INDUSTRIJA NAFTE, d.d.

Q3 AND Q1-Q3 2011 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q3 and Q1-Q3 2011 results today. This report contains unaudited consolidated financial statements for the period ending 30 September 2011 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

HRK mln.	Q2 2011	Q3 2011	Q3 2010	%	Q1-Q3 2010	Q1-Q3 2011	%
Net sales revenues	7,817	7,967	7,192	10.8	18,506	22,727	22.8
EBITDA (1)	2,079	1,628	1,475	10.4	3,988	5,726	43.6
EBITDA excl. special items (2)	2,074	1,680	1,522	10.4	3,712	5,773	55.5
Operating profit/(loss)	1,078	681	268	154.1	1,356	2,877	112.2
Operating profit/(loss) excl. special items (2)	1,158	764	978	(21.9)	1,947	3,271	68.0
Net financial gain (expenses)	72	(456)	557	n.a.	(547)	(124)	(77.3)
Net profit/loss for the period (3)	893	126	668	(81.1)	560	2,072	270.0
Net profit/loss for the period excl. special items (2)	956	192	1,235	(84.4)	1,032	2,386	131.3
Operating cash flow	1,626	1,613	(1,742)	n.a.	(707)	2,270	n.a.

USD mln (4)	Q2 2011	Q3 2011	Q3 2010	%	Q1-Q3 2010	Q1-Q3 2011	%
Net sales revenues	1,523	1,511	1,279	18.2	3,349	4,310	28.7
EBITDA (1)	405	309	262	17.8	722	1,086	50.5
EBITDA excl. special items (2)	404	319	271	17.8	672	1,095	63.0
Operating profit/(loss)	210	129	48	171.2	245	546	122.4
Operating profit/(loss) excl. special items (2)	226	145	174	(16.6)	352	620	76.1
Net financial gain (expenses)	14	(87)	99	n.a.	(99)	(24)	(76.2)
Net profit/loss for the period (3)	174	24	119	(79.9)	101	393	287.8
Net profit/loss for the period excl. special items (2)	186	37	220	(83.4)	187	453	142.4
Operating cash flow	317	306	(310)	n.a.	(128)	431	n.a.

(1) EBITDA = EBIT + Depreciation + Impairment + Provisions
(2) Excludes special items related to asset impairment, provision, severance payments and special items income. The Q1-Q3 2011 EBIT was negatively influenced by HRK 394 million special items
3) INA Group net profit attributable to equity holder
(4) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q2 2011: 5.1325 HRK/USD; Q3 2010: 5.6250 HRK/USD, Q3 2011: 5.2711 HRK/USD; Q1-Q3 2010: 5.5258 HRK/USD., Q1-Q3 2011: 5.2726

In Q1-Q3 2011 period, INA Group continued with strong results, delivering HRK 5,773 million EBITDA and HRK 3,271 million operating profit (both excluding special items), which were by 56% and 68% respectively higher compared to the same period of the previous year. The improved results were driven by mixed external environment, more efficient operations of businesses and positive contribution of key projects. Exploration and Production segment was the main generator of enhanced results in Q1-Q3 2011 period, as higher crude oil prices together with increased average daily hydrocarbon production supported its results. However, increased hydrocarbon production could not have been fully realised due to the Sisak Refinery stoppage and delay in receivables collection in Syria. Still very challenging refining environment, longer than planned period of optimisation, which appeared during putting in operation the hydrocracker in Rijeka Refinery, the fire in Sisak Refinery in June as well as depressed market demand were the main factors causing negative results in Downstream division in Q1-Q3 2011 period.

In the third quarter of 2011, INA Group reached EBITDA (excluding special items) in the amount of HRK 1,680 million, representing an improvement of 10% when comparing to the same period of the previous year, primarily as result of increased realised hydrocarbon price together with higher average daily hydrocarbon production. On the other hand, operating profit (excluding special items) was lower by 22% and amounted to HRK 764 million mainly due to the negative effect of higher depreciation in comparison with Q3 2010.

Net profit of the first nine months 2011 reached HRK 2,072 million, representing an increase of HRK 1,512 million over the same period last year when it amounted to HRK 560 million. Already mentioned operating profit contributors affected the INA Group net profit positively and were partially mitigated with net loss from financial activities in the amount of HRK 124 million mostly related to interest expenses. Compared to the same period last year, when HRK 547 million net financial expenses were realised, negative effect of financial activities was lower in Q1-Q3 2011. In Q3 2011 INA Group recorded net result in the amount of HRK 126 million, which was HRK 542 million lower than in the same period last year, mainly due to the negative effect of the financial loss (in Q3 2010 financial profit was recorded).

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Overall operations

- Exploration and Production: Operating profit, excluding special items, in Q1-Q3 2011 showed a strong increase of HRK 1,412 million, over Q1-Q3 2010 figure and amounted to HRK 4,482 million (USD 850 million). Improved operating profit resulted from the increased production volumes (17% higher average daily hydrocarbon production), especially in Syria, as well as 36% higher average realized hydrocarbon prices attributable to increased crude price. Besides mentioned profit contributors, 6% lower unit OPEX resulting from the achievements in the Company's effort on cost reduction, also influenced the result positively.
- Refining and Marketing: HRK 834 million (USD 158 million) loss from operating activities, without special items, was delivered by the segment in the first nine months of 2011. This represents the higher operating loss by HRK 214 million than in the same period 2010, primarily as a result of still negative economic situation, i.e. drop of market demand, 5.5% lower sales and mixed movement of refinery margins. Certain complications, which appeared during putting in operation the hydrocracker in Rijeka Refinery and fire in Sisak Refinery in June, had additional negative effect on the result. On the other hand, optimization of crude procurement process, higher sales of EURO V quality products, increased presence on B&H market and efficiency improvement measures partially mitigated mentioned negative factors.
- Retail segment: In Q1-Q3 2011, the operating profit of HRK 52 million (USD 10 million), excluding special items, was realised by Retail segment, representing a decrease of HRK 24 million compared to the same period last year. Higher fuel margin and lower operating costs in Q1-Q3 2011 could not compensate the non-performed assets impairment that had a positive effect in Q1-Q3 2010. Compared to the same period last year sales volumes were 1.8% lower, excluding from last year's sales volumes sold at Crobenz filling stations, a subsidiary sold in Q3 2010.
- Corporate and Other[1]: The segment generated an operating loss excluding special items of HRK 429 million (USD 81 million), in Q1-Q3 2011, which was a loss lower by HRK 150 million compared to the same period last year. The improved result mainly derived from lower subcontractor costs as an effect of implementing measures for reducing costs, which also contributed to the reduction of other operating costs.
- Net financial loss: in the amount of HRK 124 million was recorded in Q1-Q3 2011 compared to the net financial loss of HRK 547 million in Q1-Q3 2010. The difference in the amount of HRK 423 million reflected higher, mainly unrealized, forex gains (compared to forex losses in Q1-Q3 2010) and lower interests expenses. Other financial expenses were also lower compared to Q1-Q3 2010.
- Capital expenditures: INA Group CAPEX amounted to HRK 875 million in Q1-Q3 2011, most of which was related to Exploration and Production investments (HRK 467 million) in development projects abroad. Refining and Marketing capital expenditures, in the amount of HRK 328 million, were mostly allocated in the refinery modernisation programme, while HRK 57 million was spent within retail operations.
- Operating cash flow: The operating cash-flow before changes in working capital amounted to HRK 5,220 million, in Q1-Q3 2011, representing an increase of HRK 2,159 million, or 71%, compared to Q1-Q3 2010, mainly as a result of stronger EBITDA. Changes in working capital affected the operating cash flow negatively by HRK 2,554 million, primarily due to increased value of inventories by HRK 1,922 million (reflecting both higher prices and higher volumes), lower liabilities (HRK 1,018 million) related to re-established liquidity. Taxes paid negatively effect operating cash flow by HRK 396 million. Mentioned factors resulted in HRK 2,270 million net cash inflow from operating activities that INA Group generated in Q1-Q3 2011 period.
- INA Group net indebtedness amounted to HRK 9,185 million as at 30 September 2011, which is a decrease of 8% compared to year-end 2010 when it amounted to HRK 9,938 million. Gearing ratio was 39.3% as at 30 September 2011, decreasing from 43.7% as at 31 December 2010.

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

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

"Ina has delivered strong results once again in the first nine months of 2011, increasing EBITDA and operating profit excluding special items by 55.5% and 68.0% respectively compared to the same period last year, showing that the company is on the path of delivering value to its shareholders.

Our management's strong focus on wholesale and retail fuels sales is already visible in our latest results. We are also committed to further continuing to improve the efficiency of operations by controlling costs and further improvement of procurement processes, with an aim of reaching additional savings. At the same time, we are also identifying potential areas for new investment opportunities to create further value to our shareholders. In recent period INA has significantly improved financial position by reducing the level of net debt and reducing the gearing ratio, securing future liquidity to finance new growth projects. Furthermore as a result of recovery efforts in the past 4 months, the Sisak refinery is expected to be operational again in November 2011."

However, we are aware of the challenges that lay ahead of us in terms of competition and tightening of operating conditions in foreign concessions on the back of political turmoil in the Middle East and North Africa region. We are continuously and carefully analyzing these developments, including the restrictive international measures against Syria that might have adverse effects on INA's revenues and production levels."

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Overview of the macro environment

Global activity has weakened and became more uneven, confidence has fallen sharply recently and downside risks are growing. Against a backdrop of unresolved structural fragilities, a barrage of shocks hit the international economy this year. Japan was struck by the devastating Great East Japan earthquake and tsunami and unrest swelled in some oil-producing countries. At the same time, the handover from public to private demand in the U.S. economy stalled, the euro area encountered major financial turbulence, global markets suffered a major sell-off of risky assets and there are growing signs of spillovers to the real economy. The structural problems facing the crisis-hit advanced economies have proven even more intractable than expected and the process of devising and implementing reforms even more complicated. The outlook for these economies is thus for a continuing, but weak and bumpy expansion. Prospects for emerging market economies have become more uncertain again, although growth is expected to remain fairly robust, especially in economies that can counter the effect on output of weaker foreign demand with less policy tightening. IMF projections indicate that global growth will moderate to about 4 percent through 2012, from over 5 percent in 2010. Real GDP in the advanced economies is projected to expand at an anemic pace of about 1.5 percent in 2011 and 2 percent in 2012, helped by a gradual unwinding of the temporary forces that have held back activity during much of the second quarter of 2011.[2]

Oil and energy prices rose in recent months on the back of increased demand and concerns about supply disruptions. The significant volatility in commodity prices and the prospect that food and fuel prices may remain elevated for a sustained period are a significant challenge for monetary policymakers. One concern is that the recent rises in food and energy inflation may prove to be persistent, leading to expectations of rising inflation that could spill over into higher wage demands and underlying inflation. Another concern is that attempting to stabilize inflation in the face of such high volatility could have significant economic costs. These concerns are most acute in economies where the share of food in the consumption basket is high and the effects of these shocks are the largest.

External business environment in the first nine months of 2011 mostly reflected turbulent developments on the global market. After a strong increase in April, crude prices went through a correction in the months that followed. In comparison with the same period of 2010 the average price of Brent crude increased by 45.1% (from 77.1 USD/bbl to 111.9 USD/bbl), while the average crack spread (FOB Med) decreased by 3.7% (from 29.0 USD/t to 28.0 USD/t). Crack spreads of the main products were: for unleaded petrol BMB Euro 95 it increased by 17.7% (to 148.2 USD/t) and for Eurodiesel it increased by 43.5% (to 108.0 USD/t). Negative margin on fuel oil increased by 61.7% (to -248.7 USD/t).

Croatian GDP has shown a positive improvement in the second quarter of the year, coming form a 0.8 percent decrease in the first quarter to 0.8 percent increase. This moderate growth was coming from improved exports of goods and services and increased government and personal consumption. However, looking at first six months of the year national GDP was at the level of the 2010 indicating a stagnating economy. Positive influence of increased inventories, and personal consumption was offset negative investment spending and reduced exports. During August, disappointing trends in industrial sector were recorded. On the annual level, the total production slump by 4.4% was led by decrease in production of intermediate goods and energy. The lower production level can be explained by the restructuring process and some incidents (Manufacture of refined petroleum products) and weak domestic demand. During the same month, merchandise export decreased by 20.5% suggesting that the deterioration of economic trends in EU already hurt the demand for Croatian goods. Taking into consideration the weak domestic and external demand, as well as the low competitiveness, it is expected that industrial production might decrease by 2% in 2011 In line with the still depressed domestic environment, market demand for crude oil products in wholesale market has contracted compared to the previous year, while the retail demand shows certain level of stability. Prices of goods and services for personal consumption, measured by consumer price indices, as compared to September 2010, that is, at the annual level, increased by 2.2% and on the average by 2.0% annually.[3]

2 Source: IMF World Economic Outlook, September 2011
3 Source: Croatian Statistic Bureau

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Management discussion

*Exploration and Production**

Q2 2011	Q3 2011	Q3 2010	%	Segment IFRS results (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
3,178	2,883	2,518	14.5	Net sales revenues	7,619	9,297	22.0
2,477	1,803	1,355	33.1	EBITDA	4,617	6,249	35.3
2,392	1,816	1,355	34.0	EBITDA excl. special items**	4,179	6,177	47.8
1,837	1,156	874	32.3	Operating profit/(loss)	3,222	4,462	38.5
1,739	1,170	1,056	10.8	Operating profit excl. special items**	3,070	4,482	46.0
140	136	305	(55.4)	CAPEX	1,090	467	(57.2)

* Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Crosco Group, INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Prirodni plin d.o.o.
** The Q1-Q3 2011 performance was negatively influenced by HRK 20 million special items, of which HRK 112 million released provisions had a positive effect, while HRK 40 million incentives, HRK 65 million impairment and HRK 27 million provisions had negative effects.

Q2 2011	Q3 2011	Q3 2010	%	Hydrocarbon production*	Q1-Q3 2010	Q1-Q3 2011	%
187.6	194.2	208.7	(7.0)	Crude oil production (kt)*	599.6	572.5	(4.5)
114.9	113.9	120.5	(5.5)	Croatia	360.2	343.2	(4.7)
33.7	37.2	41.8	(11.1)	Syria	106.1	108.2	2.0
19.9	22.7	25.5	(10.8)	Egypt	74.5	63.1	(15.3)
19.1	20.5	20.9	(2.3)	Angola	58.8	57.9	(1.5)
778.3	758.4	657.8	15.3	Natural gas production (mln cm)	1,913.2	2,292.4	19.8
342.2	330.8	373.1	(11.3)	Croatia - offshore	1,028.5	1,026.7	(0.2)
218.9	204.5	220.1	(7.1)	Croatia - onshore	694.8	647.1	(6.9)
217.3	223.0	64.6	245.3	Syria	189.9	618.6	225.8
106.8	97.2	57.8	68.0	Condensate (kt)	187.8	301.9	60.8
59.2	50.0	56.5	(11.4)	Croatia	179.3	170.4	(5.0)
47.6	47.1	1.4	3,371.3	Syria	8.4	131.5	1,457.3
15,519	15,941	16,783	(5.0)	Crude oil (boe/d)	16,361	15,773	(3.6)
11,009	9,707	6,236	55.7	Natural gas Condensate (boe/d)	7,030	10,325	46.9
50,352	48,523	42,094	15.3	Natural Gas (boe/d)	41,257	49,430	19.8
22,136	21,166	23,876	(11.4)	o/w: Croatia off-shore (boe/d)	22,179	22,137	(0.2)
76,880	74,171	65,112	13.9	Total hydrocarbon production (boe/d)	64,648	75,528	16.8

Q2 2011	Q3 2011	Q3 2010	%	Average realised hydrocarbon price**	Q1-Q3 2010	Q1-Q3 2011	%
107.1	112.7	68.5	64.6	Crude oil and condensate price (USD/bbl)	67.3	101.5	50.9
83.9	84.4	60.4	39.7	Total hydrocarbon price (USD/boe)*	57.4	77.7	35.2

Q2 2011	Q3 2011	Q3 2010	%	Natural gas trading - mln cm	Q1-Q3 2010	Q1-Q3 2011	%
138.1	209.6	232.8	(9.9)	Natural gas imports	925.3	564.2	(39.0)
543.4	546.0	538.0	1.5	Total natural gas sales - domestic market	2,062.7	2,057.7	(0.2)

Q2 2011	Q3 2011	Q3 2010	%	Natural gas price differential to import prices (HRK/000 cm)	Q1-Q3 2010	Q1-Q3 2011	%
(364.9)	(509.5)	(387.6)	31.4	Eligible customers' price	(392.0)	(293.9)	(25.0)
(684.1)	(1,075.7)	(566.0)	90.1	Tariff customers' price	(352.0)	(717.6)	103.8
(404.6)	(545.3)	(408.0)	33.6	Total price	(384.8)	(387.4)	0.7

*Excluding separated condensate
** Calculated based on total external sales revenue including natural gas selling price as well

In Q3 2011, operating profit, excluding special items, rose by 11% over Q3 2010 period when it amounted HRK 1,056 million. The profit was positively influenced by (1) 40% increased total realised hydrocarbon price and (2) 14% increase in average daily hydrocarbon production, as a result of the investments made into the key projects, while (3) 6% stronger kuna against USD affected the result negatively. In addition, the improved result was offset by lack of domestic oil and condensate sales, since after the fire incident in June, Sisak Refinery was stopped in the third quarter, not being able to refine the domestically produced quantities which were put to storage. The reported Q3 2011 operating profit amounted to HRK 1,156 million, including HRK 14 million negative effects of special items.

Q1-Q3 2011, Upstream segment operating profit, excluding special items, was HRK 4,482 million, representing a strong increase of HRK 1,412 million compared to the same period last year. The positive effects of (1) 17% higher hydrocarbon production, mainly due Syrian production, (2) 36% better average realized hydrocarbon price, together with (3) 6% lower unit production OPEX influenced mostly the result. Reported Q1-Q3 2011 operating profit amounted to HRK 4,462 million and was negatively influenced by HRK 20 million special items.

Average daily hydrocarbon production in Q1-Q3 2011 was at 75,528 boe, representing an increase of 16.8% compared to the same period last year. Increasing contribution of recent development project in Syria, more than offset the decrease of the maturing domestic onshore oil and gas fields production. Adriatic off-shore production remained at the same level compared to the last year. Q3 2011 average daily hydrocarbon production decreased by 3.5% to the level of 74,171 boe, when compared to Q2, mainly due to the decrease in off-shore production coming from unplanned maintenance operations. However, the average hydrocarbon production showed an increase of 13.9% in Q3 2011 compared to Q3 2010. In Q1-Q3 2011 unit production cost decreased by 6% to 6.2 USD/boe, compared to Q1-Q3 2010, due to efficiency improvement measures and higher production quantities.

In Q1-Q3 2011 Croatian on-shore natural gas production decreased by 7%, due to the natural depletion of maturing fields. Natural gas production outside Croatia more than doubled due to start up of Oil and gas station Jihar and Gas Treatment Plant in Q1 2011. European Union has strengthened the restrictive measures against Syria in September, imposing a ban on the import of Syrian oil to the EU. The prohibition concerns purchase, import and transport of oil and other petroleum products from Syria, as well as a ban on providing financial or insurance services for such transactions. In addition, EU has restricted future new investments to Syria. Current level of sanctions and political tensions in Syria did not directly affect the daily operations in the first half of the year, production and planned investments, but from the end of September 2011, oil production was decreased by 1.5 thousand of bbl/day due to the local requirements. These restrictive measures might have additional adverse effects, which could reflect through difficulties in collection of receivables coming from local production. However, INA cannot exclude possibility of further tightening of the restrictive measures against Syria, which could have further negative effects on Syrian revenues or production levels.

Croatian crude production declined by 5% in the first nine month of the year, compared to same period of last year, due to natural depletion of the fields. International crude production was lower by 4%, compared to Q1-Q3 2010, as a result of lower production in Egypt due to natural decline, postponed workover activities and development drilling because of political riots at the beginning of the year.
In Syria, gas and condensate production quantities are expected to stay at the predicted level in the remaining part of the year, while oil production would decrease due to the announced production limitations (due to applied EU's sanctions against Syria and imposed ban on the import of Syrian oil to EU).

Upstream sales revenues improved by 22% in Q1-Q3 2011 compared to the same period last year. An increase of the revenues was mostly affected by (1) higher sales volumes and (2) higher average hydrocarbon prices, which were partially mitigated with the unfavourable effect of stronger kuna. Total natural gas sales on the domestic market remained almost at the same level as in the same period of 2010. However, the market demand for natural gas was met from own domestic natural gas production and from storage, while the imports decreased due to the higher level of natural gas in storage at the beginning of the period.

Exploration and Production segment's CAPEX in Q1-Q3 2011 amounted to HRK 471 million[4]. In Syria (exploration CAPEX HRK 16.5 million, development CAPEX HRK 198.1 million) on Hayan Block new gas well Jihar-11 was drilled with excellent results obtained during well testing with 625 000 m3/day of gas and 125 m3/day of condensate. Drilling of new oil well Mazrur-3 on Mazrur Field also started. Other investments on Hayan Block were related to production facilities regarding connection of new well to GPC Jihar and electrical interconnections between CGS and GPC Jihar. Also civil engineering activities regarding tie-in roads to facilities were done.
In Egypt (exploration CAPEX HRK 1.1 million, development CAPEX HRK 50.2 million) activities on West Abu Gharadig Concession were focused on drilling and putting on production two development wells at the beginning of the year. Workover activities were carried on continuously in order to maintain production. Two wells were drilled on Ras Qattara Concession by mid year. Exploratory well was P&A due to negative results, while development well was put on stream in July 2011. Drilling activities on North Bahariya Concession started at the beginning of June. Three wells were drilled, one exploratory and two development wells, which obtained excellent results and were put on production in Q3 2011. Sidi Rahman-3 well, drilled on Sidi Rahman Development Lease at the beginning of the year, did not obtain positive results. Workover operations on Sidi Rahman-1 and Sidi Rahman-2 wells, started in June, resulted in higher production of Sidi Rahman oil field. Workover activities continued on Rizk Development Lease where two wells, Rizk-1 and Rizk East-1, were completed and ready for production. However, start up of production is postponed until approvals from Egyptian authorities are issued. In Angola (exploration CAPEX HRK 5.7 million, development CAPEX HRK 11.2 million), the activities planned for the first three quarters of 2011 related to Floating Storage Hull Repair on Palanca Terminal, Topside Structure overhaul and major painting and refurbishment campaign on all platforms, were postponed until partner's approval. At the same time, due to good production results, operator Sonangol P&P decided to also postpone annual workover to Q1 2012.

4 From July 2011 all Exploration and Production CAPEX reports include Exploration One Off OPEX; in Q1-Q3 2011 Exploration OPEX amounted to HRK 4 million

In Croatia (exploration CAPEX HRK 5.9 million, development CAPEX HRK 73.0 million) on North Adriatic investments were related to finalization of first phase of optimization of existing system and installation of necessary equipment for accepting Izabela gas field production. Feasibility study for Ika SW, Božica and Ivana SW is finished. On onshore oil field Žutica, within the EOR project, testing activities of future injection and production wells were proceed. Total expenditures for this project in the following three years would amount to HRK 506 million. The EOR project with application of tertiary methods would result in significantly production increase over the next 20 years.

INA-Industrija nafte, d.d. received on 01 August 2011 Resolutions of the Ministry of Economy, Labour and Entrepreneurship relating to the concessions for the hydrocarbon exploration area „Sava“, „Drava“ and „Northwest Croatia“. With these Resolutions the Ministry of Economy, Labour and Entrepreneurship has revoked INA's licenses for mineral resources exploration in the above mentioned exploration areas. These Resolutions have a direct negative affect on regular business operations of the company as well as on investment plans. The revoked concessions were extended to December 31, 2015 (after expiration on December 31, 2010), under condition of beginning of the exploration works. Furthermore, future domestic onshore exploration activities and capital expenditure levels would be dependant on the possibility of keeping/restoring the exploration licenses that have been revoked by the relevant ministry. During challenging circumstances, INA pursued cross-border exploration activities and discovered oil and gas in several projects in Croatia in the last 2 years (Zalata-Dravica) while it also initiated sole risk exploration activities within onshore Croatia in 2010 (Selec 1). In the meantime, significant efforts have been put into project preparation for Croatian onshore exploration activities and accordingly detailed workplans have been developed for those exploration areas. INA will continue with intensified exploration activities in the next years on the concession it holds in Croatia (Istočna Slavonija, SW Sava, Jadran, Dinaridi) and abroad (Syria, Egypt and Angola) as well.

The Government of the Republic of Croatia passed on August 03, 2011 a Resolution on the maximum gas price level for eligible customers which prescribes maximum gas price level for eligible customers conducting production activities with annual consumption less than 100 million m^3 of gas, especially for customers that are purchasing gas for production of thermal energy for tariff customers, pursuant to provisions of the Act on production, distribution and supply of heating energy, with the exception of households. The resolution is in force from September 1, 2011 and maximum gas price level is applied until December 31, 2011 and is equal to 2.13 HRK per cubic meters. It is expected that this decision could have an adverse impact on the segment result in the amount close to HRK 150 million.

On 26 September 2011 INA, d.d. received the decision on the appointment of arbitration panel president in the arbitration procedure initiated by EDISON INTERNATIONAL S.p.A against INA, d.d., which represents the finalization of the procedure of arbitration panel appointment and formation, concerning the Production Sharing Agreement (PSA) in the Contract Area of the Republic of Croatia Offshore Adriatic Sea Izabela and Iris/Iva blocks (hereinafter: the Agreement). EDISON INTERNATIONAL S.p.A bases its arbitration notice on the allegations that INA, d.d. did not fully comply with its contracting obligations as per the Agreement and it in the same notice claims damage compensation from INA, d.d. in the amount of cca EUR 140 million, as well as compensation for lost profit. INA, d.d. delivered a response to the arbitration notice in which it fully contests the allegations of EDISON INTERNATIONAL S.p.A., and it also submitted a counterclaim against the company EDISON INTERNATIONAL S.p.A.

Refining and Marketing*

Q2 2011	Q3 2011	Q3 2010	%	Segment IFRS results (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
4,927	4,798	4,732	1.4	Revenues	11,174	13,798	23.5
(340)	(214)	234	n.a.	EBITDA	(352)	(420)	19.3
(317)	(194)	234	n.a.	EBITDA excl. special items**	(237)	(377)	59.1
(618)	(376)	(159)	136.5	Operating profit/(loss) reported	(955)	(1,114)	16.6
(467)	(338)	61	n.a.	Operating profit/(loss) excl. special items**	(620)	(834)	34.5
37	26	41	(36.6)	Replacement modification	273	261	(4.4)
(155)	60	(4)	n.a.	Impairment on inventories	26	(95)	n.a.
21	2	259	(99.2)	Foreign exchange rate differences	(182)	96	n.a.
(370)	(426)	(235)	81.3	CCS-based R&M operating profit/(loss)	(737)	(1,096)	48.7
104	126	237	(46.8)	CAPEX and investments (w/o acquisition)	946	328	(65.3)

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb, Proplin, Crobenz (until 30 September 2010), Osijek Petrol, Interlna Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA Hungary, FPC London, INA -Crna Gora, INA Beograd, INA Kosovo, Interina Holding London, Holdina Guernsey
**The Q1-Q3 2011 performance includes HRK 280 million negative special items of which HRK 72 million provisions, HRK 43 million incentives and HRK 165 million impairment[5].

Q2 2011	Q3 2011	Q3 2010	%	Refinery processing (kt)	Q1-Q3 2010	Q1-Q3 2011	%
100	0	133	n.a.	Domestic crude oil	356	210	(41.1)
804	698	1,151	(39.3)	Imported crude oil	2,813	2,394	(14.9)
33	0	34	n.a.	Condensate	102	67	(34.3)
216	220	77	184.1	Other feedstock	170	597	252.1
1,153	918	1,396	(34.2)	Total refinery throughput	3,441	3,268	(5.0)
Q2 2011	Q3 2011	Q3 2010	%	Refinery production (kt)	Q1-Q3 2010	Q1-Q3 2011	%
68	48	83	(41.9)	LPG	194	175	(10.0)
241	223	298	(25.3)	Motor gasoline	721	696	(3.5)
289	216	385	(43.9)	Diesel	872	754	(13.6)
29	43	43	0.5	Heating oil	153	137	(10.8)
33	47	46	2.4	Kerosene	85	98	15.5
32	18	11	59.0	Naphtha	48	71	46.9
168	115	206	(44.1)	Fuel oil	454	450	(0.9)
33	0	27	n.a.	Bitumen	58	49	(14.9)
84	73	145	(49.8)	Other products*	475	349	(26.5)
976	783	1,245	(37.1)	Total	3,061	2,779	(9.2)
9	6	11	(46.8)	Refinery loss	27	23	(12.6)
168	129	140	(7.8)	Own consumption	353	465	32.0
1,153	918	1,396	(34.2)	Total refinery production	3,441	3,268	(5.0)
Q2 2011	Q3 2011	Q3 2010	%	Refined product sales by country (kt)	Q1-Q3 2010	Q1-Q3 2011	%
466	529	576	(8.2)	Croatia	1,547	1,427	(7.8)
137	142	97	45.7	B&H	315	409	30.0
378	256	553	(53.6)	Other markets	1,089	953	(12.5)
981	927	1,226	(24.4)	Total	2,951	2,789	(5.5)
Q2 2011	Q3 2011	Q3 2010	%	Refined product sales by product (kt)	Q1-Q3 2010	Q1-Q3 2011	%
76	60	91	(34.1)	LPG	220	201	(9.0)
264	235	312	(24.7)	Motor gasoline	748	713	(4.6)
316	362	389	(6.9)	Diesel	951	942	(0.9)
36	39	46	(14.7)	Heating oil	156	139	(11.1)
34	51	47	8.4	Kerosene	91	98	6.6
33	18	14	22.9	Naphtha	56	73	31.8
143	122	207	(41.3)	Fuel oil	422	447	5.7
35	18	25	(25.7)	Bitumen	55	69	23.7
44	22	94	(77.1)	Other products*	251	108	(56.8)
981	927	1,226	(24.4)	Total	2,951	2,789	(5.5)
204	429	333	28.6	o/w Retail segment sales	863	864	0.1

*Other products = FCC gasoline, petrol components, other gasoline, benzene-rich cut, other diesel fuels and components, liquid sulphur, coke, motor oils. Ind, lubricants, base oils, spindle oil, waxes, blend. gas oil "M", atmosp, residue, intermediaries and other

In Q3 2011, Refining and Marketing division realised HRK 338 million loss (excluding special items) from operating activities, or HRK 129 million less than in Q2 2011, mostly due to (1) improved efficiency due to crude procurement optimization and cost optimization, (2) substantially improved margins by 8.0% on gasoline, 11.8% on diesel fuels and lower negative margins on fuel oils, (3) increased yield of white products, from 67.8% to 71.5%, due to process optimization and putting in operation new

[5] This impairment relates to the treatment of gas bottles at Proplin which needed to be harmonized with the current situation.

plants in Rijeka Refinery and the fact that Sisak Refinery mostly blended gasoline and diesel. Q3 operations have concentrated on meeting the demand on the local and the main export B&H market, where the sales volumes increased, while the overall sales volumes decreased due to lower processing as a result of Sisak Refinery stoppage which reduced volumes available for third markets.

In Q3 2011, when comparing to Q3 2010, the loss from operating activities (excluding special items) was higher by HRK 399 million mostly due to (1) 299 kt or 24.4% lower sales, o/w domestic sales lower by 8.2%, B&H sales higher by 45.7% and other markets' sales lower by 53.6%, (2) 47.6% higher price of Brent crude oil, which was partially offset with (3) favourable effect of substantially higher average refinery margins on gasoline by 53.4% and 41.5% on diesel together with (4) better yield of white products. Reported operating loss in the third quarter 2011 amounted to HRK 376 million and was negatively influenced by HRK 38 million special items.

Estimated CCS-based operating loss for Q3 2011 (excluding negative effect of special items, impairment and effect of foreign exchange differences on debtors and creditors), was also higher by HRK 191 million, in comparison with Q3 2010, as a combined negative effects of very low crack spreads of black product that still have significant production yield and lower total production.

In Q1-Q3 2011, the operating result (excluding special items) was HRK 214 million lower and reached the amount of HRK 834 million operating loss, in comparison with Q1-Q3 2010, as a result of (1) 162 kt or 5.5% lower sales, (2) unfavourable product slate due to planned and unplanned stoppages and discontinuities in operation of new plants in Rijeka Refinery and stoppage of Sisak Refinery after the fire incident. Refinery production was optimized in order to decrease the production of fuel oil (due to lower regional demand and increased negative margins on fuel oil); (3) 45.1% higher price of crude, while the margins dropped by 3.7%, which had a negative effect on the result. These negative effects were partly offset with (4) substantial higher sales of EURO V products, (5) significantly increased B&H sales, including higher sales of diesel and bitumen and (6) implemented measures for operation efficiency improvement. Reported operating loss in the first nine months amounted to HRK 1,114 million, including the negative effect of special items in the amount of HRK 280 million.

Estimated CCS-based operating loss for Q1-Q3 2011 (excluding negative effect of special items and significant positive effect of foreign exchange differences on debtors and creditors compared to the same period last year), increased by HRK 359 million not just as a result of the worsening refining environment, but also due to the technical complications of refineries, which both deteriorated the divisional result.

External business environment in the first nine months of 2011 mostly reflected turbulent developments on the global market. After a strong increase in April, crude prices went through a correction in the months that followed. In comparison with the same period of 2010 the average price of Brent crude increased by 45.1% (from 77.1 USD/bbl to 111.9 USD/bbl), while the average crack spread (FOB Med) decreased by 3.7% (from 29.0 USD/t to 28.0 USD/t). Crack spreads of the main products were: for unleaded petrol BMB Euro 95 it increased by 17.7% (to 148.2 USD/t) and for Eurodiesel it increased by 43.5% (to 108.0 USD/t). Negative margin on fuel oil increased by 61.7% (to -248.7 USD/t).

Total refinery throughput in Q1-Q3 2011 was 5% lower year-on-year. Refinery processing was influenced by (1) still lower fuel demand in Croatia and neighbouring countries, (2) the unplanned stoppage of the whole Sisak Refinery as of 20 June 2011, as a result of fire incident, (3) the planned shutdowns of Sisak Refinery in February and in May 2011 and Rijeka Refinery in April and May 2011, with the purpose of production optimization, (4) discontinuities in operation of new plants (HGU, HCU and SRU) in Rijeka Refinery, which had a negative result on production yield (due to lower processing of Azeri light crude related to increased difference of REB and Azeri prices) and increased own consumption. Share of white products dropped to 66.5% (in Q1-Q3 2010 it was 70.0%), with high share of own consumption (14.9%). Share of EURO V quality gasoline reached 73.4% of total motor gasoline production.

Despite of still lower demand on domestic and B&H market, INA kept its position on both markets as a result of improved competitiveness (introduction of new EURO V quality products with 116% higher sale of those products). In the first nine months 2011, the total sales decreased by 162 kt (or 5.5%) in comparison with the same period 2010. Heating oil and LPG sales volumes decreased 11.1% and 9.0% respectively. Decrease in heating oil sales mostly resulted from postponed heating season, while the LPG sales decreased due to lower production. Domestic market recorded sales decrease by 7.8%, which is less than the 10% to 12% company estimations of drop of demand. B&H sales volumes recorded a strong growth (30.0%) due to diesel and bitumen sales. Other export markets sales decreased by 12.5%. Total sales of motor gasoline were lower by 4.6 %, diesel fuels by 0.9% and sale of heating oils by 11.1%. Sale of petroleum, virgin naphtha and bitumen increased.

Within the scope of the first phase of the modernization program, in Rijeka Refinery, construction works at the Urinj mild Hydrocracking complex (Hydrocracking, hydrogen generation, sulphur recovery and ancillary units) have been completed in 2010 and after successful start-up procedure these units are in commercial operation since May 2011. During the initiation of the Hydrocracking complex certain complications arose, as regular operation of such a complex plant need some time after initiation. We aim to have more stable operations in 2012 through performing additional works and improvement of the processes. Additionally, natural gas was introduced to the newly-built refinery complexes which operate exclusively on gas, and since July this year, natural gas was brought to the energy plant. Natural gas was brought to all the burners, in part where it is the exclusive fuel and in part where it is combined with other fuel, refinery fuel gas and low-sulphur fuel oil.

CAPEX in first nine months of 2011 amounted to HRK 328 million and was by HRK 618 million lower than in the same period 2010.

Currently Rijeka Refinery produces only EURO V standard gasoline and diesel fuel. At Sisak Refinery, the FCC-gasoline hydrodesulphurization unit was completed in 2008. Since 2009 this unit has been producing low-sulphur (20 ppm) components for blending EURO-grade gasoline. The Isomerisation unit, which will improve the gasoline octane pool, has also been completed and start-up is postponed to Q4 2011 in line with refinery re-start after finishing remediation work due to fire event in June 2011. Work on the remediation of the refinery has been intensively underway and even though key plants of the refinery were not damaged it is a long process. The majority of construction and engineering work is being finished, electrical and instrumentation work is currently underway, as well as inspection of repaired pipelines including all statutory testing. In parallel with the repairs, regular overhaul of technical plants is being conducted (regular overhaul of the refinery, which is conducted every three years and lasts for 45 days) and it is expected that the refinery comes back on track in November 2011.

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*Retail Services**

Q2 2011	Q3 2011	Q3 2010	%	Segment IFRS results (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
1,976	2,356	2,005	17.5	Revenues	4,905	5,854	19.3
38	76	54	40.7	EBITDA	132	118	(10.6)
53	87	101	(13.9)	EBITDA excl. special items**	179	144	(19.6)
12	45	(50)	n.a.	Operating profit/(loss)	(144)	15	n.a.
14	64	70	(8.6)	Operating profit/(loss) excl. special items**	76	52	(31.6)
33	16	15	6.0	CAPEX and investments (w/o acquisition)	24	57	137.5

* Refers to Retail INA. d.d. and Petrol Rijeka and retail of subsidiaries: Proplin, Crobenz (until 30 September 2010), Osijek Petrol, Interina Ljubljana, Holdina Sarajevo, INA - Crna Gora
**The Q1-Q3 2011 performance was negatively influenced by HRK 37 million special items

Q2 2011	Q3 2011	Q3 2010	%	Refined product retail sales (kt)	Q1-Q3 2010	Q1-Q3 2011	%
98	118	128*	(7.3)	Motor gasoline	320*	300	(6.0)
179	212	215*	(1.3)	Gas and heating oils	529*	538	1.7
9	10	12*	(15.6)	LPG	32*	27	(17.3)
1	1	1*	(9.5)	Other products	3*	2	(4.2)
287	342	356	(4.0)	Total	883	868	(1.8)

Q2 2011	Q3 2011	Q3 2010	%	Refined product retail sales (kt)	Q1-Q3 2010	Q1-Q3 2011	%
274	326	339*	(3.9)	Croatia	841*	828	(1.5)
10	12	12	(6.1)	B&H	30	29	(3.2)
4	4	4	(2.8)	Other markets	12	10	(15.2)
287	342	356	(4.0)	Total	883	868	(1.8)

* Excluding Crobenz's sales, to be able to compare with 2011 data

In Q3 2011 Retail Services generated operating profit excluding special items in the amount of HRK 64 million which represented an improvement of HRK 50 million compared to the Q2 2011. (1) The 19% sales volumes increase as a result of seasonal effect and (2) higher overall fuel unit margin that resulted from increased share of high quality CLASS fuel (with unit margin higher than average) in total fuel sales, contributed to the improved result.

Q3 2011 result was HRK 6 million lower in comparison to Q3 2010 operating profit excluding special items. The main driver of negative discrepancy in the result was change in the methodology of assets impairment which had a positive impact in Q3 2010[6]. The reported Q3 2011 operating profit amounted to HRK 45 million and was negatively impacted by HRK 19 million special items.

In Q1-Q3 2011 Retail Segment generated HRK 52 million operating profit (excluding special items) which was HRK 24 million less compared to the same period last year. Higher fuel margin and lower operating costs in Q1-Q3 2011 could not compensate for the positive impact of assets impairment in Q1-Q3 2010 mentioned above. The reported Q1-Q3 2011 operating profit amounted to HRK 15 million and was negatively impacted by HRK 37 million special items.

Through the INA Group's retail network in Q1-Q3 2011 868 kt were sold, o/w 62% diesel, 35% gasoline and 3% LPG and other products. Compared to the same period last year sales volumes were 1.8% lower, excluding from last year's sales volumes sold at Crobenz filling stations, a subsidiary sold in Q3 2010. In comparison with Q3 2010 (comparing with current network), sales achieved in Q3 2011 were slightly lower due to shortfall of results at the beginning of tourist season. Compared to the previous quarter, sales volumes in Q3 2011 were significantly higher due to strong seasonal influence.

As of 30 September 2011 INA Group's retail network included 454 filling stations (402 in Croatia, 45 in Bosnia & Herzegovina, 6 in Slovenia and 1 in Montenegro), or 35 filling stations less than on the same day last year. Reduced number of filling stations was a consequence of sale of 14 Crobenz' filling stations, the expiration of the lease contract for 11 Energoinvest's filling stations and operations optimisation and closing certain non-profitable stations.

Retail CAPEX amounted to HRK 57 million in Q1-Q3 2011, which significantly surpassed the amount invested during the same period last year. On the opening of two newly constructed filling stations, Galižana West and Župa, the new visual identity – "Blue concept" was officially presented. Within project of INA Retail network modernization, which was started at the end of the last year, 15 filling stations have been modernized; apart from the new visual identity they provide now a better service, a wider range of consumer goods and a higher level of technical equipment. Ongoing projects, beside modernization projects, are capital reconstruction projects of individual stations. So far, capital reconstruction of filling stations Biograd na moru – magistrala and Split Smokovik has been finished.

[6] Positive impact of assets impairment in Q3 2010 amounted to HRK 30 million, while in 2011 the impact of assets impairment will be recognised at the end of the year

Financial overview

Operations

Based on the Gas Master Agreement signed by the Government of the Republic of Croatia and MOL on 30 January 2009 and amended on 16 December 2009, the Croatian Government should have taken over the gas trading business before 1 December 2010. Since this has not happened and the ongoing negotiations do not yet indicate a revised timeline, this activity no longer meets the criteria for discontinued operations. Consequently, assets, liabilities, revenues and expenses are disclosed among continuing activities within the Exploration and Production segment.

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

Management Board made a decision on the business restructuring of Proplin, a 100% owned subsidiary of INA d.d., member of INA Group. The decision on the business restructuring, which was prompted by the changes in market circumstances seen in the last years and by the growing need to respond appropriately to new challenges in order to ensure stable and profitable operations of this important part of the INA Group business, was made by INA Management Board in March 2011. This decision understood that all operations of Proplin d.o.o (principal activity being autogas, industry/bulk and cylinder sales of LPG in Croatia) are integrated back to INA and the company is merged with its mother company. In May 2011, Merger Agreement between INA d.d., as acquiring company and Proplin d.o.o., as merged company was concluded and at the beginning of October the full integration of Proplin was completed.
The Management Board of PROplin d.o.o. passed a decision on the start of launching the legally prescribed procedure with the objective to design a Workforce Redundancy Program. The program comprises 75 employees of the total of 345 employees in PROplin d.o.o. and it will be created respecting the social dialogue with the union.

Following INA Management Board decision, from September 2011, company Top Računovodstvo Servisi d.o.o. was established within INA Group as a shared service centre focusing on financial level service activities, including accounting, tax, payroll and partly treasury back-office activities. Top Računovodstvo Servisi d.o.o. is providing service type of activities that were up till now a part of INA Accounting and Tax and partly HR and Treasury Sector.
The long term strategy of the newly established company is the extending of financial service providing activities within INA Group in Croatia and abroad in order to enhance synergies and establish financial process excellence in all INA Group companies. The set-up of the shared service centre is in line with international trends and this would furthermore be one of the larger Shared service centres in Croatia. INA Group employees that were employed within the mentioned Sectors or STSI and Proplin in related service areas, are transferred to Top Računovodstvo Servisi d.o.o. in total number of 260. They are performing the same activities as they have been doing in INA Group and kept the same rights and responsibilities.

Significant accounting judgements and estimates

From the second quarter of 2010, INA Group reclassified income and costs of interests and foreign exchange differences of buyers and suppliers from financial activities to operating activities and from Q1 2011 to the business segments level. Also in Q2 2010 in North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating unit.
The agreement between the major shareholders on the takeover of gas trading company by the Government was not reached by deadline as originally set out in the Amendment to the gas master agreement, therefore, since Q4 2010 the Company does not present the gas trading business results as the results from discontinued activities.
Company has recognized revenues in the income statement from hydrocarbon sales in Syria which had been realized, in line with international accounting standards, meaning that the cash principle has been applied since the beginning of 2011.

Income statement

In Q1-Q3 2011, INA Group total sales revenues[7] increased by 23% to HRK 22,727 million compared to HRK 18,506 million in Q1-Q3 2010. Revenues from refined product sales, as well as Syrian natural gas and crude oil sales were higher primarily reflecting higher average sales prices.

The costs of raw materials and consumables rose by 22% in Q1-Q3 2011, in accordance with the rising sales. The increase was a result of the higher value of imported crude oil related to 37% higher crude oil average purchase price (the average price of Brent FOB Med rose by 45% on the world market), while the volume of refined crude oil was 15% lower compared to Q1-Q3 2010. The value of finished goods and work in progress inventories increased by HRK 904 million compared to the opening balance (31 December 2010) while as at 30 September 2010 they was also higher by HRK 655 million. The costs of goods sold rose by 16% to HRK 3,115 million mainly due to higher purchased volumes of imported oil products as a result of lower production related to late start up of HCU in Rijeka Refinery and the fire accident in Sisak Refinery.

Within the other operating costs incurred in Q1-Q3 2011, other material costs in the amount of HRK 1,290 million decreased by 14% primarily as a result of lower rental fee of equipment in Crosco and lower costs of outsourced services. The costs of services decreased by 19% to HRK 883 million mainly due to HRK 396 million lower financial costs related to operations. Depreciation of HRK 1,929 million was at the higher level by 43% compared to Q1-Q3 2010, as a result of assets put in use upon completion of the projects. Adjustments and provisions in the amount of HRK 920 million were lower by HRK 366 million, compared to Q1-Q3 2010, mostly lower provisions made for incentives and lower provisions for environmental liabilities.

In Q1-Q3 2011, total staff costs slightly decreased by 3% to HRK 2,030 million, mainly due to lower headcount as a result of Workforce Restructuring Programme launched at the end of 2010. The headcount as at 30 September 2011 was 14,470 which represent a 11% decrease compared to the 16,258 employees as at 30 September 2010.
In December 2010 INA Group implemented the redundancy programme in order to increase efficiency and for the purpose of stabilisation of economic operations and the needs of reorganisation in order to improve business processes in the next period. The programme is conciliated with the Croatian Employment Service and INA's trade union representatives and was partially executed in November and December 2010. Additionally, in the first nine months of 2011, INA terminated the contracts of 543 employees and severance payments in the total amount of HRK 159 million were made. Representatives of the labour unions present in INA have conceded to the Programme and no significant disputes arose as a result of its implementation.

Net financial loss in the amount of HRK 124 million was recorded in Q1-Q3 2011, compared to the net financial loss of HRK 547 million in Q1-Q3 2010. Interests paid were HRK 114 million in Q1-Q3 2011 (compared to HRK 134 million in Q1-Q3 2010) while interest received amounted to HRK 20 million in Q1-Q3 2011 (compared to HRK 17 million in Q1-Q3 2010). In Q1-Q3 2011 a net foreign exchange gain of HRK 33 million was recognised, compared to the loss of HRK 235 million in Q1-Q3 2010. Other financial expenses amounted to HRK 63 million which was HRK 132 million lower compared Q1-Q3 2010.

Income tax expenses increased by HRK 432 million from the comparative period, to the amount of HRK 682 million in Q1-Q3 2011.

New Regulation on compensation payment for concession for exploitation of mineral raw materials has been in force since April, 6th 2011 (Official Gazette 40/11). The amount of compensation is calculated as a percentage of the market value of the produced hydrocarbons and was increased from 3.6% to 5.0%, that could increase INA's fee by approximately HRK 70 million per annum.

Maximum selling prices for fuel products retail are determined by the regulation adopted by the Ministry of Economy, Labor and Entrepreneurship (Official Gazette 37/2011) of the Republic of Croatia, which provides formulae for setting prices relative to international market prices. From 4 April 2011 retail prices of fuel products are changing every 14 days and the oil companies are authorized to apply different retail prices within the maximum price set by the Ministry. Retail prices for gas stations located on highways and on the coast are deregulated, except for blue diesel. From June 21, INA started to apply differentiated prices at 37 petrol stations located on highways (for Eurosuper BS 95 and Eurodizel BS fuels, as well as Class fuels Eurosuper BS 95 Class and Eurodizel BS Class). In comparison to the stations which do not have the option of free formation of retail prices, the prices will be slightly higher, i.e. by HRK 0.02 to 0.05, depending on location. In addition, retail prices were changed on additional 20 petrol stations, where the mentioned fuels will be sold at reduced retail prices. The prices at these stations will be reduced by HRK 0.02 to 0.05, depending on location.

[7] Consolidated sales

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Balance sheet

INA Group **total assets** amounted to HRK 31,516 million as at 30 September 2011, representing an increase of 1% since 31 December 2010.

Total non-current tangible and intangible assets decreased by 5%, primarily due to increased depreciation because of assets put in use upon completion of capital investments. In addition, retranslation of changes in U.S. dollar on oil and gas fields decreased net book value of INA Group tangible assets in the amount of HRK 113 million. Goodwill and investments in subsidiaries and joint ventures amounted to HRK 589 million, recording a slight increase of HRK 1 million compared to 31 December 2010. Deferred taxes were by HRK 32 million higher and amounted to HRK 312 million.

Inventories increased by 51% to HRK 4,754 million, representing the main reason for current assets increase compared to 31 December 2010. An inventories' increase is reflecting both higher prices and higher volumes. Stored up finished products and work in progress inventories from own production increased by 35 kt and crude oil inventories increased by 292 kt partly as a result of shut down and therefore lower processing in Sisak Refinery caused by a fire event. In spite of increasing price environment, **trade receivables**, as at 30 September 2011, decreased by 26% to HRK 2,266 million compared to 31 December 2010, as a result of management efforts to collect overdue receivables.

As at 30 September 2011 **total liabilities** amounted to HRK 17,314 million (6% lower than on 31 December 2010), as an effect of both lower trade payables and lower indebtedness compared to 31 December 2010 level. **Trade payables** decreased by 30% to HRK 2,668 million, mostly because of better liquidity which enabled the payment of liabilities. Liabilities for taxes and contributions increased by 59% to the amount of HRK 1,255 million, due to higher corporate tax related to increased profitability. Long-term and short-term provisions amounted to HRK 3,070 million, recording an increase of 2%.

INA Group **net indebtedness** amounted to HRK 9,185 million as at 30 September 2011, which is a decrease of 8% compared to year-end 2010 when it amounted to HRK 9,938 million. **Gearing ratio**[8] was 39.3% as at 30 September 2011, decreasing from 43.7% as at 31 December 2010.

Cash flow

The operating cash-flow before changes in working capital amounted to HRK 5,220 million, in Q1-Q3 2011, representing an increase of HRK 2,159 million, or 71%, compared to Q1-Q3 2010, mainly as a result of stronger EBITDA. Changes in working capital affected the operating cash flow negatively by HRK 2,554 million, primarily due to increased value of inventories by HRK 1,922 million (reflecting both higher prices and higher volumes), lower liabilities (HRK 1,018 million) related to re-established liquidity.

Taxes paid negatively effect operating cash flow by HRK 396 million. Mentioned factors resulted in HRK 2,270 million net cash inflow from operating activities that INA Group generated in Q1-Q3 2011 period.

Net outflows in investing activities amounted to HRK 783 million, in comparison with HRK 2,072 million outflows in the same period last year. A decrease is resulted by the nature of key projects, some of which are nearing completion, and for the reason of current market environment.

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

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Financial instruments and risk management

INA Group continuously detects and monitors financial risks (commodity risk, FX and interest rate risk) in its operation. Market Price Risk Management Policy (adopted in 2010) is providing the framework under which INA and its consolidated subsidiaries manage its commodity, foreign exchange and interest rate risk at an acceptable level, allowing the Group to achieve its strategic goals while protecting the company's future financial stability and flexibility. It integrates and measures all financial risks at group level in a model using Monte Carlo simulation while senior management reviews Financial Risk Reports quarterly.
Beside financial (market) risks, the most important risks include the credit risk and the liquidity risk. The Group used derivative instruments for managing those risks to a limited extent. The Group does not use derivative financial instruments for speculative purposes.

a) Market risk

Commodity price risk management

The Group purchases crude oil mostly through short-term arrangements in US dollars at spot market prices. The required quantities of gas are purchased at a price denominated in US dollars in accordance to 3-year supply contract with Italian ENI.

In addition to oil exploration, production and refining, one of the INA's core activities is marketing and sales of refined products and natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001) which, to a limited extent, hedging the Group from the changes in crude and oil product prices and the currency risk, enabling refinery products to be reprised bi-weekly, with certain limitations, depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.

The Group may use swap and option instruments in managing its commodity exposure. From Q1 until Q3 2011 INA concluded short term commodity swap transactions for inventory changes and pricing period hedging purposes. These transactions were initiated to reduce exposure to potential price movements during the refinery inventory build down period, and for harmonisation of pricing periods for crude oil and oil products purchases with crude oil refining period and oil products sales pricing periods. Due to extreme volatility of crude oil and crude products prices caused by uncertainties surrounding World economy, INA has bought protection in the form of option instruments, in order to protect against potential losses in inventory of finished products and work in progress in case of adverse price movement.

Foreign currency risk management

As the Group operates on the domestic market and abroad many transactions are priced and denominated in foreign currency and it is thus exposed to currency risk.
Generally, the Group applies natural hedge to manage its currency risk exposure based on the principle that the currency mix of the debt portfolio should reflect the free cash flow currency position of the Group.
The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of September 30, 2011, there were no open cross currency transactions.
Additionally, the Refined Product Pricing Regulation enables the company to partly transfer the unfavourable movements of exchange rates to domestic products market.

Interest rate risk management

INA Group companies use borrowed funds at both fixed and variable interest rates (mostly variable) and the Group is consequently exposed to the interest rate risk. As an energy company, the Group does not speculate on interest rate developments and therefore primarily chooses floating rates. However, in case of certain instruments and macro environments, choosing fixed interest funds can be more advantageous.
The Group may use interest rate swaps to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings. As of September 30, 2011, there were no open interest rate swap transactions.

Other price risk

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

b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. Overdue receivables have a negative impact on INA Group's liquidity while provisions due to overdue receivables negatively effect results. According to existing Credit Risk Management Procedure, in dealing with its customers, Group applies risk categorisation, sets up credit limits and obtains collaterals as a means of mitigating the risk of financial loss from defaults. Debentures being the prevailing payment security instrument on the Croatian market are mainly taken as collateral.
There is no significant credit risk exposure of INA Group that would not be covered with collateral, other than those to the institutions and entities controlled by the state. Given that the Republic of Croatia is a one of the major shareholders of the Group

itself, credit risks to a significant extent depend on the policy of the Croatian Government. Present is, as well, the potential risk of difficulties in collection of sold oil and gas under certain concession agreements abroad.

The risk of collection of overdue debt from the customers is present especially in litigated receivables from customers in bankruptcy. Collection under lawsuits and bankruptcies are lengthy trials with uncertain outcomes, on which the Group has very limited control.

c) Liquidity risk

The Group's liquidity risk is managed by maintaining adequate reserves and credit lines and by continuous monitoring of projected and actual cash flow and due dates for amounts receivable and payable.

INA Group's policy is to ensure sufficient external funding sources with the goal of reaching sufficient level of committed credit lines frame available to cover INA Group liquidity as well as investments needs.

As of 30 September, 2011, INA had contracted short-term bank loans amounting to 430 million USD (excluding overdrafts and credit lines to finance the import purchase of crude oil and oil products).

Till December 2010 crude oil and oil products were imported through INA d.d. foreign subsidiaries Interina London and Interina Guersney, while since December 2010 it is being imported directly by parent company-INA d.d. In accordance with international practices for crude oil and oil products purchases INA has contracted short-term credit facilities ("trade financing") with first class commercial bank groups. Total credit potential of these facilities as of 30 September, 2011 amounted to 855 million USD.

d) Fair value of financial instruments

The Group has concluded some long-term sale or purchase contracts that contain embedded derivatives as defined by IAS 39. An embedded derivative is a component of a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Related party transactions

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on Group level consolidation. Details of transactions between INA parent company and the Group companies are disclosed.

INA, d.d. HRK mln	Amounts owed from related parties 30 Sept 2011	Amounts owed to related parties 30 Sept 2011
Foreign related companies		
Interina Ltd Guernsey	-	129
Holdina Sarajevo	105	6
Interina d.o.o. Ljubljana	1	-
Interina Ltd London	-	19
Adriagas Milano	-	-
INA – Crna Gora d.o.o. Podgorica	12	-
INA – Beograd d.o.o. Beograd	11	-
Domestic related companies		
Crosco Grupa	1	40
Osijek Petrol d.d.	46	2
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	49	-
STSI d.o.o. Zagreb	2	129
Maziva Zagreb d.o.o. Zagreb	33	19
ITR d.o.o. Zagreb	-	10
Sinaco d.o.o. Zagreb	1	36
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	1,398	191
TOP Računovodstvo servisi d.o.o. Zagreb	1	8
Companies available for sale		
JANAF d.d. Zagreb	1	5
Strategic partner		
MOL Plc	24	52
Companies controlled by strategic partner		
Tifon d.o.o.	38	1
Moltrade Mineralimpex Zrt.	-	-
Slovnaft, a.s.	-	-
Slovnaft, Petrochemicals s.r.o.	-	-
Mol Lub Kft.	-	-
MOL SLOVENIJA d.o.o.	1	-
IES-Italiana Energia e Servizi s.p.a.	-	2
TVK Nyrt.	-	1
Intermol d.o.o.	-	-
Energopetrol d.d.	33	-
Geophysical services Ltd.	-	-
Companies controlled by the State		
Hrvatska elektroprivreda	186	12
Hrvatske željeznice	1	8
Croatia osiguranje	-	-
Hrvatske vode	-	4
Hrvatska pošta	2	-
MORH	11	-
Hrvatske šume	8	-
Jadrolinija	47	1
Narodne novine	-	-
Croatia Airlines	44	-
Petrokemija Kutina	-	-
Plinacro	-	-
Hrvatske autoceste	1	4
Podzemno skladište plina Okoli	-	8

INA, d.d. HRK mln	Sales of goods 30 Sept 2011	Purchase of goods 30 Sept 2011
Foreign related companies		
Interina Ltd Guernsey	-	-
Holdina Sarajevo	627	-
Interina d.o.o. Ljubljana	18	-
Interina Ltd London	-	-
Adriagas Milano	2	-
INA – Crna Gora d.o.o. Podgorica	63	-
INA – Beograd d.o.o. Beograd	59	-
Domestic related companies		
Crosco Grupa	9	103
Osijek Petrol d.d.	100	-
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	330	136
STSI d.o.o. Zagreb	10	225
Maziva Zagreb d.o.o. Zagreb	89	45
ITR d.o.o. Zagreb	2	17
Sinaco d.o.o. Zagreb	3	88
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	3,335	323
TOP Računovodstvo servisi d.o.o. Zagreb	1	6
Companies available for sale		
JANAF d.d. Zagreb	2	35
Strategic partner		
MOL Plc	378	537
Companies controlled by strategic partner		
Tifon d.o.o.	582	6
Moltrade Mineralimpex Zrt.	-	1,149
Slovnaft, a.s.	-	31
Slovnaft, Petrochemicals s.r.o.	-	-
Mol Lub Kft.	-	1
MOL SLOVENIJA d.o.o.	10	-
IES-Italiana Energia e Servizi s.p.a.	13	2
TVK Nyrt.	-	2
Intermol d.o.o.	3	-
Energopetrol d.d.	351	-
Geophysical services Ltd.	-	-
Companies controlled by the State		
Hrvatska elektroprivreda	140	92
Hrvatske željeznice	-	40
Croatia osiguranje	-	33
Hrvatske vode	-	16
Hrvatska pošta	-	2
MORH	48	-
Jadrolinija	111	4
Narodne novine	-	-
Croatia Airlines	181	-
Petrokemija Kutina	-	-
Plinacro	-	-
Hrvatske autoceste	-	47
Podzemno skladište plina Okoli	1	-

INA Group Summary Segmental Results of Operations

Q2 2011	Q3 2011	Q3 2010	%	(HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
				Sales			
3,178	2,883	2,518	14	Exploration & Production	7,619	9,297	22
4,927	4,798	4,732	1	Refining & Marketing	11,174	13,798	23
1,976	2,356	2,005	18	Retail	4,905	5,854	19
136	158	166	(5)	Corporate and Other	539	382	(29)
(2,400)	(2,228)	(2,229)	(0)	Inter-segment revenue	(5,731)	(6,604)	15
7,817	7,967	7,192	11	Sales	18,506	22,727	23
				Operating expenses, net other income from operating activities			
(1,341)	(1,727)	(1,644)	5	Exploration & Production	(4,397)	(4,835)	10
(5,545)	(5,174)	(4,891)	6	Refining & Marketing	(12,129)	(14,912)	23
(1,964)	(2,311)	(2,055)	12	Retail	(5,049)	(5,839)	16
(289)	(302)	(563)	(46)	Corporate and Other	(1,306)	(868)	(34)
2,400	2,228	2,229	(0)	Inter-segment eliminations	5,731	6,604	15
(6,739)	(7,286)	(6,924)	5	Expenses	(17,150)	(19,850)	16
				Profit from operations			
1,837	1,156	874	32	Exploration & Production	3,222	4,462	38
(618)	(376)	(159)	136	Refining & Marketing	(955)	(1,114)	17
12	45	(50)	n.a.	Retail	(144)	15	n.a.
(153)	(144)	(397)	(64)	Corporate and Other	(767)	(486)	(37)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,078	681	268	154	Profit from operations	1,356	2,877	112
72	(456)	557	n.a.	Net profit/(loss) from financial activities	(547)	(124)	(77)
1,150	225	825	(73)	Profit before taxation	809	2,753	240
(258)	(99)	(158)	(37)	Income tax	(250)	(682)	173
892	126	667	(81)	Profit for the year	559	2,071	270

Sales data include intra-group sales and related costs are included in the operating costs of the business segment making the purchase. Intra-group transactions are eliminated for consolidated sales data and operating costs.

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q2 2011	Q3 2011	Q3 2010	%	Operating Profit Excluding Special Items (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
1,739	1,170	1,056	11	Exploration & Production	3,070	4,482	46
(467)	(338)	61	n.a.	Refining & Marketing	(620)	(834)	35
14	64	70	(9)	Retail	76	52	(32)
(128)	(132)	(209)	(37)	Corporate and Other	(579)	(429)	(26)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,158	764	978	(22)	Total	1,947	3,271	68

Q2 2011	Q3 2011	Q3 2010	%	Depreciation (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
537	607	314	93	Exploration & Production	911	1,473	62
99	99	86	15	Refining & Marketing	240	275	15
24	23	23	0	Retail	70	70	0
37	36	41	(12)	Corporate and Other	125	111	(11)
697	765	464	65	Total	1,346	1,929	43

Q2 2011	Q3 2011	Q3 2010	%	EBITDA* (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
2,477	1,803	1,355	33	Exploration & Production	4,617	6,249	35
(340)	(214)	234	n.a.	Refining & Marketing	(352)	(420)	19
38	76	54	41	Retail	132	118	(11)
(96)	(117)	(168)	(30)	Corporate and Other	(409)	(301)	(26)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
2,079	1,628	1,475	10	Total	3,988	5,726	44

Q2 2011	Q3 2011	Q3 2010	%	EBITDA Excluding Special Items* (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
2,392	1,816	1,355	34	Exploration & Production	4,179	6,177	48
(317)	(194)	234	n.a.	Refining & Marketing	(237)	(377)	59
53	87	101	(14)	Retail	179	144	(20)
(54)	(109)	(168)	(35)	Corporate and Other	(409)	(251)	(39)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
2,074	1,680	1,522	10	Total	3,712	5,773	56

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

INDUSTRIJA NAFTE, d.d.

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Income Statement – INA-GROUP
For the period ended 30 September 2010 and 2011
(in HRK millions)

Q2 2011	Q3 2011	Q3 2010	%		Q1-Q3 2010	Q1-Q3 2011	%
				Sales revenue			
3,943	4,508	4,134	9	a) domestic	11,318	12,799	13
3,874	3,459	3,058	13	b) exports	7,188	9,928	38
7,817	7,967	7,192	11	Total sales revenue	18,506	22,727	23
54	89	77	16	Income from own consumption of products and services	275	178	(35)
430	(17)	186	n.a.	Other operating income	1,432	846	(41)
8,301	8,039	7,455	8	Total operating income	20,213	23,751	18
(215)	76	(18)	n.a.	Changes in inventories of finished products and work in progress	655	904	38
(3,824)	(3,725)	(3,957)	(6)	Cost of raw materials and consumables	(9,526)	(11,611)	22
(697)	(765)	(464)	65	Depreciation and amortization	(1,346)	(1,929)	43
(436)	(461)	(700)	(34)	Other material costs	(1,496)	(1,290)	(14)
(335)	(284)	126	n.a.	Service costs	(1,092)	(883)	(19)
(703)	(664)	(671)	(1)	Staff costs	(2,091)	(2,030)	(3)
(709)	(1,353)	(760)	78	Cost of other goods sold	(2,675)	(3,115)	16
(319)	(204)	(24)	750	Impairment and charges	(512)	(731)	43
15	22	(719)	n.a.	Provisions for charges and risks	(774)	(189)	(76)
(7,223)	(7,358)	(7,187)	2	Operating expenses	(18,857)	(20,874)	11
1,078	681	268	154	Profit from operations	1,356	2,877	112
				Share in the profit of associated companies			
148	(333)	11	n.a.	Finance income	72	207	188
(76)	(123)	546	n.a.	Finance costs	(619)	(331)	(47)
72	(456)	557	n.a.	Net (loss)/profit from financial activities	(547)	(124)	(77)
1,150	225	825	(73)	Profit before tax	809	2,753	240
(258)	(99)	(158)	(37)	Income tax expense	(250)	(682)	173
0	0	0	n.a.	Deferred taxes	0	0	n.a.
892	126	667	(81)	Profit for the year	559	2,071	270
				Attributable to			n.a.
893	126	668	(81)	Owners of the Company	560	2,072	270
(1)	0	(1)	n.a.	Non-controling interests	(1)	(1)	0
892	126	667	(81)		559	2,071	270
				Earnings/(loss) per share (in HRK)			
89.3	12.6	66.8	(81)	Basic and diluted earnings/(loss) per share (kunas per share)	56.0	207.2	270

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Statement of Comprehensive Income – INA-GROUP
For the period ended 30 September 2010 and 2011
(in HRK million)

Q2 2011	Q3 2011	Q3 2010	%		Q1-Q3 2010	Q1-Q3 2011	%
892	126	667	(81)	Profit for the year	559	2,071	270
				Other comprehensive income/(loss):			
(680)	564	(19)	n.a.	Exchange differences arising from foreign operations	21	(125)	n.a.
(5)	(62)	14	n.a.	(Loss)/gains on available-for-sale investments, net	(12)	(57)	375
(685)	502	(5)	n.a.	Other comprehensive (loss)/income, net	9	(182)	n.a.
207	628	662	(5)	Total comprehensive income/(loss) for the year	568	1,889	233
				Attributable to:			
208	628	663	(5)	Owners of the Company	569	1,890	232
(1)	0	(1)	n.a.	Non- controlling interests	(1)	(1)	0

INA INDUSTRIJA NAFTE, d.d.

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Statement of Financial Position – INA-GROUP
At 30 September 2010 and 2011
(in HRK millions)

31 Dec 2010		30 Sept 2010	30 Sept 2011	%
	Assets			
	Non-current assets			
840	Intangible assets	775	833	7
21,555	Property, plant and equipment	21,286	20,545	(3)
232	Goodwill	296	204	(31)
22	Investments in associates and joint ventures	57	34	(40)
334	Other investments	324	351	8
240	Long-term receivables	270	188	(30)
4	Derivative financial instruments	4	5	25
280	Deferred tax	367	312	(15)
417	Available for sale assets	381	346	(9)
23,924	Total non-current assets	23,760	22,818	(4)
	Current assets			
3,157	Inventories	4,191	4,754	13
3,052	Trade receivables net	2,798	2,266	(19)
586	Other receivables	786	620	(21)
1	Derivative financial instruments	14	79	464
40	Other current assets	41	31	(24)
142	Prepaid expenses and accrued income	379	390	3
317	Cash and cash equivalents	1,580	558	(65)
7,295	Current assets	9,789	8,698	(11)
12	Assets classified as held for sale	0	0	n.a.
7,307	Total current assets	9,789	8,698	(11)
31,231	Total assets	33,549	31,516	(6)
	Equity and liabilities			
	Capital and reserves			
9,000	Share capital	9,000	9,000	0
27	Revaluation reserve	(2)	(30)	1,400
2,340	Other reserves	2,332	2,215	(5)
1,424	Retained earnings / (Deficit)	1,023	3,016	195
12,791	Equity attributable to equity holder of the parent	12,353	14,201	15
2	Non-controlling interests	7	1	(86)
12,793	Total equity	12,360	14,202	15
	Non-current liabilities			
7,301	Long-term loans	6,756	5,458	(19)
125	Other non-current liabilities	127	129	2
129	Employee benefits obligation	113	131	16
2,620	Provisions	2,750	2,886	5
10,175	Total non-current liabilities	9,746	8,604	(12)
	Current liabilities			n.a.
1,659	Bank loans and overdrafts	4,681	2,448	(48)
1,295	Current portion of long-term debt	1,414	1,837	30
3,786	Trade payables	3,515	2,668	(24)
789	Taxes and contributions	820	1,255	53
200	Other current liabilities	204	254	25
124	Accruals and deferred income	176	53	(70)
16	Employee benefits obligation	12	11	(8)
394	Provisions	621	184	(70)
8,263	Current liabilities	11,443	8,710	(24)
0	Liabilities directly associated with assets classified held for sale	0	0	n.a.
8,263	Total current liabilities	11,443	8,710	(24)
18,438	Total liabilities	21,189	17,314	(18)
31,231	Total equity and liabilities	33,549	31,516	(6)

INDUSTRIJA NAFTE, d.d.

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 30 September 2010 and 2011
(in HRK millions)

Q2 2011	Q3 2011	Q3 2010	%		Q1-Q3 2010	Q1-Q3 2011	%
892	126	667	(81)	Profit/(loss) for the year	559	2,071	270
				Adjustments for:			
697	765	464	65	Depreciation and amortisation	1,346	1,929	43
258	99	158	(37)	Income tax (benefit)/expenses recognized in (loss)/profit	250	682	173
0	0	0	n.a.	(Gain) / loss over / under lifting receivable	0	0	n.a.
319	204	24	750	Impairment charges	512	731	43
6	6	(3)	n.a.	Reversal of impairment	(730)	(86)	(88)
(8)	1	(6)	n.a.	Gain on sale of property, plant and equipment	(6)	(9)	50
4	17	(9)	n.a.	Gain on sale investments and shares	(9)	28	n.a.
(122)	387	(718)	n.a.	Foreign exchange loss/(gain)	204	(56)	n.a.
28	42	(25)	n.a.	Interest expense (net)	116	94	(19)
(6)	(35)	0	n.a.	Other financial expense recognised in profit	54	(23)	n.a.
(297)	(32)	557	n.a.	Increase in provisions	660	(218)	n.a.
0	0	0	n.a.	Net book value of sold assets classified as held for sale	0	0	n.a.
27	32	180	(82)	Decommissioning interests	108	86	(20)
(9)	0	(4)	n.a.	Other non-cash items	(3)	(9)	200
1,789	1,612	1,285	25	Operating cash flow before working capital changes	3,061	5,220	71
				Movements in working capital			
(200)	(407)	(452)	(10)	(Increase)/decrease in inventories	(1,379)	(1,922)	39
(99)	240	(172)	n.a.	(Increase)/decrease in receivables and prepayments	(300)	386	n.a.
461	236	(2,379)	n.a.	(Decrease)/increase in trade and other payables	(2,065)	(1,018)	(51)
0	0	0	n.a.	(Decrease)/increase in provisions	0	0	n.a.
1,951	1,681	(1,718)	n.a.	Cash generated from operations	(683)	2,666	n.a.
(325)	(68)	(24)	183	Taxes paid	(24)	(396)	1,550
1,626	1,613	(1,742)	n.a.	Net cash inflow from operating activities	(707)	2,270	n.a.
				Cash flows used in investing activities			
(135)	(292)	(339)	(14)	Payments for property, plant and equipment	(1,782)	(781)	(56)
(23)	(7)	(31)	(77)	Payment for intangible assets	(109)	(55)	(50)
9	1	7	(86)	Proceeds from sale of non-current assets	7	12	71
0	0	0	n.a.	Investments of subsidiaries	0	0	n.a.
22	0	(39)	n.a.	Proceeds from sale of subsidiaries	(39)	22	n.a.
0	0	0	n.a.	Acquisition of investments in associates and joint ventures and other companies	0	0	n.a.
0	0	0	n.a.	Proceeds from sale of investments	0	0	n.a.
0	7	1	600	Dividends received from companies classified as available for sale and from other companies	3	8	167
6	7	21	(67)	Interest received	21	20	(5)
(3)	(8)	(144)	(94)	Investments and loans to third parties, net	(173)	(9)	(95)
(124)	(292)	(524)	(44)	Net cash used for investing activities	(2,072)	(783)	(62)
				Cash flows from financing activities			
1	1	1,299	(100)	Additional long-term borrowings	1,754	27	(98)
100	(285)	(145)	97	Repayment of long-term borrowings	(312)	(1,352)	333
4,279	5,034	4,050	24	Additional short-term borrowings	8,773	16,022	83
(5,378)	(5,745)	(1,795)	220	Repayment of short term borrowings	(6,084)	(15,161)	149
1	0	(19)	n.a.	Interest paid on long-term loans	(31)	0	n.a.
(5)	(3)	1	n.a.	Other long-term liabilities, net	(6)	(7)	17
(480)	0	0	n.a.	Dividends paid	0	(480)	n.a.
(58)	(108)	(131)	(18)	Interest paid on short term loans and other financing charges	(214)	(246)	15
(1,540)	(1,106)	3,260	n.a.	Net cash from financing activities	3,880	(1,197)	n.a.
(38)	215	994	(78)	Net (decrease)/increase in cash and cash equivalents	1,101	290	(74)
363	304	472	(36)	At 1 January	367	317	(14)
(21)	39	114	(66)	Effect of foreign exchange rate changes	112	(49)	n.a.
304	558	1,580	(65)	At the end of period	1,580	558	(65)

INA – INDUSTRIJA NAFTE d.d.
Condensed Consolidated Statement of Changes in Equity – INA-GROUP
For the period ended 30 September 2010 and 2011
(in HRK millions)

Attributable to equity holders of the parent

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

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2011	9,000	2,340	27	1,424	12,791	2	12,793
Profit for the year	0	0	0	2,072	2,072	(1)	2,071
Other comprehensive loss, net	0	(125)	(57)	0	(182)	0	(182)
Total comprehensive income for the year	0	(125)	(57)	2,072	1,890	(1)	1,889
Dividends paid	0	0	0	(480)	(480)	0	(480)
Balance as at 30 September 2011	9,000	2,215	(30)	3,016	14,201	1	14,202

INDUSTRIJA NAFTE, d.d.

Capital Expenditures

Q2 2011	Q3 2011	Q3 2010	%	Capital Expenditures (HRK mln)	Q1-Q3 2010	Q1-Q3 2011	%
140	136	305	(55)	Exploration & Production	1,090	467	(57)
104	126	237	(47)	Refining & Marketing	946	328	(65)
33	16	15	6	Retail	24	57	138
5	12	2	500	Corporate & other	7	23	229
282	290	559	(48)	Total	2,067	875	(58)

Q2 2011	Q3 2011	Q3 2010	%	Capital Expenditures - Tangible Assets (HRK mln)	30 Sept 2010	30 Sept 2011	%
129	137	274	(50)	Exploration & Production	984	432	(56)
104	125	237	(47)	Refining & Marketing	946	327	(65)
33	16	15	7	Retail	24	57	138
(7)	5	2	150	Corporate & other	4	4	0
259	283	528	(46)	Total	1,958	820	(58)

Main external parameters

Q2 2011	Q3 2011	Q3 2010	%		Q1-Q3 2010	Q1-Q3 2011	%
117.4	113.5	76.9	47.6	Brent dtd (USD/bbl)	77.1	111.9	45.1
1,040.6	1,023.3	689.0	48.5	Premium unleaded gasoline 10 ppm (USD/t)*	709.4	995.0	40.3
987.1	969.3	659.9	46.9	Gas oil – ULSD 10 ppm (USD/t)*	658.7	954.8	44.9
619.6	625.9	422.6	48.1	Fuel oil 3,5% (USD/t)*	429.7	598.1	39.2
928.4	909.7	651.0	39.7	LPG (USD/t)*	676.8	913.8	35.0
25.1	51.5	23.3	120.5	Average crack spread	29.0	28.0	(3.7)
152.8	165.0	107.6	53.4	Crack spread – premium unleaded (USD/t)*	125.9	148.2	17.7
99.3	111.0	78.4	41.5	Crack spread – gas oil (USD/t)*	75.2	108.0	43.5
(268.3)	(232.4)	(158.8)	46.3	Crack spread - fuel oil 3,5% (USD/t)*	(153.8)	(248.7)	61.7
40.5	51.4	69.6	(26.1)	Crack spread - LPG (USD/t)*	93.3	66.9	(28.3)
5.13	5.27	5.62	(6.3)	HRK/USD average	5.53	5.27	(4.6)
5.13	5.49	5.36	2.5	HRK/USD closing	5.36	5.49	2.5
7.39	7.45	7.25	2.9	HRK/EUR average	7.26	7.41	2.1
7.37	7.49	7.29	2.7	HRK/EUR closing	7.29	7.49	2.7
0.26	0.30	0.39	(23.1)	3m USD LIBOR (%)	0.36	0.29	(19.4)
1.42	1.56	0.87	79.3	3m EURIBOR (%)	0.74	1.36	83.8

** FOB Mediterranean*

Announcements in 2011

October 25, 2011	Announcement
October 24,2011	Response
September 28, 2011	Hydrocarbon production change in Syria
September 27, 2011	Arbitration panel
September 15, 2011	Management Board meeting held
September 13, 2011	Supervisory Board meeting held
September 06, 2011	The EU Council decision concerning restrictive measures against Syria
August 31, 2011	Administrative court lawsuit
August 10, 2011	Establishing a company
August 04, 2011	Government Resolution on the maximum gas price level for eligible customers
August 04, 2011	Resolutions of the Ministry of Economy, Labour and Entrepreneurship
July 30, 2011	Semiannual report 1h., unaudited, consolidated, 2011
July 30, 2011	Semiannual report 1h., unaudited, non consolidated, 2011
July 29, 2011	Hanfa's Decision from July 29, 2011
July 26, 2011	INA presented Optina 2 project
July 13, 2011	Proplin
July 12, 2011	Receivables collection procedure
July 08, 2011	Response to the Zagreb Stock Exchange query
June 21, 2011	Merger agreement
June 15, 2011	Management Board Meeting held
June 10, 2011	Reaction to the article
June 10, 2011	Retail network modernization
June 08, 2011	Management Board appointment
May 30, 2011	Supervisory Board Employee representative
May 27, 2011	Announcement
May 27, 2011	Crude oil transportation contract
May 23, 2011	Legal opinion
May 23, 2011	General Meeting decisions
May 23, 2011	Counterproposal to the Annual General Meeting
May 23, 2011	Hanfa's Decision from May 23, 2011
May 18, 2011	Hanfa's Decision
May 16, 2011	Suspension of trading
May 13, 2011	Shareholders notification
May 09, 2011	Suspension of trading
May 06, 2011	Annual report 1Y, audited, non consolidated, 2010
May 06, 2011	Annual report 1Y, audited, consolidated, 2010
May 04, 2011	Management Board Meeting
May 02, 2011	First quarter Q1, unaudited, non consolidated, 2011
April 29, 2011	First quarter Q1, unaudited, consolidated, 2011
April 28, 2011	Suspension of trading
April 15, 2011	General Meeting notice
April 04, 2011	Suspension of trading prolonged
March 30, 2011	Audited report
March 30, 2011	Supervisory board meeting
March 29, 2011	Appointment announcement
March 28, 2011	Suspension of trading
March 01, 2011	Announcement
February 16, 2011	Fourth quarter Q4., unaudited, non consolidated, 2010
February 15. 2011	Fourth quarter Q4., unaudited, consolidated, 2010
February 14, 2011	Rijeka refinery modernisation first phase completed
February 10, 2011	Management Board members appointed
January 17, 2011	Supervisory Board meeting held
January 17, 2011	Extraordinary general assembly held
January 07, 2011	Selec – 1 satellite oil field discovery
January 04, 2011	Shares disposal

INDUSTRIJA NAFTE, d.d.

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10	31 March 11	30 June 11	30 Sept 11
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,725,620	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	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,910	800,910	800,910	790,828	790,828	790,828
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Source: Central Clearing Depositary Company

Changes in 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 Vanđelić 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.
The Management Board of INA – Industrija nafte, d.d. at its session held on 14 September 2011 unanimously prolonged authorization of its President, Mr. Zoltán Áldott, for the supervision of functions directly subordinated to Chief Executive Officer until 31 December 2011.
Mr Peter Chmurčiak, Executive Director of INA's Refining & Marketing business division would be leaving the company after the handover of tasks to his successor which is to be selected by the Management Board. The date of the handover is expected to occur on or before 1 January 2012. Mr. Peter Chmurčiak is leaving INA due to private reasons.

Management representation

INA Group's consolidated financial statements for Q3, 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 Group
Condensed Interim Financial Statements with Notes for the period ended 30 September 2011

Finance Function
Accounting and Tax Sector

Contents

Condensed Consolidated Income Statement

For the period ended 30 September 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended:		Three months ended:	
		30 September 2011	30 September 2010	30 September 2011	30 September 2010
Sales revenue					
a) domestic		12,799	11,318	4,508	4,134
b) exports		9,928	7,188	3,459	3,058
Total sales revenue	3	**22,727**	**18,506**	**7,967**	**7,192**
Income from own consumption of products and services		178	275	89	77
Other operating income		846	1,432	(17)	186
Total operating income		**23,751**	**20,213**	**8,039**	**7,455**
Changes in inventories of finished products and work in progress		904	655	76	(18)
Cost of raw materials and consumables		(11,611)	(9,526)	(3,725)	(3,957)
Depreciation and amortisation		(1,929)	(1,346)	(765)	(464)
Other material costs		(1,290)	(1,496)	(461)	(700)
Service costs		(883)	(1,092)	(284)	126
Staff costs	5	(2,030)	(2,091)	(664)	(671)
Cost of other goods sold		(3,115)	(2,675)	(1,353)	(760)
Impairment and charges		(731)	(512)	(204)	(24)
Provision for charges and risks		(189)	(774)	22	(719)
Operating expenses		**(20,874)**	**(18,857)**	**(7,358)**	**(7,187)**
Profit from operations		**2,877**	**1,356**	**681**	**268**
Finance income		207	72	(333)	11
Finance costs		(331)	(619)	(123)	546
Net (loss)/profit from financial activities		**(124)**	**(547)**	**(456)**	**557**
Profit before tax		**2,753**	**809**	**225**	**825**
Income tax expense	6	(682)	(250)	(99)	(158)
Profit for the year		**2,071**	**559**	**126**	**667**
Attributable to:					
Owners of the Company		**2,072**	**560**	**126**	**668**
Non-controling interests		(1)	(1)	-	(1)
		2,071	**559**	**126**	**667**
Earnings per share					
Basic and diluted earnings per share (kunas per share)	7	207.2	56.0	12.6	66.8

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 September 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Nine months ended:		Three months ended:	
		30 September 2011	30 September 2010	30 September 2011	30 September 2010
Profit for the year		**2,071**	**559**	**126**	**667**
Other comprehensive income/(loss):					
Exchange differences arising from foreign operations		(125)	21	564	(19)
(Loss)/gains on available-for-sale investments,net		(57)	(12)	(62)	14
Other comprehensive (loss)/income, net		**(182)**	**9**	**502**	**(5)**
Total comprehensive income for the year		**1,889**	**568**	**628**	**662**
Attributable to:					
Owners of the Company		1,890	569	628	663
Non-controling interests		(1)	(1)	-	(1)

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

Condensed Consolidated Statement of Financial Position

At 30 September 2011

(all amounts in HRK millions)

(unaudited)

ASSETS	Notes	30 September 2011	31 December 2010
Non-current assets			
Intangible assets	8	833	840
Property, plant and equipment	9	20,545	21,555
Goodwill		204	232
Investments in associates and joint ventures		34	22
Other investments		351	334
Long-term receivables		188	240
Derivative financial instruments		5	4
Deferred tax		312	280
Available for sale assets		346	417
Total non – current assets		**22,818**	**23,924**
Current assets			
Inventories		4,754	3,157
Trade receivables, net		2,266	3,052
Other receivables		620	586
Derivative financial instruments		79	1
Other current assets		31	40
Prepaid expenses and accrued income		390	142
Cash and cash equivalents		558	317
		8,698	**7,295**
Assets classified as held for sale		-	12
Total current assets		**8,698**	**7,307**
TOTAL ASSETS		**31,516**	**31,231**

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

Condensed Consolidated Statement of Financial Position

At 30 September 2011

(all amounts in HRK millions)

(unaudited)

EQUITY AND LIABILITIES	**Notes**	**30 September 2011**	**31 December 2010**
Capital and reserves			
Share capital	10	9,000	9,000
Revaluation reserve		(30)	27
Other reserves		2,215	2,340
Retained earnings	11	3,016	1,424
Equity attributable to equity holders of the parent		**14,201**	**12,791**
Non - controlling interests		1	2
TOTAL EQUITY		**14,202**	**12,793**
Non – current liabilities			
Long-term loans		5,458	7,301
Other non-current liabilities		129	125
Employee benefit obligation		131	129
Provisions		2,886	2,620
Total non–current liabilities		**8,604**	**10,175**
Current liabilities			
Bank loans and overdrafts		2,448	1,659
Current portion of long-term loans		1,837	1,295
Trade payables		2,668	3,786
Taxes and contributions		1,255	789
Other current liabilities		254	200
Accruals and deferred income		53	124
Employee benefit obligation		11	16
Provisions		184	394
		8,710	8,263
Liabilities directly associated with assets classified held for sale		-	-
Total current liabilities		**8,710**	**8,263**
TOTAL LIABILITIES		**17,314**	**18,438**
TOTAL EQUITY AND LIABILITIES		**31,516**	**31,231**

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

INA GROUP

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 September 2011

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit for the year	-	-	-	560	560	(1)	559
Other comprehensive income, net	-	21	(12)	-	9	-	9
Total comprehensive income for the year	**-**	**21**	**(12)**	**560**	**569**	**(1)**	**568**
Balance at 30 September 2010	**9,000**	**2,332**	**(2)**	**1,023**	**12,353**	**7**	**12,360**
Balance at 1 January 2011	**9,000**	**2,340**	**27**	**1,424**	**12,791**	**2**	**12,793**
Profit for the year	-	-	-	2,072	2,072	(1)	2,071
Other comprehensive loss, net	-	(125)	(57)	-	(182)	-	(182)
Total comprehensive income for the year	**-**	**(125)**	**(57)**	**2,072**	**1,890**	**(1)**	**1,889**
Dividents paid	-	-	-	(480)	(480)	-	(480)
Balance at 30 September 2011	**9,000**	**2,215**	**(30)**	**3,016**	**14,201**	**1**	**14,202**

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

Condensed Consolidated Cash Flow Statement

For the period ended 30 September 2011

(all amounts in HRK millions)

(unaudited)

		Nine months ended:	
	Notes	30 September 2011	30 September 2010
Profit for the year		**2,071**	**559**
Adjustments for:			
Depreciation and amortisation		1,929	1,346
Income tax (benefit)/expense recognized in (loss)/profit		682	250
Impairment charges		731	512
Reversal of impairment		(86)	(730)
Gain on sale of property, plant and equipment		(9)	(6)
Gain on sale investments and shares		28	(9)
Foreign exchange loss/(gain)		(56)	204
Interest expense (net)		94	116
Other finance expense recognised in profit		(23)	54
Increase in provisions		(218)	660
Decommisioning interests		86	108
Other non-cash item		(9)	(3)
		5,220	**3,061**
Movements in working capital			
(Increase) in inventories		(1,922)	(1,379)
Decrease/(increase) in receivables and prepayments		386	(300)
(Decrease)/increase in trade and other payables		(1,018)	(2,065)
Cash generated from operations		**2,666**	**(683)**
Taxes paid		(396)	(24)
Net cash inflow from operating activities		**2,270**	**(707)**
Cash flows used in investing activities			
Payments for property, plant and equipment		(781)	(1,782)
Payments for intangible assets		(55)	(109)
Proceeds from sale of non-current assets		12	7
Proceeds from sale of subsidiary		22	(39)
Dividends received from companies classified as available for sale and from other companies		8	3
Interest received		20	21
Investments and loans to third parties, (net)		(9)	(173)
Net cash used for investing activities		**(783)**	**(2,072)**

(all amounts in HRK millions)

		Nine months ended:	
	Notes	**30 September 2011**	**30 September 2010**
Cash flows from financing activities			
Additional long-term borrowings		27	1,754
Repayment of long-term borrowings		(1,352)	(312)
Additional short-term borrowings		16,022	8,773
Repayment of short-term borrowings		(15,161)	(6,084)
Dividend paid		(480)	-
Interest paid on long-term loans		-	(31)
Other long-term liabilities, (net)		(7)	(6)
Interest paid on short-term loans and other financing charges		(246)	(214)
Net cash from financing activities		**(1,197)**	**3,880**
Net increase in cash and cash equivalents		**290**	**1,101**
At 1 January		317	367
Effect of foreign exchange rate changes		(49)	112
At 30 September		**558**	**1,580**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated 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 Group` 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.

- Amendments to IAS 1 “ Presentation of Financial Statements” - Revising the way of other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012).

- Amendments to IAS 19 “ Employee Benefits” - Amended resulting from the Post-Employment Benefits and Termination Benefits projects (effective for annual periods beginning on or after 1 January 2013).

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),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations in issue not yet adopted (continued)

- 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),

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

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

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

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

30 September 2011	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Intersegment transfers**	**Total**
Sales to external customers	7,828	8,997	5,838	64	-	22,727
Inter-segment sales	1,469	4,801	16	318	(6,604)	-
Total revenue	**9,297**	**13,798**	**5,854**	**382**	**(6,604)**	**22,727**
Operating expenses, net of other operating income	(4,835)	(14,912)	(5,839)	(868)	6,604	(19,850)
Profit from operations net of other income	**4,462**	**(1,114)**	**15**	**(486)**	**-**	**2,877**
Net finance income						(124)
Profit before tax						2,753
Income tax expense						(682)
Profit for the year						**2,071**

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

30 September 2010	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total
Sales to external customers	6,200	7,354	4,880	72	-	18,506
Inter-segment sales	1,419	3,820	25	467	(5,731)	-
Total revenue	**7,619**	**11,174**	**4,905**	**539**	**(5,731)**	**18,506**
Operating expenses, net of other operating income	(4,397)	(12,129)	(5,049)	(1,306)	5,731	(17,150)
Profit/(loss) from operations net of other income	**3,222**	**(955)**	**(144)**	**(767)**	**-**	**1,356**
Net finance loss						(547)
Profit before tax						809
Income tax expense						(250)
Profit for the year						**559**

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

30 September 2011 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	12,081	7,009	915	540	-	20,545
Intangible assets	745	6	2	80	-	833
Investments in associates and joint ventures	34	-	-	-	-	34
Inventories	1,633	3,420	58	156	(513)	4,754
Trade receivables, net	927	927	429	295	(312)	2,266
Not allocated assets						3,084
Total assets						**31,516**
Trade payables	597	1,842	159	382	(312)	2,668
Not allocated liabilities						14,646
Total liabilities						**17,314**
Other segment information						
Capital expenditure:	**467**	**328**	**57**	**23**	-	**875**
Property, plant and equipment	432	327	57	4	-	820
Intangible assets	35	1	-	19	-	55
Depreciation and amortisation	**1,473**	**275**	**70**	**111**	**-**	**1,929**
Impairment losses recognized in profit and loss	54	-	-	-	-	54

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

31 December 2010 **Assets and liabilities**	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total
Property, plant and equipment	13,119	6,884	950	602	-	21,555
Intangible assets	715	7	4	114	-	840
Investments in associates and joint ventures	22	-	-	-	-	22
Inventories	783	2,274	70	30	-	3,157
Trade receivables, net	1,696	1,071	357	302	(374)	3,052
Not allocated assets						2,605
Total assets						**31,231**
Trade payables	771	2,727	204	462	(378)	3,786
Not allocated liabilities						14,652
Total liabilities						**18,438**
Other segment information						
Capital expenditure:	**1,473**	**1,328**	**52**	**38**	**-**	**2,891**
Property, plant and equipment	1,293	1,328	51	14	-	2,686
Intangible assets	180	-	1	24	-	205
Depreciation and amortisation	**1,160**	**330**	**94**	**166**	**-**	**1,750**
Impairment losses recognized in profit and loss	(443)	-	(60)	-	-	(503)

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 Group’s petrol stations also leads to an increase in non-fuel sales at those sites during these periods.

Natural gas sales are higher in the winter heating season.

5. STAFF COSTS

For the period ending 30 September 2011 in staff cost is presented cost of net salaries in the amount of 1,017 million HRK, cost of employee income tax in the amount 426 million HRK, tax on payroll in the amount 297 million HRK and other payroll related costs in the amount 290 million HRK. For the period ending 30 September 2011 in staff cost is presented cost of net salaries in the amount in the amount 1,083 million HRK, tax on payroll in the amount 454 million HRK, tax on payroll in the amount 358 million HRK, and other payroll related costs in the amount 196 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 September 2011.

7. EARNINGS PER SHARE

	Nine months ended:	
	30 September 2011	**30 September 2010**
Basic and diluted earnings per share (in HRK)	**207.2**	**56.0**

Earnings	Nine months ended:	
	30 September 2011	**30 September 2010**
Earnings used in the calculation of total basic earnings per share (profit/(loss) for the period attributable to equity holders of the parent)	2,072	560
	2,072	**560**

Number of shares	Nine months ended:	
	30 September 2011	**30 September 2010**
	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 30 September 2011, the Group invested HRK 55 million in intangible assets. The effect of depreciation equals HRK 57 million. Value adjusted investments equals HRK 1 million. The transfer on tangible assets is HRK 2 million. Retranslation of changes in U.S. dollar on oil and gas fields decreased net book value of INA Group in amount of HRK 2 million.

(all amounts in HRK millions)

9. PROPERTY, PLANT AND EQUIPMENT

In the period ending 30 September 2011, INA Group invested HRK 820 million in property, plant and equipment. Capitalised decommissioning costs increased the value of assets by HRK 185 million. Retranslation of changes in U.S. dollar on oil and gas fields decreased net book value of INA Group in amount of HRK 132 million. Impairment in INA Group was HRK 54 million. The effect of depreciation reduced book value in amount of HRK 1.872 million. Disposal of assets was HRK 15 million. Value adjusted investments equals HRK 1 million. The decrease of INA Group net book value is also result of foreign exchange differences in the amount of HRK 2 million. Transfer from intangible assets increased the value of tangible assets in amount of HRK 2 million. Transfer of equipments from current assets to non current assets increased net book value in amount of HRK 59 million.

10. SHARE CAPITAL

Issued capital as at 30 September 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

	INA Group
	Retained earnings/ (Accumulated deficit)
Balance at 1 January 2011	**1,424**
Dividends paid	(480)
Profit for the period	2,072
Balance at 30 September 2011	**3,016**

12. RELATED PARTY TRANSACTIONS

INA Group has dominant positions in Croatia in oil and gas exploration and production, oil refining and the sale of gas and petroleum products. As a result of the INA Group strategic position within the Croatian economy, a substantial portion of its business and the business of its subsidiaries is transacted with the Croatian Government, its departments and agencies, and the companies with the Republic of Croatia being their majority shareholder.

Transactions between INA, d.d. and its subsidiaries, which are related parties of the Company, have been eliminated on Group level consolidation. Details of transactions between INA, d.d. and the Group companies and other related parties are disclosed below.

(all amounts in HRK millions)

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	
	Nine months ended:		Nine months ended:	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
Foreign related companies				
Interina Ltd Guernsey	-	2,128	-	159
Holdina Sarajevo	627	365	-	-
Interina d.o.o. Ljubljana	18	18	-	-
Interina Ltd London	-	-	-	8,736
Adriagas Milano	2	-	-	3
INA Crna Gora d.o.o Podgorica	63	41	-	-
INA Beograd d.o.o Beograd	59	79	-	-
Domestic related companies				
Crosco Grupa	9	5	103	136
Osijek Petrol d.d.	100	314	-	-
Proplin d.o.o. Zagreb	330	357	136	137
STSI d.o.o. Zagreb	10	11	225	393
Maziva Zagreb d.o.o. Zagreb	89	68	45	50
ITR d.o.o. Zagreb	2	1	17	19
Sinaco d.o.o. Zagreb	3	2	88	97
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	3,335	3,049	323	191
Polybit d.o.o.	-	-	-	-
TOP Računovodstveni servisi d.o.o. Zagreb	1	-	6	-
Companies available for sale				
JANAF d.d. Zagreb	2	1	35	32
Strategic partner				
MOL Plc	378	246	537	804
Companies controlled by strategic partner				
Tifon d.o.o.	582	249	6	-
Moltrade Mineralimpex Zrt.	-	-	1,149	-
Slovnaft, a.s.	-	-	31	-
Slovnaft, Petrochemicals s.r.o.	-	-	-	-
Mol Lub Kft.	-	-	1	-
MOL SLOVENIJA d.o.o.	10	-	-	-
IES-Italiana Energia e Servizi s.p.a.	13	-	2	-
TVK Nyrt.	-	-	2	-
Intermol d.o.o.	3	26	-	-
Energopetrol d.d.	351	293	-	-
Geophysical services Ltd.	-	-	-	-

(all amounts in HRK millions)

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.	Sales of goods		Purchase of goods	
	Nine months ended:		Nine months ended:	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
Companies controlled by the State				
Hrvatska elektroprivreda	140	276	92	122
Hrvatske željeznice	-	26	40	32
Croatia osiguranje	-	2	33	27
Hrvatske vode	-	-	16	15
Hrvatska pošta	-	-	2	-
MORH	48	36	-	-
Jadrolinija	111	86	4	4
Narodne novine	-	-	-	2
Croatia Airlines	181	122	-	-
Petrokemija Kutina	-	6	-	-
Plinacro	-	-	-	-
Hrvatske autoceste	-	-	47	42
Podzemno skladište plina Okoli	1	1	-	-

(all amounts in HRK millions)

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	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010
Foreign related companies				
Interina Ltd Guernsey	-	-	129	128
Holdina Sarajevo	105	81	6	5
Interina d.o.o. Ljubljana	1	3	-	-
Interina Ltd London	-	-	19	2,183
Adriagas Milano	-	-	-	1
INA Crna Gora d.o.o Podgorica	12	15	-	-
INA Beograd d.o.o Beograd	11	7	-	-
Domestic related companies				
Crosco Grupa	1	2	40	50
Osijek Petrol d.d.	46	123	2	1
Proplin d.o.o. Zagreb	49	109	-	22
STSI d.o.o. Zagreb	2	8	129	173
Maziva Zagreb d.o.o. Zagreb	33	21	19	28
ITR d.o.o. Zagreb	-	-	10	14
Sinaco d.o.o. Zagreb	1	1	36	36
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	1,398	2,271	191	346
TOP Računovodstveni Servisi d.o.o.	1	-	8	-
Companies available for sale				
JANAF d.d. Zagreb	1	-	5	4
Strategic partner				
MOL Plc	24	30	52	609
Companies controlled by strategic partner				
Tifon d.o.o.	38	99	1	6
Moltrade Mineralimpex Zrt.	-	-	-	-
Slovnaft, a.s.	-	-	-	1
Slovnaft, Petrochemicals s.r.o.	-	-	-	-
Mol Lub Kft.	-	-	-	-
MOL SLOVENIJA d.o.o.	1	-	-	-
IES-Italiana Energia e Servizi s.p.a.	-	-	2	-
TVK Nyrt.	-	-	1	1
Intermol d.o.o.	-	-	-	-
Energopetrol d.d.	33	34	-	-
Geophysical services Ltd.	-	-	-	-

(all amounts in HRK millions)

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	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010
Companies controlled by the State				
Hrvatska elektroprivreda	186	209	12	7
Hrvatske željeznice	1	1	8	13
Croatia osiguranje	-	-	-	1
Hrvatske vode	-	-	4	3
Hrvatska pošta	2	2	-	-
MORH	11	14	-	-
Hrvatske šume	8	5	-	-
Jadrolinija	47	33	1	-
Narodne novine	-	-	-	-
Croatia Airlines	44	24	-	-
Petrokemija Kutina	-	194	-	-
Plinacro	-	-	-	-
Hrvatske autoceste	1	1	4	5
Podzemno skladište plina Okoli	-	-	8	6

13. CONTINGENT LIABILITIES

Arbitration procedure initiated by EDISON INTERNATIONAL S.p.A

On 26 September 2011 INA, d.d. received the decision on the appointment of arbitration panel president in the arbitration procedure initiated by EDISON INTERNATIONAL S.p.A against INA, d.d., which represents the finalization of the procedure of arbitration panel appointment and formation, concerning the Production Sharing

Agreement (PSA) in the Contract Area of the Republic of Croatia Offshore Adriatic Sea Izabela and Iris/Iva blocks (hereinafter: the Agreement). The seat of the arbitration procedure shall be in Vienna, in accordance with the arbitration clause, and the procedure shall be conducted in line with UNCITRAL rules.

EDISON INTERNATIONAL S.p.A bases its arbitration notice on the allegations that INA, d.d. did not fully comply with its contracting obligations as per the Agreement and it in the same notice claims damage compensation from INA, d.d. in the amount of cca EUR 140 million, as well as compensation for lost profit.

13. CONTINGENT LIABILITIES (continued)

Arbitration procedure initiated by EDISON INTERNATIONAL S.p.A (continued)

INA, d.d. delivered a response to the arbitration notice in which it fully contests the allegations of EDISON INTERNATIONAL S.p.A., and it also submitted a counterclaim against the company EDISON INTERNATIONAL S.p.A.

INA, d.d. is expecting that the recently-formed arbitration panel will in further procedure instruct and determine a deadline within which EDISON INTERNATIONAL S.p.A shall be obliged to file a lawsuit specifying and explaining the claims from the submitted arbitration notice.

EDISON INTERNATIONAL S.p.A. and INA, d.d. in 2002 entered into a Production Sharing Agreement (PSA) in the Contract Area of the Republic of Croatia Offshore Adriatic Sea Izabela and Iris/Iva blocks.

14. SUBSEQUENT EVENTS

There are no significant subsequent events after the balance sheet date.