

INA Group (ZSE: INA – R-A; LSE: HINA; homepage: www.ina.hr), announced its results for Q1 2007 today. This report contains consolidated financial statements for the period ending 31 March 2007 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

FY 2006		INA Group financial results (IFRS)	Q1 2006		Q1 2007		Change %	
MHRK	MUSD ¹⁾		MHRK	MUSD ¹⁾	MHRK	MUSD ¹⁾	HRK	USD
23,434	4,013	Net sales revenues	5,568	911	4,992	888	(10)	(3)
2,474	424	EBITDA	725	119	649	115	(10)	(3)
974	167	Operating profit	293	48	306	54	4	14
131	22	Net financial gain (expenses)	31	5	(56)	(10)	(281)	(296)
883	151	Net income	256	42	186 ²⁾	33	(27)	(21)
1,429	245	Operating cash flow	(373)	(61)	(292)	(52)	(22)	(15)

¹⁾ In converting HRK financial data into US Dollars, the following average NBH rates were used: for Q1 2006: 6.1092 HRK/USD, for Q1 2007: 5.6196 HRK/USD, both calculated as arithmetic mean.

²⁾ INA Group net income attributable to equity holder.

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

“Operating profit generated in Q1 2007 exceeded the amount generated in the same period last year. North Adriatic gas production was more than doubled in comparison with Q1 2006, as well as crude oil production in Egypt. Capital investments increased following the pace set in 2006, with the emphasis on refinery modernization and development of North Adriatic gas fields. For the first time INA, with its strategic partner MOL, acquired shares in the company from the core region, Energopetrol in the Federation of Bosnia and Herzegovina. Most significant improvement on corporate level was the implementation of SAP integrated system, which is in daily use since the end of 2006. The Optina efficiency improvement programme is also developing according to the project’s dynamics”.

Improved performance on operating profit level

In Q1 2007, operating profit of INA Group increased by 4% to HRK 306 M (USD 54 M) in comparison with Q1 2006 period. The increase was mainly due to increased hydrocarbon production, which was partially offset by lower crude oil sales price and lower quantity of refined products’ sales. Decrease in foreign exchange gain – due to the weakening of HRK against US dollar and the increase in interest payable for loans resulted in the decrease of financial results from HRK 31 M gain in Q1 2006 to the loss of HRK 56 M in Q1 2007.

- **Exploration & Production**

Average daily hydrocarbon production increased by 19% in comparison with the same period last year. The effect of the increase was offset by lower crude oil price and weakening of US dollar against the HRK, resulting in the decrease of E&P segment’s operating profit by HRK 103 M, to HRK 490 M (USD 87) in Q1 2007.

- **Refining & Marketing**

The Refining & Marketing segment contributed to INA Group Q1 2007 results with the operating profit of HRK 33 M (USD 6 M), while in the same period last year the segment recorded a loss of HRK 104 M. The positive effect of the increase on average crack spreads in Q1 2007 was partially offset by a 5 % decrease in the volume of marketed products, resulting from the decrease in heating oil demand and stronger competition on the Bosnian market.

- **Retail**

The average throughput per site increased by 6.6% to 593 tones. Sales revenue decreased by 4.5% due to lower average sales price in Q1 2007, in comparison with the same period last year. Operating profit of the Retail segment increased by HRK 26 M to HRK 31 M as a result of the positive net effect (HRK 24 M) of asset adjustment (application of IAS 36).

- **Corporate and Other¹**

Corporate and Other business segment’s operating loss amounted to HRK 248 M (USD 44 M) in Q1 2007. The loss increased by HRK 47 M in comparison with the same period last year, primarily as a result of the decrease in sales revenues of maintenance services provided to other segments, and increased provisions for litigation costs.

- **Capital expenditures**

Capital expenditures slightly increased to HRK 442 M (USD 79 M) in Q1 2007. Expenditures of intangible assets decreased by 82% primarily due to the implemented SAP project and finalisation of the exploration phase of main Upstream projects. Expenditures in property, plant and equipment increased by 54%, mainly due to the refinery modernization program, development of natural gas fields in North Adriatic and in the concessions of Syria and Egypt.

- **Operating cash flow**

The Operating Cash Flow before changes in working capital decreased by 11% to HRK 604 M in comparison with Q1 2006 period. Changes in working capital primarily resulted from increase in inventories and decrease in other payables, which decreased net cash flow from operating activities by HRK 869 M. Operating activities and increased capital expenditures were financed by additional indebtedness of HRK 500 M, in comparison with the 2006 year end figure.

¹ Corporate and Other stands for Safety and security services business, maintenance services business and other support services

Overview of the environment

Upward revisions to the EU, Japan and China economic growth forecast in March updated world **economic growth** forecast for this year by 0.1%, to 4.7%. In Japan, economic recovery is on course following the impressive results from Q4 2006. The Euro-zone countries performed a slight slowdown after the record level of 2.7% in six-year period, in 2006. 2007 year growth is estimated to 2.3%. Early 2007 data confirmed the expected slowdown in the economic activity of the USA, so the forecast for this country has been revised down by 0.1% to 2.3%. China, with estimated growth of 9.7% and India with 8.0% in 2007 are the leaders among Developing countries.²

Crude oil prices (Brent) have been moving in the range from 50 USD per barrel, as the lowest (at the beginning of the year) and to over 66 USD per barrel; the average crude oil price for the period was USD/bbl 57.76 (in Q1 2006 it was USD bbl 61.78). Demand and prices were driven by weather conditions (late winter weather in North America and warm winter in other regions), upwarded economic growth - especially in the Middle East, political situation and changes in supply.

The **quoted crack spreads** in Q1 2007 showed an improvement compared to the Q1 2006 figures: for Premium unleaded gasoline 50 ppm spread grew by a remarkable 24.4 % (from 86.8 USD/Mt in Q1 2006 to 107.9 USD/Mt in Q1 2007) and the negative spread of fuel oil 3.5% decreased by 1.1 %, from (189.4) USD/Mt in Q1 2006 to (187.3) USD/Mt in Q1 2007, according to Platt's quotations. The spread of Gasoil EN590 350 ppm decreased by 4.6% (from 97.6 USD/Mt in Q1 2006 to 93.1 USD/Mt) in Q1 2007.

In Croatia, real sector indicators showed a tendency towards continuous positive economic trend through the first quarter of 2007. Industrial production continued the 2006 trend and recorded a strong growth of 9%, with process industry as the leading branch. With stable private and public consumption and a significant investment increase, GDP growth rate of 4.2% is expected in 2007. Considering the period from beginning of the year till end of March, the average USD depreciated by 8.01%, while the EUR slightly appreciated by 0.24%. At the end of March 2007, in comparison with the same period in 2006 USD depreciated by 8.61 % (from 6.07 HRK/USD to 5.54 HRK/USD). EUR remained at 7.38 HRK/EUR level at the end of March 2007, which is a 0.8% increase in comparison with the level recorded at the end of March 2006. In the first quarter of the year Consumer prices index recorded an increase of 1.8% on yearly level due to the lower oil derivatives prices and decrease in world market crude oil prices.

² Source: OPEC – Monthly Oil Market Report, April 2007

Exploration and production*

FY 2006		Segment IFRS results in millions	Q1 2006		Q1 2007		Change %	
HRK	USD		HRK	USD	HRK	USD	HRK	USD
6,794	1,164	Revenues	2,022	331	1,588	283	(21.5)	(14.6)
1,623	278	Operating profit	593	97	490	87	(17.4)	(10.2)
1,747	299	CAPEX	294	48	206	37	(29.9)	(23.8)

FY 2006	HYDROCARBON PRODUCTION		Q1 2006	Q1 2007	Ch %
6.2	Crude oil production (MMbbl)		1.3	1.4	5.0
4.6	Croatia		1.1	1.1	(1.9)
1.6	Abroad		0.2	0.3	42.5
3.1	Condensate (MMbbl)		0.8	0.8	0.0
71.8	Natural gas production (Bcf)		16.7	22.3	33.5
71.8	Croatia		16.7	21.8	30.5
47.7	- onshore		12.5	11.5	(8.0)
24.1	- offshore		4.2	10.3	145.2
0.0	Syria		0.0	0.5	0.0
58.2	Average hydrocarbon prod. (Mboe/d)		56.7	67.7	19.5
39.8	Natural gas imports (Bcf)		9.4	9.3	(1.4)
94.7	Natural gas sales on domestic market (Bcf)		30.9	29.1	(6.0)
FY 2006	Realised hydrocarbon price		Q1 2006	Q1 2007	Ch %
60.0	Average realised crude oil price (USD/bbl)		59.0	50.9	(13.7)
38.9	Average realised total hydrocarbon price (USD/boe)		37.0	37.3	1.0

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

The operating profit of the E&P segment in Q1 2007 amounted to HRK 495 M, which is a HRK 98 M decrease in, comparison with Q1 2006. The positive effect of higher production volume was offset by the decrease in average crude oil price and weaker US dollar against the Croatian kuna.

Yearly hydrocarbon production cost

USD/Boe	Q1 2006	Q1 2007
Croatia – onshore	7.2	9.9
Croatia – offshore	10.3	7.3
Angola	-	-
Egypt	14.3	9.6
Syria	15.0	19.1

Hydrocarbon production

Mboe/day	Q1 2006	Q1 2007
Crude Oil	14.5	15.2
Natural Gas condensate	9.5	8.9
Natural Gas	32.6	43.6
Total	56.7	67.7

Average daily hydrocarbon production in Q1 2007 increased by 19%, exceeding 67.7 Mboe/day. The increase was mainly due to a 145% increase of North Adriatic gas production.

Average cost of production increased to 8.2 USD/boe (from 7.7 USD/boe in the same period last year), mostly due to the increase of domestic onshore production cost due to the strengthening of HRK against US dollar.

Average lifting cost for Q1 2007 amounted to 1.6 USD/boe.

The impact of regulated **natural gas prices** on INA's domestic market continued to have a negative effect on E&P segment revenues. The average import price of Russian natural gas for Q1 2007 period was 1,805 HRK/Mcm/33.34 MJ in comparison with 1,727 HRK/Mcm/33.34 MJ in Q1 2006.

Price Differential to Import Prices

in HRK/Mcm /33.34 MJ	Q1 2006	Q1 2007
Eligible customers' price	(785)	(863)
Tariff customers' price	(658)	(737)
Total price	(690)	(788)

Upstream Capex decreased by HRK 88 M, due to planned dynamics and reached HRK 206 M in Q1 2007. The majority of the expenditures (55%) were spent on projects in Croatia, of which the North Adriatic gas project (in total amount of HRK 89 M) is the most significant. In Q1 2007 a total of HRK 106 M was invested into foreign concessions (major investments were in Syria - HRK 78 M, and in Egypt - HRK 21 M).

Refining & Marketing*

FY 2006		Segment IFRS results in millions	Q1 2006		Q1 2007		Change %	
HRK	USD		HRK	USD	HRK	USD	HRK	USD
18,479	3,166	Revenues	3,937	644	3,428	610	(12.9)	(5.3)
170	29	Operating profit	(104)	(17)	33	6	-	-
850	146	CAPEX	83	14	156	28	88.0	104.3

FY 2006	REFINERY PROCESSING Kt	Q1 2006	Q1 2007	Ch %
651	Domestic crude oil	149	159	7.1
3,799	Imported crude oil	1,065	1,046	(1.8)
185	Condensates	49	45	(9.1)
267	Other feedstock	63	93	46.5
4,902	TOTAL REFINERY THROUGHPUT	1,326	1,342	1.2

FY 2006	REFINERY PRODUCTION Kt	Q1 2006	Q1 2007	Ch %
4,902	TOTAL REFINERY PRODUCTION	1,326	1,342	1.2

FY 2006	REFINED PRODUCT SALES Kt	Q1 2006	Q1 2007	Ch %
2,918	Croatia	652	661	1.4
635	B&H	138	121	(12.0)
1,219	Other markets	350	296	(15.4)
4,772	TOTAL CRUDE OIL PRODUCT SALES	1,140	1,079	(5.4)

FY 2006	REFINED PRODUCT SALES Kt	Q1 2006	Q1 2007	Ch %
1,234	Motor gasoline	306	296	(3.4)
2,624	Gas and heating oils	640	584	(8.6)
914	Other products	195	199	2.3
4,772	TOTAL CRUDE OIL PRODUCT SALES	1,140	1,079	(5.4)

*Refers to Refining & Marketing INA, d.d. and following subsidiaries: Mazi va Zagreb, Pr oplin, Crobenz Osijek Petr ol, InterIna Ljubljana, InterIna Mostar, InaBH Sarajevo, Interina Skopje, InterIna CO Ltd. Hungary, Commercina Zug, FPC Ltd., Ina Crna Gora, Ina ltd, Beograd, Interina holding London, Holdina Ltd, Guernsey.

Operating profit of the R&M segment increased by HRK 137 M in Q1 2007 (HRK 104 M loss was recorded in Q1 2006) mainly due to 62% higher average crack spread³. The increase was partially offset by changes in the Rulebook on Refined Product Pricing on the domestic market, the restriction on charging the maximum prices under the pricing formula for retail products due to price cap introduced by the regulator from March (by HRK 6 M), decrease in prices due to stronger competition on the Bosnian market (resulting in a slight decrease in market share on the Bosnian market) and the decrease in sales volumes.

Total sales volumes decreased by 5.4% (61 Kt) in Q1 2007 in comparison with Q1 2006, as a result of the increased competition on the B&H market (resulting in a decrease of 17 kt) and other export markets of INA, a decrease in heating oil sales volumes - due to the mild winter and strengthening of competition on the domestic market - due to the liberalization of refined products' market for importers.

Capex increased by HRK 73 M in Q1 2007 over the Q1 2006 figure. The increase was mainly due to the Refinery Modernisation Programme in Sisak Refinery (by 49 HRK M) and the reconstruction and revitalisation projects conducted in both refineries.

³ Calculated as the difference between average crude oil purchase price and average sales price achieved by INA

Retail*

FY 2006		Segment IFRS results in millions	Q1 2006		Q1 2007		Change %	
HRK	USD		HRK	USD	HRK	USD	HRK	USD
5,669	971	Revenues	1,124	184	1,073	191	(4.5)	3.8
33	6	Operating profit	5	1	31	6	520.0	574.0
117	20	CAPEX	10	2	60	11	500.0	552.3

Key Segment operating data

FY 2006	REFINED PRODUCT RETAIL SALES Kt	Q1 2006	Q1 2007	Ch %
469	Motor gasoline	95	96	1.2
657	Gas and heating oils	126	140	11.0
24	LPG	5	5	0.1
5	Other products	1	1	(13.2)
1.154	TOTAL OIL PRODUCT RETAIL SALES	228	242	6.6

FY 2006		TOTAL SALES	Q1 2006		Q1 2007		Change %	
HRK	USD		HRK	USD	HRK	USD	HRK	USD
5,624	964	TOTAL SALES	1,124	184	1,073	191	(4.5)	3.8

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

Operating profit of the segment was affected by changes in the Rulebook on Refined Product Pricing (abolishment of import fees had a negative effect and the increased manipulation and storage fee had a positive effect on the profit). Operating profit increased by HRK 26 M in Q1 2007 over the Q1 2006 figure. Sales revenues decreased by 5%, due to 10% lower average sales price, this effect was offset by an increase (of 7%) in the sales volumes. The most significant profit contribution (of HRK 24 M) was the net effect of IAS 36.⁴

As of 31 March 2007, 407 petrol stations were operated by INA's Retail segment and 18 by the Company's fully owned subsidiaries in Croatia; in addition 41 petrol stations were operated in Bosnia and Herzegovina and 6 in Slovenia.

In 2006 MOL/INA consortium, with equal shares, concluded the Recapitalization Agreement for acquiring 67% interest in Energopetrol (Bosnia and Herzegovina). 29th of March 2007 was the completion date of the acquisition process after which the Retail segment included additional 65 petrol stations in B&H.

Both the total retail volumes and the average throughput per site (593 tones) increased by 7% for Q1 2007 in comparison with the Q1 2006 period.

Diesel and motor gasoline sales volumes increased by 13.8% and 1.2%, respectively. The increase was partially off-set by a decrease in heating oil sales volumes by 28.0% (due to mild winter) and a decrease in sales of lubricants and other products by 1.8%.

Shop sales revenues increased by 5.4% in Q1 2007. The gross margin per litter of fuel sold on petrol stations decreased by 1.6%, in comparison with Q1 2006 results.

Total purchase with INA Card slightly increased in comparison with Q1 2006 period and reached 25.0% of total sales.

CAPEX amounted to HRK 60 M in Q1 2007. The total of HRK 35 M was invested into the construction of new stations, and HRK 9 M was invested into the reconstructions of petrol stations.

⁴ Positive effect on profit in comparison with Q1 2006 due to the results of impairment calculation on petrol station assets

Financial overview

Operations

In Q1 2007, INA Group net sales revenues decreased by 10%, amounting to HRK 5.0 billion due to lower refined product prices and 5% decrease in sales volume, decrease in crude oil prices and weakened US dollar, in comparison with Q1 2006.

INA continues to suffer the negative impact of regulated gas price (for not being able to pass the increased price of Russian imported gas onto its customers). In the first quarter of 2007 INA's management initiated negotiations on price increase with eligible customers for the supplied natural gas quantities.

The cost of raw materials and consumables decreased by 21% in Q1 2007, in comparison with the same period last year. Out of which, the cost of crude oil decreased by 14 % due to lower world market prices (average price of Brent FOB decreased by 7%, and average price of imported crude oil for INA's refineries decreased by 12%). The cost of other goods sold remained in level with last year's figure. Service costs increased by 9%, to HRK 731 M, primarily due to the increase in royalties and fees related to increased hydrocarbon production. Depreciation increased by 6%, to HRK 289 M. Adjustments and provisions decreased by 64% to HRK 53 M, mostly due to USD 87 M decrease in provisions for non-current assets (provisions for dry holes and impact of IAS 36). Total staff costs increased by 6%, including an average salary increase of 3%. The closing headcount of the Group as at 31 March 2007 was 15,832. This represents a 1% decrease in comparison with the closing headcount of Q1 2006.

The net financial loss for Q1 2007 amounted to HRK 56 M (in comparison with the financial profit of HRK 31 in Q1 2006). The major effect resulted from the increase in interest payable for loans (HRK 31 M), due to increased indebtedness and decrease in net exchange gains (HRK 47 M) - resulting from the weakening of Croatian kuna against US dollar in Q1 2007.

The corporate income tax for Q1 2007 slightly decreased to HRK 63 M.

Balance sheet

Total assets amounted to HRK 23.5 billion at the end of March 2007, representing an increase of 6%, compared to 31 December 2006. Non-current tangible and intangible assets increased by 3%. Property, Plant and Equipment increased as a result of investments in development operations of North Adriatic, Syria and Egypt, while intangible assets slightly decreased - due to the transfer to property, plant and equipment. Goodwill and investments in companies increased by HRK 133 M, mainly due to the acquisition of 33.5% share of Energopetrol (Bosnia and Herzegovina). The increase in assets available for sale, in the amount of HRK 162 M was mainly the result of higher market value of Janaf shares.

Inventories increased by 29%, to HRK 3.7 billion primarily as a result of higher volumes and price of imported crude oil. Net trade receivables of HRK 2.6 billion in Q1 2007 stayed in level with last year's figure.

As at 31 March 2007, total INA Group liabilities increased by 11% (to total of HRK 10.4 billion). The increase in liabilities was the effect of increased long-term and short-term loans, in total of HRK 4.7 billion in comparison with HRK 3.9 billion as at 31 December 2006. Loans were used for investing in the Company's Capex programme and for decreasing accounts payable (mostly crude oil payables). Long-term provisions amounted to HRK 1.5 billion, in comparison with HRK 1.2 billion as at 2006 year end. The increase was mainly due to the increase in decommissioning costs⁵ (by HRK 282 M) and provision for litigation costs (by HRK 23 M).

At the end of Q1 2007, total net debt of INA Group amounted to HRK 4.2 billion, in comparison with HRK 3.3 billion at the end of 2006, while the net gearing ratio (net debt to net debt plus shareholders' equity including minority interest) increased from 20.5% at the end of year 2006 to 24.3% at the end of Q1 2007.

⁵ Increase in Upstream decommissioning costs due to changes in calculation parameters (inflation rate, cumulative discount factor, and a specific decrease in oil and gas reserves)

Cash flow

IN Q1 2007 operating cash flow before changes in working capital reached HRK 604 M that is 11% below the Q1 2006 figure - primarily as the result of lower profit after tax. The increase of working capital resulting primarily from the increase in inventories of HRK 855 M (mostly from increase in crude oil inventory as at 31 March 2007) decreased funds by HRK 796 M. Corporate taxes the Company paid in Q1 2007 amounted to HRK 100 M.

Net cash outflow for investing activities was HRK 575 M, in comparison with the net cash of HRK 420 M spent in Q1 2006. Insufficient amount of resources necessary for funding business activities and increased investment expenditures were ensured within INA's net indebtedness, which increased by HRK 500 M compared to 31. 12. 2006.

INA Group Summary Segmental Results of Operations

Year ended 31 December		31 March			
2006		2006		2007	
in HRK M	USD M	in HRK M	USD M	in HRK M	USD M
Sales					
6,794	1,164	2,022	331	1,588	283
18,136	3,108	3,937	644	3,428	610
5,669	971	1,124	184	1,073	191
690	118	167	27	219	39
(7,855)	(1,346)	(1,682)	(275)	(1,316)	(234)
23,434	4,016	5,568	911	4,992	888
Operating expenses, net other income from operating activities					
(5,171)	(886)	(1,429)	(234)	(1,098)	(195)
(17,966)	(3,078)	(4,041)	(661)	(3,395)	(604)
(5,636)	(966)	(1,119)	(183)	(1,042)	(185)
(1,542)	(264)	(368)	(60)	(467)	(83)
7,855	1,346	1,682	275	1,316	234
Profit from operations					
1,623	278	593	97	490	87
170	29	(104)	(17)	33	6
33	6	5	1	31	6
(852)	(146)	(201)	(33)	(248)	(44)
974	167	293	48	306	54
0	0	0	0	0	0
131	22	31	5	(56)	(10)
1,105	189	324	53	250	44
(221)	(38)	(68)	(11)	(63)	(11)
884	151	256	42	187	33

¹⁾ In converting HRK financial data into US Dollars, the following average NBH rates were used: for Q1 2006: 6.1092 HRK/USD, for Q1 2007: 5.6196 HRK/USD, both calculated as arithmetic mean.

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

Income Statement

Year ended 31 Dec		31 March			
2006		2006		2007	
in HRK M	USD M	in HRK M	USD M	in HRK M	USD M
Income Statement Data					
Sales revenue					
14,797	2,534	3,558	582	3,205	570
8,637	1,479	2,010	329	1,787	318
23,434	4,013	5,568	911	4,992	888
Income from own consumption of products and services					
767	131	130	21	133	24
606	104	174	28	148	26
24,807	4,248	5,872	961	5,273	938
Changes in inventories of finished products and work in progress					
116	20	132	22	75	13
Cost of raw materials and consumables					
(12,146)	(2,080)	(3,251)	(532)	(2,582)	(459)
(964)	(165)	(272)	(45)	(289)	(51)
(3,845)	(659)	(672)	(110)	(731)	(130)
(2,385)	(408)	(528)	(86)	(562)	(100)
(4,073)	(697)	(828)	(136)	(824)	(147)
(500)	(86)	(148)	(24)	(53)	(9)
(36)	(6)	(12)	(2)	(1)	(0)
(23,833)	(4,081)	(5,579)	(913)	(4,967)	(884)
974	167	293	48	306	54
Share in the profit of associated companies					
0	0	0		0	
620	106	134	22	152	27
(489)	(84)	(103)	(17)	(208)	(37)
131	22	31	5	(56)	(10)
Profit for the year before taxation					
1,105	189	324	53	250	44
(274)	(47)	(69)	(11)	(41)	(7)
53	9	1	0	(22)	(4)
884	151	256	42	187	33
Attributable to					
883	151	256	42	186	33
Minority interest					
1	0			1	0
884	151	256	42	187	33
88.3	Earning per share (in HRK)		25.6	18.6	

¹⁾ In converting HRK financial data into US Dollars, the following average NBH rates were used: for Q1 2006: 6.1092 HRK/USD, for Q1 2007: 5.6196 HRK/USD, both calculated as arithmetic mean.

Consolidated Balance Sheet

Year ended 31 December		31 March	
2006	2006	2006	2007
in HRK M	USD M	in HRK M	in HRK M
Assets			
Non-current assets			
685	123	684	666
		Intangible assets	
13,312	2,386	11,736	13,755
		Property, plant and equipment	
-			93
		Goodwill	
Investments in associates and joint ventures			
57	10	58	97
48	9	52	50
		Investments in other companies	
181	32	201	186
		Long-term receivables	
251	45	228	247
		Derivative financial instruments	
129	23	92	78
		Deferred tax	
436	78	358	598
		Available for sale assets	
15,099	2,706	13,409	15,770
Total non-current assets			
Current assets			
2,838	509	3,364	3,671
		Inventories	
2,532	454	2,325	2,557
		Trade receivables net	
720	129	277	720
		Other receivables	
77	14	72	82
		Derivative financial instruments	
53	9	50	44
		Other current assets	
239	43	200	237
		Prepayments and advances	
630	113	340	452
		Cash with bank and in hand	
7,089	1,271	6,628	7,763
Total current assets			
22,188	3,977	20,037	23,533
Total assets			
Equity and liabilities			
Capital and reserves			
9,000	1,693	9,000	9,000
		Share capital	
66	12	5	183
		Revaluation reserve	
2,347	341	2,376	2,346
		Other reserves	
1,366	245	738	1,552
		Retained earnings / (Deficit)	
12,779	2,291	12,119	13,081
Equity attributable to equity holder of the parent			
7	1	7	8
		Minority interests	
12,786	2,292	12,126	13,089
Total equity			
Non-current liabilities			
1,425	255	1,069	1,507
		Long-term loans	
153	28	160	150
		Other non-current liabilities	
72	13	73	72
		Employee benefits obligation	
1,186	213	1,484	1,491
		Long-term provisions	
2,836	509	2,786	3,220
Total non-current liabilities			
Current liabilities			
1,935	347	1,563	2,146
		Bank loans and overdrafts	
578	104	289	1,005
		Current portion of long-term debt	
2,900	520	2,227	2,791
		Accounts payable	
549	98	619	719
		Taxes and contributions	
264	47	160	243
		Other short-term liabilities	
157	28	169	159
		Accruals and deferred income	
8	1	12	8
		Employee benefits obligation	
175	31	86	154
		Short-term provisions	
6,566	176	5,125	7,224
Total current liabilities			
9,402	1,685	7,911	10,444
Total liabilities			
22,188	3,977	20,037	23,533
Total equity and liabilities			

Capital Expenditure

		31 March	
2006		2006	2007
in HRK M		in HRK M	in HRK M
	Exploration & Production:		
1,544	Property, Plant and Equipment	152	201
203	Intangible Assets	142	5
1,747	Total Exploration & Production	294	206
	Refining & Marketing		
830	Property, Plant and Equipment	83	154
20	Intangible Assets	0	2
850	Total Refining & Marketing	83	156
	Retail:		
117	Property, Plant and Equipment	10	60
0	Intangible Assets	0	0
117	Total Retail	10	60
	Corporate & other:		
212	Property, Plant and Equipment	22	(3)
170	Intangible Assets	26	23
382	Total Corporate & other	48	20
	Inter-segment elimination:		
(24)	Property, Plant and Equipment		
0	Intangible Assets		
(24)	Total Inter-segment elimination	0	0
3,072	Total Capital Expenditure	435	442
	of which:		
2,679	Property, Plant and Equipment	267	412
393	Intangible Assets	168	30



INA—INDUSTRIJA NAFTE d.d, ZAGREB
 INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
 Years ended 31 March 2006 and 2007
 (All amounts in HRK millions)

31 Dec 2006		31 March 2006	31 March 2007
884	Profit for the year	256	187
	Adjustments for:		
964	Depreciation and amortisation of non-current assets	272	289
221	Income tax expenses recognized in profit	68	63
500	Impairment charges (net)	148	53
(9)	Gain on sale of property plant and equipment	(4)	19
(186)	Foreign ex change loss/(gain)	(44)	(24)
116	Interest expense (net)	30	60
(42)	Other financial expenses/(income)	(13)	(1)
(50)	Change in provision for charges and risks and other non-cash items	(38)	(42)
2,398	Operating cash flow before working capital changes	675	604
	Working capital		
484	(Increase)/decrease in inventories	31	(855)
(487)	Increase in receivables and prepayments	166	2
(314)	Decrease in trade and other payables	(1,059)	38
(147)	Decrease in provisions	(99)	19
1,934	Cash generated from operations	(286)	(192)
(505)	Taxes paid	(87)	(100)
1,429	Net cash inflow from operating activities	(373)	(292)
	Cash flows used in investing activities		
(2,679)	Purchase of property, plant and equipment	(267)	(413)
(393)	Purchase of intangible assets	(168)	(30)
20	Proceeds from sale of non-current assets	10	-
	Purchase of investment in Energopetrol	-	(133)
(2)	Purchase of investments in associates and joint ventures and other companies	-	-
3	Dividends received from companies classified under available for sale and other companies	2	2
0	Proceeds from sale of property, plant and equipment	-	4
0	Proceeds from sale of investments (Crosco Noble Drilling)	-	-
0	Interest received	-	-
26	Investments and loans to third parties, net	3	(5)
(3,025)	Net cash (outflow) from investing activities	(420)	(575)
	Cash flows from/(used in) financing activities		
1,375	Additional long-term borrowings	365	568
(428)	Repayment of long-term borrowings	(196)	(40)
986	Net drawdown/(repayment) of short term borrowings	607	216
(87)	Interest paid on long-term loans	(18)	(20)
(9)	Other long-term liabilities, net	(2)	(3)
(18)	Interest paid on short term loans and other financing charges	(13)	(30)
1,819	Net cash inflow/(outflow) from financing activities	743	691
223	Net (decrease)/increase in cash and cash equivalents	(50)	(176)
376	At 1 January	376	630
31	Effect of foreign ex change rate changes	14	(2)
630	At 31 March	340	452

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 Years ended 31 March 2006 and 2007
 (All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total
Balance as at 1 January 2006	9,000	2,390	(96)	483	11,777	6	11,783
Gains/(losses) on available-for-sale investments	0	0	162	0	162	0	162
Exchange differences on translation of the financial statements of foreign operations	0	(43)	0	0	(43)	0	(43)
Net profit recognised directly in equity	0	(43)	162	0	119	0	119
Profit for the year	0	0	0	883	883	1	884
Total recognized income and expense for the period	0	(43)	162	883	1,002	1	1,003
Balance as at 31 December 2006	9,000	2,347	66	1,366	12,779	7	12,786
Balance as at 01 January 2007	9,000	2,347	66	1,366	12,779	7	12,786
Gains/(losses) on available-for-sale investments	0	0	117	0	117	0	117
Exchange differences on translation of the financial statements of foreign operations	0	(1)	0	0	(1)	0	(1)
Net profit recognised directly in equity	0	(1)	117	0	116	0	116
Profit for the year	0	0	0	186	186	1	187
Total recognized income and expense for the period	0	(1)	117	186	302	1	303
Balance as at 31 March 2007	9,000	2,346	183	1,552	13,081	8	13,089

Announcements in 2007 and 2006

19 April 07	Addition to previously released news
12 April 07	Contract for USD 1,000,000,000 Syndicated Revolving Credit Facility signed
02 April 07	Business News Notice
30 March 07	Notice of the General Meeting
23 March 07	Annual Financial Report for FY 2006 Acceptance
22 March 07	Results for fiscal year 2006
21 March 07	Notification of Results
16 March 07	Management Board and Supervisory Board meetings announcement
27 February 07	Syndicated Revolving Credit Facility
23 February 07	Notice of analyst meetings
12 February 07	Sisak Refinery update
12 February 07	Unaudited Consolidated Profit
02 February 07	New Supervisory Board member
30 January	Notice of meetings
26 January 07	Annual Report publication date
19 January 07	Notice of analyst meetings
19 January 07	Environmental Efforts - Sisak
11 January 07	Annual General Meeting cancellation
09 January 07	Oil discovery at El Alamein
02 January 07	Acquisition of shares by president of INA management board
29 December 06	Sales of gasoline update
28 December 06	Notice on Resolution of B&H Competition Council
28 December 06	Annual General Meeting invitation
22 December 06	Directorate Change
15 December 06	Acquisitions of INA shares
06 December 06	Announcement of exercise of over-allotment option
06 December 06	Stabilisation Notice
05 December 06	Update - Palmyra field, Syria
30 November 06	Regular shares to be listed on the Official market

SHAREHOLDER STRUCTURE

	<i>in number of shares</i>
The Government of Republic of Croatia	5.180.367
MOL	2.500.001
War veterans	700.000
Zagrebačka banka d.d./Citibank N.A.	253.414
Free float/Small investors (less than 2% each)	1.366.218
Total	10.000.000

Changes in organisation and senior management:

Changes in the Supervisory Board

As of 01 February 2007, Mr György Imre Mosonyi ceased to be a member of the Supervisory Board and Mr. László Geszti was appointed as member of the Supervisory Board.

Changes in the Management Board

Mr László Geszti, Vice president of INA's Management Board and Chief financial officer of INA, resigned from his position as a member of the Management Board on 31 December 2006.

Mr Zalan Bács, another member of INA's Management Board, resigned from his position as Director of INA's Corporate Services and assumed the position of INA's Management Board Vice president and chief financial officer of INA as of 1 January 2007.

Mr Sándor Lendvai was appointed member of the Management Board and Director of INA's Corporate Services as of 1 January 2007.

Changes in corporate organisation

As of 1 January 2007, Planning & Controlling and Resource Allocation & Investment Planning were merged into one department – Planning, Controlling & Resource Allocation and Mrs Liljana Oračić, formerly the Resource Allocation & Investment Planning director, was appointed director.

On 1 January 2007, the Investor Relations department was established with Mr Željko Simeonov, formerly the Planning & Controlling director, as the director.

In Q1 2007, the director of Investment Management, Mr Damir Draganić, was replaced by Mr Drago Frković as of 1 March 2007.

There were no other significant changes in the corporate organisation.