintaining the focus on stable captive market supply and maintaining a strong position on the domestic market.
- Trading activities enabled a fast reaction to market conditions with increased flexibility in production.
- Direct access to the Mediterranean markets was utilised by flexibly placing volumes on sea borne trade. Proven management tactics of adjusting production assets to reflect market realities continued with on-demand and block operation in the refineries and further crude oil basket diversification.
- Efficiency improvement initiatives including energy efficiency, loss management, inventory management, removing logistics bottlenecks and strengthening synergies between the refineries successfully continued.
- Key logistics projects focused on modernising road and rail loading/unloading infrastructure.

the crude basket from the world crude market. The JANAF pipeline system enables domestic and imported crude oil to be transported to the continental Sisak Refinery, decreasing the input supply cost. INA's access to the liquid Mediterranean market increases the sales potential and the purchasing flexibility of semi-finished products.

Key competitive advantages include:

- Rijeka Refinery's Mediterranean access enables a high level of market coverage, maximisation of crude selection and optimization possibilities.
- Access to domestic crude oil and natural gas sources.
- Strong logistic connections between refineries and depots, including the possibility to transport products by road, rail, sea and river, which ensures flexible, safe and efficient market supply.
- Group-level synergies and joint optimisation of several production sites, continuously improving refining yields by increasing the utilization of key conversion units and optimizing the use of fuel components.

KEY ACHIEVEMENTS IN 2015

The declining trend in market demand in Croatia continued in 2014, putting further pressure on R&M operations. The external environment in 2015 improved considerably compared to 2014 in terms of refinery margins. The yearly average Brent price compared to the previous year dropped from $99/barrel to $52/barrel leading to lower costs in energy consumption and energy, while more favourable crack spreads resulted in higher sales volumes on captive markets and increased exports. Gasoline production in the refineries was maximised to benefit from extremely favourable gasoline crack spreads, at the same time benefitting from improved fuel oil spreads. INA R&M managed to keep its market position stable on its core markets. Proven management efforts of capturing favourable market opportunities, on-demand and block operation of the refineries, extending the crude basket, which led to a greater share of marketable motor fuels, feedstock selection, energy and inventory management, as well as disciplined cost control continued in 2015, positively contributed to results.

Key achievements for the year include:

HSE PERFORMANCE

- Strong focus on zero accident operation resulted in safe and secure operations. In 2015, HSE efforts were aimed at reorganising the process safety network towards safety prevention and addressing human factors (as a main cause of incidents in 2015) through an HSE Leadership Engagement program as a base for improving safe behaviour.

MARKET PRESENCE AND COMMERCIAL ACTIVITIES

- INA kept its strong market position on the Croatian motor fuel market where improved performance in terms of sales spreads was achieved.
- Higher sales of diesel compared to the previous year on the domestic market. On the Bosnian market, diesel sales were higher due to increased consumption.
- Higher sales on other export markets (i.e. Albania, Slovenia, Montenegro and Mediterranean market) to capture favourable crack spreads.
- Increased heating oil sales due to consumption increase related to more favourable prices.
- Lower gasoline sales on the domestic market as a result of consumption decrease were offset by significantly increased exports capturing favourable gasoline crack spreads by flexible and timely reactions on spot market opportunities.
- LPG sales increased in connection with extended contract portfolio.
- Customer satisfaction has been significantly improved and the survey conducted shows the highest satisfaction rate since 2007. Actions implemented based on 2014 findings and the organisation of the first "Customer Day 2015" (two-day meeting with the key wholesale customers which consisted of an educational program on INA products and an entertaining program with the objective of strengthening and creating loyalty) resulted in improved satisfaction.

EFFICIENCY MANAGEMENT

- Block and on-demand operation mode in Rijeka and Sisak refineries successfully continued.
- Increased utilisation of production assets to capture favourable refinery margins in 2015 resulting in improved white product yields in the refineries.
- Proactive crude and feedstock selection continued - more crude grades in evaluation basket to increase the share of marketable motor fuels. Two new crude grades processed in 2015: Arabian Light and Kirkuk.
- Crude oil portfolio of all processed crudes moved in the direction of increasing the share of alternative crude types (increased from 47% in 2014 to 74% in 2015 of all imported processed crude grades).
- Processing alternative feedstock (other than crude oil) to optimise key processing units and increase white product yields.
- Efficiency improvement initiatives of increasing energy efficiency, loss management, yield improvement continued.
- Continuous bi-monthly evaluation whether to "make or buy" in order to generate value in downstream. The decision lead-time was reduced considerably, thereby improving accuracy of decisions in regards to the economic environment.
- Completed asset and process changes required for an alternative supply mode of operation.

LOGISTICS AND DISTRIBUTION OPERATIONS

- Over 348 thousand deliveries to customers by manipulating more than five million tonnes of products across the entire logistics network, which resulted in a 99.8% service level index and a stable market supply.
- Integration of aviation into-plane services, fire brigades and LPG maintenance activities.
- Organisational restructuring of logistics resulted in consolidation of core activities per region and cost optimisation.
- Key projects focused on enabling initial

domestic crude transfers to Rijeka, VOC compliance, road and rail loading/unloading infrastructure modernisation. New capabilities built into logistics operation by introducing internal into-plane training centre, customs duty and forwarding services and fuel consumption awareness supported by eco-driving program.

- Logistics unit cost reduced through optimisation in loss management, reduction of labour costs, and improved contract and fuel management.
- The process of registering INA as a rail cargo provider was initiated as well as registering INA shunting locomotives for operations on the national rail infrastructure and providing vessel chartering services for supply and trading.

To keep pace with the European downstream competition, business processes in INA R&M were focused on optimising operations throughout the entire value chain. The main goal was to maintain high security of market supply on core markets, increase profitability (i.e. reduce losses with improved efficiency), flexible operations, disciplined cost control and capturing market opportunities.

OUTLOOK

INA is focused on maintaining high supply security of the Croatian and Bosnian markets while further strengthening its market presence by serving the core markets with high quality fuels and services at the lowest possible cost. INA R&M will continue to focus on safe and reliable operations, improving the overall performance and cost efficiency. Furthermore, it is believed that investments in increasing the refining unit conversion level and biofuels segment are the key to future sustainable development and success. Utilising Group level synergies will provide additional optimisation possibilities and create value in the current and future market environment.

INA R&M will try to further strengthen its position by focusing on:

Efficiency and production management:

- Production and sales flexibility in case of favourable spreads of individual products. Quick decision on diesel vs. gasoline based on current economics can produce an extra value in a very short time.
- Increasing white product ratio by refinery on-demand operation mode and increased utilisation of main conversion units. Optimisation of process unit operation will be further developed, as well as debottlenecking units within the refineries.
- Initiatives that focus on lowering the energy cost will be done via the newly formed energy department which will coordinate all related activities. Material balance reporting and analysis will be further developed.

Market presence and commercial operations:

- Optimising a mix of term and spot contracts for buying raw materials and ensuring their stable supply as well as product exports.
- Increasing market share in the region by using the market maker position advantages: refinery location, warehouse coverage, efficient distribution, modernised retail stations and high quality fuels.

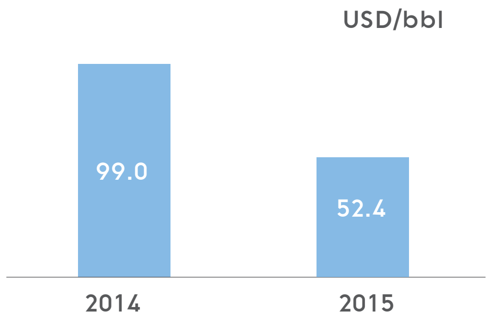
Optimisation and risk management operations:

- Global and local optimisation to further utilise Group level synergies and to produce the most valuable products in the most profitable way. Increase flexibility regarding the processing of domestic crude, carefully balancing inventory levels and logistics costs and defining on-demand refinery capacities with optimisation both on global and local levels.
- Risk management improvements, including improved operations hedging with derivative instruments expected to continue and develop further.

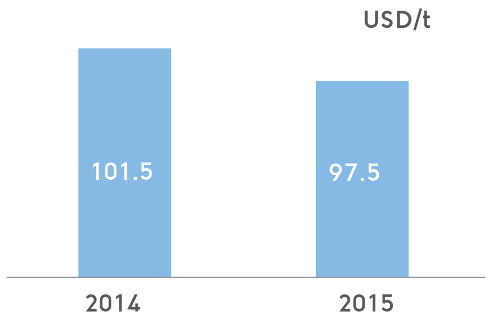
On a medium term horizon, the aim is to further strengthen logistic connections between assets to facilitate INA R&M synergic operations and flexibility. Besides the existing asset structure, improvement of the Rijeka Refinery competitiveness is in focus through increased energy efficiency, organisational competitiveness, higher operational availability and improved conversion capacity. The on-going residue upgrade project at the refinery will increase conversion of black products to lighter, more valuable products.

ENVIRONMENT

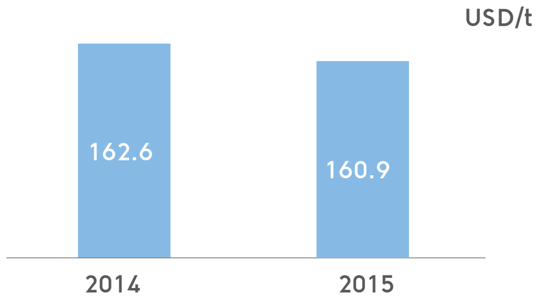
CRUDE OIL PRICES



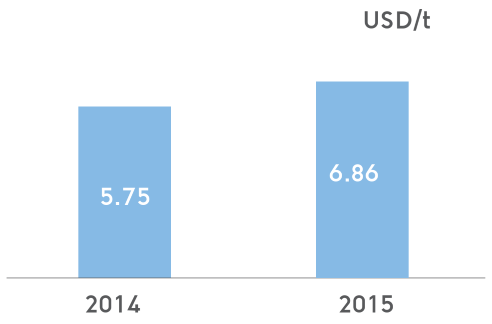
DIESEL CRACK SPREAD AVERAGE



GASOLINE CRACK SPREAD AVERAGE



USD/HRK EXCHANGE RATE AVERAGE



REFINING AND MARKETING SUSTAINABILITY

INA's efforts to contribute to sustainability in downstream division are visible through execution of many projects and programs started in 2015. Its awareness of social, environmental and business aspects of the facilities is constantly present in all processes and operations. This fact is one of major inputs to setting values, strategies and targets into the whole crude oil processing chain.

The company operates on the principles of continuous improvement and many indicators have shown this improvement over the previous years and decades. We will continue with the positive changes in many ways, increasing our capabilities to better understand and fulfil the expectations of all INA stakeholders.

Major activities in the past period were oriented in several directions:

Environmental compliances

The project of reducing emissions of volatile organic compounds is almost finished. All facilities (in refineries and logistics sites) will be equipped with the best available technology to prevent such emissions. Volatile hydrocarbons are typical for gasoline products, so proper handling and timely detection of any leaks will minimize the negative environmental impact in the production and distribution line. Other environmental projects are ongoing, in accordance with environmental permits and our operational plans. We wish to emphasize the Closed Blowdown project at the Cocker unit in Sisak Refinery as the most sensitive, considering unpleasant emissions of hydrogen sulphides, and the Leak Detect and Repair (LDAR) project in both refineries.

Energy Efficiency Program

With the aim of improving technological processes and increasing their energy efficiency, INA has implemented the Energy management system in accordance with ISO 50001. In 2015, the company conducted successful Certification of the Energy management system, which will accelerate further progress in reducing emissions, primarily carbon dioxide, as an example of INA's contribution to the overall global and local efforts to prevent climate change.

Next important step in increasing the safety of our processes is the implementation of the process safety management system (PSM). Excellent controlled processes guarantee stable operation and reduce the number of incidents for the benefit of all stakeholders. With established organizational structure and network PSM engineers, INA additionally committed to safety as the most important value in our operations.

One of crucial sustainable development projects in INA downstream division is the use and production of renewable energy sources. A significant project launched last year refers to the bioethanol production plant in Sisak. The project was set up as one of the company's major priorities. The project team was set up, as well as an appropriate organizational structure, and current activities are related to collecting basic documentation prior to making the final decision on the next steps.

Finally, having employees in focus, INA launched several actions in line with employees and leadership engagement. In the year to come, the company will follow this intention.

INPUTS

DOMESTIC CRUDE

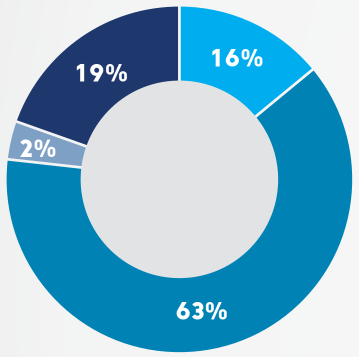
RIJEKA REFINERY

4.5 Mtpa

NCI: 9.1

IMPORT CRUDE

INPUT STRUCTURE 2015



- Domestic crude oil
- Imported crude oil
- Condensate
- Other feedstock

OTHER FEEDSTOCK

SISAK REFINERY

2.2 Mtpa

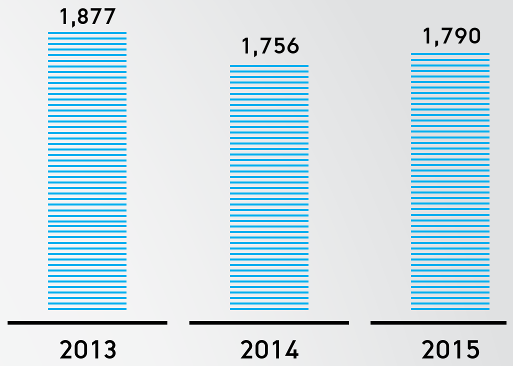
NCI: 6.1

PRODUCT IMPORT

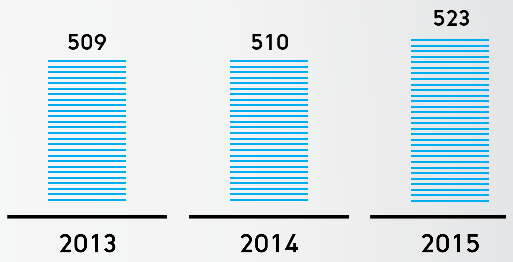
DISTRIBUTION

OUTPUTS

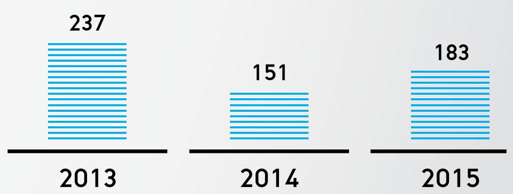
CROATIA (kt)



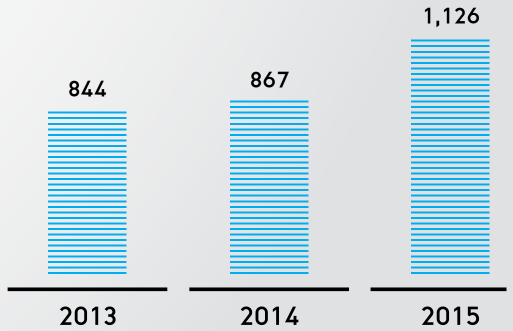
BOSNIA AND HERZEGOVINA (kt)



SLOVENIA (kt)



OTHER MARKETS (kt)



“Despite challenging market conditions, Retail BD managed to improve sales results as our primary goal and, in addition, a demanding project of INA Maloprodajni servisi d.o.o. has been launched and is in the process of realization. The comprehensive project of involving entrepreneurs in INA retail network is in the last phase of implementation and is accompanied by satisfactory results in previously ceded retail locations.”

Darko Markotić, Executive Director of BD Retail

2015 HIGHLIGHTS

- Continuation of Entrepreneurial operational model implementation (PSUM) - a form of partnership governance that ensures more efficient operations and appropriately motivates service station employees to provide a high-quality customer service
- Launching and establishing a new retail network operating model - INA Maloprodajni servisi
- Organizational changes implementation and INA Osijek Petrol integration to INA
- New non-fuel and car wash concept introduction

RETAIL

On 31 December 2015, INA Group operated a retail network of 447 retail locations (o/w 438 petrol stations), of which 397 are located in Croatia and the remaining 50 are situated in the region - 43 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro.

Total sales volumes of the Retail segment in 2015 amounted to 996 kt, which is, in spite of the still present economic downturn, slightly above the volumes sold in 2014. Within the fuel sales structure, diesel fuel and motor gasoline dominate convincingly, while sales of liquefied petroleum gas makes only 3% of the total sales in 2015. In relation to the previous year, there was an evident downward trend in motor gasoline share in favour of diesel fuel as a consequence of market dieselization. Gas oil sales increased by 15 kt, while gasoline sales dropped by 13 kt.
Throughput per site in 2015 was 1.5% higher compared to last year.

The major emphasis in Retail operations in 2015 was placed on continuation of the project of involving entrepreneurs in INA retail network (“PSUM” operational model), which was launched by Retail Business Division in 2014. The purpose of the project is to increase competitiveness through an improved cost position and better service offering, by entrusting operational management of 60 retail stations, mainly located in highly competitive urban areas with a special focus on Zagreb area, to suitable candidates selected through open internal and external applications and evaluated carefully according to relevant experience, business spirit and financial capability.
In September 2015, a new retail network operating model was presented. The INA Maloprodajni servisi project transferred all INA retail site employees to a newly established INA Group company - INA Maloprodajni servisi d.o.o. The part of the retail network operation, which is planned to be transferred to the new Company (337 retail sites), is separate from the “PSUM” operational model.

In order to make the new model sustainable, the importance of maintaining the level of retail quality service has been highlighted as a key prerequisite for realization of the new model. In this regard, fulfilment of a precondition was agreed, setting forth that no less than 70% of retail employees have to accept to be transferred to the new company and that retail quality service may not decrease.
Given that in June 2015 INA Management Board gave approval for initiation of INA Osijek Petrol merger with INA, strong focus was put on the preparation of the entire integration process, including assets, liabilities, claims and employees, as well as modernization activities on 7 former INA Osijek Petrol service stations (3 IOP service stations were closed due to negative EBITDA).
Having in mind INA is being recognized as a stronger brand in Osijek region than INA Osijek Petrol, this was recognized as the added value, not only from the marketing, but from the business point of view as well, which provides a stronger basis for the sales volumes recovery in Osijek region in the upcoming period.

STRATEGY AND OUTLOOK

The modernization program was carried out according to the planned schedule and by the end of 2015, 203 projects were completed with a positive feedback from the customers.
In INA, d.d. network, KDRs and modernization program (including lower scope modernizations) is planned to be continued on 18 service stations in the upcoming period, with a special emphasis on business activities such as improvement of service stations shop sales areas, by installing new shop equipment and shop space extension to the maximum feasible size, light blue activities, improved LPG service introduction, replacing worn and torn equipment, etc.
Additional non-fuel margin increase, supported by a positive impact of modernisation of nearly 34 coffee shops, is planned in the scope of store space expansion and service offer improvement to attract more customers (new gastro and shop concept). Furthermore, a car wash concept based on modernisation of nine sites will be implemented by the end of 2016 and further implementation is planned on other sites that have the potential for this type of service.
Better contract terms based on a new approach and projects negotiated with suppliers are also expected to have a positive impact on non-fuel margin.
In order to improve lubricants sales and LPG cylinders sales, a new price strategy and marketing approach is planned to be introduced.
As for the region, retail network expansion and modernization during 2015 in Bosnia and Herzegovina covered the projects that were in line with the INA Group's portfolio aspiration in B&H in order to increase efficiency of the existing network and sustain a captive market for Downstream sales. Based on the modernization program, 45 Energopetrol and Holdina reconstructions have been completed so far, two are ongoing and according to the latest site-by-site master and business plan, further 53 are planned (34 in Holdina and 19 in Energopetrol). Within the modernization program, construction of four new Greenfield service stations on the highway is planned (two service stations are opening in March 2016 - construction has started and two service stations to be opened in June 2016).

SUSTAINABLE DEVELOPMENT

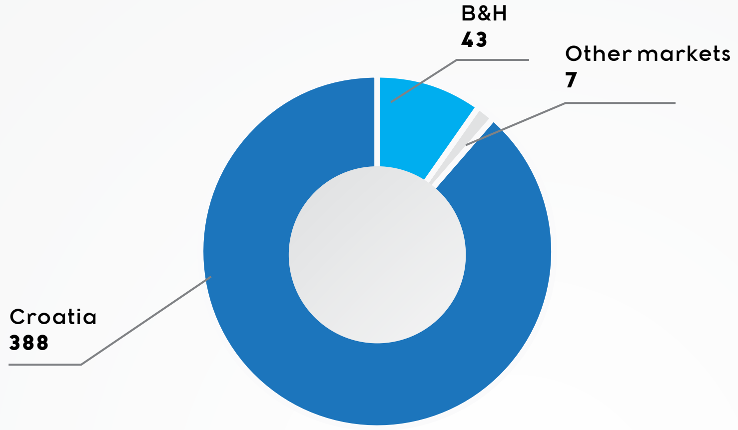
In accordance with INA's dedication to sustainable development and improvement of relations with customers, but also with the local community, Retail division continued with actions and projects from previous years, such as selling fruit from small family farmers (OPG), which proved our support to local farmers, and at the same time gave customers an opportunity to enjoy domestic products. This year, the offer was extended and included honey and honey products in addition to strawberries, berries, vegetables and cheese.
INA has also continued with the "Do you have a good vision?" action, which offers a free vision check to customers at the selected petrol stations in cooperation with the world's leading manufacturer of eyeglass lenses - Essilor. During this year's campaign, 268 vision checks were carried out on 11 locations.
In order to make journeys with small children easier for the customers, INA has launched a baby corner refurbishment project in cooperation with Pampers at 20 selected INA petrol stations, providing a pleasant area with the required equipment and hygiene products where parents can easily change and feed their babies.
In May 2015, INA opened a PET Point at Vukova Gorica petrol station, where dog owners are able to take care of their pets during their journey.

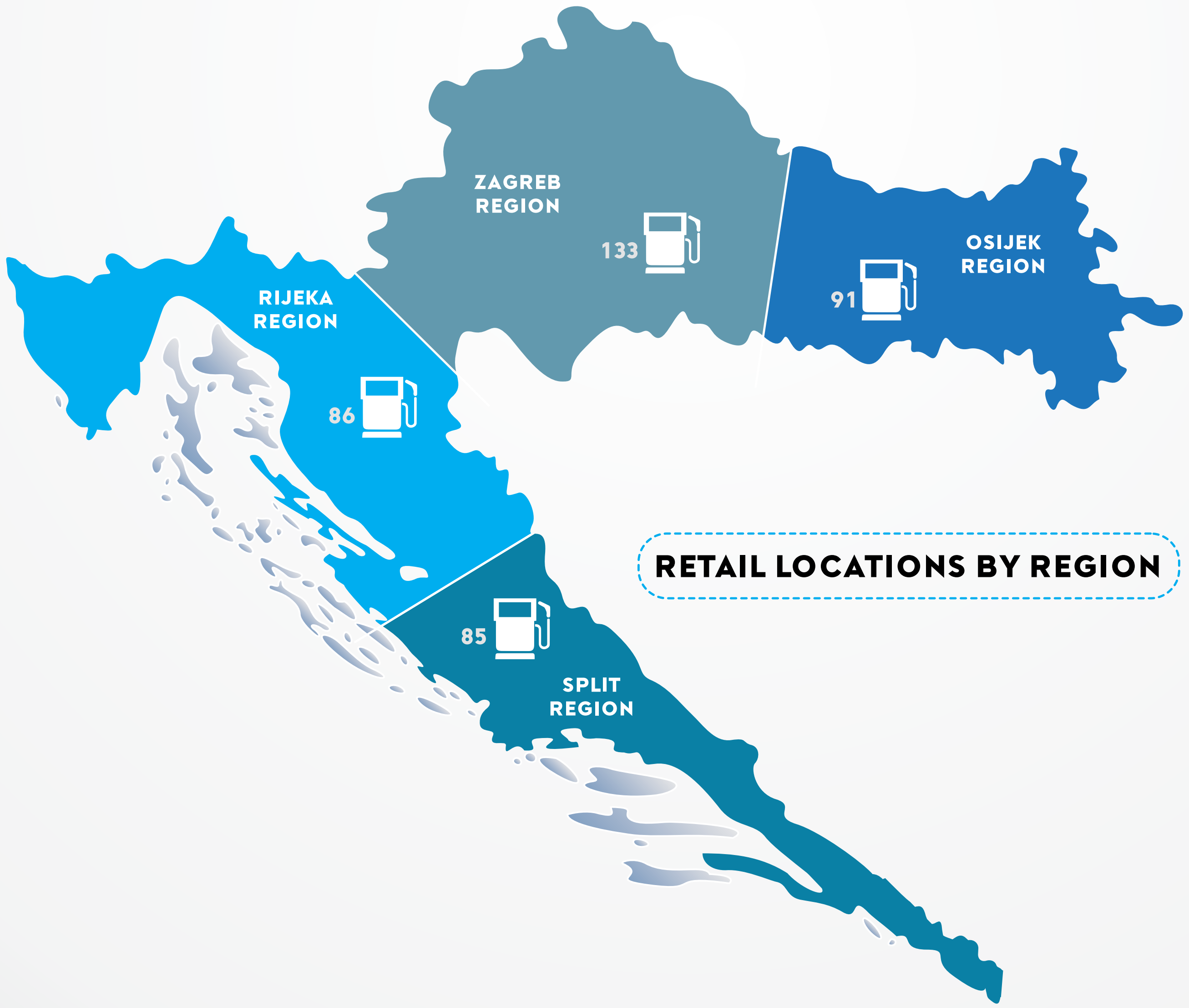
REMEDIATION

In 2015, Retail BD continued with remediation activities. Preliminary site investigations were conducted on five petrol stations. A recovery program was prepared for 10 petrol stations and approved by the Ministry of Environmental and Nature Protection. Capital reconstruction was performed on six petrol stations, tank replacement on four petrol stations and demolition was done on three petrol stations. The excavated polluted soil produced during reconstruction or closure projects was collected and handed over to companies legally authorized for waste management.

NUMBER OF PETROL STATIONS

	2013	2014	2015
Croatia	392	391	388
B&H	45	44	43
Other markets	7	7	7
Total	**444**	**442**	**438**





Management discussion and analysis

SUMMARY OF 2015 RESULTS

INA's result in 2015 remained stable compared to the previous year, which is a positive achievement for an Upstream oriented company in a year like 2015. Halving Brent prices weighted on the result, but this was offset by the weakening of HRK against the USD, a more supportive Downstream environment and increasing hydrocarbon production. CCS EBITDA excluding special items in 2015 even increased slightly and amounted to HRK 3,669 million, while CCS operating profit excluding special items decreased to the level of HRK 843 million. The CCS EBITDA excluding special items in USD terms decreased by 9% to USD 535 million. Net loss of the Company, although lower than in 2014, amounted to HRK (1,418) million, impacted by special items in the total amount of HRK 1,476 million. The major part of these one-offs relates to the asset impairments in the Upstream segment, driven by the deteriorated oil price and ongoing Syrian crisis. Nevertheless, excluding the effect of the special items, the result would turn positive, HRK 58 million.

The Exploration & Production division's constant efforts in well workovers and production optimization, as well as new fields going into production, resulted in reversing the natural decline trend from previous years. It needs to be stressed that this was achieved regardless of the fact that INA currently has no exploration licenses. The increase is especially visible in the domestic oil segment, where it reached 20%. Downstream CCS EBITDA excluding special items turned positive for the first time in more than five years and amounted to HRK 307 million, driven mainly by the uplift of refining margins primarily on the back of lower cost of own consumption and losses, as well as constant optimization measures. Among other measures, change in INA's Retail operating model is definitively a strong move forward with the aim of ensuring a more competitive position for INA. Net debt remained stable at HRK 3,032 million and gearing amounted to slightly higher, but very safe 22.3%.

CAPEX level of HRK 1,650 billion was only 3% lower than in 2014, which is a stable result having in mind the overall deteriorated environment.

Exploration and Production: In 2015, EBITDA excluding special items reached HRK 3,212 million, representing a decrease of HRK 527 million compared to the previous year. Significant negative impact derived primarily from Brent price drop and lower natural gas prices as a consequence of reduced households gas price and general intensification of the competition that pushed the prices down. Additionally, doubled royalty due to regulatory decisions from 2014 continued to burden INA's operations in 2015. However, increased domestic and international crude oil production together with higher offshore natural gas production partly mitigated these negative factors.

Refining and Marketing (including Retail): In 2015, CCS EBITDA excluding special items amounted to HRK 307 million, while reported EBITDA amounted to HRK (575) million, both considerably improved compared to the previous year. The result was driven by the more favourable refining margin environment captured by higher processing levels, higher sales volumes on captive market and extension on other export markets together with a stable retail performance, further supported by the continued implementation of the improved retail operating model.

Corporate and Other: EBITDA excluding special items of the segment amounted to HRK 8 million, a decrease of HRK 157 million compared to 2014 level. EBITDA was lower mainly due to decreased contribution of Crosco, driven by lower engagement of drilling platforms because of unfavourable external environment.

	2014		2015		Change 15/14%	
HRK mln.	HRK MLN	USD MLN	HRK MLN	USD MLN	HRK	USD
Net sales revenues	23,759	4,133	18,861	2,748	(21)	(33)
EBITDA (1)	2,570	447	2,664	388	4	(13)
EBITDA excl. special items (2)	**2,689**	**468**	**2,952**	**430**	**10**	**(8)**
Operating profit	(1,722)	(300)	(1,338)	(195)	(22)	(35)
Operating profit excl. special items (2)	**513**	**89**	**138**	**20**	**(73)**	**(77)**
Net financial expenses	(612)	(106)	(411)	(60)	(33)	(44)
Net profit/loss for the period	(1,897)	(330)	(1,418)	(207)	(25)	(37)
Net profit for the period excl. special items (2)	**344**	**60**	**58**	**8**	**(83)**	**(86)**
Operating cash flow	3,849	669	1,979	288	(49)	(57)
Earnings per share						
Basic and diluted/(loss) earnings per share (Kuna per share)	(189.7)	(33.0)	(141.8)	(20.7)	(25)	
Net gearing %	20.4		22.3			

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

(2) The 2015 EBIT was negatively influenced by HRK 1,476 million special items.

EXPLORATION AND PRODUCTION OVERVIEW

In 2015, Exploration and Production segment's EBITDA excluding special items reached HRK 3,212 million, representing a decrease of 14% compared to 2014. Operating profit of the segment stayed positive and amounted to HRK 372 million, in spite of the HRK 1,004 million effect of the special items, most significant being the impairments of the assets.

Total hydrocarbon production reached 40.9 mboe per day, up by 2.5 mboe per day compared to the previous year, driven by higher domestic and international crude oil as well as increased offshore natural gas production.

Continuous declining trend in Brent price throughout the whole year (47% decrease compared to 2014) had a negative impact on crude oil sales in the amount of HRK (1,622) million. Lower realized natural gas prices caused by reduction in the regulated gas price and adverse market environment (new contracts from Q4 2015) caused additional HRK (528) million negative effect compared to the base year (o/w HRK (112) million related to reduction in the regulated gas price). The lower realized prices were partially mitigated by 19% HRK weakening to USD, leading to HRK 877 million positive FX change effect.

Crude oil production in 2015 increased by 15% compared to last year as a result of:

- Domestic crude oil production increased by 20% as a result of continued well workovers, well optimisations and additional production from Hrastilnica
- International oil production was higher by 3% in Egypt due to additional production from new development wells and performed workovers on North Bahariya as well as better well performance on Ras Qattara and East Yidma Concessions and 3% rise in Angola as a result of start up of new Block 3/05A in February 2015

Total natural gas production in 2015 was 3% higher than in 2014 mainly resulting from:

- Offshore natural gas production increased mostly as a result of full-year production of Izabela and Ika SW in 2015 (Izabela started in July 2014 and Ika SW in November 2014) that mitigated natural decline of other offshore fields.
- Onshore natural gas production was negatively impacted by natural decline and water cuts on mature gas fields.

Lower domestic condensate production by 9% is a consequence of natural decline on main gas condensate fields.

EXPLORATION AND PRODUCTION

	2014		2015		Change %	
Segment IFRS results	HRK MLN	USD MLN	HRK MLN	USD MLN	HRK	USD
Net sales revenues	6,732	1,171	4,970	724	(26.2)	(38.1)
EBITDA	3,739	650	3,150	459	(15.8)	(29.4)
EBITDA excl. special items	3,739	650	3,212	468	(14.1)	(28.0)
Operating profit	961	167	372	54	(61.3)	(67.6)
Operating profit excl. special items	2,565	446	1,376	201	(46.4)	(55.1)
CAPEX with one-off	1,102	192	840	122	(23.7)	(36.1)

Exploration and Production refers to the Upstream of INA, d.d. and the following subsidiaries: Adriagas S.r.I. Milano, Prirodni plin d.o.o. (merged into INA, d.d. in Q4 2014)

REFINING AND MARKETING (INCLUDING RETAIL) OVERVIEW

In 2015, CCS-based EBITDA excluding special items increased and reached HRK 307 million, while EBITDA amounted to HRK (575) million, a considerable improvement over 2014 levels.

Refining & Marketing operations

The result was driven by: 1) a sustained favourable external environment due to positive effect of crude price (average Brent price in the reporting period compared to the previous year dropped from 99 USD/bbl to 52 USD/bbl) resulting in lower costs of own consumption and energy, 2) higher processing levels supported by improved refinery margins and 3) a continued crude slate optimization and higher utilization of both refining units, 4) higher sales driven by increasing domestic volumes as well as better motor fuel export sales to Slovenia, further supported by 5) lower fixed OPEX driven by efficiency efforts.

Retail operations

Total sales volumes of the Retail segment in 2015 amounting to 996 kt were achieved in spite of the still present economic downturn on the level of sold volumes in 2014 (994 kt in 2014). The increase was mainly driven by 2% (15kt) higher sales of diesel and heating oil, while the sales of motor gasoline are in a continuous decline 4% (13kt). In relation to the previous year, there was an evident downward trend in motor gasoline share in favour of diesel fuel as a consequence of market dieselization.
Throughput per site in 2015 was 1.5% higher compared to the previous year.
Non-fuel margin revenue increased compared to 2014, as a result of continuous goods supplier expansion and development of new, additional services.

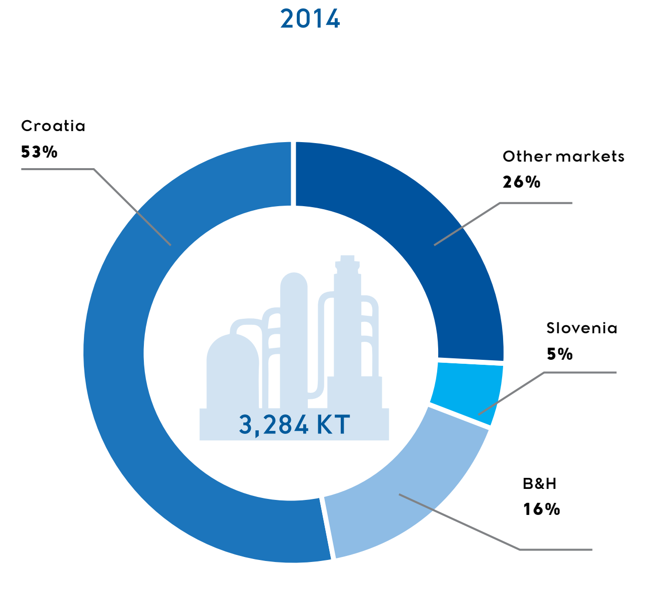
Implementation of a new, business sustainable, retail operating model was announced in Q4 2015. Around 70% of INA Retail employees will be transferred to a new company within the INA Group, with the continuity of service and material rights adjusted to labour market conditions. The new model was launched in January 2016, while employees who decided against the transfer will be taken care of in line with the Collective Agreement. As at 31 December 2015, INA Group operated a network of 438 Retail sites (388 in Croatia, 43 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro), of which 39 Retail sites in Croatia were included in the Entrepreneurship model. Compared to 2014, four underperforming Retail sites were closed. The integration of seven INA Osijek Petrol sites in INA, d.d. was finished on 1 November 2015.

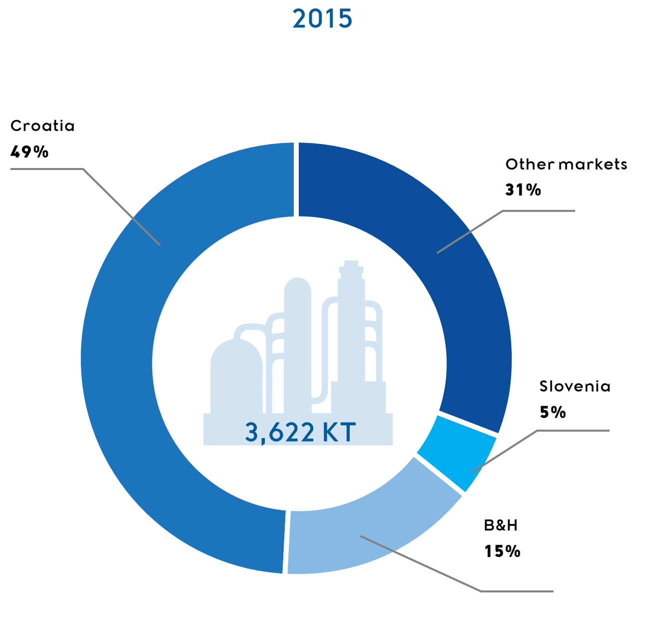
REFINING AND MARKETING (INCLUDING RETAIL)

	2014		2015		Change %	
Segment IFRS results	HRK MLN	USD MLN	HRK MLN	USD MLN	HRK	USD
Revenues	18,222	3,169	14,831	2,161	(18.6)	(31.8)
EBITDA reported	(1,313)	(228)	(575)	(84)	(56.2)	(63.3)
EBITDA excl. special items	(1,194)	(208)	(410)	(60)	(65.7)	(71.2)
CCS-based R&M EBITDA	(505)	(88)	307	45	(160.7)	(150.9)
Operating profit/(loss) reported	(2,499)	(435)	(1,325)	(193)	(47.0)	(55.6)
Operating profit/(loss) excl. special items	(1,935)	(337)	(1,101)	(160)	(43.1)	(52.3)
CCS-based R&M operating loss	(1,242)	(216)	(396)	(58)	(68.1)	(73.3)
CAPEX and investments (w/o acquisition)	474	82	613	89	29.5	8.5

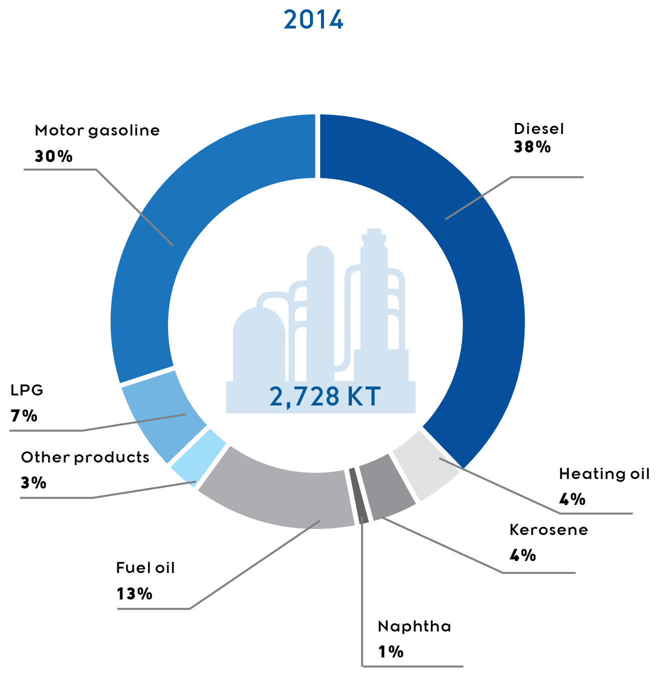
Refers to Refining & Marketing including Retail INA. d.d. and the following subsidiaries: INA-Maziva, Polybit Rijeka, InterINA Ljubljana, INA BH Sarajevo, HoldINA Sarajevo, INA Crna Gora, INA Beograd, INA Kosovo, Osijek Petrol (merged into INA, d.d. in Q4 2015), Petrol Rijeka

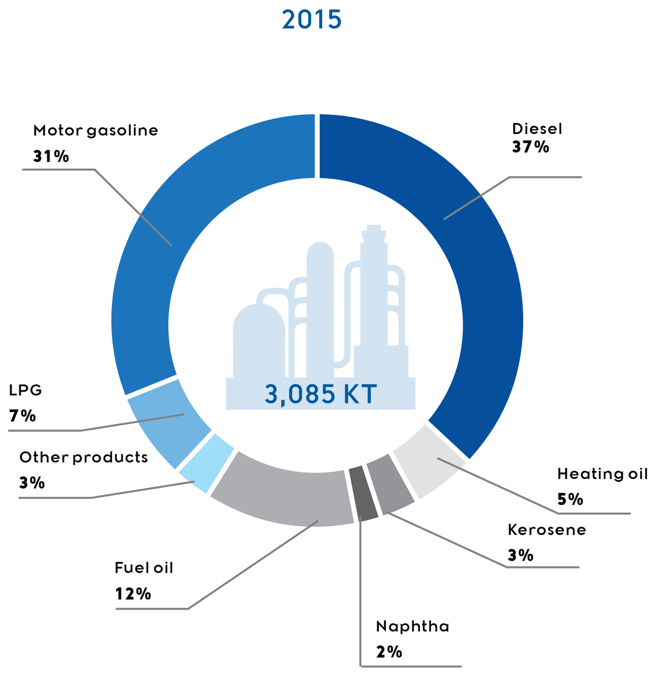
REFINED PRODUCT SALES BY COUNTRY





REFINERY PRODUCTION





CAPITAL EXPENDITURE

CAPEX level of HRK 1,650 billion was only 3% lower than in 2014, which is a stable result, having in mind the overall deteriorated environment.

Exploration and Production capital expenditures

Exploration and Production segment's CAPEX in 2015 amounted to HRK 840 million compared to HRK 1,102 million in 2014. Capital investments in Croatia amounted to HRK 678 million, whereas the amount of capital investments abroad was HRK 162 million. In comparison with 2014, capital investments were lower in total by HRK 261 million or 24%. Decreased investments level was mainly a result of lower offshore development, onshore exploration and sustainability-type projects in Croatia.

Refining and Marketing (including Retail) capital expenditures

Total capital expenditures amounted to HRK 613 million in 2015, HRK 139 million higher compared to 2014. Refining and Marketing capital expenditures amounted to HRK 451 million and were mainly related to logistics projects, while Retail segment expenditures reached HRK 161 million, being HRK 5 million above the year 2014. Retail segment in Croatia and Bosnia and Herzegovina completed six knock-down-rebuild projects, three modernization projects, five tank replacement projects and other minor modernization projects. Additional modernizations and improvements food and beverages department such as new "Fresh corner" non-fuel concept have been approved. Preparations and construction of four new highway Greenfield projects in Bosnia and Herzegovina also started.

BALANCE SHEET – INA GROUP

Condensed Consolidated Statement of Financial Position – INA-GROUP
As at 31 December 2014 and 2015 (in HRK million)

	31 DEC 2014	31 DEC 2015	%
Assets			
Non-current assets			
Intangible assets	457	388	(15)
Property, plant and equipment	14,038	12,730	(9)
Goodwill	183	152	(17)
Investments in associates and joint ventures	22	22	0
Other investments	23	14	(39)
Long-term receivables	170	144	(15)
Deferred tax	1,742	2,094	20
Available for sale assets	462	581	26
Total non-current assets	**17,097**	**16,125**	**(6)**
Current assets			
Inventories	1,924	1,820	(5)
Trade receivables net	1,998	1,724	(14)
Other receivables	181	136	(25)
Corporate income tax receivables	112	23	(79)
Other current assets	282	224	(21)
Prepaid expenses and accrued income	154	54	(65)
Cash and cash equivalents	467	275	(41)
Current assets	**5,118**	**4,256**	**(17)**
Assets classified as held for sale	-	1	N.A.
Total current assets	**5,118**	**4,257**	**(17)**
Total assets	**22,215**	**20,382**	**(8)**
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Legal reserves	330	330	0
Revaluation reserve	121	216	79
Other reserves	2,851	1,641	(42)
Retained earnings / (Deficit)	(641)	(602)	(6)
Equity attributable to equity holder of the parent	**11,661**	**10,585**	**(9)**
Non-controlling interests	(1)	0	N.A.
Total equity	**11,660**	**10,585**	**(9)**
Non-current liabilities			
Long-term loans	628	400	(36)
Other non-current liabilities	64	66	3
Employee benefits obligation	172	101	(41)
Provisions	2,837	3,266	15
Deferred tax liability	9	22	144
Total non-current liabilities	**3,710**	**3,855**	**4**

	31 DEC 2014	31 DEC 2015	%
Current liabilities			
Bank loans and overdrafts	2,631	2,768	5
Current portion of long-term debt	199	139	(30)
Trade payables	1,713	1,400	(18)
Taxes and contributions	1,054	665	(37)
Other current liabilities	554	271	(51)
Accruals and deferred income	114	64	(44)
Employee benefits obligation	12	8	(33)
Provisions	568	627	10
Current liabilities	**6,845**	**5,942**	**(13)**
Liabilities directly associated with assets classified held for sale	-	-	N.A.
Total current liabilities	**6,845**	**5,942**	**(13)**
Total liabilities	**10,555**	**9,797**	**(7)**
Total equity and liabilities	**22,215**	**20,382**	**(8)**

As at 31 December 2015, INA Group total assets amounted to HRK 20,382 million and were 8% lower compared to 31 December 2014.

As at 31 December 2015, INA d.d. invested HRK 47 million in intangible assets. The effect of depreciation decreases the intangible assets for HRK 35 million. Foreign exchange revaluation of oil and gas fields increased value of intangible assets in amount of HRK 2 million. Impairment of exploration wells in Syria decreased value of intangible asset in the amount of HRK 102 million. Additionally, the values of intangible assets was increased due to buying the emission quotas in amount of HRK 22 million. Transfer to PP&E equals HRK 3 million.

In the period ended 31 December 2015, INA d.d. invested HRK 1.593 million in property, plant and equipment. Foreign exchange revaluation increased net book value in amount of HRK 321 million Capitalized decommissioning costs increased the value of assets by HRK 127 million. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 2.156 million. In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeure, 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 was HRK 56 million in 2015. Value adjustment and write-off of assets under construction decreased NBV in amount of HRK 25 million. Other changes in property, plant and equipment including value adjustment of assets in use amounts to HRK 912 million. Transfer from intangible assets increased NBV of PP&E in amount of HRK 3 million. Strategic inventories in amount of HRK 1 million are transferred from warehouses.

Issued capital as at 31 December 2015 amounted to HRK 9,000 million. There was no movement in the issued capital of the Company in either the current or the prior financial reporting.
Inventories amounted to HRK 1,820 million, and have decreased by 5% compared to 31 December 2014 as a result of lower Brent.
Trade receivables decreased to HRK 1,724 million and are 14% lower compared to the opening balance, on 31 December 2014 resulting from lower sales revenue.

As at 31 December 2015, total liabilities amounted to HRK 9,797, which is 7% or HRK 758 million lower compared to 31 December 2014.
INA Group net debt increased slightly by 1% and amounted to HRK 3,032 million compared to 31 December 2014 due to negative changes in working capital. Gearing ratio increased from 20.4% as at 31 December 2014, to 22.3% as at 31 December 2015.
Trade payables decreased by 18% to HRK 1,400 million, as a result of lower liabilities for imported crude oil.

INCOME STATEMENT – INA GROUP

Condensed Consolidated Income Statement – INA-GROUP
For the period ended 31 December 2014 and 2015 (in HRK millions)

	2014	2015	%
Sales revenue			
a) domestic	14,187	11,116	(22)
b) exports	9,572	7,745	(19)
Total sales revenue	**23,759**	**18,861**	**(21)**
Capitalised value of own performance	459	466	2
Other operating income	267	448	68
Total operating income	**24,485**	**19,775**	**(19)**
Changes in inventories of finished products and work in progress	(935)	(238)	(75)
Cost of raw materials and consumables	(11,353)	(8,364)	(26)
Depreciation and amortization	(2,132)	(2,191)	3
Other material costs	(2,455)	(2,572)	5
Service costs	(1,000)	(706)	(29)
Staff costs	(2,467)	(2,422)	(2)
Cost of other goods sold	(3,705)	(2,809)	(24)
Impairment and charges (net)	(2,052)	(1,546)	(25)
Provisions for charges and risks (net)	(108)	(265)	145
Operating expenses	**(26,207)**	**(21,113)**	**(19)**
Profit/(loss) from operations	**(1,722)**	**(1,338)**	**(22)**
Share in the profit of associated companies			
Finance income	208	197	(5)
Finance costs	(820)	(608)	(26)
Net loss from financial activities	**(612)**	**(411)**	**(33)**
Profit/(loss) before tax	**(2,334)**	**(1,749)**	**(25)**
Income tax expense	437	331	(24)
Profit/(loss) for the year	**(1,897)**	**(1,418)**	**(25)**
Attributable to			
Owners of the Company	(1,897)	(1,418)	(25)
Non-controlling interests	-	-	N.A.
	(1,897)	**(1,418)**	**(25)**
Earnings per share			
Basic and diluted earnings per share (Kuna per share)	(189.7)	(141.8)	(25)

Total sales revenues in 2015 amounted to HRK 18,861 million and were 21% below the 2014 level, primarily triggered by lower Exploration and production sales revenue due to lower Brent, and consequently also lower average wholesale and retail prices of oil derivatives.

Costs of raw materials and consumables were 26% below the 2014 level at HRK 8,364 million, mainly resulting from lower prices.
Costs of goods sold in 2015 recorded a decrease of 24% compared to 2014 and amounted to HRK 2,809 million, as a result of different sales structure.

Other operating costs realized in 2015 include:
Other material costs were higher by 5% and amounted to HRK 2,572 million, as a result of subcontractors' costs related to STSI project in Belarus and maintenance costs.

Service costs in the amount of HRK 706 million recorded a decrease of 29% mainly due to ENI tax posted in 2014 (cost related to 2013 for which provision was released in the same amount).

Depreciation in the amount of HRK 2,191 million was 3% higher compared to 2014, mainly due to higher Exploration & Production depreciation.

Adjustments and provisions had a negative effect amounting to HRK 1,811 million and were HRK 349 million lower compared to 2014, resulting mainly from lower Syrian asset impairment.

Staff costs in the amount HRK 2,422 million were in line with 2014. Staff costs represent the cost of net salaries in the amount of HRK 1,191 million, cost of tax and contributions for pension and health insurance in the amount of HRK 824 million, severance payments for employees whose employment contracts are terminated due to business reasons in amount of HRK 186 million and other payroll related costs in the amount of HRK 221 million for the year ended 31 December 2015. For the year ended 31 December 2014, staff costs included the cost of net salaries in the amount of HRK 1,250 million, cost of tax and contributions for pension and health insurance in the amount HRK 861 million, severance payments for employees whose employment contracts were terminated due to business reasons in the amount of HRK 100 million and other payroll related costs in the amount HRK 256 million.
Income tax in 2015 amounted to HRK 331 million (HRK 43 million of current taxes and HRK 374 million of deferred taxes decrease) and is lower compared to HRK 437 million in 2014.

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 2015 and 31 December 2014.
Net financial expenses recorded a decrease in 2015 compared to 2014, resulting from lower FX loses and lower interest paid.
Net foreign exchange loss was HRK 130 million in 2015 and is lower compared to HRK 247 million in 2014.

Interest payable amounted to HRK 174 million and interests received equalled HRK 19 million in 2015, while in 2014, interest payables amounted to HRK 291 million and interests received amounted to HRK 19 million.

Other financial net expenses amounted to HRK 126 million and are higher, compared to HRK 92 million in 2014.

CASH FLOW – INA GROUP

Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 31 December 2014 and 2015 (in HRK millions)

HRK mln	2014	2015	%
Net cash inflow from operating activities	**3,849**	**1,979**	**(49)**
Net cash used for investing activities	**(1,465)**	**(1,508)**	**3**
Net cash from financing activities	**(2,291)**	**(623)**	**(73)**
Net (decrease)/increase in cash and cash equivalents	93	(152)	N.A.

The operating cash flow before changes in working capital amounted to HRK 2,549 million in 2015, representing an increase of HRK 52 million or 2% compared to 2014, which is in line with the change in EBITDA performance compared to the previous year.

Changes in working capital affected the operating cash flow negatively by HRK 413 million due to:
- Decrease in trade and other payables by HRK 645 million as result of lower liabilities for imported crude oil.
- Decreased value of inventories by HRK 12 million due to lower Brent, partly compensated by higher volumes of imported crude.
- Decrease in receivables by HRK 220 million as a result of lower sales revenues in 2015 compared to 2014.

Net outflows in investing activities amounted to HRK 1,508 million, in comparison with HRK 1,465 million outflows in 2014.

FINANCIAL RISK MANAGEMENT

Risk Management and Hedging Policy for INA Group provides a framework in which INA and its consolidated subsidiaries manage and maintain commodity, foreign exchange and interest rate risk at an acceptable level. In addition to financial (market) risks, the most important risks include credit risk and liquidity risk.

a) Market risk
Commodity price risk management (price risk)

INA purchases crude oil on a spot market in USD, mostly using short-term credit facility arrangements. The required quantities of gas were purchased in EUR based on spot prices. INA may use derivative instruments in managing its commodity exposure. As at 31 December 2015, INA had opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods and fixed price contracts.

Foreign currency risk management

Many INA Group's transactions are priced and denominated in a foreign currency. Thus, INA Group is exposed to currency risk. INA Group has net long USD and EUR and net short HRK exposure of operative cash flow position. INA Group may use cross currency swaps to adjust the currency mix of its debt portfolio. As at 31 December 2015, there were no open cross currency swap transactions.

Interest rate risk management

INA Group companies use borrowed funds at both floating and fixed interest rates and consequently INA Group is exposed to interest rate risk. INA Group does not speculate on interest rate developments and generally chooses floating rates. INA Group may use interest rate swap to manage the interest rate risk. As at 31 December 2015, there were no open interest rate swap transactions.

Other price risks

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 "Customer Credit Management Procedure", creditworthiness and risk in dealing with customers is estimated based on an internal credit assessment model as well as on the services provided by credit rating agencies. There is no significant credit risk exposure of INA Group that is not covered with payment security instruments, other than the risk exposure to the institutions and entities controlled by the state and the local government, and exposure toward customers under certain concession agreements abroad. In order to minimize credit risk, INA is using credit risk insurance services. To a limited extent, INA also uses services of agencies and attorneys-at-law offices for "out-of-court" collection of receivables.

c) Liquidity risk

INA Group's liquidity risk is managed by maintaining adequate reserves of liquidity and credit lines and by continuous monitoring of projected and actual cash flow and due dates for account receivables and payables.
As at 31 December 2015, INA Group's contracted and available short-term credit lines amounted to HRK 1.69 bn, excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products, while the contracted and available long-term credit lines amounted to HRK 3.44 bn.

APPENDIX I
IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT AND EBITDA OF INA GROUP (IN HRK MILLION)

	2014	2015
INA GROUP		
Total impact of special items on net profit/(loss)	**(2,441)**	**(1,476)**
Total impact of special items on operating profit/(loss)	**(2,235)**	**(1,476)**
Total impact of special items on EBITDA	**(119)**	**(288)**
Exploration & Production		
Total impact of special items on operating profit/(loss)	**(1,604)**	**(1,004)**
Total impact of special items on EBITDA	**-**	**(62)**
Impairment of assets - Syria, Croatia Offshore, Angola, Egypt	(1,562)	(987)
Severance payment	-	(62)
Provisions for incentives	(42)	(17)
Refining & Marketing including Retail		
Total impact of special items on operating profit/(loss)	**(564)**	**(224)**
Total impact of special items on EBITDA	**(119)**	**(165)**
Impairment of assets	(395)	-
Refinery - tax case*	(119)	-
Severance payment	-	(165)
Provisions for incentives	(50)	(224)
Corporate functions		
Total impact of special items on operating profit/(loss)	**(67)**	**(248)**
Total impact of special items on EBITDA	**-**	**(61)**
Impairment of assets - Zagreb 1, Libya	(34)	(234)
Severance payment	-	(61)
Provisions for incentives	(33)	(14)
Impacts on financial result and income tax		
Finance expenses*	(106)	-
Income tax*	(100)	-

*Total impact of refinery tax case amounts to HRK 325 mln in 2014

APPENDIX II
BRANCH AND REPRESENTATIVE OFFICES ON 31 DECEMBER 2015

INA d.d.
- Branch office Damascus, Syria (temporarily not active due to existing economic sanctions and suspension of activities in Syria)
- Branch office Cairo, Egypt
- Representative office Luanda, Angola
- Representative Office Moscow, Russia
- Branch Office Tirana, Albania (suspended)
- Representative office Teheran, Iran (suspended)
- Branch Office Teheran, Iran (in liquidation)

CROSCO d.o.o.
- Branch office Zadar, Croatia
- Branch office Tirana, Albania
- Branch office Tripoli, Libya
- Branch office Damascus, Syria (temporarily not active due to existing economic sanctions and suspension of activities in Syria)
- Branch office Cairo, Egypt
- Branch office Nagykanizsa, Hungary
- Branch office Tunisia (in the reactivation process)
- Branch office Baku, Azerbaijan (in the reactivation process)
- Branch office Casablanca, Morocco (in the process of closing)

Rotary Zrt.
- Branch office Erbil, Iraq
- Branch Office Tirana, Albania

STSI d.o.o.
- Branch office Damascus, Syria (temporarily not active due to existing economic sanctions and suspension of activities in Syria)
- Representative office Novopolotsk, Belarus

INA-NAFTAPLIN IE&PL
- Branch Office Tripoli, Libya

HOLDINA d.o.o.
- Branch Office Čitluk
- Branch Office Prozor
- Branch Office Široki Brijeg
- Branch Office Posušje
- Branch Office Sutina-Mostar
- Branch Office Počitelj
- Branch Office Sanski most
- Branch Office Cazin
- Branch Office Tuzla-centar
- Branch Office Podlugovi Warehouse

KEY GROUP OPERATING DATA

EXPLORATION AND PRODUCTION

	2013	2014	2015	15/14%
Hydrocarbon production				
Crude oil production (boe/d)	**11,617**	**12,142**	**13,974**	**15**
Croatia	8,608	8,931	10,674	20
Egypt	1,881	2,034	2,093	3
Angola	1,128	1,177	1,207	3
Natural gas production (boe/d)	**26,198**	**24,166**	**24,967**	**3**
Croatia - offshore	11,897	11,136	12,202	10
Croatia - onshore	14,301	13,030	12,765	(2)
Condensate (boe/d)	**2,365**	**2,097**	**1,916**	**(9)**
Croatia	2,365	2,097	1,916	(9)
Total hydrocarbon production (boe/d)	**40,180**	**38,405**	**40,857**	**6**
Average realised hydrocarbon price				
Crude oil and condensate price (USD/bbl)	95	89	48	(46)
Average realised gas price (USD/boe)	77	59	48	(19)
Total hydrocarbon price (USD/boe)	82	69	48	(30)
Natural gas trading - mln cm				
Natural gas imports	774	107	28	(74)
Total natural gas sales - domestic market	2,228	1,542	1,142	(26)
Natural gas price differential to import prices (HRK/000 cm)				
Eligible customers' price	(463)	(216)	473	(319)
Tariff customers' price	(898)	9	0	(100)
HEP	-	(516)	(58)	(89)
Total price	(596)	(270)	244	(191)

RESERVES BREAKDOWN

MMBOE	1P			2P		
	2013	2014	2015	2013	2014	2015
By country						
Croatia onshore	141	133	127	174	168	158
Croatia offshore	18	16	9	34	27	14
Syria	22	22	22	36	36	36
Egypt	2	2	1	2	3	2
Angola	2	2	1	5	3	4
Total	**186**	**175**	**161**	**251**	**237**	**213**
By product						
Oil	75	71	66	95	97	92
Gas	99	93	84	141	125	107
Condensate	11	11	11	15	15	15
Total	**186**	**175**	**161**	**251**	**237**	**213**

REFINING AND MARKETING INCLUDING RETAIL

	2013	2014	2015	15/14%
Refinery processing (kt)				
Domestic crude oil	433	394	553	40
Imported crude oil	2,427	1,880	2,212	18
Condensate	96	102	85	(17)
Other feedstock	750	749	673	(10)
Total refinery throughput	**3,707**	**3,125**	**3,523**	**13**
Refinery production (kt)				
LPG	209	190	210	11
Motor gasoline	1,068	824	946	15
Diesel	1,268	1,022	1,130	11
Heating oil	193	107	144	34
Kerosene	109	107	105	(2)
Naphtha	27	33	52	59
Fuel oil	419	358	389	9
Bitumen	38	3	0	(100)
Other products*	(56)	86	108	26
Total	**3,274**	**2,728**	**3,085**	**13**
Refinery loss	23	22	29	31
Own consumption	410	374	409	9
Total refinery production	**3,707**	**3,125**	**3,523**	**13**
Refined product sales by country (kt)				
Croatia	1,877	1,756	1,790	2
B&H	509	510	523	3
Slovenia	237	151	183	22
Other markets	844	867	1,126	30
Total	**3,467**	**3,284**	**3,622**	**10**
Refined product sales by product (kt)				
LPG	231	214	238	11
Motor gasoline	955	844	940	11
Diesel	1,394	1,415	1,465	4
Heating oil	164	146	172	18
Kerosene	124	128	127	(1)
Naphtha	30	37	49	32
Fuel oil	418	366	394	8
Bitumen	57	40	37	(7)
Other products*	95	95	199	109
Total	**3,467**	**3,284**	**3,622**	**10**
o/w Retail segment sales	1,019	994	996	0

*Other products = Benzene-rich cut, liquid sulphur, coke, motor oils, industrial lubricants, base oils, spindle oil, waxes, blended gas oil "M", atmospheric residue, intermediaries and other

SUSTAINABILITY IN INA GROUP

SUSTAINABILITY IN NUMBERS

ECONOMIC SUSTAINABILITY DATA

Direct economic value generated and distributed

Indicator / mln HRK	2013	2013/2012	2014	2014/2013	2015	2015/2014
Realized revenues	27,444	↓	23,759	↓	18,861	↓
Financial assistance received from Government	0	N.A.	0	N.A.	0	N.A.
Operating costs	29,882	↑	26,207	↓	21,113	↓
Cash added value (company cash)	402	↓	467	↑	275	↓
Employee wages and benefits	2,415	↓	2,467	↑	2,422	↓
Capital investors	0	N.A.	0	N.A.	150	N.A.
Payments to governments	8,858	↓	8,157	↓	8,542	↑
Economic value retained	1,586	↓	-311	↓	-602	↑

INA Group realized revenue by region						
	2013		2014		2015	
	MLN HRK	2013/2012	MLN HRK	2014/2013	MLN HRK	2015/2014
Croatia	17,531	92%	14,187	81%	11,116	78%
Bosnia and Herzegovina	2,936	111%	2,777	95%	2,.098	76%
European countries	2,594	84%	5,313	205%	4,544	86%
Other countries	4,383	87%	1,482	34%	1,103	74%
TOTAL	**27,444**	**92%**	**23,759**	**87%**	**18.861**	**79%**

COSTS OF PURCHASED MATERIALS, GOODS AND SERVICES IN INA GROUP					
2013		2014		2015	
MLN HRK	2013/2012	MLN HRK	2014/2013	MLN HRK	2015/2014
22,134	94%	18,513	84%	14,451	78%
COSTS OF PURCHASED MATERIALS, GOODS AND SERVICES IN INA, d.d.					
18,783	95%	17,135	91%	13,249	77%
INA GROUP PROFIT EARNED (EBIT)					
2013		2014		2015	
MLN HRK	2014/2013	MLN HRK	2014/2013	MLN HRK	2015/2014
-1,571	-116%	-1,712	109%	-1,338	78%
INA d.d. PROFIT EARNED (EBIT)					
2013		2014		2015	
-1,833	-104%	108	-6%	-1,166	N.A.

INA GROUP Return on Assets Profitability indicator (ROA) in 2015

$$\text{ROA (\%)} = \frac{\text{Profit}}{\text{Total Assets}} \times 100 = \frac{-1{,}418}{20{,}382} \times 100 = -6{,}96\%$$

INA, d.d. Return on Assets Profitability indicator (ROA) in 2015

$$\text{ROA (\%)} = \frac{\text{Profit}}{\text{Total Assets}} \times 100 = \frac{-1{,}202}{19{,}822} \times 100 = -6{,}07\%$$

INA Group Payroll costs						
	2013		2014		2015	
	MLN HRK	2013/2012	MLN HRK	2014/2013	MLN HRK	2015/2014
Net	1,272	97%	1,250	98%	1,191	95%
Taxes and contributions	846	94%	861	102%	824	96%
Other salary expenses	297	69%	356	120%	407	114%
TOTAL	**2,415**	**92%**	**2,467**	**102%**	**2,422**	**98%**
INA, d.d. Payroll costs						
Net	786	97%	766	97%	780	102%
Taxes and contributions	553	95%	557	101%	575	103%
Other salary expenses	134	60%	165	123%	263	159%
TOTAL	**1,473**	**91%**	**1,488**	**101%**	**1,618**	**109%**

INA, d.d. total taxes paid						
State	2013*		2014		2015	
	MLN HRK	2013/2012	MLN HRK	2014/2013	MLN HRK	2015/2014
Croatia	8,816	113%	8,125	92%	8,519	105%
Angola	41	226%	32	77%	23	73%
TOTAL	**8,858**	**88%**	**8,157**	**92%**	**8,542**	**105%**

Note: Taxes paid in Croatia include income tax and surtax, VAT, special tax on petroleum products, petroleum products highway fees and petroleum products road fees
* Corporate income tax included

Paid VAT, excise duties, biofuels fee, profit tax, income tax and surtax and Croatian Compulsory Oil Stocks Agency (HANDA)			
mln HRK	2013	2014	2015
Value added tax	751	761	1,602
Value added tax - IMPORT	3,092	2,372	1,769
Corporate income tax (PROFIT TAX)	357	86	17
Excise duties	4,461	4,759	4,983
Croatian Energy Market Operator (HROTE) - Biofuels fee*	5	According to the Act on amendments to the Act on biofuels for transport (OG 144/12), as of 1 January 2013, a fee is paid to the respective agency from the State Budget to encourage the production of biofuels	
Income tax and surtax	149	147	147
TOTAL	**8,816**	**8,125**	**8,519**

* Pursuant to the Act on amendments to the Act on biofuels for transport (OG 144/12), the amount of compensation to encourage the production of biofuels is paid from the state budget as of 1 January 2013.

Proportion of senior management hired from the local* community at significant locations of operation

Company	Local/external
Crosco	67%
ED-INA d.o.o.	100%
Holdina Sarajevo d.o.o.	0%
HOSTIN d.o.o.	100%
INA Crna Gora d.o.o.	0%
INA Kosovo d.o.o.	0%
INA Maziva d.o.o.	100%
INA,d.d.	81%
INAgip d.o.o.	100%
Interina Ljubljana d.o.o	100%
Plavi Tim d.o.o.	100%
Rotary Drilling Co. Ltd	100%
STSI d.o.o.	67%
TRS d.o.o.	100%
Grand Total	**73%**

* local means from the country where the company is located

Social investment data

Category	Amount /people/hours	
Cash		3,195,203 HRK
Time		4,368 HOURS
In-kind giving		80,318 HRK
Charitable gift	1,575,518 HRK	48.10%
Community investment	1,700,003 HRK	51.90%

ENVIRONMENTAL DATA

	2013	2014	2015
Total Carbon dioxide (CO_2) (million tons) INA Group	1.93	1.78	1.72
Flaring emissions (thousand tons CO_2 equivalent) INA Group	80.30	99.40	102.83
Total direct energy consumption[1] (million GJ) INA Group	21.18	19.58	21.55
Total indirect energy consumption[2] (million GJ) INA Group	1.02	0.90	1.04
Energy intensity (total energy consumption (GJ) / production (t)) Rijeka Refinery[3]	N.A.	N.A.	4.72
Energy intensity (total energy consumption (GJ) / production (t)) Sisak Refinery[4]	N.A.	N.A.	7.08
Energy intensity (total energy consumption (GJ) / production (tOE)) Exploration & Production[5]	N.A.	N.A.	1.45
Emissions from direct energy consumption (million t CO_2eq) INA Group	1.29	1.19	1.33
Emissions from indirect energy consumption (million t CO_2eq) [6] INA Group	N.A.	N.A.	0.09
Emission intensity E&P (t CO_2eq / mboe)	59	51	24
Emission intensity Rijeka Refinery (t CO_2 / kt CWT) [9]	48	45	48
Emission intensity Sisak Refinery (t CO_2 / kt CWT) [10]	74.91	89.84	79.15
Sulphur oxides (SO_x) (thousand tons) INA Group	3.58	2.86	3.77
Nitrogen oxides (NO_x) (thousand tons) INA Group	3.14	2.35	2.53
Total water withdrawal (million m^3) INA Group	38.99	42.73	31.20
Total water discharge (million m^3) INA Group	34.99	39.44	27.10
Chemical oxygen consumption (COD) (tons) INA Group	N.A.	331.96	333.40
Biological oxygen consumption (BOD5) (tons) INA Group	N.A.	77.67	54.21
Total suspended solids (tons) INA Group	N.A.	116.84	106.44
Total petroleum hydrocarbons (tons)[7] INA Group	N.A.	44.98	9.41
Total hazardous waste (thousand tons) INA Group	5.87	13.91	19.55
Total non-hazardous waste (thousand tons)[8] INA Group	11.10	19.82	17.15
Waste exported (thousand tons) INA Group	N.A.	N.A.	0.64
Recycled waste (thousand tons) INA Group	N.A.	10.36	11.55
Disposed waste (thousand tons) INA Group	N.A.	23.38	24.52
Spills > $1m^3$ INA Group	8	3	3

[1] Total direct energy consumption = Total natural gas consumption (as energy source) + Total consumption of other HC energy sources
[2] Total indirect energy consumption = Total electricity consumption + Total consumption of other indirect sources (steam, heat...)
[3], [4], [5] Reported for the first time this year as part of compliance with GRI G4
[6] Conversion factors for electricity source – International Energy Agency http://www.iea.org/publications/freepublications/publication/co2emissionsfromfuel-combustionhighlights 2013.pdf
[7] As of 2015, only mineral oils are presented.
[8] Municipal waste is not included due to different measuring units (see Chapter Waste)
[9], [10] Methodology described in Chapter Greenhouse gas emissions

HEALTH AND SAFETY DATA

INA Group	2013	2014	2015
Lost time injury (LTI) (No.)	44	36	50
Lost time injury frequency (LTIF)	1.70	1.50	2.30
Total reportable occupational illnesses frequency (TROIF)	0	0	0
Absence rate (AR) (%)	3.30	3.10	4.53*
Lost day rate (LDR) (%)	0.36	0.26	0.12**
Fatalities amongst employees (No.)	0	0	1
Fatalities amongst contractors (No.)	1	0	0
Fatalities amongst 3rd parties (No.)***	1	0	2
Process safety events (Tier 1+Tier 2)	N/A	6+5	4+4

LTI and LTIF are calculated for own staff
*different calculation methodology
**different calculation methodology - LDR = total days lost / total number of scheduled work days
*** 3rd party has no contractual obligation to INA, INA Group Company or its contractors. In the case of this report, 2 fatalities of 3rd parties were connected to road accidents where INA Group or our contractors were involved with other participants in the traffic (3rd parties)."

HUMAN RESOURCES DATA*

INA Grupa	2013	2014	2015
No. of workers	12,935	11,452	11,127
No. of workers w. shortened working hours	53	55	131
No. of newly employed employees	568	217	354
No. of departed employees	823	871	1,449
No. of employees working abroad	508	410	287
% of women in total workforce	38.2	33.5	30.0
% of disabled people in total workforce	2.0	3.2	3.0

INA Group companies in 2015	INA, D.D.	CROSCO	ROTARY	STSI	INA MAZIVA	HOSTIN	TRS	INTERINA LJUBLJANA	HOLDINA SARAJEVO	INA CRNA GORA
No. of workers	7,352	1,272	524	883	186	12	333	80	446	35
No. of workers w. shortened working hours	24	10	24	0	2	0	4	2	65	0
No. of newly employed employees	155	21	12	32	4	0	59	0	70	1
No. of departed employees	1,096	141	51	61	41	0	23	3	32	1
No. of employees working abroad	22	198	56	2	0	0	0	0	9	0
% of women in total workforce	22	7	9	9	31	50	92	33	22	26
% of woman in managerial positions	33	19	38	27	14	100	75	0	1	0
% of disabled persons in total work force	4	3	3	5	3	0	2	2	5	0
EDUCATION LEVEL										
No. of Unskilled workers	42	10	0	9	0	0	1	2	0	0
No. of Semi-skilled workers	21	1	0	19	1	1	0	0	0	0
No. of Primary school degree workers	22	19	9	5	19	0	0	0	2	1
No. of Skilled workers	476	219	182	110	16	1	3	33	150	0
No. of High school degree workers	4,482	705	52	366	81	6	191	28	185	17
No. of Highly skilled workers	279	50	171	158	1	0	0	0	9	1
No. of Assoc.degr./bacc. workers	288	43	65	63	11	3	48	4	16	16
No. of Univ.degr. / mag. workers	1,305	219	45	148	56	1	86	12	80	0
No. of MA / univ. spec. workers	405	5	0	4	1	0	4	1	4	0
No. of PhD workers	32	1	0	1	0	0	0	0	0	0
AGE STRUCTURE OF WORKERS										
Under the age of 30	760	119	69	40	2	0	20	6	52	8
31-40 years	1,880	335	130	169	26	2	52	25	166	15
41-50 years	2,289	300	135	257	65	3	105	30	141	7
51-60 years	2,296	474	178	398	89	6	150	18	82	3
over 61 years	127	44	12	19	4	1	6	1	5	0

	INA, D.D.	CROSCO	ROTARY	STSI	INA MAZIVA	HOSTIN	TRS	INTERINA LJUBLJANA	HOLDINA SARAJEVO	INA CRNA GORA
EDUCATION										
Average training time per employee (hours)	30	25	31	20	17	0	14	7	18	0
Average cost of training per employee (HRK)	1,359	1,089	1,460	1,535	1,190	0	352	86	252	0
FREEDOM OF ASSOCIATION										
% of employees in trade unions	73	75	45	74	84	58	66	32	31	88
% of employees covered by the Collective agreement	100	99.9	99	100	96.2	91.7	100	100	100	0
DATA RELATED TO PARENTAL LEAVE IN INA GROUP, BY GENDER										
	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M	F/M
Number of employees entitled to parental leave	111/5	4/54	7	N.A.	2/0	0	3/0	1/0	3/0	4/0
Number of employees by gender that took parental leave	111/5	4/2	1	3/0	2/0	0	3/0	1/0	3/0	1/0
Number of employees who returned to work after their parental leave ended**	122/3	1/1	0	2/0	2/0	0	3/0	1/0	2/0	0
Number of employees who returned to work after their parental leave ended who are still employed twelve months after their return to work	119/3	0/1	0	1/0	0	0	3/0	1/2	0	0
The return to work and retention rates of employees who returned to work after leave ended (%)	100	25/50	0	100	100	0	100	100	75	0

* Data in the table refer only to the entities over which INA has complete control
** Number of employees who returned to work after their parental leave ended also includes prior period

INA GROUP HEALTH, SAFETY, ENVIRONMENT AND SOCIAL IMPACT POLICY


INA GROUP HEALTH, SAFETY, ENVIRONMENT AND SOCIAL IMPACT POLICY

Our long-term business success is only possible in the conditions of socially responsible development, with the care for health and safety of our employees and protection of the environment in which we work and live. We are committed to developing goals and actions appropriate to the principles of:

- sustainable development and responsible management of all our activities in the field of safety, health, environment and social impact,
- the highest standards and the best industry practices in the area of health, safety and the environment
- proactive health, safety and environment protection culture distinctive to all our employees and contractors

All our employees and contractors are personally responsible for acting in line with our health, safety and environmental protection principles, while total INA Group management structures are obliged to take a leading role in the promotion, development and practice of:

- full compliance with all legal requirements
- full compliance with the INA Group Code of Ethics and other internal standards
- health care of our employees and health care improvement measures
- high standards of work in a safe manner and personal protection by all employees and contractors
- strict control of safety workplace and process safety at all our sites
- management system for health, safety, environment and social risks control and decrease
- prevention of major accidents involving hazardous substances
- the highest standards of action and immediate response in emergency and crises situations
- support and active participation in initiatives related to climate changes
- environment protection in line with the principles of natural heritage and biodiversity
- energy management and use of energy efficient technologies
- the system for continuous monitoring, transparent reporting and the best industry practice benchmarking of our sustainable development, environment, health and safety performances
- awareness of our employees in the area of sustainable development, environment, health and safety
- evaluation and rewarding of the best health, safety and environment performances and socially responsible activities

INA Group health, safety, environment and social impact policy is valid for all INA Group companies.

President of INA MB
Zoltán Áldott

INA is committed to aligning its business with sustainable development principles, implementing environmental and social aspects in everyday business activities. Our responsible practices enable us to monitor, understand and manage sustainability risks and define management principles and high standards in different business areas, including Ethics, Human Resources, Procurement practices and Health, Safety and the Environment. In addition, we share our knowledge and experience with our business partners and contractors and strive to improve the positive impact on the communities in which we operate.

Tvrtko Perković, Director of Corporate Centre Business Function

2015 HIGHLIGHTS

- **LEADERSHIP ENGAGEMENT PROGRAM**
  23 in 2015-more than 200 in 2016
- **IPPC COMPLIANCE**
  4 INSTALLATIONS
- **STOP CARD CAMPAIGN**
  51,636 STOP CARDS
- **ROAD SAFETY PROGRAM**
  RAR DECREASE FROM 3,4 (2011) TO 0,8 (2015)
- **SCC CERTIFICATION FOR STSI Plc.**
  643 EMPLOYEES TRAINED

ABOUT THIS REPORT

The Sustainability part of the INA Group Annual Report 2015 covers a full range of economic, environmental and social impacts of INA Group companies on their stakeholders. The report covers the information related to business activities of INA, d.d. and larger INA Group companies in the year 2015. This year, the report was prepared in accordance with the GRI G4 reporting guidelines and Oil & Gas Sector Supplement, core option.
INA Group publishes a sustainability report on an annual basis, and the last report was published in May 2015. This Report also covers the requirements of the Communication on Progress related to 10 principles of UN Global Compact (more details in the Table of Contents According to G4 GRI Performance Indicators).

In monitoring its own operations, INA applies all relevant international accounting standards, including statutory requirements, techniques, methods and evaluations. Health, safety and environment protection data are monitored and reported in accordance with the directives of the International Labour Organization and Croatian legislation, and according to the methodology for monitoring injuries prescribed by EU association of oil companies - CONCAWE. Emissions of pollutants into the environment are determined by measuring, emission factors and/or material balancing.
All topics describing significant economic, environmental and social impacts of INA, as well as those that could have an impact on our stakeholders are treated as material issues in this report. When identifying the material issues, in addition to the internal strategy and financial impact to the Group, we have also taken into account the GRI G4 guidelines, additional indicators from Oil and Gas Sector supplement, results of customer satisfaction research, recommendations from an independent assessment of the Sustainability Report, CSR Index, comments and suggestions from employee surveys, pears benchmark etc. Preference was given to those areas where INA has a significant impact and where it can improve its performance.
We would appreciate it if you contacted us and sent us your feedback on this Report via e-mail address: Odrzivi_Razvoj@ina.hr or PR@ina.hr.

APPROACH TO STAKEHOLDERS G4-18, G4-25, G4-25, G4-26

INA Group companies use the stakeholder feedback they receive to help determine their strategically important issues and focus on the sustainability topics that have the most relevance to the company and its stakeholders in its sustainability reporting.
INA's primary stakeholder groups include employees, customers, shareholders, Government authorities and regulators, contractors, local communities, non-profit organizations (NGOs) and the media. Other important secondary stakeholder groups include trade unions, financial analysts, academics and the general public. All stakeholders can communicate with INA through different email addresses on the corporate website, depending on the subject of their interest (e.g. pitaj.suljr@ina.hr, eticko.povjerenstvo@ina.hr, lijecnici@ina.hr, Odrzivi_Razvoj@ina.hr, donacije@ina.hr, sponzorstva@ina.hr, etc.). Primary stakeholder groups are prioritized based on their ability to influence INA and the level of the company's impact on stakeholders.

As for the secondary stakeholder groups, INA considers it an important responsibility to passively monitor these stakeholder groups due to their possible significance outside the company and in order to be able to engage in productive collaborations when appropriate.
As part of the ongoing stakeholder engagement program that formed a direct input to the preparation of this GRI G4 report, the company applied the GRI principle of 'stakeholder inclusiveness' for defining the report content, reviewed its stakeholder engagement program and undertook specific additional engagement where it required further information to ensure that it fully understood the priorities of its most important stakeholders based on their interest in, and influence over the company's activities.

For example, during the reporting period, we conducted a workshop with the help of an external consultant to help determine the issues that should be covered in this GRI G4 report. In the workshop, experts from different business areas completed exercises on stakeholder engagement and materiality and linked the material topics for each primary stakeholder group to the corresponding GRI G4 indicators.
We subsequently calibrated the results of the workshop against the results of the main stakeholder feedback we had received during and after the reporting period and the updated document was reviewed and approved by our experts and top management. The finalised list of material items provided the framework for compiling the sustainability report content of this report. The full list of material topics is shown on the materiality matrix on page 92 with further details included in the G4 Index on page 144.
INA informs, consults, negotiates and proactively monitors the expectations of its stakeholders with regard to its sustainability performance through a range of different engagement channels, such as strategic collaborations, one-to-one meetings, conferences, seminars, workshops, roundtables, surveys and similar platforms as described in the following table.
The table below shows the list of stakeholders, engagement methods and stakeholder expectations, which is the key information used in sustainability materiality assessment.

Stakeholder Group	Engagement Method	Frequency of Stakeholder Engagement	Stakeholder Expectations	Chapter
Employees (& Works Council)	Employee Engagement survey	Every 2 years	Job security, the possibility of additional education	Human Resources Chapter and OHS
	Communication via Internal electronic channels	Daily, weekly, regularly	Improve working conditions	
	Professional development and educations	Daily	Career development	
	Forums Regular meetings at all organizational levels	When needed	Information on actual issues Employees on parental leave receive a Monthly magazine while on leave	
	Monthly magazine	Monthly		
	Survey on SD knowledge and information	Once in 4 years	More info on SD activities; better promotion of activities that are in progress, as well as initiatives that are in preparation; Stronger training of employees on the basic SD values	
	Works Council - Consultations and Co-decisioning	In cases prescribed by the Labour Act	Compliance with the Labour Act and maintaining a good social dialogue i.e. consulting on important matters concerning employees. The Employer conducted a consultation/co-decision procedure on 194 important matters concerning employees in 2015: - 55% are cases of employment termination - in 23% internal acts were consulted - in 22% organizational changes were consulted	
	Works Council – Reports	Quarterly - prescribed by the Labour Act	Regular reports on trends and changes in salaries, the extent of and the reasons for the introduction of overtime work, the number and type of workers employed, employment structure (the number of fixed-term workers, workers at alternative workplaces, workers assigned by temporary-work agencies, workers temporarily posted to/from an associated company), inspections of work and safety at work conditions.	
	Employees Assembly & Works Council Meetings	Twice a year - prescribed by the Labour Act / ad hoc	The Works Council expects that the Employer's representatives present and provide answers on questions and matters that are being raised at the meeting.	
	OHS safety committees	Quarterly	Reporting on the status and programs in OHS, discussing open issues (through employees' representatives for safety at work)	

Stakeholder Group	Engagement Method	Frequency of Stakeholder Engagement	Stakeholder Expectations	Chapter
Media	Annual report	Annual	High transparency; accountability.	Communities
	Communication with the media/journalists	Daily, regular, when needed		
	Participation at round tables	When needed, depending on topics		
Authorities/ Regulators (including the Government)	Cooperation within the working groups mostly through the business associations in the process of drafting regulations by providing expert support and information	Regular basis and on special request	Compliance with the existing and upcoming regulations, exchange of knowledge and experience, Report on LTIs and other OHS activities	Compliance
	Annual report			
	Providing expert input and data to the national positioning on various EU legislative initiatives relevant for the company through the business associations	When appropriate		
Contractors	Contractor Safety forums	Yearly, based on the need	Health and safety improvement	OHS Compliance
	OHS workshops	As the need arises	Report on LTIs and other OHS activities	
	Workshops with bidders - for the purpose of delivery presentation	Based on the need	Better understanding of INA's needs Fair and transparent procurement process	
	Communication and meetings with bidders during the tender - for clarification purposes of tender documentation - technical specification, contractual terms and conditions			
Local communities / NGOs	Student associations and high schools	Permanently	Internships, employment opportunities, awards	Communities
	Annual report	Annual	High; without negative impacts from business operations; support for long-term development	
	Company visit	Regular		
	Community engagement activities	Regular		

Stakeholder Group	Engagement Method	Frequency of Stakeholder Engagement	Stakeholder Expectations	Chapter
Shareholders	Annual general assembly	Yearly	Sustainable business	Annual Report
	Annual report	Yearly		
	Quarterly reports	Quarterly		
	One-on-one meetings	When needed		
	Investor conferences	Several times a year		
	Meeting with financial analysts	When needed		
	Announcements	Triggered by business events		
Customers	Toll-free helpline	Daily	Favourable Prices High-quality products and services	Customers
	Surveys	Yearly		
	E-mail	Permanently		
Trade unions	Regular meetings Ad hoc thematic meetings (i.e. agreement on social clauses for employees)	Every two weeks AT the request	Maintaining good social dialogue.	Human resources
	Reports	Quarterly & Ad hoc	To be consulted on new OHS documentation	
General public	Talent attraction	Permanently	Employment and career development	Annual Report
	Annual report	Annually	Compliance with laws and regulations; no negative impact from business activities	
	Communication via external electronic channels	Regular, daily	Sustainable business	
	Roundtables	When needed	Sustainability improvement, sharing experiences	
Opinion leaders/ Academics	Annual report	Annual	Good corporate governance; sustainable business plan	Annual Report
	Company visit	Regular		
	Regular meetings	Regular		
Financial analysts	Annual report	Yearly	Information on overall performance	Annual Report
Top management	Management review	Quarterly	Information on all important issues and overall performance	Annual Report
	Reports	Ad hoc		

APPROACH TO MATERIALITY G4-23

INA prioritises the interests and expectations of its key stakeholder groups (including employees, investors, customers, government entities and non-profit organizations) when identifying sustainability risks and determining their magnitude.
We applied the Principle of Sustainability Context by taking into consideration general trends in sustainability in our sector, which helped us ensure that the report was materially complete. We also applied the Principle of Completeness by making sure there was no material information omitted by checking the report content against feedback received from our key stakeholder groups during the Reporting Period and through discussion with the top management who also reviewed the Report's completeness and accuracy. The Company applied the Principle of Stakeholder Inclusiveness by reviewing the feedback received from its main stakeholder groups during and after the report period and ensuring that the main topics raised were aligned with the topics prioritised in this report.
As noted in the previous section on stakeholders, as part of the preparation for this report and the GRI G4 data collection and reporting process, INA undertook a detailed analysis of our most material issues across our businesses, linked these issues to the corresponding GRI G4 indicators that we have reported on in this report and that we list in the G4 Index on pages 144 - 151. We also took into account stakeholder feedback received as part of our regular engagement with stakeholders during the reporting period.
In carrying out the G4 materiality assessment for this Sustainability Report section, we applied the GRI Principles for Defining Report Content and Quality in order to identify the information to be disclosed, by considering the activities, impacts and the substantive expectations and interests of our stakeholders. We applied the Principle of Materiality by ensuring that the issues regarded as most important to our key stakeholder groups were prioritised in this report.

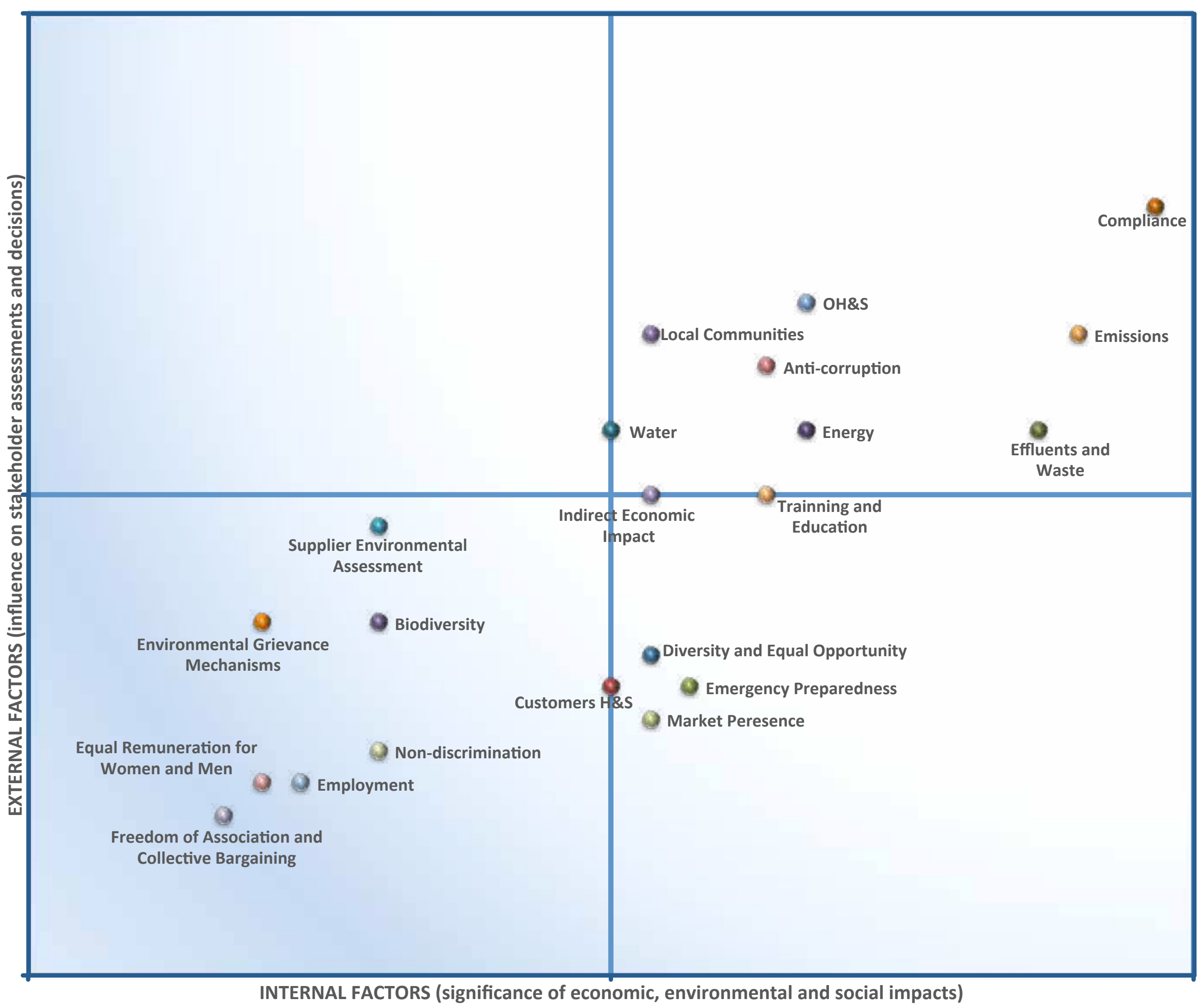
Figure INA's Materiality Matrix for Sustainability Issues summarises the results of INA's G4 materiality analysis. Material topics were subsequently linked to the corresponding GRI G4 aspects and had regard to whether the aspect was material within our organisation, outside the organisation or both. Topics were prioritized based on their significance of impact – their potential influence on INA's ability to deliver on its strategy and influence on its stakeholder's assessments and decisions. Their significance of impact was determined based on the following criteria:

- potential financial gain or loss,
- severity of occurrence and scale of the risks and opportunities,
- relation to strategic initiatives,
- level of stakeholder interest,
- relevance to sector on global market.

The results of this prioritisation were approved by INA's management and have determined the focus and level of detail provided on each topic in this report. For the first time, energy intensity data are provided in this Report for all of major businesses, as well as the amounts of municipal waste; unfortunately, the data are available in different measuring units due to different methods of accounting (measuring units) in certain Croatian counties.

Topics considered material are shown in the Figure below G4-19, G4-20, G4-21.

INA Materiality matrix for sustainability issues



Significance of material aspects inside and outside of the company

Aspects most material outside of the company are presented in the upper half of the diagram above and aspects most material inside of the company are presented in right half of the diagram, Aspects recognised as most material outside and inside of the company are: Compliance, Emissions, Occupational Health and Safety, Local Communities, Effluents and Waste, Anti-corruption, Energy, Water and Training and Education.

INA Value Chain

To identify and prioritise the issues that are most relevant to our business and our stakeholders, we analyse our stakeholders' expectations as well as the social, environmental and economic impacts along our value chain in full range of activities — including exploration and production, refining and marketing, logistics and retail.

OUR VALUE CHAIN

OUR MATERIAL ISSUES	E&P	REFINING	LOGISTICS	RETAIL	STAKEHOLDERS
COMPLIANCE	●●●	●●●	●●●	●●●	●●●
EMISSIONS	●●●	●●●	●●●	●●●	●●●
LOCAL COMMUNITIES	●●●	●●●	●●	●●	●●●
EFFLUENTS AND WASTE	●●●	●●●	●●	●●	●●
ENERGY	●●●	●●●	●●	●	
OHS	●●●	●●●	●●●	●●●	●
ANTICORRUP-TION	●●●	●●●	●●	●●	●●
WATER	●●●	●●●	●	●	
TRAINING AND EDUCATION	●●●	●●	●●	●	●●●

	not relevant in this step of the value chain		
●	lower relevance in this step of the value chain	■	Direct control
●●	medium relevance in this step of the value chain	■	Partial control
●●●	high relevance in this step of the value chain	□	No direct control

Report boundary G4-18, G4-20, G4-21, G4-27

In accordance with GRI G4 reporting requirements, the Table below shows boundaries for each material aspect, in terms of different legal entities in INA Group. The scope of this Report and sustainability aspects boundaries are determined by considering their relevance to business, availability of the information and operation performances, covering sites/location directly under operating control of INA Group companies. Occupational Health and Safety, Anti-corruption and Compliance assessments have been done in the contracting companies as well.

MATERIAL ASPECTS AND REPORT BOUNDARY										
SUSTAINABILITY MATERIAL ASPECTS	INA, d.d.	GROUP'S BUSINESSES								Stakeholders
		DIRECT SUBSIDIARY								
		Crosco	STSI	INA Maziva	HOSTIN	TRS	Interina Ljubljana	Holdina Sarajevo	INA Crna Gora	
Compliance (Environmental, Social, Economic)	√	√	√	√	√	√	√	√	√	Authorities, Local communities, NGOs, Shareholders, Customers, Community
Economic Performance	√	√	√	√	√	√	√	√	√	Shareholders, Employees, Authorities,
Local Communities	√	√	√	√						Communities, NGOs, Employees
Labour Practices and Decent Work	√	√	√	√	√	√	√	√	√	Employees, Unions, Communities
Emissions	√	√	√	√			√	√		Authorities, Communities, Employees
Effluents and Waste	√	√	√	√		√	√	√		Authorities, Communities, Employees
Waste	√	√	√	√		√	√	√		
Effluents	√	√	√	√						
Energy	√	√	√	√			√	√		Authorities, Communities, Employees
Water	√	√	√	√			√	√		Authorities, Communities, Employees
Labour/Management Relations	√	√	√	√	√	√	√	√	√	Employees, Unions
Occupational Health and Safety	√	√	√	√	√	√	√	√	√	Employees, Contractors, Customers, Authorities
Anti-corruption	√	√	√	√	√	√	√	√	√	Employees, Contractors, Customers Shareholders, Customers, Communities
Market Presence	√	√	√	√						Customers, Local Communities, Shareholders
Indirect Economic Impacts	√	√	√	√						Shareholders, Community, Employees
Products and Services	√	√	√	√						Customers
Training and Education	√	√	√	√	√	√	√	√	√	Employees
Diversity and Equal Opportunity	√	√	√	√	√	√	√	√	√	Employees
Customer Health & Safety	√	√	√	√	√	√	√	√	√	Customers
Emergency Preparedness	√	√	√	√						Employees, communities, authorities

SUSTAINABILITY IN INA GROUP

INA, as the largest industrial company in Croatia, is aware of its impact on the environment and the society. As a producer, processor and supplier of petroleum products and gas, INA is an influential participant in the energy market in Croatia and the region. As the sole producer and a leading distributor of fuel in Croatia, INA is the key holder of the program for placement of the fuel with a bio component for the transport purposes of the Republic of Croatia.

With their financial results, INA Group companies contribute significantly to the Croatian economy. They employ a large number of own staff and contractors, and contribute to the local communities by building stable partnership relations.

In accordance with INA's policies and in order to recognise, prevent and avoid potential negative impacts on the society and the environment, as well as to increase long-term value for stakeholders, INA Group companies are committed to implementing sustainable development principles in their everyday business operations.

Consequently, all relevant organizational units of INA, d.d. and INA Group companies manage projects and actions supporting the SD strategic initiatives of INA Group. This includes planning, development, implementation and evaluation of the projects/actions.

Risks associated with the impact of INA Group companies' activities and services on the environment and human health are systematically monitored and controlled by implementing industry's best practices.

The new INA Group Sustainability Strategy 2020 is in preparation and will be issued as part of the new version of INA Group SD Guideline. Sustainability Strategy relates to the same 6 Focus Areas, with one small change ("Economic Sustainability" is renamed to "Ethics & Governance"). The Strategy will be implemented in SD action plans of INA Group companies.

Overview of impacts and performance

INA Group sustainability impact and performance is monitored with reference to six strategic sustainability focus areas.

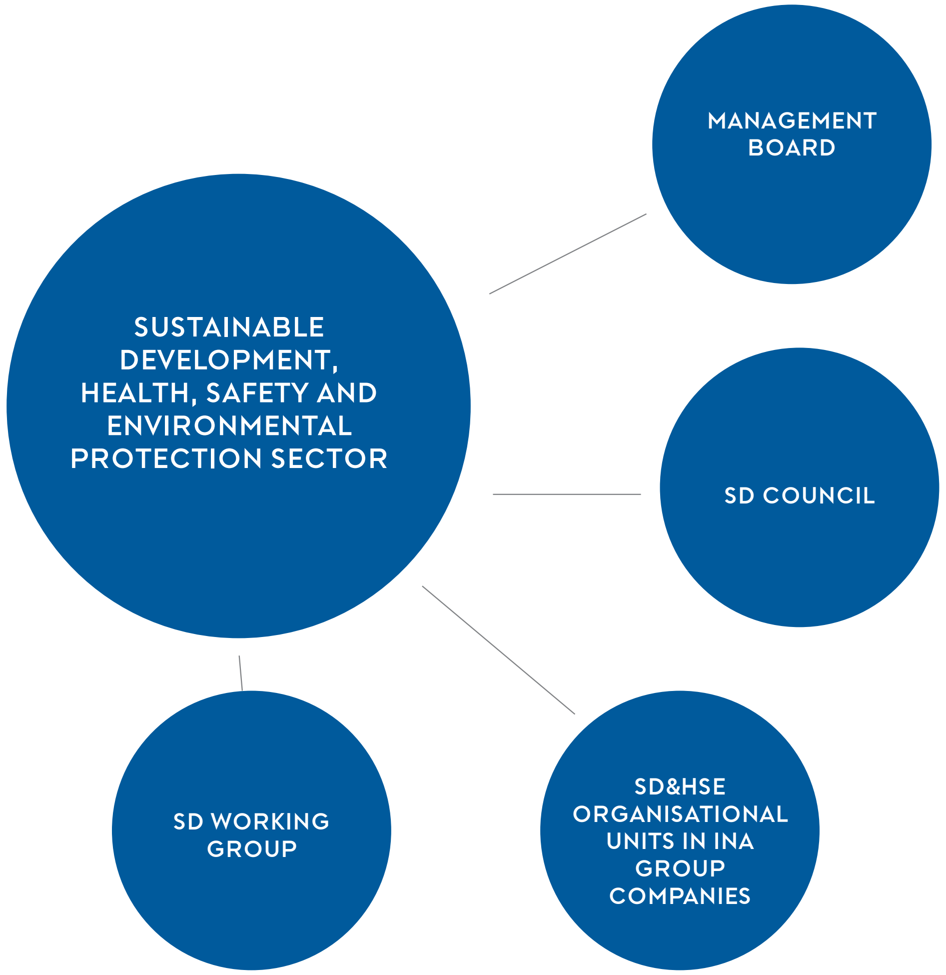
Our impact in 2015	Strategic focus areas	Our performance in 2015
Total CO_2 emission 1.72 mln tCO_2eq	**Climate Change**	‣ Enhanced Oil Recovery (EOR) project - in 2015, more than 2.2 mln tCO_2eq was injected
		‣ ECO Driving course in order to teach drivers eco driving techniques which reduce fuel consumption and CO_2 emissions
Full compliance with the Directive on industrial emissions has to be achieved	**Environment**	‣ In order to align the existing technology with the best available techniques, realization of several projects is in various stages of implementation
Total of 31.20 mln m^3 water withdrawn		‣ Due to Water efficiency projects in Rijeka Refinery, water intensity in DS Production was reduced from 14.3 in 2014 to 11.7 in 2015
Total of 19.55 thousand tons hazardous waste produced		‣ Waste selling income from the scrap materials sale (non-hazardous waste) amounted to HRK 3.8 mln
11,127* employees in INA Group	**Health & Safety**	‣ In order to reduce the number of road accidents, especially with trucks, "Truck driver's safety fundamentals" has been implemented
		‣ Total recordable injuries rate decreased in INA Group to 2.5. No on site fatalities, but there was one fatality related to road accident caused by third party
		‣ Continued with the supporting programs to Life saving rules projects – job safety analysis, STOP Card program and other programs
	Human Capital	‣ Cooperation with the student association's eSTUDENT, AIESEC Croatia, BEST and portal Srednja.hr & studentski.hr
		‣ Programs aiming to upgrade technical expertise following industry's best practices
		‣ MAMFORCE certification
INA donated almost HRK 3.3 mln for community investment and charitable gifts.	**Communities**	‣ Green Belt project - an expert tendering committee has selected best 15 out of 136 received projects, which INA will support through co-financing and activities of the INA Volunteer Club
		‣ INA Volunteer Club carried out 36 actions with the participation of 546 members, which equals 4,368 volunteer hours
4.761 contractors working for INA, d.d.	**Corporate Governance**	‣ 978 audits of contractors held on site in 2015
Transparent sustainability reporting		‣ INA Group's integrated Annual Report 2014 was awarded the first national Green Frog Award for best sustainability report in 2015 in Croatia

* Data in the table refer only to the entities over which INA has complete control

SUSTAINABILITY MANAGEMENT

Sustainable development activities in INA Group are coordinated by the Sustainable Development & Health, Safety and Environment (SD&HSE) Sector. SD is incorporated in HSE activities and responsibilities and in SD&HSE organization of INA Group companies. INA, d.d. Management Board, as the highest level SD governance body in INA Group companies, is regularly informed on sustainability issues within the quarterly management review process. It supervises sustainability-related risks and new business opportunities, policies and strategies and approves INA Group level SD issues. Director of Corporate Centre Business Function is responsible for sustainable development on top management level.

SD Council was established in 2012 and has had regular quarterly meetings since, in order to participate in internal and external communication on SD related issues, analyse sustainability-related data and information received from external evaluators, and support, verify and control sustainability reporting on INA Group level. In addition, a coordinative SD working group has continued its work, aiming to ensure involvement of all relevant INA Group organizational units and businesses in sustainable development.



SD governance structure and management of the SD related issues in INA Group companies is defined by the Sustainable Development Guideline.

Body/Organizational unit/ Responsible person	Description	Main tasks and responsibilities
Management Board	The highest level SD governance body in INA Group companies	- Supervise sustainability-related risks and new business opportunities, policies and strategies - Approve INA Group level SD/CSR issues
INA, d.d. SD Council	High managerial level body in INA, d.d., members of which include directors of SD&HSE Sector, Corporate Communications Sector, Human Resources Sector, Enterprise Relations Sector, Investors Relations Department and SD chief expert	- Propose SD/CSR improvement actions on INA Group level - Prepare reports for operational HSE Committee and Management Board of INA, d.d. - SD/CSR related communication with stakeholders
SD&HSE Sector	SD&HSE Sector is in charge of SD coordination on INA Group level. Activities in the area of sustainable development are an integral part of business in all INA Group companies.	- Develop SD&HSE strategy and policy, and strategy implementation processes - Propose SD improvement actions - Coordinate SD activities in INA, d.d. organizational units / INA Group companies - Monitor SD trends in the field of standards, studies, reporting, guidelines, and manage their application to INA Group companies
SD & HSE organizational units in INA, d.d. / INA Group companies	Managers of SD & HSE organizational units in INA, d.d. and other INA Group companies, and other persons responsible for SD in INA Group companies	- Integrates SD issues into management meetings in organizational units of INA, d.d. / INA Group companies. - Communicate INA Group level initiatives with management of organisational units of INA, d.d. / INA Group companies - Coordinate SD/CSR actions and projects - Support the implementation of key SD actions - Define long and short term objectives to be approved by the management boards of INA Group companies - Report on SD in organizational units of INA, d.d. / INA Group companies
SD Chief Expert in INA, d.d.		- Coordinate SD actions/projects on INA Group level - Coordinate the operational work of the SD Working Group on INA Group level - Coordinate SD reporting on INA Group level - Support the work of SD managers in INA Group companies
Members of SD Working Group on INA Group level	The members of the SD Working Group are managers of SD&HSE organizational units in INA Group companies and representatives of other responsible INA, d.d. organizational units / INA Group companies	- Ensure the involvement of all relevant organizational units in SD - Discuss corporate SD issues, documentation and actions - Support SD reporting - Inform/educate on SD issues - Support sustainability assessment

Targets setting and monitoring sustainability performance

INA Group companies define sustainability targets on a yearly basis, taking into account financial, business and sustainability aspects, comprising results of different kinds of stakeholder engagements and organizational results in the previous period.
Sustainable development activities and projects are an integral part of the business plan of all relevant INA, d.d. organizational units and INA Group companies, and are related to defined six sustainability focus areas: climate change, environment, health and safety, communities, human capital and economic sustainability. In addition, activities are planned considering compliance with the legislation requirements and contract requirements laid down by the customers (environmental, social and economic criteria), voluntarily assumed external obligations and internal policies, as well as the results of dialogues with various stakeholders, external sustainability assessments, monitoring/measuring the efficiency and best practices, and self-assessment in relation to voluntary standards.

Sustainability actions/projects are defined in order to correct possible non-compliances in the above-mentioned fields, but also for the fields where, through assessment and evaluation processes, the opportunities for improvement have been identified.

REALIZATION OF SD & HSE TARGETS OF INA GROUP FOR 2015

Indicator	PLAN	REALIZATION
Fatalities – INA Group and Contractors	0	1
LTIF* INA Group (own and Contractors)	1,5	2,0
Total reported injuries rate (TRIR) INA Group (own and Contractors)	2,7	2,5
Process safety event (PSE (T1)) - INA Group	4	4
Spills (number of spills greater than 1m3) - INA Group	7	3
Road Accident Rate (RAR)	1,5	0,8
CO_2 intensity of the refinery (tCO_2/kt CWT) – indicator of CO_2 efficiency of the refinery (Rijeka Refinery)	44,5	47,8
High Consequence and High Potential Incident Inquiry Rate – INA Group and Contractors	100%	100%
Sites with BAP / Total # of biodiversity critical sites	100%	100%
Implementation of BU SD&HSE action plans	85%	92%
Participation rate in Leadership Engagement Program	100%	100%
Completion of planned audits (External Compliance, PSM, SD)	100%	75%

* lost time injury frequency

CRITICAL CONCERNS AND ACTIONS TAKEN

Critical concerns	ACTIONS TAKEN	STAKEHOLDER GROUP
20 HIGH POTENTIAL INCIDENTS	‣ STOP CARD CAMPAIGN, Reporting of unsafe acts and conditions – 51,636 STOP CARDS ‣ NEAR MISS CAMPAIGN, Reporting of near miss incidents – 2,239 NM reported	‣ EMPLOYEES ‣ CONTRACTORS ‣ LOCAL COMMUNITIES
8 INCIDENTS, O/W 4 HIPO RELATED TO LIFTING OF EQUIPMENT IN CROSCO GROUP	‣ Launch of comprehensive 5C (Culture-Competence-Communication-Control-Check) QHSE Culture Change Program related to prevention of incidents	‣ EMPLOYEES ‣ CONTRACTORS
LTIF INCREASE 2015 -2,0 (PLAN 1,5) & 2014- 1,8	‣ Increased number of LTIs in Retail network o/w 25% related to slip, trip, fall, 25% related to Road safety - Implementation of various OHS programs: ‣ Slip, trip fall campaign ‣ Road safety program (> 2000 km/year, young drivers, drivers involved in road accidents, professional drivers) ‣ PTW (permit to work system) revision ‣ LOTO (Lock out, tag out) pilot project ‣ JSA (Job safety analysis) /LMRA (Last minutes risk assessment) project ‣ STOP Card project	‣ EMPLOYEES ‣ CONTRACTORS
IPPC COMPLIANCE MEASURES IN AREA OF AIR PROTECTION - DEMANDING PROJECTS AND SHORT DEADLINES	‣ Revision of environmental permits of the existing refineries in order to implement newly published REF BREF BAT Conclusions	‣ AUTHORITIES/ REGULATORS
HSE LEADERSHIP ENGAGEMENT PROGRAM, SURVEY RESULTS	‣ Implementation of Leadership engagement program 150+ in 2015-600+ in 2016 ‣ Improvement of visibility on site "Walk to talk campaign" 258 managers trained in 2015 ‣ Quick Start Guide and a bilingual example of checklist	‣ MANAGEMENT

HSE costs and environmental protection investments

A more structured monitoring of HSE costs on INA Group level was started in 2014 by applying a unique methodology and HSE cost categories in the whole INA Group, while the earlier scope was related to INA, d.d. Since then, costs are monitored quarterly for all major INA Group companies that perform HSE-relevant activities.

INA Group HSE costs in 2015 were slightly higher (by 5%) than in 2014 and are mainly driven by soil and groundwater protection costs that were increased due to the remediation of the spill in Dapci (E&P). Other changes of HSE costs were within the ranges of regular business operations, e.g. occupational safety costs that were increased mainly due to fire fighters' protective personal equipment renewal.

In HRK mln	2014	2015
	INA GROUP	INA GROUP
Health protection	11.9	7.2
Occupational safety	12.4	17.4
Fire protection	20.0	21.9
Surface waters protection	8.5	8.2
Hazardous waste treatment	13.5	10.0
Non-hazardous waste treatment	2.6	3.0
Soil and groundwater protection	12.6	19.4
Air protection	3.8	3.9
Non material HSE services	4.2	4.4
REACH and Product Safety	1.0	0.0
Fees and charges	35.9	37.6
Total	126.4	133.0

Monitoring of INA Group HSE investments was also revised in 2014 by applying a unique methodology and project categorisation taxonomy that allowed tracking of investments driven by HSE, while monitoring HSE relevant projects. Implemented project taxonomy is used for regular reporting of all HSE projects by area of OHS, Environment Protection and Fire & Process Safety.
INA Group HSE project investments in 2015 were realised in the amount of HRK 409 mln, the majority of which is related to environmental projects (71%) that mainly reflected investments in compliance projects. In relation to 2014, investments in HSE were increased by 18%.

Considering the INA Group structure, the majority of total HSE investments in 2015 were realised by Logistics (64%), of which the most important projects are related to modernisation of the Bakar port and modernisation of rail tank car (RTC) loading/unloading units in Sisak and Rijeka refineries.

Safety will always be our top priority, and our journey to "Zero Incidents" culture in 2015 was strengthened by launching a multi-year program "Leadership Engagement - Business Excellence through HSE" with the main focus on shaping company culture in which safety behaviour is the responsibility of all employees and contractors, while company leaders are the key to driving safety culture change.
As a company dedicated to safety excellence, we are shifting our focus from lagging indicators to leading indicators. Therefore, we strongly promote reporting of unsafe acts and unsafe conditions through our STOP CARD system, as well as NEAR MISS incidents reporting in order to prevent bigger incidents.

After successful completion of the Life Saving Rules campaign in 2014, our main focus in the area of Occupational Health and Safety in 2015 was put on improvement of the existing Permit to work system. Therefore, we introduced Job Safety Analysis (JSA) / Last minute risk assessment (LMRA), as well as Lock out Tag out pilot project, as supporting programs to improve the quality of the Permit to work system.

Despite the fact that we continued with the Safe driving program in 2015, with a further decrease in road accident rate in INA Group from 3.4 in 2011 to 0.8 in 2015, unfortunately, we had a traffic fatality of our employee caused by a third party in Hungary. In addition to the "Safe driving program" for our employees, we started with the implementation of a new program - "Truck driver's safety fundamentals" - in order to improve professional truck drivers' awareness and skills.

In order to achieve bigger uniformity in HSE management within contractors' enterprises, STSI d.o.o. as a single service company and main "contractor" of INA Group implemented and obtained the SCC ("Safety Checklist Contractors") certification. In 2016, we will be focused on promoting and helping our other contractor companies obtain SCC certification in line with our common goal of providing safe operations on our sites.

Taking into account the aging of our installations and the number of process safety events in the last few years, implementation of the Process Safety Management system is crucial. Therefore, in 2015, we started with setting the organisation structure, trainings, issuing framework and recommended best practices and defining an implementation plan for our PSM relevant locations.
Transition to a low carbon world after adoption of the first universal legally binding Paris climate agreement in 2015 represents an additional challenge in Environmental compliance for our industry.
In addition to the 2020 package, 2030 climate & energy framework set ambitious targets in front of industry.
Substantial increase in allowance price (EUA) under the European Union Emissions Trading System, along with the reduction of free allowances, led to a higher compliance cost in climate protection.

In order to align the existing technology with the Best available techniques (BAT), in 2015 we continued with realization of several projects that are in various stages of implementation. In addition, a gap analysis of the newly published Commission Implementing Decision establishing best available techniques (BAT) conclusions for the refining of mineral oil and gas (2014/738/EU) was conducted in order to determine document requirements, publishing of which requires permit revision and compliance within four years upon publication. In general, full compliance with EU environmental legislation, which is very strict, requires time and considerable financial investments and represents a big challenge in this unfavourable period for the oil industry.

Angelika Brnada
Director of Sustainable Development
and Health, Safety and Environment Sector

ETHICS AND COMPLIANCE

INA, as the largest industrial company in Croatia, adheres to all laws of the Republic of Croatia. INA Group monitors risks associated with changes in the legislation, which may or will have a significant impact on our business.
Due to demanding projects and short deadlines, Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control) is very significant. The Directive regulates the issue of environmental permit by which plant working conditions are determined and requires the application of best available techniques (BAT) by which a high level of environmental protection in general is achieved.
INA obtained the Decision on integrated environmental protection (environmental permits) for its four plants: Ivanić Grad Fractionation Facilities, Molve Gas Processing Facilities, Sisak Refinery and Rijeka Refinery. In order to align the existing technology with the best available techniques, in 2015, INA continued with realization of several projects that are in various stages of implementation.
Since a new Commission Implementing Decision establishing BAT conclusions for the refining of mineral oil and gas (2014/738/EU) was published at the end of 2014 (and serves as a reference for determining the environmental permit conditions), in 2015, a gap analysis was made in order to determine new document requirements with which INA has to comply from October 2018.

ETHICS

INA Group Code of Ethics (CoE) is based on the respect for fundamental human rights and ethical principles of integrity, honesty, trust, respect, humanity, tolerance and responsibility. The CoE is available to the public on INA's website, and is incorporated in the majority of the contracts with our suppliers. In INA, d.d. 100% of contracts with suppliers include the obligation of compliance with CoE, whereas in INA Group, this number is 96%. The remaining 4% that do not contain the obligation of compliance with CoE mostly refer to the accession contracts where the basic contract conditions contain a reference provision, contracts concluded within INA Group companies that already apply CoE compliance provision and annexes of the previously signed long-term contracts.

ETHICAL CASES

In 2015, INA Group Ethics Committee processed 15 complaints and the Ethics Council made 12 decisions based on ethical procedures, investigations of the Corporate Security and available information. In six cases, breaches of INA Group Code of Ethics were established. The reports were related to protection of dignity, transparency of financial information and accounting, prohibition of discrimination, digital systems, protection of privacy and confidential information.
INA neither endangers the rights of indigenous communities with its business operations, nor uses children or forced labour, and requires the same from its suppliers. In addition, it does not provide a financial or any other kind of assistance to political parties, politicians and related institutions.

EDUCATION ON CODE OF ETHICS

In 2015, Ethics training for 90 new managers, expats and newcomers in INA Group was held by Viktor Gotovac, president of the INA Group Ethics Council. Director of Human Resources Sector regularly communicates the topics regarding employees' personal data processing during HR operations to all HR colleagues.
The actions commenced in 2015 which will be continuing in 2016 are managerial presentations on CoE (214 INA Group managers involved and presentations are fully accomplished) and implementation and/or alignment of CoE in joint venture companies ED-INA d.o.o. Zagreb and INAGIP d.o.o. ZAGREB.
Corporate Security Sector's employees and other employees were trained in the Code of Ethics, and trainings for INA Group contractors will be held in 2016.

ETHICS COUNCIL (EC) AND ETHICS OFFICERS

Permanent members of the EC are managers (executive managers, other management level) and an employee representative. The Chairperson of the Ethics Council is an external expert responsible for fairness of procedures. When it comes to the procedures related to the protection of dignity, apart from the permanent Ethics Council members, ad hoc Council members also partake, i.e. a Trade Union or Works Council representative.
Operational work of the Ethics Council (e.g. operating grievance mechanism, investigation, and consequence management) is assisted by Local Ethics Officers. Local Ethics Officers are appointed in INA Group Companies having 20+ employees.

COMPLAINTS CHANNELS

Internal and external stakeholders have the possibility to report an ethical misconduct or seek advice in writing (by post, via e-mail or the Internet) and through a 7/24 phone message recording system.
Anonymous complaints and questions can be submitted and confidentiality is ensured.
When reporting unethical conduct, the reporting person must respect the rights of the person reported on. Thus, it is forbidden to

disclose or forward personal data of the person being reported to any INA Group member companies or third parties not concerned with the ethical compliance issue in question.
In the event of any concerns of an ethical nature, employees may first contact a line manager. Help or advice can also be sought from the HR Sector/HR partner or the Legal Sector of INA, d.d. or competent organizational units/persons performing such tasks in the relevant INA Group company. Should an employee ever feel uncomfortable to use these channels, they may, at any time, contact INA Group's Ethics Council or the ethics officer in the relevant INA Group member company as stated below.
INA Group does not tolerate repression against those reporting ethical issues.

COMPLIANCE

In 2015, no procedures were initiated against INA for anti-competitive practices or marketing communication. In total, there were seven minor procedures related to health, safety and environment, initiated by own employees, contractors or third parties.

MISDEMEANOUR CASES

The majority of misdemeanour cases in 2015 were related to INA, d.d., where out of a total of 21 initiated cases, legally binding decisions were reached in 9 of them, while the remaining cases are still in progress.
The procedures were most often initiated due to failure to comply with the provisions of the following acts: the Act on Flammable Liquids and Gases (3 procedures), Excise Duties Act (3 procedures), Energy Act (3 procedures) and Fire Protection Act (2 procedures).
Monitoring of INA Group KPIs related to the number of fines paid for non-compliance with the occupational health and safety, fire protection or environmental regulations in 2015 showed that, out of 7 paid fines (HRK 0.3 mln), the most significant contribution is related to misdemeanours from previous years, while the share of OHS cases initiated in 2015 in the total ongoing OHS related cases is 21%.

MARKETING COMMUNICATIONS

In the field of advertising, INA follows the rules laid down by advertisers, but also the guidelines of ethics in promotions, Consumer Protection Act, Personal Identification Number Act, Personal Data Protection Act, Code of Association of Marketing Communications - HURA and relevant internal documents. Advertising policy further embodies sponsorship and charity activities, promotional presentations of caring for the welfare of employees, environmental protection and health and safety protection.

CUSTOMERS

Customer value analysis, an annual survey of customer satisfaction, has been conducted for almost a decade. It shows customer satisfaction with suppliers through business elements with the aim to determine INA's position on the market.
Methodology includes qualitative and quantitative research, and is applied for a longer period, so trends can be followed. The survey aims to measure customer satisfaction, monitor trends, improve communication and identify areas for improvement.
In 2015, the total return rate was 21%. The final satisfaction grade of all customers surveyed is the best grade since 2007, when customer satisfaction survey started being regularly conducted. The survey shows increased satisfaction with the quality of products, invoicing, price-quality relation and complaints resolution. The number of respondents who had complaints decreased compared to previous years.
Toll-free phone was launched 18 years ago and enables constant direct communication with the customers. In 2015, the Toll-free phone received 11,917 contacts, which is 9.19% more than previous year. Of all the received calls, there were 10,057 pieces of information including notifications related to Liquefied Petroleum Gas (LPG), 458 complaints, 344 praises and 28 proposals.
Customer privacy is respected in accordance with all codes of practice, INA, d.d. procedures and legal requirements. The security of cards and protection of data of natural and legal persons is very rigorous. So far, there have been no complaints regarding breaches of customer privacy.

PRODUCT STEWARDSHIP

INA Group companies adhere to the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH Regulation) and the Regulation on the Classification, Labelling and Packaging of Substances and Mixtures (CLP Regulation), which require that companies increase their knowledge about the chemicals they produce and pass that information on to their customers. This improves our understanding and raises awareness about chemicals and their hazards.
INA REACH team continuously supports all company processes affected by the REACH Regulation (production, procurement, sales, registration dossier maintenance and update). INA experts actively participate in working groups of European associations of refining industry CONCAWE: Petroleum Products Management Group (PPMG), REACH Delivery Management Group (RDMG), Substance Identification Group (SIG) and IUCLID Policy Team (IPT).
According to the REACH Regulation, in 2015, two registration dossiers of substances were updated with data on substance uses and data were prepared for two inquiry dossiers.

SUPPLIERS

INA Procurement performs pre-screening for bidders, subcontractors and manufacturers to ensure that risks related to Health, Safety and Environmental (HSE) activities are minimized. This includes introducing the bidder to HSE requirements they will be required to apply during the effectiveness of the contract, establishing which bidders meet the HSE requirements of individual INA Group companies and creating/maintaining a database of bidders containing detailed information about the HSE, technical and other capabilities of the bidders. Vendor performances are also post-evaluated on a half-yearly basis with respect to HSE requirements. Additional information can be found in the Contractor Safety Chapter.
The ratio of local suppliers in 2015 was 85% in number and 79% in value. INA's definition of 'local' geographic location entails the geographic area of Croatia.

TRANSPARENCY

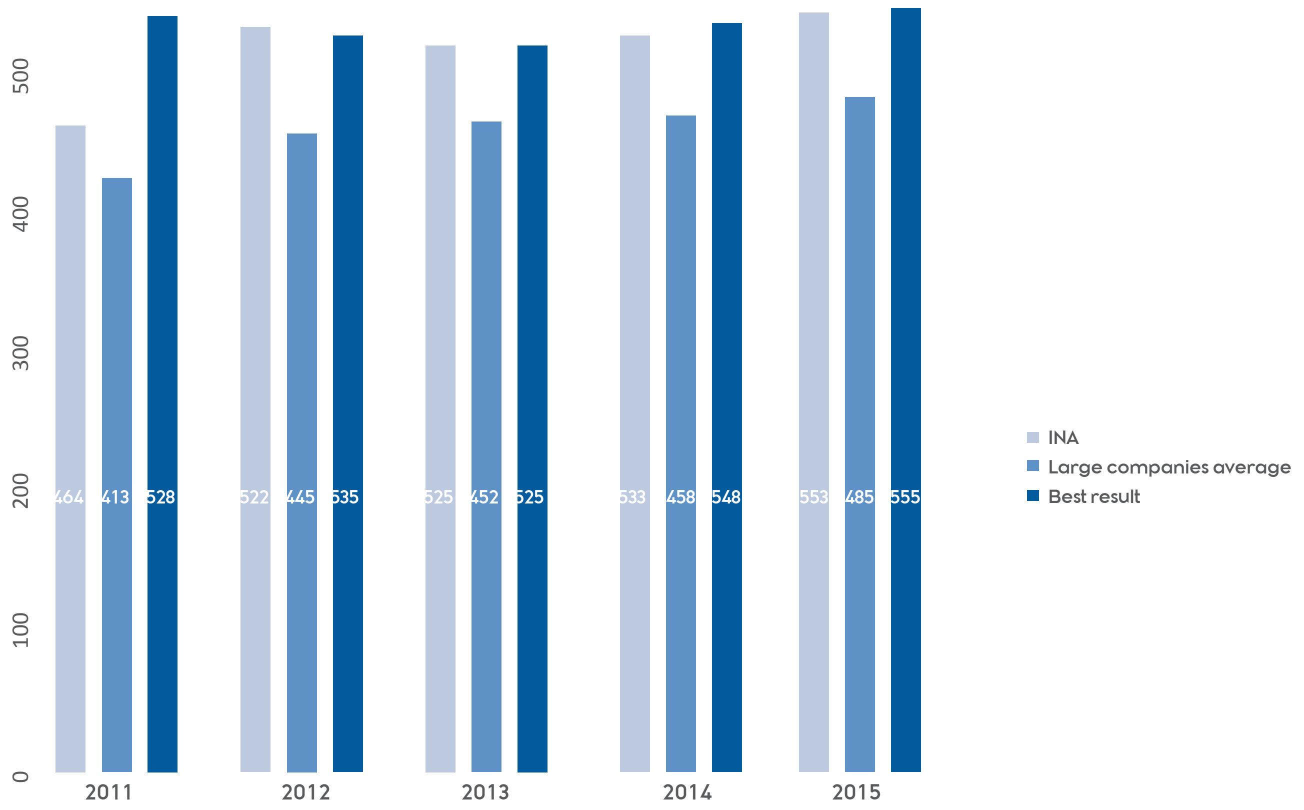
Sustainability reporting

INA Group's integrated Annual Report 2014 was awarded the first national Green Frog Award by Deloitte Croatia for the best sustainability report in 2015 in Croatia.

CSR Index Croatia

For the fifth time in a row, INA took part in the Croatian CSR Index, an annual comparative assessment of the most successful Croatian companies, considering their responsibility and the sustainable business principles application. INA's results show continuous improvement over the years, and in 2015, the results came very close to the best ones in large companies' category, as in the previous years.

INA CSR Index results, compared to the best and average in large companies' group



Roundtable on sustainability reporting according to GRI guidelines

In cooperation with the Croatian Chamber of Economy and Croatian Business Council for Sustainable Development, INA, as a company with long-term experience in sustainability reporting, has initiated and organized a Roundtable on sustainability reporting according to GRI guidelines, in order to exchange experiences and encourage smaller companies to report on sustainability.

CLIMATE CHANGE

ACHIEVEMENTS

- EOR project - more than 120 mln m³ of CO_2 was injected into deep wells in 2015;
- Energy management system according to ISO 50001:2011 has been introduced in INA d.d. and major INA Group companies (Crosco d.o.o., ROTARY Drilling Ltd. - Crosco Group member company, INA Maziva d.o.o. and STSI d.o.o)

CHALLENGES

- Ensure that refinery production remains compliant with European and national legislation in this challenging time for the oil and gas industry.
- The impact of European Union energy and climate policies; stricter rules on emissions trading; unknown future costs of emission allowances and uncertainties related to ongoing development of rules for the fourth CO_2 emissions trading period (2021 – 2030).

A major risk related to climate change is the impact of regulation, which, for example, may require additional investments in plants and equipment as a precondition for maintaining a license to operate. As such, the impact on the company would imply that expenditures rise with no ability to increase revenues to compensate financially for investments made on the account of regulatory obligations.
On the other hand, changes in market trends resulting from climate change concerns or policies present an opportunity for the company to identify new avenues of growth in fields such as alternative energy sources. These are medium to long-term opportunities, but are nonetheless something the management actively monitors.

Renewables and products with bio component

In 2015, INA, d.d. continued with the investments in bioethanol blending project in Rijeka Refinery. Test runs are planned for October 2016. A new Department in the Refinery & Marketing Development Sector, responsible for researching and developing new technologies and products in advanced renewables and co-processing, was established.
In 2015, INA, d.d. blended bio components only with Diesel (FAME – Fatty Acids Methyl Ester and UCOME – Used Cooking Oil Methyl Ester), certificated according to ISCC (International Sustainability and Carbon Certification). The quantity of bio components blended with Diesel in 2015 corresponds to the cost that the market accepted to pay, which is HRK 0.04/litre. Due to the low penalty level and current market situation, where other market players are not active in terms of bio fuels, blending of total National Action Plan (NAP) quantities is not supported (blending quantities for fulfilling total NAP would cost more than penalties; in case the whole bio cost is transferred to consumers, there is a risk of significant market share lost).

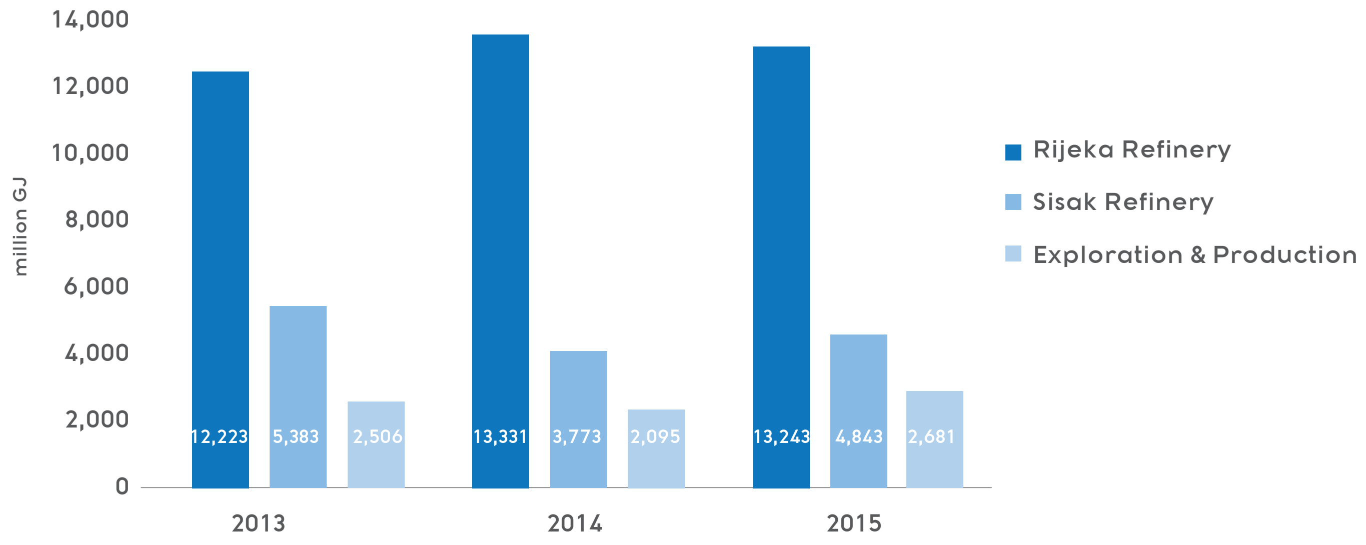
ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS

ENERGY MANAGEMENT SYSTEM

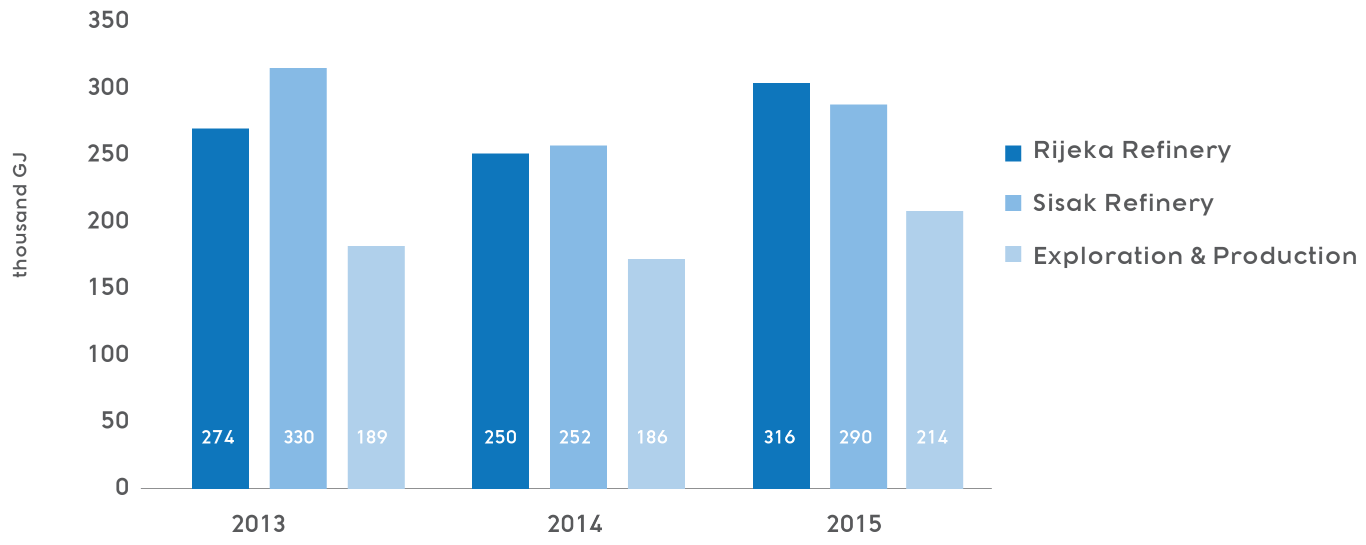
INA, d.d. and major INA Group companies (Crosco d.o.o., ROTARY Drilling Ltd., INA Maziva d.o.o. and STSI d.o.o.) decided to introduce an energy management system according to ISO 50001:2011, in addition to the existing management systems: ISO 9001, ISO 14001 and OHSAS 18001. EMS ensures energy efficiency and competitiveness, increases profitability, optimizes costs and reduces environmental impact.
In September 2015, INA Group successfully passed the certification process carried out by an accredited independent company, and introduced the ISO 50001 management system which specifies energy management system requirements applicable to all organizations, regardless of their type and size.
With the introduction of ISO 50001 for INA Group, energy policy with specific objectives to improve energy efficiency has been established, as well as the basis for energy use. Furthermore, key areas have been identified and elements that affect energy use have been recognized. The general objectives of energy management system in INA Group are: reduction of energy consumption, optimization of energy sources and introduction of new forms of energy that comply with the best available techniques in the industry.

Energy consumption

Total direct energy consumption of INA, d.d. organizational units



Total indirect energy consumption of INA, d.d. organizational units



In the Exploration and Production BD, the total amount of direct and indirect energy consumption slightly increased in 2015. More electricity was purchased due to installation of new compression units at Molve facility that are used for CO_2 injection (EOR project). The increase of direct and indirect energy consumption in Sisak Refinery was caused by a 25% increase in the production of crude oil compared to 2014. In Rijeka Refinery, increased processing in 2015 affected the increase of technological fuel consumption and the decreased consumption of natural gas, which resulted in an increase of total direct and indirect energy, occurred in 2015.

Conversion factors for electricity – International Energy Agency (http://www.iea.org/publications/freepublications/publication/co2emissionsfromfuelcombustionhighlights2013.pdf)

ENERGY-SAVING AND EMISSION REDUCTION PROJECTS

In 2015, INA Group launched a campaign to raise awareness about the importance of energy efficiency in offices. Energy efficiency in offices represents a collection of tips and recommendations which suggest the manner of adjusting daily activities to reduce environmental impact and increase the efficiency of resource use. The campaign aims to educate employees, through labels in offices, brochures and the Intranet site, about the fact that small changes on an individual level can make big changes on an organizational level.

Exploration & Production

CO_2 Enhanced Oil Recovery (EOR) project's primary goal is to increase oil recovery residual oil on mature oil fields Ivanić and Žutica. Secondary target is to significantly reduce CO_2 emissions, extend both fields' life cycle and enforce further development of this region and the local community. A Baseline study, which includes an analysis of baseline air, water, soil and forest vegetation conditions before commencement of the EOR project, was prepared and serves as a reference for all future measurements to be done by the competent company. Trial exploitation and CO_2 injection started in October 2014. By the end of 2014, more than 27 mln m^3 of CO_2 was injected into deep wells, and in 2015, the amount of injected CO_2 exceeded 120 mln m^3.
Reconstruction of Waste Heat Recovery Units of the Ivanić Grad Fractionation Facilities includes using the recovering waste heat from the Gas Turbine Generators through Waste Heat Recovery Units to achieve processing and utility duties. With the implementation of this project, hot oil heaters and water steam boiler are expected to be out of operation. The plan for 2015 included the development of detailed design, procurement of waste heat recovery units and other equipment upon detailed design preparation. Preparation of construction activities is planned during the overhaul in the year 2016.
Project for reduction of NO_x emissions at gas turbines by steam injection is in preparation. The aim of this project is reduction of NO_x emissions.

Rijeka Refinery

In order to increase energy efficiency and savings, the Next Downstream Programme (Nx DSP) was implemented in Rijeka Refinery. Actions implemented in 2015, related to Nx DSP, are: 1.Steam network maintenance, 2. Condensate collection, 3. Modernization of boilers 4. Energy management system. Realization of planned savings value was 30% for 2015, resulting in almost HRK 2.7 mln of financial savings.

Logistics

INA Logistics Sector organized ECO driving course for INA's tank truck drivers, in order to teach drivers eco driving techniques which reduce fuel consumption and CO_2 emissions, while increasing the safety in traffic without the loss of time. A total of 144 drivers joined by nine administrative employees passed the course. The course was partially subsidized by the Environmental Protection and Energy Efficiency Fund, which accepted INA's offer on tender, and was held by experts in driver training. The courses were conducted in real driving conditions. For drivers of tank trucks, an average reduction in fuel consumption by 6.3% was achieved during the course.

Information Services Projects

Server virtualization project enables the company to use fewer servers and thus decrease electricity consumption and waste heat. It also enables a more reliable system to decrease operation and maintenance costs and licensing optimization. Reducing the number of servers enables more physical space in data centres. One watt-hour of energy savings on server level results in roughly 1.9 watt-hours of facility-level energy savings by reducing energy waste in the power infrastructure and reducing the energy needed to cool the waste heat produced by the server. INA performed server virtualization and set virtualization ratio target for 2015 at 70% for the full scope of servers determined for virtualization. The target was fully accomplished.
Implementation of Cisco videoconference (VC) system in INA is part of a wider scope initiative to establish Cisco unified communication infrastructure on MOL Group level and to replace the existing old solution, which reached the end of life. Influenced by growing internationalization, business trip optimization initiatives and collaboration trends, videoconferencing was introduced and integrated communication services have been enabled. All of this resulted in decreasing the number of long distance business trips, which leads to energy and cost savings, pollution decrease and reducing the possibility of traffic accidents (health and road safety positive effect).
Integration of Crosco and STSI users in a common INA IT environment was basically performed by migrating Crosco and STSI IT infrastructure to INA IT infrastructure. These activities had significant results in reducing electrical energy consumption (old Crosco and STSI telecommunication and server infrastructure was shutdown, as well as Crosco and STSI Data Centres facilities) by using the existing INA infrastructure and Data Centre facilities for INA subsidiaries.

Retail

The project of first 'green' petrol station Stupnik-istok construction is delayed due to circumstances such as obtaining all the necessary permits. Competition for the architectural solution for the green petrol station in Split region is successfully finished and the winner is selected.

INA Maziva

Due to the improved organisation of work in INA Maziva d.o.o. in 2015, minor additional savings in steam consumption were achieved after significant savings in 2014. CO_2emissions amounted to approximately 3,100 tons, but are still in the range of free-of-charge emission allowances (CO_2 units). From 2013 until the end of 2015, CO_2emissions were reduced by approx. 30%.
In addition, the project of connecting INA Maziva to the main HEP Toplinarstvo's steam line was initiated and approved, which should lead to further financial savings after shutting down INA Maziva 's own over-capacitated boiler plant. The project is expected to be finished by the beginning of July 2016.

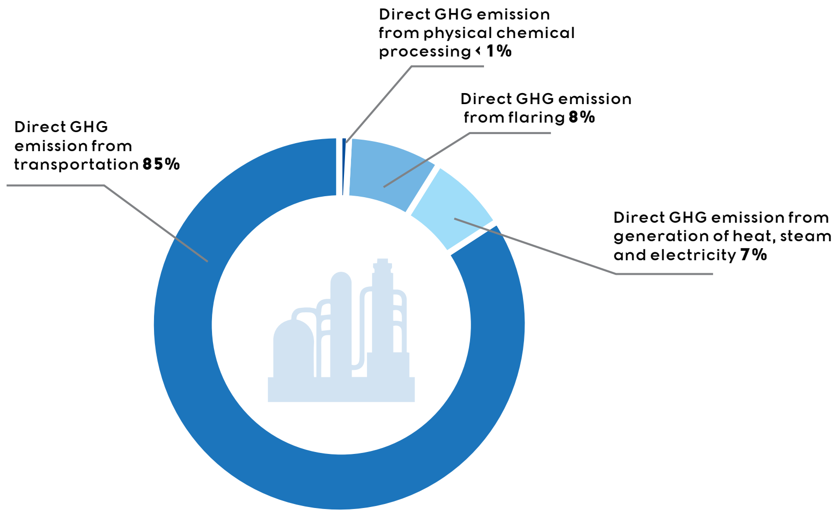
Green House Gas (GHG) Emissions

CO_2 Emissions

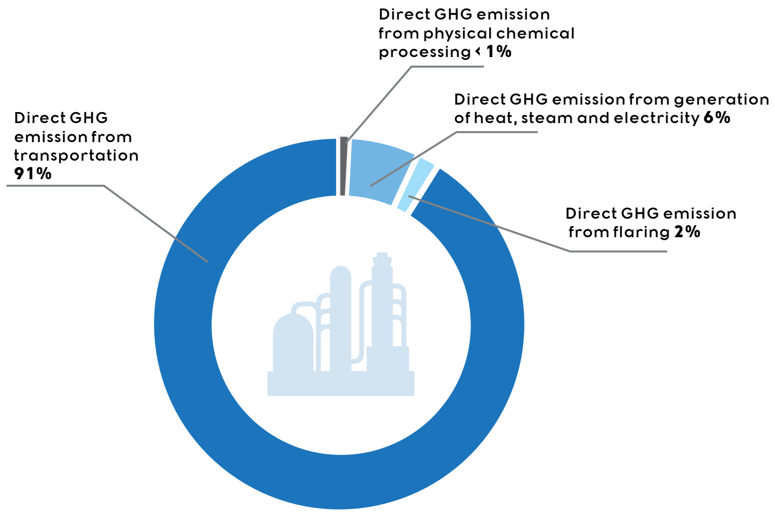
In the pie charts below, the share of direct emissions of GHGs is presented by INA, d.d. organizational units in t CO_2eq. Emissions are presented as Direct GHG emission from physical or chemical processing, Direct GHG emissions from venting, Direct GHG emission from flaring, Direct GHG emission from generation of heat, steam and electricity and Direct GHG emission from transportation indicators. Not all the mentioned emission indicators are applicable for each organizational unit. In Exploration and Production, Total direct GHG emissions are 347,039 t CO_2eq, in Rijeka Refinery they amount to 992,022 t CO_2eq and in Sisak Refinery 328,131 t CO_2eq.
Indirect emissions from transport of INA Group employees by airplane amounted to approx. 224 thousand tons of CO2eq.

Direct GHG emissions

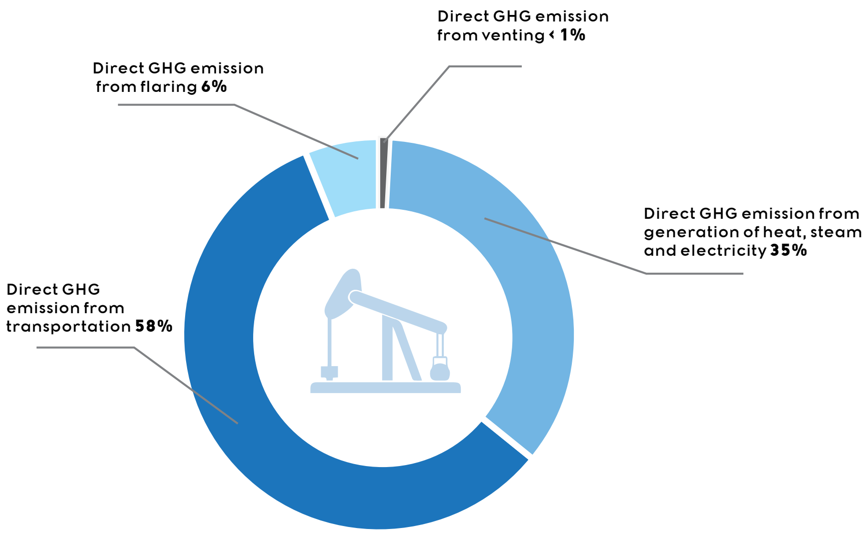
RIJEKA REFINERY



SISAK REFINERY



EXPLORATION AND PRODUCTION



European Union Emissions Trading System (EU ETS) Emissions

One of the main challenges of the refining industry is to ensure growth, while limiting the emission of greenhouse gases. INA recognises that climate change is real and through collaboration with governments, companies and peer companies in the refining sector, INA actively monitors all legal developments, as well as any amendments to the ETS with a potential impact on its business, and at the same time works on setting down the rules for the upcoming fourth trading period (2021 – 2030).

In Rijeka Refinery, Sisak Refinery, Gas Processing Facilities Molve and Fractionation Facilities Ivanić Grad, compliance with the requirements of the third EU ETS phase remained in focus. INA continuously improves greenhouse gas emissions monitoring and reporting on all four EU ETS installations by implementing improvements recommended by the verifier and/or competent authority. To ensure compliance of greenhouse gas emissions trading with the legislation, effective use of allowances allocated for free as a form of entities' asset and the transparency of the planning, monitoring, reporting and trading scheme, as well as the transparency of accounting activities, in 2015 carbon dioxide emissions under the European Union Emissions Trading System (EU ETS) were managed according to the internal Regulation on greenhouse gas and emission allowances management in INA, d.d.

INA, d.d. representatives have submitted to the Ministry of Environmental and Nature Protection a proposal of the Exploration & Production measures which need to be applied in order to achieve a benchmark of emissions in the relevant EU ETS sector. For the implementation of these measures, specific plans, studies and/or analysis will need to be developed, taking into account that the Ministry expressed its intention to assist in the development of these measures by engaging experts to serve as assistants to the operators with the aim of withdrawing funds from the European Union assistance programmes.

Compared to 2014, emissions in Rijeka Refinery increased by 4.0%. In 2015, CO_2 intensity continued to be reported as a key performance indicator for the refining sector. CO_2 intensity in Rijeka Refinery has increased compared to 2014 (44.98 t CO_2/ kt CWT) and was equal to 47.83 t CO_2/kt CWT due to low processing (requires increase in electricity import) and start-ups in Q1 and Q4 (requires higher fuel consumption). CWT (Complexity Weighted Tonne) is used as a benchmarking scheme for the European Union refineries. As a comparison, 10% of the mainstream refineries in the European Union with the lowest emissions intensity in the period 2005 – 2007 had CO_2 intensity equal to 29.5 t CO_2/kt CWT, while average CO_2 intensity for the European refineries for the same period was equal to 37.0 t CO_2kt/CWT.

In Sisak Refinery, CO_2 emissions under the European Union Emissions Trading System were increased by 21%, because crude oil processing in 2015 was increased by 25%.
In Exploration & Production CO_2 emissions under the European Union Emissions Trading System increased due to additional production of electricity for the compressor stations under the EOR project (EOR started in October 2014) and the overhaul in 2014. In Ivanić Grad Fractionation facilities, CO_2 emissions increased by 11%, while in Molve Gas Processing Facilities, the CO_2 emissions increased by 7%.

VERIFIED CO_2 UNDER EU ETS

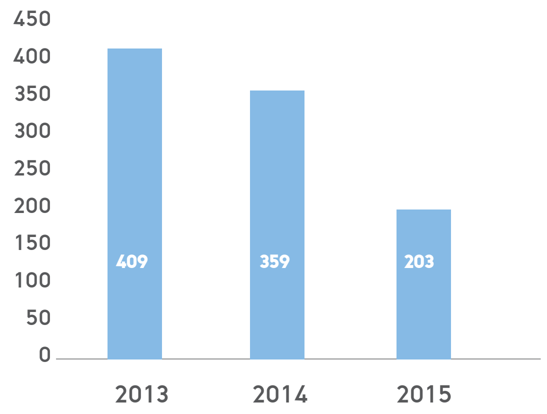
t/year	2013	2014	2015
Rijeka Refinery	966,413	952,377	991,903
Sisak Refinery	362,326	257,724	328,064
Gas Processing Facilities Molve	68,812	69,242	74,772
Fractionation facilities Ivanić Grad	27,538	28,156	31,626
Total verified EU ETS CO_2 t/year	**1,425,089**	**1,307,499**	**1,426,365**

All CO_2 emissions under the Emissions Trading System are verified by an accredited company in line with the relevant European and national legislations.

Gas leakages

Due to the successful implementation of the EOR project (October 2014), in Exploration and Production, direct GHG emissions from venting were reduced by 43% compared to 2014.

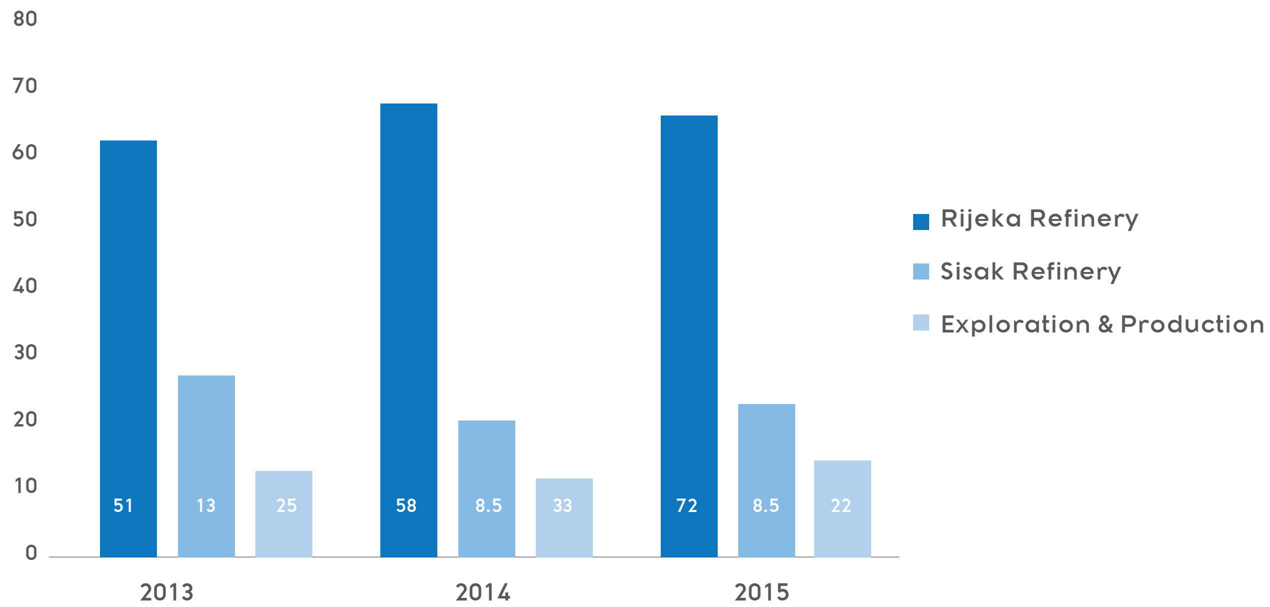
Direct GHG emissions from venting in Exploration and Production (in thousand t CO_2eq)



CO_2 (t) 2014	358,947
CO_2 (t) 2015	202,402

Hydrocarbon burning system represents an important safety measure in case of a dysfunctional operation (relief function) in E&P, or in case of discharging of equipment before the planned overhaul works. Gaseous hydrocarbons are burned on the vertical flaring objects, while the liquid phase is burned within the flaring pits. During the regular operations, only the flare pilot ignition system is turned on.

Direct GHG emissions from flaring in INA, d.d. organizational units (in thousand tCO_2eq)



Due to increased technological losses in Rijeka Refinery, the amount of Direct GHG emissions from flaring in 2015 was increased by 20%. Direct GHG emission from flaring is calculated from technological losses (Loss = total input – total output – technological fuel).
For Exploration and Production, direct emissions from flaring decreased by 33% when compared to 2014, because flaring was increased in 2014 due to pipeline pigging and overhaul works.

ENVIRONMENTAL PROTECTION

ACHIEVMENTS

- INA Group Waste management strategy 2015-2018 was issued;
- 353 tons of waste accumulated in warehouses (old chemicals, catalysts, clay) were treated;
- Remediation soil and groundwater program was started;
- Comprehensive site investigation on closed lubricant refinery Mlaka was finished.

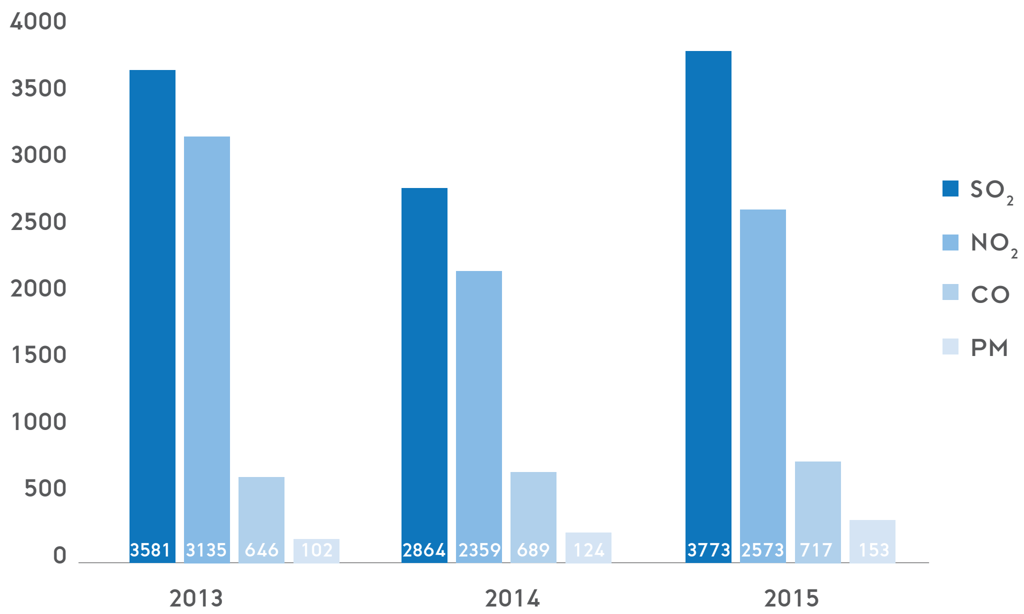
CHALLENGES

- Compliance with IPPC measures in the area of air protection due to demanding projects and short deadlines;
- Revision of the existing environmental permits for the refineries in order to implement new BAT Conclusions.
- Municipal waste cost control and monitoring

Air emissions

In E&P monitoring of emissions at stationary sources is carried out in accordance with the legal requirements and environmental permits. For the purpose of recalculation of fugitive emissions in the State Energy Sector, Oil and Gas sub-sector, a meeting on calculation accuracy for the period of 1990-2012 was held with the representatives of the Environmental Protection Agency. The European Commission requires a higher level (level 3) of calculation. The required data were submitted to the Ministry. The European Commission has prepared guidelines for quantification, verification, validation, monitoring and reporting of emissions in the upstream segment.

INA Group air emissions (in tons)



Water

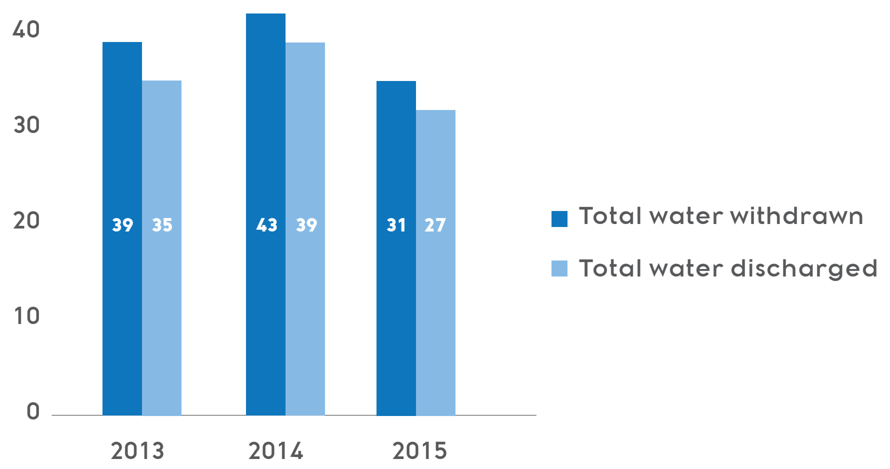
In 2015, total water withdrawal in Rijeka Refinery decreased compared to the 2014. In 2015, water intensity in Downstream (DS) Production, % (m^3/t raw material), amounted to 11.7. In 2014, water intensity for DS Production, % (m^3/t raw material), equalled 14.3.
Two water efficiency projects were implemented in Rijeka Refinery in 2015. The aim of the first project - Revitalization of the Cooling Water System - is to identify and optimise the cooling water system and improve water supply for the refinery. The second project is Construction of Industrial Water Filtration System. This project serves to secure the quality of water used by the Power Plant for steam production. Depending on the choice of filtration equipment and chemical-biological treatment, it is possible to secure potable water for RR needs.
In E&P technological water withdrawal is carried out based on the concession agreement. The sale of the produced water is conducted based on annual contracts with the public water supply companies. Technological Water Withdrawal for own consumption equals 545,698 m^3. It includes water withdrawn from own wells and water stations (underground water) and water taken from the local munic-

ipal companies. Reduction of the total water withdrawal in relation to 2014 occurred because the water which used to be used for reservoir injection has not been exploited since the EOR project started.

During the repair of ruptured water pipes in Ivanić Grad Facilities, Crosco replaced the main water pipes and valves. This resulted in water consumption decrease of 136% (in October, the consumption was 2,135 m^3 and after pipes and valves replacement, the consumption was 903 m^3).

In Rijeka and Sisak refineries, the wastewater is treated on Wastewater Treatment Plants and the quality of wastewater is controlled in accordance with the conditions prescribed by the Water permit.

Water withdrawal and discharge in INA Group (in million m^3)



Geothermal water and water production

In 2015, INA produced 358,671 m^3 of geothermal water on Zagreb and Bizovac geothermal fields. INA transported the produced water to users to fulfil their energy demands, primarily for space heating. In the same period, INA also produced 2,901,363 m^3 of water in total. The majority of this quantity was produced on three water stations (2,062,937 m^3), and the remaining 479,775 m^3 was produced for internal technological purposes.

Exploration & production total water production

WATER PRODUCTION

m^3	2013	2014	2015
Water produced from water stations	2,274,964	1,938,749	2,062,937
Water produced from wells	530,360	492,827	479,755
Geothermal water	386,986	402,498	358,671
Total water production:	**3,192,310**	**2,834,074**	**2,901,363**

Waste

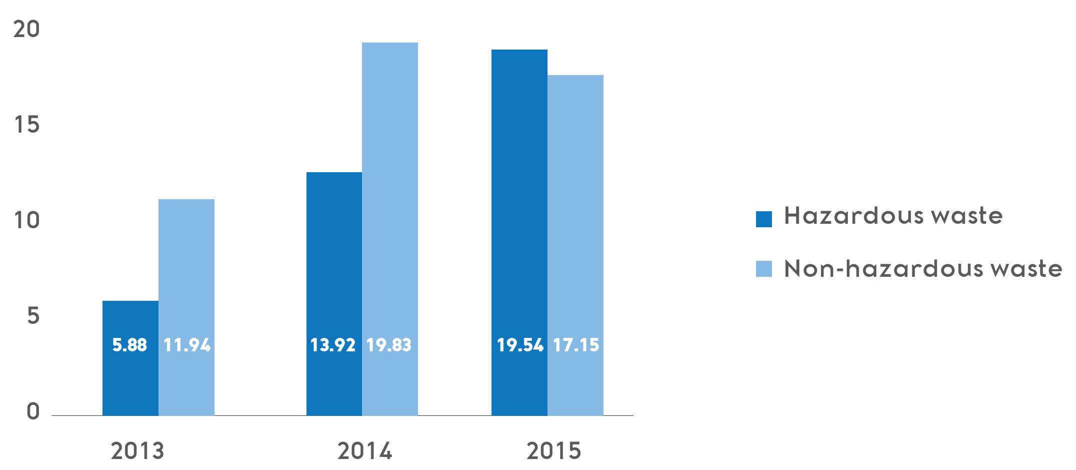
In 2015, the INA Group Waste management strategy 2015-2018 was issued. The aim of the strategy is further development of the existing waste management system, better monitoring of costs and treatment or disposal of waste generated during the past activities.
INA Group produces significant quantities of different types of waste and is dedicated to the development of sustainable waste management and reduction of waste production.
In 2015, waste treatment contracts were signed based on a regional approach for all INA's locations where technological waste is generated and appropriate waste treatment is applied.
The most common types of waste generated in INA Group are soil and stones containing dangerous substances, oily sludge from plant or equipment maintenance operations and iron and steel. These types of waste should be given additional attention in order to reduce production of such waste types and thereby reduce disposal costs and environmental impact.
Furthermore, one of the main focuses is improvement of municipal waste management through enhancing separate waste collection, which will result in decreasing the municipal waste amount and better cost control.
STSI has issued a Hazardous Waste Management Strategy for the period from 2015 to 2020 with the aim of planning hazardous waste treatment using the best available techniques in relation to the cost and environmental acceptability. By analysing data about the types and quantities of waste generated in INA Group, it was observed that one of the most common types of generated waste is contaminated soil. Accordingly, STSI's strategy is directed towards the development and implementation process of bioremediation as the main method for treatment of soil contaminated with hydrocarbons.
Improvement is also achieved by better waste handling on the warehouse locations, where a large amount of old chemicals, spent catalysts and unusable clay was stored. A total of 353 tons of accumulated waste from warehouses were appropriately treated in 2015.
Non-hazardous waste (scrap materials) produced at INA, d.d. locations have been collected separately and sold to the contractors. The total income from the sale of scrap materials in 2015 amounted to HRK 3.8 mln. A significant amount of sold waste refers to the ferrous metals, bronze, brass and old vehicles.

Quantity of hazardous and non-hazardous waste produced in INA, d.d. and INA Group (without municipal waste)

	2013		2014		2015	
	HAZARDOUS WASTE (t)	NON-HAZARDOUS WASTE (t)	HAZARDOUS WASTE (t)	NON-HAZARDOUS WASTE (t)	HAZARDOUS WASTE (t)	NON-HAZARDOUS WASTE (t)
Rijeka Refinery	513.84	1,314.49	410.40	892.30	875.49	3,452.33
Sisak Refinery	2,873.10	1,374.32	2,266.35	1,346.66	2,509.95	1,212.43
Lubricants Sector (Mlaka)	4.48	44.86	713.92	33.70	*	*
Exploration & Production	819.33	6,726.49	3,289.35	10,161.33	1,391.25	4,595.53
Retail	1,088.52	112.82	4,536.77	3,878.14	10,968.66	2,853.83
Logistics	240.4	222.11	1,053.50	900.40	300.16	551.03
Corporate Centre	16.89	0.00	4.16	29.83	614.25	1,327.47
Total INA, d.d. (t)	**5,557.00**	**9,816.30**	**11,559.23**	**17,208.54**	**16,659.76**	**13,992.62**
Crosco Group	112.84	1,416.64	375.77	1,793.69	488.43	1670.00
INA Maziva	179.14	97.00	141.58	107.35	194.49	733.15
Holdina	1.37	-	467.30	168.56	1,002.80	213.00
Energopetrol	1.69	-	1,339.43	0.00	1,183.86	313.10
Interina	6.19	34.56	12.55	53.17	0.05	35.06
STSI	18.82	572.09	20.24	477.97	15.17	198.21
INA Osijek petrol**	1.29	2.24	0.79	19.00	N.A.	N.A.
Total INA Group (t)	**5,878.20**	**11,938.83**	**13,916.91**	**19,828.41**	**19,554.56**	**17,155.14**

* Total amount of hazardous and non-hazardous waste shown within the Corporate Centre
** Subsidiary no longer exists

Waste quantities in INA Group (in thousand tons)



In 2015, production of hazardous waste in INA Group increased by 44% compared to 2014. The amount of produced non-hazardous waste decreased in 2015 by 12% compared to 2014, but it is still higher by 45% compared to 2013. Increased amount of produced hazardous waste is a result of the activities undertaken in 2015 - disposal of accumulated waste from warehouses and disposal of temporarily stored contaminated soil produced during the modernization, capital reconstruction and/or closing of filling stations. Moreover, a great number of old vehicles have been sold to the contractor for treatment. In Rijeka Refinery and INA Maziva, there is significant increase in the produced waste, especially non-hazardous waste, due to the execution of demolition projects.

Remediation

In 2015, groundwater monitoring was established on locations where preliminary site investigation related to contaminated land management was performed. Trend analysis was performed on groundwater data and results indicate that a slight increase in the concentration of mineral oil and chromium was registered in some samples.

Furthermore, comprehensive site investigation was performed at the closed lube refinery, Mlaka. In order to determine underground karstic situation and the polluted area, and to create a detailed geological map of the terrain, which is an important precondition for any remediation activities, the following works were performed: geophysical and hydrogeological measurements, preparation of a geological model, drilling of boreholes and building the piezometric constructions for monitoring purposes. Results of this study will enable the assessment of underground pollution extent and give suggestions for possible cost-effective remediation scope and methods. Underground remediation in Rijeka Refinery represents a long-term process of multidisciplinary activities that have been continuously carried out since 1993. Remediation costs in 2015 amounted to HRK 3.1 mln, and 5 new monitoring wells for the remediation purposes were drilled in front of the power plant where large amounts of hydrocarbons occurred in 2014. Remedial actions were carried out for the implementation of three main objectives: the protection of the sea and the coastal belt, continuous elimination of the pollution from underground and daily insight into the quantitative and qualitative state of pollution in the underground (monitoring).

Retail BD continued with remediation activities. Remediation of soil and underground water was launched by Retail BD in 2010. Remediation of a location consists of preliminary site investigation, remediation program prepared by an authorized company, approval of the Ministry of Environmental and Nature Protection and remediation activities during civil works. This includes removal and handling of contaminated soil and water if required, and all activities must be supervised by ecological supervision. Upon implementation of remediation, a report made by ecological supervision is prepared and delivered to the Ministry of Environmental and Nature Protection for professional opinion on whether the location has been remediated or not. In 2015, remediation was performed on 6 filling stations that were in capital reconstruction, on 4 filling stations during tank replacement and on 3 filling stations during demolition. During these works, environmental remediation measures were also carried out on the locations, with a continuous environmental supervision.
In 2015, a remediation consultant conducted an assessment of the current environmental remediation program with identification of the best practices and areas for improvement. The main opportunities for improvement were identified in the field of development of a clear strategy towards contaminated land management and implementation of investigation and remediation approach. An action plan was developed in order to meet the consultant's recommendations. Also, in 2015 a team for remediation and management of environmental provisions was nominated with the aim of operational management and remediation process contracting, continuous monitoring and updating provision-based environmental liabilities.

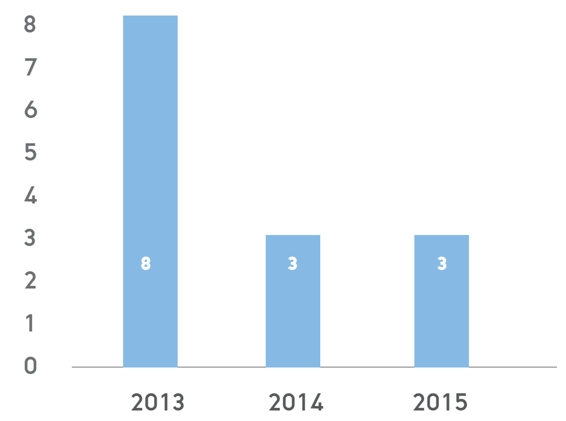
Provision based environmental liabilities in INA Group

INA Group recognized environmental provisions in the amount HRK of 295 million* as at 31 December 2015 (2014: HRK 309 million; 2013: HRK 301 million), which covers investigation to determine the extent of contamination at a specific site, treatment of accumulated waste generated by former activity, preliminary site investigation with corresponding laboratory analyses, soil excavation and replacement during the reconstruction of filling stations. It does not cover the cost of remediation due to the lack of detailed national regulations. The main reason for decreasing the liability is the change in the premises used for calculation/estimation of the provision (contracted prices are used for provision calculation) and work which is done, so provisions are released.
* not audited data

Spills

Remediation costs of spills with a hydrocarbon volume larger that 1m^3 were reduced by 59%. The reason for this is a significant reduction of spills with hydrocarbon (HC) content over 1m^3 (171.5 m^3 of HC in 2014 and 10 m^3 of HC in 2015).
In 2015, there were three spills over 1m^3 – two in Sisak Refinery and one in Exploration and Production.
In E&P, on 19 March, during regular Lipovljani field facilities control trip, oil spill on gathering pipeline was detected. The spill did not cause any water pollution of the nearby Subocka River and immediate actions were taken to prevent any possible spill extension. Approximately 2m^3 of crude oil was spilt and approximately 150m^2 of surface was polluted. Remediation was completely done.

Spills >1m^3 in INA Group



In E&P, an Action plan for ruptured pipelines and spills management was prepared based on a detailed analysis of the critical pipelines spill data base. Projects for rehabilitation and replacement of critical sections of pipelines resulted in a decrease of spills with the consequence of leakages of hydrocarbons into the environment.

On 27 March, an oil spill happened on the part of the crude pipeline, linking Sisak Refinery and JANAF. The cause of the crude leakage is pipeline rupture caused by corrosion. Approximately 6m^3 of crude oil was spilt and remediation began immediately.
On 20 May, spill of HC happened in Sisak Refinery, near the Sava River Bridge. The pollution was caused by heavy rain and leftover HC from the spill. Approximately 2m^3 of crude oil was spilt and remediation began immediately.

BIODIVERSITY

In Exploration and Production, in cooperation with the public institutions for protected areas in the Republic of Croatia, action plans for critical fields in terms of protected species have been prepared. Biodiversity Action Plan (BAP) Kalinovac was designed and implemented in collaboration with the Public Institution for Management of Natural Protection of the Koprivnica-Križevci County. For the BAP Stružec, we received the proposals of the Public Institution of the Nature Park Lonjsko Polje related to possible projects/activities.
INA Volunteers had an action of plucking the non-autochthonous plants in the Special geographical botanical reserve "Đurđevački Pesci", which was a part of BAP Kalinovac realisation.

In order to monitor the impact of Rijeka Refinery on the marine environment, the Teaching Institute of Public Health of Primorsko-goranska County continuously examines the quality of the seawater and marine sediments in the impact area of the Refinery. The quality of sea water is examined on samples taken on three positions in the sea in front of the Refinery, once a month.
The analyses include determining physical, chemical and bacteriological characteristics of seawater. According to the results of the analyses, the quality of seawater on coastal Kostrena belt is very high and suitable for swimming.

Examination of the sediment is carried out twice a year on three positions in front of the Refinery and the reference position, which is not under a direct influence of Refinery. The analyses include the determination of hydrocarbon compounds and heavy metals, and the results show that there is no influence of Rijeka Refinery on the marine environment.

In 2015, Crosco issued a flyer with information on biodiversity in Žutica Forest, near Ivanić Grad. The flyer called "Žutica Forest – area of landscape importance" gives a description of the area, flora and fauna habitats and advice on how to protect the environment. The flyer was sent to all worksites and presented at safety meetings.

HEALTH AND SAFETY

ACHIEVMENTS

- Further decrease of total recordable injury rate compared to previous years
- No on-site fatalities in 2015
- Three new supporting programs to Life Saving Rules project were implemented with the aim to further increase the safety of own employees and contractors
- Programs and initiatives on leadership engagement in HSE culture improvement were launched

CHALLENGES

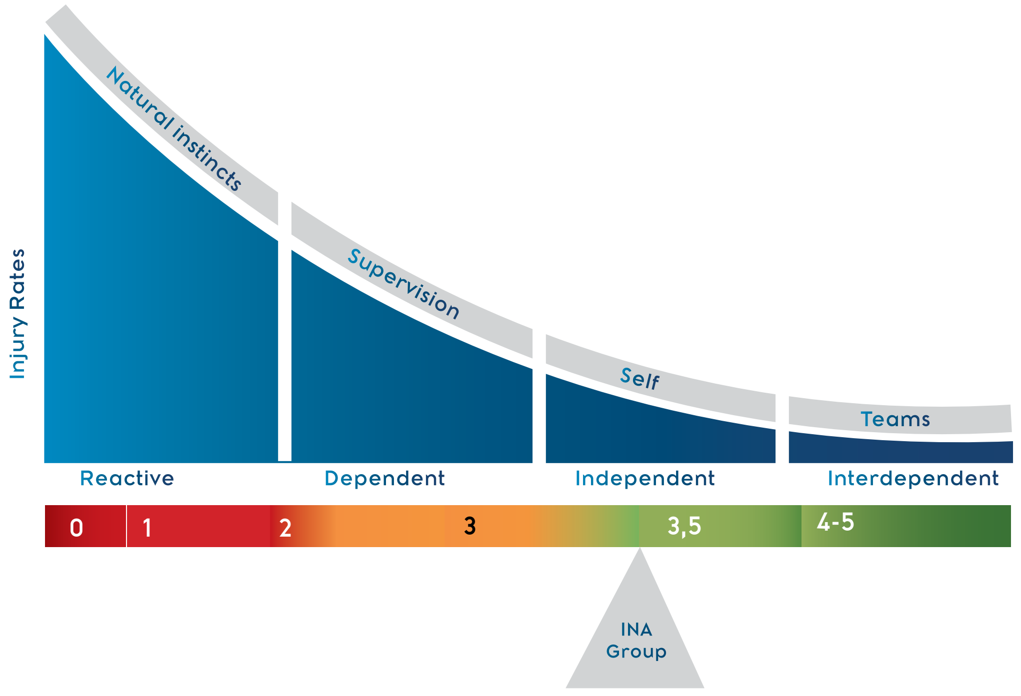
- Continue with the road safety program to decrease serious road accidents.
- Implementation of process safety management
- Further development of the programs for HSE leadership engagement through dialog workshops and leadership trainings

PERSONAL SAFETY

SAFETY CULTURE

The multi-year program "Leadership Engagement: Business Excellence through HSE" was launched in 2015 with the main goal to raise the quality and the level of safety culture and safety-at-work in daily activities, strengthening of personal HSE awareness and taking a lead role in promoting the HSE culture by the management. The program was developed in cooperation with the top ranked consultants in HSE area, Bruno Schmaeling (IBS) Consulting Group Institute.
As a starting point of the Program, a Survey on Safety Culture was conducted on representative INA Group locations. The targeted population were blue-collar employees who were invited to participate in the survey completely anonymously.
The minimal targeted response of approx. 45% of site population was exceeded, so representative population was achieved and the survey was evaluated by IBS as successful.
The applied survey methodology enabled the evaluation of the difference in the managers and workers' perception of safety culture rating by seven safety culture areas and contribution of employees who rated any of safety culture areas with the lowest grade.

Results of Survey on HSE culture – overall INA Group rating

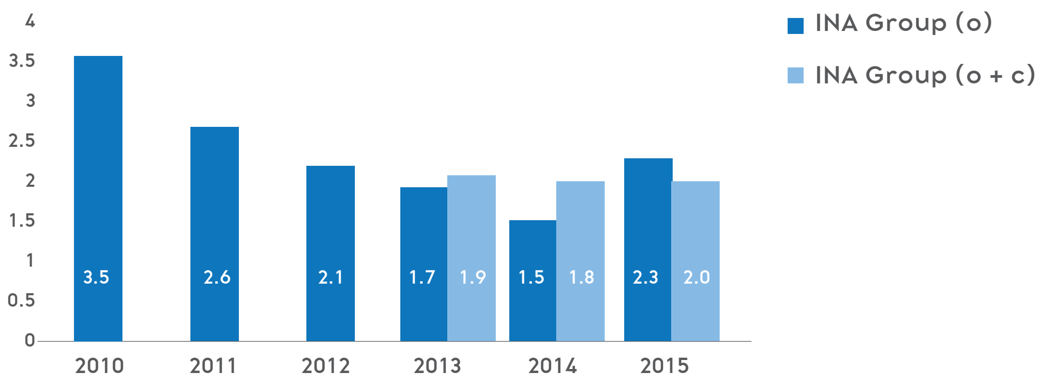


Dupont Bradley curve

The results were presented to top management, who selected the next program steps together with IBS consultants, of which safety Leadership training for TOP INA Group managers was performed in 2015.
In addition to the Leadership Engagement program, numerous actions relating to HSE leadership were initiated, including HSE discussion forums with the management about the challenges arisen from the survey results, launching of internal HSE leadership guidelines and incorporation of HSE leadership KPIs in the managerial evaluation scope.

WORKFORCE SAFETY

LTIF in INA Group (Lost Time Injuries per million worked hours) (o – own employees; o+c – own employees and contractors)



INA Group experienced a deterioration in some values for workplace health and safety indicators (e.g. LTIF). In 2015, the number of LTIs was 50, which showed moderate deterioration in comparison to 2014 (LTI=36). There were no fatalities at any of our facilities. However, there was one fatality as a result of a road accident for which a third party was responsible. The analysis shows that most of our injuries can be contributed to slip, trip and fall type of injuries, road accidents and improper equipment handling which resulted in injuries of extremities, minor wounds and bruises.
In INA, there is a Central Occupational Health and Safety Committee established, where health and safety issues and programs are discussed on a company level between the employer and employees representatives with the participation of an M.D. (medical doctors) specialist for occupational health and an occupational health specialist. 100% of total workforce is represented in these committees. Representatives of the workforce are selected through elections. Currently, there are three times more representatives then legally required.

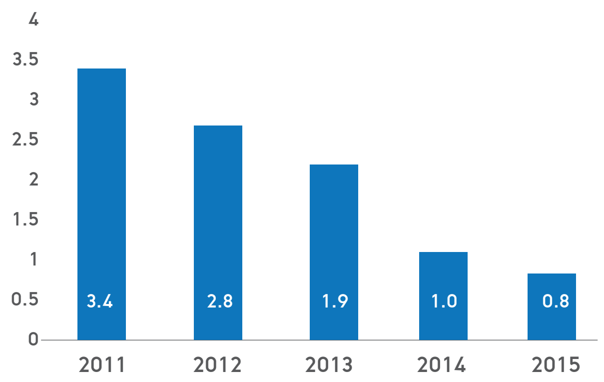
The second and third phase of the Fall Protection Program in INA were started in 2015 and will continue in 2016. The ultimate goal is to increase safety for works at height and reduce the number of injuries caused by work at height to zero. The program of procuring dioptric protective glasses was started in 2014, collecting needs from all subsidiaries. In 2015, the program continued and a total of 841 employees were sent to an eye examination and received dioptric protective glasses.
To enforce the Life Saving Rules (LSR) program, three more programs were launched in 2015 – LOTO (lock out – tag out) program (pilot project), Job Safety Analysis (JSA) / Last minute risk assessment (LMRA) program and STOP Card System program. LOTO pilot project was done on two sites – Refinery Rijeka and Etan. In 2016, it is planned to purchase the LOTO equipment and roll out this project in all affected sites. The JSA/LMRA and STOP Card project were rolled out in all units and subsidiaries in 2015. All affected employees and contractors were trained for implementation of this project and standardization of the permit to work process was made.

ROAD SAFETY

INA's Safe Driving Program, started in 2011, is well-established in INA. In 2012, INA prescribed procedures and rules connected with safe driving, which are continuously upgraded and updated according to new standards.
A series of activities was conducted within the Safe driving program, such as publishing articles on the Intranet ("Ten tips for winter driving", "The biggest challenges for drivers in the winter", "The importance of winter tires", "Safety tips and advice for winter driving", "Driving in reduced visibility" etc.), putting up posters on BU locations, conducting a number of campaigns and publishing a YouTube video.
RAR (road accident rate) is a key performance indicator in INA Group. By implementing the above-mentioned program and the related projects, a big improvement was recorded in this KPI in the past 5 years, as it steadily dropped from 3.4 in 2011 on a Group level to 0.8 in 2015. For INA, d.d. improvements are even bigger – from 6.5 in 2010 to 0.7 in 2015.

In 2015, the focus on training of personnel and extension of the program to other INA subsidiaries continued. 294 INA employees were trained. Energopetrol, Holdina, STSI, INA Maziva and Crosco Group also joined this program in 2015. 95 workers were trained in INA subsidiaries: 30 in Energopetrol & Holdina, 18 in STSI, 14 in INA Maziva and 20 in Crosco Group.

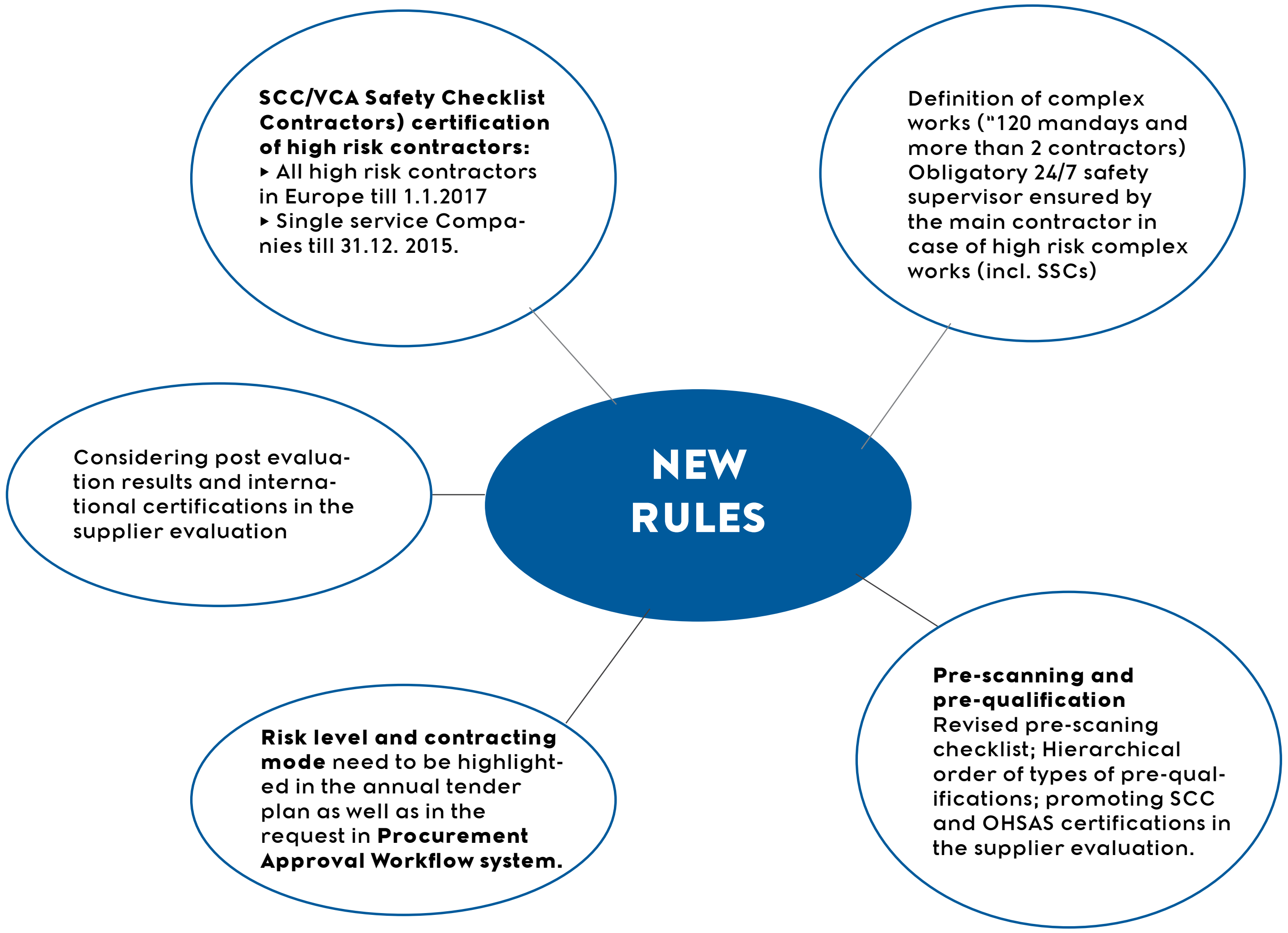
Road Accident Rate in INA Group



A new program called "Truck drivers' safety fundamentals" started in 2015 and will continue in 2016. The aim of this program is to emphasize top ten rules that truck drivers have to follow. Furthermore, a new version of the regulation will be published in 2016 in order to continue to set new standards that will allow a more significant progression of standards application by each worker and further improve the regulatory framework in this field. A team established on INA Group level continuously works on education and program promotion through the above-mentioned activities in INA and INA Group, monitors the effects of these activities and, if needed, customises programs and activities.

CONTRACTOR SAFETY

An updated version of the Contractor management regulation for INA Group and INA Plc. was published in May. The Contractor HSE Management covers the entire process of Contractor management including bidding, contracting, contractor pre-screening and pre-qualification, on site work rules, and post-evaluation.
New elements in the revised contractor safety regulation:



These new elements showed improvement in: Planning and scope definition, Bidding, Tender evaluation, HSE pre-screening and pre-qualification, Contracting, Post-evaluation and Reporting system.
Within the Contractor management and Life Saving Rules programs, a contractor monitoring system and an on-going reporting system were established.

ON-SITE HSE audits of contractors in INA,d.d.- 2015

Site inspections [pcs]	Site inspections w/o non-compliances [pcs]
978	759

Most of the deficiencies determined during site inspections were corrected immediately. For bigger non-compliances, penalties were proposed and implemented.

STSI d.o.o., as INA Group's single service company, put a lot of effort and managed to implement and obtain the SCC certification. SCC scheme ('Safety, health and environment (SHE) Checklist Contractors') was developed in 1994 to objectively evaluate and certify the HSE management systems of contractor companies providing services to the petrochemical and chemical industry. The SCC scheme is owned and managed by a body made up of representatives of associations of both client and contractor companies. The aim of the scheme is to achieve bigger uniformity in HSE management systems and more continuous improvement of HSE performance within contractors' enterprises. An important element of the scheme is the requirement for SCC-certified enterprises to demonstrate clearly that their staff underwent the obligatory HSE training.

HEALTH PROTECTION AND PROMOTION

Occupational Health

Occupational Health activity aims to insure and maintain the employees' work ability by targeting early prevention, protection and audit actions for employees and their health. The results of such activities are found to be highly positive. In addition to health assessment and examinations, the targeted educations and trainings play a key role in the improvement of occupational health, especially in the specific fields of occupational health, safety and working conditions, which facilitate identification of problems, while the implementation of solutions helps us overcome these limitations. In cases of accident or illness of employees on workplace, the organization and provision of first aid and emergency treatment play a key role in preserving the employees' life and health. We have also put special emphasis on these activities:

- Prevention of musculoskeletal disorders and injuries

In order to help employees recognise the risks that may lead to musculoskeletal disorders and to reduce injuries, ensure a positive impact of work and reduce costs of work absence, as well as to design work itself and the work environment in a way which is safe for the employees, we launched the education campaigns: "Slips, trips, falls" and "Cargo handling".

- Medically programmed active vacation (MPAV)

In 2015, 130 INA, d.d. employees of different medical statuses, employed at different positions, were sent to a ten-day Medically Programmed Active Vacation (MPAV). The selected institution was SPA TOPUSKO known for thermal waters, which have beneficial effects on numerous medical conditions, and can especially affect the regeneration of organism as a whole, as well as effect the in-body mobilization of a wide range of defensive factors. Upon arrival and before the departure of employees, specialized medical examination was performed for the purpose of therapy selection and determining the overall health status.

- Health and safety at high temperature work environment campaign

Every year, this campaign is carried out immediately before and in the period of high temperatures. In 2015, a brochure was prepared about the general recommendations and advice to prevent and reduce heat stress, work organization, recognize heat risk factors, the early symptoms of heat stress and health consequences, heat stress first aid rules, determining humidex index and actions to prevent heat stress. Employees performed a brief training and were regularly informed about the red zones.

- Everyone can save a human life

Occupational medical specialists carried out educational campaign on several work locations with practical training related to the timely identification of respiratory and cardiac arrest and basic first aid procedures.

Workplace Health Promotion

Health promotion activities and individual initiatives of the company and employees are mutually focused on the business and the individual workers, promotion of active participation, supporting employees in acquiring a healthy behaviour pattern especially in order to increase control over and improve the factors that affect their health. This lead to a preservation and improved state of employees' health.

- **Moving to health**

The campaign "Running - challenge of the 21st century" aimed to promote and educate employees about the positive effects of movement on human health and encourage the employees and their families to move. Rijeka Refinery employees and their families actively participated in the ninth Rijeka marathon and "Homo si teć" event. INA employees were also involved in the Terry Fox Run in Zagreb. In 2015, the first B2B Run was held in Croatia. A highly motivated INA's team consisting of ten employees won seventh place.

- **Health habits of eating, targeted fluid intake and medical screening of blood sugar and pressure**

Introduction of a list of allergens for each meal in the canteen and campaigns of healthy eating habits and targeted fluid intake, as well as medical screening of blood sugar and pressure was conducted with the aim to achieve or maintain proper nutrition to:

- avoid allergic reactions
- provide enough energy and nutrients
- good glucose (sugar) control in the blood
- prevent acute and chronic complications
- normal blood pressure control
- normal body weight control and
- Prevention of dyslipidaemia and heart and blood vessels disease.

- **Intranet site for Health Protection and Promotion and "Ask our Doctors" service**

All campaigns and forums that were held, educational materials and internal news in the occupational health field are available to employees on the intranet site HEALTH PROTECTION AND PROMOTION. All INA employees have access to „Ask our Doctors" service which enables them to send questions to the contracted company occupational medicine specialist related to occupational health matters and health in general or make a personal appointment. The questions can be asked via a common e-mail address and the answer will be provided within several days. More information about the company occupational medicine specialist and most frequent questions with answers can be found on this INA Intranet site.

PROCESS SAFETY MANAGEMENT

In 2015, INA Group focused on Process Safety Management (PSM) System Implementation. The project is directed toward preventing serious, process-related incidents that might affect plant personnel, off-site communities and the environment and result in a significant loss of property (Company and/or Community assets), business continuity and loss of reputation in general. It involves the application of process and control systems in relation to hazard substances/products, hazard operations/activities, which are systematically recognized and identified, understood and controlled so that process-related incidents are prevented.

Main goals of the INA Group PSM System Implementation Project are identification, understanding, and control of process hazards for the purpose of prevention of major fires, explosions or toxic releases, which could lead to fatalities or serious damages to assets, to environmental consequences or impact on Company reputation.

The PSM system implementation project is based on four main steps methodology:

1. Establish and improve a safety culture
2. Provide management leadership and commitment
3. Implement a comprehensive PSM program
4. Achieve operational excellence through operational discipline

Key deliverables of the INA Group PSM Implementation Project are:

- PSM project organizational chart (including employee participation structure)
- INA Group PSM operative regulations (procedures and best practices)
- 3 Y PSM Implementation plans for relevant Business units
- Training materials
- Audit report(s)
- Management assessment

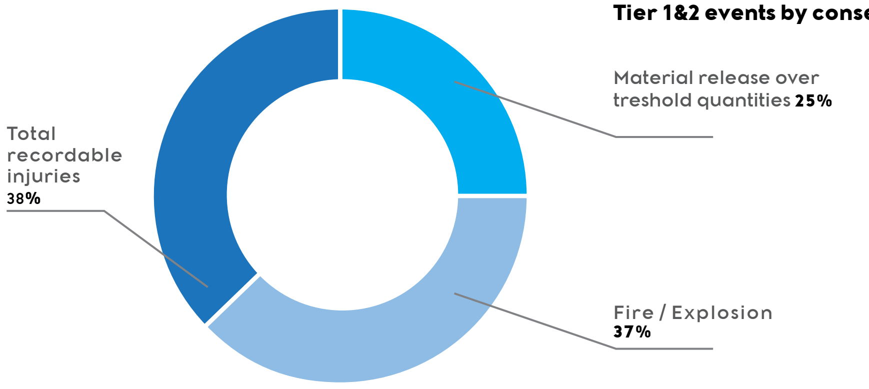
Since PSM system is a cultural change and step-change type of project, it is proposed that project governance consist of:

- Senior PSM Review Board
- PSM Project Steering Committee
- Site/Plant PSM Forum

PROCESS SAFETY EVENTS IN INA GROUP

INA Group Process safety events	2013		2014		2015	
	TIER 1	TIER 2	TIER 1	TIER 2	TIER 1	TIER 2
Exploration & Production	N/A	N/A	4	2	0	1
Refining & Marketing	N/A	N/A	2	3	4	3

Tier 1&2 events by consequences in INA Group



Emergency preparedness and response

Fire protection is of great importance in INA Group companies and therefore special attention is given to the fire related activities in our daily work.

INA Group has a total of 9 objects classified in the first fire risk category and 17 objects classified in the second fire risk category. Firefighting readiness is organized on these locations through formation of professional fire brigades in the first fire risk category or by organizing on call professional firefighters in the second fire risk category.

May is traditionally a fire protection month and every year, in order to raise awareness of our employees, customers and all INA Group partners, numerous activities are conducted. These activities include Emergency response drills for INA Group employees, professional and volunteer fire fighters, public services and local communities.

The aim of the Emergency response drills is to improve cooperation, check the degree of readiness and coordination during emergency situations of all stakeholders located on INA Group facilities.

Month of fire protection at INA Group Companies - main activities:	
Number of fire drills (exercises)	201
Number of participants (own and contracted firefighters)	696
Number of participants - external firefighters (VFB, PFB, other, ...)	306
Number of participants – process operators – total	1,441
Number of held evacuation exercises	114
The number of trained workers for fire protection and initial firefighting	3,405
The number of trained contractors for fire protection and initial firefighting	228
Number of professional meetings and lectures focused on fire protection	157
The number of posters and leaflets in promotional and educational activities	7,402
The cost of program execution (in HRK)	238,607

FIRE CASE IN RIJEKA REFINERY

An open fire in the plant Reformer was reported in Rijeka Refinery in June 2015. The fire occurred on the most critical part of the installation related to the location and the process. At that moment, highly flammable medium was circulating under high pressure at the temperature of about 500°C. When the technological process pressure on the separator was reduced, nitrogen was introduced into the plant and the fire was localized and finally extinguished. During the intervention, there were no injured firefighters or damage to the fire equipment.
Total damage, including indirect costs such as productivity loss, was more than HRK 4 mln. Measures taken after the event include actions such as: replacement of all bolts and gaskets on the exchanger, definition of critical equipment for the unit with the relevant predictive maintenance plan, implementation of Flange protocol and introduction of checking routes at the process area in order to ensure early detection of potential failures of critical equipment.

HUMAN RESOURCES

ACHIEVEMENTS

- Introduction of performance management and implementation of the first cycle of evaluation and auditing system
- Standardization of headcount and expenses planning methodology on INA Group level
- Employer Partner Certificate with improved results
- Support of managerial development goals, alignment and update within the APC process
- MAMFORCE certification
- Engagement Survey and creation of new Champion networks
- Petroskills MOL Group and INA Group harmonization
- Tailor-made educations for the GROWWW generation

CHALLENGES

- Implementation of the Performance Management System;
- Strategic approach in leader development competences

INA Group companies focus on structured management and development of human resources, increasing productivity, innovation and expertise and retaining talent through a strong platform of focused education for management and experts from key business areas. Stakeholders opinions are collected through HR surveys and their expectations are taken into consideration.
In 2015, employee turnover, without seasonal Retail workers, amounted to 950, and 153 new employees were hired. Severance payment was ensured for the employees leaving the company, but without any additional benefits.

Attracting Employees

For the past 6 years, INA Group has been strategically planning, attracting, sourcing and employing white-collar young talents due to the anticipated future business need caused by aging of top oil & gas experts.

INA Group is continuously implementing attraction & recruitment programs for young graduates:

- Strategic employment of fresh graduates – Growww internship program
- MesterM award - supporting secondary education in nature sciences to increase the popularity of nature sciences, create a talent pool and orientate students in an early age towards nature sciences.
- UPPP – online competition game for students of the Faculty of Mining, Geology and Petroleum Engineering
- FRESHHH – online competition game in which students build and manage an oil & gas company
- Junior Freshhh – high-school online competition in natural sciences

COMPETITIVE COMPENSATION

Average gross salary (HRK) in 2015

	2013	2014	2015
Republic of Croatia*	**7,939**	**7,953**	**8,031**
Sectors according to national classification*			
Mining and exploration	9,758	9,715	10,083
Processing industry	6,943	7,048	7,125
Electricity, gas and water distribution	10,571	10,367	10,531
Civil engineering	6,488	6,545	6,691
INA-Industrija nafte, d.d.	**10,727**	**10,580**	**10,546**

* Source: Central Bureau of Statistics

INVESTING IN EDUCATION

Implemented development programs, both internal and external, are shaped to increase the overall level of competencies within INA Group in the area of technical, professional or general business knowledge and skills. Majority of development programs combine various development methods e.g.; self-learning, classroom workshop, online learning, on-the-job training and professional practice, each presenting an integrated platform known as the "blended learning approach".

Leadership-related development programs aim to develop four leadership competencies: thought leadership, result leadership, people leadership and personal leadership. The expected outcome is to boost leaders for future challenges, upgrade their self-awareness and make them effective & efficient in their everyday people leadership challenges. Leadership programs may be presented as follows:

- LEAD – Leadership program for current leaders and top talents; 11 INA Group employees in 2015 started the program as the 2nd generation of LEAD participants,
- Intensity – Modular managerial development program with a curriculum based on development across 4 leadership competencies areas,
- Effective Leadership – Local INA Managerial program targeting people and personal leadership skills area., in which 160 managers participated in 2015 through 3 modules,
- Liberating Leadership – Local leadership program for INA Executives on the advanced Leadership skills held by a relevant world-wide influencer in the area of people and personal leadership.

Technical competencies development programs aim to upgrade technical expertise following the best industry practices in order to ensure top player position in the regional O&G market:

- Petroskills – Upstream, Downstream, HSE and Logistic professional competencies evaluation and related development – US, DS, HSE, Investment Management Sector employees,
- Energy awareness trainings,
- HSE related trainings.

General business knowledge related trainings aim to develop capability and skills in order to build competencies and skills across a specific general business area:

- Project management,
- IT education,
- Foreign languages,
- Finance for non-finance,
- Intercultural trainings,
- Business communication.

Furthermore, except for top-level development programs which are carried out in cooperation with external providers, INA continues to improve internal knowledge platforms through INA Academy, Train the trainer training, Training for mentors, Business Education Program for Growww employees/interns, internal Strength Deployment Inventory workshops, Collaboration workshops and IT Security.

Following HR worldwide best practices, INA continues to build on HR capabilities through participation in International education certification programs (CIPD, CLC) and other professional trainings and conferences.

ROI:

Increased efficiency and quality of overall business results, sustained level on regional O&G market and increased market share.

PARTNERSHIPS WITH EDUCATIONAL INSTITUTIONS

In the field of strategic talent attraction and workforce planning, INA continues to focus on strategic cooperation with the student associations, eSTUDENT, AIESEC Croatia, BEST and portal Srednja.hr and studentski.hr, through:

- Presence at local Job and career fairs in order to build INA's image as a desirable employer and to present its programs to student population: BEST Company Day (March), Virtual Days of Career and Knowledge (October), Career Day at the Faculty of Mining, Geology and Petroleum Engineering etc.
- Other regular projects with student associations: AIESEC YouthSpeak conference, Case Study Competition (eSTUDENT) etc.

In 2015, new projects with student associations were launched, such as:

- Rebranddd project in cooperation with eSTUDENT – a student competition with the main goal to reinvent the new logo of INA as an employer. Approximately 80 teams applied for this competition, we received 32 relevant solutions and chose the best solution, which will be applied and used as a logo for INA as an employer.
- BEST's project "INcredible adventure with INA" – the aim of this project is to raise students' knowledge about oil & gas industry processes (upstream & downstream). It consists of academic lectures, team design workshops and visits to relevant locations. Attendees: 24 foreign (Poland, Germany, Spain etc.) and 15 domestic participants mainly from RGN & FKIT of which nearly 50% were female engineers.
- Summer Science Factory: the aim of this project is the promotion of scientific creativity in primary and secondary schools through workshops on different scientific topics. The workshops are intended as a place where 150 young people have the opportunity to come into direct contact with the scientific problem, where they are encouraged to work with their peers, with the help of mentors, a creative and original solution.

Social media and networks were an essential communication channel in 2015, given that:

- LinkedIN – INA's number of followers was increased by 38% in comparison with 2014
- Facebook – INA's number of followers was increased by 26% in comparison with 2014

Well-established talent attraction programs continued in 2015 with a focus on high school and university students, using an online gaming platform for competitions:

- UPPP 2015 – 62 registered teams from Croatia's geology and mining universities
- FRESHHH 2015 – 136 registered teams from Croatia (3 teams in TOP 20, 1 team in TOP 5)
- Junior Freshhh – 417 registered teams from more than 50 different Croatian cities; live finals with top 5 teams held on 22 Jan 2015 in Zagreb

Such programs help bring oil and gas industry closer to students in an early age.

The talent attraction programs specified above build a talent pipeline for attracting newly graduated talents through a strategic Growww program. In 2015, 900 applicants applied, 600 applicants were tested and 47 were employed in INA Group.

Promotion of natural sciences is a key strategic goal in order to ensure engineering talent pipeline, INA is therefore using programs such as Junior Freshhh (high school competition in natural sciences) and NajMentor/ica 2015 award – a recognition given to high school teachers who have influenced students to choose natural sciences as their career and vocation. More than 220 nominations were received in 2015 and a public award ceremony was held on 11 December 2015. The awards were presented to high school teachers in three categories: mathematics, chemistry, and physics.

PROGRAMS FOR THE NEWLY EMPLOYED

In INA Group, there is a formal on-boarding program only for interns (Growwwers). The program consists of:
• "Welcome day" on the first working day – a set of lectures with the aim to provide a general perspective on INA Group (company's strategy, organization, HSE, HR topics, E&P / R&M introduction, security topics, code of ethics, etc.)
• On-boarding days organized by MOL HQ (usually a two-day event) – a set of lectures with the aim to provide a general perspective on MOL Group (similar topics as on the "Welcome day"
• Business education program – lasts a whole intern year and consists of the following topics:
o SAP introduction
o OpCo's presentation
o R&M day in MOL
o E&P day in MOL
o Team task competition - Growwwers have to come up with an innovative idea and present it in front of the public. After the local competition, 3 best teams have the opportunity to compete and present their ideas on the MOL Group

• Professional induction – each Growwwer has his/her own mentor who transfers professional knowledge to them and builds their professional competencies. Each Growwwer has his/her own formal intern program.
For other new employees, a concept is prepared and will be applied in 2016.
• General perspective on INA Group (company's strategy, organization, HSE, HR topics, E&P / R&M introduction, security topics, ethical code etc.)

RETAINING AND MOTIVATING EMPLOYEES

Technical Career Ladder program (TCL), despite other benefits, provides talent retention. TCL gives employees an opportunity to see their technical part of career path and objective conditions that they have to fulfil for their promotion. Knowledge and other technical competencies are assessed for every petrol-technical professional (PTP) and Individual development plans for every PTP were created accordingly. Assessments give insight to knowledge gaps of every PTP and, accordingly, they can see which competencies they should improve for promotion. Such a clear and objective career path and promotion system provides a higher motivation for employees and retains them in the company.
Annual people cycle (APC) integrates all three pillars of people management as equally important: Managerial performance management system, Career and Succession Planning and Development planning in order to ensure objective decisions related to human resources, such as development and rewarding. The Success factors IT tool and aligned processes across the Group ensured integrated, clear and transparent APC processes.
The first cycle of employee performance appraisal was finalized in 2015. The aim of EPMS is to establish a performance-based culture and ensure a merit reward system for all employees. EPMS is a transparent system to reward individual performance as a key tool which facilitates the identification and rewarding of employees who perform their work exceptionally well.
APC and EPMS processes enable identification of top performers so that efforts for their development and retention can be targeted.

DEVELOPMENT OF HUMAN RESOURCES

In INA, development planning is really important and inputs for the creation of individual development plans come from various sources.
Employees on management positions are assessed on two parameters each year– their performance and their competencies. The competencies that are rated lower and need to be improved are addressed in Individual development plans, which specify the things employees need to ameliorate, the skills they should develop (training, coaching, on-the-job training, rotation, conference...) and the time-frame for the recommended improvements.
Other, non-managerial employees are also included in the development through various programs (such as Petroskills program, Technical Career Ladder, Intensity and LEAD program...) or education plans, which are individualized in a way that each organizational unit needs to plan education needs for the employees in the unit for the following year.

COMMITMENT TO FAIR EMPLOYMENT

Employee relations

In 2014, the Agreement with Trade Unions (TU) on working conditions for occupational safety commissioners and their coordinators was in force at INA, d.d. Revision of the Croatian Labour Act, (the new Labour Act came into force on 7 August 2014) redefined the procedure of safety-at-work commissioners selection, so in 2015, INA, d.d. was in the process of coming to a new solution with the trade

unions according to the new Labour Act. Selection process of new safety-at-work commissioners should be prescribed by the new Collective Agreement for 2016.
Rights and obligations of employees are established under the provisions of the Collective Agreement, Company Labour Relations By-Laws and other relevant internal acts. In 2015, it was necessary to align the Labour Relations By-Laws with the new Labour Act, so two revisions of the Labour Relations By-Laws were done.
INA, d.d. and INA Group companies pay certain allowances and financial supports established by the Collective Agreement or special agreements arranged over the course of negotiations between the Employer and the Trade Unions, i.e. Company Labour Relations By-Laws or other regulations of the Employer. The Collective Agreement that was concluded in 2014 was valid in 2015 (i.e. CA was concluded for a period of two years) which indicates a good and sustainable social dialogue. 100% of employees of INA, d.d. are encompassed by the Collective Agreement.
INA, d.d. is committed to continuous improvement of the social dialogue through cooperation with the social partners (Works Council of INA, d.d. and trade unions), which essentially consists of regular meetings between HR representatives and the social partners, negotiations on employee fringe benefits – collective bargaining, negotiations on social clauses relating to compensation for employees included in optimization and/or restructuring projects.
The Works Council of INA, Plc. (WC) was established in 2011 and has 25 members. The Employer maintains a regular dialogue with the

Works Council in the following areas: consultation, presentation of company business plans and participation in employee assemblies organized by the Works Council (two assemblies were held in 2015).
Informing employees on the changes in operations is carried out indirectly through consultations with the Works Council regarding every decision that could have an effect on the employees. The deadline for response from the Works Council is eight days, and if a decision is made prior to expiry of this deadline or without having conducted consultations, it would be considered null.

In 2015, 194 consultation/co-decision procedures on important matters concerning employees were conducted:
- 55% are cases of consultations/co-decisioning on employment termination;
- 23% consultations on internal acts;
- 22% consultations on organizational changes.

During the consultation process, the Employer considers the Works Council replies, accepts proactive proposals and corrections, but also answers when the Works Council's comments are not grounded and/or not corresponding with the business processes.
The Employer quarterly informs WC on trends and changes in salaries, the extent of and the reasons for the introduction of overtime work, the number and type of workers employed, employment structure (the number of fixed-term workers, workers at alternative workplaces, workers assigned by temporary-work agencies, workers temporarily posted to/from an associated company), inspections of work and safety at work conditions.

Employee assemblies

The purpose of an assembly is to improve the relations between employees and the management and to inform employees of the company strategy and strategy for specific organizational units, as well as the tasks and targets set before them. In 2015, there were two Employee assemblies held at INA, d.d. - one in Đurđevac and one in Zagreb.
Exchange of information between the management and employees is carried out through: Internal newsletter "Glasnik", Intranet, News, Internal regulations, Decisions, Instructions, Business meetings, Employee forums/assemblies, individual talks between directors and employees, manuals and catalogues for employees, meetings with particular interest groups of employees, meetings with members of Management Board and Executive Board, meetings with Sector Directors, "Ask Human Resources" service and meetings between the management and the trade unions.

Committee for amicable dispute settlement

Establishment of a Committee for amicable dispute settlement is prescribed by the Collective Agreement. The Committee has two Employer's representatives and 3 Trade Unions' representatives and it meets at the employees' request with the aim of resolving labour disputes by peaceful means. 13 meetings were held in 2015.

Work group for correction of work schedules in accordance with the obligations set forth in CA 2014/2015

The work group is focused on the resolution of disputed cases of work schedules by divisions and corporate functions in INA.
The work group tries to identify the employees who had inadequate employment contracts in the sense of their work position before the introduction of the HAY evaluation system, and who received contracts with the appropriate positions, but without a salary correction after transition to the new system, since they were within the range of the corresponding salary grade.
In accordance with the information gathered and the state of facts of each individual case, the work group, after a discussion, presents the attitude and the recommendation on potentially necessary correction of salary or work schedules of employees to the responsible managers.

The work group held a total of 19 meetings, of which 7 meetings were held in 2015. There were over 200 potentially inadequate work schedules / inadequate basic monthly salaries of workers discussed in total. In more than 100 cases, it was concluded that the schedule or evaluation of jobs was adequate. Based on the recommendations and conclusions of the work group, a total of 96 alignments resulted in the increase of the basic monthly salary.

EQUAL OPPORTUNITIES AND DIVERSITY

The main objective is to enhance responsible employer practices to ensure the engagement and diversity of the workforce.
INA has demonstrated its commitment to equal opportunity rights by implementing its principles in all internal acts and regulations: INA Code of Ethics, Employment by-laws, Collective Agreement and other internal acts. INA, d.d. abides by the principle of equal opportunity in realization of rights and obligations arising from employment, and in line with legal regulations and established policy and goals within the scope of human resources management at INA, as well as the INA Code of Ethics.
When assigning employees to their job positions, the Employer takes into consideration special needs of employees with disabilities.
When posting announcements for new job positions, gender is not specified under requirements of the position i.e. same opportunities are given to everybody who fulfil formal requirements.

At the locations outside Croatia, INA subsidiaries and operating companies seek to employ a greater share of members of the local population on managerial positions.
In 2015, INA partnered with MAMFORCE Company in pursuing a certification in Mamforce basic standard. This standard is awarded to organizations that recognize the needs of their employees and that manage to organize the work and working environment while respecting the principle of balance between the professional and private life along with an equal growth and development of each employee.
In 2015, INA was audited across 7 areas and received a Basic Standard Certificate, also committing to continue developing family friendly policies in 2016.
Another launched initiative was Online MBA for students with disabilities in cooperation with Cotrugli Business School. INA supported the initiative by providing employment opportunity for on-line MBA student with disabilities, through Growww 2015 program.

FREEDOM OF ASSOCIATION

Five trade unions actively operate in INA, d.d.: Oil Industries Trade Union INAŠ, Oil Industry Union – SING, Autonomous Trade Union of Workers in the Power Industry, Chemistry and Non-Metal Industry of Croatia - EKN, Croatian Drivers' Trade Union – SHV and New Solidarity Trade Union – SNS. Out of the total number of INA, d.d. employees, 72% are members of one or more trade unions.
In 2015, 22 regular meetings were held with the social partners (WC & TUs) and 15 meetings with TUs, which resulted in an agreement on two social clauses (the goal is to reach an agreement with TUs on more favourable terms of employee transition to work in another company) for employees.
The Employer quarterly informs TUs on working, standby and overtime hours, average monthly salaries and employment contracts for a definite period.

No. of workers in Trade Unions on December 31 2015

INA	TRADE UNION					TOTAL
	INAŠ	SING	EKN	SHV	SNS	
NO. EMPLOYEES	2,666	2,853	494	11	172	6,196*

*One employee can be a member of more than one trade union, which is the reason for discrepancy between the total number of workers in INA, d.d. and the total number of workers who are members of the trade unions in INA, d.d.

INA GROUP – Share of membership in the total number of employees on December 31 2015

Company	INA	CROSCO	STSI	TRS	HOSTIN	INA MAZIVA	PLAVI TIM *	TOTAL
% employees members of TU	72	77	77	66	58	84	51	73

* Plavi tim active as of 1 Dec. 2015

EMPLOYEE INCENTIVES

Help for employees and their families in cases of serious illnesses

The Committee for establishing the eligibility of INA, d.d. employees to aid in case of illness is a working body of the HR Sector Director. The Committee reviews individual requests of employees, acquires expert opinions of the contracted primary health physician on the grounds of the request and the amount of necessary funds, and prepares proposals of decision on the allocation of aid within the framework of planned costs.
In 2015, 17 requests for aid were received and processed, 6 of which were requests for the support of children of INA, d.d. employees due to serious illnesses, 3 requests were on the account of a serious illness of an employee's spouse and 8 aid requests were related to seriously ill employees of INA, d.d.
For 15 stated cases, the Committee established that a financial aid was justified and awarded approximately HRK 200,000 in total.
For two stated cases, the Committee established that financial aid is not justified.
Awarding financial support to children of deceased employees

Other forms of support to INA and INA Group companies employees

INA and INA Group companies support the work of INA employees associations, associations of employees with the war veteran status and pensioners' association, by donating certain amounts for their activities. Supports for employee associations with the status of war veterans are regulated under a special agreement. Among the more important ones are the programmed active vacations, medically programmed active vacations, organization of events that are of importance for veteran associations, and various forms of education of veterans and children of veterans. At INA, special attention is paid to the promotion and encouragement of volunteering, humanitarian work, culture and sports on account of which INA employees are entitled to 3 days of paid leave a year.
Jubilee Awards are prescribed by the Collective agreement and are applicable for total years of service in INA, including the years of service at its legal predecessors.

Lifetime Achievement Award is granted once a year to employees with a minimum 25 years of tenure at INA Group companies and with an outstanding performance and a significant contribution during their tenure at INA Group companies.

COMMUNITIES

ACHIEVEMENTS

- Downstream – in Primorje-Gorski Kotar County, INA supported cultural institutions and events, kindergartens, sports clubs, associations and events, libraries, faculties and scientific institutions and events. In Sisak, INA supported sports clubs and events, cultural events and institutions, kindergartens and associations for persons with disabilities.
- Upstream – in each part of Croatia where INA operates: Slavonija, Podravina, Posavina and Zagreb, INA supported cultural institutions and events, sport clubs and events, kindergartens, associations for persons with disabilities, schools, scientific institutions and faculties.
- The construction of the Community Centre in Gunja (flood-affected area in 2014) began in 2015. INA's partners in the project are the Ministry of Culture, Ministry of Foreign Affairs and Ministry of Construction.

CHALLENGES

- Grievances management improvement.

INA continues to support projects in the area in which it operates, particularly near our refinery plants in Sisak and Rijeka and in the Pannonia Basin. We are especially focused on helping children, young people, health care institutions and projects that contribute to the quality of life in the local communities.

LOCAL COMMUNITIES

Relations with the local communities are defined by the Manual for the Management of Social Engagement Activities.
The involvement of local community members (individuals, leaders, non-profit organisations, municipalities, associations, etc.) is ensured during the business activities that have an impact on the communities in which the business activity takes place.

The relationship with the community and open issues are continuously assessed and evaluated. Social engagement and complaints management is coordinated by SD & HSE Sector, and is provided through meetings and consultations, appointments of the contact point (e.g. the official in charge of community relations and/or HSE advisors), appointments of company representative responsible for negotiations with the local communities and complaint management.

In order to ensure the timely processing of all complaints, each activity must ensure a formal complaint collection and management system. The implementation method is defined by the activity itself, depending on the degree of risk and impacts associated with business activities, such as a toll-free phone number (24 hours a day, seven days a week). The complaint mechanism is easily accessible and understandable, and is free for the person making the complaint.
In 2015, there were 5 environmental protection related grievances in Rijeka Refinery. Investigations were conducted, actions taken wherever needed and local communities representatives and authorities were informed.

SOCIAL INVESTMENT

"Green Belt" project

INA once again published a tender for civil society organizations and public educational institutions to develop ideas and projects for the preservation of the environment and nature, and implement their ideas with financial support of INA with the assistance of INA Volunteers Club. Within the Green Belt project, INA supports projects such as reforestation, education about ecology, landscaping, underwater cleaning, cleaning of coastal areas, lakes and rivers and other similar activities. Applications for the Green Belt 2015 were opened until 31 May 2015. The competition received 136 applications, and the expert committee consisting of faculty representatives, independent experts for sustainable development and a representative of INA's Sustainable Development and Health, Safety and Environment Sector, selected the 15 best projects.

Spajalica

Spajalica Project is part of the wider initiative "Space for Your Ideas" initiated in 2014, with the aim of granting the use of selected real property owned by the company to the associations and individuals whose work would continue to contribute to the quality of life of the local community.
The first two locations at which the project came to life are INA's building in Medulićeva 34 in the centre of Zagreb and Sesvete location. Three-year contracts were signed with six partner associations (association "Ljubav na djelu", Croatian federation of deaf and blind "Dodir", association for promoting culture and art "Ja BIH", association "Red noses, clown doctors", sculptor and visual arts therapist

Krešimir Katušić and association "Dar"), while the association "Krila - therapeutic horseback riding, association of persons with cerebral palsy and poliomyelitis" will use the Sesvete location in accordance with a ten-year contract.

Care for children

INA continued to support SOS Children's Village Croatia through various projects and initiatives, annual donations and actions of INA Volunteers Club. On Christmas holidays, a holiday gift-giving for INA employees was organized, where they were able to buy presents for children without adequate parental care. The workers bought presents for more than 200 children.

Donations to hospitals

INA's donation to the University Hospital Centre Zagreb will allow procurement of medical devices, which enable simultaneous administration of different medication, while being able to accurately calculate the amount and rate of the medication infusion at the same time, which is crucial in the process of treating oncological and haematological patients. These devices are of great benefit for seriously ill children who receive as much as seven or eight types of cytostatics during the cancer treatment, as well as for children after bone marrow transplantation, when they are completely dependent on parenteral rehydration, nutrition and medication. This Institute is the only place in the Republic of Croatia where allogeneic bone marrow transplantation is performed (i.e. the donor and the recipient are different persons), and over the years the need for this form of treatment has increased.
INA's donations to the Children Hospital Zagreb allowed procurement of important madical equipment for young patienc while Special Hospital for Children with Chronic Diseases Gornja Bistra was donated funds for heating oil.

CORPORATE VOLUNTEERING

In 2015, INA Volunteer Club had 36 actions in which 546 members participated, with a total of 4,368 volunteer hours.
They focused on ecological and humanitarian projects and children and youth projects. Volunteers have a Facebook application where fans and visitors can suggest or vote for volunteering projects. Currently, the Club has 737 members, which is a 41% increase compared to 2014.

For the second time, INA Volunteer Club received the "Recognition for contribution of the business sector to the development of volunteering". This recognition serves as a confirmation of the values that INA and INA's volunteers promote through their activities, but it also represents an obligation for a constant improvement of the position of a respected and recognized community partner.

APPENDICIES

MEMBERSHIPS, EXTERNAL INITIATIVES AND PUBLIC POLICIES

In 2015, INA actively participated in the work of national associations, especially the Croatian Employers' Association (Association for Energy) and the Croatian Chamber of Economy (Industry Sector), in the preparation and drafting of national regulations contributing to its quality and applicability. INA is also an active member of the Governing Council of Croatian Business Council for Sustainable Development (CBCSD).

In addition, following the membership of Croatia in the European Union, INA is, by its expert knowledge and experience within the scope of its business activities, contributing to the process of preparation and formulation of EU regulations through joint cooperation with national regulator and through developing positions within the work of the European Petroleum Refiners Association (Concawe & Fuels Europe). Upon the adoption of the European legislation, INA actively participates in the transposition of provisions of European legislation into national legal framework.

Association	PARTICIPATION STATUS
European Petroleum Refiners Association (joined INA-MOL membership)	MEMBER OF THE SCIENTIFIC COUNCIL
European Economic Senate	ECONOMIC SENATOR
UN Global Compact	MEMBER
Project Management Institute	MEMBER
European Association of Communication Directors	MEMBER
International Organisation for Industrial Hazard	MEMBER
Society of Petroleum Engineers (Croatian Branch)	MEMBER OF THE PRESIDENCY
Croatian Chamber of Economy	MEMBER OF THE EXECUTIVE BOARD
Croatian Employers' Association	MEMBER OF THE GENERAL ASSEMBLY AND THE EXECUTIVE BOARD
Croatian Gas Association	THE MAIN SPONSOR
Croatian Association of Petroleum Engineers and Geologists	THE PRINCIPAL FOUNDER
Croatian National Committee of World Petroleum Council	INA REPRESENTATIVE IS THE VICE-PRESIDENT
Croatian Energy Association	MEMBER OF THE MANAGING BOARD
Croatian Business Council for Sustainable Development	MEMBER OF THE GOVERNING COUNCIL
Croatian Standards Institute	MEMBER
Croatian Exporters	MEMBER
Croatian Geological Association	INA REPRESENTATIVE IS THE PRESIDENT
Academy of Technical Sciences	MEMBER
Croatian Society for Quality	MEMBER
Croatian Metrology Society	MEMBER
Laboratoria Croatica	MEMBER
Croatian Association of Corporate Treasurers	MEMBER
International Chamber of Commerce (ICC)	MEMBER OF THE EXECUTIVE BOARD
Croatian Managers' & Entrepreneurs' Association	MEMBER
CIGRE - Comité Croate Conseil International des Grands Réseaux Électriques	MEMBER
Croatian Journalists' Association	MEMBER
Croatian Information Technology Society – Society of SAP users	MEMBER
Croatian Public Relations Association	MEMBER
Electro-technical Society Zagreb	MEMBER
Croatian Water Pollution Control Society	MEMBER
Croatian society for a healthy work place	MEMBER
Croatian Institute for Health Protection & Safety at Work	MEMBER
Association for the Advancement of Human Safety	MEMBER
Croatian Association for Professional Fire-fighters	MEMBER
Croatian Academy of Sciences and Arts	MEMBER
Croatian Institute of Internal Auditors	MEMBER
Croatian Maintenance Society	MEMBER
Croatian Fire-fighting Association	MEMBER

INA Group training and development data

Education level	AGE	M	F
Bacc. ‹ 240 ECTS			
	‹ 25	17	23
	26-35	58	19
	36-45	90	56
	46-55	49	32
	› 55	3	3
Bacc. ›=240 ECTS			
	‹ 25	0	9
	26-35	20	7
	36-45	6	0
	46-55	1	1
	› 55	1	1
	46-55	1	2
PhD		0	
	36-45	4	4
	46-55	20	5
Dr.sc.			
	36-45	5	11
	46-55	10	33
Skilled workers			
	‹ 25	15	0
	26-35	71	3
	36-45	220	24
	46-55	277	6
	› 55	455	26
Mag.			
	‹ 25	114	87
	26-35	492	344
	36-45	4	9
	46-55	15	5

Mr			
	26-35	15	14
	36-45	26	8
	46-55	32	22
	› 55	8	1
Mr.sc.			
	26-35	0	2
	36-45	19	56
	46-55	24	24
	› 55	13	8
Unskilled workers			
	36-45	1	0
	46-55	23	2
	› 55	30	1
Primary school degree workers			
	36-45	7	1
	46-55	23	9
	› 55	12	3
Semi-skilled workers			
	26-35	3	3
	36-45	5	1
	46-55	29	2
	› 55	14	0
Assoc.degr. / bacc. workers with completed two years of study + 120 ECTS)			
	26-35	10	3
	36-45	0	0
	46-55	14	9
	› 55	0	0
			0
High school degree workers			
	‹ 25	433	47
	26-35	1,336	175
	36-45	2,095	411
	46-55	2,738	549
	› 55	666	111
Expert spec.			
	TO 25	3	3
	26-35	18	15
	36-45	38	31
	46-55	41	16
Univ. bacc. ←240 ECTS			
	‹ 25	8	8
	26-35	3	3
	36-45	8	3
	46-55	4	1
Univ. bacc. →=240 ECTS			
	26-35	0	3
	36-45	1	1
	46-55	0	0
Univ. spec.			
	26-35	14	25
	36-45	14	15
	46-55	9	17
	› 55	9	0
Univ. mag.			
	36-45		0
Highly skilled workers			
	26-35	6	13
	36-45	134	7
	46-55	472	18
	› 55	282	6
Univ. degr. / mag. workers			0
	26-35	497	549
	36-45	711	507
	46-55	626	371
	› 55	259	136
Assoc.degr. / bacc. workers			5
	‹ 25	16	0
	26-35	71	17
	36-45	225	38
	46-55	164	69
	› 55	97	21
Total		13,254	4,070

INDEPENDENT REVIEW I

Commission of the Governing Council of the Croatian Business Council for Sustainable Development concluded that the scope of content of the Sustainability Report of INA Group for 2015 is in accordance with the reporting requirements of the Global Reporting Initiative. For the first time INA Group reported using G4 guidelines, a core feature. INA used good practice of reporting for the last twenty years to systematically develop its reporting standards. This time a novelty is the use of new, G4 guidelines that are complemented with the financial data prepared in accordance with International Financial Reporting Standards (IFRS).
This report has a much wider range of content than the one required for a core level of reporting and also contains the general standard data information from a group of indicators that belong to the extensive option. Selecting refers to compliance of the content with the Guidelines, ensuring equal representation of all the important features of business enterprises related to sustainability, but also provide the possibility of a unique display of impact given the size, activity, performance and important expectations and interests of stakeholders.

Identifying material aspects is also very important factor of reporting according to the G4 GRI guidelines, because it is these priorities that make up the bulk of the report and focus on topics that are important for all stakeholders. This report of INA highlighted 21 substantive points that reflect significant economic, environmental and social impacts of INA, or that significantly affect the assessment and decisions of stakeholders. Tangible issues are not determined in advance and each company decides their numbers with its stakeholders. The report is very comprehensive, it re-integrated the financial and non-financial part so in the vast amount of data everyone can find what he is especially interested in. Moving to a new concept of reporting has brought a change in the order of the presentation of certain points with compared to the previous reports, but also provided an opportunity to re-examine and improve the whole process of application and measurement of important elements to create a new economic, environmental and social values. Content completely follows the principles of reporting, particular showing the context of sustainability. Special value for comparability has the summary of the achieved targets set in this reporting period and goals set for the next period. Also the reader can get a brief overview of the categories in the chapter Sustainability in figures.

Given that the report address the large number of requests of the extensive option, we suggest that in the next reporting period INA supplements the content of the report with the information that will show in detail the relationship and responsibilities of the top management for managing impacts in economic, environmental and social fields. More information on participation of top management in defining the topic, evaluation of the performance of the activities, participation in the consultation process with stakeholders and their informing and evaluation with respect to the management of economic, environmental and social issues would certainly give a great contribution to rapprochement of INA's reports to the extensive reporting options.

In accordance with the guidelines of the directive on non-financial reporting, which stipulates the obligation of reporting and its main features, the report should explain the company's strategic approach to the challenges faced in the area of its non-financial impact. The INA's report informs about the impact of risk and operating results, but we believe that more attention should be addressed to strategic approach to risk management, expectations and plans in the area of, primarily environmental, but also social influences and expectations. One should also include consideration of the management of the risks that business has on the stakeholders, and not only risks for the company's operations, although these two types of risk partially overlap.

Finally, more detailed information on the consultation process which is apparently systematically conducted with stakeholders throughout the year and defining of the issues that specific shareholders' groups submitted for the content of the report would give the report more arguments for a comprehensive level of reporting.

Integrated report 2014 of INA Group was declared the best report on sustainable development in the Republic of Croatia in the Green Frog Award 2015 competition. Since that from the next year, large companies will have the obligation to report on sustainability, the report of INA Group may be a good guideline for all new composers, and excellent example of representation not only of what the company does, but also to focus attention on the impact that it creates in the society and the environment and to make improvements in the areas in which they have the greatest impact. The purpose of reporting is not only to show understanding in applying the principles of social responsibility, but also to attract and interest readers in the topics of sustainability.

Commission of the Governig Council of Croatian Business Council for Sustainable Development

INDEPENDENT REVIEW II

Zagreb, 29 March 2016
Corporate social responsibility in the broadest sense can be defined as a liability for the society in which the company operates. In this sense it is especially important to emphasize the role of INA d.d. in Croatian society because responsibility is a situational phenomenon that develops through the negotiation process of all stakeholders as the role of businesses in society, and the responsibility against that role. Although universal phenomena of developed societies, corporate social responsibility represents topical actuality and it is constantly changing its appearance by changing the limits of its actual liability at the same time. In this regard it is important to emphasize positive message that INA d.d. sends through its new 2015 report that is made in accordance with the guidelines of the GRI G4. My opinion is that in the past 10 years we can observe intensified process whose end result will be a permanent change in the way we look at the role of enterprises in modern society. The cornerstone of the competitiveness of a company is the way in which it exploits the available resources, or the way in which it searches for economic rents. So there is no doubt that the most important role of the company in modern society is the economic one. As the only mechanism in a society that has such a specific role, management should never loose economic effectiveness and efficiency of their decisions. But the company is also a social entity in which it weaves a variety of interests such as the one in which it provides a fair financial compensation to employees for their work or another such as highlighting many innovations without which we could not imagine modern life. The results of the market mechanism functioning are all around us, and so are the consequences of (pro/re) active participation. Through this report INA d.d. shows that it understands its constructive role in Croatian society and that it is proactively working on it.

Survival, growth and development of modern business organizations are all strongly conditioned by their open and honest interaction with their key stakeholders. This interaction is based on mutual respect, trust and expectation that it will yield tangible benefits for all involved parties and has a sustainable multiplying effect on business performance. The following recommendations have been identified to improve future sustainability reporting, INA d.d should continue to actively engage its full range of stakeholders and integrate their voice into reporting process. INA d.d. should continue to set measurable goals for a broader range of material issues that has been identified through stakeholder engagement. It is important to point out that the starting point of this interaction should be acknowledgement that corporate social responsibility, as the foundation of the new role of companies in the society, has omnipotent tendency but it is not a panacea for all social problems. In that sense it is good that reporting scope and sustainability aspects boundary are determined in chapter 6.2.3. by considering the relevance to the business, availability of the information and operation performances, covering sites/location directly under operating control of INA Group companies.

In this report INA d.d. has proven that businesses can significantly influence and help solving some acute social problems, but in order to sustainably resolve them the model has to include harmonious functioning of all of its stakeholders. For example, the impact of the ongoing economic crisis on young people has not only been limited to their opportunities on the local labour market. Today, young people are amongst the groups experiencing the highest risk of poverty and social exclusion in the EU. From the perspective of the national company INA d.d. plays an active role in this aspect and takes care for our highest human potential through a variety of advanced human resource management practices covered in chapter 6.9.1. Through its employment practice it also creates a context within which the most competitive young people do not have to look for their own actualization outside Croatian borders.

So the European Union has recognized this concept as a core one and wants, through its formal and informal channels, to encourage companies in having a more proactive role in society and longer-term focus of the annual financial statements and reports. It soon will become mandatory to report on non-financial aspects of business performance and that is only the beginning of the process that is unstoppable. From this perspective we should observe the European Directive on non-financial reporting and among others increasing stock exchange requirements to report reputational, environmental, social and governance risks. This is leading companies to consider what non-financial information matters and what they should report bearing on mind that cognitive forms of trust should show reliability, integrity, honesty and integrity of the business organization. In that sense INA d.d. should continue to develop its materiality assessment approach by further explaining its selection processes for prioritizing reputational, environmental, social and governmental issues.
INA d.d. is a company with a rather long tradition and has one of the most advanced practice of non-financial reporting in Croatia, which is also confirmed by this year's Annual Report and its sustainability part. This part of Annual report provides a clear, conceivable and well written representation of the concrete company's performance, taking into consideration the authenticity of the information in the report, as well as the overall balance of content selection. The scope of this Report is in accordance with the requirements of non-financial reporting of the G4 core level with the use of additional indicators for the oil and gas production sector. That means that for each identified material aspect, INA d.d. disclosed the Generic DMA and at least one indicator. I am glad to conclude this opinion with a final remark that people in charge for this year Report followed the last year's suggestions and made a successful transition to the G4 guidelines. I do hope that INA d.d. will follow that demanding but rewarding path and go for comprehensive level of reporting next year.

Dr.sc. Mislav Ante Omazić, associate professor
Department of organisation and management
Faculty of Economics and Business University of Zagreb

Mislav Ante Omazić

CORRECTIONS OF 2014 SD REPORT

Reported INA, d.d. and INA Group HSE costs were related to USD mln values, instead of HRK mln. Current 2015 Report refers to the corrected INA Group data for 2014. G4-22

In HRK mln*	2014
	INA GROUP*
Health protection	0.32
Occupational safety	1.18
Fire protection	2.92
Surface waters protection	1.43
Hazardous waste treatment	2.15
Non-hazardous waste treatment	0.17
Soil and groundwater protection	2.18
Air protection	0.59
Non-material HSE services	0.73
REACH and Product Safety	0.16
Fees and charges	3.95
Total	15.78

EXPECTED DEVELOPMENT

Since excess supply once again began to characterise the oil market in mid-2014, a battle for market share began, especially following OPEC's decision not to cut oil production. The significant drop in oil prices — below US$40 per barrel at the end of 2015, reflects extensive excess supply despite solid global demand in response to lower prices amid concerns over slowing economic growth around the world, especially in China.

The oil and gas industry in 2016 will continue to experience the negative effects of currently low oil prices but will gradually adjust to this low-oil-price environment. Global exploration and production (E&P) activities will experience a slowdown as E&P spending that has so far declined by 20 percent is expected to fall by further 11 percent in 2016[1]. The supply and demand balance is a fundamental factor in controlling oil prices. The question of when oil markets will rebalance is the central focus of markets this year, as that timing will also indicate when prices can begin to turn upward.

Given the low price environment and uncertainty, many elements of the O&G industry are undergoing profound changes. Fear of climate change and a powerful, concerted effort to reduce CO2 emissions and minimize fossil fuel consumption are an aspect of this. Low oil prices, coal plant closures, a landmark climate change agreement in Paris, and records set for global solar projects all suggest that countries are committed to reducing their reliance on fossil fuel energy as never before and that a significant transformation for the world's energy infrastructure is under way.

The sharp decrease in oil prices significantly affects the business operations in INA, and INA's management will be focused on ensuring sustainable development of company, creating value for its shareholders. Ensuring potential investment projects are financially viable in this environment is a core element of this strategy. As INA is a vertically integrated oil company in which each of the business segments contribute to the creation of the total value, the long-term sustainability of INA will be achieved by focusing on growth in those segments where business activities have the potential to create the greatest added value for the company.

The Exploration and Production Business Division, as a historically key profit contributor to INA Group EBITDA and still a significant contributor on a 10-year strategic horizon, will continue a financially sustainable organic and inorganic investment in increasing the level of production and reserves developing which are needed to halt their natural decline.
In Croatia, onshore production and development activities will be focused on maximizing production from the existing domestic fields, 3D development seismic and geological exploration, continuing in the EOR project, 4P project and implementation of new reservoir stimulation technologies while in offshore, projects will be focused on production activities as well as new, future exploration activities. In Egypt and Angola, planned development and production activities will continue.

In the Refining and Marketing Business Division, activities will focus on generating long-term sustainability through capacity optimization and continuous improvement of operational and cost efficiency, working on options for the modernisation and optimisation of its facilities. As with all major investments, in the context of limited balance sheet potential, the timing and prioritization of each investment project is crucial to maintain financial stability. INA's strategic logistics presence must be maintained close to markets on which the company plans the increase of captive market. Related to this is the planned expansion of wholesale activities in the region – Slovenia, Montenegro, Albania, Kosovo and Macedonia.

The Retail Business Division will strengthen INA's position in the retail market by operational and cost efficiency improvements and by increasing the service level. This will be achieved by continuing the program of reconstruction and modernization of filling stations, as well as by continuing to improve the new retail business model.

[1] ISI Evercore Global 2016 Exploration and Production Spending Outlook

GRI G4 CONTENT INDEX

The report has been developed in accordance with GRI G4 "core" option which received "Materiality Disclosure Services" check from GRI.
Application level of the GRI G4 Guideline and Oil and Gas Sector Supplement:

GRI Materiality Disclosures
INA – Industrija nafte, d.d.
May 2016 Service

GRI G4 and O&GSS Content Index and the relation to UN Global Compact Principles

General Standard Disclosures					
GRI G4 Indicator		PAGE NUMBER	COMMENT	GC PRINCIPLE	ASSURED
Strategy and Analysis					
G4-1	STATEMENT FROM THE CEO	8			NO
G4-2	KEY IMPACTS, RISKS, AND OPPORTUNITIES	71,97,104			NO
G4-3	NAME OF THE ORGANIZATION	2			NO
G4-4	PRIMARY BRANDS, PRODUCTS, AND/OR SERVICES	2, 10, 11			NO
G4-5	LOCATION OF ORGANIZATION'S HEADQUARTERS	156			NO
G4-6	NUMBER OF COUNTRIES WHERE THE ORGANIZATION OPERATES	73			NO
G4-7	NATURE OF OWNERSHIP AND LEGAL FORM	21			NO
G4-8	MARKETS SERVED	53			NO
G4-9	SCALE OF THE REPORTING ORGANIZATION	94			NO
G4-10	WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT, AND REGION	83		6	NO
G4-11	PERCENTAGE OF TOTAL EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS.	81		3	NO
G4-12	DESCRIPTION OF SUPPLY CHAIN	10,93			NO
G4-13	SIGNIFICANT CHANGES DURING THE REPORTING PERIOD	55,91	Changes in Retail (Osijekpetrol and Maloprodajni servisi)		NO
Commitments to external Initiatives					
G4-14	EXPLANATION OF WHETHER AND HOW THE PRECAUTIONARY APPROACH OR PRINCIPLE IS ADDRESSED BY THE ORGANIZATION	26,95			NO
G4-15	EXTERNALLY DEVELOPED ECONOMIC, ENVIRONMENTAL, AND SOCIAL CHARTERS, PRINCIPLES, OR OTHER INITIATIVES TO WHICH THE ORGANIZATION SUBSCRIBES OR ENDORSES	8,22, 131,136		1-10	NO
G4-16	MEMBERSHIPS IN ASSOCIATIONS	16,136			NO
Identified material aspects and boundaries					
G4-17	ENTITIES INCLUDED IN FINANCIAL STATEMENT	216			NO
G4-18	PROCESS FOR DEFINING REPORT CONTENT	87-94			NO
G4-19	LIST OF MATERIAL ASPECTS	92			NO
G4-20	ASPECTS MATERIAL INSIDE THE COMPANY	92,94			NO
G4-21	ASPECTS MATERIAL OUTSIDE THE COMPANY	92,94			NO
G4-22	RE-STATEMENTS OF INFORMATION PROVIDED IN EARLIER REPORTS	142			NO
G4-23	SIGNIFICANT CHANGES FROM PREVIOUS REPORTING PERIODS IN THE SCOPE OF THE REPORT	91			NO
Stakeholder engagement					
G4-24	LIST OF STAKEHOLDER GROUPS ENGAGED BY THE ORGANIZATION	87			NO
G4-25	IDENTIFICATION AND SELECTION OF STAKEHOLDERS WITH WHOM TO ENGAGE	87			NO
G4-26	APPROACHES TO STAKEHOLDER ENGAGEMENT	87			NO
G4-27	KEY TOPICS AND CONCERNS THAT HAVE BEEN RAISED THROUGH STAKEHOLDER ENGAGEMENT	94			NO
Report Profile					
G4-28	REPORTING PERIOD	87			NO
G4-29	DATE OF MOST RECENT PREVIOUS REPORT	87			NO
G4-30	REPORTING CYCLE	87			NO
G4-31	CONTACT POINT FOR QUESTIONS REGARDING THE REPORT	87			NO
GRI Content Index					
G4-32	GRI OVERVIEW	144			NO
Assurance					
G4-33	EXTERNAL ASSURANCE FOR THE REPORT	140,141, 144			NO
GOVERNANCE					
Governance structure and composition					
G4-34	GOVERNANCE STRUCTURE OF THE ORGANIZATION	12-19			NO
G4-35	PROCESS FOR DELEGATING AUTHORITY	12			NO
G4-36	EXECUTIVE LEVEL RESPONSIBILITY	17			NO
G4-37	PROCESS FOR CONSULTATION BETWEEN STAKEHOLDERS AND THE BOARD	12,96			NO
G4-38	MEMBERS OF THE BOARD	14-16			NO
G4-39	THE ROLES OF THE CHAIRMAN OF THE BOARD AND THE CEO	12,96-97			NO
G4-40	DETERMINING THE QUALIFICATIONS OF THE BOARD MEMBERS	14-16			NO
G4-41	PROCESSES TO ENSURE CONFLICTS OF INTEREST ARE AVOIDED	13			NO
Highest governance body's competencies and performance evaluation					
G4-42	BOARD'S ROLE IN SETTING PURPOSE, VALUES, AND STRATEGY	85,96-97			NO
Highest governance body's competencies and performance evaluation					
G4-43	MEASURES TO ENHANCE THE BOARD'S KNOWLEDGE	13			NO
G4-44	PROCESSES FOR EVALUATING THE BOARD'S PERFORMANCE	13			NO
Highest governance body's role in risk management					
G4-45	THE BOARD'S ROLE IN IDENTIFICATION AND MANAGEMENT OF RISKS AND OPPORTUNITIES	96			NO
G4-46	REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS	96			NO

G4-47	FREQUENCY OF REVIEWS	96			NO
Highest governance body's role in sustainability reporting					
G4-48	BOARD APPROVES REPORTING ON CORPORATE SUSTAINABILITY	97			NO
Highest governance body's role in evaluating economic, environmental and social performance					
G4-49	COMMUNICATING CRITICAL CONCERNS TO THE BOARD	96			NO
G4-50	NATURE AND TOTAL NUMBER OF CRITICAL CONCERNS	96			NO
Remuneration and incentives					
G4-51	REMUNERATION POLICIES FOR BOARD MEMBERS AND SENIOR EXECUTIVES	13	Reporting on annual compensation of highest paid individuals is omitted due to 'country's cultural context', as top managers' compensations are treated as business secret.		NO
G4-52	PROCESS FOR DETERMINING REMUNERATION	13			NO
G4-53	STAKEHOLDERS' VIEWS REGARDING REMUNERATION		Stakeholders'´ views are discuss on Working Council meetings and with Trade Unions		NO
G4-54	RATIO OF THE ANNUAL TOTAL COMPENSATION FOR THE HIGHEST-PAID INDIVIDUAL TO THE MEDIAN ANNUAL TOTAL COMPENSATION FOR ALL EMPLOYEES.		Reporting on Ratio of the annual total compensation for the highest-paid individual to the median annual total compensation for all employees is omitted due to 'country's cultural context.		NO
G4-55	RATIO OF PERCENTAGE INCREASE IN ANNUAL TOTAL COMPENSATION FOR THE HIGHEST-PAID INDIVIDUAL IN TO THE MEDIAN PERCENTAGE INCREASE IN ANNUAL TOTAL COMPENSATION FOR ALL EMPLOYEES.		Reporting on Ratio of percentage increase in annual total compensation for the highest-paid individual in to the median percentage increase in annual total compensation for all employees is omitted due to 'country's cultural context.		NO
Ethics and Integrity					
G4-56	VALUES AND NORMS OF BEHAVIOUR, CODE OF CONDUCT	13,101		10	NO
G4-57	MECHANISM FOR SEEKING ADVICE ON ETHICAL BEHAVIOUR	101		10	NO
G4-58	MECHANISM FOR REPORTING CONCERNS ABOUT UNETHICAL BEHAVIOUR	101		10	NO
Economic Performance					
G4-EC1	DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	78			NO
G4-EC2	FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANIZATION'S ACTIVITIES DUE TO CLIMATE CHANGE	104		7	NO

G4-EC3	COVERAGE OF THE ORGANIZATION'S DEFINED BENEFIT PLAN OBLIGATIONS	66,115			NO
G4-EC4	SIGNIFICANT FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	78			NO
Market Presence					
G4-EC5	RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE AT SIGNIFICANT LOCATIONS OF OPERATION	125	There are no differences in wages by gender	6	NO
G4-EC6	PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY AT SIGNIFICANT LOCATIONS OF OPERATION	80		6	NO
Indirect Economic Impacts					
G4-EC7	DEVELOPMENT AND IMPACT OF INFRASTRUCTURE INVESTMENTS AND SERVICES SUPPORTED	80			NO
G4-EC8	SIGNIFICANT INDIRECT ECONOMIC IMPACTS, INCLUDING THE EXTENT OF IMPACTS	80,133			NO
Procurement practices					
OG1	VOLUME AND TYPE OF ESTIMATED PROVED RESERVES AND PRODUCTION.	2,37			NO
Environmental performance Indicators					
Disclosure of Management approach		**100**		**7,8,9**	
Energy					
G4-EN3	ENERGY CONSUMPTION BY THE COMPANY	81		7,8	NO
G4-EN4	ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION	-	Not applicable		NO
G4-EN5	ENERGY INTENSITY	81		8	NO
G4-EN6	REDUCTION OF ENERGY CONSUMPTION	105		8,9	NO
G4-EN7	INITIATIVES TO PROVIDE ENERGY-EFFICIENT OR RENEWABLE ENERGY BASED PRODUCTS AND SERVICES	50,106		8,9	NO
OG2	TOTAL AMOUNT INVESTED IN RENEWABLE ENERGY.		INA does not produce renewable energy		NO
OG3	TOTAL AMOUNT OF RENEWABLE ENERGY GENERATED BY SOURCE.		INA does not produce renewable energy		NO
Water					**NO**
G4-EN8	TOTAL WATER WITHDRAWAL BY SOURCE	81,112		7,8	NO
G4-EN9	WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER		Neither of the water sources were significantly affected by the water withdrawal.	8	NO
G4-EN10	PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED	111		8	NO
Biodiversity					
G4-EN11	OPERATIONAL SITES OWNED, LEASED, MANAGED IN, OR ADJACENT TO, PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS	116		8	NO

G4-EN12	DESCRIPTION OF SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY IN PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS	116		8	NO
G4-EN13	HABITATS PROTECTED OR RESTORED	116		8	NO
OG4	NUMBER AND PERCENTAGE OF SIGNIFICANT OPERATING SITES IN WHICH BIODIVERSITY RISK HAS BEEN ASSESSED AND MONITORED.	116			NO
G4-EN14	TOTAL NUMBER OF IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS, BY LEVEL OF EXTINCTION RISK		INA does not operate in areas with species under extinction risk	8	NO
Emissions					
G4-EN15	DIRECT GREENHOUSE GAS EMISSIONS	81,107, 108,110		7, 8	NO
G4-EN16	INDIRECT GREENHOUSE GAS EMISSIONS	80,110		7, 8	NO
G4-EN17	OTHER INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 3)	107		7	NO
G4-EN18	GREENHOUSE GAS (GHG) EMISSIONS INTENSITY	81,109		8	NO
G4-EN19	REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS	110	INA actively works on joining the Global Flaring Initiative	8, 9	NO
G4-EN20	EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS)		INA does not use materials which contain ozone depleting substances in its processes, products and services. In some refrigeration equipment INA Group companies still have refrigerants that deplete the ozone layer, such as R22, which can stay in the cooling systems until the first need to substitute the refrigerant.	7	NO
G4-EN21	NOX, SOX, AND OTHER SIGNIFICANT AIR EMISSIONS	81,111		7	NO
Effluents, and Waste					
G4-EN22	TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION	81,112		8	NO
OG5	VOLUME OF FORMATION OR PRODUCED WATER	112			NO
G4-EN23	TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD	81,113		8	NO
OG6	VOLUME OF FLARED AND VENTED HYDROCARBON.	81,110			NO
OG7	AMOUNT OF DRILLING WASTE (DRILL MUD AND CUTTINGS) AND STRATEGIES FOR TREATMENT AND DISPOSAL.		Exploration and Production BD produced 1,443 tons of aqueous water based drilling mud and cuttings waste which was injected into deep wells. Compared to 2014, the amount of produced drilling mud and cuttings is decreased by 80% due to reduced drilling activities.		NO

G4-EN24	TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS	81,115		8	NO
G4-EN25	WEIGHT OF TRANSPORTED, IMPORTED, EXPORTED, OR TREATED WASTE DEEMED HAZARDOUS UNDER THE TERMS OF THE BASEL CONVENTION2 ANNEX I, II, III, AND VIII, AND PERCENTAGE OF TRANSPORTED WASTE SHIPPED INTERNATIONALLY	81	INA exports waste only through authorised waste exporters	8	NO
G4-EN26	IDENTITY, SIZE, PROTECTED STATUS, AND BIODIVERSITY VALUE OF WATER BODIES AND RELATED HABITATS SIGNIFICANTLY AFFECTED BY THE ORGANIZATION'S DISCHARGES OF WATER AND RUNOFF		No water bodies or related habitats are significantly affected by the organization's discharges of water and runoff	8	NO
Products and Services					
G4-EN27	INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES	45,102		7,8,9	NO
G4-EN28	PERCENTAGE OF PRODUCTS SOLD AND THEIR PACKAGING MATERIALS THAT ARE RECLAIMED BY CATEGORY		INA Maziva has recollected 2.53% of used lubricants	8	NO
OG8	BENZENE, LEAD AND SULPHUR CONTENT IN FUELS.	45	EURO V quality gasoline and diesel		NO
Compliance					
G4-EN29	VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS	102	There were no significant fines or sanctions for non-compliance with environmental laws and regulations	8	NO
Supplier environmental assessment					
G4-EN32	PERCENTAGE OF NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA	103	New bidders, subcontractors and manufacturers are pre-screened in order to minimize the risks related to HSE activities	8	NO
G4-EN33	SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN	103		8	NO
Environmental grievance mechanisms					
G4-EN34	NUMBER OF GRIEVANCES ABOUT ENVIRONMENTAL IMPACTS FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	133		8	NO
Labour Practices and Decent Work					
Employment					
G4-LA1	NUMBER AND RATE OF EMPLOYEE TURNOVER BY AGE GROUP, GENDER, AND REGION	125		6	
G4-LA2	BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES, BY SIGNIFICANT LOCATIONS OF OPERATION	132			
G4-LA3	RETURN TO WORK AND RETENTION RATES AFTER PARENTAL LEAVE, BY GENDER	84		6	

Labour/Management Relations				
G4-LA4	MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER THESE ARE SPECIFIED IN COLLECTIVE AGREEMENTS		Before implementing an organizational change, the Employer is obligated to conduct a consultation process on the change with the Works Council. An organizational change cannot be implemented before obtaining the Works Council opinion (deadline for giving the opinion is eight days), otherwise such a change would be void.	3
Occupational Health and Safety				
G4-LA5	PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT–WORKER HEALTH AND SAFETY COMMITTEES THAT HELP MONITOR AND ADVISE ON OCCUPATIONAL HEALTH AND SAFETY PROGRAMS		All employees are represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	
G4-LA6	RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES	82		1
G4-LA7	WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION	82		
G4-LA8	HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS	131		
Training and Education				
G4-LA9	AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE	84		6
G4-LA10	PROGRAMS FOR SKILLS MANAGEMENT AND LIFELONG LEARNING THAT SUPPORT THE CONTINUED EMPLOYABILITY OF EMPLOYEES	126,137		
G4-LA11	PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	128		6
Diversity and Equal Opportunity				
G4-LA12	COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP ETC.	12		6
Equal remuneration for women and men				
G4-LA13	RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN BY EMPLOYEE CATEGORY, BY SIGNIFICANT LOCATIONS OF OPERATION		There is no difference between the basic salary and remuneration of women to men.	6
Human rights				
Investment				
Non-discrimination				
G4-HR3	TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN	101		6
Freedom of Association and Collective Bargaining				
G4-HR4	OPERATIONS IDENTIFIED IN WHICH THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT SIGNIFICANT RISK		There are no operations in which the right to exercise freedom of association and collective bargaining may be at significant risk	1,2,3
SOCIETY				
Local Communities				
G4-SO1	PERCENTAGE OF OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS	133		1
G4-SO2	OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES	133	There are no such operations	1
Anti-Corruption				
G4-SO3	TOTAL NUMBER AND PERCENTAGE OF OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION AND THE SIGNIFICANT RISKS IDENTIFIED	101		10
G4-SO4	COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES	101		10
G4-SO5	CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN	101		10
Compliance				
G4-SO8	VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS	102		
Product responsibility				1,8
Customer Health and Safety				
G4-PR1	PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE CATEGORIES FOR WHICH HEALTH AND SAFETY IMPACTS ARE ASSESSED FOR IMPROVEMENT	102	For all of the products and services health and safety impacts are assessed	
G4-PR2	TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES DURING THEIR LIFE CYCLE, BY TYPE OF OUTCOMES		There were no incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	
Compliance				
G4-PR9	VALUE OF SIGNIFICANT FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING THE PROVISION AND USE OF PRODUCTS AND SERVICES	102	There were no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	
Biofuels				
OG14	VOLUME OF BIOFUELS PRODUCED AND PURCHASED MEETING SUSTAINABILITY CRITERIA	22,104	INA does not produce biofuel.	

GLOSSARY

FINANCIAL

CAPEX
Capital Expenditures

Clean-CCS EBITDA / Operating profit
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; furthermore adjusts EBITDA / 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.

EBITDA (Earnings before interest, tax, depreciation and amortisation)
Operating profit plus depreciation and amortisation

EPS
Earnings per Share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

Financial Covenant
The rate calculated from specific terms of P&L, Balance Sheet and Cash-Flow. (E.g.: Net Debt per EBITDA, EBITDA per Total Interest Expense). Financial Covenants are primarily applied in loan facility agreements to limit lenders' credit risk.

Gearing
Ratio of net debt to net debt plus equity

IFRS
International Financial Reporting Standards, formerly International Accounting Standards (IAS)

Net debt
Net debt = Long-term debt, net of current portion + short-term debt + current portion of long-term debt – short term investments – cash and cash equivalents

Net income
Attributable to equity holders of the parent Profit after taxation after the Groups share of associated companies and the deduction of profits due to minority interest.

Operating cash flow
Net cash provided by operating activities to be used for investment activities, interest payments and dividend payments to shareholders.

ROACE (Return on average capital employed)
Operating profit after taxation / average capital employed
Operating profit after taxation = operating profit x (100% - calculated corporate tax ratio)
Average capital employed = opening capital employed/2 + closing capital employed/2
Capital employed = total assets – long term financial investments – work in progress – cash and cash equivalents – short term liabilities + short term loans and credits

ROE (Return on Equity)
Net income divided by shareholders equity

SUSTAINABILITY

BAT
Best available technology

BD
Business division

BF
Business function

BREF
Best available techniques Reference document

CGS
Central gas station

CLP
Classification, labelling and packaging of substances and mixtures

COMPASS
Comprehensive risk assessment

CSR
Corporate social responsibility

d.d.
PLC (public limited company)

DJSI
Dow Jones Sustainability Index

DS Prod
Downstream production

EL
Environmental liability

EU ETS
European Union Emission Trading Scheme

ER
Emergency response (Intervention system during emergency situations (ERS))

E&P
Exploration & Production

GRI
Global reporting initiative

OGSS
Oil & Gas Sector Supplement

GHG
Greenhouse gases

HiPo
High Potential

HW
Hazardous waste

HR (M)
Human resources (management)

HSE
Health, safety and environment

IRIS
Incident Reporting and Investigation System

IPPC
Integrated pollution prevention control

IIR
Incident inquiry rate

LV
Limit value

LTI
Lost time injury

LTIF
Lost time injury frequency

LDR
Lost day rate

MSDS
Material safety data sheet

OH&S
Occupational health and safety

PPE
Personal protective equipment

PSM
Process safety management

REACH
Registration, evaluation, authorization and restriction of chemicals

RNS
Sisak Refinery

RNR
Rijeka Refinery

R&M
Refining & Marketing

RAR
Road accident rate (number of road accidents per 1 million km driven)

SD
Sustainable development

SD&HSE
Sustainable development & health, safety and environment

TROIF
Total reportable occupational illnesses frequency

UNGC
UN Global Compact

VOC
Volatile organic compounds

SHAREHOLDERS INFORMATION

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Central Depository and Clearing Company Inc.

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Zagreb Stock Exchange

Ivana Lučića 2a
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Phone: +385 1 4686 800
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Announcements

The company publishes its announcements at INA's website: www.ina.hr,
at Zagreb Stock Exchange's website: www.zse.hr and at Croatian news agency's website www.hina.hr

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Consolidated and separate Financial Statements for the year ended 31 December 2015 Together with Independent Auditors' Report

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, which give a true and fair view of the state of affairs and results of INA - Industrija Nafte, d.d. ("the Company") and its subsidiaries ("the Group") for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed and
- the financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and Group and must also ensure that the financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Group:

Zoltán Sándor Áldott, the President of the Management Board of INA, d.d.

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9 March 2016

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To the shareholders and the Board of INA – Industrija Nafte, d.d.

We have audited the accompanying financial statements ("the financial statements") of INA – Industrija Nafte, d.d. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2015, and consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information (as set out on pages 162 to 253).

Management Responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Slaven Đuroković
Member of the Board and certified auditor
Ernst & Young d.o.o. Zagreb
Republic of Croatia

ERNST & YOUNG
d.o.o.
Zagreb, Radnička cesta 50

Zagreb, 9 March 2016

A member firm of Ernst & Young Global Limited
Mjerodavan sud: Trgovački sud u Zagrebu; Temeljni kapital: 20.000,00 kuna, uplaćen u cijelosti.
Članovi Uprave: Dénes Zoltán Szabó, Slaven Đuroković, Berislav Horvat, Zvonimir Madunić
Applicable court: Commercial court in Zagreb; Registered share capital is 20.000,00 HRK, fully paid
Members of the Board: Dénes Zoltán Szabó, Slaven Đuroković, Berislav Horvat, Zvonimir Madunić

INA Group Consolidated Statement of Profit or Loss

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	NOTE	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Sales revenue			
a) domestic		11,116	14,187
b) exports		7,745	9,572
Total sales revenue	4	**18,861**	**23,759**
Capitalised value of own performance		466	459
Other operating income	5	448	267
Total operating income		**19,775**	**24,485**
Changes in inventories of finished products and work in progress		(238)	(935)
Cost of raw materials and consumables		(8,364)	(11,353)
Depreciation and amortisation	6	(2,191)	(2,132)
Other material costs		(2,572)	(2,455)
Service costs		(706)	(1,000)
Staff costs	7	(2,422)	(2,467)
Cost of other goods sold		(2,809)	(3,705)
Impairment charges (net)	8	(1,546)	(2,052)
Provision for charges and risks (net)	9	(265)	(108)
Operating expenses		**(21,113)**	**(26,207)**
Loss from operations		**(1,338)**	**(1,722)**
Finance income	10	197	208
Finance costs	11	(608)	(820)
Net loss from financial activities		**(411)**	**(612)**
Loss before tax		**(1,749)**	**(2,334)**
Income tax benefit	12	331	437
Loss for the year		**(1,418)**	**(1,897)**
Attributable to:			
Owners of the Company		(1,418)	(1,897)
Non-controlling interests		-	-
		(1,418)	(1,897)
Earnings per share			
Basic and diluted loss per share (kunas per share)	13	(141.78)	(189.66)

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated statement of profit or loss.

INA Group Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	NOTE	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Loss for the year		**(1,418)**	**(1,897)**
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	33	36	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	36	358	567
Gain on available-for-sale financial assets	35	95	115
Other comprehensive gain, net of income tax		**489**	**682**
Total comprehensive loss for the year		**(929)**	**(1,215)**
Attributable to:			
Owners of the Company		(929)	(1,215)
Non-controlling interests		-	-

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated statement of other comprehensive income.

INA, d.d. Separate Statement of Profit or Loss

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

		YEAR ENDED	YEAR ENDED
	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
Sales revenue			
a) domestic		10,870	13,394
b) exports		**6,291**	**7,685**
Total sales revenue	4	17,161	21,079
Capitalised value of own performance		9	4
Other operating income	**5**	**302**	**351**
Total operating income		17,472	21,434
Changes in inventories of finished products and work in progress		(233)	(705)
Cost of raw materials and consumables		(8,102)	(11,624)
Depreciation and amortisation	6	(2,078)	(1,980)
Other material costs		(2,086)	(1,960)
Service costs		(563)	(803)
Staff costs	7	(1,618)	(1,488)
Cost of other goods sold		(2,497)	(2,704)
Impairment and charges (net)	8	(1,213)	7
Provision for charges and risks (net)	**9**	**(248)**	**(79)**
Operating expenses		**(18,638)**	**(21,336)**
(Loss)/profit from operations		(1,166)	98
Finance income	10	306	781
Finance costs	**11**	**(638)**	**(729)**
Net (loss)/profit from financial activities		**(332)**	**52**
(Loss)/profit before tax		**(1,498)**	**150**
Income tax benefit	**12**	**296**	**481**
(Loss)/profit for the year		**(1,202)**	**631**

Signed on behalf of the Group on 9 March 2016 by:

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Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this separate statement of profit or loss.

INA, d.d. Separate Statement of Other Comprehensive Income

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

		YEAR ENDED	YEAR ENDED
	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
(Loss)/profit for the year		(1,202)	631
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	**33**	**29**	**-**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	36	355	596
Gain on available-for-sale financial assets	35	95	115
Other comprehensive gain, net of income tax		479	711
Total comprehensive (loss)/income for the year		**(723)**	**1,342**

Signed on behalf of the Group on 9 March 2016 by:

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Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this separate statement of comprehensive income.

INA Group Consolidated Statement of Financial Position

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

ASSETS	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
Non-current assets			
Intangible assets	14	388	457
Property, plant and equipment	15	12,730	14,038
Goodwill	16	152	183
Investments in associates	18	22	22
Other investments	19	14	23
Long-term receivables and other assets	20	144	170
Deferred tax	12	2,094	1,742
Available-for-sale assets	21	581	462
Total non – current assets		**16,125**	**17,097**
Current assets			
Inventories	22	1,820	1,924
Trade receivables, net	23.39	1,724	1,998
Other receivables	24	136	181
Corporate Income tax receivables		23	112
Other current assets	25	224	282
"Prepaid expenses and accrued income"		54	154
Cash and cash equivalents	26	275	467
		4,256	5,118
Held-for-sale assets		1	-
Total current assets		4,257	5,118
TOTAL ASSETS		**20,382**	**22,215**

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated statement of financial position.

INA Group Consolidated Statement of Financial Position

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

EQUITY AND LIABILITIES	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
Capital and reserves			
Share capital	34	9,000	9,000
Legal reserves		330	330
Revaluation reserve	35	216	121
Other reserves	36	1,641	2,851
Accumulated loss	37	(602)	(641)
Equity attributable to owners of the Company		**10,585**	**11,661**
Non-controlling interest	38	-	(1)
TOTAL EQUITY		**10,585**	**11,660**
Non – current liabilities			
Long-term loans	30	400	628
Other non-current liabilities	31	66	64
Employee benefit obligation	33	101	172
Provisions	32	3,266	2,837
Deferred tax liabilities		22	9
Total non–current liabilities		**3,855**	**3,710**
Current liabilities			
Bank loans and overdrafts	27	2,768	2,631
Current portion of long-term loans	27	139	199
Trade payables	28.39	1,400	1,713
Taxes and contributions	28	665	1,054
Other current liabilities	28	271	554
Accruals and deferred income	29	64	114
Employee benefit obligation	33	8	12
Provisions	32	627	568
Total current liabilities		**5,942**	**6,845**
Total liabilities		**9,797**	**10,555**
TOTAL EQUITY AND LIABILITIES		**20,382**	**22,215**

Signed on behalf of the Group on 9 March 2016 by:

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Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated statement of financial position.

INA, d.d. Separate Statement of Financial Position

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

ASSETS	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
Non-current assets			
Intangible assets	14	385	455
Property, plant and equipment	15	11,542	12,564
Investment in subsidiaries	17	1,000	1,133
Investments in associates	18	22	22
Other investments	19	692	23
Long-term receivables	20	149	178
Deferred tax	12	1,995	1,702
Available-for-sale assets	21	581	462
Total non-current assets		**16,366**	**16,539**
Current assets			
Inventories	22	1,597	1,659
Intercompany receivables	39	140	117
Trade receivables, net	23.39	1,176	1,399
Other receivables	24	84	122
Corporate Income tax receivables		8	92
Other current assets	25	208	789
"Prepaid expenses and accrued income"		42	149
Cash and cash equivalents	26	195	327
Total current assets		3,450	4,654
TOTAL ASSETS		**19,816**	**21,193**

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this separate statement of financial position.

INA, d.d. Separate Statement of Financial Position

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

EQUITY AND LIABILITIES	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
Capital and reserves			
Share capital	34	9,000	9,000
Legal reserves		330	330
Revaluation reserve	35	216	121
Other reserves	36	1,273	2,529
Accumulated loss	37	(310)	(504)
TOTAL EQUITY		**10,509**	**11,476**
Non-current liabilities			
Long term loans	30	400	619
Other non-current liabilities	31	65	63
Employee benefit obligation	33	66	128
Provisions	32	3,347	2,849
Total non-current liabilities		**3,905**	**3,659**
Current liabilities			
Bank loans and overdrafts	27	2,508	2,391
Current portion of long-term loans	27	133	187
Intercompany payables	39	488	443
Trade payables	28.39	967	1,256
Taxes and contributions	28	606	970
Other current liabilities	28	216	293
Accruals and deferred income	29	17	88
Employee benefit obligation	33	4	8
Provisions	32	463	422
Total current liabilities		**5,402**	**6,058**
Total liabilities		**9,307**	**9,717**
TOTAL EQUITY AND LIABILITIES		**19,816**	**21,193**

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this separate statement of financial position.

INA Group Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	SHARE CAPITAL	LEGAL RESERVES	OTHER RESERVES	REVALUATION RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSS)	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON CONTROLLING INTEREST	TOTAL
Balance at 1 January 2014	**9,000**	**330**	**2,284**	**6**	**1,256**	**12,876**	**(1)**	**12,875**
Loss for the year	-	-	-	-	(1,897)	(1,897)	-	(1,897)
Other comprehensive loss, net	-	-	567	115	-	682	-	682
Total comprehensive income for the year	**-**	**-**	**567**	**115**	**(1,897)**	**(1,215)**	**-**	**(1,215)**
Balance at 31 December 2014	**9,000**	**330**	**2,851**	**121**	**(641)**	**11,661**	**(1)**	**11,660**
Transfer from other reserves to retained earnings	-	-	(1,640)	-	1,640	-	-	-
Dividend paid	-		-	-	(150)	(150)	-	(150)
Subtotal	9,000	330	1,211	121	849	11,511	(1)	11,510
Loss for the year	-	-	-	-	(1,418)	(1,418)	-	(1,418)
Other comprehensive income, net	-	-	394	95	-	489	-	489
Total comprehensive income/(loss) for the year	**-**	**-**	**394**	**95**	**(1,418)**	**(929)**	**-**	**(929)**
Foreign exchange differ-ences transferred of other reserves and other changes	-	-	36	-	(33)	3	1	4
Balance at 31 December 2015	**9,000**	**330**	**1,641**	**216**	**(602)**	**10,585**	**-**	**10,585**

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated statement of changes in equity.

INA, d.d. Separate Statement of Changes in Equity

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	SHARE CAPITAL	LEGAL RESERVES	OTHER RESERVES	REVALUATION RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSS)	TOTAL
Balance at 1 January 2014	**9,000**	**330**	**1,933**	**6**	**2,060**	**13,329**
Loss for the year	-	-	-	-	631	631
Other comprehensive loss, net	-	-	596	115	-	711
Total comprehensive income for the year	**-**	**-**	**596**	**115**	**631**	**1,342**
Loss brought forward from legal merger	-	-	-	-	(3,195)	(3,195)
Balance at 31 December 2014	**9,000**	**330**	**2,529**	**121**	**(504)**	**11,476**
Transfer other reserves to retained earnings	-	-	(1,640)	-	1,640	-
Dividend paid	-	-	-	-	(150)	(150)
Loss brought forward from legal merger	-	-	-	-	(94)	(94)
Subtotal	**9,000**	**330**	**889**	**121**	**892**	**11,232**
Profit for the year	-	-	-	-	(1,202)	(1,202)
Other comprehensive income, net	-	-	384	95	-	479
Total comprehensive income/(loss) for the year	**-**	**-**	**384**	**95**	**(1,202)**	**(723)**
Balance at 31 December 2015	**9,000**	**330**	**1,273**	**216**	**(310)**	**10,509**

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this separate statement of changes in equity.

INA Group Consolidated Statement of Cash Flow

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	NOTE	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Loss for the year		**(1,418)**	**(1,897)**
Adjustments for:			
Depreciation and amortisation		2,191	2,132
Income tax benefit recognised in income statement		(331)	(437)
Impairment charges (net)		1,546	2,052
Gain on sale of property, plant and equipment		(19)	(16)
Foreign exchange loss		205	249
Gain on sale of investments and shares		(32)	-
Interest expense (net)		58	196
Other finance expense recognised in income statement		77	77
Increase in provisions		194	47
Decommisioning interests and other provision		70	89
Other non-cash items		8	5
		2,549	2,497
Movements in working capital			
Decrease in inventories		12	1,201
Decrease in receivables and prepayments		220	839
Decrease in trade and other payables		(645)	(534)
Cash generated from operations		**2,136**	**4,003**
Taxes paid		(157)	(154)
Net cash inflow from operating activities		**1,979**	**3,849**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(1,561)	(1,292)
Payments for intangible assets		(38)	(297)
Proceeds from sale of non-current assets		33	34
Amount related to sale of subsidiary (net)		(3)	-
Dividends received from companies classified as available-for-sale and from other companies		7	7
Interest received and other financial income		15	34
Investments and loans to third parties (net)		39	49
Net cash used for investing activities		**(1,508)**	**(1,465)**

INA Group Consolidated Statement of Cash Flow

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	NOTE	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Cash flows from financing activities			
Additional long-term borrowings		1,602	2,202
Repayment of long-term borrowings		(1,926)	(3,706)
Additional short-term borrowings		12,237	14,715
Repayment of short-term borrowings		(12,221)	(15,258)
Dividends paid		(150)	-
Interest paid on long-term loans		(16)	(45)
"Interest paid on short term loans and			
other interest charges"		(149)	(199)
Net cash used in financing activities		**(623)**	**(2,291)**
Net (decrease)/increase in cash and cash equivalents		(152)	93
At 1 January		467	402
Effect of foreign exchange rate changes		(40)	(28)
At 31 December	26	275	467

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated statement of cash flow.

INA, d.d. Separate Statement of Cash Flows

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	NOTE	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
(Loss)/profit for the year		**(1,202)**	**631**
Adjustments for:			
Depreciation and amortisation		2,078	1,980
Income tax benefit recognised in income statement		(296)	(481)
Impairment charges (net)		1,213	(7)
Gain on sale of property plant and equipment		(10)	-
Foreign exchange loss		139	192
Interest income (net)		(12)	(105)
Other finance expense recognised in income statement		152	152
Increase in provisions		262	252
Decommisioning interests		75	87
Other non-cash items		25	63
		2,424	2,764
Movements in working capital			
(Increase)/decrease in inventories		(39)	766
Decrease in receivables and prepayments		266	1,090
Decrease in trade and other payables		(855)	(910)
Cash generated from operations		1,796	3,710
Taxes paid		(114)	(86)
Net cash inflow from operating activities		**1,682**	**3,624**
Cash flows used in investing activities			
Capital expenditures, exploration and development costs		(1,394)	(1,542)
Payment for intangible assets		(61)	(28)
Proceeds from sale of non-current assets		10	-
Proceeds related to liquidation of subsidiaries		2	-
Dividends received from companies classified as available-for-sale and from other companies		7	7
Payments received from subsidiaries		16	4
Interest received and other financial income		53	82
Investments and loans, net		(99)	54
Net cash used in investing activities		(1,466)	(1,423)

INA, d.d. Separate Statement of Cash Flow

For the year ended 31 December 2015
(all amounts are presented in HRK millions)

	NOTE	YEAR ENDED 31 DECEMBER 2015	YEAR ENDED 31 DECEMBER 2014
Cash flows from financing activities			
Additional long-term borrowings		1,602	2,202
Repayment of long-term borrowings		(1,913)	(3,564)
Additional short-term borrowings		12,427	14,767
Repayment of short-term borrowings		(12,268)	(15,368)
Dividends paid		(150)	-
Interest paid on long-term loans		(15)	(41)
Other long-term liabilities, net		3	(2)
"Interest paid on short term loans and		402	
other interest charges"		(35)	(121)
Net cash used in financing activities		(349)	(2,127)
Net (decrease)/increase in cash and cash equivalents		**(133)**	**74**
At 1 January		327	252
Effect of foreign exchange rate changes		1	1
At 31 December	**26**	**195**	**327**

Signed on behalf of the Group on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

The accompanying accounting policies and notes form an integral part of this separate statement of cash flow.

INA - INDUSTRIJA NAFTE, D.D. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(ALL AMOUNTS ARE PRESENTED IN HRK MILLIONS)

1. GENERAL

History and incorporation

INA was founded on 1 January 1964 through the merger of Naftaplin Zagreb (oil and gas exploration and production company) with the Rijeka Oil Refinery and the Sisak Oil Refinery. Today, INA, d.d. is a medium-sized European oil company with the leading role in Croatian oil business and a strong position in the region in oil and gas exploration, refining and distribution of oil and oil derivatives. INA-Industrija nafte, d.d. Zagreb is a joint stock company owned by the Hungarian oil company MOL Nyrt (49.08%), the Republic of Croatia (44.84%) and institutional and private investors (6.08%). On 30 January 2009 MOL Nyrt and the Government of Croatia signed the Amendment to the Shareholders Agreement. Under the Amendment MOL Nyrt delegates five out of the nine members in the Supervisory Board and three out of six members of the Management Board including the President.
In 1993 INA, d.d. became a joint stock company and in 2003 25% +1 share was sold to MOL Nyrt. Two years later, in 2005 7% of INA, d.d. shares (700,000) were transferred to the Croatian Homeland Independence War Veterans and Their Family Member´s.
The initial public offering of 17% of INA, d.d. shares was successfully launched in November 2006. From 1 December 2006 the shares were listed on the Zagreb Stock Exchange and the London Stock Exchange where the trading in global depositary receipts (GDRs) started. Due to subsequent decrease in activity on the London Stock Exchange, GDRs have been cancelled on 2 September 2014.

The ownership structure* of the INA Group as of 31 December 2015 and 2014:

	31 DECEMBER 2015		31 DECEMBER 2014	
	Number of shares	Ownership in %	Number of shares	Ownership in %
Zagrebačka banka d.d./Unicreditbank Hungary Zrt, for MOL Nyrt, Hungary	4,908,207	49.08	4,908,207	49.08
Government of the Republic of Croatia	4,483,552	44.84	4,483,552	44.84
Institutional and private investors	**608,241**	**6.08**	**608,241**	**6.08**
	10,000,000	**100**	**10,000,000**	**100**

*Source: Central Depository & Clearing Company Inc.

Principal activities

Principal activities of INA, d.d. and its subsidiaries (Group) are:
(i) exploration and production of oil and gas deposits, primarily onshore and offshore within Croatia; other licence interests are held in abroad; Angola and Egypt;
(ii) import of natural gas and sale of imported and domestically produced natural gas to industrial consumers and municipal gas distributors;
(iii) refining and production of oil products through refineries located at Rijeka (Urinj) and Sisak, and Zagreb lubricants plants;
(iv) distribution of fuels and associated products through a chain of 438 retail outlets in operation as of 31 December 2015 (of which 388 in Croatia and 50 outside Croatia).
(v) trading in petroleum products through a network of foreign subsidiaries and representative offices, principally in Ljubljana and Sarajevo; and
(vi) service activities incidental to on-shore and off-shore oil extraction through its drilling and oilfield services subsidiary Crosco d.o.o.

The Group has dominant positions in Croatia over oil and gas exploration and production, oil refining, and the marketing of gas and petroleum products. INA, d.d. also holds an 11.795 % interest in JANAF d.d., the company that owns and operates the Adria pipeline system.
The headquarters of the Group are located in Zagreb, Avenija V. Holjevca 10, Croatia. As at 31 December 2015 there were 11,256 persons employed at the Group (12,503 as at 31 December 2014). As at 31 December 2015 there were 7,352 persons employed at INA, d.d. (8,150 as at 31 December 2014).
The Group comprises a number of wholly and partially owned subsidiaries operating largely within the Republic of Croatia. Foreign subsidiaries include a number of trading subsidiaries which generally act as distributors of INA Group products and as representative offices within their local markets.

Directors, Management and Supervisory Board
Supervisory Board

Supervisory Board since 18 December 2012 until 10 July 2014

Siniša Petrović	Chairman
György Mosonyi	Deputy chairman
József Molnár	Member of the Supervisory Board
Szabolcs I. Ferencz	Member of the Supervisory Board
Željko Perić	Member of the Supervisory Board
Mladen Proštenik	Member of the Supervisory Board
Oszkár Világi	Member of the Supervisory Board
Ferenc Horváth	Member of the Supervisory Board
Božo Mikuš*	Representative of employees in the Supervisory Board*

*Božo Mikuš participates in the Supervisory Board from 18 December 2012 pursuant to the Workers Council Decision on 21 September 2011.

Supervisory Board since 10 July 2014

Siniša Petrović	Chairman
György Mosonyi	Deputy chairman
József Molnár	Member of the Supervisory Board
Szabolcs I. Ferencz	Member of the Supervisory Board
Željko Perić	Member of the Supervisory Board
Mladen Proštenik	Member of the Supervisory Board
Oszkár Világi	Member of the Supervisory Board
Ferenc Horváth	Member of the Supervisory Board
Maja Rilović	Representative of employees in the Supervisory Board

Management Board

Management Board since 9 June 2011 until 21 May 2014

Zoltán Sándor Áldott	President of the Management Board
Pál Zoltán Kara	Member of the Management Board
Péter Ratatics	Member of the Management Board
Niko Dalić	Member of the Management Board

Davor Mayer	Member of the Management Board
Ivan Krešić	Member of the Management Board

Management Board since 22 May 2014 until 31 March 2015

Zoltán Sándor Áldott	President of the Management Board
Horváth Gábor	Member of the Management Board
Péter Ratatics	Member of the Management Board
Niko Dalić	Member of the Management Board
Davor Mayer	Member of the Management Board
Ivan Krešić	Member of the Management Board

Management Board since 1 April 2015

Zoltán Sándor Áldott	President of the Management Board
Horváth Gábor	Member of the Management Board
Péter Ratatics	Member of the Management Board
Niko Dalić	Member of the Management Board
Davor Mayer	Member of the Management Board
Ivan Krešić	Member of the Management Board

Executive Board

Executive Board appointed by the decision of the Management Board from1 September 2012 until 31 August 2014

Želimir Šikonja	Executive Director of Exploration and Production
Artur Thernesz	Executive Director in charge of Refining and Marketing
Darko Markotić	Executive Director in charge of Retail
András Huszár	Executive Director in charge of Finance
Tvrtko Perković	Executive Director in charge of Corporate Centre
Tomislav Thür	Executive Director in charge of Corporate Affairs

Executive Board appointed by the decision of the Management Board since 1 September 2014

Želimir Šikonja	Executive Director of Exploration and Production
Bengt Viktor Oldsberg	Executive Director in charge of Refining and Marketing
Darko Markotić	Executive Director in charge of Retail
András Huszár*	Executive Director in charge of Finance
Tvrtko Perković	Executive Director in charge of Corporate Centre
Tomislav Thür	Executive Director in charge of Corporate Affairs

* Following Management Board decision, Dr. Ákos Székely has been appointed as Executive Director in charge of Finance, effective from 1 February 2016

Company secretary

Secretary since 18 June 2008 until 31 May 2015

Nives Troha	Secretary of INA, d.d.

Acting Company Secretary since 1 June 2015

Duško Margušić	Acting Company Secretary of INA, d.d.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Presentation of the financial statements

These consolidated and separate financial statements are prepared on the consistent presentation and classification basis. When the presentation or classification of items in the consolidated and separate financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable.
The Company´s and the Group´s financial statements are prepared in millions of HRK, which is the Company's functional currency.

Basis of accounting

The Company maintains its accounting records in Croatian language, in Croatian kuna and in accordance with Croatian law and the accounting principles and practices observed by enterprises in Croatia. The accounting records of the Company's subsidiaries in Croatia and abroad are maintained in accordance with the requirements of the respective local jurisdictions.
The Company's and Group's financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities under conditions of hyperinflation in the period to 1993 and except for certain financial instruments that are measured at fair values at the end of each reporting period, and in accordance with International Financial Reporting Standards as adopted by EU.
Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period
The following new standards and amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the European Union are effective for the current period:

- **IFRIC 21 Levies,** issued in May 2013, provides guidance on when to recognize a liability for a levy imposed by a government, adopted by EU 13 June 2014 (effective date in EU for annual periods beginning on or after 1 July 2014).

- **Amendments to various standards Improvements to IFRSs (cycle 2011-2013)** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, adopted in EU 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015 in EU).

The adoption of these Standards and Interpretations had no material impact on the financial statements of the Company and the Group.
Standards and Interpretations issued by IASB and adopted by the EU but not yet effective
At the date of authorization of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- **Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets** issued in May 2014 to clarify of Acceptable Methods of Depreciation and Amortization, adopted in EU 2 December 2015, (effective date for annual periods beginning on or after 1 January 2016).

- **Amendments to IFRS 11 Joint Arrangements** on accounting for acquisitions of interests in joint operations, as amended in May 2014. The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, adopted in EU 24 November 2015 (effective date for annual periods beginning on or after 1 January 2016).

- **Amendments to various standards Improvements to IFRSs (cycle 2010-2012)** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording, adopted 12 December 2013 (amendments are to be applied for annual periods beginning on or after 1 February 2015 in EU).

- **Amendments to IAS 27 Separate Financial Statements** (as amended in 2011) reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements, issued in August 2014 and adopted in EU 18 December 2015 (effective date for annual periods beginning on or after 1 January 2016).

- **Amendments to IAS 19 Employee Benefits** - Defined Benefit Plans: Employee Contributions, adopted in EU 17 December 2014 (effective in EU for annual periods beginning on or after 1 February 2015).

- **Annual Improvements to IFRSs (cycle 2012-2014)** resulting from the amendments on standards IFRS 5, IAS 19, IFRS 7 and IAS 34 issued in September 2014,, adopted 15 December 2015, (effective date for annual periods beginning on or after 1 January 2016).

- **Amendments to IAS 1 Disclosure Initiative,** clarify the requirements for additional subtotals that are presented in statement (effective date for annual periods beginning on or after 1 January 2016). The endorsement might be expected in 2016.

The Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company and the Group.

Standards and Interpretations issued by IASB but not yet adopted by the EU

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU:

- **IFRS 9 Financial Instruments,** issued in July 2014 the final version that replaced the IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2018). The endorsement might be expected in 2016.

- **IFRS 14 Regulatory Deferral Accounts,** issued in January 2014 (effective date to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. Since the Group is an existing IFRS preparer, this standard would not apply.

- **IFRS 15 Revenue from Contracts with Customers,** issued in May 2014 including amendment to IFRS 15: Effective dates of IFRS 15, issued in September 2015 (effective date to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018). The endorsement might be expected in 2016.

- **Amendments to IFRS 10 and IAS 28,** regarding the sale or contribution of assets between an investor and its associate or joint venture issued in September 2014 (effective date for annual periods beginning on or after 1 January 2016). The EU postpone the endorsement and decide to wait further IASB developments.

- **Amendments to IFRS 10, IFRS 12 and IAS 28,** regarding the application of the consolidation exception, issued in December 2014 (effective date for annual periods beginning on or after 1 January 2016). The endorsement might be expected in 2016.

Standards and Interpretations issued by IASB but not yet adopted by the EU

- **IFRS 16 Leases,** issued in January 2016 replaces accounting treatment for leases and is a major revision of the way in which companies account for leases (effective date for annual periods beginning on or after 1 January 2019). Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. EU will in future define when the standard might be endorsed.

- **Amendments to IAS 7 Cash flow,** issued in January 2016, a new disclosure initiative, (effective date for annual periods beginning on or after 1 January 2017).

- **Amendment to IAS 12 Revenue,** issued in January 2016, regarding the recognition of deferred tax assets for unrealized losses.

The amendments are effective for annual periods beginning on or after 1 January 2017. The endorsement might be expected in 2016.
Management anticipates that the adoption of IFRS 9 Financial instruments will have impact on disclosure of financial instruments and no impact on measurement of financial instruments.
The new standards IFRS 15 Revenue from Contracts with Customers will have a significant impact on revenue recognition, so Company need to assess how financial reporting, information system and processes will be affected.

Basis of Parent Company financial statement (INA, d.d.)

In the Company's financial statements investments in subsidiaries are stated at cost less impairment.

Basis of consolidated financial statements (INA Group)

The consolidated financial statements incorporate the financial statements of INA, d.d. (the Company) and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.
All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.
When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.
All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate.

Legal merger

In a case of legal merger pooling of interest method is applied, balances of company that is merged are carried at net book values to a company which is legal successor and no restatements of prior periods are done.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is

measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition- related costs are recognised in profit or loss as incurred.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, and then the gain is recognized in profit and loss.
Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.
When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.
The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.
When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.
A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.
Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.
On disposal of the relevant cash-generating unit, the attribute amount of goodwill is included in the determination of the gain or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.
Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.
The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate and joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.
When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.
When a group entity transacts with its associate or a joint venture, profits and losses resulting from the transactions with the associate or a joint venture of the Group, are recognised in the Group' consolidated financial statements only to the extent of interests in the associate or a joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Oil and gas properties
Exploration and appraisal costs

Exploration and appraisal costs are accounted for on the successful efforts basis. Costs relating to exploration and appraisal drilling are initially capitalised as intangible oil and gas assets pending determination of the commercial viability of the relevant oil and gas properties.

License and data provision costs and costs associated with geological and geophysical activities are charged to the statement of profit or loss in the period in which they are incurred.

If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are charged to the statement of profit or loss in the period. If the prospects are deemed to be commercially viable, such costs are transferred to oil and gas properties. The status of such prospects is reviewed regularly by management.

Fields under development

Oil and gas field development costs are capitalised as tangible oil and gas assets.

Depreciation

Capitalised exploration and development costs of producing domestic and foreign oil and gas properties are depreciated using a unit of production method, in the proportion of actual production for the period to the total estimated remaining commercial reserves of the field.

Commercial reserves

Commercial reserves are proved developed oil and gas reserves. Changes in the commercial reserves of fields affecting unit of production calculations are dealt with prospectively over the revised remaining reserves. Group performed reserves determination in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) guidelines.

Intangible assets

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method, except intangible assets on oil and gas fields are charged with a unit of production method. The amortisation period and the amortisation method are reviewed annually at each financial year-end. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash generating unit level.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage cannot be amortized. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment are shown at historical cost or valuation less accumulated depreciation and any accumulated impairment loss, except for land, which is stated at cost less any accumulated impairment loss. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.

Expenditures incurred after property, plant and equipment have been put into operation are normally charged to statement of profit or loss in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalised as an additional cost of property, plant and equipment. Costs eligible for capitalisation include costs of periodic, planned significant inspections and overhauls necessary for further operation.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Depreciation, Depletion and Amortisation

Intangible assets and property, plant and equipment in use (excluding oil and gas properties) are depreciated on a straight-line basis on the following basis:

Software	5 years
Buildings	5 - 50 years
Refineries and chemicals manufacturing plants	3 - 15 years
Petrol service stations	30 years
Telecommunication and office equipment	2 - 10 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as expenditure, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Finance and operating leases

The determination whether an arrangement contains or is a lease depends on the substance of the arrangement at inception date. If fulfilment of the arrangement depends on the use of a specific asset or conveys the right to use the asset, it is deemed to contain a lease element and are recorded accordingly.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are

capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charges and reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.
Initial direct costs incurred in negotiating a operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as the lease income. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight line basis over the lease term.

Receivables from customers

Receivables from customers are shown in amounts identified in the invoices issued to the customers in accordance with the agreement, order, delivery note and other documents which serves as basis for invoicing, decreased with impairment of receivables. Accrued revenues are recorded at the end of reporting period for delivered goods or services if they have not been invoiced yet.
The accounting policies adopted by the Company, defining and recording impairment of short-term receivables for which there is uncertainty that receivables will be collected in accordance with the original contractual terms, is based on the following procedures:

- estimate of recoverability of accounts receivable with individual approach to the Company's strategic customers;
- impairment of other short-term receivables that exceed 60 days from the maturity date.

Company records impairment on doubtful debt based on the estimate of recoverability of receivable with individual approach to the Company's strategic customers and impairment of all short-term receivables which are not included in the individual estimate, regardless of their financial amount but in amount of due doubtful debt that exceeds 60 days from the maturity date.
Adequate impairment for estimated non-refundable amount is recognized in profit or loss when there is objective evidence that the assets should be reduced.

Inventories

Inventories of crude oil, finished and semi-finished products and natural gas are valued as follows:
– Crude oil is carried at the weighted average cost or the production cost. If finished i.e. refined products are impaired, a calculation is used to reduce the crude oil reserve by an aliquot share to its net recoverable amount.
– Finished products are valued at the lower of cost or approximately 96.5% of future average sales price, which approximates the net recoverable amount.
– Semi-finished products are measured using a calculation method, by which they are impaired to the extent that finished products on the basis of actual inventories at the period-end are impaired i.e. when the calculation shows that their net realisable value may not be recovered, by applying the impairment percentage to each individual semi-finished product on stock at the period-end.
– Imported natural gas held in underground storage is valued at the lower of cost, based on the price of imported gas at year-end including transport costs and weighted average sales price based on year-end prices.
– Domestic natural gas held in underground storage is valued at the lower of weighted average sales price and cost.
– Other inventories, which comprise mainly spare parts, materials and supplies, are valued at the lower of cost or valuation and net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank, and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Used capitalisation rate for 2015 was 2.00% and for 2014 was 2.06%.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

The individual financial statements of each Company and the Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Croatian kunas (HRK), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.
In preparing the financial statements of the individual Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currency of entity at the rates of exchange prevailing on the dates of the transactions.
At each statement of financial position date, monetary items denominated in foreign currencies are retranslated to the functional currency of the entity at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Croatian kuna using exchange rates prevailing on the statement of financial position date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising from year-end translation, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.
On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.
The foreign concessions of INA, d.d. meets the definition of foreign operation and are treated as such.
Business activities of INA in Egypt, Angola and in international waters in the North Adriatic Sea (several blocks) are carried out with a significant degree of autonomy so the functional currency is USD except on gas field Isabella where the functional currency is the euro. The total revenue of a foreign operation (from the sale of crude oil and natural gas) is denominated in that currency (USD or EUR), as most of the costs. Capital expenditures are planned and presented in dollars or euros. Although, they are not separate legal entities, they meet the definition of a foreign operation in accordance with IAS 21.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.
Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Retirement Benefit and Jubilee Costs

For defined benefit plans for retirement and jubilee awards, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each annual reporting period.
Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item. Curtailment gains and losses are

accounted for as past service costs.
The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.
A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's and the Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax laws that have been enacted or substantively enacted by the statement of financial position date.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the INA, d.d. and the Group intend to settle its current tax assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax and deferred tax arises from the accounting for a business acquisition, the tax effect is included in the accounting for the business combination.

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract. The contract terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.
Financial assets are classified into available-for-sale (AFS) financial assets, financial assets at fair value through profit and loss and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instruments, or a shorter period to the net carrying amount on initial recognition.
Income is recognised on an effective interest basis for debt instruments.

AFS financial assets

Listed shares held by the Company and Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 42. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve directly except for interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.
Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive payments is established.
The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the statement of financial position date. The foreign exchange gains and losses that are recognized in profit and loss are determined based on the amortized cost of the monetary assets. Other foreign exchange gains and losses are recognized in other comprehensive income.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Attributable transaction costs are recognised in profit or loss as incurred. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.
When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
With the exception of AFS equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.
In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Investments

Investments in immaterial non-consolidated companies are generally recorded at cost less provision for any impairment.

Financial liabilities and equity instruments
Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.
Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' (Fair value through profit and loss) or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.
A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid and dividends on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including borrowings and trade payables) are subsequently measured at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments in order to manage with exposure change in changing of commodity prices.
Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedging

The Group designates certain hedging instruments as fair value hedges.
At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk that could affect the statement of profit or loss.
For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the statement of profit or loss.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.
For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the statement of profit or loss.
When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.
The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.
An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.
In the ordinary course of business, the Company and Group have entered into certain long-term, foreign currency supply and sales contracts which, under IAS 39, include embedded derivatives. An embedded derivative is a component of a contract which has the effect that the cash flows arising under the contract vary, in part, in a similar way to a standalone derivative. IAS 39 requires that such embedded derivatives are separated from the host contracts and accounted for as derivatives carried at fair value, with changes in fair value being charged or credited to the statement of profit or loss.
The fair value of embedded forward foreign exchange contracts is determined by reference to spot market foreign currency rates at the statement of financial position date, because there is no active forward market in the countries involved in contracts. The fair value of an embedded inflation index swap is determined by the reference to the cumulative inflation index differential between the contracted inflation escalator and inflation in the country where the contract is executed. The long-term effects of these embedded derivatives are discounted using a discount rate similar to the interest rate on government bonds.

Segmental information

IFRS 8 Operating segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Provisions for decommissioning and other obligations

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
When the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. When discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases

in each year to reflect the passage of time.
Provision relating to the decommissioning and removal of assets, such as an oil and gas production facility are initially treated as part of the cost of the related property, plant and equipment. Subsequent adjustments to the provision arising from changes in estimates as decommissioning costs, reserves and production of oil and gas, risk free interest such as discount rate and inflation rate are also treated as an adjustment to the cost of the property, plant and equipment and thus dealt with prospectively in the statement of profit or loss through future depreciation of the asset.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers are accounted for as multiple element revenue transactions. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately.
The Group has not included extensive disclosure regarding the loyalty programme as the amounts are not significant.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:
- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the statement of financial position date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.
Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

According to Accounting policies and procedures the Group applied IAS 11 Construction Contracts meeting the following criteria:
- individual contract value is in excess of HRK 3 million
- the contract period is over twelve months.

The Company accounts for its construction contracts using the percentage of completion method, which is determined based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.
Determining the accounting treatment for construction contract revenue and costs:
- project costs are reported as costs incurred,
- revenue is recognised based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs,
- estimated losses are presented in full whenever loss is estimated as outcome and can be measured reliably.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements and estimates in applying accounting policies

In the application of the accounting policies, which are described in note 2, Management made certain judgements and estimates that had a significant impact on the amounts reported in the financial statements (irrespective of the underlying estimates referred to below). The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to employee benefits, impairment of assets, determination of fair values of assets and liabilities and estimated decommissioning costs. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.
These judgements and estimates are provided in detail in the accompanying notes. However, the critical judgements relate to the following areas:

Consequences of certain legal actions

INA Group members are involved in number of litigations arisen from the regular course of business. If there is a present obligation as a result of a past event (taking into account all available evidence, including the opinion of law experts) for which it is probable that outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation, provisions are recorded (see note 32).

Carrying value of property, plant and equipment

The impairment calculation requires the estimate of the value in use of the cash generating units. Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are product prices, operating and capital expenditures, discount rates, period of cash flow projections, as well as assumptions and judgments used in determining cash receipts and payments. The impairment of assets in the consolidated statement of profit or loss amounted to HRK 1,116 million in 2015 (2014: HRK 1,784 million). Additionally, effect of retranslation relating to this impairment of HRK 332 million was also recognized in profit and loss statement in 2015.

Carrying value of goodwill

In 2015 based on impairment testing for goodwill impairment in amount of HRK 31 million was recorded (see note 16), while there was no impairment in 2014. The carrying amount of goodwill amounted to HRK 152 million as of 31 December 2015, (2014: HRK 183 million) (see note 16).

Carrying value of intangible exploration and appraisal assets

The carrying amount of intangible exploration and appraisal assets amounted to HRK 196 million as of 31 December 2015 and HRK 299 million 2014 (see note 14). In 2015 in INA Group financial statements the impairment of intangible exploration and appraisal assets is recognized in the amount of HRK 102 million (2014: HRK 107 million) (see note 14). Additionally, effect of retranslation relating to this impairment of HRK 29 million was also recognized in profit and loss statement in 2015.

Carrying value of production oil and gas assets

The carrying amount of production oil and gas assets amounted to HRK 3,873 million as of 31 December 2015 and HRK 4,332 million 2014 (see note 15). In 2015 in INA Group financial statements the impairment is recognized in the amount of HRK 951 million (2014: HRK 1,380 million) (see note 15).

Carrying value of property, plant and equipment in refineries and marketing

The carrying amount of property, plant and equipment in refineries and marketing amounted to HRK 5,106 million as of 31 December 2015 and HRK 5,073 million in 2014. As a consequence of favourable oil price for 2015 reversal of impairment is recognised in the amount of HRK 53 million, (HRK 385 million of impairment was recognized in 2014). (see note 15).

Key assumptions used
Refining and Marketing BD

The calculation of value in use for the refinery plant CGU is most sensitive to the following assumptions:
- Crack spreads
- Discount rates
- Crude oil prices
- USD foreign exchange rate

Change in the estimates of these premises would influence the net present value (NPV) of the CGU, having an impact on the amount of potential impairment recognized in relation to Refining and Marketing BD.
Forecast quotation prices and exchange rates are based on management's estimates and available market data. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rates are based on the specific circumstances of the Group and its operating segments and are derived from its WACC, with appropriate adjustments made to reflect the risks specific to the CGU.

Upstream BD

The calculation of value in use for the CGUs in Upstream BD is most sensitive to the following assumptions:

- Crude oil and natural gas prices
- Discount rates

Forecast quotation prices are based on management's estimates and available market data. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rates are based on the specific circumstances of the Group and its operating segments and are derived from its WACC, with appropriate adjustments made to reflect the risks specific to the CGU.

Investments in Syria

Since 1998 INA, d.d. has had six (6) commercial discoveries on the Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadira and Mazrur) with significant oil, gas and condensate reserves.

Current situation

Oil, condensate, gas and LPG production in Syria is still ongoing. Expatriates (INA) working in Hayan Petroleum Company (HPC) on HPC Hayan and Hayan fields and in HPC Damascus headquarters have not been working in Syria since 25 January 2012, and the main production activities have been taken over by HPC's local workforce, which INA, d.d. considers illegal (see note 3).
INA, d.d. is the operator at the Aphamia exploratory block. INA, d.d. has acquired 270 km2 3D seismic on the basis of which two exploration wells were drilled. Oil saturated layers at Mudawara and Beer As Sib structures have been determined. Total capital expenditures amount to approximately to USD 61 million in Aphamia Block and USD 1,024 million in Hayan Block. The second and last extension of the exploration phase ended on 11 November 2012, with a non-fulfilled commitment to drill one exploratory well in order to confirm the commerciality of oil saturated layers, if the Force Majeure was not declared. In regards to this matter, INA, d.d. has not received any comment from GPC or Ministry side yet.

Impairment of non-current assets and current assets in Syria

Consequent to the political turmoil started in 2011 and the sanctions posed by US and EU on Syria, treatment of revenues from operations therein requires judgment. Having assessed the probability of receiving economic benefits from sales activities in Group's Syrian operations, including counterparty risk associated with GPC, the Syrian National Oil Company, the management decided that criteria set out in IAS 18 Revenue Recognition were not met from early 2011. Therefore, beginning from this date, revenue was recognized only if cash has been received from GPC. Until 26 February 2012 INA regularly issued invoices, the last invoice being issued for February 2012. August 2011 was the last month for which INA invoices were paid in full.
On 22 February 2012 Croatia adopted EU/UN sanctions towards Syrian Arab Republic, hence INA d.d. declared Force Majeure as from 26 February 2012. By declaring Force Majeure, INA, d.d. suspended all its petroleum activities in Hayan and Aphamia blocks as per Production Sharing Agreement (Hayan/Aphamia) and recalled all its local and expatriate employees. The production in Hayan Block is still ongoing, however the Group has not recognized production volumes since the announcement of Force Majeure.
Due to continuous operations of the assets, the physical deterioration of surface facilities has been recognized - in the absence of parameters needed for unit-of-production depreciation calculation method due to Force Majeure is calculated with straight-line depreciation method, applied starting from 1 January 2013 calculated based on an average residual useful life of 3.5 years. Depreciation charge for 2015 was recognized in amount of HRK 56 million (2014: HRK 306 million).
Since the announcement of Force Majeure no revenue has been accounted for. These circumstances also gave rise to an impairment indicator with respect to the Group's Syrian assets. The Group performed an impairment test on its Syrian non-current assets of Hayan Block, being a separate cash generating unit (see Note 15).

The most significant variables in determining cash flows are the assumptions and estimates used to determine the future annual production volumes, the amount and timing of cash inflows and outflows, including crude oil and natural gas prices (considering the price formulae set out in the respective Production Sharing Agreement), operating expenses, probabilities relating to different scenarios, discount rates, the period for which cash flow projections are made as well as the incremental rebuilding costs.

While such cash flows reflect the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the political, security and economic conditions in Syria. The possible impacts of multiple probability weighted settlement scenarios on Group's operation in Syria representing:
a) Destruction: the properties are subject to physical damage as a result of targeted or accidental attacks. In case of only partial damage, return to operation is still possible, while in case of full damage of properties, no return is assumed.
b) Return to operation: after crisis settlements and full or partial removals of sanctions the Group expects to return to operations within 2 to 5 years.
c) No return: the Group is disabled returning at all and the assets are lost.
For estimation of future production volumes the proved developed reserves derived from business plans prior to Force Majeure were used. Asset-specific discount rates were derived from the USD-based upstream weighted average cost of capital and are adjusted for project-specific risks, as applicable. The discount rate applied was 17.1% (see note 15). Based on multiple-scenario discounted cash flow calculations for year 2015 the Group has recorded impairment in amount of HRK 376 million, from which HRK 274 million on tangible assets and HRK 102 million on intangible assets which includes asset-under-construction on Aphamia Block. Additionally, effect of retranslation relating to this impairment of HRK 93 million was also recognized in profit and loss statement, from which HRK 64 million refers to retranslation effect on impairment of tangible assets and HRK 29 million refers to retranslation effect on impairment of assets-under-construction on Aphamia Block.

Political developments in Egypt

INA started with exploration activities in Egypt in 1989, as a partner, and in 1997 as an operator, when a Branch office was established in Cairo. Oil production, as result of exploration activities, started in 1994.
INA Group has a share of production on Ras Qattara and West Abu Gharadig Concessions operated by IEOC, on the North Bahariya Concession operated by Sahara Oil and Gas, and on East Yidma Concession operated by INA, d.d. Concession Agreements for petroleum exploration and exploitation rights were contracted between The Arab Republic of Egypt, the Egyptian national petroleum company EGPC and partners. Produced oil is sold to EGPC as per the contract.
At the moment political uncertainty remains high and Egypt's outlook remains bleak.
Currently the company records 100% impairment on the receivables from EGPC overdue by more than 60 days.
The Group has recorded impairment in amount of HRK 130 million on tangible assets. Additionally, effect of retranslation relating to this impairment of HRK 29 million was also recognized in profit and loss statement.

Quantification and determination of the decommissioning obligations for oil and gas properties

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to legal and regulatory requirements, new technologies becoming available and experience of decommissioning other assets. The expected timing, scope, expenditure and risk profile may also change. Therefore, significant estimates and assumptions are made in determining decommissioning provisions.
Management makes estimates of future expenditure in connection with decommissioning obligations using prices by reference to prior similar activities, as well as other assumptions. Furthermore, the time determined for the cash flows reflects the current estimates of priorities, technical equipment requirements and urgency of the obligations. The obligation with respect to the decommissioning provision for oil and gas properties amounted to HRK 2,457 million as at 31 December 2015 (31 December 2014: HRK 2,253 million) for INA, d.d. (see note 32).

The level of provisioning for environmental obligations

The applicable regulations, specifically the environmental protection legislation, do not specify the exact scope of activities or technology to be applied in provision based environmental liabilities. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Generally, the timing of provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. In determining the level of provisions for environmental obligations, the management relies on prior experience and their own interpretation of the related legislation. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. At 31 December 2015 INA Group recognized environmental provision in amount HRK 333 million (2014: HRK 309 million) (see note 32), which covers investigation to determine the extent of contamination at specific site, treatment of accumulated waste generated by former activity, preliminary site investigation with corresponding laboratory analyses, soil excavation and replacement during the reconstruction of filling stations. It does not cover the cost of remediation in lack of detailed National regulations.

Availability of taxable profit against which the deferred tax assets can be utilised

A deferred tax asset is recognized for unused tax losses and other temporary tax differences to the extent that it is probable that the related tax benefit will be realise against future taxable profits. Determining the amount of deferred taxes that can be recognised requires a significant level of judgement, which is based on the probable quantification of the time and level of future taxable profits, together with the future tax planning strategy. At 31 December 2015 the carrying amount of deferred tax assets of the INA Group amounted to HRK 2,094 million (2014: HRK 1,742 million) and deferred tax liabilities amounted HRK 22 million (2014: HRK 9 million). At 31 December 2015 the carrying amount of deferred tax assets of INA, d.d. amounted to HRK 1,995 million, (31 December 2014: HRK 1,702 million respectively) (see note 12).

Actuarial estimates used determining the retirement bonuses

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions of discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates. Provisions for retirement bonuses and jubilee awards for INA Group amounted to HRK 109 million as at 31 December 2015 (31 December 2014: HRK 184 million), and INA, d.d. amounted to HRK 70 million as at 31 December 2015 (31 December 2014: HRK 136 million) (see note 33).

Useful life of the assets

The INA Group and INA, d.d. review the estimated useful lives of property, plant and equipment at the end of each reporting period. Estimation of useful life is considered to be a significant accounting estimation that effects on the change in depreciation rates. The new review of asset useful life at the end of 2015 had no significant changes compared to the previous estimate.

Hydrocarbonate reserves

Well exploration and development projects involve many uncertainties and business risks that may give rise to significant expenditures. Exploration and development projects of the INA Group may be delayed or unsuccessful for many various reasons, including budgeted cost overrun, geological issues, difficulties in meeting the requirements of competent bodies, lacks of equipment and technical problems. These projects, particularly those pertaining to the wells in continental areas or other demanding terrain, often require deployment of new and advanced technologies, the development, purchase and installation of which may be expensive and that may not operate as expected.

Oil and natural gas exploration and drilling activities are subject to a wide range of inherent risks, including the risk of eruption, deposit damage, loss of control over the wells, perforation, craters, fire and natural disasters.

INA Group oil and natural gas exploration and development expenditures are accounted for using the successful efforts method. In accordance with that method the license and data provision costs and costs associated with geological and geophysical activities are charged to the statement of profit or loss period in which they are incurred.

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil and gas properties; property, plant and equipment; and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortization charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the Units of Production (UOP) method, or where the useful life of the related assets change;
- Provisions for decommissioning may require revision where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

Reclassification position of profit and loss account

In 2015 in order to ensure consistence of presentation with current year the Company and the Group reclassified realised profit on non-hedge accounted derivative instruments from finance income and finance expense to other operating income. The effect of reclassification of profit and loss account is as follows:

INA Group	2014 before reclassification	Realized profit on non-hedge accounted derivative instruments	2014 reclassified
Other operating income	277	(10)	267
Finance revenue	234	(26)	208
Finance cost	(856)	36	(820)
Total	**(345)**	**-**	**(345)**

INA, d.d.	2014 before reclassification	Realized profit on non-hedge accounted derivative instruments	2014 reclassified
Other operating income	361	(10)	351
Finance revenue	807	(26)	781
Finance cost	(765)	36	(729)
Total	403	-	403

4. SEGMENT INFORMATION

The INA Group operates through three core business segments. The strategic business segments offer different products and services.

Reporting segments, which is in INA Group represent business division (BD), have been defined along value chain standard for the oil companies:

- BD Exploration and Production of Oil and Gas – exploration, production and selling of crude oil and natural gas;
- BD Refining and Marketing – crude oil processing, wholesale of refinery products, selling of fuels and commercial goods in retail stations and logistics; and
- Business function - in addition to the core business segments in above, the operations of the INA Group include segment Business function which provides services for core activities.

Information regarding the results of each reportable segment is included below. Profit from operations is used to measure performance as management believes that such information is the most relevant in evaluating the result of certain segments. However, Group financing (including finance costs and finance income) and income taxes are managed on Group basis and are not relevant to making business decisions at the level of business segments.

Intersegment transfer represents the effect of unrealized profit arising in respect of transfers of inventories from BD Exploration and Production of Oil and Gas to BD Refining and Marketing. Evaluation of inventories of domestic crude, finished and semi-finished products in BD Refining and Marketing is based on the transfer price from BD Exploration and Production to BD Refining and Marketing. Elimination of unrealized profit (difference between transfer price and cost of domestic crude) is performed through intersegment transfer.

For segmental reporting purposes the transferor 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.

BY BUSINESS

INA Group

2015	EXPLORATION AND PRODUCTION	REFINING AND MARKETING	CORPORATE AND OTHER	INTERSEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	TOTAL
Sales to external customers	2,843	14,795	1,223	-	18,861
Intersegment sales	2,127	36	1,125	(3,288)	-
Total revenue	4,970	14,831	2,348	(3,288)	18,861
Operating expenses, net of other operating income	(4,598)	(16,156)	(2,856)	3,411	(20,199)
Profit/(loss) from operations	**372**	**(1,325)**	**(508)**	**123**	**(1,338)**
Net finance loss					(411)
Loss before tax					(1,749)
Income tax benefit					331
Loss for the year					**(1,418)**

2014	EXPLORATION AND PRODUCTION	REFINING AND MARKETING	CORPORATE AND OTHER	INTERSEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	TOTAL
Sales to external customers	4,039	18,187	1,533	-	23,759
Intersegment sales	2,693	35	1,132	(3,860)	-
Total revenue	**6,732**	**18,222**	**2,665**	**(3,860)**	**23,759**
Operating expenses, net of other operating income	(5,771)	(20,721)	(2,849)	3,860	(25,481)
Profit/(loss) from operations	961	(2,499)	(184)		(1,722)
Net finance loss					(612)
Loss before tax					(2,334)
Income tax benefit					437
Loss for the year					**(1,897)**

BY BUSINESS

INA Group
31 December 2015

ASSETS AND LIABILITIES	EXPLORATION AND PRODUCTION	REFINING AND MARKETING	CORPORATE AND OTHER	INTERSEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	TOTAL
Property, plant and equipment	6,056	5,130	1,692	(148)	12,730
Intangible assets	224	45	119	-	388
Investments in associates	22	-	-	-	22
Inventories	164	1,604	227	(175)	1,820
Trade receivables, net	582	790	611	(259)	1,724
Not allocated assets					3,698
Total assets					**20,382**
Trade payables	371	837	451	(259)	1,400
Not allocated liabilities					8,397
Total liabilities					**9,797**
Other segment information					
Property, plant and equipment	814	608	208	(37)	1,593
Intangible assets	16	5	26	-	47
Capital expenditure:	**830**	**613**	**234**	**(37)**	**1,640**
Depreciation and amortisation	**1,468**	**533**	**190**	**-**	**2,191**
Total impairment charges, net*	**1,218**	**8**	**301**	**19**	**1,546**

31 December 2014

ASSETS AND LIABILITIES	EXPLORATION AND PRODUCTION	REFINING AND MARKETING	CORPORATE AND OTHER	INTERSEGMENT TRANSFERS AND CONSOLIDATION ADJUSTMENTS	TOTAL
Property, plant and equipment	7,270	5,107	1,774	(113)	14,038
Intangible assets	318	19	120	-	457
Investments in associates	22	-	-	-	22
Inventories	152	1,844	262	(334)	1,924
Trade receivables, net	630	983	701	(316)	1,998
Not allocated assets					3,776
Total assets					**22,215**
Trade payables	479	1,123	427	(316)	1,713
Not allocated liabilities					8,842
Total liabilities					**10,555**
Other segment information					
Property, plant and equipment	1,092	471	143	(57)	1,649
Intangible assets	8	3	29	-	40
Capital expenditure:	**1,100**	**474**	**172**	**(57)**	**1,689**
Depreciation and amortisation	**1,344**	**570**	**218**	**-**	**2,132**
Total impairment charges/(income), net*	**1,479**	**567**	**27**	**(21)**	**2,052**

BY GEOGRAPHICAL

INA Group

31 December 2015	REPUBLIC OF CROATIA	SYRIA	EGYPAT	ANGOLA	OTHER COUNTRIES	TOTAL
Property, plant and equipment	11,554	291	153	109	623	12,730
Intangible assets	366	-	-	-	22	388
Investments in associates	**22**	**-**	**-**	**-**	**-**	**22**
Inventories	1,690	-	30	-	100	1,820
Trade receivables, net	1,034	-	81	44	565	1,724
Not allocated assets						3,698
Total assets						**20,382**
Other segment information						
Property, plant and equipment	1,323	-	109	56	105	1,593
Intangible assets	47	-	-	-	-	47
Capital expenditure:	**1,370**	**-**	**109**	**56**	**105**	**1,640**

31 December 2014	REPUBLIC OF CROATIA	SYRIA	EGYPAT	ANGOLA	OTHER COUNTRIES	TOTAL
Property, plant and equipment	12,651	620	7	-	760	14,038
Intangible assets	318	118	-	-	21	457
Investments in associates	22	-	-	-	-	22
Inventories	1,787	3	31	-	103	1,924
Trade receivables, net	1,154	-	9	-	835	1,998
Not allocated assets						3,776
Total assets						**22,215**
Other segment information						
Property, plant and equipment	1,450	-	-	-	199	1,649
Intangible assets	43	-	-	-	(3)	40
Capital expenditure:	**1,493**	**-**	**-**	**-**	**196**	**1,689**

REVENUES FROM EXTERNAL CUSTOMERS

INA GROUP	2015	2014
Republic of Croatia	11,116	14,187
Bosnia and Hercegovina	2,098	2,777
Switzerland	1,156	1,618
Slovenia	773	778
Other countries	3,718	4,399
	18,861	**23,759**

INA, D.D.	2015	2014
Republic of Croatia	10,870	13,394
Bosnia and Hercegovina	**1,838**	**2,450**
Switzerland	**1,156**	**1,537**
Slovenia	**666**	**639**
Other countries	**2,631**	**3,059**
	17,161	**21,079**

Information about major customers

In 2015 and 2014 there was no single customer which would contribute to the Group's revenue 10% or more.

5. OTHER OPERATING INCOME

	INA GROUP		INA, D.D.	
	2015	**2014**	**2015**	**2014**
Income from termination of contracts	172	2	66	-
Profit from sale of assets	57	24	26	16
Income from rental activities	42	52	62	71
Surpluses	22	31	20	36
Non-hedging commodity derivative	19	(10)	19	(10)
Penalty interest from customers	12	16	11	123
Commission fee	12	13	12	12
Additional discounts from contracts	10	36	5	36
Income from collected damage claims	3	28	12	17
Income from contractual penalties	1	4	1	2
Other	98	71	68	48
Total	**448**	**267**	**302**	**351**

6. DEPRECIATION AND AMORTISATION

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
Depreciation of property, plant and equipment (note 15 b)	2,156	2,097	2,044	1,947
Amortisation of intangible assets (note 14)	35	35	34	33
	2,191	2,132	2,078	1,980

7. STAFF COSTS

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
Net payroll	1,191	1,250	780	766
Tax and contributions for pensions and health insurance	824	861	575	557
Other payroll related costs	407	356	263	165
	2,422	2,467	1,618	1,488

INA Group and INA, d.d. employed the following number of employees, the majority of whom work within the Republic of Croatia:

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES
Exploration and production	1,328	1,465	1,327	1,464
Refining and marketing	6,052	6,518	5,301	5,685
Corporate function	3,876	4,520	724	1,001
	11,256	12,503	7,352	8,150

8. IMPAIRMENT CHARGES (NET)

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
Impairment of tangible and intangible assets, net*	1,215	1,891	1,004	1,872
Impairment of trade receivables, net	177	(4)	116	(2,067)
Impairment of inventory, net	99	89	69	119
Impairment of goodwill	31	-	-	-
Writte-off PP&E and intangibles, net	11	11	11	10
Other impairment, net	13	65	13	59
	1,546	2,052	1,213	(7)

* See note 15.

In 2014 an amount of HRK 2,067 million of income from trade receivables mostly relates to company Prirodni plin d.o.o. (HRK 2,075 million) and consists of collected impaired receivables from prior year (HRK 1,739 million) and remaining part of impaired receivable recognized as income (HRK 336 million) due to legal merger of Prirodni plin d.o.o. to INA, d.d.

9. PROVISIONS FOR CHARGES AND RISKS (NET)

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
Provision for incentives	150	46	160	45
Provision for Angolan taxes	99	-	99	-
Provision for emmision rights	20	9	20	9
Provision for employees benefits	25	45	22	41
Provision/(utilisation) for contractual liabilities for taxation	2	(88)	-	(79)
(Utilisation)/provision for retirement and jubilee benefits	(20)	30	(34)	23
(Utilisation)/provision for legal claims	(21)	28	(19)	34
(Utilisation)/provision for unused holidays	(15)	24	(4)	-
Utilisation of provision for enviromental liabilities	(2)	(10)	(2)	(10)
Provision for other provisions	27	24	6	16
	265	108	248	79

10. FINANCE INCOME

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
Foreign exchange gains from trade receivables and payables	79	108	34	57
Foreign exchange gains from loans and cash	76	74	69	69
Interest received and other financial income	21	19	166	644
Positive fair value changes of embedded derivatives	14	-	14	-
Dividends received	7	7	7	7
Profit allocation received from subsidiaries	-	-	16	4
	197	208	306	781

11. FINANCE COSTS

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
Foreign exchange losses from loans and cash	212	302	142	227
Other interest expense	117	150	114	145
Fees on bank loans	84	59	82	57
Foreign exchange losses from trade receivables and payables	74	96	37	69
Foreign exchange losses from provisions	65	20	65	20
Interest for long-term loans	24	55	24	51
Interest expense regarding tax resolutions	11	108	10	108
Negative fair value changes of embedded derivatives	-	1	-	14
Capitalized borrowing costs	(11)	(10)	(11)	(10)
Impairment of investment in subsidiaries	-	-	145	19
Other financial costs	32	39	30	29
	608	820	638	729

12. TAXATION

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
Current tax expense	43	204	28	174
Deferred tax (income)/charge related to origination and reversal of temporary differences	(374)	(641)	(324)	(655)
Income tax (benefit)/expense	**(331)**	**(437)**	**(296)**	**(481)**

Tax on profit generated in Croatia is determined by applying the rate of 20 percent, both in 2015 and 2014, on pre-tax profit for the year.
Income taxes are recorded on the basis of estimated taxable income in accordance with the fiscal laws prevailing in the country in which they originate. INA, d.d. is subject to corporate income tax on its taxable profits in Croatia.
The income tax, determined on the basis of the accounting profit, is assessed as follows:

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
(Loss)/profit before tax	(1,749)	(2,334)	(1,498)	150
(Benefit)/expense tax calculated at 20%	(350)	(467)	(300)	30
Tax loss previously not recognized and recognition of deffered tax assets previously not recognised	(29)	(432)	(18)	(533)
Effect of different tax rates of entities operating in other jurisdictions	37	17	23	32
Tax effect of permanent differences	(16)	131	(21)	(315)
Tax effect of previous years	27	314	20	305
Income tax (benefit)	**(331)**	**(437)**	**(296)**	**(481)**

Movements in deferred tax assets are set out in the following table:

INA Group	Impairment of current assets	Impairment of tangible and intangible assets	Reversal of depreciation for impaired asset	Other provisions	Impairment of financial investments	Subsequent tax liability from tax inspection	Tax losses	Total
Balance at 1 January 2014	**36**	**794**	**(153)**	**151**	**131**	**-**	**161**	**1,120**
Charge directly to equity	-	-	-	-	(28)	-	-	(28)
Reversal of temporary differences	(2)	(18)	(90)	(31)	-	-	(172)	(313)
Origination of temporary differences	7	386	-	81	8	45	427	954
Balance at 31 December 2014	**41**	**1,162**	**(243)**	**201**	**111**	**45**	**416**	**1,733**
Charge directly to equity	-	-	-	(11)	(24)	-	-	(35)
Reversal of temporary differences	(3)	(43)	(105)	(35)	(30)	(45)	-	(261)
Origination of temporary differences	40	249	-	45	68	-	233	635
Balance at 31 December 2015	**78**	**1,368**	**(348)**	**200**	**125**	**-**	**649**	**2,072**

INA, d.d.	Impairment of current assets	Impairment of tangible and intangible assets	Reversal of depreciation for impaired asset	Other provisions	Impairment of financial investments	Subsequent tax liability from tax inspection	Tax losses	Total
Balance at 1 January 2014	**26**	**800**	**(153)**	**136**	**118**	**-**	**149**	**1,076**
Charge directly to equity	-	-	-	-	(29)	-	-	(29)
Reversal of temporary differences	(1)	(14)	(90)	(28)	-	-	(149)	(282)
Origination of temporary differences	3	382	-	73	8	45	426	937
Balance at 31 December 2014	**28**	**1,168**	**(243)**	**181**	**97**	**45**	**426**	**1,702**
Charge directly to equity	-	-	-	(7)	(24)	-	-	(31)
Reversal of temporary differences	(3)	(42)	(106)	(30)	(30)	(45)	-	(256)
Origination of temporary differences	38	237	-	55	32	-	218	580
Balance at 31 December 2015	**63**	**1,363**	**(349)**	**199**	**75**	**-**	**644**	**1,995**

13. EARNINGS PER SHARE

	INA GROUP	
	31 DECEMBER 2015	31 DECEMBER 2014
Basic and diluted loss per share (in HRK)	(141.78)	(189.66)

Earnings	INA GROUP	
	31 DECEMBER 2015	31 DECEMBER 2014
Loss used in the calculation of total basic earnings per share	(1,418)	(1,897)
	(1,418)	(1,897)

Number of shares	INA GROUP	
	31 DECEMBER 2015	31 DECEMBER 2014
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

On 12 June 2015 Regular Shareholders' Assembly of INA, d.d. was held and decision on dividend pay-out in amount of HRK 150 million was voted (HRK 15 per share).

14. INTANGIBLE ASSETS

INA Group	OIL AND GAS PROPERTIES	SOFTWARE	PATENTS, LICIENCES AND OTHER RIGHTS	INTENGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Balance at 1 January 2014	**378**	**99**	**9**	**38**	**524**
Additions	(3)	-	-	43	40
Amortisation	-	(32)	(3)	-	(35)
Foreing exchange translation of foreign operations	31	-	-	-	31
Impairment	(107)	-	-	-	(107)
Disposals	-	-	-	-	-
Transfer	-	49	1	(50)	-
Transfer to property, plant and equipment	-	3	1	(4)	-
Other	-	-	4	-	4
Balance at 31 December 2014	**299**	**119**	**12**	**27**	**457**
Additions	1	-	-	46	47
Amortisation	-	(32)	(3)	-	(35)
Foreing exchange translation of foreign operations	(2)	-	-	-	(2)
Impairment	(102)	-	3	-	(99)
Emmission allowances (net)	-	-	23	-	23
Transfer	-	40	1	(41)	-
Transfer to property, plant and equipment	-	1	-	(4)	(3)
Balance at 31 December 2015	**196**	**128**	**36**	**28**	**388**

INA, d.d.	OIL AND GAS PROPERTIES	SOFTWARE	PATENTS, LICIENCES AND OTHER RIGHTS	INTENGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Balance at 1 January 2014	**378**	**56**	**5**	**83**	**522**
Additions	(4)	-	-	43	39
Amortisation	-	(31)	(2)	-	(33)
Foreing exchange translation of foreign operations	31	-	-	-	31
Impairment	(107)	-	-	-	(107)
Transfer	-	48	1	(49)	-
Reclassification between categories	1	43	2	(46)	-
Transfer to property, plant and equipment	-	3	-	(3)	-
Other	-	-	3	-	3
Balance at 31 December 2014	**299**	**119**	**9**	**28**	**455**
Additions	1	-	-	45	46
Amortisation	-	(32)	(2)	-	(34)
Foreing exchange translation of foreign operations	(2)	-	-	-	(2)
Impairment / Reversal	(102)	-	3	-	(99)
Transfer	-	40	1	(41)	-
Transfer to property, plant and equipment	-	1	-	(4)	(3)
Emmission allowances (net)	-	-	23	-	23
Other	-	-	(1)	-	(1)
Balance at 31 December 2015	**196**	**128**	**33**	**28**	**385**

At 31 December 2015 INA Group impairment of intangible assets is amounted to HRK 99 million, consisting of impairment of wells in Syria in amount of HRK 102 million and reversal of previous years impairment in amount of HRK 3 million in BS Refining and marketing. In 2014 INA Group impairment of intangible assets amounts to HRK 107 million, consisting of impairment of dry well costs: Northern Adriatic (IKA SW2, HRK 98 million), Egypt (Disouq HRK 8 million), Syria (Hayan HRK 1 million).

15. PROPERTY, PLANT AND EQUIPMENT

BY BUSINESS SEGMENT

INA Group	OIL AND GAS EXPLORATION AND PRODUCTION	REFINING AND MARKETING	OTHER	TOTAL
Balance at 1 January 2014				
Cost	35,807	19,940	6,987	62,734
Accumulated depreciation	27,216	14,362	5,177	46,755
Net book value	**8,591**	**5,578**	**1,810**	**15,979**
Balance at 31 December 2014				
Cost	37,062	20,335	7,005	64,402
Accumulated depreciation	29,889	15,262	5,213	50,364
Net book value	**7,173**	**5,073**	**1,792**	**14,038**
Balance at 31 December 2015				
Cost	38,159	20,771	7,015	65,945
Accumulated depreciation	32,226	15,665	5,324	53,215
Net book value	**5,933**	**5,106**	**1,691**	**12,730**

INA, d.d.	OIL AND GAS EXPLORATION AND PRODUCTION	REFINING AND MARKETING	OTHER	TOTAL
Balance at 1 January 2014				
Cost	35,640	19,320	1,867	56,827
Accumulated depreciation	27,144	13,896	1,447	42,487
Net book value	8,496	5,424	420	14,340
Balance at 31 December 2014				
Cost	37,041	19,781	1,810	58,632
Accumulated depreciation	29,828	14,825	1,415	46,068
Net book value	7,213	4,956	395	12,564
Balance at 31 December 2015				
Cost	38,365	20,244	1,921	60,530
Accumulated depreciation	32,254	15,208	1,526	48,988
Net book value	6,111	5,036	395	11,542

BY ASSET TYPE

INA Group	OIL AND GAS PROPERTIES	LAND AND BUILDINGS	PLANT AND MACHINERY	VEHICLES AND OFFICE EQUIPMENT	COLLECTIVE CONSUMPTION ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Cost							
Balance at 1 January 2014	**30,950**	**11,697**	**14,776**	**1,873**	**39**	**3,399**	**62,734**
Additions	-	-	-	-	-	1,649	1,649
Change in capitalised decommissioning costs	(173)	-	-	-	-	-	(173)
Foreign exchange translation of foreign operations	499	-	-	-	-	-	499
Assets put in use	910	268	385	69	-	(1,632)	-
Transfer from intangible assets	-	-	4	-	-	(4)	-
Transfer	13	1	(2)	(12)	-	-	-
Reclassification between categories	45	60	(657)	552	-	-	-
Disposals	(5)	(20)	(91)	(126)	-	(41)	(283)
Currency translation	-	(1)	(28)	3	-	(1)	(27)
Other movements	-	-	5	(2)	-	-	3
Balance at 31 December 2014	**32,239**	**12,005**	**14,392**	**2,357**	**39**	**3,370**	**64,402**
Additions	-	-	-	-	-	1,593	1,593
Change in capitalised decommissioning costs	127	-	-	-	-	-	127
Foreign exchange translation of foreign operations	321	-	-	-	-	-	321
Assets put in use	1,421	206	480	57	-	(2,164)	-
Transfer to intangible assets	-	-	4	-	-	(1)	3
Disposal of subsidiaries	-	-	(9)	(22)	-	-	(31)
Disposals	(84)	(101)	(129)	(42)	(1)	(13)	(370)
Currency translation	-	(1)	(26)	4	-	(2)	(25)
Assets held for sale	-	(1)	(13)	(2)	-	-	(16)
Other movements	-	4	(1)	(1)	-	(61)	(59)
Balance at 31 December 2015	**34,024**	**12,112**	**14,698**	**2,351**	**38**	**2,722**	**65,945**

BY ASSET TYPE

INA Group	OIL AND GAS PROPERTIES	LAND AND BUILDINGS	PLANT AND MACHINERY	VEHICLES AND OFFICE EQUIPMENT	COLLECTIVE CONSUMPTION ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Accumulated depreciation							
Balance at 1 January 2014	**25,536**	**7,967**	**11,451**	**1,734**	**31**	**36**	**46,755**
Charge for the year	1,316	217	486	78	-	-	2,097
Impairment (net)	1,380	(5)	16	(2)	-	395	1,784
Transfers	7	3	(9)	(1)	-	-	-
Reclassification between categories	(327)	510	(668)	483	(5)	7	-
Disposals	(5)	(18)	(91)	(109)	-	(31)	(254)
Currency translation	-	-	(19)	2	-	-	(17)
Other movements	-	-	-	(1)	-	-	(1)
Balance at 31 December 2014	**27,907**	**8,674**	**11,166**	**2,184**	**26**	**407**	**50,364**
Charge for the year	1,441	215	422	78	-	-	2,156
Impairment (net)	951	(44)	207	1	-	1	1,116
Reclassification between categories	-	8	163	3	-	(174)	-
Assets held for sale	-	(1)	(12)	(2)	-	-	(15)
Sale of subsidiaries	-	-	(9)	(21)	-	-	(30)
Disposals	(84)	(47)	(160)	(17)	(1)	(51)	(360)
Currency translation	-	-	(22)	4	-	-	(18)
Other	(64)	(34)	(1)	(1)	-	102	2
Balance at 31 December 2015	**30,151**	**8,771**	**11,754**	**2,229**	**25**	**285**	**53,215**
Carrying amount							
Balance at 31 December 2015	**3,873**	**3,341**	**2,944**	**122**	**13**	**2,437**	**12,730**
Balance at 31 December 2014	**4,332**	**3,331**	**3,226**	**173**	**13**	**2,963**	**14,038**

BY ASSET TYPE

INA, d.d.	OIL AND GAS PROPERTIES	LAND AND BUILDINGS	PLANT AND MACHINERY	VEHICLES AND OFFICE EQUIPMENT	COLLECTIVE CONSUMPTION ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Cost							
Balance at 1 January 2014	**30,950**	**10,033**	**11,140**	**1,330**	**28**	**3,346**	**56,827**
Additions	-	-	-	-	-	1,578	1,578
Change in capitalised decommissioning costs	(134)	-	-	-	-	-	(134)
Foreign exchange translation of foreign operations	499	-	-	-	-	-	499
Transfer from intangible assets	-	-	3	-	-	(3)	-
Assets put in use	910	269	304	63	-	(1,546)	-
Transfers	13	1	(2)	(12)	-	-	-
Reclassification between categories	46	59	(656)	551	-	-	-
Disposals	(6)	(19)	(63)	(12)	-	(41)	(141)
Other	-	-	5	(2)	-	-	3
Balance at 31 December 2014	**32,278**	**10,343**	**10,731**	**1,918**	**28**	**3,334**	**58,632**
Additions	-	-	-	-	-	1,402	1,402
Change in capitalised decommissioning costs	197	-	-	-	-	-	197
Foreign exchange translation of foreign operations	321	-	-	-	-	-	321
Transfer from intangible assets	-	-	4	-	-	(1)	3
Transfer of assets (mergers/liquidation)	-	75	10	7	-	-	92
Assets put in use	1,485	203	268	38	-	(1,994)	-
Disposals	(84)	(91)	(98)	(55)	(1)	(13)	(342)
Other	(64)	167	16	31	11	64	225
Balance at 31 December 2015	**34,133**	**10,697**	**10,931**	**1,939**	**38**	**2,792**	**60,530**

BY ASSET TYPE

INA, d.d.	OIL AND GAS PROPERTIES	LAND AND BUILDINGS	PLANT AND MACHINERY	VEHICLES AND OFFICE EQUIPMENT	COLLECTIVE CONSUMPTION ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Accumulated depreciation							
Balance at 1 January 2014	**25,536**	**6,655**	**9,138**	**1,095**	**28**	**35**	**42,487**
Charge for the year	1,320	183	379	65	-	-	1,947
Impairment (net)	1,380	(7)	(1)	(2)	-	395	1,765
Transfers	7	3	(139)	-	-	129	-
Reclassification between categories	(327)	510	(668)	483	(5)	7	-
Disposals	(5)	(17)	(65)	(11)	-	(31)	(129)
Other	(1)	-	-	(1)	-	-	(2)
Balance at 31 December 2014	**27,910**	**7,327**	**8,644**	**1,629**	**23**	**535**	**46,068**
Charge for the year	1,441	192	346	64	1	-	2,044
Impairment (net)	951	(44)	(3)	1	-	1	906
Transfer of assets (mergers/liquidation)	-	50	10	6	-	-	66
Transfers	-	8	163	3	-	(174)	-
Disposals	(84)	(76)	(95)	(53)	(1)	(13)	(322)
Other	(64)	167	17	31	11	64	226
Balance at 31 December 2015	**30,154**	**7,624**	**9,082**	**1,681**	**34**	**413**	**48,988**
Carrying amount							
Balance at 31 December 2015	**3,979**	**3,073**	**1,849**	**258**	**4**	**2,379**	**11,542**
Balance at 31 December 2014	**4,368**	**3,016**	**2,087**	**289**	**5**	**2,799**	**12,564**

I) Oil and gas reserves

The ability of INA Group and INA, d.d. to realise the net book value of oil and gas properties (see b) above) in the future is dependent upon the extent to which commercially recoverable oil and gas reserves are available. During 2015 Exploration and Production segment performed assessment of the quantities of the Company's remaining proved developed oil and gas reserves which were commercially recoverable.

II) Ownership of land and buildings

Due to political developments in Croatia since 1990, certain local municipal land registers have not been fully established. The Company is in the process of registering of ownership, through the local courts in Croatia. Until the date of issuing of these financial statements, no claims have been made against the Company concerning its title to these assets.

III) Collective consumption assets

Collective consumption assets principally comprise domestic residential and holiday accommodation for the workforce of the Company and some of its subsidiaries.

IV) Carrying value of property, plant and equipment

The Management Board has assessed the carrying values of its Exploration and Production BD, Refining & Marketing BD and Business Function assets with reference to the discounted estimated future net cash flows from the refining and wholesale business, in accordance with the requirements of IAS 36. The total net impairment charge of INA Group is HRK 1,116 million in 2015 (2014: HRK 1,784 million).
- Exploration and Production BD recorded an impairment of property, plant and equipment in amount of HRK 951 million in 2015, compared to impairment in amount of HRK 1,380 million in 2014. Oil and gas price assumptions used in the value in use models used for impairment testing were the following: 40 to 60 USD / barrel for the years from 2016 to 2018 and the long term oil price assumed for the years after 2018 was 60 USD / barrel real. Based on the value in use calculation following recoverable amount and impairment by CGU have been determined at 31 December 2015:

  - CGU Syria – assessed recoverable amount of HRK 290 million. Impairment of HRK 274 million was recognized at 31 December 2015. Additionally effect retranslation relating to this impairment of HRK 64 million was also recognized in profit or loss statement in 2015.
  - Egypt – assessed recoverable amount of HRK 46 million (Egypt RQ HRK 2 million; Egypt WAG HRK 1 million; Egypt NB HRK 43 million). Impairment of HRK 130 million (Egypt RQ HRK 36 million; Egypt WAG HRK 25 million; Egypt NB HRK 47 million; Egypt SR HRK 22 million) was recognized at 31 December 2015. Additionally, effect of retranslation relating to this impairment of HRK 29 million was also recognized in profit or loss statement in 2015.
  - Angola – assessed recoverable amount of HRK 96 million (Angola 3/05 HRK 96 million). Impairment of HRK 146 million (Angola 3/05 HRK 12 million; Angola 3/05A HRK 94 million; Angola 1/82 HRK 40 million) was recognized at 31 December 2015. Additionally, effect of retranslation relating to this impairment of HRK 38 million was also recognized in profit or loss statement in 2015.
  - Croatia offshore – assessed recoverable amount of HRK 1,072 million (NACA HRK 888 million; Isabella HRK 184 million). Impairment of HRK 335 million (NACA HRK 293 million; Isabella HRK 42 million) was recognized at 31 December 2015. Additionally, effect of retranslation relating to this impairment of HRK 201 million (NACA HRK 210 million; Isabella HRK -9 million) was also recognized in profit or loss statement in 2015.
  - Croatia onshore - assessed recoverable amount of HRK 27 million. Impairment of HRK 42 million (Števkovica HRK 10 million; Other HRK 32 million) was recognized at 31 December 2015.
  - Negative wells – impairment in amount of HRK 24 million (Onshore – Hrastilnica 5).

- Refinery and Marketing BD recorded reversal of impairment of property, plant and equipment in amount of HRK 45 million in 2015 (HRK 16 million retail impairment assets and HRK 61 million reversal of retail impairment), compared to impairment in amount of HRK 385 million in 2014 (HRK 395 million impairment of refinery and HRK 10 million reversal of retail impairment).

- Business functions BD and others recorded an impairment of property, plant and equipment in amount of HRK 209 million in 2015, compared to 2014 when impairment was in amount of HRK 19 million. In 2015, the impairment loss recognized in profit and loss statement in amount of HRK 153 million represent the write-down of Platform Zagreb-1 to the recoverable amount of HRK 140 million as a result of the unexpected poor performance and was determined at the level of the CGU that is consisted of the assets of Platform Zagreb 1, in ownership of Crosco B.V. In determining value in use for the CGU, the cash flows were discounted at a rate of 9.6% per annum on a pre-tax basis.

Discount rates used in the current assessment in 2015 and for 2014 are assets specific and are as follows:

Exploration and Production	**2015**	**2014**
Croatia	9.60%	9.80%
Syria	17.10%	17.30%
Egypt	14.10%	14.30%
Angola	13.10%	13.30%
Refining and Marketing		
Croatia	9.60%	9.80%
Bosnia and Herzegovina	13.10%	13.30%

A risk factor is included the discount rates considering the risk of each country (see note 3).

V) Review of the residual value

The Group has reviewed the residual value for depreciation purposes to reflect the changes in the definition of the residual value provided in IAS 16, and no need for any adjustment to the residual values related to the current or prior periods has been established. Useful life of decommissioning assets has been adjusted to reflect the economic life of fields.

16. GOODWILL

	INA GROUP	
	2015	2014
Cost	296	296
Accumulated impairment losses	(144)	(113)
	152	183

	2015	2014
Cost		
Balance at the beginning of year	296	296
Balance at the end of year	**296**	**296**
Accumulated impairment losses		
Balance at the beginning of year	(113)	(113)
Impairment losses recognised in the year	(31)	-
Balance at the end of year	**(144)**	**(113)**

Net book value	**31 DECEMBER 2015**	**1 JANUARY 2015**
Investment of Crosco, d.o.o. in Rotary Zrt. Hungary	152	183
Total	152	183

During 2015 and 2014 goodwill relating to the company Rotary Zrt. was tested for impairment and the test showed that the impairment is required in amount of HRK 31 million at 31 December 2015 while no impairment was recorded in 2014.
The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 9.60 % per annum (2014: 9.50% per annum).

The Group performed its annual impairment test in December 2015 and 2014. The overall decline in oil and gas activities around the world, as well as the ongoing economic uncertainty, has led to a decreased demand of drilling services.
The recoverable amount of Rotary Zrt. business as at 31 December 2015, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by Company top management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for services.
The weighted average cost of capital applied to cash flow projections is 9.6% (2014: 9.5%) and cash flows beyond the five-year period are prepared taking into consideration utilization days of Rotary's assets, average daily rates based on past experience and future predictions in the projected period without subsequent growth. Expenses are determined also in relation to the utilization of the assets.
The Group was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognized an impairment charge of HRK 31 million in the current year against goodwill with a carrying amount of HRK 183 million as of 31 December 2014. The impairment charge is recorded within impairment charges in the statement of profit or loss.
The calculation of Rotary's net present value is most sensitive to the following assumptions:

- Daily rates
- Utilization
- Discount rates
- Employee cost

Change in the estimates of these premises would influence the net present value (NPV) of the CGU, having an impact on the amount of impairment recognized in relation to Rotary's net realisable value.
Forecast daily rate prices and utilization days are based on management's estimates and available market data. Discount rates represent the current market assessment of the risks specific to Rotary Zrt., taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rates are based on the specific circumstances of the Group and its operating segments and are derived from its WACC, with appropriate adjustments made to reflect the risks specific to the Rotary Zrt.

17. INVESTMENTS IN SUBSIDIARIES (IN SEPERATE FINANCIAL STATEMENT OF INA, D.D.)

	INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014
Investments in subsidiaries	1,000	1,133

	2015	2014
Investments in subsidiaries at 1 January	1,133	1,127
INTERINA d.o.o. LJUBLJANA -additional capitalization by intragroup loan	-	14
INA-Osijek Petrol d.d. - merger to INA d.d.	(40)	-
POLYBIT d.o.o - liquidation	(4)	-
ITR d.o.o- merger to STSI d.o.o.	(42)	-
Crosco d.o.o. - impairment	(133)	-
Other subsidiaries - impairment	-	(8)
Other subsidiaries - reversal of impairment due to merger and liquidation	86	-
Total as of 31 December	**1,000**	**1,133**

The following portfolio changes were recorded in 2015:
Based on INA, d.d. Management Board decision on merger of ITR d.o.o. to STSI d.o.o. dated on 3 December 2014, Commercial Court in Zagreb registered the merger of ITR d.o.o. to STSI d.o.o. in Court register on 7 January 2015.

Liquidation process for company Holdina Guernsey Ltd was completed as of 7 July 2015. Foreign currency translation reserves on INA Group level in amount of HRK 15 million are recycled through profit and loss statement as expense for current year.

Liquidation process for company Polybit d.o.o. was completed as of 12 November 2015, when liquidation was of company was registered at the Court register. Based on INA, d.d. Management Board decision, as sole founder of Polybit all assets of company in amount of HRK 2 million were transferred to INA, d.d. and investment in Polybit is derecognized and previously recognized impairment of investment reversed in amount of HRK 4 million.

Sales and transfer of shares agreement for Petrol d.d. Jurdani, was concluded as of 2 November 2015 between INA d.d., and Croatian pension insurance institute, based on which INA, d.d. purchased 8,504 shares based on price on public tendering in amount of HRK 238 thousand and became 100% owner of Petrol d.d. Jurdani shares.

INA, d.d. Management Board in the function of INA Osijek Petrol Assembly adopted decision on merger of INA Osijek Petrol to INA, d.d. on 26 August 2015. Commercial Court in Zagreb registered the merger of INA Osijek Petrol d.d. to INA in court register on 2 November 2015.

Upon legal merger balances of INA Osijek Petrol were transferred at net book values and loss of HRK 94 million decreased retained earnings of INA d.d.

Legal merger of INA-Osijek Petrol d.d. resulted with reversal of previously impaired loan in INA given to INA Osijek Petrol in profit and loss statement in amount of HRK 72 million.

Upon the consolidation of the Group figures, INA Osijek Petrol merger effect is eliminated in the Group statement of profit and loss, and accordingly Group result for the year is lower in comparison with INA, d.d.

Based on INA, d.d. Management Board decision from 28 October 2015. Company PLAVI TIM d.o.o. for IT services was established with HRK 100 thousand share capital paid in cash. The Company was registered in the Court register as of 4 November 2015 as 100% INA, d.d. owned subsidiary.

At 31 December 2015 the Company recognized impairment of investment in Crosco d.o.o. of HRK 133 million.

The following impairments were recorded in 2014: Interina d.o.o. Ljubljana, Slovenia – HRK 5.3 million, INA Kosovo, d.o.o. Priština – HRK 1.2 million i INA Crna Gora, d.o.o. – HRK 808 thousand.
During 2015 simplified decrease of share capital has been performed in the following INA Group companies: STSI, Croplin, INA Maziva and Hostin.
During 2015 CROSCO d.o.o. has sold its share in subsidiary Mideast Integrated Drilling and Well Services Llc. Oman. Before the sale CROSCO held 49% of share in Mideast Integrated Drilling and Well Services Llc but had 100% control and it is was consolidated in financial statement.

The Company has the following principal subsidiaries (*subsidiary owned directly by the Company): G4-17

COMPOSITION OF THE GROUP				
The name of subsidiaries	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 December 2015	31 December 2014
Oilfield services				
*Crosco Naftni Servisi d.o.o.	Oilfield services	Croatia	100%	100%
Crosco B.V.	Oilfield services	Netherland	100%	100%
Nordic Shipping Ltd	Lease of drilling platforms	Marshall Islands	100%	100%
Sea Horse Shipping Inc	Lease of drilling platforms	Marshall Islands	100%	100%
Crosco International d.o.o.	Oilfield services	Slovenia	100%	100%
Rotary Zrt.	Oilfield services	Hungary	100%	100%
Crosco International d.o.o.	Oilfield services	Bosnia and Herzegovina	100%	100%
Crosco International Limited	Oilfield services	Guernsey	100%	100%
Crosco S.A. DE C.V.	Oilfield services	Mexico	99.9%	99.9%
CorteCros d.o.o.	Distribution of anti-corrosion products	Croatia	60%	60%
Mideast Integrated Drilling & Well Services Company LLC	Oilfield services	Oman	-	49%
Oil exploration and production				
*INA Naftaplin International Exploration and Production Ltd	Oil exploration and production	Guernsey	100%	100%
Tourism				
*Hostin d.o.o. Zagreb	Tourism	Croatia	100%	100%
Ancillary services				
*STSI integrirani tehnički servisi d.o.o.	Technical services	Croatia	100%	100%
*ITR d.o.o.	Car rental	Croatia	-	100%
*Top računovodstvo servisi d.o.o.	Accounting services	Croatia	100%	100%
"*PlaviTim d.o.o. (from November 2015)"	Informatical service	Croatia	100%	-
Production and trading				
*INA Maziva d.o.o.	Production and lubricants trading	Croatia	100%	100%
Trading and finance				
*Interina d.o.o.	Foreign trading	Slovenia	100%	100%
*INA BH d.d.	Foreign trading	Bosnia and Herzegovina	100%	100%
*Holdina (Guernsey) Ltd	Foreign trading	Guernsey	-	100%
*Holdina d.o.o.	Foreign trading	Bosnia and Herzegovina	100%	100%
*INA d.o.o.	Foreign trading	Serbia	100%	100%
*INA Kosovo d.o.o.	Foreign trading	Kosovo	100%	100%
*Adriagas S.r.l.	Pipeline project company	Italy	100%	100%
*INA Crna Gora d.o.o.	Foreign trading	Montenegro	100%	100%
*INA BL d.o.o.	Trading	Bosnia and Herzegovina	100%	100%
*Petrol d.d.	Trading	Croatia	100%	83%
*INA-Osijek Petrol d.d.	Trading	Croatia	-	100%
*Polybit d.o.o.	Oil production and trading	Croatia	-	100%
*Croplin d.o.o.	Production of gas, distribution network of gas fuels	Croatia	100%	100%
*INA Maloprodajni servisi d.o.o.	Trade agency in the domestic and foreign market	Croatia	100%	100%

At 31 December 2015 and 31 December 2014 Croplin d.o.o. had 9.1% ownership in Energo d.o.o. Rijeka and 40% ownership in Plinara Istočne Slavonije d.o.o. Vinkovci.

18. INVESTMENTS IN ASSOCIATES

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Investments in associates	22	22	22	22
	22	22	22	22

			ININA GROUP AND A, D.D.	
Name of company	ACTIVITY	PROPORTION OF OWNERSHIP	31 DECEMBER 2015	31 DECEMBER 2014
SOL-INA d.o.o.	INDUSTRIAL GAS PRODUCTION	37.2%	22	22
ENERGOPETROL d.d., Sarajevo BiH	RETAIL (OIL AND LUBRICANTS)	33.5%	-	-
	22	22	22	22

Besides investments stated above, the Company also has interests in other entities as follows:

			INA GROUP AND INA, D.D.	
Name of company	ACTIVITY	PLACE OF INCORPORATION AND OPERATION	31 DECEMBER 2015	31 DECEMBER 2014
Hayan Petroleum Company*	OPERATING COMPANY (OIL EXPLORATION, DEVELOPMENT AND PRODUCTION)	"DAMASCUS, Syria"	50%	50%
TERME Zagreb d.o.o.,	RECREATION AND MEDICAL TOURISM	ZAGREB, CROATIA	50%	50%
INAgip d.o.o. Zagreb*	EXPLORATION AND PRODUCTION OPERATOR	ZAGREB, CROATIA	50%	50%
ED INA d.o.o. Zagreb*	RESEARCH, DEVELOPMENT AND HYDROCARBON PRODUCTION	ZAGREB, CROATIA	50%	50%
Belvedere d.d.	HOTEL TRADE	DUBROVNIK, CROATIA	32%	32%
Marina Petroleum Company *	EXPLORATION AND PRODUCTION OPERATOR	CAIRO, EGYPT	50%	50%

*investments that are joint operations

Pursuant to the Sales Contract with RWE DEA AG Company in East Yidma concession, in 2014 INA, d.d. acquired additional 25% equity share in Marina Petroleum Company Egypt which was owned by the company RWE.

Summarised financial information in respect of each of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

	31 DECEMBER 2015	31 DECEMBER 2014
	ENERGOPETROL	**ENERGOPETROL**
Place of business	**BOSNIA AND HERZEGOVINA**	**BOSNIA AND HERZEGOVINA**
Percentage of interests	33.5%	33.5%
Current assets	29	62
Non-current assets	268	262
Current liabilities	412	72
Non-current liabilities	332	542
Operating income	1,032	665
Loss for the year	(54)	(37)
Total comprehensive loss for the year	**(54)**	**(37)**
Group' share of loss	-	-
Group´s share of net assets	-	-
Investments in associates	132	132
Impairment	(132)	(132)
Carrying amount of the interest, net	-	-

The following table summarises, in aggregate, the financial information of all non-individually material associates in which Group has interests:

	INA GROUP AND INA, D.D.	
	31 DECEMBER 2015	**31 DECEMBER 2014**
Aggregate carrying amount of the interests in these associates	22	22
The Group's share of profit from interest in non individually material associates	-	-

19. OTHER INVESTMENTS

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Deposits	7	17	7	17
Financial assets at fair value through profit or loss	7	6	7	6
Other long-term loans	-	-	678	-
	14	**23**	**692**	**23**

20. LONG-TERM RECEIVABLES

INA Group	31 DECEMBER 2015	31 DECEMBER 2014
Receivables for apartments sold	82	94
Prepayments for intangible assets	41	50
Prepayments for property, plant and equipment	17	26
Other long-term receivables	4	-
	144	**170**

INA, d.d.	31 DECEMBER 2015	31 DECEMBER 2014
Receivables for apartments sold	82	94
Prepayments for intangible assets	41	50
Prepayments for property, plant and equipment	15	23
Long-term receivables from related party	11	11
	149	**178**

Prior to 1996, the Company sold apartments it owned to its employees as provided by the laws of the Republic of Croatia. The properties were generally sold on credit, and the related housing receivables are repayable on monthly instalments over periods of 20-35 years. The amounts payable to Croatian state, accounting for 65% of the value of sold apartments are included in other non-current liabilities (see note 31). The receivables are secured with mortgage over the sold apartments. The principle is presented in the receivable amounts. The amounts do not include the interest portion.

21. AVAILABLE-FOR-SALE ASSETS

Equity instruments available-for-sale				
			INA GROUP AND INA, D.D.	
Name of the Company	**% SHAREHOLDING HELD BY INA, D.D.**	**ACTIVITY**	**31 DECEMBER 2015**	**31 DECEMBER 2014**
Jadranski Naftovod d.d.	11.795%	PIPELINE OWNERSHIP AND OPERATIONS	321	321
OMV Slovenia d.o.o., Koper	7.75%	OIL TRADING	31	31
Plinara d.o.o. Pula	49.00%	DISTRIBUTION AND OIL TRADING	17	17
HOC Bjelolasica d.o.o. Ogulin	7.17%	OPERATIONS OF SPORTS FACILITIES	5	5
BINA-FINCOM d.d. Zagreb	5.00%	CONSTRUCTION OF HIGHWAYS AND OTHER ROADS, AIRFIELDS AIRPORTS	12	12
Total cost			386	386
Fair value adjustment of Jadranski Naftovod d.d.			214	95
Fair value adjustment of Plinara d.o.o. Pula			(2)	(2)
Fair value adjustment of HOC Bjelolasica d.o.o. Ogulin			(5)	(5)
Fair value adjustment of BINA-FINCOM d.d. Zagreb			(12)	(12)
Total fair value adjustment			195	76
			581	**462**

As discussed in note 39, a substantial portion of the trading income of JANAF d.d. is derived from INA, d.d. The value of the equity share in JANAF was reported by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2015. The net book value of the equity investment in JANAF increased by HRK 119 million compared to the balance as of 31 December 2014 due to increase in the market value of the JANAF shares on the Zagreb Stock Exchange. The market value of the shares (118,855 shares) as of 31 December 2015 amounted to HRK 4,500.00 per share (31 December 2014: HRK 3,498.98 per share).

In 2014 the impairment on investment for entity HOC Bjelolasica d.o.o. Ogulin was recorded in amount of HRK 3 million (bankruptcy proceeding for the company has started) as well as impairment of investment for the entity Bina-Fincom d.d. in the amount of HRH 8 million, regarding the net assets of the consolidated financial statements of Bina-Fincom d.d.

22. INVENTORIES

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Crude oil	440	303	440	303
Refined products	427	403	375	347
Work in progress	405	603	404	601
Raw material	188	208	127	153
Spare parts, materials and supplies	180	226	76	78
Merchandise	180	181	175	177
	1,820	**1,924**	**1,597**	**1,659**

As of 31 December 2015 and 2014, inventories were measured at the lower of cost or net realizable value.

23. TRADE RECEIVABLES, NET

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Trade receivables	2,764	2,916	1,994	2,051
Impairment of trade receivables	(1,040)	(918)	(818)	(652)
	1,724	**1,998**	**1,176**	**1,399**

Below is an ageing analysis of trade receivables that are past due but not impaired:

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
less 30 days	98	56	63	32
31 - 60 days	24	31	17	18
61+ days	198	182	175	163
	320	**269**	**255**	**213**

Trade receivables are carried at amortised cost less impairment. According to the impairment policy, all receivables from the strategic customers of INA, d.d. are assessed on individual basis. All other outstanding receivables due beyond 60 days are impaired.

Impairment of trade receivables:

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Balance at beginning of the year	918	924	652	529
Effect of merger	-	-	32	115
Impairment losses recognised on receivables	338	276	315	297
Amounts written off as uncollectible	(60)	(5)	(33)	(34)
Reversal of impairment on amounts recovered	(156)	(277)	(148)	(255)
Balance at end of the year	**1,040**	**918**	**818**	**652**

The ageing analysis of impaired trade receivables:

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
less than 60 days	52	-	52	-
61-120 days	42	73	41	72
121-180 days	49	79	49	78
181-365 days	157	137	150	136
366+ days	740	629	526	366
	1,040	**918**	**818**	**652**

Trade receivables, net balance of INA Group above also includes related party receivables of HRK 237 million as of 31 December 2015 (2014: HRK 194 million) with related party entities out of INA Group (see note 39).

24. OTHER RECEIVABLES

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Tax prepayments	52	22	11	8
Foreign concessions receivables	34	68	34	72
Interest receivables	10	15	10	15
Prepayment receivables	10	56	2	12
Employees receivables	3	4	3	4
Other receivables	27	16	24	11
	136	**181**	**84**	**122**

25. OTHER CURRENT ASSET

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Current portion of long terms loans	279	267	279	857
Short-term loans and deposits	26	38	16	27
Positive fair value of hedge commodity transactions	18	56	18	56
Positive fair value of derivatives	12	23	12	23
Loan impairment	(117)	(103)	(117)	(175)
Other	6	1	-	1
	224	**282**	**208**	**789**

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash held by the Group and short-term bank deposits up to 3 months maturity. The carrying amount of these assets approximates their fair value.

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Cash in the bank	236	421	170	298
Deposits until three months	11	14	-	-
Cash on hand	3	3	-	-
Other	25	29	25	29
	275	**467**	**195**	**327**

27. BANK LOANS AND OVERDRAFTS AND CURRENT PORTION OF LONG-TERM LOANS

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Current portion of long-term loans (note 30)"	139	199	133	187
Overdrafts and short-term loans	2,768	2,631	2,508	2,391
	2,907	**2,830**	**2,641**	**2,578**

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Unsecured bank loans in EUR	1,649	1,631	1,614	1,594
Unsecured bank loans in USD	967	853	892	794
Unsecured bank loans in HRK	147	147	2	-
Unsecured bank loans in HUF	5	-	-	-
	2,768	**2,631**	**2,508**	**2,388**

The most significant short-term loans as at 31 December 2015 are credit facilities with the first class banks with the purpose of financing purchases of crude oil and petroleum products ("trade finance") and framework agreements concluded with domestic banks for granting loans, issuing bank guarantees and opening letters of credits.

Short-term loans are contracted as multicurrency lines with variable interest rates. INA, d.d. loans are unsecured and majority of them do not contain financial covenants.

In order to secure INA Group subsidiaries short-term credit facilities, INA, d.d. issued corporate guarantees.

28. TRADE PAYABLES, TAXES AND CONTRIBUTIONS AND OTHER CURRENT LIABILITIES

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Trade payables	1,400	1,713	967	1,256
Production and sales and other taxes payable	598	978	563	924
Payroll payables	165	200	123	151
Payroll taxes and contributions	67	76	43	46
Mining fee	39	52	39	52
Advance Payments	27	232	23	22
Negative fair value of derivatives	24	20	24	20
Negative fair value of hedge commodity transactions	-	35	-	35
Embedded derivative financial liabilities	-	9	-	9
Other	16	6	7	4
	2,336	**3,321**	**1,789**	**2,519**

The management considers that the carrying amount of trade payables approximates their fair values.
Trade payables, net balance also includes payables of HRK 53 million as of 31 December 2015 (2014: HRK 70 million) with related party entities out of INA Group (see note 39).

29. ACCRUALS AND DEFERRED INCOME

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Accrued expenses	47	24	-	-
Accrued interest – long-term loans	10	27	10	27
Deferred income from underlifting of gas	-	47	-	47
Other	7	16	7	14
	64	**114**	**17**	**88**

30. LONG-TERM LOANS

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Accrued expenses	47	24	-	-
Accrued interest – long-term loans	10	27	10	27
Deferred income from underlifting of gas	-	47	-	47
Other	7	16	7	14
	64	**114**	**17**	**88**

Long-term loans are denominated in a different foreign currencies and are subject to different interest rates. Long-term loans of INA, d.d. are unsecured and the majority of these loans contain financial covenants which are fulfilled. INA Group subsidiaries long-term loans are secured by INA, d.d. corporate guarantees.
The outstanding loans of the Group are analysed as follows:

Purpose of the loan	LOAN CURRENCY	31 DECEMBER 2015	31 DECEMBER 2014
Project financing	USD, EUR	533	806
		533	806
Due within one year		(133)	(187)
Total long-term loans INA, d.d.		**400**	**619**
Other long term loans INA Group	EUR,USD,HUF,HRK	6	21
		6	21
Due within one year		(6)	(12)
Total long-term loans INA Group		**400**	**628**

INA Group	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE INTEREST RATE		
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
	%	%		
Bank loans in USD	2.46	2.30	430	496
Bank loans in EUR	1.99	4.04	109	326
Bank loans in HRK	-	3.80	-	5
Total			**539**	**827**
Payable within one year			(139)	(199)
Total long-term loans			**400**	**628**

INA, d.d.	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE INTEREST RATE		
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
	%	%		
Bank loans in USD	2.47	2.28	424	480
Bank loans in EUR	1.99	4.04	109	326
Total			533	806
Payable within one year			(133)	(187)
Total long-term loans			**400**	**619**

The maturity of the loans may be summarised as follows:

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Current portion of long-term debt	139	199	133	187
Payable within one to two years	133	194	133	187
Payable within two to three years	133	187	133	186
Payable within three to four years	134	124	134	123
Payable within four to five years	-	123	-	123
Total	**539**	**827**	**533**	**806**

The movement in long-term loans during the year is summarized as follows:

	INA GROUP	INA, D.D.
Balance at 31 December 2014	**2,188**	**2,081**
New borrowings raised	2,202	2,202
Amounts repaid	(3,650)	(3,564)
Foreign exchange losses	87	87
Balance at 31 December 2014	**827**	**806**
Payable within one year (included within bank loans and overdrafts – note 27)	199	187
Payable after more than one year	628	619
Balance at 1 January 2015	**827**	**806**
New borrowings raised	1,602	1,602
Amounts repaid	(1,931)	(1,913)
Foreign exchange losses	41	38
Balance at 31 December 2015	**539**	**533**
Payable within one year (included within bank loans and overdrafts – note 27)	139	133
Payable after more than one year	400	400

The principal long-term loans outstanding at 31 December 2015 and loans signed during 2015 were as follows:

EBRD

In 2010, INA, d.d. signed long-term loan agreement with EBRD in the amount of EUR 160 million with alternative withdrawal in USD. The purpose of the loan is finalization of the first phase of the modernization of Sisak and Rijeka refineries. In 2014 amendment agreement was signed by which for the remaining outstanding amount terms are more favourable and maturity was prolonged until 2019.

ING BANK N.V., LONDON BRANCH

In 2015 INA, d.d. signed long-term multi-currency revolving credit facility agreement for general corporate purposes in the amount of USD 300 million. Lenders are banking groups represented by both international and domestic banks. The Agent is ING Bank N.V., London Branch. Maturity of the credit facility is 3 years with an option for 1+1 year extension.

MOL Group

In 2015 INA, d.d. signed amendment to intragroup long-term multi-currency revolving loan agreement for general corporate purposes provided from MOL Group by which intragroup financing has been decreased from USD 300 million to USD 100 million with maturity in 2018.

Compliance with loan agreements

During 2015 INA Group and INA, d.d repaid all of their liabilities in respect of loans (principal, interest and fees) on a timely basis, and there were no instances of default or delinquency.

31. OTHER NON-CURRENT LIABILITIES

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Liabilities to Government for sold apartments	45	51	45	51
Deferred income for sold apartments	6	8	6	7
Liabilities for derivatives financial instruments	-	5	-	5
Other long-term liabilities	15	-	14	-
	66	**64**	**65**	**63**

The long-term payable to the government relates to obligation arising on the sale of housing units to employees under the government program (note 20). According to the law regulating housing sales, 65% of the proceeds from the sale of apartments to employees were payable to the state at such time as the proceeds were collected by the Company. According to the law, INA, d.d. has no liability to remit the funds unless and until they are collected from the employee.

32. PROVISIONS

INA Group	ENVIRON-MENTAL PROVISION	DECOMMI-SSIONING CHARGES	LEGAL CLAIMS	REDUN-DANCY COSTS	UNUSED VACATION	TAX - OBLIGATION CLAIMS	PROVISION FOR EMPLOYEE BENEFITS	PROVISION FOR ANGOLAN TAX	OTHER	TOTAL
Balance at 1 January 2014	**301**	**2,360**	**96**	**42**	**61**	**80**	**45**	**164**	**116**	**3,265**
Charge for the year	19	-	60	126	83	-	89	-	265	642
Effect of change in estimates	4	(233)	-	-	-	4	-	-	-	(225)
Interest	8	72	-	-	-	-	-	-	-	80
Provision utilised during the year	(23)	(1)	(31)	(79)	(60)	(13)	(41)	-	(109)	(357)
Balance at 31 December 2014	**309**	**2,198**	**125**	**89**	**84**	**71**	**93**	**164**	**272**	**3,405**
Charge for the year	38	-	16	239	61	-	121	140	73	688
Effect of change in estimates	18	56	-	-	-	3	-	-	-	77
Interest	7	56	-	-	-	-	-	-	5	68
Provision utilised during the year	(39)	-	(38)	(89)	(76)	(1)	(92)	(1)	(9)	(345)
Balance at 31 December 2015	**333**	**2,310**	**103**	**239**	**69**	**73**	**122**	**303**	**341**	**3,893**

INA, d.d.	ENVIRONMENTAL PROVISION	DECOMMI-SSIONING CHARGES	LEGAL CLAIMS	REDUNDANCY COSTS	UNUSED VACATION	PROVISION FOR EMPLOYEE BENEFITS	PROVISION FOR ANGOLAN TAX	OTHER	TOTAL
Balance at 1 January 2014	**288**	**2,360**	**81**	**31**	**44**	**27**	**164**	**102**	**3,097**
Charge for the year	18	-	54	112	45	69	-	239	537
Effect of change in estimates	4	(178)	-	-	-	-	-	-	(174)
Interest	8	72	-	-	-	-	-	5	85
Provision utilised during the year	(23)	(1)	(22)	(67)	(44)	(27)	-	(90)	(274)
Balance at 31 December 2014	**295**	**2,253**	**113**	**76**	**45**	**69**	**164**	**256**	**3,271**
Charge for the year	40	-	15	236	41	91	140	35	598
Effect of change in estimates	18	146	-	-	-	-	-	-	164
Interest	7	58	-	-	-	-	-	5	70
Provision utilised during the year	(38)	-	(34)	(76)	(45)	(69)	(1)	(3)	(266)
Balance at 31 December 2015	**322**	**2,457**	**94**	**236**	**41**	**91**	**303**	**293**	**3,837**

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Analysed as:				
Current liabilities	627	568	463	422
Non-current liabilities	3,266	2,837	3,374	2,849
	3,893	**3,405**	**3,837**	**3,271**

Environmental provision

The environmental provision recorded by INA Group is HRK 333 million on 31 December 2015 (31 December 2014: HRK 309 million). The environmental provision covers treatment of accumulated waste generated by former activity, soil excavation and replacement during the reconstruction of filling stations and comprehensive investigation to determine the extent of the soil and groundwater contaminations.

Emission allowances

Under European Union Emission Trading Scheme, INA' plants receive a certain amount of emission allowances for free. The allowances are received on an annual basis, and in return, INA, d.d. is required to surrender allowances equal to its actual verified emissions. The number of emission allowances allocated for free is calculated using European Commission filled in by installations, and submitted to Ministry of Environmental and Nature protection by 31 December of the current year for that year.
INA, d.d. has adopted the net liability approach to the emission allowances granted. Therefore, a provision is recognised only when actual emissions exceed the allocated emission allowances. Provision recorded for exceeding amount of emission rights granted should be charged with purchased rights. The emission costs are recognised as other operating costs. Detail explanation on the accounting and provision calculation is regulated by internal Regulation on greenhouse gas and emission allowances management in INA, d.d.
Free Emission allowances are granted with respect to one year period and are distributed by competent authority.

Decommissioning charges

The INA Group records provisions after initial recognition for the present value of estimated future costs of abandoning oil and gas production facilities after the end of production. The estimate of provisions is based on the applicable legal regulations, technology and price levels. Decommission assets are created in an amount equal to the estimated provision, which is also amortized as part of the capital asset costs. Any change to the present value of the estimated costs is reflected as an adjustment of the provisions and the decommission assets.
As of 31 December 2015, the Company recognised a decommissioning provision for 44 oil and gas production fields, 6 non-production fields, 11 positive non-production wells and 359 negative non-production wells. As of 31 December 2014, the Company

recognised a decommissioning provision for 45 oil and gas production fields, 5 non-production fields, 10 positive non-production wells and 144 negative non-production wells.

Legal case

Provisions for legal claims are based on the advice of the legal counsel, taking into consideration claim value and probability that outflow of resources will be required to settle the obligation.

Redundancy cost

Provisions for redundancy are recorded based on Management Decision on Redundancy for the termination of employment in order to decrease the number of employees due to economic, technical and organizational reasons.

Unused holiday

Provisions for unused holiday is determined based on actual data (number of employees, unused days, payroll) taken into calculation.

Other provision

Other provisions of INA; d.d. in amount of HRK 293 million relate to provision for contractual liability for investments in Iran of HRK 251 million initially recognized in 2012. INA d.d. is committed to spend certain resources by Production Agreement. Since Iran activities have been discontinued, the difference between contractual liability and actual spent funds was recognized as provisions. Remaining amount mainly relates to provision for sediment and non –pumpable inventories in amount of HRK 41 million.

33. RETIREMENT AND OTHER EMPLOYEE BENEFITS

According to the Collective Agreement the Group bear the obligation to pay jubilee awards, retirement and other benefits to employees. The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to an early retirement benefit in the net amount of HRK 20,000 of which HRK 12,000 represent taxable portion. No other post-retirement benefits are provided. Jubilee awards are paid out according to the following fixed amounts and anniversary dates:

- HRK 2,500 for 10 years of continuous service
- HRK 3,000 for 15 years of continuous service
- HRK 3,500 for 20 years of continuous service
- HRK 4,000 for 25 years of continuous service
- HRK 4,500 for 30 years of continuous service
- HRK 5,000 for 35 years of continuous service
- HRK 6,000 for 40/45 years of continuous service.

The net amounts specified above include the taxable portion, i.e. the portion subject to all applicable taxes and contributions.
In respect of the Group's personnel who are employed in Croatia, such social payments as are required by the authorities are paid by the respective Group companies. These contributions form the basis of social benefits payable out of the Croatian national pension fund to Croatian employees upon their retirement.
The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2015 by independent actuarial expert. In 2015, the Company made a provision of HRK 35 million in respect of jubilee awards and HRK 35 million for regular retirement allowance, whereas in 2014 Company made provision in respect of jubilee awards in amount of HRK 60 million and for regular retirement HRK 76 million.
The present values of the defined benefit obligation, the related current service cost and past service cost were determined using the projection method based on the total number of employees.

Actuarial estimates were derived based on the following key assumptions:

	VALUATION AT	
	31 DECEMBER 2015	**31 DECEMBER 2014**
Discount rate	3.7%	3.7%
Average longevity at retirement age for current pensioners (years)		
males	14.9	13.5
females	18.3	16.9
Average longevity at retirement age for current employees (future pensioners) (years)		
males	14.9	13.5
females	18.3	16.9
Mortality table	HR 2010-2012 70,00%	HR 2004 70,00%

The amounts recognised in comprehensive income related to retirement and other employee benefits are as follows:

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Service cost:				
Cost of current period	12	14	8	8
Interest	6	9	5	7
Past service cost, including losses/(gains) on curtailments	(17)	23	(17)	16
Components of defined benefit costs recognized in profit and loss:	**1**	**46**	**(4)**	**31**
Remeasurement of the net defined benefit liability:				
Actuarial gains and losses arising from changes in demographic assumptions	(33)	-	(27)	-
Actuarial gains and losses arising from changes in financial assumptions	(4)	13	(4)	11
Actuarial gains and losses arising from experience adjustments	(27)	(10)	(21)	(4)
Components of defined benefit costs recognised in profit and loss account and other comprehensive income:	(64)	3	(52)	7
Total	**(63)**	**49**	**(56)**	**38**

The amount included in the statement of financial position arising from the Group's obligations in respect of its retirement benefit schemes is as follows:

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Present value of defined benefit obligations	109	184	70	136
Liability recognised in the balance sheet	109	184	70	136

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
This amount is presented in the balance sheet as follows:				
Current liabilities	8	12	4	8
Non-current liabilities	101	172	66	128
	109	**184**	**70**	**136**

The change of the present value of defined benefit obligation may be analysed as follows:

	INA GROUP		INA, D.D.	
	2015	2014	2015	2014
At 1 January	184	146	136	105
Cost of current period	10	14	8	8
Interest	6	9	5	7
Actuarial (gains) or losses				
Actuarial gains and losses arising from changes in demographic assumptions	(33)	-	(27)	-
Actuarial gains and losses arising from changes in financial assumptions	(4)	13	(4)	11
Actuarial gains and losses arising from experience adjustments	(27)	(10)	(21)	(4)
Past service cost, including losses/(gains) on curtailments	(17)	23	(17)	16
Benefit paid	(10)	(11)	(10)	(7)
Closing defined benefit obligation	**109**	**184**	**70**	**136**

34. SHARE CAPITAL

	INA GROUP AND INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014
Issued and fully paid:		
10 million shares (HRK 900 each)	**9,000**	**9,000**

The Company's share capital consists of 10 million authorised and issued shares of par value HRK 900 each. Each share carries one vote and is entitled to dividends.

35. REVALUATION RESERVES

	INA GROUP AND INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014
Balance at beginning of year	121	6
Increase/(decrease) arising on revaluation of available-for-sale securities (Janaf)	119	144
Deferred tax effect	(24)	(29)
Balance at the end of year	**216**	**121**

In 2015 and 2014 there was a significant increase in the value of JANAF on the stock market; therefore an increase on revaluation reserves was recorded.

36. OTHER RESERVES

On the regular general shareholders' meeting of INA d.d. held on 12 June 2015 approval was given for transfer part of other reserves relating to profit from the 1993 year amounting to HRK 1,448 million and PSP Okoli gas inventory amounting to HRK 192 million, all in total amount HRK 1,640 million to retained earnings. After transfer of other reserves to retained earnings in INA, d.d. in amount of HRK 1,640 million, same was used for coverage of losses from prior periods. Legal reserves are disclosed as the separate reporting item.

The remaining amount of combined reserves of the Group include amounts in respect of accumulated surpluses and deficits, revaluations of property, plant and equipment and foreign exchange gains and losses which have arisen over many years prior to 1993. For several years, the Croatian economy was subject to hyperinflation and, prior to 31 December 1993, neither the Company nor the Group had been subject to audit. For these reasons, it was not practicable to analyse the composition of the reserves of the Company or the Group as at 31 December 1993 into their constituent parts.

Movements on reserves during the year were as follows:

INA Group	COMBINED RESERVES AT 31 DECEMBER 1993	FOREIGN CURRENCY TRANSLATION RESERVES	RESERVE OF DEFINED BENEFIT OBLIGATION	OTHER RESERVES	TOTAL
Balance at 1 January 2014	**2,132**	**(284)**	**(11)**	**447**	**2,284**
Movements during 2014	-	567	-	-	567
Balance at 31 December 2014	**2,132**	**283**	**(11)**	**447**	**2,851**
Movements during 2015	(1,640)	358	36	-	(1,246)
Foreign exchange differences transferred of other reserves and other changes	-	36	-	-	36
Balance at 31 December 2015	**492**	**677**	**25**	**447**	**1,641**

INA, d.d.	COMBINED RESERVES AT 31 DECEMBER 1993	FOREIGN CURRENCY TRANSLATION RESERVES	RESERVE OF DEFINED BENEFIT OBLIGATION	OTHER RESERVES	TOTAL
Balance at 1 January 2014	**1,667**	**(9)**	**(9)**	**285**	**1,934**
Movements during 2014	-	595		-	595
Balance at 31 December 2014	**1,667**	**586**	**(9)**	**285**	**2,529**
Movements during 2015	(1,640)	355	29	-	(1,256)
Balance at 31 December 2015	**27**	**941**	**20**	**285**	**1,273**

37. RETAINED EARNINGS

	INA GROUP	INA, D.D.
	RETAINED EARNINGS	RETAINED EARNINGS
Balance at 1 January 2014	**1,256**	**2,060**
(Loss)/profit for the year	(1,897)	631
Loss brought forward from merger of Prirodni plin	-	(3,195)
Balance at 31 December 2014	**(641)**	**(504)**
Transfer other reserves to retained earnings	1,640	1,640
Transfer exchange curreny translation from foreign operation	(33)	-
Loss for the year	(1,418)	(1,202)
Loss brought forward from merger of INA-Osijek Petrol	-	(94)
Dividends paid	(150)	(150)
Balance at 31 December 2015	**(602)**	**(310)**

38. NON-CONTROLLING INTEREST

	INA GROUP	
	31 DECEMBER 2015	31 DECEMBER 2014
Balance at beginnig of year	(1)	(1)
Share of profit for the year	1	-
Balance at end of year	**-**	**(1)**

39. RELATED PARTY TRANSACTIONS

The company 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 Company's strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is performed with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation. Details of transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

During the year, INA Group entered into the following trade transactions with related parties:

INA Group	SALES OF GOODS		PURCHASE OF GOODS	
	2015	**2014**	**2015**	**2014**
Companies available-for-sale				
JANAF d.d. Zagreb	3	3	50	28
Strategic partner				
MOL Nyrt.	563	649	777	756
Companies controlled by strategic partner				
Tifon d.o.o.	523	733	17	28
Energopetrol d.d.	256	341	-	-
MOL Slovenija d.o.o.	95	92	66	81
Kalegran Ltd.	53	135	2	3
MOL Petrochemicals Co Ltd	27	10	4	-
Slovnaft, a.s.	22	26	412	123
MOL Serbia d.o.o.	16	-	-	-
Mol Germany GMBH	4	-	-	-
MOL Commodity Trading Kft.	-	-	37	5
Rossi Biofuel ZRT	-	-	7	-
IES-Italiana Energia e Servizi s.p.a.	-	-	5	3
Slovnaft Vurup, a.s.	-	-	1	-

As of statement of financial position date, INA Group had the following outstanding balances with related parties:

Loan to and from related parties:

INA Group	AMOUNTS OF LOANS OWED BY RELATED PARTIES		AMOUNTS OF LOANS OWED TO RELATED PARTIES	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Companies controlled by strategic partner				
Energopetrol d.d.	286	271	-	-

INA, d.d. has provided loans at rates comparable to those that prevail in arm's length transactions. The loans from the ultimate controlling party are unsecured.

During the year, INA, d.d. entered into the following trade transactions with related parties:

INA, d.d.	SALES OF GOODS		PURCHASE OF GOODS	
	2015	2014	2015	2014
Related companies				
Holdina Sarajevo	1,867	2,426	1	-
INA Crna Gora d.o.o Podgorica	97	88	-	-
Osijek Petrol d.d.	46	92	-	-
STSI d.o.o. Zagreb	27	25	662	617
Crosco d.o.o.	20	21	313	353
INA Maziva d.o.o.	10	4	54	56
Interina d.o.o. Ljubljana	8	13	-	-
TOP Računovodstvo Servisi d.o.o.	7	7	49	48
Hostin	1	1	-	-
Adrigas Milano	1	-	-	-
Rotary Drilling Co Ltd Hungary	1	1	-	-
Prirodni plin d.o.o. Zagreb (until November 2014)	-	3,523	-	568
ITR d.o.o. Zagreb	-	1	-	5
Plavi Tim d.o.o.	-	-	5	-
INA d.o.o.Banja Luka	-	-	1	1
Companies available-for-sale				
JANAF d.d. Zagreb	3	3	50	28
Strategic partner				
MOL Nyrt.	336	464	619	539
Companies controlled by strategic partner				
Tifon d.o.o.	522	731	17	28
MOL Slovenija d.o.o.	92	89	-	-
MOL Petrochemicals Co Ltd	27	10	-	-
Energopetrol	25	22	-	-
Slovnaft, a.s.	22	26	412	123
MOL Serbia d.o.o.	16	-	-	-
Mol Germany GMBH	4	-	-	-
Kelegran Ltd.	2	-	-	-
MOL Commodity Trading Kft.	-	-	37	5
Rossi Biofuel ZRT	-	-	7	-
IES-Italiana Energia e Servizi s.p.a.	-	-	5	3
Slovnaft Vurup, a.s.	-	-	1	-

As of statement of financial position date, INA, d.d. had the following outstanding balances with related parties:

INA, d.d.	AMOUNTS OWED BY RELATED PARTIES		AMOUNTS OWED TO RELATED PARTIES	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Subsidiaries				
Holdina Sarajevo	117	128	5	34
Crosco d.o.o.	69	5	70	88
STSI d.o.o. Zagreb	10	8	184	233
INA Maziva d.o.o.	5	1	6	6
Interina d.o.o. Ljubljana	1	1	-	-
TOP Računovodstvo Servisi d.o.o.	1	1	5	3
Osijek Petrol d.d.	-	14	-	1
INA Beograd d.o.o Beograd	-	8	-	-
Plavi Tim d.o.o.	-	-	6	-
Companies available-for-sale				
JANAF d.d. Zagreb	1	1	2	-
Strategic partner				
MOL Nyrt.	9	43	26	47
Companies controlled by strategic partner				
Tifon d.o.o.	45	51	1	1
MOL Slovenija d.o.o.	3	3	-	-
Energopetrol d.d.	1	1	-	-
Slovnaft, a.s.	1	-	4	6
Rossi Biofuel Zrt.	-	-	7	-
IES -Italiana Energia e Servizi s.p.a	-	-	1	-

The liabilities of the related parties to INA, d.d. are presented net of impairment of bad and doubtful receivables.

In 2015 INA, d.d. recognised impairment on receivables from related parties in the amount of HRK 2 million, while income from collection of impaired receivables from related parties amounted to HRK 43 million.

In 2014 INA, d.d. recognised impairment on receivables from related parties in the amount of HRK 2 million, while income from collection of impaired receivables from related parties amounted to HRK 2,075 million.

Loan to and from related parties:

INA, d.d.	AMOUNTS OF LOANS OWED BY RELATED PARTIES		AMOUNTS OF LOANS OWED TO RELATED PARTIES	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Related companies				
Crosco d.o.o.	642	461	-	-
INA BH d.d. Sarajevo	36	33	-	-
INA Crna Gora d.o.o Podgorica	20	22	-	-
Interina d.o.o. Ljubljana	17	16	-	-
Osijek Petrol d.d.	-	90	-	-
STSI d.o.o. Zagreb	-	-	119	-
INA Maziva d.o.o.	-	-	60	61
Hostin d.o.o.	-	-	14	7
Adrigas Milano	-	-	12	8
TOP Računovodstvo Servisi d.o.o.	-	-	7	-
Polybit	-	-	-	2
Companies controlled by strategic partner				
Energopetrol d.d.	286	271	-	-

INA Group and INA, d.d.	INCOME FROM HEDGE TRANSACTIONS - NET EFFECT	EXPENSE FROM HEDGE TRANSACTIONS -NET EFFECT
	2015	2014
Companies controlled by strategic partner		
MOL Commodity Trading KFt	42	24

Product sales between related parties were made at the usual prices of the Group, reduced by discounts and rebates depending on each particular relationship. Purchases of products between related parties were made at market prices, including appropriate discounts depending on each particular relationship.

INA, d.d. generally seeks collateral for oil product sold to its related parties, depending on risk exposure, except from customers who are state budget beneficiaries or fully owned by the state.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014
Short-term employee benefits	41.1	42.1
Termination bonuses	0.2	1.0
Total	**41.3**	**43.1**

Included above is the remuneration to the Management Board Members, executive directors of the business segments and functions, sector directors, assistant directors and secretary of INA, d.d.

Other related party transactions

During 2015, Rotary Drilling Co Ltd Hungary incurred revenue in respect of termination of contract with Kalegram Ltd. based on rights for an early termination fee and demobilization fees revenue in amount of 13.5 million USD. Termination of contract occurred due to change of working plan of Kalegran Ltd. in Kurdistan.

In 2015 INA, d.d. sold four petrol stations to company Holdina Sarajevo. Net book value of the petrol stations is HRK 4.7 million while INA, d.d. sold petrol stations under market price of HRK 16.9 million.

The Company remains the customer of company JANAF d.d., in which it has a holding of 11.795% (Note 21). During 2015, approximately HRK 50 million of JANAF's sales revenue in the amount of HRK 683 million account for sales revenue in respect of INA, d.d. as user of the pipeline system of JANAF d.d. (2014: HRK 29 million out of HRK 446 million sales revenue).

40. COMMITMENTS

The Company and the Group have a number of continuing operational and financial commitments in the normal course of their businesses including:

- exploration and development commitments arising under production sharing agreements,
- exploratory drilling and well commitments abroad,
- take or pay contract, gas transportation contract and gas selling contract
- guarantees, performance bonds and letters of credit with Croatian and foreign banks,
- completion of the construction of certain assets.

Investment in contract areas of North Adriatic

Activity of bringing the production of natural gas reserves in the geographic area of North Adriatic, mostly within the epicontinental shelf of Republic of Croatia, is taking place through Production Sharing Agreements (PSA) which INA has signed with foreign companies in the so - called contract areas:

- INA, d.d. and ENI Croatia B.V. have closed down in 1996 and 1997 Production Sharing Agreements in contract areas Aiza - Laura and Ivana, and realization of the partnership takes place through a joint operating company INAgip with interests 50% : 50%,
- INA, d.d. and EDISON INTERNATIONAL S.p.A. have closed down in the 2002 Production Sharing Agreement in the contract area Izabela & Iris / Iva. Partnership with EDISON takes place through a joint operating company ED-INA with shareholding: 50% : 50%.

North Adriatic Area (3 development concession) comprises of 18 production platforms and 1 compressor platform, with a total of 46 production wells.

Until now, in the contract areas North Adriatic and Aiza-Laura, INA, d.d. has invested in capital construction of mining facilities and plants HRK 4.8 billion, while of the total gained reserves INA´s share will range about 63% of the produced gas, which is further placed on the Croatian gas market.
On 31 December 2015 INAgip had in both contract areas 137 active contracts amounting in total to HRK 381.52 million. The remaining commitments under these contracts on 31 December 2015 amounted to HRK 206.7 million.
Until 31 December 2015, total INA d.d. capital investments on the Izabela contract area amounted to HRK 352,792 million, which have been invested for construction of production-gathering-transportation system of Izabela gas field. Gas production from Izabela field during 2015 was stable and in line with production plan (+5%). Total INA share of gas, delivered from Izabela field to Ivana K platform, from production startup is about 45% (173,8 million Sm3).
For the development of the Izabela gas field from 1 January 2008 until 31 December 2014, ED-INA has concluded 93 contracts amounting in total to EUR 141 million. Due to the fact that from 2015 on Izabela contract area there is no more development activities, all above mentioned contracts, from capital investments point of view, can be considered realized. At this moment 34 of 93 mentioned contracts are still active, but used only for Operative activities and presenting OPEX only.

Gas Transportation Contract

The future gas transportation contracted commitments with Gas Connect Austria until 31 December 2017 amount to approximately HRK 98 million in total.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Minimum lease payments under non-cancellable operating leases are as follows:

INA, d.d.	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
within 1 year	45	55	40	44
betwbbn 2-5 years	51	78	41	59
beyond 5 years	-	-	-	-
	96	**133**	**81**	**103**

Out of the outstanding operating lease liabilities as of 31 December 2015 HRK 81 million were contracted by INA, d.d. and HRK 13 million were contracted by Rotary Zrt., while for 31 December 2014 HRK 103 million were contracted by INA, d.d. and HRK 25 million were contracted by Rotary Zrt.

41. CONTINGENT LIABILITIES

Environmental matters

The principal activities of the Company and the Group, comprising oil and gas exploration, production, transportation, refining and distribution, can have inherent effects on the environment in terms of emissions into soil, water and air. Both, the Company and the Group regularly record, monitor and report on environmental emissions in accordance with their obligations specified in applicable laws. The environmental effects are monitored by local and national governmental environmental authorities. For all the stated release into the environment, the Company and Group, in accordance with the principle of "polluter pays" bear the costs caused by pollution. The costs include costs connected with environmental pollution, costs of environmental monitoring and the application of established measures and costs of taking measures to prevent environmental pollution, regardless of whether these costs are incurred as a result of the prescribed liability for environmental pollution, the release of emissions into the environment, as a fee established under appropriate financial instruments or as an obligation prescribed by regulation.

Harmonization of INA's operations with the Industrial Emission Directive (IED)

Directive 2010/75/EU on industrial emissions regulates the issue of environmental permits by which plant working conditions are determined and requires the application of best available techniques (BAT) by which a high level of environmental protection in general is achieved (control prevention of emissions to air, water and soil, in waste management, in energy efficiency and accident prevention). During 2014 INA obtained Decisions on integrated environmental protection (environmental permits) for its four plants: Fractionation Facilities Ivanić grad, Gas Processing Facilities Molve, Sisak Refinery and Rijeka Refinery.
In order to align the existing technology with the best available techniques, during 2015 projects are ongoing that are in various stages of implementation. Since alignment with BAT requires time and considerable financial investments, INA, d.d. in Croatia pre-accession negotiations with the EU obtained for its refineries in Sisak and Rijeka a transition period to achieve full compliance by 31 December 2017.
At the end of 2014, a new Commission Implementing Decision established the best available techniques (BAT) conclusions for the refining of mineral oil and gas (2014/738/EU) that are references for determining the conditions of the environmental permit. During 2015, an analysis of deviations from the requirements documents are made and the intention is to start with the environmental licenses analysis, considering that the new requirements should be harmonized until October of 2018. In conclusion, "bubble concept" is recognized as one of the best available techniques for integrated emission management of SOx and / or NOx. Bubble is especially suitable for oil refining sites because it allows refineries to treat all their stacks as they are enclosed by a giant bubble, which provides flexibility in choosing which unit shall be upgraded based on the lowest cost, so long as overall resulting emissions are equal to or lower than emissions that would be achieved through a unit-by-unit application of the individual BAT-AELs.

Harmonization of INA's operations with the greenhouse gas emission (GHG) legislation

European Union Emissions Trading Scheme, EU ETS, is one of the fundamental mechanisms of the European Union in the fight against climate change with a view to meeting the commitments made under the Kyoto Protocol. Inside the Scheme, a part of the emission allowances (one allowance = 1 tonne of CO_2) are allocated to installations for free and they are used to "cover" the emissions from the previous year. If the installation has a shortage of allowances in respect to verified emissions, the rest must be bought on the market through auctioning.
From 1 January 2013 Rijeka Refinery, Sisak Refinery, Fractionation Facilities Ivanić Grad and Gas Processing Facilities Molve are a part of the ETS. All four INA's ETS installations have open Operator Holding Account in the Union Registry. Verified Annual Greenhouse Gas Report had been submitted to Croatian Environment Agency on time, until 31 March 2015, verifier then confirmed verified emissions entered into the Registry and emission allowances have been surrendered in amount equal to verified emissions until 30 April 2015.

Harmonization of INA's operations with the air protection legislation

From 1 January 2016 existing plants have to comply with more stringent emission limit values (ELV), as stipulated by Industrial Emissions Directive (IED). The provisions of this Directive have been transposed into Croatian legislation by Regulation on limit values for pollutant emissions from stationary sources into the air (OG 117/12, OG 90/14). To achieve the prescribed emission limit values, IED provides a possibility to use the exemption for existing plants and one of them is the inclusion in the Transitional National Plan (TNP), in addition to meeting certain conditions. Sisak and Rijeka Refineries have submitted an application for inclusion of its existing large combustion plants in the TNP, which was approved by the European Commission during 2014.
By inclusion in the TNP, facilities are given the possibility of gradual emission reduction of one or more pollutants (nitrogen oxides, sulphur dioxide and particulate matter) through the period of 1 January 2016 to 30 June 2020 for the realization of investments and measures for emission reduction which ensure compliance with more stringent ELVs.
Regarding compliance with the technical environmental standards for Volatile Organic Compound (VOC) emissions resulting from the storage and distribution of petrol, is the entire INA's retail network as well as tank truck loading station in Sisak Refinery is compliant. In the next three years it is planned investment of HRK 428.5 million for full compliance with the technical environmental standards for VOC's.

Environmental provisions

Environmental obligations are the obligations of a company to recover pollutions caused by the company's operations. They can be divided into two categories: environmental provisions and contingencies. At 31 December 2015, INA, d.d. made environmental provisions in the amount of HRK 322 million, whereas the provisions at the Group level amounted to HRK 333 million, while at 31 December 2014, INA, d.d. made environmental provisions in the amount of HRK 295 million, whereas the provisions at the Group level amounted to HRK 309 million. Contingencies at the INA Group and INA, d.d. levels were estimated at HRK 637 million and HRK 427 million, respectively. The estimates were not recognised because the timing of the event is uncertain and there is no evidence of pollution.

Litigation

The Group is exposed to various legal claims. The following claims are considered as contingencies and no provision is recognised in the financial statements in their respect.

GWDF Partnership München and GWDF Limited Cyprus

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-INDUSTRIJA NAFTE d.d. and INA-NAFTAPLIN International Exploration, Channel Islands, in front Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of app EUR 8 million incurred due to ungrounded termination of negotiations. This resulted in refrain from signing the contract on the transfer of shares between GWDF Ltd Cyprus and INA - Naftaplin International Exploration. INA, d.d. filed a counterclaim in September 2007, disputing both the grounds and the amount of the claim, claiming that the claimants abandoned the negotiations because of a business decision and they were the ones negotiating in conflict with the principles of conscientiousness and fairness.
Furthermore, INA, d.d. filed the objection to the lack of litigation capacity as regards GWDF Partnership, the objection to the misdirected passive personality in relation to INA, d.d., stating also that the court is not competent in relation to GWDF Limited Cyprus.
In the hearing held on 8 February 2011, after the parties repeated their standpoints, the court decided to request from the Republic of

Germany and the Republic of Cyprus by diplomatic ways the wording of the law relevant for decision-making in this case. After more than three years, a hearing was held on 11 September 2014 with a new judge, but still no decision was made on the relevant law. The plaintiffs were invited to respond on the legal merits of the claim and to deliver the regulations of the German Republic regulating the relationships of damages, liability and rules of conduct in civil obligations and the provisions especially concerning pre-contractual liability.

The next hearing has been scheduled for 5 February 2015 but was postponed due to illness of the judge, and a new one has not been scheduled yet.
Since pre-contractual liability for damage (culpa in contrahendo) is very differently regulated in German and Croatian law, the choice of relevant law will directly affect the outcome of the dispute. Since the witnesses have not been heard on the merits of the case, its outcome is at the moment completely uncertain.

Ljubljanska banka

The claims from plaintiff LJUBLJANSKA BANKA, Ljubljana, Slovenia against INA, d.d. in amount of HRK 61 million have arisen from two contracts of 1982 on the use of short-term foreign currency loan abroad which were concluded between INA- Rafinerija nafte Rijeka and Ljubljanska banka - Osnovna banka Zagreb.
The claims of Ljubljanska banka in the concerned dispute refer to default interest debt arising from the legally binding decision of the District Economic Court (the predecessor of Commercial Court) in Zagreb which was rendered in the earlier court procedure conducted on the same, above-stated, legal grounds.

The procedure was initiated by motion for execution which was filed by Ljubljanska banka on 13 September 1995. The Commercial Court in Zagreb rendered the Decision on execution, however INA, d.d. filed an objection against the decision regarding the statute of limitations, the merits and the amount of the claims, so the procedure was continued as a civil procedure initiated by a lawsuit.
The Commercial Court rendered the Decision of 24 November 2008 whereby it dismissed the lawsuit. The plaintiff lodged an appeal against the afore-stated decision, which was adopted by the High Commercial Court and returned to the court of first instance for a retrial. During the retrial, the plaintiff by its application of 3 May 2010, along with the above-stated objections, also filed a claim preclusion (res iudicata) objection with reference to the above-stated procedure finalized by a legally effective decision
INA, d.d. objected regarding the prematurity of lawsuit, since a procedure is already being conducted on the same legal grounds for the unlawfulness of execution which has in the meantime been ended by a legally effective decision, with the plaintiff requesting for a retrial. INA, d.d. is also objecting in relation to the plaintiff's capacity to sue.

The outcome of the procedure is still uncertain due to the complexity of the legal matter (claims for altered default interest) however it is now more probable that the Supreme Court will take the same standpoint as the High Commercial Court, therefore no provision has been recognized.
Management believes, based on legal advice, that no losses will be incurred, so no provision has been recognized as of 31 December 2014 as well as 31 December 2015.
The Supreme Court has not decided on review to this date, so no legal actions were taken in 2015.

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o.

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o. ("SALBATRING") initiated the arbitration procedure in front of London Court of International Arbitration by delivering the Request for arbitration on 17 June 2014.
INA received Salbatring's full Statement of Claim on 20 June 2015 by which Salbatring is claiming the amount of USD 28 million plus the interest and costs as it is indicated below:

(i) Claims regarding the Coke Contract and the Settlement Agreement
Salbatring is claiming that INA failed to sell coke to Salbatring in the quantities that have been agreed by the Coke Contract and the Settlement Agreement and therefore INA breached the Contract as well as the Settlement Agreement. As a consequence of the breach (non-delivery of the contracted quantities), Salbatring is claiming lost profit in the amount of USD 14 million from the Coke Contract and USD 11 million from the Settlement Agreement.

(ii) Compensation for damage reputation
Since, allegedly, INA's failure to supply the contracted quantities of coke has had a serious adverse impact on Salbatring's business and its reputation towards their buyers, they are also claiming damage to reputation in the amount of USD 2 million.
As a legal ground from their claim, inter alia, they are challenging certain provisions of the Contract, interpreting it differently than INA and claiming that INA has not had an unfettered right to choose to produce and to supply little or no coke at all.

INA submitted its Statement of Defence in November 2015 and the arbitration procedure is currently in phase of documentation preparation.

EKOMEDIA d.o.o.

In September 2012 INA, d.d. entered into an agreement with company Ekomedia d.o.o. ("Ekomedia"), pursuant to which Ekomedia was granted the right to place exterior advertising boards on INA's gas stations and replacement of them for advertising purposes to third parties for which fee to INA is paid. The agreement was concluded for a 10-year period, with financial terms being agreed each year and if they are not agreed on, this would represent a reason to terminate the agreement.
Ekomedia failed to regularly comply with its obligations, did not pay the fee and, when the agreement was terminated, it still owed INA several hundred thousand Croatian kunas.
Consequently, INA, d.d. terminated the agreement with Ekomedia at the beginning of 2014.
In response, in May 2014 Ekomedia filed a motion for interim measure to the court to prevent taking down of advertising boards from INA's gas stations. In November 2015 The High Commercial court has reached a final decision and rejected such Ekomedia request.
On 19 December 2014 Ekomedia filed lawsuit against INA, seeking performance of agreement by INA, and secondly, if it is not successful with this claim, damages for lost profit of cca EUR 12.3 million. In February 2015 INA filed its official replay to such Ekomedia's lawsuit and proposed to court rejection of it. Till now, Commercial court has not reached any decision in this case.

R.I.G.-TEHNIČKI SERVISI GRUPA d.o.o. c/a CROSCO

This is a civil procedure which is conducted before the Commercial Court in Zagreb, the plaintiff being R.I.G.-TEHNIČKI SERVISI GRUPA d.o.o. and the defendant CROSCO, naftni servisi d.o.o., dispute value equalling HRK 81.7 million with the interest running from March 2010, for damages caused by non-payment of extra and unforeseen works and, to a minor extent, for damages due to loss of computer equipment (cca HRK 520,400.00/EUR 67,000 with the default interest).
By the Decision of the Commercial Court in Zagreb dated on May 2011, the concerned procedure was suspended since a bankruptcy proceeding was initiated against the plaintiff. The procedure was resumed because the bankruptcy trustee took over the dispute.

The last hearing was held on March 2015, in the presence of intervenient as well. Hearing was postponed, due to the fact that Assembly of creditors (RIG bankruptcy procedure) was scheduled for April 2015.
Management believes, based on legal advice, that no losses will be incurred, so no provision has been recognized as of 31 December 2014 as well as 31 December 2015.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Gearing ratio

The primary objective of INA Group in managing its capital is to ensure good capital ratios in order to support all business activities and maximize the value to all shareholders through optimization of the ratio between the debt and equity.

The capital structure of INA Group consists of debt part which includes borrowings as detailed in notes 27 and 30 offset by cash and bank balances (so called net debt) and shareholder equity comprising of issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 34 to 38.
Capital structure of the INA Group is reviewed quarterly. As a part of the review, the cost of capital is considered and risks are associated with each class of capital. Internally, maximum gearing ratio of INA Group is determined.

The gearing ratio at the end of the reporting period was as follows.

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Debt:	**3,307**	**3,458**	**3,041**	**3,197**
Long term loans	400	628	400	619
Short term loans	2,768	2,631	2,508	2,391
Current portion of long-term borrowings	139	199	133	187
Cash and cash equivalents	(275)	(467)	(195)	(327)
Net debt	**3,032**	**2,991**	**2,846**	**2,870**
Equity	10,585	11,660	10,509	11,476
Equity and net debt	13,617	14,651	13,355	14,346
Gearing ratio	**22%**	**20%**	**21%**	**20%**

Debt is defined as long–term and short-term borrowings and credit lines (excluding derivatives and financial guarantee contracts), as described in notes 27 and 30.
Total equity includes capital, reserves, retained earnings or transferred loss and non-controlling interests of the Group that are managed as capital.

Categories of financial instruments

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Financial assets				
Cash and cash equivalents	275	467	195	327
Loans and receivables	2,214	2,549	3,276	3,564
Available-for-sale financial assets	581	462	581	462
Positive fair value of hedge commodity transactions	18	56	18	56
Positive fair value of derivatives	12	23	12	23
Financial assets designated as at fair value through profit and loss	7	6	7	6
Financial liabilities				
Loans and borrowings	3,307	3,458	3,529	3,640
Trade payables	1,400	1,713	967	1,256
Negative fair value of hedge commodity transactions	-	35	-	35
Negative fair value of derivatives	24	20	24	20
Embedded derivative financial instruments	-	14	-	14

Financial risk management objectives

INA Group in course of business continuously monitors and manages financial risks. Risk Management and Hedging Policy for INA Group provides framework under which INA, d.d. and its consolidated subsidiaries manage and maintain commodity, foreign exchange and interest rate risk at an acceptable level, allowing INA, d.d. to achieve its strategic objectives while protecting the future financial stability and flexibility of INA Group. INA, d.d. integrates and measures financial risks on INA Group level in the financial risk model using Monte Carlo simulation, while senior management reviews regularly the financial risk reports.
By taking this general approach, INA, d.d. assumes the business activities as a well-balanced integrated portfolio and does not hedge individual elements of its exposure to financial risks in a normal course of business. Therefore, INA, d.d. actively manages its financial risk exposure for the following purposes:
• corporate level – maintaining financial ratios, covering exposure to significant monetary transactions, etc;
• business segment level – decreasing the exposure to market prices fluctuation in case of deviations from the normal course of business (e.g. planned regular shutdown of refinery units for the purpose of overhaul).

INA, d.d. Treasury Sector carries out finance activities of INA, d.d., coordinates finance operations of INA Group on domestic and international financial markets, monitors and manages the financial risks related to the operations of INA Group. The most significant risks, together with methods used for management of these risks are described below.
INA Group used derivative financial instruments to a very limited extent in order to manage the financial risks. Derivative financial instruments are regulated by signing an ISDA (International Swaps and Derivatives Association) Agreement with counterparties. INA Group does not use derivative financial instruments for speculative purposes.

Market risk
Commodity risk management (price risk)

The volatility of crude oil and gas prices is the prevailing element in the business environment of INA Group. INA Group buys crude oil mostly through short-term arrangements in US dollars at the current spot market price. Necessary natural gas quantities in 2015 INA Group imported in EUR based on spot price.

In addition to exploration and production, and refinery operations, one of the main core activities of INA, d.d. are marketing and sale of refinery products and natural gas. Prices of crude products were determined weekly based on market principles, which enables quicker responses to market prices fluctuations.
In accordance with Risk Management and Hedging Policy for INA Group, for the purpose of hedging financial risk exposure on corporate and business segments level, INA, d.d. may use forward (swap) and option instruments. In 2015 INA, d.d. entered into short-term forward swap transactions to hedge its exposure on changes in inventory levels, changes in pricing periods and fixed price contracts. The transactions were initiated to reduce exposures to potential fluctuations in prices over the period of decreasing inventories at the refineries, as well as to match the pricing period of purchased crude oil and crude products with the crude oil processing and refinery product retail pricing periods. These transactions were hedging transactions and qualify for hedge accounting treatment under IFRS in case of matching the pricing period of purchased crude oil and crude products with the crude oil processing and refinery product retail pricing periods.
At 31 December 2015 fair value of hedged items under commodity derivative transaction designated as fair value hedge was a net receivable of HRK 18 million and no net payable. The corresponding figures at 31 December 2014 were HRK 56 million receivable and HRK 35 million payable (see Note 25).

Foreign currency risk management

As INA Group operates both in Croatia and abroad, many of its transactions are denominated and executed in foreign currencies, hence INA, d.d. is exposed to exchange rate risks.
INA Group has a net long USD and EUR, and a net short HRK operating cash flow position. Generally, INA Group manages its currency risk using natural hedging, which is based on the principle that the combination of currencies in the debt portfolio should reflect the currency position of INA Group's free cash flow. Furthermore, in order to avoid excessive exposures to fluctuations in the foreign exchange rate with respect to a single currency (i.e. USD), INA, d.d. applies a portfolio-based approach while selecting the currency mix for its debt portfolio.
INA, d.d. may use a cross-currency swap to adjust its currency mix in the debt portfolio. At 31 December 2015 there were no outstanding cross-currency transactions.

The carrying amounts of INA Group and INA, d.d. foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

INA Group	LIABILITIES		ASSETS	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Currency EUR	1,951	2,247	489	271
Currency USD	1,789	2,204	1,149	1,169
	3,740	4,451	1,638	1,440

INA, d.d.	LIABILITIES		ASSETS	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Currency EUR	1,855	2,065	564	546
Currency USD	1,657	1,974	1,520	1,339
	3,512	4,039	2,084	1,885

Foreign currency sensitivity analysis

INA Group is mainly exposed to currency risk related to change of HRK exchange rate against USD and EUR, due to the fact that crude oil and natural gas trading on international markets and INA Group's debt portfolio are denominated in the mentioned currencies.
The following table details INA Group's and INA, d.d.'s sensitivity to a 10% weakening in HRK at 31 December 2015 (in 2014: 10%) against the relevant foreign currencies The sensitivity rates used represent management's assessment of the usual change in foreign exchange rates. The sensitivity analysis includes monetary assets and liabilities in foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates expressed as percentage. A negative number below indicates a decrease in profit where HRK changes against the relevant currency by the percentage specified above. For the same change of HRK versus the relevant currency in the opposite direction, there would be an equal and opposite impact on the profit.

INA Group	CURRENCY USD IMPACT		CURRENCY EUR IMPACT	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Loss	(64)	(102)	(146)	(198)
	(64)	(102)	(146)	(198)

INA, d.d.	CURRENCY USD IMPACT		CURRENCY EUR IMPACT	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Loss	(14)	(63)	(129)	(152)
	(14)	(63)	(129)	(152)

The exposure on the 10% fluctuation in the exchange rates for the currencies presented above is mostly attributable to the outstanding liabilities towards suppliers and borrowings denominated in US dollars (USD) and euros (EUR).
Interest rate risk management
INA Group is exposed to interest rate risk, since entities in INA Group generally borrows funds at floating interest rates.
INA Group does not speculate on fluctuations in interest rates, and therefore primarily chooses floating interest rates. However, in certain instruments and certain macro environment, the selection of fixed interest rate could be more favourable.
INA, d.d. in accordance with Risk Management and Hedging Policy for INA Group, can use interest rate swap transactions in order to manage the relative level of exposure to interest rate risk on cash flows related to borrowings with floating interest rates. As of 31 December 2015 there were no outstanding interest rate swap transactions.
Interest rate risk analysis
The sensitivity analysis below has been determined based on the exposure to interest rates at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 or 200 basis point increase or decrease is used when reporting interest rate risk internally, and represents management's assessment of the reasonably possible change in interest rates.
If the interest rates would be 200 basis points higher/lower and all other variables were held constant, the changes in interest expense of INA Group and INA, d.d. would be as presented below. Because of the decrease in total debt, the exposure to a potential change in the interest rates on profits has also decreased.

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Short-term interest expense change	55	54	50	49
Long-term interest expense change	11	13	11	12
Total change:	**66**	**67**	**61**	**61**

If interest rates would be 200 basis points higher, the profit of the INA Group as of 31 December 2015 would be decreased by HRK 66 million, while with a change of 50 basis points the decrease would amount to HRK 17 million, (2014: decrease by HRK 67 million had the interest rates been 200 basis points higher, and by HRK 17 million had the interest rates been 50 basis points higher).
At the same time profit of INA, d.d. as of 31 December 2015 would decrease by HRK 61 million if interest rates had been 200 basis points higher, while the decrease would amount to HRK 15 million with a change of 50 basis points (2014: decrease by HRK 61 million had the interest rates been 200 basis points higher, and by HRK 15 million had the interest rates been 50 basis points higher).
Equivalent decrease of interest rates would result in an increased profit in equal amounts.

Other price risks

The INA Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.
Equity price sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.
If equity prices had been 10% higher:

- net profit for the year ended 31 December 2015 would have been unaffected as the equity investments are classified as available-for-sale; and
- other equity reserves of INA, d.d. would increase by HRK 53.4 million as a result of the changes in fair value of available-for-sale shares.

If equity prices had been 10 % lower, there would be an equal and opposite impact on equity.

Credit risk management

Sales of products and services with deferred payment gives rise to credit risk, risk of default or non-performance of contractual obligations by INA Group customers. Overdue receivables have an adverse effect on the liquidity of INA Group, whereas impaired overdue receivables have a negative impact on the financial results of INA Group as well. Under currently valid Customer Credit Management Procedure, measures are taken as a precaution against the risk of default. Counterparties (customers) are classified into risk groups by reference to their financial indicators and the trading records with INA Group, and appropriate measures to provide protection against credit risk are taken for each group. The information used to classify the counterparties (customers) into risk groups is derived from the official financial statements and is obtained from independent rating agencies. The exposure and the credit ratings of counterparties (customers) are continuously monitored and credit exposure is controlled by credit limits that are reviewed at least on an annual basis. Whenever possible, INA Group collects collaterals (payment security instruments) from customers in order to minimize risk of collection of payments arising from contractual liabilities of customers.
The exposure of INA Group and the credit ratings of its counterparties are continuously monitored to mitigate the risk of default.
INA Group transacts with a large number of counterparties from various industries and of various size. A portion of goods sold with deferred payment includes government institutions and customers owned by the state and local self-governments that do not provide any payment security instruments. Regarding other customers, the collaterals they provide are mainly debentures, being the most frequently used payment security instrument on the Croatian market, and bank guarantees and insurance of receivables is used as well, whereas from foreign customers are mostly obtained letters of credit, and to a lesser extent bank and corporate guarantees and exceptionally bills of exchange.
There is no significant credit risk exposure of INA Group that is not covered with collateral, other than those to the above-mentioned institutions and entities controlled by the state, local self-government, and those arising from certain foreign concession agreements.

Liquidity risk management

Responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of INA Group's short, medium and long-term funding and liquidity management requirements. INA Group manages liquidity risk by maintaining adequate reserves and credit facilities, by continuously monitoring of forecasted and actual cash flows and due dates of account receivables and payables.
The policy of INA Group is to ensure sufficient external funding sources in order to achieve the sufficient level of available frame credit lines ensuring the liquidity of INA Group as well as investment needs.
As of 31 December 2015, INA Group had contracted short term bank credit lines amounting to HRK 1.69 billion (CNB middle rate), 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 3.34 billion (CNB middle rate).
Based on international practice, INA, d.d. has contracted short term credit facilities ("trade finance") with first class banking groups for financing crude oil and oil products purchase. As of 31 December 2015 INA Group had contracted short term credit facilities for financing crude oil and oil products purchase amounting to USD 1.18 billion (2014: USD 1.26 million).
For details of the main external sources of funding for INA Group see Note 27 and 30.

With the purpose of diversification of funding sources and in order to ensure sufficient liquidity and financial stability level, INA, d.d. is continuously considering funding opportunities with other creditors as well.

Liquidity and interest risk tables

The following tables detail the remaining contractual maturity for financial liabilities of INA, d.d. and of the Group at the period end. Analyses have been drawn up based on the undiscounted cash flows based on the earliest date on which the payment can be required. The tables include both interest and principal cash flows.

INA Group	LESS THAN 1 MONTH	1 - 12 MONTHS	1 - 5 YEARS	5+ YEARS	TOTAL
31 December 2015					
Non-interest bearing	1,268	471	47	14	1,800
Interest bearing	2,514	405	419	-	3,338
	3,782	876	466	14	5,138
31 December 2014					
Non-interest bearing	1,793	594	37	21	2,445
Interest bearing	2,392	483	688	-	3,563
	4,185	**1,077**	**725**	**21**	**6,008**

INA, d.d.	LESS THAN 1 MONTH	1 - 12 MONTHS	1 - 5 YEARS	5+ YEARS	TOTAL
31 December 2015					
Non-interest bearing	1,141	344	44	14	1,543
Interest bearing	2,507	358	418	-	3,283
	3,648	702	462	14	4,826
31 December 2014					
Non-interest bearing	1,541	458	34	22	2,055
Interest bearing	2,390	308	678	-	3,376
	3,931	**766**	**712**	**22**	**5,431**

Non-interest bearing liabilities of INA, d.d. due in a period of less than one month consist mainly of trade accounts payable in the amount of HRK 993 million in 2015 (2014: HRK 1,355 million).
Included in non-interest bearing liabilities of INA, d.d. due in a period of over five years are, liabilities to Government for sold flats and deferred income for sold flats.
Interest bearing liabilities include short-term and long-term borrowings.

Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the

present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

INA GROUP

				31 DECEMBER 2015
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value				
Financial assets available-for-sale*	535	-	-	535
Positive fair value of hedge commodity transactions	-	18	-	18
Positive fair value of derivatives	-	12	-	12
Financial liabilities at fair value				
Negative fair value of derivatives	-	24	-	24

				31 DECEMBER 2014
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value				
Financial assets available-for-sale*	416	-	-	416
Positive fair value of derivatives	-	56	-	56
Positive fair value of hedge commodity transactions	-	23	-	23
Financial liabilities at fair value				
Negative fair value of hedge commodity transactions	-	35	-	35
Negative fair value of derivatives	-	20	-	20
Embedded derivative financial liabilities	-	14	-	14

INA, d.d.

				31 DECEMBER 2015
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value				
Financial assets available-for-sale*	535	-	-	535
Positive fair value of hedge commodity transactions	-	18	-	18
Positive fair value of derivatives	-	12	-	12
Financial liabilities at fair value				
Negative fair value of derivatives	-	24	-	24

				31 DECEMBER 2014
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value				
Financial assets available-for-sale*	416	-	-	416
Positive fair value of derivatives	-	56	-	56
Financial liabilities at fair value				
Negative fair value of hedge commodity transactions	-	35	-	35
Negative fair value of derivatives	-	20	-	20
Embedded derivative financial liabilities	-	14	-	14

* only assets available-for-sale at fair value are presented in tables above, the remaining equity instruments classified as available-for-sale in total amount of HRK 46 million are measured at cost (2014: HRK 46 million) and therefore not included in tables above.

There were no transfers between levels 1 and 2 during the year.
(a) Financial instruments in level 1
The fair value of financial instruments included in Level 1 comprise JANAF shares equity investments classified as available for sale and is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available.

(b) Financial instruments in level 2 and level 3
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Specific valuation techniques used to value financial instruments include:

- The fair value of hedge commodity transactions is calculated on the basis of actual historic quotations from Platts and market forward quotations of the underlying commodities.
- The fair value of forward foreign exchange contracts has been determined on the basis of exchange rates effective at the statement of financial position date and an embedded derivative has been determined as the difference between the cumulative inflation index of the contracted inflation escalation index and the inflation rate in the country of contract execution.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Derivative financial instruments

Under IAS 39 Financial Instruments: Recognition and Measurement derivative financial instruments are carried in the statement of financial position at fair value, with the fair value changes being reported through profit or loss.
The Group has concluded certain long-term purchase contracts that contain embedded derivatives as defined by IAS 39. An embedded derivative is a component of a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. As required by IAS 39, such embedded derivative instruments should

be separated from the host contract and accounted for as a derivative carried at fair value, with changes in fair value recognised in profit or loss. The fair value of foreign exchange forward contracts has been determined on the basis of exchange rates effective at the statement of financial position date. The value of the embedded instrument to replace the inflation index has been determined as the difference between the cumulative inflation index of the contracted inflation escalation index and the inflation rate in the country of contract execution. Any long-term effect of the embedded derivatives has been discounted at a discount rate similar to the interest rate on Government bonds.

Managements consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements are approximate their fair values.
At 31 December 2015 the long-term contract with Geoplin doo Ljubljana which included embedded derivatives expired. The cumulative effect of the contract that was recognized as a short-term liabilities in the amount of HRK 6.5 million has been released and income from embedded derivatives instruments has been recognised.
The fair values of embedded derivatives included in the statement of financial position and the net movement in the year, are as follows:

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Fair value at 1 January	(14)	(13)	(14)	-
Financial loss relating to the net change in fair value in the year	14	(1)	14	(14)
Fair value at 31 December	**-**	**(14)**	**-**	**(14)**

	INA GROUP		INA, D.D.	
	31 DECEMBER 2015	31 DECEMBER 2014	31 DECEMBER 2015	31 DECEMBER 2014
Analysed as:				
Current portion	-	(9)	-	(9)
Non-current portion	-	(5)	-	(5)
	-	**(14)**	**-**	**(14)**

43. SUBSEQUENT EVENTS

No events or transactions have occurred since 31 December 2015 or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position and results of operations of the Company.

44. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorised for issue on 9 March 2016.
Signed on behalf of the Company on 9 March 2016 by:

Dr. Ákos Székely
Executive Director for Finance

Zoltán Sándor Áldott
President of the Management Board

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To the Shareholders and the Board of INA-Industrija Nafte, d.d.:

I. We have audited financial statements of INA-Industrija Nafte, d.d. ("the Company") and its subsidiaries (together the Group) as at 31 December 2015 which have been issued on 9 March 2016. We issued the following audit report dated 9 March 2016 on the separate and consolidated financial statements (presented in the Annual report on pages 160 to 253):

Independent Auditors' Report

To the shareholders and the Board of INA - Industrija Nafte, d.d.

We have audited the accompanying financial statements ("the financial statements") of INA - Industrija Nafte, d.d. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2015, and consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information (as set out on pages 162 to 253).

Management Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Slaven Đuroković
Member of the Board and certified auditor
Ernst & Young d.o.o. Zagreb
Republic of Croatia
Zagreb, 9 March 2016

II. We have also audited the consistency of the annual report as set out on pages 1 to 156 with the above-mentioned financial statements. The Management Board is responsible for the preparation of the Annual report in accordance with the Croatian Accounting Law and for its accuracy. Our responsibility is to perform procedures we consider necessary to reach a conclusion on whether the Annual report is consistent with the audited financial statements. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company.

III. In our opinion, the accounting information presented in the Annual report of the Company and of the Group for the year ended 31 December 2015 is consistent, in all material respects, with the audited financial statements for that year which were issued on 9 March 2016.

Ernst & Young d.o.o.
Republic of Croatia
Zagreb, 29 April 2016

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Slaven Đuroković
Member of the Board and certified auditor