Q1 2011 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q1 2011 results today. This report contains unaudited consolidated and non-consolidated financial statements for the period ending 31 March 2011 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

HRK mln.	2010	Q4 2010	Q1 2010	Q1 2011	%
Net sales revenues	25,866	7,360	5,636	6,943	23.2
EBITDA (1)	5,048	1,060	1,060	2,019	90.5
EBITDA excl. special items (1)	5,212	1,501	1,060	2,019	90.5
Operating profit/(loss)	2,128	772	343	1,118	225.9
Operating profit/(loss) excl. special items (2)	2,925	979	417	1,349	223.5
Net financial gain (expenses)	(810)	(263)	(411)	260	n.a.
Net profit/loss for the period (3)	961	401	(131)	1,053	n.a.
Net profit/loss for the period excl. special items (2)	1,558	526	(72)	1,238	n.a.
Operating cash flow	1,563	2,270	(926)	(969)	4.6

USD mln (4)	2010	Q4 2010	Q1 2010	Q1 2011	%
Net sales revenues	4,703	1,357	1,071	1,283	19.8
EBITDA (1)	918	195	201	373	85.3
EBITDA excl. special items (1)	948	277	201	373	85.3
Operating profit/(loss)	387	142	65	207	217.1
Operating profit/(loss) excl. special items (2)	532	180	79	249	214.7
Net financial gain (expenses)	(147)	(48)	(78)	48	n.a.
Net profit/loss for the period (3)	175	74	(25)	195	n.a.
Net profit/loss for the period excl. special items (2)	283	97	(14)	229	n.a.
Operating cash flow	284	418	(176)	(179)	1.8

(1) EBITDA = EBIT + Depreciation + Impairment + Provisions
(2) Excludes special items items related to asset impairment, stock evaluation, deferred taxes, provision, severance payments and special items income. The Q1 2011 EBIT was negatively influenced by HRK 231 million special items relating to provisions and value adjustments.
3) INA Group net profit attributable to equity holder.
(4) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: forQ4 2010: 5.4243 HRK/USD, 2010: 5.5000 HRK/USD., for Q1 2010: 5.2644 for Q1 2011: 5.4119 HRK/USD.

The first three months of 2011 have shown a strong improvement over the same period of the previous year reaching HRK 2.0 billion EBITDA, against HRK 1.1 billion achieved in Q1 2010. Operating profit excluding special items was HRK 1.3 billion, compared to HRK 417 million operating profit excluding special items in the same period last year. This improved result is reflecting improvement of operating performance in all key businesses, the impact of realized major strategic investment projects and a generally better external environment. During the first quarter of 2011 INA Group has increased its sales revenues by 23.2% mainly as a result of higher hydrocarbon production on both North Adriatic and Syrian concessions on one hand, and on the other improving economic environment has additionally positively influenced the results through increasing crude prices in the upstream segment, while contribution of the downstream operations to the results also improved, but remained negative partially as a result of certain complications during the start-up of the hydrocracker complex.

At the net profit level Q1 2011 was significantly better than Q1 2010, with HRK 1,053 million net profit compared to HRK 131 million net loss in Q1 2010 that was mainly resulted by the unrealized forex gains on the revaluation of credit facilities due to the weaker US dollar against Croatian Kuna at the end of the quarter (net financial profit of HRK 260 million was recorded in Q1 2011 in comparison with net financial expense of HRK 411 million in the same period last year). Results were positively affected by both external and internal trends and efforts by the management to reduce operating expenses through cost management and control.

Achieving long-term financial stability, that was a main focus of the previous year, will remain as goal in 2011 as well, during which INA will continue with its investment programmes including refinery modernisation, development of Upstream projects in Syria and North Adriatic, and the modernisation and revitalisation of our retail network. Our programme aiming at modernizing petrol stations has started in the Q4 of 2010 with 11 petrol stations and will continue during this year reaching all together 40 stations. In addition in the first three months management has continued with improving operational efficiency focusing on controlling costs, further improving procurement process with an aim of reaching additional savings, while at the same time concentrating on identifying further areas with improvement potential.

Our management's commitment to implement measures for improving efficiency of operations (which have delivered over HRK 1 bn, or USD 180 million, efficiency improvements since 2008), to continue investment programmes started in our refineries, intensification of upstream activities in Croatia and abroad and modernization and revitalization of the filling station network ensures the company's secure future and a competitive position on the market. With internal restructuring efforts, the reduction of operating costs and investing into the numerous identified major capital projects (amounting to more than HRK 2.4 bn, or USD 440 mn in 2011) approved by the representatives of the two major shareholders, INA will strengthen its market leadership in Croatia and generate significant returns to all of its shareholders.

Overall operations

- **Exploration and Production:** operating profit excluding special items in Q1 2011 shows a strong increase of HRK 618 million, over Q1 2010 figure and amounts to HRK 1,573 million (USD 291 million) mainly due to 24% higher average hydrocarbon price and 20% higher average daily hydrocarbon production due to the increased Croatian offshore production and the start-up of Jihar oil and gas station in Syria, offset by natural decline of crude production in Croatia onshore fields, Egypt and Angola. Increase in operating profit was additionally backed with the achievements in the Company's effort on cost reduction resulting 8% lower unit OPEX.

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

- **Refining and Marketing**: During the first three months 2011, INA had an operating loss (excluding special items) of HRK 29 million (USD 5 million) in the Refining & Marketing segment. Compared to the same period last year, operating loss (excluding special items) was by HRK 271 millions lower primarily due to optimized crude oil procurement and 6% higher sales volumes (mostly EURO V products). Consequently margins improved, domestic sales slate was favorable and therefore better operating result was realised. Also, stronger presence on B&H market with higher sales of gasoil and bitumen was realised. The result was additionally positively influenced by realised efficiency improvement measures, however certain complications arose during the startup of the hydrocracker complex that influenced our results negatively.

- **Retail segment:** generated a HRK 26 million (5 million USD) operating loss excluding special items in Q1 2011, or HRK 18 million better result compared to Q1 2010 mostly because of cost-cutting measures and efficiency improvements initiatives. The sales volumes were in line with Q1 2010 but introduction of EURO V quality throughout the entire domestic network ensured a better product slate and higher margin.

- **Corporate and Other[1]:** In the first three months 2011, an operating loss excluding special items of HRK 169 million (USD 31 million) was recorded, which was HRK 25 million lower in comparison with Q1 2010 mainly because of lower other operating costs as a result of cost-cutting measures.

- **A net financial profit** of HRK 260 million was recorded in Q1 2011 in comparison with net financial expense of HRK 411 million in the same period last year. The difference of HRK 671 million occurred because of higher forex gains mostly on credit facilities. The interest expense was at the similar level like in Q1 2010 while other financial expenses were HRK 13 million lower compared to the same period last year.

- **Operating cash flow:** In Q1 2011, the operating cash-flow before changes in working capital improved to HRK 1,819 million (70% up in comparison with Q1 2010). Operating cash-flow was negative and amounted to HRK 969 million (5% up in comparison with Q1 2010). Changes in working capital decreased the operating cash flow in Q1 2011 by HRK 2,785 million, primarily due to reduced liabilities as a result of re-established liquidity and higher value of inventories due to the coupled effect of higher prices and higher volumes, while the paid taxes had additional negative effect of HRK 3 million. INA Group net indebtedness increased to HRK 11,055 million compared to HRK 9,938 million as at 31 December 2010 and its gearing[2] as at 31 March 2011 was 44.4%, growing from 43.7% as at 31 December 2010.

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, President of the Management Board commented the result:

"The most demanding period of the process of financial stabilisation is behind us. During the previous year we have managed to reinforce INA's financial stability by resolving all outstanding liabilities and reaching the necessary level of liquidity. During the first quarter of 2011 INA has continued with the efficiency improvement what can be clearly seen on all levels of operations through improved competitiveness and cost levels closer to industry benchmarks, indicating that the company is on the right track and started to generate significant returns for shareholders.

Looking across segments, Exploration and Production was the main contributor to the Group results. After a period of intensive investments that have peaked in previous years we are benefiting from our efforts put in to the North Adriatic and Syrian Hayan projects, which are contributing now with increased hydrocarbon production. Focus of the Refining and Marketing business has been on finalizing refinery modernisation and market optimisation which is aimed at improving competitiveness and market position. In Q1 the performance of the segment was positively influenced by stronger position achieved on the B&H market and by the previously introduced Euro V products.

In order to provide the highest possible return to our shareholders we plan to intensively reinvest our profits in the coming years. During 2011 intensive modernization of our petrol stations will be among our top priorities in order to meet the highest expectations and to make our network the first choice of the customers. Together with the new visual identity INA will offer higher level of services and technical functionality. In addition, in Q2 2011 we are initiating significant investments on Ivanić and Žutica fields by implementing EOR (Enhanced Oil Recovery) methods in order to increase our Croatian hydrocarbon production and thus contributing to security of supply. In order to stimulate further investment activities in the area of exploration and production in Croatia, we are working together with the relevant bodies to create a regulatory background in line with the international best practices that supports these goals.

Key management tasks will be: further improvement of our operational efficiency, the development and enlargement of our domestic and international upstream portfolio to boost our reserve base, continuing with the second phase of refinery modernisation to strengthen market position and focusing on the revitalization of the filling station network. Our goal is to

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Overview of the macro environment

Recovery of global economy is gaining strength, but unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. In advanced economies, the handoff from public to private demand is advancing, reducing concerns that diminishing fiscal policy support might cause a “double-dip” recession. Financial conditions continue to improve, although they remain unusually fragile. In many emerging market economies, demand is robust and overheating is a growing policy concern. Developing economies, particularly in sub-Saharan Africa, have also resumed fast and sustainable growth. Rising food and commodity prices pose a threat to poor households, adding to social and economic tensions, notably in the Middle East and North Africa. Oil price increases since January 2011 and information on supply, including on spare capacity, suggest that the disruptions so far would have only mild effects on economic activity. An earthquake in Japan which has exacted a terrible human toll, is projected to have limited macroeconomic impact, although uncertainty remains elevated. World real GDP growth is forecast to be about 4.5 percent in 2011 and 2012. Real GDP in advanced economies and emerging and developing economies is expected to expand by about 2.5 percent and 6.5 percent, respectively.

After a year and a half of global recovery, natural resources are again in the headlines. The spot price of a barrel of Brent crude oil crossed the US$100 threshold in January 2011. The prices of many other commodities have risen to meet or surpass their pre-crisis peaks, and commodity futures markets point to further price increases in the next year or two. Commodity price strength mirrors buoyancy on the demand side. Consumption levels of many natural resources, including crude oil, have already risen above pre-crisis peaks, largely reflecting robust demand in emerging and developing economies. The crisis in Libya and fears that supply disruptions might spread to other countries in the MENA region lifted the fear premium, pushing futures prices higher. This was somewhat capped by market uncertainty following the tragic events in Japan.

Oil prices were fluctuating in the 95 to 115 USD/bbl range during the first quarter 2011, with an upward trend since the begging of the year. External business environment in Q1 2011 mostly resulted from turbulent developments in Libya and North Africa, and fears that it could disrupt oil supply, so that the price of oil rose and in March it reached an average of 114.6 USD/bbl. In comparison with the same period of 2010 average price of crude oil increased by 37.7% in Q1 2011 (from 76.2 USD/bbl to 105.0 USD/bbl), while the average crack spread (FOB Med) decreased by 70.5% (from 27.7 USD/t to 8.2 USD/t). Crack spreads of the main products were: for unleaded petrol BMB Euro 95 (V) it decreased by 8.5% (to 126.8 USD/t) and for Eurodiesel it increased by 88.7% (to 113.9 USD/t). The negative spread for fuel oil increased by 72.5% (to -245.1 USD/t).

Croatian economy has fallen 0.6% in Q4 2010 by yoy after 0.3% growth which was recorded in Q3. This contraction of economic activity was led by lower capital investments which fell -8.0% while the export of goods and services showed improving trends with an increase of 10.8% and household consumption which increased 1.2%, stabilised mitigating pressures on the economic activity. In 2010, GDP contracted 1.2% in real terms due to the decrease of household consumption and capital investments. These trends could indicate certain weaknesses like low competitiveness, high tax burden and role of government in domestic economy which delay recovery. However, GDP is expected to increase 1.5% in 2011, resulting from recovery of EU, and lower base. Industrial production at the beginning of 2011 is showing negative trends. Decline in January was followed by a further decline in February of 4.1% as a result of the orientation on the domestic market. Cost of goods and services for personal consumption, as compared with the consumer's index, in comparison with March 2010 are higher by 2.6% y-o-y , while on the annual average level they are higher by 1.4%.

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Management discussion

*Exploration and Production**

2010	Segment IFRS results (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
10,882	Net sales revenues	3,263	2,764	3,236	17.1
4,572	Operating profit/(loss)	1,350	955	1,469	53.8
4,577	Operating profit excl. special items**	1,508	955	1,573	64.7
6,186	EBITDA	1,568	1,387	1,969	42.0
5,948	EBITDA excl. special items**	1,769	1,387	1,969	42.0
1,473	CAPEX	383	516	191	(63.0)

* 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 30 April 2009, Prirodni plin d.o.o.
** The Q1 2011 performance was negatively influenced by HRK 104 million special items, of which HRK 39 million related to provisions and HRK 65 million to impairment.

2010	Hydrocarbon production*	Q4 2010	Q1 2010	Q1 2011	%
799.4	**Crude oil production (kt)***	**199.8**	**194.3**	**190.7**	(1.9)
478.3	Croatia	118.1	121.6	114.5	(5.9)
146.0	Syria	39.9	27.3	37.3	36.6
97.0	Egypt	22.5	24.8	20.5	(17.4)
78.0	Angola	19.2	20.6	18.4	(10.8)
2,602.4	**Natural gas production (mln cm)**	**689.2**	**600.0**	**755.7**	**26.0**
1,407.4	Croatia - offshore	378.9	301.5	353.7	17.3
923.3	Croatia - onshore	228.5	239.3	223.7	(6.5)
271.7	Syria	81.8	59.1	178.3	201.6
258.5	**Condensate (kt)**	**70.8**	**65.9**	**97.8**	**48.5**
16,336	Crude oil (boe/d)	16,263	16,084	15,841	(1.5)
7,170	Natural gas Condensate (boe/d)	7,587	7,770	10,264	32.1
41,973	Natural Gas (boe/d)	44,099	39,246	49,434	26.0
22,700	o/w: Croatia off-shore (boe/d)	24,243	19,723	23,136	17.3
65,480	**Total hydrocarbon production (boe/d)**	**67,949**	**63,101**	**75,538**	**19.7**

2010	Average realised hydrocarbon price**	Q4 2010	Q1 2010	Q1 2011	%
69.7	Crude oil and condensate price (USD/bbl)	77.1	65.1	86.8	33.3
59.2	Total hydrocarbon price (USD/boe)*	63.4	54.8	67.7	23.6

2010	Natural gas trading - mln cm	Q4 2010	Q1 2010	Q1 2011	%
1,214.3	Natural gas imports	289.0	304.3	216.4	(28.9)
3,026.2	Total natural gas sales - domestic market	963.4	976.4	968.3	(0.8)

2010	Natural gas price differential to import prices (HRK/000 cm)	Q4 2010	Q1 2010	Q1 2011	%
(355.9)	Eligible customers' price	(333.0)	(383.3)	(30.7)	(92.0)
(396.7)	Tariff customers' price	(558.4)	(140.4)	(411.9)	193.4
(369.7)	Total price	(403.5)	(290.6)	(169.3)	(41.8)

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

Upstream operating profit, excluding special items, reached HRK 1,573 million in Q1 2011, increasing by HRK 65 million, compared to HRK 1,508 million operating profit in Q4 2010. Quarterly results were impacted by (1) 7% higher average hydrocarbon prices, (2) 11% increased hydrocarbon production and (3) 14.8% decreased average production cost.

Upstream operating profit, excluding special items shows a strong increase of HRK 618 million, over Q1 2010 figure. The main drivers for the profit improvement were (1) 20% higher hydrocarbon production driven by the recently finished investment programs on Croatian offshore and Syrian Hayan field, (2) 24% better average realized hydrocarbon price after the continuous recovery of global economy and (3) the achievements in the Company's effort on cost reduction resulting 8% lower unit opex. Reported Q1 2011 operating profit amounted to HRK 1,469 million and was negatively influenced by HRK 104 million special items.

Average daily hydrocarbon production in Q1 2011 was at 75,538 boe, up 20% compared to the same period of last year, as the increasing contribution of the development projects more than offset the production decrease of the maturing onshore oil and gas fields. Due to higher net share, production on North Adriatic was 17% higher than Q1 2010. Total Q1 2011 production cost compared to the first quarter of 2010 was 8% lower supported by the 20% higher production quantities.

Natural gas Croatian on-shore production decreased by 6%, due to the natural depletion of maturing fields. Natural gas production outside Croatia significantly increased compared to Q1 2010, after the start-up of the Oil and gas station Jihar in Syria. International crude production rose by 5%, compared to Q1 2010 because of a higher production in Syria which compensated lower production in Egypt and Angola. Onshore domestic crude production declined by 6%.

Upstream revenues in Q1 2011 increased by 17% compared to Q1 2010 primarily as the result of (1) stronger hydrocarbon production coupled with (2) higher sales volumes, (3) higher average crude price and (4) favourable effect of weaker Kuna compared to Q1 2010.

Exploration and Production segment's **CAPEX** in Q1 2011 amounted HRK 191 million, out of which majority was spent in Syria on development and exploration activities, on exploration and development on North Adriatic, in Egypt, Angola and on-shore Croatia. On Hayan block in Syria, investments related to drilling one well and construction activities connected to Gas Treatment Plant, which include connecting roads, camp reallocation and furnishing of living quarters, electrical interconnections and miscellaneous civil works. Capital expenditure on North Adriatic, on Ivana K, included construction activities on finalization of first phase of optimization of existing system of the North Adriatic contract area and installation of necessary equipment for accepting Izabela gas field production. In Angola the activities planned for the first quarter of 2011 related to construction of Floating Storage Hull Repair on Palanca Terminal and replacement of corroded piping were postponed until partner's approval. In Egypt, development activities in Q1 related to the finalization of drilling activities on West Abu Gharadig concession and drilling activities on SR-3 well on Sidi Rahman concession. In addition, in Q2 2011 investments on Ivanić and Žutica fields are to be initiated in accordance with the development of EOR Project in order to increase our Croatian hydrocarbon production and thus contributing to security of supply. If an appropriate regulatory background will be in place, further intensive investments regarding exploration in Croatia will also be implemented.

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*Refining and Marketing**

2010	Segment IFRS results (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
15,777	Revenues	4,603	2,970	4,073	37.1
(1,236)	Operating profit/(loss) reported	(281)	(300)	(120)	(60.0)
(822)	Operating profit/(loss) excl. special items**	(202)	(300)	(29)	(90.3)
(1,016)	Estimated CCS-based Operating profit/(loss) excl. special items	(331)	(279)	(300)	7.5
(488)	EBITDA	(135)	(201)	134	n.a.
(280)	EBITDA excl. special items**	(42)	(201)	134	n.a.
1,328	CAPEX and investments (w/o acquisition)	381	323	98	(69.7)

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb, Proplin, Crobenz (until 30 September 2010), Osijek Petrol, Interlna Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA Hungary, FPC London, INA -Crna Gora, INA Beograd, INA Kosovo, Interina Holding London, Holdina Guernsey.
**The Q1 2011 performance includes HRK 91 million negative special items comprising of provisions.

2010	Refinery processing (kt)	Q4 2010	Q1 2010	Q1 2011	%
459	Domestic crude oil	103	103	110	6.5
3,562	Imported crude oil	749	863	891	3.2
138	Condensates	35	34	34	(0.4)
291	Other feedstock	122	48	162	235.3
4,450	**Total refinery throughput**	**1,009**	**1,049**	**1,197**	**14.1**
2010	**Refinery production (kt)**	**Q4 2010**	**Q1 2010**	**Q1 2011**	**%**
958	Motor gasoline	237	209	232	11.0
1,084	Diesel	212	228	249	8.9
222	Heating oil	68	76	65	(13.8)
95	Kerosene	10	13	18	36.0
73	Naphtha	25	20	21	5.0
66	Bitumen	8	10	17	68.9
1,441	Other products*	317	369	418	13.3
3,939	**Total**	**878**	**926**	**1,020**	**10.2**
35	Refinery loss	8	8	9	16.6
475	Own consumption	123	116	168	45.2
4,450	**Total refinery production**	**1,009**	**1,049**	**1,197**	**14.1**
2010	**Refined product sales by country (kt)**	**Q4 2010**	**Q1 2010**	**Q1 2011**	**%**
2,049	Croatia	503	468	432	(7.8)
443	B&H	128	87	131	51.1
1,520	Other markets	431	276	318	15.3
4,012	**Total**	**1,061**	**831**	**881**	**6.0**
2010	**Refined product sales by product (kt)**	**Q4 2010**	**Q1 2010**	**Q1 2011**	**%**
1,011	Motor gasoline	263	227	215	(5.6)
1,266	Diesel	315	237	263	11.3
232	Heating oil	75	70	64	(8.8)
109	Kerosene	17	13	12	(2.3)
74	Naphtha	18	27	23	(15.8)
68	Bitumen	12	10	15	43.3
1,254	Other products*	360	248	289	16.8
4,012	**Total**	**1,061**	**831**	**881**	**6.0**
1,125	o/w Retail segment sales	262	215	231	7.2
2,887	o/w Direct sales to other end-users	799	616	650	5.5

*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, 2009 data was grouped accordingly for the purpose of providing comparable data.

In Q1 2011, R&M segment operating loss (excluding special items) in the amount of HRK 29 million decreased by HRK 173 million in comparison with Q4 2010 as a result of (1) optimized sales structure per markets, (2) efficiency improvements relating crude supply optimization, maintenance and cost management, (3) positive effect of forex gains that was off set by (4) 75% lower crack spreads (5) worse yield of white products due to lower processing of Azeri type crude and non continuous operations of new plants and (6) 180 kt lower sales.

Compared to Q1 2010, operating result (excluding special items) was HRK 271 better and was influenced by (1) 6% higher sales (primarily EURO V products). Sales on B&H market significantly increased with higher sales of gasoil and bitumen. In addition, the result was influenced by (2) realized efficiency improvement measures and (3) HRK 252 million positive effect of financial result from operations. These positive effects were partially offset by (4) unfavorable product yield due to planned shut down and non continuous operations of new plants. Refinery production is optimized to reduce fuel oil production because of decreased regional market demand and significantly increased negative fuel oil crack spread. (5) Lower average crack spread by

70% also negatively contributed to the operating result. Crude oil prices were higher due to the political situation in Libya and North Africa. Gasoline crack spreads were lower and fuel oil crack spreads also significantly dropped and are at the lowest level in the past two years. Reported Q1 2011 operating loss amounted to HRK 120 million, including HRK 91 million negative special items.

The CCS-based operating loss that eliminates the effect of change in crude oil price and foreign exchange rates from the operating result, excluding special items, increased by HRK 21 million. Higher sales volumes had a positive impact on the result, while lower average crack spread influenced the result negatively.

External business environment in Q1 2011 mostly resulted from turbulent developments and fears that it could disrupt oil supply, so that the price of oil rose and in March it reached an average of 114.6 USD/bbl. In comparison with the same period of 2010 average price of crude oil increased by 37.7% in Q1 2011 (from 76.2 USD/bbl to 105.0 USD/bbl), while the average crack spread (FOB Med) decreased by 70.5% (from 27.7 USD/t to 8.2 USD/t). Crack spreads of the main products were: for unleaded petrol BMB Euro 95 (V) it decreased by 8.5% (to 126.8 USD/t) and for Eurodiesel it increased by 88.7% (to 113.9 USD/t). The negative spread for fuel oil increased by 72.5% (to -245.1 USD/t).

Total refinery throughput was 14% higher mainly due to the lower comparison base (which was reduced in 2010 mainly due to the planned and unplanned shutdowns). Q1 2011 refinery processing operations were influenced by (1) still lower fuel demand in Croatia and neighboring countries and (2) the planned shut down of Sisak Refinery in February. Lower processing of Azeri light crude oil (by 191 kt) and non continuous operation of new plants in Rijeka Refinery, both had an impact on product yield resulting in 63% share of white products (in Q1 2010 it was 68%) combined with increased own production. An increase in the price difference between the Azeri and REB, which began in middle of November 2010, reduced the attractiveness of Azeri crude as a partial replacement for the REB.

In Q1 2011, an increase in total sales of 50 kt was recorded. Domestic market had a decrease of 7.8%, while the B&H recorded a strong increase of 51.1%, and exports by 15.3%. These movements are indicating still depressed domestic demand which was compensated by stronger approach to export markets. There was an increase of diesel sales by 11.3% while total gasoline sales decreased by 5.6% and heating oil sales by 8.8%. On the domestic market INA maintained its strong position, while the B&H market position was strengthened with increased sales.

In Q1 2011, capital expenditures reached HRK 98 million and were mostly spent on refinery modernization. The Hydrocracker complex (consisting of Hydrocracker, Sulphur Recovery and Hydrogen Generation units and related off-sites) completed in 2010 under the first phase of the refinery modernization program in Rijeka Refinery was started up in March 2011. However certain complications arose during the startup of the hydrocracker complex that negatively influenced our results. The Isomerization Unit at Sisak Refinery, which was mechanically completed in December 2010, was under commissioning in Q1 2011.

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*Retail Services**

2010	Segment IFRS results (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
6,453	Revenues	1,548	1,233	1,522	23.4
(186)	Operating profit/(loss)	(42)	(118)	(42)	(64.4)
38	Operating profit/(loss) excl. special items**	(38)	(44)	(26)	(40.9)
85	EBITDA	(47)	(5)	4	n.a.
129	EBITDA excl. special items**	(50)	(5)	4	n.a.
52	CAPEX and investments (w/o acquisition)	28	2	8	433.3

* Refers to Retail INA. d.d. and Petrol Rijeka and retail of subsidiaries: Proplin, Crobenz (until 30 September 2010), Osijek Petrol, Interina Ljubljana, Holdina Sarajevo, INA - Crna Gora
**The Q1 2011 performance was negatively influenced by HRK 16 million special items.

2010	Refined product retail sales (kt)	Q4 2010	Q1 2010	Q1 2011	%
418	Motor gasoline	92	88	83	(5.2)
715	Gas and heating oils	172	140	147	5.0
44	LPG	10	10	8	(23.3)
3	Other products	1	1	1	(0.1)
1,180	**Total**	**276**	**239**	**239**	**(0.0)**

2010	Refined product retail sales (kt)	Q4 2010	Q1 2010	Q1 2011	%
1,124	Croatia	262	226	228	0.6
40	B&H	9	8	8	(1.7)
16	Other markets	4	4	3	(30.9)
1,180	**Total**	**276**	**239**	**239**	**(0.0)**

Retail Services operating loss, excluding special items, amounted to HRK 26 million in Q1 2011, what is in comparison to the Q4 2010 result an improvement of HRK 12 million. Despite lower sales (13%), the result was better compared to Q4 2010 due to lower operating costs, mainly advertising and maintenance.

In comparison to HRK 44 million **Q1 2010** operating loss excluding special items, Q1 2011 result was HRK 18 million better. The main reasons of the better result were (1) improved margin coming from the introduction of EURO V quality products throughout the entire domestic network and (2) lower operating costs (staff costs and previous assets impairments).

Total retail sales volumes consisted primarily of diesel fuels and motor gasoline sales, and were in Q1 2011 at the level of the first quarter of 2010. In Q1 2011, in line with the slow improvement of economy INA Group experienced a 5.0% increase in diesel sales while motor gasoline sales decreased by 5.2%. LPG sales dropped by 23.3% reflecting an overall decreasing trend in LPG sales due to the increase of its sales price compared to the previous years. Average throughput per site in Q1 2011 improved 2.8% compared to Q1 2010. Improved average throughput indicates real increase in sales volumes as the Q1 2010 total sales volumes include Crobenz sales as well, a subsidiary sold in Q3 2010.

As of 31 March 2011 the retail services operated 472 petrol stations (of which 420 in Croatia, 45 in Bosnia-Herzegovina, 6 in Slovenia and 1 in Montenegro), what is a decrease of 14 petrol stations compared to 31 March 2010. The main reason for the decreased number of petrol stations was sale of 14 Crobenz's petrol stations.

Being aware of the importance of meeting our customers' needs, filling stations modernisation and revitalization was started at the end of 2010, in order to meet the highest expectations and make our network the first choice of customers. During this year approximately 40 petrol stations would be modernised in the scope of the project. With this "blue concept" project INA Group aims to provide the customers with top level services and technical functionality of the petrol stations combined with new visual identity.

INDUSTRIJA NAFTE, d.d.

Financial overview

Operations

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

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

Management Board made a decision on the business restructuring of Proplin, a 100% owned subsidiary of INA d.d., member of INA Group. By this decision all operations of Proplin d.o.o (principal activity being autogas, industry/bulk and cylinder sales of LPG in Croatia) will be integrated back to INA and the company will be merged with its mother company. It is expected that the integration of Proplin will be completed in early October 2011.

Significant accounting judgements and estimates

From the second quarter of 2010, INA Group reclassified income and costs of interests and foreign exchange differences of buyers and suppliers from financial activities to operating activities, and from Q1 2011 to the business segments level. Also in Q2 2010 in North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating unit.

The agreement between the major shareholders on the takeover of gas trading company by the Government was not reached by deadline as originally set out in the Amendment to the gas master agreement, therefore, since Q4 2010 the Company does not present the gas trading business results as the results from discontinued activities. Company has recognized revenues in the income statement from hydrocarbon sales in Syria which had been realized in line with international accounting standards. During the Q2 2011 INA Group will release the provision made for liabilities relating to Prirodni Plin tax payment issue created in Q4 2010.

Overall operations

In Q1 2011, INA Group generated HRK 6.9 billion of total sales revenues[3] or 23% higher compared to the same period last year, mainly due to higher revenues from refined product sales supported by the introduction of Euro V products (higher prices and higher volumes) and higher sales of Syrian natural gas and crude oil (higher prices and higher volumes).

During the first three months 2011, costs of raw materials and consumables rose by 47% compared to the first three months 2010, mainly because of 37% increase in crude oil average purchase price (the average price of Brent FOB Med was up by 38% on the world market) and the 3% higher refining of imported crude. The value of finished goods and WIP inventories rose by HRK 1,043 million compared to the opening balance, while as at 31 March 2010 it was higher by HRK 413 million. The cost of goods for resale decreased by 5% and amounted to HRK 1,053 million mainly due to lower purchase costs of imported natural gas. Other material costs in the amount of HRK 393 million, decreased by HRK 43 million because of lower rental fees, lower cost of subcontractors' services and other production costs. The costs of services decreased by HRK 205 million to HRK 264 million predominantly as a result of lower financial costs related to operations. Depreciation rose by 10% to HRK 467 million because of assets put in use upon completion of projects. Adjustments and provisions of HRK 434 million were HRK 142 million higher because of higher provisions for incentives, litigation and unused holiday as well as higher value adjustment of receivables.

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[3] Consolidated sales

Total staff costs decreased by 5% compared to the first three months of 2010, mainly because of lower headcount as a result of Workforce Restructuring Programme launched at the end of 2010. The headcount as at 31 March 2011 was 14,085 – 13% down on the 31 March 2010 number (16,252).
In December 2010 INA Group implemented the redundancy programme in order to increase efficiency and for the purpose of stabilisation of economic operations and the needs of reorganisation in order to improve business processes in the next period. The programme is conciliated with the Croatian Employment Service and INA's trade union representatives, and was partially executed in November and December 2010. Additionally, in March 2011, INA terminated the contracts of 200 employees and severance payments were made in the course of March/April 2011 in the total amount of HRK 59.5 million. Representatives of the labour unions present in INA have conceded to the Programme and no significant disputes arose as a result of its implementation.

Financial activities in the first three months of 2011 recorded a profit of HRK 260 million, a HRK 671 million increase on the Q1 2010 loss. Net forex gains on credit facilities amounted to HRK 329 million compared to HRK 328 million losses in Q1 2010. The interest expense of HRK 25 million was 1 million down on Q1 2010, primarily as a result of the positive effect of long-term debt interests' gains. Other financial expenses amounted to HRK 45 million which was HRK 13 million lower compared to Q1 2010 mainly due to positive effect of embedded derivates.
The profit tax for the first three months 2011 was HRK 325 million compared to HRK 63 million in the first three months 2010.

New Regulation on compensation payment for concession for exploitation of mineral raw materials has been in force since April, 6th 2011 (Official Gazette 40/11). The amount of compensation is calculated as a percentage of the market value of the produced hydrocarbons and was increased from 3.6% to 5%, that could increase INA's fee by approximately HRK 70 million per annum.

Maximum selling prices for fuel products retail are determined by the regulation adopted by the Ministry of Economy, Labor and Entrepreneurship (Official Gazette 37/2011) of the Republic of Croatia, which provides formulae for setting prices relative to international market prices. From 4 April 2011 retail prices of fuel products are changing every 14 days and the oil companies are authorized to apply different retail prices within the maximum price set by the Ministry. Retail prices for gas stations located on highways and on the coast are deregulated, except for blue diesel.

Balance sheet

As at 31 March 2011, total assets amounted to HRK 32.0 billion increased by 3% compared to 31 December 2010. Non-current tangible and intangible assets decreased by 1%, primarily due to increased depreciation because of assets put in use upon completion of projects capital investments. Goodwill and investments in subsidiaries and joint ventures decreased by HRK 3 million to HRK 585 million. Deferred taxes increase by HRK 10 million and amounted to HRK 290 million.
The value of inventories amounted to HRK 4,454 million having grown by 41% due to the coupled effect of higher prices and higher volumes. Stored up finished products and WIP inventories from own production due to feedstock's accumulation increased by 123 kt. In addition, crude oil inventories increased by 115 kt as a result of crude oil in transit and purchase sweet oil for two months processing.
As a result of management efforts to collect overdue receivables, net trade debtors as at 31 March 2011, amounting to HRK 2.6 billion, were down by 13% compared to 31 December 2010.
Total INA Group liabilities as at 31 March 2011 amounted to HRK 18.2 billion and they were almost at the same level as at 31 December 2010, because of lower liabilities were offset by increased indebtedness. Credit facilities were used for crude purchases, capital investments and repayment of liabilities. Liabilities for taxes and contributions increased by HRK 282 million to HRK 1,071 million due to the increased corporate tax. Trade creditors decreased by HRK 1,707 million and amounted to HRK 2,079 million. Long-term and short-term provisions rose by HRK 12 million mostly due to higher provisions for incentives and litigation.

As at 31 March 2011, INA Group net indebtedness increased to HRK 11,055 million compared to HRK 9,938 million as at 31 December 2010 while its gearing[4] as at 31 March 2011 increased to 44.4% from 43.7% as at 31 December 2010.

Cash flow

In Q1 2011, the operating cash-flow before changes in working capital improved to HRK 1,819 million, HRK 750 million up on Q1 2010, primarily as a result of a stronger EBITDA. Changes in working capital decreased the operating cash flow in Q1 2011 by HRK 2,785 million, primarily as a result of reduced liabilities (HRK 1,715 million) due to re-established liquidity and higher value of inventories by HRK 1,315 million due to the coupled effect of higher prices and higher volumes, while the taxes paid had additional negative effect of HRK 3 million.
Net outflows in investing activities amounted to HRK 367 million and were HRK 547 million down on Q1 2010. A decrease is resulted by the nature of key projects, some of which are nearing completion, and for the reason of current market environment.

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

Financial instruments and risk management

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

a) Market risk

Commodity price risk management

The Group purchases crude oil mostly through short-term arrangements in US dollars at spot market prices while the required quantities of gas are purchased at a price denominated in US dollars in accordance to 3-year supply contract with Italian ENI.
In addition to oil exploration, production and refining, one of the INA's core activities is marketing and sales of refined products and natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001) which, to a limited extent, hedging the Group from the changes in crude and oil product prices and the currency risk, enabling refinery products to be repriced bi-weekly (last modified on 22 March 2011), with certain limitations, depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.
The Group may use swap and option instruments in managing its commodity exposure. During Q1 2011 INA concluded short term commodity swap transactions for inventory hedging purposes. These transactions were initiated to reduce exposure to potential price movements during the refinery inventory build down period.

Foreign currency risk management

While the Group operates on the domestic market and abroad many transactions are priced and denominated in foreign currency and it is thus exposed to currency risk.
Generally, the Group applies natural hedge to manage its currency risk exposure based on the principle that the currency mix of the debt portfolio should reflect the free cash flow currency position of the Group.
The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 31 March 2011, there were no open cross currency transactions.
Additionally, the Refined Product Pricing Regulation enables the company to partly transfer the unfavourable movements of exchange rates to domestic products market.

Interest rate risk management

INA Group companies use borrowed funds at both fixed and variable interest rates (mostly variable) and the Group is consequently exposed to the interest rate risk. As an energy company, the Group does not speculate on interest rate developments and therefore primarily chooses floating rates. However, in case of certain instruments and macro environments, choosing fixed interest funds can be more advantageous
The Group may use interest rate swaps to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings. As of 31 March 2011, there were no open interest rate swap transactions.

Other price risk

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

b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. Overdue receivables have a negative impact on INA Group's liquidity while provisions due to overdue receivables negatively effect results. According to existing Credit Risk Management Procedure, in dealing with its customers, Group applies risk categorisation, sets up credit limits and obtains collaterals as a means of mitigating the risk of financial loss from defaults. Debentures being the prevailing payment security instrument on the Croatian market are mainly taken as collateral.
There is no significant credit risk exposure of INA Group that would not be covered with collateral, other than those to the institutions and entities controlled by the state. Given that the Republic of Croatia is a major shareholder of the Group itself, credit risks to a significant extent depend on the policy of the Croatian Government. Present is, as well, the potential risk of difficulties in collection of sold oil and gas under certain concession agreements abroad.
The risk of collection of overdue debt from the customers is present especially in litigated receivables from customers in bankruptcy. Collection under lawsuits and bankruptcies are lengthy trials with uncertain outcomes, on which the Group has very limited control.

c) Liquidity risk

The Group's liquidity risk is managed by maintaining adequate reserves and credit lines and by continuous monitoring of projected and actual cash flow and due dates for amounts receivable and payable.
INA Group's policy is to ensure sufficient external funding sources with the goal of reaching sufficient level of committed credit lines frame available to cover INA Group liquidity as well as investments needs.

As of 31 March 2011, INA had contracted short-term bank loans amounting to 439 million USD (excluding overdrafts and credit lines to finance the purchase of crude oil and oil products).
Till December 2010 crude oil and oil products were imported through INA d.d. foreign subsidiaries Interina London and Interina Guersney, while since December 2010 it is being imported directly by parent company (INA d.d.). In accordance with international practices 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).
Total contracted short-term credit lines used for purchasing crude oil and oil products as of 31 March .2011 amounted to 865 million USD.

d) Fair value of financial instruments

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

Related party transactions

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

INA parent company HRK mln	Amounts owed from related parties 31 March 2011	Amounts owed to related parties 31 March 2011
Foreign related companies		
Interina Ltd Guernsey	-	1
Holdina Sarajevo	96	-
Interina d.o.o. Ljubljana	4	-
Interina Ltd London	-	232
Adriagas Milano	-	-
INA – Crna Gora d.o.o. Podgorica	5	-
INA – Beograd d.o.o. Beograd	6	-
Domestic related companies		
Crosco Grupa	1	23
Osijek Petrol d.d.	50	1
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	81	17
STSI d.o.o. Zagreb	8	83
Maziva Zagreb d.o.o. Zagreb	22	18
ITR d.o.o. Zagreb	-	8
Sinaco d.o.o. Zagreb	1	39
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	1,760	195

INA parent company HRK mln	Sales of goods 31 March 2011	Purchase of goods 31 March 2011
Foreign related companies		
Interina Ltd Guernsey	-	-
Holdina Sarajevo	164	-
Interina d.o.o. Ljubljana	10	-
Interina Ltd London	-	-
Adriagas Milano	-	-
INA – Crna Gora d.o.o. Podgorica	10	-
INA – Beograd d.o.o. Beograd	13	-
Domestic related companies		
Crosco Grupa	4	26
Osijek Petrol d.d.	40	-
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	128	-
STSI d.o.o. Zagreb	4	51
Maziva Zagreb d.o.o. Zagreb	26	2
ITR d.o.o. Zagreb	-	6
Sinaco d.o.o. Zagreb	1	27
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	1,373	80

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

2010	(HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
	Sales				
10,882	Exploration & Production	3,263	2,764	3,236	17
15,777	Refining & Marketing	4,603	2,970	4,073	37
6,453	Retail	1,548	1,233	1,522	23
722	Corporate and Other	183	149	88	(41)
(7,968)	Inter-segment revenue	(2,237)	(1,480)	(1,976)	34
25,866	**Sales**	**7,360**	**5,636**	**6,943**	**23**
	Operating expenses, net other income from operating activities				
(6,310)	Exploration & Production	(1,913)	(1,809)	(1,767)	(2)
(17,013)	Refining & Marketing	(4,884)	(3,270)	(4,193)	28
(6,639)	Retail	(1,590)	(1,351)	(1,564)	16
(1,744)	Corporate and Other	(438)	(343)	(277)	(19)
7,968	Inter-segment eliminations	2,237	1,480	1,976	34
(23,738)	**Expenses**	**(6,588)**	**(5,293)**	**(5,825)**	**10**
	Profit from operations				
4,572	Exploration & Production	1,350	955	1,469	54
(1,236)	Refining & Marketing	(281)	(300)	(120)	(60)
(186)	Retail	(42)	(118)	(42)	(64)
(1,022)	Corporate and Other	(255)	(194)	(189)	(3)
0	Inter-segment eliminations	0	0	0	n.a.
2,128	**Profit/(loss) from operations**	**772**	**343**	**1,118**	**226**
	Share in the profit of associate companies				
(810)	**Net profit/(loss) from financial activities**	**(263)**	**(411)**	**260**	**n.a.**
1,318	**Profit/(loss) before taxation**	**509**	**(68)**	**1,378**	**n.a.**
(363)	Income tax	(113)	(63)	(325)	416
955	**Profit/(loss) for the period**	**396**	**(131)**	**1,053**	**n.a.**

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

INDUSTRIJA NAFTE, d.d.

2010	Operating Profit Excluding Special Items (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
4,577	Exploration & Production	1,508	955	1,573	65
(822)	Refining & Marketing	(202)	(300)	(29)	(90)
38	Retail	(38)	(44)	(26)	(41)
(868)	Corporate and Other	(289)	(194)	(169)	(13)
0	Inter-segment eliminations	0	0	0	n.a.
2,925	**Total**	**979**	**417**	**1,349**	**224**

2010	Depreciation (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
1,160	Exploration & Production	249	282	329	17
331	Refining & Marketing	91	76	77	1
93	Retail	23	24	23	(4)
166	Corporate and Other	41	43	38	(12)
1,750	**Total**	**404**	**425**	**467**	**10**

2010	EBITDA* (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
6,186	Exploration & Production	1,568	1,387	1,969	42
(488)	Refining & Marketing	(135)	(201)	134	n.a.
85	Retail	(47)	(5)	4	n.a.
(735)	Corporate and Other	(326)	(121)	(88)	(27)
0	Inter-segment eliminations	0	0	0	n.a.
5,048	**Total**	**1,060**	**1,060**	**2,019**	**90**

2010	EBITDA Excluding Special Items* (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
5,948	Exploration & Production	1,769	1,387	1,969	42
(280)	Refining & Marketing	(42)	(201)	134	n.a.
129	Retail	(50)	(5)	4	n.a.
(585)	Corporate and Other	(176)	(121)	(88)	(27)
0	Inter-segment eliminations	0	0	0	n.a.
5,212	**Total**	**1,501**	**1,060**	**2,019**	**90**

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

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED INCOME STATEMENT
Period ended 31 March 2010 and 2011
(All amounts in HRK millions)

2010		Q4 2010	Q1 2010	Q1 2011	%
	Sales revenue				
15,712	a) Domestic	4,394	3,714	4,348	17
10,154	b) Exports	2,966	1,922	2,595	35
25,866	**Total sales revenue**	**7,360**	**5,636**	**6,943**	**23**
366	Income from own consumption of products and services	91	51	35	(31)
1,590	Other operating income	158	445	433	(3)
27,822	**Total operating income**	**7,609**	**6,132**	**7,411**	**21**
260	Changes in inventories of finished products and work in progress	(395)	413	1,043	153
(12,288)	Cost of raw materials and consumables	(2,762)	(2,768)	(4,062)	47
(1,750)	Depreciation and amortization	(404)	(425)	(467)	10
(2,087)	Other material costs	(591)	(436)	(393)	(10)
(1,514)	Service costs	(422)	(469)	(264)	(44)
(3,154)	Staff costs	(1,063)	(698)	(663)	(5)
(3,991)	Cost of other goods sold	(1,316)	(1,114)	(1,053)	(5)
(570)	Impairment and charges	(58)	(263)	(208)	(21)
(600)	Provisions for charges and risks	174	(29)	(226)	679
(25,694)	**Operating expenses**	**(6,837)**	**(5,789)**	**(6,293)**	**9**
2,128	**Profit from operations**	**772**	**343**	**1,118**	**226**
	Share in the profit of associated companies				
68	Finance revenue	(4)	24	392	1,533
(878)	Finance costs	(259)	(435)	(132)	(70)
(810)	**Net (loss) / profit from financial activities**	**(263)**	**(411)**	**260**	**n.a.**
1,318	**Profit before tax**	**509**	**(68)**	**1,378**	**n.a.**
(363)	Income tax	(113)	(63)	(325)	416
0	Deferred taxes	0	0	0	n.a.
955	**Profit / (Loss) for the year**	**396**	**(131)**	**1,053**	**n.a.**
	Attributable to				n.a.
961	Equity holders of the parent	401	(131)	1,053	n.a.
(6)	Minority interest	(5)	0	0	n.a.
955		**396**	**(131)**	**1,053**	**n.a.**
	Earning per share (in HRK)				
96.1	Basic and diluted earnings/(loss) per share (kunas per share) from all operations	40.1	(13.1)	105.3	n.a.

INA Group Condensed Consolidated Statement of comprehensive Income

2010	(HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
955	**Profit/(loss) for the year**	**396**	**(131)**	**1,053**	**n.a.**
	Other comprehensive income:				
29	Exchange differences arising from foreign operations	8	12	(9)	n.a.
17	Gains on available-for-sale investments, net	29	10	10	0
46	**Other comprehensive income/(loss), net**	**37**	**22**	**1**	**(95)**
1,001	**Total comprehensive income/(loss) for the year**	**433**	**(109)**	**1,054**	**n.a.**
	Attributable to:				
1,007	Owners of the Company	438	(109)	1,054	n.a.
(6)	Non- controlling interests	(5)	0	0	n.a.

INDUSTRIJA NAFTE, d.d.

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Period ended 31 March 2010 and 2011
(All amounts in HRK millions)

31 Dec 2010	(mil. kn)	31 March 2010	31 March 2011	%
	Assets			
	Non-current assets			
840	Intangible assets	832	846	2
21,555	Property, plant and equipment	20,743	21,337	3
232	Goodwill	296	225	(24)
22	Investments in associates and joint ventures	68	21	(69)
334	Other investments	316	339	7
240	Long-term receivables	283	197	(30)
4	Derivative financial instruments	0	9	n.a.
280	Deferred tax	370	290	(22)
417	Available for sale assets	409	431	5
23,924	**Total non-current assets**	**23,317**	**23,695**	**2**
	Current assets			
3,157	Inventories	3,444	4,454	29
3,052	Trade receivables net	2,741	2,647	(3)
586	Other receivables	660	630	(5)
1	Derivative financial instruments	41	2	(95)
40	Other current assets	42	31	(26)
142	Prepaid expenses and accrued income	254	204	(20)
317	Cash and cash equivalents	401	363	(9)
7,295	**Current assets**	**7,583**	**8,331**	**10**
12	Assets classified as held for sale	220	12	(95)
7,307	**Current assets**	**7,803**	**8,343**	**7**
31,231	**Total assets**	**31,120**	**32,038**	**3**
	Equity and liabilities			
	Capital and reserves			
9,000	Share capital	9,000	9,000	0
27	Revaluation reserve	20	37	85
2,340	Other reserves	2,323	2,331	0
1,424	Retained earnings / (Deficit)	332	2,477	646
12,791	**Equity attributable to equity holder of the parent**	**11,675**	**13,845**	**19**
2	Non-controlling interests	8	2	(75)
12,793	**Total equity**	**11,683**	**13,847**	**19**
	Non-current liabilities			
7,301	Long-term loans	5,780	6,887	19
125	Other non-current liabilities	137	122	(11)
129	Employee benefits obligation	120	131	9
2,620	Provisions	2,694	2,663	(1)
10,175	**Total non-current liabilities**	**8,731**	**9,803**	**12**
	Current liabilities			n.a.
1,659	Bank loans and overdrafts	3,885	4,214	8
1,295	Current portion of long-term debt	1,068	317	(70)
3,786	Trade payables	3,412	2,079	(39)
789	Taxes and contributions	1,279	1,071	(16)
200	Other current liabilities	532	213	(60)
124	Accruals and deferred income	190	116	(39)
16	Employee benefits obligation	17	15	(12)
394	Provisions	225	363	61
8,263	**Current liabilities**	**10,608**	**8,388**	**(21)**
0	Liabilities directly associated with assets classified held for sale	98	0	n.a.
8,263	**Total current liabilities**	**10,706**	**8,388**	**(22)**
18,438	**Total liabilities**	**19,437**	**18,191**	**(6)**
31,231	**Total equity and liabilities**	**31,120**	**32,038**	**3**

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 31 March 2010 and 2011
(All amounts in HRK millions)

2010		Q4 2010	Q1 2010	Q1 2011	%
955	**Profit/(loss) for the year**	**396**	**(131)**	**1,053**	**n.a.**
	Adjustments for:				
1,750	Depreciation and amortisation	404	425	467	10
363	Income tax (benefit)/expenses recognized in (loss)/profit	113	63	325	416
0	(Gain) / loss over / under lifting receivable	76	0	0	n.a.
570	Impairment charges (net) and reversal impairment	58	263	208	(21)
(771)	Reversal of impairment	(41)	(168)	(98)	(42)
(8)	Gain on sale of property, plant and equipment	(2)	0	(2)	n.a.
(11)	Gain on sale investments and shares	(2)	0	7	n.a.
531	Foreign exchange loss/(gain)	327	503	(321)	n.a.
156	Interest expense (net)	40	13	24	85
87	Other financial expense recognised in profit	33	23	18	(22)
383	Increase in provisions	(353)	43	111	158
0	Net book value of sold assets classified as held for sale	0	0	0	n.a.
144	Decommissioning interests	36	35	27	(23)
(8)	Change in provision for charges and risks and other non-cash items	(5)	0	0	n.a.
4,141	**Operating cash flow before working capital changes**	**1,080**	**1,069**	**1,819**	**70**
	Movements in working capital				
(373)	(Increase)/decrease in inventories	1,006	(518)	(1,315)	154
(57)	(Increase)/decrease in receivables and prepayments	243	(59)	245	n.a.
(2,122)	(Decrease)/increase in trade and other payables	(57)	(1,418)	(1,715)	21
0	(Decrease)/increase in provisions	0	0	0	n.a.
1,589	**Cash generated from operations**	**2,272**	**(926)**	**(966)**	**4**
(26)	Taxes paid	(2)	0	(3)	n.a.
1,563	**Net cash inflow from operating activities**	**2,270**	**(926)**	**(969)**	**5**
	Cash flows used in investing activities				
(2,384)	Payments for property, plant and equipment	(602)	(741)	(354)	(52)
(205)	Payment for intangible assets	(96)	(112)	(25)	(78)
10	Proceeds from sale of non-current assets	3	0	2	n.a.
0	Investments of subsidiaries	0	0	0	n.a.
(39)	Payments from sale of subsidiaries	0	0	0	n.a.
0	Acquisition of investments in associates and joint ventures and other companies	0	0	0	n.a.
0	Proceeds from sale of investments	0	0	0	n.a.
3	Dividends received from companies classified as available for sale and from other companies	0	2	1	(50)
21	Interest received	0	0	7	n.a.
(215)	Investments and loans to third parties, net	(42)	(63)	2	n.a.
(2,809)	**Net cash used for investing activities**	**(737)**	**(914)**	**(367)**	**(60)**
	Cash flows from financing activities				
2,803	Additional long-term borrowings	1,049	140	25	(82)
(1,098)	Repayment of long-term borrowings	(786)	(45)	(1,167)	2,493
10,466	Additional short-term borrowings	1,693	3,549	6,709	89
(10,921)	Repayment of short term borrowings	(4,837)	(1,729)	(4,038)	134
(32)	Interest paid on long-term loans	(1)	(8)	(1)	(88)
(8)	Other long-term liabilities, net	(2)	(4)	1	n.a.
0	Dividends paid	0	0	0	n.a.
(239)	Interest paid on short term loans and other financing charges	(25)	(27)	(80)	196
971	**Net cash from financing activities**	**(2,909)**	**1,876**	**1,449**	**(23)**
(275)	Net (decrease)/increase in cash and cash equivalents	(1,376)	36	113	214
367	At 1 January	1,580	367	317	(14)
225	Effect of foreign exchange rate changes	113	(1)	(67)	6,600
317	At the end of period	317	402	363	(10)

INDUSTRIJA NAFTE, d.d.

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 March 2010 and 2011
(All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Otherr 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	(131)	(131)	0	(131)
Other comprehensive income, net	0	12	10	0	22	0	22
Total comprehensive income for the year	0	12	10	(131)	(109)	0	(109)
Dividends payable	0	0	0	0	0	0	0
Balance as at 31 March 2010	**9,000**	**2,323**	**20**	**332**	**11,675**	**8**	**11,683**

	Share capital	Otherr reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2011	**9,000**	**2,340**	**27**	**1,424**	**12,791**	**2**	**12,793**
Profit / loss for the year	0	0	0	1,053	1,053	0	1,053
Other comprehensive income, net	0	(9)	10	0	1	0	1
Total comprehensive income for the year	0	(9)	10	1,053	1,054	0	1,054
Dividends payable	0	0	0	0	0	0	0
Balance as at 31 March 2011	**9,000**	**2,331**	**37**	**2,477**	**13,845**	**2**	**13,847**

INDUSTRIJA NAFTE, d.d.

Capital Expenditure

2010	Capital Expenditures (HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
1,473	Exploration & Production	383	516	191	(63)
1,328	Refining & Marketing	381	323	98	(70)
52	Retail	28	2	8	433
38	Corporate & other	31	(1)	6	n.a.
2,891	**Total**	**823**	**840**	**303**	**(64)**

2010	Capital Expenditures - Tangible Assets (HRK mln)	Q4 2010	31 March 2010	31 March 2011	%
1,293	Exploration & Production	309	404	166	(59)
1,328	Refining & Marketing	381	323	98	(70)
51	Retail	27	2	8	433
14	Corporate & other	10	(1)	6	n.a.
2,686	**Total**	**727**	**728**	**278**	**(62)**

Main external parameters

2010	(HRK mln)	Q4 2010	Q1 2010	Q1 2011	%
79.5	Brent dtd (USD/bbl)	86.5	76.2	105.0	37.7
728.9	Premium unleaded gasoline 10 ppm (USD/t)*	787.4	715.3	920.8	28.7
681.8	Gas oil – ULSD 10 ppm (USD/t)*	751.2	637.1	908.0	42.5
436.7	Fuel oil 3,5% (USD/t)*	457.6	434.7	549.0	26.3
731.1	LPG (USD/t)*	894.9	737.6	902.7	22.4
27.1	Average crack spread	32.5	27.7	8.2	(70.5)
127.7	Crack spread – premium unleaded (USD/t)*	133.2	138.6	126.8	(8.5)
80.6	Crack spread – gas oil (USD/t)*	97.0	60.4	113.9	88.7
(164.5)	Crack spread - fuel oil 3,5% (USD/t)*	(196.6)	(142.1)	(245.1)	72.5
129.9	Crack spread - UNP (USD/t)*	240.7	160.8	108.6	(32.5)
5.50	HRK/USD average	5.42	5.53	5.41	(2.1)
5.57	HRK/USD closing	5.57	5.36	5.24	(2.2)
7.29	HRK/EUR average	7.36	7.28	7.40	1.6
7.39	HRK/EUR closing	7.39	7.26	7.38	1.7
0.34	3m USD LIBOR (%)	0.29	0.26	0.31	19.9
0.81	3m EURIBOR (%)	1.02	0.66	1.10	65.7

** FOB Mediterranean*

Announcements in 2011

April 15, 2011	General Meeting notice
April 04, 2011	Suspension of trading prolonged
March 30, 2011	Audited report
March 30, 2011	Supervisory board meeting
March 29, 2011	Appointment announcement
March 28, 2011	Suspension of trading
March 01, 2011	Announcement
February 16, 2011	Fourth quarter Q4., unaudited, non consolidated, 2010
February 15. 2011	Fourth quarter Q4., unaudited, consolidated, 2010
February 14, 2011	Rijeka refinery modernisation first phase completed
February 10, 2011	Management Board members appointed
January 17, 2011	Supervisory Board meeting held
January 17, 2011	Extraordinary general assembly held
January 07, 2011	Selec – 1 satellite oil field discovery
January 04, 2011	Shares disposal

INDUSTRIJA NAFTE, d.d.

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10	31 March 11
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,725,620
Government of the Republic of Croatia	5,180,367	4,484,918	4,483,552	4,483,552	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,910	800,910	800,910	790,828
Total	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**

In December 2010 MOL made a general offer to the shareholders of INA, to purchase not more than the total of 800,910 un-encumbered and fully paid off INA ordinary shares, bearing the symbol INA-R-A, each in nominal value of HRK 900.00 for the price of HRK 2,800 per share. Via this general offer MOL purchased 10,082 INA shares in total.

Changes in organisation, Management Board or Supervisory Board

Supervisory Board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on January 17, 2011 Ivan Šuker, Tomislav Ivić and Božidar Pankretić were recalled and Davor Štern, Gordana Sekulić and Damir Vanđelić were appointed supervisory board members with the term of office until 13 June 2013. At the meeting held on January 17, 2011 the Supervisory Board of INA-INDUSTRIJA NAFTE d.d. Zagreb appointed Mr Davor Štern a new Chairman of the Supervisory Board. At the previous Extraordinary General meeting on 19 April 2010 Mr Jozsef Molnar was appointed supervisory board member with the term of office until 13 June 2013.

Management Board

During the circular voting procedure INA Supervisory Board appointed three new members of INA Management Board. The new members of INA Management Board are Niko Dalić, Ivan Krešić and Davor Mayer, all three appointed with the mandate starting from 11th February 2011 until 1st April 2015. At the same session Tomislav Dragičević, Josip Petrović and Dubravko Tkalčić were recalled from the duty of the members of INA Management Board as of 10th February 2011. Besides, the term of office of Mr. Attila Holoda and Mr. Lajos Alacs as members of INA Management Board is extended for the period until April 1st, 2015.

Executive Board

Due to the reason that Mr. Milković is prevented from managing his duties (for reasons of an ongoing investigation process against him), on 28 March, 2011 the Management Board of INA d.d. appointed for a temporary period of 30 days or till further decision Mr Želimir Šikonja as acting Executive Director for Exploration and Production. Besides, the Management Board also authorized its President – with the same time validity –for the supervision of functions directly subordinated to Chief Executive Officer. These decisions are strictly temporary aimed at ensuring the uninterrupted operation of INA and do not represent long term substitutions.

Management representation

INA Group's consolidated financial statements for Q1 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS). i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows of INA Group.

Management Board:

Zoltán Áldott	President of INA, d.d. Board
Lajos Alács	Member
Niko Dalić	Member
Attila István Holoda	Member
Ivan Krešić	Member
Davor Mayer	Member

INA Group
Condensed Interim Financial Statements with Notes for the period ended 31 March 2011

Finance Function
Accounting and Tax Sector

Contents

Condensed Consolidated Income Statement

For the period ended 31 March 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Three months ended:		Three months ended:	
		31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
Sales revenue					
a) domestic		4,348	3,714	4,348	3,714
b) exports		2,595	1,922	2,595	1,922
Total sales revenue	3	**6,943**	**5,636**	**6,943**	**5,636**
Income from own consumption of products and services		35	51	35	51
Other operating income		433	445	433	445
Total operating income		**7,411**	**6,132**	**7,411**	**6,132**
Changes in inventories of finished products and work in progress		1,043	413	1,043	413
Cost of raw materials and consumables		(4,062)	(2,768)	(4,062)	(2,768)
Depreciation and amortisation		(467)	(425)	(467)	(425)
Other material costs		(393)	(436)	(393)	(436)
Service costs		(264)	(469)	(264)	(469)
Staff costs		(663)	(698)	(663)	(698)
Cost of other goods sold		(1,053)	(1,114)	(1,053)	(1,114)
Impairment and charges (net)		(208)	(263)	(208)	(263)
Provision for charges and risks (net)		(226)	(29)	(226)	(29)
Operating expenses		**(6,293)**	**(5,789)**	**(6,293)**	**(5,789)**
Profit from operations		**1,118**	**343**	**1,118**	**343**
Finance income		392	24	392	24
Finance costs		(132)	(435)	(132)	(435)
Net profit/(loss) from financial activities		**260**	**(411)**	**260**	**(411)**
Profit/(loss) before tax		**1,378**	**(68)**	**1,378**	**(68)**
Income tax expense	5	(325)	(63)	(325)	(63)
Profit/(loss) for the year		**1,053**	**(131)**	**1,053**	**(131)**
Attributable to:					
Owners of the Company		**1,053**	**(131)**	**1,053**	**(131)**
Non-controling interests		-	-	-	-
		1,053	**(131)**	**1,053**	**(131)**
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share (kunas per share)	6	105.3	(13.1)	105.3	(13.1)

Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 March 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Three months ended:		Three months ended:	
		31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
Profit/(loss) for the year		**1,053**	**(131)**	**1,053**	**(131)**
Other comprehensive income/(loss):					
Exchange differences arising from foreign operations		(9)	12	(9)	12
Gains on available-for-sale investments,net		10	10	10	10
Other comprehensive income, net		**1**	**22**	**1**	**22**
Total comprehensive income/(loss) for the year		**1,054**	**(109)**	**1,054**	**(109)**
Attributable to:					
Owners of the Company		1,054	(109)	1,054	(109)
Non-controling interests		-	-	-	-

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

Condensed Consolidated Statement of Financial Position

At 31 March 2011

(all amounts in HRK millions)

(unaudited)

ASSETS	Notes	31 March 2011	31 December 2010
Non-current assets			
Intangible assets	7	846	840
Property, plant and equipment	8	21,337	21,555
Goodwill		225	232
Investments in associates and joint ventures		21	22
Other investments		339	334
Long-term receivables		197	240
Derivative financial instruments		9	4
Deferred tax		290	280
Available for sale assets		431	417
Total non – current assets		**23,695**	**23,924**
Current assets			
Inventories		4,454	3,157
Trade receivables, net		2,647	3,052
Other receivables		630	586
Derivative financial instruments		2	1
Other current assets		31	40
Prepaid expenses and accrued income		204	142
Cash and cash equivalents		363	317
		8,331	**7,295**
Assets classified as held for sale		12	12
Total current assets		**8,343**	**7,307**
TOTAL ASSETS		**32,038**	**31,231**

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

Condensed Consolidated Statement of Financial Position

At 31 March 2011

(all amounts in HRK millions)

(unaudited)

EQUITY AND LIABILITIES	**Notes**	**31 March 2011**	**31 December 2010**
Capital and reserves			
Share capital	9	9,000	9,000
Revaluation reserve		37	27
Other reserves		2,331	2,340
Retained earnings	10	2,477	1,424
Equity attributable to equity holders of the parent		**13,845**	**12,791**
Non - controlling interests		2	2
TOTAL EQUITY		**13,847**	**12,793**
Non – current liabilities			
Long-term loans		6,887	7,301
Other non-current liabilities		122	125
Employee benefit obligation		131	129
Provisions		2,663	2,620
Total non–current liabilities		**9,803**	**10,175**
Current liabilities			
Bank loans and overdrafts		4,214	1,659
Current portion of long-term loans		317	1,295
Trade payables		2,079	3,786
Taxes and contributions		1,071	789
Other current liabilities		213	200
Accruals and deferred income		116	124
Employee benefit obligation		15	16
Provisions		363	394
		8,388	8,263
Liabilities directly associated with assets classified held for sale		-	-
Total current liabilities		**8,388**	**8,263**
TOTAL LIABILITIES		**18,191**	**18,438**
TOTAL EQUITY AND LIABILITIES		**32,038**	**31,231**

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

Condensed Consolidated Statement of Changes in Equity

For the period ended 31 March 2011

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Loss for the year	-	-	-	(131)	(131)	-	(131)
Other comprehensive income, net	-	12	10	-	22	-	22
Total comprehensive loss for the year	**-**	**12**	**10**	**(131)**	**(109)**	**-**	**(109)**
Balance at 31 March 2010	**9,000**	**2,323**	**20**	**332**	**11,675**	**8**	**11,683**
Balance at 1 January 2011	**9,000**	**2,340**	**27**	**1,424**	**12,791**	**2**	**12,793**
Profit for the year	-	-	-	1,053	1,053	-	1,053
Other comprehensive income, net	-	(9)	10	-	1	-	1
Total comprehensive income for the year	**-**	**(9)**	**10**	**1,053**	**1,054**	**-**	**1,054**
Balance at 31 March 2011	**9,000**	**2,331**	**37**	**2,477**	**13,845**	**2**	**13,847**

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

(all amounts in HRK millions)

	Notes	Three months ended: 31 March 2011	31 March 2010
Profit/(loss) for the year		**1,053**	**(131)**
Adjustments for:			
Depreciation and amortisation		467	425
Income tax (benefit)/expense recognized in (loss)/profit		325	63
Impairment charges (net)		208	263
Reversal of impairment		(98)	(168)
Gain on sale of property, plant and equipment		(2)	-
Gain on sale investments and shares		7	-
Foreign exchange loss/(gain)		(321)	503
Interest expense (net)		24	13
Other finance expense recognised in profit		18	23
Increase in provisions		111	43
Decommisioning interests		27	35
		1,819	**1,069**
Movements in working capital			
(Increase) in inventories		(1,315)	(518)
(Increase) in receivables and prepayments		245	(59)
(Decrease) / increase in trade and other payables		(1,715)	(1,418)
Cash generated from operations		**(966)**	**(926)**
Taxes paid		(3)	-
Net cash inflow from operating activities		**(969)**	**(926)**
Cash flows used in investing activities			
Payments for property, plant and equipment		(354)	(741)
Payments for intangible assets		(25)	(112)
Proceeds from sale of non-current assets		2	-
Dividends received from companies classified as available for sale and from other companies		1	2
Interest received		7	-
Investments and loans to third parties, (net)		2	(63)
Net cash used for investing activities		**(367)**	**(914)**

Condensed Consolidated Cash Flow Statement

For the period ended 31 March 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Three months ended: 31 March 2011	31 March 2010
Cash flows from financing activities			
Additional long-term borrowings		25	140
Repayment of long-term borrowings		(1,167)	(45)
Additional short-term borrowings		6,709	3,549
Repayment of short-term borrowings		(4,038)	(1,729)
Interest paid on long-term loans		(1)	(8)
Other long-term liabilities, (net)		1	(4)
Interest paid on short-term loans and other financing charges		(80)	(27)
Net cash from financing activities		**1,449**	**1,876**
Net increase in cash and cash equivalents		**113**	**36**
At 1 January		317	367
Effect of foreign exchange rate changes		(67)	(1)
At 31 March		**363**	**402**

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1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Adoption of new and revised standards

Standards and Interpretations effective in the current period

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

New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 “Financial Instruments -Disclosure” – Disclosures – Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IAS 24 “Related Party Disclosures” - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations effective in the current period (continued)

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

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

Standards and Interpretations in issue not yet adopted

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

- IFRS 9 "Financial Instruments" , as amended in 2010, (effective for annual periods beginning on or after 1 January 2013),

- IAS 12 "Income tax", as amended in December 2010, (effective for annual periods beginning on or after 1 January 2012).

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

3. SEGMENT INFORMATION

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

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

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

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

31 March 2011	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Intersegment transfers**	**Total**
Sales to external customers	2,594	2,824	1,517	8	-	6,943
Inter-segment sales	642	1,249	5	80	(1,976)	-
Total revenue	**3,236**	**4,073**	**1,522**	**88**	**(1,976)**	**6,943**
Operating expenses, net of other operating income	(1,767)	(4,193)	(1,564)	(277)	1,976	(5,825)
Profit from operations net of other income	**1,469**	**(120)**	**(42)**	**(189)**	**-**	**1,118**
Net finance income						260
Profit before tax						1,378
Income tax expense						(325)
Profit for the year						**1,053**

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

31 March 2010	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Sales to external customers	2,357	2,030	1,219	30	-	5,636
Inter-segment sales	407	940	14	119	(1,480)	-
Total revenue	**2,764**	**2,970**	**1,233**	**149**	**(1,480)**	**5,636**
Operating expenses, net of other operating income	(1,809)	(3,270)	(1,351)	(343)	1,480	(5,293)
Profit/(loss) from operations net of other income	**955**	**(300)**	**(118)**	**(194)**	**-**	**343**
Net finance income/(income)						(411)
Profit/(loss) before tax						(68)
Income tax expense/(benefit)						(63)
Profit/(loss) for the year						**(131)**

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

31 March 2011 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	12,910	6,921	920	586	-	21,337
Intangible assets	738	7	3	98	-	846
Investments in associates and joint ventures	21	-	-	-	-	21
Inventories	816	3,601	64	137	(164)	4,454
Trade receivables, net	1,309	1,010	389	273	(334)	2,647
Not allocated assets						2,733
Total assets						**32,038**
Trade payables	600	1,237	135	441	(334)	2,079
Not allocated liabilities						16,112
Total liabilities						**18,191**
Other segment information						
Capital expenditure:	**191**	**98**	**8**	**6**	-	**303**
Property, plant and equipment	166	98	8	6	-	278
Intangible assets	25	-	-	-	-	25
Depreciation and amortisation	**328**	**78**	**23**	**38**	**-**	**467**
Impairment losses recognized in profit and loss	47	-	-	-	-	47

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

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

4. SEASONALITY OF OPERATIONS

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

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

Natural gas sales are higher in the winter heating season.

5. TAX COSTS AND DEFERRED TAXES

Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the period ending 31 December 2010 and 20% for the period ending 31 March 2011.

6. EARNINGS PER SHARE

	Three months ended:	
	31 March 2011	**31 March 2010**
Basic and diluted earnings/(loss) per share (in HRK)	**105.3**	**(13.1)**

Earnings	**Three months ended:**	
	31 March 2011	**31 March 2010**
Earnings used in the calculation of total basic earnings per share (profit/(loss) for the period attributable to equity holders of the parent)	1,053	(131)
	1,053	**(131)**

Number of shares	**Three months ended:**	
	31 March 2011	**31 March 2010**
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

(all amounts in HRK millions)

7. INTANGIBLE ASSETS

In the period ending 31 March 2011, the Group invested HRK 25 million in intangible assets. The effect of depreciation equals HRK 19 million.

8. PROPERTY, PLANT AND EQUIPMENT

In the period ending 31 March 2011, INA Group invested HRK 278 million in property, plant and equipment. Capitalised decommissioning costs decreased the value of assets by HRK 12 million. Impairment in INA Group was HRK 47 million. The effect of depreciation on reducing their book value amounted to HRK 448 million. Disposal of assets was HRK 1 million. The increase in the carrying value of the INA Group was also result of foreign exchange differences in the amount of HRK 12 million.

9. SHARE CAPITAL

Issued capital as at 31 March 2011 amounted to 9,000 million HRK. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

10. RETAINED EARNINGS

	INA Group
	Retained earnings/ (Accumulated deficit)
Balance at 1 January 2011	**1,424**
Profit for the period	1,053
Balance at 31 March 2011	**2,477**

11. RELATED PARTY TRANSACTIONS

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

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

(all amounts in HRK millions)

11. 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**	
	Three months ended:		**Three months ended:**	
	31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
Foreign related companies				
Interina Ltd Guernsey	-	590	-	56
Holdina Sarajevo	164	100	-	-
Interina d.o.o. Ljubljana	10	7	-	-
Interina Ltd London	-	-	-	2,566
Adriagas Milano	-	-	-	-
INA Crna Gora d.o.o Podgorica	10	11	-	-
INA Beograd d.o.o Beograd	13	19	-	-
Domestic related companies				
Crosco Grupa	4	1	26	29
Osijek Petrol d.d.	40	98	-	-
Crobenz d.d. Zagreb	-	98	-	1
Proplin d.o.o. Zagreb	128	121	-	43
STSI d.o.o. Zagreb	4	5	51	94
Maziva Zagreb d.o.o. Zagreb	26	18	2	13
ITR d.o.o. Zagreb	-	-	6	7
Sinaco d.o.o. Zagreb	1	1	27	30
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	1,373	1,324	80	25
Polybit d.o.o.	-	-	-	-
Companies available for sale				
JANAF d.d. Zagreb	-	-	19	10
Strategic partner				
MOL Plc	110	59	153	337
Companies controlled by strategic partner				
Tifon d.o.o.	146	5	2	-
Companies controlled by the State				
Hrvatske željeznice	-	24	14	11
Hrvatska elektroprivreda	74	145	33	50
Croatia osiguranje	-	1	29	25
Hrvatske vode	-	-	6	5
Hrvatska pošta	-	-	1	1
MORH	20	14	-	-
Jadrolinija	28	23	1	-
Narodne novine	-	-	-	-
Croatia Airlines	37	28	-	-
Petrokemija Kutina	-	6	-	-
Plinacro	-	-	25	-
Hrvatske autoceste	-	-	12	13
Podzemno skladište plina Okoli	-	-	44	-

(all amounts in HRK millions)

11. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	**Amounts owed from related parties**		**Amounts owed to related parties**	
	31 March 2011	**31 December 2010**	**31 March 2011**	**31 December 2010**
Foreign related companies				
Interina Ltd Guernsey	-	-	1	128
Holdina Sarajevo	96	81	-	5
Interina d.o.o. Ljubljana	4	3	-	-
Interina Ltd London	-	-	232	2,183
Adriagas Milano	-	-	-	1
INA Crna Gora d.o.o Podgorica	5	15	-	-
INA Beograd d.o.o Beograd	6	7	-	-
Domestic related companies				
Crosco Grupa	1	2	23	50
Osijek Petrol d.d.	50	123	1	1
Crobenz d.d. Zagreb	-	-	-	-
Proplin d.o.o. Zagreb	81	109	17	22
STSI d.o.o. Zagreb	8	8	83	173
Maziva Zagreb d.o.o. Zagreb	22	21	18	28
ITR d.o.o. Zagreb	-	-	8	14
Sinaco d.o.o. Zagreb	1	1	39	36
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	1,760	2,271	195	346
Companies available for sale				
JANAF d.d. Zagreb	1	-	19	4
Strategic partner				
MOL Plc	53	30	60	609
Companies controlled by strategic partner				
Tifon d.o.o.	39	99	2	6
Companies controlled by the State				
Hrvatske željeznice	2	1	6	13
Hrvatska elektroprivreda	261	209	10	7
Croatia osiguranje	-	-	-	1
Hrvatske vode	-	-	4	3
Hrvatska pošta	2	2	-	-
MORH	26	14	-	-
Hrvatske šume	9	5	-	-
Jadrolinija	36	33	-	-
Narodne novine	-	-	-	-
Croatia Airlines	27	24	-	-
Petrokemija Kutina	-	194	-	-
Plinacro	-	-	4	-
Hrvatske autoceste	-	1	4	5
Podzemno skladište plina Okoli	-	-	7	6

12. SUBSEQUENT EVENTS

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