

**ENCLOSURE 1**

Reporting period:

1 January 2011

to

31 December 2011

**Quartely Financial Report TFI-POD**

Tax number (MB): 03586243

Registration number (MBS): 080000604

Personal identification  
number (OIB): 27759560625

Issuer: INA - Industrija nafte d.d.

Postal code and location: 10000

Zagreb

Street and number: Avenija Većeslava Holjevca 10

E-mail:

Internet address: [www.ina.hr](http://www.ina.hr)

Code and city / municipality: 133 Zagreb

Code and county: 21 Grad Zagreb

Number of employees: 8876  
(at the end of year)

Consolidated Report: NO

Business activity code: 1920

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office: Top računovodstvo servisi d.o.o.; Zagreb; Član INA Grupe

Contact person: Ratko Marković dipl.oec.

(Name and surname of contact person)

Telephone: 01 612-3143

Telefaks: 01 612-3115

E-mail: [Ratko.Markovic@trs.ina.hr](mailto:Ratko.Markovic@trs.ina.hr)

Name and surname: Zoltán Sándor Áldott

(authorized representatives)

**Documents to be published:**

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

(seal)

(signature of authorized representative)

**Balance Sheet**  
as at 31 December 2011

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

Item	AOP	Previous period	Current period
1	2	3	4
<b>A) SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) NON CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	23.042.000.000	22.421.000.000
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	864.000.000	888.000.000
1. Research & Development expenditure	<b>004</b>	107.000.000	76.000.000
2. Patents, licences, royalties, trade marks, software&similar rights	<b>005</b>		
3. Goodwill	<b>006</b>		
4. Prepayments for intangible assets	<b>007</b>	37.000.000	12.000.000
5. Intangible assets under construction	<b>008</b>	720.000.000	800.000.000
6. Other intangible assets	<b>009</b>		
<b>II. TANGIBLE ASSETS (011 do 019)</b>	<b>010</b>	19.572.000.000	18.576.000.000
1. Land	<b>011</b>	897.000.000	987.000.000
2. Property	<b>012</b>	7.727.000.000	7.809.000.000
3. Plants and equipment	<b>013</b>	1.969.000.000	6.542.000.000
4. Tools, plants&vehicles	<b>014</b>	253.000.000	385.000.000
5. Biological asset	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>	50.000.000	21.000.000
7. Assets under construction	<b>017</b>	8.667.000.000	2.823.000.000
8. Other tangible assets	<b>018</b>	3.000.000	3.000.000
9. Investments property	<b>019</b>	6.000.000	6.000.000
<b>III. NON-CURRENT FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	2.129.000.000	2.192.000.000
1. Investments in subsidiaries	<b>021</b>	1.224.000.000	1.033.000.000
2. Loans to subsidiaries	<b>022</b>	101.000.000	444.000.000
3. Participating interests (stakes)	<b>023</b>	57.000.000	40.000.000
4. Loans to participating interest	<b>024</b>		
5. Investments in securities	<b>025</b>	330.000.000	350.000.000
6. Loans & deposits	<b>026</b>		
7. Other non-current financial assets	<b>027</b>	417.000.000	325.000.000
8. Investment accounted by equity method	<b>028</b>		
<b>IV. TRADE RECEIVABLES (030 do 032)</b>	<b>029</b>	254.000.000	174.000.000
1. Receivables from subsidiaries	<b>030</b>	116.000.000	48.000.000
2. Receivables from credit sales	<b>031</b>	136.000.000	126.000.000
3. Other receivables	<b>032</b>	2.000.000	
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>	223.000.000	591.000.000
<b>C) CURENT ASSETS (035+043+050+058)</b>	<b>034</b>	7.075.000.000	7.320.000.000
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	2.230.000.000	3.030.000.000
1. Raw materials & consumables	<b>036</b>	572.000.000	1.026.000.000
2. Work in progress	<b>037</b>	914.000.000	1.150.000.000
3. Products	<b>038</b>		
4. Merchandise	<b>039</b>	593.000.000	695.000.000
5. Prepayments for inventories	<b>040</b>	139.000.000	159.000.000
6. Other available-for-sale assets	<b>041</b>		
7. Biological asset	<b>042</b>	12.000.000	0
<b>II. RECEIVABLES (044 do 049)</b>	<b>043</b>	4.332.000.000	3.748.000.000
1. Receivables for trade debt of subsidiaries	<b>044</b>	2.229.000.000	1.588.000.000
2. Trade receivables	<b>045</b>	1.816.000.000	1.781.000.000
3. Receivables for trade debts of participating entities	<b>046</b>		
4. Amounts receivable from employees	<b>047</b>	4.000.000	3.000.000
5. Receivables from government agencies	<b>048</b>	115.000.000	234.000.000
6. Other receivables	<b>049</b>	168.000.000	142.000.000
<b>III. CURRENT FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	253.000.000	313.000.000
1. Investments in subsidiaries	<b>051</b>		
2. Loans to subsidiaries	<b>052</b>	227.000.000	239.000.000
3. Participating interests (stakes)	<b>053</b>		
4. Loans to participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>	5.000.000	4.000.000
6. Loans & deposits	<b>056</b>	21.000.000	21.000.000
7. Other financial assets	<b>057</b>		49.000.000
<b>IV. CASH ON HAND AND IN THE BANK</b>	<b>058</b>	260.000.000	229.000.000
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	99.000.000	54.000.000
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	30.216.000.000	29.795.000.000
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>061</b>		

<b>EQUITY AND LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	12.535.000.000	14.282.000.000
I. SHARE CAPITAL	<b>063</b>	9.000.000.000	9.000.000.000
II. CAPITAL RESERVES	<b>064</b>		
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	1.952.000.000	2.239.000.000
1. Legal reserves	<b>066</b>		
2. Reserves for own shares	<b>067</b>		
3. Own shares and stakes (less)	<b>068</b>		
4. Statutory reserves	<b>069</b>	0	287.000.000
5. Other reserves	<b>070</b>	1.952.000.000	1.952.000.000
IV. REVALUATION RESERVES	<b>071</b>	27.000.000	0
V. RETAINED EARNINGS OR LOSS BROUGHT FORWARD (073-074)	<b>072</b>	-211.000.000	1.076.000.000
1. Retained earnings	<b>073</b>		1.076.000.000
2. Loss brought forward	<b>074</b>	211.000.000	
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR (076-077)	<b>075</b>	1.767.000.000	1.967.000.000
1. Profit for the financial year	<b>076</b>	1.767.000.000	1.967.000.000
2. Loss for the financial year	<b>077</b>		
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	2.856.000.000	2.899.000.000
1. Provisions for redundancy costs	<b>080</b>	92.000.000	66.000.000
2. Provisions for tax obligations	<b>081</b>		
3. Other provisions	<b>082</b>	2.764.000.000	2.833.000.000
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	7.265.000.000	5.662.000.000
1. Amounts payable to subsidiaries	<b>084</b>		
2. Liabilities for loans, deposits and other	<b>085</b>		
3. Liabilities towards banks and other financial institutions	<b>086</b>	7.148.000.000	5.555.000.000
4. Amounts payable for prepayment	<b>087</b>		
5. Trade payables	<b>088</b>		
6. Amounts payable for securities	<b>089</b>		
7. Liabilities toward participating interests	<b>090</b>		
8. Other non-current liabilities	<b>091</b>	117.000.000	107.000.000
9. Deferred tax	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	7.502.000.000	6.904.000.000
1. Amounts payable to subsidiaries	<b>094</b>	3.056.000.000	646.000.000
2. Liabilities for loans, deposits and other	<b>095</b>		
3. Liabilities towards banks and other financial institutions	<b>096</b>	2.071.000.000	3.601.000.000
4. Amounts payable for prepayment	<b>097</b>	23.000.000	24.000.000
5. Trade payables	<b>098</b>	1.611.000.000	1.111.000.000
6. Amounts payable for securities	<b>099</b>		
7. Liabilities toward participating interests	<b>100</b>		
8. Amounts payable to employees	<b>101</b>	75.000.000	72.000.000
9. Liabilities for taxes and contributions	<b>102</b>	650.000.000	1.349.000.000
10. Dividend payables	<b>103</b>		
11. Liabilities directly associated with the assets classified as held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>	16.000.000	101.000.000
<b>E) ACCRUAL AND DEFERRED INCOME</b>	<b>106</b>	58.000.000	48.000.000
<b>F) TOTAL LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	30.216.000.000	29.795.000.000
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>108</b>		
<b>ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributable to equity holders of the parent company's capital	<b>109</b>		
2. Attributable to minority interest	<b>110</b>		

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

## PROFIT AND LOSS

for the period 01 January 2011 to 31 December 2011

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

Item	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112+113)</b>	<b>111</b>	<b>23.034.000.000</b>	<b>6.001.000.000</b>	<b>26.856.000.000</b>	<b>5.933.000.000</b>
1. Sales revenue	112	22.546.000.000	5.954.000.000	26.291.000.000	5.793.000.000
2. Other operating income	113	488.000.000	47.000.000	565.000.000	140.000.000
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>20.272.000.000</b>	<b>5.505.000.000</b>	<b>23.713.000.000</b>	<b>6.422.000.000</b>
1. Changes in inventories of finished products and work in	115	-67.000.000	353.000.000	-349.000.000	489.000.000
2. Material costs (117 do 119)	116	15.411.000.000	3.668.000.000	17.973.000.000	3.474.000.000
a) Cost of raw materials & consumables	117	11.736.000.000	2.633.000.000	13.353.000.000	1.969.000.000
b) Cost of goods sold	118	1.875.000.000	493.000.000	2.644.000.000	926.000.000
c) Other costs	119	1.800.000.000	542.000.000	1.976.000.000	579.000.000
3. Staff costs (121 do 123)	120	1.636.000.000	455.000.000	1.452.000.000	368.000.000
a) Net salaries	121	913.000.000	257.000.000	839.000.000	215.000.000
b) Employee income tax	122	485.000.000	132.000.000	402.000.000	100.000.000
c) Tax on payroll	123	238.000.000	66.000.000	211.000.000	53.000.000
4. Depreciation and amortisation	124	1.483.000.000	354.000.000	2.397.000.000	632.000.000
5. Other expenditures	125	1.669.000.000	591.000.000	1.178.000.000	343.000.000
6. Value adjustment (127+128)	126	-55.000.000	417.000.000	1.306.000.000	1.291.000.000
a) non-current assets (without financial assets)	127	-55.000.000	-39.000.000	709.000.000	694.000.000
b) current assets (without financial assets)	128		456.000.000	597.000.000	597.000.000
7. Provisions	129	195.000.000	-333.000.000	-244.000.000	-175.000.000
8. Other operating expenses	130		0		
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	<b>322.000.000</b>	<b>-29.000.000</b>	<b>355.000.000</b>	<b>-37.000.000</b>
1. Interest income, foreign exchange differences, dividends and other financial	132	35.000.000	9.000.000	69.000.000	32.000.000
2. Interest income, foreign exchange differences, dividends and other financial income related to third parties	133	29.000.000	-16.000.000	91.000.000	-29.000.000
3. Part of income from associates and participating interests	134		0		
4. Unrealized gains (income) from the financial assets	135		0		
5. Other financial income	136	258.000.000	-22.000.000	195.000.000	-40.000.000
<b>IV. FINANCIAL COSTS (138 do 141)</b>	<b>137</b>	<b>905.000.000</b>	<b>385.000.000</b>	<b>933.000.000</b>	<b>492.000.000</b>
1. Interest, foreign exchange differences and other expenses	138	3.000.000	1.000.000	9.000.000	1.000.000
2. Interest, foreign exchange differences and other expenses related to third parties	139	564.000.000	221.000.000	413.000.000	242.000.000
3. Unrealized loss (expenses) from the financial assets	140		0		
4. Other financial expenses	141	338.000.000	163.000.000	511.000.000	249.000.000
<b>V. SHARE OF INCOME OF ASSOCIATES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS OF ASSOCIATES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	<b>23.356.000.000</b>	<b>5.972.000.000</b>	<b>27.211.000.000</b>	<b>5.896.000.000</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>21.177.000.000</b>	<b>5.890.000.000</b>	<b>24.646.000.000</b>	<b>6.914.000.000</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (146-147)</b>	<b>148</b>	<b>2.179.000.000</b>	<b>82.000.000</b>	<b>2.565.000.000</b>	<b>-1.018.000.000</b>
1. Profit before tax (146-147)	149	2.179.000.000	82.000.000	2.565.000.000	0
2. Loss before tax (147-146)	150	0	0	0	1.018.000.000
<b>XII. INCOME TAX EXPENSE</b>	<b>151</b>	<b>412.000.000</b>	<b>38.000.000</b>	<b>598.000.000</b>	<b>-85.000.000</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>1.767.000.000</b>	<b>44.000.000</b>	<b>1.967.000.000</b>	<b>-933.000.000</b>
1. Profit for the period (149-151)	153	1.767.000.000	44.000.000	1.967.000.000	0
2. Loss for the period (151-148)	154	0	0	0	933.000.000

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

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

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

<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	1.767.000.000	44.000.000	1.967.000.000	-933.000.000
<b>II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (159 do</b>	<b>158</b>	17.000.000	29.000.000	260.000.000	431.000.000
1. Exchange differences arising from foreign operations	159			287.000.000	401.000.000
2. Revaluation of non-current assets and intangible assets	160				
3. Gains or loss available for sale investments	161	17.000.000	29.000.000	-27.000.000	30.000.000
4. Gains or loss on net movement on cash flow hedges	162				
5. Gains or loss on net investments hedge	163				
6. Share of the other comprehensive income/loss of associates	164				
7. Actuarial gain / loss on post employment benefit obligations	165				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR</b>	<b>167</b>	17.000.000	29.000.000	260.000.000	431.000.000
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>	<b>168</b>	1.784.000.000	73.000.000	2.227.000.000	-502.000.000

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

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



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

Issuer: INA - Industrija nafte d.d., Avenija Većeslava Holjevca 10, 10000 Zagreb			
Item	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before taxation	001	2.179.000.000	2.565.000.000
2. Depreciation and amortisation	002	1.483.000.000	2.397.000.000
3. Increase of non-current liabilities	003		
4. Decrease of current receivables	004		
5. Decrease of inventories	005	107.000.000	
6. Other increase of cash flow	006	1.826.000.000	2.403.000.000
<b>I. Total increase of cash flow from operating activities (001 do 006)</b>	<b>007</b>	<b>5.595.000.000</b>	<b>7.365.000.000</b>
1. Decrease of non-current liabilities	008	2.390.000.000	2.125.000.000
2. Increase of current receivables	009	1.862.000.000	745.000.000
3. Increase of inventories	010		934.000.000
4. Other decrease of cash flow	011	737.000.000	1.247.000.000
<b>II. Total decrease of cash flow from operating activities (008 do 011)</b>	<b>012</b>	<b>4.989.000.000</b>	<b>5.051.000.000</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>606.000.000</b>	<b>2.314.000.000</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015	8.000.000	
2. Proceeds from sale of ownership and debt instruments	016		
3. Proceeds from interest rates	017		
4. Proceeds from dividends	018	4.000.000	164.000.000
5. Other proceeds from investment activities	019	380.000.000	8.000.000
<b>III. Total cash proceeds from investment activities (015 do 019)</b>	<b>020</b>	<b>392.000.000</b>	<b>172.000.000</b>
1. Purchase of non-current assets	021	2.677.000.000	1.388.000.000
2. Payments for acquiring ownership and debt financial instruments	022		
3. Other payments from investment activities	023	1.000.000	159.000.000
<b>IV. Total cash payments from investment activities (021 do 023)</b>	<b>024</b>	<b>2.678.000.000</b>	<b>1.547.000.000</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>026</b>	<b>2.286.000.000</b>	<b>1.375.000.000</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Proceeds from issuing of ownership and debt financial instruments	027		
2. Proceeds from loan principal, debentures, loans and other borrowing	028	5.133.000.000	17.751.000.000
3. Other proceeds from financial activities	029		
<b>V. Total proceeds from financial activities (027 do 029)</b>	<b>030</b>	<b>5.133.000.000</b>	<b>17.751.000.000</b>
1. Repayment of loan principal and bonds	031	3.257.000.000	18.243.000.000
2. Dividends paid	032		
3. Payment of finance lease liabilities	033		
4. Payments from repurchase of treasury shares	034		
5. Other payments from financial activities	035	4.000.000	478.000.000
<b>VI. Total payments from financial activities (031 do 035)</b>	<b>036</b>	<b>3.261.000.000</b>	<b>18.721.000.000</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>037</b>	<b>1.872.000.000</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>038</b>	<b>0</b>	<b>970.000.000</b>
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	<b>192.000.000</b>	<b>0</b>
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	<b>0</b>	<b>31.000.000</b>
Cash and cash equivalents at the beginning of the period	<b>041</b>	<b>68.000.000</b>	<b>260.000.000</b>
Increase of cash and cash equivalents	<b>042</b>	<b>192.000.000</b>	<b>0</b>
Decrease of cash and cash equivalents	<b>043</b>	<b>0</b>	<b>31.000.000</b>
Cash and cash equivalents at the end of the period	<b>044</b>	<b>260.000.000</b>	<b>229.000.000</b>

**IZVJEŠTAJ O NOVČANOM TIJEKU - Direktna metoda**  
u razdoblju 01.01.2011. do 31.12.2011.

Obveznik: _____			
Naziv pozicije	AOP oznaka	Prethodno razdoblje	Tekuće razdoblje
1	2	3	4
<b>NOVČANI TIJEK OD POSLOVNIH AKTIVNOSTI</b>			
1. Novčani primici od kupaca	001		
2. Novčani primici od tantijema, naknada, provizija i sl.	002		
3. Novčani primici od osiguranja za naknadu šteta	003		
4. Novčani primici s osnove povrata poreza	004		
5. Ostali novčani primici	005		
<b>I. Ukupno novčani primici od poslovnih aktivnosti (001 do 005)</b>	<b>006</b>	0	0
1. Novčani izdaci dobavljačima	007		
2. Novčani izdaci za zaposlene	008		
3. Novčani izdaci za osiguranje za naknade šteta	009		
4. Novčani izdaci za kamate	010		
5. Novčani izdaci za poreze	011		
6. Ostali novčani izdaci	012		
<b>II. Ukupno novčani izdaci od poslovnih aktivnosti (007 do 012)</b>	<b>013</b>	0	0
<b>A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH</b>	<b>014</b>	0	0
<b>A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH</b>	<b>015</b>	0	0
<b>NOVČANI TIJEK OD INVESTICIJSKIH AKTIVNOSTI</b>			
1. Novčani primici od prodaje dugotrajne materijalne i nematerijalne imovine	016		
2. Novčani primici od prodaje vlasničkih i dužničkih instrumenata	017		
3. Novčani primici od kamata	018		
4. Novčani primici od dividendi	019		
5. Ostali novčani primici od investicijskih aktivnosti	020		
<b>III. Ukupno novčani primici od investicijskih aktivnosti (016 do 020)</b>	<b>021</b>	0	0
1. Novčani izdaci za kupnju dugotrajne materijalne i nematerijalne imovine	022		
2. Novčani izdaci za stjecanje vlasničkih i dužničkih financijskih instrumenata	023		
3. Ostali novčani izdaci od investicijskih aktivnosti	024		
<b>IV. Ukupno novčani izdaci od investicijskih aktivnosti (022 do 024)</b>	<b>025</b>	0	0
<b>B1) NETO POVEĆANJE NOVČANOG TIJEKA OD INVESTICIJSKIH</b>	<b>026</b>	0	0
<b>B2) NETO SMANJENJE NOVČANOG TIJEKA OD INVESTICIJSKIH</b>	<b>027</b>	0	0
<b>NOVČANI TIJEK OD FINANCIJSKIH AKTIVNOSTI</b>			
1. Novčani primici od izdavanja vlasničkih i dužničkih financijskih instrumenata	028		
2. Novčani primici od glavnice kredita, zadužnica, pozajmica i drugih posudbi	029		
3. Ostali primici od financijskih aktivnosti	030		
<b>V. Ukupno novčani primici od financijskih aktivnosti (028 do 030)</b>	<b>031</b>	0	0
1. Novčani izdaci za otplatu glavnice kredita i obveznica	032		
2. Novčani izdaci za isplatu dividendi	033		
3. Novčani izdaci za financijski najam	034		
4. Novčani izdaci za otkup vlastitih dionica	035		
5. Ostali novčani izdaci od financijskih aktivnosti	036		
<b>VI. Ukupno novčani izdaci od financijskih aktivnosti (032 do 036)</b>	<b>037</b>	0	0
<b>C1) NETO POVEĆANJE NOVČANOG TIJEKA OD FINANCIJSKIH</b>	<b>038</b>	0	0
<b>C2) NETO SMANJENJE NOVČANOG TIJEKA OD FINANCIJSKIH</b>	<b>039</b>	0	0
<b>Ukupno povećanje novčanog tijeka (014 – 015 + 026 – 027 + 038 – 039)</b>	<b>040</b>	0	0
<b>Ukupno smanjenje novčanog tijeka (015 – 014 + 027 – 026 + 039 – 038)</b>	<b>041</b>	0	0
<b>Novac i novčani ekvivalenti na početku razdoblja</b>	<b>042</b>		
<b>Povećanje novca i novčanih ekvivalenata</b>	<b>043</b>		
<b>Smanjenje novca i novčanih ekvivalenata</b>	<b>044</b>		
<b>Novac i novčani ekvivalenti na kraju razdoblja</b>	<b>045</b>	0	0



## CHANGES IN EQUITY

for the period 1.1.2011 to 31.12.2011

Item	AOP	Previous period	Current period
1	2	3	4
1. Share capital	001	9.000.000.000	9.000.000.000
2. Capital reserves	002		
3. Profit reserves	003	1.952.000.000	2.240.000.000
4. Retained earnings or loss carried forward	004	-211.000.000	1.076.000.000
5. Profit or loss of the current year	005	1.767.000.000	1.950.000.000
6. Revaluation of fixed tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial financial property available for sale	008	27.000.000	
9. Other revaluation	009		
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	12.535.000.000	14.266.000.000
11. Foreign exchange differences from net investments in foreign operations	011		261.000.000
12. Current and deferred taxes (part)	012		
13. Cash flow hedge	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		1.950.000.000
<b>17. Total equity increase or decrease (AOP 011 do 016)</b>	<b>017</b>	0	2.211.000.000
17 a. Attributable to equity holders of the parent company's capital	018		
17 b. Attributable to minority interest	019		

Items that decrease equity have negative sign

Items from 001 to 009 are state of balance sheet date

## **Bilješke uz financijske izvještaje**

(1) Bilješke uz financijske izvještaje sadrže dodatne i dopunske informacije koje nisu prezentirane u bilanci, računu dobiti i gubitka, izvještaju o novčanom tijeku i izvještaju o promjenama kapitala sukladno odredbama odgovarajućih standarda financijskog izvještavanja.

INA,d.d.  
Uncondensed Interim Financial Statements with Notes for  
the period ended 31 December 2011

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INA, d.d.

## Condensed Unconsolidated Income Statement

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Year ended:		Three months ended:	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
Sales revenue					
a) domestic		15,820	13,985	4,187	3,421
b) exports		10,471	8,561	1,606	2,533
<b>Total sales revenue</b>	4	<b>26,291</b>	<b>22,546</b>	<b>5,793</b>	<b>5,954</b>
Income from own consumption of products and services		5	6	3	1
Other operating income		560	482	137	46
<b>Total operating income</b>		<b>26,856</b>	<b>23,034</b>	<b>5,933</b>	<b>6,001</b>
Changes in inventories of finished products and work in progress		349	67	(489)	(353)
Cost of raw materials and consumables		(13,814)	(12,059)	(2,112)	(2,725)
Depreciation and amortisation		(2,397)	(1,483)	(632)	(354)
Other material costs		(1,514)	(1,477)	(436)	(451)
Service costs		(965)	(1,327)	(286)	(349)
Staff costs	6	(1,666)	(1,978)	(425)	(696)
Cost of other goods sold		(2,644)	(1,875)	(926)	(493)
Impairment and charges		(1,306)	55	(1,291)	(417)
Provision for charges and risks (net)		244	(195)	175	333
<b>Operating expenses</b>		<b>(23,713)</b>	<b>(20,272)</b>	<b>(6,422)</b>	<b>(5,505)</b>
<b>Profit from operations</b>		<b>3,143</b>	<b>2,762</b>	<b>(489)</b>	<b>496</b>
Finance income		355	322	(37)	(29)
Finance costs		(933)	(905)	(492)	(385)
<b>Net loss from financial activities</b>		<b>(578)</b>	<b>(583)</b>	<b>(529)</b>	<b>(414)</b>
<b>Profit before tax</b>		<b>2,565</b>	<b>2,179</b>	<b>(1,018)</b>	<b>82</b>
Income tax expense	7	(598)	(412)	85	(38)
<b>Profit for the year</b>		<b>1,967</b>	<b>1,767</b>	<b>(933)</b>	<b>44</b>
<b>Earnings per share</b>					
Basic and diluted earnings per share (kunas per share)	8	196.7	176.7	(93.3)	4.4

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

INA, d.d.

Condensed Unconsolidated Statement of Comprehensive Income

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

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	<b>Year ended:</b>		<b>Three months ended:</b>	
Notes	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
<b>Profit for the year</b>	<b>1,967</b>	<b>1,767</b>	<b>(933)</b>	<b>44</b>
Other comprehensive income/(loss):				
Exchange differences arising from foreign operations	287	-	400	-
(Loss)/gains on available-for-sale investments, net	(27)	17	30	29
<b>Other comprehensive (loss)/income, net</b>	<b>260</b>	<b>17</b>	<b>430</b>	<b>29</b>
<b>Total comprehensive income for the year</b>	<b>2,227</b>	<b>1,784</b>	<b>(503)</b>	<b>73</b>

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

INA, d.d.

## Condensed Unconsolidated Statement of Financial Position

At 31 December 2011

(all amounts in HRK millions)

(unaudited)

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
<b>Non-current assets</b>			
Intangible assets	9	876	827
Property, plant and equipment	10	18,555	19,522
Investment in subsidiaries		1,033	1,224
Investments in associates and joint ventures		34	51
Other investments		799	437
Long-term receivables		207	341
Deferred tax		592	223
Available for sale assets		325	417
<b>Total non – current assets</b>		<b>22,421</b>	<b>23,042</b>
<b>Current assets</b>			
Inventories		3,030	2,218
Intercompany receivables		1,588	2,229
Trade receivables, net		1,781	1,816
Other receivables		379	287
Other current assets		313	253
Prepaid expenses and accrued income		54	99
Cash and cash equivalents		229	260
		<b>7,374</b>	<b>7,162</b>
Assets classified as held for sale		-	12
<b>Total current assets</b>		<b>7,374</b>	<b>7,174</b>
<b>TOTAL ASSETS</b>		<b>29,795</b>	<b>30,216</b>

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

INA, d.d.

Condensed Unconsolidated Statement of Financial Position

At 31 December 2011

(all amounts in HRK millions)

(unaudited)

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
<b>Capital and reserves</b>			
Share capital	11	9,000	9,000
Revaluation reserve		-	27
Other reserves		2,239	1,952
Retained earnings	12	3,043	1,556
<b>TOTAL EQUITY</b>		<b>14,282</b>	<b>12,535</b>
<b>Non – current liabilities</b>			
Long-term loans		5,555	7,148
Other non-current liabilities		107	117
Employee benefit obligation		61	84
Provisions		2,665	2,563
<b>Total non-current liabilities</b>		<b>8,388</b>	<b>9,912</b>
<b>Current liabilities</b>			
Bank loans and overdrafts		1,784	838
Current portion of long-term loans		1,817	1,233
Intercompany payables		646	3,056
Trade payables		1,111	1,611
Taxes and contributions		1,349	650
Other current liabilities		197	114
Accruals and deferred income		48	58
Employee benefit obligation		5	8
Provisions		168	201
<b>Total current liabilities</b>		<b>7,125</b>	<b>7,769</b>
<b>TOTAL LIABILITIES</b>		<b>15,513</b>	<b>17,681</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,795</b>	<b>30,216</b>

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



INA, d.d.

Condensed Unconsolidated Statement of Changes in Equity

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Total
<b>Balance at 1 January 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>10</b>	<b>(211)</b>	<b>10,751</b>
Profit for the year	-	-	-	1,767	1,767
Other comprehensive loss, net	-	-	17	-	17
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>1,767</b>	<b>1,784</b>
<b>Balance at 31 December 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>27</b>	<b>1,556</b>	<b>12,535</b>
<b>Balance at 1 January 2011</b>	<b>9,000</b>	<b>1,952</b>	<b>27</b>	<b>1,556</b>	<b>12,535</b>
Profit for the year	-	-	-	1,967	1,967
Other comprehensive loss, net	-	287	(27)	-	260
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>287</b>	<b>(27)</b>	<b>1,967</b>	<b>2,227</b>
Dividends paid	-	-	-	(480)	(480)
<b>Balance at 31 December 2011</b>	<b>9,000</b>	<b>2,239</b>	<b>-</b>	<b>3,043</b>	<b>14,282</b>

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

INA, d.d.  
**Condensed Unconsolidated Cash Flow Statement**  
For the period ended 31 December 2011  
*(all amounts in HRK millions)*  
*(unaudited)*

	Year ended		
	Notes	31 December 2011	31 December 2010
<b>Profit for the year</b>		<b>1,967</b>	<b>1,767</b>
<b>Adjustments for:</b>			
Depreciation and amortisation		2,397	1,483
Income tax expense recognized in loss		598	412
Impairment charges		1,838	687
Reversal of impairment		(532)	(667)
Gain on sale of property plant and equipment		(3)	(6)
Gain on sale of shares or stakes		-	(11)
Foreign exchange loss		79	582
Interest expense (net)		231	218
Other finance expense/(income) recognised in loss		137	(53)
Increase/Decrease in provisions		(237)	195
Decommissioning interests		118	144
		<b>6,593</b>	<b>4,751</b>
<b>Movements in working capital</b>			
Increase/decrease in inventories		(934)	107
Increase in receivables and prepayments		(745)	(1,840)
Decrease in trade and other payables		(2,125)	(2,351)
<b>Cash generated from operations</b>		<b>2,789</b>	<b>667</b>
Taxes paid		(475)	-
<b>Net cash inflow from operating activities</b>		<b>2,314</b>	<b>667</b>
<b>Cash flows used in investing activities</b>			
Payment for property, plant and equipment		(1,267)	(2,459)
Payment for intangible assets		(121)	(218)
Proceeds from sale of non-current assets		-	8
Payment related to sale of subsidiaries		-	(39)
Acquisition for investments in subsidiaries, associates and joint ventures and other companies		-	(1)
Dividends received from companies classified as available for sale and from other companies		8	4
Interest received		164	254
Investments and loans, net		(159)	139
<b>Net cash used for investing activities</b>		<b>(1,375)</b>	<b>(2,312)</b>

INA, d.d.  
**Condensed Unconsolidated Cash Flow Statement**  
For the period ended 31 December 2011  
*(all amounts in HRK millions)*  
*(unaudited)*

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	<b>Year ended</b>	
<b>Notes</b>	<b><u>31 December 2011</u></b>	<b><u>31 December 2010</u></b>
<b>Cash flows from financing activities</b>		
Additional long-term borrowings	80	2,708
Repayment of long-term borrowings	(1,290)	(1,018)
Additional short-term borrowings	17,727	2,403
Repayment of short-term borrowings	(16,818)	(2,148)
Dividends paid	(480)	-
Interest paid on long-term loans	(56)	(22)
Other long-term liabilities, net	(9)	(9)
Interest paid on short term loans and other financing charges	<u>(135)</u>	<u>(82)</u>
<b>Net cash from financing activities</b>	<b><u>(981)</u></b>	<b><u>1,832</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>(42)</b>	<b>187</b>
At 1 January	260	68
Effect of foreign exchange rate changes	<u>11</u>	<u>5</u>
<b>At 31 December</b>	<b><u>229</u></b>	<b><u>260</u></b>

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

## 1. BASIS OF PREPARATION

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2011. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated statements as were applied in the preparation of the INA` s financial statement for the year ended 31 December 2010.

### **Adoption of new and revised standards**

#### *Standards and Interpretations effective in the current period*

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

- **Amendments to IFRS 1 "First - time adoption to IFRS"** – limited exemption from Comparative IFRS 7 Financial instruments – Disclosure for first time adopters (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to IAS 24 "Related Party Disclosures"** - simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),
- **Amendments to IAS 32 "Financial instruments – Presentations"** - accounting for rights issues (effective for annual periods beginning on or after 1 February 2010),

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- **Amendments to various standards and interpretations (2010)** 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, ( amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard / interpretation),
- **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),
- **IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”** (effective for annual periods beginning on or after 1 July 2010).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the INA Group accounting policies.

#### *Standards and Interpretations in issue not yet adopted*

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

- **IFRS 9 “Financial Instruments”**, as amended in 2010, (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 10 “Consolidated Financial Statements”**, published on May 2011, supersedes the previous version of IAS 27 (2008) “Consolidated and Separate Financial Statements”, (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 “Joint Arrangements”**, published on May 2011, superseded IAS 31 “Interests in Joint Ventures” (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 “Disclosure of Interests in Other Entities”**, published on May 2011 (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 “Fair Value Measurement”**, published on May 2011 (effective for annual periods beginning on or after 1 January 2013),

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- **IAS 27 “Separate Financial Statements” (as amended in 2011)**, consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 “Consolidated Financial Statements”, (effective date of IAS 27 (as amended in 2011) for annual periods beginning on or after 1 January 2013),
- **IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures”** issued. This version supersedes IAS 28 (2003) “Investments in Associates” (effective date of IAS 28 (as amended in 2011) for annual periods beginning on or after 1 January 2013).
- **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 - Disclosures” –Transfer of Financial Assets** (effective for annual periods beginning on or after 1 July 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 12 “Income tax”, - Deferred tax: Recovery of Underlying Assets** (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 19 “Employee Benefits”** - Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”** (effective for annual periods beginning on or after 1 January 2013).

INA, d.d. has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity in the period of initial application except for IFRS 9 “Financial instruments” which will have a significant impact on measurement and disclosure of financial instruments.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### *Using the estimates in the preparation of financial statements*

The preparation of financial statements in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities. The estimates used in preparing these financial statements relate to employee benefits, impairment of assets, determining the fair value of assets and liabilities and the estimated decommissioning costs.

#### *Reclassification income of reversal from impairment charges and provisions*

In 2011 INA reclassified income from reversal of impairment and reversal of provisions from other operating income to impairment charges and provision from charges and risks. The effect of such reclassification is as follows:

	<b>INA, d.d.</b>	
	<b>31 December 2011</b>	<b>31 December 2010</b>
Reclassification on impairment and charges	532	687
Reclassification on other operating income	(532)	(687)
Reclassification on provision for charges and risks	361	202
Reclassification on other operating income	(361)	(202)
<b>Total</b>	<b>-</b>	<b>-</b>

#### *Reclassification fees arising from bank loans*

In 2011 INA reclassified fees arising from bank loans from other material costs to finance costs. The effect of such reclassification is as follows:

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### 4. SEGMENT INFORMATION

INA operates through three primary business segments. The strategic business segments offer different products and services.

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

INA, d.d.

## Notes to Condensed Unconsolidated Financial Statements

For the period ended 31 December 2011

*(all amounts in HRK millions)*

*(unaudited)*

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- Refining and Marketing – crude oil processing, wholesale of refinery products, trading and logistics
- Retail – selling of fuels and commercial goods in retail station

Besides the three above-mentioned business segments, INA business includes a fourth segment the Business Functions that provides services for core activities.



INA, d.d.

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**4. SEGMENT INFORMATION (continued)**

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

<b>2011</b>	<b>Exploration and production</b>	<b>Refining and marketing</b>	<b>Retail</b>	<b>Corporate and other</b>	<b>Intersegment transfers</b>	<b>Total</b>
Sales to external customers	7,415	11,801	7,055	20	-	26,291
Inter-segment sales	2,101	5,649	2	1	(7,753)	-
<b>Total revenue</b>	<b>9,516</b>	<b>17,450</b>	<b>7,057</b>	<b>21</b>	<b>(7,753)</b>	<b>26,291</b>
Operating expenses, net of other operating income	(2,969)	(19,688)	(6,996)	(1,248)	7,753	(23,148)
<b>Profit from operations net of other income</b>	<b>6,547</b>	<b>(2,238)</b>	<b>61</b>	<b>(1,227)</b>	<b>-</b>	<b>3,143</b>
Net finance loss						(578)
Profit before tax						2,565
Income tax expense						(598)
<b>Profit for the year</b>						<b>1,967</b>

INA, d.d.

Notes to Condensed Unconsolidated Financial Statements

For the period ended 31 December 2011

(all amounts in HRK millions)

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**4. SEGMENT INFORMATION (continued)**

<b>2010</b>	<b>Exploration and production</b>	<b>Refining and marketing</b>	<b>Retail</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Total</b>
Sales to external customers	6,186	10,529	5,810	21	-	22,546
Inter-segment sales	1,681	4,399	-	1	(6,081)	-
<b>Total revenue</b>	<b>7,867</b>	<b>14,928</b>	<b>5,810</b>	<b>22</b>	<b>(6,081)</b>	<b>22,546</b>
Operating expenses, net of other operating income	(2,955)	(15,735)	(5,937)	(1,238)	6,081	(19,784)
<b>Profit from operations net of other income</b>	<b>4,912</b>	<b>(807)</b>	<b>(127)</b>	<b>(1,216)</b>	<b>-</b>	<b>2,762</b>
Net finance loss						(583)
Profit before tax						2,179
Income tax expense						(412)
<b>Profit for the year</b>						<b>1,767</b>

INA, d.d.

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(all amounts in HRK millions)

(unaudited)

**4. SEGMENT INFORMATION (continued)**

INA, d.d.

<b>2011</b>	<b>Exploration and production</b>	<b>Refining and marketing</b>	<b>Retail</b>	<b>Corporate and other</b>	<b>Elimination</b>	<b>Total</b>
<b>Assets and liabilities</b>						
Property, plant and equipment	11,124	6,297	916	218	-	18,555
Intangible assets	780	13	4	79	-	876
Investments in subsidiaries	648	169	-	216	-	1,033
Investments in associates and joint ventures	34	-	-	-	-	34
Inventories	349	2,511	50	120	-	3,030
Trade receivables, net	2,037	965	348	19	(1,588)	1,781
	-	-	-	-	-	-
Not allocated assets						4,486
<b>Total assets</b>						<b>29,795</b>
Trade payables	325	1,015	166	251	(646)	1,111
Not allocated liabilities						14,402
<b>Total liabilities</b>						<b>15,513</b>
<b>Other segment information</b>						
<b>Capital expenditure:</b>	<b>659</b>	<b>577</b>	<b>106</b>	<b>47</b>	<b>-</b>	<b>1,389</b>
Property, plant and equipment	586	569	105	8	-	1,268
Intangible assets	73	8	1	39	-	121
<b>Depreciation and amortisation</b>	<b>1,765</b>	<b>447</b>	<b>83</b>	<b>102</b>	<b>-</b>	<b>2,397</b>
From this: Impairment losses recognized in profit and loss	(33)	655	(79)	-	-	543

INA, d.d.

Notes to Condensed Unconsolidated Financial Statements

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(all amounts in HRK millions)

(unaudited)

**4. SEGMENT INFORMATION (continued)**

**INA, d.d.**

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

## **5. SEASONALITY OF OPERATIONS**

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

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

Natural gas sales are higher in the winter heating season.

## **6. STAFF COSTS**

For the period ending 31 December 2011 in staff cost is presented cost of net salaries in the amount of 839 million HRK, cost of employee income tax and tax on payroll in the amount 613 million HRK and other payroll related costs in the amount 214 million HRK. For the period ending 31 December 2010 in staff cost is presented cost of net salaries in the amount in the amount 913 million HRK, cost of employee income tax and tax on payroll in the amount of 723 million HRK, and other payroll related costs in the amount 342 million HRK.

## **7. 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 2011 and 20% for the period ending 31 December 2010.

## 8. EARNINGS PER SHARE

	31 December 2011	31 December 2010
<b>Basic and diluted earnings/(loss) per share (in HRK)</b>	<b>196.7</b>	<b>176.7</b>
<b>Earnings</b>	-	-
Earnings used in the calculation of total basic earnings per share (profit/(loss) for the period attributable to equity holders of the parent)	1,967	1,767
	<b>1,967</b>	<b>1,767</b>
<b>Number of shares</b>	-	-
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

## 9. INTANGIBLE ASSETS

In the period ending 31 December 2011, INA d.d. invested HRK 121 million in intangible assets. The effect of depreciation equals HRK 73 million. Retranslation caused by U.S. dollar exchange rate differences in on oil and gas fields increased net book value of INA d.d. in amount of HRK 32 million. Reversal of impairment according to IAS 36 equals HRK 2 million. The amount of value adjusted investments equals HRK 35 million. Addition by acquisition of subsidiary (Proplin) equals HRK 1 million and transfer from tangible assets is also HRK 1 million.

## 10. PROPERTY, PLANT AND EQUIPMENT

In the period ending 31 December 2011, INA d.d. invested HRK 1.268 million in property, plant and equipment. Capitalised decommissioning costs increased the value of assets by HRK 141 million. Retranslation caused by U.S. dollar exchange rate differences in on oil and gas fields increased net book value of INA Group in amount of HRK 258 million. Impairment in INA d.d. was HRK 545 million. The effect of depreciation reduced net book value of property, plant & equipment in amount of HRK 2.324 million. Reversal of depreciation for a prior year increased net book value in amount of HRK 7 million. Addition by acquisition of subsidiary (Proplin) equals HRK 238 million. Disposal of assets was HRK 4 million. Value adjusted investments decreased net book value in amount of HRK 5 million. Transfer to intangible assets decreased the value of tangible assets in amount of HRK 1 million.

INA, d.d.

## Notes to Condensed Unconsolidated Financial Statements

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(unaudited)

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### 11. SHARE CAPITAL

Issued capital as at 31 December 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.

### 12. RETAINED EARNINGS

	INA, d.d.
	<u>Retained earnings/ (Accumulated deficit)</u>
<b>Balance at 1 January 2010</b>	<b>(211)</b>
Profit for the year	1,767
<b>Balance at 31 December 2010</b>	<b>1,556</b>
Profit for the year	1,967
Dividends paid	(480)
<b>Balance at 31 December 2011</b>	<b>3,043</b>

### 13. RELATED PARTY TRANSACTIONS

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

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

### 13. 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	
	Twelve months ended:		Twelve months ended:	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
<b>Foreign related companies</b>				
Interina Ltd Guernsey	-	2,815	-	280
Holdina Sarajevo	850	526	2	-
Interina d.o.o. Ljubljana	21	27	-	-
Interina Ltd London	-	6	-	10,666
Adriagas Milano	2	-	1	4
INA Crna Gora d.o.o Podgorica	91	55	-	-
INA Beograd d.o.o Beograd	59	100	-	-
<b>Domestic related companies</b>				
Crosco Grupa	12	7	168	124
Osijek Petrol d.d.	135	399	-	-
Proplin d.o.o. Zagreb	-	498	-	-
STSI d.o.o. Zagreb	15	19	457	258
Maziva Zagreb d.o.o. Zagreb	119	95	58	8
ITR d.o.o. Zagreb	2	1	24	24
Sinaco d.o.o. Zagreb	4	3	122	124
Prirodni plin d.o.o. Zagreb	4,487	3,970	446	235
Polybit d.o.o.	-	-	-	-
TOP Računovodstvo Servisi d.o.o.	3	-	21	-
<b>Companies available for sale</b>				
JANAF d.d. Zagreb	1	1	72	45
<b>Strategic partner</b>				
MOL Plc	458	347	823	941
<b>Companies controlled by strategic partner</b>				
Tifon d.o.o.	768	-	6	6
Moltrade Mineralimpex Zrt.	-	-	1,141	10
Slovnaft, a.s.	-	-	48	16
Slovnaft, Petrochemicals s.r.o.	1	-	-	-
Mol Lub Kft.	-	-	1	1
MOL SLOVENIJA d.o.o.	16	1	-	-
IES-Italiana Energia e Servizi s.p.a.	13	-	6	2
TVK Nyrt.	-	-	3	2
Intermol d.o.o.	10	26	1	-
Energopetrol d.d.	468	418	1	-
Geophysical services Ltd.	-	-	-	15



### 13. 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	
	Twelve months ended:		Twelve months ended:	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
<b>Companies controlled by the State</b>				
Hrvatske željeznice	2	26	51	42
Hrvatska elektroprivreda	298	344	129	142
Croatia osiguranje	-	2	34	44
Hrvatske vode	-	-	22	22
Hrvatska pošta	-	-	2	2
MORH	53	51	-	-
Hrvatske šume	-	-	1	-
Jadrolinija	143	111	5	5
Narodne novine	-	-	-	2
Croatia Airlines	234	158	-	-
Petrokemija Kutina	-	6	-	-
Hrvatske autoceste	-	-	-	60
Podzemno skladište plina Okoli	2	1	65	-

### 13. 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		Amounts owed to related	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
<b>Foreign related companies</b>				
Interina Ltd Guernsey	-	-	137	128
Holdina Sarajevo	117	81	7	5
Interina d.o.o. Ljubljana	1	3	-	-
Interina Ltd London	-	-	20	2,183
Adriagas Milano	-	-	1	1
INA Crna Gora d.o.o Podgorica	14	15	-	-
INA Beograd d.o.o Beograd	10	7	-	-
<b>Domestic related companies</b>				
Crosco Grupa	1	2	57	50
Osijek Petrol d.d.	53	123	1	1
Proplin d.o.o. Zagreb	-	109	-	22
STSI d.o.o. Zagreb	2	8	257	173
Maziva Zagreb d.o.o. Zagreb	19	21	24	28
ITR d.o.o. Zagreb	-	-	10	14
Sinaco d.o.o. Zagreb	-	1	35	36
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	1,551	2,271	20	346
TOP Računovodstvo Servisi d.o.o.	1	-	3	-
<b>Companies available for sale</b>				
JANAF d.d. Zagreb	-	-	25	4
<b>Strategic partner</b>				
MOL Plc	34	30	62	609
<b>Companies controlled by strategic partner</b>				
Tifon d.o.o.	42	99	1	6
Slovnaft, a.s.	-	-	5	-
Slovnaft, Petrochemicals s.r.o.	-	-	1	-
Mol Lub Kft.	-	-	-	-
MOL SLOVENIJA d.o.o.	2	-	-	-
IES-Italiana Energia e Servizi s.p.a.	-	-	2	-
TVK Nyrt.	-	-	1	1
Intermol d.o.o.	8	-	-	-
Energopetrol d.d.	24	34	-	-

### 13. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	Amounts owed from related parties		Amounts owed to related parties	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
<b>Companies controlled by the State</b>				
Hrvatske željeznice	4	1	5	13
Hrvatska elektroprivreda	186	209	14	7
Croatia osiguranje	-	-	-	1
Hrvatske vode	-	-	4	3
Hrvatska pošta	2	2	-	-
MORH	4	14	-	-
Hrvatske šume	6	5	-	-
Jadrolinija	31	33	1	-
Croatia Airlines	32	24	-	-
Petrokemija Kutina	-	194	-	-
Hrvatske autoceste	1	1	5	5
Podzemno skladište plina Okoli	1	-	8	6

### 14. 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. 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.

## **15. SUBSEQUENT EVENTS**

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

## Q4 AND Q1-Q4 2011 – REPORT INA, D.D. NON-CONSOLIDATED

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

HRK mln.	Q3 2011	Q4 2011	Q4 2010	%	2010	2011	%
Net sales revenues	7,389	5,793	5,954	(22)	22,546	26,291	17
EBITDA <sup>(1)</sup>	1,773	1,259	934	(29)	4,385	6,602	51
EBITDA excl. special items <sup>(2)</sup>	1,801	1,302	1,221	(28)	4,787	6,752	41
Operating profit	968	(489)	496	n.a.	2,762	3,143	14
Operating profit excl. special items <sup>(2)</sup>	1,017	163	545	(84)	3,228	4,019	25
Net financial expenses	(437)	(529)	(414)	21	(583)	(578)	(1)
Net profit/(loss) <sup>(3)</sup>	453	(933)	44	n.a.	1,767	1,967	11
Net profit/(loss) excl. special items <sup>(2)</sup>	492	(411)	166	n.a.	2,222	2,668	20
Operating cash flow	1,378	135	692	(90)	667	2,314	247
Earnings per share							
Basic and diluted earnings/(loss) per share (kunas per share)	45	(93)	4	n.a.	177	197	11
Net gearing	37.79	38.46	41.68	2	41.68	38.46	(8)
<b>USD mln <sup>(4)</sup></b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q4 2010</b>	<b>%</b>	<b>2010</b>	<b>2011</b>	<b>%</b>
Net sales revenues	1,402	1,043	1,098	(26)	4,099	4,920	20
EBITDA <sup>(1)</sup>	336	227	172	(33)	797	1,236	55
Operating profit	184	(88)	91	n.a.	502	588	17
Operating profit excl. special items <sup>(2)</sup>	193	29	100	(85)	587	752	28
Net financial expenses	(83)	(95)	(76)	15	(106)	(108)	2
Net profit/(loss) <sup>(3)</sup>	86	(168)	8	n.a.	321	368	15
Net profit/(loss) excl. special items <sup>(2)</sup>	93	(74)	31	n.a.	404	499	24
Operating cash flow	261	24	128	(91)	121	433	257
Earnings per share							
Basic and diluted earnings/(loss) per share (USD per share)	8.6	(16.8)	0.8	n.a.	32.1	36.8	15

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

<sup>(2)</sup> Excludes special items related to asset impairment, provision and severance payments. The 2011 EBIT was negatively influenced by HRK 876 million special items

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

<sup>(4)</sup> In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q3 2011: 5.2711 HRK/USD, Q4 2010: 5.4243 HRK/USD; Q4 2011: 5.5564 HRK/USD; Q1-Q4 2010: 5.5000 HRK/USD, Q1-Q4 2011: 5.3435

### Year 2011 results

INA d.d. improved its results in 2011 compared to 2010, delivering EBITDA (excluding special items) of HRK 6,752 million and operating profit (excluding special items) of HRK 4,019 million, which represents an increase of 41% and 25% respectively. Improved results mostly reflected the favourable external environment through higher crude oil prices together with improved average daily hydrocarbon production in Exploration and Production segment. In spite of the positive contribution during the first nine months 2011, due to security situation and developments in Syria and in line with local requirements, INA reduced the crude oil and natural gas production. In addition, INA is still experiencing difficulties in collection of Syrian receivables. Refining and Marketing delivered negative result in 2011 predominantly coming from higher Brent crude oil price (increasing the energy costs), lower white products yield related to discontinuities in operation of new plants in the first half of the year, lower utilisation of refineries capacities together with increased own consumption and still depressed market demand.

At the net profit level, 2011 was significantly better than 2010, with HRK 1,967 million net profit compared to HRK 1,767 million net profit realised last year. Besides already mentioned positive factors that contributed to INA d.d. results, net loss from financial activities was slightly lower in 2010, reflecting improved indebtedness position. Realised net loss in the amount of HRK 578 million was mainly affected with higher interest expenses and FX losses related to HRK depreciation against USD during the year.

INA d.d. capital expenditures amounted to HRK 1,389 million with majority spent on Exploration and Production activities (HRK 659 million) related to development investments in Syria and in Croatia. Refining and Marketing capital expenditures were HRK 577 million, mostly related to the development of the refining system, while Retail accounted for HRK 106 million spent on retail network modernisation and revitalisation.

### INA d.d. Exploration and Production

Operating profit excluding special items in 2011 showed a strong increase of HRK 1,838 million, over 2010 figure, and amounted to HRK 6,613 million (USD 1,238 million) mainly due to 31% higher average realized hydrocarbon prices and increased production volumes (14% higher average daily hydrocarbon production). Besides mentioned profit contributors, 6% lower unit OPEX resulting from the achievements in the Company's effort on cost reduction, also backed the result. However, the positive contribution of the Syrian operations to the result was heavily impacted at the last quarter of the year due to lack of income from Syria in Q4 2011 for INA's share in hydrocarbon production in Syria. Reported 2011 operating profit amounted to HRK 6,547 million.

### INA d.d. Refining and Marketing

An operating loss (excluding special items) of HRK 1,532 million (USD 287 million) was recorded in the INA d.d. Refining & Marketing segment in 2011. Compared to 2010, operating loss (excluding special items) was by HRK 1,056 million higher primarily reflecting lower than expected market demand in core markets, combined with continuously rising production cost driven by higher than expected crude prices and lower than planned availability of refinery assets (Sisak Refinery with four months shutdown, slower start up of new units in Rijeka Refinery). The already started efforts on efficiency improvements including own consumption reduction, loss management and crude oil selection optimization yielded positive effects and somewhat moderated negative factors. Reported 2011 operating loss amounted to HRK 2,238 million.

### INA d.d. Retail segment

The segment generated significantly improved results in 2011, achieving operating profit excluding special items of HRK 119 million (22 million USD) or HRK 77 million better result compared to 2010. Despite lower sales, higher operating profit resulted from optimised fuel unit margin partially coming from introduction of premium CLASS fuel in early 2011 and decreased operating costs. The reported operating profit for 2011 amounted to HRK 61 million.

### INA d.d. Corporate Functions

In 2011, an operating loss excluding special items of HRK 1,181 million (USD 221 million) was recorded, which represents 6% higher operating loss in comparison with 2010. Reported operating loss amounted to HRK 1,227 million in 2011.

### *Income statement*

In 2011, INA d.d. total sales revenues increased by 17% to HRK 26,291 million compared to 2010, as a result of increasing realized hydrocarbon prices as well as increasing hydrocarbon sales, which offset the negative effect of the drop in refined product sales.

Costs of raw materials and consumables rose by 15% in 2011, in accordance with the rising sales revenues. The increase was a result of the 35% higher average import price of crude rose in-line with the 40% price increase of average Brent FOB crude in 2011, however, volume of imported crude was lower by 23% compared to 2010.

Costs of goods sold rose by 41% to HRK 2,644 million mainly due to higher purchased volumes of crude oil products as a result of lower production related to late start up of HCU in Rijeka Refinery (which resulted in much higher import of Eurodiesel) together with turnaround in Rijeka Refinery in November 2011 and the fire accident in Sisak Refinery in June 2011.

Within the other operating costs incurred in 2011:

- Other material costs in the amount of HRK 1,514 million increased by 3%.
- The costs of services decreased by 27% to HRK 965 million due to lower financial costs related to operations.
- Depreciation of HRK 2,397 million was at the higher level by 62% compared to 2010, after more assets were put in operation, i.e. new upstream facilities in Syria and new units at Rijeka Refinery.
- Adjustments and provisions in the amount of HRK 1,062 million were higher by HRK 922 million.

Staff costs decreased by 16% to HRK 1,666 million, as headcount were cut in the frame of Workforce Restructuring Programme launched at the end of 2010 and continued in 2011. The headcount as at 31 December 2011 was 8,876 which represent a 2% decrease compared to the 9,061 employees as at 31 December 2010.

Net financial costs in the amount of HRK 578 million were recorded in 2011, compared to the net financial costs of HRK 583 million in 2010. The difference primarily reflects decreased net foreign exchange losses and slightly higher interest expenses and other financial expenses.

In 2011 income tax expense increased by HRK 186 million to the amount of HRK 598 million.

### *Balance sheet*

Total assets amounted to HRK 29,795 million as at 31 December 2011, representing a decrease of 1% compared to 31 December 2010. Property, plant and equipment recorded a decrease of 5% because the depreciation was higher than the investments in non-current assets.

Trade receivables decreased by 17% to HRK 3,369 million compared to 31 December 2010, as a result of lower intercompany trade receivables.

As at 31 December 2011 total liabilities amounted to HRK 15,513 million (12% lower than on 31 December 2010), mainly as an effect of lower trade payables compared to 31 December 2010 level. Trade payables decreased by 62% to HRK 1,757 million, mostly because of lower intercompany payables.

INA d.d. net indebtedness amounted to HRK 8,927 million as at 31 December 2011 and was almost at the same level as at 31 December 2010 when it amounted to HRK 8,959 million. Gearing ratio<sup>1</sup> was 38.5% as at 31 December 2011, decreasing from 41.7% as at 31 December 2010.

### *Cash flow*

The operating cash-flow before changes in working capital amounted to HRK 6,593 million in 2011, representing an increase of HRK 1,842 million compared to 2010, mainly as a result of stronger EBITDA.

Changes in working capital affected the operating cash flow negatively by HRK 3,804 million, due to:

- Increased value of inventories by HRK 934 million
- Lower liabilities by HRK 745 million
- Higher receivables by HRK 2,125 million

Tax payment affected operating cash flow by HRK 475 million. Mentioned factors resulted in HRK 2,314 million net cash inflow from operating activities that INA d.d. generated in 2011.

<sup>1</sup> Net debt / net debt plus equity incl. minority interests

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

Q3 2011	Q4 2011	Q4 2010	%	(HRK mln)	2010	2011	%
				<b>Sales</b>			
2,284	2,503	1,910	31	Exploration & Production	7,867	9,516	21
4,652	4,049	4,114	(2)	Refining & Marketing	14,928	17,450	17
2,165	1,674	1,412	19	Retail	5,810	7,057	21
5	5	8	(38)	Corporate and Other	22	21	(5)
(1,717)	(2,438)	(1,490)	64	Inter-segment revenue	(6,081)	(7,753)	27
<b>7,389</b>	<b>5,793</b>	<b>5,954</b>	<b>(3)</b>	<b>Sales</b>	<b>22,546</b>	<b>26,291</b>	<b>17</b>
				<b>Operating expenses, net other income from operating activities</b>			
(937)	(843)	(983)	(14)	Exploration & Production	(2,955)	(2,969)	0
(4,933)	(5,452)	(3,916)	39	Refining & Marketing	(15,735)	(19,688)	25
(2,123)	(1,627)	(1,443)	13	Retail	(5,937)	(6,996)	18
(145)	(798)	(606)	32	Corporate and Other	(1,238)	(1,248)	1
1,717	2,438	1,490	64	Inter-segment eliminations	6,081	7,753	27
<b>(6,421)</b>	<b>(6,282)</b>	<b>(5,458)</b>	<b>15</b>	<b>Expenses</b>	<b>(19,784)</b>	<b>(23,148)</b>	<b>17</b>
				<b>Profit (loss) from operations</b>			
1,347	1,660	927	79	Exploration & Production	4,912	6,547	33
(281)	(1,403)	198	n.a.	Refining & Marketing	(807)	(2,238)	177
42	47	(31)	n.a.	Retail	(127)	61	n.a.
(140)	(793)	(598)	33	Corporate and Other	(1,216)	(1,227)	1
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
<b>968</b>	<b>(489)</b>	<b>496</b>	<b>n.a.</b>	<b>Profit from operations</b>	<b>2,762</b>	<b>3,143</b>	<b>14</b>
				<b>Share in the profit of associate companies</b>			
(437)	(529)	(414)	28	Net loss from financial activities	(583)	(578)	(1)
<b>531</b>	<b>(1,018)</b>	<b>82</b>	<b>n.a.</b>	<b>Profit/(loss) before taxation</b>	<b>2,179</b>	<b>2,565</b>	<b>18</b>
(78)	85	(38)	n.a.	Income tax	(412)	(598)	45
<b>453</b>	<b>(933)</b>	<b>44</b>	<b>n.a.</b>	<b>Profit/(loss) for the year</b>	<b>1,767</b>	<b>1,967</b>	<b>11</b>



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

Q3 2011	Q4 2011	Q4 2010	%	Operating Profit Excluding Special Items (HRK mln)	2010	2011	%
1,359	1,669	980	70	Exploration & Production	4,775	6,613	38
(268)	(793)	216	n.a.	Refining & Marketing	(476)	(1,532)	222
59	71	(27)	n.a.	Retail	42	119	183
(133)	(784)	(624)	26	Corporate and Other	(1,113)	(1,181)	6
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,017	163	545	(70)	Total	3,228	4,019	25
Q3 2011	Q4 2011	Q4 2010	%	Depreciation (HRK mln)	2010	2011	%
592	384	225	71	Exploration & Production	1,008	1,765	75
89	199	82	143	Refining & Marketing	293	447	53
20	21	20	5	Retail	75	83	11
25	28	27	4	Corporate and Other	107	102	(5)
726	632	354	79	Total	1,483	2,397	62
Q3 2011	Q4 2011	Q4 2010	%	EBITDA* (HRK mln)	2010	2011	%
2,038	2,025	1,458	39	Exploration & Production	5,782	8,119	40
(207)	(609)	208	n.a.	Refining & Marketing	(265)	(1,059)	300
73	(10)	(51)	(80)	Retail	(14)	89	n.a.
(131)	(147)	(681)	(78)	Corporate and Other	(1,118)	(547)	(51)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,773	1,259	934	35	Total	4,385	6,602	51
Q3 2011	Q4 2011	Q4 2010	%	EBITDA Excluding Special Items* (HRK mln)	2010	2011	%
2,049	2,031	1,529	33	Exploration & Production	5,853	8,155	39
(201)	(595)	282	n.a.	Refining & Marketing	(76)	(1,021)	1,243
82	8	(8)	n.a.	Retail	29	130	348
(129)	(142)	(582)	(76)	Corporate and Other	(1,019)	(512)	(50)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,801	1,302	1,221	7	Total	4,787	6,752	41

\* EBITDA = EBIT + Depreciation + Impairment + Provisions

**INA—INDUSTRIJA NAFTE d.d. ZAGREB**  
**INA, d.d. Unconsolidated Income Statement**  
**For the period ended 31 December 2010 and 2011**  
**(HRK millions)**

Q3 2011	Q4 2011	Q4 2010	%		2010	2011	%
				Sales revenue			
4,345	4,187	3,421	22	a) domestic	13,985	15,820	13
3,044	1,606	2,533	(37)	b) exports	8,561	10,471	22
7,389	5,793	5,954	(3)	Total sales revenue	22,546	26,291	17
1	3	1	200	Income from own consumption of products and services	6	5	(17)
45	137	46	198	Other operating income	482	560	16
7,435	5,933	6,001	(1)	Total operating income	23,034	26,856	17
				Changes in inventories of finished products and work in progress	67	349	421
(10)	(489)	(353)	39	Cost of raw materials and consumables	(12,059)	(13,814)	15
(3,777)	(2,112)	(2,725)	(22)	Depreciation and amortization	(1,483)	(2,397)	62
(726)	(632)	(354)	79	Other material costs	(1,477)	(1,514)	3
(389)	(436)	(451)	(3)	Service costs	(1,327)	(965)	(27)
(178)	(286)	(349)	(18)	Staff costs	(1,978)	(1,666)	(16)
(401)	(425)	(696)	(39)	Cost of other goods sold	(1,875)	(2,644)	41
(907)	(926)	(493)	88	Impairment and charges (net)	55	(1,306)	n.a.
(79)	(1,291)	(417)	210	Provisions for charges and risks (net)	(195)	244	n.a.
0	175	333	(47)	Operating expenses	(20,272)	(23,713)	17
(6,467)	(6,422)	(5,505)	17	Profit from operations	2,762	3,143	14
968	(489)	496	n.a.	Share in the profit of associated companies			
				Finance income	322	355	10
(208)	(37)	(29)	28	Finance costs	(905)	(933)	3
(229)	(492)	(385)	28	Net loss from financial activities	(583)	(578)	(1)
(437)	(529)	(414)	28	Profit before tax	2,179	2,565	18
531	(1,018)	82	n.a.	Income tax expense	(412)	(598)	45
(78)	85	(38)	n.a.	Profit for the year	1,767	1,967	11
453	(933)	44	n.a.	Attributable to			
				Owners of the Company	1,767	1,967	11
453	(933)	44	n.a.	Non-controlling interests	0	0	n.a.
0	0	0	n.a.	Earnings per share			
453	(933)	44	n.a.	Basic and diluted earnings/(loss) per share (kunas per share)	176.7	196.7	11

**INA—INDUSTRIJA NAFTE d.d. ZAGREB**  
**INA, d.d. Unconsolidated Statement of Comprehensive Income**  
**For the period ended 31 December 2010 and 2011**  
**(HRK millions)**

Q3 2011	Q4 2011	Q4 2010	%		2010	2011	%
453	(933)	44	n.a.	Profit/(loss) for the year	1,767	1,967	11
				Other comprehensive income:			
560	400	0	n.a.	Exchange differences arising from foreign operations	0	287	n.a.
(62)	30	29	3	Gains/(loss) on available-for-sale investments, net	17	(27)	n.a.
498	430	29	1,384	Other comprehensive income, net	17	260	1,429
951	(503)	73	n.a.	Total comprehensive income/(loss) for the year	1,784	2,227	25

INA-INDUSTRIJA NAFTE, d.d.  
 INA, d.d. Unconsolidated Statement of Financial Position  
 At 31 December 2010 and 2011  
 (HRK millions)

	31 Dec 2010	31 Dec 2011	%
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	827	876	6
Property, plant and equipment	19,522	18,555	(5)
Goodwill	0	0	n.a.
Investments in subsidiaries	1,224	1,033	(16)
Investments in associates and joint ventures	51	34	(33)
Other investments	437	799	83
Long-term receivables	341	207	(39)
Derivative financial instruments	0	0	n.a.
Deferred tax	223	592	165
Available for sale assets	417	325	(22)
<b>Total non-current assets</b>	<b>23,042</b>	<b>22,421</b>	<b>(3)</b>
<b>Current assets</b>			
Inventories	2,218	3,030	37
Trade receivables net	1,816	1,781	(2)
Intercompany receivables	2,229	1,588	(29)
Other receivables	287	379	32
Derivative financial instruments	0	0	n.a.
Other current assets	253	313	24
Prepaid expenses and accrued income	99	54	(45)
Cash and cash equivalents	260	229	(12)
<b>Current assets</b>	<b>7,162</b>	<b>7,374</b>	<b>3</b>
Assets classified as held for sale	12	0	n.a.
<b>Total current assets</b>	<b>7,174</b>	<b>7,374</b>	<b>3</b>
<b>Total assets</b>	<b>30,216</b>	<b>29,795</b>	<b>(1)</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	9,000	9,000	0
Revaluation reserve	27	0	n.a.
Other reserves	1,952	2,239	15
Retained earnings / (Deficit)	(211)	1,076	n.a.
Profit/loss for the year	1,767	1,967	11
<b>Total equity</b>	<b>12,535</b>	<b>14,282</b>	<b>14</b>
Non-controlling interests	0	0	n.a.
<b>Total equity</b>	<b>12,535</b>	<b>14,282</b>	<b>14</b>
<b>Non-current liabilities</b>			
Long-term loans	7,148	5,555	(22)
Other non-current liabilities	117	107	(9)
Employee benefits obligation	84	61	(27)
Provisions	2,563	2,665	4
<b>Total non-current liabilities</b>	<b>9,912</b>	<b>8,388</b>	<b>(15)</b>
<b>Current liabilities</b>			
Bank loans and overdrafts	838	1,784	113
Current portion of long-term loans	1,233	1,817	47
Calculated derivative agreements	0	0	n.a.
Intercompany payables	3,056	646	(79)
Trade payables	1,611	1,111	(31)
Taxes and contributions	650	1,349	108
Other current liabilities	114	197	73
Accruals and deferred income	58	48	(17)
Employee benefits obligation	8	5	(38)
Provisions	201	168	(16)
<b>Current liabilities</b>	<b>7,769</b>	<b>7,125</b>	<b>(8)</b>
Liabilities directly associated with assets classified held for sale	0	0	n.a.
<b>Total current liabilities</b>	<b>7,769</b>	<b>7,125</b>	<b>(8)</b>
<b>Total liabilities</b>	<b>17,681</b>	<b>15,513</b>	<b>(12)</b>
<b>Total equity and liabilities</b>	<b>30,216</b>	<b>29,795</b>	<b>(1)</b>

**INA—INDUSTRIJA NAFTE d.d. ZAGREB**  
**INA, d.d. Unconsolidated Statement of Cash Flow**  
**For the period ended 31 December 2010 and 2011**  
**(HRK millions)**

Q3 2011	Q4 2011	Q4 2010	%		2010	2011	%
453	(933)	44	n.a.	Profit/(loss) for the year	1,767	1,967	(10)
				<b>Adjustments for:</b>			
726	632	354	79	Depreciation and amortisation	1,483	2,397	(38)
78	(85)	38	n.a.	Income tax (benefit)/expenses recognized in (loss)/profit	412	598	(31)
75	1,409	409	244	Impairment charges	687	1,838	(63)
452	(876)	19	n.a.	Reversal of impairment	(667)	(532)	25
1	0	(1)	n.a.	Gain on sale of property, plant and equipment	(6)	(3)	100
0	0	(11)	n.a.	Gain on sale investments and shares	(11)	0	n.a.
295	147	226	(35)	Foreign exchange loss/(gain)	582	79	637
69	285	215	33	Interest expense	218	231	(6)
(133)	338	159	113	Other financial expense recognised in profit	(53)	137	n.a.
86	(86)	(108)	(20)	Decommissioning interests	0	0	n.a.
(70)	(228)	(440)	(48)	Increase in provisions	195	(237)	n.a.
0	0	0	n.a.	Reversal of impairment	0	0	n.a.
(54)	118	144	(18)	Decommissioning interests	144	118	22
(5)	(18)	(20)	(10)	Other non-cash items	0	0	n.a.
<b>1,973</b>	<b>703</b>	<b>1,028</b>	<b>(32)</b>	<b>Operating cash flow before working capital changes</b>	<b>4,751</b>	<b>6,593</b>	<b>(28)</b>
				<b>Movements in working capital</b>			
(198)	875	882	(1)	(Increase)/decrease in inventories	107	(934)	n.a.
(554)	(101)	494	n.a.	(Increase)/decrease in receivables and prepayments	(1,840)	(745)	147
157	(867)	(1,712)	(49)	(Decrease)/increase in trade and other payables	(2,351)	(2,125)	11
0	0	0	n.a.	Decrease/(increase) in provisions	0	0	n.a.
<b>1,378</b>	<b>610</b>	<b>692</b>	<b>(12)</b>	<b>Cash generated from operations</b>	<b>667</b>	<b>2,789</b>	<b>(76)</b>
0	(475)	0	n.a.	Taxes paid	0	(475)	n.a.
<b>1,378</b>	<b>135</b>	<b>692</b>	<b>(80)</b>	<b>Net cash inflow from operating activities</b>	<b>667</b>	<b>2,314</b>	<b>(71)</b>
				<b>Cash flows used in investing activities</b>			
(264)	(504)	(627)	(20)	Payments for property, plant and equipment	(2,459)	(1,267)	94
(6)	(67)	(102)	(34)	Payment for intangible assets	(218)	(121)	80
1	(6)	2	n.a.	Proceeds from sale of non-current assets	8	0	n.a.
0	0	(39)	n.a.	Payment related to sale of subsidiaries	(39)	0	n.a.
				Acquisition of investments in associates and joint ventures and other companies	(1)	0	n.a.
0	0	(1)	n.a.	Dividends received from companies classified under available for sale and other companies	4	8	(50)
7	0	0	n.a.	Proceeds from profit of companies	254	164	55
83	0	(22)	n.a.	Interest received	0	0	n.a.
0	0	0	n.a.	Investments and loans to third parties	139	(159)	n.a.
(90)	813	60	1,255				
<b>(269)</b>	<b>236</b>	<b>(729)</b>	<b>n.a.</b>	<b>Net cash (outflow) used for investing activities</b>	<b>(2,312)</b>	<b>(1,375)</b>	<b>68</b>
				<b>Cash flows from financing activities</b>			
(1)	55	1,024	(95)	Additional long-term borrowings	2,708	80	3,285
(58)	1	(778)	n.a.	Repayment of long-term borrowings	(1,018)	(1,290)	(21)
5,004	3,263	453	620	Additional short-term borrowings	2,403	17,727	(86)
(5,749)	(3,821)	(1,718)	122	Repayment of short term borrowings	(2,148)	(16,818)	(87)
(0)	0	0	n.a.	Payment dividends	0	(480)	n.a.
0	(56)	1	n.a.	Interest paid on long-term loans	(22)	(56)	(61)
(2)	(3)	(2)	50	Other long-term liabilities	(9)	(9)	0
				Interest paid on short term loans and other financing charges	(82)	(135)	(39)
<b>(23)</b>	<b>(60)</b>	<b>19</b>	<b>n.a.</b>	<b>Net cash from financing activities</b>	<b>1,832</b>	<b>(981)</b>	<b>n.a.</b>
<b>(829)</b>	<b>(621)</b>	<b>(1,001)</b>	<b>(38)</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>187</b>	<b>(42)</b>	<b>n.a.</b>
280	(250)	(1,038)	(76)	At 1 January	68	260	(74)
180	482	1,302	(63)	Effect of foreign exchange rate changes	5	11	(55)
22	(3)	(4)	(25)	At the end of period	260	229	14
482	229	260	(12)				

**INA – INDUSTRIJA NAFTE, d.d.**  
**INA d.d. Unconsolidated Statement of Changes in Equity**  
**For the period ended 31 December 2010 and 2011**  
**(HRK million)**

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total
<b>Balance as at 1 January 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>10</b>	<b>(211)</b>	<b>10,751</b>
Profit for the year	0	0	0	1,767	1,767
Other comprehensive loss, net	0	0	17	0	17
Total comprehensive profit for the year	0	0	17	1,767	1,784
Dividends payable	0	0	0	0	0
<b>Balance as at 31 December 2010</b>	<b>9,000</b>	<b>1,952</b>	<b>27</b>	<b>1,556</b>	<b>12,535</b>
	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total
<b>Balance as at 1 January 2011</b>	<b>9,000</b>	<b>1,952</b>	<b>27</b>	<b>1,556</b>	<b>12,535</b>
Profit for the year	0	0	0	1,967	1,967
Other comprehensive loss net	0	287	(27)	0	260
Total comprehensive income for the year	0	287	(27)	1,967	2,227
Dividends paid	0	0	0	(480)	(480)
<b>Balance as at 31 December 2011</b>	<b>9,000</b>	<b>2,239</b>	<b>0</b>	<b>3,043</b>	<b>14,282</b>

## Capital Expenditure

Q3 2011	Q4 2011	Q4 2010	%	Capital Expenditures (HRK mln)	2010	2011	%
119	244	342	(29)	Exploration & Production	1,404	659	113
125	250	380	(34)	Refining & Marketing	1,328	577	130
15	50	26	92	Retail	48	106	(55)
12	26	30	(13)	Corporate & other	36	47	(23)
271	570	778	(27)	Total	2,816	1,389	103

Q3 2011	Q4 2011	Q4 2010	%	Capital Expenditures - Tangible Assets (HRK mln)	31 Dec 2010	31 Dec 2011	%
120	206	267	(23)	Exploration & Production	1,224	586	109
124	243	380	(36)	Refining & Marketing	1,328	569	133
15	49	26	88	Retail	48	105	(54)
5	6	9	(33)	Corporate & other	12	8	50
264	504	682	(26)	Total	2,612	1,268	106

## 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 Dec 11
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	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
Private and institutional investors	2,319,632	3,015,081	800,910	800,910	800,910	790,828
<b>Total</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>

Source: Central Clearing Depository Company

## Changes in organisation, Management Board or Supervisory Board

### Supervisory Board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on January 17, 2011 Ivan Šuker, Tomislav Ivić and Božidar Pankretić were recalled and Davor Štern, Gordana Sekulić and Damir Vandelić were appointed supervisory board members with the term of office until June 13, 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 May 12, 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 February 11, 2011 until April 1, 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 February 10, 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 1, 2015.

On the session of the Supervisory Board of INA-INDUSTRIJA NAFTE d.d. held on June 7, 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, 2011 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 September 14, 2011 unanimously prolonged authorization of its President, Mr. Zoltán Áldott, for the supervision of functions directly subordinated to Chief Executive Officer until December 31, 2011.

At the Management Board meeting held on December 21, 2011, the Management Board of INA unanimously prolonged the authorization of its President, Mr. Zoltán Áldott, to perform the duties from the responsibilities of the Chief Executive Officer until March 31, 2012.

It was also decided that BF Corporate Processes changes the name to BF Corporate Affairs and sectors previously directly subordinated to the Chief Executive Officer have been placed under the competence of the Management Board and Corporate Affairs and Corporate Services business functions. Mr. Tomislav Thür and Mr. Berislav Gašo remain their positions as Executive directors of BF Corporate Affairs and Corporate services respectively. The above mentioned organizational changes have become effective as of January 1, 2012.

Following the decision of INA's Management Board from November, Mr. Artur Thernesz has taken over the position of INA's Executive Director for Refining and Marketing BD from January 1, 2012. Mr. Thernesz has taken over the position from Mr. Peter Chmurčiak.

### Management representation

INA Group's consolidated financial statements for Q4, 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