INDUSTRIJA NAFTE, d.d.

H1 2016 AND Q2 2016– REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; www.ina.hr) announced its H1 2016 results today. This report contains unaudited consolidated financial statements for the period ending 30 June 2016 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

Q1 2016	Q2 2016	Q2 2015	%	HRK mln	H1 2015*	H1 2016	%
2,602	3,693	5,505	(33)	Net sales revenues	9,303	6,295	(32)
95	358	770	(54)	EBITDA (1)	1,486	453	(70)
263	**460**	**815**	**(44)**	**EBITDA excl. special items (2)**	**1,592**	**723**	**(55)**
379	**376**	**741**	**(49)**	**CCS EBITDA excl. special items**	**1,741**	**755**	**(57)**
(159)	193	362	(47)	Profit/(loss) from operations	689	34	(95)
(159)	**193**	**377**	**(49)**	**Operating profit excl. special items (2)**	**704**	**34**	**(95)**
(39)	**97**	**277**	**(65)**	**CCS Operating profit excl. special items**	**834**	**58**	**(93)**
84	(58)	(1)	5,700	Net financial result	(261)	26	n.a.
(66)	89	278	(68)	Net profit/loss attributable to equity holder	328	23	(93)
(66)	**89**	**293**	**(70)**	**Net profit/loss for the period excl. special items (2)**	**343**	**23**	**(93)**
3	**360**	**758**	**(53)**	**Operating cash flow**	**54**	**363**	**572**
				Earnings per share			
(6.6)	8.9	27.8	(68)	Basic and diluted/(loss) earnings per share (kunas per share)	32.8	2.3	(93)
3,352	3,371	3,691	(9)	Net debt	3,691	3,371	(9)
24.3	24.2	23.2		Net gearing (%)	23.2	24.2	
342	**375**	**312**	**20**	**CAPEX total**	**549**	**717**	**31**
292	340	264	29	Domestic	453	632	39
50	35	49	(27)	International	96	85	(11)

Q1 2016	Q2 2016	Q2 2015	%	USD mln (3)	H1 2015*	H1 2016	%
376	556	802	(31)	Net sales revenues	1,360	929	(32)
14	54	112	(52)	EBITDA (1)	217	67	(69)
38	**69**	**119**	**(42)**	**EBITDA excl. special items (2)**	**233**	**107**	**(54)**
55	**57**	**108**	**(47)**	**CCS EBITDA excl. special items**	**255**	**112**	**(56)**
(23)	29	53	(45)	Profit/(loss) from operations	101	5	(95)
(23)	**29**	**55**	**(47)**	**Operating profit excl. special items (2)**	**103**	**5**	**(95)**
(6)	**15**	**40**	**(64)**	**CCS Operating profit excl. special items**	**122**	**9**	**(93)**
12	(9)	(0)	5,898	Net financial result	(38)	4	n.a.
(10)	13	40	(67)	Net profit/loss attributable to equity holder	48	3	(93)
(10)	**13**	**43**	**(69)**	**Net profit/loss for the period excl. special items (2)**	**50**	**3**	**(93)**
0	**54**	**110**	**(51)**	**Operating cash flow**	**8**	**54**	**579**
				Earnings per share			
(1.0)	1.3	4.0	(67)	Basic and diluted/(loss) earnings per share (kunas per share)	4.8	0.3	(93)
504	496	540	(8)	Net debt	540	496	(8)
49	**57**	**46**	**24**	**CAPEX total**	**80**	**106**	**32**
42	51	38	33	Domestic	66	93	41
7	5	7	(25)	International	14	13	(10)

(1) EBITDA = EBIT + Depreciation + Impairment + Provisions
(2) The H1 2016 EBITDA was negatively influenced by HRK 270 million special items related to severance payments
(3) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1 2016 – 6.9116 HRK/USD; Q2 2016 – 6.6386 HRK/USD; Q2 2015 – 6.8657 HRK/USD; H1 2015 – 6.8411 HRK/USD; H1 2016 – 6.7740 HRK/USD; as at March 31, 2016 – 6.6481 HRK/USD; as at June 30, 2015 – 6.8294 HRK/USD; as at June 30, 2016 – 6.7915 HRK/USD
** Restatement of comparable previous periods was made – see on page 12*

INA results in Q2 2016 improved compared to Q1 2016. However, the overall results in the first half of 2016 remain below 2015 level, mainly driven by a deterioration of the external environment. CCS EBITDA excluding special items amounted to HRK 755 million in H1 2016, a 57% decrease compared to the same period of 2015. INA's Exploration and Production segment was burdened by a 31% lower Brent price compared to H1 2015. The decrease in Brent impacted the gas price too, while general market developments further eroded gas sales by 6% on an H1 basis. Nevertheless, continuous efforts for maximizing production on existing Upstream assets resulted in a 12% increase in oil production, with domestic production increasing by 16%. Gas production on the other hand decreased by 11%, mainly on the back of offshore drop.

On the upside, INA signed an onshore exploration agreement for block Drava-2 in June, while additional potential for future growth was created in July when INA acquired additional 33.5% share in Energopetrol. Starting from Q3 2016 Energopetrol will be fully consolidated in INA results.

Refining and Marketing business is operating in a somewhat less supportive environment, as average crack spreads deteriorated by 38%, highlighting the need for further optimization and adjustment to market conditions. Retail remained stable, and when adjusting for the one-off effect of severance payments, it will have a more competitive operating model.

The overall result was impacted by special items related to severance payments, which amounted to HRK 270 million on EBITDA level, primarily caused by the new operating model of Retail. Still in spite of the 32% lower revenues financial position of the Company remains stable, with net debt 9% below H1 2015, amounting to HRK 3,371 million with a gearing ratio of 24.2.

CAPEX reached HRK 717 million, a 31% increase compared to H1 2015 despite the highly challenging external environment.

- **Exploration and Production**: In H1 2016, EBITDA excl. special items reached HRK 1,047 million, representing a decrease of HRK 615 million compared to the same period last year. The negative impact was primarily driven by lower Brent and natural gas prices. Gas prices decreased as a consequence of reduced households gas price, but also an intensification of market competition which further pushed down prices.
- **Refining and Marketing (including Retail):** H1 2016 CCS EBITDA excl. special items amounted to HRK (106) million while reported EBITDA amounted to HRK (338) million. The result was impacted by the external environement, coupled with lower crude processing levels, as well as deteriorated sales margins, mainly on export markets. Decline in gross refining margins was offset by positive Retail performance including the extension of the non-fuel segment.
- **Corporate and Other**[1]**:** EBITDA excl. special items of the segment amounted to HRK (101) million, a decrease compared to H1 2015 level by HRK 129 million. EBITDA was lower mainly due to the negative contribution of Crosco, caused by significantly lower engagement of drilling platforms and the unfavourable external environment for service companies.

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

The first half of 2016 was marked by the low Brent environment of around USD 40 per barrel, significantly lower gas prices, as well as deteriorated refinery margins. Consequently, CSS EBITDA exl. special items for H1 reached HRK 723 mn, a lower result compared to the same period last year.

Despite that, in the first half of 2016 INA continued its strong investment performance with CAPEX realisation of HRK 717 mn, which is almost on level of EBITDA exl. special items.
Decrease in Brent and gas prices heavily affected Upstream operations, but the continued workover campaign and sustain type projects, together with EOR project, managed to increase the domestic crude production by 16%. Additional potential for future growth was created with the signing of Drava-2 block exploration agreement, the first exploration license after several years.
Refining operations result was driven by less favourable refining margins and adverse wholesale market conditions, but the investment more than doubled compared to 2015, primarily due to Rijeka refinery turnaround and logistics development. Retail was strengthened with the acquisition of Energopetrol shares in July, which makes INA the majority owner of the company. With this transaction INA has further positioned itself as the single largest distributor of petroleum products in Bosnia and Herzegovina, with the aim of further building the regional position.

2016 is and will be marked by an adverse external environment, not only for INA but for oil and gas companies in general. To tackle that challenge, the Company is re-evaluating all projects and processes to enable a stabile current position and future growth.

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

INDUSTRIJA NAFTE, d.d.

Management discussion
*Exploration and Production**

Q1 2016	Q2 2016	Q2 2015	%	Segment IFRS results (HRK mln)	H1 2015**	H1 2016	%
933	926	1,385	(33)	Net sales revenues	2,622	1,859	(29)
539	487	765	(36)	EBITDA	1,635	1,026	(37)
547	**500**	**767**	**(35)**	**EBITDA excl. special items**	**1,662**	**1,047**	**(37)**
251	332	466	(29)	Operating profit	1,167	583	(50)
251	**332**	**466**	**(29)**	**Operating profit excl. special items**	**1,167**	**583**	**(50)**
165	206	187	10	CAPEX with one-off	335	371	11

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries:, Adriagas S.r.l. Milano, Croplin d.o.o.
** Restatement of comparable previous periods was made – see on page 12
*** The H1 2016 EBITDA was negatively influenced by HRK 21 million special items related to Severance payments

Q1 2016	Q2 2016	Q2 2015	%	Hydrocarbon production	H1 2015	H1 2016	%
15,110	**15,449**	**13,549**	**14**	**Crude oil production (boe/d)**	**13,636**	**15,280**	**12**
11,749	12,149	10,193	19	Croatia	10,329	11,949	16
2,235	2,212	2,098	5	Egypt	2,075	2,224	7
1,125	1,088	1,257	(13)	Angola	1,232	1,107	(10)
23,119	**22,005**	**24,892**	**(12)**	**Natural gas production (boe/d)**	**25,447**	**22,562**	**(11)**
10,461	8,995	11,958	(25)	Croatia - offshore	12,470	9,728	(22)
12,658	13,011	12,934	1	Croatia - onshore	12,976	12,834	(1)
1,906	**2,019**	**1,915**	**5**	**Condensate (boe/d)**	**1,949**	**1,962**	**1**
40,135	**39,473**	**40,356**	**(2)**	**Total hydrocarbon production (boe/d)**	**41,032**	**39,804**	**(3)**

Q1 2016	Q2 2016	Q2 2015	%	Average realised hydrocarbon price	H1 2015	H1 2016	%
36	36	53	(33)	Total hydrocarbon price (USD/boe)*	51	36	(29)

Q1 2016	Q2 2016	Q2 2015	%	Natural gas trading - mln cm	H1 2015	H1 2016	%
281	267	292	(9)	Total natural gas sales - domestic market	580	548	(6)

* Calculated based on total external sales revenue including natural gas selling price as well.

H1 2016 vs. H1 2015

In H1 2016, Exploration and Production EBITDA excl. special items reached HRK 1,047 million, a decrease of 37% compared to H1 2015 as a result of lower Brent and natural gas prices. In addition to lower revenues, operating profit in the amount of HRK 583 million was negatively impacted by a HRK (41) million impairment of Egyptian receivables. Total hydrocarbon production reached 39.8 mboe per day, a decrease of 1.2 mboe per day compared to H1 2015 due to lower production of natural gas. The decline was partially mitigated by higher domestic crude oil production following well optimisation and workovers, and higher Egyptian production.

Compared to the same period last year, Brent prices in H1 2016 were 31% lower and had a negative impact on crude oil sales in the amount of HRK (291) million. Lower realised natural gas prices, as consequence of further reduction in the regulated gas price from April 2016 and adverse market environment (new contracts from Q4 2015) caused additional HRK (322) million negative effect compared to the previous year, of which HRK (60) million related to the reduction in the regulated gas price. During H1 2016, INA and Petrokemija agreed on the collection of Petrokemija overdue receivables as well as the continuation of natural gas deliveries from 1 April 2016.

Crude oil production in H1 2016 increased by 12% compared to the same period last year as a result of:

- Domestic crude oil production increased by 16% on the back of well workovers and optimisations
- Oil production in Egypt was 7% higher as a result of improved performance on the North Bahariya and East Yidma concesions, while lower well performance on Block 3/05 in Angola resulted in a 10% decline in production.

Natural gas production in H1 2016 was 11% lower than in H1 2015 manly resulting from:

- Offshore natural gas production (down by 22%) was negatively driven by a natural decline and water cuts on offshore
- Onshore production remained stable.

Slighty higher domestic **condensate** production (1%) driven by well monitoring and optimisation performed last year.

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Q2 2016 vs. Q2 2015

In Q2 2016, realised EBITDA excl. special items was 35% lower compared to the corresponding period last year, mostly as a consequence of a 28% decrease in Brent prices which, together with lower natural gas prices, led to a 33% lower total realised hydrocarbon price. Domestic gas production decreased compared to Q2 2015 primarily due to lower offshore natural gas production caused by natural decline and water cut. This negative effect was partially mitigated by higher domestic crude oil production as a result of performed well optimization, workovers and the impact of EOR project, as well as higher Egypt crude oil production on the North Bahariya and East Yidma Concessions following drilling activities performed in 2015 and 2016.

Q2 2016 vs. Q1 2016

In Q2 2016, realised EBITDA excl. special items was 8% lower compared to Q1 2016 as a result of lower gas prices given the additional reduction in regulated gas prices from April 2016 and also due to the lower prices towards Petrokemija.

CAPITAL EXPENDITURES

Exploration and Production CAPEX amounted to HRK 371.5 million during H1 2016. Capital investments in Croatia amounted to HRK 326.6 million whereas international capital investments reached HRK 44.9 million during the same period. Capital investments edged higher by HRK 36.4 million or 11% compared to H1 2015. The increased investment level was the result of higher onshore development and sustain type projects in Croatia.

E&P CAPEX H1 2016 (HRK million)	Croatia	Egypt	Angola
Exploration	4.6	-	-
Development	262.8	34.0	10.9
Other	59.2	-	-
Total	**326.6**	**34.0**	**10.9**

CAPITAL EXPENDITURES DESCRIPTION

Croatia- Exploration

Drava-02 - The PSA for the awarded block has been signed on June 10.

Bunjani-2 South well –Well testing and pressure build up test finished in H1 2016. Based on analysis, a decision for the temporary suspension of the well has been made. Proposal for well stimulation is being prepared and upon final decision a well test is planned to be performed in 2017. Hydrocarbon evaluation studies of **Sava & Mura area** (Pannonian basin) are progressing, as the next onshore tender is expected to be launched during H2 2016.

Croatia – Offshore Development

Ivana K revamping activities – In progress for obtaining a license for the use during test exploitation of booster compressor

Ika JZ - Test production in progress (extended), permitting for concession in progress

Croatia – Onshore Development

Međimurje project - Final works on Vučkovec and Zebanec fields are in progress and production start-up is expected in July. Vukanovec field start-up has been delayed to January 2017 due to location permitting issues.

EOR project - Trial CO_2 injection in progress.

Selec-3 well – Drilling finished in March, but as the necessary permits were not obtained, production expected during 2018.

Wells General Workovers - 32 well workovers are in scope this year, 22 have been finished so far.

Mol-35R well - Re-entry well drilled to accelerate the production dynamics of Molve field; started producing in June.

Egypt

North Bahariya –Two new wells drilled and one well converted to water injector. Workover operations completed on four wells.

Ras Qattara and West Abu El Gharadig – Small Project’s activities were performed as well as workover activities.

Sidi Rahman - Work program for 2016 is restricted to minimum activities necessary to maintain production. There were no activities in H1 2016.

Angola

Block 3/05 - Production start-up of well Bufalo-113 and water injector well Bufalo-110. Well perforating/acidizing across several fields, Cobo-Pambi reservoir model, ESP (electric submersible pump) pilot project on two Palanca field wells; Facilities maintenance on PAL, PAC and COB fields

Block 3/05A - On the well Gazela-101 ST-1 post-drilling studies are in progress. Caco-Gazela Development Area: Final Investment Decision to be made by Partners postponed to the following quarter. Punja development area: Waiting for National Concessionaire’s reply to Contractor Group’s proposal for fiscal enhancement in order to improve project economics. Final Investment Decision to be made by Partners postponed to following quarter.

INDUSTRIJA NAFTE, d.d.

Refining and Marketing, including Retail*

Q1 2016	Q2 2016	Q2 2015	%	Segment IFRS results (HRK mln)	H1 2015**	H1 2016	%
1,904	3,109	4,453	(30)	Revenues	7,029	5,013	(29)
(344)	6	104	(94)	EBITDA	(172)	(338)	97
(196)	**58**	**138**	**(58)**	**EBITDA excl. special items**	**(115)**	**(138)**	**20**
(80)	(26)	64	n.a.	CCS-based DS EBITDA excl. special items	34	(106)	n.a.
(302)	4	23	(83)	Operating profit/(loss)	(403)	(298)	(26)
(302)	**4**	**23**	**(83)**	**Operating profit/(loss) excl. special items**	**(403)**	**(298)**	**(26)**
(182)	(92)	(77)	19	CCS-based DS operating loss	(273)	(274)	0
172	161	99	63	CAPEX and investments (w/o acquisition)	137	333	143

*Refers to Refining & Marketing including Retail INA. d.d. and following subsidiaries: INA-Maziva, Polybit Rijeka (liquidated in Q4 2015), 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
** Restatement of comparable previous periods was made – see on page 12
*** The H1 2016 EBITDA was negatively influenced by HRK 200 million special items related to Severance payments

Q1 2016	Q2 2016	Q2 2015	%	Refinery processing (kt)	H1 2015	H1 2016	%
121	61	173	(65)	Domestic crude oil	248	182	(27)
179	758	691	10	Imported crude oil	958	937	(2)
21	15	28	(47)	Condensate	36	36	1
24	172	155	11	Other feedstock	339	196	(42)
345	**1,006**	**1,047**	**(4)**	**Total refinery throughput**	**1,581**	**1,352**	**(14)**
Q1 2016	**Q2 2016**	**Q2 2015**	**%**	**Refinery production (kt)**	**H1 2015**	**H1 2016**	**%**
14	56	74	(24)	LPG	102	71	(31)
89	258	285	(10)	Motor gasoline	430	347	(19)
96	340	361	(6)	Diesel	492	437	(11)
30	25	32	(21)	Heating oil	68	55	(19)
8	35	36	(2)	Kerosene	47	42	(10)
6	25	15	70	Naphtha	24	31	26
37	129	110	18	Fuel oil	155	167	8
-	-	-	n.a.	Bitumen	-	-	n.a.
11	29	2	1,307	Other products*	65	40	(39)
291	**898**	**914**	**(2)**	**Total**	**1,383**	**1,189**	**(14)**
4	11	9	28	Refinery loss	16	15	(6)
51	97	124	(22)	Own consumption	182	148	(19)
345	**1,006**	**1,047**	**(4)**	**Total refinery production**	**1,581**	**1,352**	**(14)**
Q1 2016	**Q2 2016**	**Q2 2015**	**%**	**Refined product sales by country (kt)**	**H1 2015**	**H1 2016**	**%**
362	429	417	3	Croatia	779	791	2
114	127	131	(3)	B&H	243	241	(1)
10	74	59	27	Slovenia	69	84	21
92	320	386	(17)	Other markets	487	412	(15)
578	**950**	**992**	**(4)**	**Total**	**1,577**	**1,528**	**(3)**
Q1 2016	**Q2 2016**	**Q2 2015**	**%**	**Refined product sales by product (kt)**	**H1 2015**	**H1 2016**	**%**
37	70	79	(11)	LPG	118	107	(10)
130	209	298	(30)	Motor gasoline	440	339	(23)
283	380	369	3	Diesel	643	662	3
59	29	26	11	Heating oil	75	88	17
14	39	36	6	Kerosene	50	53	6
6	27	18	51	Naphtha	24	32	35
15	127	113	12	Fuel oil	144	141	(1)
5	13	10	22	Bitumen	16	18	14
29	58	42	37	Other products*	68	87	28
578	**950**	**992**	**(4)**	**Total**	**1,577**	**1,528**	**(3)**
191	243	246	(1)	o/w Retail segment sales	443	433	(2)

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

H1 2016 vs. H1 2015

In H1 2016, Refining and Marketing (including Retail) CCS-based EBITDA excl. special items amounted to HRK (106) million, which is a HRK 140 million decrease compared to H1 2015.

Refining & Marketing operations

The difference in reported result was mainly driven by external factors, including 1) lower Brent price having an impact on lower inventory valuation, 2) less favourable refining margin environment with a lower processing level, 3) wholesale market conditions, domestic and export, including a decline in sales margins. The trend was additionally impacted by 4) one-off costs related to legal claims from previous years. The negative trend was partially offset by lower OPEX, resulting from lower energy costs and on-going fixed OPEX efficiency efforts.

Retail operations

In H1 2016, total retail sales volumes were 433 kt, a 2% decrease compared to H1 2015. The result was mainly impacted by lower sales in both motor gasoline, down 4% (5kt), as well as diesel and heating oil, down by 1% (4kt).

Throughput per site in H1 2016 was in line with H1 2015. Non-fuel margin revenue increased on the back of continuous expansion in goods along with the development of new non-fuel related services.

On 30 June 2016, INA Group operated a network of 439 Retail sites (387 in Croatia, 45 in Bosnia and Herzegovina, 6 in Slovenia and 1 in Montenegro), of which 60 Retail sites in Croatia were included in the Entrepreneurship model. Compared to H1 2015, four underperforming Retail sites were closed and two were opened.

Q2 2016 vs. Q2 2015

In Q2 2016, Refining and Marketing (including Retail) realised a lower CCS-based EBITDA by HRK (90) million compared to the same period last year.

The result was negatively impacted by 1) lower processing level and, 2) a reduction of export revenues. The results were partially offset by 1) a decrease in the price of Brent crude from 62 USD/bbl to 46 USD/bbl, resulting in lower energy cost and 2) higher motor fuel sales in Croatia and 3) lower fixed OPEX.

Q2 2016 vs. Q1 2016

In Q2 2016 Refining and Marketing (including Retail) realised higher CCS-based EBITDA result by HRK 54 million compared to the previous quarter.

The result was mainly impacted by 1) higher processing level in Q2 mainly due to Rijeka Refinery turnaround in Q1, 2) higher sales volumes, mostly on export markets. The result was partially offset by 1) lower refining margins due to less favourable external environment (Brent increase from 34 USD/bbl to 46 USD/bbl) and 2) higher one-off OPEX mainly due to higher personnel costs and maintenance costs.

CAPITAL EXPENDITURES

Total capital expenditures were HRK 333 million in H1 2016, HRK 196 million higher compared to H1 2015. Refining and Marketing capital expenditures reached HRK 265 million, primarily driven by maintenance, compliance and investment type projects implemented in H1 2016 during the turnaround of the Rijeka Refinery, together with continued investment activities in logistics development projects. Retail expenditures reached HRK 68 million, a HRK 31 million increase compared to the same period in 2015. Retail in Croatia and Bosnia and Herzegovina completed six reconstructions, 14 modernizations, initiated the first phase of cafe bar modernization on 10 locations, three car wash modernizations and two tank replacement projects. The implementation of the "Fresh corner" non-fuel concept, the construction of two new highway greenfield projects in Bosnia and Herzegovina, and reconstructions are all ongoing.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Income Statement – INA-GROUP
For the period ended 30 June 2015 and 2016
(In HRK millions)

Q1 2016	Q2 2016	Q2 2015	%		Note	H1 2015	H1 2016	%
				Sales revenue				
1,839	2,232	2,899	(23)	a) domestic		5,293	4,071	(23)
763	1,461	2,606	(44)	b) exports		4,010	2,224	(45)
2,602	**3,693**	**5,505**	**(33)**	**Total sales revenue**	1	**9,303**	**6,295**	**(32)**
103	106	88	20	Capitalised value of own performance		154	209	36
35	75	51	47	Other operating income		185	110	(41)
2,740	**3,874**	**5,644**	**(31)**	**Total operating income**		**9,642**	**6,614**	**(31)**
115	205	(59)	n.a.	Changes in inventories of finished products and work in progress		259	320	24
(624)	(2,085)	(2,812)	(26)	Cost of raw materials and consumables	2	(4,033)	(2,709)	(33)
(394)	(419)	(415)	1	Depreciation and amortization	4	(828)	(813)	(2)
(457)	(502)	(715)	(30)	Other material costs	4	(1,285)	(959)	(25)
(151)	(198)	(152)	30	Service costs	4	(333)	(349)	5
(637)	(570)	(633)	(10)	Staff costs	5	(1,226)	(1,207)	(2)
(891)	(366)	(503)	(27)	Cost of other goods sold	3	(1,538)	(1,257)	(18)
(85)	11	(109)	n.a.	Impairment and charges (net)	4	(117)	(74)	(37)
225	243	116	109	Provisions for charges and risks (net)	4	148	468	216
(2,899)	**(3,681)**	**(5,282)**	**(30)**	**Operating expenses**		**(8,953)**	**(6,580)**	**(27)**
(159)	**193**	**362**	**(47)**	**Profit/(loss) from operations**		**689**	**34**	**(95)**
				Share in the profit of associated companies				
183	(27)	(8)	238	Finance income		134	156	16
(99)	(31)	7	n.a.	Finance costs		(395)	(130)	(67)
84	**(58)**	**(1)**	**5,700**	**Net result from financial activities**	7	**(261)**	**26**	**n.a.**
(75)	**135**	**361**	**(63)**	**Profit/(loss) before tax**		**428**	**60**	**(86)**
9	(46)	(83)	(45)	Income tax expense	6	(100)	(37)	(63)
(66)	**89**	**278**	**(68)**	**Profit/(loss) for the year**		**328**	**23**	**(93)**
				Attributable to				
(66)	89	278	(68)	Owners of the Company		328	23	(93)
-	-	0	n.a.	Non-controlling interests		0	-	n.a.
(66)	**89**	**278**	**(68)**			**328**	**23**	**(93)**
				Earnings per share				
(6.6)	8.9	27.8	(68)	Basic and diluted earnings per share (kunas per share)		32.8	2.3	(93)

Condensed Consolidated Statement of Comprehensive Income – INA-GROUP
For the period ended 30 June 2015 and 2016
(in HRK million)

Q1 2016	Q2 2016	Q2 2015	%		H1 2015	H1 2016	%
(66)	**89**	**278**	**(68)**	**Profit/(loss) for the year**	**328**	**23**	**(93)**
				Other comprehensive income, net of income tax:			
-	3	31	(90)	Remeasurement of defined benefit obligation	21	3	(86)
(80)	18	(140)	n.a.	Exchange differences on translating foreign operations	264	(62)	n.a.
-	10	47	(79)	Gain/(loss) on available-for-sale financial assets	75	10	(87)
(80)	**31**	**(62)**	**n.a.**	**Other comprehensive income/(loss), net of income tax**	**360**	**(49)**	**n.a.**
(146)	**120**	**216**	**(44)**	**Total comprehensive income/(loss) for the period**	**688**	**(26)**	**n.a.**
				Attributable to:			
(146)	120	216	(44)	Owners of the Company	688	(26)	n.a.
-	-	0	n.a.	Non-controlling interests	0	-	n.a.

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Financial Position – INA-GROUP
At 30 June 2016
(in HRK millions)

	Note	31 Dec 2015	30 June 2016	%
Assets				
Non-current assets				
Intangible assets	9	388	372	(4)
Property, plant and equipment	10	12,730	12,393	(3)
Goodwill		152	153	0
Investments in associates and joint ventures		22	22	(2)
Other investments		14	13	(8)
Long-term receivables		144	237	65
Derivative financial instruments		-	-	n.a.
Deferred tax		2,094	2,087	(0)
Available for sale assets		581	593	2
Total non-current assets		**16,125**	**15,869**	**(2)**
Current assets				
Inventories	12	1,820	2,124	17
Trade receivables net	13	1,724	1,556	(10)
Other receivables		136	199	46
Corporative income tax receivables		23	-	n.a.
Derivative financial instruments		-	-	n.a.
Other current assets		224	213	(5)
Prepaid expenses and accrued income		54	130	141
Cash and cash equivalents		275	262	(5)
Current assets		**4,256**	**4,484**	**5**
Assets classified as held for sale		1	155	15,405
Total current assets		**4,257**	**4,639**	**9**
Total assets	8	**20,382**	**20,508**	**1**
Equity and liabilities				
Capital and reserves				
Share capital	11	9,000	9,000	0
Legal reserves		330	20	(94)
Revaluation reserve		216	226	5
Other reserves		1,641	1,582	(4)
Retained earnings / (Deficit)		(602)	(269)	(55)
Equity attributable to equity holder of the parent		**10,585**	**10,559**	**(0)**
Non-controlling interests		-	-	n.a.
Total equity		**10,585**	**10,559**	**(0)**
Non-current liabilities				
Long-term loans		400	604	51
Other non-current liabilities		66	62	(6)
Employee benefits obligation		101	79	(22)
Provisions		3,266	3,151	(4)
Deferred tax liability		22	5	(77)
Total non-current liabilities		**3,855**	**3,901**	**1**
Current liabilities				
Bank loans and overdrafts		2,768	2,899	5
Current portion of long-term debt		139	130	(7)
Trade payables	15	1,400	1,797	28
Taxes and contributions		665	607	(9)
Other current liabilities		271	245	(10)
Accruals and deferred income		64	61	(5)
Employee benefits obligation		8	4	(53)
Provisions		627	305	(51)
Current liabilities		**5,942**	**6,048**	**2**
Liabilities directly associated with assets classified held for sale		-	-	n.a.
Total current liabilities		**5,942**	**6,048**	**2**
Total liabilities	14	**9,797**	**9,949**	**2**
Total equity and liabilities		**20,382**	**20,508**	**1**

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 30 June 2015 and 2016
(in HRK millions)

Q1 2016	Q2 2016	Q2 2015	%		Note	H1 2015	H1 2016	%
(66)	**89**	**278**	**(68)**	**Profit/(loss) for the year**		**328**	**23**	**(93)**
				Adjustments for:				
394	419	415	1	Depreciation and amortisation		828	813	(2)
(9)	46	83	(45)	Tax (benefit)/expense recognised in income statement		100	37	(63)
85	(11)	109	n.a.	Impairment charges (net)		117	74	(37)
(5)	(2)	(9)	(78)	Gain on sale of property, plant and equipment		(13)	(7)	(46)
-	2	(32)	n.a.	Gain on sale investments and shares		(32)	2	n.a.
(105)	39	(25)	n.a.	Foreign exchange (gain)/loss		151	(66)	n.a.
10	-	13	n.a.	Interest expense (net)		28	10	(64)
(2)	6	(3)	n.a.	Other finance (income)/expense recognised in profit		48	4	(92)
(231)	(242)	(118)	105	(Decrease)/increase in provisions		(150)	(473)	215
13	13	16	(19)	Decommisioning interests and other provision		34	26	(24)
9	9	34	(74)	Net gain/loss on derivative financial instruments and hedge transactions		25	18	(28)
(3)	39	26	50	Other non-cash items		12	36	200
90	**407**	**787**	**(48)**	**Operating cash flow before working capital changes**	**16**	**1,476**	**497**	**(66)**
				Movements in working capital	17			
80	(399)	1	n.a.	Decrease/(increase) in inventories		(636)	(319)	(50)
(33)	(59)	(211)	(72)	(Increase)/decrease in receivables and prepayments		(416)	(92)	(78)
(129)	438	196	123	(Decrease)/increase in trade and other payables		(240)	309	n.a.
8	**387**	**773**	**(50)**	**Cash generated from operations**		**184**	**395**	**115**
(5)	(27)	(15)	80	Taxes paid		(130)	(32)	(75)
3	**360**	**758**	**(53)**	**Net cash inflow from operating activities**		**54**	**363**	**572**
				Cash flows used in investing activities				
(353)	(398)	(369)	8	Capital expenditures, exploration and development costs		(526)	(751)	43
(20)	(29)	33	n.a.	Payment for intangible assets		(39)	(49)	26
5	5	17	(71)	Proceeds from sale of non-current assets		22	10	(55)
-	1	(3)	n.a.	Payments related to sale of subsidiary		(3)	1	n.a.
-	1	-	n.a.	Dividends received from companies classified as available for sale and from other companies		-	1	n.a.
-	3	(1)	n.a.	Interest received and other financial income		9	3	(67)
(9)	10	(4)	n.a.	Investments and loans to third parties, net		10	1	(90)
(377)	**(407)**	**(327)**	**24**	**Net cash used for investing activities**	**18**	**(527)**	**(784)**	**49**
				Cash flows from financing activities				
-	1,102	236	367	Additional long-term borrowings		1,602	1,102	(31)
(66)	(811)	(1,299)	(38)	Repayment of long-term borrowings		(1,850)	(877)	(53)
2,976	1,547	3,159	(51)	Additional short-term borrowings		6,125	4,523	(26)
(2,635)	(1,727)	(2,592)	(33)	Repayment of short term borrowings		(5,522)	(4,362)	(21)
(3)	(3)	(3)	0	Interest paid on long-term loans		(9)	(6)	(33)
(43)	(2)	(4)	(50)	Interest paid on short-term loans and other interest charges		(58)	(45)	(22)
229	**106**	**(503)**	**n.a.**	**Net cash used in financing activities**		**288**	**335**	**16**
(145)	59	(72)	n.a.	Net (decrease)/increase in cash and cash equivalents		(185)	(86)	(54)
275	146	282	(48)	At 1 January		467	275	(41)
16	57	14	307	Effect of foreign exchange rate changes		(58)	73	n.a.
146	262	224	17	At the end of period		224	262	17

INDUSTRIJA NAFTE, d.d.

Condensed Consolidated Statement of Changes in Equity – INA-GROUP
For the period ended 30 June 2015 and 2016
(in HRK millions)

Attributable to equity holders of the parent

	Share capital	Legal reserves	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Non controlling interest	Total equity
Balance as at 1 January 2015	**9,000**	**330**	**2,851**	**121**	**(641)**	**11,661**	**(1)**	**11,660**
Profit for the period	-	-	-	-	328	328	0	328
Other comprehensive profit net	-	-	285	75	-	360	-	360
Total comprehensive profit, net	**-**	**-**	**285**	**75**	**328**	**688**	**0**	**688**
Balance as at 30 June 2015	**9,000**	**330**	**1,496**	**196**	**1,177**	**12,199**	**(1)**	**12,198**
Balance as at 1 January 2016	**9,000**	**330**	**1,641**	**216**	**(602)**	**10,585**	**-**	**10,585**
Loss for the period	-	-	-	-	23	23	-	23
Other comprehensive loss net	-	-	(59)	10	-	(49)	-	(49)
Total comprehensive loss, net	**-**	**-**	**(59)**	**10**	**23**	**(26)**	**-**	**(26)**
Balance as at 30 June 2016	**9,000**	**20**	**1,582**	**226**	**(269)**	**10,559**	**-**	**10,559**

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q1 2016	Q2 2016	Q2 2015	%	(HRK mln)	H1 2015	H1 2016	%
				Sales			
933	926	1,385	(33)	Exploration & Production	2,622	1,859	(29)
1,904	3,109	4,453	(30)	Refining & Marketing including Retail	7,029	5,013	(29)
405	411	499	(18)	Corporate and Other	1,171	816	(30)
(640)	(753)	(832)	(9)	Inter-segment revenue	(1,519)	(1,393)	(8)
2,602	**3,693**	**5,505**	**(33)**	**Sales**	**9,303**	**6,295**	**(32)**
				Operating expenses, net other income from operating activities			
(682)	(594)	(919)	(35)	Exploration & Production	(1,455)	(1,276)	(12)
(2,206)	(3,105)	(4,430)	(30)	Refining & Marketing including Retail	(7,432)	(5,311)	(29)
(485)	(487)	(559)	(13)	Corporate and Other	(1,237)	(972)	(21)
612	686	765	(10)	Inter-segment eliminations	1,510	1,298	(14)
(2,761)	**(3,500)**	**(5,143)**	**(32)**	**Expenses**	**(8,614)**	**(6,261)**	**(27)**
				Profit/(loss) from operations			
251	332	466	(29)	Exploration & Production	1,167	583	(50)
(302)	4	23	(83)	Refining & Marketing including Retail	(403)	(298)	(26)
(80)	(76)	(60)	27	Corporate and Other	(66)	(156)	136
(28)	(67)	(67)	0	Inter-segment eliminations	(9)	(95)	956
(159)	**193**	**362**	**(47)**	**Profit/(loss) from operations**	**689**	**34**	**(95)**
				Share in the profit of associate companies			
84	**(58)**	**(1)**	**5,700**	**Profit/(loss) from financial activities**	**(261)**	**26**	**n.a.**
(75)	**135**	**361**	**(63)**	**Profit/(loss) before taxation**	**428**	**60**	**(86)**
9	(46)	(83)	(45)	Income tax expense	(100)	(37)	(63)
(66)	**89**	**278**	**(68)**	**Profit/(loss) for the year**	**328**	**23**	**(93)**

Q1 2016	Q2 2016	Q2 2015	%	Depreciation	H1 2015	H1 2016	%
223	248	237	5	Exploration & Production	461	471	2
129	129	132	(2)	Refining & Marketing including Retail	268	258	(4)
42	42	46	(9)	Corporate and Other	99	84	(15)
394	**419**	**415**	**1**	**Total**	**828**	**813**	**(2)**

Q1 2016	Q2 2016	Q2 2015	%	EBITDA*	H1 2015	H1 2016	%
539	487	765	(36)	Exploration & Production	1,635	1,026	(37)
(344)	6	104	(94)	Refining & Marketing including Retail	(172)	(338)	97
(67)	(83)	(51)	63	Corporate and Other	6	(150)	n.a.
(33)	(52)	(48)	8	Inter-segment eliminations	17	(85)	n.a.
95	**358**	**770**	**(53)**	**Total**	**1,486**	**453**	**(70)**

Q1 2016	Q2 2016	Q2 2015	%	Operating Profit Excluding Special Items	H1 2015	H1 2016	%
251	332	466	(29)	Exploration & Production	1,167	583	(50)
(302)	4	23	(83)	Refining & Marketing including Retail	(403)	(298)	(26)
(80)	(76)	(45)	69	Corporate and Other	(51)	(156)	206
(28)	(67)	(67)	0	Inter-segment eliminations	(9)	(95)	956
(159)	**193**	**377**	**(49)**	**Total**	**704**	**34**	**(95)**

* EBITDA = EBIT + Depreciation + Impairment + Provisions
Sales data include intra-group sales and related costs are included in the operating costs of the business segment making the purchase. Intra-group transactions are eliminated for consolidated sales data and operating costs.

INDUSTRIJA NAFTE, d.d.

Financial overview and notes

INCOME STATEMENT

Notes **H1 2016 RESULTS**

1 **Total sales revenues** in H1 2016 amounted to HRK 6,295 million and were 32% below H1 2015 level, primarily triggered by lower Exploration and production sales revenue due to lower Brent, less favourable refining margin environment with lower processing level in both refineries and consequently also lower average wholesale and retail margins.

2 **Costs of raw materials and consumables** were 33% below H1 2015 level at HRK 2,709 million, resulting from lower prices and lower processing.

3 **Costs of goods sold** in H1 2016 recorded a decrease of 18% compared to H1 2015, and amounted to HRK 1,257 million resulting mainly from different sales structure.

4 Other **operating costs** realized in H1 2016 include:

- Other material costs amounted to HRK 959 million and were lower by 25% resulting from lower Brent impacting E&P royalty, production cost and transportation costs, lower engagement in Crosco and lower subcontractors costs related to STSI project in Belarus.
- Service costs in the amount of HRK 349 million recorded a increase of 5% mainly due to additional profit oil tax in Angola which offset lower engagement in Crosco and ENI tax which is not charged in H1 2016 as a result of agreement with Ministry of Finance.
- Depreciation in the amount of HRK 813 million was 2% lower compared to H1 2015.
- Adjustments and provisions had a positive effect in the amount of HRK 394 million and were HRK 363 million higher compared to H1 2015 resulting from released employee related provisions connected to establishment of INA Maloprodajni servisi and released litigation provisions in Holdina together with release of provision related to additional profit oil tax in Angola.

5 **Staff costs** in the amount HRK 1,207 million were 2% lower compared to H1 2015. Staff cost represents cost of net salaries in the amount of HRK 539 million, cost of tax and contributions for pension and health insurance in the amount of HRK 396 million, non-taxable severance payments for employees whose employment contracts are terminated due to business reasons in net amount of HRK 185 million and other payroll related costs in the amount of HRK 87 million for the period ended 30 June 2016. For the period ended 30 June 2015 staff cost includes cost of net salaries in the amount of HRK 617 million, cost of tax and contributions for pension and health insurance in the amount HRK 425 million, non-taxable severance payments for employees whose employment contracts are terminated due to business reasons in net amount of HRK 64 million and other payroll related costs in the amount HRK 120 million.

6 **Deferred tax in** H1 2016 amounted to HRK 37 million income tax expenses compared to HRK 100 million income tax expense in H1 2015.

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 30 June 2016 and 30 June 2015.

7 **Net financial result** is positive in H1 2016 compared to loss recorded in H1 2015 mainly as a result of forex differences.

- Net foreign exchange profit was HRK 71 million in H1 2016 while in H1 2015 net foreign exchange loss was HRK 121 million.
- Interest payable amounted to HRK 36 million and interests received to HRK 14 million in H1 2016, while in H1 2015 interest payables amounted to HRK 77 million and interests received to HRK 19 million.
- Other financial net expenses amounted to HRK 24 million, and are lower compared to HRK 107 million in H1 2015.

Restatement

*A change has been made in the recording of "Financial income and expenses": "Realized and unrealized loss of fair value hedge transactions"; "Negative unrealized FV of hedged items"; "Realized and unrealized gain of fair value hedge transactions"; "Positive unrealized FV of hedged items" are now recorded in "Other Income".

Special items

In addition to international accounting standards, international reporting standards and regulatory requests the company discloses special items to achieve a higher level of transparency and to provide better understanding of the usual business operations. Business events not occurring regularly and having significant effect on operations and results are considered as special items. INA has adopted the materiality level for the special items in the amount of USD 10 million or above. If special items reaches materiality level on cumulative basis, previous quarters are restated. Furthermore, in accordance with the adopted accounting policies and IFRS 36 – Impairment of Assets, INA performs impairment testing at the end of each reporting period if impairment indicators are assessed to be significant.

Intersegment eliminations

Intersegment elimination line within the operating results is used to provide segmental results as International Accounting Standards requests, guided with the transparency of presented information which needs to fulfil the highest requests of consistency and reliability. For this purpose and also for the purpose of having the segmental results presenting fair market relations between the segments, which are fully aligned with on demand operations of the Refining and Marketing including Retail segment, parity of internal transfer between Exploration and production and Refining and Marketing including Retail is based on delivered quantities. This line shows the effect of the change on operating profit in the amount of unrealized profit deferred in respect of transfers between segments. Unrealized profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the deliverer segment records a profit immediately at the point of transfer. However, at company level profit is only reported when the related third party sale has taken place. Intersegment EBITDA effect on results in H1 2016 is HRK -85 million which is lower compared to HRK 17 million in H1 2015 due to different operational mode of Sisak refinery.

INDUSTRIJA NAFTE, d.d.

BALANCE SHEET

Notes

8 As at 30 June 2016 INA Group **total assets** amounted to HRK 20,508 million and were 1% higher compared to 31 December 2015.

9 In the period ended 30 June 2016, INA Group invested HRK 23 million in **intangible assets**. The effect of depreciation equals HRK 18 million. Foreign exchange revaluation of oil and gas fields decreased net book value in amount of HRK 5 million. Emission quotas decreased NBV in amount of HRK 16 million.

10 In the period ended 30 June 2016, INA Group invested HRK 694 million in property, plant and equipment. Capitalized decommissioning costs decreased the value of assets by HRK 30 million. Foreign exchange revaluation decreased net book value in amount of HRK 56 million The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 795 million. In the absence of parameters needed for unit-cost production depreciation calculation method due to Force Majeur, straight-line depreciation method for surface assets in Syria was applied starting from 1 January 2013, in order to fairly reflect the amortization of the equipment. Depreciation impact of surface assets in Syria in 2016. was HRK 14 million. Write-off of negative vells reduced net book value in amount of HRK 2 million. Disposal of tangible assets equals HRK 30 million. Transfer to merchandizing goods decreased net book value in amount of HRK 1 million. Other movements decreased property plant and equipment in amount of HRK 153 million.

11 **Issued capital** as at 30 June 2016 amounted to HRK 9,000 million. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

12 **Inventories** amounted to HRK 2,124 million, and have increased by 17% compared to 31 December 2015 as a result of higher crude oil inventories.

13 **Trade receivables** decreased to HRK 1,556 million and are 10% lower compared to the opening balance on 31 December 2015 resulting from lower sales revenue.

14 As at 30 June 2016 **total liabilities** amounted to HRK 9,949 which is 2% or HRK 152 million higher compared to 31 December 2015. INA Group **net debt** increased by 11% and amounted to HRK 3,371 million compared to 31 December 2015. **Gearing ratio**[2] increased from 22.3% as at 31 December 2015, to 24.2% as at 30 June 2016.

15 **Trade payables** increased by 28% to HRK 1,797 million, as a result of higher liabilities for imported crude oil.

CASH FLOW

Notes

16 The **operating cash-flow before changes in working capital** amounted to HRK 497 million in H1 2016 representing a decrease of HRK 979 million, or 66%, compared to H1 2015, which is in line with change in EBITDA performance compared to the previous year.

17 **Changes in working capital** affected the operating cash flow negatively by HRK 102 million, due to:

- Increase value of inventories by HRK 319 million due to higher volumes of crude inventories deriving from lower processing level.
- Increase in receivables by HRK 92 million as a result of higher interests and VAT receivables in H1 2016 compared to H1 2015.
- Increase in trade and other payables by HRK 309 million as result of higher liabilities for imported crude oil.

18 **Net outflows in investing activities** amounted to HRK 784 million, in comparison with HRK 527 million outflows in H1 2015.

Subsequent events

INA acquired 33.5% share in Energopetrol d.d. Sarajevo (12 July 2016)

INA and MOL signed an Agreement on acquisition of shares of Energopetrol whereby INA took 1,840,128, or 33.50% of Energopetrol shares owned by MOL. With this transaction, INA has increased its stake in Energopetrol, to 67% and became the majority owner of the company whose financial results will be consolidated into the results of the INA Group.

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

INDUSTRIJA NAFTE, d.d.

Financial instruments and risk management

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

a) Market risk

Commodity price risk management (price risk)
INA purchases crude oil and oil products on a spot market in USD, mostly using short-term credit facility arrangements. The required quantities of gas had been purchased in EUR based on spot prices. INA may use derivative instruments in managing its commodity exposure. As of 30 June 2016, INA had opened short-term forward commodity swap transactions to hedge its exposure to changes in pricing periods and to changes in inventory levels.

Foreign currency risk management
Many INA Group's transactions are priced and denominated in foreign currency and 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 the debt portfolio. As of 30 June 2016, there were no open cross currency swap transactions.

Interest rate risk management
INA Group companies use borrowed funds with floating interest rates and consequently INA Group is exposed to the 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 interest rate risk. As of 30 June 2016, there were no open interest rate swap transactions.

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

b) Credit risk
Sales of goods and services with deferred payment create credit risk, a risk of non-payment and risk that the counterparty will default on its contractual obligations. According to “Customer Credit Management Procedure” creditworthiness and risk in dealing with customers is estimated based on 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 those 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. INA, to a limited extent, is also using 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 of 30 June 2016, INA Group had contracted and available short-term credit lines amounting to HRK 1.79 bn excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products, and contracted and available long-term credit lines amounting to HRK 3.18 bn.

INDUSTRIJA NAFTE, d.d.

Related party transactions

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA Group strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.
Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation.
During the 2016, INA Group entered into the following trading transactions with the following related parties:

INA-Group	Sales of goods	Purchase of goods
HRK mln	30 June 2016	30 June 2016
Companies available for sale		
JANAF d.d. Zagreb	1	17
Strategic partner		
MOL Nyrt.	149	432
Companies controlled by strategic partner		
Tifon d.o.o.	178	4
Energopetrol d.d.	91	-
MOL SLOVENIJA d.o.o.	38	28
MOL Petrochemical Co. Ltd.	24	4
Slovnaft, a.s.	7	35
MOL Srbia	4	1
Kalegran Ltd.	1	-
MOL Commodity Trading Kft.	-	13

INA-Group	Amounts owed from related parties	Amounts owed to related parties
HRK mln	30 June 2016	30 June 2016
Companies available for sale		
JANAF d.d. Zagreb	-	4
Strategic partner		
MOL Nyrt.	32	43
Companies controlled by strategic partner		
Tifon d.o.o.	68	1
Energopetrol d.d.	47	-
MOL Petrochemical Co. Ltd.	20	1
MOL SLOVENIJA d.o.o.	10	6
Kalegran Ltd.	3	-
Slovnaft, a.s.	1	5

INDUSTRIJA NAFTE, d.d.

Segmental Information

30 June 2016 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	5,901	5,179	1,481	(168)	12,393
Intangible assets	227	27	118	-	372
Investments in associates and joint ventures	22	-	-	-	22
Inventories	175	1,952	247	(250)	2,124
Trade receivables, net	375	972	458	(249)	1,556
Not allocated assets					4,041
Total assets					**20,508**
Trade payables	406	1,317	323	(249)	1,797
Not allocated liabilities					8,152
Total liabilities					**9,949**
Other segment information					
Capital expenditure:	**371**	**333**	**33**	**(20)**	**717**
Property, plant and equipment	359	331	24	(20)	694
Intangible assets	12	2	9	-	23
Depreciation and amortisation	**471**	**258**	**84**	**-**	**813**
Total impairment losses/(income), net	**36**	**15**	**13**	**10**	**74**

31 December 2015 Assets and liabilities	Exploration and production	Refining and marketing including Retail	Corporate and other	Intersegment transfers	Total
Property, plant and equipment	6,056	5,130	1,692	(148)	12,730
Intangible assets	224	45	119	-	388
Investments in associates and joint ventures	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					
Capital expenditure:	**830**	**613**	**234**	**(37)**	**1,640**
Property, plant and equipment	814	608	208	(37)	1,593
Intangible assets	16	5	26	-	47
Depreciation and amortisation	**1,468**	**533**	**190**	**-**	**2,191**
Total impairment losses/(income), net	1,218	8	301	19	1,546

Main external parameters

Q1 2016	Q2 2016	Q2 2015	%		H1 2015	H1 2016	%
33.9	45.6	61.9	(26.3)	Brent dtd (USD/bbl)	57.8	39.8	(31.2)
1.21	1.29	(0.37)	n.a.	Brent-Ural spread	0.16	1.26	680.2
396.5	486.6	661.0	(26.4)	Premium unleaded gasoline 10 ppm (USD/t)*	601.9	441.9	(26.6)
311.3	408.5	573.8	(28.8)	Diesel – ULSD 10 ppm (USD/t)*	545.2	360.3	(33.9)
134.3	198.7	322.9	(38.5)	Fuel oil 3,5% (USD/t)*	298.4	166.8	(44.1)
376.4	377.0	434.6	(13.3)	LPG (USD/t)*	476.0	376.7	(20.9)
79.0	45.1	82.1	(45.0)	Average crack spread	84.6	52.4	(38.0)
139.7	141.8	192.9	(26.5)	Crack spread – premium unleaded (USD/t)*	164.4	140.7	(14.4)
54.6	63.6	105.7	(39.8)	Crack spread – diesel (USD/t)*	107.7	59.1	(45.1)
(122.4)	(146.2)	(145.2)	0.7	Crack spread - fuel oil 3,5% (USD/t)*	(139.2)	(134.4)	(3.4)
119.6	32.2	(33.5)	n.a.	Crack spread - LPG (USD/t)*	38.5	75.6	96.5
6.91	6.64	6.87	(3.3)	HRK/USD average	6.84	6.77	(1.0)
6.65	6.79	6.83	(0.6)	HRK/USD closing	6.83	6.79	(0.6)
7.62	7.50	7.57	(0.9)	HRK/EUR average	7.63	7.56	(0.9)
7.52	7.51	7.58	(0.9)	HRK/EUR closing	7.58	7.51	(0.9)
0.62	0.64	0.28	130.1	3m USD LIBOR (%)	0.27	0.63	135.0
(0.19)	(0.26)	(0.01)	3,702.9	3m EURIBOR (%)	0.02	(0.22)	n.a.

** FOB Mediterranean*

INDUSTRIJA NAFTE, d.d.

Announcements in 2016

12 July 2016	INA acquired 33.5% share in Energopetrol d.d. Sarajevo
29 June 2016	Supervisory Board meeting held
10 June 2016	Signing of onshore exploration and production sharing agreement
09 June 2016	General Assembly Decisions
25 May 2016	Amendment of the Invitation to the General Assembly
28 April 2016	General Assembly INA Industrija nafte d.d.
27 April 2016	Management board meeting announcement
12 April 2016	Supervisory Board Employee representative
30 March 2016	Code of Corporate Governance Questionnaire for 2015
30 March 2016	Supervisory Board meeting held
25 March 2016	Supervisory Board meeting announcement
23 March 2016	Decrease of regulated gas price for households
25 February 2016	Notification of Home Member State
19 February 2016	Management Board meeting announcement

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

	31 Dec 2006	31 Dec 2007	31 Dec 2008 31 Dec 2009 31 Dec 2010	31 Dec 2011	31 Dec 2012 31 Dec 2013 31 Dec 2014 31 Dec 2015	30 June 2016
MOL Plc.	2,500,001	2,500,001	4,715,538	4,725,620	4,908,207	4,908,207
Government of the Rep. of Croatia	5,180,367	4,484,918	4,483,552	4,483,552	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,91	790,828	608,241	608,241
Total	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**

Source: Central Clearing Depositary Company

Changes in organization, Management Board or Supervisory Board

Supervisory Board
On the meeting held on 12 April 2016, Workers Council of INA-Industrija nafte, d.d. revoked Maja Rilović and elected Jasna Pipunić as the Employee representative in the Supervisory Board of INA, d.d.
On the General Shareholders' Assembly of INA held on 09 June 2016, Siniša Petrović, Željko Perić and Mladen Proštenik were dismissed as Members of the Supervisory Board, while Dario Čehić, Luka Burilović and Damir Vanđelić were elected as new members.

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

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

Management representation

INA Group's consolidated financial statements for Q2/H1 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows.

Management Board:

Zoltán Áldott	President
Niko Dalić	Member
Gábor Horváth	Member
Ivan Krešić	Member
Davor Mayer	Member
Péter Ratatics	Member