

ENCLOSURE 1

Reporting period:

1 January 2011

to

31 March 2011

Quartely Financial Report TFI-POD

Tax number (MB): 03586243

Registration number (MBS): 08000604

Personal identification
number (OIB): 27759560625

Issuer: INA - Industrija nafte d.d.

Postal code and location: 10000

Zagreb

Street and number: Avenija Većeslava Holjevca 10

E-mail:

Internet address: www.ina.hr

Code and city / municipality: 133 Zagreb

Code and county: 21 Grad Zagreb

Number of employees:
(at the end of year)

Consolidated Report: NO

Business activity code: 8930

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office: INA d.d.

INA Industrija nafte d.d.

Contact person: Marković Ratko

(Name and surname of contact person)

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Name and surname: Zoltán Sándor Áldott

(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)

Balance Sheet
as at 31 March 2011

Item	AOP	Previous period	Current period
1	2	3	4
A) SUBSCRIBED CAPITAL UNPAID	001		
B) NON CURRENT ASSETS (003+010+020+029+033)	002	23.042.000.000	22.943.000.000
I. INTANGIBLE ASSETS (004 do 009)	003	864.000.000	851.000.000
1. Research & Development expenditure	004		
2. Patents, licences, royalties, trade marks, software&similar rights	005	107.000.000	91.000.000
3. Goodwill	006		
4. Prepayments for intangible assets	007	37.000.000	16.000.000
5. Intangible assets under construction	008	720.000.000	744.000.000
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 do 019)	010	19.572.000.000	19.431.000.000
1. Land	011	897.000.000	913.000.000
2. Property	012	7.727.000.000	8.550.000.000
3. Plants and equipment	013	1.969.000.000	4.424.000.000
4. Tools, plants&vehicles	014	253.000.000	248.000.000
5. Biological asset	015		
6. Prepayments for tangible assets	016	50.000.000	39.000.000
7. Assets under construction	017	8.667.000.000	5.248.000.000
8. Other tangible assets	018	3.000.000	3.000.000
9. Investments property	019	6.000.000	6.000.000
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	2.129.000.000	2.201.000.000
1. Investments in subsidiaries	021	1.224.000.000	1.220.000.000
2. Loans to subsidiaries	022	101.000.000	164.000.000
3. Participating interests (stakes)	023	57.000.000	50.000.000
4. Loans to participating interest	024		
5. Investments in securities	025		
6. Loans & deposits	026	330.000.000	336.000.000
7. Other non-current financial assets	027	417.000.000	431.000.000
8. Investment accounted by equity method	028		
IV. TRADE RECEIVABLES (030 do 032)	029	254.000.000	250.000.000
1. Receivables from subsidiaries	030	116.000.000	116.000.000
2. Receivables from credit sales	031	136.000.000	134.000.000
3. Other receivables	032	2.000.000	
V. DEFERRED TAX ASSETS	033	223.000.000	210.000.000
C) CURENT ASSETS (035+043+050+058)	034	7.075.000.000	7.911.000.000
I. INVENTORIES (036 do 042)	035	2.230.000.000	3.676.000.000
1. Raw materials & consumables	036	572.000.000	1.114.000.000
2. Work in progress	037	914.000.000	1.382.000.000
3. Products	038	593.000.000	1.084.000.000
4. Merchandise	039	139.000.000	84.000.000
5. Prepayments for inventories	040		
6. Other available-for-sale assets	041	12.000.000	12.000.000
7. Biological asset	042		
II. RECEIVABLES (044 do 049)	043	4.332.000.000	3.712.000.000
1. Receivables for trade debt of subsidiaries	044	2.229.000.000	1.627.000.000
2. Trade receivables	045	1.816.000.000	1.579.000.000
3. Receivables for trade debts of participating entities	046		
4. Amounts receivable from employees	047	4.000.000	4.000.000
5. Receivables from government agencies	048	115.000.000	321.000.000
6. Other receivables	049	168.000.000	181.000.000
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	253.000.000	258.000.000
1. Investments in subsidiaries	051		
2. Loans to subsidiaries	052	227.000.000	234.000.000
3. Participating interests (stakes)	053		
4. Loans to participating interest	054		
5. Investments in securities	055	5.000.000	4.000.000
6. Loans & deposits	056	21.000.000	19.000.000
7. Other financial assets	057		1.000.000
IV. CASH ON HAND AND IN THE BANK	058	260.000.000	265.000.000
D) PREPAYMENTS AND ACCRUED INCOME	059	99.000.000	170.000.000
E) TOTAL ASSETS (001+002+034+059)	060	30.216.000.000	31.024.000.000
F) OFF-BALANCE SHEET ITEMS	061		

EQUITY AND LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	12.535.000.000	13.616.000.000
I. SHARE CAPITAL	063	9.000.000.000	9.000.000.000
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	1.952.000.000	1.952.000.000
1. Legal reserves	066		
2. Reserves for own shares	067		
3. Own shares and stakes (less)	068		
4. Statutory reserves	069		
5. Other reserves	070	1.952.000.000	1.952.000.000
IV. REVALUATION RESERVES	071	27.000.000	38.000.000
V. RETAINED EARNINGS OR LOSS BROUGHT FORWARD (073-074)	072	-211.000.000	1.556.000.000
1. Retained earnings	073		1.556.000.000
2. Loss brought forward	074	211.000.000	
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	075	1.767.000.000	1.070.000.000
1. Profit for the financial year	076	1.767.000.000	1.070.000.000
2. Loss for the financial year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	2.856.000.000	2.986.000.000
1. Provisions for redundancy costs	080	92.000.000	178.000.000
2. Provisions for tax obligations	081		
3. Other provisions	082	2.764.000.000	2.808.000.000
C) NON-CURRENT LIABILITIES (084 do 092)	083	7.265.000.000	6.886.000.000
1. Amounts payable to subsidiaries	084		
2. Liabilities for loans, deposits and other	085		
3. Liabilities towards banks and other financial institutions	086	7.148.000.000	6.772.000.000
4. Amounts payable for prepayment	087		
5. Trade payables	088		
6. Amounts payable for securities	089		
7. Liabilities toward participating interests	090		
8. Other non-current liabilities	091	117.000.000	114.000.000
9. Deferred tax	092		
D) CURRENT LIABILITIES (094 do 105)	093	7.502.000.000	7.495.000.000
1. Amounts payable to subsidiaries	094	3.056.000.000	649.000.000
2. Liabilities for loans, deposits and other	095		
3. Liabilities towards banks and other financial institutions	096	2.071.000.000	4.177.000.000
4. Amounts payable for prepayment	097	23.000.000	22.000.000
5. Trade payables	098	1.611.000.000	1.552.000.000
6. Amounts payable for securities	099		
7. Liabilities toward participating interests	100		
8. Amounts payable to employees	101	75.000.000	72.000.000
9. Liabilities for taxes and contributions	102	650.000.000	969.000.000
10. Dividend payables	103		
11. Liabilities directly associated with the assets classified as held for sale	104		
12. Other current liabilities	105	16.000.000	54.000.000
E) ACCRUAL AND DEFERRED INCOME	106	58.000.000	41.000.000
F) TOTAL LIABILITIES (062+079+083+093+106)	107	30.216.000.000	31.024.000.000
G) OFF-BALANCE SHEET ITEMS	108		
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Attributable to equity holders of the parent company's capital	109	12.535.000.000	13.616.000.000
2. Attributable to minority interest	110		

Note 1.: APPENDIX TO THE BALANCE SHEET (to be filled in by entites who submitting consolidated financial statements).

PROFIT AND LOSS
for the period 01 January 2011 to 31 March 2011

Issuer: INA - Industrija nafte d.d., Avenija Većeslava Holjevca 10, 10000 Zagreb

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	5.316.000.000	5.316.000.000	6.492.000.000	6.492.000.000
1. Sales revenue	112	4.929.000.000	4.929.000.000	5.734.000.000	5.734.000.000
2. Other operating income	113	387.000.000	387.000.000	758.000.000	758.000.000
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	4.598.000.000	4.598.000.000	5.372.000.000	5.372.000.000
1. Changes in inventories of finished products and work in progress	115	-291.000.000	-291.000.000	-980.000.000	-980.000.000
2. Material costs (117 do 119)	116	3.607.000.000	3.607.000.000	4.674.000.000	4.674.000.000
a) Cost of raw materials & consumables	117	2.701.000.000	2.701.000.000	3.958.000.000	3.958.000.000
b) Cost of goods sold	118	579.000.000	579.000.000	385.000.000	385.000.000
c) Other costs	119	327.000.000	327.000.000	331.000.000	331.000.000
3. Staff costs (121 do 123)	120	395.000.000	395.000.000	365.000.000	365.000.000
a) Net salaries	121	217.000.000	217.000.000	211.000.000	211.000.000
b) Employee income tax	122	121.000.000	121.000.000	101.000.000	101.000.000
c) Tax on payroll	123	57.000.000	57.000.000	53.000.000	53.000.000
4. Depreciation and amortisation	124	352.000.000	352.000.000	403.000.000	403.000.000
5. Other expenditures	125	426.000.000	426.000.000	255.000.000	255.000.000
6. Value adjustment (127+128)	126	83.000.000	83.000.000	447.000.000	447.000.000
a) non-current assets (without financial assets)	127	62.000.000	62.000.000	6.000.000	6.000.000
b) current assets (without financial assets)	128	21.000.000	21.000.000	441.000.000	441.000.000
7. Provisions	129	26.000.000	26.000.000	208.000.000	208.000.000
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 do 136)	131	26.000.000	26.000.000	428.000.000	428.000.000
1. Interest income, foreign exchange differences, dividends and other financial income related to subsidiaries	132	17.000.000	17.000.000	62.000.000	62.000.000
2. Interest income, foreign exchange differences, dividends and other financial income related to third parties	133	6.000.000	6.000.000	358.000.000	358.000.000
3. Part of income from associates and participating interests	134				
4. Unrealized gains (income) from the financial assets	135				
5. Other financial income	136	3.000.000	3.000.000	8.000.000	8.000.000
IV. FINANCIAL COSTS (138 do 141)	137	396.000.000	396.000.000	130.000.000	130.000.000
1. Interest, foreign exchange differences and other expenses related to subsidiaries	138	1.000.000	1.000.000	10.000.000	10.000.000
2. Interest, foreign exchange differences and other expenses related to third parties	139	347.000.000	347.000.000	51.000.000	51.000.000
3. Unrealized loss (expenses) from the financial assets	140				
4. Other financial expenses	141	48.000.000	48.000.000	69.000.000	69.000.000
V. SHARE OF INCOME OF ASSOCIATES	142				
VI. SHARE OF LOSS OF ASSOCIATES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	5.342.000.000	5.342.000.000	6.920.000.000	6.920.000.000
X. TOTAL EXPENSES (114+137+143 + 145)	147	4.994.000.000	4.994.000.000	5.502.000.000	5.502.000.000
XI. PROFIT OR LOSS BEFORE TAX (146-147)	148	348.000.000	348.000.000	1.418.000.000	1.418.000.000
1. Profit before tax (146-147)	149	348.000.000	348.000.000	1.418.000.000	1.418.000.000
2. Loss before tax (147-146)	150	0	0	0	0
XII. INCOME TAX EXPENSE	151	69.000.000	69.000.000	348.000.000	348.000.000
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	279.000.000	279.000.000	1.070.000.000	1.070.000.000
1. Profit for the period (149-151)	153	279.000.000	279.000.000	1.070.000.000	1.070.000.000
2. Loss for the period (151-148)	154	0	0	0	0

ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entities submitting consolidated financial statements)**XIV. PROFIT OR LOSS FOR THE PERIOD**

1. Attributable to owners of the company	155				
2. Attributable to non-controlling interests	156				

STATEMENTS OF COMPREHENSIVE INCOME (to be filled by entities who work in compliance with IFRS)

I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	279.000.000	279.000.000	1.070.000.000	1.070.000.000
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do 165)	158	10.000.000	10.000.000	10.000.000	10.000.000
1. Exchange differences arising from foreign operations	159				
2. Revaluation of non-current assets and intangible assets	160				
3. Gains or loss available for sale investments	161	10.000.000	10.000.000	10.000.000	10.000.000
4. Gains or loss on net movement on cash flow hedges	162				
5. Gains or loss on net investments hedge	163				
6. Share of the other comprehensive income/loss of associates	164				
7. Actuarial gain / loss on post employment benefit obligations	165				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (158-166)	167	10.000.000	10.000.000	10.000.000	10.000.000
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (157+167)	168	289.000.000	289.000.000	1.080.000.000	1.080.000.000

APPENDIX Statement of Comprehensive Income (to be filled in by entities submitting consolidated financial statements)**VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD**

1. Attributable to owners of the company	169				
2. Attributable to non-controlling interests	170				

CASH FLOW STATEMENT - Indirect method
in the period 01 January 2011 to 31 March 2011.

Issuer: INA - Industrija nafte d.d., Avenija Većeslava Holjevca 10, 10000 Zagreb			
Item	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	001	348.000.000	1.418.000.000
2. Depreciation and amortisation	002	352.000.000	403.000.000
3. Increase of non-current liabilities	003	79.000.000	
4. Decrease of current receivables	004	0	
5. Decrease of inventories	005		
6. Other increase of cash flow	006	670.000.000	599.000.000
I. Total increase of cash flow from operating activities (001 do 006)	007	1.449.000.000	2.420.000.000
1. Decrease of non-current liabilities	008		
2. Increase of current receivables	009	580.000.000	105.000.000
3. Increase of inventories	010	301.000.000	1.510.000.000
4. Other decrease of cash flow	011	176.000.000	2.491.000.000
II. Total decrease of cash flow from operating activities (008 do 011)	012	1.057.000.000	4.106.000.000
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	392.000.000	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	1.686.000.000
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of non-current assets	015	2.000.000	2.000.000
2. Proceeds from sale of ownership and debt instruments	016		
3. Proceeds from interest rates	017		
4. Proceeds from dividends	018	2.000.000	57.000.000
5. Other proceeds from investment activities	019		
III. Total cash proceeds from investment activities (015 do 019)	020	4.000.000	59.000.000
1. Purchase of non-current assets	021	696.000.000	96.000.000
2. Payments for acquiring ownership and debt financial instruments	022		
3. Other payments from investment activities	023	147.000.000	219.000.000
IV. Total cash payments from investment activities (021 do 023)	024	843.000.000	315.000.000
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	026	839.000.000	256.000.000
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from issuing of ownership and debt financial instruments	027		
2. Proceeds from loan principal, debentures, loans and other borrowing	028	581.000.000	5.251.000.000
3. Other proceeds from financial activities	029		5.000.000
V. Total proceeds from financial activities (027 do 029)	030	581.000.000	5.256.000.000
1. Repayment of loan principal and bonds	031	41.000.000	3.309.000.000
2. Dividends paid	032		
3. Payment of finance lease liabilities	033		
4. Payments from repurchase of treasury shares	034		
5. Other payments from financial activities	035	1.000.000	
VI. Total payments from financial activities (031 do 035)	036	42.000.000	3.309.000.000
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	037	539.000.000	1.947.000.000
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	038	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	92.000.000	5.000.000
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of the period	041	68.000.000	260.000.000
Increase of cash and cash equivalents	042	92.000.000	5.000.000
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of the period	044	160.000.000	265.000.000

CHANGES IN EQUITY

for the period 1.1.2011 to 31.3.2011

Item	AOP	Previous period	Current period
1	2	3	4
1. Share capital	001	9.000.000.000	9.000.000.000
2. Capital reserves	002		
3. Profit reserves	003	1.952.000.000	1.952.000.000
4. Retained earnings or loss carried forward	004	-211.000.000	1.556.000.000
5. Profit or loss of the current year	005	279.000.000	1.070.000.000
6. Revaluation of fixed tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial financial property available for sale	008	20.000.000	37.000.000
9. Other revaluation	009		
10. Total capital and reserves (AOP 001 do 009)	010	11.040.000.000	13.615.000.000
11. Foreign exchange differences from net investments in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow hedge	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		
17. Total equity increase or decrease (AOP 011 do 016)	017		
17 a. Attributable to equity holders of the parent company's capital	018	11.040.000.000	13.615.000.000
17 b. Attributable to minority interest	019		

Items that decrease equity have negative sign

Items from 001 to 009 are state of balance sheet date

Q1 2011 – REPORT INA, D.D. NON-CONSOLIDATED

INA financial results (IFRS)

HRK mln.	2010	Q4 2010	Q1 2010	Q1 2011	%
Net sales revenues	22,546	5,954	4,929	5,734	16.3
EBITDA ⁽¹⁾	5,301	999	1,180	2,178	84.6
Operating profit	2,732	465	719	1,120	55.8
Operating profit excl. special items ⁽²⁾	3,198	514	719	1,286	78.9
Net financial gain (expenses)	(553)	(383)	(371)	298	n.a.
Net profit/loss ⁽³⁾	1,767	44	279	1,070	283.5
Net profit/loss excl. special items ⁽²⁾	2,190	134	279	1,203	331.1
Operating cash flow	667	691	392	(1,686)	n.a.

USD mln ⁽⁴⁾	2010	Q4 2010	Q1 2010	Q1 2011	%
Net sales revenues	4,099	1,098	936	1,060	13.2
EBITDA ⁽¹⁾	964	184	224	402	79.5
Operating profit	497	86	137	207	51.5
Operating profit excl. special items ⁽²⁾	581	95	137	238	74.0
Net financial gain (expenses)	(101)	(71)	(70)	55	n.a.
Net profit/loss ⁽³⁾	321	8	53	198	273.1
Net profit/loss excl. special items ⁽²⁾	398	25	53	222	319.4
Operating cash flow	121	127	74	(312)	n.a.

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

⁽²⁾ Excludes special items items related to asset impairment, stock evaluation, deferred taxes, provision, severance payments and special items income. The Q1 2011 EBIT was negatively influenced by HRK 166 million special items relating to provisions and value adjustments.

⁽³⁾ INA Group net income attributable to equity holder.

⁽⁴⁾ In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2010: 5.4243 HRK/USD, 2010: 5.5000 HRK/USD., for Q1 2010: 5.2644 for Q1 2011: 5.4119 HRK/USD.

Q1 2011 INA d.d. EBITDA increased more than 80% reaching HRK 2,178 million, while operating profit excluding special items was HRK 1,286 million, as well. Results were mainly driven by increased hydrocarbon production from North Adriatic offshore fields and Syria confirming all efforts and investments made into major investment programmes throughout the financial and economic crisis. This improved result is reflecting both improvement of operating performance and the external environment.

At the net profit level, Q1 2011 was significantly better than Q1 2010 resulting from the already mentioned trends and unrealized forex gain on the revaluation of credit facilities, with HRK 1,070 million net profit compared to HRK 279 million net loss in the same period last year.

INA will continue with its investment programmes including refinery modernisation, development of Upstream projects in Syria and North Adriatic, and the modernisation and revitalisation of the retail network. In Q1 2011, CAPEX amounted to HRK 265 million (against HRK 837 million in the same period last year), primarily allocated on development operations in Syria and North Adriatic and refinery modernisation.

Overall operations

INA d.d. Exploration and Production

Exploration and Production operating profit (excluding special items) in Q1 2011 amounted to HRK 1,454 million (USD 269 million), up by 17% compared to Q1 2010 mainly due to 24% higher average hydrocarbon price, 20% higher average daily hydrocarbon production and 8% lower unit OPEX. This resulted from Annamaria offshore gas field and Jihar oil and gas station start-up in Syria offset by natural decline of crude production in Croatia onshore fields, Egypt and Angola. Increase in operating profit was additionally backed with realized efficiency improvement measures. Reported Q1 2011 operating profit amounted to HRK 1,415 million and was negatively influenced by HRK 39 million special items related to provisions.

INA d.d. Refining and Marketing

In Q1 2011, R&M segment operating loss (excluding special items) in the amount of HRK 12 million (2 million USD) decreased by HRK 297 million in comparison with Q1 2010 as a result of (1) 6% higher sales, (2) optimized sales structure per markets, (3) efficiency improvements relating crude supply optimization and maintenance and cost management, (4) positive effect of forex gain what was off set by (5) 70% lower crack spreads and (6) worse yield of white products due to lower processing of Azeri type crude and non continuous operations of new plants. Reported Q1 2011 operating loss amounted to HRK 103 million, including HRK 91 million negative special items.

INA d.d. Retail segment

Retail segment recorded HRK 24 million (4 million USD) operating loss excluding special items in Q1 2011, or HRK 13 million reduced compared to Q1 2010. Better result was mainly coming from decreased operating costs and efficiency improvements initiatives. The sales volumes were in line with Q1 2010 but introduction of EURO V quality throughout the entire domestic network ensured a better product slate and higher margin. The reported operating loss (including special items) for the Q1 2011 amounted to HRK 40 million.

INA d.d. Corporate Functions

In Q1 2011, Corporate Functions of INA d.d. generated an operating loss (excluding special items) of HRK 132 million (USD 24 million), which was HRK 42 million better result in comparison with Q1 2010. Decreased loss is mainly coming from lower other operating costs as a result of cost-cutting measures. The Q1 2011 performance was negatively influenced by HRK 20 million special items provisions and reported operating loss amounted to HRK 152 million.

Overall operations

In Q1 2011, INA d.d. generated HRK 5.7 billion of net sales revenues or 16% higher compared to the same period last year, as a result of favourable external environment, but also increased sales of oil products, Croatian offshore production and the start-up of Jihar oil and gas station in Syria. Additional positive effect came from introduction of new EURO V products.

During Q1 2011, costs of raw materials and consumables rose by 47% compared to the first three months 2010, mainly because of 3% higher refining of imported crude as well as increased average price by 37% (the average price of Brent FOB Med was up by 38% on the world market). The value of finished goods and WIP inventories rose by HRK 980 million compared to the opening balance, while as at 31 March 2010 it was higher by HRK 291 million. The cost of goods for resale decreased by 33% and amounted to HRK 385 million, mainly due to soled natural gas inventories to Prirodni plin d.o.o. in Q1 2010. Other material costs in the amount of HRK 331 million, increased slightly by HRK 4 million because of higher transportation costs due to increased sales, while costs of services decreased by HRK 175 million to HRK 214 million predominantly as a result of lower financial costs related to operations. Depreciation rose by 14% to HRK 403 million because of assets put in use upon completion of projects. Adjustments and provisions of HRK 655 million were HRK 546 million higher because of higher provisions for incentives, litigation and unused holiday as well as higher value adjustment of receivables.

Total staff costs decreased by 6% compared to the first three months 2010, mainly because of lower headcount as a result of Workforce Restructuring Programme launched at the end of 2010.

A net financial profit of HRK 298 million was recorded in Q1 2011 in comparison with net financial loss of HRK 371 million in the same period last year mainly because of higher forex gains mostly on credit facilities.

The profit tax for the first three months 2011 was HRK 348 million compared to HRK 69 million in the first three months 2010.

Balance sheet

As at 31 March 2011, total assets amounted to HRK 31.0 billion increased by 3% compared to 31 December 2010. Non-current tangible and intangible assets decreased by 1%, primarily due to increased depreciation because of assets put in use upon completion of projects capital investments. Investment peak of key projects was in 2009 and 2010.

Net trade debtors amounted to HRK 1.6 billion and were decreased by 13%, compared to 31 December 2010 as a result of management effort to collect receivables. Company has recognized revenues in the income statement from hydrocarbon sales in Syria which had the highest probability of realisation in line with international accounting standards.

Total INA d.d. liabilities as at 31 March 2011 amounted to HRK 17.4 billion and they were 2% lower than on 31 December 2010, mainly due to higher indebtedness which had grown to HRK 10.7 billion compared to HRK 8.0 billion as at 31 December 2010. Credit facilities were used for crude purchases and capital investments. Liabilities for taxes and contributions increased by HRK 320 million to the amount of HRK 970 million. Trade creditors amounted to HRK 2,201 million and were decreased by HRK 2,466 million primarily due to lower intercompany payables.

INA d.d. total net debt amounted to HRK 10.5 billion compared to HRK 7.7 billion as at 31 December 2010 while the net gearing¹ rose from 38.1% to 43.5% as at 31 December 2010. The company gearing grew but stayed at manageable level.

Cash flow

The operating cash-flow before working capital changes amounted to HRK 1,954 million and increased in comparison with Q1 2010 mostly because of increased EBITDA. In Q1 2011, the changes in working capital decreased the operating cash flow by HRK 3,640 million, primarily as a result of lower trade creditors by HRK 2,025 million and higher value of inventories by HRK 1,510 million.

¹ Net debt / net debt plus equity incl. minority interests

INA, d.d. Summary Segmental Results of Operations

2010	(HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
Sales					
7,867	Exploration & Production	1,909	2,151	1,987	(8)
14,928	Refining & Marketing	4,117	2,828	3,952	40
5,810	Retail	1,412	1,090	1,399	28
22	Corporate and Other	8	5	5	0
(6,081)	Inter-segment revenue	(1,492)	(1,145)	(1,609)	41
22,546	Sales	5,954	4,929	5,734	16
Operating expenses, net other income from operating activities					
(2,955)	Exploration & Production	(982)	(912)	(572)	(37)
(16,139)	Refining & Marketing	(4,323)	(3,137)	(4,055)	29
(5,937)	Retail	(1,443)	(1,127)	(1,439)	28
(864)	Corporate and Other	(233)	(179)	(157)	(12)
6,081	Inter-segment eliminations	1,492	1,145	1,609	41
(19,814)	Expenses	(5,489)	(4,210)	(4,614)	10
Profit from operations					
4,912	Exploration & Production	927	1,239	1,415	14
(1,211)	Refining & Marketing	(206)	(309)	(103)	(67)
(127)	Retail	(31)	(37)	(40)	8
(842)	Corporate and Other	(225)	(174)	(152)	(13)
0	Inter-segment eliminations	0	0	0	n.a.
2,732	Profit/(loss) from operations	465	719	1,120	56
Share in the profit of associate companies					
(553)	Net profit/(loss) from financial activities	(383)	(371)	298	n.a.
2,179	Profit/(loss) before taxation	82	348	1,418	307
(412)	Income tax	(38)	(69)	(348)	404
1,767	Profit/(loss) for the period	44	279	1,070	284

2010	Operating Profit Excluding Special Items (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
4,775	Exploration & Production	980	1,239	1,454	17
(880)	Refining & Marketing	(188)	(309)	(12)	(96)
42	Retail	(27)	(37)	(24)	(35)
(739)	Corporate and Other	(251)	(174)	(132)	(24)
0	Inter-segment eliminations	0	0	0	n.a.
3,198	Total	514	719	1,286	79

2010	Depreciation (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
1,008	Exploration & Production	225	240	290	21
292	Refining & Marketing	82	67	68	1
75	Retail	19	18	21	17
107	Corporate and Other	27	27	24	(11)
1,482	Total	353	352	403	14

2010	EBITDA* (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
6,503	Exploration & Production	1,470	1,533	2,126	39
(610)	Refining & Marketing	(150)	(221)	125	n.a.
76	Retail	(33)	(5)	2	n.a.
(668)	Corporate and Other	(288)	(127)	(75)	(41)
0	Inter-segment eliminations	0	0	0	n.a.
5,301	Total	999	1,180	2,178	85

2010	EBITDA Excluding Special Items* (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
6,235	Exploration & Production	1,640	1,533	2,126	39
(421)	Refining & Marketing	(76)	(221)	125	n.a.
119	Retail	(37)	(5)	2	n.a.
(569)	Corporate and Other	(189)	(127)	(75)	(41)
0	Inter-segment eliminations	0	0	0	n.a.
5,364	Total	1,338	1,180	2,178	85

* EBITDA = EBIT + Depreciation + Impairment + Provisions

Income Statement

2010	(HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
	Sales revenue				
13,985	a) Domestic	3,421	3,391	3,449	2
8,561	b) Exports	2,533	1,538	2,285	49
22,546	Total sales revenue	5,954	4,929	5,734	16
6	Income from own consumption of products and services	1	2	0	n.a.
1,428	Other operating income	142	385	758	97
23,980	Total operating income	6,097	5,316	6,492	22
67	Changes in inventories of finished products and work in progress	(353)	291	980	237
(12,059)	Cost of raw materials and consumables	(2,725)	(2,701)	(3,958)	47
(1,483)	Depreciation and amortization	(354)	(352)	(403)	14
(1,477)	Other material costs	(451)	(327)	(331)	1
(1,357)	Service costs	(380)	(389)	(214)	(45)
(1,978)	Staff costs	(696)	(432)	(406)	(6)
(1,875)	Cost of other goods sold	(493)	(578)	(385)	(33)
(689)	Impairment and charges	(411)	(83)	(447)	439
(397)	Provisions for charges and risks (net)	231	(26)	(208)	700
(21,248)	Operating expenses	(5,632)	(4,597)	(5,372)	17
2,732	Profit/loss from operations	465	719	1,120	56
	Share in the profit of associated companies				
322	Finance revenue	(28)	25	428	1,612
(875)	Finance costs	(355)	(396)	(130)	(67)
(553)	Net (loss) / profit from financial activities	(383)	(371)	298	n.a.
2,179	Profit before tax	82	348	1,418	307
(412)	Income tax	(38)	(69)	(348)	404
1,767	Profit / (Loss) for the year	44	279	1,070	284
	Attributable to				
1,767	Equity holder	44	279	1,070	284
0	Minority interest	0	0	0	n.a.
1,767		44	279	1,070	284
	Earning per share (in HRK)				
176.7	Basic and diluted earnings/(loss) per share (kunas per share) from all operations	4.4	27.9	107.0	284

INA, d.d. Condensed Non-consolidated Statement of comprehensive Income

2010	(HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
1,767	Profit/(loss) for the year	44	279	1,070	284
	Other comprehensive income:				
0	Exchange differences arising from foreign operations	0	0	0	n.a.
17	Gains on available-for-sale investments, net	29	10	11	10
17	Other comprehensive income/(loss), net	29	10	11	10
1,784	Total comprehensive income/(loss) for the year	73	289	1,081	274

Unconsolidated Statement of Financial Position

31 March 2010	(mil. kn)	31 March 2010	31 March 2011	%
Assets				
Non-current assets				
827		817	835	2
19,522		18,583	19,392	4
0		0	0	n.a.
1,224		1,258	1,220	(3)
51		189	45	(76)
437		553	506	(8)
341		394	306	(22)
0		0	0	n.a.
223		357	210	(41)
417		409	431	5
23,042	Total non-current assets	22,560	22,945	2
Current assets				
2,218		2,701	3,664	36
1,816		1,459	1,579	8
2,229		2,040	1,627	(20)
287		341	505	48
0		19	0	n.a.
253		171	257	50
99		199	170	(15)
260		160	265	66
7,162	Current assets	7,090	8,067	14
12	Assets classified as held for sale	0	12	n.a.
7,174	Current assets	7,090	8,079	14
30,216	Total assets	29,650	31,024	5
Equity and liabilities				
Capital and reserves				
9,000		9,000	9,000	0
27		20	38	90
1,952		1,952	1,952	0
1,556		(211)	1,556	n.a.
0		279	1,070	284
12,535	Equity attributable to equity holder of the parent	11,040	13,616	23
0	Non-controlling interests	0	0	n.a.
12,535	Total equity	11,040	13,616	23
Non-current liabilities				
7,148		5,669	6,772	19
117		123	114	(7)
84		77	85	10
2,563		2,652	2,605	(2)
9,912	Total non-current liabilities	8,521	9,576	12
Current liabilities				
838		1,046	3,930	276
1,233		1,006	247	(75)
0		0	31	n.a.
3,056		3,912	649	(83)
1,611		2,314	1,552	(33)
650		1,072	970	(10)
114		462	117	(75)
58		66	73	11
8		12	7	(42)
201		199	255	28
7,769	Current liabilities	10,089	7,831	(22)
0	Liabilities directly associated with assets classified held for sale	0	0	n.a.
7,769	Total current liabilities	10,089	7,831	(22)
17,681	Total liabilities	18,610	17,408	(6)
30,216	Total equity and liabilities	29,650	31,024	5

Capital Expenditure

2010	Capital Expenditures (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
1,404	Exploration & Production	342	511	163	213
1,328	Refining & Marketing	380	326	98	233
48	Retail	26	1	8	(88)
36	Corporate & other	30	(1)	(4)	(75)
2,816	Total	778	837	265	216

2010	Capital Expenditures - Tangible Assets (HRK mln)	Q4 2010	31 March 2010	31 March 2011	%
1,224	Exploration & Production	267	399	138	189
1,328	Refining & Marketing	380	326	98	233
48	Retail	26	1	8	(88)
12	Corporate & other	9	(1)	(4)	(75)
2,612	Total	682	725	240	202

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INAd.d. CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 31 March 2010 and 2011
(All amounts in HRK millions)

2010	(HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
1,767	Profit/(loss) for the year	44	279	1,070	(74)
	Adjustments for:				
1,483	Depreciation and amortisation	354	352	403	(13)
412	Income tax (benefit)/expenses recognized in (loss)/profit	38	69	348	(80)
687	Impairment charges (net) and reversal impairment	409	83	447	(81)
(667)	Reversal of impairment	19	0	0	n.a.
(6)	Gain on sale of property, plant and equipment	(1)	(2)	(2)	0
(11)	Gain on sale of shares or stocks	(11)	0	0	n.a.
582	Foreign exchange loss/(gain)	226	481	(311)	n.a.
218	Interest expense (net)	215	12	(105)	n.a.
(53)	Other financial expense recognised in profit	159	(157)	(35)	347
0	Decommissioning interests	(108)	0	0	n.a.
195	Increase in provisions	(440)	42	109	(61)
0	Reversal of impairment	0	0	0	n.a.
144	Decommissioning interests	144	35	30	17
0	Change in provision for charges and risks and other non-cash items	(21)	0	0	n.a.
4,751	Operating cash flow before working capital changes	1,027	1,194	1,954	(39)
	Movements in working capital				
107	(Increase)/decrease in inventories	882	(301)	(1,510)	(80)
(1,840)	(Increase)/decrease in receivables and prepayments	494	(580)	(105)	452
(2,351)	Decrease/(increase) in trade and other payables	(1,712)	79	(2,025)	n.a.
0	Decrease/(increase) in provisions	0	0	0	n.a.
667	Cash generated from operations	691	392	(1,686)	n.a.
0	Taxes paid	0	0	0	n.a.
667	Net cash inflow from operating activities	691	392	(1,686)	n.a.
	Cash flows used in investing activities				
(2,459)	Payments for property, plant and equipment	(628)	(588)	(77)	664
(218)	Payment for intangible assets	(102)	(108)	(18)	500
8	Proceeds from sale of non-current assets	2	2	2	0
(39)	Payment related to sale of subsidiaries	(39)	0	0	n.a.
(1)	Acquisition of investments in associates and joint ventures and other companies	(1)	0	0	n.a.
4	Dividends received from companies classified under available for sale and other companies	0	2	57	(96)
254	Proceeds from profit of companies	(22)	0	0	n.a.
0	Interest received	0	0	0	n.a.
139	Investments and loans to third parties, net	61	(147)	(219)	(33)
(2,312)	Net cash (outflow) used for investing activities	(729)	(839)	(255)	229
	Cash flows from financing activities				
2,708	Additional long-term borrowings	1,024	139	26	435
(1,018)	Repayment of long-term borrowings	(778)	(16)	(1,200)	(99)
2,403	Additional short-term borrowings	453	442	5,224	(92)
(2,148)	Repayment of short term borrowings	(1,718)	0	(2,085)	n.a.
(22)	Interest paid on long-term loans	1	(9)	0	n.a.
(9)	Other long-term liabilities, net	(2)	(2)	(2)	0
0	Dividends paid	0	0	0	n.a.
(82)	Interest paid on short term loans and other financing charges	19	(15)	(22)	(32)
1,832	Net cash from financing activities	(1,001)	539	1,941	(72)
187	Net (decrease)/increase in cash and cash equivalents	(1,039)	92	0	n.a.
68	At 1 January	1,303	68	260	(74)
5	Effect of foreign exchange rate changes	(4)	0	5	n.a.
260	At the end of period	260	160	265	(40)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total
Balance as at 1 January 2010	9,000	1,952	10	(211)	10,751
Profit / loss for the year	0	0	0	279	279
Other comprehensive income, net	0	0	10	0	10
Total comprehensive income for the year	0	0	10	279	289
Dividends payable	0	0	0	0	0
Balance as at 31 March 2010	9,000	1,952	20	68	11,040
	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total
Balance as at 1 January 2011	9,000	1,952	27	1,556	12,535
Profit / loss for the year	0	0	0	1,070	1,070
Other comprehensive income, net	0	0	11	0	11
Total comprehensive income for the year	0	0	11	1,070	1,081
Dividends payable	0	0	0	0	0
Balance as at 31 March 2011	9,000	1,952	38	2,626	13,616