INA Group (ZSE: INA – R-A; LSE: HINA; homepage: www.ina.hr), announced its results for H1 2008 today. This report contains consolidated financial statements for the period ending 30 June 2008 as prepared by the management in accordance with International Financial Reporting Standards (IFRS).

Financial highlights

INA Group financial results	Q2 2007		Q2 2008		Ch. %		H1 2007		H1 2008		Ch. %	
(IFRS)	HRK mill	USD mill[1)]	HRK mill	USD mill[1)]	HRK	USD	HRK mill	USD mill[1)]	HRK mill	USD mill[1)]	HRK	USD
Net sales revenues	6,205	1,133	7,301	1,565	18	38	11,197	2,022	13,543	2,847	21	41
EBITDA	655	120	900	193	37	61	1,304	235	1,718	361	32	53
Operating profit	182	34	298	65	64	92	488	88	693	146	42	65
Net financial gain (expenses)	(32)	(6)	(53)	(9)	66	59	(88)	(16)	303	64	-	-
Net income[2]	111	20	200	45	80	121	296	53	796	167	169	213
Operating cash flow	436	78	775	160	78	105	144	26	192	40	33	55

[1)] In converting HRK financial data into US Dollars, the following average CNB(NBH) rates were used: for H1 2007: 5.5383 HRK/USD, for H1 2008: 4.7572 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 has successfully completed H1 2008 reaching the net profit of HRK 797 mill, almost the level reported for the full 2007 business year. Modernisation programme is on track, formally introducing the second phase of the programme at Sisak refinery with conclusion of the Contract for revision of the basic design for the MMHC/HDS. Leading position on the Croatian market was kept and the retail network expanded with new stations. Efficiency improvement programme and higher capital expenditure contributed to the favourable results. INA continues to suffer the negative impact of the price cap – the management believes that the price cap is a direct consequence of high crude prices as the regulator considers INA Upstream's profitability as a source for compensation of regulated prices.

Improved performance on both operating and net profit levels

INA Group's operating profit in H1 2008 increased by HRK 205 mill reaching HRK 693 mill (USD 146 mill), mainly due to higher crude oil prices (sales outside INA Group), more profitable Downstream operations and lower corporate costs. HRK 303 mill financial profit was mainly driven by the increase in net exchange gains and decrease in interest payable, in comparison with the same period 2007 when the financial loss was recorded.

- **Exploration & Production**
  Segment's operating profit increased in H1 2008 by HRK 233 mill reaching HRK 1,099 mill (USD 231 mill). The positive effect of higher crude oil prices (Brent FOB increased by 72.5%) was partly offset by lower average daily hydrocarbon production (mainly due to lower production of natural gas on North Adriatic fields, in line with the PSA) with the increased cost of production, losses on sales of imported natural gas (higher volumes and higher import price) and increased Crosco Group's costs due to non-reconciled revenue/cost dynamics (drilling equipment preparation and transportation to a newly acquired job). If the result had been adjusted with the effect of the price cap on oil products and opportunity loss on the regulated LPG prices (HRK 344 mill in total) the operating profit would have amounted to HRK 755 million. Operating profit in 2Q 2008 decreased by HRK 37 mill in comparison with the same period 2007, mostly due to increased losses on sales of imported natural gas (increased negative price differential between sales and import price).

- **Refining & Marketing**
  The Refining & Marketing segment contributed to INA Group's results in H1 2008 with the operating profit of HRK 124 mill (USD 26 mill), including HRK 516 mill positive result from the increased value of finished products' and WIP inventories. In comparison with H1 2007 the operating profit increased by HRK 69 mill. Increased operating profit resulted from refining optimisation undertaken to decrease the production of EURO II quality products (motor gasolines and fuel oils which had unfavourable trend of spreads) with the increased import of EURO IV quality products for domestic market. This positive effect was partially offset by HRK 33 mill higher unfavourable impact of the remaining price cap[1] together with HRK 182 mill of newly identified negative effect from the regulated LPG prices in H1 2008 (the management is negotiating with the regulator to re-consider the request for price increase) . Operating profit in 2Q 2008 increased by HRK 210 mill in comparison with the same period 2007.

- **Retail**
  The average throughput per site increased by 2.1% in H1 2008 to 1,342 tones. In line with INA's retail strategy six new petrol stations were put in operation since June 30, 2007. In H1 2008 the segment generated HRK 117 mill (USD 25 mill) operating loss, against HRK 17 mill operating profit in the same period 2007. The unfavourable result was caused by HRK 62 mill higher negative price cap effect, HRK 26 mill higher negative effect of IAS 36[2], HRK 28 mill provisions for environment protection and HRK 36 mill higher other costs (effect of increased number of petrol stations), offset by HRK 18 mil higher margin from increased sales volumes. Segment's loss in 2Q 2008 increased by HRK 69 mill to HRK 83 mill.

- **Corporate and Other**[3]
  Segment's operating results in H1 2008 amounted to HRK (413) mill or USD (87) mill which is by HRK 37 mill more favourable result in comparison with the same period last year, mainly due to lower controllable costs. Operating loss in 2Q 2008 decreased by HRK 12 mill.

- **Capital expenditures**
  Capital expenditures increased by HRK 348 mill to HRK 1,463 (USD 308 mill) in H1 2008. Expenditures for intangible assets (HRK 105 mill) decreased by 13% primarily due to finished SAP projects which expenditures were capitalized in 2007, offset by increased expenditures into exploration works. Expenditures in property, plant and equipment (HRK 1,358 mill) increased by 37%, mainly due to higher expenditures in development of North Adriatic and Syrian gas fields and refinery modernization.

- **Operating cash flow**
  The Operating Cash Flow before changes in working capital in H1 2008 increased by HRK 258 mill to HRK 1,445 mill in comparison with the H1 2007 figure. Changes in working capital primarily resulted from the increase in inventories and trade receivables, while the accounts payable decreased, all of which decreased the operating cash flow by HRK 1,165 mil. The Company's Capital expenditures of HRK 1,463 mill for the period were financed from additional indebtedness of HRK 1,261 mill, in comparison with 31 Dec 2007.

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[1] Total effect of the price cap in H1 2008 amounted to HRK 162 mill, against HRK 67 mill in the same period 2007 and it was equally divided between Refining & Marketing (HRK 81 mill) and Retail (HRK 81 mill). The principle of equal dividing was introduced in 3Q 2007.
[2] Negative effect on profit due to decreased profitability of petrol stations.
[3] Corporate and Other stands for Safety and security services, maintenance services and other support services

Overview of the environment

Global growth is continuing to slow down expected to reach the level of 4.1% in 2008, which is markedly lower compared to 5% in 2007. Business activity deceleration is expected in advanced and emerging economies throughout the year. During the first half of 2008 higher inflation became a key issue in advanced as well as in emerging economies. Inflationary pressures mainly driven by commodity prices (food and fuel) led to higher than expected inflation rates around the world.

The upward trend on the crude oil market continued throughout the second quarter of 2008 when the crude oil price reached its historic high of 139.10 USD/bbl. Strong global growth of previous years, particularly on emerging and developing markets, increased the demand for crude and pushed up its prices. Growing investment costs combined with market and geopolitical constraints are postponing the expansion of production and distribution capacities keeping the prices high. The H1 2008 average Brent FOB Med crude oil price of 109.05 USD/bbl was 72.5 per cent higher than the H1 2007 average price of 63.22 USD/bbl.

Platt's (FOB Med - Italy) quoted average crack spread for H1 2008 kept almost the same level as in H1 2007 (51,78 USD/t in H1 2008.; 51,80 USD/t in H1 2007.). Premium unleaded petrol margin (50ppm) decreased by 26 per cent (from 156.4 USD/t in H1 2007 to 115.7 USD/t in H1 2008) while the negative margin for fuel oil (of 3.5%) increased by 70.5 per cent (from -197.2 USD/t in H1 2007 to -336.3 USD/t in H1 2008). The margin for gas oil EN590 50 PPM increased by 117.7 percent (from 96.9 USD/t in H1 2007 to 210.9 USD/t in H1 2008).

The 4.3% growth of Croatian economy in Q1 2008 was below the level recorded in the previous year (5.6%) but compared favourably with Q4 2007. Such growth resulted from a slower growth of personal borrowing and lower rates of return on the capital market, which had been main drivers of growth in personal consumption. During the first six months, industrial production rose by 4.3% over the same previous year period driven by growing production of nondurable products and energy.

In H1 2008, consumer price index indicated a trend of stronger inflationary pressures induced by higher prices of food, energy, fuel and transportation services. Measured by consumer price index, the prices of goods and services went up by 7.6% compared to June 2007 (5.1% over the 2007 average). Higher prices of electric power and petroleum products will have a major impact on the consumer price growth.

The rate of Kuna against Euro appreciated by 0.7% compared to June 2007 (from 7.30 HRK/EUR to 7.25 HRK/EUR) while the US dollar rate was depreciated by 15.1% (from 5.42 HRK/USD to 4.60 HRK/USD). On average kuna appreciated against the euro by 1.2% (from 7.36 HRK/EUR to 7.27 HRK/EUR) while its rate against the US dollar appreciated strongly - by 14.1% (from 5.54 HRK/USD to 4.76 HRK/USD).

Exploration and production*

Segment IFRS results	Q2 2007		Q2 2008		Ch.%		H1 2007		H1 2008		Ch.%	
in millions	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,984	362	2,129	460	7.3	26.9	3,572	645	4,646	977	30.1	51.4
Operating profit	376	69	339	75	(9.8)	8.3	866	156	1,099	231	26.9	47.7
CAPEX	307	56	357	78	16.1	38.4	513	93	875	184	70.4	98.4

HYDROCARBON PRODUCTION	Q2 2007	Q2 2008	Ch %	H1 2007	H1 2008	Ch %
Crude oil production (MMbbl)	**1.4**	**1.4**	(2.8)	**2.8**	**2.7**	(1.8)
Croatia	1.1	1.0	(7.0)	2.2	2.1	(6.5)
Abroad	0.3	0.3	12.1	0.6	0.7	15.5
Condensate (MMbbl)	**0.8**	**0.8**	**0.8**	**1.5**	**1.6**	**1.7**
Natural gas production (Bcf)	**22.9**	**18.9**	**(17.4)**	**45.2**	**37.7**	**(16.5)**
Croatia	21.9	18.1	(17.4)	43.7	35.9	(17.7)
- onshore	10.9	9.8	(9.8)	22.4	20.6	(7.9)
- offshore	11.0	8.2	(25.0)	21.3	15.3	(28.0)
Syria	1.0	0.8	(17.8)	1.5	1.7	18.1
Average hydrocarbon prod. (Mboe/d)	**68.1**	**58.1**	**(14.7)**	**67.9**	**58.2**	**(14.3)**
Natural gas imports (Bcf)	8.9	10.1	13.2	18.2	20.0	9.9
Natural gas sales on domestic market (Bcf)	22.8	21.7	(5.1)	51.9	54.2	4.4

Realised hydrocarbon price	Q2 2007	Q2 2008	Ch %	H1 2007	H1 2008	Ch %
Average realised crude oil price (USD/bbl)	59.1	104.6	77.0	55.0	93.7	70.3
Average realised total hydrocarbon price (USD/boe)	38.5	56.7	47.1	37.9	52.9	39.6

**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*

Operating profit of Exploration & production segment in H1 2008 increased by HRK 233 mill to the amount of HRK 1,099 mill compared to the same period last year, while the profit in 2Q 2008 decreased by HRK 37 mill to HRK 339 mil. The positive effect of higher average crude oil prices (Brent FOB increased by 76% in 2Q 2008) was offset by lower daily hydrocarbon production volumes, increased loses on imported natural gas sales (due to increased import prices), increased excess recovery oil in Egypt concession and unfavourable Crosco Group's result mainly due to non-reconciled revenue/cost dynamics (related to a newly acquired job).

Hydrocarbon production cost

USD/Boe	Q2 2007	Q2 2008	H1 2007	H1 2008
Croatia - onshore	6.88	13.80	8.59	12.43
Croatia - offshore	5.41	9.01	6.47	9.93
Angola	0.00	0.00	0.00	0.00
Egypt	16.64	19.63	10.55	13.00
Sirya	8.75	7.21	12.95	6.30
Average	**8.93**	**12.02**	**8.78**	**11.59**

Hydrocarbon production

Mboe/day	Q2 2007	Q2 2008	H1 2007	H1 2008
Crude Oil	15.50	15.08	15.40	15.04
Natural Gas condensate	8.40	8.41	8.60	8.65
Natural Gas	44.20	34.59	43.90	34.52
o/w North Adriatic	21.20	15.09	20.70	14.02
Total	**68.10**	**58.08**	**67.90**	**58.21**

Average daily hydrocarbon production in H1 2008 decreased by 14.3% to 58.21 Mboe/day, mainly due to natural production decline on crude oil and natural gas onshore fields and lower production on the North Adriatic gas fields, in line with the PSA.

Average cost of production in H1 2008 increased to 11.59 USD/boe primarily as a result of appreciation of Croatian kuna against US dollar (domestic onshore production costs) and higher production costs in the North Adriatic and concessions abroad due to a different calculation method (half term costs included in the calculation for 2008 to avoid roll-over effect[4]).

Lifting costs in H1 2008 amounted to 2.08 USD/boe against 1.69 USD /boe in H1 2007.

Regulated natural gas prices on INA's domestic market continued to have a negative impact on the Upstream profit. The average purchase price of imported natural gas from Russia and Italy in H1 2008 increased by 7.8% to 1.8742 HRK/Mcm/33.34 MJ (with 14.1% stronger Croatian kuna against US dollar).

Price Differential to Import Prices

in HRK/Mcm/33.34 MJ	Q2 2007	Q2 2008	H1 2007	H1 2008
Eligible customers' price	(735.33)	(935.93)	(798.64)	(833.33)
Tariff customers' price	(608.64)	(897.78)	(670.92)	(806.17)
Total price	(695.10)	(925.56)	(738.08)	(820.87)

Upstream Capex in H1 2008 increased by HRK 362 mill to HRK 875 mill compared to the same period 2007 (HRK 324 mill tangible and HRK 38 mill intangible assets). Increased investments into property, plant and equipment were mainly caused by higher investments in North Adriatic and Syrian gas fields development and increased Crosco Group's investments in rigs and equipment.

[4] Costs related to the period were posted in the period, as opposed to the principle applied in H1 2007 when only received billings were posted in the period.

Refining & Marketing*

Segment IFRS results	Q2 2007		Q2 2008		Ch.%		H1 2007		H1 2008		Ch.%	
in millions	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	4,456	814	5,287	1,132	18.6	39.2	7,884	1,424	9,612	2,021	21.9	41.9
Operating profit	22	4	232	48	-	-	55	10	124	26	125.5	162.5
CAPEX	228	42	428	90	87.8	117.1	384	69	484	102	26.1	46.8

REFINERY PROCESSING Kt	Q2 2007	Q2 2008	Ch %	H1 2007	H1 2008	Ch %
Domestic crude oil	90	112	23.9	249	288	15.6
Imported crude oil	989	891	(10.0)	2,035	1,820	(10.6)
Condensates	44	41	(6.0)	88	92	4.5
Other feedstock	90	57	(35.9)	182	181	(0.8)
TOTAL REFINERY THROUGHPUT	**1,213**	**1,101**	**(9.2)**	**2,555**	**2,381**	**(6.8)**

REFINERY PRODUCTION Kt	Q2 2007	Q2 2008	Ch %	H1 2007	H1 2008	Ch %
TOTAL REFINERY PRODUCTION	**1,213**	**1,101**	**(9.2)**	**2,555**	**2,381**	**(6.8)**

REFINED PRODUCT SALES Kt	Q2 2007	Q2 2008	Ch %	H1 2007	H1 2008	Ch %
Croatia	673	688	2.1	1.335	1,378	3.2
B&H	219	194	(11.4)	341	350	2.8
Other markets	325	227	(30.2)	621	392	(36.8)
TOTAL CRUDE OIL PRODUCT SALES	**1,217**	**1,109**	**(8.9)**	**2.297**	**2,121**	**(7.7)**

REFINED PRODUCT SALES Kt	Q2 2007	Q2 2008	Ch %	H1 2007	H1 2008	Ch %
Motor gasoline	318	249	(21.5)	613	475	(22.6)
Gas and heating oils	651	621	(4.6)	1.236	1,234	(0.1)
Other products	248	238	(3.8)	448	412	(8.1)
TOTAL CRUDE OIL PRODUCT SALES	**1,217**	**1,109**	**(8.9)**	**2.297**	**2,121**	**(7.7)**

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

Operating profit of R&M segment in H1 2008 increased by HRK 69 mill compared to the same period 2007 amounting to HRK 124 million. Profit in 2Q 2008 increased by HRK 210 mill to HRK 232 million mainly as a result of 5.0% increase in the average refining margin[5] (the production of motor gasoline EURO II quality and fuel oils, whose spreads' trends were more unfavourable in Q2 2008, was decreased by reduction of refined crude oil, while the increased demand for diesel EURO IV quality, whose spread grew significantly, was satisfied with the imported volumes). The result was additionally positively influenced by lower negative effect of the price cap[6], and the increased value of finished goods inventories and WIP inventories (higher volumes and higher prices).

Total sales volumes in H1 2008 decreased by 7.7% compared to the same period last year and amount to 2,121 kt (the production was decreased to achieve better profitability which caused lower export on the spot market). Sales of motor gasoline and diesel (EURO IV quality) increased by 0.5% (3 kt), the insufficient own production was supplemented by the increased import.

INA's strong market position continued in H1 2008 in spite of a slight market share decline in the domestic wholesale market from 76.5% to 75.2% and in BiH market from 44.2% to 43.1%. INA's main objective on other markets was profit optimization.

Segment's Capex in H1 2008 increased by HRK 100 million to HRK 484 million, in line with the dynamic plan. Following the refinery modernization program in Sisak refinery the construction of HDS FCC unit is in progress and the contractor was selected for Isomerisation Unit. Also, as part of the second phase, revision of the base project for MHC/HDS plant and tendering procedure for base project drafting, and documentation for Coking plant are in progress. In Rijeka refinery - designing and procurement of equipment for Sulphur Recovery Unit, Hydrocracking Complex and Hydrogen Generation Unit are in progress.

[5]Average refinery margin calculated based on INA's yield according to Platt's (FOB Med) quotations.
[6] Quarterly effect on the price cap in 2Q 2008 amounted to HRK 36 mill against HRK 42 mill in the same period 2007 (HRK 81 mill against HRK 48 mill in half-terms).

Retail*

Segment IFRS results	Q2 2007		Q2 2008		Ch.%		H1 2007		H1 2008		Ch.%	
in millions	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD	HRK	USD
Revenues	1,459	266	2,210	473	51.5	77.5	2,532	457	3,879	815	53.2	78.4
Operating profit	(14)	(2)	(83)	(18)	492.9	619.8	17	3	(117)	(25)	-	-
CAPEX	79	14	44	9	(44.4)	(35.5)	139	25	60	13	(56.9)	(49.8)

Key Segment operating data

REFINED PRODUCT RETAIL SALES Kt	Q2 2007	Q2 2008**	H1 2007	H1 2008**
Motor gasoline	115	118	211	223
Gas and heating oils	173	197	313	364
LPG	7	13	12	26
Other products	1	1	2	2
TOTAL OIL PRODUCT RETAIL SALES Kt	**296**	**329**	**538**	**615**

* Refers to Retail INA. d.d. and Petrol Rijeka. As of January 1, 2008 also including retail of subsidiaries: Proplin, Crobenz, Osijek Petrol, Interina Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA - Crna Gora

** Changes are not calculated because figures are not comparable with the same period last year which contains only INA.d.d. retail quantities

In H1 2008 the **Retail segment** generated **operating loss** of HRK 117 mill (against HRK 17 mill operating profit in H1 2007). In 2Q 2008 HRK 83 mill loss was generated which is by HRK 69 mill up on the same period 2007. The unfavourable result was mainly due to HRK 17 mill higher price cap effect in 2Q 2008 equally divided between Retail and R&M segments[7], HRK 7 mill higher negative effect of IAS 36[8], HRK 28 mill provisions for environment protection and HRK 22 mill higher staff and maintenance costs, offset by the positive effect of HRK 5 mil higher margin due to increased sales.

As at 30 June 2008 the segment operated with 484 petrol stations (of which 435 in Croatia, 43 in BiH and 6 in Slovenia). In comparison with the same period last year that is an increase of 6 petrol stations (4 stations in Croatia and 2 in BiH).

Total sales volumes increased by 14.3% (77 kt), however, if we exclude subsidiary retail in H1 2008[9] both the sales volumes and the average throughput per site increased by 3.4% and 2.1% respectively in comparison with the H1 2007 period.

Diesel and motor gasoline sales volumes (excluding subsidiaries) increased by 3.3% (diesel sales increased by 7.1%, while motor gasoline sales decreased by 2.2%). Heating oil sales volume decreased by 6.1%. Increase in sales of lubricants and other products by 17.1% is the result of 20.1% higher sale of LPG, 4.0% higher sales of industrial lubricants and 7.0% lower sales of motor car lubricants, due to strengthening of the competition.

Shop sales revenues (excluding subsidiaries) increased by 9.4% in H1 2008 and the **gross margin per litre** of fuel sold on petrol stations increased by 9.0% in comparison with H1 2007 results.

CAPEX in H1 2008 amounted to HRK 60 mill in comparison with HRK 139 mill in H1 2007. The total of HRK 23 mill was invested into the construction of new stations and HRK 18 mill was invested into petrol stations' reconstructions, in line with the adopted Retail strategy.

[7] Quarterly negative effect of the price cap in 2Q 2008 amounted to HRK 36 mill, against HRK 19 mill in the same period 2007 (HRK 81 mill agaihst HRK 19 mill in half-terms)
[8] Negative effect on profit compared to the same period 2007 due to decreased profitability of petrol stations.
[9] Due to possible comparison of the periods.

Financial overview

Operations

In H1 2008, INA Group net sales revenues increased by 21% amounting to HRK 13.5 billion mainly due to higher sales prices of crude, crude oil products and natural gas offset by lower sales volumes of crude oil products (8%) and total natural gas sold to third parties out of the INA group (1.6%) and the effect of weaker US dollar against the Croatian kuna in comparison with H1 2007.

The non-application of the maximum price for retail products according to the effective formula (price cap) had a negative impact of HRK 162 million on the result in H1 2008 (HRK 95 million up on the same period 2007), and together with the newly identified HRK 182 mill negative effect from the regulated LPG prices in H1 2008 resulted with HRK 344 million loss opportunity.

The cost of raw materials, consumables and energy increased by 22% in H1 2008 in comparison with the same period last year, of which the cost of crude oil increased by 31% (average price of Brent FOB increased by 72.5% and average price of imported crude oil for INA's refineries by 47%) with 11% lower refining. Increased value of finished product inventories and WIP inventories in the total of HRK 513 mill decreased the costs incurred in the current period, as opposed to the HRK 7 mill increased costs in the same period 2007 (due to decreased value of inventories). The cost of other goods sold increased by 33% to HRK 2.5 billion as a result of 100% higher import refined products (mostly EURO IV quality diesel), 17% higher volume of imported gas sold and higher prices. Service costs increased by HRK 386 million to HRK 2.0 billion mainly due to increased Crosco, d.o.o. costs (Rotary costs – company merged at the end of 2007, cost of drilling equipment preparation and transportation to Mexico), increased excess recovery petroleum and higher royalties for oil and gas production. Depreciation increased by 14%, to HRK 668 mil due to Rotary assets and capitalized finished projects. Adjustments and provisions increased by HRK 128 mil to HRK 357 mill (of which HRK 68 mill for adjustment of negative well in Syria and HRK 49 mill for provisions related to environment protection). Total staff costs increased by 15% due to average gross salary increase of 9.3%, higher remuneration to experts working abroad and increased number of employees (primarily due to Rotary acquisition).
The net financial gain for H1 2008 amounted to HRK 303 million (in comparison with HRK 88 million loss in H1 2007). Better result was mostly driven by HRK 326 mill increase in net exchange gains as a result of US dollar weakening and HRK 44 mill decrease in interest payable. Interest payable for long term loans in the total of HRK 64 mill are HRK 11 mill lower compared to the same period 2007, while interest payable for short term loans decreased by HRK 23 mill to HRK 37 mill, mainly due to lower margins and libor.

The corporate income tax for H1 2008 increased by HRK 97 million in comparison with H1 2007 to HRK 199 million.

Balance sheet

At the end of June 2008 total assets amounted to HRK 25.9 billion representing a 4% increase compared to the figure as at 31 December 2007. Non-current tangible and intangible assets increased by 5% mainly as the result of investments in exploration and development operations in the North Adriatic area, Egypt and Syria. Goodwill and investments in associates and joint ventures increased by HRK 29 mill mainly due to the increased goodwill (acquisition of share in Energopetrol, d.d. Sarajevo). The decrease in assets available for sale in the amount of HRK 196 mill was mainly the result of a decrease in market value of Janaf d.d. shares. Deferred tax increased by HRK 72 mill, of which HRK 39 mill related to Janaf d.d. (assets available for sale).
Inventories increased by 25% to HRK 3.9 billion primarily as a result of higher volumes and prices of finished products and WIP, and increased value of imported crude oil (lower volumes with higher prices). Net trade receivables of HRK 3.2 billion at the end of H1 2008 increased by 4% compared with the figure at the end of 2007.

As at 30 June 2008 INA Group's total liabilities increased by HRK 541 mill to the total of HRK 11.8 billion. The increase in liabilities was primarily the result of increased short-term loans (by HRK 1.1 billion), offset by decreased accounts payable (by HRK 468 mill). Total indebtedness amounted to HRK 5.8 billion against HRK 4.9 billion as at December 31, 2007. The loans were primarily utilized for procurement of crude and investing in the Company's Capex programme. Long-term provisions in the amount of HRK 1.3 billion were decreased by HRK 72 million mainly due to a HRK 84 mill lower decommissioning costs[10] .
At the end of H1 2008 total net debt of INA Group amounted to HRK 5.5 billion in comparison with HRK 4.2 billion at the end of 2007 while the net gearing ratio[11] increased from 23.5% at the end of year 2007 to 27.9% at the end of H1 2008.

[10] Decrease in Upstream decomissioning provisions
[11] Net debt to net debt plus shareholders' equity including minority interest

Cash flow

Operating cash flow before working capital movements in H1 2008 increased by HRK 258 million to HRK 1,445 million, compared to the same period 2007. The increase of working capital decreased the funds by HRK 1,165 million mainly because of the increase in inventories by HRK 902 M (mostly as a result of increased inventories of finished products' and WIP due to higher volumes & prices, and crude oil inventories due to higher price), increased receivables by HRK 243 mill mainly due to increase in prices of oil products, and decreased accounts payable by HRK 143 mill primarily caused by lower volume of crude oil imports. Corporate taxes the Company paid in H1 2008 amounted to HRK 88 million.

Net cash outflow for investing activities was HRK 1,468 million which is HRK 236 mill up on the same period 2007. Insufficient resources necessary for funding of investment expenditures were ensured from increased INA's net indebtedness by HRK 1,261 mill in comparison with December 31, 2007.

INA Group Summary Segmental Results of Operations

Year ended 31 December 2007 HRK mill		Q2 2007 HRK mill	Q2 2008 HRK mill	Q2 Ch. %	H1 2007 HRK mill	H1 2008 HRK mill	H1 Ch. %
	Sales						
8,133	Exploration & Production	1,984	2,129	7	3,572	4,646	30
18,764	Refining & Marketing	4,456	5,287	19	7,884	9,612	22
5,850	Retail	1,459	2,210	51	2,532	3,879	53
684	Corporate and Other	254	252	(1)	473	411	(13)
(7,583)	Inter-segment revenue	(1,948)	(2,577)	32	(3,264)	(5,005)	53
25,848	Total sales	6,205	7,301	18	11,197	13,543	21
	Operating expenses, net other income from operating activities						
(6,088)	Exploration & Production	(1,608)	(1,790)	11	(2,706)	(3,547)	31
(18,705)	Refining & Marketing	(4,434)	(5,055)	14	(7,829)	(9,488)	21
(5,940)	Retail	(1,473)	(2,293)	56	(2,515)	(3,996)	59
(1,678)	Corporate and Other	(456)	(442)	(3)	(923)	(824)	(11)
7,583	Inter-segment eliminations	1,948	7,433	282	3,264	5,005	53
	Profit from operations						
2,045	Exploration & Production	376	339	(10)	866	1,099	27
59	Refining & Marketing	22	232	-	55	124	125
(90)	Retail	(14)	(83)	493	17	(117)	-
(994)	Corporate and Other	(202)	(190)	(6)	(450)	(413)	(8)
1,020	Total profit from operations	182	298	64	488	693	42
0	**Share in the profit of associate companies**	0	0	0	0	0	0
113	**Net profit/(loss) from financial activities**	(32)	(53)	66	(88)	303	-
1,133	**Profit before taxation**	150	245	63	400	996	149
(262)	Current taxation	(39)	(44)	13	(102)	(199)	95
871	**Profit for the period**	111	201	81	298	797	167

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 December 2007 HRK mill		Q2 2007 HRK mill	Q2 2008 HRK mill	Ch. %	H1 2007 HRK mill	H1 2008 HRK mill	Ch. %
	Income Statement Data						
	Sales revenue						
16,467	a) Domestic	4,281	4,399	3	7,486	8,711	16
9,381	b) Exports	1,924	2,902	51	3,711	4,832	30
25,848	**Total sales revenue**	6,205	7,301	18	11,197	13,543	21
695	Income from own consumption of products and services	123	113	(8)	256	169	(34)
619	Other operating income	122	31	(75)	270	340	26
27,162	**Total operating income**	6,450	7,445	15	11,723	14,052	20
(28)	Changes in inventories of finished products and work in progress	(82)	372	-	(7)	513	-
(13,029)	Cost of raw materials and consumables	(3,122)	(3,693)	18	(5,704)	(6,963)	22
(1,302)	Depreciation and amortization	(298)	(349)	17	(587)	(668)	14
(3,817)	Cost services	(900)	(1,089)	21	(1,631)	(2,017)	24
(2,581)	Staff costs	(663)	(756)	14	(1,225)	(1,410)	15
(4,904)	Cost of other goods sold	(1,028)	(1,379)	34	(1,852)	(2,457)	33
(381)	Impairment charges (net)	(155)	(189)	22	(208)	(282)	36
(100)	Provisions for charges and risks	(20)	(64)	220	(21)	(75)	257
(26,142)	**Operating expenses**	(6,268)	(7,147)	14	(11,235)	(13,359)	19
1,020	**Profit from operations**	182	298	64	488	693	42
	Share in the profit of associated companies						
746	Finance revenue	193	58	(70)	345	597	73
(633)	Finance costs	(225)	(111)	(51)	(433)	(294)	(32)
113	**Net (loss) / profit from financial activities**	(32)	(53)	66	(88)	303	-
1,133	**Profit for the year before taxation**	150	245	63	400	996	149
(262)	Current taxes	(33)	(78)	136	(74)	(232)	214
	Deferred taxes	(6)	34	-	(28)	33	-
871	**Profit / (Loss) for the year**	111	201	81	298	797	168
	Attributable to						
869	Equity holder	111	200	80	296	796	169
2	Minority interest		1		2	1	
871		111	201	81	298	797	167
86.9	**Earning per share (in HRK)**	11.1	20.0	80	29.6	79.6	169

Consolidated Balance Sheet

Year ended 31 December 2007 HRK mill		30 June 2007 HRK mill	30 June 2008 HRK mill	Ch. %
	Assets			
	Non-current assets			
661	Intangible assets	719	528	(27)
14,891	Property. plant and equipment	14,028	15,742	12
163	Goodwill	93	197	112
124	Investments in associates and joint ventures	97	87	(10)
62	Investments in other companies	45	94	109
177	Long-term receivables	183	173	(5)
226	Derivative financial instruments	241	197	(18)
37	Deferred tax	6	109	-
656	Available for sale assets	928	460	(50)
16,997	**Total non-current assets**	16,340	17,587	8
	Current assets			
3,123	Inventories	3,585	3,892	9
3,072	Trade receivables net	2,724	3,189	17
674	Other receivables	580	606	4
97	Derivative financial instruments	84	105	25
50	Other current assets	305	61	(80)
183	Prepayments and advances	162	121	(25)
720	Cash with bank and in hand	581	368	(37)
7,919	**Total current assets**	8,021	8,342	4
24,916	**Total assets**	24,361	25,929	6
	Equity and liabilities			
	Capital and reserves			
9,000	Share capital	9,000	9,000	0
229	Revaluation reserve	446	73	(84)
2,301	Other reserves	2,334	2,281	(2)
2,104	Retained earnings / (Deficit)	1,532	2,751	80
13,634	**Equity attributable to equity holder of the parent**	13,312	14,105	6
9	Minority interests	9	10	9
13,643	**Total equity**	13,321	14,115	6
	Non-current liabilities			
3,130	Long-term loans	2,760	2,953	7
144	Other non-current liabilities	146	140	(4)
91	Employee benefits obligation	88	100	14
1,406	Long-term provisions	1,503	1,383	(8)
4,771	**Total non-current liabilities**	4,497	4,576	2
	Current liabilities			
1,664	Bank loans and overdrafts	2,192	2,770	26
129	Current portion of long-term debt	97	109	12
3,532	Accounts payable	2,947	3,064	4
648	Taxes and contributions	695	700	1
269	Other short-term liabilities	372	320	(14)
198	Accruals and deferred income	170	184	8
15	Employee benefits obligation	10	14	47
47	Short-term provisions	60	77	28
6,502	**Total current liabilities**	6,543	7,238	11
11,273	**Total liabilities**	11,040	11,814	7
24,916	**Total equity and liabilities**	24,361	25,929	6

Capital Expenditure

2007		Q2 2007	Q2 2008	Q2 Ch. %	H1 2007	H1 2008	H1 Ch. %
HRK mill		HRK mill	HRK mill	Ch. %	HRK mill	HRK mill	Ch. %
	Exploration & Production:						
1,364	Property, Plant and Equipment	248	289		449	773	
195	Intangible Assets	59	68		64	102	
1,559	**Total Exploration & Production**	307	357	16.1	513	875	70.4
	Refining & Marketing						
978	Property, Plant and Equipment	225	428		379	482	
7	Intangible Assets	3	0		5	2	
985	**Total Refining & Marketing**	228	428	87.8	384	484	26.1
	Retail:						
211	Property, Plant and Equipment	79	44		139	59	
1	Intangible Assets	0	0			1	
212	**Total Retail**	79	44	(44.4)	139	60	(56.9)
	Corporate & other:						
69	Property, Plant and Equipment	29	26		26	44	
71	Intangible Assets	30	0		53	0	
140	**Total Corporate & other**	58	26	(55.3)	78	44	(43.7)
	Inter-segment elimination:						
	Property, Plant and Equipment	0			0		
	Intangible Assets	0			0		
	Total Inter-segment elimination	0			0		
2,896	**Total Capital Expenditure**	673	855	27.1	1.115	1.463	31.2
	of which:						
2,622	Property, Plant and Equipment	582	787		994	1.358	
274	Intangible Assets	91	68		121	105	

INA—INDUSTRIJA NAFTE d.d. ZAGREB

INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW

Period ended 30 June 2007 and 30 June 2008

(All amounts in HRK millions)

31.12.		Q2			H1		
2007		2007	2008	Ch. %	2007	2008	Ch. %
871	**Profit for the year**	111	201	81	298	797	167
	Adjustments for:						
1,302	Depreciation and amortisation of non-current assets	298	349	17	587	668	14
262	Income tax expenses recognized in profit	39	43	10	102	199	95
381	Impairment charges (net)	155	189	22	208	282	36
(9)	Gain on sale of property plant and equipment	(19)	(1)	(95)	0	(9)	0
(17)	Gain on sale of shares or stakes						
(402)	Foreign exchange loss/(gain)	(107)	(8)	(93)	(131)	(445)	240
333	Interest expense (net)	94	66	(30)	154	126	(18)
45	Other financial expenses/(income)	4	(3)	-	3	17	467
(130)	Change in provision for charges and risks and other non-cash items	8	(10)	-	(34)	(190)	459
2,636	**Operating cash flow before working capital changes**	583	826	42	1,187	1,445	22
	Working capital						
(448)	(Increase)/decrease in inventories	0	(782)	0	(855)	(902)	5
(479)	Increase in receivables and prepayments	(285)	(464)	63	(283)	(243)	(14)
860	Decrease in trade and other payables	264	1,151	336	302	(143)	-
15	Decrease in provisions	(114)	70	-	(95)	123	-
2,584	**Cash generated from operations**	448	801	79	256	280	9
(168)	Taxes paid	(12)	(26)	117	(112)	(88)	(21)
2,416	**Net cash inflow from operating activities**	436	775	78	144	192	33
	Cash flows used in investing activities						
(2,354)	Purchase of property, plant and equipment	(581)	(788)	36	(994)	(1,358)	37
(274)	Purchase of intangible assets	(90)	(68)	(24)	(120)	(105)	(13)
13	Proceeds from sale of non-current assets	0	14	0	0	14	0
	Purchase of investment in Energopetrol				(133)		
(279)	Purchase of investments in associates and joint ventures and other companies						
2	Dividends received from companies classified under available for sale and other companies				2		
	Proceeds from sale of property, plant and equipment	(4)	(15)	275			
	Proceeds from sale of investments	13			13		
	Proceeds from financial assets						
	Interest received						
8	Investments and loans to third parties, net	5	14	180		(19)	
(2,884)	**Net cash (outflow) from investing activities**	(657)	(843)	28	(1,232)	(1,468)	19
	Cash flows from/(used in) financing activities						
3,700	Additional long-term borrowings	2,597	72	(97)	3,165	120	(96)
(2,360)	Repayment of long-term borrowings	(2,203)	(21)	(99)	(2,243)	(64)	(97)
(300)	Net drawdown /(repayment) of short term borrowings	44	250	468	260	1,121	331
(152)	Interest paid on long-term loans	(55)	(29)	(47)	(75)	(64)	(15)
(9)	Dividends paid	(4)	(2)	(50)	(7)	(4)	(43)
(131)	Other long-term liabilities, net	0	(149)	0	0	(149)	0
(172)	Interest paid on short term loans and other financing charges	(30)	(25)	(17)	(60)	(40)	(33)
576	**Net cash inflow/(outflow) from financing activities**	349	96	(72)	1,040	920	(12)
108	Net (decrease)/increase in cash and cash equivalents	128	28	(78)	(48)	(356)	642
630	At beginning of period	452	341	(25)	630	720	14
(18)	Effect of foreign exchange rate changes	1	(1)	-	(1)	4	-
720	At the end of period	581	368	(37)	581	368	(37)

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 June 2007 and 30 June 2008
(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 2007 (restated)	**9,000**	**2,347**	**66**	**1,366**	**12,779**	**7**	**12,786**
Gains/(losses) on available-for-sale investments	0	0	380	0	380	0	380
Dividends payable	0	0	0	(132)	(132)	0	(132)
Exchange differences on translation of the financial statements of foreign operations	0	(13)	0	0	(13)	0	(13)
Net profit recognised directly in equity	0	(13)	380	(132)	235	0	235
Profit for the year	0	0	0	298	298	2	300
Total recognized income and expense for the period	0	(13)	380	166	533	2	535
Balance as at 30 June 2007	**9,000**	**2,334**	**446**	**1,532**	**13,312**	**9**	**13,321**

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 01 January 2008.	**9,000**	**2,301**	**229**	**2,104**	**13,634**	**9**	**13,643**
Gains/(losses) on available-for-sale investments	0	0	(156)	0	(156)	0	(156)
Dividends payable	0	0	0	(149)	(149)	0	(149)
Exchange differences on translation of the financial statements of foreign operations	0	(20)	0	0	(20)	0	(20)
Net profit recognised directly in equity	0	(20)	(156)	(149)	(325)	0	(325)
Profit for the year	0	0	0	796	796	1	797
Total recognized income and expense for the period	0	(20)	(156)	647	471	1	472
Balance as at 30 June 2008	**9,000**	**2,281**	**73**	**2,751**	**14,105**	**10**	**14,115**

Announcements in 2008

15 July 08	Gas supply contract for Kutina
14 July 08	Takeover bid announcement notion
11 July 08	Gas supply contract signed
19 June 08	Supervisory Board meeting
11 June 08	Dividend payout
6 June 08	Lower refinery throughput
16 May 08	Second phase of Sisak oil refinery modernisation initiated
15 May 08	Q1 2008 Flash Report
15 May 08	General Meeting held
13 May 08	Notice of Q1 2008 Results and a conference call
15 April 08	Notice of a meeting
9 April 08	Exploration contract in Iran signed
4 April 08	Annual General Meeting of INA–INDUSTRIJA NAFTE, d.d. Zagreb
3 April 08	Extraordinary General Meeting held
31 March 08	INA Group announced its results for FY 2007
27 March 08	Notice of Results and a conference call
18 March 08	Notice of meeting with an analyst on 19 March 2008
13 March 08	Notice of meeting with an investor on 14 March 2008
12 March 08	Management Board and Supervisory Board resolutions
7 March 08	Management Board and Supervisory Board meetings announcement
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

SHAREHOLDER STRUCTURE

	31.12.06.	31.03.07.	30.06.07.	30.09.07.	31.12.07.	31.03.2008.	30.06.2008.
The Government of Republic of Croatia	5,180,367	5,180,367	5,180,367	5,180,367	4,484,918	4,483,787	4,483,552
MOL	2,500,001	2,500,001	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	700,000	700,000
Societe generale-splitska banka d.d./ Allianz ZB d.o.o. for AZ obligatory pension fund	38,933	63,517	71,919	79,006	122,699	150,783	245,214
Zagrebačka banka d,d,/Citibank N,A,(custodian/depositary for GDR)	368,725	253,414	233,345	215,354	204,307	203,263	122,996
Private and institutional investors	1,211,974	1,302,701	1,314,368	1,325,272	1,988,075	1,962,166	1,948,237
Total	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**	**10,000,000**

Changes in organisation and senior management:

Changes in the Supervisory Board

In Q2 2008 there were no changes in the Supervisory board.

Changes in the Management Board

On June 18, 2008, Supervisory Board recalled Messrs Mirko Zelić dr.sc., Tomislav Thür, Josip Petrović and Niko Paulinović as INA, d.d. Board members and appointed the above stated Management Board members for a four-year term of office starting as of 26 July 2008.

The Supervisory Board recalled Mr Sandor Lendvai, Management Board member and Director of Corporate Services, as of 18 June 2008 and appointed Mr Darko Markotić Management Board member and Director of Corporate Services as of 18 June 2008 with a term of office until 31 December 2010

Changes in corporate organisation

Mr Dubravko Tkalčić was appointed executive director of the Oil and Gas Exploration and Production Segment as of 01 April 2008. Mrs Nives Troha was appointed company secretary as of 18 June 2008.

In Q2 2008 there were no other organisational changes apart from the above stated.