INDUSTRIJA NAFTE, d.d.

Q2 AND H1 2010 – REPORT

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its H1 2010 results today. This report contains unaudited consolidated financial statements for the period ending 30 June 2010 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

(HRK million)	Q2 2009	Q2 2010	%	H1 2009	H1 2010	%
CONTINUING OPERATIONS(1)						
Net sales revenues	4,849	5,536	14.2	9,353	10,903	16.6
EBITDA(2)	1,333	1,488	11.6	2,117	2,662	25.7
Operating profit	365	858	135.1	616	1,400	127.3
Operating profit excl. special items(3)	290	665	129.3	541	1,281	136.8
Net financial gain /(expenses)	434	(685)	n.a.	(146)	(1,088)	645.2
Net income	737	144	(80.5)	471	220	(53.3)
Net income excl. special items(3)	709	(10)	n.a.	443	125	(71.8)
DISCONTINUED OPERATIONS(1)						
Net income	(215)	(121)	(43.7)	(521)	(328)	(37.0)
ALL OPERATIONS(1)						
Net income(4)	522	23	(95.6)	(50)	(108)	116.0
Net income excl. special items(3)	494	(131)	n.a.	(78)	(203)	160.5
Operating cash-flow	1,238	1,961	58.4	1,453	1,035	(28.8)

(USD million) (5)	Q2 2009	Q2 2010	%	H1 2009	H1 2010	%
CONTINUING OPERATIONS(1)						
Net sales revenues	895	974	8.8	1,684	1,992	18.3
EBITDA(2)	246	262	6.4	381	486	27.6
Operating profit	67	151	124.1	111	256	130.6
Operating profit excl. special items(3)	54	117	118.6	97	234	140.2
Net financial gain /(expenses)	80	(120)	n.a.	(26)	(199)	656.1
Net income	136	25	(81.4)	85	40	(52.6)
Net income excl. special items(3)	131	(2)	n.a.	80	23	(71.4)
DISCONTINUED OPERATIONS(1)						
Net income	(40)	(21)	(46.3)	(94)	(60)	(36.1)
ALL OPERATIONS(1)						
Net income(4)	96	4	(95.8)	(9)	(20)	119.2
Net income excl. special items(3)	91	(23)	n.a.	(14)	(37)	164.3
Operating cash-flow	228	345	51.0	262	189	(27.7)

(1) According to the Gas Master Agreement between the Government of the Republic of Croatia and MOL signed on 30 Januar 2009y, INA sold its Gas Storage Company and will divest its Gas Trading Activity, result of Gas Trading activities is presented as discontinued operation. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for taking over of gas trading activities is extended by 1 December 2010.
(2) EBITDA = EBIT + Depreciation + Impairment + Provisions
3) Excludes one-off items related to asset impairment, stock evaluation, deferred taxes and one-off income from the disposal of Podzemno skladište plina d.o.o. (Gas Storage Company) in Q2 2009.
(4) INA Group net income attributable to equity holder.
(5) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for H1 2009: 5.5533 HRK/USD, H1 2010: 5.4734 HRK/USD., fpr Q2 2009: 5.4205, for Q2 2010: 5.6857 HRK/USD.

In the first half of 2010 INA Group has recorded improved operating results compared to the same period last year, generating HRK 2.7 billion EBITDA (+26%) and HRK 1.3 billion operating profit (a growth of 137%) excluding one-off items from continuing operations. The improvement was a result of increased hydrocarbon production from North Adriatic and Syria, improving economic environment through increasing crude oil prices and higher realized refinery margins (through partially more favourable product slate and crack spread) and a reduction of operating costs. These positive impacts were partially compensated by lower refined product sales, reflecting still depressed market demand. Gas trading narrowed its losses as a result of the partial implementation of an agreement reached between the two largest shareholders of INA, the Croatian Government and MOL, but this activity (classified as discontinued operation due to the agreement to sell Prirodni Plin to the Government by December 2010) was still recording losses of over HRK 300 million (USD 60 million) in the first half of the year.

At the same time, first half net income from continuing operations excluding special items was HRK 125 million (down by HRK 318 million compared to H1 2009) due to the forex losses hitting financial results by over HRK 1 billion, due to the significant, 16% strengthening of the US dollar against the Kuna. Majority of the forex loss was unrealized resulting from the current debt level and currency mix of INA, highlighting the need for optimization of the debt structure and recapitalization of the Company.

During the first half of 2010 management's focus remained on improving efficiency of operations and reducing operating expenses. Key investment programmes (modernisation of Rijeka and Sisak refineries and development of Upstream projects in Syria and North Adriatic), are continuing towards completion, but overall capex levels have been adjusted to the current financial position of INA Group reaching HRK 1.5 billion in the first six months (lower by 32% than compared to 2009). With the financial assistance of our strategic partner and utilizing further external funds, INA Group managed to resolve overdue liabilities towards the state.

Continued investment programmes, improved financial situation through recapitalization and further efficiency improvement steps will secure future growth and INA's competitive position on the market.

INDUSTRIJA NAFTE, d.d.

Continuing operations

- **Exploration and Production**: operating profit from continuing operations excluding one off items in H1 2010 amounted to HRK 2,365 million (USD 432 million), doubled on H1 2009 primarily as a result of higher hydrocarbon production as a result of a higher production share and new field commissioning in the North Adriatic, the start-up of Jihar oil and gas station in Syria as well as a changed accounting for the Angolan crude that off set the natural decline of crude production in Croatia and Egypt. Average realised crude oil price was also up 56% and operating costs have been reduced.
- **Refining and Marketing**: In H1 2010, the segment generated an operating loss excluding one-off items of HRK 207 million (USD 38 million), HRK 65 million more than in H1 2009, mainly as a result of significant decrease of market demand both in Croatia and the region. This negative trends were mitigated by the optimised crude oil procurement process, processing of Azeri light crude yielding a better product slate, more favourable margins and lower operating costs.
- **Retail segment** generated an operating profit of HRK 7 million or one million USD (excluding special items) in H1 2010, slightly below H1 2009 level of HRK 8 million, despite the sales decreased by 6.7% mainly due to depressed retail demand. Reduced operating costs and improved efficiency could offset major part of the decline in sales volumes.
- **Corporate and Other**[1]: This segment recorded an operating loss excluding one off items of HRK 877 million (USD 160 million) in H1 2010, which was HRK 373 million higher than in H1 2009 excluding one off items coming from the financial expenses slightly offset by lower other operating costs as a result of cost-cutting measures.
- **Net loss from financial activities** of continuing operations increased by HRK 942 million compared to H1 2009 and amounted to HRK 1,088 million in H1 2010. Forex losses on credit facilities of HRK 908 million were recorded in H1 2010 compared to a forex gain of HRK 8 million in H1 2009. The interest expense was HRK 26 million down on H1 2009 while other financial expenses were HRK 52 million higher compared to H1 2009.
- **Capital expenditures:** In H1 2010 capex decreased by HRK 715 million compared to H1 2009 as we are nearing completion of some key programmes and adapted our investment budget to current market conditions, financial position and cash generating capabilities. Total investments amounted to HRK 1,508 million (USD 276 million), of which Exploration and Production accounted for HRK 785 million, primarily for development operations in Syria and North Adriatic, while Refining and Marketing spent HRK 709 million, majority of which spent on refinery modernisation.

Discontinued operations

- In H1 2010, the operating loss from discontinued activities amounted to HRK 312 million, HRK 269 million down on the same period in 2009 mainly as a result of lower negative differential between the selling price of gas and the price of imported gas. However the negative results still reflected the fact that the company was only able to sell its natural gas at a lower price than the weighted average price of import price and domestic production price, due to the fact that negotiations with some large eligible customers for new contracts are still ongoing and there was no change in tariff consumer prices since 1 January 2010. Pursuant to the Gas Master Agreement signed on 30 January 2009 between the Croatian Government and MOL, INA is to withdraw from the regulated part of the gas business value chain with a deadline of 1 December 2010, and its gas trading company was planned to operate without generating losses in 2010 (on an annual basis). Discontinued operations generated HRK 16 million losses from financial activities in H1 2010.

Overall operations

- **As total, INA Group**, with the HRK 220 million net profit generation of continuing operations in H1 2010 and with the contribution of HRK 328 million loss of the gas trading business, realised a net loss of HRK 108 million.
- **Operating cash flow:** The operating cash-flow before working capital changes amounted to HRK 1,776 million. In H1 2010 the changes in working capital decreased the operating cash flow by HRK 741 million, primarily as a result of higher value of inventories (by HRK 927 million) and higher trade debtors (by HRK 128 million), while trade creditors rose by HRK 314 million.
- **Net indebtedness:** INA Group net indebtedness increased to HRK 9.7 billion compared to HRK 8.2 billion as at 31 December 2009 while its gearing[2] as at 30 June 2010 was 45.3%, growing as a result of repaying overdue tax liabilities while sustaining significant level of capex.

1 Includes Corporate Functions and subsidiaries providing safety and protection services, technical services, corporate support and other services.
2 Net debt / net debt plus equity incl. minority interests

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

"In the first half of 2010 we continued the decisive financial consolidation trend for INA: we boosted operating results mainly reflecting higher upstream production in a better external price and currency environment and due to somewhat recovering refinery margins. We eliminated overdue tax obligations towards the state and municipalities and started decisive debt collection actions against non-paying consumers. However, as a result of the still intensive capital expenditure programmes, a marked strengthening of the USD resulted in higher indebtedness and due to increased FX volatility, the level of net income decreased and together with gas trading losses was still in negative territory

In Upstream we have completed successful testing of the well at Podravska Slatina – Dravica project in partnership with MOL, confirming a significant commercial gas discovery. This success confirms the strategy of paying more attention to the recently underexplored Croatian onshore. At our filling stations we completed the introduction of own produced EURO V products with which INA is meeting highest European standards. This puts the quality of the fuels at INA's nationwide leading retail network at par with any foreign chain.

INA remains one of the country's strongest investors focusing on key projects like North Adriatic production and refinery modernisation which would guarantee the company's future bring added value to all shareholders. In the future, the company will focus strongly on the identification of new, value creating upstream projects to replace reserves, further profitable developments in its refining system, the segmented but intensive modernisation of its retail network and new opportunities like strengthening Croatia's energy infrastructure through participation in the LNG terminal and new gas storage facilities. Improving liquidity together with the consolidation of the financial position still remains one of the key tasks for the management. Financial strength have be improved through optimization of the current debt structure while further efficiency improvement steps will also be implemented."

Overview of the macro environment

The global economy experienced a period equally characterized by rapid economic recovery and renewed market turbulence during Q2 2010. This dichotomy was reflected in the IMF's latest economic update, which revised its global growth forecast upwards from 4.3 to 4.6% for 2010, but warned at the same time that downside risks to the recovery have risen markedly. The continuing rapid growth was fuelled mainly by Asian economies, Brazil and the US, while financial stress arose when sovereign debt concerns related to Greece began to spill over to other Eurozone economies with high public debt and low growth potential, causing them serious liquidity problems on debt markets. The Eurozone debt crisis resulted in sharp currency, equity and commodity price movements. With the unprecedented EUR 750 bn stabilization package, the Eurozone managed to reduce sovereign risks in the short-term, but defaults and further financial stress can only be avoided through painful and politically difficult structural reforms and fiscal consolidation. The sovereign debt crisis also enforced a faster-than-expected shift from fiscal expansion to fiscal tightening in many advanced economies, which may have a negative effect on future growth prospects. Persistently high unemployment rates in developed economies (likely to remain above 8% through 2011 in the OECD) as well as the likely moderation of breakneck growth in China add further to the downside risks to the global recovery. Growth prospects in the Eurozone remain sluggish on weak domestic demand. The Eurozone recovery so far has been driven by exports (most notably from Germany), which have received a welcome boost from the weaker euro recently.

Oil prices remained mostly within the 70-85 USD/bbl range during Q2 2010, but some volatility returned to the oil markets following the sudden shift of market sentiment after the Eurozone debt crisis. As a result, the oil price went briefly through the roof of the range in late-April, only to test its low end by mid-May and return to around 75 USD/bbl by the end of the period. The Dated Brent averaged at 78.2 USD/bbl in Q2 2010, 2.5% higher than in the previous quarter and 32.3% higher than a year ago. The strong economic activity worldwide throughout the quarter underscored the modest q-o-q price increase, but historically high inventories (with OECD commercial stock standing at 61 days of forward demand cover at the end of May), OPEC spare capacity constantly above 6 mn bbl/day and a somewhat subdued level of financial investment into oil futures due to the strong dollar provide a cushion against sudden spikes. Further turbulence related to the Eurozone debt crisis can still cause significant price volatility. On the other hand, the Gulf of Mexico oil disaster is expected to result in higher marginal production costs, which may put an upward pressure on oil prices in the longer term. The demand recovery is still driven by non-OECD economies and recently by North America, but demand in other advanced economies, particularly in Europe remains sluggish at best. Overall, the IEA estimates that global oil demand grew by 0.6 mn bbl/day to 86.6 mn bbl/day in Q2 2010 from the previous quarter, which corresponds to a 3.2% y-o-y increase.

Refining margins remained below the 5-year average during Q2 2010. Diesel crack spread has increased during Q2 reaching 86.8 USD/t, while gasoline, fuel oil and LPG crack spreads shown negative movement reflecting market conditions and continuously low refinery utilization rates in the recessionary environment.

The CEE region so far has weathered the European sovereign debt crisis relatively well, and macroeconomic indicators suggest that the moderate recovery likely continued during Q2 2010. Nevertheless, the recovery in the region remains weak, uneven, fragile and almost entirely driven by the external sectors, while domestic demand remains weak. The good news for the region is that growth in Germany, the most important trading partner for the majority of CEE economies appears to be resilient to the Eurozone debt crisis due to its highly competitive export sector benefiting from the weaker euro. Moreover, regional currencies (HUF, PLN, CZK, RON) weakened even relative to the euro, which allowed the small export-oriented economies of the CEE region to benefit from the global recovery. The foremost downside risk to the region's recovery is continuing sovereign debt concerns related to the vulnerable European economies, which may further diminish risk appetite, increase credit default swap spreads and cause further volatility in the currency as well as in the equity markets of the region. Reemerging problems within the European banking sector add further to the downside risks, and a potential slowdown in the Eurozone can also derail the nascent export-driven recoveries of the CEE region. The inevitable fiscal consolidation as well as the high unemployment rates (at around 10% in most CEE economies) may weaken longer-term growth prospects as well.

In Croatia the economy is still experiencing negative indices. However, the negative GDP growth rate dropped to 2.5% in the first quarter indicating the slowing of the negative economic growth best seen in lower negative growth rates in personal and state consumption. Personal consumption was under the influence of the real and nominal wages decrease together with reduced loans to the population, all reflected in tightening of the demand. Decreased demand influenced the production of goods and services, so the domestic industrial production fell 4.0% in June compared to June 2009, or 2.7% compared to the previous month. Consumer durables and intermediate goods have experienced the most significant decrease. The prices of goods and services for personal consumption increased by 0.7% and on the annual average by 1.1% measured by consumer price indices compared to June 2009, at the annual level. Inflationary pressures were relatively low, and were mirroring lower demand and an increase in energy prices. During Q2 the Government introduced a number of measures within the Economic Recovery Programme which should increase the competitiveness of Croatian economy and bring stable and sustainable growth in the future.

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Exploration and Production*

Q1 2010	Q2 2010	Q2 2009	%	Segment IFRS results (HRK million)	H1 2009	H1 2010	%
2,495	2,195	1,373	59.9	Revenues continuing operations	3,083	4,690	52.1
269	142	456	(68.9)	Revenues discontinued operations**	1,186	411	(65.3)
1,175	1,524	699	118.0	Operating profit/(loss) continuing operations	1,482	2,699	82.1
(199)	(113)	(222)	(49.1)	Operating profit/(loss) discontinued operations	(581)	(312)	(46.3)
1,522	1,928	1,237	55.9	EBITDA continuing operations	2,347	3,450	47.0
(114)	(35)	(222)	(84.2)	EBITDA discontinued operations	(581)	(149)	(74.4)
516	269	827	(67.5)	CAPEX and investments	1,643	785	(52.2)

*Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Crosco Group, INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Podzemno skladište plina d.o.o. until on 30 April 2009, Prirodni plin d.o.o.
**Internal sales excluded.

Q1 2010	Q2 2010	Q2 2009	%	Hydrocarbon Production (gross figures before royalty)	H1 2009	H1 2010	%
194.3	179.3	171.0	4.8	Crude oil production (kt) *	342.2	390.9	14.2
121.6	118.0	132.3	(10.8)	Croatia	264.2	239.7	(9.3)
72.7	61.2	38.8	58.0	International	78.0	151.2	94.0
600.0	655.4	513.9	27.5	Natural gas production (m cm, net dry)	1,033.9	1,255.4	21.4
239.3	235.3	268.4	(12.3)	Croatia on-shore	537.1	474.7	(11.6)
301.5	353.9	206.9	71.0	Croatia off-shore	417.1	655.4	57.1
59.1	66.2	38.6	71.6	Syria	79.7	125.3	57.2
65.9	64.1	67.8	(5.5)	Condensate (kt)	135.2	129.9	(3.9)
16,084.2	16,207.7	13,557.7	19.5	Crude oil (boe/d)	13,809.9	16,146.3	16.9
7,770.1	7,100.4	7,974.7	(11.0)	Natural gas Condensate (boe/d)	7,970.6	7,433.4	(6.7)
39,246.4	42,388.5	33,240.8	27.5	Natural gas (boe/d)	33,625.0	40,826.1	21.4
19,723.1	22,887.4	13,383.8	71.0	o/w Croatia off-shore (boe/d)	13,565.2	21,314.0	57.1
63,100.7	65,696.6	54,773.2	19.9	Total hydrocarbon prod. (boe/d)	55,405.5	64,405.9	16.2

*Excluding separated condensate

Q1 2010	Q2 2010	Q2 2009	%	Average realised hydrocarbon price	H1 2009	H1 2010	%
65.1	68.0	48.7	39.6	Crude oil and condensate price (USD/bbl)	42.8	66.6	55.6
54.8	57.9	48.3	19.9	Total hydrocarbon price (USD/boe)*	45.4	56.1	23.5

*Calculated based on total external sales revenue including natural gas selling price (discontinued operation) as well

Q1 2010	Q2 2010	Q2 2009	%	Hydrocarbon production cost (USD/boe)	H1 2009	H1 2010	%
9.4	11.1	10.5	5.9	Croatia - onshore	10.3	10.8	4.7
16.2	9.8	15.7	(37.4)	Croatia - offshore	15.9	12.0	(24.3)
30.3	34.0	-	n.a.	Angola*	-	32.1	n.a.
13.6	17.9	5.2	243.6	Egypt	9.0	15.7	74.8
4.9	4.3	7.2	(39.4)	Syria	5.4	4.9	(9.9)
11.7	10.6	11.3	(6.9)	Average	11.3	11.2	(0.6)

*Angola full year cost are posted for a single crude oil delivery in Q4 2009. while Q1 2010 calculation included only Q1 costs. Average Q1 2010 hydrocarbon production costs without Angola amounted to 11.2 USD/boe, Q2 2010 10.0 USD/boe, H1 2010 10.7 USD/boe.

Q1 2010	Q2 2010	Q2 2009	%	Natural Gas Trading (M cm)	H1 2009	H1 2010	%
304.3	388.2	251.2	54.5	Natural gas imports (net dry)	530.5	692.5	30.5
976.4	548.4	456.8	20.1	Natural gas sales on domestic market (net dry)	1,330.9	1,524.8	14.6

Q1 2010	Q2 2010	Q2 2009	%	Natural gas price differential to import prices (HRK/m^3) *	H1 2009 *	H1 2010	%
(383.31)	(585.26)	(590.71)	(0.9)	Eligible customers' price	(911.08)	(431.58)	(52.6)
(140.40)	(569.94)	(891.26)	(36.1)	Tariff customers' price	(1,352.50)	(288.14)	(78.7)
(290.63)	(585.72)	(687.57)	(14.8)	Total price	(1,161.71)	(390.20)	(66.4)

*Recalculated based on prices in HRK/m^3 for the purpose of providing comparable data.

Continuing operation

In Q2 2010 the Upstream operating profit, excluding one-off items, increase slightly to HRK 1,190 million compared to a HRK 1,175 million operating profit in Q1 2010 as the positive impact of the higher hydrocarbon prices and weaker Kuna against the Dollar was partly offset by the lower sales volume. The reported operating profit was improved by HRK 334 million one-off gain as a result of the redefinition of cash generating units and amounted to HRK 1,524 million in Q2 2010.

The Q2 operating profit, excluding special items shows a strong increase over Q2 2009 figure of HRK 396 million. This favourable result is mainly coming from 19.9% increase in average daily hydrocarbon production and 19.9% increase of total realised hydrocarbon price.

In H1 2010, Upstream operating profit, excluding one-off[3] items almost doubled vs. H1 2009 and amounted to HRK 2,365 million. The main reasons for the profit improvement were the 16.2% hydrocarbon production and the 23.5% higher average hydrocarbon price, which were partly compensated by the slightly stronger Kuna against the Dollar.

Average daily hydrocarbon production In H1 2010 was 64,406 boe, increased by 16.2% compared to H1 2009 as the increasing contribution of the key development projects more than offset the production decrease of the mature fields. INA's H1 2010 share of North Adriatic gas production increased by 57.1% compared to H1 2009, in accordance with the Production Sharing Agreement and as a result of putting in operation new gas fields. Croatian on-shore natural gas production decreased by 11.6% due to the natural depletion. Natural gas production outside Croatia increased by 57.2% compared to H1 2009, after the start-up of the oil and gas station Jihar in Syria. International crude production rose by 94%, compared to H1 2009 because of a higher production in Syria and Angola (changed accounting for Angolan crude production) which compensated for lower production in Egypt. Onshore domestic crude production declined by 9.3%.

Upstream revenues in H1 increased by 52.1% compared to the same period 2009 primarily as the result of stronger hydrocarbon production coupled with higher sales volumes and higher average crude price compared to H1 2009.

Average production costs decreased slightly to 11.2 USD/boe in H1 2010. Average production cost in case of the development projects decreased significantly: in Syria by 9.9% and in Croatian off-shore by 24.3%. In Egypt the average production cost increased significantly as the lower production quantities coupled with higher service cost. The average cost of onshore domestic production was a result of 7% lower operating costs and a 10% lower production.

Exploration and Production segment's CAPEX in H1 2010 decreased by HRK 858 million in comparison with H1 2009. Investments into tangible assets were HRK 872 million lower caused by slow down of domestic onshore activities, lower investments in development on Syrian, Egyptian and North Adriatic projects than in H1 2009, while the investments into intangible assets were HRK 14 million higher.

During Q2 on the joint INA/MOL exploration project on the Podravska Slatina-Zalata contract area (Zalata-Dravica field) testing confirmed commercial gas reserves in the Croatian part of the exploration field. Measurements at the depth of 3,170 meters indicated gas flow of 370,000m^3/day and some condensate. The more precise appraisal of the new reservoir will follow after the interpretation of data from 3D surveys and the completion of the reservoir study. In the following period both partners will focus on the development of the discovered field to enable putting it on stream and connecting to the gas infrastructure system.

Discontinued operations

In H1 2010, the operating loss from discontinued activities amounted to HRK 312 million, HRK 269 million down on the same previous year period mainly as a result of lower negative differential between the selling price of gas and the price of imported gas. This reflected the fact that the company still was only able to sell its natural gas volumes at a markedly lower price than the weighted average price of import price and domestic production price, but this gap has been reduced from the last year level. According to the First Amendment to the Gas Master Agreement signed by MOL and the Croatian Government INA is expected to withdraw from the regulated part of the gas business value chain, until 1 December 2010, and the gas trading company was planned to operate without generating losses in 2010 (on an annual basis), but negotiations with some large eligible customers with whom new contracts still have to be concluded are ongoing.

The average price of imported gas went down by 25% in the H1 2010 and it amounted to 2.022 HRK/m^3.The negative differential between the selling price of gas and the price of imported gas decreased by 66% in the reviewed period.

3 Due to the redefinition of cash generating units corrections of impairment amounted to HRK 334 million. Now the contracts areas are cash generating units unlike the prior periods when it was production fields or countries.

Refining and Marketing*

Q1 2010	Q2 2010	Q2 2009	%	Segment IFRS results (HRK million)	H1 2009	H1 2010	%
2,970	3,472	3,338	4.0	Revenues	6,009	6,442	7.2
(118)	(204)	(36)	n.a.	Operating profit/(loss) reported	(156)	(322)	106.4
(19)	(93)	119	n.a.	EBITDA	103	(112)	n.a.
323	386	381	1.3	CAPEX and investments (w/o acquisition)	529	709	34.0

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb. Proplin. Crobenz. Osijek Petrol. Interlna Ljubljana. INA BH Sarajevo. Holdina Sarajevo. INA Hungary. FPC London. INA -Crna Gora. INA Beograd. INA Kosovo. Interina Holding London. Holdina Guernsey.

Q1 2010	Q2 2010	Q2 2009	%	Refinery processing (kt	H1 2009	H1 2010	%
103	119	120	(0.4)	Domestic crude oil	255	223	(12.7)
863	799	1,010	(20.9)	Imported crude oil	2,026	1,662	(18.0)
34	34	37	(8.1)	Condensates	74	68	(8.2)
47	45	33	34.9	Other feedstock	149	92	(37.9)
1,048	997	1,200	(16.9)	Total refinery throughput	2,504	2,045	(18.3)
Q1 2010	**Q2 2010**	**Q2 2009**	**%**	**Refinery production (kt)**	**H1 2009**	**H1 2010**	**%**
209	214	232	(7.8)	Motor gasoline	488	423	(13.3)
228	258	318	(18.7)	Diesel	569	487	(14.5)
76	35	43	(17.7)	Heating oil	144	111	(22.9)
13	26	25	1.7	Kerosene	39	39	(0.2)
20	17	42	(60.2)	Naphtha	85	37	(56.6)
10	21	37	(42.4)	Bitumen	52	31	(40.2)
368	321	362	(11.3)	Other products	840	689	(17.9)
925	892	1,059	(15.8)	Total	2,217	1,817	(18.0)
8	8	7	16.9	Refinery loss	13	16	20.5
116	97	134	(27.6)	Own consumption*	274	213	(22.5)
1,048	997	1,200	(16.9)	Total refinery throughput	2,504	2,045	(18.3)
Q1 2010	**Q2 2010**	**Q2 2009**	**%**	**External refined product sales by country (kt)**	**H1 2009**	**H1 2010**	**%**
467	504	584	(13.7)	Croatia	1,252	971	(22.5)
79	104	175	(40.5)	B&H	299	183	(38.7)
285	286	325	(11.9)	Other markets	614	571	(7.0)
831	894	1,084	(17.5)	Total	2,165	1,725	(20.3)
Q1 2010	**Q2 2010**	**Q2 2009**	**%**	**External refined product sales by product (kt)**	**H1 2009**	**H1 2010**	**%**
227	208	219	(4.9)	Motor gasoline	493	436	(11.7)
237	325	327	(0.6)	Diesel	608	561	(7.6)
107	4	(98)	(104.1)	Heating oils	145	111	(23.4)
13	31	26	23.1	Kerosene	40	44	9.3
27	14	40	(63.7)	Naphtha	86	41	(52.1)
10	20	38	(46.3)	Bitumen	51	31	(40.1)
210	291	533	(45.5)	Other products*	742	501	(32.5)
831	894	1,084	(17.5)	Total	2,165	1,725	(20.3)
235	295	257	14.7	o/w Retail segment sales	517	530	2.3
596	599	827	(27.6)	o/w Direct sales to other end-users	1,648	1,195	(27.5)

*Other products = LPG. FCC gasoline. petrol components. other gasolines. benzene-rich cut. other diesel fuels and components. fuel oils and components. liquid sulphur. coke. motor oils. ind. Lubricants. base oils. spindle oil. waxes. blend. gas oil "M". atmosp. Residue. intermediaries. and other

Refining & Marketing operating loss excluding one-off items amounted to HRK 89 million in Q2 2010 and has decreased by HRK 29 million compared to Q1 2010. The result was positively influenced by the seasonal increase of sales on the domestic and B&H market and the mixed, but slightly more favourable external environment: the BMB Euro 95 (V) spread declined by 5%, but remains on a relative healthy level; the spread on Eurodiesel was risen by 26.4 USD/t; negative heavy fuel oil crack spread increased by 18.5 USD/t. Meanwhile the total refinery throughput was decreased, mostly as a result of the planned Rijeka Refinery shutdown in April. Additionally, Q2 operations were influenced by the additional cost triggered by exchanging products in logistic terminals to introduce the Euro V quality products which are since the end of the Q2 distributed in the whole retail network. Reported Q2 2010 operating loss which amounts to HRK 204 million includes negative one-off effect of changes in value of inventories in the amount of HRK 115 million due to the changes in valuation method.[4]

4 Value of inventories at the end of the period was calculated on the basis of the cost price of domestic crude oil and not on the basis of the transfer prices.

Comparing to Q2 2009, operating loss excluding one off items was increased due to the decreased sales coming strong shrinkage of the overall market both in Croatia and the neighbouring countries and increased costs due to the planned turnaround of Rijeka refinery. R&M results have been positively influenced by the processing of Azeri light yielding a better product slate and 25.5 USD/t more favourable average crack spread, while the downside were 190 kt (or 18%) lower sales and 33.2% higher price of Brent crude FOB-Med.

The H1 2010 operating loss excluding one-off items of Refining and Marketing amounts to HRK 207 million and was increased HRK 65 million compared o H1 2009. The result was negatively influenced by the drop in sales volumes, especially on the domestic and B&H market, due to the shrinkage of the overall market demand, combined with high proportion of negative margin products, as well as by the costs relating to the EURO V products introduction and the Rijeka Refinery maintenance shutdown in March and April. However, these H1 negative effects, as mentioned before, have shown an improving trend during Q2. Reported H1 2010 operating loss amounts to HRK 322 million.

External environment in H1 2010 showed improved, but mixed picture in comparison with the first half of 2009. It has been predominantly marked by higher prices of crude and higher gasoline spreads. In H1 2010, the price of crude rose by 50% - from 51.7 USD/bbl to 77.3 USD/bbl, and the average spreads went up – FOB Med Italy by 38.8% (from 23.7 USD/t to 32.9 USD/t). For gasolines, the BMB EURO 95 (V) spread increased from 111.4 USD/t in H1 2009 to 135.0 USD/t in H1 2010, while the EURO (V) diesel spread declined from 80.3 USD/t to 73.6 USD/t. The LPG spread jumped from 61.8 USD/t to 105.2 USD/t. The negative fuel oil spread increased significantly, from – 117.3 USD/t to -151.3 USD/t, which decreased the result. The US dollar rate against the HRK was on average 1.4 % lower compared to H1 2009 but was significantly strengthening by the end of the first half of the year.

Lower demand of oil products, due to the still weak economic environment, resulted in 20% or 440 kt lower sales of refined products. Domestic sales dropped by 281 kt or 23%. Exports dropped by 17%. Total motor gasoline sales were 12% lower, and diesel sales dropped by 8%. Own-produced Euro V grade products are sold at INA retail outlets since early April.

As a result of our improved crude oil optimization, both refineries processed Azeri light crude as well (625 t), yielding higher share of valuable motor fuels on the expense of black products. In addition, the production of EURO V grade motor fuels was started and their distribution to INA retail network and in wholesale to domestic and BiH customers was commenced. On the other hand refined volume was 18% lower in H1 2010 compare to previous year, primarily due to the planned maintenance shutdown at Rijeka Refinery in March and April, and as a result of the economic slowdown and lower domestic and regional fuel demand

Disciplined H1 2010 capital investments in R&M focused on refinery modernisation, 75% of total HRK 709 million CAPEX (HRK 180 million higher than in H1 2009) was spent on modernisation. Within the scope of the first phase of the modernisation programme, at Rijeka Refinery construction works at the Urinj mild hydrocracking complex (hydrocracking, hydrogen generation, desulphurisation and ancillary units) are in progress, expected to be completed in late summer. After its completion Rijeka Refinery will produce only Euro-V standard gasoline and diesel fuel. The projects scheduled for execution in the second phase of the refinery modernisation are in the preparation phase. At Sisak, the FCC-gasoline hydrodesulphurization unit was completed in 2008. Since 2009 the Refinery has been producing low-sulphur (20 ppm) components for blending EURO-IV/V gasoline grades since 2009. The engineering of the isomerisation unit has been completed and the construction is underway. The unit will improve the gasoline octane pool and its completion is expected in H2 2010.

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Retail Services*

Q1 2010	Q2 2010	Q2 2009	%	Segment IFRS results (HRK million)	H1 2009	H1 2010	%
1,233	1,667	1,504	10.8	Revenues	2,651	2,900	9.4
(116)	23	(135)	n.a.	Operating profit/(loss)	(139)	(93)	(33.1)
(3)	82	24	241.7	EBITDA	69	79	14.5
2	8	5	50.0	CAPEX and investments (w/o acquisition)	15	9	(40.0)

* Refers to Retail INA. d.d. and Petrol Rijeka and retail of subsidiaries: Proplin. Crobenz. Osijek Petrol. Interina Ljubljana. Holdina Sarajevo. INA - Crna Gora

Q1 2010	Q2 2010	Q2 2009	%	Refined product retail sales (kt)	H1 2009	H1 2010	%
88	107	112	(4.3)	Motor gasoline	207	195	(5.6)
140	182	187	(2.5)	Gas and heating oils	342	322	(6.1)
10	11	13	(16.3)	LPG	27	21	(23.1)
1	1	1	(12.7)	Other products	2	2	(15.7)
239	301	313	(3.8)	Total	578	540	(6.7)

Q1 2010	Q2 2010	Q2 2009	%	Refined product retail sales (kt)	H1 2009	H1 2010	%
226	287	299	(4.0)	Croatia	553	513	(7.1)
8	10	10	(0.2)	B&H	18	18	(0.3)
4	4	4	11.4	Other markets	7	8	8.3
239	301	313	(3.8)	Total	578	540	(6.7)

Retail Services' operating profit excluding one-off items in Q2 2010 amounted to HRK 49 million compared to HRK 42 million operating loss in Q1 2010. This improvement is mainly coming from increased sales volumes (sales volumes increased 26% q-on-q in 2010) due to the seasonal trends.

Operating profit excluding special items improved comparing to Q2 2009 by HRK 37 million, as well. Reported operating profit in Q2 2010 amounted to HRK 23 million.

In H1 2010 Retail segment has generated an operating profit of HRK 7 million (excluding special items) which is just below the H1 2009 level of HRK 8 million as the negative impact of the lower sales volumes was almost offset by reduced costs. Reported H1 2010 operating loss which amounts to HRK 93 million includes HRK 100 million negative one-off effect of impairment.

Overall retail market experienced a significant downfall in comparison with 2009 due to the difficult conditions in economic environment and a general slowdown of economic activity in Croatian. These circumstances also effected INA Group Retail segment which had a 6.7% decrease in sales in H1 2010 and 3.8% in Q2 2010 if compared to the same periods of the previous year. However the decline in sales was substantially offset by management activities undertaken to decrease operating costs and improve the efficiency.

Total retail sales volumes in H1 amounted to 540 kt, o/w 59.6% diesel, 36.2% gasoline, 3.9% LPG and other products 0,3%. In comparison with H1 2009, when 578 kt was sold it was a downfall by 6.7%. In terms of structure, LPG recorded a visible decrease in sales (23.1%), gasoline decreased 5.6% and diesel 6.1%. On the other hand, looking at sales volume in Q2 2010 and Q2 2009 the result is showing less unfavourable trend with total sales volumes decreasing 3.8%.

Q2 2010 sales volumes are showing a significant improvement vs. Q1 2010, a 26% increase over Q1 2010. However, the reason behind this is increase of seasonal character but with a stronger intensity than 2009, when the same relation showed 18.9% in favour of Q2. Having in mind the seasonal effects and the beginning of the tourist season the increasing trend in sales results is expected to continue.

As at 30 June 2010 the retail segment operated 489 petrol stations (of which 437 in Croatia; 45 in Bosnia-Herzegovina, 6 in Slovenia and 1 in Montenegro), what is one station more than as at 30 June 2009 and 31 March 2010. By the beginning of July INA has completed the process of introduction of EURO V products meeting highest European standards, at the INA network level. New Euro products contribute to the petrol stations offer and respond to market changes and consumer requests.

Average throughput per site in H1 2010 decreased in line with the decrease of total sales on network level (6.7%) because the number of stations in operation was stable in H1 2009 and in H1 2010.

Financial overview

Operations

The Croatian Government and the Hungarian company MOL have signed the Gas Master Agreement, a framework agreement regulating some major issues of future gas market and supply in Croatia.
By implementing above agreement, the gas storage business was transferred to the fully state-owned company Plinacro d.o.o. on 30 April 2009. On 16 December 2009, MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for taking over the gas trading business was extended until 1 December 2010 and the gas trading company was planned to operate without generating losses in 2010 (on an annual basis).
As the gas trading business represents a separate major line of business as defined in IAS 5, the company has presented the related results as the results from discontinued activities.
In accordance with the First Amendment to the Gas Master Agreement the Croatian Government resolved on the new gas price for tariff customers which would cover the cost of gas procurement. Supply contracts were concluded with prices set according to an escalation formula to cover the costs of gas procurement during the year. Negotiations with some large eligible customers are still ongoing.

On 7 April 2010, INA, d.d concluded a sale contract under which its 100% interest in Crobenz d.d. was sold to Croatian Petrol Stations, an associate company of Progress Trading, member of the Slavia Capital Group. The sale process was initiated based on INA's obligation under the decision of the Croatian Competition Agency of 9 June 2009. Following the signing of the First Amendment to the Shareholders Agreement between the Croatian Government and MOL on 30 January 2009, MOL's gaining the operational control over INA had been investigated by the Croatian Competition Agency, upon which the Agency passed its final Decision on 9 June 2009 approving the transaction under certain conditions including the sale of INA's 100% ownership in Crobenz d.d. The Market Competition Council resolved not to accept Croatian Petrol Stations as the buyer of Crobenz d.d. The company had been recommended by MOL following the Agency's decision on conditionally permitted MOL/INA business concentration of 9 June 2009. The Council decided that the disposal of Crobenz should be effected, in line with the Agency's decision, by a commissioner within three months starting as of 21 April 2010. On 17 May 2010, the appointed commissioner started the process of Crobenz d.d. full disposal (including both the wholesale and retail trading of petroleum products).

Significant accounting judgements and estimates

INA Group reclassified income and costs of interests and foreign exchange differences of buyers and suppliers from financial activities to operating activities.
In North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating units
In Q3 and Q4 of 2009 INA Group has recalculated and recorded impairment losses and provisions, basis for which have incurred during the first half of the year. For the purpose of providing comparable financial data throughout the quarterly periods within 2009, mentioned adjustments were recorded to the relating period, instead of the period when they were identified.

Continuing operations

Net sales revenues generated by INA Group [5] in H1 2010 amounted to HRK 10.9 billion and they were 17% higher compared to H1 2009, mainly as a result of higher revenues from refined product sales (higher prices and lower sales), natural gas sales (higher sales and higher prices) and crude oil exports (higher volumes because of changed accounting for the sales of Angola crude[6] and higher crude production in Syria but also higher prices).

In H1 2010, the costs of raw materials and consumables rose by 21% over H1 2009, mainly because of 25% higher cost of imported crude as its average price rose by 52% (the average price of Brent FOB Med was up by 50% on the world market) while the volume of refined crude was 18% lower. The value of finished goods and WIP inventories rose by HRK 673 million compared to the opening balance while as at 30 June 2009, it was HRK 178 million higher. The cost of goods for resale of HRK 1,412 million was up by 71%, primarily due to significantly higher imports of EURO IV grade motor fuels. The costs of services of HRK 1,928 million were down by HRK 144 million, mainly as a result of cost-cutting measures and lower production costs, costs of geological works, contractual tax liabilities, subsequently granted discounts and maintenance costs. Depreciation rose by 13% to HRK 882 million because of assets put in use upon completion of projects. Adjustments and provisions of HRK 380 million were 337 million lower, with asset impairments HRK 196 million lower and provisions HRK 127 million lower. In H1 2009, impairment loss recognized on the increased field abandonment provision, impairment of assets at some petrol stations due to changed parameters and litigation costs had been recorded. Total staff costs increased by 1% compared to H1 2009. The headcount as at 30 June 2010 was 16,272 – 3% down on the 30 June 2009 number (16,722).

Financial activities in H1 2010 recorded a loss of HRK 1,088 million, HRK 942 million up on the H1 2009 loss.

[5] Consolidated sales
[6] Until 2009 Angola crude oil shipment was recorded in the last quarter while in 2010 the production is recorded monthly.

Net forex losses on credit facilities amounted to HRK 908 million and they are HRK 916 million higher than in H1 2009. The interest expense of HRK 70 million is 26 million down on H1 2009, primarily as a result of the positive effect of lower interest on long-term debt. Other financial expenses are HRK 52 million higher compared to the H1 2009 and amounted to HRK 110 million.
As a result of harmonisation with MOL's reporting structure, the interest and forex differences on trade debtors and creditors have been reclassified in INA's business books from financial activities into operating activities. They show a negative result for H1 2009 of HRK 151 million, while negative effect on operating profit in H1 2010 amounted to HRK 508 million.

The profit tax calculated on continuing operations for H1 2010 is HRK 92 million compared to HRK one-million deferred tax in H1 2009.

Discontinued operations

In H1 2010, discontinued operations (natural gas trading) generated a net loss of HRK 328 million (HRK 193 million smaller than in the same period last year). This reflected the fact that the company still was only able to sell its natural gas volumes at a markedly lower price than the weighted average price of import price and domestic production price (increasing gradually towards the import price level as stipulated in the First Amendment to the Gas Master Agreement signed between the two largest shareholders of INA, the Government of Croatia and MOL), but this gap has been reduced from last year's level. Although it was planned that the natural gas trading company would operate without generating losses in 2010, discontinued operations recorded a loss for the quarter resulting from the still ongoing negotiations with some large eligible customers with whom new contracts still have to be concluded.
Operating loss from discontinued operations is HRK 269 million lower compared to H1 2009, mainly as a result of lower negative differential between the average gas selling prices and import prices, and amounted to HRK 312 million. From financial activities, the loss from fair valuation of embedded derivatives in host contracts was HRK 54 million lower and in H1 2010 it amounted to HRK 16 million. The effect of deferred taxes in Q1 2010 was not record, while it amounted to HRK 130 in H1 2009.

Balance sheet

As at 30 June 2010, total assets amounted to HRK 31.7 billion, what was 5% up on 31 December 2009. Non-current assets and intangible assets increased by 4%, mostly on account of capital investments in development operations in Syria and North Adriatic, and refinery modernisation. In addition, due to the redefinition of cash generating units value of assets increased in the amount of HRK 334 million. Now the contracts areas are cash generating units unlike the prior periods when it was production fields or countries.
Goodwill and investments in subsidiaries and joint ventures increased by HRK 169 million and amounted to HRK 671 million. Deferred taxes decreased by HRK 82 million.

The value of inventories was HRK 3.8 billion having increased by 31% due to higher prices and higher inventories of crude oil in transit, WIP, finished products and natural gas because of storage for winter season consumption.

Net trade debtors of HRK 2.7 billion as at 30 June 2010 were 9% down on 31 December 2009.

Total INA Group liabilities as at 30 June 2010 amounted to HRK 20.0 billion and they were 9% higher than on 31 December 2009, mainly as a result of higher indebtedness which rose to HRK 10.1 billion compared to HRK 8.5 billion as at 31 December 2009. Credit facilities were used for crude purchases, capital investments, and settlement of overdue taxes and other liabilities to the state. Taxes and other contributions payable was reduced by HRK 728 million to HRK 1,053 million. The amount of trade creditors was increased by HRK 1,138 million mainly due to higher crude oil liabilities. Long-term and short-term provisions fell to HRK 2.6 billion in H1 2010 because of lower provisions for well abandonment.

Total net debt for INA Group amounted to HRK 9.7 billion compared to 8.2 billion as at 31 December 2009 while the net gearing[7] rose from 40.9% to 45.3 % as at 30 June 2010. This underscores the company's current undercapitalisation due to its sustained intensive investment programme in its key businesses

Cash flow

In H1 2010, the operating cash flow before changes in working capital amounted to HRK 1,776 million, HRK 368 million up on H1 2009. The changes of working capital decreased the cash flow from operating activities by HRK 741 million in H1 2010, due to HRK 927 million higher values of inventories and HRK 128 million increased trade debtors partially, while trade creditors were higher by HRK 314 million.

Net outflows in investing activities amounted to HRK 1,548 million and were HRK 720 million down on H1 2009 mainly due to lower amount of Upstream CAPEX.

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

The most important risks include market risks (the currency risk. the interest rate risk and the price risk). the credit risk and the liquidity risk. The Group used derivative instruments for managing those risks to a very limited extent. The Group does not use derivative financial instruments for speculative purposes.

a) Market risks

Price risks
The Group purchases crude oil mostly through short-term arrangements in US dollars at spot market prices while the required quantities of gas are purchased at a price denominated in US dollars and adjusted on a quarterly basis in accordance with the formula in the long-term gas supply agreement.
INA is mostly engaged in the sale of refined products and wholesale of natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001) to a large extent hedging the Group from the changes in crude and oil product prices and the currency risk, enabling refinery products to be repriced bi-weekly (from 16 April 2010) depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.

Currency risk management
While the Group operates home and abroad many company transactions are priced and denominated in foreign currency and it is thus exposed to currency risk.
The company applies natural hedge to manage its currency risk exposure based on the principle that the currency mix of the debt portfolio should reflect the free cash flow currency position of the Group.
Additionally, the Refined Product Pricing Regulation enables the company to partly transfer the unfavourable movements of exchange rates to domestic products market.

Interest rate risk management
INA Group companies use borrowed funds at both fixed and variable interest rates (mostly variable) and the Group is consequently exposed to the interest rate risk.

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

b) Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. INA. d.d. has adopted a Credit Risk Management Procedure which it applies in dealing with its customers, and obtains a collateral where appropriate as a means of mitigating the risk of financial loss from defaults like all subsidiaries in the Group. Debentures being the prevailing payment security instrument on the Croatian market are mainly taken as collateral.

There is no significant risk exposure of INA Group that would not be covered with collateral, other than those to the institutions and entities controlled by the state. Given that the Republic of Croatia is a major shareholder of the Group itself, credit risks to a significant extent depend on the policy of the Croatian Government.

c) Liquidity risks

The Group's liquidity risk is managed by maintaining adequate reserves and credit lines and by continuous monitoring of projected and actual cash flow and due dates for amounts receivable and payable.
Crude oil and oil products are imported through INA d.d. foreign subsidiaries: Interina London and Interina Guersney. In accordance with international practices crude is purchased by opening irrevocable documentary letters of credit in favour of the suppliers opened at first-class commercial banks and by using short-term financing (trade financing).

d) Fair value of financial instruments

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

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Related party transactions

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

INA parent company HRK mln	Amounts owed from related parties	Amounts owed to related parties
	30 June 2010	30 June 2010
Foreign related companies		
Interina Ltd Guernsey	157	176
Holdina Sarajevo	80	5
Interina d.o.o. Ljubljana	1	-
Interina Ltd London	-	2,941
INA – Crna Gora	11	-
INA - Beograd	22	-
Domestic related companies		
Crosco Grupa	1	56
Osijek Petrol d.d.	132	1
Crobenz d.d. Zagreb	185	3
Proplin d.o.o. Zagreb	79	20
STSI d.o.o. Zagreb	2	277
Maziva Zagreb d.o.o. Zagreb	28	24
ITR d.o.o.	-	7
Sinaco d.o.o.	1	67
Hostin d.o.o.	-	-
Prirodni plin d.o.o.	1,848	279

INA parent company HRK mln	Sales of goods	Purchase of goods
	30 June 2010	30 June 2010
Foreign related companies		
Interina Ltd Guernsey	1,158	159
Holdina Sarajevo	225	16
Interina d.o.o. Ljubljana	11	-
Interina Ltd London	-	4,738
Adriagas Milano	-	2
INA – Crna Gora	23	-
INA - Beograd	46	-
Domestic related companies		
Crosco Grupa	3	88
Osijek Petrol d.d.	211	-
Crobenz d.d. Zagreb	215	3
Proplin d.o.o. Zagreb	227	22
STSI d.o.o. Zagreb	8	250
Maziva Zagreb d.o.o. Zagreb	44	4
ITR d.o.o.	1	13
Sinaco d.o.o.	1	62
Hostin d.o.o.	-	3
Prirodni plin d.o.o.	2,188	43

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INA Group Summary Segmental Results of Operations

Q1 2010 HRK mln	Q2 2010 HRK mln	Q2 2009 HRK mln	%		H1 2009 HRK mln	H1 2010 HRK mln	%
				Sales			
2,495	2,195	1,373	60	Exploration & Production – continuing operations	3,083	4,690	52
2,970	3,472	3,338	4	Refining & Marketing	6,009	6,442	7
1,233	1,667	1,504	11	Retail	2,651	2,900	9
149	224	269	(17)	Corporate and Other	409	373	(9)
(1,480)	(2,022)	(1,635)	24	Inter-segment revenue	(2,799)	(3,502)	25
5,367	5,536	4,849	14	Sales – continuing operations	9,353	10,903	17
269	142	456	(69)	Exploration & Production – discontinued operations	1,186	411	(65)
5,636	5,678	5,305	7	Total sales	10,539	11,314	7
				Operating expenses. net other income from operating activities			
(1,320)	(671)	(674)	0	Exploration & Production – continuing operations	(1,601)	(1,991)	24
(3,088)	(3,676)	(3,374)	9	Refining & Marketing	(6,165)	(6,764)	10
(1,349)	(1,644)	(1,639)	(1)	Retail	(2,790)	(2,993)	7
(548)	(702)	(432)	63	Corporate and Other	(980)	(1,250)	28
1,480	2,022	1,635	24	Inter-segment eliminations	2,799	3,502	25
(4,825)	(4,671)	(4,484)	4	Expenses – continuing operations	(8,737)	(9,496)	9
(468)	(255)	(678)	(62)	Exploration & Production – discontinued operations	(1,767)	(723)	(59)
(5,293)	(4,926)	(5,162)	(5)	Total expenses	(10,504)	(10,219)	(3)
				Profit from operations			
1,175	1,524	699	118	Exploration & Production - continuing operations	1,482	2,699	82
(118)	(204)	(36)	467	Refining & Marketing	(156)	(322)	106
(116)	23	(135)	n.a.	Retail	(139)	(93)	(33)
(399)	(478)	(163)	193	Corporate and Other	(571)	(877)	54
0	(7)	0	n.a.	Inter-segment eliminations		(7)	
542	858	365	135	Profit/(loss) form operations – continuing operations	616	1,400	127
(199)	(113)	(222)	(49)	Exploration & Production – discontinued operations	(581)	(312)	(46)
343	745	143	421	Total profit/(loss) form operations	35	1,088	n.a.
				Share in the profit of associate companies			
(403)	(685)	434	n.a.	Net profit/(loss) from financial activities - continuing operations	(146)	(1,088)	645
(8)	(8)	(46)	(83)	Net profit/(loss) from financial activities - discontinued operations	(70)	(16)	(77)
(411)	(693)	388	(279)	Net profit/(loss) from financial activities	(216)	(1,104)	411
139	173	799	(78)	Profit/(loss) before taxation - continuing operations	470	312	(34)
(207)	(121)	(268)	(55)	Profit/(loss) before taxation - discontinued operations	(651)	(328)	(50)
(68)	52	531	(90)	Profit/(loss) before taxation	(181)	(16)	(91)
(63)	(29)	(62)	(53)	Income tax - continuing operations	1	(92)	n.a.
	0	53	n.a.	Income tax - discontinued operations	130	0	n.a.
(63)	(29)	(9)	222	Income tax	131	(92)	(170)
76	144	737	(80)	Profit/(loss) for the period - continuing operations	471	220	(53)
(207)	(121)	(215)	(44)	Profit/(loss) for the period - discontinued operations	(521)	(328)	(37)
(131)	23	522	(96)	Profit/loss) for the period	(50)	(108)	116

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

Q1 2010	Q2 2010	Q2 2009	%	Operating Profit Excluding Special Items* (HRK mln)	H1 2009	H1 2010	%
1,175	1,190	396	201	Exploration and Production continuing	1,179	2,365	101
(199)	(113)	(222)	(49)	Exploration and Production discontinued	(581)	(312)	(46)
(118)	(89)	(22)	305	Refining and Marketing	(142)	(207)	46
(42)	49	12	308	Retail	8	7	(13)
(399)	(478)	(96)	398	Corporate and other	(504)	(877)	74
0	(7)	0	n.a.	Inter-segment eliminations	0	(7)	n.a.
417	552	68	712	Total	(40)	969	n.a.

Q1 2010	Q2 2010	Q2 2009	%	Depreciation (HRK mln)	H1 2009	H1 2010	%
(282)	(315)	(253)	25	Exploration and Production continuing	(503)	(597)	19
	0	0		Exploration and Production discontinued	0	0	
(76)	(78)	(74)	5	Refining and Marketing	(145)	(154)	6
(24)	(23)	(27)	(14)	Retail	(53)	(47)	(11)
(43)	(41)	(41)	0	Corporate and other	(83)	(84)	1
(425)	(457)	(395)	16	Total	(784)	(882)	13

Q1 2010	Q2 2010	Q2 2009	%	EBITDA *(HRK mln)	H1 2009	H1 2010	%
1,522	1,928	1,237	56	Exploration and Production continuing	2,347	3,450	47
(114)	(35)	(222)	(84)	Exploration and Production discontinued	(581)	(149)	(74)
(19)	(93)	119	n.a.	Refining and Marketing	103	(112)	n.a.
(3)	82	24	242	Retail	69	79	14
(326)	(422)	(46)	817	Corporate and other	(402)	(748)	86
0	(7)	0	n.a.	Inter-segment eliminations	0	(7)	n.a.
1,060	1,453	1,112	31	Total	1,536	2,513	64

Q1 2010	Q2 2010	Q2 2009	%	EBITDA Excluding Special Items* (HRK mln)	H1 2009	H1 2010	%
1,522	1,490	740	101	Exploration and Production continuing	1,850	3,012	63
(114)	(35)	(222)	(84)	Exploration and Production discontinued	(581)	(149)	(74)
(19)	22	119	(82)	Refining and Marketing	103	3	(97)
(3)	82	24	242	Retail	69	53	(23)
(326)	(422)	(46)	817	Corporate and other	(402)	(748)	86
0	(7)	0	n.a.	Inter-segment eliminations	0	(7)	n.a.
1,060	1,130	615	84	Total	1,039	2,190	111

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

INDUSTRIJA NAFTE, d.d.

Income Statement
- continuing operations -

Q1 2010	Q2 2010	Q2 2009	%		H1 2009	H1 2010	%
HRK mln	HRK mln	HRK mln			HRK mln	HRK mln	
				CONTINUING OPERATIONS			
				Income Statement Data			
				Sales revenue			
3,450	3,333	2,870	16	a) Domestic	5,732	6,783	18
1,917	2,203	1,979	11	b) Exports	3,621	4,120	14
5,367	5,536	4,849	14	Total sales revenue	9,353	10,903	17
51	147	50	194	Income from own consumption of products and services	83	198	139
429	785	617	27	Other operating income	1,122	1,214	8
5,847	6,468	5,516	17	Total operating income	10,558	12,315	17
413	260	300	(13)	Changes in inventories of finished products and work in progress	178	673	278
(2,768)	(2,801)	(2,533)	11	Cost of raw materials and consumables	(4,601)	(5,569)	21
(425)	(457)	(394)	16	Depreciation and amortization	(784)	(882)	13
(393)	(321)	(465)	(31)	Other material costs	(884)	(714)	(19)
(466)	(748)	(257)	191	Non-material costs	(900)	(1,214)	35
(696)	(721)	(738)	(2)	Staff costs	(1,407)	(1,417)	1
(763)	(649)	(490)	32	Cost of other goods sold	(827)	(1,412)	71
(178)	(147)	(402)	(63)	Impairment charges (net)	(535)	(325)	(39)
(29)	(26)	(172)	(85)	Provisions for charges and risks	(182)	(55)	(70)
(5,305)	(5,610)	(5,151)	9	Operating expenses	(9,942)	(10,915)	10
542	858	365	135	Profit from operations	616	1,400	127
				Share in the profit of associated companies			
24	37	19	95	Finance revenue	62	61	(2)
(427)	(722)	415	n.a.	Finance costs	(208)	(1,149)	452
(403)	(685)	434	n.a.	Net (loss) / profit from financial activities	(146)	(1,088)	645
139	173	799	(78)	Profit for the year before taxation	470	312	(34)
(63)	(29)	(62)	(53)	Income tax	1	(92)	n.a.
76	144	737	(80)	Profit / (Loss) for the year	471	220	(53)
				DISCONTINUED OPERATIONS			
(207)	(121)	(215)	(44)	Profit / (loss) for the year – discontinued operations	(521)	(328)	(37)
(131)	23	522	(96)	Profit / (loss) for the year	(50)	(108)	116
				Attributable to			
(131)	23	522	(96)	Equity holder	(50)	(108)	116
	-	-		Minority interest	-	-	
(131)	23	522	(96)		(50)	(108)	116
				Earning/(loss) per share (in HRK)			
(13.1)	2.3	52.2	(96)	Basic and diluted earnings/(loss) per share (kuna per share) from continuing and discontinued operations	(5.0)	(10.8)	116
7.6	14.4	73.7	(80)	Basic and diluted earnings per share (kuna per share) from continuing operations	47.1	22.0	(53)

INA Group Condensed Consolidated Statement of comprehensive Income

Q1 2010	Q2 2010	Q2 2009	%		H1 2009	H1 2010	%
HRK mln	HRK mln	HRK mln			HRK mln	HRK mln	
(131)	23	522	(96)	Profit/(loss) for the year	(50)	(108)	116
				Other comprehensive income:			
12	28	(29)	n.a.	Exchange differences arising from foreign operations	(1)	40	n.a.
10	(36)	77	n.a.	Gains on available-for-sale investments. net	67	(26)	n.a.
22	(8)	48	n.a.	Ohter comprehensive income/(loss). net	66	14	(79)
(109)	15	570	(97)	Total comprehensive income/(loss) for the year	16	(94)	n.a.
				Attributable to:			
(109)	15	570	(97)	Owners of the Company	16	(94)	n.a.
				Non- controlling interests			

Income Statement
- discontinued operations -

Q1 2010 HRK mln	Q2 2010 HRK mln	Q2 2009 HRK mln	%		H1 2009 HRK mln	H1 2010 HRK mln	%
				DISCONTINUED OPERATIONS			
				Income Statement Data			
				Sales revenue			
264	137	456	(70)	a) Domestic	1,186	401	(66)
5	5	0		b) Exports		10	
269	142	456	(69)	Total sales revenue	1,186	411	(65)
				Income from own consumption of products and services			
16	16	(41)	(139)	Other operating income	64	32	(50)
285	158	415	(62)	Total operating income	1,250	443	(65)
				Changes in inventories of finished products and work in progress			
				Cost of raw materials and consumables			
				Depreciation and amortization			
(43)	(39)	(141)	(72)	Other material costs	(283)	(82)	(71)
(3)	(1)			Non-material costs		(4)	
(2)	(1)	(2)	(50)	Staff costs	(3)	(3)	
(351)	(152)	(494)	(69)	Cost of other goods sold	(1,545)	(503)	(67)
(85)	(78)			Impairment charges (net)		(163)	
				Provisions for charges and risks			
(484)	(271)	(637)	(57)	Operating expenses	(1,831)	(755)	(59)
(199)	(113)	(222)	(49)	Profit from operations	(581)	(312)	(46)
				Share in the profit of associated companies			
				Finance revenue			
(8)	(8)	(46)	(83)	Finance costs	(70)	(16)	(77)
(8)	(8)	(46)	(83)	Net (loss) / profit from financial activities	(70)	(16)	(77)
(207)	(121)	(268)	(55)	Profit for the year before taxation	(651)	(328)	(50)
		53		Deferred tax	130		
(207)	(121)	(215)	(44)	Profit / (Loss) for the year - discontinued operations	(521)	(328)	(37)

Consolidated Balance Sheet

31 Dec 2009 HRK mln		30 June 2009 HRK mln	30 June 2010 HRK mln	%
	Assets			
	Non-current assets			
731	Intangible assets	710	764	8
20,353	Property. plant and equipment	19,760	21,073	7
296	Goodwill	197	295	50
68	Investments in associates and joint ventures	72	60	(17)
138	Investments in other companies	150	316	111
385	Long-term receivables	162	277	71
	Derivative financial instruments	22	0	(100)
434	Deferred tax	477	352	(26)
397	Available for sale assets	284	364	28
22,802	Total non-current assets	21,834	23,501	8
	Current assets			
2,887	Inventories	2,534	3,787	49
2,925	Trade receivables net	3,322	2,666	(20)
805	Other receivables	704	697	(1)
56	Derivative financial instruments	79	25	(68)
32	Other current assets	53	51	(4)
72	Prepayments and advances	151	289	91
367	Cash with bank and in hand	443	467	5
7,144	Current assets	7,286	7,982	10
121	Available for sale assets	504	195	(61)
7,265	Total current assets	7,790	8,177	5
30,067	Total assets	29,624	31,678	7
	Equity and liabilities			
	Capital and reserves			
9,000	Share capital	9,000	9,000	0
10	Revaluation reserve	(68)	(16)	(76)
2,311	Other reserves	2,306	2,351	2
463	Retained earnings / (Deficit)	805	355	(56)
11,784	Equity attributable to equity holder of the parent	12,043	11,690	(3)
8	Minority interests	10	8	(20)
11,792	Total equity	12,053	11,698	(3)
	Non-current liabilities			
5,764	Long-term loans	5,415	6,045	12
139	Other non-current liabilities	130	134	3
126	Employee benefits obligation	118	128	8
2,573	Long-term provisions	2,527	2,317	(8)
8,602	Total non-current liabilities	8,190	8,624	5
	Current liabilities			
2,104	Bank loans and overdrafts	2,392	2,557	7
655	Current portion of long-term debt	116	1,542	n.a.
4,286	Accounts payable	3,743	5,424	45
1,781	Taxes and contributions	1,977	1,053	(47)
415	Other short-term liabilities	681	265	(61)
157	Accruals and deferred income	280	178	(36)
17	Employee benefits obligation	17	14	(18)
229	Short-term provisions	175	239	37
9,644	Current liabilities	9,381	11,272	20
29	Liabilities directly associated with assets classified held for sale		84	n.a.
9,673	Total current liabilities	9,381	11,356	21
18,275	Total liabilities	17,571	19,980	14
30,067	Total equity and liabilities	29,624	31,678	7

Capital Expenditure

Q1 2010	Q2 2010	Q2 2009	%	Capital Expenditures (HRK mln)	H1 2009	H1 2010	%
516	269	827	(67)	Exploration and Production	1,643	785	(52)
323	386	381	1	Refining and Marketing	529	709	34
2	8	5	50	Retail	15	9	(40)
(1)	6	26	(78)	Corporate and other changes	36	5	(86)
840	668	1,239	(46)	Total	2,223	1,508	(32)

31/03/2010	Q2 2010	Q2 2009	%	Capital Expenditure - Tangible Assets (HRK mln)	30/06/2009	30/06/2010	%
404	306	795	(62)	Exploration and Production	1,582	710	(55)
323	386	381	1	Refining and Marketing	528	709	34
2	8	5	50	Retail	14	9	(36)
(1)	3	19	(86)	Corporate and other changes	28	2	(93)
728	702	1,200	(41)	Total	2,152	1,430	(34)

INA INDUSTRIJA NAFTE, d.d.

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 30 June 2009 and 2010
(All amounts in HRK millions)

Q1 2010	Q2 2010	Q2 2009	%		H1 2009	H1 2010	%
(131)	23	522	(96)	Profit for the year	(50)	(108)	116
				Adjustments for:			
425	457	394	16	Depreciation and amortisation of non-current assets	784	882	13
63	29	9	222	Income tax expenses recognized in profit	(131)	92	n.a.
263	225	403	(44)	Impairment charges (net)	535	488	(9)
(168)	(559)		n.a.	Reversal of impairment	0	(727)	n.a.
	0	(2)	(100)	Gain on sale of property plant and equipment	(9)		(100)
503	419	(617)	n.a.	Foreign exchange loss/(gain)	97	922	851
13	128	111	15	Interest expense (net)	188	141	(25)
23	31	45	(31)	Other financial expenses/(income)	87	54	(38)
43	60	63	(5)	Increase in provisions	0	103	n.a.
				Net book value of sold assets classified as held for sale			
35	(107)	0	n.a.	Decommissioning interests	0	(72)	n.a.
	1	(93)	n.a.	Change in provision for charges and risks and other non-cash items	(93)	1	n.a.
1,069	707	835	(15)	Operating cash flow before working capital changes	1,408	1,776	26
				Movements in working capital			
(518)	(409)	(380)	8	(Increase)/decrease in inventories	(371)	(927)	150
(59)	(69)	(506)	(86)	(Increase)/decrease in receivables and prepayments	(480)	(128)	(73)
(1,418)	1,732	1,237	40	Increase/(decrease) in trade and other payables	954	314	(67)
	0	70	n.a.	Increase/(decrease) in provisions	(40)		n.a.
(926)	1,961	1,256	56	Cash generated from operations	1,471	1,035	(30)
	0	(18)	n.a.	Taxes paid	(18)		n.a.
(926)	1,961	1,238	58	Net cash inflow from operating activities	1,453	1,035	(29)
				Cash flows used in investing activities			
(741)	(702)	(1,200)	(42)	Payments for property. plant and equipment	(2,152)	(1,443)	(33)
(112)	34	(39)	n.a.	Payments for intangible assets	(71)	(78)	10
	0	6	n.a.	Proceeds from sale of non-current assets	15	0	n.a.
				Purchase of investments in associates and joint ventures and other companies			
2	0	1	n.a.	Dividends received from companies classified under available for sale and other companies	3	2	(33)
	0	(3)	n.a.	Interest received	0		n.a.
(63)	34	4	750	Investments and loans to third parties. net	(63)	(29)	(54)
(914)	(634)	(1,231)	(48)	Net cash (outflow) from investing activities	(2,268)	(1,548)	(32)
				Cash flows from/(used in) financing activities			
140	315	0	n.a.	Additional long-term borrowings	968	455	(53)
(45)	(122)	(21)	481	Repayment of long-term borrowings	(56)	(167)	198
3.549	1,174	2,045	(43)	Additional short-term borrowings	3,959	4,723	19
(1,729)	(2,560)	(1,838)	39	Repayment of short-term borrowings	(4,068)	(4,289)	5
(8)	(4)	(18)	(78)	Interest paid on long-term loans	(62)	(12)	(81)
(4)	(3)	(2)	50	Other long-term liabilities. net	(8)	(7)	(13)
				Dividends paid			
(27)	(56)	(23)	143	Interest paid on short term loans and other financing charges	(42)	(83)	98
1,876	(1,256)	143	n.a.	Net cash inflow/(outflow) from financing activities	691	620	(10)
36	71	150	(53)	Net (decrease)/increase in cash and cash equivalents	(124)	107	n.a.
367	402	308	31	At beginning of period	579	367	(37)
(1)	(1)	(15)	(93)	Effect of foreign exchange rate changes	(12)	(2)	(83)
402	472	443	7	At the end of period	443	472	7

INA INDUSTRIJA NAFTE, d.d.

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 June 2009 and 2010
(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 2009	9,000	2,307	(135)	855	12,027	10	12,037
Profit / loss for the year				(50)	(50)		(50)
Other comprehensive income. net		(1)	67		66		66
Total comprehensive income for the year	0	(1)	67	(50)	16	0	16
Dividends payable					0		0
Balance as at 30 June 2009	9,000	2,306	(68)	805	12,043	10	12,053

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2010	9,000	2,311	10	463	11,784	8	11,792
Profit / loss for the year	0	0	0	(108)	(108)		(108)
Other comprehensive income. net	0	40	(26)		14		14
Total comprehensive income for the year	0	40	(26)	(108)	(94)	0	(94)
Balance as at 30 June 2010	9,000	2,351	(16)	355	11,690	8	11,698

Announcements in 2010

June 23 2010	INA and MOL discover gas on the Podravska Slatina-Zalata concession
June 02 2010	Agreement on the total repayment of Dioki, d.d.
May 21 2010	Response to the Zagreb Stock Exchange query of 21 May 2010
May 19 2010	Shareholders' assembly held
May 17 2010	Announcement of sale process of the CROBENZ d.d. company
May 04 2010	Spud-in of Beer As Sib exploration well on Aphamia Block in Syria
May 03 2010	Q1 Results 2010
April 19 2010	Extraordinary Shareholders' assembly held
April 8. 2010	Sale of 100% ownership in Crobenz d.d
April 7. 2010	General Meeting notice
April 7. 2010	Changes in management board
March 12. 2010	General Meeting notice
March 1. 2010	Announcement
March 1. 2010	Announcement about Management Board changes
February 15. 2010	preliminary unaudited consolidated results for 2009
February 05.2010	Response to Zagreb Stock Exchange query
January 19.2010	Announcement
January 18.2010	Natural gas price

Main external parameters

Q1 2010	Q2 2010	Q2 2009	%		H1 2009	H1 2010	%
76.24	78.30	58.79	33.2	Brent dated (USD/bbl)	51.68	77.27	49.5
715.30	723.78	583.03	24.1	Premium unleaded gasoline 10 ppm (USD/t)*	501.59	719.54	43.5
637.17	679.16	503.12	35.0	Gas oil – EN590 10 ppm (USD/t)*	470.50	658.14	39.9
434.68	431.74	321.16	34.4	Fuel oil 3.5% (USD/t)*	272.86	433.21	58.8
737.60	642.08	425.07	51.1	LPG (USD/t)*	452.01	689.73	52.6
138.56	131.44	138.28	(4.9)	Crack spread – premium unleaded gasoline 10 ppm(USD/t)*	111.41	135.00	21.2
60.38	86.82	58.37	48.7	Crack spread – gas oil EN590 10 ppm(USD/t)*	80.32	73.60	(8.4)
(142.07)	(160.60)	(123.58)	30.0	Crack spread - fuel oil 3.5% (USD/t)*	(117.32)	(151.33)	29.0
160.81	49.74	(19.68)	n.a.	Crack spread – LPG (USD/t)*	61.83	105.19	70.1
5.2644	5.6857	5.4205	4.9	HRK/USD average	5.5533	5.4734	(1.4)
5.3925	5.8972	5.2045	13.3	HRK/USD closing	5.2045	5.8972	13.3
7.2841	7.2490	7.3617	(1.5)	HRK/EUR average	7.3851	7.2667	(1.6)
7.2593	7.1935	7.2920	(1.4)	HRK/EUR closing	7.2920	7.1935	(1.4)
0.26	0.44	0.84	(47.6)	3m USD LIBOR (%)	1.04	0.35	(66.3)
0.66	0.69	1.31	(47.3)	3m EURIBOR (%)	1.66	0.67	(59.6)

** FOB Mediterranean*

INDUSTRIJA NAFTE, d.d.

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 March 10	30 June 10
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,715,538
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	800,910
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Changes in organisation. Management Board or Supervisory Board

Supervisory board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on 19 April 2010 Mr Jozsef Molnar was appointed supervisory board member with the term of office until 13 June 2013.

Management board

At the meeting held on 31 March 2010 INA-INDUSTRIJA NAFTE. d.d. the Supervisory Board acknowledged the resignation of Mr. László Geszti from his duty as President of the Management Board of INA. d.d. and unanimously elected Mr Zoltán Áldott as new President of the Management Board of the company commencing as of April 1st 2010 with a five year term of office (at the same time acknowledging his resignation from his membership in the Supervisory Board of INA).

Management representation

INA Group's consolidated financial statements for Q2 and H1 2010 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
Lajos Alács	Member
Tomislav Dragičević	Member
Attila István Holoda	Member
Josip Petrović	Member
Dubravko Tkalčić	Member

INA Group
Interim Financial Statements with Notes for the period ended 30 June 2010

Finance Function
Accounting and Tax Sector

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INA - INDUSTRIJA NAFTE d.d. ZAGREB

INA Group Condensed Consolidated Income Statement

For the six months ended 30 June 2010

(all amounts in HRK millions)

(unaudited)

		Cumulative		Second Quarter	
Continuing operation	**Notes**	**30 June 2010**	**30 June 2009**	**30 June 2010**	**30 June 2009**
Sales revenue					
a) domestic		6,783	5,732	3,333	2,870
b) exports		4,120	3,621	2,203	1,979
Total sales revenue	3	**10,903**	**9,353**	**5,536**	**4,849**
Income from own consumption of products and services		198	83	147	50
Other operating income		1,214	1,122	785	617
Total operating income		**12,315**	**10,558**	**6,468**	**5,516**
Changes in inventories of finished products and work in progress		673	178	260	300
Cost of raw materials and consumables	5	(5,569)	(4,601)	(2,801)	(2,533)
Depreciation and amortisation		(882)	(784)	(457)	(394)
Other material costs		(714)	(884)	(321)	(465)
Service costs		(1,214)	(900)	(748)	(257)
Staff costs		(1,417)	(1,407)	(721)	(738)
Cost of other goods sold		(1,412)	(827)	(649)	(490)
Impairment and charges		(325)	(535)	(147)	(402)
Provision for charges and risks (net)		(55)	(182)	(26)	(172)
Operating expenses		**(10,915)**	**(9,942)**	**(5,610)**	**(5,151)**
Profit from operations		**1,400**	**616**	**858**	**365**
Finance income		61	62	37	19
Finance costs		(1,149)	(208)	(722)	415
Net (loss)/profit from financial activities		**(1,088)**	**(146)**	**(685)**	**434**
Profit before tax		**312**	**470**	**173**	**799**
Income tax expense	7	(92)	1	(29)	(62)
Profit for the year from continuing operation		**220**	**471**	**144**	**737**
Discontinued operation					
Loss for the year from discontinued operation		(328)	(521)	(121)	(215)
(Loss)/profit for the year	4	**(108)**	**(50)**	**23**	**522**

INA Group Condensed Consolidated Income Statement

For the six months ended 30 June 2010

(all amounts in HRK millions)

(unaudited)

		Cumulative		Second Quarter	
	Notes	**30 June 2010**	**30 June 2009**	**30 June 2010**	**30 June 2009**
Attributable to:					
Owners of the Company		**(108)**	**(50)**	**23**	**522**
Non-controling interests		-	-	-	-
		(108)	**(50)**	**23**	**522**
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share (kunas per share) from continuing and discontinued operations	8	(10.8)	(5.0)	2.3	52.2
Basic and diluted earnings per share (kuna per share) from continuing operations	8	22.0	47.1	14.4	73.7

INA Group Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

(all amounts in HRK millions)

(unaudited)

		Cumulative		Second Quarter	
	Notes	**30 June 2010**	**30 June 2009**	**30 June 2010**	**30 June 2009**
(Loss)/profit for the year		**(108)**	**(50)**	**23**	**522**
Other comprehensive income:					
Exchange differences arising from foreign operations		40	(1)	28	(29)
Gains on available-for-sale investments,net		(26)	67	(36)	77
Other comprehensive income/(loss), net		**14**	**66**	**(8)**	**48**
Total comprehensive income/(loss) for the year		**(94)**	**16**	**15**	**570**
Attributable to:					
Owners of the Company		(94)	16	15	570
Non-controling interests		-	-	-	-

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

INA Group Condensed Consolidated Balance Sheet

At 30 June 2010

(all amounts in HRK millions)

(unaudited)

ASSETS	**Notes**	**30 June 2010**	**31 December 2009**
Non-current assets			
Intangible assets	9	764	731
Property, plant and equipment	10	21,073	20,353
Goodwill		295	296
Investments in associates and joint ventures		60	68
Other investments	11	316	138
Long-term receivables		277	385
Deferred tax		352	434
Available for sale assets		364	397
Total non – current assets		**23,501**	**22,802**
Current assets			
Inventories		3,787	2,887
Trade receivables, net		2,666	2,925
Other receivables		697	805
Derivative financial instruments		25	56
Other current assets		51	32
Prepaid expenses and accrued income		289	72
Cash and cash equivalents		467	367
		7,982	**7,144**
Assets classified as held for sale	17	195	121
Total current assets		**8,177**	**7,265**
TOTAL ASSETS		**31,678**	**30,067**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Balance Sheet.

INA Group Condensed Consolidated Balance Sheet

At 30 June 2010

(all amounts in HRK millions)

(unaudited)

EQUITY AND LIABILITIES	**Notes**	**30 June 2010**	**31 December 2009**
Capital and reserves			
Share capital	12	9,000	9,000
Revaluation reserve	13	(16)	10
Other reserves		2,351	2,311
Retained earnings	14	355	463
Equity attributable to equity holders of the parent		**11,690**	**11,784**
Minority interest		8	8
TOTAL EQUITY		**11,698**	**11,792**
Non – current liabilities			
Long-term loans	15	6,045	5,764
Other non-current liabilities		134	139
Employee benefit obligation		128	126
Provisions		2,317	2,573
Total non–current liabilities		**8,624**	**8,602**
Current liabilities			
Bank loans and overdrafts	16	2,557	2,104
Current portion of long-term loans	16	1,542	655
Trade payables		5,424	4,286
Taxes and contributions		1,053	1,781
Other current liabilities		265	415
Accruals and deferred income		178	157
Employee benefit obligation		14	17
Provisions		239	229
		11,272	9,644
Liabilities directly associated with assets classified held for sale	17	84	29
Total current liabilities		**11,356**	**9,673**
TOTAL LIABILITIES		**19,980**	**18,275**
TOTAL EQUITY AND LIABILITIES		**31,678**	**30,067**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Balance Sheet.

INA Group Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Loss for the year	-	-	-	(50)	(50)	-	(50)
Other comprehensive income, net	-	(1)	67	-	66	-	66
Total comprehensive income for the year	-	(1)	67	(50)	16	-	16
Balance at 30 June 2009	**9,000**	**2,306**	**(68)**	**805**	**12,043**	**10**	**12,053**
Balance at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit for the year	-	-	-	(108)	(108)	-	(108)
Other comprehensive income, net	-	40	(26)	-	14	-	14
Total comprehensive income for the year	**-**	**40**	**(26)**	**(108)**	**(94)**	**-**	**(94)**
Balance at 30 June 2010	**9,000**	**2,351**	**(16)**	**355**	**11,690**	**8**	**11,698**

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

INA Group Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

(all amounts in HRK millions)

(unaudited)

	Notes	30 June 2010	30 June 2009
(Loss)/profit for the year		**(108)**	**(50)**
Adjustments for:			
Depreciation and amortisation		882	784
Income tax (benefit)/expense recognized in (loss)/profit		92	(131)
Impairment charges (net)		488	535
Reversal of impairment		(727)	-
Gain on sale of property, plant and equipment		-	(9)
Foreign exchange loss/(gain)		922	97
Interest expense (net)		141	188
Other finance expense recognised in profit		54	87
Increase in provisions		103	-
Decommisioning interests		(72)	-
Change in provision for charges and risks and other non-cash items		1	(93)
		1,776	**1,408**
Movements in working capital			
(Increase)/decrease in inventories		(927)	(371)
(Increase)/decrease in receivables and prepayments		(128)	(480)
Increase/(decrease) in trade and other payables		314	954
Decrease/(increase) in provisions		-	(40)
Cash generated from operations		**1,035**	**1,471**
Taxes paid		-	(18)
Net cash inflow from operating activities		**1,035**	**1,453**
Cash flows used in investing activities			
Payments for property, plant and equipment		(1,443)	(2,152)
Payments for intangible assets		(78)	(71)
Proceeds from sale of non-current assets		-	15
Dividends received from companies classified as available for sale and from other companies		2	3
Investments and loans to third parties, net		(29)	(63)
Net cash used for investing activities		**(1,548)**	**(2,268)**

INA Group Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

(all amounts in HRK millions)

(unaudited)

	Notes	30 June 2010	30 June 2009
Cash flows from financing activities			
Additional long-term borrowings		455	968
Repayment of long-term borrowings		(167)	(56)
Additional short-term borrowings		4,723	3,959
Repayment of short-term borrowings		(4,289)	(4,068)
Interest paid on long-term loans		(12)	(62)
Other long-term liabilities, net		(7)	(8)
Interest paid on short-term loans and other financing charges		(83)	(42)
Net cash from financing activities		**620**	**691**
Net increase in cash and cash equivalents		**107**	**(124)**
At 1 January		367	579
Effect of foreign exchange rate changes		(2)	(12)
At 30 June		**472**	**443**

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

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The 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 2010. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated statements as were applied in the preparation of the Group` s financial statement for the year ended 31 December 2009.

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 of IFRS”- Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 1 “First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),

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 resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009),

- IFRIC 18 "Transfers of Assets from Customers" (effective for transfer of assets from customers received on or after 1 July 2009),

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" (effective for annual periods beginning on or after 1 January 2013),

- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues (effective for annual periods beginning on or after 1 February 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),

- IFRIC 19 "Extinguishing Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010),

- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, most amendments are to be applied for annual periods beginning on or after 1 January 2011.

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

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Reclassification of part of financial income and costs

INA Group reclassified income and costs of interests and foreign exchange differences of buyers and suppliers from financial activities to operating activities.

	INA Group	
	30 June 2010	**30 June 2009**
Reclassification of finance income	122	199
Reclassification of finance costs	(630)	(350)
	(508)	**(151)**

Redefining cash-generating unit

In North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating units.

	INA Group
	30 June 2010
Effect of changes in North Adriatic	438
Effect of changes in Egypt and Angola	(104)
	334

4. SEGMENT INFORMATION

Reporting segments have been defined along value chain standard for the oil companies:

- Exploration end Production – exploration, production and selling of crude oil and natural gas
- Refining and Marketing – crude oil processing, wholesale of refinery products, trading and logistics
- Retail – selling of fuels and commercial goods in retail station
- Business functions – providing services for core activities

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

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

INA Group

30 June 2010	Continuing operation: Exploration and production	Continuing operation: Refining and marketing	Continuing operation: Retail	Continuing operation: Corporate and other	Continuing operation: Elimination	Continuing operation: Total	Discontinued operation: Exploration and production	Consolidated
Sales to external customers	3,792	4,198	2,867	46	-	10,903	411	11,314
Inter-segment sales	898	2,244	33	327	(3,502)	-	-	-
Total revenue	**4,690**	**6,442**	**2,900**	**373**	**(3,502)**	**10,903**	**411**	**11,314**
Operating expenses, net of other operating income	(1,991)	(6,764)	(2,993)	(1,250)	3,502	(9,496)	(723)	(10,219)
Profit/(loss) from operations net of other income	**2,699**	**(322)**	**(93)**	**(877)**	**(7)**	**1,400**	**(312)**	**1,088**
Net finance income						(1,088)	(16)	(1,104)
Profit/(loss) before tax						312	(328)	(16)
Income tax expense/(benefit)						(92)	-	(92)
Profit/(loss) for the year						**220**	**(328)**	**(108)**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

	Continuing operation						Discontinued operation	Consolidated
30 June 2009	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	2,445	4,094	2,644	170	-	9,353	1,186	10,539
Inter-segment sales	638	1,915	7	239	(2,799)	-	-	-
Total revenue	**3,083**	**6,009**	**2,651**	**409**	**(2,799)**	**9,353**	**1,186**	**10,539**
Operating expenses, net of other operating income	(1,601)	(6,165)	(2,790)	(980)	2,799	(8,737)	(1,767)	(10,504)
Profit/(loss) from operations net of other income	**1,482**	**(156)**	**(139)**	**(571)**	**-**	**616**	**(581)**	**35**
Net finance income						(146)	(70)	(216)
Profit/(loss) before tax						470	(651)	(181)
Income tax expense/(benefit)						1	130	131
Profit/(loss) for the year						**471**	**(521)**	**(50)**

5. RESULT FOR THE PERIOD

INA Group net loss for H1 2010 amounted to HRK 108, HRK 58 up on the same period last year. Net profit from continuing operations amounted to HRK 220 mill, while the loss from gas business (discontinued activity) amounted to HRK 328 million.

Continuing operations

The operating profit from continuing operations (excluding one-off items) was higher by HRK 740 million compared to the same period last year and amounted to HRK 1,281 million in H1 2010. Increased operating profit came primarily from higher crude oil prices (the average price of Brent FOB Med was up by 49.5% on the world market) coupled with stronger hydrocarbon production and sales volumes. Additionally, the result was positively influenced by a 62% rise in the average crack spreads due to processing of Azeri light yielding a better product slate and increase in gasoline and gasoil crack spread. Strict cost-cutting measures resulted in lower operating costs. These positive effects were only partly decreased by lower crude oil product sales.

The H1 2010 performance was positively influenced by HRK 119 million one-off items, so the operating profit rose to HRK 1,400 million. The redefinition of cash generating units resulted in HRK 334 million positive effects and changes in value of inventories due to the changes in valuation method with negative effect HRK 115 million in Q2 2010, while the one-off impairment charge in retail negatively influenced the result by HRK 74 million in Q1 2010 and HRK 26 million in Q2 2010. At the end of 2009, INA Group recalculated and recorded one-off impairment losses and provisions in the amount of HRK 422 million, the basis for which had arisen during Q2/H1 2009. Together with the HRK 497 million income from the disposal of the gas storage company, the H1 2009 performance was positively influenced by HRK 75 million.

Net loss from financial activities of continuing operations increased by HRK 942 million compared to H1 2009 and it amounted to HRK 1,088 million in H1 2010. Forex losses on credit facilities of HRK 908 million were recorded in H1 2010 compared to a forex gain of HRK 8 million in H1 2009. The interest expense was HRK 26 million down on H1 2009 while other financial expenses were HRK 52 million higher compared to H1 2009.

Discontinued operations

In H1 2010, the operating loss from discontinued activities amounted to HRK 312 million, HRK 269 million down on the same previous year period mainly as a result of lower negative differential between the selling price of gas and the price of imported gas. Pursuant to the Gas Master Agreement signed on 30 January 2009 between the Croatian Government and MOL, INA was expected to withdraw from the regulated part of the gas business value chain. On 16 December 2009, MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for taking over the gas trading activities was extended until 1 December 2010, and the gas trading company was planned to operate without generating losses in 2010 (on an annual basis).

Discontinued operations generated HRK 16 million losses from financial activities in H1 2010.

6. RAW MATERIALS, CONSUMABLES AND ENERGY

In H1 2010 raw materials, consumables and energy costs were amounted HRK 5,569 million and were 21 per cent higher compared to the same period last year. Cost of imported crude oil, which accounts for 91% of raw materials, consumables and energy costs was 25% higher than in H1 2009 due to 52% higher average price of imported crude (the average price of Brent FOB Med was up by 50% on the world market) while the volume of refined crude was 17% lower.

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 30 June 2010 and 20% for the period ending 31 December 2009.

8. EARNINGS PER SHARE

Continued and discontinued operation

	30 June 2010	30 June 2009
Basic and diluted earnings per share (in HRK)	**(10.8)**	**(5.0)**

Earnings

	30 June 2010	30 June 2009
Earnings used in the calculation of total basic earnings per share (profit for the period attributable to equity holders of the parent) from continued and discontinued operation	(108)	(50)
	(108)	**(50)**

Number of shares

	30 June 2010	30 June 2009
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

From continued operation

	30 June 2010	30 June 2009
Basic and diluted earnings per share (in HRK)	22.0	47.1

Earnings

	30 June 2010	30 June 2009
Profit for the period attributable to equity holders of the parent	(108)	(50)
Less:		
Loss/profit for the year from discontinued operation	(328)	(521)
Earnings for calculation basic earnings per share (kuna per share) from continuing operations	**220**	**471**

9. INTANGIBLE ASSETS

In the period ending 30 June 2010, the Group invested HRK 78 million in intangible assets. The effect of depreciation on the decrease of their book value amounted to HRK 43 million and decrease through P&L was HRK 14 million. The amount brought forward from non-current assets was HRK 11 million. The increase HRK 1 million in book value was result of reclassification of Crobenz assets from intangible to assets classified as held for sale.

(all amounts in HRK millions)

10. PROPERTY, PLANT AND EQUIPMENT

In the period ending 30 June 2010, the Group invested HRK 1,430 million in property, plant and equipment. Capitalised decommissioning costs decreased the value of assets HRK 347 million. Value increase of assets regarding IAS 36 is HRK 376 million and by amortisation from decommissioning in prior periods is 58 million HRK also the effect of depreciation on reducing their book value amounted to HRK 839 million. The reduction of book value of HRK 11 million was transfer to non-current intangible assets .Disposal of assets was HRK 1 million. The decrease in book value was also result of foreign exchange differences in the amount of HRK 16 million. The increase HRK 70 million is result of reclassification of Crobenz assets from non-current assets to to assets classified as held for sale.

11. OTHER INVESTMENTS

	INA Group	
	30 June 2010	**31 December 2009**
Financial assets at fair value through profit or loss	6	6
Long-term loans	288	109
Deposits	22	23
Other investments	**316**	**138**

12. SHARE CAPITAL

Issued capital as at 30 June 2010 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.

13. REVALUATION RESERVE

	INA Group	
	30 June 2010	**31 December 2009**
Balance at the begining of the year	10	(135)
Increase arising on revaluation available for sale securities (Janaf)	(32)	181
Deffered tax	6	(36)
Balance at the end of the year	**(16)**	**10**

(all amounts in HRK millions)

14. RETAINED EARNINGS

	Retained earnings
Balance at 1 January 2010	**463**
Profit for the year	(108)
Balance at 30 June 2010	**355**

15. LONG-TERM LOANS

In the period from 31 December 2009 to 30 June 2010, INA Group's long-term debt increased by HRK 281 million. The increase mainly relates to using new loan of PBZ on the amount of EUR 29 million or HRK 209 million, the loan of Erste Card Club on the amount of HRK 80 million, the loan of Intensa Sanpaolo on the amount EUR 21 million or HRK 151 million and the loan of OTP bank on the amount HRK 14 million, repayment in amount HRK 165 million, foreign exchange loss in amount of HRK 879 million and increasing current portion of long-term loans in amount of HRK 887 million.

(all amounts in HRK millions)

16. BANK LOANS AND OVERDRAFTS AND CURRENT PORTION OF LONG-TERM LOANS

	30 June 2010	31 December 2009
Overdrafts and short-term loans	2,557	2,104
Current portion of long-term loans	1,542	655
	4,099	**2,759**

	Repayment deadline	Security/ Guarantee	30 June 2010	31 December 2009
BNP Paribas (USD)	by 31.12.2010.	INA d.d. guarantee	423	494
NATIXIS (USD)	by 31.12.2010.	INA d.d. guarantee	-	-
City bank (USD)	untill cancel	INA d.d. guarantee	95	56
BLB (USD)	untill cancel	INA d.d. guarantee	19	-
ERSTE BANK (EUR)	by 17.11.2010.	Promissory notes	10	-
Bank Tokyo Mitsubishi (USD)	by 30.04.2010.	INA d.d. guarantee	61	207
CKB (EUR)	by 28.02.2010.	Bill of exchange	-	1
Raiffeisenbank Zagreb (EUR, USD)	by 30.04.2011.	Bill of exchange	36	35
Bank Austria Creditanstalt (USD)	by 31.08.2010.	Assignment	-	183
Zagrebačka banka, Zagreb (USD,HRK)	by 01.04.2010.	Bill of exchange	35	49
Privredna banka Zagreb, Zagreb (HRK)	by 30.09.2010.	Bill of exchange	40	95
Societe Generale-Split. banka (USD, HRK)	by 31.08.2010.	Bill of exchange	64	66
Slavonska banka Osijek	by 10.03.2010.	Bill of exchange	-	10
Fortis (USD)	by 12.03.2011.	INA d.d. guarantee	97	224
Hrv poštanska banka (HRK)	by 03.04.2011.	Bill of exchange, promissory notes	22	22
OTP bank (HUF, EUR, HRK)	by 26.05.2011.	Bill of exchange	79	81
Current portion of long-term loans			47	80
Total regarding to subsidiaries			**1,028**	**1,603**
INA, d.d.				
Overdrafts and short term loans			1,576	581
Current portion of long-terms loans			1,495	575
Total INA, d.d.			**3,071**	**1,156**
Total INA Grupa			**4,099**	**2,759**

(all amounts in HRK millions)

17. ASSETS CLASIFIED AS HELD FOR SALE

Assets classified as held for sale relating to the sell entrepreneur Crobenz limited company for oil distribution, having its registered office in Zagreb, Radnička cesta 228.

	INA Group	
	30 June 2010	**31 December 2009**
Intangible assets	1	2
Property, plant and equipment	11	107
Inventory	7	6
Trade receivables, net	167	5
Other receivables	4	1
Cash and cash equivalents	5	-
TOTAL ASSETS	**195**	**121**
Long-term loans	18	19
Provisions	4	1
Bank loans and overdrafts	52	-
Current portion of long-term loans	4	4
Trade payables	3	3
Taxes and contributions	1	1
Other current liabilities	2	1
TOTAL LIABILITIES	**84**	**29**
ASSETS CLASSIFIED AS HELD FOR SALE	**111**	**92**

18. RELATED PARTY TRANSACTIONS

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

(all amounts in HRK millions)

18. 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	
	30 June 2010	**30 June 2009**	**30 June 2010**	**30 June 2009**
Foreign related companies				
Interina Ltd Guernsey	1,158	1,028	159	6
Holdina Sarajevo	225	237	16	9
Interina d.o.o. Ljubljana	11	7	-	-
Interina Ltd London	-	-	4,738	3,463
Adriagas Milano	-	-	2	-
INA Crna Gora d.o.o Podgorica	23	-	-	-
INA Beograd d.o.o Beograd	46	-	-	-
Domestic related companies				
Crosco Grupa	3	4	88	70
Osijek Petrol d.d.	211	216	-	-
Crobenz d.d. Zagreb	215	223	3	-
Proplin d.o.o. Zagreb	227	209	22	-
STSI d.o.o. Zagreb	8	5	250	140
Maziva Zagreb d.o.o. Zagreb	44	26	4	6
ITR d.o.o. Zagreb	1	-	13	-
Sinaco d.o.o. Zagreb	1	-	62	-
Hostin d.o.o. Zagreb	-	-	3	-
Prirodni plin d.o.o. Zagreb	2,188	-	43	-
Companies available for sale				
JANAF d.d. Zagreb	-	-	20	21
Strategic partner				
MOL Plc	153	52	738	463
Companies controlled by the State				
Hrvatske željeznice	25	47	21	18
Hrvatska elektroprivreda	196	882	83	24
Hrvatske telekomunikacije	-	2	-	8
Croatia osiguranje	2	2	31	17
Hrvatske vode	-	-	10	-
Hrvatska pošta	-	-	1	1
MORH	25	24	-	-
Jadrolinija	51	42	2	2
Narodne novine	-	-	1	1
Croatia Airlines	72	56	-	-
Petrokemija Kutina	6	483	-	-
Plinacro	-	4	-	319
Hrvatske autoceste	-	-	26	-
Podzemno skladište plina Okoli	1	-	-	-

(all amounts in HRK millions)

18. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	Amounts owed from related parties		Amounts owed to related parties	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Foreign related companies				
Interina Ltd Guernsey	157	239	176	57
Holdina Sarajevo	80	104	5	3
Interina d.o.o. Ljubljana	1	2	-	-
Interina Ltd London	-	6	2,941	2,153
INA Crna Gora d.o.o Podgorica	11	8	-	-
INA Beograd d.o.o Beograd	22	5	-	-
Domestic related companies				
Crosco Grupa	1	1	56	42
Osijek Petrol d.d.	132	96	1	1
Crobenz d.d. Zagreb	185	143	3	1
Proplin d.o.o. Zagreb	79	90	20	29
STSI d.o.o. Zagreb	2	3	277	212
Maziva Zagreb d.o.o. Zagreb	28	20	24	43
ITR d.o.o. Zagreb	-	-	7	41
Sinaco d.o.o. Zagreb	1	-	67	63
Hostin d.o.o. Zagreb	-	-	-	1
Prirodni plin d.o.o. Zagreb	1,848	849	279	196
Companies available for sale				
JANAF d.d. Zagreb	-	-	14	20
Strategic partner				
MOL Plc	41	26	1,209	653
Companies controlled by the State				
Hrvatske željeznice	9	108	7	10
Hrvatska elektroprivreda	156	217	25	16
Croatia osiguranje	-	-	5	33
Hrvatske vode	-	-	9	6
Hrvatska pošta	2	2	-	-
MORH	14	14	-	-
Hrvatske šume	6	4	-	-
Jadrolinija	47	25	2	1
Narodne novine	-	-	1	-
Croatia Airlines	34	30	-	-
Petrokemija Kutina	162	199	-	-
Plinacro	-	-	3	38
Hrvatske autoceste	-	-	10	8
Podzemno skladište plina Okoli	1	1	34	61

19. COMMITMENTS

Investment in refining assets

In 2005, a temporary investment unit for the modernisation of refinery operations was established based upon a Company management decision. The Company is committed to a programme of capital investment in its refineries in order to enable them to continue to produce fuels which comply with increasingly stringent environmental standards (in terms of the refinery product quality) on the European market. The modernisation of refineries should include the increasingly stricter environmental protection requirements applicable to the fuel production process.

The tasks of the investment unit and its teams include managing modernisation projects at the Sisak and Rijeka Refineries. The ultimate objective of the programme is to meet the European quality standards applicable to refinery products until specified effective dates. The construction of new plants and the modernisation of the existing ones will significantly expand the quantitative capacities of the refineries, as well as improve the product quality and significantly reduce the level of environmental pollution.

For the purposes of the implementation of the refinery modernisation project, 171 contracts were concluded with vendors as at 30 June 2010, worth HRK 3.50 billion.

Investment in contract areas of North Adriatic

Activity of bringing the production of natural gas reserves in the geographic area of North Adriatic, mostly within the epicontinental shelf of Republic of Croatia, is taking place through Production Sharing Agreements (PSA) which INA has signed with foreign companies in the so - called contract areas:

- INA, d.d. and ENI Croatia B.V. have closed down in the 1996 and 1997 Production Sharing Agreements in contract areas Aiza - Laura and Ivana, and realization of the partnership takes place through a joint operating company INAgip with interests 50 : 50,

- INA, d.d. and EDISON INTERNATIONAL S.p.A. have closed down in the 2002 Production Sharing Agreement in the contract area Izabela & Iris / Iva.

Partnership with the EDISON takes place through the operating company EDINA with interests: Edison 70% and INA 30%.

When Izabela gas field will be also in production, in the North Adriatic Area a total of 18 production platforms and 1 compressor platforms with a total of 46 production wells will be installed.

Until now, in the contract areas North Adriatic and Aiza-Laura, INA, d.d. and ENI Croatia B.V. have invested in capital construction of mining facilities and plants over USD 1,3 billion, while of the total gained reserves INA´s share will range about 70% of the produced gas, which is further placed on the Croatian gas market.

19. COMMITMENTS(continued)

Investment in contract areas of North Adriatic (continued)

Two platforms (Izabela South and Izabela North) have been installed on the Izabela gas field (in partnership with Edison). Two production wells have been drilled from Izabela South and completed, each with two production strings, and the platform has been ready for starting the test production since 23 May 2010. From Izabela North, three production wells, each with two production strings, have been drilled and complete, and currently final interconnecting, process equipment testing and preparations for test production are in progress. Izabela North will be ready for being put on stream around 15 July 2010. INA's share of production from the Izabela gas field will be transported via the Ivana K compression platform to the terminal in Pula and then into the Croatian gas system, while the Edison's share will be transported to Italy.

On 30 June 2010 INAgip had in both contract areas 133 active contracts amounting in total to 2.08 billion HRK, and the remaining commitments under these contracts on the same date amounted to 245 million HRK.

Edina has, for the need of the development of the Izabela gas field from 1 January 2008 until 30 June 2010, concluded 63 (of which are still active 34) contracts amounting in total to EUR 140.02 million from which EUR 133.64 million was carried out on 30 June 2010.

Investments in Syria

INA Group has been active in Syria since 1998, and is currently independently exploring and developing two blocks. INA has two Production Sharing Agreements (PSA) for the exploration, development and production of petroleum in Syria, both signed with the Government of the Syrian Arab Republic and the GPC which allow partners exploration, development and production of hydrocarbons in Syria.

The first PSA between The Government of the Syrian Arab Republic and GPC and INA d.d. – Naftaplin was assembled 13 August 1998 for Hayan Block.

The second PSA covers the Aphamia Concession and has become effective from 26 June 2004.

Up to present day INA has six (6) commercial discoveries on Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadyra and Mazrur) with significant oil, gas and condensate reserves.

The average daily production of the gas in first half 2010 is around 7307 boe and 6064 bbl of the oil, that is very close to the nominal production capacities of the OGS Hayan. The total gas production on Hayan Block amounted to cca 3 million boe in 2009, of which 1.4 million boe belongs to GPC

Current situation

Plant for oil, gas and condensate production “Jihar” (phase 2) together with belonging oil, gas & condensate wells, transportation system and oil tanks is built and the process of takeover plant from contractor is in progress.

19. COMMITMENTS(continued)

Investments in Syria (continued)

Completion of Gas Treatment Plant (GTP) – Jihar with capacity 3.9 million m^3/day inlet gas, 140-200 m3/day LPG, is planned in March 2011 (testing and starting up is planning in September 2010). Together with belonging oil, gas & condensate wells, oil production will be increased and also will enable gas production from gas deposits discovered on the Jihar, and Al Mahr fields.

On Aphamia Exploration Block where INA is Operator (100%), the Second exploration phase (First Extension of Initial Exploration phase) commenced in August 2008. During that phase INA was obliged to acquire 300 km 2D seismic or equivalent of 3D and drill 2 exploration wells (USD 6,000,000 minimum financial obligation). Completion date of that phase is August 2010.

In Syria until 30 June 2010, INA concluded 26 contracts of total amount HRK 2.5 billion. At 30 June 2010 remaining obligations due to these contracts were HRK 624.8 million.

Purchase obligations under "take or pay" contracts

On 1 June 2005 Ina d.d. concluded the contract with GAZEXPORT Ltd., Moscow for the supply of 1.2 bcm per year of natural gas under take or pay commitment until 2010. As of 30 June 2010 the Company's respective obligation is HRK 1.1 billion until the expiry of the contract (until 31 December 2010).

Purchase obligations under the contract to transport gas

Additionally, the Company concluded transportation agreements to ensure deliveries of the gas to the destination point (FCA Croatian border). Validities of transportation contracts are until 2010 for Slovakia, 2015 for Slovenia and 2017 for Austria. The future commitments contracted approximate to HRK 1.46 billion until cancellation of all contracts (until 2017).

Gas selling Contracts

Group had following long term natural gas sale contracts from 1 April 2010 to the expiry of the underlying contract:

1. Long-term contract between Prirodni plin d.o.o. and HEP d.d. Zagreb
   a) Contract period: from 1 January 2010 until 1 January 2016 (Annex 11)
   b) Sales revenue from 1 April until 30 June 2010: 218 million HRK
   c) Contracted supply quantity: 3,867,972,000 m^3 from 1 July 2010 until 1 January 2016
   d) Estimated revenue for the remaining period : 11.3 billion HRK
2. Long-term contract between Prirodni plin d.o.o. and Petrokemija d.d. Kutina
   a) Contract period: from 1 January 2008 until 31 December 2010
   b) Sales revenue from 1 April until 30 June 2010: 267 million HRK
   c) Contracted supply quantity: 337,000,000 m^3 from 1 July 2010 until 31 December 2010
   d) Estimated revenue for the remaining period: 610 million HRK

19. COMMITMENTS(continued)

Gas selling Contracts (continued)

3. Contracts between Prirodni plin d.o.o. and tariff-based customers (distribution - transport)
   a) Contract period: from 1 January 2010 until 30 September 2010
   b) Sales revenue 1April until 30 June 2010: 133 million HRK:
   c) Contracted supply quantity: 41,168,612 m^3 from 1 July 2010 until 30 September 2010
   d) Estimated revenue for the remaining period: 69.99 million HRK

4. Contracts Prirodni plin d.o.o. – other tariff-based customers – distributors - sales
   a) Contract period: from 1 January 2010 until 30 September 2010
   b) Sales revenue from 1 April until 30 June 2010: 159 million HRK
   c) Contracted supply quantity: 64,646,332 m^3 from 1 July 2010 until 30 September 2010
   d) Estimated revenue for the remaining period. 148.69 million HRK

5. Contracts Prirodni plin d.o.o. – other tariff-based customers
   a) Contract period: from 1 January 2010 until 30 September 2010
   b) Sales revenue from 1 April until 30 June 2010: 146 million HRK
   c) Contracted supply quantity:117,013,016 m^3 from 1 July 2010 until 30 September 2010
   d) Estimated revenue for the remaining period. 254 million HRK

6. Contracts INA, d.d. – DIOKI (ethane)
   a) Contracted supply quantity: 55,000 tons in 2010
   b) Sales revenue from 1 January until 30 June 2010 35.945 million HRK
   c) Contract period: from 1 April 2008 until 31 March 2012
   d) Estimated revenue from 1 July until 31 December 2010: 29.955 million HRK

Water selling contracts

1. High quality process water
   a) Contracted supply quantity: 2,868,750 m^3 in 2010
   b) Sales revenue from 1 January until 30 June 2010: 2.365 million HRK
   c) Contract period: 2010
   d) Estimated revenue for the remaining period: 2.992 million HRK
2. Geothermal water
   a) Contracted supply quantity: 410,000 m^3 in 2010
   b) Sales revenue from 1. January until 30 June 2010 : 1.066 million HRK
   c) Contract period: 2010
   d) Estimated revenue for the remaining period: 1.062 million HRK

19. COMMITMENTS(continued)

N-pentane selling contracts

1. N-pentane
   a) Contracted supply quantity: 880 m^3 in 2010
   b) Sales revenue from 1 January until 30 June 2010: 525 thousand HRK
   c) Contract period: 2010
   d) Estimated revenue for the remaining period: 848 thousand HRK

Environmental matters

Identified costs are divided into cost of safety on work, fire protection, safety and environmental protection. The costs of environmental protection in the first six months 2010 in INA, d.d. is approximately HRK 31.8 million. Estimation for 2010 year for the costs of environmental protection gives a value of HRK 64.3 million. Environmental protection costs are grouped into a group of costs of services and materials for the environmental needs and the group of fees based on the legislation, and is paid based on actual emissions in any of the environmental media (air, water or soil) and environmental load waste. The first type of services is the contracted value with companies that provide environmental services, and fees are paid to the Fund for Environmental Protection and Energy Efficiency based on issued decision.

20. CONTINGENT LIABILITIES

There were no changing of contingent liabilities regarding contingent liabilities presented in financial statement at 31 December 2009.

21. SUBSEQUENT EVENTS

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