INDUSTRIJA NAFTE, d.d.

2009 JANUARY-DECEMBER – PRELIMINARY UNAUDITED RESULTS

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q1-Q4 2009 results today. This report contains unaudited consolidated financial statements for the period ending 31 December 2009 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

(HRK million)	Q3 2009(6)	Q4 2008	Q4 2009	Ch %	2008	2009	Ch %
CONTINUING OPERATIONS(1)							
Net sales revenues	5,386	5,926	5,609	(5.3)	27,144	20,348	(25.0)
EBITDA(2)	626	131	1,126	759.5	3,564	4,020	12.8
Operating profit	22	(719)	255	n.a.	1,310	1,044	(20.3)
Operating profit excl. special items(3)	151	(719)	658	n.a.	1,310	1,501	14.6
Net financial gain /(expenses)	176	(438)	(281)	(35.8)	(780)	(402)	(48.5)
Net income	116	(1,000)	(74)	(92.6)	352	513	45.7
Net income excl. special items(3)	255		377	n.a.		979	n.a.
DISCONTINUED OPERATIONS(1)							
Net income	(193)	(454)	(192)	(57.8)	(1,450)	(906)	(37.5)
ALL OPERATIONS(1)							
Net income(4)	(77)	(1,454)	(266)	(81.6)	(1,099)	(390)	(64.4)
Net income excl. special items(3)	62		185	n.a.		73	n.a.
Operating cash-flow	573	3,038	935	(69.1)	2,629	2,961	12.7

(USD million) (5)	Q3 2009 (6)	Q4 2008	Q4 2009	Ch %	2008	2009	Ch %
CONTINUING OPERATIONS(1)							
Net sales revenues	1,051	1,090	1,140	4.6	5,503	3,853	(30.0)
EBITDA(2)	122	24	229	850.0	722	761	5.4
Operating profit	4	(132)	52	n.a.	266	198	(25.5)
Operating profit excl. special items(3)	29	(132)	134	n.a.	266	284	7.0
Net financial gain /(expenses)	34	(81)	(57)	(29.1)	(158)	(76)	(51.9)
Net income	23	(184)	(15)	(91.8)	71	97	36.2
Net income excl. special items(3)	52		77	n.a.		185	n.a.
DISCONTINUED OPERATIONS(1)							
Net income	(38)	(83)	(39)	(53.3)	(294)	(172)	(41.6)
ALL OPERATIONS(1)							
Net income(4)	(15)	(267)	(54)	(79.8)	(223)	(74)	(66.7)
Net income excl. special items(3)	12		38			14	
Operating cash-flow	573	559	190	(66.0)	533	561	5.3

(1) According to the Gas Master Agreement between the Government of the Republic of Croatia and MOL signed on 30 January, INA sold its Gas Storage Company and will divest its Gas Trading Activity, result of Gas Trading activities is presented as discontinued operation. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for takeover of gas trading activities is extended by 1 December 2010.
(2) EBITDA = EBIT + Depreciation + Impairment + Provisions
(3) Excludes, a one-off income of HRK 497 million from the disposal of Podzemno skladište plina d.o.o. (Gas Storage Company) in Q2 2009 and HRK 954 million losses on impairment and provisions and HRK 125 million for financial activities (IAS 37) and deferred tax in the amount of HRK 116 million for 2009 .
(4) INA Group net income attributable to equity holder.
(5) In converting HRK figures into US Dollars, the following average CNB (HNB) rates were used: for Q4 2008: 5.4374 HRK/USD, for 2008: 4.9330 HRK/USD, for Q4 2009: 4.9194 HRK/USD for 2009: 5.2804 HRK/USD.
(6) In Q3 and Q4 of 2009 INA Group has recalculated and recorded impairment losses and provisions, basis for which have incurred during the first half of the year. For the purpose of providing comparable financial data throughout the quarterly periods within 2009, mentioned adjustments were recorded to the relating period, instead of the period when they were identified.

INA Group has ended the 2009 with improved EBITDA from continuing operations compared to the previous year, in the amount of HRK 4,020 million. Challenging business environment, due to the global recession, i.e, the lower crude oil prices and deteriorating refinery margins accompanied by the credit crunch negatively reflected to the company's operations and its financial position. Although lower than last year, negative contribution of the gas business to the company's results was recorded. The Management is highly committed to stabilize financial position and improve liquidity through strict measures to cut operating expenses. The capital investments are determined by the Company's cash generation possibilities.

Continuing operations

In 2009, operating profit from continuing operations (one-off items excluded) was 14.6% up on 2008 and it amounted to HRK 1,501 million. There was no revaluation of crude oil and oil products inventory which reflected favourably on the result (negative effect in 2008 amounted HRK 1,106 million) together with almost fully eliminated price cap effects[1] and lower operating costs as a result of strict cost-cutting measures. These positive influences were only partly decreased by 36.6% lower average realised price of crude oil, average refinery spreads lower by 59%, and lower sales on the domestic market and in Bosnia and Herzegovina.
The 2009 performance was also negatively influenced by one-off items (HRK 497 million of income from the disposal of the gas storage company, Podzemno skladište plina d.o.o.[2] in Q2 2009 and HRK 954 million of asset impairment and provisions in 2009) producing a negative net effect of HRK 457 million so that the operating profit in 2009 amounted to HRK 1,044 million (20% down on 2008). The loss of HRK 402 million generated by financial activities of continued operations was HRK 378 million down on the previous year loss. Net profit from continuing operations in 2009 amounted to HRK 513 million, 46% up on 2008.

[1] In 2008, the loss of income due to a price cap on refined products amounted to HRK 218 million equally split between R&M and Retail while the negative effect of regulated LPG prices amounted to HRK 312 million, resulting in a total loss of income of HRK 530 million.
[2] Under the Gas Master Agreement signed between the Croatian Government and MOL on 30 January 2009, the gas storage company Podzemno skladište plina d.o.o. was taken over by a fully state-owned company Plinacro d.o.o. as of 30 April 2009, the transaction resulting in HRK 497-million one-off income for INA..

Discontinued operations

In 2009, discontinued operations generated a net loss of HRK 906 million or HRK 544 million down on 2008 because of lower natural gas imports and lower negative differential between the selling price of gas and the price of imported gas.

Overall operations

Total 2009 operations considered, INA Group generated a net loss of HRK 390 million, HRK 709 million down on 2008. The gas business (discontinued activity) contributed with HRK 906 million to the above mentioned net loss while continuing operations generated a net profit of HRK 513 million.

- Oil and Gas Exploration and Production: The operating profit from continued operations, excluding one-off items in 2009 amounted to HRK 2,737 million (USD 518 million) what was 22% down on 2008 as a result of 39.9% lower average realised crude oil price, lower production and lower operating profit of Crosco Group.
- Refining and Marketing: In 2009, the R&M segment generated an operating loss, excluding one off items, of HRK 497 million (USD 94 million), which compares favourably with 2008 by HRK 769 million. The loss was only partly offset by almost fully eliminated price cap effects (reduced to HRK 40 million in 2009, compared to HRK 389 million in 2008) and lower operating costs as a result of strict control of costs. Additionally the result experienced significant negative effects of 59% lower average refinery spreads[3], 9% lower domestic sales and 28% lower sales in B&H.
- Retail: The operating profit for 2009 (excluding the one-off items of petrol station impairments of HRK 169 million) amounted to HRK 43 million, compared to HRK 98 million operating loss recorded in 2008. Such significant growth of operating profit (excluding one-off items) can be mainly attributed to more effective sales of refined products (eliminated price cap the negative effect of which amounted to HRK 109 million in 2008) and non-fuel goods, and positive cost-cutting effects, off set by 4.7% decline of sales volume.
- Corporate and Other[4]: This segment recorded an operating loss excluding special items of HRK 782 million in 2009, which was an improvement by HRK 72 million compared to 2008, due to the positive impact of lower operating costs as a result of cost-cutting measures.
- Discontinued operations: In 2009, the operating loss from discontinued activities amounted to HRK 1,028 million, 674 million down on 2008 mainly as a result of 34% lower negative differential between the selling price of gas and the price of imported gas and 14.9% lower imports. Pursuant to the Gas Master Agreement signed on 30 January 2009 between the Croatian Government and the Hungarian company MOL INA is to withdraw from the regulated part of the gas business value chain. The gas storage company, Podzemno skladište plina d.o.o. , has already been taken over by the fully state-owned company Plinacro d.o.o. as of 30 April 2009. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for takeover of gas trading activities is extended by 1 December 2010, and the gas trading company is expected to operate without loss generation in 2010.
- Net loss from financial activities of continued operations was reduced by HRK 378 million compared to 2008 and it amounted to HRK 402 million in 2009. Forex gains of HRK 81 million were recorded in 2009 compared to forex losses of HRK 409 million in 2008. The positive effect resulting from foreign exchange differences was partly offset by HRK 103 million higher interest expense and 9 million higher other financial costs. The 2009 loss from financial activities of discontinued operations amounted to HRK 105 million.
- Capital investments: In 2009 HRK 4,493 million (USD 850 million) was spent on CAPEX, of which Exploration and Production accounted for HRK 3,039 million, primarily for development operations in Syria and North Adriatic, while Refining and Marketing spent HRK 1,367 million, of which the refinery modernisation programme accounted for HRK 1,308 million. Compared to 2008 CAPEX slightly increased by HRK 122 million.
- Net indebtedness: INA Group net indebtedness amounted to HRK 8.2 billion compared to HRK 6.6 billion as at 31 December 2008 while its gearing[5] as at 31 December 2009 rose from 35.3% to 40.9%.
- Operating cash flow: improved to HRK 2,961 million for 2009 (13% up in comparison with 2008). Operating cash-flow before working capital changes amounted to HRK 2,572 million (44% up year-on-year). Changes in working capital increased the operating cash flow in 2009 by HRK 414 million, primarily as a result of the increase in trade and other payables part of which was overdue.

3 Average refinery spread calculated on the basis of sales structure by product and Platt's FOB Med quotations
4 Includes Corporate Functions and subsidiaries providing safety and protection services, technical services, corporate support and other services.
5 Net debt / net debt plus equity incl. minority interests

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Overview of the macro environment

The global economy is apparently expanding again after a serious synchronized recession. However, global growth remains slow and there are substantial regional differences in the pace of recovery. Some emerging economies, particularly in Asia have returned to robust expansion while growth in OECD economies is still sluggish. The turnaround of the economic trend is attributable to an unprecedented fiscal and monetary expansion in most developed and some key developing countries which resulted in stabilizing financial conditions and a return of capital flows while manufacturing has also started to recover. Nevertheless, there is a broad consensus among analysts that the recovery remains fragile, as many of its factors are temporary. The deterioration of government balances limits the scope of further fiscal expansion. The foremost concern is the recovery of consumption as high and still growing unemployment rates (already in double digits both in the US and Eurozone) could inhibit the recovery of consumer confidence. Emerging countries have thus far been successful in substituting export-led growth by boosting investments, but the expansionary fiscal and monetary policies may as well have serious side-effects, such as creating inflationary pressures and fuelling asset price bubbles.

Oil prices remained largely stable in the USD 70-80 range during Q4 2009 with a strong rebound at the end of Q4 bringing oil prices back to their highest levels in 15 months. There are major forces pulling oil prices in different directions. Asian growth will continue to put a floor under oil prices. But still high OECD commercial stocks (standing at 59 days of forward demand cover at the end of November), 5.4 mb/d of OPEC spare capacity and the cartel's ever deteriorating compliance with its agreed targets (currently implementing 63% of agreed cuts) represent a downward pressure on oil prices. The Dated Brent averaged at USD 74.6/bbl in Q4 2009, up 9.2% vs. Q3 2009 average and 34.4% higher vs. Q4 2008. The demand recovery has continued but it is still driven by China and to a lesser extent by OECD Asia, while demand growth in the rest of the OECD remains sluggish at best.

Refining margins remained below historic levels in Q4 2009. The slow rate of economic recovery and higher than average middle distillate inventories continue to keep diesel and jet fuel demand at very low levels, while demand for the less cyclical gasoline and naphtha has largely returned at a time of lower refinery utilization rates. As a result, diesel and jet fuel crack spreads remained practically unchanged at historically low levels in Q4 while gasoline and naphtha crack spreads were relatively strong due mainly to demand growth in Asia. Historically negative fuel oil crack spreads remained much stronger than pre-crisis levels reflecting the recessionary environment characterized by low refinery utilization.

The CEE region's recovery was underway in Q4 2009. Purchasing Managers Index indicators were improving, boosted mainly by an inventory rebound. Fiscal deficits have increased in most CEE countries in 2009, but they remain generally lower than in Western European countries. Domestic demand, on the other hand still remains weak in the region. CEE countries have weathered the crisis very differently. Croatia was hit hard by the loss of export demand, and registered a steep y-o-y drop of 5.7% in Q3. Inflationary pressures have slightly increased during the last quarter of the year. As measured by the CPI index, prices of goods and services increased on average by 2.4% in 2009, compared to 2008. The EBRD expects Croatian GDP growth to turn to positive in 2010, with an expansion of 0.6% and accelerating to 2% in 2011. The economy of Bosnia-Herzegovina contracted overall by abound 4.4% in 2009 according to the EBRD, but the latest 2010 forecasts envision better performance for next year with GDP growth expectations ranging between -1.0% and 2.1%. Consensus holds that emerging Europe as a whole will return to growth in 2010, albeit at a slower pace than other emerging markets. Differences among CEE growth rates are expected to remain in 2010, as countries have different abilities to boost domestic demand and support their export growth by weaker exchange rates.

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Exploration and Production*

Q3 2009	Q4 2009	Q4 2008	Ch. %	Segment IFRS results (HRK million)	2008	2009	Ch. %
1,647	1,990	2,067	(3.7)	Revenues continuing operations	8,273	6,720	(18.8)
273	508	610	(16.7)	Revenues discontinued operations	1,664	1,967	18.2
410	723	686	5.4	Operating profit/(loss) continuing operations	3,528	2,615	(25.9)
(224)	(223)	(563)	(60.4)	Operating profit/(loss) discontinued operations	(1,702)	(1,028)	(39.6)
632	1,462	1,012	44.5	EBITDA continuing operations	4,613	4,440	(3.8)
(172)	(229)	(545)	(58.0)	EBITDA discontinued operations	(1,540)	(982)	(36.2)
954	442	761	(41.9)	CAPEX and investments	2,552	3,039	19.1

*Exploration and Production refers to the Upstream of INA, d.d. and following subsidiaries: Crosco Group, INA Naftaplin IE&PL, Guernsey, Adriagas S.r.l. Milano, Podzemno skladište plina d.o.o. until on 30 April 2009, Prirodni plin d.o.o.

Q3 2009	Q4 2009	Q4 2008	Ch. %	Hydrocarbon Production (gross figures before royalty)	2008	2009	Ch. %
179.6	255.2	252.5	1.1	Crude oil production (kt) *	812.1	777.0	(4.3)
132.3	129.3	136.5	(5.3)	Croatia	554.8	525.8	(5.2)
47.3	125.9	116.0	8.6	International	257.3	251.2	(2.4)
494.8	539.5	539.1	0.1	Natural gas production (m cm, net dry)	2,132.6	2,068.2	(3.0)
245.8	241.3	273.8	(11.8)	Croatia on-shore	1,128.1	1,024.3	(9.2)
212.6	246.9	239.2	3.2	Croatia off-shore	906.6	876.6	(3.3)
36.4	51.2	26.2	95.5	Syria	97.9	167.3	70.9
58.2	62.4	70.0	(10.9)	Condensate (kt)	281.0	255.7	(9.0)
14,817.0	20,629.9	16,080.2	28.3	Crude oil (boe/d)	16,431.7	15,782.7	(3.9)
6,652.9	7,211.4	8,183.7	(11.9)	Natural gas Condensate (boe/d)	8,131.8	7,447.1	(8.4)
31,659.2	34,516.5	34,496.0	0.1	Natural gas (boe/d)	34,297.9	33,354.2	(2.8)
13,602.6	15,798.2	15,303.9	3.2	o/w Croatia off-shore (boe/d)	14,580.8	14,137.5	(3.0)
53,129.1	62,357.7	58,759.9	6.1	Total hydrocarbon prod. (boe/d)	58,861.5	56,584.0	(3.9)

*Excluding separated condensate

Q3 2009	Q4 2009	Q4 2008	Ch. %	Average realised hydrocarbon price	2008	2009	Ch. %
59.4	65.6	51.2	28.1	Crude oil and condensate price (USD/bbl)	88.1	52.9	(39.9)
47.3	48.1	37.9	26.9	Total hydrocarbon price (USD/boe)*	53.4	46.4	(13.2)

* Calculated based on total external sales revenue including natural gas selling price (discontinued operation) as well

Q3 2009	Q4 2009	Q4 2008	Ch. %	Hydrocarbon production cost (USD/boe)	2008	2009	Ch. %
13.0	10.7	11.4	(5.7)	Croatia - onshore	12.7	11.2	(11.7)
12.8	12.7	13.2	(3.9)	Croatia - offshore	10.6	14.5	36.7
				Angola*	28.6	31.7	10.8
13.3	15.2	14.9	1.6	Egypt	12.7	11.6	(8.7)
4.3	5.0	5.4	(7.6)	Syria	7.1	5.1	(28.3)
12.3	11.5	13.0	(11.7)	Average	12.3	12.2	(0.7)

*Angola full year cost are posted for a single crude oil delivery in Q4.

Q3 2009	Q4 2009	Q4 2008	Ch. %	Natural Gas Trading (M cm)	2008	2009	Ch. %
224.6	289.1	314.2	(8.0)	Natural gas imports (net dry)	1,226.8	1,044.2	(14.9)
546.2	900.9	923.6	(2.5)	Natural gas sales on domestic market (net dry)	3,061.1	2,778.0	(9.3)

Q3 2009	Q4 2009	Q4 2008	Ch. %	Natural gas price differential to import prices (HRK/M cm)	2008	2009	Ch. %
(515.29)	(464.01)	(1,478.50)	(68.6)	Eligible customers' price	(1,084.55)	(752.84)	(30.6)
(279.75)	(132.51)	(1,873.40)	(92.9)	Tariff customers' price	(1,233.85)	(753.40)	(38.9)
(469.79)	(300.32)	(1,671.87)	(82.0)	Total price	(1,147.45)	(755.15)	(34.2)

Continuing operation

In Q4 2009, the Upstream division, excluding one-off items, recorded an operating profit of HRK 1,046 million compared to a HRK 512 million operating profit, excluding one-off items, in Q3. The increase of operating profit, excluding one-off items, by HRK 534 million was mainly the result of higher revenues from crude oil due to higher average daily crude oil production (Q4 Angola crude oil shipment) and higher crude oil prices. In Q3 2009 one-off expenses for impairment and provision amounted HRK 102 million and in Q4 HRK 323 million. Compared to Q4 2008, the Q4 2009 operating profit, excluding one-off items, was HRK 360 million higher reflecting mainly higher realised prices of crude oil and higher production. Reported Q4 2009 operating profit amounted to HRK 723 million.

The operating profit recorded for 2009, excluding one-off items, was HRK 2,737 million, or 22% down on 2008, mainly due to 39.9% lower average sale prices of crude, 3.9% lower average daily hydrocarbon production, and lower operating profit of Crosco Group. For FY 2009, operating profit including one-off items amounted to HRK 2,615 million.

Average daily hydrocarbon production in the 2009 was 56,584 boe, or 3.9% down on 2008. Onshore domestic oil and gas production declined by 5.2% and 9.2% respectively compared to 2008 due to natural depletion. INA's share of North Adriatic gas production decreased compared to 2008 in accordance with the Production Sharing Agreement and growing capital expenditures. Crude production outside Croatia was 2.4% down on 2008 as lower production in Egypt was offset by higher production in Syria and Angola. Natural gas production outside Croatia rose significantly (by 70.9%) after the start-up of the Jihar gas treatment plant in Syria.

Upstream revenues in 2009 decreased by 19% to HRK 6.72 billion, primarily as a result of 39.9% lower total average realised price of crude and 3.9% lower production.

Average production costs in 2009 decreased by 0.7% to 12.2 USD/boe. Average production costs in Syria decreased because of higher hydrocarbon production and those in Egypt due to lower operating costs. Production costs in Angola increased because of high maintenance costs and new environmental protection legislation requiring plant and equipment adjustments. The cost of North Adriatic gas production rose mainly because of lower production and higher costs with new assets put in use. The average cost of onshore domestic production was the result of lower operating costs.

Exploration and Production segment's 2009 CAPEX increased by HRK 487 million to the amount of HRK 3,039 million, compared to the 2008. This increase was primarily due to the intensified development operations in Syria and North Adriatic. Investments in tangible assets rose by HRK 630 million, while the investments in intangible assets were HRK 143 million lower.

Discontinued operations

In 2009, the operating loss from discontinued activities amounted to HRK 1,028 million, 674 million down on 2008, mainly as a result of 34% lower negative price differential and 14.9% lower import. In Q4 2009 the loss from discontinued activities had been reduced compared to Q3 due to a 36% lower price differential offset, however, by higher natural gas sales. Compared to Q4 2008, the loss had been reduced by 68% because of lower price differential and lower import.

The average price of imported gas went down by 10% in the period from January to December 2009 and it amounted to 2.072 HRK/Mcm/33.34 MJ (with 7% weaker Kuna against the US dollar). The negative differential between the selling price of gas and the price of imported gas decreased by 34% in the reviewed period.

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Refining and Marketing*

Q3 2009	Q4 2009	Q4 2008	Ch. %	Segment IFRS results (HRK million)	2008	2009	Ch. %
3,667	3,770	4,170	(9.6)	Revenues	19,888	13,446	(32.4)
(307)	(147)	(1,167)	(87.4)	Operating profit/(loss) reported	(1,266)	(610)	(51.8)
(154)	(40)	(748)	(94.1)	EBITDA	(489)	(91)	(81.4)
289	549	692	(20.7)	CAPEX and investments (w/o acquisition)	1,571	1,367	(13.0)

*Refers to Refining & Marketing INA. d.d. and following subsidiaries: Maziva Zagreb, Proplin, Crobenz, 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.

Q3 2009	Q4 2009	Q4 2008	Ch. %	Refinery processing (kt)	2008	2009	Ch. %
156	127	114	10.7	Domestic crude oil	570	538	(5.7)
1,071	910	849	7.2	Imported crude oil	3,567	4,007	12.4
33	33	38	(13.2)	Condensates	168	141	(16.4)
61	120	56	113.7	Other feedstock	308	330	7.0
1,321	1,190	1,058	12.5	Total refinery throughput	4,614	5,016	8.7
Q3 2009	**Q4 2009**	**Q4 2008**	**Ch. %**	**Refinery production (kt)**	**2008**	**2009**	**Ch. %**
297	263	195	34.9	Motor gasoline	888	1,048	18.1
362	278	207	34.0	Diesel	1,032	1,209	17.1
46	78	93	(16.1)	Heating oil	338	268	(20.8)
39	16	21	(25.3)	Kerosene	97	94	(3.4)
24	29	28	5.1	Naphtha	129	138	7.1
39	16	7	146.8	Bitumen	164	107	(34.7)
360	379	400	(5.3)	Other products	1,453	1,581	8.8
1,168	1,059	951	11.4	Total	4,101	4,444	8.4
8	6	6	7.4	Refinery loss	26	27	4.2
145	126	102	23.6	Own consumption*	486	544	11.9
1,321	1,190	1,058	12.5	Total refinery throughput	4,614	5,016	8.7
Q3 2009	**Q4 2009**	**Q4 2008**	**Ch. %**	**External refined product sales by country (kt)**	**2008**	**2009**	**Ch. %**
695	614	717	(14.3)	Croatia	2,825	2,562	(9.3)
129	125	138	(9.0)	B&H	701	502	(28.4)
333	379	182	108.4	Other markets	892	1,377	54.4
1,157	1,119	1,037	7.9	Total	4,417	4,440	0.5
Q3 2009	**Q4 2009**	**Q4 2008**	**Ch. %**	**External refined product sales by product (kt)**	**2008**	**2009**	**Ch. %**
300	282	218	29.5	Motor gasoline	985	1,075	9.2
378	309	320	(3.4)	Diesel	1,411	1,295	(8.2)
46	79	92	(14.0)	Heating oils	350	270	(22.8)
40	16	21	(24.3)	Kerosene	113	97	(14.5)
30	26	29	(11.2)	Naphtha	130	141	9.0
40	23	15	52.4	Bitumen	171	115	(32.8)
322	383	341	12.3	Other products*	1,258	1,447	15.1
1,157	1,119	1,037	7.9	Total	4,417	4,440	0.5
377	287	309	(7.3)	o/w Retail segment sales	1,276	1,232	(3.5)
779	832	727	14.4	o/w Direct sales to other end-users	3,141	3,208	2.1

**Other products = LPG, FCC gasoline, petrol components, other gasolines, benzene-rich cut, other diesel fuels and components, fuel oils and components, liquid sulphur, coke, motor oils, ind. Lubricants, base oils, spindle oil, waxes, blend, gas oil "M", atmosp. Residue, intermediaries, and other*

In Q4 2009, the operating loss excluding one-off items amounted to HRK 92 million what is an improvement over Q3 2009 operating loss excluding one-off items of HRK 263 million. Operating loss of R&M amounted to HRK 147 million comparing favourably with Q3 due to lower raw material costs and lower cost imported oil products and more efficient operations.

Compared to Q4 2008, the operating loss, excluding one off-items decreased by HRK 1,075 million, reflecting the recession in the previous year when the world market prices of crude oil and oil products plummeted radically affecting the performance (negative effect of stock revaluation amounted to HRK 878 million in Q4 2008). The Q4 performance was negatively influenced by 50% lower average refinery spreads[6] (15.2 USD/t in Q4 2009 compared to 30.2 USD/t in Q4 2008). Total Q4 2009 sales were 7.9% up on Q4 2008, with lower domestic and B&H sales but higher other exports.

6 Average refinery spread calculated on the basis of sales structure by product and Platt's FOB Med quotations

The 2009 operating loss of R&M, excluding one-off items (asset impairments and environmental protection provisions in the amount of HRK 113 million) amount to HRK 497 million, HRK 769 million more favourable than in 2008. In Q4 2008, a dramatic fall of world market prices of crude oil and oil products as a result of recession had a strong negative influence on performance (negative effect of stock revaluation amounted to HRK 1,106 million in 2008). Segments operating loss for FY 2009 amounted to HRK 610 million compared to the HRK 1,266 million loss recorded in 2008.

Business environment was rather unfavourable during 2009, with significantly lower refinery spreads compared to 2008. The average refinery spread according to Platt's (FOB Med - Italy) went down by 59%, from 49.8 USD/t in 2008 to 20.5 USD/t in 2009. This particularly applies to diesel fuel (EN590 50ppm), for which the margin was reduced from 199.4 USD/t to 66.2 USD/t for (EN590 10ppm), while for motor gasoline (unleaded premium 50ppm) it increased from 98.6 USD/t in 2008 to 116.5 USD/t (for unleaded premium 10ppm). On the other hand the negative fuel oil margin decreased from 278.8 USD/t to 121.2 USD/t.

Refinery throughput rose by 8.7% in 2009 as INA was able to increase the output and decrease the imports of EURO IV–grade products. Product slate was improved by processing 498 kt of Azeri light crude oil in Rijeka refinery.

Despite unfavourable market demand total sold volume increased 0.5% over 2008 figure to 4.4 million tonnes. Motor gasoline sales rose by 9.2% compared to 2008 while diesel sales dropped by 8.2 %. The market demand for EURO IV–grade products was covered by 39.4% higher own production and by selling imported products in stock. Lower domestic sales (9.3%) and in B&H (28.4%) were offset by higher exports to other markets.

The domestic wholesale market share in 2009 remained stable at 2008 level of 73%. Still INA maintained its strong position of a market leader. Market share in Bosnia and Herzegovina dropped from 47% to 35% as the refinery Bosanski Brod went back on stream in late 2008.

The new Refined Products Pricing Regulation is in force since September allowing INA to weekly adjust the price in line the internationally quoted prices and exchange rate fluctuations. Additionally, on 29 April 2009, the LPG Pricing Regulation was changed introducing the margin-based prices. Under the earlier regulation, LPG wholesale and retail price caps were determined while under the current regulation LPG prices are in line with internationally quoted prices plus margin.

R&M capital investments in 2009 amounted to HRK 1,367 million and they were 13% down on 2008 CAPEX which included capitalised turnaround costs. Capital expenditures for refinery modernisation, for both Rijeka and Sisak refinery amounted to HRK 1,308 million, 48% up on 2008. In Rijeka refinery the construction works on hydrocracking, desulphurisation and hydrogen generation units are in progress. Assessment of the coking process environmental impact is in progress. The inspection certificate has been obtained for the HDS unit at Sisak refinery where low sulphur content blending components are produced. Construction of the isomerisation unit, finalisation of the detailed engineering and procurement of equipment are in progress.

INDUSTRIJA NAFTE, d.d.

Retail Services*

Q3 2009	Q4 2009	Q4 2008	Ch. %	Segment IFRS results (HRK million)	2008	2009	Ch. %
1,794	1,367	1,664	(17.8)	Revenues	8,221	5,812	(29.3)
91	(78)	3	n.a.	Operating profit/(loss)	(98)	(126)	28.6
90	25	43	(41.0)	EBITDA	91	184	102.2
5	15	36	(55.6)	CAPEX and investments (w/o acquisition)	143	36	(74.8)

* Refers to Retail INA. d.d. and Petrol Rijeka and retail of subsidiaries: Proplin, Crobenz, Osijek Petrol, Interina Ljubljana, Holdina Sarajevo, INA - Crna Gora

Q3 2009	Q4 2009	Q4 2008	Ch. %	Refined product retail sales (kt)	2008	2009	Ch. %
138	102	111	(8.6)	Motor gasoline	477	447	(6.2)
230	174	187	(6.9)	Gas and heating oils	777	746	(4.0)
15	15	17	(13.6)	LPG	58	56	(2.6)
1	1	1	(3.2)	Other products	4	4	(0.8)
384	292	317	(7.9)	Total	1,316	1,254	(4.7)

Q3 2009	Q4 2009	Q4 2008	Ch. %	Refined product retail sales (kt)	2008	2009	Ch. %
367	278	302	(7.8)	Croatia	1,256	1,199	(4.6)
12	9	10	(12.0)	B&H	42	39	(6.4)
4	4	4	(3.4)	Other markets	18	16	(12.4)
384	292	317	(7.9)	Total	1,316	1,254	(4.7)

Retail Services operating loss, excluding one-off items amounts to HRK 39 million in Q4 2009, what is in comparison to the Q3 2009 and decrease of HRK 113 million. The main driver of the quarter-on-quarter result deterioration was a 24% drop in retail sales volumes in Q4 2009. Reported Retail Services operating loss includes a non-recurring loss for impairment of petrol stations and amounts to HRK 78 million.

In 2009 INA Group retail had HRK 43 million operating profit, excluding the one-off items (impairment of petrol stations of HRK 169 million, versus a HRK 98 million operating loss made in 2008. This significant improvement in operating profit, excluding one-off items, is coming from the improved fuel and non-fuel margins, as a result of eliminated price cap (HRK 109 million negative impact in 2008) and positive effects of reduced costs. Positive trends have compensated for a 4.7% decline in retail sales volumes. INA Group Retail market share remains at 2008 level. The reported operating loss (including one-offs) for 2009 amounted to HRK 126 million.

Total retail sales volumes, consisted primarily of diesel fuels and motor gasoline sales and decreased by 4.7% year-on-year in 2009. Average throughput per site was 5.4% down on 2008. In 2009, INA Group experienced a 4% decrease in diesel sales and 6.2% decrease in motor gasoline sales. LPG sales decreased by 2.6%, while other products' sales remained stable year-on-year. In addition, the gross margin of non-fuel products sold at petrol stations per litre of fuel was 19.5% up on 2008.

The retail segment operated 489 petrol stations (of which 438 in Croatia; 44 in Bosnia-Herzegovina, 6 in Slovenia and 1 in Montenegro) as of 31 December 2009, what is an increase of 4 petrol stations compared to 31 December 2008.

Retail CAPEX amounted to HRK 36 million in 2009 compared to HRK 143 million in 2008. CAPEX was spent for construction of new sites and for minor projects such as technological and facility improvements and shop equipment.

INDUSTRIJA NAFTE, d.d.

Financial overview

Operations

The Government of the Republic of Croatia and the Hungarian oil company, MOL signed a Master Agreement on Natural Gas Business (a framework agreement regulating some of the basic issues regarding the future of the natural gas market and natural gas supply in Croatia). Under the above Agreement the gas storage business was taken over by a fully state-owned company Plinacro d.o.o. on 30 April 2009. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for takeover of gas trading activities is extended by 1 December 2010, and the gas trading company is expected to operate without loss generation in 2010. As the gas trading activity meets the definition of an operation as per IFRS 5, the company has disclosed its results as loss from discontinued operations.

Continuing operations

INA Group[7] net sales revenues in 2009 amounted to HRK 20.3 billion - 25% down on 2008, although sales volumes of crude oil in export and oil derivatives remained almost at the 2008 level, sales revenues are down due to the lower selling prices. Sales revenue and COGS for January – September 2009 were corrected, Upstream's revenue relating to Upstream's natural gas sales to Prirodni plin was increased. (this internal revenue was eliminated at INA Group level).

During August 2009 INA Group was unable to apply maximum prices possible under the pricing formula for domestic retail prices of refined products with negative effect of HRK 20 million. In order to mitigate effects of higher LPG prices on consumers, INA did not apply maximum possible price of LPG according to Regulation on setting LPG prices effective from 29 April 2009 which resulted in HRK 23 million of lost revenue (HRK 20 million in Refining and Marketing and HRK 3 million in Retail). In 2008 lost revenues were significantly higher and amounted to HRK 530 million, out of which lost revenue attributable to "price cap" on refined products was HRK 218 million, and HRK 312 million to the negative effect of regulated LPG prices.

The costs of raw materials and consumables in 2009 were 24% down on 2008 mainly due to 27% lower cost of crude as a result of 35% lower average price of imported crude (the average Brent FOB Med price on the world market down by 36.6%) and 12% higher refined volume. The value of finished goods and work in progress inventories decreased by HRK 50 million compared to the opening balance, while at the end of 2008 it was by HRK 51 million down on the opening balance. The cost of other goods sold of HRK 1.502 million was down by 62%, primarily due to considerably lower imports of Euro IV grade motor fuels. The costs of services amounted to HRK 3,063 million, down by HRK 1,184 million, mainly as a result of cost-cutting measures, lower accruals for contracted liabilities, and lower costs of maintenance, geological works, excess recovery petroleum, lower costs of STSI's subcontractor as well as initial project costs in Mexico in 2008. The depreciation rose by 11%, to the amount of HRK 1,519 million, mainly because of assets put in use upon completion of projects. Adjustments and provisions amounting to HRK 1,457 million were up by HRK 572 million, primarily due to the impairment loss recognized on the increased field abandonment provision (HRK 541 million), higher impairment loss on certain low-profile filling stations due to changes in calculation parameters (HRK 101 million)~~,~~ litigations (HRK 181 million) and were only partly offset by positive effect of lack of crude stocks revaluation. Total staff costs were down by 4% compared to 2008. Total headcount on 31 December 2009 was 16,304, 2% down on the headcount at the end of 2008 (16,632).

Financial activities in 2009 generated a loss of HRK 402 million, down by HRK 378 million compared to 2008. Net forex gain of HRK 81 million mainly related to long-term loans. In 2008 , net forex expense amounted to HRK 409 million. The interest expenses rose by HRK 103 million compared to 2008 and amounted to HRK 313 million, while negative effect of higher interest expenses on trade payables and other, were partly offset by lower interest expenses on long-term and short-term loans and higher revenues from interest on trade receivables. Other financial expenses rose by HRK 9 million to the amount of HRK 170 million.

Profit tax calculated on continuing operations was by HRK 49 million lower compared to 2008 and amounted to HRK 129 million.

In Q3 and Q4 of 2009 INA Group has recalculated and recorded impairment losses and provisions, basis for which have incurred during the first half of the year. For the purpose of providing comparable financial data throughout the quarterly periods within 2009, mentioned adjustments were recorded to the relating period, instead of the period when they were identified.

Discontinued operations

The net loss of discontinued operations, the gas trading business, amounted to HRK 906 million, down by HRK 544 million compared to 2008. The operating loss was HRK 1,028 million, down by HRK 674 million compared to 2008 as a result of lower sale of imported gas and lower negative difference between average sales and imported prices of natural gas. The financial loss recorded on the fair valuation of embedded derivatives was down by HRK 5 million and amounted to HRK 105 million. Deferred taxes decreased by HRK 135 million compared to 2008 and amounted to HRK 227 million.

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7 Consolidated sales

INDUSTRIJA NAFTE, d.d.

Balance sheet

As at 31 December 2009, total assets amounted to HRK 30.0 billion, 13% up on 31 December 2008. Non-current tangible and intangible assets increased by 18% mainly on account of investments in gas field development operations in the North Adriatic and Syria, and investments in refinery modernisation. In 2009 INA Group reclassified prepayments from position Intangible assets and Property, plant and equipment to position Long-term receivables. The total effect of reclassification in 2008 was HRK 386 million. Goodwill and investments in associates and joint ventures increased by HRK 146 million. The increase of (non-current) assets available for sale by HRK 196 million was mainly a result of a higher market value of Janaf d.d. shares. Deferred taxes increased by HRK 92 million.

The value of inventories was up by 21 % and amounted to HRK 2.9 billion, primarily due to the higher inventories of imported crude as a result of higher volume and prices at which inventories were calculated and the reclassification of the natural gas inventories from assets available for sale to inventories (current assets for gas storage operations) increased by 17% and amounted to HRK 419 million, primarily as a result of higher gas inventories (higher price of gas and lower inventories).

As at 31 December 2009 net trade debtors amounting to HRK 2.9 billion were 1% up on 31 December 2008.

Total INA Group liabilities as at 30 December 2009 amounted to HRK 18.2 billion – up by 25% on 31 December 2008. Higher liabilities were mainly a result of higher long-term provisions and higher liabilities for taxes and contributions. In addition, indebtedness increased to HRK 8.5 billion compared to HRK 7.1 billion on 31 December 2008. A significant part of outstanding tax and other liabilities toward the Republic of Croatia amounting to HRK 1.05 billion were settled by INA with corporate loan in this amount granted by INA's strategic partner MOL Plc. Other borrowed amounts were used for crude purchases and capital expenditures. The amount of trade creditors increased by HRK 468 million partially due to a higher amount of outstanding liabilities as a result of weaker liquidity. Long-term and short-term provisions amounted to HRK 2.8 billion and were increased significantly, since the Group has reviewed its estimates regarding domestic field abandonment liabilities, including the long-term assumptions on inflation and risk-free interest rates used for discounting future cash flows, as well as the scope of wells involved in the calculation. As a result, the provision for field abandonment liabilities increased by HRK 1,3 billion, resulting in a corresponding increase of Property, Plant and Equipment (as required by IAS 37 on Provisions) and also in the reversal of the other income of HRK 157 million recorded in H1 2009 for a decrease in the provision. Furthermore, an impairment test on the increased asset values resulted in an impairment loss of HRK 555 million in 2009 related mainly to non-producing or maturing domestic on-shore fields.

The Group's net debt amounted to HRK 8.2 billion, compared to the debt of HRK 6.6 billion as at 31 December 2008. Net gearing[8] increased from 35.3% to 40.9% as at 31 December 2009.

Cash flow

In 2009, the operating cash flow before changes in working capital amounted to HRK 2,572 million, HRK 782 million up on 2008, primarily as a result of a stronger EBITDA. The changes of working capital increased the cash flow from operating activities by HRK 414 million in 2009. The favourable influence of HRK 827 million higher trade creditors and HRK 33 million higher provisions was partly offset by HRK 176 million higher trade debtors, part of which was overdue and HRK 270 million higher value of inventories. The profit tax for 2009 amounted to HRK 25 million.

Net outflows in investing activities amounted to HRK 4,491 million and were HRK 137 million up on 2008. A higher amount of capex mainly related to Syrian projects, North Adriatic and the refinery modernisation programme.

[8] Net debt vs. net debt plus equity including minority interests

Financial instruments and risk management

The most important risks include market risks (the currency risk, the interest rate risk and the price risk), the credit risk and the liquidity risk. The Group used derivative instruments for managing those risks to a very limited extent. The Group does not use derivative financial instruments for speculative purposes.

a) Market risks

Price risks

The Group purchases crude oil mostly through short-term arrangements in US dollars at spot market prices, while the required quantities of gas are purchased at a price denominated in US dollars and adjusted on a quarterly basis in accordance with the formula in the long-term gas supply agreement.

INA is mostly engaged in the sale of refined products and wholesale of natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001), to a large extent hedging the Group from the changes in crude and oil product prices, and the currency risk, enabling refinery products to be reprised every week depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.

The Group dos not use forward contracts to manage its oil and gas price risks.

Currency risk management

While the Group operates home and abroad many company transactions are priced and denominated in foreign currency and is thus exposed to currency risk.

The company 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.

Additionally, the Refined Product Pricing Regulation enables the company to partially transfer the unfavourable movements of exchange rates to domestic products market.

Interest rate risk management

INA Group companies use borrowed funds at both fixed and variable interest rates (mostly variable) and the Group is consequently exposed to the interest rate risk.

Other price risks

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

b) Credit risks

Credit risk is the risk of trade debtors' non-payment, i.e. default on contractual obligations resulting in possible financial loss for the Group. In line with the adopted Credit Risk Management Procedure, INA, d.d. takes care to obtain security instruments wherever possible in order to hedge against possible financial risks and losses arising from defaults on payment and contractual obligations. Debentures, being the prevailing payment security instrument on the Croatian market, are mainly taken as collateral.

There is no significant risk exposure of INA, d.d. that had not been covered by security instruments except that regarding the receivables from government agencies and state-owned companies.

c) Liquidity risks

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.

Crude oil and oil products are imported through INA, d.d. foreign subsidiaries: Interina London and Interina Guersney. In accordance with international practices, crude is purchased by opening irrevocable documentary letters of credit in favour of the suppliers opened at first-class commercial banks, and by using short-term financing (trade financing).

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

INDUSTRIJA NAFTE, d.d.

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 below.

INA parent company HRK mill	Amounts owed from related parties	Amounts owed to related parties
	31 December 2009	31 December 2009
Foreign related companies		
Interina Ltd Guernsey	239	57
Holdina Sarajevo	104	3
Interina d.o.o. Ljubljana	2	-
Interina Ltd London	6	2,153
INA – Crna Gora	8	-
INA - Beograd	5	-
Domestic related companies		
Crosco Grupa	1	42
Osijek Petrol d.d.	96	1
Crobenz d.d. Zagreb	143	1
Proplin d.o.o. Zagreb	90	29
STSI d.o.o. Zagreb	3	212
Maziva Zagreb d.o.o. Zagreb	20	43
ITR d.o.o.	-	41
Sinaco d.o.o.	-	63
Hostin d.o.o.	-	1
Prirodni plin d.o.o.	849	203

INA parent company HRK mill	Revenues from sales of goods and services to related parties	Costs of transactions with related parties
	31 December 2009	31 December 2009
Foreign related companies		
Interina Ltd Guernsey	2,567	-
Holdina Sarajevo	539	-
Interina d.o.o. Ljubljana	16	1
Interina Ltd London	206	-
Adriagas Milano	-	4
INA – Crna Gora	37	-
INA - Beograd	47	-
Domestic related companies		
Crosco Grupa	5	130
Osijek Petrol d.d.	491	-
Crobenz d.d. Zagreb	487	5
Proplin d.o.o. Zagreb	460	85
STSI d.o.o. Zagreb	7	304
Maziva Zagreb d.o.o. Zagreb	59	9
ITR d.o.o.	2	30
Sinaco d.o.o.	2	134
Hostin d.o.o.	-	1
Prirodni plin d.o.o.	1,210	41
Polybit d.o.o.	1	0

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q3 2009[9] HRK mill	Q1-Q3 2009[9] HRK mill	Q4 2009 HRK mill	Q4 2008 HRK mill	Ch.%		2008 HRK mil	2009 HRK mil	Ch.%
					Sales			
1,647	4,730	1,990	2,067	(4)	Exploration & Production – continuing operations	8,273	6,720	(19)
3,667	9,676	3,770	4,170	(10)	Refining & Marketing	19,888	13,446	(32)
1,794	4,445	1,367	1,664	(18)	Retail	8,221	5,812	(29)
231	640	268	468	(43)	Corporate and Other	1,153	908	(21)
(1,953)	(4,752)	(1,786)	(2,443)	(27)	Inter-segment revenue	(10,391)	(6,538)	(37)
5,386	14,739	5,609	5,926	(5)	Sales – continuing operations	27,144	20,348	(25)
273	1,459	508	610	(17)	Exploration & Production – discontinued operations	1,664	1,967	18
5,659	16,198	6,117	6,536	(6)	Total sales	28,808	22,315	(23)
					Operating expenses, net other income from operating activities			
(1,237)	(2,838)	(1,267)	(1,381)	(8)	Exploration & Production – continuing operations	(4,745)	(4,105)	(13)
(3,974)	(10,139)	(3,917)	(5,337)	(27)	Refining & Marketing	(21,154)	(14,056)	(34)
(1,703)	(4,493)	(1,445)	(1,661)	(13)	Retail	(8,319)	(5,938)	(29)
(403)	(1,232)	(511)	(709)	(28)	Corporate and Other	(2,007)	(1,743)	(13)
1,953	4,752	1,786	2,443	(27)	Inter-segment eliminations	10,391	6,538	(37)
(5,364)	(13,950)	(5,354)	(6,645)	(19)	Expenses – continuing operations	(25,834)	(19,304)	(25)
(497)	(2,264)	(731)	(1,173)	(38)	Exploration & Production – discontinued operations	(3,366)	(2,995)	(11)
(5,861)	(16,214)	(6,085)	(7,818)	(22)	Total expenses	(29,200)	(22,299)	(24)
					Profit from operations			
410	1,892	723	686	5	Exploration & Production - continuing operations	3,528	2,615	(26)
(307)	(463)	(147)	(1,167)	(87)	Refining & Marketing	(1,266)	(610)	(52)
91	(48)	(78)	3	n.a.	Retail	(98)	(126)	29
(172)	(592)	(243)	(241)	1	Corporate and Other	(854)	(835)	(2)
22	789	255	(719)	n.a.	Profit/(loss) form operations – continuing operations	1,310	1,044	(20)
(224)	(805)	(223)	(563)	(60)	Exploration & Production – discontinued operations	(1,702)	(1,028)	(40)
(202)	(16)	32	(1,282)	n.a.	Total profit/(loss) form operations	(392)	16	n.a.
					Share in the profit of associate companies			
176	(121)	(281)	(438)	(36)	Net profit/(loss) from financial activities - continuing operations	(780)	(402)	(48)
(18)	(88)	(17)	(4)	325	Net profit/(loss) from financial activities - discontinued operations	(110)	(105)	(5)
158	(209)	(298)	(442)	(33)	Net profit/(loss) from financial activities	(890)	(507)	(43)
198	668	(26)	(1,157)	(98)	Profit/(loss) before taxation - continuing operations	530	642	21
(242)	(893)	(240)	(567)	(58)	Profit/(loss) before taxation - discontinued operations	(1,812)	(1,133)	(37)
(44)	(225)	(266)	(1,724)	(85)	Profit/(loss) before taxation	(1,282)	(491)	(62)
(82)	(81)	(48)	157	n.a.	Income tax - continuing operations	(178)	(129)	(28)
49	179	48	113	(58)	Income tax - discontinued operations	362	227	(37)
(33)	98	0	270	0	Income tax	184	98	(47)
116	587	(74)	(1,000)	(93)	Profit/(loss) for the period - continuing operations	352	513	46
(193)	(714)	(192)	(454)	(58)	Profit/(loss) for the period - discontinued operations	(1,450)	(906)	(38)
(77)	(127)	(266)	(1,454)	(82)	Profit/loss) for the period	(1,098)	(393)	(64)

[9] In Q3 and Q4 of 2009 INA Group has recalculated and recorded impairment losses and provisions, basis for which have incurred during the first half of the year. For the purpose of providing comparable financial data throughout the quarterly periods within 2009, mentioned adjustments were recorded to the relating period, instead of the period when they were identified.

Q3 2009[10]	Q1-Q3 2009[10]	Q4 2009	Q4 2008	Ch. %	Operating Profit Excluding Special Items*	2008	2009	Ch. %
512	1,691	1,046	686	52	Exploration and Production continuing	3,528	2,737	(22)
(224)	(805)	(223)	(563)	(60)	Exploration and Production discontinued	(1,702)	(1,028)	(40)
(263)	(405)	(92)	(1,167)	(92)	Refining and Marketing	(1,266)	(497)	(61)
74	82	(39)	3	n.a.	Retail	(98)	43	n.a.
(172)	(525)	(257)	(241)	7	Corporate and other	(854)	(782)	(8)
(73)	38	435	(1,282)	n.a.	Total	(392)	473	n.a.

Q3 2009	Q1-Q3 2009	Q4 2009	Q4 2008	Ch. %	Depreciation	2008	2009	Ch. %
238	741	210	189	11	Exploration and Production continuing	828	951	15
					Exploration and Production discontinued			
75	220	77	73	5	Refining and Marketing	271	297	10
24	77	31	26	19	Retail	105	108	3
39	122	41	49	(16)	Corporate and other	167	163	(2)
376	1,160	359	337	7	Total	1,371	1,519	11

Q3 2009	Q1-Q3 2009	Q4 2009	Q4 2008	Ch. %	EBITDA *	2008	2009	Ch. %
821	3,168	1,272	1,013	26	Exploration and Production continuing	4,613	4,440	(4)
(172)	(753)	(229)	(545)	(58)	Exploration and Production discontinued	(1,540)	(982)	(36)
(161)	(58)	2	(748)	n.a.	Refining and Marketing	(489)	(56)	(89)
101	170	13	43	(70)	Retail	91	183	101
(135)	(386)	(161)	(176)	(9)	Corporate and other	(651)	(547)	(16)
454	2,141	897	(413)	n.a.	Total	2,024	3,038	50

Q3 2009	Q1-Q3 2009	Q4 2009	Q4 2008	Ch. %	EBITDA Excluding Special Items*	2008	2009	Ch. %
821	2,671	1,272	1,013	26	Exploration and Production continuing	4,613	3,943	(15)
(172)	(753)	(229)	(545)	(58)	Exploration and Production discontinued	(1,540)	(982)	(36)
(161)	(58)	2	(748)	n.a.	Refining and Marketing	(489)	(56)	(89)
101	170	13	43	(70)	Retail	91	183	101
(135)	(386)	(161)	(176)	(9)	Corporate and other	(651)	(547)	(16)
454	1,644	897	(413)	n.a.	Total	2,024	2,541	26

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

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.

[10] Reference 9.

Income Statement
- continuing operations -

Q3 2009[11]	Q1-Q3 2009[11]	Q4 2009	Q4 2008	Ch. %		2008	2009	Ch. %
HRK mill	HRK mill	HRK mill	HRK mill			HRK mil	HRK mil	
					CONTINUING OPERATIONS			
					Income Statement Data			
					Sales revenue			
3,352	9,084	3,145	3,919	(20)	a) Domestic	16,965	12,229	(28)
2,034	5,655	2,464	2,007	23	b) Exports	10,179	8,119	(20)
5,386	14,739	5,609	5,926	(5)	Total sales revenue	27,144	20,348	(25)
24	107	83	377	(78)	Income from own consumption of products and services	677	190	(72)
57	980	379	232	63	Other operating income	638	1,359	113
5,467	15,826	6,071	6,535	(7)	Total operating income	28,459	21,897	(23)
(21)	157	(207)	(326)	(37)	Changes in inventories of finished products and work in progress	(51)	(50)	(2)
(3,090)	(7,691)	(2,770)	(2,601)	6	Cost of raw materials and consumables	(13,765)	(10,461)	(24)
(377)	(1,161)	(358)	(337)	6	Depreciation and amortization	(1,371)	(1,519)	11
(473)	(1,357)	(537)	(857)	(37)	Other material costs	(2,732)	(1,894)	(31)
(279)	(829)	(340)	(480)	(29)	Non-material costs	(1,515)	(1,169)	(23)
(690)	(2,097)	(704)	(795)	(11)	Staff costs	(2,922)	(2,801)	(4)
(288)	(1,115)	(387)	(1,346)	(71)	Cost of other goods sold	(3,910)	(1,502)	(62)
(162)	(697)	(510)	(546)	(7)	Impairment charges (net)	(829)	(1,207)	46
(65)	(247)	(3)	33	n.a.	Provisions for charges and risks	(54)	(250)	363
(5,445)	(15,037)	(5,816)	(7,254)	(20)	Operating expenses	(27,149)	(20,853)	(23)
22	789	255	(719)	n.a.	Profit from operations	1,310	1,044	(20)
					Share in the profit of associated companies			
225	486	(98)	140	n.a.	Finance revenue	411	388	(6)
(49)	(607)	(183)	(578)	(68)	Finance costs	(1,191)	(790)	(34)
176	(121)	(281)	(438)	(36)	Net (loss) / profit from financial activities	(780)	(402)	(48)
198	668	(26)	(1,157)	(98)	Profit for the year before taxation	530	642	21
(82)	(81)	(48)	157	n.a.	Income tax	(178)	(129)	(28)
116	587	(74)	(1,000)	(93)	Profit / (Loss) for the year	352	513	46
					DISCONTINUED OPERATIONS			
(193)	(714)	(192)	(454)	(58)	Profit / (loss) for the year – discontinued operations	(1,450)	(906)	(38)
(77)	(127)	(266)	(1,454)	(82)	Profit / (loss) for the year	(1,098)	(393)	(64)
					Attributable to			
(78)	(128)	(263)	(1,454)	(82)	Equity holder	(1,099)	(390)	(65)
1	1	(3)	0	0	Minority interest	1	(3)	n.a.
(77)	(127)	(266)	(1,454)	(82)		(1,098)	(393)	(64)
					Earning/(loss) per share (in HRK)			
(7.8)	(12.8)	26.3	(145.4)	n.a.	Basic and diluted earnings/(loss) per share (kuna per share) from continuing and discontinued operations	(109.9)	(39.0)	(65)
11.5	58.6	(7.1)	(100.0)	(93)	Basic and diluted earnings per share (kuna per share) from continuing operations	35.1	51.6	47

INA Group Condensed Consolidated Statement of comprehensive Income

Q3 2009	Q1-Q3 2009	Q4 2009	Q4 2008			2008	2009	
HRK mill	HRK mill	HRK mill	HRK mill	Ch. %		HRK mill	HRK mill	Ch. %
(77)	(127)	(266)	(1,454)	(82)	Profit/(loss) for the year	(1,098)	(393)	(64)
					Other comprehensive income:			
(14)	(15)	19	4	375	Exchange differences arising from foreign operations	6	4	(33)
47	114	31	(133)	n.a.	Gains on available-for-sale investments, net	(364)	145	n.a.
33	99	50	(129)	n.a.	Ohter comprehensive income/(loss), net	(358)	149	n.a.
(44)	(28)	(216)	(1,583)	(86)	Total comprehensive income/(loss) for the year	(1,456)	(244)	(83)
					Attributable to:			
(45)	(29)	(213)	(1.584)	(87)	Owners of the Company	(1,457)	(241)	(83)
1	1	(3)	1	(400)	Non- controlling interests	1	(3)	n.a.

[11] Reference 9.

INDUSTRIJA NAFTE, d.d.

Income Statement
- discontinued operations -

Q3 2009[12] HRK mill	Q1-Q3 2009[12] HRK mill	Q4 2009 HRK mill	Q4 2008 HRK mill	Ch. %		2008 HRK mill	2009 HRK mill	Ch. %
					DISCONTINUED OPERATIONS			
					Income Statement Data			
					Sales revenue			
273	1,459	508	609	(17)	a) Domestic	1,619	1,967	21
					b) Exports	45		
273	1,459	508	609	(17)	Total sales revenue	1,664	1,967	18
					Income from own consumption of products and services			
	64	7			Other operating income		71	
273	1,523	515	609	(15)	Total operating income	1,664	2,038	22
					Changes in inventories of finished products and work in progress			
					Cost of raw materials and consumables			
					Depreciation and amortization			
(39)	(322)	(40)	(100)	(60)	Other material costs	(343)	(362)	6
(0)	(0)	(3)	2	n.a.	Non-material costs	(3)	(3)	0
(1)	(4)	(2)	(1)	0	Staff costs	(5)	(6)	20
(405)	(1,950)	(699)	(1,054)	(34)	Cost of other goods sold	(2,853)	(2,649)	(7)
(52)	(52)	6	(19)	n.a.	Impairment charges (net)	(162)	(46)	(72)
	0				Provisions for charges and risks			
(497)	(2,328)	(738)	(1,172)	(37)	Operating expenses	(3,366)	(3,066)	(9)
(224)	(805)	(223)	(563)	(60)	Profit from operations	(1,702)	(1,028)	(40)
					Share in the profit of associated companies			
			6		Finance revenue			
(18)	(88)	(17)	(10)	70	Finance costs	(110)	(105)	(5)
(18)	(88)	(17)	(4)	325	Net (loss) / profit from financial activities	(110)	(105)	(5)
(242)	(893)	(240)	(567)	(58)	Profit for the year before taxation	(1,812)	(1,133)	(37)
49	179	48	113	(58)	Deferred tax	362	227	(37)
(193)	(714)	(192)	(454)	(58)	Profit / (Loss) for the year - discontinued operations	(1,450)	(906)	(38)

[12] Reference 9.

INDUSTRIJA NAFTE, d.d.

Consolidated Balance Sheet

	1 Jan 2008	31 Dec 2008	31 Dec 2009	Ch. %
	HRK mill	HRK mill	HRK mill	31 Dec 09/31 Dec 08
Assets				
Non-current assets				
Intangible assets	630	664	732	10
Property, plant and equipment	14,441	17,149	20,339	19
Goodwill	163	197	296	50
Investments in associates and joint ventures	124	76	68	(11)
Investments in other companies	62	83	138	66
Long-term receivables	658	552	386	(30)
Derivative financial instruments	226	78		
Deferred tax	37	341	433	27
Available for sale assets	656	201	397	98
Total non-current assets	16,997	19,341	22,789	18
Current assets				
Inventories	3,123	2,390	2,888	21
Trade receivables net	3,072	2,914	2,929	1
Other receivables	674	719	807	12
Derivative financial instruments	97	106	56	(47)
Other current assets	50	38	31	(18)
Prepayments and advances	183	167	76	(54)
Cash with bank and in hand	720	579	367	(37)
Available for sale assets		359	92	(74)
Total current assets	7,919	7,272	7,246	0
Total assets	24,916	26,613	30,035	13
Equity and liabilities				
Capital and reserves				
Share capital	9,000	9,000	9,000	0
Revaluation reserve	229	(135)	10	(107)
Other reserves	2,301	2,307	2,311	0
Retained earnings / (Deficit)	2,104	855	465	(46)
Equity attributable to equity holder of the parent	13,634	12,027	11,786	(2)
Minority interests	9	10	7	(30)
Total equity	13,643	12,037	11,793	(2)
Non-current liabilities				
Long-term loans	3,130	4,554	5,764	27
Other non-current liabilities	144	138	139	1
Employee benefits obligation	91	107	126	18
Long-term provisions	1,406	1,380	2,588	88
Total non-current liabilities	4,771	6,179	8,617	39
Current liabilities				
Bank loans and overdrafts	1,664	2,492	2,104	(16)
Current portion of long-term debt	129	98	655	568
Accounts payable	3,532	3,815	4,283	12
Taxes and contributions	648	1,211	1,772	46
Other short-term liabilities	269	342	414	21
Accruals and deferred income	198	237	164	(31)
Employee benefits obligation	15	17	17	0
Short-term provisions	47	185	216	17
Total current liabilities	6,502	8,397	9,625	15
Total liabilities	11,273	14,576	18,242	25
Total equity and liabilities	24,916	26,613	30,035	13

INDUSTRIJA NAFTE, d.d.

Capital Expenditure

Q3 2009	Q1-Q3 2009	Q4 2009	Q4 2008	Ch. %	Capital Expenditures	2008	2009	Ch. %
954	2,597	442	761	(41.9)	Exploration and Production	2,552	3,039	19.1
289	818	549	692	(20.7)	Refining and Marketing	1,571	1,367	(13.0)
5	20	16	36	(55.6)	Retail	143	36	(74.8)
6	42	9	45	(80.0)	Corporate and other	105	51	(51.4)
1,254	3,477	1,016	1,534	(33.8)	Total	4,371	4,493	3.8

Q3 2009	Q1-Q3 2009	Q4 2009	Q4 2008	Ch. %	Capital Expenditure - Tangible Assets	31/12/2008	31/12/2009	Ch. %
861	2,443	460	656	(29.9)	Exploration and Production	2,273	2,903	27,7
289	817	548	692	(20.8)	Refining and Marketing	1,567	1,365	(12.9)
5	19	16	36	(55.6)	Retail	142	35	(75.4)
4	32	4	37	(89.2)	Corporate and other	97	36	(62.9)
1,159	3,311	1,028	1,421	(27.7)	Total	4,079	4,339	6.4

INDUSTRIJA NAFTE, d.d.

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 31 December 2008 and 2009

(All amounts in HRK millions)

Q3 2009	Q4 2009	Q4 2008	Ch. %		2008	2009	Ch. %
(674)	(226)	(1,454)	(84)	Profit for the year	(1,098)	(393)	(64)
	0	0		Adjustments for:			
376	359	337	7	Depreciation and amortisation of non-current assets	1,371	1,519	11
(108)	10	(269)	n.a.	Income tax expenses recognized in profit	(184)	(98)	(47)
479	580	565	3	Impairment charges (net)	991	1,253	26
(1)	0	(1)	n.a.	Gain on sale of property plant and equipment	(10)	(10)	0
0	0	0	0	Gain on sale of shares or stakes			
(307)	132	303	(56)	Foreign exchange loss/(gain)	409	(78)	(119)
119	129	118	9	Interest expense (net)	330	436	32
25	37	32	16	Other financial expenses/(income)	152	149	(2)
251	(388)	(117)	232	Change in provision for charges and risks and other non-cash items	(171)	(206)	20
160	633	(487)	n.a.	Operating cash flow before working capital changes	1,790	2,572	44
				Movements in working capital			
(364)	458	1,782	(74)	(Increase)/decrease in inventories	(186)	(270)	45
193	111	908	(88)	(Increase)/decrease in receivables and prepayments	269	(176)	(165)
288	(415)	734	n.a.	Increase/(decrease) in trade and other payables	726	827	14
303	148	117	26	Increase/(decrease) in provisions	163	33	(80)
580	935	3,054	(69)	Cash generated from operations	2,762	2,986	8
(7)	0	(17)	n.a.	Taxes paid	(133)	(25)	(81)
573	935	3,038	(69)	Net cash inflow from operating activities	2,629	2,961	13
				Cash flows used in investing activities			
(1,159)	(1,268)	(1,421)	(11)	Payments for property, plant and equipment	(4,079)	(4,579)	12
(95)	11	(113)	n.a.	Payments for intangible assets	(292)	(155)	(47)
0	0	(14)	n.a.	Proceeds from sale of non-current assets		15	0
(101)	(1)	0	0	Purchase of investments in associates and joint ventures and other companies		(102)	0
0	0	2	n.a.	Dividends received from companies classified under available for sale and other companies	2	3	50
0	0	0	0	Interest received			0
3	387	40	868	Investments and loans to third parties, net	15	327	n.a.
(1,352)	(871)	(1,506)	(42)	Net cash (outflow) from investing activities	(4,354)	(4,491)	3
				Cash flows from/(used in) financing activities			
1	1,075	270	298	Additional long-term borrowings	1,331	2,044	54
(49)	(15)	(19)	(21)	Repayment of long-term borrowings	(112)	(120)	7
2,937	1,809	1,278	42	Additional short-term borrowings	15,853	8,705	(45)
(1,993)	(3,066)	(2,740)	12	Repayment of short-term borrowings	(15,046)	(9,127)	(39)
(9)	1	(52)	n.a.	Interest paid on long-term loans	(150)	(70)	(53)
(2)	2	(2)	n.a.	Other long-term liabilities, net	(6)	(8)	33
0	0	0	0	Dividends paid	(150)		(100)
(27)	(34)	(67)	(49)	Interest paid on short term loans and other financing charges	(135)	(103)	(24)
858	(228)	(1,332)	(83)	Net cash inflow/(outflow) from financing activities	1,585	1,321	(17)
79	(164)	200	n.a.	Net (decrease)/increase in cash and cash equivalents	(140)	(209)	49
443	527	387	36	At beginning of period	720	579	(20)
5	4	(7)	n.a.	Effect of foreign exchange rate changes	(1)	(3)	200
527	367	580	(37)	At the end of period	579	367	(37)

INDUSTRIJA NAFTE, d.d.

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 December 2008 and 2009
(All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Otherr reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2008	9,000	2,301	229	2,104	13,634	9	13,643
Profit / loss for the year	0	0	0	(1,099)	(1,099)	1	(1,098)
Other comprehensive income, net	0	6	(364)	0	(358)	0	(358)
Total comprehensive income for the year	0	6	(364)	(1,099)	(1,457)	1	(1,456)
Dividends payable	0	0	0	(150)	(150)	0	(150)
Balance as at 31 December 2008	9,000	2,307	(135)	855	12,027	10	12,037

	Share capital	Otherr reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2009	9,000	2,307	(135)	855	12,027	10	12,037
Profit / loss for the year	0	0	0	(390)	(390)	(3)	(393)
Other comprehensive income, net	0	4	145	0	149	0	149
Total comprehensive income for the year	0	4	145	(390)	(241)	(3)	(244)
Balance as at 31 December 2008	9,000	2,311	10	465	11,786	7	11,793

INDUSTRIJA NAFTE, d.d.

Announcements in 2009

February 05,2010	Response to Zagreb Stock Exchange query
January 19,2010	Announcement
January 18,2010	Natural gas price
December 30,2009	Management Board meeting held
December 28,2009	INA - INDUSTRIJA NAFTE, d.d. – Extraordinary Shareholders' assembly held
December 28,2009	Supervisory Board meeting held
December 22,2009	INA covered HRK 1.05 billion of debt to the state
December 22,2009	Response to Zagreb Stock Exchange query
December 17,2009	MOL Plc and the Croatian government signed the Amendment to the Gas Master Agreement
November 23,2009	Extension of term for submission
November 20,2009	Commencement of gas production on the Annamaria field
November 20,2009	Extraordinary Shareholders' Assembly on 28 December 2009
November 19,2009	Proposition to the Company's General Assembly that Supervisory Board
November 12,2009	INA-INDUSTRIJA NAFTE, d.d. – Sale process announcement
October 30,2009	Consolidated financial statements for the period ending 30 September 2009
October 15 2009	INA d.d. Announcement
September 22 2009	Supervisory Board meeting held
October 14 2009	Semmiannual result report 2009, unaudited, consolidated
June 16 2009	Resolution of the Croatian Competition Agency
June 10 2009	Management and Supervisory Board meetings held
June 10 2009	INA - INDUSTRIJA NAFTE, d.d. – Annual General Meeting held
May 25 2009	New Discovery On East Yidma Concession – Western Desert - Egypt
May 15 2009	Consolidated financial statements for the period ended 31 March 2009
May 13 2009	INA - CODE OF CORPORATE GOVERNANCE
May 13 2009	Notice of Results and a conference call
May 05 2009	Proposal of the Articles of Association of INA-INDUSTRIJA NAFTE d.d.
May 04 2009	General Shareholders' Assembly - June 10th 2009
April 15 2009	INA - INDUSTRIJA NAFTE, d.d. to participate in the investor conference
March 27 2009	MB and SB resolutions on 2008 Accounts
March 27 2009	Consolidated financial statements for the period ended 31 December 2008
March 24 2009	MB and SB meetings/2008 Flash Report release announced
February 27 2009	INA Group unaudited consolidated result for the year ending 31 December 2008
January 30 2009	INA SIGNS AGREEMENT ON SALE OF GAS STORAGE COMPANY
January 30 2009	Government of the Republic of Croatia and INA

Main external parameters

Q3 2009	Q4 2009	Q4 2008	Ch. %		2008	2009	Ch. %
68.27	74.56	55.47	34.4	Brent dated (USD/bbl)	97.26	61.67	(36.6)
634.14	663.90	470.34	41.2	Premium unleaded gasoline 50 ppm (USD/t)*	832.93	571.33	(31.4)
557.28	606.45	596.38	1.7	Gas oil – EN590 50 ppm (USD/t)*	933.72	522.13	(44.1)
398.09	433.25	243.12	78.2	Fuel oil 3.5% (USD/t)*	455.43	345.29	(24.2)
117.68	99.85	51.54	93.7	Crack spread – premium unleaded gasoline 50 ppm(USD/t)*	98.62	104.80	6.3
40.81	42.41	177.58	(76.1)	Crack spread – gas oil EN590 50 ppm(USD/t)*	199.41	55.60	(72.1)
(118.37)	(130.80)	(175.68)	(25.5)	Crack spread - fuel oil 3.5% (USD/t)*	(278.88)	(121.24)	(56.5)
5.1235	4.9194	5.4374	(9.5)	HRK/USD average	4.9330	5.2804	7.0
4.9995	5.0893	5.1555	(1.3)	HRK/USD closing	5.1555	5.0893	(1.3)
7.3188	7.2734	7.1673	1.5	HRK/EUR average	7.2234	7.3394	1.6
7.2883	7.3062	7.3244	(0.2)	HRK/EUR closing	7.3244	7.3062	(0.2)
0.41	0.28	2.86	(90.2)	3m USD LIBOR (%)	2.93	0.69	(76.5)
0.87	0.72	4.44	(83.8)	3m EURIBOR (%)	4.64	1.22	(73.7)

** FOB Mediterranean*

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 March 09	30 June 09	30 Sept 09	31 Dec 09
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,715,538	4,715,538
Government of the Republic of Croatia	5,180,367	4,484,918	4,483,552	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	800,910	800,910
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Changes in organisation, Management Board or Supervisory Board

Supervisory board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on 28 December 2009 Damir Polančec and Vesna Orlandini were recalled and Ivan Šuker and Božidar Pankretić, were appointed supervisory board members. At a meeting held on 28 December 2009, the Supervisory Board of INA-INDUSTRIJA NAFTE, d.d. Zagreb elected Mr Ivan Šuker chairman of the Supervisory Board.

Management board

At meeting held on 29 December 2009 the Management Board of INA – INDUSTRIJA NAFTE, d.d. made a unanimous decision on changes within the Executive Board, and on increase in number of Executive directors from six to seven. Mr Zalán Bács left the duty of the Executive Director for Refining and Marketing as of 31 Dec 2009. Mr Peter Chmurčiak was relieved of duty of the Chief Financial Officer as of 31 Dec 2009 and appointed Executive Director for Refining and Marketing as of 01 Jan 2010. Mr András Huszár was appointed Chief Financial Officer as of 01 Jan 2010. At the same meeting Mr. Berislav Gašo was appointed Executive Director of the Corporate Centre business function, as of 01 Jan 2010. Executive Director for Corporate Services, Mr Darko Markotić, Executive Director for Corporate Processes Mr. Tomislav Thür and Executive Director for Retail Mr. László Bartha remained on the same positions. Also Mr. Bojan Milković remained the Executive director for Exploration and Production and Chief Executive Officer.

Management representation

INA Group's consolidated financial statements for 2009 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

László Geszti,	President of INA, d.d. Board
Lajos Alács,	Member
Tomislav Dragičević,	Member
Attila István Holoda,	Member
Josip Petrović,	Member
Dubravko Tkalčić,	Member

INA Group
Interim Financial Statements with Notes for the period ended 31 December 2009

Finance Function
Accounting and Tax Sector

Contents

INA - INDUSTRIJA NAFTE d.d. ZAGREB

INA Group Condensed Consolidated Income Statement

For the nine months ended 31 December 2009

(all amounts in HRK millions)

(unaudited)

Continuing operation	**Notes**	**Cumulative** 31 December 2009	**Cumulative** 31 December 2008	**Fourth Quarter** 31 December 2009	**Fourth Quarter** 31 December 2008
Sales revenue					
a) domestic		12,229	16,965	3,145	3,919
b) exports		8,119	10,179	2,464	2,007
Total sales revenue	4	**20,348**	**27,144**	**5,609**	**5,926**
Income from own consumption of products and services		190	677	83	377
Other operating income		1,359	638	379	232
Total operating income		**21,897**	**28,459**	**6,071**	**6,535**
Changes in inventories of finished products and work in progress		(50)	(51)	(207)	(326)
Cost of raw materials and consumables	5	(10,461)	(13,765)	(2,770)	(2,601)
Depreciation and amortisation		(1,519)	(1,371)	(358)	(337)
Other material costs		(1,894)	(2,732)	(537)	(856)
Service costs		(1,169)	(1,515)	(340)	(480)
Staff costs		(2,801)	(2,922)	(704)	(795)
Cost of other goods sold		(1,502)	(3,910)	(387)	(1,346)
Impairment and charges		(1,207)	(829)	(510)	(546)
Provision for charges and risks (net)		(250)	(54)	(3)	33
Operating expenses		**(20,853)**	**(27,149)**	**(5,816)**	**(7,254)**
Profit from operations		**1,044**	**1,310**	**255**	**(719)**
Finance income		388	411	(98)	140
Finance costs		(790)	(1,191)	(183)	(578)
Net loss from financial activities		**(402)**	**(780)**	**(281)**	**(438)**
Profit before tax		**642**	**530**	**(26)**	**(1,157)**
Income tax expense	6	(129)	(178)	(48)	157
Profit for the year from continuing operation		**513**	**352**	**(74)**	**(1,000)**
Discontinued operation					
Loss for the year from discontinued operation		(906)	(1,450)	(192)	(454)
Loss for the year		**(393)**	**(1,098)**	**(266)**	**(1,454)**

INA Group Condensed Consolidated Income Statement

For the nine months ended 31 December 2009

(all amounts in HRK millions)

(unaudited)

		Cumulative		Fourth Quarter	
	Notes	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
Attributable to:					
Owners of the Company		**(390)**	**(1,099)**	**(263)**	**(1,454)**
Non-controling interests		(3)	1	(3)	-
		(393)	**(1,098)**	**(266)**	**(1,454)**
Loss per share					
Basic and diluted loss per share (kuna per share) from continuing and discontinued operations	7	(39.0)	(109.9)	(26.3)	(145.4)
Basic and diluted earnings per share (kuna per share) from continuing operations	7	51.6	35.1	(7.1)	(100.0)

INA Group Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 31 December 2009

(all amounts in HRK millions)

(unaudited)

		Cumulative		Fourth Quarter	
	Notes	31 December 2009	31 December 2008	31 December 2009	31 December 2008
(Loss)/ profit for the year		**(393)**	**(1,098)**	**(266)**	**(1,454)**
Other comprehensive income:					
Exchange differences arising from foreign operations		4	6	19	4
Gains on available-for-sale investments,net		145	(364)	31	(133)
Other comprehensive income/(loss), net		**149**	**(358)**	**50**	**(129)**
Total comprehensive (loss)/ income for the year		**(244)**	**(1,456)**	**(216)**	**(1,583)**
Attributable to:					
Owners of the Company		(241)	(1,457)	(213)	(1,583)
Non-controling interests		(3)	1	(3)	-

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

INA Group Condensed Consolidated Balance Sheet

At 31 December 2009

(all amounts in HRK millions)

(unaudited)

ASSETS	**Notes**	**31 December 2009**	**31 December 2008**	**1 January 2008**
Non-current assets				
Intangible assets	8	732	664	630
Property, plant and equipment	9	20,339	17,149	14,441
Goodwill	10	296	197	163
Investments in associates and joint ventures		68	76	124
Other investments	11	138	83	62
Long-term receivables		386	552	658
Derivative financial instruments		-	78	226
Deferred tax		433	341	37
Available for sale assets		397	201	656
Total non – current assets		**22,789**	**19,341**	**16,997**
Current assets				
Inventories		2,888	2,390	3,123
Trade receivables, net	12	2,929	2,914	3,072
Other receivables		807	719	674
Derivative financial instruments		56	106	97
Other current assets		31	38	50
Prepaid expenses and accrued income		76	167	183
Cash and cash equivalents		367	579	720
		7,154	**6,913**	**7,919**
Assets classified as held for sale		92	359	-
Total current assets		**7,246**	**7,272**	**7,919**
TOTAL ASSETS		**30,035**	**26,613**	**24,916**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Balance Sheet.

INA Group Condensed Consolidated Balance Sheet

At 31 December 2009

(all amounts in HRK millions)

(unaudited)

EQUITY AND LIABILITIES	Notes	31 December 2009	31 December 2008	1 January 2008
Capital and reserves				
Share capital	13	9,000	9,000	9,000
Revaluation reserve	14	10	(135)	229
Other reserves		2,311	2,307	2,301
Retained earnings	15	465	855	2,104
Equity attributable to equity holders of the parent		**11,786**	**12,027**	**13,634**
Minority interest		7	10	9
TOTAL EQUITY		**11,793**	**12,037**	**13,643**
Non – current liabilities				
Long-term loans	16	5,764	4,554	3,130
Other non-current liabilities		139	138	144
Employee benefit obligation		126	107	91
Provisions	17	2,588	1,380	1,406
Total non–current liabilities		**8,617**	**6,179**	**4,771**
Current liabilities				
Bank loans and overdrafts	18	2,104	2,492	1,664
Current portion of long-term loans		655	98	129
Trade payables	19	4,283	3,815	3,532
Taxes and contributions	19	1,772	1,211	648
Other current liabilities	19	414	342	269
Accruals and deferred income		164	237	198
Employee benefit obligation		17	17	15
Provisions	17	216	185	47
Total current liabilities		**9,625**	**8,397**	**6,502**
TOTAL LIABILITIES		**18,242**	**14,576**	**11,273**
TOTAL EQUITY AND LIABILITIES		**30,035**	**26,613**	**24,916**

The accompanying accounting policies and notes form an integral part of this Condensed Consolidated Balance Sheet.

INA Group Condensed Consolidated Statement of Changes in Equity

For the twelve months ended 31 December 2009

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2008	**9,000**	**2,301**	**229**	**2,104**	**13,634**	**9**	**13,643**
Loss for the year	-	-	-	(1,099)	(1,099)	1	(1,098)
Other comprehensive loss, net	-	6	(364)	-	(358)	-	(358)
Total comprehensive loss for the year	-	6	(364)	(1,099)	(1,457)	1	(1,456)
Dividents paid	-	-	-	(150)	(150)	-	(150)
Balance at 31 December 2008	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Balance at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Loss for the year	-	-	-	(390)	(390)	(3)	(393)
Other comprehensive income, net	-	4	145	-	149	-	149
Total comprehensive loss for the year	-	4	145	(390)	(241)	(3)	(244)
Balance at 31 December 2009	**9,000**	**2,311**	**10**	**465**	**11,786**	**7**	**11,793**

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

INA Group Condensed Consolidated Cash Flow Statement

For the twelve months ended 31 December 2009

(all amounts in HRK millions)

(unaudited)

	Notes	31 December 2009	31 December 2008
(Loss)/profit for the year		**(393)**	**(1,098)**
Adjustments for:		-	-
Depreciation and amortisation		1,519	1,371
Income tax (benefit)/expense recognized in (loss)/profit		(98)	(184)
Impairment charges (net)		1,253	991
Gain on sale of property, plant and equipment		(10)	(10)
Foreign exchange loss/(gain)		(78)	409
Interest expense (net)		436	330
Other finance expense recognised in profit		149	152
Change in provision for charges and risks and other non-cash items		(206)	(171)
		2,572	**1,790**
Movements in working capital			
(Increase) decrease in inventories		(270)	(186)
(Increase) decrease in receivables and prepayments		(176)	269
Increase (decrease) in trade and other payables		827	726
Decrease (increase) in provisions		33	163
Cash generated from operations		**2,986**	**2,762**
Taxes paid		(25)	(133)
Net cash inflow from operating activities		**2,961**	**2,629**
Cash flows used in investing activities			
Payments for property, plant and equipment		(4,579)	(4,079)
Payments for intangible assets		(155)	(292)
Proceeds from sale of non-current assets		15	-
Acquisition of Drill Trans Group		(102)	-
Dividends received from companies classified as available for sale and from other companies		3	2
Investments and loans to third parties, net		327	15
Net cash used for investing activities		**(4,491)**	**(4,354)**

INA Group Condensed Consolidated Cash Flow Statement

For the twelve months ended 31 December 2009

(all amounts in HRK millions)

(unaudited)

	Notes	31 December 2009	31 December 2008
Cash flows from financing activities			
Additional long-term borrowings		2,044	1,331
Repayment of long-term borrowings		(120)	(112)
Additional short-term borrowings		8,705	15,853
Repayment of short-term borrowings		(9,127)	(15,046)
Interest paid on long-term loans		(70)	(150)
Other long-term liabilities, net		(8)	(6)
Dividends paid		-	(150)
Interest paid on short-term loans and other financing charges		(103)	(135)
Net cash from financing activities		**1,321**	**1,585**
Net increase in cash and cash equivalents		**(209)**	**(140)**
At 1 January		579	720
Effect of foreign exchange rate changes		(3)	(1)
At 31 December		**367**	**579**

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 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 01 January 2009. 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 2008.

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:

- **IFRS 8 "Operating Segments**" (effective for annual periods beginning on or after 1 January 2009),
- Amendments to **IFRS 4** "**Insurance contracts**" and **IFRS 7 "Financial Instruments: Disclosures"** - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009),
- Amendments to **IFRS 1** "**First-time Adoption of IFRS**" and **IAS 27** "**Consolidated and Separate Financial Statements**" – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009),
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009),
- Amendments to **IAS 32** "**Financial Instruments: Presentation**" and **IAS 1** "**Presentation of Financial Statements**" – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations effective in the current period (continued)

- **IAS 1** (revised) "**Presentation of Financial Statements**" – A revised presentation (effective for annual periods beginning on or after 1 January 2009),
- **IAS 23** (revised) "**Borrowing Costs**" (effective for annual periods beginning on or after 1 January 2009),
- **IFRS 3** (revised) "**Business Combinations**" (effective for annual periods beginning on or after 1 July 2009),
- Amendments to **IFRS 2 "Share-based Payment"** – Vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009),
- Amendments to **IFRIC 9 "Reassessment of Embedded Derivatives"** and **IAS 39 "Financial Instruments: Recognition and Measurement"** - Embedded Derivatives (effective for annual periods ending on or after 30 June 2009),
- **IFRIC 13 "Customer Loyalty Programmes"** (effective for annual periods beginning on or after 1 July 2008),
- **IFRIC 15 "Agreements for the Construction of Real Estate"** (effective for annual periods beginning on or after 1 January 2009),
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"** (effective for annual periods beginning on or after 1 October 2008),

Adoption of those interpretations did not cause changes in Accounting policies of the Company.

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"** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 1 (revised) "First-time Adoption of IFRS"** (effective for annual periods beginning on or after 1 July 2009),
- Amendments to **IFRS 1 "First-time Adoption of IFRS"-** Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- Amendments to **IFRS 1 "First-time Adoption of IFRS"-** Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- Amendments to **IFRS 2 "Share-based Payment"** - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 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 27 "Consolidated and Separate Financial Statements"** (effective for annual periods beginning on or after 1 July 2009),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations in issue not yet adopted

- Amendments to **IAS 32 "Financial Instruments: Presentation"** – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010.)
- Amendments to **IAS 39 "Financial Instruments: Recognition and Measurement"** - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009.),
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010.),
- 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 17 "Distributions of Non-Cash Assets to Owners"** (effective for annual periods beginning on or after 1 July 2009.),
- **IFRIC 18 "Transfers of Assets from Customers"** (effective for transfer of assets from customers received on or after 1 July 2009.),
- **IFRIC 19 "Extinguishing Liabilities with Equity Instruments"** (effective for annual periods beginning on or after 1 July 2010.).

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

(all amounts in HRK millions)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Reclassification of prepayments

In 2009 INA Group reclassified prepayments from position Intangible assets and Property, plant and equipment to position Long-term receivables. The effects of reclassification are as follows:

	INA Grupa	
	31 December 2008	**1 January 2008**
Prepayments in intangible assets	(16)	(31)
Prepayments in tangible assets	(370)	(450)
Long term receivables	386	481
Total	-	-

Change of strategic customers estimation

The INA Group has changed its accounting estimate of collectability of receivables for goods sold or services rendered. Accordingly, bad and doubtful receivables from strategic customers are subject to an individual review, based on the collectability assessed by responsible persons of each Business Segment. All other short-term debtors not covered by a decision of responsible persons are provided for to the extent of the amount outstanding beyond 120 days from the due date. The effects of the changes in accounting estimates are as follows:

		INA Grupa	
	Over 120	**Impairments**	**Difference**
Strategic customers	208	221	(13)
Total	**208**	**221**	**(13)**

4. SEGMENT INFORMATION

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

- Exploration end 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 2009	Continuing operation: Exploration and production	Continuing operation: Refining and marketing	Continuing operation: Retail	Continuing operation: Corporate and other	Continuing operation: Elimination	Continuing operation: Total	Discontinued operation: Exploration and production	Consolidated
Sales to external customers	4,963	9,222	5,802	361	-	20,348	1,967	22,315
Inter-segment sales	1,757	4,224	10	547	(6,538)	-	-	-
Total revenue	**6,720**	**13,446**	**5,812**	**908**	**(6,538)**	**20,348**	**1,967**	**22,315**
Operating expenses, net of other operating income	(4,105)	(14,056)	(5,938)	(1,743)	6,538	(19,304)	(2,995)	(22,299)
Profit/(loss) from operations net of other income	**2,615**	**(610)**	**(126)**	**(835)**		**1,044**	**(1,028)**	**16**
Net finance income						(402)	(105)	(507)
Profit/(loss) before tax						642	(1,133)	(491)
Income tax expense/(benefit)						(129)	227	98
Profit/(loss) for the year						**513**	**(906)**	**(393)**

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

Assets and liabilities by operative segments follows below:

INA Group

31 December 2009 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	12,866	5,896	910	667	-	20,339
Intangible assets	553	10	9	160	-	732
Investments in associates and joint ventures	57	11	-	-	-	68
Inventories	803	1,974	63	48	-	2,888
Trade receivables, net	1,279	1,271	296	469	(386)	2,929
Not allocated assets						3,079
Total assets						**30,035**
Trade payables	1,275	2,623	286	485	(386)	4,283
Not allocated liabilities						13,959
Total liabilities						**18,242**
Other segment information						
Capital expenditure:	**3,039**	**1,367**	**36**	**51**	-	**4,493**
Property, plant and equipment	2,903	1,365	35	36	-	4,339
Intangible assets	136	2	1	15	-	154
Depreciation and amortisation	**1,506**	**412**	**274**	**164**	-	**2,356**
From this: Impairment losses recognized in profit and loss	556	113	168	-	-	837

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group

31 December 2008 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	10,222	4,936	1,239	752	-	17,149
Intangible assets	420	12	15	217	-	664
Investments in associates and joint ventures	57	19	-	-	-	76
Inventories	380	1,849	108	53	-	2,390
Trade receivables, net	1,351	1,250	316	643	(646)	2,914
Not allocated assets						3,420
Total assets						**26,613**
Trade payables	2,105	1,532	236	594	(652)	3,815
Not allocated liabilities						10,761
Total liabilities						**14,576**
Other segment information						
Capital expenditure:	**2,552**	**1,571**	**143**	**105**	**-**	**4,371**
Property, plant and equipment	2,273	1,567	142	97	-	4,079
Intangible assets	279	4	1	8	-	292
Depreciation and amortisation	955	291	131	167	-	1,544
From this: Impairment losses recognized in profit and loss	123	25	25	-	-	173

(all amounts in HRK millions)

4. SEGMENT INFORMATION (continued)

INA Group
Continuing operation

	Revenues from external customers	
	2009	**2008**
Republic of Croatia	12,229	16,965
Bosnia and Herzegovina	1,599	3,254
Switzerland	1,905	904
Other countries	4,615	6,021
	20,348	**27,144**

Discontinued operations

	Revenues from external customers	
	2009	**2008**
Republic of Croatia	1,967	1,619
Other countries	-	45
	1,967	**1,664**

Information about major customers

Revenues from one customer of Group represent in 2009 year approximately HRK 1,753 billion , and in 2008 year HRK 2,391 billion.

5. COST OF RAW MATERIALS AND CONSUMABLES

In 2009, the costs of raw materials and consumables amounted to HRK 10,461 million and they were 24% down on 2008. The cost of refined imported crude accounting for 88% of these costs was 27% down on the same 2008 period because of 35% lower average price of refined imported crude (the average FOB price of Brent on the world market was 36,6% lower) and 12% higher refined volume.
In fourth quarter the costs of raw materials and consumables amounted to HRK 2,770 million and they were HRK 169 million higher in comparison with the same period previous year because of higher crude prices and higher refining of imported crude.

6. 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 2009 and 20% for the period ending 31 December 2008.

7. EARNINGS PER SHARE

Continued and discontinued operation

	31 December 2009	31 December 2008
Basic and diluted earnings per share (in HRK)	**(39.0)**	**(109.9)**

Earnings

	31 December 2009	31 December 2008
Earnings used in the calculation of total basic earnings per share (profit for the period attributable to equity holders of the parent) from continued and discontinued operation	**(390)**	**(1,099)**
	(390)	**(1,099)**

Number of shares

	31 December 2009	31 December 2008
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

From continued operation

	31 December 2009	31 December 2008
Basic and diluted earnings per share (in HRK)	51.6	35.1

Earnings

	31 December 2009	31 December 2008
Profit for the period attributable to equity holders of the parent	(390)	(1,099)
Less:		
Loss/profit for the year from discontinued operation	(906)	(1,450)
Earnings for calculation basic earnings per share (kuna per share) from continuing operations	**516**	**351**

(all amounts in HRK millions)

8. INTANGIBLE ASSETS

In the period ending 31 December 2009, the Group invested HRK 155 million in intangible assets. The effect of depreciation on the decrease of their book value amounted to HRK 85 million. The decrease charged against the income statement amounted to HRK one million, and the amount brought forward from non-current assets was also one million. HRK 2 million was transfered from Property, plant and equipment to Assets classified as held for sale and is relating to Retail segment of subsidiary Crobenz.

9. PROPERTY, PLANT AND EQUIPMENT

In the period ending 31 December 2009, the Group invested HRK 4,349 million in property, plant and equipment. Capitalized decommissioning costs amounted to HRK 1,207 million. Increasing by acquisition of other company is HRK 34 million. Impairments under IAS 36 amounted to HRK 837 million and the effects of depreciation on reducing their book value amounted to HRK 1,443 million. Disposals of assets, mainly relating to vehicles and office equipment, reduced their book value by further 8 million. HRK 107 million was transfered from Property, plant and equipment to Assets classified as held for sale and is relating to Retail segment of subsidiary Crobenz. Decrease through profit or loss account is HRK 4 million. The reduction of book value was also a result of foreign exchange differences in the amount of HRK 8 million and a HRK one-million transfer to non-current intangible assets.

10. GOODWILL

	Goodwill
At 1 January 2009	197
Investment of Crosco d.o.o. in Drill Trans Group	103
Net asset of Drill Trans Group	(4)
At 31 December 2009	**296**

11. OTHER INVESTMENTS

	INA Group		
	31 December 2009	31 December 2008	1 January 2008
Financial assets at fair value through profit or loss	6	20	20
Long-term loans	109	40	18
Deposits	23	23	24
Other investments	**138**	**83**	**62**

(all amounts in HRK millions)

12. TRADE RECEIVABLES, NET

	INA Group		
	31 December 2009	**31 December 2008**	**1 January 2008**
Trade receivables	3,332	3,187	3,367
Allowance for doubtful receivables	(403)	(273)	(295)
	2,929	**2,914**	**3,072**

Provided below is an ageing analyses of trade receivables outstanding and not provided for:

	31 December 2009	**31 December 2008**	**1 January 2008**
60-90 days	111	99	69
90-120 days	113	85	26
over 120 days	214	123	85
	438	**307**	**180**

13. SHARE CAPITAL

Issued capital as at 31 December 2009 amounted to 9,000 mil HRK. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

14. REVALUATION RESERVE

	INA Group	
	2009	**2008**
Balance at the begining of the year	(135)	229
Increase / (decrease) arising on revaluation available for sale securities (Janaf)	181	(455)
Deffered tax	(36)	91
Balance at the end of the year	**10**	**(135)**

(all amounts in HRK millions)

15. RETAINED EARNINGS

	Retained earnings
At 1 January 2008	**2,104**
Dividends paid	(150)
Profit for the year	(1,099)
At 31 December 2008	**855**
Profit for the year	(390)
At 31 December 2009	**465**

16. LONG-TERM LOANS

In the period from 31 December 2008 to 31 December 2009, INA Group's long-term debt increased by HRK 1,249 million. The increase mainly relates to drawdowns of the remaining USD 170 million (HRK 965 million) of the Bayerische Landesbank loan, using new loans of MOL on the amount of EUR 73 million and HRK 532 million and the amount of USD 107 million and HRK 544 million and other new INA Group loans in amount from HRK 17 million, repayment in amount HRK 100 million, foreign exchange gains in amount of HRK 150 million and increasing current portion of long-term loans in amount of HRK 559 million.

(all amounts in HRK millions)

17. PROVISIONS

INA Group	Environmental provision	Decommission Charges	Legal claims	ENI project claims	Redundancy costs	Cost of unutilised holiday	Tax obligation claims of Holdina Sarajevo	Other	Total
At 1 January 2008	**-**	**1,069**	**277**	**7**	**17**	**-**	**55**	**28**	**1,453**
Charge for the year	35	-	4	154	1	-	-	8	**202**
Effect of change in estimates, capitalised	-	(35)	-	-	-	-	-	-	**(35)**
Provision utilised during the year	-	(25)	(7)	(7)	(12)	-	-	(4)	**(55)**
At 31 December 2008	**35**	**1,009**	**274**	**154**	**6**	**-**	**55**	**32**	**1,565**
Charge for the year	-	1,207	128	-	-	56	-	55	**1,446**
Effect of change in estimates, capitalised	-	125	-	-	-	-	-	-	**125**
Provision utilised during the year	-	(11)	(127)	(154)	(6)	-	(34)	-	**(332)**
At 31 December 2009	**35**	**2,330**	**275**	**-**	**-**	**56**	**21**	**87**	**2,804**

(all amounts in HRK millions)

18. BANK LOANS AND OVERDRAFTS AND CURRENT PORTION OF LONG-TERM LOANS

	31 December 2009	31 December 2008	1 January 2008
Overdrafts and short-term loans	2,104	2,492	1,664
Current portion of long-term loans	655	98	129
	2,759	**2,590**	**1,793**

	Repayment deadline	Security/ Guarantee	31 December 2009	31 December 2008	1 January 2008
BNP Paribas (USD)	by 31.12.2010.	INA d.d. guarantee	494	720	455
BNP Paribas (USD)		-	-	265	6
City bank (USD)	untill cancel	INA d.d. guarantee	56	-	-
Hypo bank (BAM)	overdraft	-	-	4	-
Raiffeisenbank Sarajevo (BAM)	overdraft	-	-	4	-
Bank Tokyo Mitsubishi (USD)	by 30.04.2010.	INA d.d. guarantee	207	411	175
CKB (EUR)	by 18.03.2009.	-	1	2	-
Raiffeisenbank Zagreb (EUR, USD)	by 30.09.2010.	Bill of exchange	36	37	29
Bank Austria Creditanstalt (USD)	by 31.08.2010.	INA d.d. guarantee	183	80	-
Zagrebačka banka, Zagreb (USD,HRK)	by 30.06.2010.	Bill of exchange	49	41	22
Privredna banka Zagreb, Zagreb (HRK)	by 30.06.2010.	Bill of exchange	95	8	57
Societe Generale-Split. banka (USD, HRK)	by 31.08.2010.	Bill of exchange	66	61	35
Slavonska banka Osijek	by 10.03.2010.	Bill of exchange	10	17	18
Fortis (USD)	by 18.03.2010.	INA d.d. guarantee	224	513	476
Hrv poštanska banka (HRK)	by 31.07.2010.	Bill of exchange	22	22	259
OTP bank (HUF, EUR, HRK)	by 02.07.2010.	Bill of exchange	81	58	35
Current portion of long-term loans			80	51	84
Total regarding to subsidiaries			**1,604**	**2,294**	**1,651**
INA, d.d.					
Overdrafts and short term loans			580	249	97
Current portion of long-terms loans			575	47	45
Total INA, d.d.			**1,155**	**296**	**142**
Total INA Grupa			**2,759**	**2,590**	**1,793**

(all amounts in HRK millions)

19. TRADE PAYABLES, TAXES AND CONTRIBUTIONS AND OTHER CURRENT LIABILITIES

	INA Group		
	31 December 2009	**31 December 2008**	**1 January 2008**
Trade payables	4,283	3,815	3,532
VAT, excise and other taxes	1,662	1,080	569
Payroll taxes and contributions	110	131	79
Payroll and other	414	342	269
	6,469	**5,368**	**4,449**

20. RELATED PARTY TRANSACTIONS

The company 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 Company's 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 the Company 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)

20. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.

Business partners	**Sales of goods**		**Purchase of goods**	
	2009	**2008**	**2009**	**2008**
Foreign related companies				
Interina Ltd Guernsey	2,567	1,845	-	2,263
Holdina Sarajevo	539	968	-	21
Interina d.o.o. Ljubljana	16	16	1	1
Interina Ltd London	206	104	-	11,341
Adriagas Milano	-	-	4	-
INA Crna Gora d.o.o Podgorica	37	-	-	-
INA Beograd d.o.o Beograd	47	-	-	-
Domestic related companies	-	-	-	-
Crosco Group	5	7	130	311
Osijek Petrol d.d.	491	861	-	22
Crobenz d.d. Zagreb	487	783	5	14
Proplin d.o.o. Zagreb	460	367	85	145
STSI d.o.o. Zagreb	7	13	304	942
Maziva Zagreb d.o.o. Zagreb	59	107	9	82
ITR d.o.o. Zagreb	2	-	30	-
Sinaco d.o.o. Zagreb	2	-	134	-
Hostin d.o.o. Zagreb	-	-	1	-
Prirodni plin d.o.o. Zagreb	1,210	-	41	-
Polybit d.o.o. Rijeka	1	-	-	-
Companies available for sale				
JANAF d.d. Zagreb	-	1	-	37
Strategic partner				
MOL Plc	170	239	-	1,287
Companies controlled by the State	-	-	-	-
Hrvatske željeznice	104	176	42	34
Hrvatska elektroprivreda	1,753	2,391	56	122
Hrvatske telekomunikacije	-	4	-	21
Croatia osiguranje	5	6	1	46
Hrvatske vode	-	-	19	27
Hrvatska pošta	1 -		3	3
Ministarstvo obrane Republike Hrvatske	45	76	-	-
Hrvatske šume	-	3	-	-
Jadrolinija	94	161	5	5
Narodne novine	-	-	3	3
Hrvatska radiotelevizija	-	-	-	-
Plovput	-	-	-	-
Croatia Airlines	132	245	-	-
Petrokemija Kutina	834	918	-	-
Plinacro	4	5	242	524
Željezara Sisak	-	-	-	-
Carinarnice	-	-	-	-
Hrvatske ceste	1	-	17	-
Ministarstvo financija	1	-	60	-
Ministarstvo pravosuđa	3	-	-	-
Ministarstvo unutarnjih poslova	8	-	3	-
Ministarstvo zdravstva i socijalne skrbi	41	-	-	-
Ministarstvo znanosti, obrazovanja i sporta	35	-	1	-
Podzemno skladište plina Okoli	11	-	-	-

(all amounts in HRK millions)

20. 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**		
Business partners	**31 December 2009**	**31 December 2008**	**1 January 2008**	**31 December 2009**	**31 December 2008**	**1 January 2008**
Foreign related companies						
Interina Ltd Guernsey	239	75	159	57	851	9
Holdina Sarajevo	104	130	86	3	4	3
Interina d.o.o. Ljubljana	2	1	5	-	-	-
Interina Ltd London	6	-	-	2,153	1,751	2,564
INA Crna Gora d.o.o Podgorica	8	-	-	-	-	-
INA Beograd d.o.o Beograd	5	-	-	-	-	-
Domestic related companies						
Crosco Group	1	2	4	42	54	103
Osijek Petrol d.d.	96	120	134	1	1	1
Crobenz d.d. Zagreb	143	158	162	1	1	2
Proplin d.o.o. Zagreb	90	80	75	29	9	8
STSI d.o.o. Zagreb	3	7	11	212	512	383
Maziva Zagreb d.o.o. Zagreb	20	25	18	43	20	26
ITR d.o.o. Zagreb	-	-	-	41	-	-
Sinaco d.o.o. Zagreb	-	-	-	63	-	-
Hostin d.o.o. Zagreb	-	-	-	1	-	-
Prirodni plin d.o.o. Zagreb	849	-	-	196	-	-
Polybit d.o.o. Rijeka	-	-	-	-	-	-
Companies available for sale						
JANAF d.d. Zagreb	-	-	-	20	7	5
Strategic partner						
MOL Plc	26	12	15	653	2	3
Companies controlled by the State						
Hrvatske željeznice	108	62	56	10	4	2
Hrvatska elektroprivreda	217	452	479	16	6	4
Hrvatske telekomunikacije	-	2	3	-	7	6
Croatia osiguranje	-	-	-	33	12	2
Hrvatske vode	-	-	-	6	2	1
Hrvatska pošta	2	2	2	-	-	-
MORH	14	13	17	-	-	-
Hrvatske šume	4	4	5	-	-	-
Jadrolinija	25	35	39	1	1	-
Narodne novine	-	-	-	-	-	1
Hrvatska radiotelevizija	-	-	-	-	-	-
Plovput	-	-	-	-	-	-
Croatia Airlines	30	41	31	-	-	-
Petrokemija Kutina	199	192	93	-	-	-
Plinacro	-	1	1	38	100	38
Željezara Sisak	-	5	4	-	-	-
Carinarnice	-	-	-	416	-	-
Hrvatske ceste	-	-	-	8	-	-
Ministarstvo financija	-	-	-	2	-	-
Ministarstvo pravosuđa	1	-	-	-	-	-
Ministarstvo unutarnjih poslova	9	-	-	-	-	-
Ministarstvo zdravstva i socijalne skrbi	12	-	-	1	-	-
Ministarstvo zna., obrazov. i sporta	11	-	-	2	-	-
Podzemno skladište plina Okoli	1	-	-	61	-	-

(all amounts in HRK millions)

21. BUSINESS COMBINATIONS

Entities acquired during the year::

	Headquarters	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred
Drill Trans Group	Nagykanizsa; HU		1 September 2009	100%	103

Analysis of assets and liabilities assumed on acquisition:

Drill Trans Group	Carrying amount	Fair value adjustment	Fair value on acquisition
Current assets			
Cash and cash equivalents	4	-	4
Trade and other recivables	55	-	55
Inventories	3	-	3
Other current assets	14	-	14
		-	
Non-current assets			
Intangible assets	5	-	5
Property, plant and eguipment	29	1	30
Deferred tax assets			
Current liabilities			
Trade payables	(31)	-	(31)
Borrowings	(31)	-	(31)
Other payables	(35)	-	(35)
Non-current liabilities			
Borrowings	(10)	-	(10)
Other liabilities			
	3	1	4
Goodwill arisen on acquisition			99
Acquisition cost			**103**

22. COMMITMENTS

Investment in refining assets

In 2005, a temporary investment unit for the modernisation of refinery operations was established based upon a Company management decision. The Company is committed to a programme of capital investment in its refineries in order to enable them to continue to produce fuels which comply with increasingly stringent environmental standards (in terms of the refinery product quality) on the European market. The modernisation of refineries should include the increasingly stricter environmental protection requirements applicable to the fuel production process.

The tasks of the investment unit and its teams include managing modernisation projects at the Sisak and Rijeka Refineries. The ultimate objective of the programme is to meet the European quality standards applicable to refinery products until specified effective dates. The construction of new plants and the modernisation of the existing ones will significantly expand the quantitative capacities of the refineries, as well as improve the product quality and significantly reduce the level of environmental pollution.

For the purposes of the implementation of the refinery modernisation project, 141 contracts were concluded with vendors as at 31 December 2008, worth HRK 3.41 billion.

Participation and Joint Operating Agreements

Participation and Joint Operating Agreement in the Contract Area Podravska Slatina – Zalata

On 14 September 2006 INA, d.d. and MOL concluded a Participation and Joint Operating Agreement in the Contract Area Podravska Slatina – Zalata. The parties will share equally 50 % participating interest in the Agreement.

According to the Agreement the exploration period shall last two years from the date of the execution of the Agreement. In the case when no commercial discovery is made during the exploration period the contract would be terminated.

As the Agreement allows the extension of the exploration period in order to complete any work in progress, on 12 September 2008 the parties signed an understanding of the prolongation of the exploration until the completion of the drilling, appraisal and interpretation of the appraisal for the Well Dravica-1, the spudding of which in the territory of the Republic of Croatia commenced on 11 September 2008.

The Well Dravica-1 has been identified on the basis of a positive appraisal and discovery of a gas condensate field as part of the operation of the 1st exploration well Zalata-1 during 2007 in a part of the contract area in the territory of the Republic of Hungary. In late 2008, a final drilling depth of 3 500 m was reached on the Well Dravica-1 in the total amount of EUR 6.3 million. The righ indicated gas-condensate saturation that should be examined by carrying out an overhaul.

On 31 August 2009, INA and MOL signed the 1st Amendment to the Participation and Joint Operating Agreement for the contract area, which sets out the following:

22. COMMITMENTS (continued)

Participation and Joint Operating Agreements (continued)

Participation and Joint Operating Agreement in the Contract Area Podravska Slatina – Zalata (continued)

- Extension of the exploration period to five years from the date of signing the Agreement;
- Expansion of the contract area to a total area of 411 sq. km. as opposed to the original 52.5 sq. km;
- The 2009 Exploration Program, which includes 3D seismic screening of an area of 353 sq. m. as well as the processing and appraisal of the Well Dravica-1;
- The financing of the Exploration Program, in which MOL will cover the entire INA's participation of 50 % in the Program during 2009 as follows: 50% of the planned 3D seismic screening costs in the total amount of EUR 6.1 million (of which EUR 3.05 million represent INA's share) and the planned exploration of the Well Dravica-1 in the total amount of EUR 3.2 million (of which EUR 1.6 million in respect of INA).
- MOL is to achieve a return of 110% on INA's participation in the investment during 2009 out of 85% of revenue generated from the sale of hydrocarbons produced in the contracted area Podravska Slatina – Zalata or the INA-MOL contracted area Novi Gradac – Potony following the payment of royalties. The remaining 15% of the revenue will be split according to the basic participating interest specified in the Agreement (50:50%).

In the last quarter of 2009, INA and MOL started the activities aimed at the implementation of the agreed Exploration Program (3D seismic screening and exploration of the Well Dravica-1), which should be finalized in the first half of 2010.

Based on the stage of completion of the 3D seismic screening as of 31 December 2009, the actual realization on the Croatian side of the contracted area amounts to EUR 582 thousand (of which INA's liability amounts to EUR 291 thousand) and the realization on the Hungarian side of the contracted area amounts to EUR 1.45 million (of which EUR 727 thousand represent the obligation of INA), amounting in total to EUR 2.04 million in respect of the 3D seismic screening activities (of which EUR 1.02 million represent the obligation of INA) out of the budgeted EUR 6.1 million as per the Amendment (EUR 3.05 million to be participated in by INA). The remaining EUR 4.06 million (EUR 2.03 million in respect of INA) will be realized in 2010.

As regards the exploration of the Well Dravica-1, the stage of completion as of 31 December 2009 is as follows: EUR 708 thousand (EUR 354 thousand in respect of INA) out of the budgeted EUR 3.2 million (of which EUR 1.6 million in respect of INA). The remaining EUR 2.49 million (EUR 1.25 million in respect of INA) will be realized in 2010. According to the 1st Amendment, the total cost of the works performed in 2009 were borne by MOL, whereby INA will settle its participation in the 2009 obligations towards MOL by adding 10% of the financing costs after the revenue from the hydrocarbon production is earned as described above.

No further obligations have been agreed for the period beyond 2010 in respect of the Agreement.

Participation and Joint Operating Agreement in the Contract Area Novi Gradac-Potony

On 1 September 2007 INA and MOL concluded Participation and Joint Operating Agreement in the Contract Area Novi Gradac-Potony. The parties will share equally 50 % participating interest in the Agreement.

22. COMMITMENTS (continued)

Participation and Joint Operating Agreements (continued)

Participation and Joint Operating Agreement in the Contract Area Novi Gradac-Potony (continued)

According to the Agreement the exploration period shall last three years from the date of the execution of the Agreement. The agreed obligations include seismic mapping of an area of 189 sq. km. and the construction of the exploration wells.

The 3D seismic mapping, which commenced in late 2007, was completed in early 2008. During 2008, the seismic data processing and analysis was completed, and the costs amounted to EUR 130 thousand. Since the seismic mapping took place in the territories of both the Republic of Croatia and the Republic of Hungary, which implied double operation of the parties, in 2008, INA settled its obligations towards MOL, GES and the so-called Third Party (indemnities to legal and natural persons for field damage) with respect to the seismic mapping works as follows:

- Potony: INA settled 50 percent in the amount of EUR 478 thousand;
- Novi Gradac: of the total EUR 2.2 million, EUR 1.3 million were settled by INA and EUR 855 thousand by MOL.

On 31 August 2009, INA and MOL signed the 1st Amendment to the Participation and Joint Operating Agreement for the contract area, which sets out the following:

- The 2009 Exploration Program, which includes the drilling of the exploration well Potony-1 in the I maximum total amount of EUR 7.7 million; and
- The financing of the Exploration Program, with MOL to finance the entire INA's participation of 50% in the Exploration Program during 2009 as follows: 50% of the costs of the Well Potony-1 or maximum EUR 3.85 million.
- MOL is to achieve a return of 110% on INA's participation in the investment during 2009 out of 85% of revenue generated from the sale of hydrocarbons produced in the contracted area Novi Gradac – Potony or Podravska Slatina - Zalata following the payment of royalties. The remaining 15% of the revenue will be split according to the basic participating interest specified in the Agreement (50:50%).

According to the 1st Amendment, the first exploration well Potony-1 was constructed in the territory of the Republic of Hungary in 2009, and provided an indication of hydrocarbon saturation to be explores as part of the overhaul in the first half of 2010.

Pursuant to the 1st Amendment, MOL financed the entire drilling of the Well Potony-1 in the amount of EUR 7.27 million out of the total budgeted amount of EUR 7.7 million. INA will settle its participation in the 2009 obligations towards MOL in respect of the Well Potony-1 (EUR 3.64 million) by adding 10% of the financing costs after the revenue from the hydrocarbon production is earned as described above.

The Potony-1 exploration activities agreed between INA and MOL for the year 2010 amount to a total of EUR 1.63 million (EUR 815 thousand in respect of INA).

No further obligations have been agreed for the period beyond 2010 in respect of the Agreement.

22. COMMITMENTS (continued)

Purchase obligations under “take or pay“ contracts

On 1 June 2005 Ina Industrija Nafte d.d. concluded the contract with GAZEXPORT Ltd., Moscow for the supply of 1.2 bcm per year of natural gas under take or pay commitment until 2010. As of 31 December 2009 the Company’s respective obligation is HRK 1.8 billion until the expiry of the contract (for the remaining four years, i.e. until 31 December 2010).

Additionally, the Company concluded transportation agreements to ensure deliveries of the gas to the destination point (FCA Croatian border). Validities of transportation contracts are until 2010 for Slovakia, 2015 for Slovenia and 2017 for Austria. The future commitments contracted approximate to HRK 1.64 billion until 2017.

Gas selling Contracts

Group had following long term natural gas sale contracts from 31 December 2009 to the expiry of the underlying contract:

1. Long-term contract between Prirodni plin d.o.o. and HEP d.d. Zagreb
   a) Contracted supply quantity: 507,000,000 m^3/year (from 1 January 2010 till 30 September 2010)
   b) Annual sales: 819 million HRK
   c) Contract period: from 1 January 2010 till 30 September 2010
   d) Estimated revenue for the remaining period : 909 million HRK
2. Long-term contract between Prirodni plin d.o.o. and PETROKEMIJA d.d. Kutina
   a) Contracted supply quantity: 436,608,000 m^3/year from 1 January 2010 till 30 September 2010
   b) Annual sales: 729 million HRK
   c) Contract period: from 1 January 2010 till 30 September 2010
   d) Estimated revenue for the remaining period: 795 million HRK
3. Contracts between Prirodni plin d.o.o. and tariff-based customers (distribution - transport)
   a) Contracted supply quantity: 508,474832m^3 from 1 January 2010 till 30 September 2010
   b) Annual sales:
   c) Contract period: from 1 January 2010 till 30 September 2010
   d) Estimated revenue for the remaining period: 864,4 million HRK
4. Contracts Prirodni plin d.o.o. – other tariff-based customers – distributors - sales
   a) Contracted supply quantity: 365,226,159 m^3 from 1 January 2010 till 30 September 2010
   b) Annual sales: 1.7 billion HRK
   c) Contract period: from 1 January 2010 till 30 September 2010
   d) Estimated revenue for the remaining period. 657.3 million HRK

22. COMMITMENTS (continued)

Gas selling Contracts (continued)

5. Contracts Prirodni plin d.o.o. – other tariff-based customers
   a) Contracted supply quantity: 219,422,335 m^3 from 1 January 2010 till 30 September 2010
   b) Annual sales: 364million HRK
   c) Contract period: from 1 January 2010 till 30 September 2010
   d) Estimated revenue for the remaining period. 413 million HRK

6. Contracts INA, d.d. – DIOKI (ethane)
   a) Contracted supply quantity: 55,000 tons in 2010
   b) Annual sales in 2009: 45.6 million HRK
   c) Contract period: 2012
   d) Estimated revenue for the remaining period (2010-2012): 194.81 million HRK

Water selling contracts

1. High quality process water
   a) Contracted supply quantity: 2,868,750 m^3 in 2010
   b) Annual sales: 4.4 million HRK
   c) Contract period: 2010
   d) Estimated revenue for 2010: 6,0 million HRK
2. Geothermal water
   a) Contracted supply quantity: 410,000 m^3 in 2009
   b) Annual sales: 1.5 million HRK
   c) Contract period: 2010
   d) Estimated revenue for 2010: 2.15 million HRK

N-pentane selling contracts

1. N-pentane
   a) Contracted supply quantity: 880 m^3 in 2010
   b) Annual sales: 1.5 million HRK
   c) Contract period: 2010
   d) Estimated revenue for 2010: 3.5 million HRK

23. CONTINGENT LIABILITIES

Environmental matters – legal background and compliance

The principal activities of the Company and the Group, comprising oil and gas exploration, production, transportation, refining and distribution, can have inherent effects on the environment in terms of emissions into soil, water and air. The environmental effects of the activities are monitored by local management and environmental authorities.

For the purpose of a more efficient environmental protection, Croatia has passed an Environmental Protection Act (Official Gazette No. 110/07) as the principal regulation providing a general environmental protection framework, and a large body of the related regulations. The regulations passed to date have had no significant direct financial impact on the operations of INA. However, due to the harmonisation period provided for their first adoption, significant costs related to those regulatory requirements can be expected in the next several years.

Croatia has replied for membership of the European Union. As part of the accession process, strict environmental regulations similar to those at other EU countries will be gradually introduced in the legislation of Croatia.

By the Environmental Protection Act specified above and the Decree on the Procedure for Establishing Integrated Environmental Protection (Official Gazette No. 114/08), the so-called **IPPC Directive** was implemented in the Croatian legislation, with the aim to provide integrated prevention and control of pollution arising from industrial activities. Industrial plants have the obligation to obtain an integrated licence that covers the impact of the plants on all the environmental elements: emissions into air, water, soil, waste production, raw material usage, energy efficiency, noise, accident prevention, complete site restoration following the closing of a plant. During 2009, the facilities of INA d.d. subject to the provisions of the Decree – the Rijeka Refinery, the Sisak Refinery, and the plants Etan and CPS Molve within the Exploration and Production for SE Europe were appraised. Given the scale and scope of the projects to be carried out at the Rijeka and Sisak Refineries to achieve their compliance with the IPPC Directive requirements pertaining to the use of best available techniques, the application of which requires high financial investments, a transitory period until 2017 has been requested for the complete implementation of the Directive. A preliminary study for the above-mentioned facilities was submitted to the Ministry of Environmental Protection, Physical Planning and Construction in mid-2009. The final Integrated Environmental Study is to be prepared by INA, certified by a certification entity and submitted to the Ministry by the end of October 2010. The costs expected to be incurred to certify the studies for all the four sites specified above amount to around EUR 85,000.

According to the current regulations governing air pollution prevention, specifically the Decree on Greenhouse Gas Emission Quota and Trading in Emission Units (Official Gazette No. 142/08), the Rijeka and Sisak Refineries, and the plants Etan and Molve will be included in the European emission trading system following the accession of the Republic of Croatia to the European Union. During 2009, emission units were allocated to those plants based on calculations. In 2009, Greenhouse Gas Emission Monitoring Plans were developed for those plans to serve as the basis for monitoring gas emissions during 2010, whereas verified reports of all the reporting entities will serve as a basis for developing a Plan for the Allocation of Greenhouse Gas Emission Quotas for the Republic of Croatia. Subsequent to the allocation of the emission units to the plants and their inclusion in the European Union Emissions Trading System (EU ETS), those plants with actual emissions below the allocated units will be able to sell the surplus emission units to the plants whose emissions are in excess of the permitted quotas, or reallocate them within the same legal entity (potentially INA d.d.), while the plants that do not manage to keep emissions below the defined

23. CONTINGENT LIABILITIES (continued)

Environmental matters – legal background and compliance (continued)

quotas will purchase emission quotas at market prices, or pay high penalties of EUR 100 per ton of exceeded emission. Should a plant's emissions exceed the emission units allocated to the plant, emission reduction could be ensured using the Joint Implementation or Clean Development mechanisms, in addition to direct purchase of emission units or payment of penalties.

In order to be able to export its products to the EU territories, INA commenced the pre-registration of its products within the timeframe specified by the **REACH** 1907/2006 via MOL as a single representative within the EU. The registration deadline is 30 November 2010. Since INA plans to register twenty ingredients contained in around fifty of its products, the costs have been estimated at EUR 400,000.

In 2009, pursuant to the Decree on the Prevention of Major-accident Hazards Involving Dangerous Substances (Official Gazette No. 114/08), which is based on the so-called EU **Seveso Directive**, INA prepared and submitted for its reporting entities first the notifications of presence of dangerous substances and then, based on the criteria of present dangerous substances, the Safety Reports for the both refineries, the storage capacities Solin and St. Kajo and the Etan plant. Since no certification entities existed as of the report submission deadline specified in the Decree, the reports were prepared and submitted to the Ministry of Environmental Protection, Physical Planning and Construction by INA's experts. During 2010, the adoption of the rules governing certification entities and with it the rules for the registration of entities certified to perform such reports is expected, and INA d.d. will have the obligation to engage a certified entity to certify the reports prepared. The total cost for all the five reports is expected to be around EUR 140,000.

In April 2009, the Environmental Provisions Project at the INA Group level commenced based on the **International Accounting Standard IAS 37.** For the purpose of the project, the obligations include identified or **proven,** and **contingent** liabilities. A provision is to be made for a known environmental liability if the liability is a result of a past event and if it requires an outflow of financial resources. One should note that the obligation to allocate financial assets as specific environmental provisions, apart from those in the form of an insurance policy that is a mandatory requirement under the Environmental Protection Act, has not yet been incorporated into the Croatian legislation. The project has been developed in cooperation with the colleagues from the MOL Group and split into the following three stages: information collection and review; information and liability assessment; and quantification of environmental obligations. The obligations have been quantified and documented in detailed reports for each Business Segment.

According to the legal requirements, INA d.d. has funds allocated for the purpose of becoming compliant with the Croatian air protection regulations within the next few years. This primarily includes the reconciliation of emission of air pollutants from stationary sources and compliance with the technical environmental standards for evaporable organic compounds produced during storage and distribution of petrol. The Plan for the Compliance with the Technical Environmental Standards for Evaporable Organic Compounds relates to the technical environmental standards that have to be achieved by the end of 2012. The reconciliation of emissions from large combustion plants, which is a requirement imposed by the Decree on the Values of Emission of Air Pollutants from Stationary Sources, will be achieved following the implementation of the refinery modernization plans.

23. CONTINGENT LIABILITIES (continued)

Disposal of Siberian Energy Investments Limited and "White Nights"

The Group sold SEIL (and with it White Nights) in July 2002 to Personal and Business Solutions. As at the 2004 year-end, approximately US$ 20 million was due from the sale to Holdina Guernsey Limited (Holdina), a subsidiary of the Company, but was subject to dispute with Personal Business Solutions (for a contract concerning the potential obligation in respect of the lease of property used in White Night's operations).

The US$ 20 million had been held in escrow pending resolution of the dispute. During 2005 it was agreed by both parties to the dispute that US$10 million of the amount in escrow would be released and paid to Holdina. This amount plus accrued interest of US$ 20 thousand was received on 8 August 2005.

The Group continued the proceedings to recover the remaining USD 10 million. The arbitration proceedings were finalised on 24 September 2009, by Holdina (Guernsey) Limited having recovered USD 4,661,798.33 of the remaining balance of USD 10 million.

24. SUBSEQUENT EVENTS

Changes in legislation

The Excise Tax Act was published in the Official Gazette No. 83/09, whereas the Regulation on the Application the Excise Tax Act pertaining to gas oil with blue dye for agriculture, fishing and aquaculture.

The Act and the Regulation establish a new system of excise duties for spirits and alcoholic beverages, tobacco products, energy generating products (including natural gas, coal and coke) and electricity produced or imported and released for consumption in the territory of the Republic of Croatia.

The Excise Tax Act defines a new institute of excise law that operates within a system of deferred tax payment.

The deferred tax payment system relates to the receipt, production, warehousing, and other activities involving excise goods and their dispatch where the payment of the excise duty is deferred.

Excise goods within the deferred excise tax system are produced, processes and stored only in excise warehouses. A warehouse has to obtain the approval from the competent customs office and make a guarantee deposit for a potential customs debt not later than by 31 March 2010.

INA, d.d. is subject to the excise system in respect of the energy-generating products.

As regards energy-generating products and electricity, the excise tax is imposed on energy-generating products used for engines or heating. The excise tax on natural gas, electricity, coke and coal will be implemented with the day of the accession to the European Union. The amounts of the excise tax for leaded petrol, unleaded petrol and gas oil not used for engines include the amount of fee intended to finance the construction and maintenance of public roads. A relief has been implemented for those energy-generating products such as engine fuels in air traffic and shipping in international traffic, unless used for private purposes.