INDUSTRIJA NAFTE, d.d.

Q4 AND Q1-Q4 2011 – REPORT INA GROUP CONSOLIDATED

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q4 and Q1-Q4 2011 results today. This report contains unaudited consolidated financial statements for the period ending 31 December 2011 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

HRK mln.	Q3 2011	Q4 2011	Q4 2010	%	2010	2011	%
Net sales revenues	7,967	7,301	7,360	(1)	25,866	30,028	16
EBITDA [(1)]	1,660	1,233	966	28	4,080	6,522	60
EBITDA excl. special items [(2)]	1,712	1,328	1,354	(2)	4,583	6,776	48
Operating profit/(loss)	685	145	778	(81)	2,158	3,039	41
Operating profit/(loss) excl. special items [(2)]	768	790	985	(20)	2,955	4,078	38
Net financial gain (expenses)	(460)	(522)	(269)	94	(840)	(663)	(21)
Net profit/loss for the period [(3)]	126	(257)	401	n.a.	961	1,815	89
Net profit/loss for the period excl. special items [(2)]	192	248	562	(56)	1,593	2,634	65
Operating cash flow	1,613	1,264	2,270	(44)	1,563	3,534	126
Earnings per share							
Basic and diluted earnings per share (kunas per share)	12.6	(25.7)	40.1	n.a.	96.1	181.5	89
Net gearing	39.27	38.82	43.72	(11)	43.72	38.82	(11)

USD mln [(4)]	Q3 2011	Q4 2011	Q4 2010	%	2010	2011	%
Net sales revenues	1,511	1,314	1,357	(3)	4,703	5,620	19
EBITDA [(1)]	315	222	178	25	742	1,221	65
EBITDA excl. special items [(2)]	325	239	250	(4)	833	1,268	52
Operating profit/(loss)	130	26	143	(82)	392	569	45
Operating profit/(loss) excl. special items [(2)]	146	142	182	(22)	537	763	42
Net financial gain (expenses)	(87)	(94)	(50)	89	(153)	(124)	(19)
Net profit/loss for the period [(3)]	24	(46)	74	n.a.	175	340	94
Net profit/loss for the period excl. special items [(2)]	37	45	104	(57)	290	493	70
Operating cash flow	306	227	418	(46)	284	661	133
Earnings per share							
Basic and diluted earnings per share (USD per share)	2.4	(4.6)	7.4	n.a.	17.5	34.0	94

[(1)] EBITDA = EBIT + Depreciation + Impairment + Provisions

[(2)] Excludes special items related to asset impairment, provision, severance payments and special items income. The 2011 EBIT was negatively influenced by HRK 1,039 million special items

[3)] INA Group net profit attributable to equity holder

[(4)] In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q3 2011: 5.2711 HRK/USD, Q4 2010: 5.4243 HRK/USD; Q4 2011: 5.5564 HRK/USD,; Q1-Q4 2010: 5.5000 HRK/USD, Q1-Q4 2011: 5.3435

Fourth quarter 2011 results

In the last quarter of 2011, INA Group has slightly improved its result, delivering operating profit excluding special items in the amount of HRK 790 million, representing an increase of HRK 22 million compared to the previous quarter of 2011. Enhanced operating profit was mainly driven by increased Exploration and Production revenues coming from crude and condensate sales to Sisak Refinery, after November restart, balancing the lack of income from Syria except for minor cash payment received for local expenditures, in Q4 2011 as company has recognized revenues in the income statement from hydrocarbon sales in Syria which had been realized. The favourable Exploration and Production result was also boosted by lower operating costs and depreciation. However, the positive effects were moderated by lower realised average hydrocarbon price. Group operating profit was hit by weak Refining and Marketing performance weighed by declining average crack spread and high energy costs.

In comparison to Q4 2010, operating profit excluding special items was 20% lower. Positive effects of increased realised hydrocarbon price and higher average daily hydrocarbon production within the Exploration and Production segment were offset with negative Refining and Marketing result due to lower sales volumes, discontinuities in refining processes goes along with higher own consumption.

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Year 2011 results

In 2011, INA Group achieved EBITDA (excluding special items) of HRK 6,776 million and operating profit (excluding special items) of HRK 4,078 million, both of them showing an increase over 2010 results. Improved results mostly reflected the favourable external environment through higher crude oil prices together with improved average daily hydrocarbon production in Exploration and Production segment. In spite of the positive contribution during the first nine months 2011, due to security situation and developments in Syria and in line with local requirements, INA reduced the crude oil and natural gas production. In addition, INA is still experiencing difficulties in collection of Syrian receivables. Refining and Marketing delivered negative result in 2011 predominantly coming from higher Brent crude oil price (increasing the energy costs), lower white products yield related to discontinuities in operation of new plants in the first half of the year, lower utilisation of refineries capacities together with increased own consumption and still depressed market demand.

Net profit reached HRK 1,815 million in 2011, which is an improvement of HRK 854 million compared to the last year. Main reasons for improved net profit were higher operating profit, together with lower financial loss compared to 2010. More favourable result was driven by the already mentioned positive drivers combined with results of the management efforts to improve efficiency and control costs. INA Group realised financial loss (due to higher interest expenses and FX losses related to HRK depreciation against USD during the year), which was HRK 177 million lower than 2010, reflecting improved indebtedness position.

- **Exploration and Production**: Operating profit, excluding special items, in 2011 showed a strong increase of HRK 1,552 million, over 2010 figure and amounted to HRK 6,129 million (USD 1,147 million). Improved operating profit resulted from 31% higher average realized hydrocarbon prices, reduced natural gas import quantities (-30%) and increased production volumes (14% higher average daily hydrocarbon production). Besides mentioned profit contributors, 6% lower unit OPEX resulting from the achievements in the Company's effort on cost reduction, also influenced the result positively. However, the positive contribution of the Syrian operations to the result was heavily impacted at the last quarter of the year due to lack of income from Syria in Q4 2011 for INA's share in hydrocarbon production in Syria.
- **Refining and Marketing**: HRK 1,637 million (USD 306 million) loss from operating activities, without special items, was recorded by the segment in 2011. This represents higher operating loss by HRK 814 million vs. 2010 as a result of lower than expected market demand in core markets combined with continuously rising production cost driven by higher than expected crude prices and lower than planed availability of refinery assets (Sisak Refinery with four months shutdown, slower start up of new units in Rijeka Refinery). The already started efforts on efficiency improvements including but not limiting to energy efficiency, own consumption reduction, loss management, crude oil selection optimization yielded positive effects through not balancing to market trends and moderating negative factors.
- **Retail segment:** In 2011, segment generated operating profit (excluding special items) in the amount of HRK 109 million (USD 20 million) or HRK 71 million more than in 2010. Despite lower sales, higher operating profit resulted from optimised fuel unit margin partially coming from introduction of premium CLASS fuel and decreased operating costs (mostly staff costs and costs of value adjustments and provisions).
- **Corporate and Other[1]:** The segment delivered an operating loss excluding special items of HRK 523 million (USD 98 million) in 2011. This represents lower operating loss by HRK 314 million compared to the last year, mainly due to lower staff costs related to decreased headcount and lower subcontractor maintenance costs reflecting the introduced efficiency measures and reduced scope of operations.
- **Net financial costs:** HRK 663 million net financial costs were recorded in 2011, compared to the net financial costs of HRK 840 million in 2010. The difference primarily reflects decreased net foreign exchange losses and slightly higher interest expenses and other financial expenses compared to 2010.
- **Capital expenditures:** INA Group CAPEX was at the level of HRK 1,530 million in 2011, coming from the natural investment cycle due to the consolidation of the financial position, compared to 2010 when capex level was above the financial capabilities of the company. Exploration and Production accounted for the majority of investments (HRK 799 million) primarily allocated in development projects in Syria and in Croatia. Within Refining and Marketing capital expenditures, investments were mostly related to the development of the refining system, while the Retail capex was directed to modernisation and revitalisation of the network.

[1] Include Corporate Functions and subsidiaries providing safety and protection services, technical services, accounting services, corporate support and other services.

- **Operating cash flow:** The operating cash-flow before changes in working capital amounted to HRK 6,456 million, in 2011, representing an increase of HRK 2,315 million, or 56%, compared to 2010, mainly as a result of higher EBITDA. Changes in working capital affected the operating cash flow negatively by HRK 2,460 million, primarily due to increased value of inventories by HRK 641 million (reflecting both higher prices and higher volumes) and lower liabilities by HRK 1,706 million related to re-established liquidity. Mentioned factors resulted in HRK 3,534 million net cash inflow from operating activities that INA Group generated in 2011.
- **Net debt** amounted to HRK 9,115 million, and was further reduced by 8%, which resulted in an improved **gearing ratio** that was at the level of 38.8% as at 31 December 2011 (compared to 43.7% as at 31 December 2010), reflecting a more favourable financial position of the company.

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

"INA has continued its positive trend in 2011 and recorded an EBITDA growth (excluding special items) of 48% and achieved 89% higher net profit compared to 2010. Net debt was reduced by 8% compared to 2010, leading to an improved but still high gearing ratio of 38.8% at 31 December 2011.

Stronger performance was primarily the result of the completion of a very heavy investment period between 2008 and 2011, in which a number of very large investments have been commissioned and started to contribute strongly to results. Our results also reflect the effects of continuation of efficiency improvement, strict cost control and business optimization and rationalization. These activities are becoming increasingly important, as INA cannot influence on its external operating conditions. It is especially important to mention here the political turmoil and uncertainty brought by the new events, primarily in Syria, but also in the rest of the Middle East and North Africa. Political situation, sanctions and resulting non-payment from Syria impacted our results adversely in the fourth quarter of the year, just like the reversal of price liberalization measures towards a large segment of Croatian industrial gas consumers from September 2011 (the introduction of a new price cap despite valid contractual commercial agreements between INA Group and the consumers).

Production at Sisak Refinery restarted in November after the major rebuilding effort after the fire in June, but the decrease in crack spreads available on the international fuel markets, along with other factors led to strongly negative operative results in Refining and Marketing. INA is focused on the implementation of a new development concept in line with its approved strategy for the segment in order to create value for its shareholders.

Despite the revocation of licenses for exploration in the continental part of Croatia company will continue exploration activities in areas for which licenses are issued, both in Croatia and abroad. INA remains the only entity currently in Croatia, which has the necessary equipment, experience, knowledge and projects prepared ready to drill to accelerate exploration activities in continental Croatia, pending decision of the new Government regarding licensing.

Difficult business conditions in the foreign concessions and reduced demand due to economic problems in the Eurozone are the main challenges in the coming period. Company continuously analyzes the developments will continue activities aimed at improving internal efficiency along with development activities. In this challenging period INA continues to monitor the developments in Syria."

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Overview of the macro environment

The global economic environment remained challenging in Q4 2011 mainly because of the ongoing Eurozone crisis. Preliminary estimates of GDP growth in those Eurozone member states which have released data point to a slowing of growth in the final quarter of the year. Purchasing managers' indices (PMI) and other leading indicators of economic activity suggest that the worst of the slowdown in economic growth has passed. Nonetheless, the recovery in the developed world remains tentative and exposed to risk.

Economic weakness in the developed world, especially in the Eurozone, is constraining oil demand. Political uncertainty, driven mainly by events in Syria as well as the risk of deterioration in the situation in Iran is impacting on prices in the other direction. Despite a relatively fast recovery in Libyan production by December, its quarterly production was still 1m b/d below last year's level, while non-OPEC oil output stagnated yoy, all of which has not been compensated for by higher OPEC production. The combination of these factors resulted in relatively stable oil prices in Q4 2011.

After revealing growth in the second and third quarters of 2011, the Croatian economy likely contracted again in Q4 2011. Domestic demand remains weak with merchandise imports (ex oil) falling 12.8% yoy in this period. The reduction in capital goods' imports (excluding transport equipment) of 15.5% yoy over this period reflects weak investment activity. This partly the result of uncertainty ahead of the general election held on 4 December 2011, which saw a change of government, and even more so due to, in the lead up to the election, an understandable lack of clarity on the new government's economic policy initiatives. Unemployment continued to rise in Q4 2011, reflecting seasonal weakness as well as underlying factors. Real wage growth remained negative according to our estimates in Q4 2011 while credit growth to households in particular was very weak. Inflationary pressures also waned during Q4 2011. Consumer prices rose 2.3% for the whole 2011 and in Q4 2011 rose 2.4% yoy, partly reflecting a reduction in food prices despite an unfavourable base effect. At the same time while producer prices rose 6.3% yoy over this period and 7.1% in the whole of 2011 most of this increase reflects energy price movements – nonetheless, the discrepancy between consumer and producer prices reflects the limit weak domestic demand is having on business' ability to pass on price hikes to end consumers.

Industrial production in Q4 2011 was essentially flat in yoy terms (confirming what the trend data has suggested for a number of months). The reduction in underlying merchandise exports (ex oil and ships) of 2.5% yoy in this period points to the adverse impact of the weak external environment, especially in the Eurozone. Headline merchandise exports contracted 12.3% yoy in Q4 2011 with sharply lower ship exports the main driver of this outcome.

Towards the end of 2011 the currency came under increased pressure but did not see interventions in the currency market by the central bank until early 2012. However, the central bank raised mandatory reserve requirements by one percentage point to 14% in early October, withdrawing HRK liquidity by over HRK 3 bn to combat depreciation pressures. High debt service obligations of all sectors of the economy in Q4 2011 and uncertainty over the ongoing Eurozone crisis have underpinned HRK weakness even as the current account has shifted to a balance position during 2011.

In 2012 we continue to expect weak domestic demand especially in the first half of 2012 given the government's efforts to reduce the fiscal deficit, combined with a likely recession in the Eurozone this year.

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Management discussion

*Exploration and Production**

Q3 2011	Q4 2011	Q4 2010	%	Segment IFRS results (HRK mln)	2010	2011	%
2,883	4,032	3,263	24	Net sales revenues	10,882	13,329	22
1,920	1,997	1,543	29	EBITDA	5,413	8,053	49
1,933	2,026	1,644	23	EBITDA excl. special items**	5,514	8,122	47
1,156	1,679	1,350	24	Operating profit	4,572	6,141	34
1,170	1,647	1,508	9	Operating profit excl. special items**	4,577	6,129	34
136	332	383	(13)	CAPEX	1,473	799	(46)

* 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, Prirodni plin d.o.o.
** The 2011 performance was positively influenced by HRK 12 million special items, of which HRK 81 million provisions had positive effects and HRK 69 million incentives had negative effects.

Q3 2011	Q4 2011	Q4 2010	%	Hydrocarbon production*	2010	2011	%
15,941	**13,835**	**16,263**	(15)	**Crude oil production (boe/d)***	**16,336**	**15,285**	(6)
9,127	8,602	9,480	(9)	Croatia	9,672	9,106	(6)
3,302	1,789	3,409	(48)	Syria	3,144	2,837	(10)
1,846	1,894	1,811	5	Egypt	1,943	1,762	(9)
1,665	1,550	1,563	(1)	Angola	1,577	1,579	0
48,523	**48,384**	**44,099**	10	**Natural gas production (boe/d)**	**41,973**	**49,170**	**17**
21,166	20,728	24,243	(14)	Croatia - offshore	22,700	21,784	(4)
13,087	13,829	14,623	(5)	Croatia - onshore	14,893	13,923	(7)
14,270	13,827	5,233	164	Syria	4,381	13,463	207
9,707	**8,687**	**7,587**	14	**Condensate (boe/d)**	7,170	**9,912**	**38**
5,518	4,530	6,897	(34)	Croatia	6,814	5,958	(13)
4,189	4,157	690	503	Syria	356	3,954	1,012
74,171	**70,906**	**67,949**	**4**	**Total hydrocarbon production (boe/d)**	**65,480**	**74,366**	**14**

Q3 2011	Q4 2011	Q4 2010	%	Average realised hydrocarbon price**	2010	2011	%
113	93	77	20	Crude oil and condensate price (USD/bbl)	70	99	42
78	72	60	20	Average realised gas price (USD/boe)	55	71	27
84	77	63	22	Total hydrocarbon price (USD/boe)*	59	78	31

Q3 2011	Q4 2011	Q4 2010	%	Natural gas trading - mln cm	2010	2011	%
210	288	289	(0)	Natural gas imports	1,214	849	(30)
546	976	963	1	Total natural gas sales - domestic market	3,026	3,033	0

Q3 2011	Q4 2011	Q4 2010	%	Natural gas price differential to import prices (HRK/000 cm)	2010	2011	%
(510)	(669)	(333)	101	Eligible customers' price	(356)	(451)	27
(1,076)	(1,484)	(558)	166	Tariff customers' price	(397)	(993)	150
(545)	(898)	(404)	123	Total price	(370)	(581)	57

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

Fourth quarter 2011 results

In Q4 2011, **operating profit, excluding special items**, rose over Q3 2011 period to the amount of HRK 1,647 million**,** while EBITDA has increased by 5%. There were two major boosting effects:

- Start of domestic oil and condensate sales after Sisak refinery returned to operation in November 2011. Beyond normal operation, part of hydrocarbon majority stocks piled in Q3 2011, were also sold to the refinery, boosting operating profit line further. Similar positive effect is expected to occur also in Q1 2012.
- Lower depreciation in Q4 2011 due to new reserves evaluation, where the reserves were increased and life expectancy was prolonged.

These effects were partly offset by (1) the decrease of realized average hydrocarbon prices and (2) lack of any revenue from the Syrian operation, except for one minor cash payment received. Company has recognized revenues in the income statement from hydrocarbon sales in Syria which had been realized, in line with international accounting standards.

The reported Q4 2011 operating profit amounted to HRK 1,679 million, including HRK 32 million positive effects of special items.

Average daily hydrocarbon production decreased by 4% to the level of 70,906 boe, compared to Q3 2011, mainly due to the decreased oil production in Syria combined with lower Adriatic off-shore production.

In Q4 2011, **operating profit, excluding special items**, rose by 9% over Q4 2010 to the amount of HRK 1,647 million.

- The profit was positively influenced by (1) 22% increased total realised average hydrocarbon price and (2) 4% increase in average daily hydrocarbon production
- The positive trends were partly offset by the inability to receive payment for hydrocarbon production share from Syria and the negative contribution of the gas trading operations; Prirodni Plin delivered an EBIT loss of HRK 123 million in Q4 2011.

Average daily hydrocarbon production showed an increase of 4% in Q4 2011 compared to Q4 2010, mainly due to the increased natural gas production in Syria despite restrictive measures.

Year 2011 results

In 2011, **operating profit, excluding special items**, was HRK 6,129 million, representing a strong increase of HRK 1,552 million compared to the last year**.**

- The positive effects of (1) 14% higher hydrocarbon production, mainly due to strong Syrian contribution in first nine months 2011, (2) 31% better average realized hydrocarbon price, together with (3) 6% lower unit production OPEX influenced mostly the result.
- The result was negatively influenced by lack of Syrian revenues since October 2011, higher depreciation due to the activation of assets in Syira, higher royalty in Croatia and impairment of some receivables in Egypt.

Reported 2011 **operating profit** amounted to HRK 6,141 million and was positively influenced by HRK 12 million special items.

Average daily hydrocarbon production in 2011 was at 74,366 boe, reflecting an increase of 14% compared to the last year. Increasing contribution of recent development project in Syria, more than offset the decrease of the maturing domestic onshore oil and gas fields production. However, this Syrian increase was moderated by the two production cuts towards the end of the year (September approximately 1.3 Mboed and December 1.5 bbl/d). Adriatic off-shore production decreased by 4% compared to the last year due to workover (capital maintenance) on Eni's part of transportation system at Aiza Laura contract area.

Croatian on-shore **natural gas production** decreased by 7%, due to the natural depletion of maturing fields, while yearly natural gas production in Syria significantly increased due to start up of Gas Treatment Plant in Q1 2011.

Croatian **crude production** declined by 6% in 2011 compared to the last year, due to natural depletion of the fields. International crude production was lower by 7%, compared to 2010, mostly because of lower production in Syria. Production cut in Syria effected crude oil and condensate production. Natural decline, postponed work over activities and development drilling resulted in lower production in Egypt.

Upstream sales revenues improved by 22% in 2011 compared to the last year. An increase of the revenues was mostly affected by (1) higher sales volumes and (2) higher average hydrocarbon prices, which were partially mitigated with the unfavourable effect of stronger kuna. Natural gas sales on the domestic market remained almost at the same level as in the 2010. However, the market demand for natural gas was met from own domestic natural gas production and from storage, while the imports decreased due to the higher level of natural gas in storage at the beginning of the period. The company continues to encounter significant obstacles in the collection of receivables from the Syrian partner for its share of hydrocarbon production; there has been no improvement in this situation since October 2011, except for one minor cash payment received.

In 2011 Upstream expenditures increased by 14% to the level of HRK 7 billion, compared to the previous year. Main drivers of the increased expenditures are (1) increased depreciation for over HRK 730 million due to the activation of assets in Syira in early April, (2) increased royalty and impairment. Royalty in Croatia amounted to HRK 344 mill and increased by 70% as a result of increased hydrocarbon prices and increased royalty rate to 5% from 3.6% as of April 2011. In 2011 unit production cost decreased by 6% to 6.2 USD/boe, compared to 2010, due to efficiency improvement measures and higher production quantities.

Exploration and Production capital expenditures

Exploration and Production segment's CAPEX in 2011 amounted to HRK 799 million. The majority of capital expenditures are related to investments in Syria (HRK 295.5 million) and Croatia (HRK 182.3 million).

E&P CAPEX 2011 (HRK million)	Croatia	Syria	Egypt	Angola
Exploration	26.1	16.4	1.2	6.9
Development	156.3	279.1	62.9	12.7
Exploration: 50.6 (9%) Development: 509.7 (91%)	On North Adriatic investments were related to finalization of first phase of existing system optimization and necessary equipment installation for accepting Izabela gas field production. Feasibility study for Ika SW, Božica and Ivana SW is finished. In the area of Middle and South Adriatic, with the mobilization of 3D Oceanic Challenger at Dubrovnik, 2D/3D seismic processing started in December. On onshore drilling of exploration well Hrastilnica started in December and on oil field Žutica, within the EOR project, testing activities of future injection and production wells were proceed. Total expenditures for this project in the following three years would amount to HRK 506 million.	On Hayan Block new gas well Jihar-11 was drilled with excellent results obtained during well testing with 625 000 m3/day of gas and 125 m3/day of condensate. Drilling of new oil well Mazrur-3 on Mazrur Field is finished, but well is temporary abandoned. Other investments on Hayan Block were related to production facilities regarding connection of new well to GPC Jihar and electrical interconnections between CGS and GPC Jihar. Also civil engineering activities regarding tie-in roads to facilities were done.	Activities on West Abu Gharadig Concession were focused on drilling and putting in production two development wells at the beginning of the year. Two wells were drilled on Ras Qattara Concession by middle of the year. Exploratory well was P&A due to negative results, while development well was put on stream in July 2011. Sidi Rahman-3 well did not obtain positive results. Workover operations on Sidi Rahman-1 and Sidi Rahman-2 wells resulted in higher production of Sidi Rahman oil field. Workover activities continued on Rizk Development Lease where two wells, Rizk-1 and Rizk East-1, were completed and ready for production. However, start up of production is postponed until approvals from Egyptian authorities are issued.	Activities planned for the first three quarters of 2011 related to Floating Storage Hull Repair on Palanca Terminal, Topside Structure overhaul and major painting and refurbishment campaign on all platforms, were postponed until partner's approval. At the same time, due to good production results, operator Sonangol P&P decided to also postpone annual workover to Q1 2012. Workover of Pac-410 well was finished in December, well was tested and oil production started

	Country	Wells	Q1 2011	Q2 2011	Q3 2011	Q4 2011	progress / result
exploration	Croatia	Selec-1					Oil & gas producer; 1st int. Qo=30m³, Qg= 30.000m³; 3rd Qc=3,6m³, Qg= 45.000 m³ (gas); Well equiped with production tubing and x-mas tree assembly- to be putted in production. Well location and access road finished in June 2011
	Croatia	Hrastilnica-3					Onshore, Oil producer expected
	Syria	Beer As Sib-1					The well will be put in production after NOCD signing
	Syria	Mudawara - 3					Drilling results and logging analyses indicate HC saturation
	Egypt	Zarif Deep-1					No testing, dry, P&A
	Egypt	Abrar South-1					X oil producer. Production start up in July 2011
development	Croatia	Molve-35R					Gas producer; work over in 2011 - removed production equipment, placed cement plugs, prepared for drilling in Q3 2012
	Syria	Mazrur-2					Oil and gas producer; Qo=448 m³/day; Qg=165,344 m³/day
	Syria	Mazrur-3					Suspended side track due to political situation
	Syria	Jihar-11					Gas producer; 620 554 m³/day of gas and 161 m³/day of condensate
	Angola	Pac-410					Oil producer; operations finished on 16/12/2011; well test showed Qoil (HH)=923.9 m³/day. Ongoing production stable
	Egypt	Raml-23					X oil producer; production start up January 2011
	Egypt	Raml SW-17					X oil producer; production start up January 2011
	Egypt	Raml -24					X oil producer; direct putting into production without testing after finishing of completion; production start up January 2011
	Egypt	Sidi Rahman-3					End of drilling February 2011; not tested; dry hole; T&A; All targets reservoirs were found water bearing but due to possibility for additional works in Middle Bahariya interval - the well was temporary suspended
	Egypt	Zarif-41					X oil producer; direct putting into production without testing after finishing of completion; production start up July 2011
	Egypt	Abrar-2					X oil producer; tested in Q2 2011; production start up in July 2011
	Egypt	Abrar-3					Tested and drilled in Q3 2011; production start up in September 2011
	Egypt	Raml-25					X oil producer; drilled in Q4 2011; direct putting into production without testing, after finishing of completion; production start up in December 2011
	Egypt	Raml-26					Drilled in Q4 2011; water injector; completed in December 2011

drilling
test

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Further business related developments

Syrian developments

Further to developments in Syria, INA decided to adapt the numbers of its staff to the current security situation and developments in Syria and temporarily withdraw its employees who are not required for the continuation of the daily operations in Syria. However, INA will continue to have representatives in the branch office and continues to hold its interest. The decision to withdraw INA's employees was brought following INA's full commitment to the safety of its employees as a priority and after a careful analysis of all aspects of the current security situation and developments. INA is closely monitoring the developments and continuously analyzing its position related to its Syrian operations.

Currently, all plants are running smoothly and the supply of local energy needs will occur under the supervision of the local workforce. However, considering the already announced production cuts (2.8 thboepd) and the nature of the Production Sharing Agreement, INA's share from the total Syrian hydrocarbon production in 2012 is expected to be below 2011 level. Further modifications of the production level are not fully dependant on the Company.

As previously announced, the company continues to encounter significant obstacles in the collection of receivables from the Syrian partner for its share of hydrocarbon production; there has been no improvement in this situation since October 2011, except for one minor cash payment locally received, which was only enough to cover locally born costs of operations.

Revoked exploration licenses

In spite of the revoked licenses for mineral resources exploration relating to the concessions for the hydrocarbon exploration area "Sava", "Drava" and "Northwest Croatia", significant efforts have been put into project preparation for Croatian onshore exploration activities and accordingly detailed work plans have been developed for those exploration areas. INA has identified a number of potential prospects suitable for further development, however, company activities would have to stay limited until the further licenses are obtained. The decision on revoking the licenses has been legally challenged by the company, but still remains without an answer. INA will continue with intensified exploration activities in the next years on the concession it holds in Croatia and abroad as well. Southern and Mid-Adriatic offshore licences have also expired at the end of 2011.

Croatian natural gas trading business environment

The application of the maximum level of the natural gas price for the eligible customers of 2.13 HRK per cm is extended until March 31, 2012. It is estimated that the three-month extension of the decision on the regulated gas price will have a negative effect on INA business operation of approximately HRK 160 million in Q1 2012. Stated price applies for eligible customers, with the exception of households, conducting production activities with annual consumption less than 100 million cm of gas, especially for customers that are purchasing gas for production of thermal energy for tariff customers, pursuant to provisions of the Act on production, distribution and supply of heating energy.

After concluding the contract for natural gas supply with Italian ENI, ensuring required quantities of natural gas for the domestic market, further improved the stability of energy supply in Croatia, gas supply contracts were signed with largest industrial consumers Petrokemija d.d. and HEP-proizvodnja d.o.o. in December 2011, for a period of two years (until 31 December 2013). Under these Contracts, a delivery of around 1.400 million m^3 of natural gas annually has been agreed (Petrokemija - 650 million; HEP - 750 million). The agreed conditions are considered as satisfactory for both parties.

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*Refining and Marketing**

Q3 2011	Q4 2011	Q4 2010	%	Segment IFRS results (HRK mln)	2010	2011	%
4,798	4,128	4,603	(10)	Revenues	15,777	17,926	14
(215)	(619)	(182)	240	EBITDA	(537)	(1,078)	101
(195)	(604)	(89)	579	EBITDA excl. special items**	(329)	(1,020)	210
(376)	(1,414)	(282)	401	Operating loss) reported	(1,237)	(2,528)	104
(338)	(803)	(203)	296	Operating loss) excl. special items**	(823)	(1,637)	99
26	5	207	(98)	Replacement modification	480	266	(45)
60	80	(54)	n.a.	Impairment on inventories	(28)	(15)	(46)
2	(28)	(78)	(65)	Foreign exchange rate differences	(260)	69	n.a.
(426)	(860)	(278)	210	CCS-based R&M operating (loss)	(1,012)	(1,991)	97
126	247	382	(35)	CAPEX and investments (w/o acquisition)	1,328	575	(57)

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb, Proplin, Crobenz (until 30 September 2010), Osijek Petrol, Interlna Ljubljana, INA BH Sarajevo, Holdina Sarajevo, INA Hungary, FPC London, INA -Crna Gora, INA Beograd, INA Kosovo, Interina Holding London, Holdina Guernsey
**The 2011 performance includes HRK 891 million negative special items of which HRK 13 million provisions, HRK 58 million incentives and HRK 820 million impairment[2].
***Starting from Q2 2011 effect of inventories impairment excluded from Estimated CCS-based Operating profit/(loss)

Q3 2011	Q4 2011	Q4 2010	%	Refinery processing (kt)	2010	2011	%
0	190	103	85	Domestic crude oil	459	399	(13)
698	351	749	(53)	Imported crude oil	3,562	2,745	(23)
0	62	35	74	Condensate	138	129	(6)
220	180	122	48	Other feedstock	291	777	167
918	**783**	**1,009**	**(22)**	**Total refinery throughput**	**4,450**	**4,051**	**(9)**
Q3 2011	**Q4 2011**	**Q4 2010**	**%**	**Refinery production (kt)**	**2010**	**2011**	**%**
48	40	56	(28)	LPG	249	214	(14)
223	181	237	(24)	Motor gasoline	958	877	(8)
216	228	212	8	Diesel	1,084	982	(9)
43	62	68	(9)	Heating oil	222	199	(10)
47	20	10	93	Kerosene	95	118	24
18	24	25	(3)	Naphtha	73	95	30
115	95	173	(45)	Fuel oil	628	545	(13)
0	0	8	n.a.	Bitumen	66	49	(26)
73	20	89	(78)	Other products*	564	369	(35)
783	**669**	**878**	**(24)**	**Total**	**3,939**	**3,448**	**(12)**
6	6	8	(28)	Refinery loss	35	29	(16)
129	107	123	(13)	Own consumption	475	573	20
918	**783**	**1,009**	**(22)**	**Total refinery production**	**4,450**	**4,051**	**(9)**
Q3 2011	**Q4 2011**	**Q4 2010**	**%**	**Refined product sales by country (kt)**	**2010**	**2011**	**%**
529	496	503	(1)	Croatia	2,049	1,923	(6)
142	130	128	1	B&H	443	539	22
256	147	431	(66)	Other markets	1,520	1,100	(28)
927	**772**	**1,061**	**(27)**	**Total**	**4,012**	**3,561**	**(11)**
Q3 2011	**Q4 2011**	**Q4 2010**	**%**	**Refined product sales by product (kt)**	**2010**	**2011**	**%**
60	45	63	(28)	LPG	284	246	(13)
235	189	263	(28)	Motor gasoline	1,011	902	(11)
362	305	315	(3)	Diesel	1,266	1,247	(2)
39	62	75	(18)	Heating oil	232	201	(13)
51	18	17	6	Kerosene	109	116	6
18	22	18	20	Naphtha	74	95	29
122	90	193	(53)	Fuel oil	615	537	(13)
18	22	12	80	Bitumen	68	91	34
22	19	104	(82)	Other products*	355	127	(64)
927	**772**	**1,061**	**(27)**	**Total**	**4,012**	**3,561**	**(11)**
429	160	262	(39)	o/w Retail segment sales	1,125	1,023	(9)

*Other products = FCC gasoline, petrol components, other gasoline, benzene-rich cut, other diesel fuels and components, liquid sulphur, coke, motor oils. Ind, lubricants, base oils, spindle oil, waxes, blend. gas oil "M", atmosp, residue, intermediaries and other

Fourth quarter 2011 results

Compare to Q3 2011 the still worsening **external environment** in Q4 2011 reflected in:

- 16% lower average crack spread primarily caused by decrease in gasoline margin
- Significantly lower Brent-Ural spread, which occasionally turned to premium in last quarter

[2] This impairment relates to the treatment of gas bottles at Proplin and refinery assets impairment.

In Q4 2011, Refining and Marketing **operating loss excluding special items** was HRK 465 mln higher **vs Q3 2011**:
Key negative effects were

- 17% lower sales volumes due to depressed demand and seasonal effects;
- higher OPEX mainly due to (1) increased depreciation as a result of assets put in use upon completion of the refinery development projects, (2) higher refineries maintenance mainly due to Rijeka Refinery planned turnaround and (3) costs related to Sisak Refinery restart;
- lower Euro V diesel sales due to the blending of blue diesel to meet higher than expected market demand;

These negative items were partly moderated by restart of Sisak Refinery during November 2011 after successful completion of remediation works due to the fire event in June 2011. This resulted with favourable input structure as domestic crude oil, stored in Q3 2011 during Sisak Refinery stoppage, was processed.

The reported Q4 2011 operating loss in the amount of HRK 1,414 million was negatively affected by HRK 611 million special items.

Total refined product sales decreased (in line with refinery throughput) in Q4 2011 compared to the prior quarter, as a result of seasonal effect lower than expected market demand in core markets and significantly lower sea sales. Croatian demand still suffers from slow economic recovery, but INA improved its market share.

Refining and Marketing segment's 'clean' **CCS-based operating loss** (excluding effects of special items, inventory revaluation and foreign exchange differences on debtors and creditors) in Q4 2011 was higher apposed to Q3 2011 by HRK 434 mln. Loss was mainly caused by higher operating cost, lower sales volumes, tighter Brent-Ural spread and increased depreciation.
Due to the similar effects estimated **CCS-based operating loss** for Q4 2011 was also higher by HRK 582 million in comparison with Q4 2010.

In Q4 2011, Refining & Marketing segment realised HRK 600 million higher **loss from operating activities (excluding special items) vs Q4 2010**. The result was mainly driven by:

- Negative effects of: (1) lower sales by 289 kt or 27%, (2) 26% higher price of processed crude oil, (3) higher energy costs due to implementation of natural gas in Rijeka Refinery operations and lower than planned availability of the refining assets and (4) increased depreciation.
- Positive effects of: (1) 33% higher average crack spread (increase in diesel margin by 54% was partially offset with lower gasoline and fuel oils margin, by 15% and 7% respectively), (2) increased yield of white products, from 69% to 72%, due to process optimization and putting in operation new plants in Rijeka Refinery.

Total refined product sales on the main markets, domestic and B&H, remained at the same level as in the comparative period, while other markets recorded 66% decrease (mainly sea sales) due to the remediation of Sisak Refinery and planned turnaround of Rijeka Refinery at the end of the year. Furthermore, consumption on domestic market decreased by 15%.

Year 2011 results

Mixed **external conditions** had overall negative effect on Refining and Marketing reported results vs 2010:

- Negative effects of: (1) rising crude oil and natural gas price coupled with (2) overall depressed demand in the core markets.
- Positive effects of: (1) slightly higher average crack spread, even though it was under pressure of fuel oil crack spread worsening, (2) still higher Brent-Ural spread.

In 2011, Refining & Marketing segment realised 814 million higher **operating loss (excluding special items)** from operating activities compared to the previous year. Main drivers of the realised result are:

- Negative effects of: (1) higher price of Brent crude oil by 40% combined with higher volumes of own consumption, (2) less favourable yield of white products due to unbalanced in operation of new plants in the first half of the year and lower processing of Azeri type crude, (3) lower utilisation of refineries capacities and (4) lower sales volumes.
- Positive effects of: (1) improved efficiency due to crude procurement optimization and cost optimization, (2) higher average crack spread by 14% (increase in diesel and gasoline margin by 56% and 21% respectively was partially offset with lower fuel oils margin by 48%).

The reported 2011 operating loss amounted to HRK 2,528 million, including HRK 891 million negative effects of special items most of which relates to refinery assets impairment in the amount of HRK 655 million, based on IAS 36. Stated assets impairment is coming from unfavourable expectations combined with negative market trends and developments that would effect future operations.

Estimated **CCS-based operating loss** in 2011 compared to the previous year increased by HRK 979 million, as a combination of inferior refining environment and interruptions in operation of new plants, which deteriorated the segmental result.

Total refined product sales decreased by 11% in 2011 compared to the previous year. Market consumption decreases on domestic market by 11% and 10% in B&H (company estimations), mainly as a result of delayed impact of crises and high product price environment. Consumption of fuels (gasoline/diesel) declined, following non recovered GDP and reduced spending, which was stressed through industry, mostly construction and transport.
In line with Refining and Marketing segment's strategic aims and increased marketing efforts and developments together with increased yield of quality products, presence on key markets was increased as a result of improved competitiveness. In addition, bio fuels production in Rijeka Refinery began at the end of the year and will ascend during 2012. In spite of the decreased domestic sales, market share has been reinforced as the efforts of the company resulted in sales volumes decrease well below the contraction of the market.

Heating oil and LPG sales volumes decreased by 13% each. Downfall in heating oil sales mostly resulted from postponed heating season due to warm weather, while the LPG sales declined as a result of reduced product availability from our refineries.

In order to increase the efficiency, as a response to the negative trend in Croatia and region, it is decided to optimize the production process of lubricants. Production will be organized in one location, i.e. it will be moved from Rijeka to Zagreb.

Refining and Marketing capital expenditures

CAPEX spending of the segment in 2011 was HRK 575 million, as the large scale of the first phase of the modernisation programme has been completed. Successful start-up procedure of hydrocracking complex (hydrocracking, hydrogen generation, sulphur recovery and ancillary units) at Rijeka Refinery marked 2011 leading to producing only EURO V standard gasoline and diesel fuel. The Isomerisation unit in Sisak Refinery has reached mechanical completion with the test acceptance to run in 2012.

*Retail Services**

Q3 2011	Q4 2011	Q4 2010	%	Segment IFRS results (HRK mln)	2010	2011	%
2,356	1,822	1,548	18	Revenues	6,453	7,676	19
75	(11)	(55)	(80)	EBITDA	(9)	95	n.a.
86	8	(11)	n.a.	EBITDA excl. special items**	35	140	300
45	32	(42)	n.a.	Operating profit/(loss)	(186)	47	n.a.
64	57	(38)	n.a.	Operating profit/(loss) excl. special items**	38	109	187
16	49	28	75	CAPEX and investments (w/o acquisition)	52	106	104

* Refers to Retail INA. d.d. and Petrol Rijeka and retail of subsidiaries: Proplin, Crobenz (until 30 September 2010), Osijek Petrol, Interina Ljubljana, Holdina Sarajevo, INA - Crna Gora
**The 2011 performance was negatively influenced by HRK 62 million special items

Q3 2011	Q4 2011	Q4 2010	%	Refined product retail sales (kt)	2010	2011	%
118	86	92	(7)	Motor gasoline	411	386	(6)
212	169	172	(2)	Gas and heating oils	701	707	1
10	8	10	(26)	LPG	43	34	(19)
1	1	1	(9)	Other products	3	3	(5)
342	**264**	**276**	**(4)**	**Total**	**1,159**	**1,131**	**(2)**

Q3 2011	Q4 2011	Q4 2010	%	Refined product retail sales (kt)	2010	2011	%
326	251	262	(4)	Croatia	1,103	1,079	(2)
12	9	9	(3)	B&H	40	39	(3)
4	3	4	(21)	Other markets	16	14	(17)
342	**264**	**276**	**(4)**	**Total**	**1,159**	**1,131**	**(2)**

* Excluding Crobenz's sales, to be able to compare with 2011 data

Fourth quarter 2011 results

In Q4 2011 Retail Services generated **operating profit excluding special items** in the amount of HRK 57 million, in line with previous quarter. However sales volumes were 23% lower, in line with seasonal trend, while assets impairment reversal supported the result.

In comparison to Q4 2010 realized **operating result excluding special items** in Q4 2011 was HRK 95 million better as a result of:

- Positive effect of: (1) optimized fuel unit margin, (2) lower operating costs (mainly staff costs and costs of value adjustments and provisions) and (3) assets impairment reversal in Q4 2011.

The reported Q4 2011 operating profit in the amount of HRK 32 million was negatively affected by HRK 25 million special items.

Year 2011 results

Compared to 2010, **operating profit excluding special items** in 2011 was HRK 71 million higher as a result of:

- Positive effects of: (1) introduction of premium CLASS fuel, (2) lower personnel costs due to lower number of employees and (3) lower costs of value adjustments and provisions.
- This was partially off-set with lower sales volumes.

The reported 2011 operating profit amounted to HRK 47 million, including HRK 62 million negative effects of special items.

Sales volumes amounted to 1,131 kt in 2011. Compared to the previous year (excl. Crobenz's sales volumes, a subsidiary sold in Q3 2010) sales were lower by 2%.

- Lower sales mainly derived from (1) lower purchasing power and lower standard of living compared to the previous year and (2) reduced number of filling stations within the retail network.
- The share of diesel in total sales increased steadily over 2011.
- Average throughput per site in 2011 maintained at the same level as in 2010.

On 31 December 2011 INA Group's **retail network** consisted of 454 filling stations, o/w in Croatia 402, the neighbouring Bosnia and Herzegovina 45, Slovenia 6 and Montenegro 1. Closure of non-profitable filling stations and the expiration of the lease contract for 11 Energoinvest's filling stations were reasons for the reduced number of filling stations compared to the previous year (22 filling stations less).

Retail capital expenditures

Capital expenditures in 2011 in the amount of HRK 106 million were twice the size of the investments realized in 2010. Apart from newly constructed filling stations, three filling stations have been fully reconstructed. Modernization program, which began in late 2010, has included 26 filling stations so far. Modernisation of the network would continue thorough 2012 with an increasing intensity, doubling the activities and capital expenditures compared to the 2011. Besides new visual identity of reconstructed and modernized filling stations, emphasis is also placed on wider offer of fuels and consumer goods, higher level of services and better technical features, which contribute to filling stations' attractiveness and makes them more comfortable places of purchase.

INDUSTRIJA NAFTE, d.d.

Financial overview

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

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

Management Board made a decision on the business restructuring of Proplin, a 100% owned subsidiary of INA d.d., member of INA Group. The decision on the business restructuring, which was prompted by the changes in market circumstances seen in the last years and by the growing need to respond appropriately to new challenges in order to ensure stable and profitable operations of this important part of the INA Group business, was made by INA Management Board in March 2011. This decision understood that all operations of Proplin d.o.o (principal activity being autogas, industry/bulk and cylinder sales of LPG in Croatia) are integrated back to INA and the company is merged with its mother company. In May 2011, Merger Agreement between INA d.d., as acquiring company and Proplin d.o.o., as merged company was concluded and at the beginning of October the full integration of Proplin was completed.
The Management Board of PROplin d.o.o. passed a decision on the start of launching the legally prescribed procedure with the objective to design a Workforce Redundancy Program. The program comprises 75 employees of the total of 345 employees in PROplin d.o.o. and it will be created respecting the social dialogue with the union.

Following INA Management Board decision, from September 2011, company Top Računovodstvo Servisi d.o.o. was established within INA Group as a shared service centre focusing on financial level service activities, including accounting, tax, payroll and partly treasury back-office activities. Top Računovodstvo Servisi d.o.o. is providing service type of activities that were up till now a part of INA Accounting and Tax and partly HR and Treasury Sector.
The long term strategy of the newly established company is the extending of financial service providing activities within INA Group in Croatia and abroad in order to enhance synergies and establish financial process excellence in all INA Group companies. The set-up of the shared service centre is in line with international trends and this would furthermore be one of the larger Shared service centres in Croatia. INA Group employees that were employed within the mentioned Sectors or STSI and Proplin in related service areas, are transferred to Top Računovodstvo Servisi d.o.o. in total number of 260. They are performing the same activities as they have been doing in INA Group and kept the same rights and responsibilities.

Significant accounting judgements and estimates

From the second quarter of 2010, INA Group reclassified income and costs of interests and foreign exchange differences of buyers and suppliers from financial activities to operating activities and from Q1 2011 to the business segments level. Also in Q2 2010 in North Adriatic, Egypt and Angola cash generating units are redefined in a way that the contract area has become cash generating unit.
The agreement between the major shareholders on the takeover of gas trading company by the Government was not reached by deadline as originally set out in the Amendment to the gas master agreement, therefore, since Q4 2010 the Company does not present the gas trading business results as the results from discontinued activities.
Company has recognized revenues in the income statement from hydrocarbon sales in Syria which had been realized, in line with international accounting standards, meaning that the cash principle has been applied since the beginning of 2011. Under current practice and in line with the international accounting standards the company adjusts its receivables that are 180 days or older. Accordingly the company has adjusted a significant amount of its receivables in Egypt that meet these criteria.

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Year 2011 results

Income statement

INA Group generated **total sales revenues**[3] of HRK 30,028 million, up by 16% compared to 2010, as the drop in refined product sales were overwhelmed by increasing realized hydrocarbon prices as well as increasing hydrocarbon sales.

Costs of raw materials and consumables increased by 11% to the amount of HRK 13,657 million, along with rising sales revenues. The average import price of crude rose by 35% in-line with the 40% price increase of average Brent FOB crude in 2011, however, volume of imported crude was lower by 23% compared to 2010.

The **costs of goods sold** also increased by 32% to HRK 5,267 million due to higher purchased volumes of crude oil products as a result of lower production related to late start up of HCU in Rijeka Refinery (which resulted in much higher import of Eurodiesel) together with turnaround in Rijeka Refinery in November 2011 and the fire accident in Sisak Refinery in June 2011.

Within the **other operating costs** incurred in 2011:

- Other material costs decreased by 14% to HRK 1,801 million primarily as a result of lower subcontractor service costs at the Maintenance company due to reduced scope of operations
- Service costs amounted to HRK 1,217 million representing a decrease of 18% mainly due to HRK 454 million lower financial costs related to operations
- Depreciation of HRK 2,640 million represented an increase of 48% compared to 2010, after more assets were put in operation, i.e. new upstream facilities in Syria and new units at Rijeka Refinery.
- Adjustments and provisions of HRK 843 million were higher by HRK 710 million compared to 2010.

Staff costs decreased by 13% and amounted to HRK 2,752 million, as headcount were cut in the frame of Workforce Restructuring Programme launched at the end of 2010 and continued in 2011. The headcount as at 31 December 2011 was 14,217 which represent a 3% decrease compared to the 14,703 employees as at 31 December 2010.
In December 2010 INA Group implemented the redundancy programme in order to increase efficiency and for the purpose of stabilisation of economic operations and the needs of reorganisation in order to improve business processes in the next period. The programme is conciliated with the Croatian Employment Service and INA's trade union representatives. In 2011, INA terminated the contracts of 1,027 employees and severance payments in the total amount of HRK 254 million were made. Representatives of the labour unions present in INA have conceded to the Programme and no significant disputes arose as a result of its implementation.

Net financial costs in the amount of HRK 663 million were recorded in 2011, compared to the net financial costs of HRK 840 million in 2010. At this level the net financial cost indicates an average cost of financing at an approximate level of 7%.

- Net foreign exchange loss was HRK 278 million in 2011, mainly related to the appreciation of HRK against USD, however, it is lower than the 2010 loss due to lower indebtness of the company
- Interests payable were HRK 191 million in 2011, while interest received amounted to HRK 26 million in 2011. Interest costs on long term loans in 2011 increased due to: (1) utilization of two project loans with higher interests compared to the others, which were drawn down in H2 2010 so interests were booked only in H2 2010 and in the whole 2011 and (2) increase of reference rates (especially EURIBOR that almost doubled in 2011). Interest costs on short term loans decreased due to significant decrease of interest margins in 2011 compared to 2010.

In 2011 **income tax expense** increased by HRK 210 million to the amount of HRK 573 million.

OptINA 2 is a key tool for INA's business restructuring with the ultimate goal to improve Group operational efficiency. Initiatives are divided in two basic groups: cost saving and revenue improvement initiatives. OptINA 2 is led by a full-time team which supervises more than 250 initiatives, out of which 75% are already fully implemented.
Until December 2011, HRK 1,127 mln recurring cost savings and HRK 415 mln revenue improvements have been achieved compared to the 2008 baseline at INA Group level. Altogether, HRK 1,542 million recurring EBIT improvement has been delivered since the program's inception in 2010.
The positive decreasing trend of controllable costs continued in 2011 with a ~7% decline in controllable costs compared to 2010.

[3] Consolidated sales

New Regulation on compensation payment for concession for exploitation of mineral raw materials has been in force since April, 6th 2011 (Official Gazette 40/11). The amount of compensation is calculated as a percentage of the market value of the produced hydrocarbons and was increased from 3.6% to 5.0%, that could increase INA's fee by approximately HRK 70 million per annum.

Maximum selling prices for fuel products retail are determined by the regulation adopted by the Ministry of Economy, Labor and Entrepreneurship (Official Gazette 37/2011) of the Republic of Croatia, which provides formulae for setting prices relative to international market prices. From 4 April 2011 retail prices of fuel products are changing every 14 days and the oil companies are authorized to apply different retail prices within the maximum price set by the Ministry. Retail prices for gas stations located on highways and on the coast are deregulated, except for blue diesel. From June 21, INA started to apply differentiated prices at 37 petrol stations located on highways (for Eurosuper BS 95 and Eurodizel BS fuels, as well as Class fuels Eurosuper BS 95 Class and Eurodizel BS Class). In comparison to the stations which do not have the option of free formation of retail prices, the prices will be slightly higher, i.e. by HRK 0.02 to 0.05, depending on location. In addition, retail prices were changed on additional 20 petrol stations, where the mentioned fuels will be sold at reduced retail prices. The prices at these stations will be reduced by HRK 0.02 to 0.05, depending on location.

INA currently holds a Service Contract for the Exploration and Development of the Moghan-2 Block in Iran which was signed on 8 April 2008. As an ongoing process the company is constantly harmonizing its activities in line with the US/UN regulation regarding Iran and will continue to further organize its activities to comply with the mentioned regulation.

Balance sheet

As at 31 December 2011, INA Group **total assets** amounted to HRK 30,825 million, representing a decrease of 1% in comparison to 31 December 2010. **Property, plant and equipment** recorded a decrease of 7% because the depreciation was higher than the investments in non-current assets.

Inventories amounted to HRK 3,693 million, which is an increase of 27% compared to 31 December 2010, reflecting both higher volumes, but especially higher prices driven by the rising crude oil prices. Stored up finished products and work in progress inventories from own production increased by 31 kt, while crude oil inventories increased by 139 kt.
Trade receivables also increased by 8% in line with increasing price environment.

As at 31 December 2011 **total liabilities** decreased by 11% to the amount of HRK 16,460 million as an effect of both lower trade payables and lower indebtedness compared to 31 December 2010 level.

Trade payables decreased by 46% to HRK 2,032 million, mostly because of better liquidity which enabled the payment of liabilities. Long-term and short-term provisions amounted to HRK 2,915 million and were 3% lower compared to the end of 2010.

INA Group **net indebtedness** decreased by 8% and amounted to HRK 9,115 million, primarily because INA managed to reduce its long-term debt as a result of higher own cash generating capabilities. **Gearing ratio**[4] decreased from 43.7% as at 31 December 2010, to 38.8% as at 31 December 2011.

Cash flow

The **operating cash-flow before changes in working capital** amounted to HRK 6,456 million, in 2011, representing an increase of HRK 2,315 million, or 56%, compared to 2010, mainly as a result of higher EBITDA.

Changes in working capital affected the operating cash flow negatively by HRK 2,460 million, primarily due to:
- Increased value of inventories by HRK 641 million (reflecting both higher prices and higher volumes)
- Lower liabilities by HRK 1,706 million related to re-established liquidity.

Tax payment affected operating cash flow by HRK 462 million. Mentioned factors resulted in HRK 3,534 million net cash inflow from operating activities that INA Group generated in 2011.

Net outflows in investing activities amounted to HRK 1,591 million, in comparison with HRK 2,809 million outflows in 2010. A decrease is resulted by the nature of key projects, some of which are nearing completion, and for the reason of current market environment.

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

Financial instruments and risk management

INA Group continuously detects and monitors financial risks (commodity risk, FX and interest rate risk) in its operation. Risk Management and Hedging Policy for INA Group is providing the framework under which INA and its consolidated subsidiaries manage its commodity, foreign exchange and interest rate risk at an acceptable level, allowing the Group to achieve its strategic goals while protecting the company's future financial stability and flexibility. It integrates and measures all financial risks at group level in a model using Monte Carlo simulation while senior management reviews regularly Financial Risk Reports.
Beside financial (market) risks, the most important risks include the credit risk and the liquidity risk. The Group used derivative instruments for managing those risks to a limited extent. Derivative financial instruments, which INA uses for the purpose of hedging the financial risks, are regulated by ISDA (International Swaps and Derivatives Association) Agreements signed with other counterparties. The Group does not use derivative financial instruments for speculative purposes.

a) Market risk

Commodity price risk management

INA purchases crude oil mostly through short-term arrangements in US dollars at spot market prices. The required quantities of gas are purchased at a price denominated in US dollars in accordance to 3-year supply contract with Italian ENI. In addition to oil exploration, production and refining, one of the INA's core activities is marketing and sales of refined products and natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001) which, to a limited extent, is hedging the Group from the changes in crude and oil product prices and the foreign currency risk, enabling refinery products to be reprised bi-weekly, with certain limitations, depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.

The Group may use swap and option instruments in managing its commodity exposure. In 2011 INA concluded short term commodity swap transactions for inventory changes and pricing period hedging purposes. These transactions were initiated to reduce exposure to potential price movements during the refinery inventory build down period, and for harmonisation of pricing periods for crude oil and oil products purchases with crude oil refining period and oil products sales pricing periods. Due to extreme volatility of crude oil and crude products prices caused by uncertainties surrounding World economy, INA executed a hedge in the form of buying option instruments, in order to protect against potential losses in values of inventory of finished products and work in progress in case of adverse price movement.

Foreign currency risk management

As the Group operates on the domestic market and abroad many transactions are priced and denominated in foreign currency and it is thus exposed to currency risk. The Group has net long USD and EUR, and net short HRK operative cash flow position.
Generally, the Group applies natural hedge to manage its currency risk exposure based on the principle that the currency mix of the debt portfolio should reflect the free cash flow currency position of the Group. Furthermore, in order to avoid a high exposure to volatility of individual currency (i.e. USD), INA applies portfolio approach in the process of selection of currencies in the debt portfolio. Additionally, the Refined Product Pricing Regulation enables the company to partly transfer the unfavourable movements of exchange rates to domestic products market.
The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of December 31, 2011, there were no open cross currency transactions.

Interest rate risk management

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

Other price risk

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

b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. Overdue receivables have a negative impact on INA Group's liquidity while provisions due to overdue receivables negatively affect results of the Group. According to existing Credit Risk Management Procedure, in dealing with its customers, Group applies risk categorisation, credit risk exposure analysis, sets up credit limits and obtains collaterals as a means of mitigating the risk of financial loss from defaults. Part of sales with deferred payment is towards state institutions state owned companies or companies owned by the local government which do not provide payment security instruments. Other customers provide us with debentures being the most common payment security instrument on the Croatian market. Other payment security instruments such as bank

guarantees and mortgages are provided in smaller extent, while foreign customers provide mainly letters of credit, in smaller extent corporative guarantees and in exceptional cases bills of exchange.
There is no significant credit risk exposure of INA Group that would not be covered with collateral, other than those to the institutions and entities controlled by the state and the local government, and exposure toward customers under certain concession agreements abroad. Given that the Republic of Croatia is a one of the major shareholders of the Group itself, credit risks to a significant extent depend on the policy of the Croatian Government.

c) Liquidity risk

The Group's liquidity risk is managed by maintaining adequate reserves and credit lines and by continuous monitoring of projected and actual cash flow and due dates for amounts receivable and payable.
INA Group's policy is to ensure sufficient funding sources with the goal of reaching sufficient frame of available credit lines to cover INA Group liquidity as well as investments needs.
As of December 31, 2011, INA had contracted short-term bank loans amounting to 452 million USD (excluding overdrafts and trade financing credit lines established with the purpose to finance the purchase of crude oil and oil products).
Till December 2010 crude oil and oil products were imported through INA, d.d. foreign subsidiaries Interina London and Interina Guersney, and since than directly by INA, d.d. In accordance with international practices for crude oil and oil products purchases INA has contracted short-term credit facilities ("trade financing") with first class commercial bank groups.

d) Fair value of financial instruments

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

Related party transactions

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

Related party transactions

INA, d.d.	Amounts owed from related parties	Amounts owed to related parties
HRK mln	31 Dec 2011	31 Dec 2011
Foreign related companies		
Interina Ltd Guernsey	-	137
Holdina Sarajevo	117	7
Interina d.o.o. Ljubljana	1	-
Interina Ltd London	-	20
Adriagas Milano	-	1
INA – Crna Gora d.o.o. Podgorica	14	-
INA – Beograd d.o.o. Beograd	10	-
Domestic related companies		
Crosco Grupa	1	57
Osijek Petrol d.d.	53	1
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	-	-
STSI d.o.o. Zagreb	2	257
Maziva Zagreb d.o.o. Zagreb	19	24
ITR d.o.o. Zagreb	-	10
Sinaco d.o.o. Zagreb	-	35
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	1,551	20
TOP Računovodstvo servisi d.o.o. Zagreb	1	3
Companies available for sale		
JANAF d.d. Zagreb	-	25
Strategic partner		
MOL Plc	34	62
Companies controlled by strategic partner		
Tifon d.o.o.	42	1
Moltrade Mineralimpex Zrt.	-	-
Slovnaft, a.s.	-	5
Slovnaft, Petrochemicals s.r.o.	-	1
Mol Lub Kft.	-	-
MOL SLOVENIJA d.o.o.	2	-
IES-Italiana Energia e Servizi s.p.a.	-	2
TVK Nyrt.	-	1
Intermol d.o.o.	8	-
Energopetrol d.d.	24	-
Geophysical services Ltd.	-	-
Companies controlled by the State		
Hrvatske željeznice	4	5
Hrvatska elektroprivreda	186	14
Croatia osiguranje	-	-
Hrvatske vode	-	4
Hrvatska pošta	2	-
MORH	4	-
Hrvatske šume	6	-
Jadrolinija	31	1
Narodne novine	-	-
Croatia Airlines	32	-
Petrokemija Kutina	-	-
Plinacro	-	-
Hrvatske autoceste	1	5
Podzemno skladište plina Okoli	1	8

INA, d.d. HRK mln	Sales of goods 31 Dec 2011	Purchase of goods 31 Dec 2011
Foreign related companies		
Interina Ltd Guernsey	-	-
Holdina Sarajevo	850	2
Interina d.o.o. Ljubljana	21	-
Interina Ltd London	-	-
Adriagas Milano	2	1
INA – Crna Gora d.o.o. Podgorica	91	-
INA – Beograd d.o.o. Beograd	59	-
Domestic related companies		
Crosco Grupa	12	168
Osijek Petrol d.d.	135	-
Crobenz d.d. Zagreb	-	-
Proplin d.o.o. Zagreb	-	-
STSI d.o.o. Zagreb	15	457
Maziva Zagreb d.o.o. Zagreb	119	58
ITR d.o.o. Zagreb	2	24
Sinaco d.o.o. Zagreb	4	122
Hostin d.o.o. Zagreb	-	-
Prirodni plin d.o.o. Zagreb	4,487	446
TOP Računovodstvo servisi d.o.o. Zagreb	3	21
Companies available for sale		
JANAF d.d. Zagreb	1	72
Strategic partner		
MOL Plc	458	823
Companies controlled by strategic partner		
Tifon d.o.o.	768	6
Moltrade Mineralimpex Zrt.	-	1,141
Slovnaft, a.s.	-	48
Slovnaft, Petrochemicals s.r.o.	1	-
Mol Lub Kft.	-	1
MOL SLOVENIJA d.o.o.	16	-
IES-Italiana Energia e Servizi s.p.a.	13	6
TVK Nyrt.	-	3
Intermol d.o.o.	10	1
Energopetrol d.d.	468	1
Geophysical services Ltd.	-	-
Companies controlled by the State		
Hrvatske željeznice	2	51
Hrvatska elektroprivreda	298	129
Croatia osiguranje	-	34
Hrvatske vode	-	22
Hrvatska pošta	-	2
MORH	53	-
Hrvatske šume	-	1
Jadrolinija	143	5
Narodne novine	-	-
Croatia Airlines	234	-
Petrokemija Kutina	-	-
Plinacro	-	-
Hrvatske autoceste	-	-
Podzemno skladište plina Okoli	2	65

INA Group Summary Segmental Results of Operations

Q3 2011	Q4 2011	Q4 2010	%	(HRK mln)	2010	2011	%
				Sales			
2,883	4,032	3,263	24	Exploration & Production	10,882	13,329	22
4,798	4,128	4,603	(10)	Refining & Marketing	15,777	17,926	14
2,356	1,822	1,548	18	Retail	6,453	7,676	19
158	292	183	60	Corporate and Other	722	674	(7)
(2,228)	(2,973)	(2,237)	33	Inter-segment revenue	(7,968)	(9,577)	20
7,967	**7,301**	**7,360**	**(1)**	**Sales**	**25,866**	**30,028**	**16**
				Operating expenses, net other income from operating activities			
(1,727)	(2,353)	(1,913)	23	Exploration & Production	(6,310)	(7,188)	14
(5,174)	(5,542)	(4,885)	13	Refining & Marketing	(17,014)	(20,454)	20
(2,311)	(1,790)	(1,590)	13	Retail	(6,639)	(7,629)	15
(298)	(444)	(431)	3	Corporate and Other	(1,713)	(1,295)	(24)
2,228	2,973	2,237	33	Inter-segment eliminations	7,968	9,577	20
(7,282)	**(7,156)**	**(6,582)**	**9**	**Expenses**	**(23,708)**	**(26,989)**	**14**
				Profit/(loss) from operations			
1,156	1,679	1,350	24	Exploration & Production	4,572	6,141	34
(376)	(1,414)	(282)	401	Refining & Marketing	(1,237)	(2,528)	104
45	32	(42)	n.a.	Retail	(186)	47	n.a.
(140)	(152)	(248)	(39)	Corporate and Other	(991)	(621)	(37)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
685	**145**	**778**	**(81)**	**Profit from operations**	**2,158**	**3,039**	**41**
				Share in the profit of associate companies			
(460)	**(522)**	**(269)**	**94**	**Net loss from financial activities**	**(840)**	**(663)**	**(21)**
225	**(377)**	**509**	**n.a.**	**Profit before taxation**	**1,318**	**2,376**	**80**
(99)	109	(113)	n.a.	Income tax expense	(363)	(573)	58
126	**(268)**	**396**	**n.a.**	**Profit for the year**	**955**	**1,803**	**89**

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

INA Group Summary Segmental Results of Operations

Q3 2011	Q4 2011	Q4 2010	%	Operating Profit Excluding Special Items (HRK mln)	2010	2011	%
1,170	1,647	1,508	9	Exploration & Production	4,577	6,129	34
(338)	(803)	(203)	296	Refining & Marketing	(823)	(1,637)	99
64	57	(38)	n.a.	Retail	38	109	187
(128)	(111)	(282)	(61)	Corporate and Other	(837)	(523)	(38)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
768	**790**	**985**	**(20)**	**Total**	**2,955**	**4,078**	**38**

Q3 2011	Q4 2011	Q4 2010	%	Depreciation (HRK mln)	2010	2011	%
607	422	250	69	Exploration & Production	1,160	1,895	63
107	200	101	98	Refining & Marketing	370	502	36
23	22	23	(3)	Retail	93	92	(1)
36	40	40	(1)	Corporate and Other	166	151	(9)
773	**684**	**414**	**65**	**Total**	**1,789**	**2,640**	**48**

Q3 2011	Q4 2011	Q4 2010	%	EBITDA* (HRK mln)	2010	2011	%
1,920	1,997	1,543	29	Exploration & Production	5,413	8,053	49
(215)	(619)	(182)	240	Refining & Marketing	(537)	(1,078)	101
75	(11)	(55)	(80)	Retail	(9)	95	n.a.
(120)	(134)	(340)	(61)	Corporate and Other	(787)	(548)	(30)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,660	**1,233**	**966**	**28**	**Total**	**4,080**	**6,522**	**60**

Q3 2011	Q4 2011	Q4 2010	%	EBITDA Excluding Special Items* (HRK mln)	2010	2011	%
1,933	2,026	1,644	23	Exploration & Production	5,514	8,122	47
(195)	(604)	(89)	579	Refining & Marketing	(329)	(1,020)	210
86	8	(11)	n.a.	Retail	35	140	300
(112)	(102)	(190)	(46)	Corporate and Other	(637)	(466)	(27)
0	0	0	n.a.	Inter-segment eliminations	0	0	n.a.
1,712	**1,328**	**1,354**	**(2)**	**Total**	**4,583**	**6,776**	**48**

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

INA
INDUSTRIJA NAFTE, d.d.

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Income Statement – INA-GROUP
For the period ended 31 December 2010 and 2011
(in HRK millions)

Q3 2011	Q4 2011	Q4 2010	%		2010	2011	%
				Sales revenue			
4,508	5,343	4,394	22	a) domestic	15,712	18,142	15
3,459	1,958	2,966	(34)	b) exports	10,154	11,886	17
7,967	**7,301**	**7,360**	**(1)**	**Total sales revenue**	**25,866**	**30,028**	**16**
89	131	91	44	Income from own consumption of products and services	366	309	(16)
3	120	48	150	Other operating income	553	485	(12)
8,059	**7,552**	**7,499**	**1**	**Total operating income**	**26,785**	**30,822**	**15**
76	(510)	(395)	29	Changes in inventories of finished products and work in progress	260	394	52
(3,717)	(2,073)	(2,752)	(25)	Cost of raw materials and consumables	(12,249)	(13,657)	11
(773)	(684)	(414)	65	Depreciation and amortization	(1,789)	(2,640)	48
(461)	(511)	(591)	(14)	Other material costs	(2,087)	(1,801)	(14)
(280)	(351)	(416)	(16)	Service costs	(1,484)	(1,217)	(18)
(664)	(722)	(1,063)	(32)	Staff costs	(3,154)	(2,752)	(13)
(1,353)	(2,152)	(1,316)	64	Cost of other goods sold	(3,991)	(5,267)	32
(235)	(599)	(52)	1,052	Impairment and charges (net)	248	(1,256)	n.a.
33	195	278	(30)	Provisions for charges and risks (net)	(381)	413	n.a.
(7,374)	**(7,407)**	**(6,721)**	**10**	**Operating expenses**	**(24,627)**	**(27,783)**	**13**
685	**145**	**778**	**(81)**	**Profit from operations**	**2,158**	**3,039**	**41**
				Share in the profit of associated companies			
(333)	(62)	(4)	1,450	Finance income	68	145	113
(127)	(460)	(265)	74	Finance costs	(908)	(808)	(11)
(460)	**(522)**	**(269)**	**94**	**Net loss from financial activities**	**(840)**	**(663)**	**(21)**
225	**(377)**	**509**	**n.a.**	**Profit before tax**	**1,318**	**2,376**	**80**
(99)	109	(113)	n.a.	Income tax expense	(363)	(573)	58
126	**(268)**	**396**	**n.a.**	**Profit for the year**	**955**	**1,803**	**89**
				Attributable to			n.a.
126	(257)	401	n.a.	Owners of the Company	961	1,815	89
0	(11)	(5)	134	Non-controlling interests	(6)	(12)	111
126	**(268)**	**396**	**n.a.**		**955**	**1,803**	**89**
				Earnings per share			
12.6	(25.7)	40.1	n.a.	Basic and diluted earnings per share (kunas per share)	96.1	181.5	89

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Statement of Comprehensive Income – INA-GROUP
For the period ended 31 December 2010 and 2011
(in HRK million)

Q3 2011	Q4 2011	Q4 2010	%		2010	2011	%
126	**(268)**	**396**	**n.a.**	**Profit for the year**	**955**	**1,803**	**89**
				Other comprehensive income:			
564	401	8	4,913	Exchange differences arising from foreign operations	29	276	852
(62)	30	29	3	Gains on available-for-sale investments, net	17	(27)	n.a.
502	**431**	**37**	**1,065**	**Other comprehensive income, net**	**46**	**249**	**441**
628	**163**	**433**	**(62)**	**Total comprehensive income, net**	**1,001**	**2,052**	**105**
				Attributable to:			
628	174	438	(60)	Owners of the Company	1,007	2,064	105
0	(11)	(5)	134	Non- controlling interests	(6)	(12)	111

INDUSTRIJA NAFTE, d.d.

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Statement of Financial Position – INA-GROUP
At 31 December 2010 and 2011
(in HRK millions)

	31 Dec 2010	31 Dec 2011	%
Assets			
Non-current assets			
Intangible assets	840	881	5
Property, plant and equipment	21,807	20,293	(7)
Goodwill	232	183	(21)
Investments in associates and joint ventures	22	34	55
Other investments	334	349	4
Long-term receivables	240	168	(30)
Derivative financial instruments	4	5	25
Deferred tax	280	662	136
Available for sale assets	417	325	(22)
Total non-current assets	**24,176**	**22,900**	**(5)**
Current assets			
Inventories	2,905	3,693	27
Trade receivables net	3,052	3,282	8
Other receivables	586	456	(22)
Derivative financial instruments	1	2	100
Other current assets	40	76	90
Prepaid expenses and accrued income	142	79	(44)
Cash and cash equivalents	317	337	6
Current assets	**7,043**	**7,925**	**13**
Assets classified as held for sale	12	0	n.a.
Total current assets	**7,055**	**7,925**	**12**
Total assets	**31,231**	**30,825**	**(1)**
Equity and liabilities			
Capital and reserves			
Share capital	9,000	9,000	0
Revaluation reserve	27	0	n.a.
Other reserves	2,340	2,616	12
Retained earnings / (Deficit)	1,424	2,759	94
Equity attributable to equity holder of the parent	**12,791**	**14,375**	**12**
Non-controlling interests	2	(10)	n.a.
Total equity	**12,793**	**14,365**	**12**
Non-current liabilities			
Long-term loans	7,301	5,630	(23)
Other non-current liabilities	125	126	1
Employee benefits obligation	129	104	(19)
Provisions	2,620	2,715	4
Total non-current liabilities	**10,175**	**8,575**	**(16)**
Current liabilities			n.a.
Bank loans and overdrafts	1,659	1,918	16
Current portion of long-term debt	1,295	1,904	47
Trade payables	3,786	2,032	(46)
Taxes and contributions	789	1,524	93
Other current liabilities	200	246	23
Accruals and deferred income	124	48	(61)
Employee benefits obligation	16	13	(19)
Provisions	394	200	(49)
Current liabilities	**8,263**	**7,885**	**(5)**
Liabilities directly associated with assets classified held for sale	0	0	n.a.
Total current liabilities	**8,263**	**7,885**	**(5)**
Total liabilities	**18,438**	**16,460**	**(11)**
Total equity and liabilities	**31,231**	**30,825**	**(1)**

INDUSTRIJA NAFTE, d.d.

INA-INDUSTRIJA NAFTE d.d.
Condensed Consolidated Cash Flow Statement - INA GROUP
For the period ended 31 December 2010 and 2011
(in HRK millions)

Q3 2011	Q4 2011	Q4 2010	%		2010	2011	%
126	**(268)**	**396**	**n.a.**	**Profit/(loss) for the year**	**955**	**1,803**	**89**
				Adjustments for:			
765	711	443	60	Depreciation and amortisation	1,789	2,640	48
99	(109)	113	n.a.	Income tax (benefit)/expenses recognized in (loss)/profit	363	573	58
0	0	0	n.a.	(Gain) / loss over / under lifting receivable	0	0	n.a.
204	758	58	1,207	Impairment charges (net)	570	1,489	161
6	(219)	(80)	174	Reversal of impairment	(810)	(305)	(62)
1	(5)	(2)	150	Gain on sale of property, plant and equipment	(8)	(14)	75
17	20	(2)	n.a.	Gain on sale investments and shares	(11)	48	n.a.
387	257	327	(21)	Foreign exchange loss/(gain)	531	201	(62)
42	46	40	15	Interest expense (net)	156	140	(10)
(35)	185	33	461	Other financial expense recognised in profit	87	162	86
(32)	(171)	(277)	(38)	Increase in provisions	383	(389)	n.a.
0	0	0	n.a.	Net book value of sold assets classified as held for sale	0	0	n.a.
32	32	36	(11)	Decommissioning interests	144	118	(18)
0	(1)	(5)	(80)	Other non-cash items	(8)	(10)	25
1,612	**1,236**	**1,080**	**14**	**Operating cash flow before working capital changes**	**4,141**	**6,456**	**56**
				Movements in working capital			
(407)	1,281	1,006	27	(Increase)/decrease in inventories	(373)	(641)	72
240	(499)	243	n.a.	(Increase)/decrease in receivables and prepayments	(57)	(113)	98
236	(688)	(57)	1,107	(Decrease)/increase in trade and other payables	(2,122)	(1,706)	(20)
0	0	0	n.a.	(Decrease)/increase in provisions	0	0	n.a.
1,681	**1,330**	**2,272**	**(41)**	**Cash generated from operations**	**1,589**	**3,996**	**151**
(68)	(66)	(2)	3,200	Taxes paid	(26)	(462)	1,677
1,613	**1,264**	**2,270**	**(44)**	**Net cash inflow from operating activities**	**1,563**	**3,534**	**126**
				Cash flows used in investing activities			
(292)	(752)	(602)	25	Payments for property, plant and equipment	(2,384)	(1,533)	(36)
(7)	(66)	(96)	(31)	Payment for intangible assets	(205)	(121)	(41)
1	2	3	(33)	Proceeds from sale of non-current assets	10	14	40
0	0	0	n.a.	Investments of subsidiaries	0	0	n.a.
0	0	0	n.a.	Proceeds from sale of subsidiaries	(39)	22	n.a.
0	0	0	n.a.	Acquisition of investments in associates and joint ventures and other companies	0	0	n.a.
0	0	0	n.a.	Proceeds from sale of investments	0	0	n.a.
7	0	0	n.a.	Dividends received from companies classified as available for sale and from other companies	3	8	167
7	8	0	n.a.	Interest received and other financial income	21	28	33
(8)	0	(42)	n.a.	Investments and loans to third parties, net	(215)	(9)	(96)
(292)	**(808)**	**(737)**	**10**	**Net cash used for investing activities**	**(2,809)**	**(1,591)**	**(43)**
				Cash flows from financing activities			
1	53	1,049	(95)	Additional long-term borrowings	2,803	80	(97)
(285)	39	(786)	n.a.	Repayment of long-term borrowings	(1,098)	(1,313)	20
5,034	3,245	1,693	92	Additional short-term borrowings	10,466	19,267	84
(5,745)	(3,920)	(4,837)	(19)	Repayment of short term borrowings	(10,921)	(19,081)	75
0	0	0	n.a.	Dividends paid	0	(480)	n.a.
0	(66)	(1)	6,500	Interest paid on long-term loans	(32)	(66)	106
(3)	(1)	(2)	(50)	Other long-term liabilities, net	(8)	(8)	0
(108)	(5)	(25)	(80)	Interest paid on short term loans and other financing charges	(239)	(251)	5
(1,106)	**(655)**	**(2,909)**	**(77)**	**Net cash from financing activities**	**971**	**(1,852)**	**n.a.**
215	(199)	(1,376)	(86)	Net (decrease)/increase in cash and cash equivalents	(275)	91	n.a.
304	558	1,580	(65)	At 1 January	367	317	(14)
39	(22)	113	n.a.	Effect of foreign exchange rate changes	225	(71)	n.a.
558	337	317	6	At the end of period	317	337	6

INA – INDUSTRIJA NAFTE d.d.
Condensed Consolidated Statement of Changes in Equity – INA-GROUP
For the period ended 31 December 2010 and 2011
(in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Non controlling interest	Total equity
Balance as at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit for the year	0	0	0	961	961	(6)	955
Other comprehensive income, net	0	29	17	0	46	0	46
Other comprehensive income, net	0	29	17	961	1,007	(6)	1,001
Dividends payable	0	0	0	0	0	0	0
Balance as at 31 December 2010	**9,000**	**2,340**	**27**	**1,424**	**12,791**	**2**	**12,793**

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Non controlling interest	Total equity
Balance as at 1 January 2011	**9,000**	**2,340**	**27**	**1,424**	**12,791**	**2**	**12,793**
Profit for the year	0	0	0	1,815	1,815	(12)	1,803
Other comprehensive income, net	0	276	(27)	0	249	0	249
Total comprehensive income for the year	0	276	(27)	1,815	2,064	(12)	2,052
Dividends paid	0	0	0	(480)	(480)	0	(480)
Balance as at 31 December 2011	**9,000**	**2,616**	**0**	**2,759**	**14,375**	**(10)**	**14,365**

INDUSTRIJA NAFTE, d.d.

Capital Expenditures

Q3 2011	Q4 2011	Q4 2010	%	Capital Expenditures (HRK mln)	2010	2011	%
136	332	383	(13)	Exploration & Production	1,473	799	(46)
126	247	382	(35)	Refining & Marketing	1,328	575	(57)
16	49	28	75	Retail	52	106	104
12	27	31	(13)	Corporate & other	38	50	32
290	**655**	**824**	**(21)**	**Total**	**2,891**	**1,530**	**(47)**

Q3 2011	Q4 2011	Q4 2010	%	Capital Expenditures - Tangible Assets (HRK mln)	31 Dec 2010	31 Dec 2011	%
137	294	309	(5)	Exploration & Production	1,293	726	(44)
125	240	382	(37)	Refining & Marketing	1,328	567	(57)
16	48	27	78	Retail	51	105	106
5	7	10	(30)	Corporate & other	14	11	(21)
283	**589**	**728**	**(19)**	**Total**	**2,686**	**1,409**	**(48)**

Main external parameters

Q3 2011	Q4 2011	Q4 2010	%		2010	2011	%
113.5	109.3	86.5	26.4	Brent dtd (USD/bbl)	79.5	111.3	40.0
1,023.3	927.2	787.4	17.8	Premium unleaded gasoline 10 ppm (USD/t)*	728.9	978.1	34.2
969.3	963.4	751.2	28.2	Gas oil – ULSD 10 ppm (USD/t)*	681.8	957.0	40.3
625.9	617.8	457.6	35.0	Fuel oil 3,5% (USD/t)*	436.7	603.0	38.1
909.7	871.9	894.9	(2.6)	LPG (USD/t)*	731.1	903.3	23.6
51.5	43.3	32.5	33.2	Average crack spread	27.1	30.9	14.0
165.0	100.3	133.2	(24.7)	Crack spread – premium unleaded (USD/t)*	127.7	136.2	6.7
111.0	136.5	97.0	40.7	Crack spread – gas oil (USD/t)*	80.6	115.1	42.7
(232.4)	(209.2)	(196.6)	6.4	Crack spread - fuel oil 3,5% (USD/t)*	(164.5)	(238.8)	45.2
51.4	45.0	240.7	(81.3)	Crack spread - LPG (USD/t)*	129.9	61.4	(52.7)
5.27	5.56	5.42	2.4	HRK/USD average	5.50	5.34	(2.8)
5.49	5.82	5.57	4.5	HRK/USD closing	5.57	5.82	4.5
7.45	7.49	7.36	1.8	HRK/EUR average	7.29	7.43	2.0
7.49	7.53	7.39	2.0	HRK/EUR closing	7.39	7.53	2.0
0.30	0.48	0.29	63.2	3m USD LIBOR (%)	0.34	0.34	(1.9)
1.56	1.50	1.02	46.5	3m EURIBOR (%)	0.81	1.39	71.1

** FOB Mediterranean*

INDUSTRIJA NAFTE, d.d.

Announcements in 2011

January 19, 2012	Response to query
December 29, 2011	Annex to Long-term natural Gas supply contract
December 23, 2011	Management Board Decision
December 21, 2011	Syria update
December 19, 2011	CFSSA Resolution
December 7, 2011	Contract signed
December 02, 2011	Strategy approval
November 14, .2011	Syria announcement
November 09, 2011	Management Board decision
November 08, 2011	Announcement
November 08, 2011	Management Board meeting held
October 31, 2011	Third quarter 3q., unaudited, consolidated, 2011
October 31, 2011	Third quarter 3q., unaudited, non consolidated, 2011
October 25, 2011	Announcement
October 24,2011	Response
September 28, 2011	Hydrocarbon production change in Syria
September 27, 2011	Arbitration panel
September 15, 2011	Management Board meeting held
September 13, 2011	Supervisory Board meeting held
September 06, 2011	The EU Council decision concerning restrictive measures against Syria
August 31, 2011	Administrative court lawsuit
August 10, 2011	Establishing a company
August 04, 2011	Government Resolution on the maximum gas price level for eligible customers
August 04, 2011	Resolutions of the Ministry of Economy, Labour and Entrepreneurship
July 30, 2011	Semiannual report 1h., unaudited, consolidated, 2011
July 30, 2011	Semiannual report 1h., unaudited, non consolidated, 2011
July 26, 2011	INA presented Optina 2 project
July 13, 2011	Proplin
July 12, 2011	Receivables collection procedure
June 21, 2011	Merger agreement
June 15, 2011	Management Board Meeting held
June 10, 2011	Reaction to the article
June 10, 2011	Retail network modernization
June 08, 2011	Management Board appointment
May 30, 2011	Supervisory Board Employee representative
May 27, 2011	Announcement
May 27, 2011	Crude oil transportation contract
May 23, 2011	Legal opinion
May 23, 2011	General Meeting decisions
May 23, 2011	Counterproposal to the Annual General Meeting
May 13, 2011	Shareholders notification
May 06, 2011	Annual report 1Y, audited, non consolidated, 2010
May 06, 2011	Annual report 1Y, audited, consolidated, 2010
May 04, 2011	Management Board Meeting
May 02, 2011	First quarter Q1, unaudited, non consolidated, 2011
April 29, 2011	First quarter Q1, unaudited, consolidated, 2011
April 15, 2011	General Meeting notice
March 30, 2011	Audited report
March 30, 2011	Supervisory board meeting
March 29, 2011	Appointment announcement
March 01, 2011	Announcement
February 16, 2011	Fourth quarter Q4., unaudited, non consolidated, 2010
February 15. 2011	Fourth quarter Q4., unaudited, consolidated, 2010
February 14, 2011	Rijeka refinery modernisation first phase completed
February 10, 2011	Management Board members appointed
January 17, 2011	Supervisory Board meeting held
January 17, 2011	Extraordinary general assembly held
January 07, 2011	Selec – 1 satellite oil field discovery
January 04, 2011	Shares disposal

INDUSTRIJA NAFTE, d.d.

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

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

Source: Central Clearing Depositary Company

Changes in organisation, Management Board or Supervisory Board

Supervisory Board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on January 17, 2011 Ivan Šuker, Tomislav Ivić and Božidar Pankretić were recalled and Davor Štern, Gordana Sekulić and Damir Vanđelić were appointed supervisory board members with the term of office until June 13, 2013. At the meeting held on January 17, 2011 the Supervisory Board of INA-Industrija nafte d.d. Zagreb appointed Mr Davor Štern a new Chairman of the Supervisory Board.
In accordance with the article 163, paragraph 3. of the Labour Act (official Gazette 149/09), in connection with the article 256, paragraph 2 of the Companies Act (official Gazette 118/03) elections for the INA, d.d. Supervisory Board Employee representative were held on May 12, 2011. Mrs Maja Rilović was elected as the Employee representative in the Supervisory Board of INA, d.d. with the term of office starting from May 24, 2011.

Management Board

During the circular voting procedure on February 10, 2011 INA Supervisory Board appointed three new members of INA Management Board. The new members of INA Management Board are Niko Dalić, Ivan Krešić and Davor Mayer, all three appointed with the mandate starting from February 11, 2011 until April 1, 2015. At the same session Tomislav Dragičević, Josip Petrović and Dubravko Tkalčić were recalled from the duty of the members of INA Management Board as of February 10, 2011. Besides, the term of office of Mr. Attila Holoda and Mr. Lajos Alacs as members of INA Management Board is extended for the period until April 1, 2015.
On the session of the Supervisory Board of INA-INDUSTRIJA NAFTE d.d. held on June 7, 2011, two new members of the Management Board were appointed. New Management Board members are dr. Pál Kara and Péter Ratatics, both appointed with the mandate starting as of June 9, 2011 until April 1, 2015. At the same session, Supervisory Board accepted the resignation of Attila Holoda and Lajos Alács from the position of the members of the Management Board as of June 8, 2011.
The Management Board of INA – Industrija nafte, d.d. at its session held on June 14, 2011 recalled Mr. Bojan Milković from the duties of CEO and Executive director for exploration and production as of June 14, 2011 at his own request.
At the same session the Management Board appointed Mr. Želimir Šikonja to the position of Executive director for exploration and production of oil and gas for indefinite period of time.
The Management Board unanimously prolonged authorization of its President, Mr. Zoltán Áldott, for the supervision of functions directly subordinated to Chief Executive Officer for the period of 90 days or until further decision.
The Management Board of INA – Industrija nafte, d.d. at its session held on September 14, 2011 unanimously prolonged authorization of its President, Mr. Zoltán Áldott, for the supervision of functions directly subordinated to Chief Executive Officer until December 31, 2011.
At the Management Board meeting held on December 21, 2011, the Management Board of INA unanimously prolonged the authorization of its President, Mr. Zoltán Áldott, to perform the duties from the responsibilities of the Chief Executive Officer until March 31, 2012.
It was also decided that BF Corporate Processes changes the name to BF Corporate Affairs and sectors previously directly subordinated to the Chief Executive Officer have been placed under the competence of the Management Board and Corporate Affairs and Corporate Services business functions. Mr. Tomislav Thür and Mr. Berislav Gašo remain their positions as Executive directors of BF Corporate Affairs and Corporate services respectively. The above mentioned organizational changes have become effective as of January 1, 2012.
Following the decision of INA's Management Board from November, Mr. Artur Thernesz has taken over the position of INA's Executive Director for Refining and Marketing BD from January 1, 2012. Mr. Thernesz has taken over the position from Mr. Peter Chmurčiak.

Management representation

INA Group's consolidated financial statements for Q4, 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS). i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows of INA Group.

Management Board:

Zoltán Áldott	President of INA, d.d. Board
Niko Dalić	Member
Pal Zoltan Kara	Member
Ivan Krešić	Member
Davor Mayer	Member
Peter Ratatics	Member

INDUSTRIJA NAFTE, d.d.

APPENDIX
SPECIAL ITEMS IN OPERATING PROFIT AND EBITDA
(in HRK mln)

Q3 2011	Q4 2011	Q4 2010		2010	2011
			INA GROUP		
(83)	**(645)**	**(207)**	**Total impact of special items on operating profit**	**(797)**	**(1,039)**
(52)	**(95)**	**(388)**	**Total impact of special items on EBITDA**	**(503)**	**(254)**
(14)	**32**	**(158)**	**Exploration & Production**	**(5)**	**12**
(13)	(29)	(101)	Incentive measures	(101)	(69)
0	65	0	Impairment of assets in Libya (Crosco)	0	0
0	0	(40)	Impairment - Redefinition of cash generation units	294	0
(1)	(2)	96	Provisions for incentives	0	(9)
0	(2)	0	Provisions for litigations	0	(22)
0	0	(112)	Provisions (Prirodni plin tax case)	(112)	112
0	0	(1)	Environmental provisions	(86)	0
(38)	**(611)**	**(79)**	**Refining & Marketing**	**(414)**	**(891)**
(20)	(15)	(93)	Incentive measures	(93)	(58)
(13)	0	0	Impairment of gas bottles - Proplin	0	(165)
0	(655)	0	Impairment of assets - Refinery	0	(655)
(5)	0	79	Provisions for incentives	0	(11)
0	59	0	Provisions for litigations	0	(2)
0	0	(1)	Environmental provisions	(142)	0
0	0	0	Inventory revaluation	(115)	0
0	0	(64)	Impairment (Goodwill) - Energopetrol	(64)	0
(19)	**(25)**	**(4)**	**Retail**	**(224)**	**(62)**
(11)	(19)	(44)	Incentive measures	(44)	(45)
(8)	0	41	Provisions for incentives	0	(11)
0	(6)	0	Provisions for litigations	0	(6)
0	0	0	Impairment - Crobenz	(90)	0
0	0	(1)	Environmental provisions	(90)	0
(12)	**(41)**	**34**	**Corporate functions**	**(154)**	**(98)**
(8)	(32)	(150)	Incentive measures	(150)	(82)
(4)	(6)	184	Provisions for incentives	0	(13)
0	(3)	0	Provisions for litigations	0	(3)
0	0	0	Environmental provisions	(4)	0

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

Finance Function
Accounting and Tax Sector

Contents

Condensed Consolidated Income Statement

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Twelve months ended: 31 December 2011	Twelve months ended: 31 December 2010	Three months ended: 31 December 2011	Three months ended: 31 December 2010
Sales revenue					
a) domestic		18,142	15,712	5,343	4,394
b) exports		11,886	10,154	1,958	2,966
Total sales revenue	4	**30,028**	**25,866**	**7,301**	**7,360**
Income from own consumption of products and services		309	366	131	91
Other operating income		485	553	120	48
Total operating income		**30,822**	**26,785**	**7,552**	**7,499**
Changes in inventories of finished products and work in progress		394	260	(510)	(395)
Cost of raw materials and consumables		(13,657)	(12,249)	(2,073)	(2,752)
Depreciation and amortisation		(2,640)	(1,789)	(684)	(414)
Other material costs		(1,801)	(2,087)	(511)	(591)
Service costs		(1,217)	(1,484)	(351)	(416)
Staff costs	6	(2,752)	(3,154)	(722)	(1,063)
Cost of other goods sold		(5,267)	(3,991)	(2,152)	(1,316)
Impairment charges (net)		(1,256)	248	(599)	(52)
Provision for charges and risks (net)		413	(381)	195	278
Operating expenses		**(27,783)**	**(24,627)**	**(7,407)**	**(6,721)**
Profit from operations		**3,039**	**2,158**	**145**	**778**
Finance income		145	68	(62)	(4)
Finance costs		(808)	(908)	(460)	(265)
Net loss from financial activities		**(663)**	**(840)**	**(522)**	**(269)**
Profit before tax		**2,376**	**1,318**	**(377)**	**509**
Income tax expense	7	(573)	(363)	109	(113)
Profit for the year		**1,803**	**955**	**(268)**	**396**
Attributable to:					
Owners of the Company		**1,815**	**961**	**(257)**	**401**
Non-controling interests		(12)	(6)	(11)	(5)
		1,803	**955**	**(268)**	**396**
Earnings per share					
Basic and diluted earnings per share (kunas per share)	8	181.5	96.1	(25.7)	40.1

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

Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

		Twelve months ended:		Three months ended:	
	Notes	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
Profit for the year		**1,803**	**955**	**(268)**	**396**
Other comprehensive income:					
Exchange differences arising from foreign operations		276	29	401	8
Gains on available-for-sale investments,net		(27)	17	30	29
Other comprehensive income, net		**249**	**46**	**431**	**37**
Total comprehensive income for the year		**2,052**	**1,001**	**163**	**433**
Attributable to:					
Owners of the Company		2,064	1,007	174	438
Non-controling interests		(12)	(6)	(11)	(5)

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

Condensed Consolidated Statement of Financial Position

At 31 December 2011

(all amounts in HRK millions)

(unaudited)

ASSETS	**Notes**	**31 December 2011**	**31 December 2010**
Non-current assets			
Intangible assets	9	881	840
Property, plant and equipment	10	20,293	21,807
Goodwill		183	232
Investments in associates and joint ventures		34	22
Other investments		349	334
Long-term receivables		168	240
Derivative financial instruments		5	4
Deferred tax		662	280
Available for sale assets		325	417
Total non – current assets		**22,900**	**24,176**
Current assets			
Inventories		3,693	2,905
Trade receivables, net		3,282	3,052
Other receivables		456	586
Derivative financial instruments		2	1
Other current assets		76	40
Prepaid expenses and accrued income		79	142
Cash and cash equivalents		337	317
		7,925	**7,043**
Assets classified as held for sale		-	12
Total current assets		**7,925**	**7,055**
TOTAL ASSETS		**30,825**	**31,231**

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

(all amounts in HRK millions)

EQUITY AND LIABILITIES	Notes	31 December 2011	31 December 2010
Capital and reserves			
Share capital	11	9,000	9,000
Revaluation reserve		-	27
Other reserves		2,616	2,340
Retained earnings	12	2,759	1,424
Equity attributable to equity holders of the parent		**14,375**	**12,791**
Non - controlling interests		(10)	2
TOTAL EQUITY		**14,365**	**12,793**
Non – current liabilities			
Long-term loans		5,630	7,301
Other non-current liabilities		126	125
Employee benefit obligation		104	129
Provisions		2,715	2,620
Total non–current liabilities		**8,575**	**10,175**
Current liabilities			
Bank loans and overdrafts		1,918	1,659
Current portion of long-term loans		1,904	1,295
Trade payables		2,032	3,786
Taxes and contributions		1,524	789
Other current liabilities		246	200
Accruals and deferred income		48	124
Employee benefit obligation		13	16
Provisions		200	394
		7,885	8,263
Liabilities directly associated with assets classified held for sale		-	-
Total current liabilities		**7,885**	**8,263**
TOTAL LIABILITIES		**16,460**	**18,438**
TOTAL EQUITY AND LIABILITIES		**30,825**	**31,231**

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

Condensed Consolidated Statement of Changes in Equity

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings or accumulated deficit	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit for the year	-	-	-	961	961	(6)	955
Other comprehensive income, net	-	29	17	-	46	-	46
Total comprehensive income for the year	**-**	**29**	**17**	**961**	**1,007**	**(6)**	**1,001**
Balance at 31 December 2010	**9,000**	**2,340**	**27**	**1,424**	**12,791**	**2**	**12,793**
Balance at 1 January 2011	**9,000**	**2,340**	**27**	**1,424**	**12,791**	**2**	**12,793**
Profit for the year	-	-	-	1,815	1,815	(12)	1,803
Other comprehensive income, net	-	276	(27)	-	249	-	249
Total comprehensive income for the year	**-**	**276**	**(27)**	**1,815**	**2,064**	**(12)**	**2,052**
Dividents paid	-	-	-	(480)	(480)	-	(480)
Balance at 31 December 2011	**9,000**	**2,616**	**-**	**2,759**	**14,375**	**(10)**	**14,365**

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

Condensed Consolidated Cash Flow Statement

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

		Twelve months ended:	
	Notes	**31 December 2011**	**31 December 2010**
Profit for the year		**1,803**	**955**
Adjustments for:			
Depreciation and amortisation		2,640	1,789
Income tax (benefit)/expense recognized in (loss)/profit		573	363
Impairment charges (net)		1,489	570
Reversal of impairment		(305)	(810)
Gain on sale of property, plant and equipment		(14)	(8)
Gain/(loss) on sale investments and shares		48	(11)
Foreign exchange loss		201	531
Interest expense (net)		140	156
Other finance expense recognised in profit		162	87
(Decrease)/increase in provisions		(389)	383
Decommisioning interests		118	144
Change in provision for charges and risks and other non-cash items		(10)	(8)
		6,456	**4,141**
Movements in working capital			
Increase in inventories		(641)	(373)
Increase in receivables and prepayments		(113)	(57)
Decrease in trade and other payables		(1,706)	(2,122)
Cash generated from operations		**3,996**	**1,589**
Taxes paid		(462)	(26)
Net cash inflow from operating activities		**3,534**	**1,563**
Cash flows used in investing activities			
Payments for property, plant and equipment		(1,533)	(2,384)
Payments for intangible assets		(121)	(205)
Proceeds from sale of non-current assets		14	10
Proceeds from sale of subsidiaries		22	(39)
Dividends received from companies classified as available for sale and from other companies		8	3
Interest received and other financial income		28	21
Investments and loans to third parties, net		(9)	(215)
Net cash used for investing activities		**(1,591)**	**(2,809)**

Condensed Consolidated Cash Flow Statement

For the period ended 31 December 2011

(all amounts in HRK millions)

(unaudited)

	Notes	Twelve months ended: 31 December 2011	31 December 2010
Cash flows from financing activities			
Additional long-term borrowings		80	2,803
Repayment of long-term borrowings		(1,313)	(1,098)
Additional short-term borrowings		19,267	10,466
Repayment of short-term borrowings		(19,081)	(10,921)
Dividend paid		(480)	-
Interest paid on long-term loans		(66)	(32)
Other long-term liabilities, net		(8)	(8)
Interest paid on short-term loans and other financing charges		(251)	(239)
Net cash from financing activities		**(1,852)**	**971**
Net increase/(decrease) in cash and cash equivalents		**91**	**(275)**
At 1 January		317	367
Effect of foreign exchange rate changes		(71)	225
At 31 December		**337**	**317**

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

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Adoption of new and revised standards

Standards and Interpretations effective in the current period

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

- **Amendments to IFRS 1 "First - time adoption to IFRS"** – limited exemption from Comparative IFRS 7 Financial instruments – Disclosure for first time adopters (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to IAS 24 "Related Party Disclosures"** - simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),
- **Amendments to IAS 32 "Financial instruments – Presentations"** - accounting for rights issues (effective for annual periods beginning on or after 1 February 2010),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations effective in the current period (continued)

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

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

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

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the INA Group accounting policies.

Standards and Interpretations in issue not yet adopted

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

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

- **IFRS 10 "Consolidated Financial Statements"**, published on May 2011, supersedes the previous version of IAS 27 (2008) "Consolidated and Separate Financial Statements", (effective for annual periods beginning on or after 1 January 2013),

- **IFRS 11 "Joint Arrangements"**, published on May 2011, superseded IAS 31 "Interests in Joint Ventures" (effective for annual periods beginning on or after 1 January 2013),

- **IFRS 12 "Disclosure of Interests in Other Entities"**, published on May 2011 (effective for annual periods beginning on or after 1 January 2013),

- **IFRS 13 "Fair Value Measurement"**, published on May 2011 (effective for annual periods beginning on or after 1 January 2013),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations in issue not yet adopted (continued)

- **IAS 27 "Separate Financial Statements" (as amended in 2011),** consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 "Consolidated Financial Statements", (effective date of IAS 27 (as amended in 2011) for annual periods beginning on or after 1 January 2013),

- **IAS 28 (as amended in 2011) "Investments in Associates and Joint Ventures**" issued. This version supersedes IAS 28 (2003) "Investments in Associates" (effective date of IAS 28 (as amended in 2011) for annual periods beginning on or after 1 January 2013).

- **Amendments to IFRS 1 " First –time Adoption of IFRS"** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),

- **Amendments to IFRS 7 "Financial Instruments - Disclosures**" –Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Revising the way of other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012).

- **Amendments to IAS 12 "Income tax"**, - Deferred tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),

- **Amendments to IAS 19 "Employee Benefits"** - Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after 1 January 2013),

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"** (effective for annual periods beginning on or after 1 January 2013).

INA Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity in the period of initial application except for IFRS 9 "Financial instruments" which will have a significant impact on measurement and disclosure of financial instruments.

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNINT JUDGEMENTS AND ESTIMATES

Reclasiffication of part of gas cylinder from inventories to assets

In 2011 Ina Group reclassified gas cylinders from inventories to property, plant and equipment. The effects of reclassification are as follows:

	INA Group	
	31 December 2011	31 December 2010
Inventories	-	(252)
Property, plant and equipment	-	252
Amortisation and depreciation	27	39
Cost of raw materials and consumables	(27)	(39)
Total	**-**	**-**

Reclassification income of reversal from impairment charges and provisions

In 2011 INA Group reclassified income from reversal o f impairment and reversal of provisions from other operating income to impairment charges and provision from charges and risks. The effect of such reclassification is as follows:

	INA Grupa	
	31 December 2011	31 December 2010
Reclassification on impairment and charges	233	818
Reclasification on other operating income	(233)	(818)
Reclassification on provision for charges and risks	570	219
Reclasification on other operating income	(570)	(219)
Total	**-**	**-**

3. SIGNIFICANT ACCOUNINT JUDGEMENTS AND ESTIMATES (continued)

Effects and reclassification fees arising from bank loans

In 2011 INA Group reclassified fees arising from bank loans from other material costs to finance costs. The effect of such reclassification is as follows:

	INA Grupa	
	31 December 2011	**31 December 2010**
Service costs	(17)	(30)
Finance costs	17	30
Total	**-**	**-**

4. SEGMENT INFORMATION

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

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

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

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

INA Group

31 December 2011	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total
Sales to external customers	10,684	11,609	7,649	86	-	30,028
Inter-segment sales	2,645	6,317	27	588	(9,577)	-
Total revenue	**13,329**	**17,926**	**7,676**	**674**	**(9,577)**	**30,028**
Operating expenses, net of other operating income	(7,188)	(20,454)	(7,629)	(1,295)	9,577	(26,989)
Profit from operations net of other income	**6,141**	**(2,528)**	**47**	**(621)**	**-**	**3,039**
Net finance cost						(663)
Profit before tax						2,376
Income tax expense						(573)
Profit for the year						**1,803**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2010	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total
Sales to external customers	8,688	10,671	6,419	88	-	25,866
Inter-segment sales	2,194	5,106	34	634	(7,968)	-
Total revenue	**10,882**	**15,777**	**6,453**	**722**	**(7,968)**	**25,866**
Operating expenses, net of other operating income	(6,310)	(17,014)	(6,639)	(1,713)	7,968	(23,708)
Profit from operations net of other income	**4,572**	**(1,237)**	**(186)**	**(991)**	**-**	**2,158**
Net finance cost						(840)
Profit before tax						1,318
Income tax expense						(363)
Profit for the year						**955**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2011 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	12,375	6,416	990	524	(12)	20,293
Intangible assets	782	14	4	81	-	881
Investments in associates and joint ventures	34	-	-	-	-	34
Inventories	1,270	2,598	61	150	(386)	3,693
Trade receivables, net	1,977	985	388	318	(386)	3,282
Not allocated assets						2,642
Total assets						**30,825**
Trade payables	2,504	909	176	386	(1,943)	2,032
Not allocated liabilities						14,428
Total liabilities						**16,460**
Other segment information						
Capital expenditure:	**799**	**575**	**106**	**50**	-	**1,530**
Property, plant and equipment	726	567	105	11	-	1,409
Intangible assets	73	8	1	39	-	121
Depreciation and amortisation	**1,894**	**502**	**92**	**152**	**-**	**2,640**
Impairment losses recognized in profit and loss	(33)	655	(62)	-	-	560

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2010 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	13,119	7,136	950	602	-	21,807
Intangible assets	715	7	4	114	-	840
Investments in associates and joint ventures	22	-	-	-	-	22
Inventories	783	2,022	70	30	-	2,905
Trade receivables, net	1,696	1,071	357	302	(374)	3,052
Not allocated assets						2,605
Total assets						**31,231**
Trade payables	771	2,727	204	462	(378)	3,786
Not allocated liabilities						14,652
Total liabilities						**18,438**
Other segment information						
Capital expenditure:	**1,473**	**1,328**	**52**	**38**	**-**	**2,891**
Property, plant and equipment	1,293	1,328	51	14	-	2,686
Intangible assets	180	-	1	24	-	205
Depreciation and amortisation	**1,160**	**369**	**94**	**166**	**-**	**1,789**
Impairment losses recognized in profit and loss	(443)	-	(60)	-	-	(503)

5. SEASONALITY OF OPERATIONS

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

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

Natural gas sales are higher in the winter heating season.

6. STAFF COSTS

Staff cost is presenting cost of net salaries in the amount of HRK 1,367 million, cost of employee income tax in the amount HRK 565 million, tax on payroll in the amount HRK 399 million and other payroll related costs in the amount 421 million HRK for the period ending 31 December 2011. For the period ending 31 December 2010 in staff cost is presented cost of net salaries in the amount in the amount HRK 1,488 million, cost of employee income tax in the amount HRK 629 million, tax on payroll in the amount HRK 478 million, and other payroll related costs in the amount HRK 558 million.

7. TAX COSTS AND DEFERRED TAXES

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

8. EARNINGS PER SHARE

	INA Group	
	Twelve months ended:	
	31 December 2011	**31 December 2010**
Basic and diluted earnings per share (in HRK)	**181.5**	**96.1**

Earnings	**Twelve months ended:**	
	31 December 2011	**31 December 2010**
Earnings used in the calculation of total basic earnings per share (profit for the period attributable to equity holders of the parent)	1,815	961
	1,815	**961**

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

9. INTANGIBLE ASSETS

In the period ending 31 December 2011, the Group invested HRK 121 million in intangible assets. The effect of depreciation equals HRK 77 million. Retranslation caused by U.S. dollar exchange rate differences in on oil and gas fields increased net book value of INA Group in amount of HRK 32 million. Reversal of impairment according to IAS 36 equals HRK 2 million. Value adjusted decreased profit and loss in amount of HRK 37 million. Transfer from tangible assets is HRK 1 million. The decrease of INA Group intangible assets net book value is also result of exchange rate differences in the amount of HRK 1 million.

(all amounts in HRK millions)

10. PROPERTY, PLANT AND EQUIPMENT

In the period ending 31 December 2011, INA Group invested HRK 1.409 million in property, plant and equipment. Capitalised decommissioning costs increased the value of assets by HRK 141 million. Retranslation caused by U.S. dollar exchange rate differences in on oil and gas fields increased net book value of INA Group in amount of HRK 249 million. Impairment in according with IAS 36 in INA Group was HRK 562 million. The effect of depreciation reduced net book value of property, plant and equipment in amount of HRK 2.571 million. Reversal of depreciation for a prior year increased net book value in amount of HRK 7 million. Disposal of assets was HRK 188 million (mostly, HRK 168 million, consider to be gas cylinders in Proplin subsidiary). Value adjusted investments decreased net book value in amount of HRK 5 million. The decrease of INA Group net book value is also result of foreign exchange differences in the amount of HRK 12 million. Transfer to intangible assets decreased the value of tangible assets in amount of HRK 1 million.

11. SHARE CAPITAL

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

12. RETAINED EARNINGS

	INA Group
	Retained earnings/ (Accumulated deficit)
Balance at 1 January 2011	**1,424**
Profit for the period	1,815
Dividends paid	(480)
Balance at 31 December 2011	**2,759**

13. RELATED PARTY TRANSACTIONS

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

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

(all amounts in HRK millions)

13. RELATED PARTY TRANSACTIONS (continued)

During the year, INA, d.d. entered into the following trading transactions with the following related parties:

INA, d.d.	Sales of goods		Purchase of goods	
	Twelve months ended:		Twelve months ended:	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Foreign related companies				
Interina Ltd Guernsey	-	2,815	-	280
Holdina Sarajevo	850	526	2	-
Interina d.o.o. Ljubljana	21	27	-	-
Interina Ltd London	-	6	-	10,666
Adriagas Milano	2	-	1	4
INA Crna Gora d.o.o Podgorica	91	55	-	-
INA Beograd d.o.o Beograd	59	100	-	-
Domestic related companies				
Crosco Grupa	12	7	168	124
Osijek Petrol d.d.	135	399	-	-
Proplin d.o.o. Zagreb	-	498	-	-
STSI d.o.o. Zagreb	15	19	457	258
Maziva Zagreb d.o.o. Zagreb	119	95	58	8
ITR d.o.o. Zagreb	2	1	24	24
Sinaco d.o.o. Zagreb	4	3	122	124
Prirodni plin d.o.o. Zagreb	4,487	3,970	446	235
Polybit d.o.o.	-	-	-	-
TOP Računovodstvo Servisi d.o.o.	3	-	21	-
Companies available for sale				
JANAF d.d. Zagreb	1	1	72	45
Strategic partner				
MOL Plc	458	347	823	941
Companies controlled by strategic partner				
Tifon d.o.o.	768	-	6	6
Moltrade Mineralimpex Zrt.	-	-	1,141	10
Slovnaft, a.s.	-	-	48	16
Slovnaft, Petrochemicals s.r.o.	1	-	-	-
Mol Lub Kft.	-	-	1	1
MOL SLOVENIJA d.o.o.	16	1	-	-
IES-Italiana Energia e Servizi s.p.a.	13	-	6	2
TVK Nyrt.	-	-	3	2
Intermol d.o.o.	10	26	1	-
Energopetrol d.d.	468	418	1	-
Geophysical services Ltd.	-	-	-	15

(all amounts in HRK millions)

13. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	**Sales of goods**		**Purchase of goods**	
	Twelve months ended:		**Twelve months ended:**	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
Companies controlled by the State				
Hrvatske željeznice	2	26	51	42
Hrvatska elektroprivreda	298	344	129	142
Croatia osiguranje	-	2	34	44
Hrvatske vode	-	-	22	22
Hrvatska pošta	-	-	2	2
MORH	53	51	-	-
Hrvatske šume	-	-	1	-
Jadrolinija	143	111	5	5
Narodne novine	-	-	-	2
Croatia Airlines	234	158	-	-
Petrokemija Kutina	-	6	-	-
Hrvatske autoceste	-	-	-	60
Podzemno skladište plina Okoli	2	1	65	-

(all amounts in HRK millions)

13. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	**Amounts owed from related parties**		**Amounts owed to related parties**	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
Foreign related companies				
Interina Ltd Guernsey	-	-	137	128
Holdina Sarajevo	117	81	7	5
Interina d.o.o. Ljubljana	1	3	-	-
Interina Ltd London	-	-	20	2,183
Adriagas Milano	-	-	1	1
INA Crna Gora d.o.o Podgorica	14	15	-	-
INA Beograd d.o.o Beograd	10	7	-	-
Domestic related companies				
Crosco Grupa	1	2	57	50
Osijek Petrol d.d.	53	123	1	1
Proplin d.o.o. Zagreb	-	109	-	22
STSI d.o.o. Zagreb	2	8	257	173
Maziva Zagreb d.o.o. Zagreb	19	21	24	28
ITR d.o.o. Zagreb	-	-	10	14
Sinaco d.o.o. Zagreb	-	1	35	36
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	1,551	2,271	20	346
TOP Računovodstvo Servisi d.o.o.	1	-	3	-
Companies available for sale				
JANAF d.d. Zagreb	-	-	25	4
Strategic partner				
MOL Plc	34	30	62	609
Companies controlled by strategic partner				
Tifon d.o.o.	42	99	1	6
Slovnaft, a.s.	-	-	5	-
Slovnaft, Petrochemicals s.r.o.	-	-	1	-
Mol Lub Kft.	-	-	-	-
MOL SLOVENIJA d.o.o.	2	-	-	-
IES-Italiana Energia e Servizi s.p.a.	-	-	2	-
TVK Nyrt.	-	-	1	1
Intermol d.o.o.	8	-	-	-
Energopetrol d.d.	24	34	-	-

(all amounts in HRK millions)

13. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	Amounts owed from related parties		Amounts owed to related parties	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Companies controlled by the State				
Hrvatske željeznice	4	1	5	13
Hrvatska elektroprivreda	186	209	14	7
Croatia osiguranje	-	-	-	1
Hrvatske vode	-	-	4	3
Hrvatska pošta	2	2	-	-
MORH	4	14	-	-
Hrvatske šume	6	5	-	-
Jadrolinija	31	33	1	-
Croatia Airlines	32	24	-	-
Petrokemija Kutina	-	194	-	-
Hrvatske autoceste	1	1	5	5
Podzemno skladište plina Okoli	1	-	8	6

14. CONTINGENT LIABILITIES

Arbitration procedure initiated by EDISON INTERNATIONAL S.p.A

On 26 September 2011 INA, d.d. received the decision on the appointment of arbitration panel president in the arbitration procedure initiated by EDISON INTERNATIONAL S.p.A against INA, d.d., which represents the finalization of the procedure of arbitration panel appointment and formation, concerning the Production SharingAgreement (PSA) in the Contract Area of the Republic of Croatia Offshore Adriatic Sea Izabela and Iris/Iva blocks (hereinafter: the Agreement). The seat of the arbitration procedure shall be in Vienna, in accordance with the arbitration clause, and the procedure shall be conducted in line with UNCITRAL rules.

EDISON INTERNATIONAL S.p.A bases its arbitration notice on the allegations that INA, d.d. did not fully comply with its contracting obligations as per the Agreement and it in the same notice claims damage compensation from INA, d.d. in the amount of cca EUR 140 million, as well as compensation for lost profit.

INA, d.d. delivered a response to the arbitration notice in which it fully contests the allegations of EDISON INTERNATIONAL S.p.A., and it also submitted a counterclaim against the company EDISON INTERNATIONAL S.p.A.

14. CONTINGENT LIABILITIES (continued)

Arbitration procedure initiated by EDISON INTERNATIONAL S.p.A (continued)

INA, d.d. is expecting that the recently-formed arbitration panel will in further procedure instruct and determine a deadline within which EDISON INTERNATIONAL S.p.A shall be obliged to file a lawsuit specifying and explaining the claims from the submitted arbitration notice.

EDISON INTERNATIONAL S.p.A. and INA, d.d. in 2002 entered into a Production Sharing Agreement (PSA) in the Contract Area of the Republic of Croatia Offshore Adriatic Sea Izabela and Iris/Iva blocks.

15. SUBSEQUENT EVENTS

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