

**ENCLOSURE 1**

Reporting period:

1 January 2011

to

30 June 2011

**Quartely Financial Report TFI-POD**Tax number (MB): **03586243**Registration number (MBS): **080000604**Personal identification  
number (OIB): **27759560625**Issuer: **INA d.d. ( Matica )**Postal code and location: **10000** **Zagreb**Street and number: **Avenija Većeslava Holjevca 10**

E-mail:

Internet address: [www.ina.hr](http://www.ina.hr)Code and city / municipality: **133** **Zagreb**Code and county: **21** **Grad Zagreb**Number of employees: **9.029**  
(at the end of year)Consolidated Report: **NO**Business activity code: **1920**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office: **INA, d.d.**Contact person: **Ratko Marković dipl.oec.**

(Name and surname of contact person)

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(authorized representatives)

**Documents to be published:**

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Statement of persons in charge of making Financial Statements
3. Management Board's Report

(seal)

(signature of authorized representative)

## Q2 AND H1 2011 – REPORT INA, D.D. NON-CONSOLIDATED

*INA, d.d. financial results (IFRS)*

HRK mln.	Q1 2011	Q2 2011	Q2 2010	%	H1 2010	H1 2011	%
Net sales revenues	5,734	7,375	5,094	28.6	10,023	13,109	30.8
EBITDA <sup>(1)</sup>	2,178	2,022	1,517	(7.2)	2,696	4,200	55.8
Operating profit	1,120	1,533	1,004	36.9	1,722	2,653	54.1
Operating profit excl. special items <sup>(2)</sup>	1,286	1,542	784	19.9	1,503	2,828	88.1
Net financial gain (expenses)	298	101	(353)	(66.1)	(723)	399	n.a.
Net profit/loss <sup>(3)</sup>	1,070	1,377	573	28.7	852	2,447	187.2
Net profit/loss excl. special items <sup>(2)</sup>	1,203	1,384	398	15.1	677	2,587	282.2
Operating cash flow	(1,686)	2,487	(244)	n.a.	148	801	443.1

  

USD mln <sup>(4)</sup>	Q1 2011	Q2 2011	Q2 2010	%	H1 2010	H1 2011	%
Net sales revenues	1,060	1,437	896	35.6	1,831	2,486	35.8
EBITDA <sup>(1)</sup>	402	394	267	(2.1)	493	796	61.7
Operating profit	207	299	177	44.3	315	503	59.9
Operating profit excl. special items <sup>(2)</sup>	238	300	138	26.4	275	536	95.3
Net financial gain (expenses)	55	20	(62)	(64.3)	(132)	76	n.a.
Net profit/loss <sup>(3)</sup>	198	268	101	35.7	156	464	198.1
Net profit/loss excl. special items <sup>(2)</sup>	222	270	70	21.3	124	491	296.7
Operating cash flow	(312)	485	(43)	n.a.	27	152	463.7

<sup>(1)</sup> EBITDA = EBIT + Depreciation + Impairment + Provisions

<sup>(2)</sup> Excludes special items items related to asset impairment, stock evaluation, deferred taxes, provision, severance payments and special items income. The H1 2011 EBIT was negatively influenced by HRK 175 million special items relating to provisions and value adjustments.

<sup>(3)</sup> INA Group net income attributable to equity holder.

<sup>(4)</sup> In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used for: Q1 2011: 5.4119 HRK/USD; Q2 2010: 5.6857 HRK/USD; Q2 2011 - 5.1325 kn/USD; H1 2010: 5.4734 HRK/USD; H1 2011: 5.2733.

INA d.d., in the first six months of 2011, has significantly improved its overall results compared to the same period last year, achieving 56% higher EBITDA which amounted to HRK 4,200 million and HRK 2,828 million operating profit excluding special items. Results were mainly influenced with higher crude oil prices coupled with increased average daily hydrocarbon production in Upstream, while Downstream segment generated still negative but improved result. In addition, management's focus on efficiency improvement resulted in significant cost saving through reduction of operating expenses.

In H1 2011, net profit of INA d.d. was significantly better than in the same period last year, reaching HRK 2,447 mln compared to HRK 852 mln net profit realised in H1 2010 as a result of already mentioned trends and unrealised forex gains on the revaluation of credit facilities.

INA d.d. CAPEX in the first half of 2011 reached HRK 548 million (against HRK 1,500 million in the same period last year) as a result of different work program which reduced CAPEX, but have not jeopardized execution of the main investing projects. Exploration and Production accounted for the majority of CAPEX with HRK 296 million spent, primarily on development operations, Refining and Marketing spent HRK 202 million, with majority invested in refinery modernisation, while HRK 41 million was spent on retail operations.

## *Overall operations*

### **INA d.d. Exploration and Production**

Exploration and Production H1 2011 operating profit, excluding special items, significantly improved to the amount of HRK 3,585 million which is an increase of HRK 1,052 million compared to H1 2010 figure mostly as a result of coupled effect of 18% higher hydrocarbon production and 34% better average realized hydrocarbon price. Increase in operating profit was additionally backed with realized efficiency improvement measures resulting with 5% lower unit opex. Reported H1 2011 operating profit amounted to HRK 3,540 million and was negatively influenced by HRK 45 million special items.

### **INA d.d. Refining and Marketing**

In the first six months of 2011, Refining and Marketing generated an operating loss (excluding special items) of HRK 471 million, a decrease of HRK 224 million on H1 2010 loss. 8% higher sales volumes (mostly EURO V products) with stronger presence on B&H market where higher sales of gasoil and bitumen were achieved, together with optimized crude oil procurement, realized efficiency improvement measures and favorable FX changes had a positive impact on the result. On the other hand, lower average crack spread by 48% and unfavorable product yield due to planned and unplanned shut downs and discontinuities in operation. Certain complications arose during the start-up of the hydrocracker complex at Rijeka refinery that influenced our Q1 2011 results negatively, but starting from May 2011 it operates continuously. Reported H1 2011 operating loss amounted to HRK 554 million including HRK 83 million negative special items.

### **INA d.d. Retail segment**

Retail segment recorded an operating loss (excluding special items) of HRK 11 million in H1 2010, HRK 26 million lower result than in the same period of 2010. Higher margin in the first six months of 2011 could not compensate for the changed methodology of assets impairment<sup>1</sup> which had a positive impact in H1 2010. The reported operating loss for H1 2011 amounted to HRK 28 million and was negatively influenced by HRK 17 million special items.

### **INA d.d. Corporate Functions**

In H1 2011, Corporate Functions of INA d.d. generated an operating loss (excluding special items) of HRK 275 million, which was HRK 75 million better result compared to H1 2010 loss. Decreased loss occurred as an effect of reversal of impairments related to unused holidays and provisions for other expected liabilities. The H1 2011 performance was negatively influenced by HRK 30 million special items and reported operating loss amounted to HRK 305 million.

<sup>1</sup> Assets impairment is to be recognised at the end of the year

## Overall operations

In H1 2011, INA d.d. generated HRK 13,109 million of net sales revenues or 31% higher compared to the same period last year, primarily as a combined effect of higher revenues from refined product sales (higher prices and higher volumes) and higher sales of Syrian natural gas and crude oil (higher prices and higher volumes). Additional positive effect came from introduction of new EURO V products.

Costs of raw materials and consumables rose by 46% over H1 2010 and amounted to HRK 7,925 million, mainly because of 36% increase in crude oil average purchase price (the average price of Brent FOB Med rose by 44% on the world market) and the 2% higher refining of imported crude. The value of finished goods and work in progress inventories rose by HRK 848 million compared to the opening balance, while as at 30 June 2010 it was higher by HRK 474 million. The cost of goods sold decreased by 20% and amounted to HRK 811 million mainly as a result of soled natural gas inventories to Prirodni plin d.o.o. in Q1 2010, which was partially offset with higher purchase of imported oil products. Other material costs in the amount of HRK 689 million, increased by 3% due to higher transportation costs and higher rental fee warehouse costs. The costs of services decreased by HRK 414 million to HRK 512 million due to lower financial costs related to operations. Depreciation rose by 41% to HRK 1,039 million because of assets put in use upon completion of projects. Adjustments and provisions of HRK 508 million were HRK 271 million higher because of higher receivables impairments and higher provisions for litigation and unused holiday.

Total staff costs decreased by 4% compared to H1 2010, mainly due to lower headcount as a result of Workforce Restructuring Programme launched at the end of 2010. The headcount as at 30 June 2011 was 9,029, which represents a 9% decrease compared to the 9,974 employees as at 30 June 2010.

Financial activities in H1 2011 recorded a profit of HRK 399 million, a HRK 1,122 million increase on the H1 2010 loss. The profit tax for the first six months of 2011 amounted to HRK 605 million compared to HRK 147 calculated for the same period last year.

## *Balance sheet*

Total assets, as at 30 June 2011, amounted to HRK 30,890 million which is an increase of 2% compared to 31 December 2010. Non-current tangible and intangible assets decreased by 4%, primarily due to increased depreciation because of assets put in use upon completion of projects capital investments.

Net trade debtors amounted to HRK 2,966 million and decreased by 27%, compared to 31 December 2010, as a result of lower intercompany trade debtors.

Total INA d.d. liabilities as at 30 June 2011 amounted to HRK 17,056 million and they were 4% lower than on 31 December 2010, primarily as an effect of lower trade payables, while INA d.d. indebtedness increased by 5% to the amount of HRK 8,365 million compared to HRK 7,986 million as at 31 December 2010. Trade creditors amounted to HRK 2,613 million and were by HRK 2,054 million lower primarily due to lower intercompany payables. Liabilities for taxes and contributions increased by HRK 385 million, to the amount of HRK 1,035 million, due to higher corporate tax as a result of increased profitability.

INA d.d. total net debt amounted to HRK 8,185 million compared to HRK 7,726 million as at 31 December 2010 while the net gearing<sup>2</sup> decreased from 38.1% to 37.2% as at 31 December 2010.

## *Cash flow*

In the first six months of 2011, INA d.d. operating cash-flow before working capital changes amounted to HRK 3,917 million and increased by HRK 1,472 million in comparison with H1 2010 mostly because of increased EBITDA. The changes in working capital decreased the operating cash flow by HRK 3,116 million, mostly as a result of lower trade creditors by HRK 1,415 million and higher value of inventories by HRK 1,611 million.

<sup>2</sup> Net debt / net debt plus equity incl. minority interests

## INA, d.d. Summary Segmental Results of Operations

Q1 2011	Q2 2011	Q2 2010	%	(HRK mln)	H1 2010	H1 2011	%
				<b>Sales</b>			
1,987	2,742	1,804	52	Exploration & Production	3,955	4,729	20
3,952	4,797	3,367	42	Refining & Marketing	6,195	8,749	41
1,399	1,819	1,500	21	Retail	2,590	3,218	24
5	6	5	20	Corporate and Other	10	11	10
(1,609)	(1,989)	(1,582)	26	Inter-segment revenue	(2,727)	(3,598)	32
<b>5,734</b>	<b>7,375</b>	<b>5,094</b>	<b>45</b>	<b>Sales</b>	<b>10,023</b>	<b>13,109</b>	<b>31</b>
				<b>Operating expenses, net other income from operating activities</b>			
(572)	(617)	(176)	251	Exploration & Production	(1,088)	(1,189)	9
(4,055)	(5,248)	(3,868)	36	Refining & Marketing	(7,005)	(9,303)	33
(1,439)	(1,807)	(1,448)	25	Retail	(2,575)	(3,246)	26
(157)	(159)	(181)	(12)	Corporate and Other	(360)	(316)	(12)
1,609	1,989	1,582	26	Inter-segment eliminations	2,727	3,598	32
<b>(4,614)</b>	<b>(5,842)</b>	<b>(4,091)</b>	<b>43</b>	<b>Expenses</b>	<b>(8,301)</b>	<b>(10,456)</b>	<b>26</b>
				<b>Profit from operations</b>			
1,415	2,125	1,628	31	Exploration & Production	2,867	3,540	23
(103)	(451)	(501)	(10)	Refining & Marketing	(810)	(554)	(32)
(40)	12	52	(77)	Retail	15	(28)	n.a.
(152)	(153)	(176)	(13)	Corporate and Other	(350)	(305)	(13)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
<b>1,120</b>	<b>1,533</b>	<b>1,003</b>	<b>53</b>	<b>Profit/(loss) from operations</b>	<b>1,722</b>	<b>2,653</b>	<b>54</b>
				<b>Share in the profit of associate companies</b>			
298	101	(353)	n.a.	<b>Net profit/(loss) from financial activities</b>	<b>(723)</b>	<b>399</b>	<b>n.a.</b>
<b>1,418</b>	<b>1,634</b>	<b>650</b>	<b>151</b>	<b>Profit/(loss) before taxation</b>	<b>999</b>	<b>3,052</b>	<b>205</b>
(348)	(257)	(78)	229	Income tax	(147)	(605)	312
<b>1,070</b>	<b>1,377</b>	<b>572</b>	<b>141</b>	<b>Profit/(loss) for the period</b>	<b>852</b>	<b>2,447</b>	<b>187</b>

## INA, d.d. Summary Segmental Results of Operations

Q1 2011	Q2 2011	Q2 2010	%	Operating Profit Excluding Special Items (HRK mln)	H1 2010	H1 2011	%
1,454	2,131	1,294	65	Exploration & Production	2,533	3,585	42
(12)	(459)	(386)	19	Refining & Marketing	(695)	(471)	(32)
(24)	13	52	(75)	Retail	15	(11)	n.a.
(132)	(143)	(176)	(19)	Corporate and Other	(350)	(275)	(21)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,286	1,542	784	97	Total	1,503	2,828	88
Q1 2011	Q2 2011	Q2 2010	%	Depreciation (HRK mln)	H1 2010	H1 2011	%
290	499	272	84	Exploration & Production	512	789	54
68	90	67	35	Refining & Marketing	134	158	18
21	21	19	11	Retail	37	42	14
24	25	27	(7)	Corporate and Other	54	49	(9)
403	636	385	65	Total	737	1,039	41
Q1 2011	Q2 2011	Q2 2010	%	EBITDA* (HRK mln)	H1 2010	H1 2011	%
2,126	2,432	1,994	22	Exploration & Production	3,527	4,558	29
125	(327)	(414)	(21)	Refining & Marketing	(635)	(202)	(68)
2	35	81	(57)	Retail	76	37	(51)
(75)	(118)	(145)	(19)	Corporate and Other	(272)	(193)	(29)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
2,178	2,022	1,516	33	Total	2,696	4,200	56
Q1 2011	Q2 2011	Q2 2010	%	EBITDA Excluding Special Items* (HRK mln)	H1 2010	H1 2011	%
2,126	2,451	1,994	23	Exploration & Production	3,527	4,577	30
125	(309)	(414)	(25)	Refining & Marketing	(635)	(184)	(71)
2	49	81	(40)	Retail	76	51	(33)
(75)	(90)	(145)	(38)	Corporate and Other	(272)	(165)	(39)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
2,178	2,101	1,516	39	Total	2,696	4,279	59

\* EBITDA = EBIT + Depreciation + Impairment + Provisions

**INA—INDUSTRIJA NAFTE d.d. ZAGREB**  
**INA, d.d. Unconsolidated Income Statement**  
**For the period ended 30 June 2010 and 2011**  
**(HRK millions)**

Q1 2011	Q2 2011	Q2 2010	%	(HRK mln)	H1 2010	H1 2011	%
				Sales revenue			
3,449	3,839	3,259	18	a) Domestic	6,650	7,288	10
2,285	3,536	1,835	93	b) Exports	3,373	5,821	73
5,734	7,375	5,094	45	<b>Total sales revenue</b>	<b>10,023</b>	<b>13,109</b>	<b>31</b>
0	1	2	(50)	Income from own consumption of products and services	4	1	(75)
758	261	726	(64)	Other operating income	1,111	1,019	(8)
6,492	7,637	5,822	31	<b>Total operating income</b>	<b>11,138</b>	<b>14,129</b>	<b>27</b>
				Changes in inventories of finished products and work in progress	474	848	79
980	(132)	183	n.a.	Cost of raw materials and consumables	(5,433)	(7,925)	46
(3,958)	(3,967)	(2,732)	45	Depreciation and amortization	(737)	(1,039)	41
(403)	(636)	(385)	65	Other material costs	(669)	(689)	3
(331)	(358)	(342)	5	Service costs	(926)	(512)	(45)
(214)	(298)	(537)	(45)	Staff costs	(876)	(840)	(4)
(406)	(434)	(444)	(2)	Cost of other goods sold	(1,012)	(811)	(20)
(385)	(426)	(433)	(2)	Impairment and charges	(205)	(354)	73
(447)	93	(122)	n.a.	Provisions for charges and risks (net)	(32)	(154)	381
(208)	54	(6)	n.a.	<b>Operating expenses</b>	<b>(9,416)</b>	<b>(11,476)</b>	<b>22</b>
(5,372)	(6,104)	(4,818)	27	<b>Profit/loss from operations</b>	<b>1,722</b>	<b>2,653</b>	<b>54</b>
1,120	1,533	1,004	53	Share in the profit of associated companies			
				Finance revenue	335	600	79
428	172	309	(44)	Finance costs	(1,058)	(201)	(81)
(130)	(71)	(662)	(89)	<b>Net (loss) / profit from financial activities</b>	<b>(723)</b>	<b>399</b>	<b>n.a.</b>
298	101	(353)	n.a.	<b>Profit before tax</b>	<b>999</b>	<b>3,052</b>	<b>206</b>
1,418	1,634	651	151	Income tax	(147)	(605)	312
(348)	(257)	(78)	229	<b>Profit / (Loss) for the year</b>	<b>852</b>	<b>2,447</b>	<b>187</b>
1,070	1,377	573	140	Attributable to			
				Equity holder	852	2,447	187
1,070	1,377	573	140	Minority interest	0	0	n.a.
0	0	0	n.a.	<b>Earning per share (in HRK)</b>			
1,070	1,377	573	140	Basic and diluted earnings/(loss) per share (kunas per share) from all operations	85.2	244.7	187

**INA—INDUSTRIJA NAFTE d.d. ZAGREB**  
**INA, d.d. Unconsolidated Statement of Comprehensive Income**  
**For the period ended 30 June 2010 and 2011**  
**(HRK millions)**

Q1 2011	Q2 2011	Q2 2010	%	(HRK mln)	H1 2010	H1 2011	%
1,070	1,377	573	140	Profit/(loss) for the year	852	2,447	187
				Other comprehensive income:			
0	(673)	0	n.a.	Exchange differences arising from foreign operations	0	(673)	n.a.
11	(6)	(36)	(83)	Gains on available-for-sale investments, net	(26)	5	n.a.
11	(679)	(36)	1,786	<b>Other comprehensive income/(loss), net</b>	<b>(26)</b>	<b>(668)</b>	<b>2,469</b>
1,081	698	537	30	<b>Total comprehensive income/(loss) for the year</b>	<b>826</b>	<b>1,779</b>	<b>115</b>

INA-INDUSTRIJA NAFTE, d.d.  
INA, d.d. Unconsolidated Statement of Financial Position  
At 30 June 2010 and 2011  
(HRK millions)

30 June 2010	(mil. kn)	30 June 2010	30 June 2011	%
<b>Assets</b>				
<b>Non-current assets</b>				
827		751	838	12
19,522	Intangible assets			
	Property, plant and equipment	18,997	18,625	(2)
0	Goodwill	0	0	n.a.
1,224	Investments in subsidiaries	1,252	1,220	(3)
51	Investments in associates and joint ventures	189	52	(72)
437	Other investments	528	1,347	155
341	Long-term receivables	387	302	(22)
0	Derivative financial instruments	0	0	n.a.
223	Deferred tax	289	234	(19)
417	Available for sale assets	364	423	16
<b>23,042</b>	<b>Total non-current assets</b>	<b>22,757</b>	<b>23,041</b>	<b>1</b>
<b>Current assets</b>				
2,218	Inventories	2,826	3,679	30
1,816	Trade receivables net	1,484	1,832	23
2,229	Intercompany receivables	2,573	1,134	(56)
287	Other receivables	322	471	46
0	Derivative financial instruments	11	6	(45)
253	Other current assets	199	318	60
99	Prepaid expenses and accrued income	215	229	7
260	Cash and cash equivalents	248	180	(27)
<b>7,162</b>	<b>Current assets</b>	<b>7,878</b>	<b>7,849</b>	<b>(0)</b>
12	Assets classified as held for sale	0	0	n.a.
<b>7,174</b>	<b>Current assets</b>	<b>7,878</b>	<b>7,849</b>	<b>(0)</b>
<b>30,216</b>	<b>Total assets</b>	<b>30,635</b>	<b>30,890</b>	<b>1</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
9,000	Share capital	9,000	9,000	0
27	Revaluation reserve	(16)	32	n.a.
1,952	Other reserves	1,952	1,279	(34)
1,556	Retained earnings / (Deficit)	(211)	1,076	n.a.
0	Profit/loss for the year	852	2,447	187
<b>12,535</b>	<b>Equity attributable to equity holder of the parent</b>	<b>11,577</b>	<b>13,834</b>	<b>19</b>
0	Non-controlling interests	0	0	n.a.
<b>12,535</b>	<b>Total equity</b>	<b>11,577</b>	<b>13,834</b>	<b>19</b>
<b>Non-current liabilities</b>				
7,148	Long-term loans	5,935	5,322	(10)
117	Other non-current liabilities	121	112	(7)
84	Employee benefits obligation	86	87	1
2,563	Provisions	2,274	2,882	27
<b>9,912</b>	<b>Total non-current liabilities</b>	<b>8,416</b>	<b>8,403</b>	<b>(0)</b>
<b>Current liabilities</b>				
838	Bank loans and overdrafts	1,576	3,043	93
1,233	Current portion of long-term debt	1,494	1,563	5
0	Calculated derivative agreements	0	0	n.a.
3,056	Intercompany payables	3,816	597	(84)
1,611	Trade payables	2,377	2,016	(15)
650	Taxes and contributions	875	1,035	18
114	Other current liabilities	183	177	(3)
58	Accruals and deferred income	114	97	(15)
8	Employee benefits obligation	9	7	(22)
201	Provisions	198	118	(40)
<b>7,769</b>	<b>Current liabilities</b>	<b>10,642</b>	<b>8,653</b>	<b>(19)</b>
0	Liabilities directly associated with assets classified held for sale	0	0	n.a.
<b>7,769</b>	<b>Total current liabilities</b>	<b>10,642</b>	<b>8,653</b>	<b>(19)</b>
<b>17,681</b>	<b>Total liabilities</b>	<b>19,058</b>	<b>17,056</b>	<b>(11)</b>
<b>30,216</b>	<b>Total equity and liabilities</b>	<b>30,635</b>	<b>30,890</b>	<b>1</b>



**INA—INDUSTRIJA NAFTE d.d. ZAGREB**  
**INA, d.d. Unconsolidated Statement of Cash Flow**  
**For the period ended 30 June 2010 and 2011**  
**(HRK millions)**

Q1 2011	Q2 2011	Q2 2010	%	(HRK mln)	H1 2010	H1 2011	%
1,070	1,377	573	140	Profit/(loss) for the year	852	2,447	(65)
				Adjustments for:			
403	636	385	65	Depreciation and amortisation	737	1,039	(29)
348	257	78	229	Income tax (benefit)/expenses recognized in (loss)/profit	147	605	(76)
447	(93)	122	n.a.	Impairment charges (net) and reversal impairment	205	354	(42)
0	(108)	(678)	(84)	Reversal of impairment	(678)	(108)	528
(2)	(2)	(2)	0	Gain on sale of property, plant and equipment	(4)	(4)	0
0	0	0	n.a.	Gain on sale of shares or stocks	0	0	n.a.
(311)	(52)	824	n.a.	Foreign exchange loss/(gain)	1,305	(363)	n.a.
(105)	(18)	(3)	620	Interest expense (net)	9	(123)	n.a.
(35)	(33)	(84)	(60)	Other financial expense recognised in profit	(240)	(68)	253
0	0	0	n.a.	Decommissioning interests	0	0	n.a.
109	(48)	(13)	269	Increase in provisions	29	61	(52)
0	0	0	n.a.	Reversal of impairment	0	0	n.a.
30	24	36	(33)	Decommissioning interests	71	54	31
0	23	12	92	Change in provision for charges and risks and other non-cash items	12	23	(48)
<b>1,954</b>	<b>1,963</b>	<b>1,251</b>	<b>57</b>	<b>Operating cash flow before working capital changes</b>	<b>2,445</b>	<b>3,917</b>	<b>(38)</b>
				Movements in working capital			
(1,510)	(101)	(142)	(29)	(Increase)/decrease in inventories	(443)	(1,611)	(73)
(105)	15	(582)	n.a.	(Increase)/decrease in receivables and prepayments	(1,162)	(90)	1,191
(2,025)	610	(771)	n.a.	(Decrease)/increase in trade and other payables	(692)	(1,415)	(51)
0	0	0	n.a.	Decrease/(increase) in provisions	0	0	n.a.
<b>(1,686)</b>	<b>2,487</b>	<b>(244)</b>	<b>n.a.</b>	<b>Cash generated from operations</b>	<b>148</b>	<b>801</b>	<b>(82)</b>
0	0	0	n.a.	Taxes paid	0	0	n.a.
<b>(1,686)</b>	<b>2,487</b>	<b>(244)</b>	<b>n.a.</b>	<b>Net cash inflow from operating activities</b>	<b>148</b>	<b>801</b>	<b>(82)</b>
				Cash flows used in investing activities			
(77)	(422)	(739)	(43)	Payments for property, plant and equipment	(1,327)	(499)	166
(18)	(30)	40	n.a.	Payment for intangible assets	(68)	(48)	42
2	3	2	50	Proceeds from sale of non-current assets	4	5	(20)
0	0	0	n.a.	Payment related to sale of subsidiaries	0	0	n.a.
0	0	0	n.a.	Acquisition of investments in associates and joint ventures and other companies	0	0	n.a.
57	(56)	0	n.a.	Dividends received from companies classified under available for sale and other companies	2	1	100
0	81	272	(70)	Proceeds from profit of companies	272	81	236
0	0	0	n.a.	Interest received	0	0	n.a.
(219)	(663)	120	n.a.	Investments and loans to third parties, net	(27)	(882)	(97)
<b>(255)</b>	<b>(1,087)</b>	<b>(305)</b>	<b>256</b>	<b>Net cash (outflow) used for investing activities</b>	<b>(1,144)</b>	<b>(1,342)</b>	<b>(15)</b>
				Cash flows from financing activities			
26	0	300	n.a.	Additional long-term borrowings	439	26	1,588
(1,200)	(33)	(97)	(66)	Repayment of long-term borrowings	(113)	(1,233)	(91)
5,224	4,236	580	630	Additional short-term borrowings	1,022	9,460	(89)
(2,085)	(5,163)	(107)	4,725	Repayment of short term borrowings	(107)	(7,248)	(99)
0	0	(7)	n.a.	Interest paid on long-term loans	(16)	0	n.a.
(2)	(2)	(2)	0	Other long-term liabilities, net	(4)	(4)	0
0	(480)	0	n.a.	Dividends paid	0	(480)	n.a.
(22)	(30)	(32)	(6)	Interest paid on short term loans and other financing charges	(47)	(52)	(10)
<b>1,941</b>	<b>(1,472)</b>	<b>635</b>	<b>n.a.</b>	<b>Net cash from financing activities</b>	<b>1,174</b>	<b>469</b>	<b>150</b>
0	(72)	86	n.a.	Net (decrease)/increase in cash and cash equivalents	178	(72)	n.a.
260	265	160	66	At 1 January	68	260	(74)
5	(13)	3	n.a.	Effect of foreign exchange rate changes	3	(8)	n.a.
265	180	249	(28)	At the end of period	249	180	38

**INA – INDUSTRIJA NAFTE, d.d.**  
**INA d.d. Unconsolidated Statement of Changes in Equity**  
**For the period ended 30 June 2010 and 2011**  
**(HRK million)**

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total
<b>Balance as at 1 January 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>10</b>	<b>(211)</b>	<b>10,751</b>
Profit / loss for the year	0	0	0	852	852
Other comprehensive income, net	0	0	(26)	0	(26)
Total comprehensive income for the year	0	0	(26)	852	826
Dividends payable	0	0	0	0	0
<b>Balance as at 30 June 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>(16)</b>	<b>641</b>	<b>11,577</b>
	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total
<b>Balance as at 1 January 2011</b>	<b>9,000</b>	<b>1,952</b>	<b>27</b>	<b>1,556</b>	<b>12,535</b>
Profit / loss for the year	0	0	0	2,447	2,447
Other comprehensive income, net	0	(673)	5	0	(668)
Total comprehensive income for the year	0	(673)	5	2,447	1,779
Dividends payable	0	0	0	(480)	(480)
<b>Balance as at 30 June 2011</b>	<b>9,000</b>	<b>1,279</b>	<b>32</b>	<b>3,523</b>	<b>13,834</b>

## Capital Expenditure

Q1 2011	Q2 2011	Q2 2010	%	Capital Expenditures (HRK mln)	H1 2010	H1 2011	%
163	133	261	(49)	Exploration & Production	772	296	161
98	104	390	(73)	Refining & Marketing	716	202	254
8	33	7	371	Retail	8	41	(80)
(4)	13	5	160	Corporate & other	4	9	(56)
265	283	663	(57)	Total	1,500	548	174

Q1 2011	Q2 2011	Q2 2010	%	Capital Expenditures - Tangible Assets (HRK mln)	30 June 2010	30 June 2011	%
138	122	298	(59)	Exploration & Production	697	260	168
98	104	390	(73)	Refining & Marketing	716	202	254
8	33	7	371	Retail	8	41	(80)
(4)	1	2	(50)	Corporate & other	1	(3)	n.a.
240	260	697	(63)	Total	1,422	500	184

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10	31 March 11	30 June 11
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,725,620	4,725,620
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	790,828	790,828
<b>Total</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>

Source: Central Clearing Depository Company

## Changes in organisation, Management Board or Supervisory Board

### Supervisory Board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on January 17, 2011 Ivan Šuker, Tomislav Ivić and Božidar Pankretić were recalled and Davor Štern, Gordana Sekulić and Damir Vandelić were appointed supervisory board members with the term of office until 13 June 2013. At the meeting held on January 17, 2011 the Supervisory Board of INA-Industrija nafte d.d. Zagreb appointed Mr Davor Štern a new Chairman of the Supervisory Board.

In accordance with the article 163., paragraph 3. of the Labour Act (official Gazette 149/09), in connection with the article 256, paragraph 2 of the Companies Act (official Gazette 118/03) elections for the INA, d.d. Supervisory Board Employee representative were held on 12 May 2011. Mrs Maja Rilović was elected as the Employee representative in the Supervisory Board of INA, d.d. with the term of office starting from May 24, 2011.

### Management Board

During the circular voting procedure on February 10, 2011 INA Supervisory Board appointed three new members of INA Management Board. The new members of INA Management Board are Niko Dalić, Ivan Krešić and Davor Mayer, all three appointed with the mandate starting from 11th February 2011 until 1st April 2015. At the same session Tomislav Dragičević, Josip Petrović and Dubravko Tkalčić were recalled from the duty of the members of INA Management Board as of 10th February 2011. Besides, the term of office of Mr. Attila Holoda and Mr. Lajos Alacs as members of INA Management Board is extended for the period until April 1st, 2015.

On the session of the Supervisory Board of INA-INDUSTRIJA NAFTE d.d. held on June 7th, 2011, two new members of the Management Board were appointed. New Management Board members are dr. Pál Kara and Péter Ratatics, both appointed with the mandate starting as of June 9, 2011 until April 1, 2015. At the same session, Supervisory Board accepted the resignation of Attila Holoda and Lajos Alács from the position of the members of the Management Board as of June 8, 2011.

The Management Board of INA – Industrija nafte, d.d. at its session held on June 14, 2011 recalled Mr. Bojan Milković from the duties of CEO and Executive director for exploration and production as of June 14, at his own request.

At the same session the Management Board appointed Mr. Želimir Šikonja to the position of Executive director for exploration and production of oil and gas for indefinite period of time.

The Management Board unanimously prolonged authorization of its President, Mr. Zoltán Áldott, for the supervision of functions directly subordinated to Chief Executive Officer for the period of 90 days or until further decision.

### Management representation

INA Group's consolidated financial statements for Q2 and H1, 2011 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
Niko Dalić	Member
Pal Zoltan Kara	Member
Ivan Krešić	Member
Davor Mayer	Member
Peter Ratatics	Member

INA,d.d.

Condensed Interim Financial Statements with Notes for the  
period ended 30 June 2011

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INA, d.d.  
Condensed Unconsolidated Income Statement  
For the period ended 30 June 2011  
(all amounts in HRK millions)  
(unaudited)

	Notes	Six months ended:		Three months ended:	
		30 June 2011	30 June 2010	30 June 2011	30 June 2010
Sales revenue					
a) domestic		7,288	6,650	3,839	3,259
b) exports		5,821	3,373	3,536	1,835
<b>Total sales revenue</b>	3	<b>13,109</b>	<b>10,023</b>	<b>7,375</b>	<b>5,094</b>
Income from own consumption of products and services		1	4	1	2
Other operating income		1,019	1,111	261	726
<b>Total operating income</b>		<b>14,129</b>	<b>11,138</b>	<b>7,637</b>	<b>5,822</b>
Changes in inventories of finished products and work in progress		848	474	(132)	183
Cost of raw materials and consumables		(7,925)	(5,433)	(3,967)	(2,732)
Depreciation and amortisation		(1,039)	(737)	(636)	(385)
Other material costs		(689)	(669)	(358)	(342)
Service costs		(512)	(926)	(298)	(537)
Staff costs	5	(840)	(876)	(434)	(444)
Cost of other goods sold		(811)	(1,012)	(426)	(433)
Impairment and charges (net)		(354)	(205)	93	(122)
Provision for charges and risks (net)		(154)	(32)	54	(6)
<b>Operating expenses</b>		<b>(11,476)</b>	<b>(9,416)</b>	<b>(6,104)</b>	<b>(4,818)</b>
<b>Profit from operations</b>		<b>2,653</b>	<b>1,722</b>	<b>1,533</b>	<b>1,004</b>
Finance income		600	335	172	309
Finance costs		(201)	(1,058)	(71)	(662)
<b>Net profit/(loss) from financial activities</b>		<b>399</b>	<b>(723)</b>	<b>101</b>	<b>(353)</b>
<b>Profit/(loss) before tax</b>		<b>3,052</b>	<b>999</b>	<b>1,634</b>	<b>651</b>
Income tax expense	6	(605)	(147)	(257)	(78)
<b>Profit/(loss) for the year</b>		<b>2,447</b>	<b>852</b>	<b>1,377</b>	<b>573</b>
<b>Attributable to:</b>					
Owners of the Company		2,447	852	1,377	573
Non-controlling interests		-	-	-	-
		<b>2,447</b>	<b>852</b>	<b>1,377</b>	<b>573</b>
<b>Earnings/(loss) per share</b>					
Basic and diluted earnings/(loss) per share (kunas per share)	7	244.7	85.2	137.7	57.3

INA, d.d.

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2011

(all amounts in HRK millions)

(unaudited)

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	<u>Six months ended:</u>		<u>Three months ended:</u>	
Notes	<u>30 June 2011</u>	<u>30 June 2010</u>	<u>30 June 2011</u>	<u>30 June 2010</u>
<b>Profit/(loss) for the year</b>	<b><u>2,447</u></b>	<b><u>852</u></b>	<b><u>1,377</u></b>	<b><u>573</u></b>
Other comprehensive income/(loss):				
Exchange differences arising from foreign operations	(673)	-	(673)	-
Gains on available-for-sale investments, net	<u>5</u>	<u>(26)</u>	<u>(6)</u>	<u>(36)</u>
<b>Other comprehensive income, net</b>	<b><u>(668)</u></b>	<b><u>(26)</u></b>	<b><u>(679)</u></b>	<b><u>(36)</u></b>
<b>Total comprehensive income/(loss) for the year</b>	<b><u>1,779</u></b>	<b><u>826</u></b>	<b><u>698</u></b>	<b><u>537</u></b>

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



INA, d.d.

Condensed Unconsolidated Statement of Financial Position

At 30 June 2011

(all amounts in HRK millions)

(unaudited)

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<b>ASSETS</b>	<b>Notes</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Non-current assets</b>			
Intangible assets	8	838	827
Property, plant and equipment	9	18,625	19,522
Investment in subsidiaries		1,220	1,224
Investments in associates and joint ventures		52	51
Other investments		1,347	437
Long-term receivables		302	341
Deferred tax		234	223
Available for sale assets		423	417
<b>Total non – current assets</b>		<b>23,041</b>	<b>23,042</b>
<b>Current assets</b>			
Inventories		3,679	2,218
Intercompany receivables		1,134	2,229
Trade receivables, net		1,832	1,816
Other receivables		471	287
Derivative financial instruments		6	0
Other current assets		318	253
Prepaid expenses and accrued income		229	99
Cash and cash equivalents		180	260
		<b>7,849</b>	<b>7,162</b>
Assets classified as held for sale		-	12
<b>Total current assets</b>		<b>7,849</b>	<b>7,174</b>
<b>TOTAL ASSETS</b>		<b>30,890</b>	<b>30,216</b>

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 June 2011

(all amounts in HRK millions)

(unaudited)

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
<b>Capital and reserves</b>			
Share capital	10	9,000	9,000
Revaluation reserve		32	27
Other reserves		1,279	1,952
Retained earnings	11	3,523	1,556
<b>TOTAL EQUITY</b>		<b>13,834</b>	<b>12,535</b>
<b>Non – current liabilities</b>			
Long-term loans		5,322	7,148
Other non-current liabilities		112	117
Employee benefit obligation		87	84
Provisions		2,882	2,563
<b>Total non-current liabilities</b>		<b>8,403</b>	<b>9,912</b>
<b>Current liabilities</b>			
Bank loans and overdrafts		3,043	838
Current portion of long-term loans		1,563	1,233
Intercompany payables		597	3,056
Trade payables		2,016	1,611
Taxes and contributions		1,035	650
Other current liabilities		177	114
Accruals and deferred income		97	58
Employee benefit obligation		7	8
Provisions		118	201
		8,653	7,769
Liabilities directly associated with assets classified held for sale		-	-
<b>Total current liabilities</b>		<b>8,653</b>	<b>7,769</b>
<b>TOTAL LIABILITIES</b>		<b>17,056</b>	<b>17,681</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30,890</b>	<b>30,216</b>

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 Changes in Equity

For the period ended 30 June 2011

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Total
<b>Balance at 1 January 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>10</b>	<b>(211)</b>	<b>10,751</b>
Profit for the year	-	-	-	852	852
Other comprehensive income, net	-	-	(26)	-	(26)
<b>Total comprehensive profit for the year</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>852</b>	<b>826</b>
<b>Balance at 30 June 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>(16)</b>	<b>641</b>	<b>11,577</b>
<b>Balance at 1 January 2011</b>	<b>9,000</b>	<b>1,952</b>	<b>27</b>	<b>1,556</b>	<b>12,535</b>
Profit for the year	-	-	-	2,447	2,447
Other comprehensive loss, net	-	(673)	5	-	(668)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(673)</b>	<b>5</b>	<b>2,447</b>	<b>1,779</b>
Dividends paid	-	-	-	(480)	(480)
<b>Balance at 30 June 2011</b>	<b>9,000</b>	<b>1,279</b>	<b>32</b>	<b>3,523</b>	<b>13,834</b>

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

INA, d.d.  
**Condensed Unconsolidated Cash Flow Statement**  
For the period ended 30 June 2011  
*(all amounts in HRK millions)*  
*(unaudited)*

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	<b>Six months ended:</b>	
<b>Notes</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
<b>Profit/(loss) for the year</b>	<b>2,447</b>	<b>852</b>
<b>Adjustments for:</b>		
Depreciation and amortisation	1,039	737
Income tax (benefit)/expense recognized in (loss)/profit	605	147
Impairment charges (net)	354	205
Reversal of impairment	(108)	(678)
Gain on sale of property, plant and equipment	(4)	(4)
Gain on sale investments and shares	-	-
Foreign exchange loss/(gain)	(363)	1,305
Interest expense (net)	(123)	9
Other finance expense recognised in profit	(68)	(240)
Increase in provisions	61	29
Decommissioning interests	54	71
Other non-cash item	23	12
	<b>3,917</b>	<b>2,445</b>
<b>Movements in working capital</b>		
(Increase) in inventories	(1,611)	(443)
(Increase) in receivables and prepayments	(90)	(1,162)
(Decrease) / increase in trade and other payables	(1,415)	(692)
<b>Cash generated from operations</b>	<b>801</b>	<b>148</b>
Taxes paid	-	-
<b>Net cash inflow from operating activities</b>	<b>801</b>	<b>148</b>
<b>Cash flows used in investing activities</b>		
Payments for property, plant and equipment	(499)	(1,327)
Payments for intangible assets	(48)	(68)
Proceeds from sale of non-current assets	5	4
	-	-
Dividends received from companies classified as available for sale and from other companies	1	2
Proceeds from profit of companies	81	272
Interest received	-	-
Investments and loans to third parties, (net)	(882)	(27)
<b>Net cash used for investing activities</b>	<b>(1,342)</b>	<b>(1,144)</b>

INA, d.d.  
 Condensed Unconsolidated Cash Flow Statement  
 For the period ended 30 June 2011  
 (all amounts in HRK millions)  
 (unaudited)

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	<b>Six months ended:</b>	
<b>Notes</b>	<b><u>30 June 2011</u></b>	<b><u>30 June 2010</u></b>
<b>Cash flows from financing activities</b>		
Additional long-term borrowings	26	439
Repayment of long-term borrowings	(1,233)	(113)
Additional short-term borrowings	9,460	1,022
Repayment of short-term borrowings	(7,248)	(107)
Dividend paid	(480)	-
Interest paid on long-term loans	-	(16)
Other long-term liabilities, (net)	(4)	(4)
Interest paid on short-term loans and other financing charges	(52)	(47)
	<b><u>469</u></b>	<b><u>1,174</u></b>
<b>Net cash from financing activities</b>		
	<b>(72)</b>	<b>178</b>
<b>Net increase in cash and cash equivalents</b>		
At 1 January	260	68
Effect of foreign exchange rate changes	(8)	3
	<b><u>180</u></b>	<b><u>249</u></b>
<b>At 30 June</b>		

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 2011. 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 INA` s financial statement for the year ended 31 December 2010.

### ***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:

#### *New and revised IFRSs applied with no material effect on the consolidated financial statements*

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- 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),

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Adoption of new and revised standards (continued)**

#### *Standards and Interpretations effective in the current period (continued)*

- 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.

#### *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:

- Amendments to IFRS 1 “First –time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IFRS 7 “Financial Instruments - Disclosure” – Disclosures – Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- IAS 12 “Income tax”, as amended in December 2010, (effective for annual periods beginning on or after 1 January 2012),
- IFRS 9 “Financial Instruments”, as amended in 2010, (effective for annual periods beginning on or after 1 January 2013),
- IFRS 10 “Consolidated Financial Statements”, published on May 2011, supersedes the previous version of IAS 27 (2008) “Consolidated and Separate Financial Statements”, (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 “Joint Arrangements”, published on May 2011, superseded IAS 31 “Interests in Joint Ventures” (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 “Disclosure of Interests in Other Entities”, published on May 2011 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 “Fair Value Measurement”, published on May 2011 (effective for annual periods beginning on or after 1 January 2013),

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***Adoption of new and revised standards (continued)***

#### *Standards and Interpretations in issue not yet adopted (continued)*

- IAS 27 “Separate Financial Statements” (as amended in 2011), consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 “Consolidated Financial Statements”, (effective date of IAS 27 (as amended in 2011) for annual periods beginning on or after 1 January 2013),
- IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures” issued. This version supersedes IAS 28 (2003) “Investments in Associates” (effective date of IAS 28 (as amended in 2011) for annual periods beginning on or after 1 January 2013).

INA 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 INA,d.d..

## **3. 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



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### 3. SEGMENT INFORMATION (continued)

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

30 June 2011	Exploration and production	Refining and marketing	Retail	Corporate and other	Intersegment transfers	Total
Sales to external customers	3,682	6,198	3,218	11	-	13,109
Inter-segment sales	1,047	2,551	-	-	(3,598)	-
<b>Total revenue</b>	<b>4,729</b>	<b>8,749</b>	<b>3,218</b>	<b>11</b>	<b>(3,598)</b>	<b>13,109</b>
Operating expenses, net of other operating income	(1,189)	(9,303)	(3,246)	(316)	3,598	(10,456)
<b>Profit from operations net of other income</b>	<b>3,540</b>	<b>(554)</b>	<b>(28)</b>	<b>(305)</b>	-	<b>2,653</b>
Net finance income						399
Profit before tax						3,052
Income tax expense						(605)
<b>Profit for the year</b>						<b>2,447</b>

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### 3. SEGMENT INFORMATION (continued)

30 June 2010	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total
Sales to external customers	3,166	4,257	2,590	10	-	10,023
Inter-segment sales	789	1,938	-	-	(2,727)	-
<b>Total revenue</b>	<b>3,955</b>	<b>6,195</b>	<b>2,590</b>	<b>10</b>	<b>(2,727)</b>	<b>10,023</b>
Operating expenses, net of other operating income	(1,088)	(7,005)	(2,575)	(360)	2,727	(8,301)
<b>Profit/(loss) from operations net of other income</b>	<b>2,867</b>	<b>(810)</b>	<b>15</b>	<b>(350)</b>	<b>-</b>	<b>1,722</b>
Net finance income/(income)						(723)
Profit/(loss) before tax						999
Income tax expense/(benefit)						(147)
<b>Profit/(loss) for the year</b>						<b>852</b>

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**3. SEGMENT INFORMATION (continued)**

INA, d.d.

<b>30 June 2011</b>	<b>Exploration and production</b>	<b>Refining and marketing</b>	<b>Retail</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Total</b>
<b>Assets and liabilities</b>						
Property, plant and equipment	10,947	6,634	820	224	-	18,625
Intangible assets	746	4	2	86	-	838
Investments in subsidiaries	648	304	(3)	271	-	1,220
Investments in associates and joint ventures	34	18	-	-	-	52
Inventories	290	3,226	49	114	-	3,679
Trade receivables, net	1,518	1,021	390	35	(1,132)	1,832
	-	-	-	-	-	-
Not allocated assets						4,644
<b>Total assets</b>						<b>30,890</b>
Trade payables	307	1,811	162	332	(596)	2,016
Not allocated liabilities						15,040
<b>Total liabilities</b>						<b>17,056</b>
<b>Other segment information</b>						
<b>Capital expenditure:</b>	<b>296</b>	<b>202</b>	<b>41</b>	<b>9</b>	-	<b>548</b>
Property, plant and equipment	260	202	41	(3)	-	500
Intangible assets	36	-	-	12	-	48
<b>Depreciation and amortisation</b>	<b>790</b>	<b>158</b>	<b>42</b>	<b>49</b>	-	<b>1,039</b>
From this: Impairment losses recognized in profit and loss	60	-	-	-	-	60

INA, d.d.

Notes to Condensed Unconsolidated Financial Statements

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(all amounts in HRK millions)

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**3. SEGMENT INFORMATION (continued)**

INA, d.d.

<b>31 December 2010</b>	<b>Exploration and production</b>	<b>Refining and marketing</b>	<b>Retail</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Total</b>
<b>Assets and liabilities</b>						
Property, plant and equipment	11,868	6,590	820	244	-	19,522
Intangible assets	712	5	4	106	-	827
Investment in subsidiaries	648	308	(3)	271	-	1,224
Investments in associates and joint ventures	22	29	-	-	-	51
Inventories	229	1,930	59	-	-	2,218
Trade receivables, net	2,607	1,054	314	70	(2,229)	1,816
Not allocated assets						4,558
<b>Total assets</b>						<b>30,216</b>
Trade payables	626	3,516	189	336	(3,056)	1,611
Not allocated liabilities						16,070
<b>Total liabilities</b>						<b>17,681</b>
<b>Other segment information</b>						
<b>Capital expenditure:</b>	<b>1,404</b>	<b>1,328</b>	<b>48</b>	<b>36</b>	<b>-</b>	<b>2,816</b>
Property, plant and equipment	1,224	1,328	48	12	-	2,612
Intangible assets	180	-	-	24	-	204
<b>Depreciation and amortisation</b>	<b>1,007</b>	<b>293</b>	<b>75</b>	<b>108</b>	<b>-</b>	<b>1,483</b>
From this: Impairment losses recognized in profit and loss	(443)	-	(62)	-	-	(505)

#### **4. 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'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.

#### **5. STAFF COSTS**

For the period ending 30 June 2011, in staff cost is presented cost of net salaries in the amount of 416 million HRK, cost of employee income tax in the amount 199 million HRK, tax on payroll in the amount 105 million HRK and other payroll related costs in the amount 120 million HRK. For the period ending 30 June 2010, in staff cost is presented cost of net salaries in the amount in the amount 439 million HRK, tax on payroll in the amount 243 million HRK, tax on payroll in the amount 116 million HRK, and other payroll related costs in the amount 78 million HRK.

#### **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 31 December 2010 and 20% for the period ending 30 June 2011.

## 7. EARNINGS PER SHARE

	Six months ended:	
	30 June 2011	30 June 2010
<b>Basic and diluted earnings/(loss) per share (in HRK)</b>	<b>244.7</b>	<b>85.2</b>
<b>Earnings</b>	<b>Six months ended:</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
Earnings used in the calculation of total basic earnings per share (profit/(loss) for the period attributable to equity holders of the parent)	2,447	852
	<b>2,447</b>	<b>852</b>
<b>Number of shares</b>	<b>Six months ended:</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

## 8. INTANGIBLE ASSETS

In the period ending June 30<sup>th</sup>, 2011, INA d.d. invested HRK 48 million in intangible assets. The effect of depreciation equals HRK 36 million. Transfer on tangible assets equals HRK 1 million.

## 9. PROPERTY, PLANT AND EQUIPMENT

In the period ending June 30<sup>th</sup>, 2011, INA d.d. invested HRK 500 million in property, plant and equipment. Capitalised decommissioning costs increased the value of assets by HRK 261 million. Retranslation of changes in U.S. dollar on oil and gas fields decreased net book value of INA in amount of HRK 659 million. Reversal of impairment in INA d.d. was HRK 5 million. The effect of depreciation reduced book value in amount of HRK 1.003 million. Disposal of assets was HRK 1 million. Transfer from intangible assets increased the value of tangible assets in amount of HRK 1 million. Assets value adjusting in Sisak refinery decreased book value of tangible assets in amount of HRK 1 million.

## 10. SHARE CAPITAL

Issued capital as at 30 June 2011 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.

## 11. RETAINED EARNINGS

	<b>INA, d.d. (Matica)</b>
	<b>Retained earnings/ (Accumulated deficit)</b>
Net payroll	<b>1.556</b>
Contributions for pensions and health insurance	(480)
Other payroll related costs	<u>2.447</u>
<b>Balance at 30 June 2011</b>	<b><u>3.523</u></b>

## **12. RELATED PARTY TRANSACTIONS**

INA 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 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.



## 12. 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	
	Six months ended:		Six months ended:	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
<b>Foreign related companies</b>				
Interina Ltd Guernsey	-	1,158	-	159
Holdina Sarajevo	394	225	-	16
Interina d.o.o. Ljubljana	14	11	-	-
Interina Ltd London	-	-	-	4,738
Adriagas Milano	-	-	-	2
INA Crna Gora d.o.o Podgorica	30	23	-	-
INA Beograd d.o.o Beograd	50	46	-	-
<b>Domestic related companies</b>				
Crosco Grupa	7	3	45	88
Osijek Petrol d.d.	69	211	-	-
Proplin d.o.o. Zagreb	226	227	77	22
STSI d.o.o. Zagreb	7	8	97	250
Maziva Zagreb d.o.o. Zagreb	53	44	26	4
ITR d.o.o. Zagreb	2	1	11	13
Sinaco d.o.o. Zagreb	2	1	53	62
Hostin d.o.o. Zagreb	-	-	-	3
Prirodni plin d.o.o. Zagreb	2,327	2,188	105	43
Polybit d.o.o.	-	-	-	-
<b>Companies available for sale</b>				
JANAF d.d. Zagreb	1	-	23	20
<b>Strategic partner</b>				
MOL Plc	292	153	281	738
<b>Companies controlled by strategic partner</b>				
Tifon d.o.o.	348	57	3	-
Moltrade Mineralimpex Zrt.	-	-	1,141	8
Slovnaft, a.s.	1	-	18	-
Slovnaft, Petrochemicals s.r.o.	-	-	-	-
Mol Lub Kft.	-	-	1	1
MOL SLOVENIJA d.o.o.	4	-	-	-
IES-Italiana Energia e Servizi s.p.a.	13	-	-	-
TVK Nyrt.	-	-	1	1
Intermol d.o.o.	3	22	-	-
Energopetrol d.d.	220	162	-	-
Geophysical services Ltd.	-	-	-	15

## 12. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	<u>Sales of goods</u>		<u>Purchase of goods</u>	
	Six months ended:		Six months ended:	
	<u>30 June 2011</u>	<u>30 June 2010</u>	<u>30 June 2011</u>	<u>30 June 2010</u>
<b>Companies controlled by the State</b>				
Hrvatska elektroprivreda	111	196	58	83
Hrvatske željeznice	-	25	26	21
Croatia osiguranje	-	2	31	31
Hrvatske vode	-	-	11	10
Hrvatska pošta	-	-	1	1
MORH	34	25	-	-
Jadrolinija	63	51	1	2
Narodne novine	- -	-	-	1
Croatia Airlines	105	72	-	-
Petrokemija Kutina	-	6	-	-
Plinacro	-	-	-	-
Hrvatske autoceste	-	-	29	26
Podzemno skladište plina Okoli	1	1	-	-

## 12. 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	
	31 December		31 December	
	30 June 2011	2010	30 June 2011	2010
<b>Foreign related companies</b>				
Interina Ltd Guemsey	-	-	121	128
Holdina Sarajevo	116	81	7	5
Interina d.o.o. Ljubljana	1	3	-	-
Interina Ltd London	-	-	100	2.183
Adriagas Milano	-	-	-	1
INA Crma Gora d.o.o Podgorica	10	15	-	-
INA Beograd d.o.o Beograd	16	7	-	-
<b>Domestic related companies</b>				
Crosco Grupa	2	2	31	50
Osijek Petrol d.d.	52	123	1	1
Proplin d.o.o. Zagreb	104	109	20	22
STSI d.o.o. Zagreb	3	8	94	173
Maziva Zagreb d.o.o. Zagreb	25	21	15	28
ITR d.o.o. Zagreb	2	-	9	14
Sinaco d.o.o. Zagreb	1	1	33	36
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	968	2.271	137	346
<b>Companies available for sale</b>				
JANAF d.d. Zagreb	-	-	-	4
<b>Strategic partner</b>				
MOL Plc	57	30	42	609
<b>Companies controlled by strategic partner</b>				
Tifon d.o.o.	45	99	1	6
Moltrade Mineralimpex Zrt.	-	-	126	-
Slovnaft, a.s.	-	-	6	1
Slovnaft, Petrochemicals s.r.o.	1	-	-	-
Mol Lub Kft.	-	-	-	-
MOL SLOVENIJA d.o.o.	2	-	-	-
IES-Italiana Energia e Servizi s.p.a.	1	-	-	-
TVK Nyrt.	-	-	1	1
Intermol d.o.o.	3	-	-	-
Energopetrol d.d.	30	34	-	-
Geophysical services Ltd.	-	-	-	-

## 12. 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	
	31 December		31 December	
	30 June 2011	2010	30 June 2011	2010
<b>Companies controlled by the State</b>				
Hrvatska elektroprivreda	108	209	15	7
Hrvatske željeznice	1	1	7	13
Croatia osiguranje	-	-	-	1
Hrvatske vode	-	-	3	3
Hrvatska pošta	2	2	-	-
MORH	17	14	-	-
Hrvatske šume	7	5	-	-
Jadrolinija	45	33	1	-
Narodne novine	-	-	-	-
Croatia Airlines	43	24	-	-
Petrokemija Kutina	-	194	-	-
Plinacro	-	-	4	-
Hrvatske autoceste	1	1	4	5
Podzemno skladište plina Okoli	-	-	-	6

## 13. SUBSEQUENT EVENTS

### *Receivables collection procedure*

12 July 2011 the procedure for enforced collection of the total overdue receivables in the amount of more than 68 million HRK from company DIOKI was initiated related to the delivered ethane from INA, d.d. and delivered natural gas from Prirodni plin, d.o.o. As the next step, INA is considering delivery suspension of ethane and natural gas. INA has shown maximum flexibility in the effort to achieve mutual agreement with the company with which INA has a long partnership relation and has continued with regular deliveries of natural gas and ethane to DIOKI, despite DIOKI's high liabilities in the last two years. Intensive talks have been initiated during which Dioki hasn't offered an acceptable solution. DIOKI has also not paid its debt until day. This is therefore a necessary business move in the order to protect INA's business operations.