

INA Group (ZSE: INA – R-A; LSE: HINA; homepage: www.ina.hr), announced its results for Q1-Q3 2007 today. This report contains consolidated financial statements for the period ending 30 September 2007 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

INA Group financial results (IFRS)	Q3 2006		Q3 2007		Ch. %		Q1-Q3 2006		Q1-Q3 2007		Ch. %	
	HRK mill	USD mill ¹⁾	HRK mill	USD mill ¹⁾	HRK	USD	HRK mill	USD mill ¹⁾	HRK mill	USD mill ¹⁾	HRK	USD
Net sales revenues	6,442	1,119	6,759	1,264	4.9	12.9	17,224	2,931	17,956	3,285	4.2	12.1
EBITDA	525	92	718	134	36.8	45.5	1,980	337	2,022	370	2.1	9.8
Operating profit	37	8	391	73	-	-	705	120	879	161	24.7	34.1
Net financial gain (expenses)	(34)	(6)	159	29	-	-	75	13	71	13	(5.3)	1.1
Net income ²⁾	(25)	(3)	431	80	-	-	605	103	727	133	20.2	29.2
Operating cash flow	91	17	1,103	202	-	-	859	146	1,247	228	45.2	56.1

¹⁾ In converting HRK financial data into US Dollars, the following average CNB (NBH) rates were used: for Q1-Q3 2006: 5.8773 HRK/USD, for Q1-Q3 2007: 5.4655 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:

INA's overall performance in the third quarter 2007 continues successfully. In the Upstream Segment hydrocarbon production showed significant increase, propelled by increased natural gas production in the North Adriatic area and Syria, and increased crude production in Egypt. Favourable results were also recorded in exploration, where a new Agreement on Joint Exploration of Novi Gradac and Potony area was signed, strengthening our strategic partnership with MOL Plc. The Refining and Marketing segment continued with the modernisation programme (first phase in the construction of Claus unit at Sisak Refinery was completed and a Contract for construction of gasoil hydrocracking/hydrodesulphurisation unit at Rijeka refinery was signed). In our Corporate segment OptINA efficiency improvement programme is also on track, giving cost cutting results in the January-September 2007 period.

Improved performance on operating profit level

In Q1-Q3 2007, operating profit of INA Group increased by 24.7% to HRK 879 mill (USD 161 mill) in comparison with Q1-Q3 2006. Hydrocarbon production and sales volumes of refined products increased and one-off costs decreased in comparison with last year. Q3 results were positively effected by the increased crude oil sales volumes, increased gas sales price and higher sales volumes of EURO IV quality products from INA's own refineries. The net financial gain in Q1-Q3 2007, mainly coming from foreign exchange gains, decreased by 5.3% to HRK 71 mill compared to the same period last year due to higher interest payable and other financial payables.

- **Exploration & Production**

Average daily hydrocarbon production increased by 14.1% in comparison with the Q1-Q3 2006 period. Operating profit increased by HRK 168 mill to HRK 1,389 mill (USD 254 mill) in the period. Operating profit in Q3 2007 increased by HRK 270 mill to HRK 523 mill, mainly due to increased production volumes and lower one-off costs recorded in Q3 2007 compared to the same period 2006, in addition to a lower impact of IAS 36.

- **Refining & Marketing**

The Refining & Marketing segment contributed to INA Group's Q1-Q3 2007 results with the operating profit of HRK 87 mill (USD 16 mill), against HRK 108 mill operating losses in the same period last year (resulting from the unfavourable impact of change in the pricing formula regulating domestic refined product prices). In addition, the interference of the major shareholder capping the motor fuel prices during the summer period resulted in HRK 53 mill negative impact (HRK 200 mill in the same period last year)¹. Segmental operating profit in Q3 2007 increased by HRK 168 mill to HRK 32 mill due to improved spreads, decrease in the negative impact of price cap² on the Croatian market and favourable changes in the Rule Book on refined product prices for the period.

- **Retail**

The average throughput per site increased by 1.6% to 2,051 tonnes for the period. In line with INA's retail strategy five new petrol stations were put in operation. Operating profit of the Retail segment in Q1-Q3 2007 increased by HRK 9 mill to HRK 36 mill (USD 7 mill). In Q3 2007 period the segment's operating profit decreased by HRK 16 mill to HRK 19 mill, primarily due to the 2.6% decrease in sales volumes as a result of strengthening competition.

- **Corporate and Other³**

Corporate and Other segment's operating loss amounted to HRK 633 mill (USD 116 mill) in Q1-Q3 2007 period. The loss increased by HRK 198 mill in comparison with the same period last year. Operating profit from 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 programme, while other costs increased mainly as the result of an increase in depreciation and provisions). In Q3 2007 operating loss increased by HRK 68 mill.

- **Capital expenditures**

In the Q1-Q3 2007 strictly controlled capital expenditures amounted to HRK 1,539 mill (USD 282 mill), which was HRK 442 mill lower than in the same period last year. Expenditures for intangible assets decreased by 57.8% primarily due to the capitalized SAP project and expenditures for finalization of the exploration phase of main Upstream projects. Expenditures in property, plant and equipment decreased by 15%, mainly due to lower expenditures of Upstream projects during the development phase, in line with the plans.

- **Operating cash flow**

The Operating Cash Flow before changes in working capital for the Q1-Q3 2007 period decreased by 14.8% to HRK 1,692 mill in comparison with the Q1-Q3 2006 period figure, mainly due to foreign exchange gains. Changes in working capital primarily resulted from the increase in inventories, receivables and payables, decreasing net cash flow from operating activities by HRK 327 mill in total. The Company's Capital expenditures of HRK 1,539 mill for the period were financed from additional indebtedness of HRK 462 mill in comparison with 31 December 2006.

¹ The effect of price cap in Q1-Q3 2007 against Q1-Q3 2006 also had an impact on the results of Retail division (HRK 54 mill), that is HRK 201 mill in total

² The effect of price cap in Q3 2007 against Q3 2006 had an impact on the results of Refining & Marketing division (HRK 48 mill) and Retail division (HRK 26 mill), a HRK 74 mill in total

³ Corporate and Other stands for Safety and security services, maintenance services and other support services

Overview of the environment

The first-half of 2007 was exceptionally favourable for the growth of global economy when a robust upturn was recorded. However, economic developments in August and September indicated a possible slowdown as a result of the crisis in the US real property market and turmoils in the financial market. In IMF estimates, such market developments will be reflected in a slower growth of global economy in 2008, the projections of which have been recently revised downwards from 5.2% to 4.8%.⁴ On the other hand, the main engines of growth are China, Russia and India, alone accounting for one half of global growth, followed by the developing and emerging markets.

In Q3 2007, **crude oil prices** (Brent FOB Med) exceeded 80 USD per barrel reaching the nine-month high of 81.10 USD/bbl. The price of a barrel of oil ranged from 67.40 USD/bbl up to 81.10 USD/bbl in the same period. The average price in January-September was 67.12 USD while the average for the same period in 2006 was 66.55 USD/bbl. In September 2007, oil prices rose to 75 USD /bbl and over, while in September 2006 they ranged from 55 USD/bbl to 65 USD/bbl. Oil prices reflected the decline in crude oil and refined product stocks in the US, Europe and Japan, and the expected tighter procurement terms in the coming quarter.⁵

Refinery spreads as quoted by Platt's (FOB Med - Italy) for the period January-September 2007 have increased compared to the same prior year period. The margin for the premium unleaded petrol (50ppm) rose by 9.0% (from 135.3 USD/t in January-September 2006 to 147.4 USD/t in January-September 2007) while the negative margin for fuel oil of 3.5% decreased by 5.9% (from -212.7 USD/t in January-September 2006 to -200.2 USD/t in January-September 2007). The margin for gas oil EN590 350 PPM declined by 8.4% (from 111.5 USD/t in January-September 2006 to 102.1 USD/t in January-September 2007).

In Q2 of 2007, the **Croatian economy** recorded a robust GDP growth of 6.6%⁶ placing the country, together with other SE European countries, high above the EMU average of 2.5%. Such strong growth has been propelled by higher household consumption and also by higher government spending although the growth rate is expected to slow down to 5.5% p.a. by the end of 2007 as a result of financial market restrictions in order to limit the credit growth.⁷

In terms of **consumer price indices**, prices of products and services rose by 1.2% in September 2007 over the previous month. Q3 indices indicated an upward trend and at the end of September the prices were 3.9% up on September 2006, mostly pushed up by 7.1% higher food prices compared to September 2006. Since the beginning of 2007, prices increased by 3.2%, mostly driven by food prices (up by 5.8%). The upward pressure on prices in Q3 resulted from their lower prior-year level and the growth of crude oil prices.⁸

In Q3 of 2007, **kuna** appreciated 0.3% against the **euro**, i.e. the euro rate declined from 7.30 HRK/EUR to 7.28 HRK/EUR. In the same period, the rate of kuna against the US dollar rose by 5.27%, from 5.42 HRK/USD at the end of June to 5.14 HRK/USD at the end of September. Since the beginning of the year, the rate of kuna against the euro grew by 0.8% (from 7.34 HRK/EUR as at 31 Dec 2006 to 7.28 HRK/EUR at the end of September 2007) while its rate against the US dollar has grown even stronger, by 7.9 % (from 5.58 HRK/USD as at 31 Dec 2006 to 5.14 HRK/USD at the end of September).

⁴ IMF, *World economic outlook*, October 2007

⁵ International Energy Agency, *Oil market report*, October 2007

⁶ According to the Central Statistical Office, the GDP growth in January-June 2007 was 6.8%.

⁷ UniCredit Group, *CEE Quarterly*, 04/2007,

⁸ Croatian Central Statistical Office, *Consumer price indices in September 2007*, October 2007.

Exploration and production*

Segment IFRS results in millions	Q3 2006		Q3 2007		Ch. %		Q1-Q3 2006		Q1-Q3 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,677	293	1,842	346	9.8	17.8	5,368	913	5,414	991	0.9	8.5
Operating profit	253	45	523	98	106.7	116.6	1,221	208	1,389	254	13.8	22.3
CAPEX	397	69	251	47	(36.9)	(32.0)	1,168	199	764	140	(34.6)	(29.7)

HYDROCARBON PRODUCTION	Q3 2006		Q3 2007		Ch %		Q1-Q3 2006		Q1-Q3 2007		Ch %	
Crude oil production (MMbbl)		1.4		1.4		1.8		4.1		4.2		1.9
Croatia		1.2		1.1		(2.6)		3.4		3.3		(3.5)
Abroad		0.3		0.3		21.6		0.7		0.9		28.2
Condensate (MMbbl)		0.8		0.7		(14.1)		2.3		2.2		(4.8)
Natural gas production (Bcf)		18.9		20.5		8.5		53.0		65.7		24.0
Croatia		18.9		19.8		4.5		53.0		63.4		19.8
- onshore		12.2		9.5		(22.1)		35.9		31.9		(11.3)
- offshore		6.8		10.3		52.1		17.1		31.6		85.0
Syria		0.0		0.8		-		0.0		2.3		-
Average hydrocarbon prod./ day (Mboe/d)		60.0		61.4		2.3		57.6		65.7		14.1
Natural gas imports (Bcf)		10.1		9.1		(9.4)		29.6		27.3		(7.6)
Natural gas sales on domestic market (Bcf)		17.6		21.3		21.2		66.5		73.2		10.1
Realised hydrocarbon price	Q3 2006		Q3 2007		Ch %		Q1-Q3 2006		Q1-Q3 2007		Ch %	
Average realised crude oil price (USD/bbl)	64.7		67.2		3.9		63.0		59.7		(5.3)	
Average realised total hydrocarbon price (USD/boe)	44.3		45.2		2.1		42.1		42.0		(0.2)	

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

The operating profit of the E&P segment in Q1-Q3 2007 amounted to HRK 1,389 mill, which was an increase of HRK 168 mill in comparison with Q1-Q3 2006. Quarter-on-quarter, the operating profit increased by HRK 270 mill. This increase mostly resulted from the positive impact of a higher production volume, increased hydrocarbon sales prices and lower costs - primarily lower one-off cost for adjustment of long-term intangible assets and from the impact of IAS 36.

Hydrocarbon production cost

USD/Boe	Q3 2006	Q3 2007	Q1-Q3 2006	Q1-Q3 2007
Croatia - onshore	10.12	12.19	8.79	9.76
Croatia - offshore	4.38	6.78	7.56	6.63
Angola	0.00	0.00	0.00	0.00
Egypt	4.97	11.17	6.32	9.39
Syria	5.23	15.21	10.75	13.83
Average	8.56	8.83	8.49	8.91

Hydrocarbon production

Mboe/day	Q3 2006	Q3 2007	Q1-Q3 2006	Q1-Q3 2007
Crude Oil	15.3	15.6	15.2	15.5
Natural Gas condensate	8.6	6.6	8.3	7.9
Natural Gas	36.1	39.2	34.1	42.3
o/w North Adriatic	12.9	19.6	11.0	20.3
Total	60.0	61.4	57.6	65.7

Average daily hydrocarbon production in Q1-Q3 2007 increased by 14.1%, exceeding 65.7 Mboe/day. The increase was mainly due to an 85% increase in the North Adriatic gas production.

Average cost of production in Q1-Q3 2007 increased by 4.9% to 8.91 USD/boe, primarily due to increase of domestic onshore production costs resulting from the strengthening of the Croatian kuna against US dollar and putting in operation new fields in Egypt and Syria (increased costs with lower initial production).

Average lifting cost amounted to 1.81 USD/boe in the Q1-Q3 2007 period.

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 Q1-Q3 2007 was 1.6903 HRK/Mcm/33.34 MJ, 4% lower compared to prices in the Q1-Q3 period last year (mainly due to a weaker US dollar against the HRK).

The Management re-negotiated the contractual terms of gas supply for two major eligible customers - HEP and Petrokemija Kutina for year 2007 decreasing the negative effect of high import prices.

Price Differential to Import Prices in HRK/Mcm/33.34 MJ	Q3 2006	Q3 2007	Q1-Q3 2006	Q1-Q3 2007
Eligible customers' price	(1,062.08)	(664.44)	(1,004.86)	(753.00)
Tariff customers' price	(732.72)	(531.52)	(691.25)	(623.38)
Total price	(942.67)	(618.95)	(827.92)	(696.54)

Upstream Capex decreased by HRK 404 mill and reached HRK 764 mill in Q1-Q3 2007, mostly due to finalization of exploration and development phases in North Adriatic and exploration phase in Syria. HRK 453 mill was spent on projects in Croatia, of which the North Adriatic gas project (amounting to HRK 141 mill) was the most significant. In Q1-Q3 2007 a total of HRK 311 mill was invested into foreign concessions (major investments were in Syria - HRK 217 mill, and Egypt - HRK 70 mill).

Segment IFRS results in millions	Q3 2006		Q3 2007		Ch. %		Q1-Q3 2006		Q1-Q3 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	5,018	871	5,114	955	1.9	9.6	12,851	2,187	12,998	2,378	1.1	8.8
Operating profit	(136)	(23)	32	6	-	-	(108)	(18)	87	16	-	-
CAPEX	149	26	125	24	(16.1)	(9.1)	544	93	509	93	(6.4)	0.6

REFINERY PROCESSING Kt	Q3 2006	Q3 2007	Ch %	Q1-Q3 2006	Q1-Q3 2007	Ch %
Domestic crude oil	154	242	57.8	494	492	(0.5)
Imported crude oil	1,130	1,017	(10.0)	2,773	3,052	10.1
Condensates	46	38	(17.9)	140	126	(10.2)
Other feedstock	99	93	(5.6)	216	276	27.5
TOTAL REFINERY THROUGHPUT	1,428	1,390	(2.6)	3,623	3,945	8.9

REFINERY PRODUCTION Kt	Q3 2006	Q3 2007	Ch %	Q1-Q3 2006	Q1-Q3 2007	Ch %
TOTAL REFINERY PRODUCTION	1,428	1,390	(2.6)	3,623	3,945	8.9

REFINED PRODUCT SALES Kt	Q3 2006	Q3 2007	Ch %	Q1-Q3 2006	Q1-Q3 2007	Ch %
Croatia	849	807	(4.9)	2,145	2,142	(0.1)
B&H	187	202	8.5	478	543	13.7
Other markets	360	320	(11.0)	901	941	4.5
TOTAL CRUDE OIL PRODUCT SALES	1,395	1,330	(4.7)	3,524	3,626	2.9

REFINED PRODUCT SALES Kt	Q3 2006	Q3 2007	Ch %	Q1-Q3 2006	Q1-Q3 2007	Ch %
Motor gasoline	397	337	(15.2)	934	950	1.7
Gas and heating oils	701	719	2.5	1,902	1,955	2.8
Other products	297	274	(7.7)	687	722	5.1
TOTAL CRUDE OIL PRODUCT SALES	1,395	1,330	(4.7)	3,524	3,626	2.9

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

Operating profit of the R&M segment increased by HRK 195 mill in Q1-Q3 2007 in comparison with the same period last year (when it generated HRK 108 mill operating loss) mainly due to the increase in sales volumes by 3% and 16% higher average crack spread⁹. The interference of the major shareholder capping the motor fuel prices during the summer period had a HRK 53 mill negative impact (which amounted to HRK 200 mill in the same period last year). Segmental operating profit in Q3 2007 increased by HRK 168 mill to HRK 32 mill due to improved spreads (except for Jet and motor gasoline BMB 95) and HRK 48 mill lower diminishing effect of the price cap on the Croatian market (it amounted to HRK 53 mill in the same period last year).

Total sales volumes increased by 3% (102 Kt) in Q1-Q3 2007 in comparison with Q1-Q3 2006 period due to stronger market demand. Motor gasoline and diesel (EURO IV quality) sales increased by 24% (204 Kt), of which sales from own production increased by 50% (295 Kt).

A strong **market position** of INA continues. The Company retained the market share of 78% on the Croatian wholesale market, while export to B&H increased by 13.7%.

Capex decreased by HRK 35 mill to HRK 509 mill in Q1-Q3 2007 in comparison with the Q1-Q3 2006 figure. The refinery modernisation programme is on track. Capital expenditure in the Refinery Modernisation Programme in Sisak Refinery increased by HRK 59 mill while expenditures in reconstruction and revitalisation projects in both refineries decreased compared to the same period last year. In Sisak refinery the Sulphur Recovery Unit is operational. Civil works for the HDS FCC unit are underway. The contracts for a Sulphur Recovery Unit, a Hydrocracking Complex and a Hydrogen Generation Unit in Rijeka refinery were signed and procedures are in progress in order to obtain the necessary construction permits.

⁹ 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 of negative fuel oil spread

Retail*

Segment IFRS results in millions	Q3 2006		Q3 2007		Ch. %		Q1-Q3 2006		Q1-Q3 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,771	307	1,834	342	3.6	11.3	4,329	737	4,366	799	0.9	8.5
Operating profit	35	6	19	4	(45.7)	(40.8)	27	5	36	7	33.3	43.4
CAPEX	33	6	27	5	(18.8)	(7.2)	46	8	166	30	260.9	288.1

Key Segment operating data

REFINED PRODUCT RETAIL SALES Kt	Q3 2006		Q3 2007		Ch. %		Q1-Q3 2006		Q1-Q3 2007		Ch. %	
Motor gasoline			150	141	(6.0)		360		352		(2.2)	
Gas and heating oils			201	200	(0.3)		493		513		4.2	
LPG			7	7	(2.4)		18		19		4.6	
Other products			0	1	-		3		3		(18.7)	
TOTAL OIL PRODUCT RETAIL SALES Kt			358	348	(2.6)		874		886		1.5	

	Q3 2006		Q3 2007		Ch. %		Q1-Q3 2006		Q1-Q3 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
TOTAL SALES	1,771	307	1,834	342	3.6	11.3	4,329	737	4,366	799	0.9	8.5

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

Operating profit of the segment increased by HRK 9 mill in Q1-Q3 2007 in comparison with the Q1-Q3 2006 figure due to the increase in sales of refined products. Sales revenues slightly increased due to 1.5% higher volumes and lower diminishing impact of the price cap on product prices (HRK 53 mill in Q1-Q3 2007 in comparison with HRK 108 mill in the same period last year). In Q3 2007 segment's operating profit decreased by HRK 16 mill to HRK 19 mill, primarily due to the 2.6% decrease in sales volumes, mainly caused by the strengthening competition in the Croatian retail market.

As at 30 September 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. That is an increase of 5 petrol stations on the domestic market in comparison with the same period last year, in line with the implementation of INA's new retail strategy.

Both the total retail sales volumes and the average throughput per site (2,051 tones per site) increased by 1.5% and 1.6% respectively for Q1-Q3 2007 in comparison with the same period last year.

Diesel and motor gasoline sales volumes increased by 2.1% in total (of which diesel increased by 5.5% while motor gasoline decreased by 2.2%). Heating oil sales volume decreased by 21.4% due to mild winter. The increase in sales of lubricants and other products by 1.1% is a result of the increase in sales of LPG by 4.6%, and the decrease of motor car lubricants by 4.0% and industrial lubricants by 35.3% due to strengthening competition.

Shop sales revenues increased by 5.6% in Q1-Q3 2007. **The gross margin** per litre of fuel sold on petrol stations increased by 4.5% in comparison with the same period last year.

Total purchase with **INA Card** increased by 1.4% in comparison with the same period last year and reached 22.4% of total sales.

CAPEX increased by HRK 120 mill to HRK 166 mill in Q1-Q3 2007. The total of HRK 62 mill was invested in the construction of new stations and HRK 104 mill was invested in reconstruction of petrol stations, in line with the Company's Retail strategy.

Financial overview

Operations

In Q1-Q3 2007, INA Group net sales revenues increased by 4% amounting to HRK 18.0 billion due to the increase in sales volumes (3% for refined products, 21% for natural gas and 28% for crude oil¹⁰) offset by lower average realized sales price of refined products and crude oil in comparison with Q1-Q3 2006 period.

INA continues to suffer the negative impact of the major shareholders' interference in natural gas prices on the domestic market for not being able to pass the increased price of Russian imported gas onto its customers. INA's management initiated negotiations with major eligible customers to decrease the negative impact of regulated gas price on the Company's profit. The negotiations resulted in a 20.5% increase in average sales price for major eligible customers.

The restriction on charging the maximum prices under the pricing formula for retail products (due to the price cap introduced by the major shareholder from March 2006) had a negative impact of HRK 106 mill on the Q1-Q3 2007 result.

The cost of raw materials and consumables increased by 0.4% in Q1-Q3 2007 in comparison with the same period last year, of which the cost of crude oil increased by 4.6% due to 10.1% higher refined quantities and 5.0% lower prices of refined crude. Costs of other feedstocks decreased by 48% due to a lower volume of imported products for blending. The cost of other goods sold was flat and amounted to HRK 2.9 billion. Service costs increased by 4% to HRK 2.7 billion (mainly due to increased costs caused by higher production of crude oil and gas, and higher litigation costs). Depreciation increased by 13% to HRK 892 mill. Adjustments and provisions decreased by 48% to HRK 251 mill mainly due to lower adjustments for non-current intangible assets (the most significant one-off costs for adjustment of long-term intangible assets in Syria which amounted to HRK 150 mill in the same period last year) and current assets in Q1-Q3 2007 in comparison with the same period last year. Total staff costs increased by 7% primarily due to the average salary increase of 6%. The dosing headcount of the Group as at 30 September 2007 was 16,152, in level with the headcount as at 30 September 2006.

Net financial gains for Q1-Q3 2007 decreased by 5.3% to HRK 71 mill in comparison with the same period last year. Foreign exchange gains increased by HRK 183 mill and revenues from the sale of investments by HRK 12 mill. These effects were offset by HRK 104 mill higher interest payable (of which interest payable for loans was HRK 82 mill), HRK 28 mill increase in bank charges and fees for loans (primarily due to one-off costs for the new long-term facility) and net expense on embedded derivatives under IAS 39 (amounting to HRK 67 mill).

The corporate income tax for Q1-Q3 2007 increased by HRK 46 mill to HRK 220 mill in comparison with Q1-Q3 2006 period.

Balance sheet

Total assets amounted to HRK 23.7 billion at the end of September 2007 representing an increase of 7% 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 increased by HRK 148 mill mainly due to the acquisition of 33.5% share in Energopetrol (Bosnia and Herzegovina), recorded in INA's books as of 29 March, 2007. The increase in assets available for sale in the amount of HRK 348 mill was mainly the result of an increase in the market value of Janaf d.d. shares. Deferred tax decreased by HRK 99 mill of which HRK 67 mill related to Janaf d.d. (assets available for sale) and HRK 32 mill to a decrease in INA's deferred tax.

Inventories increased by 16% to HRK 3.3 billion primarily as a result of a higher price of imported crude oil and increased volumes of imported crude for increased refining. Net trade receivables of HRK 3.0 billion in Q1-Q3 2007 increased by 17% compared with the last year's figure.

As at 30 September 2007 INA Group's total liabilities increased by 7% (HRK 10.1 billion in total). The increase in liabilities was the effect of the increased long-term and short-term loans in total of HRK 4.4 billion in comparison with HRK 3.9 billion as at 31 December 2006. The loans were primarily used for investing into the Company's Capex programme. Long-term provisions amounted to HRK 1.4 billion in comparison with HRK 1.2 billion as at 2006 year end. The increase was mainly due to the increase in decommissioning costs¹¹ (by HRK 134 mill) and provisions for litigation costs (by HRK 76 mill).

At the end of Q1-Q3 2007 total net debt of INA Group amounted to HRK 3.8 billion in comparison with HRK 3.3 billion at the end of 2006, while the net gearing ratio¹² increased from 20.5% at the end of year 2006 to 21.7% at the end of Q1-Q3 2007.

¹⁰ External sales, outside of INA Group

¹¹ Increase in Upstream decommissioning provisions

¹² Net debt to net debt plus shareholders' equity including minority interests



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

Cash flow

In Q1-Q3 2007 operating cash flow before changes in working capital reached HRK 1,692 mill which is 15% below the Q1-Q3 H1 2006 figure - primarily as a result of higher foreign exchange gains. The increase in working capital, resulting primarily from the increase in inventories of HRK 603 mill (mainly as a result of the increase in crude oil inventories as at 30 September 2007) decreased funds by HRK 327 mill. Corporate taxes the Company paid in Q1-Q3 2007 period amounted to HRK 118 mill.

Net cash outflow for investing activities of HRK 1,539 mill decreased by 22% in comparison with the net cash used in Q1-Q3 2006 period. Insufficient amount of resources necessary for investment expenditures was funded by increasing INA's net indebtedness by HRK 462 mill in comparison with 31 December 2006.



INA Group Summary Segmental Results of Operations

Year ended 31 December		Q3			Q1-Q3		
2006		2006	2007		2006	2007	
in HRK mill	USD mill	in HRK mill	in HRK mill	Ch. %	in HRK mill	in HRK mill	Ch. %
Sales							
6,794	1,164	1,677	1,842	10	5,368	5,414	1
18,136	3,108	5,018	5,114	2	12,851	12,998	1
5,669	971	1,771	1,834	4	4,329	4,366	1
690	118	291	223	(23)	730	696	(5)
(7,855)	(1,346)	(2,316)	(2,254)	(3)	(6,055)	(5,518)	(9)
23,434	4,016	6,441	6,759	5	17,223	17,956	4
Operating expenses, net of other income from operating activities							
(5,171)	(886)	(1,424)	(1,319)	(7)	(4,147)	(4,025)	(3)
(17,966)	(3,078)	(5,154)	(5,082)	(1)	(12,959)	(12,911)	0
(5,636)	(966)	(1,736)	(1,815)	5	(4,302)	(4,330)	1
(1,542)	(264)	(406)	(406)	0	(1,165)	(1,329)	14
7,855	1,346	2,316	2,254	(3)	6,055	5,518	(9)
Profit from operations							
1,623	278	253	523	107	1,221	1,389	14
170	29	(136)	32	-	(108)	87	-
33	6	35	19	(46)	27	36	33
(852)	(146)	(115)	(183)	59	(435)	(633)	46
974	167	37	391	-	705	879	25
Share in the profit of associate companies							
0	0	0	0	0	0	0	0
131	22	(34)	159	-	75	71	(5)
Profit before taxation							
1,105	189	3	550	-	780	950	22
Current taxation							
(221)	(38)	(27)	(118)	337	(174)	(220)	26
884	151	(24)	432	-	606	730	20

Segmental sales include sale between business segments and the costs associated with such sales are therefore included into operating expenses of 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		Q3			Q1-Q3		
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	3,986	4,615	1 6	10,864	12,101	11
8,637	1,479	2,456	2,144	(13)	6,360	5,855	(8)
23,434	4,013	6,442	6,759	5	17,224	17,956	4
Income from own consumption of products and services							
767	131	172	184	7	514	440	(14)
606	104	129	104	(19)	448	374	(17)
24,807	4,248	6,743	7,047	5	18,186	18,770	3
Changes in inventories of finished products and work in progress							
116	20	142	(102)		234	(109)	-
(12,146)	(2,080)	(3,835)	(3,476)		(9,217)	(9,180)	0
(964)	(165)	(249)	(305)	22	(792)	(892)	13
(3,845)	(659)	(984)	(1,088)	11	(2,611)	(2,719)	4
(2,385)	(408)	(571)	(627)	10	(1,726)	(1,852)	7
(4,073)	(697)	(970)	(1,036)	7	(2,886)	(2,888)	0
(500)	(86)	(237)	(21)	(91)	(472)	(229)	(51)
(36)	(6)	(2)	(1)	(50)	(11)	(22)	100
(23,833)	(4,081)	(6,706)	(6,656)	(1)	(17,481)	(17,891)	2
974	167	37	391	-	705	879	25
Share in the profit of associated companies							
0	0			-			
620	106	38	390	-	384	735	91
(489)	(84)	(72)	(231)	221	(309)	(664)	115
Net (loss)/ profit from financial activities							
131	22	(34)	159	-	75	71	(5)
1,105	189	3	550	-	780	950	22
(274)	(47)	(76)	(85)	12	(220)	(159)	(28)
53	9	49	(33)	-	46	(61)	-
884	151	(24)	432	-	606	730	20
Attributable to							
883	151	(25)	431	-	605	727	20
1	0	1	1	0	1	3	200
884	151	(24)	432	-	606	730	20
88.3		(2.5)	43.1	-	60.5	72.7	20

Consolidated Balance Sheet

Year ended 31 December		Period ended 30 September		Ch. %
2006	2006	2006	2007	
HRK mill	USD mill	HRK mill	HRK mill	
Assets				
Non-current assets				
685	123	453	724	60
13,312	2,386	12,687	13,988	10
			93	
57	10	57	97	70
48	9	48	63	31
181	32	195	179	(8)
251	45	229	225	(2)
129	23	138	30	(78)
436	78	400	784	96
15,099	2,706	14,207	16,183	14
Current assets				
2,838	509	3,141	3,304	5
2,532	454	2,675	2,960	11
720	129	289	382	32
77	14	112	86	(23)
53	9	62	59	(5)
239	43	225	122	(46)
630	113	314	629	100
7,089	1,271	6,818	7,542	11
22,188	3,977	21,025	23,725	13
Equity and liabilities				
Capital and reserves				
9,000	1,693	9,000	9,000	0
66	12	48	332	-
2,347	341	2,361	2,315	(2)
1,366	245	1,088	1,961	81
12,779	2,291	12,497	13,608	9
7	1	7	10	43
12,786	2,292	12,504	13,618	9
Non-current liabilities				
1,425	255	842	3,129	272
153	28	156	147	(6)
72	13	70	81	16
1,186	213	1,209	1,396	15
2,836	509	2,277	4,753	109
Current liabilities				
1,935	347	1,837	1,191	(35)
578	104	573	79	-
2,900	520	2,686	2,878	7
549	98	614	772	26
264	47	230	233	1
157	28	166	131	(21)
8	1	6	13	117
175	31	132	57	(57)
6,566	176	6,244	5,354	(14)
9,402	1,685	8,521	10,107	19
22,188	3,977	21,025	23,725	13

Capital Expenditure

				Q3			Q1-Q3		
2006		2006	2007	2006		2007	2006		2007
in HRK mill		in HRK mill	in HRK mill	in HRK mill		in HRK mill	in HRK mill		Ch. %
Exploration & Production:									
1,544	Property, Plant and Equipment	308	238		928	687			
203	Intangible Assets	89	13		240	77			
1,747	Total Exploration & Production	397	251	(36.9)	1,168	764	(34.6)		
Refining & Marketing									
830	Property, Plant and Equipment	149	124		543	503			
20	Intangible Assets	0	1		1	6			
850	Total Refining & Marketing	149	125	(16.1)	544	509	(6.4)		
Retail:									
117	Property, Plant and Equipment	33	26		46	165			
0	Intangible Assets	0	1		0	1			
117	Total Retail	33	27	(18.8)	46	166	260.9		
Corporate & other:									
212	Property, Plant and Equipment	29	13		120	39			
170	Intangible Assets	40	8		103	61			
382	Total Corporate & other	69	22	(68.4)	223	100	(55.2)		
Inter-segment elimination:									
(24)	Property, Plant and Equipment	23			0				
0	Intangible Assets	56			0				
(24)	Total Inter-segment elimination	79			0				
3,072	Total Capital Expenditure	727	424	(41.6)	1,981	1,539	(22.3)		
of which:									
2,679	Property, Plant and Equipment	542	400		1,637	1,394			
393	Intangible Assets	185	24		344	145			



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

31.12.	Q3			Q1-Q3		
2006	2006	2007	Ch. %	2006	2007	Ch. %
884	(24)	432	-	606	730	20
	Profit for the year					
	Adjustments for:					
964	249	305	22	792	892	13
500	237	21	(91)	472	229	(51)
(9)	0	0	0	0	0	0
(186)	29	(263)	-	(79)	(394)	-
116	47	91	94	142	245	73
(42)	(33)	(68)	106	(41)	(65)	59
221	28	(4)	-	175	98	(44)
(50)	(12)	(9)	(25)	(72)	(43)	(40)
2,398	521	505	(3)	1,994	1,692	(15)
	Operating cash flow before working capital changes					
	Working capital					
484	373	252	(32)	182	(603)	-
(487)	(578)	231	-	(340)	(52)	(85)
(314)	(324)	21	-	(577)	323	-
(147)	196	100	(49)	0	5	0
1,934	188	1,109	490	1,259	1,365	8
(505)	(97)	(6)	(94)	(400)	(118)	(71)
1,429	91	1,103	-	859	1,247	45
	Net cash inflow from operating activities					
	Cash flows used in investing activities					
(2,679)	(543)	(400)	(26)	(1,637)	(1,394)	(15)
(393)	(185)	(25)	(86)	(344)	(145)	(58)
20	(2)	0	-	15	0	-
	0	(133)	-	0	(133)	-
(2)	0	133	-	0	0	0
3	1	0	-	3	2	(33)
0	0	0	0	0	0	0
0	0	0	0	0	13	-
0	0	(9)	-	0	(9)	-
0	1	0	-	1	0	-
26	(2)	0	-	9	0	-
(3,025)	(730)	(434)	(41)	(1,953)	(1,666)	(15)
	Net cash (outflow) from investing activities					
	Cash flows from/(used in) financing activities					
1,375	145	530	266	655	3,695	464
(428)	(146)	(9)	(94)	(379)	(2,252)	494
986	607	(997)	-	879	(737)	-
(87)	(19)	(34)	79	(52)	(109)	110
0	0	(131)	-	0	(131)	-
(9)	(2)	1	-	(6)	(6)	0
(18)	(29)	14	-	(77)	(46)	(40)
1,819	556	(626)	-	1,020	414	(59)
	Net cash inflow/(outflow) from financing activities					
223	(84)	43	-	(74)	(5)	(93)
376	396	581	47	376	630	68
31	2	5	150	12	4	(67)
630	315	629	100	314	629	100
	Net (decrease)/increase in cash and cash equivalents					
	At beginning of period					
	Effect of foreign exchange rate changes					
	At the end of period					

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 For the period ended 30 September 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	0	0	144	0	144	0	144
Exchange differences on translation of the financial statements of foreign operations	0	(29)	0	0	(29)	0	(29)
Net profit recognised directly in equity	0	(29)	144	0	115	0	115
Profit for the year	0	0	0	605	605	1	606
Total recognized income and expense for the period	0	(29)	144	605	720	1	721
Balance as at 30 September 2006	9,000	2,361	48	1,088	12,497	7	12,504
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	0	0	266	0	266	0	266
Dividends Payable	0	0	0	(132)	(132)	0	(132)
Exchange differences on translation of the financial statements of foreign operations	0	(32)	0	0	(32)	0	(32)
Net profit recognised directly in equity	0	(32)	266	(132)	102	0	102
Profit for the year	0	0	0	727	727	3	730
Total recognized income and expense for the period	0	(32)	266	595	829	3	832
Balance as at 30 September 2007	9,000	2,315	332	1,961	13,608	10	13,618

Announcements in 2007

3 October	Start of production at Sidi Rahman – 1
28 September	Press conference announcement
28 September	New Claus unit at Sisak Refinery put on trial run
25 September	Notice of meetings
21 September	Supervisory Board meeting held - UPDATED NEWS
21 September	Notice of meetings
21 September	Notice of acquisition of securities
20 September	INA signed a contract for construction at Rijeka Refinery
19 September	Press conference announcement
07 September	INA - CROSCO - approval of the Hungarian Competition Agency
03 September	Notice of acquisition of securities
03 September	INA and MOL signed an Exploration Agreement for Novi Gradac-Potony Border Area
27 August	INA d.d. - Notice of acquisition of securities
24 August	Notice of acquisition of securities
17 August	Purchase of shares by the current and former employees
16 August	Financial report H1 2007
09 August	Notice of Results 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.	215,354
Free float/Small investors (less than 2% each)	1,404,278
Total	10,000,000

Changes in organisation and senior management:

Changes in the Supervisory Board and in the Management Board

During Q3 of 2007 there were no changes in the Supervisory Board or the Management Board.

Changes in corporate organisation

As of July 31, Mr Damir Škugor, director of the Commercial department, was relieved of his duty and replaced by Mr Marijan Martinčić as of 1 August 2007.

The Well Technology department director, Mr Vjekoslav Pavić, was relieved of his duty as of 31 July 2007. Business processes of the Well Technology department were reorganised and reallocated to other departments within the Exploration and Production division as its organisational structure was modified in order to facilitate its business operations.