

INA Group (ZSE: INA – R-A; LSE: HINA; homepage: www.ina.hr), announced its results for H1 2007 today. This report contains consolidated financial statements for the period ending 30 June 2007 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

INA Group financial results (IFRS)	Q2 2006		Q2 2007		Ch. %		H1 2006		H1 2007		Ch. %	
	HRK M	USD M ¹⁾	HRK M	USD M ¹⁾	HRK	USD	HRK M	USD M ¹⁾	HRK M	USD M ¹⁾	HRK	USD
Net sales revenues	5,214	900	6,205	1,133	19	26	10,782	1,811	11,197	2,022	4	12
EBITDA	730	126	655	120	(10)	(5)	1,455	244	1,304	235	(10)	(4)
Operating profit	375	64	182	34	(51)	(48)	668	112	488	88	(27)	(21)
Net financial gain (expenses)	78	13	(32)	(6)	-	-	109	18	(88)	(16)	-	-
Net income ²⁾	374	64	110	20	(71)	(68)	630	106	296	53	(53)	(49)
Operating cash flow	1,142	190	436	78	(62)	(59)	769	129	144	26	(81)	(80)

¹⁾ In converting HRK financial data into US Dollars, the following average CNB(NBH) rates were used: for H1 2006: 5.9528 HRK/USD, for H1 2007: 5.5383 HRK/USD, both calculated as arithmetic mean.

²⁾ INA Group net income attributable to equity holder.

Dr Tomislav Dragičević, Chairman of INA, d.d. commented:

"In the second quarter of 2007 INA continued with its successful business performance in the Upstream segment. Our hydrocarbon production increased, especially in the North Adriatic area, in addition the Jazal field in Syria entered into the development phase and the Company discovered a new gas field Zalata – 1 (stretching over the Croatia-Hungarian border) jointly with its strategic partner MOL. In our Refining & Marketing segment we ensured a more stable supply of crude oil for the next two years by signing a term agreement. The productions of European quality (EURO IV) products in our refineries also increased for the period. INA's retail network expanded with four newly constructed premium petrol stations. In our Corporate segment OptINA efficiency improvement program is on track".

Stable business performance for the period

In H1 2007, sales revenues of INA Group increased by 4% to HRK 11,197 M (USD 2,022 M) in comparison with H1 2006 period. The increase was mainly due to higher sales volumes of refined products from INA's own refineries. The positive effect of the increase in sales was offset by the increase in raw material costs (primarily the cost of crude oil). The Group's financial result was lower than in the same period last year due to the increase in interest payable (resulting from increased indebtedness) and increase of banks charges and fees (primarily one-off costs for loans).

- **Exploration & Production**

Average daily hydrocarbon production increased by 20% in comparison with the H1 2006 period. The effect of the production increase was offset by lower domestic crude oil sales price¹ and weakening of US dollar against the HRK, resulting in the decrease of E&P segment's operating profit by HRK 102 M, to HRK 866 M (USD 156 M) in H1 2007. In Q2 operating profit was in level with that of Q2 2006.

- **Refining & Marketing**

The Refining & Marketing segment contributed to INA Group's H1 2007 results with the operating profit of HRK 55 M (USD 10 M) which is an increase of HRK 27 M in comparison with H1 2006. Increased operating profit resulted from the higher sales volumes (of 8%), increase in sales of EURO IV quality gasoline and diesel from own production and positive movements in crack spreads² for the H1 2007 period. The increase was partially offset by the restriction on charging maximum prices under the pricing formula² for retail products on the domestic market due to the price cap³ introduced by the majority shareholder. In Q2 2007 operating profit decreased by HRK 110 M to HRK 22 M in comparison with the Q2 2006 period due to the increased production of more expensive imported crude oil and decrease in the realized income on the Bosnian market⁴.

- **Retail**

The average throughput per site increased by 4.6% to 1,284 tones for the period. In line with INA's retail strategy four new petrol stations were put into operation. Sales revenue slightly decreased in comparison with the same period last year due to the 5% decrease in average retail sales price, which was partially offset by the increase in sales volumes (of 4%). Operating profit of the Retail segment amounted to HRK 17 M (USD 3 M) in H1 2007, while a HRK 8 M loss was recorded in the same period last year. In Q2 2007 operating loss of the segment increased by HRK 1 M to HRK 14 M.

- **Corporate and Other⁵⁾**

Corporate and Other business segment's operating loss amounted to HRK 450 M (USD 81 M) in H1 2007. The loss increased by HRK 130 M in comparison with the same period last year. Operating profit of maintenance services and other support services decreased; while operating costs of the segment increased (the increase was partially offset by the decrease in controllable costs due to OptINA efficiency improvement program while other costs increased mainly as the result of increase in depreciation and increase in provisions). In Q2 2007 operating loss increased by HRK 83 M.

- **Capital expenditures**

Capital expenditures slightly decreased to HRK 1,115 M (USD 201 M) in the first half of 2007. Expenditures for intangible assets decreased by 24% primarily due to the capitalized SAP project and expenditures for finalisation of the exploration phase of main Upstream projects. Expenditures in property, plant and equipment decreased by 9%, mainly due to lower expenditures in Upstream projects (including lower capital expenditures in Crosco d.o.o.) in line with our plans.

- **Operating cash flow**

The Operating Cash Flow before changes in working capital for the first half of 2007 decreased by 19% to HRK 1,187 M in comparison with the H1 2006 figure. Changes in working capital primarily resulted from increase in inventories, receivables and payables in total decreasing net cash flow from operating activities by HRK 931 M. The Company's Capital expenditures of HRK 1,115 M for the period were financed from additional indebtedness of HRK 1,160 M, in comparison with 31 Dec 2006.

¹ Related to internal prices between Upstream and Downstream segments

² In addition, the pricing formula restricts the timely variation of prices, i.e. the increase in crude oil purchase price is not automatically realized in the refined product prices due to the bi-weekly change regulated by the Rule Book

³ The effect of price cap influenced the results of Refining & Marketing (HRK 48 M) and Retail (HRK 19 M) divisions, that is HRK 67 M in total

⁴ Due to the strengthening of the competition and elimination of import duties

⁵ Corporate and Other stands for Safety and security services, maintenance services and other support services

Overview of the environment

The **global economy continued to expand** at a brisk pace in the first half of 2007. Although growth in the United States slowed in the first quarter, recent indicators suggest that the economy regained momentum in the second quarter. Activity in most other countries continued to expand strongly. In the Euro area and Japan, growth has remained above trend with some welcome signs that domestic demand is taking more central role in the expansions. Emerging market countries have continued to expand robustly, led by rapid growth in China, India, and Russia.

The latest IMF (International Monetary Fund) correction increased the projected global growth from 4.9% to 5.2%.⁶

In Q2 2007 **Crude oil prices** (Brent) amounted to 73.51 USD/bbl (68.64 USD/bbl in Q1 2007) reaching the highest level in H1 2007. The prices have been moving in the range from 62.49 to 73.51 USD/bbl, streaming to upper level. The average crude oil price in H1 was 63.22 USD/bbl, while the average in the same period in 2006 was 65.66 USD/bbl). Concern over gasoline supply dominated market bullishness, with geopolitical tension and refinery glitches providing further support to the market.

The **quoted crack spreads** in H1 2007 showed an improvement compared to the H1 2006 figures: for Premium unleaded gasoline 50 ppm spread grew by 22.8% (from 127.47 USD/Mt in H1 2006 to 156.42 USD/Mt in H1 2007) and the negative spread of fuel oil 3.5% decreased by 4.4% from (206,23) USD/Mt in H1 2006 to (197.20) USD/Mt in H1 2007, according to Platt's quotations. The spread of Gasoil EN590 350 ppm decreased by 8.8% (from 106.18 USD/Mt in H1 2006 to 96.92 USD/Mt in H1 2007).

In Croatia the beginning of the year was marked by a visible acceleration in economic activity, as reflected by the real sector data. In the first quarter real GDP growth on annual basis totalled 7%, which together with the growth rate from mid 2002 represents the strongest growth rate realised in ten years.

The most significant growth generators at the beginning of this year were personal consumption and gross capital investments. The economies of other SEE countries also grew at a relatively strong pace at the beginning of this year at rates significantly exceeding the 3% EMU (European Monetary Union) average.

Inflation rate measured through **Consumer prices index** recorded 1.9 % in June 2007 compared to June 2006, while as the average annual inflation rate amounted to 2.3%. In H1 2007 the monthly consumer prices index moved in the range from the lowest 1.2% in February to the highest 2.3% in April. Slower growth of prices which began at the end of 2006 (December 2006 recorded 2.0 index)⁷ continued in H1 2007 mostly due to higher prices in 2006, lower excise taxes and controlled prices of motor fuels which offset the effects of crude oil prices growth.

In Q2 2007 the average Croatian kuna appreciated by 1.07%, i.e. the EUR slightly depreciated from 7.38 HRK/EUR to 7.30 HRK/EUR. In comparison with the same period in 2006 the Croatian kuna appreciated compared to USD by 2.17%, from 5.54 HRK/USD at the end of March 2007 to 5.42 HRK/USD at the end of June. Since the beginning of 2007 the average Croatian kuna appreciated by 0.57% in comparison with the EUR (from 7.34 HRK/EUR on December 31, 2006 to 7.30 HRK/EUR at the end of June 2007), while in comparison with the USD appreciation of average Croatian kuna was stronger – 2.79% (from 5.58 HRK/USD on December 31, 2006 to 5.42 HRK/USD at the end of June 2007).

⁶ Source: IMF – World Economic Outlook Update, July 25, 2007

⁷ Source for indexes: Central Bureau of Statistics, Notice No. 13.1.1/6

Exploration and production*

Segment IFRS results	Q2 2006		Q2 2007		Ch. %		H1 2006		H1 2007		Ch. %	
	in millions		HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,669	289	1,984	362	18.9	25.4	3,691	620	3,572	645	(3.2)	4.0
Operating profit	375	66	376	69	0.3	5.5	968	163	866	156	(10.5)	(3.8)
CAPEX	477	81	307	56	(35.5)	(31.1)	771	130	513	93	(33.4)	(28.4)

HYDROCARBON PRODUCTION	Q2 2006		Q2 2007		Ch %		H1 2006	H1 2007	Ch %
Crude oil production (MMbbl)	1.4		1.4		2.5		2.7	2.8	3.7
Croatia	1.2		1.1		(6.6)		2.3	2.2	(4.3)
Abroad	0.2		0.3		57.5		0.4	0.6	50.0
Condensate (MMbbl)	0.7		0.7		0.0		1.5	1.5	0.0
Natural gas production (Bcf)	17.4		22.9		31.8		34.1	45.2	32.6
Croatia	17.4		21.9		26.1		34.1	43.7	28.3
- onshore	11.3		10.9		(3.1)		23.8	22.4	(5.7)
- offshore	6.1		11.0		80.1		10.3	21.3	106.6
Syria	0.0		1.0		0.0		0.0	1.5	0.0
Average hydrocarbon prod. (Mboe/d)	56.4		68.1		20.7		56.5	67.9	20.2
Natural gas imports (Bcf)	10.1		8.9		(11.6)		19.5	18.2	(6.7)
Natural gas sales on domestic market (Bcf)	18.0		22.8		27.0		48.9	51.9	6.1
Realised hydrocarbon price	Q2 2006		Q2 2007		Ch %		H1 2006	H1 2007	Ch %
Average realised crude oil price (USD/bbl)	65.3		59.1		(9.5)		62.2	55.0	(11.6)
Average realised total hydrocarbon price (USD/boe)	44.4		38.5		(13.2)		39.6	37.9	(4.3)

*Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Croscos Group, INA Naftaplin IE&PL, Guer, Adriagas S.r.l. Milano

The operating profit of the E&P segment in H1 2007 amounted to HRK 866 M, which is a HRK 102 M decrease in comparison with H1 2006, while profit remained in level on quarter-on-quarter basis, resulting from the positive effect of higher production volume, which was offset by the decrease in average crude oil sales price and weaker US dollar against the Croatian kuna.

Hydrocarbon production cost

USD/Boe	Q2 2006	Q2 2007	H1 2006	H1 2007
Croatia - onshore	8.80	6.88	8.00	8.59
Croatia - offshore	8.90	5.41	9.60	6.47
Angola	0.00	0.00	0.00	0.00
Egypt	20.00	16.64	17.80	10.55
Sirya	17.30	8.75	16.10	12.95
Average	9.34	8.93	8.92	8.78

Hydrocarbon production

Mboe/day	Q2 2006	Q2 2007	H1 2006	H1 2007
Crude Oil	15.7	15.5	15.1	15.4
Natural Gas condensate	7.1	8.4	8.3	8.6
Natural Gas	33.5	44.2	33.1	43.9
o/w North Adriatic	17.7	21.2	10.0	20.7
Total	56.3	68.1	56.5	67.9

Average daily hydrocarbon production in H1 2007 increased by 20%, exceeding 67.9 Mboe/day. The increase was mainly due to a 107% increase in the North Adriatic gas production.

Average cost of production in H1 2007 decreased by 1.6% to 8.78 USD/boe, primarily due to the decrease of domestic offshore production cost of natural gas.

Average lifting cost increased by 9.7% to 1.69 USD/boe compared to the H1 2006, mostly due to the increase of domestic onshore and offshore lifting cost due to the strengthening of HRK against US dollar.

The impact of regulated **natural gas prices** on INA's domestic market continued to have a negative effect on E&P segment revenues. The average import price of Russian natural gas for H1 2007 was 1,738 HRK/Mcm/33.34 MJ, in level with prices in the H1 period last year.

In Q2 2007 the Management re-negotiated the contractual terms for the gas supply for the two major eligible customers, HEP and Petrokemija Kutina and decreased the negative effect of high import prices.

Price Differential to Import Prices				
in HRK/Mcm/33.34 MJ	Q2 2006	Q2 2007	H1 2006	H1 2007
Eligible customers' price	(1,012.66)	(735.33)	(975.51)	(798.64)
Tariff customers' price	(678.71)	(608.64)	(669.48)	(670.92)
Total price	(864.62)	(695.10)	(780.59)	(738.08)

Upstream Capex decreased by HRK 258 M due to planned dynamics and reached HRK 513 M in H1 2007. Of which HRK 240 M was spent on projects in Croatia, of which the North Adriatic gas project (with HRK 107 M) is the most significant. In H1 2007 a total of HRK 273 M was invested into foreign concessions (major investments were in Syria - HRK 211 M, and in Egypt - HRK 48 M).

Segment IFRS results in millions	Q2 2006		Q2 2007		Ch.%		H1 2006		H1 2007		Ch.%	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	3,896	671	4,456	814	14.4	21.2	7,833	1,316	7,884	1,424	0.7	8.2
Operating profit	132	22	22	4	(83.3)	(81.3)	28	5	55	10	96.4	111.1
CAPEX	312	53	228	42	(27.0)	(21.2)	395	66	384	69	(2.8)	4.5

REFINERY PROCESSING Kt	Q2 2006	Q2 2007	Ch %	H1 2006	H1 2007	Ch %
Domestic crude oil	192	90	(53.0)	341	249	(26.8)
Imported crude oil	578	989	71.3	1,643	2,035	23.9
Condensates	45	44	(3.5)	94	88	(6.4)
Other feedstock	54	90	65.9	117	182	55.5
TOTAL REFINERY THROUGHPUT	869	1,213	39.6	2,195	2,555	16.4

REFINERY PRODUCTION Kt	Q2 2006	Q2 2007	Ch %	H1 2006	H1 2007	Ch %
TOTAL REFINERY PRODUCTION	869	1,213	39.6	2,195	2,555	16.4

REFINED PRODUCT SALES Kt	Q2 2006	Q2 2007	Ch %	H1 2006	H1 2007	Ch %
Croatia	652	673	3.2	1,296	1,335	3.0
B&H	151	219	44.9	291	341	17.0
Other markets	197	325	64.7	541	621	14.9
TOTAL CRUDE OIL PRODUCT SALES	1,001	1,217	21.6	2,128	2,297	7.9

REFINED PRODUCT SALES Kt	Q2 2006	Q2 2007	Ch %	H1 2006	H1 2007	Ch %
Motor gasoline	232	318	36.7	537	613	14.1
Gas and heating oils	563	651	15.8	1,201	1,236	2.9
Other products	206	248	20.5	390	448	14.8
TOTAL CRUDE OIL PRODUCT SALES	1,001	1,217	21.6	2,128	2,297	7.9

*Refers to Refining&Marketing INA. d.d. and following subsidiaries: Maziva Zagreb, Proplin, Crobenz, Osijek Petrol, InterIna Ljubljana, InterIna Sarajevo, InaBH Sarajevo, Holdina Sarajevo, Commercina Zug, Interina Skopje, InterIna CO Ltd. Hungary, FPC Ltd, Ina Crna Gora, Ina Ltd. Beograd, Interina holding London, Holdina Ltd. Guernsey.

Operating profit of the R&M segment increased by HRK 27 M in H1 2007 in comparison with the same period last year mainly due to the increase of sales volumes by 8% and 34%⁸ higher average crack spread. The increase was partially offset by changes in the Rulebook on Refined Product Pricing on the domestic market and the restriction on charging the maximum prices under the pricing formula for retail products due to the price cap introduced by the majority shareholder from March (HRK 67 M negative impact of which HRK 48 M related to R&M). In Q2 2007 operating profit decreased by HRK 110 M to HRK 22 M in comparison with the Q2 2006 period due to the increased production of more expensive imported crude oil (the planned overhaul of Sisak refinery decreased processing of less expensive domestic crude oil⁹) and decrease in the realized income on the Bosnian market.

Total sales volumes increased by 7.9% (169 Kt) in H1 2007 in comparison with H1 2006 due to stronger demand. Motor gasoline and diesel (of EURO IV quality) sales increased by 24% (125 Kt), of which sales from own production increased by 100% (279 Kt).

A strong **market position** of INA is continuing. The Company maintained the market share of 80% on the Croatian wholesale market, while export in B&H increased by 17%. On other markets, INA's main goal was profit optimisation.

Capex decreased by HRK 11 M to HRK 384 M in H1 2007 in comparison with the H1 2006 figure. Capital expenditure in the Refinery Modernisation Programme in Sisak Refinery increased by HRK 74 M while expenditures in reconstruction and revitalisation projects in both refineries decreased compared to the same period last year. The refinery modernisation programme is on track. In Sisak refinery the constructions on the Claus unit are in the final stage and the unit is being prepared for test work. Both of the constructions of HDS FCC and Isomerisation units were also contracted. In Rijeka the agreement for the construction of the Claus unit was signed. The tendering procedure for the construction of the MHC unit is in the final stage.

⁸ The crack spread was calculated based on INA's product slate marketed on Platt's (FOB Med) prices. The increase is primarily due to the increase in gasoline crack spread and decrease in the negative effect of fuel oil spread.

⁹ Related to internal prices between Upstream and Downstream segments

Retail*

Segment IFRS results in millions	Q2 2006		Q2 2007		Ch. %		H1 2006		H1 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,434	246	1,459	266	1.7	8.3	2,558	430	2,532	457	(1.0)	6.4
Operating profit	(13)	(2)	(14)	(2)	7.7	13.2	(8)	(1)	17	3	-	-
CAPEX	3	1	79	14	2,540.2	2,543.4	13	2	139	25	970.8	1,051.0

Key Segment operating data

REFINED PRODUCT RETAIL SALES Kt	Q2 2006		Q2 2007		Ch. %		H1 2006		H1 2007		Ch. %	
Motor gasoline			115	115	(0.1)		210	211		0.5		
Gas and heating oils			166	173			292	313		7.2		
LPG			6	7	17.3		11	12		9.1		
Other products			2	1	(42.1)		3	2		(33.3)		
TOTAL OIL PRODUCT RETAIL SALES Kt			288	296	2.5		516	538		4.3		

	Q2 2006		Q2 2007		Ch. %		H1 2006		H1 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
TOTAL SALES	1,434	246	1,459	266	1.7	8.3	2,558	430	2,532	457	(1.0)	6.4

* Refers to Retail INA. d.d. and Petrol Rijeka

Operating profit of the segment was primarily affected by the changes in the Rulebook on Refined Product Pricing Formula¹⁰ valid on INA's domestic market. In spite of this fact operating profit increased by HRK 25 M in H1 2007 in comparison with the H1 2006 figure due to the higher demand of refined products. Sales revenues slightly increased, which is the result of 4% higher volumes partially offset by 5% lower average sales price (mainly due to the HRK 19 M diminishing effect of the price cap introduced by the majority shareholder) in comparison with the same period last year. The net effect of IAS 36¹¹ also had a significant profit contribution (of HRK 14 M).

As of 30 June 2007, 413 petrol stations were operated by INA's Retail segment and 18 by the Company's fully owned subsidiaries in Croatia; in addition 41 petrol stations were operated in Bosnia and Herzegovina (B&H) and 6 in Slovenia. This is an increase of 4 petrol stations on the domestic market in comparison with the same period last year, in line with the implementation INA's new retail strategy.

In addition, with the Recapitalization Agreement from 2006 MOL/INA consortium acquired 67% interest in Energopetrol with 65 petrol stations in B&H.

Both the total retail sales volumes and the average throughput per site (1,284 tones per site) increased by 4.3% and 4.6% respectively for H1 2007 in comparison with the H1 2006 period.

Diesel and motor gasoline sales volumes increased by 9.0% and 0.5% respectively. The increase of total sales was partially off-set by a 24.3% decrease in heating oil sales volume (due to the mild winter) and a decrease in sales of lubricants and other products by 17.1% (motor car lubricants by 0.7% and industrial lubricants by 35.2%, due to the strengthening of the competition).

Shop sales revenues increased by 6.5% in H1 2007. The gross margin per litre of fuel sold on petrol stations increased by 1.5% in comparison with H1 2006 results.

Total purchase with **INA Card** increased by 2.1% in comparison with the same period last year and reached 24.0% in total sales.

CAPEX increased by HRK 126 M to HRK 139 M in H1 2007. The total of 55 HRK M was invested into the construction of new stations and HRK 84 M was invested into the reconstructions of petrol stations, in line with the adopted Retail strategy.

¹⁰ Abolishment of import fees had a major negative effect which was only partially offset by the increased manipulation and storage fee that had a positive effect on the profit

¹¹ Positive effect on profit in comparison with H1 2006 due to increased profitability of petrol station (IAS 36)

Financial overview

Operations

In H1 2007, INA Group net sales revenues increased by 4% amounting to HRK 11.2 billion due to the increase in sales volumes (8% for refined product, 13% for natural gas and 32% for crude oil¹²) offset by lower average realized sales price of refined product and crude oil and weakened US dollar in comparison with H1 2006.

In the second quarter of 2007 INA's management initiated negotiations on gas sales price increase with major eligible customers for the supplied natural gas quantities to decrease the negative impact of regulated gas price on the Company's profit. The negotiations resulted in 20.5% increase in average sales price for the major eligible customer.

The restriction on charging the maximum prices under the pricing formula for retail products, (due to the price cap introduced by the regulator from March) had a negative impact of HRK 67 M on the result in H1 2007.

The cost of raw materials and consumables increased by 6% in H1 2007 in comparison with the same period last year. Out of which, the cost of crude oil increased by 14 % due to 24% higher refined quantities and lower world market prices (average price of Brent FOB decreased by 4% and average price of imported crude oil for INA's refineries decreased by 1%). The cost of other goods sold decreased by 3% to HRK 1.8 billion as a result of lower import volume of refined products (diesel and gasoline of EURO IV quality). Service costs remained flat on HRK 1.6 billion level. Depreciation increased by 8%, to HRK 587 M. Adjustments and provisions decreased by 9% to HRK 222 M due to lower adjustments for non-current intangible assets in H1 2007 in comparison with the same period last year. Total staff costs increased by 6% primarily due to the average salary increase of 6%. The closing headcount of the Group as at 30 June 2007 was 15,881, which represents 1% decrease in comparison with the closing headcount of H1 2006.

The net financial loss for H1 2007 amounted to HRK 88 M (in comparison with the financial profit of HRK 109 M in H1 2006). The major effects resulted from the increase in interest payable by HRK 74 M (of which interest payable for loans was HRK 64 M) due to increased indebtedness, decrease in net exchange gains by HRK 77 M (of which HRK 48 M was associated to trade creditors) and increase of banks charges and fees for loans in the amount of HRK 46 M (primarily due to one-off costs for the acquisition of the new long term facility).

The corporate income tax for H1 2007 decreased by HRK 45 M to HRK 102 M in comparison with H1 2006.

Balance sheet

Total assets amounted to HRK 24.3 billion at the end of June 2007 representing an increase of 10% compared to the figure as at 31 December 2006. Non-current tangible and intangible assets increased by 5% mainly as the result of investments in exploration and development operations in the North Adriatic area, Egypt and Syria. Goodwill and investments in associates and joint ventures increased by HRK 133 M mainly due to the acquisition of 33.5% share of Energopetrol (Bosnia and Herzegovina). The increase in assets available for sale in the amount of HRK 492 M was mainly the result of increase in the market value of Janaf d.d.'s shares. Deferred tax decreased by 123 M of which HRK 95 M is related to Janaf d.d. (assets available for sale) and HRK 28 M is the result of decrease in INA's deferred tax.

Inventories increased by 26% to HRK 3.6 billion primarily as a result of higher volumes and price of imported crude oil. Net trade receivables of HRK 2.7 billion in H1 2007 increased by 7.6% compared with last year's figure.

As at 30 June 2007 INA Group's total liabilities increased by 17% (to total of HRK 11.0 billion). The increase in liabilities was the effect of increased long-term and short-term loans in total of HRK 5.0 billion in comparison with HRK 3.9 billion as at 31 December 2006. The loans were primarily utilized for investing in the Company's Capex programme. Long-term provisions amounted to HRK 1.5 billion in comparison with HRK 1.2 billion as at 2006 year end. The increase was mainly due to the increase in decommissioning costs¹³ (by HRK 296 M) and provision for litigation costs (by HRK 22 M).

At the end of H1 2007 total net debt of INA Group amounted to HRK 4.5 billion in comparison with HRK 3.3 billion at the end of 2006 while the net gearing ratio¹⁴ increased from 20.5% at the end of year 2006 to 25.2% at the end of H1 2007.

In Q2 2007 INA acquired a new USD 1,000 M syndicated loan facility from a consortium of banks for refinancing of the existing long term facility and financing of its Capex programme.

¹² External sales, outside of INA Group

¹³ Increase in Upstream decommissioning provisions

¹⁴ Net debt to net debt plus shareholders' equity including minority interest

Cash flow

In H1 2007 operating cash flow before changes in working capital reached HRK 1,187 M which is 19% below the H1 2006 figure - primarily as the result of lower profit after tax. The increase of working capital, resulting primarily from the increase in inventories of HRK 664 M (mainly as a result of the increase in crude oil inventory as at 30 June 2007) decreased funds by HRK 931 M. Corporate taxes the Company paid in H1 2007 amounted to HRK 112 M.

Net cash outflow for investing activities was HRK 1,232 M, slightly increased in comparison with the net cash used in H1 2006. Insufficient amount of resources necessary for funding investment expenditures were ensured within INA's net indebtedness which increased by HRK 1,160 M in comparison with 31st December 2006.

INA Group Summary Segmental Results of Operations

Year ended 31 December		Q2				H1		
2006		2006		2007		2006		2007
in HRK M	USD M	in HRK M	in HRK M	in HRK M	Ch. %	in HRK M	in HRK M	Ch. %
Sales								
6,794	1,164	Exploration & Production	1,669	1,984	19	3,691	3,572	(3)
18,136	3,108	Refining & Marketing	3,896	4,456	14	7,833	7,884	1
5,669	971	Retail	1,434	1,459	2	2,558	2,532	(1)
690	118	Corporate and Other	272	254	(7)	439	473	8
(7,855)	(1,346)	Inter-segment revenue	(2,057)	(1,948)	(5)	(3,739)	(3,264)	(13)
23,434	4,016	Total sales	5,214	6,205	19	10,782	11,197	4
Operating expenses, net other income from operating activities								
(5,171)	(886)	Exploration & Production	(1,294)	(1,608)	24	(2,723)	(2,706)	(1)
(17,966)	(3,078)	Refining & Marketing	(3,764)	(4,434)	18	(7,805)	(7,829)	0
(5,636)	(966)	Retail	(1,447)	(1,473)	2	(2,566)	(2,515)	(2)
(1,542)	(264)	Corporate and Other	(391)	(456)	17	(759)	(923)	22
7,855	1,346	Inter-segment eliminations	2,057	1,948	(5)	3,739	3,264	(13)
Profit from operations								
1,623	278	Exploration & Production	375	376	0	968	866	(11)
170	29	Refining & Marketing	132	22	(83)	28	55	96
33	6	Retail	(13)	(14)	8	(8)	17	-
(852)	(146)	Corporate and Other	(119)	(202)	70	(320)	(450)	41
974	167	Total profit from operations	375	182	(51)	668	488	(27)
Share in the profit of associate companies								
0	0		0	0	0	0	0	0
Net profit/(loss) from financial activities								
131	22		78	(32)	-	109	(88)	-
Profit before taxation								
1,105	189		453	150	(67)	777	400	(49)
Current taxation								
(221)	(38)		(79)	(39)	(51)	(147)	(102)	(31)
884	151	Profit for the period	374	111	(70)	630	298	(53)

¹⁾ In converting HRK financial data into US Dollars, the following average CNB (NBH) rates were used: for H51 2006: 5.9528 HRK/USD, for H1 2007: 5.5383 HRK/USD, both calculated as arithmetic mean.

Segmental sales include the sales made between business segments and the costs associated with such sales are therefore included in operating expenses of the business segment making the purchase. Inter-segmental transactions are eliminated to arrive at INA Group sales figures and INA Group operating expenses.

Income Statement

Year ended 31 December				Q2			H1		
2006				2006	2007		2006	2007	
in HRK mill	USD mill			in HRK mill	in HRK mill	Ch. %	in HRK mill	in HRK mill	Ch. %
Income Statement Data									
Sales revenue									
14,797	2,534			3,320	4,281	29	6,878	7,486	9
8,637	1,479			1,894	1,924	2	3,904	3,711	(5)
23,434	4,013			5,214	6,205	19	10,782	11,197	4
Income from own consumption of products and services									
767	131			212	123	(42)	342	256	(25)
606	104			145	122	(16)	319	270	(15)
24,807	4,248			5,571	6,450	16	11,443	11,723	2
Changes in inventories of finished products and work in progress									
116	20			(40)	(82)	105	92	(7)	-
(12,146)	(2,080)			(2,131)	(3,122)	47	(5,382)	(5,704)	6
(964)	(165)			(271)	(298)	10	(543)	(587)	8
(3,845)	(659)			(955)	(900)	(6)	(1,627)	(1,631)	0
(2,385)	(408)			(627)	(663)	6	(1,155)	(1,225)	6
(4,073)	(697)			(1,088)	(1,028)	(6)	(1,916)	(1,852)	(3)
(500)	(86)			(87)	(155)	78	(235)	(208)	(11)
(36)	(6)			3	(20)	-	(9)	(21)	133
(23,833)	(4,081)			(5,196)	(6,268)	21	(10,775)	(11,235)	4
974	167			375	182	(51)	668	488	(27)
Share in the profit of associated companies									
0	0						0		
620	106			212	193	(9)	346	345	(0)
(489)	(84)			(134)	(225)	68	(237)	(433)	83
Net (loss) / profit from financial activities									
131	22			78	(32)	-	109	(88)	-
1,105	189			453	150	(67)	777	400	(49)
(274)	(47)			(75)	(33)	(56)	(144)	(74)	(49)
53	9			(4)	(6)	50	(3)	(28)	833
884	151			374	111	(70)	630	298	(53)
Attributable to									
883	151			374	110	(71)	630	296	(53)
1	0			1	1		2	2	
884	151			374	111	(70)	630	298	(53)
88.3				37.4	11.0	(71)	63.0	29.6	(53)

¹⁾ In converting HRK financial data into US Dollars, the following average CNB (NBH) rates were used: for H1 2006: 5.9528 HRK/USD, for H1 2007: 5.5383 HRK/USD, both calculated as arithmetic mean.

Consolidated Balance Sheet

Year ended 31 December		30 June		Ch. %
2006	2006	2006	2007	
HRK M	USD M	HRK M	HRK M	
Assets				
Non-current assets				
685	123		719	66
13,312	2,386	432	14,028	12
			93	0
57	10		97	70
48	9	57	45	(4)
181	32		183	(7)
251	45	197	241	11
129	23	217	6	(93)
436	78	88	928	159
15,099	2,706	358	16,340	18
Total non-current assets				
Current assets				
2,838	509	3,590	3,585	(0)
2,532	454	2,191	2,724	24
720	129	204	580	184
77	14	88	84	(5)
53	9	50	305	510
239	43	245	162	(34)
630	113	396	581	47
7,089	1,271	6,764	8,021	19
22,188	3,977	13,904	24,361	18
Total current assets				
Total assets				
Equity and liabilities				
Capital and reserves				
9,000	1,693	9,000	9,000	0
66	12	5	446	8,820
2,347	341	2,356	2,334	(1)
1,366	245	1,113	1,532	38
Equity attributable to equity holder of the parent				
12,779	2,291	12,474	13,312	7
7	1	6	9	52
12,786	2,292	12,480	13,321	7
Total equity				
Non-current liabilities				
1,425	255	1,123	2,760	146
153	28	158	146	(8)
72	13	73	88	21
1,186	213	1,388	1,503	8
2,836	509	2,742	4,497	64
Total non-current liabilities				
Current liabilities				
1,935	347	1,220	2,192	80
578	104	290	97	(67)
2,900	520	2,893	2,947	2
549	98	598	695	16
264	47	196	372	90
157	28	135	170	26
8	1	6	10	59
175	31	108	60	(44)
6,566	176	5,446	6,543	20
9,402	1,685	8,188	11,040	35
22,188	3,977	20,668	24,361	18
Total current liabilities				
Total liabilities				
Total equity and liabilities				

Capital Expenditure

				Q2		H1		
				2006	2007	2006	2007	
				in HRK M	in HRK M	in HRK M	in HRK M	Ch. %
Exploration & Production:								
1,544	Property, Plant and Equipment	468	248			620	449	
203	Intangible Assets	9	59			151	64	
1,747	Total Exploration & Production	477	307	(35.5)		771	513	(33.4)
Refining & Marketing								
830	Property, Plant and Equipment	311	225			394	379	
20	Intangible Assets	1	3			1	5	
850	Total Refining & Marketing	312	228	(27.0)		395	384	(2.8)
Retail:								
117	Property, Plant and Equipment	3	79			13	139	
0	Intangible Assets	0	0					
117	Total Retail	3	79	2,540.2		13	139	970.8
Corporate & other:								
212	Property, Plant and Equipment	69	29			91	26	
170	Intangible Assets	37	30			63	53	
382	Total Corporate & other	106	58	(45.1)		154	78	(49.2)
Inter-segment elimination:								
(24)	Property, Plant and Equipment	(23)	0			(23)	0	
0	Intangible Assets	(56)	0			(56)	0	
(24)	Total Inter-segment elimination	(79)	0			(79)	0	
3,072	Total Capital Expenditure	819	673	(17.9)		1,254	1,115	(11.1)
of which:								
2,679	Property, Plant and Equipment	828	582			1,095	994	
393	Intangible Assets	(9)	91			159	121	

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
 Period ended 30 June 2006 and 2007
 (All amounts in HRK millions)

31.12.	Q2			H1		
2006	2006	2007	Ch. %	2006	2007	Ch. %
884	374	111	(70)	630	298	(53)
						0
964	271	298	10	543	587	8
221	79	39	(51)	147	102	(31)
500	87	155	78	235	208	(11)
(9)	4	(19)	-			0
(186)	(64)	(107)	67	(108)	(131)	21
116	65	94	45	95	154	62
(42)	5	4	(20)	(8)	3	-
						-
(50)	(22)	8	-	(60)	(34)	(43)
2,398	799	583	(27)	1,474	1,187	(19)
			0			0
484	(222)	0	-	(191)	(855)	348
(487)	72	(285)	-	238	(283)	-
(314)	806	264	(67)	(253)	302	-
(147)	(97)	(114)	18	(196)	(95)	(52)
1,934	1,358	448	(67)	1,072	256	(76)
(505)	(216)	(12)	(94)	(303)	(112)	(63)
1,429	1,142	436	(62)	769	144	(81)
						0
(2,679)	(827)	(581)	(30)	(1,094)	(994)	(9)
(393)	9	(90)	-	(159)	(120)	(25)
20	7	0	(100)	17		
	0	133	0			0
(2)	0	(133)	-		(133)	-
3	0	0	0	2	2	0
0	0	(4)	-			0
0	0	13	0		13	0
0	0	0	0			0
26	8	5	(38)	11		
(3,025)	(803)	(657)	(18)	(1,223)	(1,232)	1
						0
1,375	145	2,597	1,691	510	3,165	521
(428)	(37)	(2,203)	5,854	(233)	(2,243)	863
986	(335)	44	-	272	260	(4)
(87)	(15)	(55)	267	(33)	(75)	127
(9)	(2)	(4)	100	(4)	(7)	75
(18)	(35)	(30)	(14)	(48)	(60)	25
1,819	(279)	349	-	464	1,040	124
223	60	128	113	10	(48)	-
376	340	452	33	376	630	68
31	(4)	1	-	10	(1)	-
630	396	581	47	396	581	47

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 June 2007
(All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2006 (restated)	9,000	2,390	(96)	483	11,777	6	11,783
Gains/(losses) on available-for-sale investments	-	-	101	-	101	-	101
Exchange differences on translation of the financial statements of foreign operations	-	(34)	-	-	(34)	-	(34)
Net profit recognised directly in equity	-	(34)	101	-	67	-	67
Profit for the year	-	-	-	630	630	-	630
Total recognized income and expense for the period	-	(34)	101	630	697	-	697
Balance as at 30 June 2006	9,000	2,356	5	1,113	12,474	6	12,480
Balance as at 01 January 2007	9,000	2,347	66	1,366	12,779	7	12,786
Gains/(losses) on available-for-sale investments	-	-	380	-	380	-	380
Dividends Payable	-	-	-	(132)	(132)	-	(132)
Exchange differences on translation of the financial statements of foreign operations	-	(13)	-	-	(13)	-	(13)
Net profit recognised directly in equity	-	(13)	380	(132)	235	-	235
Profit for the year	-	-	-	298	298	2	300
Total recognized income and expense for the period	-	(13)	380	166	533	2	535
Balance as at 30 June 2007	9,000	2,334	446	1,532	13,312	9	13,321

Announcements in 2007

24 July 07	Notice
19 July 07	Cooperation between MOL and INA resulted in a discovery of a new natural gas field
18 July 07	Signature of term contract for crude oil supply
10 July 07	Development of the Jazal field and a new commercial discovery in Syria
28 June 07	CROSCO purchased Rotary drilling Ltd.
04 June 07	Dividend notice
30 May 07	Notice of a meeting with investors
23 May 07	Notice of meetings with investors
15 May 07	Notice of meetings with shareholders
15 May 07	Results for Q1 2007
09 May 07	Notification of Results
19 April 07	Addition to previously released news
12 April 07	Contract for USD 1.000.000.000 Syndicated Revolving Credit Facility signed
02 April 07	Business News Notice
30 March 07	Notice of the General Meeting
23 March 07	Annual Financial Report for FY 2006 Acceptance
22 March 07	Results for fiscal year 2006
21 March 07	Notification of Results
16 March 07	Management Board and Supervisory Board meetings announcement
27 February 07	Syndicated Revolving Credit Facility
23 February 07	Notice of analyst meetings
12 February 07	Sisak Refinery update
12 February 07	Unaudited Consolidated Profit
02 February 07	Changes in Supervisory Board
30 January 07	Notice of meetings
26 January 07	Audited Annual Report for 2006 publication date
19 January 07	Notice of analyst meetings
19 January 07	Environmental Efforts - Sisak
11 January 07	Annual General Meeting revocation
09 January 07	Oil discovery at El Alamein
02 January 07	Acquisition of shares by president of INA management board

SHAREHOLDER STRUCTURE

	<i>in number of shares</i>
The Government of Republic of Croatia	5.180.367
MOL Plc.	2.500.001
War veteran's Fund	700.000
Zagrebačka banka d.d./Citibank N.A.	233.345
Free float/Small investors (less than 2% each)	1.386.287
Total	10.000.000

Changes in organisation and senior management:

Changes in the Supervisory Board and in the Management Board

There were no changes in the Supervisory Board and Management Board in the second quarter 2007.

Changes in corporate organisation

In Q2 2007, the director of Sisak refinery, Mr Branko Pastuović, was replaced by Mr Damir Butković as of 1 May 2007.

The Well technology department director, Mr Šimo Šimić, was replaced by Mr Vjekoslav Pavić as of 1 June 2007.

There were no other significant changes in the corporate organisation.