

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

Financial highlights

INA Group financial results (FRS)	Q4 2006		Q4 2007		Ch. %		FY2006		FY2007		Ch. %	
	HRK mill	USD mill ¹⁾	HRK mill	USD mill ¹⁾	HRK	USD	HRK mill	USD mill ¹⁾	HRK	USD mill ¹⁾	HRK	USD
Netsalesrevenues	6,210	1,085	7,892	1,534	27.1	41.4	23,434	4,016	25,848	4,819	10.3	20.0
EBITDA	494	87	781	153	58.1	75.4	2,474	424	2,803	523	13.3	23.3
Operating profit	269	47	141	29	(47.6)	(37.5)	974	167	1,020	190	4.7	13.9
Netfinancialgain (expenses)	56	10	42	8	(25.0)	(16.6)	131	22	113	21	(13.7)	(6.1)
Net income ²	278	48	142	29	(48.9)	(40.0)	883	151	869	162	(1.6)	7.1
Operating cash flow	570	99	1,169	222	105.1	125.2	1,429	245	2,416	450	69.1	84.0

¹⁾ In converting HRK financial data into US Dollars, the following average CNB (NBH) rates were used: for FY 2006: 5.8358 HRK/USD, for FY 2007: 5.3635 HRK/USD, both calculated as arithmetic mean.

²⁾ INA Group net income attributable to equity holder.

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

INA ended 2007 with EBITDA to HRK 2.8 billion and intensified activities in core business segments. The upward trend in hydrocarbon production continued with higher gas production in the Northern Adriatic and increased crude oil production outside Croatia. Commercial discoveries claimed in Syria, the new gas field at the border with Hungary and the joint exploration agreement signed with INA's strategic partner MOL confirm the successes in exploration. Major agreements for procurement of plants in Rijeka refinery and finalisation of the 1st modernisation phase in Sisak refinery marked the Refinery modernisation programme. INA remained the market leader on the Croatian market and increased its market share in Bosnia & Herzegovina - the most significant export market. Net profit of INA Group for 2007 was 1.6% down on 2006 as a result of higher amount of corporate taxes.

Improved performance on operating profit level

In FY 2007, operating profit of INA Group increased by 5% to HRK 1,020 mill (USD 190 mill) in comparison with FY 2006. Increased natural gas production and increased sales volumes of refined products together with increased gas sales price had a positive effect on the FY 2007 result, partially offset by the increased depreciation charge. The net financial gain in FY 2007, mainly coming from foreign exchange gains, decreased by 13.7% to HRK 113 mill compared to the same period last year due to higher interest payable and other financial payables.

- **Exploration & Production**

The increase in the average daily hydrocarbon production continued in 2007 reaching 12.2%, in comparison with 2006. Segment's operating profit increased by HRK 422 mill to HRK 2,045 mill (USD 381 mill). Quarter-on-quarter operating profit increased by HRK 254 mill reaching HRK 656 mill. The increase was mainly due to the increase in gas production and lower gas imports. The negative impact of the imposed cap on domestic gas prices was partly offset by higher prices for two major customers. The increased volume of works provided by Croscoc Group to third parties reflected favourably in the results. The positive effects were partially offset by higher depreciation charge.

- **Refining & Marketing**

The Refining & Marketing segment contributed to the result of INA Group in 2007 with an operating profit of HRK 59 mill (USD 11 mill) which is a decrease of HRK 111 mill in comparison with 2006. 4Q 2007 result is HRK 306 mill down on the same period 2006 (HRK 278 mill) due to the unfavourable impact of the price cap¹ and lower intersegmental income resulting from damage compensation due to lower quality of domestic feedstock measured through increased maintenance costs, depreciation and asset value adjustment.²

- **Retail**

The average throughput per site of 2,816 tones is in level with 2006 figure. The number of petrol stations increased by 5 stations in Croatia, in line with INA's new retail strategy. In 2007 the segment recorded HRK 90 mill loss (USD 17 mill), which is HRK 123 mill down on the 2006 result. Such downfall is the result of HRK 132 mill lower result in 4Q 2007 compared to 4Q 2006 mainly due to 1.2% lower sales volume and 4.9% lower retail margin (total impact of HRK 114 mill, of which HRK 77 mill related to the negative effect of the price cap³, divided between Retail and R&M segments equally) and increased Opex and asset value adjustment (IAS 36⁴).

- **Corporate and Other**⁵

Segment's operating results in FY 2007 amounted to HRK (994) mill, or USD (185) mill, HRK 142 mill up on the 2006 figure. Income from provided maintenance services and other corporate support services decreased and the operating costs increased (the increase was partially offset by lower controllable costs due to OptINA efficiency improvement programme, while the other costs increased mainly as a result of increased depreciation and provisions for environmental protection and incentives). Cost in 4Q 2007 decreased by HRK 56 mill.

- **Capital expenditures**

Strictly controlled capital expenditures in 2007 amounted to HRK 2,896 mill (USD 540 mill), which is HRK 176 mill down on the same period 2006. Investments decreased by 30% mainly due to putting in operation SAP project and costs connected to finalization of the exploration phase on major Upstream projects. Investment into property, plant and equipment decreased by 2%, mainly due to lower costs on Upstream development projects, in line with the plans, offset by the amount for acquisition of Rotary, Hungary while ongoing R&M projects spent HRK 147 mill more.

- **Operating cash flow**

Operating Cash Flow before changes in working capital increased by 10% to HRK 2,636 mill compared to 2006 mainly due to the increased depreciation. The changes in the working capital were mainly caused by the increase in inventories, changes in trade receivables and trade payables, which decreased the net cash flow from operating activity by HRK 52 mill. The capital expenditures of HRK 2,896 mill were financed from the increased indebtedness - HRK 895 mill up on the figure as at 31 December 2006.

¹ Quarterly negative effect of the price cap in 2007 amounted to HRK 77 mill, while in the same period 2006 there was no effect. Annual negative effect amounted to HRK 130 mill against HRK 200 mill in 2006.

² Write-offs of raw materials and spare parts, and adjusted value of finished and semi-finished products residue.

³ Quarterly negative effect of the price cap in 2007 amounted to HRK 77 mill, while in the same period 2006 there was no effect. Annual negative effect amounted to HRK 130 mill against HRK 108 mill in 2006.

⁴ Negative effect on profit due to the results of impairment calculation on petrol station assets amounted to HRK 7 mill

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

Overview of the environment

In 2007, the world economy was experiencing a strong but lower-than-expected growth at the rate of 4.9 percent because of a considerable slowdown in Q4 caused by worsened conditions on the global financial market, mainly due to the widening fallout from the US sub-prime mortgage crisis. The spillover effects, followed by an equity markets sell-off, launched interest rate cutting interventions led by central banks to help ease liquidity problems. The West European countries and Japan saw a notable slowdown in growth with deteriorating confidence indicators. Strong expansion, led by China and India, continued on the emerging and developing markets boosted by growing domestic demand and improving macroeconomic policies.

Crude oil prices (Brent FOB Med) had been continuously growing throughout the year, from low 50 USD/barrel in January to almost 100 USD/barrel at the end of the year reaching a record high of 96.2 USD in December. 2007 crude average price stood at 72.67 USD per barrel, what was 11.56 per cent higher than the 2006 average of 65.14 USD/barrel. The increased demand caused by growing energy needs of the developing markets (China and India) with high growth rates combined with political uncertainty in the oil-producing countries was pushing up the prices.

Crack spreads as quoted by Platt's (FOB Med - Italy) for 2007 went up compared to 2006. The margin for the premium unleaded petrol (50ppm) rose by 15.1 per cent (from 117.8 USD/t in 2006 to 135.6 USD/t in 2007) while the negative margin for fuel oil of 3.5% decreased by 1 per cent (from -212.2 USD/t in 2006 to -210.1 USD/t in 2007). The margin for gas oil EN590 50 PPM increased by 2.9 per cent (from 107.5 USD/t in 2006 to 110.7 USD/t in 2007).

During 2007, the Croatian economy continued its strong growth reaching almost 6 per cent at the year-end. According to the data available for the first three quarters, economic growth slowed in the second half of 2007 mainly due to a slowdown in personal consumption and capital investments compared to the beginning of the year.

Towards the year-end inflation sharply increased (as measured by the consumer price index). During November and December, inflation rates reached 4.6 and 5.8 per cent respectively as opposed to the moderate year average of 2.9 per cent. Higher year-end inflation was mainly driven by increased food, housing and energy prices.

Since the beginning of the year the **kuna** appreciated 0.3% against the **euro**, i.e. the euro rate declined from 7.35 HRK/EUR (31 Dec 06) to 7.33 HRK/EUR (31 Dec 07). In the same period, the rate of kuna against the US dollar rose by 10.6 %, from 5.58 HRK/USD at the end of 2006 to 4.99 HRK/USD at the end of 2007. On average kuna depreciated against the euro by 0.2% (from 7.32 HRK/EUR to 7.33 HRK/EUR) while its rate against the US dollar appreciated strongly - by 8.1% (from 5.84 HRK/USD to 5.36 HRK/USD).

Exploration and production*

Segment IFRS results in millions	Q4 2006		Q4 2007		Ch. %		FY2006		FY2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,426	251	2,719	526	90.7	109.6	6,794	1,164	8,133	1,516	19.7	30.2
Operating profit	402	70	656	127	63.2	80.7	1,623	278	2,045	381	26.0	37.1
CAPEX	579	101	795	145	37.3	44.5	1,747	299	1,559	285	(10.8)	(4.7)

HYDROCARBON PRODUCTION	Q4 2006		Q4 2007		Ch %		FY2006		FY2007		Ch %	
Crude oil production (MMbbl)		2.0		2.1		4.3		6.2		6.3		2.7
Croatia		1.1		1.1		(3.6)		4.6		4.4		(3.6)
Abroad		0.9		1.0		14.0		1.6		1.9		20.2
Condensate (MMbbl)		0.8		0.8		(3.3)		3.1		3.0		(4.4)
Natural gas production (Bcf)		18.8		20.4		8.5		71.8		86.1		19.9
Croatia		18.8		19.7		5.0		71.8		83.2		15.9
- onshore		11.8		10.7		(9.7)		47.7		42.5		(10.9)
- offshore		7.0		9.1		29.8		24.1		40.6		68.9
Syria		0.0		0.7		-		0.0		2.9		-
Average hydrocarbon prod./ day (Mboe/d)		60.1		63.7		6.1		58.2		65.3		12.2
Natural gas imports (Bcf)		10.2		9.9		(2.7)		39.8		37.3		(6.3)
Natural gas sales on domestic market (Bcf)		28.2		35.9		27.2		94.7		109.1		15.2
Realised hydrocarbon price		Q4 2006		Q4 2007		Ch %		FY2006		FY2007		Ch %
Average realised crude oil price (USD/bbl)		54.0		79.0		46.3		60.0		66.1		10.1
Average realised total hydrocarbon price (USD/boe)		39.8		50.0		25.7		38.9		44.4		14.2

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

The operating profit of the E&P segment in FY2007 amounted to HRK 2,045 mill, which was an increase of HRK 422 mill in comparison with FY 2006. Quarter-on-quarter, the operating profit increased by HRK 254 mill. The positive impact of increased revenues due to higher average crude oil price (Brent FOB up on the 2006 figure by 12%) and increased scope of Croscoco Group activities for external users was partially offset by higher depreciation and costs related to increased scope of operator's services.

Hydrocarbon production cost

USD/Boe	Q4 2006	Q4 2007	FY 2006	FY 2007
Croatia - onshore	10.4	12.1	9.2	10.4
Croatia - offshore	5.8	7.6	7.1	7.7
Angola			14.9	19.8
Egypt	6.8	8.1	6.5	7.5
Syria	15.8	4.0	16.3	5.5
Average	9.3	11.6	8.9	9.7

Hydrocarbon production

Mboe/day	Q4 2006	Q4 2007	FY 2006	FY 2007
Crude Oil	17.1	16.9	16.9	17.1
Natural Gas condensate	8.9	9.1	8.5	8.1
Natural Gas o/w North Adriatic	34.1	37.7	32.8	40.1
	12.7	17.4	11.6	19.6
Total	60.1	63.7	58.2	65.3

Average daily hydrocarbon production in FY 2007 increased by 12.2%, reaching 65.3 Mboe/day. The increase was mainly due to a 69% higher production on the North Adriatic gas fields.

Average cost of production in FY 2007 increased by 9% to 9.7 USD/boe, primarily due to strengthening of the Croatian kuna against US dollar (costs of domestic production) and putting in operation new field in Egypt (increased costs with lower initial production).

Average lifting cost amounted to 2.21 USD/boe in the FY 2007 compared to 1.67 USD /boe in 2006.

The impact of regulated natural gas prices on INA's domestic market continued to have a negative effect on E&P segment profit. The average import price of Russian natural gas for FY 2007 was 1.6768 HRK/Mcm/33.34 MJ, 5.2 % down compared to prices in the FY period last year (mainly due to a weaker US dollar against the HRK).

The Management successfully renegotiated the contractual terms of gas supply for the year 2007 with two major eligible customers - HEP and Petrokemija Kutina, partially decreasing the negative effect of high import prices.

Price Differential to Import Prices

in HRK/Mcm/33.34 MJ	Q4 2006	Q4 2007	FY 2006	FY 2007
Eligible customers' price	(1,034.3)	(632.0)	(999.0)	(716.8)
Tariff customers' price	(773.0)	(565.4)	(700.0)	(609.2)
Total price	(875.3)	(597.0)	(827.0)	(668.9)

Upstream Capex decreased by HRK 188 mill and reached HRK 1,559 mill in FY 2007, mostly due to finalization of exploration phases in North Adriatic and Syria and lower investment in development phases in North Adriatic according to the PSA. HRK 639 mill was spent on projects in Croatia, of which the North Adriatic gas project (HRK 256 mill) was the most significant. In FY 2007 a total of HRK 476 mill was invested into foreign concessions (major investments were in Syria - HRK 278 mill, and Egypt - HRK 126 mill). Investment of HRK 444 mill refers to procurement of plants and equipment and acquisition of Rotary Ztr. Hungary.

Proved reserves for 2007 amounted to 270.4 MMboe (an increase of 9.3 MMboe in comparison with 2006) while proved and probable reserves decreased by 6.1 MMboe to 375.1 MMboe.

Reserves replacement ratio was 141,0 % for proved reserves and 72,6% for proved and probable reserves.

Segment IFRS results in millions	Q4 2006		Q4 2007		Ch. %		FY 2006		FY 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	5,285	921	5,766	1,120	9.1	21.6	18,136	3,108	18,764	3,498	3.5	12.6
Operating profit	278	48	(28)	(5)	(110.1)	(110.4)	170	29	59	11	(65.3)	(62.2)
CAPEX	306	53	476	91	55.6	70.5	850	146	985	184	15.9	26.1

REFINERY PROCESSING Kt	Q4 2006	Q4 2007	Ch %	FY 2006	FY 2007	Ch %	
Domestic crude oil		128	107	(16.0)	622	599	(3.7)
Imported crude oil		1,026	1,146	11.7	3,799	4,198	10.5
Condensates		45	37	(17.3)	185	163	(11.9)
Other feedstock		80	111	39.5	296	387	30.7
TOTAL REFINERY THROUGHPUT		1,279	1,402	9.6	4,902	5,347	9.1

REFINERY PRODUCTION Kt	Q4 2006	Q4 2007	Ch %	FY 2006	FY 2007	Ch %	
TOTAL REFINERY PRODUCTION		1,279	1,402	9.6	4,902	5,347	9.1

REFINED PRODUCT SALES Kt	Q4 2006	Q4 2007	Ch %	FY 2006	FY 2007	Ch %	
Croatia		773	781	1.0	2,918	2,923	0.2
B&H		157	187	18.8	635	730	15.0
Other markets		318	297	(6.8)	1,219	1,238	1.6
TOTAL CRUDE OIL PRODUCT SALES		1,248	1,265	1.3	4,772	4,891	2.5

REFINED PRODUCT SALES Kt	Q4 2006	Q4 2007	Ch %	FY 2006	FY 2007	Ch %	
Motor gasoline		300	304	1.4	1,234	1,254	1.6
Gas and heating oils		722	726	0.6	2,624	2,681	2.2
Other products		227	235	3.4	914	957	4.7
TOTAL CRUDE OIL PRODUCT SALES		1,248	1,265	1.3	4,772	4,891	2.5

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb, Proplin, Crobenz, Osijek Petrol, Interina Ljubljana, Interina Sarajevo, NA BH Sarajevo, Holdna Sarajevo, Interina Skopje, INA Hungary, Commercina Zug, FPC London, INA -Cma Gora, INA Beograd, Interina Hdding London, Holdina Guemsey.

Operating profit of the R&M segment decreased by HRK 111 mill in comparison with 2006, resulting in HRK 59 mill operating profit for 2007. The positive effect of the 2.5% increase in sales volume and 24.6%⁶ higher average crack spread in 2007 offset mostly by higher maintenance costs and higher depreciation. In 4Q the segment generated loss of HRK 28 mill (against the profit of HRK 278 mill in 4Q 2006). It was the result of increased maintenance operating costs (while total maintenance were at lower level), depreciation, asset value adjustment⁷, increased unfavourable impact of the price cap⁸ and lower intersegmental income resulting from damage compensation due to lower quality of domestic condensate.

Total sales volumes increased by 2.5% (4,891 Kt) in FY 2007 in comparison with FY 2006. Motor gasoline and diesel (EURO IV quality) sales increased by 19% (220 Kt), all from own production.

INA's strong **market position** continued in 2007 although its market share on the Croatian wholesale market slightly declined from 79% in 2006 to 78%, but its market share on the BiH market rose to 52%.

Capex increased by 16% to HRK 985 mill in FY 2007 in comparison with the FY 2006 figure, mostly due to Refinery modernisation programme which 1st phase is almost fully contracted. Capital expenditure in the Refinery Modernisation Programme in Sisak Refinery increased by HRK 75 mill. In Sisak refinery the Sulphur Recovery Unit is in operation and construction of HDS FCC unit is in progress. The contracts for Sulphur Recovery Unit, Hydrocracking Complex and Hydrogen Generation Unit in Rijeka refinery were signed and procedures are in progress in order to obtain the necessary construction permits.

⁶ The crack spread was calculated based on INA's product slate marketed on Platt's (FOB Med) prices.

⁷ Write-offs of raw materials and spare parts, and adjusted value of finished and semi-finished products residue.

⁸ Quarterly negative effect of the price cap in 2007 amounted to HRK 77 mill, while in the same period 2006 there was no effect. Annual negative effect amounted to HRK 130 mill against HRK 200 mill in 2006.

Retail*

Segment IFRS results in millions	Q4 2006		Q4 2007		Ch. %		FY 2006		FY 2007		Ch. %	
	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,340	235	1,484	292	10.7	24.3	5,669	971	5,850	1,091	3.2	12.3
Operating profit	6	1	(126)	(23)	-	-	33	6	(90)	(17)	(372.7)	(396.7)
CAPEX	71	12	46	9	(35.2)	(25.1)	117	20	212	40	81.2	97.2

Key Segment operating data

REFINED PRODUCT RETAIL SALES Kt	Q4 2006		Q4 2007		Ch. %		FY 2006		FY 2007		Ch. %	
Motor gasoline			109	105	(3.7)		469		457	(2.6)		
Gas and heating oils			164	164	0.2		657		677	3.2		
LPG			6	7	9.5		24		26	5.9		
Other products			1	1	(23.7)		5		4	(20.1)		
TOTAL OIL PRODUCT RETAIL SALES Kt			280	277	(1.2)		1,154		1,163	0.8		

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

In FY 2007 the segment generated **operating loss** of HRK 90 mill (against HRK 33 mill operating profit in FY 2006) as a result of HRK 126 mill loss in 4Q 2007 mainly due to 1.2% lower sales volume, 49% lower retail margin (negative effect of the price cap was divided between Retail and R&M segments equally)⁹ and increased Opex and asset value adjustment (negative effect of IAS 36 on profit due to the results of impairment calculation on petrol station assets).

As at 31 December 2007, 413 petrol stations were operated by INA's Retail segment and 20 by the Company's fully owned subsidiaries in Croatia; in addition 43 petrol stations were operated in Bosnia and Herzegovina (B&H) and 6 in Slovenia. In comparison with the same period last year that is an increase of 5 petrol stations on the domestic market, in line with the implementation of INA's new retail strategy.

Total retail sales volumes increased by 0.8% and the average throughput per site (2,816 tonnes) is in level with 2006 figure.

Diesel and motor gasoline sales volumes increased by 1.4% in total (of which diesel increased by 4.4% while motor gasoline decreased by 2.6%). Heating oil sales volume decreased by 20.4% due to mild winter. The increase in sales of lubricants and other products by 1.8% is a result of the increase in LPG sales by 5.9%, and the decrease in sale of motor oils by 6.6% and industrial lubricants by 3.3% due to strengthening of the competition.

Shop sales revenues increased by 5.9% in FY 2007. **The gross margin** per litre of fuel sold on petrol stations increased by 6.1% in comparison with previous year.

Total purchase with **INA Card** - 23.0% of total sales is in level with 2006 figure.

CAPEX increased by HRK 95 mill to HRK 212 mill in FY 2007. The total of HRK 69 mill was invested in the construction of new stations and HRK 143 mill was invested in the reconstruction of petrol stations, in line with the Company's Retail strategy.

⁹ Quarterly negative effect of the price cap in 2007 amounted to HRK 77 mill, while in the same period 2006 there was no effect. Annual negative effect amounted to HRK 130 mill against HRK 108 mill in 2006.

Financial overview

Changes in accounting policies and estimates

In the current year the Company and the Group have adopted all of the new and revised Standards and Interpretations, issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), relevant to their operations and effective for accounting periods beginning on 1 January 2007: (MSFI 7 Financial instruments), as well as the interpretations of IFRIC 7-10 effective as of year 2006.

The adoption of the new and revised Standards and Interpretations has not affected Company's and Group's accounting policies.

Operations

In 2007 INA Group net sales revenues increased by 10% amounting to HRK 25.8 billion mainly due to the increase in sales volumes (2.5% refined products, 16% natural gas and 20% crude oil¹⁰) and higher realized sales prices.

In 2007 INA continued to suffer the negative impact of the regulated natural gas prices on the domestic market for not being able to pass the price of Russian imported gas onto its customers.

The restriction on charging the maximum prices under the pricing formula for retail products (due to the price cap) had a negative impact of HRK 260 mill on the 2007 result.

The cost of raw materials and consumables increased by 7% in 2007 in comparison with the last year, of which the cost of crude oil increased by 15% due to 11% higher refined quantities and 4% higher prices. The cost of other goods sold increased by 20% and amounted to HRK 4.9 billion. Service costs decreased by 1% to HRK 3.8 billion. Depreciation increased by 35% to HRK 1.3 billion mainly due to capitalized successful exploration works and decreased reserves on fields in production. Adjustments and provisions decreased by 10% to HRK 481 mill. Total staff costs increased by 8% including the average salary increase of 8.9%. The closing headcount as at 31 December 2007 was 15,855 which is slightly less than the closing headcount as at 30 December 2006 (15,873).

Net financial gains for 2007 decreased by 13.7% to HRK 113 mill in comparison with the last year. The effect of increased foreign exchange gains of HRK 165 mill was offset by HRK 127 mill higher interest payable (of which HRK 72 mill for long term loans) and HRK 56 mill higher other financial expenses. Interest payable for loans in 2007 amounted to HRK 280 mill compared to HRK 163 mill in 2006.

The corporate tax for 2007 increased by HRK 41 mill to HRK 262 mill mainly due to higher Company's corporate profit.

Balance sheet

Total assets amounted to HRK 24.9 billion at the end of December 2007 representing an increase by 12% compared to the figure as at 31 December 2006. Non-current tangible and intangible assets increased by 12% mainly due to investments in development of gas and oil fields (North Adriatic, Syria and Egypt), investments into refineries and modernization of retail network in Croatia. Goodwill and investments increased by 32% (4% lower non-tangible assets resulting from lower investments into exploration phase due to transition of most significant oil and gas exploration projects into development phase, offset by HRK 163 mill goodwill for the acquisition of Energopetrol (Bosnia and Herzegovina) recorded in INA's books as of 29 March 2007). Investments in associates and joint ventures and investments in other companies increased by HRK 81 million of which the most significant was the acquisition of 33.5% interest in Energopetrol. The increase in assets available for sale in the amount of HRK 220 mill was mainly the result of an increase in market value of Janaf d.d. shares. Deferred tax decreased by HRK 92 mill of which HRK 40 mill refers to assets available for sale.

Inventories increased by 10% to HRK 3.1 billion primarily as a result of a higher value of crude inventories (higher volumes and price) partially offset by lower value of finished products and unfinished production.

Net trade receivables increased by 21% due to higher prices of oil products and amounted to HRK 3.1 billion.

As at 31 December 2007 INA Group's total liabilities increased by 20% compared to 2006 amounting to HRK 11.3 billion. The increase in liabilities was the effect of the increased long-term and short-term loans in total of HRK 4.9 billion in comparison with HRK 3.9 billion in 2006. Long-term provisions increased by HRK 220 million to HRK 1.4 billion as at 31 December 2007 mainly due to the increased provisions for decommissioning costs (HRK 127 mill) and increased provisions for litigation costs (HRK 114 mill).

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 ratio¹¹ increased from 20.5% at the end of 2006 to 23.5% at the end of 2007.

Cash flow

Operating cash flow in 2007 was HRK 2,416 million, which is 69% up on the 2006 figure. Operating cash flow before movements in working capital increased by 10% mainly as a result of higher depreciation.

The increase in working capital, resulting primarily from the changes in receivables and trade payables of HRK 479 mill and HRK 860 mill, respectively and increase in inventories of HRK 448 mill, decreased the funds by HRK 52 mill. The lower amount of tax paid of HRK 168 mill was due to lower tax paid by INA, d.d. (in 2006 commitments were paid for the previous period based on which high monthly instalments were defined).

Net cash outflow for investing activities of HRK 2,884 mill decreased by 5% in comparison with HRK 3,025 mill net cash in 2006. Total INA's net indebtedness increased by HRK 895 mill.

¹⁰ External sales, outside of INA Group

¹¹ Net debt to net debt plus shareholders' equity including minority interests



INA Group Summary Segmental Results of Operations

	Q4			FY		
	2006	2007	Ch. %	2006	2007	Ch. %
	in HRK mill	in HRK mill		in HRK mill	in HRK mill	
Sales						
Exploration & Production	1,426	2,719	91	6,794	8,133	20
Refining & Marketing	5,285	5,766	9	18,136	18,764	3
Retail	1,340	1,484	11	5,669	5,850	3
Corporate and Other	(40)	(12)	(70)	690	684	(1)
Inter-segment revenue	(1,800)	(2,065)	15	(7,855)	(7,583)	(3)
Total sales	6,211	7,892	27	23,434	25,848	10
Operating expenses, net of other income from operating activities						
Exploration & Production	(1,024)	(2,063)	101	(5,171)	(6,088)	18
Refining & Marketing	(5,007)	(5,794)	16	(17,966)	(18,705)	4
Retail	(1,334)	(1,610)	21	(5,636)	(5,940)	5
Corporate and Other	(377)	(349)	(7)	(1,542)	(1,678)	9
Inter-segment eliminations	1,800	2,065	15	7,855	7,583	(3)
Profit from operations						
Exploration & Production	402	656	63	1,623	2,045	26
Refining & Marketing	278	(28)	-	170	59	(65)
Retail	6	(126)	-	33	(90)	-
Corporate and Other	(417)	(361)	(13)	(852)	(994)	17
Total profit from operations	269	141	(48)	974	1,020	5
Share in the profit of associate companies	0	0	0	0	0	0
Net profit/(loss) from financial activities	56	42	(25)	131	113	(14)
Profit before taxation	325	183	(44)	1,105	1,133	3
Current taxation	(47)	(42)	(11)	(221)	(262)	19
Profit for the period	278	141	(49)	884	871	(1)

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

Income Statement

	Q4			FY		
	2006	2007	Ch. %	2006	2007	Ch. %
	in HRK mill	in HRK mill		in HRK mill	in HRK mill	
Income Statement Data						
Sales revenue						
a) Domestic	3,933	4,366	11	14,797	16,467	11
b) Exports	2,277	3,526	55	8,637	9,381	9
Total sales revenue	6,210	7,892	27	23,434	25,848	10
Income from own consumption of products and services	253	255	1	767	695	(9)
Other operating income	158	245	55	606	619	2
Total operating income	6,621	8,392	27	24,807	27,162	9
Changes in inventories of finished products and work in progress	(118)	81	-	116	(28)	-
Cost of raw materials and consumables	(2,929)	(3,849)	31	(12,146)	(13,029)	7
Depreciation and amortization	(172)	(410)	138	(964)	(1,302)	35
Cost services	(1,234)	(1,098)	(11)	(3,845)	(3,817)	(1)
Staff costs	(659)	(729)	11	(2,385)	(2,581)	8
Cost of other goods sold	(1,187)	(2,016)	70	(4,073)	(4,904)	20
Impairment charges (net)	(28)	(152)	443	(500)	(381)	(24)
Provisions for charges and risks	(25)	(78)	212	(36)	(100)	178
Operating expenses	(8,963)	(10,970)	22	(23,833)	(26,142)	10
Profit from operations	269	141	(48)	974	1,020	5
Share in the profit of associated companies						
Finance revenue	236	11	(95)	620	746	20
Finance costs	(180)	31	-	(489)	(633)	29
Net (loss)/ profit from financial activities	56	42	(24)	131	113	(13)
Profit for the year before taxation	325	183	(44)	1,105	1,133	3
Current taxes	(47)	(42)	(11)	(221)	(262)	19
Deferred taxes						
Profit / (Loss) for the year	278	141	(49)	884	871	(1)
Attributable to						
Equity holder	278	142	(49)	883	869	(2)
Minority interest	0	(1)	-	1	2	100
	278	141	(49)	884	871	(1)
Earning per share (in HRK)	27.8	14.2	(49)	88.3	86.9	(2)

Consolidated Balance Sheet

	Period ended 31 December		Ch. %
	2006	2007	
	HRK mill	HRK mill	
Assets			
Non-current assets			
Intangible assets	685	661	(4)
Property, plant and equipment	13,312	14,891	12
Goodwill		163	0
Investments in associates and joint ventures	57	124	118
Investments in other companies	48	62	29
Long-term receivables	181	177	(2)
Derivative financial instruments	251	226	(10)
Deferred tax	129	37	(71)
Available for sale assets	436	656	50
Total non-current assets	15,099	16,997	13
Current assets			
Inventories	2,838	3,123	10
Trade receivables net	2,532	3,072	21
Other receivables	720	674	(6)
Derivative financial instruments	77	97	26
Other current assets	53	50	(6)
Prepayments and advances	239	183	(23)
Cash with bank and in hand	630	720	14
Total current assets	7,089	7,919	12
Total assets	22,188	24,916	12
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Revaluation reserve	66	229	247
Other reserves	2,347	2,301	(2)
Retained earnings / (Deficit)	1,366	2,104	54
Equity attributable to equity holder of the parent	12,779	13,634	7
Minority interests	7	9	29
Total equity	12,786	13,643	7
Non-current liabilities			
Long-term loans	1,425	3,130	120
Other non-current liabilities	153	144	(6)
Employee benefits obligation	72	91	26
Long-term provisions	1,186	1,406	19
Total non-current liabilities	2,836	4,771	68
Current liabilities			
Bank loans and overdrafts	1,935	1,664	(14)
Current portion of long-term debt	578	129	(78)
Accounts payable	2,900	3,532	22
Taxes and contributions	549	648	18
Other short-term liabilities	264	269	2
Accruals and deferred income	157	198	26
Employee benefits obligation	8	15	88
Short-term provisions	175	47	(73)
Total current liabilities	6,566	6,502	(1)
Total liabilities	9,402	11,273	20
Total equity and liabilities	22,188	24,916	12

Capital Expenditure

	Q4			FY		
	2006	2007	Ch. %	2006	2007	Ch. %
	in HRK mill	in HRK mill		in HRK mill	in HRK mill	
Exploration & Production:						
Property, Plant and Equipment	616	677		1,544	1,364	
Intangible Assets	(37)	118		203	195	
Total Exploration & Production	579	795	37.3	1,747	1,559	(10.8)
Refining & Marketing						
Property, Plant and Equipment	287	475		830	978	
Intangible Assets	19	1		20	7	
Total Refining & Marketing	306	476	55.6	850	985	15.9
Retail:						
Property, Plant and Equipment	71	46		117	211	
Intangible Assets	0	0		0	1	
Total Retail	71	46	(35.2)	117	212	81.2
Corporate & other:						
Property, Plant and Equipment	92	30		212	69	
Intangible Assets	67	10		170	71	
Total Corporate & other	159	40	(74.8)	382	140	(63.4)
Inter-segment elimination:						
Property, Plant and Equipment	(24)			(24)		
Intangible Assets	0			0		
Total Inter-segment elimination	(24)			(24)		
Total Capital Expenditure	1,091	1,357	24.4	3,072	2,896	(5.7)
of which:						
Property, Plant and Equipment	1,042	1,228		2,679	2,622	
Intangible Assets	49	129		393	274	



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

	Q4			FY		
	2006	2007	Ch. %	2006	2007	Ch. %
Profit for the year	278	141	(49)	884	871	(1)
Adjustments for:						
Depreciation and amortisation of non-current assets	172	410	138	964	1,302	35
Income tax expenses recognized in profit	46	164	257	221	262	19
Impairment charges (net)	28	152	437	500	381	(24)
Gain on sale of property plant and equipment	(9)	(9)	0	(9)	(9)	0
Gain on sale of shares or stakes	0	(17)	-	0	(17)	-
Foreign exchange loss/(gain)	(107)	(8)	(93)	(186)	(402)	116
Interest expense (net)	60	88	47	202	333	65
Other financial expenses/(income)	(1)	110	-	(42)	45	-
Change in provision for charges and risks and other non-cash items	(64)	(87)	36	(136)	(130)	(4)
Operating cash flow before working capital changes	404	944	134	2,398	2,636	10
Working capital						
(Increase)/decrease in inventories	302	155	(49)	484	(448)	(193)
Increase in receivables and prepayments	(147)	(427)	190	(487)	(479)	(2)
Decrease in trade and other payables	263	537	104	(314)	860	-
Decrease in provisions	(147)	10	-	(147)	15	-
Cash generated from operations	675	1,219	81	1,934	2,584	34
Taxes paid	(105)	(50)	(52)	(505)	(168)	(67)
Net cash inflow from operating activities	570	1,169	105	1,429	2,416	69
Cash flows used in investing activities						
Purchase of property, plant and equipment	(1,042)	(960)	(8)	(2,679)	(2,354)	(12)
Purchase of intangible assets	(49)	(129)	163	(393)	(274)	(30)
Proceeds from sale of non-current assets	5	13	160	20	13	(35)
Purchase of investments in associates and joint ventures and other companies	(2)	(146)	-	(2)	(279)	-
Dividends received from companies classified under available for sale and other companies	0	0	-	3	2	(33)
Proceeds from sale of property, plant and equipment	0	0	-	0	0	-
Proceeds from sale of investments	0	(13)	-	0	0	-
Proceeds from financial assets	0	9	-	0	0	-
Interest received	(1)	0	-	0	0	-
Investments and loans to third parties, net	17	8	(53)	26	8	(69)
Net cash (outflow) from investing activities	(1,072)	(1,218)	14	(3,025)	(2,884)	(5)
Cash flows from/(used in) financing activities						
Additional long-term borrowings	720	5	(99)	1,375	3,700	169
Repayment of long-term borrowings	(49)	(108)	120	(428)	(2,360)	451
Net drawdown/(repayment) of short term borrowings	107	437	308	986	(300)	-
Interest paid on long-term loans	(35)	(43)	23	(87)	(152)	75
Dividends paid	(3)	(3)	0	(9)	(9)	0
Other long-term liabilities, net	0	0	0	0	(131)	-
Interest paid on short term loans and other financing charges	59	(126)	-	(18)	(172)	856
Net cash inflow/(outflow) from financing activities	799	162	(80)	1,819	576	(68)
Net (decrease)/increase in cash and cash equivalents	297	113	(62)	223	108	(52)
At beginning of period	314	629	100	376	630	68
Effect of foreign exchange rate changes	19	(22)	-	31	(18)	-
At the end of period	630	720	14	630	720	14



INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 December 2007
(All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2006 (restated)	9,000	2,390	(96)	483	11,777	6	11,783
Gains/(losses) on available-for-sale investments	0	0	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	163	0	163	0	163
Dividends Payable	0	0	0	(131)	(131)	0	(131)
Exchange differences on translation of the financial statements of foreign operations	0	(46)	0	0	(46)	0	(46)
Net profit recognised directly in equity	0	(46)	163	(131)	(14)	0	(14)
Profit for the year	0	0	0	869	869	2	871
Total recognized income and expense for the period	0	(46)	163	738	855	2	857
Balance as at 31 December 2007	9,000	2,301	229	2,104	13,634	9	13,643

Announcements in 2007

28 February 08	Production start-up in Syria
20/21 February 08	Extraordinary shareholders' assembly
19 February 08	Meeting with financial analysts
15 February 08	Unaudited consolidated profit for the year ending 31 December 2007
8 February 08	Meeting with financial analysts
24 January 08	Acquisition of shares
18 December 07	Meeting with an investor
17 December 07	Press conference announcement
12 December 07	Acquisition of shares
10 December 07	Acquisition of shares by the Management Board
29 November 07	Acquisition of shares by the Management Board
29 November 07	Acquisition of shares
16 November 07	Notice of meetings with investors
3 October 07	Start of production at Sidi Rahman – 1
28 September 07	Press conference announcement
28 September 07	New Claus unit at Sisak Refinery put on trial run
25 September 07	Notice of meetings
21 September 07	Supervisory Board meeting held - UPDATED NEWS
21 September 07	Notice of meetings
21 September 07	Notice of acquisition of securities
20 September 07	INA signed a contract for construction at Rijeka Refinery
19 September 07	Press conference announcement
07 September 07	INA - CROSCO - approval of the Hungarian Competition Agency
03 September 07	Notice of acquisition of securities
03 September 07	INA and MOL signed an Exploration Agreement for Novi Gradac-Potony Border Area
27 August 07	INA d.d. - Notice of acquisition of securities
24 August 07	Notice of acquisition of securities
17 August 07	Purchase of shares by the current and former employees
16 August 07	Financial report H1 2007
09 August 07	Notice of Results 2007.
24 July 07	Notice
19 July 07	Cooperation between MOL and INA resulted in a discovery of a new natural gas field
18 July 07	Signature of term contract for crude oil supply
10 July 07	Development of the Jazal field and a new commercial discovery in Syria
28 June 07	CROSCO purchased Rotary drilling Ltd.
04 June 07	Dividend notice
30 May 07	Notice of a meeting with investors
23 May 07	Notice of meetings with investors
15 May 07	Notice of meetings with shareholders
15 May 07	Results for Q1 2007
09 May 07	Notification of Results
19 April 07	Addition to previously released news
12 April 07	Contract for USD 1.000.000.000 Syndicated Revolving Credit Facility signed
02 April 07	Business News Notice
30 March 07	Notice of the General Meeting
23 March 07	Annual Financial Report for FY 2006 Acceptance
22 March 07	Results for fiscal year 2006
21 March 07	Notification of Results
16 March 07	Management Board and Supervisory Board meetings announcement
27 February 07	Syndicated Revolving Credit Facility
23 February 07	Notice of analyst meetings
12 February 07	Sisak Refinery update
12 February 07	Unaudited Consolidated Profit
02 February 07	Changes in Supervisory Board
30 January 07	Notice of meetings
26 January 07	Audited Annual Report for 2006 publication date
19 January 07	Notice of analyst meetings
19 January 07	Environmental Efforts – Sisak
11 January 07	Annual General Meeting revocation
09 January 07	Oil discovery at El Alamein
02 January 07	Acquisition of shares by president of INA management board

SHAREHOLDER STRUCTURE

	31.12.06	31.03.07	30.06.07	30.09.07	31.12.07
The Government of Republic of Croatia	5,180,367	5,180,367	5,180,367	5,180,367	4,484,918
MOL	2,500,001	2,500,001	2,500,001	2,500,001	2,500,001
The Fund of Croatian War Veterans of Homeland War and their Family Members	700,000	700,000	700,000	700,000	700,000
Zagrebačka banka d.d./Citibank N.A.(custodian/depositary for GDR)	368,725	253,414	233,345	215,354	204,307
Private and institutional investors	1,250,907	1,366,218	1,386,287	1,404,278	2,110,774
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

During the last quarter of 2007 the Government's stake was reduced to 4,484,918 shares pursuant to the INA -Industrija nafte d.d. Privatisation Act (NN32/02) and Government Resolutions. On 3 December 2007, 66,754 additional INA-R-A shares were reposted from the account of the Croatian Government to eligible investors' accounts (pursuant to the Government Resolution of 14 September 2006 and its amendments of 13 October 2006 and 10 November 2006, published in the Official Gazette, NN 104/06, 113/06, 122/06 and 129/06).

On 14 November 2007, the offer of INA, d.d. shares to current and former INA Group employees was concluded. A total of 628.695 shares was sold pursuant to the Government Resolution on the model, price, privileged conditions, timing and terms of the sale of INA-Industrija nafte d.d. shares to its current and former employees (NN 77/07, 94/07 and 103/07).

Changes in organisation and senior management:

Changes in the Supervisory Board

As of 1 February 2007, Mr György Imre Mosonyi ceased to be a member of INA's Supervisory Board and Mr László Geszti was appointed Supervisory Board member.

Changes in the Management Board

Mr László Geszti, Board Vice-President and CFO, was released of his duties as of 31 December 2006. As of 1 January 2007, the duty of the Board Vice-President and CFO was taken over by Mr Zalán Bács, until then a Board member and the director of Corporate Services.

Mr Sándor Lendvai was appointed Board member and director of Corporate Services as of 1 January 2007.

Changes in corporate organisation

As of 1 January 2007, the departments of Planning & Controlling and Resource Allocation & Investment Planning were merged into Planning, Controlling & Resource Reallocation. At the same time, a new department to cover Investor Relations was formed.

Business processes of the Well Technology department were reengineered and reallocated between other departments of the Oil & Gas Exploration & Production division. The organisational structure was changed in order to facilitate the business operations.