INDUSTRIJA NAFTE, d.d.

Q3 AND Q1-Q3 2010 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q1-Q3 2010 results today. This report contains unaudited consolidated and non-consolidated financial statements for the period ending 30 September 2010 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

HRK mln.	Q3 2009 Restated	Q3 2010	Change %	Q1-Q3 2009 Restated	Q1-Q3 2010	Change %
CONTINUING OPERATIONS (1)						
Net sales revenues	5,441	6,989	28.5	14,904	17,892	20.0
EBITDA (2)	671	1,615	140.7	2,879	4,277	48.6
Operating profit	122	403	230.3	829	1,803	117.5
Operating profit excl. special items (3)	251	1,113	343.5	883	2,394	171.2
Net financial gain (expenses)	134	554	313.4	(12)	(534)	n.a.
Net income from continuing operations	143	799	458.7	705	1,019	44.5
Net income excl. special items (3)	282	1,367	384.9	816	1,492	82.8
DISCONTINUED OPERATIONS (1)						
Net income	(193)	(132)	(31.6)	(714)	(460)	(35.6)
ALL OPERATIONS (1)						
Net profit/loss (4)	(51)	668	n.a.	(10)	560	n.a.
Net profit/loss excl. special items (3)	89	1,235	n.a.	102	1,032	n.a.
Operating cash flow	728	(1,742)	n.a.	2,181	(707)	n.a.

USD mln (5)	Q3 2009 Restated	Q3 2010	Change %	Q1-Q3 2009 Restated	Q1-Q3 2010	Change %
CONTINUING OPERATIONS (1)						
Net sales revenues	1,062	1,242	17.0	2,758	3,238	17.4
EBITDA (2)	131	287	119.2	533	774	45.3
Operating profit	24	72	200.9	153	326	112.7
Operating profit excl. special items (3)	49	198	304.0	163	433	165.2
Net financial gain (expenses)	26	98	276.6	(2)	(97)	n.a.
Net income from continuing operations	28	142	408.9	130	184	41.4
Net income excl. special items (3)	55	243	341.6	151	270	78.9
DISCONTINUED OPERATIONS (1)						
Net income	(38)	(23)	(37.7)	(132)	(83)	(37.0)
ALL OPERATIONS (1)						
Net profit/loss (4)	(10)	119	n.a.	(2)	101	n.a.
Net profit/loss excl. special items (3)	17	220	n.a.	19	187	n.a.
Operating cash flow	142	(310)	n.a.	404	(128)	n.a.

(1) According to the Gas Master Agreement between the Government of the Republic of Croatia and MOL signed on 30 Januar 2009y, INA sold its Gas Storage Company and will divest its Gas Trading Activity, result of Gas Trading activities is presented as discontinued operation. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for taking over of gas trading activities is extended by 1 December 2010.

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

3) Excludes special items items related to asset impairment, stock evaluation, deferred taxes, provisions and special items income. The Q1-Q3 2010 performance was negatively influenced by HRK 591 million special items. The redefinition of cash generating units resulted in HRK 334 million positive effect in Q2 2010, the one-off impairment charge in retail negatively influenced the result by HRK 90 million (negative effect of HRK 100 million in H1 2010 was partly offset by HRK 10 million positive effect inQ3 2010), inventory revaluation by HRK 115 million in Q2 2010 and provisions by HRK 400 million for redundancy and HRK 319 million for environmental provisions in Q3 2010.

(4) INA Group net income attributable to equity holder.

(5) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q1-Q3 2009: 5.4039 HRK/USD, Q1-Q3 2010: 5.5258 HRK/USD., for Q3 2009: 5.1235 for Q3 2010: 5.6250 HRK/USD.

In the first nine months of 2010 INA Group has significantly improved its overall results compared to the same period last year, achieving HRK 4.3 billion EBITDA and HRK 2.4 billion operating profit excluding special items from continuing operations, mainly resulting from increased hydrocarbon production from North Adriatic and Syria proving efforts put into major investment programs during the crisis, while results also benefited from improving economic environment through increasing crude oil prices and higher realized refinery margins. In addition management's focus on efficiency improvement resulted in significant cost saving through reduction of operating expenses.

Gas trading activities (classified as discontinued operation due to the agreement to sell Prirodni Plin to the Government by December 2010) generated net loss of HRK 460 million in Q1-Q3 2010.

Net income from continuing operations excluding special items was HRK 1,492 million (up by HRK 676 million compared to Q1-Q3 2009) as a result of the mentioned positive trends which were partially offset by forex losses on credit facilities, majority of which was unrealized.

CAPEX levels in 2010 have been adjusted to the financial position of the group and amounted to HRK 2.1 billion in the first nine months. Key investment programmes (modernisation of Rijeka refinery first phase and development of Upstream projects in Syria and North Adriatic), are scheduled to be completed in the fourth quarter.

With the financial assistance of INA's largest shareholder, MOL Group and by raising new external funds, INA Group managed to fully resolve overdue liabilities towards the state and also settled all late interest payments to the state budget (only such interests since the beginning of 2009 amounted to HRK 221 million).

Management's commitment on continued investment programmes with special focus on the completion of started investments in Rijeka and Sisak refineries, intensification of exploration activities in Croatia and abroad, and a new initiative, the modernization and revitalization of the filling stations, improved financial situation and further efficiency improvement steps will secure INA's competitive position on the market.

Continuing operations

- **Exploration and Production:** operating profit from continuing operations excluding special items in Q1-Q3 2010 amounted to HRK 3,545 million (USD 642 million), up by HRK 1,700 million compared to Q1-Q3 2009 mainly due to higher hydrocarbon production resulting from Annamaria start-up, Jihar oil and gas station start-up in Syria what was off-set the natural decline of crude production in Croatia onshore fields and Egypt. These trends were backed by a 35.9% increase in average realised crude oil prices.
- **Refining and Marketing:** During Q1-Q3 2010 an operating loss excluding special items of HRK 409 million (USD 74 million) was generated, an improvement of HRK 3 million on Q1-Q3 2009 results. Unfavourable trends in domestic and regional market demand had an adverse effect on the results while the optimised crude oil procurement process, processing of Azeri light crude gave better product slate, more favourable margins meanwhile closer control of operating expenses had a positive impact.
- **Retail segment:** generated an operating profit of HRK 74 million (13 million USD) excluding special items in Q1-Q3 2010, HRK 10 million below the same period in 2009. Lower result was mainly coming from 6.0% decrease in sales volumes due to depressed retail demand. However, reduced operating costs and improved efficiency partially offset major part of the decline in sales volumes.
- **Corporate and Other[1]:** In Q1-Q3 2010, recorded an operating loss excluding special items of HRK 811 million (USD 147 million) which was HRK 177 million higher than in Q1-Q3 2009. Higher loss is coming from financial expenses which were slightly offset by lower other operating costs as a result of cost-cutting measures. The Q1-Q3 2010 performance was negatively influenced by HRK 188 million special items provisions in Q3 2010.
- **Net loss from financial activities** of continuing operations increased by HRK 522 million compared to Q1-Q3 2009 and amounted to HRK 534 million in Q1-Q3 2010. Forex losses on credit facilities of HRK 235 million were recorded in Q1-Q3 2010 compared to a forex gain of HRK 225 million in the same period last year. The interest expense was HRK 10 million down on Q1-Q3 2009 while other financial expenses were HRK 71 million higher compared to Q1-Q3 2009.
- **Capital expenditures:** In Q1-Q3 2010 CAPEX reached HRK 2,067 million (against HRK 3,477 mllion in the same period of 2009) as a result of fitting the investment budget to current market environment, financial position and cash generating capabilities. Exploration and Production accounted for majority of CAPEX spent with HRK 1,090 million, primarily allocated on development operations in Syria and North Adriatic, while Refining and Marketing spent HRK 946 million, with majority spent on refinery modernisation.

Discontinued operations

- The operating loss from discontinued activities in Q1-Q3 2010 amounted to HRK 447 million decreasing by HRK 358 million versus Q1-Q3 2009 primarily due to lower negative differential between the selling price of gas and the price of imported gas. However the negative results still reflected the fact that the company was only able to sell its natural gas at a lower price than the weighted average price of import price and domestic production price, due to the fact that negotiations with some large eligible customers for new contracts are still ongoing and there was no change in tariff consumer prices since 1 January 2010. Pursuant to the Gas Master Agreement signed on 30 January 2009 between the Croatian Government and MOL, INA is to withdraw from the regulated part of the gas business value chain with a deadline of 1 December 2010, and its gas trading company was planned to operate without generating losses in 2010 (on an annual basis). Discontinued operations generated an additional HRK 13 million loss from financial activities in Q1-Q3 2010.

Overall operations

- **Taking into account the Group's overall operations** realised net profit amounted to HRK 559 million in Q1-Q3 2010, with the HRK 1,019 million net profit generation of continuing operations and with the contribution of HRK 460 million loss of the gas trading business.
- **Operating cash flow:** In Q1-Q3 2010, the operating cash-flow before working capital changes amounted to HRK 3,061 million. Changes in working capital decreased the operating cash flow by HRK 3,744 million as a result of lower trade creditors (by HRK 2,065 million), higher value of inventories (by HRK 1,379 million) and higher trade debtors (by HRK 300 million). Due to huge steps taken to reduce overdue liabilities and higher value of inventories (crude oil and oil products) negative operating cash flow of HRK 707 million in Q1-Q3 2010 was realised.

1 Includes Corporate Functions and subsidiaries providing safety and protection services, technical services, corporate support and other services.

► **Net indebtedness:** INA Group net indebtedness increased to HRK 11.3 billion compared to HRK 8.2 billion as at 31 December 2009 while its gearing[2] as at 30 September 2010 was 47.7%, growing as a result of repaying overdue tax liabilities while also sustaining significant level of CAPEX.

Mr Zoltán Áldott, President of the Management Board commented the result:

"In the first nine months of 2010 our efforts put into our key investment programs already started to pay off: we boosted operating results mainly resulting from higher upstream production from Syrian and North Adriatic fields. As a result of the management's commitment related to improving efficiency and reducing operating expenses, positive net income has been achieved for the first time in the past two years. In addition we fully repaid overdue tax obligations and related interests towards the state budget and municipalities.

In Upstream business we are nearing completion of Syrian Hayan gas plant project, which will enable us to significantly increase gas and condensate production volumes in 2011. Our competitiveness in Downstream, following the successful introduction of European quality fuels (Euro V) in our whole network will improve further significantly in Croatia and the region after the inauguration of the new hydrocracking complex in Rijeka (expected in the fourth quarter) that will ensure bringing further value to customers, shareholders and other stakeholders.

We are committed to remain one of Croatia's top investors, and while keeping a continued focus on completing the started investments in the Rijeka and Sisak refineries and the intensification of exploration and production activities in Croatia and abroad, we will put now an increasing emphasis on the revitalization and modernization of our filling station network in Croatia, starting a new investment programme from the end of 2010. Improving our financial position still remains a key task for the management through optimization of the current debt structure and further efficiency improvement steps."

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

Overview of the macro environment

The global economy went through a relatively calm period in Q3 2010, following a truly dramatic second quarter. In line with expectations, economic growth has likely moderated in most major economies (with the exception of heavily export-oriented powerhouses, such as Germany), as the impact of stimulus measures has been running out. The fiscal consolidation that began in earnest in Q3 2010 has left global imbalances unresolved, as major economies attempted to weaken their currencies all at once to support their export sectors thereby counter weighting the contractionary effects of austerity measures. The ensuing "currency war" resulted in highly volatile exchange rate movements, which may continue in the coming quarters. The one area that remains practically unaffected by the continuing recovery in most advanced economies is the unemployment rate. Given the magnitude of the problem, job creation is expected to become the main focus of several previously unrelated government policies (which may possibly include energy and industrial policies in several countries) as well. The sovereign debt crisis, which sent shockwaves across the Eurozone in Q2 2010, has entered a less dramatic phase, although recent developments in Ireland and Spain indicate that it is far from over. The biggest challenge facing the Eurozone now is the permanent divergence between its so-called "core" and its troubled "periphery", which was underlined by recent economic data and the latest growth projections.

Oil prices remained relatively stable within the 70-85 USD/bbl range and experienced very limited volatility throughout the quarter. The Dated Brent averaged at 76.9 USD/bbl, 1.8% lower than in the previous quarter, but 13% higher than a year ago. Continuing healthy demand supported by a weakening dollar put an upward pressure on oil prices, but persistent downward forces, namely high inventories (with OECD commercial stock standing a 61.1 days of forward demand cover as of the end of August) and ample spare capacities along the entire oil supply chain (with OPEC's spare production capacity still nearing 6 mn bbl/day) entirely balanced the bullish drivers eventually resulting the relatively eventless price environment. OECD economies, particularly in Europe have finally increased their share in global oil demand growth during Q3 2010 due to their strong export-driven manufacturing activity, while demand in China slightly moderated in line with the cooling of the economy. Overall, the IEA estimates that global oil demand grew by 0.8 mn bbl/day to 87.6 mn bbl/day in Q3 2010 from the previous quarter, which corresponds to a 2.8% y-o-y increase.

Refining margins remained below historic average levels during Q3 2010 and posted a notable drop from the relatively healthy levels seen during the previous quarter, as refiners responded quickly to stronger Q2 margins with utilizing more of their plentiful idle capacities. Diesel, gasoline, naphtha and jet fuel crack spreads all remained below their respective 5-year averages, and all recorded decreases from Q2 levels. Nevertheless, the decline of diesel and jet fuel crack spreads remained moderate due to the continuing recovery of the global economy and a strong air travel season in Q3 2010. Gasoline and naphtha crack spreads, on the other hand, recorded a significant drop due to depressed Atlantic basin demand and stubbornly high North American gasoline inventories, although naphtha margins recovered somewhat towards the end of Q3 as demand started to return after the seasonally weak summer. Historically negative fuel oil crack spreads spread remained strong by historical standards during Q3 2010 as a result of continuing low refinery utilization rates in the post-recessionary environment.

Croatian economy continues to experience negative GDP growth rate which was with 2.5% in the second quarter at same level for the second consecutive period, showing the slowing of the negative economic growth. Personal consumption which was under the influence of the real and nominal wages decrease together with reduced loans to the population and the significant drop in investments had the most significant effect on the GDP. Decreased demand influenced the production of goods and services, so the domestic industrial production fell 1.9% in the first eight months compared to 2009. However, the third quarter had more favourable movements of the industrial production, August being the first month showing an increase since 2008. At the year level it is expected that the industrial production drops for 1%. The prices of goods and services for personal consumption increased by 1.4% at the annual level and on the annual average by 1.1% measured by consumer price indices and compared to September 2009.. Inflationary pressures were relatively low, and were mirroring lower domestic demand and an increase in energy prices. During Q2 the Government introduced a number of measures within the Economic Recovery Programme which should increase the competitiveness of Croatian economy and in Q3 the plan for 30 investments projects was passed for boosting the investments and increasing the GDP.

Exploration and Production*

Q2 2010	Q3 2010	Q3 2009 Restated	%	Segment IFRS results (HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
2,195	2,315	1,702	36.0	Revenues - continuing operations	4,895	7,005	43.1
142	203	273	(25.6)	Revenues - discontinued operations**	1,459	614	(57.9)
1,524	998	473	111.1	Operating profit/(loss) - continuing operations	2,046	3,697	80.7
(113)	(135)	(224)	(39.7)	Operating profit/(loss) - discontinued operations	(805)	(447)	(44.5)
1,190	1,180	575	105.3	Operating profit excl. special items - continuing operations	1,845	3,545	92.2
1,928	1,485	829	79.2	EBITDA - continuing operations	3,267	4,935	51.1
(35)	(140)	(172)	(18.6)	EBITDA - discontinued operations	(753)	(289)	(61.6)
1,490	1,522	829	83.6	EBITDA excl. special items - continuing operations**	2,770	4,497	62.4
269	305	954	(68.0)	CAPEX	2,597	1,090	(58.0)

*Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Crosco Group, INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Podzemno skladište plina d.o.o. until on 30 April 2009, Prirodni plin d.o.o.
**Internal sales excluded.
***The Q1-Q3 2010 performance was positively influenced by HRK 152 million special items. The redefinition of cash generating units resulted in HRK 334 million positive effects in Q2 2010 while provisions negatively influenced Q3 2010 result by HRK 96 million for redundancy and HRK 86 million for environmental provisions.

Q2 2010	Q3 2010	Q3 2009	%	Hydrocarbon Production (gross figures before royalty)	Q1.Q3 2009	Q1-Q3 2010	%
179.3	**208.7**	**200.3**	**4.2**	**Crude oil production (kt)**	**583.8**	**599.6**	**2.7**
118.0	120.5	132.3	(8.9)	Croatia	396.5	360.2	(9.2)
61.2	88.2	68.0	29.8	International**	187.3	239.4	27.8
655.4	**657.8**	**494.8**	**32.9**	**Natural gas production (m cm, net dry)**	**1,528.7**	**1,913.2**	**25.1**
235.3	220.1	245.8	(10.4)	Croatia on-shore	782.9	694.8	(11.3)
353.9	373.1	212.6	75.5	Croatia off-shore	629.7	1,028.5	63.3
66.2	64.6	36.4	77.4	Syria	116.1	189.9	63.5
64.1	**57.8**	**58.2**	**(0.6)**	**Condensate (kt)**	**193.3**	**187.8**	**(2.9)**
16,207.7	16,782.7	16,116.6	4.1	Crude oil (boe/d)	15,853.4	16,360.8	3.2
7,100.4	6,235.7	6,652.9	(6.3)	Natural gas Condensate (boe/d)	7,526.6	7,029.8	(6.6)
42,388.5	42,094.0	31,659.2	33.0	Natural Gas (boe/d)	32,962.5	41,257.4	25.1
22,887.4	23,876.4	13,602.6	75.5	o/w: Croatia off-shore (boe/d)	13,577.8	22,179.4	63.3
65,696.6	**65,112.4**	**54,428.7**	**19.6**	**Total hydrocarbon prod. (boe/d)****	**56,342.5**	**64,648.0**	**14.7**

*Excluding separated condensate
** Accounting methodology for Angolan crude production was changed in 2010. and 2009 data was modified for the purpose of comparison

Q2 2010	Q3 2010	Q3 2009	%	Average realised hydrocarbon price**	Q1.Q3 2009	Q1-Q3 2010	%
68.0	68.5	60.5	13.2	Crude oil and condensate price (USD/bbl)	49.5	67.3	35.9
57.9	60.4	48.0	25.7	Total hydrocarbon price (USD/boe)*	46.2	57.4	24.3

*Calculated based on total external sales revenue including natural gas selling price (discontinued operation) as well

Q2 2010	Q3 2010	Q3 2009	%	Hydrocarbon production cost (USD/boe)	Q1.Q3 2009	Q1-Q3 2010	%
11.1	12.2	13.0	(5.9)	Croatia - onshore	11.3	11.2	(0.8)
9.8	11.4	12.8	(11.5)	Croatia - offshore	15.2	11.8	(22.4)
34.0	40.5	18.6	117.2	Angola**	23.0	35.0	52.0
17.9	13.5	13.3	1.8	Egypt	10.5	15.0	42.2
4.3	3.7	4.3	(14.8)	Syria	5.1	4.5	(12.9)
10.6	**11.6**	**12.5**	**(6.9)**	**Average**	**12.2**	**11.3**	**(6.8)**

Q2 2010	Q3 2010	Q3 2009	%	Natural Gas Trading (M cm)	Q1.Q3 2009	Q1-Q3 2010	%
388.2	232.8	224.6	3.6	Natural gas imports (net dry)	755.1	925.3	22.5
548.4	538.0	546.2	(1.5)	Natural gas sales on domestic market (net dry)	1,877.1	2,062.7	9.9

Q2 2010	Q3 2010	Q3 2009	%	Natural gas price differential to import prices (HRK/000 m^3) *	Q1.Q3 2009	Q1-Q3 2010	%
(585.26)	(387.64)	(532.91)	(27.3)	Eligible customers' price	(886.23)	(392.01)	(55.8)
(569.94)	(566.01)	(291.66)	94.1	Tariff customers' price	(1,040.96)	(352.01)	(66.2)
(585.72)	(408.00)	(484.62)	(15.8)	Total price	(960.35)	(384.81)	(59.9)

*Recalculated based on prices in HRK/m^3 for the purpose of providing comparable data.

INDUSTRIJA NAFTE, d.d.

Continuing operation

Upstream operating profit, excluding special items, reached HRK 1,180 million in Q3 2010, **decreasing by HRK 10 million**, compared to HRK 1,190 million operating profit in Q2 2010. Quarterly results were impacted by higher average hydrocarbon prices, slightly decreased hydrocarbon production and increased average production cost. The reported operating profit amounted to HRK 998 million and was negatively impacted by HRK 182 million special items provisions.

The Q3 operating profit, excluding special items shows a strong increase of HRK 605 million, over Q3 2009 figure. This favourable result is mainly coming from (1) a significant, 19.6% increase in average daily hydrocarbon production, as a result of the extensive investments in the recent periods, (2) 25.7% increase of total realised hydrocarbon price and (3) the 6.9% lower average hydrocarbon production cost.

In Q1-Q3 2010, Upstream operating profit, excluding special [3] items doubled vs. Q1-Q3 2009 and amounted to HRK 3,545 million. The main reasons for the profit improvement were the (1) 14.7% higher hydrocarbon production driven by the increased Croatian offshore and Syrian gas production, (2) 24.3% better average hydrocarbon price and (3) the achievements in the Company's effort on cost reduction resulting 6.8% lower unit opex.

Average daily hydrocarbon production in Q1-Q3 2010 was 64,648 boe, up by 14.7% compared to Q1- Q3 2009 as the increasing contribution of the key development projects more than offset the production decrease of the mature fields. INA's Q1-Q3 2010 share of North Adriatic gas production increased by 63.3% compared to Q1-Q3 2009 reflecting the increasing production trend during previous quarters due to the start-up of Annamaria field in Q4 2009 and the favourable effect of the Production Share Agreement. Croatian on-shore natural gas production decreased by 11.3%, due to the natural depletion. Natural gas production outside Croatia increased by 63.5% compared to Q1-Q3 2009, after the start-up of the oil and gas station Jihar in Syria. International crude production rose by 27.8%, compared to Q1-Q3 2009 because of a higher production in Syria which compensated for lower production in Egypt. Onshore domestic crude production declined by 9.2%.

Upstream revenues in Q1-Q3 2010 increased by 43% compared to the same period 2009 primarily as the result of (1) stronger hydrocarbon production coupled with (2) higher sales volumes, (3) higher average crude price and (4) favourable effect of weaker Kuna compared to Q1-Q3 2009.

Total average production cost for Q1-Q3 2010 compared to Q1-Q3 2009 was lower for 6.8% due to higher production quantities for 14.7% and the lifting cost was lower for 15.3%, similarly to the production cost. Gas production of Adriatic increased by 63.3% compared to Q1-Q3 2009 as a result of putting in operation new gas fields, reflecting with 22.4% decrease of the production cost. Croatian on-shore production cost was down by 0.8% due to lower costs achieved by efficiency improvements measures. Production cost of Syria was lower for a 12.9% because of higher production quantities caused by start-up of the oil and gas station Jihar in Syria while production cost in Egypt was higher due to lower produced quantities of oil.

Exploration and Production segment's Q1-Q3 2010 CAPEX decreased by HRK 1,507 million to the amount of HRK 1,090 million, compared to the same period 2009. Development of Syrian and North Adriatic fields which was peaking during 2009 requiring high CAPEX that slowed down in 2010 due to nearing completion. Majority in construction activities on GTP[4] (Stage III) in Syria was conducted in 2009 and main part of Adriatic drilling activities was also finished last year. Investments in tangible assets fell by HRK 1,459 million while intangible asset investments were also HRK 48 million lower.

During Q1-Q3 2010 on the joint INA/MOL exploration project on the Podravska Slatina-Zalata contract area (Zalata-Dravica field) testing confirmed commercial gas reserves in the Croatian part of the exploration field. Measurements at the depth of 3,170 meters indicated gas flow of 370,000 m^3/day and some condensate. Joint INA-MOL interpretation of Zalata-Dravica East 3D is in progress and expected to be finished by end November.

Discontinued operations

In Q1-Q3 2010, the operating loss from discontinued activities decreased by HRK 358 million and amounted to HRK 447 million mainly coming from lower negative differential between the selling price of gas and the price of imported gas. The loss is reflecting the fact that the company was still only able to sell natural gas at prices markedly lower than the weighted average price of import price and domestic sales price. Although negative, this gap has been reduced compared to the last year level.

The average price of imported gas went down by 13% in the Q1-Q3 2010 and it amounted to 2.087 HRK/m^3.The negative differential between the selling price of gas and the price of imported gas decreased by 58% in the reviewed period.

[3] Due to the redefinition of cash generating units corrections of impairment amounted to HRK 334 million. Now the contracts areas are cash generating units unlike the prior periods when it was production fields or countries.
[4] GTP – gas treatment plant

INDUSTRIJA NAFTE, d.d.

Refining and Marketing*

Q2 2010	Q3 2010	Q3 2009 Restated	%	Segment IFRS results (HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
3,472	4,732	3,667	29.0	Revenues	9,676	11,174	15.5
(204)	(422)	(314)	34.4	Operating profit/(loss) reported	(470)	(744)	58.3
(89)	(202)	(270)	(25.2)	Operating profit excl. special items**	(412)	(409)	(0.8)
(93)	(30)	(168)	(82.2)	EBITDA	(65)	(142)	118.3
22	(30)	(168)	(82.2)	EBITDA excl. special items**	(65)	(27)	(58.6)
386	237	289	(18.0)	CAPEX and investments (w/o acquisition)	818	946	15.6

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb. Proplin. Crobenz. Osijek Petrol. Interlna Ljubljana. INA BH Sarajevo. Holdina Sarajevo. INA Hungary. FPC London. INA -Crna Gora. INA Beograd. INA Kosovo. Interina Holding London. Holdina Guernsey.
**The Q1-Q3 2010 performance includes HRK 115 million negative special effects of changes in value of inventories and HRK 79 million negative effect of provisions for redundancy and HRK 141 million of environmental provisions.

Q2 2010	Q3 2010	Q3 2009	%	Refinery processing (kt)	Q1.Q3 2009	Q1-Q3 2010	%
119	133	156	(14.3)	Domestic crude oil	411	356	(13.3)
799	1,151	1,071	7.4	Imported crude oil	3,097	2,813	(9.2)
34	34	33	2.4	Condensates	108	102	(5.0)
45	77	61	26.9	Other feedstock	210	170	(19.1)
997	**1,396**	**1,321**	**5.7**	**Total refinery throughput**	**3,825**	**3,441**	**(10.0)**
Q2 2010	**Q3 2010**	**Q3 2009**	**%**	**Refinery production (kt)**	**Q1.Q3 2009**	**Q1-Q3 2010**	**%**
214	298	297	0.4	Motor gasoline	785	721	(8.2)
258	385	362	6.4	Diesel	931	872	(6.4)
35	43	46	(7.0)	Heating oils	190	153	(19.0)
26	46	39	18.1	Kerosene	78	85	9.0
17	11	24	(52.7)	Naphtha	109	48	(55.8)
21	27	39	(30.4)	Bitumen	91	58	(36.0)
321	434	362	20.0	Other products	1,202	1,124	(6.5)
892	**1,245**	**1,168**	**6.5**	**Total**	**3,385**	**3,061**	**(9.6)**
8	11	8	34.1	Refinery loss	21	27	25.8
97	140	145	(3.1)	Own consumption	419	353	(15.8)
997	**1,396**	**1,321**	**5.7**	**Total refinery throughput**	**3,825**	**3,441**	**(10.0)**
Q2 2010	**Q3 2010**	**Q3 2009**	**%**	**External refined product sales by country (kt)**	**Q1.Q3 2009**	**Q1-Q3 2010**	**%**
504	576	695	(17.2)	Croatia	1,948	1,547	(20.6)
104	132	78	69.8	BiH	376	315	(16.3)
286	518	384	35.2	Other markets	998	1,089	9.2
894	**1,226**	**1,157**	**6.0**	**Total**	**3,322**	**2,951**	**(11.2)**
Q2 2010	**Q3 2010**	**Q3 2009**	**%**	**External refined product sales by product (kt)**	**Q1.Q3 2009**	**Q1-Q3 2010**	**%**
208	312	300	3.9	Motor gasoline	793	748	(5.8)
325	389	378	3.0	Diesel	986	951	(3.6)
4	46	46	(0.4)	Heating oils	191	156	(17.9)
31	47	40	17.1	Kerosene	81	91	13.2
14	14	30	(51.4)	Naphtha	115	56	(51.9)
20	25	40	(38.4)	Bitumen	92	55	(39.4)
291	393	322	21.9	Other products*	1,064	894	(16.0)
894	**1,226**	**1,157**	**6.0**	**Total**	**3,322**	**2,951**	**(11.2)**
295	333	317	5.3	o/w Retail segment sales	834	863	3.5
599	893	812	9.9	o/w Direct sales to other end-users	2,460	2,088	(15.1)

*Other products = LPG, FCC gasoline, petrol components, other gasolines, benzene-rich cut. other diesel fuels and components, fuel oils and components, liquid sulphur, coke, motor oils. Ind, lubricants, base oils, spindle oil, waxes, blend. gas oil "M", atmosp, residue, intermediaries and other, 2009 data was grouped accordingly for the purpose of providing comparable data.

In Q3 2010, the segment's operating loss, excluding special items, amounted to HRK 202 million, HRK 113 million higher than in Q2 2010. Result was influenced mostly by unfavourable external environment, the average crack spread decreased by 37% quarter-on-quarter to 23.4 USD/t in Q3 2010. The crack spread for Euro 95 (V) unleaded petrol dropped by 18.2% (107.6 USD/t), for diesel EURO (V) by 9.7% (78.4 USD/t) as well as for all other refined products except LPG. These challenging market conditions was just party compensated by higher sales volume, 37% or 332 kt increase due to higher summer season sales and the opening of new markets (Albania), but sales increased mainly on account of higher spot sales. Total refinery throughput increased significantly, by 40% (400 kt) compared to Q2, when there was a planned maintenance shut-down at Rijeka refinery and product yield improved further, resulting higher motor fuel share.
Reported Q3 2010 operating loss which amounts to HRK 422 million includes HRK 220 million negative special effects of provisions.

Compared to Q3 2009, Q3 2010 operating loss excluding special items decreased by HRK 68 million. The result was positively influenced by (1) 6% higher sales and (2) better product slate because of processing Azeri light, while (3) the 12% lower average crack spread and (4) 13% higher price of Brent crude (FOB-Med) had a negative effect.

In Q1-Q3 2010, the operating loss excluding special items of the division amounted to HRK 409 million what was a HRK 3 million improvement on Q1-Q3 2009. (1) Ongoing internal efficiency improvements, (2) higher yield of white products based on improved crude optimisation had a positive effect as well as (3) 26.7% higher average crack spreads. On the other hand (4) total sales volume decreased by 11.2%, including 401 kt lower domestic sales and (5) higher crude oil price by 34.6% negatively influenced the results. Reported Q1-Q3 2010 operating loss amounted to HRK 744 million, including HRK 335 million negative special effects, of which HRK 115 million related to negative special effect of changes in value of inventories in Q2 2010 and HRK 220 million negative effect of provisions in Q3 2010.

Ambiguous external factors had outlined the business environment. In comparison with the first nine months of 2009 and 2010 the price of crude oil rose from 57.3 USD/bbl to 77.1 USD/bbl, while the average crack spread (FOB Med) increased by 26.7% (from 22.9 USD/t to 29.0 USD/t). Crack spread of the main valuable products increased gradually: for gasoline, BMB EURO 95 (V) spread increased from 117.4 USD/t to 125.9 USD/t; EURO (V) diesel spread increased from 70.1 USD/t to 75.2 USD/t (still well below the level of 5 years average); LPG spread rose from 48.9 USD/t to 93.3 USD/t. The negative spread for black products increased considerably, especially for fuel oil (from -118.1 USD/t to -153.8 USD/t), which decreased the result. The US dollar rate against the Kuna was on average 2.3% higher compared to the same period in 2009, considerably fluctuating during the reviewed period.

Lower refinery throughput, but improved product yield outlined the Q1-Q3 2010 operation. Total refinery throughput was 10% lower, as a parallel result of lower fuel demand in Croatia and the neighbouring countries, and the planned turnaround at Rijeka refinery in H1 2010. Azeri light crude was processed at both refineries (1,166 kt), yielding a better product slate (70% of white products in Q1-Q3 2010 compared to 65% in 2009). At the beginning of Q2, the production of EURO V grade products started as well as their distribution to INA retail network and wholesale to domestic customers and the BiH market.

Demand of crude oil products decreased in the region as a result of adverse economic conditions, resulted in a 11% (or 371 kt) drop in total refined product sales in Q1-Q3 2010. Domestic sales decreased the highest extent (by 21% or 401 kt), while the exports rose by 2.2% (30 tonnes). Total gasoline sales decreased by 6%, diesel sales declined by 4%, and heating oil sales by 18%. On the other hand INA kept its strong market position in Croatia and key export countries.

Refinery modernisation programme was in focus of Q1-Q3 2010 R&M capital investments with 766 mln HRK 81% of total HRK 946 million CAPEX (HRK 128 million higher than in Q1-Q3 2009). Within the scope of the first phase of the modernisation programme, at Rijeka Refinery construction works at the Urinj mild hydrocracking complex (hydrocracking, hydrogen generation, desulphurisation and ancillary units) have been mostly completed and the plants are currently in the commissioning phase. After their start up before the end of 2010, Rijeka Refinery will produce only Euro-V standard gasoline and diesel fuel. The projects scheduled for execution in the second phase of the refinery modernisation are in the preparation phase. At Sisak, the FCC-gasoline hydrodesulphurization unit was completed in 2008. Since 2009 the Refinery has been producing low-sulphur (20 ppm) components for blending EURO-IV/V gasoline grades since 2009. The engineering of the isomerisation unit has been completed and the construction is underway. The unit will improve the gasoline octane pool and its completion is expected in 2011.

*Retail Services**

Q2 2010	Q3 2010	Q3 2009 Restated	%	Segment IFRS results (HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
1,667	2,005	1,794	11.8	Revenues	4,445	4,905	10.3
23	(53)	93	(157.2)	Operating profit	(46)	(146)	217.8
49	67	76	(12.1)	Operating profit excl. special items**	84	74	(12.1)
82	51	103	(50.7)	EBITDA	172	130	(24.5)
82	98	103	(5.0)	EBITDA excl. special items**	172	177	2.8
8	15	5	200.0	CAPEX and investments (w/o acquisition)	20	24	20.0

* Refers to Retail INA. d.d. and Petrol Rijeka and retail of subsidiaries: Proplin. Crobenz. Osijek Petrol. Interina Ljubljana. Holdina Sarajevo. INA - Crna Gora
**The Q1-Q3 2010 performance was negatively influenced by HRK 220 million special items, of which HRK 41 million relates to provisions in Q3 2010 and HRK 90 million to impairment (negative effect of HRK 100 million in H1 2010 was partly offset by HRK 10 million positive effect in Q3 2010) and HRK 89 million for environmental provisions .

Q2 2010	Q3 2010	Q3 2009	%	Refined product retail sales (kt)	Q1-Q3 2009	Q1-Q3 2010	%
107	131	138	(5.6)	Motor gasoline	345	326	(5.6)
182	221	230	(3.7)	Gas and heating oils	572	543	(5.1)
11	12	15	(16.0)	LPG	42	33	(20.6)
1	1	1	(14.9)	Other products	3	3	(15.4)
301	**365**	**384**	**(4.8)**	**Total**	**962**	**905**	**(6.0)**

Q2 2010	Q3 2010	Q3 2009	%	Refined product retail sales (kt)	Q1-Q3 2009	Q1-Q3 2010	%
287	349	367	(5.1)	Croatia	920	862	(6.3)
10	12	12	2.8	B&H	30	30	1.0
4	4	4	(3.5)	Other markets	12	12	3.9
301	**365**	**384**	**(4.8)**	**Total**	**962**	**905**	**(6.0)**

Retail Services' operating profit excluding special items in Q3 2010 amounted to HRK 67 million, HRK 18 million higher compared to Q2 2010. Improved result is mainly coming from higher sales volumes (sales volumes increased 21% q-on-q in 2010) due to the seasonal trends of the tourist season.

Q3 2010 operating profit excluding special items decreased by HRK 9 million (comparing to Q3 2009) on 4.8% lower sales volumes due to the reduced demand. Reported operating profit in Q3 2010 amounted to HRK 53 million.

In Q1-Q3 2010 Segment has generated an operating profit of HRK 74 million (excluding special items) which is slightly below Q1-Q3 2009 level of HRK 84 million as the negative impact of the lower sales volumes could not be compensated by reduced costs. Reported Q1-Q3 2010 operating loss which amounts to HRK 146 million includes HRK 220 million negative special effect of impairment and provisions, of which HRK 89 million relates to provisions and HRK 131 million to impairment.

Slowdown of economic activity in Croatia and **difficult** conditions in the economic environment negatively influenced the **retail market which experienced a downfall in comparison to 2009**. These circumstances reflected in the lower sales volumes of INA Group Retail segment as well. However, management activities undertaken to decrease operating costs and improve the overall efficiency partly compensate the negative external conditions.

Total retail sales volumes in Q1-Q3 2010 reached the level of 905 kt, o/w 60% diesel, 36% gasoline, 3.7% LPG and other products 0.3%. Compared to Q1-Q3 2009, when sales volumes amounted to 962 kt, this is a 6% decline. In terms of structure, LPG recorded a visible decrease in sales (20.6%), while gasoline and diesel decreased in smaller extent, 5.6% and 5.1%, respectively. On the other hand, looking at sales volume in Q3 2010 and Q3 2009 the result is showing more favourable trend with total sales volumes decreasing 4.8% because tourist season in 2010 was better compared to previous year. **Q3 2010 sales volumes are showing a significant improvement vs. Q2 2010** (21.3% increase) due to the tourist season peak.

As at 30 September 2010 the retail segment operated 489 petrol stations (of which 437 in Croatia; 45 in Bosnia-Herzegovina, 6 in Slovenia and 1 in Montenegro), same as at 30 June 2010 and one station more than as at 30 September 2009.[5]
Average throughput per site in Q1-Q3 2010 compared to previous year decreased in line with the decrease of total sales on network level (6%).

[5] On September 30 2010 INA, d.d. has concluded the divestment transaction of Crobenz which operates 14 petrol stations, which are included in the total number of petrol stations.

Financial overview

Operations

The Croatian Government and the Hungarian company MOL have signed the Gas Master Agreement, a framework agreement regulating some major issues of future gas market and supply in Croatia.
By implementing above agreement, the gas storage business was transferred to the fully state-owned company Plinacro d.o.o. on 30 April 2009. On 16 December 2009, MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for taking over the gas trading business was extended until 1 December 2010 and the gas trading company was planned to operate without generating losses in 2010 (on an annual basis).
As the gas trading business represents a separate major line of business as defined in IAS 5, the company has presented the related results as the results from discontinued activities.
In accordance with the First Amendment to the Gas Master Agreement the Croatian Government resolved on the new gas price for tariff customers which would cover the cost of gas procurement. Supply contracts were concluded with prices set according to an escalation formula to cover the costs of gas procurement during the year. Negotiations with some large eligible customers are still ongoing.

The transaction of selling INA's 100% ownership in Crobenz d.d. ("Crobenz") to LUKOIL Croatia d.o.o. ("Lukoil") was completed on 30 September 2010. The sale process was initiated based on INA's obligation under the decision of the Croatian Competition Agency ("the Agency") of 9 June 2009. Following the signing of the First Amendment to the Shareholders Agreement between the Croatian Government and MOL on 30 January 2009, MOL's gaining the operational control over INA had been investigated by the Croatian Competition Agency, upon which the Agency passed its final Decision on 9 June 2009 approving the transaction under certain conditions including the sale of INA's 100% ownership in Crobenz. On 21 July 2010, INA d.d. signed a sale agreement with LUKOIL for the disposal of its 100% interest in Crobenz. As decided by the Croatian Market Competition Agency ("the Agency"), the sale was conducted by a trustee. At a meeting held on 29 July 2010 the Agency decided to approve the transaction implementing the mandate from its Resolution on the conditional approval of the MOL/INA concentration and it also granted the necessary clearance for the Lukoil/Crobenz concentration. Crobenz is active in the wholesale and retail trade in petroleum products. The Crobenz retail network consists of 14 service stations operating under the Crobenz brand.

Significant accounting judgements and estimates

INA Group reclassified income and costs of interests and foreign exchange differences of buyers and suppliers from financial activities to operating activities.
In North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating units
In Q3 and Q4 of 2009 INA Group has recalculated and recorded impairment losses and provisions, basis for which have incurred during the first half of the year. For the purpose of providing comparable financial data throughout the quarterly periods within 2009, mentioned adjustments were recorded to the relating period, instead of the period when they were identified.

Continuing operations

In Q1-Q3 2010, INA Group generated HRK 17.9 billion of net sales revenues[6] or 20% higher compared to the same period last year, mainly due to higher revenues from refined product sales (higher prices but lower sales), natural gas sales (higher sales and higher prices) and crude oil exports (higher production but also higher prices).

During Q1-Q3 2010 costs of raw materials and consumables rose by 24% over Q1-Q3 2009, mainly because of 25% higher cost of imported crude as its average price rose by 41% (the average price of Brent FOB Med was up by 35% on the world market) while the volume of refined crude was 10% lower. The value of finished goods and WIP inventories rose by HRK 655 million compared to the opening balance and as at 30 September 2009 it was also higher by HRK 238 million. The cost of goods for resale increased by 50% and amounted to HRK 1,850 million because of significantly higher imports of refined products to ensure sufficient quantities to supply the market during the refinery turnaround. The costs of services of HRK 2,463 million were up by HRK 62 million as a result of HRK 120 million higher financial costs related to operations, while other costs were HRK 58 million lower mainly because of cost-cutting measures and lower contractual tax liabilities, subsequently granted discounts, and transportation, corporate communications and maintenance costs. Depreciation rose by 16% to HRK 1,346 million because of assets put in use upon completion of projects. Adjustments and provisions of HRK 1,128 million were HRK 454 million higher because of provisions for the redundant workforce outplacement support programme (HRK 400 million), unused holidays, higher value adjustment of finished goods inventories and receivables partially offset by lower asset impairments. Total staff costs decreased by 1% compared to Q1-Q3 2009 primarily due to lower headcount. The headcount as at 30 September 2010 was 16,258 – 1% down on the 30 September 2009 number (16,433). On 15 September 2010, the Management Board of INA d.d. passed a decision on the workforce surplus and

[6] Consolidated sales

to launch a legally prescribed procedure with an objective to draw up a Workforce Restructuring Programme. The programme includes 1,500 employees and will facilitate the necessary changes in the structure and number of employees to preserve INA´s stability in a continuously challenging business environment.

Financial activities in Q1-Q3 2010 recorded a loss of HRK 534 million, HRK 522 million increase on the Q1-Q3 2009 loss.

Net forex losses on credit facilities amounted to HRK 234 million compared to HRK 225 million gains in Q1-Q3 2009. The interest expense of HRK 116 million was 10 million down on Q1-Q3 2009, primarily as a result of the positive effect of lower interest on long-term debt. Other financial expenses were HRK 72 million higher compared to Q1-Q3 2009 and amounted to HRK 183 million.

As a result of harmonisation with international practice, the interest and forex differences on trade debtors and creditors have been reclassified in INA's business books from financial activities to operating activities. They show a negative result for Q1-Q3 2009 of HRK 109 million, while their negative effect on Q1-Q3 2010 operating profit amounted to HRK 239 million.

The profit tax calculated on continuing operations for Q1-Q3 2010 was HRK 250 million compared to HRK 112 million in Q1-Q3 2009.

Discontinued operations

Net loss of discontinued operations (natural gas trading) decreased by HRK 254 million and amounted to HRK 460 million. This reflected the fact that the company was still only able to sell its natural gas volumes at a markedly lower price than the weighted average price of import price and domestic production price (increasing gradually towards the import price level as stipulated in the First Amendment to the Gas Master Agreement signed between the two largest shareholders of INA, the Croatian Government and MOL) but this gap has been reduced from last year level. Although it was planned that the natural gas trading company would operate without generating losses in 2010, discontinued operations recorded a loss for the quarter resulting from the still ongoing negotiations with some large eligible customers with whom new contracts still have to be concluded.

As a result of lower negative differential between the average gas selling prices and import prices, the operating loss from discontinued operations was HRK 358 million lower compared to Q1-Q3 2009 and it amounted to HRK 447 million. As regards financial activities, the loss from fair valuation of embedded derivatives in host contracts was HRK 75 million lower and in Q1-Q3 2010 it amounted to HRK 13 million. The effect of deferred taxes was not recorded in Q1-Q3 2010 while in Q1-Q3 2009 it amounted to HRK 179 million.

Balance sheet

As at 30 September 2010, total assets amounted to HRK 33.5 billion increased by 11% compared to 31 December 2009. Non-current tangible and intangible assets increased by 5%, mainly as a result of capital investments in the development of gas fields in the North Adriatic and Syria, and refinery modernisation. In addition, the redefinition of cash generating units resulted in value adjustments. Now the contract areas are cash generating units and not production fields or countries as in prior periods. Goodwill and investments in subsidiaries and joint ventures increased by HRK 131 million to HRK 677 million. Deferred taxes decreased by HRK 367 million.

The value of inventories amounted to HRK 4.2 million having grown by 45% due to higher prices and higher volumes of oil in transit, stored up WIP inventories for starting up hydrocracking complex and finished products for supplying market during Sisak Refinary turnaround planned for coming months.

Despite of the increasing price environment net trade debtors as at 30 September 2010 amounting to HRK 2.8 billion were down by 4% compared to 31 December 2009 as a result of management measures for collection overdue receivables.

Total INA Group liabilities as at 30 September 2010 amounted to HRK 21.2 million and they were 16% higher than on 31 December 2009, mainly due to higher indebtedness which had grown to HRK 12.9 billion compared to HRK 8.6 billion as at 31 December 2009. Credit facilities were used for crude oil purchases, capital investments and payment of taxes and other state imposts fallen due. EBRD, ICF-Debt Pool and Cordiant support the refinery modernisation programme and INA's energy efficiency improvement programmes with a EUR 210 million loan increasing the standards in the Croatian oil sector. Liabilities for taxes and contributions decreased by HRK 961 million to HRK 820 million due to the full settlement of overdue liabilities towards the state. Trade creditors decreased by HRK 771 million amounted to HRK 3,515 million. Long-term and short-term provisions rose by HRK 569 million, with higher provisions for the redundant workforce outplacement support programme partly offset by lower well abandonment provisions. INA Group total net debt amounted to HRK 11.3 billion compared to 8.2 as at 31 December 2009 while the net gearing[7] rose from 40.9% to 47.7 % as at 30 September 2010 indicating currently insufficient company capitalisation as a result of continuous massive capital investments in its key activities.

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

Cash flow

In Q1-Q3 2010, the operating cash flow before changes in working capital amounted to HRK 3,061 million, HRK 1,003 million up on Q1-Q3 2009 mainly due to higher EBITDA. Despite this positive effect negative operating cash flow of HRK 683 million was realised because of HRK 3,744 million negative changes in working capital. Trade creditors decreased by HRK 2,065 million due to huge steps taken to reduce overdue liabilities. Higher value of inventories (crude oil and oil products) by HRK 1,379 million and higher trade debtors by HRK 300 million also negatively influenced cash from operations.

Net outflows in investing activities amounted to HRK 2,072 million and were HRK 1,548 million down on Q1-Q3 2009 mainly due to the nature of key projects, some of which are nearing completion, and for the reason of fitting the investment budget to current market environment, financial position and cash generating capabilities.

Continued investment in key projects and negative cash flow form operations increased strongly external funding and cash inflows from financing activities amounted to HRK 3,880 million. Because of loans received at the end of September 2010 for the purpose of capital investment, cash at the end of the period reached HRK 1,580 million.

Financial instruments and risk management

The most important risks include market risks (the currency risk. the interest rate risk and the price risk). the credit risk and the liquidity risk. The Group used derivative instruments for managing those risks to a very limited extent. The Group does not use derivative financial instruments for speculative purposes.

a) Market risks

Price risks
The Group purchases crude oil mostly through short-term arrangements in US dollars at spot market prices while the required quantities of gas are purchased at a price denominated in US dollars and adjusted on a quarterly basis in accordance with the formula in the long-term gas supply agreement.
INA is mostly engaged in the sale of refined products and wholesale of natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001) to a large extent hedging the Group from the changes in crude and oil product prices and the currency risk, enabling refinery products to be repriced bi-weekly (from 16 April 2010) depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.

Currency risk management
While the Group operates home and abroad many company transactions are priced and denominated in foreign currency and it is thus exposed to currency risk.
The company applies natural hedge to manage its currency risk exposure based on the principle that the currency mix of the debt portfolio should reflect the free cash flow currency position of the Group.
Additionally, the Refined Product Pricing Regulation enables the company to partly transfer the unfavourable movements of exchange rates to domestic products market.

Interest rate risk management
INA Group companies use borrowed funds at both fixed and variable interest rates (mostly variable) and the Group is consequently exposed to the interest rate risk.

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

b) Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. INA. d.d. has adopted a Credit Risk Management Procedure which it applies in dealing with its customers, and obtains a collateral where appropriate as a means of mitigating the risk of financial loss from defaults like all subsidiaries in the Group. Debentures being the prevailing payment security instrument on the Croatian market are mainly taken as collateral.

There is no significant risk exposure of INA Group that would not be covered with collateral, other than those to the institutions and entities controlled by the state. Given that the Republic of Croatia is a major shareholder of the Group itself, credit risks to a significant extent depend on the policy of the Croatian Government.

c) Liquidity risks

The Group's liquidity risk is managed by maintaining adequate reserves and credit lines and by continuous monitoring of projected and actual cash flow and due dates for amounts receivable and payable.
Crude oil and oil products are imported through INA d.d. foreign subsidiaries: Interina London and Interina Guersney. In accordance with international practices crude is purchased by opening irrevocable documentary letters of credit in favour of the suppliers opened at first-class commercial banks and by using short-term financing (trade financing).

d) Fair value of financial instruments

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

INDUSTRIJA NAFTE, d.d.

Related party transactions

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 parent company and the Group companies are disclosed below.

INA parent company HRK mln	Amounts owed from related parties	Amounts owed to related parties
	30 September 2010	30 September 2010
Foreign related companies		
Interina Ltd Guernsey	75	1
Holdina Sarajevo	94	6
Interina d.o.o. Ljubljana	2	-
Interina Ltd London	-	3,457
Adriagas Milano	-	1
INA – Crna Gora	13	-
INA - Beograd	20	-
Domestic related companies		
Crosco Grupa	1	41
Osijek Petrol d.d.	109	1
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	96	18
STSI d.o.o. Zagreb	2	254
Maziva Zagreb d.o.o. Zagreb	20	22
ITR d.o.o.	-	13
Sinaco d.o.o.	1	63
Hostin d.o.o.	-	-
Prirodni plin d.o.o.	2,519	618

INA parent company HRK mln	Sales of goods	Purchase of goods
	30 September 2010	30 September 2010
Foreign related companies		
Interina Ltd Guernsey	2,128	159
Holdina Sarajevo	365	-
Interina d.o.o. Ljubljana	18	-
Interina Ltd London	-	8,736
Adriagas Milano	-	3
INA – Crna Gora	41	-
INA - Beograd	79	-
Domestic related companies		
Crosco Grupa	5	136
Osijek Petrol d.d.	314	-
Crobenz d.d. Zagreb	334	2
Proplin d.o.o. Zagreb	357	137
STSI d.o.o. Zagreb	11	393
Maziva Zagreb d.o.o. Zagreb	68	50
ITR d.o.o.	1	19
Sinaco d.o.o.	2	97
Hostin d.o.o.	-	-
Prirodni plin d.o.o.	3,049	191

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q2 2010	Q3 2010	Q3 2009 Restated	%	(HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
				Sales			
2,195	2,315	1,702	36	Exploration & Production - continuing operations	4,895	7,005	43
3,472	4,732	3,667	29	Refining & Marketing	9,676	11,174	15
1,667	2,005	1,794	12	Retail	4,445	4,905	10
224	166	231	(28)	Corporate and Other	640	539	(16)
(2,022)	(2,229)	(1,953)	14	Inter-segment revenue	(4,752)	(5,731)	21
5,536	**6,989**	**5,441**	**28**	**Sales - continuing operations**	**14,904**	**17,892**	**20**
142	203	273	(26)	Exploration & Production - discontinued operations	1,459	614	(58)
5,678	**7,192**	**5,714**	**26**	**Total sales**	**16,363**	**18,506**	**13**
				Operating expenses, net other income from operating activities			
(671)	(1,322)	(1,229)	8	Exploration & Production - continuing operations	(2,849)	(3,313)	16
(3,676)	(5,154)	(3,981)	29	Refining & Marketing	(10,146)	(11,918)	17
(1,644)	(2,058)	(1,701)	21	Retail	(4,491)	(5,051)	12
(702)	(288)	(361)	(20)	Corporate and Other	(1,341)	(1,538)	15
2,022	2,229	1,953	14	Inter-segment eliminations	4,752	5,731	21
(4,671)	**(6,593)**	**(5,319)**	**24**	**Expenses - continuing operations**	**(14,075)**	**(16,089)**	**14**
(255)	(338)	(497)	(32)	Exploration & Production - discontinued operations	(2,264)	(1,061)	(53)
(4,926)	**(6,931)**	**(5,816)**	**19**	**Total expenses**	**(16,339)**	**(17,150)**	**5**
				Profit from operations			
1,524	993	473	110	Exploration & Production - continuing operations	2,046	3,692	80
(204)	(422)	(314)	34	Refining & Marketing	(470)	(744)	58
23	(53)	93	(157)	Retail	(46)	(146)	218
(478)	(122)	(130)	(6)	Corporate and Other	(701)	(999)	43
(7)	7	0	n.a.	Inter-segment eliminations	0	0	n.a.
858	**403**	**122**	**231**	**Profit/(loss) from operations - continuing operations**	**829**	**1,803**	**118**
(113)	(135)	(224)	(40)	Exploration & Production - discontinued operations	(805)	(447)	(44)
745	**268**	**(102)**	**n.a.**	**Total profit/(loss) from operations**	**24**	**1,356**	**n.a.**
				Share in the profit of associate companies			
(685)	554	134	313	Net profit/(loss) from financial activities - continuing operations	(12)	(534)	n.a.
(8)	3	(18)	n.a.	Net profit/(loss) from financial activities - discontinued operations	(88)	(13)	(85)
(693)	**557**	**116**	**380**	**Net profit/(loss) from financial activities**	**(100)**	**(547)**	**447**
173	957	256	274	Profit/(loss) before taxation - continuing operations	817	1,269	55
(121)	(132)	(242)	(45)	Profit/(loss) before taxation - discontinued operations	(893)	(460)	(48)
52	**825**	**14**	**n.a.**	**Profit/(loss) before taxation**	**(76)**	**809**	**n.a.**
(29)	(158)	(113)	40	Income tax - continuing operations	(112)	(250)	123
0	0	49	n.a.	Income tax - discontinued operations	179	0	n.a.
(29)	**(158)**	**(64)**	**147**	**Income tax**	**67**	**(250)**	**n.a.**
144	799	143	459	Profit/(loss) for the period - continuing operations	705	1,019	45
(121)	(132)	(193)	(32)	Profit/(loss) for the period - discontinued operations	(714)	(460)	(36)
23	**667**	**(50)**	**n.a.**	**Profit/(loss) for the period**	**(9)**	**559**	**n.a.**

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.

Q2 2010	Q3 2010	Q3 2009 Restated	%	Operating Profit Excluding Special Items (HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
1,190	1,180	575	105	Exploration & Production - continuing operations	1,845	3,545	92
(113)	(135)	(224)	(40)	Exploration & Production - discontinued operations	(805)	(447)	(44)
(89)	(202)	(270)	(25)	Refining & Marketing	(412)	(409)	(1)
49	67	76	(12)	Retail	84	74	(12)
(478)	66	(130)	n.a.	Corporate and Other	(634)	(811)	28
(7)	2	0	n.a.	Inter-segment eliminations	0	(5)	n.a.
552	**978**	**27**	**n.a.**	**Total**	**78**	**1,947**	**n.a.**

Q2 2010	Q3 2010	Q3 2009 Restated	%	Depreciation (HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
315	314	238	32	Exploration & Production - continuing operations	741	911	23
0	0	0	0	Exploration & Production - discontinued operations	0	0	0
78	86	75	15	Refining & Marketing	220	240	9
23	23	24	(4)	Retail	77	70	(9)
41	41	39	5	Corporate and Other	122	125	2
457	**464**	**376**	**23**	**Total**	**1,160**	**1,346**	**16**

Q2 2010	Q3 2010	Q3 2009 Restated	%	EBITDA* (HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
1,928	1,485	829	79	Exploration & Production - continuing operations	3,267	4,935	51
(35)	(140)	(172)	(19)	Exploration & Production - discontinued operations	(753)	(289)	(62)
(93)	(30)	(168)	(82)	Refining & Marketing	(65)	(142)	118
82	51	103	(51)	Retail	172	130	(25)
(422)	107	(93)	n.a.	Corporate and Other	(495)	(641)	29
(7)	2	0	n.a.	Inter-segment eliminations	0	(5)	n.a.
1,453	**1,475**	**499**	**196**	**Total**	**2,126**	**3,988**	**88**

Q2 2010	Q3 2010	Q3 2009 Restated	%	EBITDA Excluding Special Items* (HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
1,490	1,485	829	79	Exploration & Production - continuing operations	2,770	4,497	62
(35)	(140)	(172)	(19)	Exploration & Production - discontinued operations	(753)	(289)	(62)
22	(30)	(168)	(82)	Refining & Marketing	(65)	(27)	(59)
82	98	103	(5)	Retail	172	177	3
(422)	107	(93)	n.a.	Corporate and Other	(495)	(641)	29
(7)	2	0	n.a.	Inter-segment eliminations	0	(5)	n.a.
1,130	**1,522**	**499**	**205**	**Total**	**1,629**	**3,712**	**128**

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

Income Statement
- continuing operations -

Q2 2010	Q3 2010	Q3 2009 Restated	%	(HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
				CONTINUING OPERATIONS			
				Sales revenue			
3,333	3,936	3,352	17	a) Domestic	9,084	10,719	18
2,203	3,053	2,089	46	b) Exports	5,820	7,173	23
5,536	**6,989**	**5,441**	**28**	**Total sales revenue**	**14,904**	**17,892**	**20**
147	77	24	221	Income from own consumption of products and services	107	275	157
785	166	53	213	Other operating income	1,175	1,380	17
6,468	**7,232**	**5,518**	**31**	**Total operating income**	**16,186**	**19,547**	**21**
260	(18)	60	n.a.	Changes in inventories of finished products and work in progress	238	655	175
(2,801)	(3,957)	(3,090)	28	Cost of raw materials and consumables	(7,691)	(9,526)	24
(457)	(464)	(377)	23	Depreciation and amortization	(1,161)	(1,346)	16
(321)	(661)	(473)	40	Other material costs	(1,357)	(1,375)	1
(748)	126	(249)	n.a.	Non-material costs	(1,168)	(1,088)	(7)
(721)	(669)	(690)	(3)	Staff costs	(2,097)	(2,086)	(1)
(649)	(438)	(405)	8	Cost of other goods sold	(1,232)	(1,850)	50
(147)	(29)	(160)	(82)	Impairment charges (net)	(695)	(354)	(49)
(26)	(719)	(12)	n.a.	Provisions for charges and risks	(194)	(774)	299
(5,610)	**(6,829)**	**(5,396)**	**27**	**Operating expenses**	**(15,357)**	**(17,744)**	**16**
858	**403**	**122**	**230**	**Profit from operations**	**829**	**1,803**	**117**
0	0	0	0	Share in the profit of associated companies	0	0	0
37	11	222	(95)	Finance revenue	284	72	(75)
(722)	543	(88)	n.a.	Finance costs	(296)	(606)	105
(685)	**554**	**134**	**313**	**Net (loss) / profit from financial activities**	**(12)**	**(534)**	**n.a.**
173	**957**	**256**	**274**	**Profit for the year before taxation**	**817**	**1,269**	**55**
(29)	(158)	(113)	40	Income tax	(112)	(250)	123
144	**799**	**143**	**459**	**Profit / (Loss) for the year**	**705**	**1,019**	**45**
				DISCONTINUED OPERATIONS			
(121)	(132)	(193)	(32)	Profit / (Loss) for the year - discontinued operations	(714)	(460)	(36)
23	**667**	**(50)**	**n.a.**	**Profit / (Loss) for the year**	**(9)**	**559**	**n.a.**
				Attributable to			
23	668	(51)	n.a.	Equity holder	(10)	560	n.a.
0	(1)	1	n.a.	Minority interest	1	(1)	n.a.
23	**667**	**(50)**	**n.a.**		**(9)**	**559**	**n.a.**
				Earning per share (in HRK)			
2.3	66.8	(5.1)	n.a.	Basic and diluted earnings/(loss) per share (kunas per share) from continuing and discontinued operations	(1.0)	56.0	n.a.
14.4	80.0	14.2	463	Basic and diluted earnings per share (kuna per share) from continuing operations	70.4	102.0	45

INA Group Condensed Consolidated Statement of comprehensive Income

Q2 2010	Q3 2010	Q3 2009 Restated	%	(HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
23	667	(50)	n.a.	**Profit/(loss) for the year**	(9)	559	n.a.
				Other comprehensive income:			
28	(19)	(14)	36	Exchange differences arising from foreign operations	(15)	21	n.a.
(36)	14	47	(70)	Gains on available-for-sale investments, net	114	(12)	n.a.
(8)	(5)	33	n.a.	**Ohter comprehensive income/(loss), net**	99	9	(91)
15	662	(17)	n.a.	**Total comprehensive income/(loss) for the year**	90	568	n.a.
				Attributable to:			
15	663	(18)	n.a.	Owners of the Company	89	569	539
0	(1)	1	n.a.	Non- controling interests	1	(1)	n.a.

INDUSTRIJA NAFTE, d.d.

Income Statement
- discontinued operations -

Q2 2010	Q3 2010	Q3 2009 Restated	%	(HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
				DISCONTINUED OPERATIONS			
				Sales revenue			
137	198	273	(27)	a) Domestic	1,459	599	(59)
5	5	0	n.a.	b) Exports	0	15	n.a.
142	203	273	(26)	**Total sales revenue**	1,459	614	(58)
0	0	0	0	Income from own consumption of products and services	0	0	0
16	20	0	n.a.	Other operating income	64	52	(19)
158	223	273	(18)	**Total operating income**	1,523	666	(56)
0	0	0	0	Changes in inventories of finished products and work in progress	0	0	0
0	0	0	0	Cost of raw materials and consumables	0	0	0
0	0	0	0	Depreciation and amortization	0	0	0
(39)	(39)	(39)	0	Other material costs	(322)	(121)	(62)
(1)	0	0	0	Non-material costs	0	(4)	n.a.
(1)	(2)	(1)	100	Staff costs	(4)	(5)	25
(152)	(322)	(405)	(20)	Cost of other goods sold	(1,950)	(825)	(58)
(78)	5	(52)	n.a.	Impairment charges (net)	(52)	(158)	204
0	0	0	0	Provisions for charges and risks	0	0	0
(271)	(358)	(497)	(28)	**Operating expenses**	(2,328)	(1,113)	(52)
(113)	(135)	(224)	(40)	**Profit from operations**	(805)	(447)	(44)
0	0	0	0	Share in the profit of associated companies	0	0	0
0	0	0	0	Finance revenue	0	0	0
(8)	3	(18)	n.a.	Finance costs	(88)	(13)	(85)
(8)	3	(18)	n.a.	**Net (loss) / profit from financial activities**	(88)	(13)	(85)
(121)	(132)	(242)	(45)	**Profit for the year before taxation**	(893)	(460)	(48)
0	0	(130)	n.a.	Income tax	0	0	0
0	0	179	n.a.	Deferred taxes	179	0	n.a.
(121)	(132)	(193)	(32)	**Profit / (Loss) for the year**	(714)	(460)	(36)

INDUSTRIJA NAFTE, d.d.

Consolidated Statement of Financial Position

(mil. kn)	31 Dec 2009	30 Sept 2010	% promj.
Assets			
Non-current assets			
Intangible assets	731	775	(1)
Property, plant and equipment	20,353	21,286	4
Goodwill	296	296	1
Investments in associates and joint ventures	68	57	(16)
Investments in other companies	138	324	116
Long-term receivables	385	270	70
Derivative financial instruments	0	4	(50)
Deferred tax	434	367	(18)
Available for sale assets	397	381	11
Total non-current assets	**22,802**	**23,760**	**5**
Current assets			
Inventories	2,887	4,191	42
Trade receivables net	2,925	2,798	(5)
Other receivables	805	786	13
Derivative financial instruments	56	14	(81)
Other current assets	32	41	(71)
Prepayments and advances	72	379	98
Cash with bank and in hand	367	1,580	200
Current assets	**7,144**	**9,789**	**30**
Available for sale assets	121	0	n.a.
Current assets	**7,265**	**9,789**	**23**
Total assets	**30,067**	**33,549**	**10**
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Revaluation reserve	10	(2)	(90)
Other reserves	2,311	2,332	2
Retained earnings / (Deficit)	463	1,023	49
Equity attributable to equity holder of the parent	**11,784**	**12,353**	**3**
Minority interests	8	7	(36)
Total equity	**11,792**	**12,360**	**3**
Non-current liabilities			
Long-term loans	5,764	6,756	31
Other non-current liabilities	139	127	(1)
Employee benefits obligation	126	113	(3)
Long-term provisions	2,573	2,750	0
Total non-current liabilities	**8,602**	**9,746**	**19**
Current liabilities			
Bank loans and overdrafts	2,104	4,681	40
Current portion of long-term debt	655	1,414	1,130
Accounts payable	4,286	3,515	2
Taxes and contributions	1,781	820	(68)
Other short-term liabilities	415	204	(68)
Accruals and deferred income	157	176	(40)
Employee benefits obligation	17	12	(25)
Short-term provisions	229	621	717
Current liabilities	**9,644**	**11,443**	**9**
Liabilities directly associated with assets classified held for sale	29	0	0
Total current liabilities	**9,673**	**11,443**	**9**
Total liabilities	**18,275**	**21,189**	**14**
Total equity and liabilities	**30,067**	**33,549**	**10**

INDUSTRIJA NAFTE, d.d.

Capital Expenditure

Q2 2010	Q3 2010	Q3 2009	%	Capital Expenditures (HRK mln)	Q1-Q3 2009	Q1-Q3 2010	%
269	305	954	(68)	Exploration & Production	2,597	1,090	(58)
386	237	289	(18)	Refining & Marketing	818	946	16
8	15	5	200	Retail	20	24	20
6	2	6	(67)	Corporate & other	42	7	(83)
668	559	1,254	(55)	**Total**	3,477	2,067	(41)

Q2 2010	Q3 2010	Q3 2009	%	Capital Expenditures - Tangible Assets (HRK mln)	30 Sept 2009	30 Sept 2010	%
306	274	861	(68)	Exploration & Production	2,443	984	(60)
386	237	289	(18)	Refining & Marketing	817	946	16
8	15	5	200	Retail	19	24	26
3	2	4	(50)	Corporate & other	32	4	(88)
702	528	1,159	(54)	**Total Capital Expenditure**	3,311	1,958	(41)

INDUSTRIJA NAFTE, d.d.

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 30 September 2009 and 2010
(All amounts in HRK millions)

(HRK mln)	Q1-Q3 2009 Restated	Q1-Q3 2010	%
Profit for the year	(9)	559	n.a.
Adjustments for:			
Depreciation and amortisation	1,161	1,346	16
Income tax expenses recognized in profit	(67)	250	n.a.
Impairment charges (net)	747	512	(31)
Reversal of impairment	0	(730)	n.a.
Gain on sale of property plant and equipment	(10)	(6)	(40)
Gain on sale of	0	(9)	n.a.
Foreign exchange loss/(gain)	(189)	204	n.a.
Interest expense (net)	177	224	27
Other financial income/(expense) recognised in profit	112	54	(52)
Increase in provisions	136	660	385
Net book value of sold assets classified as held for sale	0	0	0
Decommissioning interests	0	0	0
Change in provision for charges and risks and other non-cash items	0	(3)	n.a.
Operating cash flow before working capital changes	2,058	3,061	49
Movements in working capital			
(Increase)/decrease in inventories	(692)	(1,379)	99
(Increase)/decrease in receivables and prepayments	(287)	(300)	5
(Decrease)/increase in trade and other payables	1,242	(2,065)	(266)
(Decrease)/increase in provisions	(115)	0	n.a.
Cash generated from operations	2,206	(683)	n.a.
Taxes paid	(25)	(24)	(4)
Net cash inflow from operating activities	2,181	(707)	n.a.
Cash flows used in investing activities			
Payments for property, plant and equipment	(3,311)	(1,782)	(46)
Payment for intangible assets	(166)	(109)	(34)
Proceeds from sale of non-current assets	15	7	(53)
Acquisition of investments in Eneropetrol Sarajevo i Rotary	(101)	0	n.a.
Subsidiaries sales	0	(39)	n.a.
Acquisition of investments in associates and joint ventures and other companies	0	0	0
Proceeds from sale of investments	0	0	0
Dividends received from companies classified under available for sale and other companies	3	3	0
Interest received	0	21	n.a.
Investments and loans to third parties, net	(60)	(173)	188
Net cash (outflow) used for investing activities	(3,620)	(2,072)	(43)
Cash flows from financing activities			
Additional long-term borrowings	969	1,754	81
Repayment of long-term borrowings	(105)	(312)	197
Additional short-term borrowings	6,896	8,773	27
Repayment of short term borrowings	(6,061)	(6,084)	0
Interest paid on long-term loans	(71)	(31)	(56)
Other long-term liabilities, net	(10)	(6)	(40)
Dividends paid	0	0	0
Interest paid on short term loans and other financing charges	(69)	(214)	210
Net cash from financing activities	1,549	3,880	150
Net (decrease)/increase in cash and cash equivalents	110	1,1001	901
At beginning of period	579	367	(37)
Effect of foreign exchange rate changes	(162)	112	n.a.
At the end of period	527	1,580	200

INDUSTRIJA NAFTE, d.d.

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 September 2009 and 2010
(All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Profit / loss for the year				(168)	(168)	1	(167)
Other comprehensive income. net		(15)	114		99		99
Total comprehensive income for the year	0	(15)	114	(168)	(69)	1	(68
Dividends payable					0		0
Balance as at 30 September 2009	**9,000**	**2,292**	**(21)**	**687**	**11,958**	**11**	**11,969**

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit / loss for the year				560	560	(1)	559
Other comprehensive income. net		21	(12)		9		9
Total comprehensive income for the year	0	21	(12)	560	569	(1)	568
Dividends payable					0		0
Balance as at 30 September 2010	**9,000**	**2,332**	**(2)**	**1,023**	**12,353**	**7**	**12,360**

INDUSTRIJA NAFTE, d.d.

Announcements in 2010

October 18, 2010	Organizational and personel changes in INA
October 1, 2010	Sale of 100% ownership in Crobenz d.d. completed
September 16, 2010	INA Group starts with restructuring program
September 8, 2010	€ 210 million loan to INA-Industrija nafte, d.d.
July 30, 2010	Sale of 100% ownership in Crobenz d.d.
June 30, 2010	Q2 and H1 Results 2010
June 23, 2010	INA and MOL discover gas on the Podravska Slatina-Zalata concession
June 02, 2010	Agreement on the total repayment of Dioki, d.d. overdue debt
May 21, 2010	Response to the Zagreb Stock Exchange query of 21 May 2010
May 19, 2010	Shareholders' assembly held
May 17, 2010	Announcement of sale process of the Crobenz d.d. company
May 04, 2010	Spud-in of Beer As Sib exploration well on Aphamia Block in Syria
May 03, 2010	Q1 Results 2010
April 19, 2010	Extraordinary Shareholders' assembly held
April 8, 2010	Sale of 100% ownership in Crobenz d.d
April 7, 2010	General Meeting notice
April 7, 2010	Changes in management board
March 12, 2010	General Meeting notice
March 1, 2010	Announcement
March 1, 2010	Announcement about Management Board changes
February 15, 2010	Preliminary unaudited consolidated results for 2009
February 05, 2010	Response to Zagreb Stock Exchange query
January 19, 2010	Announcement
January 18, 2010	Natural gas price

Main external parameters

Q2 2010	Q3 2010	Q3 2009	%	(HRK mln)	Q1-Q3 2009	Q1-Q3 2010	%
78.30	76.86	68.27	12.6	Brent dtd (USD/bbl)	57.32	77.13	34.6
723.78	689.01	647.08	6.5	Premium unleaded gasoline 10 ppm (USD/t)*	551.03	709.37	28.7
679.16	659.88	568.65	16.0	Gas oil – ULSD 10 ppm (USD/t)*	503.69	658.72	30.8
431.74	422.63	398.09	6.2	Fuel oil 3,5% (USD/t)*	315.56	429.68	36.2
642.08	651.04	542.06	20.1	LPG (USD/t)*	482.54	676.83	40.3
131.44	107.57	130.62	(17.6)	Crack spread – premium unleaded gasoline 10 ppm (USD/t)*	117.40	125.86	7.2
86.82	78.44	52.19	50.3	Crack spread – gas oil EN590 10 ppm (USD/t)*	70.06	75.21	7.4
(160.60)	(158.81)	(118.37)	34.2	Crack spread - fuel oil 3,5% (USD/t)*	(118.07)	(153.82)	30.3
49.74	69.60	25.60	171.9	Crack spread - UNP (USD/t)*	48.91	93.32	90.8
5.69	5.62	5.12	9.8	HRK/USD average	5.40	5.53	2.3
5.90	5.36	5.00	7.2	HRK/USD closing	5.00	5.36	7.2
7.25	7.25	7.32	(1.0)	HRK/EUR average	7.36	7.26	(1.4)
7.19	7.29	7.29	0.1	HRK/EUR closing	7.29	7.29	0.1
0.44	0.39	0.41	(5.6)	3m USD LIBOR (%)	0.83	0.36	(56.6)
0.69	0.87	0.87	0.0	3m EURIBOR (%)	1.39	0.74	(46.8)

** FOB Mediterranean*

INDUSTRIJA NAFTE, d.d.

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 March 10	30 June 10	30 Sept 10
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,715,538	4,715,538
Government of the Republic of Croatia	5,180,367	4,484,918	4,483,552	4,483,552	4,483,552	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,910	800,910	800,910	800,910	800,910
Total	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**

Changes in organisation. Management Board or Supervisory Board

Supervisory board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on 19 April 2010 Mr Jozsef Molnar was appointed supervisory board member with the term of office until 13 June 2013.

Management Board

At the meeting held on 31 March 2010 INA-INDUSTRIJA NAFTE. d.d. the Supervisory Board acknowledged the resignation of Mr. László Geszti from his duty as President of the Management Board of INA. d.d. and unanimously elected Mr Zoltán Áldott as new President of the Management Board of the company commencing as of April 1st 2010 with a five year term of office (at the same time acknowledging his resignation from his membership in the Supervisory Board of INA).

Executive Board

At the meeting held on October 13, 2010, the Management Board of INA, d.d. made decisions on changes within the company related to positions and the number of Executive Directors which is to be decreased from seven to six.

As of October 31, 2010 Mr. László Bartha will leave his position of the Executive Director for Retail. Mr. Darko Markotić has been appointed Executive Director for Retail as of November 1, 2010 and at the same time relieved of duty of the Executive Director for Corporate Services as of October 31, 2010.

Corporate Services is being cancelled while Corporate Center changes its name into Corporate Services. Mr. Berislav Gašo has been appointed Executive Director of the Corporate Services as of November 1, 2010 and at the same time relieved of duty of the Executive Director of Corporate Centre as of October 31, 2010.

Executive Director for Corporate Processes Mr. Tomislav Thür, Executive Director for Finance Mr. András Huszár and Executive Director for Refining and Marketing Mr. Peter Chmurčiak will remain on the same positions while Mr. Bojan Milković remains the Executive Director for Upstream as well as the Chief Executive Officer of INA d.d.

Management representation

INA Group's consolidated financial statements for Q3 and Q1-Q3 2010 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 of INA Group.

Management Board

Zoltán Áldott	President of INA, d.d. Board
Lajos Alács	Member
Tomislav Dragičević	Member
Attila István Holoda	Member
Josip Petrović	Member
Dubravko Tkalčić	Member

INA Group
Interim Financial Statements with Notes for the period ended 30 September 2010

Finance Function
Accounting and Tax Sector

Contents

INA - INDUSTRIJA NAFTE d.d. ZAGREB

INA Group Condensed Consolidated Income Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

		Nine months ended:		Three months ended:	
Continuing operation	Notes	**30 September 2010**	**30 September 2009 Restated**	**30 September 2010**	**30 September 2009 Restated**
Sales revenue					
a) domestic		10,719	9,084	3,936	3,352
b) exports		7,173	5,820	3,053	2,089
Total sales revenue	4	**17,892**	**14,904**	**6,989**	**5,441**
Income from own consumption of products and services		275	107	77	24
Other operating income		1,380	1,175	166	53
Total operating income		**19,547**	**16,186**	**7,232**	**5,518**
Changes in inventories of finished products and work in progress		655	238	(18)	60
Cost of raw materials and consumables		(9,526)	(7,691)	(3,957)	(3,090)
Depreciation and amortisation		(1,346)	(1,161)	(464)	(377)
Other material costs		(1,375)	(1,357)	(661)	(473)
Service costs		(1,088)	(1,168)	126	(249)
Staff costs		(2,086)	(2,097)	(669)	(690)
Cost of other goods sold		(1,850)	(1,232)	(438)	(405)
Impairment and charges (net)		(354)	(695)	(29)	(160)
Provision for charges and risks (net)		(774)	(194)	(719)	(12)
Operating expenses		**(17,744)**	**(15,357)**	**(6,829)**	**(5,396)**
Profit from operations		**1,803**	**829**	**403**	**122**
Finance income		72	284	11	222
Finance costs		(606)	(296)	543	(88)
Net (loss)/profit from financial activities		**(534)**	**(12)**	**554**	**134**
Profit before tax		**1,269**	**817**	**957**	**256**
Income tax expense	6	(250)	(112)	(158)	(113)
Profit for the year from continuing operation		**1,019**	**705**	**799**	**143**
Discontinued operation					
Loss for the year from discontinued operation	7	(460)	(714)	(132)	(193)
Profit/(loss) for the year		**559**	**(9)**	**667**	**(50)**

INA Group Condensed Consolidated Income Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended: 30 September 2010	Nine months ended: 30 September 2009 Restated	Three months ended: 30 September 2010	Three months ended: 30 September 2009 Restated
Attributable to:					
Owners of the Company		**560**	**(10)**	**668**	**(51)**
Non-controling interests		(1)	1	(1)	1
		559	**(9)**	**667**	**(50)**
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share (kunas per share) from continuing and discontinued operations	8	56.0	(1.0)	66.8	(5.1)
Basic and diluted earnings per share (kuna per share) from continuing operations	8	102.0	70.4	80.0	14.2

INA Group Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended:		Three months ended:	
		30 September 2010	**30 September 2009 Restated**	**30 September 2010**	**30 September 2009 Restated**
Profit/(loss) for the year		**559**	**(9)**	**667**	**(50)**
Other comprehensive income/(loss):					
Exchange differences arising from foreign operations		21	(15)	(19)	(14)
(Loss)/gains on available-for-sale investments,net		(12)	114	14	47
Other comprehensive income/(loss), net		**9**	**99**	**(5)**	**33**
Total comprehensive income/(loss) for the year		**568**	**90**	**662**	**(17)**
Attributable to:					
Owners of the Company		569	89	663	(18)
Non-controling interests		(1)	1	(1)	1

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Statement of Comprehensive Income.

INA - INDUSTRIJA NAFTE d.d. ZAGREB

INA, d.d. Condensed Unconsolidated Income Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

Continuing operation	Notes	**Nine months ended: 30 September 2010**	**Nine months ended: 30 September 2009 Restated**	**Three months ended: 30 September 2010**	**Three months ended: 30 September 2009 Restated**
Sales revenue					
a) domestic		10,564	8,524	3,914	3,297
b) exports		6,028	4,034	2,655	1,558
Total sales revenue	4	**16,592**	**12,558**	**6,569**	**4,855**
Income from own consumption of products and services		5	11	1	4
Other operating income		1,286	503	175	(19)
Total operating income		**17,883**	**13,072**	**6,745**	**4,840**
Changes in inventories of finished products and work in progress		420	161	(55)	(15)
Cost of raw materials and consumables		(9,334)	(7,336)	(3,901)	(2,976)
Depreciation and amortisation		(1,129)	(932)	(392)	(300)
Other material costs		(1,026)	(1,058)	(357)	(353)
Service costs		(977)	(935)	(50)	(181)
Staff costs		(1,282)	(1,263)	(405)	(421)
Cost of other goods sold		(1,382)	(799)	(370)	(323)
Impairment and charges (net)		(278)	(600)	(73)	(129)
Provision for charges and risks (net)		(628)	(164)	(596)	15
Operating expenses		**(15,616)**	**(12,926)**	**(6,199)**	**(4,683)**
Profit from operations		**2,267**	**146**	**546**	**157**
Finance income		350	285	15	192
Finance costs		(520)	(265)	537	(116)
Net (loss) / profit from financial activities		**(170)**	**20**	**552**	**76**
Profit before tax		**2,097**	**166**	**1,098**	**233**
Income tax expense	6	(374)	(39)	(227)	(43)
Profit for the year from continuing operation		**1,723**	**127**	**871**	**190**
Discontinued operation					
Loss for the year from discontinued operation		-	(520)	-	-
Profit / (loss) for the year		**1,723**	**(393)**	**871**	**190**

INA, d.d. Condensed Unconsolidated Income Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended: 30 September 2010	Nine months ended: 30 September 2009 Restated	Three months ended: 30 September 2010	Three months ended: 30 September 2009 Restated
Earnings / (loss) per share					
Basic and diluted earnings / (loss) per share (kunas per share) from continuing and discontinued operations	8	172.3	(39.3)	87.1	19.0
Basic and diluted earnings per share (kuna per share) from continuing operations	8	172.3	12.7	87.1	19.0

INA, d.d. Condensed Unconsolidated Statement of Comprehensive Income

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended: 30 September 2010	Nine months ended: 30 September 2009 Restated	Three months ended: 30 September 2010	Three months ended: 30 September 2009 Restated
Profit / (loss) for the year		**1,723**	**(393)**	**871**	**190**
Other comprehensive income/(loss):					
Exchange differences arising from foreign operations		-	-	-	-
(Loss) / gains on available-for-sale investments,net		(12)	115	13	48
Other comprehensive (loss) / income, net		**(12)**	**115**	**13**	**48**
Total comprehensive income / (loss) for the year		**1,711**	**(278)**	**884**	**238**

The accompanying accounting policies and notes form an integral part of this Condensed Unconsolidated Statement of Comprehensive Income.

INA Group Condensed Consolidated Statement of Financial Position

At 30 September 2010

(all amounts in HRK millions)

(unaudited)

ASSETS	Notes	30 September 2010	31 December 2009
Non-current assets			
Intangible assets	9	775	731
Property, plant and equipment	10	21,286	20,353
Goodwill		296	296
Investments in associates and joint ventures		57	68
Other investments	11	324	138
Long-term receivables		270	385
Derivative financial instruments		4	-
Deferred tax		367	434
Available for sale assets		381	397
Total non – current assets		**23,760**	**22,802**
Current assets			
Inventories		4,191	2,887
Trade receivables, net		2,798	2,925
Other receivables		786	805
Derivative financial instruments		14	56
Other current assets		41	32
Prepaid expenses and accrued income		379	72
Cash and cash equivalents		1,580	367
		9,789	**7,144**
Assets classified as held for sale	18	-	121
Total current assets		**9,789**	**7,265**
TOTAL ASSETS		**33,549**	**30,067**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Statement of Financial Position.

INA Group Condensed Consolidated Statement of Financial Position

At 30 September 2010

(all amounts in HRK millions)

(unaudited)

EQUITY AND LIABILITIES	Notes	30 September 2010	31 December 2009
Capital and reserves			
Share capital	12	9,000	9,000
Revaluation reserve	13	(2)	10
Other reserves		2,332	2,311
Retained earnings	14	1,023	463
Equity attributable to equity holders of the parent		**12,353**	**11,784**
Non - controlling interests		7	8
TOTAL EQUITY		**12,360**	**11,792**
Non – current liabilities			
Long-term loans	15	6,756	5,764
Other non-current liabilities		127	139
Employee benefit obligation		113	126
Provisions	17	2,750	2,573
Total non–current liabilities		**9,746**	**8,602**
Current liabilities			
Bank loans and overdrafts	16	4,681	2,104
Current portion of long-term loans	16	1,414	655
Trade payables		3,515	4,286
Taxes and contributions		820	1,781
Other current liabilities		204	415
Accruals and deferred income		176	157
Employee benefit obligation		12	17
Provisions	17	621	229
		11,443	9,644
Liabilities directly associated with assets classified held for sale	18	-	29
Total current liabilities		**11,443**	**9,673**
TOTAL LIABILITIES		**21,189**	**18,275**
TOTAL EQUITY AND LIABILITIES		**33,549**	**30,067**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Statement of Financial Position.

INA, d.d. Condensed Unconsolidated Statement of Financial Position

At 30 September 2010

(all amounts in HRK millions)

(unaudited)

ASSETS	Notes	30 September 2010	31 December 2009
Non-current assets			
Intangible assets	9	761	716
Property, plant and equipment	10	19,235	18,120
Investment in subsidiaries		1,233	1,257
Investments in associates and joint ventures		189	189
Other investments	11	459	403
Long-term receivables		393	496
Derivative financial instruments		-	-
Deferred tax		232	429
Available for sale assets		381	397
Total non – current assets		**22,883**	**22,007**
Current assets			
Inventories		3,135	2,314
Intercompany receivables		2,952	1,544
Trade receivables, net		1,800	1,332
Other receivables		412	577
Derivative financial instruments		7	27
Other current assets		197	159
Prepaid expenses and accrued income		307	36
Cash and cash equivalents		1,302	68
		10,112	**6,057**
Assets classified as held for sale		-	-
Total current assets		**10,112**	**6,057**
TOTAL ASSETS		**32,995**	**28,064**

The accompanying accounting policies and notes form an integral part of this Condensed Unconsolidated Statement of Financial Position.

INA, d.d. Condensed Unconsolidated Statement of Financial Position

At 30 September 2010

(all amounts in HRK millions)

(unaudited)

EQUITY AND LIABILITIES	Notes	30 September 2010	31 December 2009
Capital and reserves			
Share capital	12	9,000	9,000
Revaluation reserve	13	(2)	10
Other reserves		1,952	1,952
Retained earnings	14	1,512	(211)
TOTAL EQUITY		**12,462**	**10,751**
Non – current liabilities			
Long-term loans	15	6,607	5,646
Other non-current liabilities		119	125
Employee benefit obligation		74	84
Provisions	17	2,697	2,541
Total non–current liabilities		**9,497**	**8,396**
Current liabilities			
Bank loans and overdrafts	16	2,099	581
Current portion of long-term loans	16	1,360	575
Intercompany payables		4,489	2,878
Trade payables		1,704	2,704
Taxes and contributions		703	1,585
Other current liabilities		140	338
Accruals and deferred income		65	54
Employee benefit obligation		8	12
Provisions		468	190
		11,036	8,917
Liabilities directly associated with assets classified held for sale	18	-	-
Total current liabilities		**11,036**	**8,917**
TOTAL LIABILITIES		**20,533**	**17,313**
TOTAL EQUITY AND LIABILITIES		**32,995**	**28,064**

The accompanying accounting policies and notes form an integral part of this Condensed Unconsolidated Statement of Financial Position.

INA Group Condensed Consolidated Statement of Changes in Equity

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Loss for the year	-	-	-	(10)	(10)	1	(9)
Other comprehensive income, net	-	(15)	114	-	99	-	99
Total comprehensive loss for the year	**-**	**(15)**	**114**	**(10)**	**89**	**1**	**90**
Balance at 30 September 2009	**9,000**	**2,292**	**(21)**	**845**	**12,116**	**11**	**12,127**
Balance at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit for the year	-	-	-	560	560	(1)	559
Other comprehensive income, net	-	21	(12)	-	9	-	9
Total comprehensive income for the year	**-**	**21**	**(12)**	**560**	**569**	**(1)**	**568**
Balance at 30 September 2010	**9,000**	**2,332**	**(2)**	**1,023**	**12,353**	**7**	**12,360**

The accompanying accounting policies notes form an integral part of this Condensed Consolidated Statement of Changes in Equity.

INA, d.d. Condensed Unconsolidated Statement of Changes in Equity

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Total
Balance at 1 January 2009	**9,000**	**1,952**	**(135)**	**420**	**11,237**
Loss for the year	-	-	-	(393)	(393)
Other comprehensive income, net	-	-	114	-	114
Total comprehensive loss for the year	**-**	**-**	**114**	**(393)**	**(279)**
Balance at 30 September 2009	**9,000**	**1,952**	**(21)**	**27**	**10,958**
Balance at 1 January 2010	**9,000**	**1,952**	**10**	**(211)**	**10,751**
Profit for the year	-	-	-	1,723	1,723
Other comprehensive loss, net	-	-	(12)	-	(12)
Total comprehensive income for the year	**-**	**-**	**(12)**	**1,723**	**1,711**
Balance at 30 September 2010	**9,000**	**1,952**	**(2)**	**1,512**	**12,462**

The accompanying accounting policies notes form an integral part of this Condensed Unconsolidated Statement of Changes in Equity.

INA Group Condensed Consolidated Cash Flow Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended: 30 September 2010	Nine months ended: 30 September 2009 Restated
Profit/(loss) for the year		**559**	**(9)**
Adjustments for:			
Depreciation and amortisation		1,346	1,161
Income tax (benefit)/expense recognized in (loss)/profit		250	(67)
Impairment charges (net)		512	747
Reversal of impairment		(730)	-
Gain on sale of property, plant and equipment		(6)	(10)
Gain on sale investments and shares		(9)	-
Foreign exchange loss/(gain)		204	(189)
Interest expense (net)		224	177
Other finance expense recognised in profit		54	112
Increase in provisions		660	136
Change in provision for charges and risks and other non-cash items		(3)	-
		3,061	**2,058**
Movements in working capital			
(Increase) in inventories		(1,379)	(692)
(Increase) in receivables and prepayments		(300)	(287)
(Decrease) / increase in trade and other payables		(2,065)	1,242
(Increase) in provisions		-	(115)
Cash generated from operations		**(683)**	**2,206**
Taxes paid		(24)	(25)
Net cash inflow from operating activities		**(707)**	**2,181**
Cash flows used in investing activities			
Payments for property, plant and equipment		(1,782)	(3,311)
Payments for intangible assets		(109)	(166)
Proceeds from sale of non-current assets		7	15
Proceeds from sale of subsidiaries		(39)	
Aquisition of subsidiaries		-	(101)
Dividends received from companies classified as available for sale and from other companies		3	3
Interest received		21	-
Investments and loans to third parties, net		(173)	(60)
Net cash used for investing activities		**(2,072)**	**(3,620)**

INA Group Condensed Consolidated Cash Flow Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended: 30 September 2010	30 September 2009 Restated
Cash flows from financing activities			
Additional long-term borrowings		1,754	969
Repayment of long-term borrowings		(312)	(105)
Additional short-term borrowings		8,773	6,896
Repayment of short-term borrowings		(6,084)	(6,061)
Interest paid on long-term loans		(31)	(71)
Other long-term liabilities, net		(6)	(10)
Interest paid on short-term loans and other financing charges		(214)	(69)
Net cash from financing activities		**3,880**	**1,549**
Net increase in cash and cash equivalents		**1,101**	**110**
At 1 January		367	579
Effect of foreign exchange rate changes		112	(162)
At 30 September		**1,580**	**527**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Cash Flow Statement.

INA, d.d. Condensed Unconsolidated Cash Flow Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended: 30 September 2010	30 September 2009 Restated
Profit/(loss) for the year		**1,723**	**(393)**
Adjustments for:			
Depreciation and amortisation		1,129	932
Income tax (benefit)/expense recognized in (loss)/profit		374	(90)
Impairment charges (net)		277	600
Reversal of impairment		(686)	(45)
Gain on sale of property, plant and equipment		(5)	(7)
Foreign exchange loss/(gain)		356	(217)
Interest expense (net)		3	119
Other finance expense recognised in profit		(212)	124
Increase in provisions		635	(180)
Decommisioning interests		108	86
Change in provision for charges and risks and other non-cash items		21	-
		3,723	**929**
Movements in working capital			
(Increase) in inventories		(775)	(116)
(Increase) in receivables and prepayments		(2,334)	(857)
(Decrease) / increase in trade and other payables		(639)	2,156
Cash generated from operations		**(25)**	**2,112**
Taxes paid		-	-
Net cash inflow from operating activities		**(25)**	**2,112**
Cash flows used in investing activities			
Payments for property, plant and equipment		(1,831)	(3,210)
Payments for intangible assets		(116)	(161)
Proceeds from sale of non-current assets		6	7
Dividends received from companies classified as available for sale and from other companies		4	3
Proceeds from pofit of subsidiaries		276	7
Investments and loans to third parties, net		78	11
Net cash used for investing activities		**(1,583)**	**(3,343)**

INA, d.d. Condensed Unconsolidated Cash Flow Statement

For the period ended 30 September 2010

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended: 30 September 2010	30 September 2009 Restated
Cash flows from financing activities			
Additional long-term borrowings		1,684	965
Repayment of long-term borrowings		(240)	(45)
Additional short-term borrowings		1,950	336
Repayment of short-term borrowings		(430)	(202)
Interest paid on long-term loans		(23)	(68)
Other long-term liabilities, net		(7)	(6)
Interest paid on short-term loans and other financing charges		(101)	(18)
Net cash from financing activities		**2,833**	**962**
Net increase in cash and cash equivalents		**1,225**	**(269)**
At 1 January		68	318
Effect of foreign exchange rate changes		9	(2)
At 30 September		**1,302**	**47**

The accompanying accounting policies and notes form an integral part of this Condensed Unconsolidated Cash Flow Statement.

1. BASIS OF PREPARATION

Financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting". For preparing unaudited condensed consolidated financials, the Board is required to give estimates and assumptions that influence the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as at the date of reporting and the reported income and expenses during the reporting period. The estimates are based on the information available at the date of preparing financial statements and actual amounts may differ from those estimated. Estimates and assumptions are revised on a continuous basis. Amendments of accounting estimates are recognised in the period influenced by such amendments (if only that period is influenced), or in future periods if both the current period and future periods are influenced.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statement have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revaluated amounts or fair values, as appropriate.

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2010. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated statements as were applied in the preparation of the Group` s financial statement for the year ended 31 December 2009.

Adoption of new and revised standards

Standards and Interpretations effective in the current period

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

- Amendments to IFRS 1 “First-time Adoption of IFRS”- Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 1 “First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations effective in the current period (continued)

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009),

- IFRIC 18 "Transfers of Assets from Customers" (effective for transfer of assets from customers received on or after 1 July 2009),

- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010),

- IFRIC 19 "Extinguishing Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010),

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013),

- Amendments to IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),

- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, most amendments are to be applied for annual periods beginning on or after 1 January 2011.

INA Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Management anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Reclassification of part of financial income and costs

At 30 June 2010 INA Group. reclassified income and expenses of interests and foreign exchange differences of customers and suppliers from financial activities to operating activities. The effect of such reclassification is as follows:

	INA Group		INA, d.d.	
	30 September 2010	**30 September 2009**	**30 September 2010**	**30 September 2009**
Reclassification of finance income	192	202	151	23
Reclassification of finance costs	(431)	(311)	(300)	(117)
	(239)	**(109)**	**(149)**	**(94)**

Change in cash-generating unit

In North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating units. In previously period cash generating unit was gas field.

	INA Group and INA, d.d.
	30 September 2009
Effect of changes in North Adriatic	17
Effect of changes in Egypt and Angola	(80)
	(63)

Change the methodology of calculating stocks

Inventories in BD Refining and Marketing calculated by the old methodology of price cost calculation are increased because the calculated price cost is higher than the price cost calculation from the current methodology.

The methodology that was applied in 2009 includes the cumulative costs from January until August 2009 and cumulative processed quantities from the same period. Domestic crude oil is valuated by transfer prices between the BD Exploration and Production and BD Refining and Marketing, while imported crude oil is valued in a way that the consumed cumulative quantities are multiplied with the price of oil from September 2009.

The methodology of calculating the prices of inventories in 2010 includes the actual cost of September 2010 and the actual quantities of September 2010. Domestic crude oil is valued by actual cost of BD Exploration and Production while imported crude oil is valuated by actual cost of September 2010.

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Change the methodology of calculating stocks (continued)

The change in methodology of stock calculation has reduced the inventories value by HRK 175 million in BD Refining and Marketing.

	INA Grupa and INA, d.d. 30 September 2010
Effect of changes in products and residue	153
Effect of changes in finished products and residue	22
Total	**175**

Changing in Accounting methods for treating over / under lifting balances

From 1st of January 2010 INA Group apply Accounting methods for treating over / under lifting balances in joint venture from project North Adriatic.

According to this method, INA Group should recognize revenue at the end of the period based on its share of the production regardless of the amount actually sold and record a receivable in the statement of financial position in the value of the difference between the contracted amount and the actually sold amount. As INA does sell its share of the production only a couple of times a year, the whole INA share from the period productions should be recorded as a receivable against the partners of the operation. This receivable will be derecognized when INA takes actually its share of production.

Any re-measurement should be recorded in Income Statement as Other income/expense.

For the period January-September 2010 INA Group posted HRK 76 million as other income, under lifting, in Income Statement.

For the period January-September 2009 if the INA Group applied under / over lifting INA Group would be posted in Income Statement HRK 41 million as cost, over lifting.

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Changes of estimate of impairment of receivables

At 31 December 2009 INA Group has changed its accounting estimate of collectability of receivables for goods sold or services rendered. The effect of changes in accounting estimates are as follows:

	INA Group			INA, d.d.		
	Over 120	Impairment	Difference	Over 120	Impairment	Difference
Strategic customers	5	(87)	**(82)**	5	(65)	**(60)**
Total	**5**	**(87)**	**(82)**	**5**	**(65)**	**(60)**

4. SEGMENT INFORMATION

Reporting segments have been defined along value chain standard for the oil companies:

- Exploration and Production – exploration, production and selling of crude oil and natural gas
- Refining and Marketing – crude oil processing, wholesale of refinery products, trading and logistics
- Retail – selling of fuels and commercial goods in retail station
- Business functions – providing services for core activities

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

Revenues and results of the period by operative segments follows below:

INA Group

	Continuing operation						Discontinued operation	Consolidated
30 September 2010	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	5,586	7,354	4,880	72	-	17,892	614	18,506
Inter-segment sales	1,419	3,820	25	467	(5,731)	-	-	-
Total revenue	**7,005**	**11,174**	**4,905**	**539**	**(5,731)**	**17,892**	**614**	**18,506**
Operating expenses, net of other operating income	(3,313)	(11,918)	(5,051)	(1,538)	5,731	(16,089)	(1,061)	(17,150)
Profit/(loss) from operations net of other income	**3,692**	**(744)**	**(146)**	**(999)**	**-**	**1,803**	**(447)**	**1,356**
Net finance income						(534)	(13)	(547)
Profit/(loss) before tax						1,269	(460)	809
Income tax expense/(benefit)						(250)	-	(250)
Profit/(loss) for the year						**1,019**	**(460)**	**559**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

	Continuing operation						Discontinued operation	Consolidated
30 September 2009	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	3,780	6,407	4,437	280	-	14,904	1,459	16,363
Inter-segment sales	1,115	3,269	8	360	(4,752)	-	-	-
Total revenue	**4,895**	**9,676**	**4,445**	**640**	**(4,752)**	**14,904**	**1,459**	**16,363**
Operating expenses, net of other operating income	(2,849)	(10,146)	(4,491)	(1,341)	4,752	(14,075)	(2,264)	(16,339)
Profit/(loss) from operations net of other income	**2,046**	**(470)**	**(46)**	**(701)**	**-**	**829**	**(805)**	**24**
Net finance income						(12)	(88)	(100)
Profit/(loss) before tax						817	(893)	(76)
Income tax expense/(benefit)						(112)	179	67
Profit/(loss) for the year						**705**	**(714)**	**(9)**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

30 September 2010 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	13,149	6,586	940	611	-	21,286
Intangible assets	642	8	14	111	-	775
Investments in associates and joint ventures	57	-	-	-	-	57
Inventories	873	3,222	59	37	-	4,191
Trade receivables, net	1,354	1,084	409	418	(467)	2,798
Not allocated assets						4,442
Total assets						**33,549**
Trade payables	733	2,458	239	552	(467)	3,515
Not allocated liabilities						17,674
Total liabilities						**21,189**
Other segment information						
Capital expenditure:	**1,090**	**946**	**24**	**7**	-	**2,067**
Property, plant and equipment	984	946	24	4	-	1,958
Intangible assets	106	-	-	3	-	109
Depreciation and amortisation	1,338	239	37	125	-	1,739
From this: Impairment losses recognized in profit and loss	(427)	-	34	-	-	(393)

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2009 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	12,863	5,888	920	682	-	20,353
Intangible assets	552	9	10	160	-	731
Investments in associates and joint ventures	57	11	-	-	-	68
Inventories	803	1,973	63	48	-	2,887
Trade receivables, net	1,279	1,266	296	470	(386)	2,925
Not allocated assets						3,103
Total assets						**30,067**
Trade payables	1,277	2,624	286	485	(386)	4,286
Not allocated liabilities						13,989
Total liabilities						**18,275**
Other segment information						
Capital expenditure:	**3,039**	**1,367**	**47**	**51**	**-**	**4,504**
Property, plant and equipment	2,902	1,365	46	36	-	4,349
Intangible assets	137	2	1	15	-	155
Depreciation and amortisation	1,506	412	275	151	-	2,344
From this: Impairment losses recognized in profit and loss	555	113	169	-	-	837

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

Revenues and results of the period by operative segments follows below:

INA, d.d.

	Continuing operation						Discontinued operation	Consolidated
30 September 2010	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	4,686	7,494	4,398	14	-	16,592	-	16,592
Inter-segment sales	1,271	3,320	-	1	(4,592)	-	-	-
Total revenue	**5,957**	**10,814**	**4,398**	**15**	**(4,592)**	**16,592**	**-**	**16,592**
Operating expenses, net of other operating income	(1,975)	(11,573)	(4,496)	(873)	4,592	(14,325)	-	(14,325)
Profit/(loss) from operations net of other income	**3,982**	**(759)**	**(98)**	**(858)**	**-**	**2,267**	-	**2,267**
Net finance income						(170)	-	(170)
Profit/(loss) before tax						2,097	-	2,097
Income tax expense/(benefit)						(374)	-	(374)
Profit/(loss) for the year						**1,723**	**-**	**1,723**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

Revenues and results of the period by operative segments follows below:

INA, d.d.

	Continuing operation						Discontinued operation	Consolidated
30 September 2009	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	2,458	6,228	3,862	10	-	12,558	1,186	13,744
Inter-segment sales	1,040	2,722	5	1	(3,768)	-	-	-
Total revenue	**3,498**	**8,950**	**3,867**	**11**	**(3,768)**	**12,558**	**1,186**	**13,744**
Operating expenses, net of other operating income	(2,042)	(9,466)	(3,921)	(751)	3,768	(12,412)	(1,766)	(14,178)
Profit/(loss) from operations net of other income	**1,456**	**(516)**	**(54)**	**(740)**	**-**	**146**	**(580)**	**(434)**
Net finance income						20	(70)	(50)
Profit/(loss) before tax						166	(650)	(484)
Income tax expense/(benefit)						(39)	130	91
Profit/(loss) for the year						**127**	**(520)**	**(393)**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA, d.d.

30 September 2010 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	11,909	6,290	794	242	-	19,235
Intangible assets	639	6	13	103	-	761
Investments in subsidiaries	648	307	(2)	280		1,233
Investments in associates and joint ventures	57	132	-	-	-	189
Inventories	219	2,866	50	-	-	3,135
Trade receivables, net	3,348	1,019	346	40	(2,953)	1,800
	-	-	-	-	-	
Not allocated assets						6,642
Total assets						**32,995**
Trade payables	874	4,779	215	325	(4,489)	1,704
Not allocated liabilities						18,829
Total liabilities						**20,533**
Other segment information						
Capital expenditure:	**1,062**	**948**	**22**	**6**	-	**2,038**
Property, plant and equipment	957	948	22	3	-	1,930
Intangible assets	105	-	-	3	-	108
Depreciation and amortisation	**1,210**	**210**	**108**	**80**	**-**	**1,608**
From this: Impairment losses recognized in profit and loss	427	-	52	-	-	479

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA, d.d.

31 December 2009 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	11,521	5,550	780	269	-	18,120
Intangible assets	549	8	8	151	-	716
Investment in subsidiaries	647	327	-	283	-	1,257
Investments in associates and joint ventures	57	132	-	-	-	189
Inventories	618	1,640	56	-	-	2,314
Trade receivables, net	1,380	1,193	270	33	(1,544)	1,332
Not allocated assets						4,136
Total assets						**28,064**
Trade payables	966	3,831	241	544	(2,878)	2,704
Not allocated liabilities						14,609
Total liabilities						**17,313**
Other segment information						
Capital expenditure:	**2,980**	**1,345**	**33**	**20**	**-**	**4,378**
Property, plant and equipment	2,845	1,344	33	6	-	4,228
Intangible assets	135	1	-	14	-	150
Depreciation and amortisation	1,294	391	237	117	-	2,039
From this: Impairment losses recognized in profit and loss	556	113	149	-	-	818

5. SEASONALITY OF OPERATIONS

Demand for certain oil products and natural gas varies according to the seasons.

In the months of April to September, with the peak occurring in August (the “Tourist Season”), retail motor fuel sales are significantly higher, by volume and by number of transactions, particularly along coastal routes, than in the remaining months of the year, due to the incoming of tourists to Croatia in this period. The increased number of transactions at INA Group’s petrol stations also leads to an increase in non-fuel sales at those sites during these periods.

Natural gas sales are higher in the winter heating season.

6. TAX COSTS AND DEFERRED TAXES

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 period ending 30 September 2010 and 20% for the period ending 30 September 2009.

7. DISCONTINUED OPERATION

The Government of the Republic of Croatia and the Hungarian oil company MOL signed a Master Agreement on Natural Gas Business (a framework agreement regulating some basic issues regarding the future of the natural gas market and the supply of natural gas in Croatia) on 30 January 2009. Based on the contract the Government took over the gas storage of INA d.d. in May.

On 16 December 2009, the Croatian Government and MOL Plc. concluded the first Annex to the Gas Master Agreement, which specifies the terms and conditions, as well as the pricing of natural gas for tariff-based and eligible customers, the mining royalty, gas storage tariffs, as well as other terms and conditions applicable to the pricing of gas and acquisition of the entire (100 %) share in the company Prirodni plin d.o.o. a natural gas trading company established by INA.

According to the Annex, the aim of the parties to the Agreement is to sustain and strengthen the national security interest, by providing to tariff-based and eligible customers a safe and reliable supply of natural gas originating from domestic and other, foreign natural gas wells.

Pursuant to the Annex, both INA and Prirodni plin d.o.o. may increase gas prices for both tariff-based and eligible customers by 33 lipas (1/100th of HRK) per cubic metre and 30 lipas per cubic metre, respectively. The increasing of price has been implemented through negotiated contracts for the period from 1 January 2010 to 30 September 2010 with suppliers on distribution systems and eligible customers on the transportation system. The increasing prices is not achieved in negotiations with HEP and Petrochemical who has signed long-term contracts (HEP until 31 December 2015 and Petrochemical to 31 December 2010).

The parties to the Agreement have agreed on the provisions pertaining to the payment of the mining royalty in the future. The Croatian Government warrants that, in the period from 2010 up to inclusive 2014, the current royalty payable by INA starting from 1 January 2010 will increase by 0.5 percentage points annually for all hydrocarbon exploitation fields.

7. DISCONTINUED OPERATION (continued)

The royalty rate payable by INA from 2015 up to inclusive 2025 has been set at 10 (ten) percent for all hydrocarbon fields exploited by INA.

According to the Annex, the acquisition of the entire (100% share) in Prirodni plin d.o.o. by the Government has been postponed until 1 December 2010.

Through the implementation of the Master Agreement on Natural Gas Business, gas business was separated from INA, d.d. and subsidiary Prirodni plin d.o.o. Zagreb was established at 1 July 2009. Pursuant to its business strategy, INA, d.d. maintained only onshore and offshore exploration and production activities in the Republic of Croatia.

Since the gas trading activity represents a major line of business, the Company presents related results and cash flows as profit and cash flows from discontinued operations. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period, as set out below.

These operations, which are expected to be sold within 12 months, have been presented separately in the segmental analysis in note 4.

On 28 November 2008 INA, d.d. paid the sum of 50,000 kuna for the establishment of a Prirodni Plin d.o.o whose primary activity will be the distribution natural gas.
The company did not start its operations immediately, and the Supply of natural gas was recorded in the ledgers of INA d.d. for the first six months of 2009. As of 1 July 2009, the natural gas trading operations were taken over by the company “Prirodni plin, from INA d.d. and become INA, subsidiary. Prirodni plin d.o.o. is registered for trade, mediation and representation on the energy market.

(all amounts in HRK millions)

7. DISCONTINUED OPERATION (continued)

	Nine months ended:			
	INA Group		INA, d.d.	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Loss for the year from discontinued operations				
Sales revenue				
a) domestic	599	1,459	-	1,186
b) exports	15	-	-	-
Total sales revenue	**614**	**1,459**	**-**	**1,186**
Other operating income	52	64	-	64
Total operating income	**666**	**1,523**	**-**	**1,250**
Other material costs	(121)	(322)	-	(282)
Service costs	(4)	-	-	-
Staff costs	(5)	(4)	-	(3)
Cost of other goods sold	(825)	(1,950)	-	(1,545)
Impairment and charges	(158)	(52)	-	-
Operating expenses	**(1,113)**	**(2,328)**	**-**	**(1,830)**
Loss from operations	**(447)**	**(805)**	**-**	**(580)**
Finance costs	(13)	(88)	-	(70)
Loss before tax	**(460)**	**(893)**	**-**	**(650)**
Deferred tax	-	179	-	130
Loss for the year	**(460)**	**(714)**	**-**	**(520)**
Cash flow from discontinued operations				
Net cash flow from operating activities	(289)	(753)	-	(320)
Net cash flows	**(289)**	**(753)**	**-**	**(320)**

8. EARNINGS PER SHARE

Continued and discontinued operation	INA Group		INA, d.d.	
	Nine months ended:			
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Basic and diluted earnings per share (in HRK)	**56.0**	**(1.0)**	**172.3**	**(39.3)**

Earnings	Nine months ended:			
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Earnings used in the calculation of total basic earnings per share (profit for the period attributable to equity holders of the parent) from continued and discontinued operation	560	(10)	1,723	(393)
	560	**(10)**	**1,723**	**(393)**

Number of shares	Nine months ended:			
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10	10	10

From continued operation	Nine months ended:			
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Basic and diluted earnings per share (in HRK)	102.0	70.4	172.3	12.7

Earnings	Nine months ended:			
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Profit for the period attributable to equity holders of the parent	560	(10)	1,723	(393)
Less:				
(Loss) for the year from discontinued operation	(460)	(714)	-	(520)
Earnings for calculation basic earnings per share (kuna per share) from continuing operations	**1,020**	**704**	**1,723**	**127**

(all amounts in HRK millions)

9. INTANGIBLE ASSETS

In the period ending 30 September 2010, the Group invested HRK 109 million in intangible assets, of which 108 million was invested in INA, d.d. The effect of depreciation on the decrease of their carrying amount to HRK 64 million in INA Group, or HRK 61 million to INA, d.d. Decrease through P&L in INA Group and INA, d.d. was HRK 13 million. The amount brought forward from property, plant and equipment was HRK 12 million in INA Group and HRK 11 million in INA, d.d.

10. PROPERTY, PLANT AND EQUIPMENT

In the period ending 30 September 2010, the Group invested HRK 1,958 million in property, plant and equipment. In the same period INA , d.d. invested HRK 1.930 million. Capitalised decommissioning costs decreased the value of assets by HRK 261 million in INA Group and in INA, d.d. Value increase of assets because of reversal of impairment in INA Group was HRK 491 million (INA, d.d. HRK 479 million) and by amortisation from decommissioning in prior periods is 46 million HRK in INA Group and INA, d.d. The effect of depreciation on reducing their book value amounted to HRK 1,282 million in INA Group and HRK 1,068 million in INA, d.d. The reduction of book value of HRK 12 million was transfer to non-current intangible assets in INA Group, e.g. HRK 11 million in Ina, d.d. Disposal of assets in INA Group was HRK 4 million. The decrease in book value of INA Group was also result of foreign exchange differences in the amount of HRK 3 million.

11. OTHER INVESTMENTS

	INA Group		INA, d.d.	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
Financial assets at fair value through profit or loss	6	6	6	6
Long-term loans	296	109	431	374
Deposits	22	23	22	23
Other investments	**324**	**138**	**459**	**403**

12. SHARE CAPITAL

Issued capital as at 30 September 2010 amounted to 9,000 million HRK. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

(all amounts in HRK millions)

13. REVALUATION RESERVE

	INA Group and INA, d.d.	
	30 September 2010	**31 December 2009**
Balance at the begining of the period	10	(135)
Increase arising on revaluation available for sale securities (Janaf)	(15)	181
Deffered tax	3	(36)
Balance at the end of the period	**(2)**	**10**

14. RETAINED EARNINGS

	INA Group	INA, d.d.
	Retained earnings/ (Accumulated deficit)	**Retained earnings/ (Accumulated deficit)**
Balance at 1 January 2010	**463**	**(211)**
Profit for the period	560	1,723
Balance at 30 September 2010	**1,023**	**1,512**

15. LONG-TERM LOANS

INA Group

In the period from 31 December 2009 to 30 September 2010, INA Group's long-term debt increased by HRK 992 million. The increase mainly relates to using new loan of PBZ on the amount of EUR 34 million or HRK 245 million, the loan of Erste Card Club on the amount of HRK 80 million, the loan of Intensa Sanpaolo on the amount EUR 27.7 million or HRK 201 million, and the loan of EBRD bank on the amount USD 161.5 million or HRK 866 million, the loan of EBRD on the amount EUR 40 or HRK 292 million, the loan of RBA on the amount HRK 55 million, the loan of OTP bank on the amount HRK 15 million repayment in amount HRK 312 million, foreign exchange loss in amount of HRK 309 million and increasing current portion of long-term loans in amount of HRK 759 million.

INA d.d.

In the period from 31 December 2009 to 30 September 2010, INA d.d. long-term debt increased by HRK 961 million. The increase mainly relates to using new loan of PBZ on the amount of EUR 34 million or HRK 245 million, the loan of Erste Card Club on the amount of HRK 80 million, the loan of Intensa Sanpaolo on the amount EUR 27.7 million or HRK 201 million, and the loan of EBRD bank on the amount USD 161.5 million or HRK 866 million, the loan of EBRD on the amount EUR 40 or HRK 292 million, repayment in amount HRK 245 million, foreign exchange loss in amount of HRK 307 million and increasing current portion of long-term loans in amount of HRK 785 million.

(all amounts in HRK millions)

16. BANK LOANS AND OVERDRAFTS AND CURRENT PORTION OF LONG-TERM LOANS

	INA Group		INA, d.d.	
	30 September 2010	**31 December 2009**	**30 September 2010**	**31 December 2009**
Overdrafts and short-term loans	4,681	2,104	2,099	581
Current portion of long-term loans	1,414	655	1,360	575
	6,095	**2,759**	**3,459**	**1,156**

	Repayment deadline	Security/ Guarantee	**30 September 2010**	**31 December 2009**
BNP Paribas (USD)	by 31/12/2010	INA d.d. guarantee	1,030	494
NATIXIS (USD)	by 31/12/2010	INA d.d. guarantee	267	-
City bank (USD)	untill cancel	INA d.d. guarantee	312	56
BLB (USD)	untill cancel	INA d.d. guarantee	74	-
ERSTE BANK (EUR)	by 17/11/2010	Promissory notes	10	-
Bank Tokyo Mitsubishi (USD)	by 30/04/2010	INA d.d. guarantee	146	207
CKB (EUR)	by 28/02/2010	Bill of exchange	-	1
Raiffeisenbank Zagreb (EUR, USD)	by 30/04/2011	Bill of exchange	36	35
Bank Austria Creditanstalt (USD)	by 31/12/2010	Assignment	463	183
Zagrebačka banka, Zagreb (USD,HRK)	by 01/04/2010	Bill of exchange	32	49
Privredna banka Zagreb, Zagreb (HRK)	by 29/10/2010	Bill of exchange	47	95
Societe Generale-Split. banka (USD, HRK)	by 31/08/2010	Bill of exchange, Promissory notes	62	66
Slavonska banka Osijek	by 10/03/2010	Bill of exchange	-	10
Fortis (USD)	by 12/03/2011	INA d.d. guarantee	-	224
Hrv poštanska banka (HRK)	by 03/04/2011	Bill of exchange, Promissory notes	22	22
OTP bank (HUF, EUR, HRK)	by 10/08/2011	Bill of exchange	80	81
NLB (EUR)			1	-
Current portion of long-term loans			54	80
Total regarding to subsidiaries			**2,636**	**1,603**
INA, d.d.				
Overdrafts and short term loans			2,099	581
Current portion of long-terms loans			1,360	575
Total INA, d.d.			**3,459**	**1,156**
Total INA Group			**6,095**	**2,759**

(all amounts in HRK millions)

17. PROVISION

INA Group	**Environmental provision**	**Decommission Charges**	**Legal claims**	**Redundancy costs**	**Cost of unutilised holiday**	**Tax obligation claims of Holdina Sarajevo**	**Other**	**Total**
Balance at 1 January 2010	**35**	**2,330**	**275**	**-**	**60**	**21**	**81**	**2,802**
Charge for the year	319	-	41	400	31	-	2	**793**
Effect of change in estimates	-	(153)	-	-	-	-	-	**(153)**
Provision utilised during the year	-	-	(3)	-	(31)	-	(37)	**(71)**
Balance at 30 September 2010	**354**	**2,177**	**313**	**400**	**60**	**21**	**46**	**3,371**

INA, d.d.	**Environmental provision**	**Decommission Charges**	**Legal claims**	**Redundancy costs**	**Cost of unutilised holiday**	**Other**	**Total**
Balance at 1 January 2010	**35**	**2,330**	**239**	**-**	**52**	**75**	**2,731**
Charge for the year	307	-	20	281	19	-	**627**
Effect of change in estimates	-	(153)	-	-	-	-	**(153)**
Provision utilised during the year	-	-	(3)	-	(25)	(12)	**(40)**
Balance at 30 September 2010	**342**	**2,177**	**256**	**281**	**46**	**63**	**3,165**

(all amounts in HRK millions)

18. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale relates to the sell entrepreneur Crobenz limited company for oil distribution, having its registered office in Zagreb, Radnička cesta 228. The company was sold 30 September 2010.

	INA Group	
	30 September 2010	**31 December 2009**
Intangible assets	-	2
Property, plant and equipment	-	107
Inventory	-	6
Trade receivables, net	-	5
Other receivables	-	1
TOTAL ASSETS	**-**	**121**
Long-term loans	-	19
Provisions	-	1
Current portion of long-term loans	-	4
Trade payables	-	3
Taxes and contributions	-	1
Other current liabilities	-	1
TOTAL LIABILITIES	**-**	**29**
ASSETS CLASSIFIED AS HELD FOR SALE	**-**	**92**

19. 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. Details of transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

(all amounts in HRK millions)

19. RELATED PARTY TRANSACTIONS (continued)

During the year, INA, d.d. entered into the following trading transactions with the following related parties:

INA, d.d.	Sales of goods		Purchase of goods	
	Nine months ended:		Nine months ended:	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Foreign related companies				
Interina Ltd Guernsey	2,128	1,497	159	82
Holdina Sarajevo	365	392	-	-
Interina d.o.o. Ljubljana	18	11	-	-
Interina Ltd London	-	148	8,736	6,378
Adriagas Milano	-	-	3	3
INA Crna Gora d.o.o Podgorica	41	25	-	-
INA Beograd d.o.o Beograd	79	33	-	-
Domestic related companies				
Crosco Grupa	5	4	136	103
Osijek Petrol d.d.	314	363	-	-
Crobenz d.d. Zagreb	334	368	2	3
Proplin d.o.o. Zagreb	357	331	137	117
STSI d.o.o. Zagreb	11	6	393	218
Maziva Zagreb d.o.o. Zagreb	68	38	50	43
ITR d.o.o. Zagreb	1	1	19	22
Sinaco d.o.o. Zagreb	2	1	97	99
Hostin d.o.o. Zagreb	-	-	-	1
Prirodni plin d.o.o. Zagreb	3,049	514	191	21
Polybit d.o.o.	-	1	-	-
Companies available for sale				
JANAF d.d. Zagreb	1	-	32	-
Strategic partner				
MOL Plc	246	82	804	864
Companies controlled by strategic partner				
Tifon d.o.o.	249	3	-	-
Companies controlled by the State				
Hrvatske željeznice	26	72	32	32
Hrvatska elektroprivreda	276	1,352	122	42
Croatia osiguranje	2	4	27	-
Hrvatske vode	-	-	15	13
Hrvatska pošta	-	1	-	2
MORH	36	33	-	-
Jadrolinija	86	72	4	4
Narodne novine	-	-	2	2
Croatia Airlines	122	101	-	-
Petrokemija Kutina	6	663	-	-
Plinacro	-	4	-	242
Hrvatske autoceste	-	-	42	12
Podzemno skladište plina Okoli	1	6	-	-

(all amounts in HRK millions)

19. RELATED PARTY TRANSACTIONS (continued)

During the year, INA, d.d. entered into the following outstanding balances with the following related parties:

INA, d.d.	Amounts owed from related parties		Amounts owed to related parties	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
Foreign related companies				
Interina Ltd Guernsey	75	239	1	57
Holdina Sarajevo	94	104	6	3
Interina d.o.o. Ljubljana	2	2	-	-
Interina Ltd London	-	6	3,457	2,153
Adriagas Milano	-	-	1	1
INA Crna Gora d.o.o Podgorica	13	8	-	-
INA Beograd d.o.o Beograd	20	5	-	-
Domestic related companies				
Crosco Grupa	1	1	41	42
Osijek Petrol d.d.	109	96	1	1
Crobenz d.d. Zagreb	-	143	-	1
Proplin d.o.o. Zagreb	96	90	18	29
STSI d.o.o. Zagreb	2	3	254	212
Maziva Zagreb d.o.o. Zagreb	20	20	22	43
ITR d.o.o. Zagreb	-	-	13	41
Sinaco d.o.o. Zagreb	1	-	63	63
Hostin d.o.o. Zagreb	-	-	-	1
Prirodni plin d.o.o. Zagreb	2,519	849	618	196
Companies available for sale				
JANAF d.d. Zagreb	-	-	12	20
Strategic partner				
MOL Plc	38	26	796	653
Companies controlled by strategic partner				
Tifon d.o.o.	120	3	-	-
Companies controlled by the State				
Hrvatske željeznice	3	108	14	10
Hrvatska elektroprivreda	188	217	11	16
Croatia osiguranje	-	-	1	33
Hrvatske vode	-	-	4	6
Hrvatska pošta	2	2	-	-
MORH	15	14	-	-
Hrvatske šume	7	4	-	-
Jadrolinija	29	25	2	1
Narodne novine	-	-	1	-
Croatia Airlines	36	30	-	-
Petrokemija Kutina	371	199	-	-
Plinacro	-	-	-	38
Hrvatske autoceste	1	-	4	8
Podzemno skladište plina Okoli	1	1	15	61

20. COMMITMENTS

Investment in refining assets

In 2005, a temporary investment unit for the modernisation of refinery operations was established based upon a Company management decision. INA Group is committed to a programme of capital investment in its refineries in order to enable them to continue to produce fuels which comply with increasingly stringent environmental standards (in terms of the refinery product quality) on the European market. The modernisation of refineries should include the increasingly stricter environmental protection requirements applicable to the fuel production process.

The tasks of the investment unit and its teams include managing modernisation projects at the Sisak and Rijeka Refineries. The ultimate objective of the programme is to meet the European quality standards applicable to refinery products until specified effective dates. The construction of new plants and the modernisation of the existing ones will significantly expand the quantitative capacities of the refineries, as well as improve the product quality and significantly reduce the level of environmental pollution.

For the purposes of the implementation of the refinery modernisation project, 179 contracts were concluded with vendors as at 30 September 2010, worth HRK 3.51 billion.

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 the 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 the EDISON takes place through the operating company EDINA with interests: Edison 70% and INA 30%.

When Izabela gas field will be also in production, in the North Adriatic Area a total of 18 production platforms and 1 compressor platforms with a total of 46 production wells will be installed.

Until now, in the contract areas North Adriatic and Aiza-Laura, INA, d.d. and ENI Croatia B.V. have invested in capital construction of mining facilities and plants over USD 1.3 billion, while of the total gained reserves INA´s share will range about 70% of the produced gas, which is further placed on the Croatian gas market.

20. COMMITMENTS(continued)

Investment in contract areas of North Adriatic (continued)

Two platforms (Izabela South and Izabela North) have been installed on the Izabela gas field (in partnership with Edison). Two production wells have been drilled from Izabela South and completed, each with two production strings, and the platform has been ready for starting the test production since 23 May 2010. From Izabela North, three production wells, each with two production strings, have been drilled and complete, and the platform has been ready for starting the test production since 13th July 2010. Additionally, on 28th September 2010, Ex-Agency and Croatian Register of Shipping issued their Final Reports and Safety Certificates, which are the final evidence that platforms are fully technically ready for production period. Final Technical Committee and Operating license obtaining are expected at the beginning of 2011. Although technically ready, in this moment platforms still are not in the production, due to still ongoing negotiations between INA and Edison. Once production starts, INA's share of production from the Izabela gas field will be transported via the Ivana K compression platform to the terminal in Pula and then into the Croatian gas system, while the Edison's share will be transported to Italy.

On 30 September 2010 INAgip had in both contract areas 203 active contracts amounting in total to HRK 122.8 million and the remaining commitments under these contracts on the same date amounted to HRK 48.3 million.

Edina has, for the need of the development of the Izabela gas field from 1 January 2008 until 30 September 2010, concluded 64 (of which are still active 25) contracts amounting in total to EUR 140.3 million from which EUR 136.81 million was carried out on 30 September 2010.

Investments in Syria

INA Group has been active in Syria since 1998, and is currently independently exploring and developing two blocks. INA has two Production Sharing Agreements (PSA) for the exploration, development and production of petroleum in Syria, both signed with the Government of the Syrian Arab Republic and the GPC which allow partners exploration, development and production of hydrocarbons in Syria.

The first PSA between The Government of the Syrian Arab Republic and GPC and INA d.d. – Naftaplin was assembled 13 August 1998 for Hayan Block.

The second PSA covers the Aphamia Concession and has become effective from 26 June 2004.

Up to present day INA has six (6) commercial discoveries on Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadyra and Mazrur) with significant oil, gas and condensate reserves.

The average daily production of the gas in period January- September 2010 is around 7229 boe and 6440 bbl/day of the crude oil, that is the nominal production capacities of the OGS Hayan. The total production until end of September 2010 on Hayan Block amounted to cca 3.86 MM boe crude oil and condensate and gas.

20. COMMITMENTS(continued)

Current situation

Hayan Oil and Gas Station is under Provisional Acceptance process and with belonging oil, gas & condensate wells, transportation system and oil tanks is under production.

Investments in Syria (continued)

Plant for oil, gas and condensate production “Jihar” (phase 2) together with belonging oil, gas & condensate wells, transportation system and oil tanks is built and the process of takeover plant from contractor is in progress.

Completion of Gas Treatment Plant (GTP) – Jihar with capacity 3.9 million m^3/day inlet gas, 140-200 m3/day LPG, is planned in March 2011 (testing and starting up is planning in September 2010) together with belonging oil, gas & condensate wells, oil production will be increased and also will enable gas production from gas deposits discovered on the Jihar, and Al Mahr fields.

On Aphamia Exploration Block where INA is Operator (100%), the Second exploration phase (First Extension of Initial Exploration phase) commenced in August 2008. During that phase INA was obliged to acquire 300 km 2D seismic or equivalent of 3D and drill 2 exploration wells (USD 6,000,000 minimum financial obligation). Completion date of that phase is August 2010.

In Syria until 30 September 2010, INA concluded 28 contracts and 5 addendums. The total amount of these contracts were HRK 2.7 billion. At 30 September 2010 remaining obligations due to these contracts were HRK 297.2 million.

Purchase obligations under “take or pay“ contracts

On 1 June 2005 Ina d.d. concluded the contract with GAZEXPORT Ltd., Moscow for the supply of 1.2 bcm per year of natural gas under take or pay commitment until 2010. As of 30 September 2010 the Company’s respective obligation is HRK 565 million until the expiry of the contract (until 31 December 2010).

Purchase obligations under the contract to transport gas

Additionally, the Company concluded transportation agreements to ensure deliveries of the gas to the destination point (FCA Croatian border). Validities of transportation contracts are until 2010 for Slovakia, 2015 for Slovenia and 2017 for Austria. The future commitments contracted approximate to HRK 1.41 billion until cancellation of all contracts (until 2017).

Gas selling Contracts

Group had following long term natural gas sale contracts from 1 October 2010 to the expiry of the underlying contract:

1. Long-term contract between Prirodni plin d.o.o. and HEP d.d. Zagreb
   a) Contract period: from 1 January 2010 until 1 January 2016 (Annex 11)
   b) Sales revenue from 1 July until 30 September 2010: 300 million HRK
   c) Contracted supply quantity: 3,698,131,000 m^3 from 1 October 2010 until 1 January 2016
   d) Estimated revenue for the remaining period : 11 billion HRK

20. COMMITMENTS(continued)

Gas selling Contracts (continued)

2. Long-term contract between Prirodni plin d.o.o. and Petrokemija d.d. Kutina
   a) Contract period: from 1 January 2008 until 31 December 2010
   b) Sales revenue from 1 July until 30 September 2010: 301 million HRK
   c) Contracted supply quantity: 164,997,000 m^3 from 1 October 2010 until 31 December 2010
   d) Estimated revenue for the remaining period: 309 million HRK

3. Contracts between Prirodni plin d.o.o. and tariff-based customers (distribution - transport)
   a) Contract period: from 1 October 2010 until 30 September 2010
   b) Sales revenue 1July until 30 September 2010: 78 million HRK:
   c) Contracted supply quantity: 790,000,000m^3
   d) Estimated revenue for the remaining period: 1.34 billion HRK

4. Contracts Prirodni plin d.o.o. – other tariff-based customers – distributors - sales
   a) Contract period: from 1 October 2010 until 30 September 2010
   b) Sales revenue from 1 July until 30 September 2010: 142 million HRK
   c) Contracted supply quantity: 524,425,528 m^3
   d) Estimated revenue for the remaining period. 1,24 billion HRK

5. Contracts Prirodni plin d.o.o. – other tariff-based customers
   a) Contract period: from 1 October 2010 until 30 September 2011
   b) Sales revenue from 1 July until 30 September 2010: 182 million HRK
   c) Contracted supply quantity: 466,797,240 m^3
   d) Estimated revenue for the remaining period. 1.10 billion HRK

6. Contracts INA, d.d. – DIOKI (ethane)
   a) Contracted supply quantity: 55,000 tons in 2010
   b) Sales revenue from 1 January until 30 September 2010: 43.004 million HRK
   c) Contract period: from 1 April 2008 until 31 March 2012
   d) Estimated revenue from 1 July until 31 December 2010: 13.61 million HRK

Water selling contracts

1. High quality process water
   a) Contracted supply quantity: 2,868,750 m^3 in 2010
   b) Sales revenue from 1 January until 30 September 2010: 3.681 million HRK
   c) Contract period: 2010
   d) Estimated revenue for the remaining period: 1.27 million HRK

20. COMMITMENTS(continued)

Water selling contracts (continued)

2. Geothermal water
   a) Contracted supply quantity: 410,000 m^3 in 2010
   b) Sales revenue from 1. January until 30 September 2010 : 1.405 million HRK
   c) Contract period: 2010
   d) Estimated revenue for the remaining period: 536 thousand HRK

N-pentane selling contracts

1. N-pentane
   a) Contracted supply quantity: 880 m^3 in 2010
   b) Sales revenue from 1 January until 30 September 2010: 1.172 million HRK
   c) Contract period: 2010
   d) Estimated revenue for the remaining period: 920 thousand HRK

Environmental matters

Identified costs are divided into cost of safety on work, fire protection, safety and environmental protection. The costs of environmental protection in the first nine months 2010 in INA, d.d. is approximately HRK 46,9 million. Estimation for 2010 year for the costs of environmental protection gives a value of HRK 66,4 million. Environmental protection costs are grouped into a group of costs of services and materials for the environmental needs and the group of fees based on the legislation, and is paid based on actual emissions in any of the environmental media (air, water or soil) and environmental load waste. The first type of services is the contracted value with companies that provide environmental services, and fees are paid to the Fund for Environmental Protection and Energy Efficiency based on issued decision.

21. CONTINGENT LIABILITIES

There were no changing of contingent liabilities regarding contingent liabilities presented in financial statement at 31 December 2009.

22. BUSINESS COMBINATIONS AND DISPOSAL

On 30 September 2010 INA was completed the transaction for the sale of INA's 100% ownership of Crobenz d.d. (“Crobenz”) to LUKOIL Croatia d.o.o. (“Lukoil”). On 21 July 2010, INA d.d. entered into a sale and purchase agreement for the sale of 100% ownership of Crobenz with LUKOIL Croatia d.o.o. The sale of Crobenz was conducted by the divestiture trustees as previously resolved by the Croatian Competition Agency (“Agency”). At its meeting of 29 July 2010, the Agency passed the decision on approving the transaction that was required for the fulfilment of the Resolution on the conditional approval of the MOL/INA concentration and it also granted the necessary clearance for the concentration between Lukoil and Crobenz. Crobenz is active in the wholesale and retail trade of petroleum products. The Crobenz retail network consists of 14 service stations operated under the Crobenz brand.

(all amounts in HRK millions)

22. BUSINESS COMBINATIONS AND DISPOSAL (continued)

Base Purchase Price	13
Net asset at 30 September	(60)
Long-term loan INA d.d.	36
Profit on disposal	**(11)**
Payment on consideration	38
Temporarily receivables from customers	**27**

The above view is temporary and final will be available 45 days after the sale.

23. SUBSEQUENT EVENTS

Changes in organization structure in INA, d.d.

At the meeting held on October 13, 2010, the Management Board of INA made decisions on changes within the company related to positions and the number of Executive Directors which is to be decreased from 7 to 6.

As of October 31, 2010 Mr. László Bartha will leave his position of the Executive Director for Retail and will continue his career overseeing the Group level operations in Bosnia and Herzegovina as the director of HOLDINA, d.o.o. and as the President of the Supervisory Board of Energopetrol, as the representative of INA-MOL Consortium.

Mr. Darko Markotić has been appointed Executive Director for Retail as of November 1, 2010 and at the same time relieved of duty of the Executive Director for Corporate Services as of October 31, 2010.

Corporate Services in its current structure cease to exist while Corporate Centre changes its name into Corporate Services. Mr. Berislav Gašo has been appointed Executive Director of the Corporate Services as of November 1, 2010 and at the same time relieved of duty of the Executive Director of Corporate Centre as of October 31, 2010.

Executive Director for Corporate Processes Mr. Tomislav Thür, Executive Director for Finance Mr. András Huszár and Executive Director for Refining and Marketing Mr. Peter Chmurčiak will remain on the same positions while Mr. Bojan Milković remains the Executive Director for Upstream as well as the Chief Executive Officer of INA d.d.

The above mentioned changes are serving an increased business focus on the modernization and revitalization of the retail filling station network of INA, d.d.

23. SUBSEQUENT EVENTS (continued)

Received Tax Administration Conclusion

In June 2010 the entity Prirodni plin received the Tax Administration Conclusion with opinion that entity in the period from July 2009 until March 2010 was performing deliveries of natural gas (from import) to domestic customers below market prices. The Tax Administration Conclusion is the result of Prirodni plin's request toward Tax Administration to make a refund of VAT on 30 April 2010. Prirodni plin is in the continuous loss in business: entity always has higher tax receivables from Tax Administration than tax liabilities.

On 21st October 2010 Prirodni plin received the Minutes from Tax authority. In this document they repeated all arguments like in above mentioned Conclusion. They explained their approach for mentioned periods.

For period from July 2009 until December 2009 they did not accept Prirodni plin arguments was regulated by state. They conclude that Prirodni plin has to calculate and pay VAT on this difference between selling and real “market” price, because in this situation tax base is market price. For that period Prirodni plin has to pay HRK 71.8 million of VAT and HRK 1.2 million of interest.

For period from January 2010 until March 2010 they made the same conclusion. For this period Prirodni plin has to pay HRK 34.9 million of VAT and HRK 1.6 mil of interest.

In total INA should pay HRK 109.5 million VAT and interest. Prirodni plin can submit appeal in 20 days and in this phase there is no need to pay to the Tax authorities. Prirodni plin is preparing appeal.