INA ANNUAL REPORT 2009

2009

ANNUAL REPORT 2009

ECONOMIC, SOCIAL & ENVIRONMENTAL PERFORMANCE

INA

CONTENT

Today, INA is a medium-sized European oil company with a leading role in oil business in Croatia and a significant role in the region. Great care is taken of sustainable development, health and company employees. Ina has recognized the importance and value of knowledge as well as the necessity of investing in human resources development.

REVIEW OF THE YEAR

INA AT A GLANCE

Today, INA is a medium-sized European oil company with a leading role in oil business in Croatia and a significant role in the region in the areas of oil and gas exploration and production, oil processing, and oil and oil products distribution. In addition to those in Croatia, INA has exploration and production activities in Angola, Egypt, Syria, Namibia and Iran. At the end of 2009, INA had 325 million boe proven and probable hydrocarbon reserves and 56.6 thousand boe/day hydrocarbon production throughout 2009. Its refineries in Rijeka and Sisak have a total throughput capacity of 6.7 mtpa and have produced a total of 4.4 mt of refined products in 2009. As of December 31, 2009, its Retail Services operated 438 petrol stations in Croatia and additional 51 petrol stations in the neighbouring countries.

INA's Exploration and Production Business Segment is engaged in exploration, development and production of oil and natural gas in Croatia and abroad. Since it was founded in 1952, Croatian upstream activities had a constant upturn. Soon after it was founded, the division also started its business operations abroad. So far it has been involved in oilfield operations in 20 foreign countries, currently in Angola, Egypt, Syria, Namibia and Iran.

INA's Refining and Marketing Business Segment operates two Croatian refineries located in Rijeka and Sisak. The Rijeka Refinery is medium-sized and located at the seashore, with access to the port for deep-drawing ships and the pipeline system, while the Sisak refinery is located near Zagreb, the area with highest consumption of oil products in the country. Current extensive refinery modernisation programme will enable INA to produce Euro V products and to improve the efficiency of its business activities.

INA's Retail Services Business Segment operates a regional network of 489 petrol stations in Croatia and neighbouring Bosnia and Herzegovina, Slovenia and Montenegro. INA has a leading position in Croatia and its petrol stations are recognizable points of purchase.

AWARDS

In 2009 INA was succesfully presented at the 12th International economic fair Mostar where INA won Crystal Globe for overall presentation.

INA's innovators achieved great success at the 12th Moscow International Salon of Industrial Property (Archimedes) winning 15 diplomas, 5 Laureta Archimedes medals and 14 special awards.

Brand Finance Independent Consultancy recognised INA as the most valuable corporate brand in Croatia.

INA's Oil and Gas Exploration and Production Business Segment was awarded a "Golden Emblem" by the Ferdinanovec Municipality for supporting the economy.

For the third consecutive time, Croatian readers of the Reader's Digest magazine selected INA as the best company in the category of gasoline services.

INA Petrol station Đakovo-Nazorova won the 2009 "Green Flower"Award presented by the Croatian National Tourist Board. The Croatian National Board also awarded INA's petrol station in Krapinske Toplice for improving the environment for tourists and environmental protection activities.

Key financial indicators

Net sales revenues (HRK millions)

2005	21,070
2006	23,434
2007*	24,095
2008*	27,144
2009*	20,373

*Continuing operations

Net sales revenues - discontinued operations (HRK millions)

2005	
2006	
2007	1,753
2008	1,664
2009	1,958

Net profit (HRK millions)

2005	885
2006	883
2007*	1,278
2008*	352
2009*	617

*Continuing operations

Net profit - discontinued operations (HRK millions)

2005	
2006	
2007	-407
2008	-1,450
2009	-1,011

Operating profit (HRK millions)

2005	1,410
2006	974
2007*	1537
2008*	1,310
2009*	1,047

*Continuing operations

Operating profit - discontinued operations (HRK millions)

2005	
2006	
2007	-517
2008	-1,702
2009	-1,029

EBITDA (HRK millions))

2005	2,966
2006	2,474
2007*	3,305
2008*	3,564
2009*	4,013

*Continuing operations

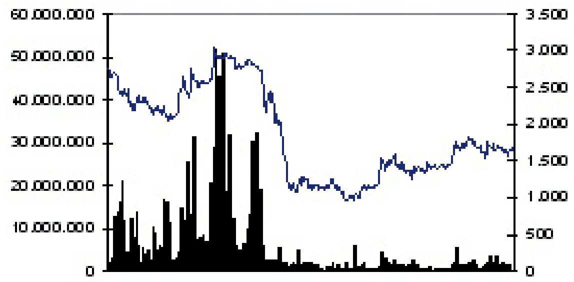
EBITDA - discontinued operation (HRK millions)

2005	
2006	
2007	-502
2008	-1,540
2009	-983

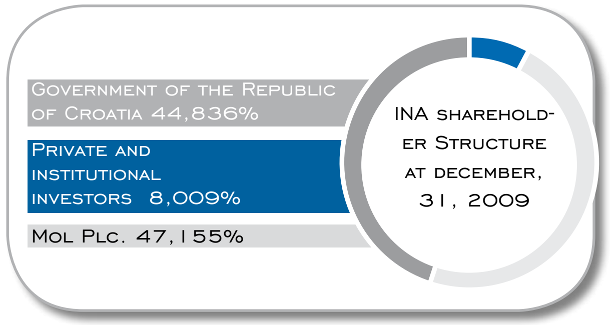
Key performance indicators

Key Exploration and Production data	2008	2009	09/08 %
Gross crude oil reserves (MM bbl) 2P	91	94	3,3%
Gross natural gas reserves (MM boe) 2P	280	207	-26,1%
Total gross hydrocarbon reserves (MM boe) 2P	382	325	-14,9%
Average crude oil production (M bbl/day)	16,43	15,78	-4,0%
Average natural gas condensate production (M bbl/day)	8,13	7,45	-8,4%
Average natural gas production (M boe/day)	34,30	33,35	-2,7%
Total hydrocarbon production (M boe/day)	58,86	56,58	-3,9%
Key Refining and Marketing data	**2008**	**2009**	**09/08 %**
Total refinery throughput (kt)	4.614	5.016	8,7%
Total crude oil product sales(kt)	4.417	4.440	0,5%
Key Retail Services data	**2008**	**2009**	**09/08 %**
Total number of filling stations	485	489	0,8%
Total sales (000 t)	1.316	1.254	-4,7%

Share price movement and turnover- Zagreb Stock Exchange 2008/2009



turnover (HRK. mill.) - share price (HRK/share)



LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD AND CHIEF EXECUTIVE OFFICER

Dear Shareholders,

2009 was a difficult and challenging year for most companies as the global economic and financial crisis has hit badly consumer confidence, demand and investment possibilities. Our region and Croatia was no exemption. The resulting slowdown of economic activities globally and locally and had a major impact on the energy sector as well with a 5-year low oil prices experienced at the beginning of the year and a significant, more lasting drop in refining margins. These had a combined negative effect on performance of oil & gas companies worldwide and thus also on INA Group's financial results.

Taking into account all business activities in 2009, INA Group generated a net loss of HRK 394 million (this result is by HRK 704 million better compared to the loss generated in 2008). The gas trading business (termed as discontinued operation in our reports) contributed a HRK 1,011 million loss to net loss while the continued operations recorded a net profit of HRK 617 million. The company's management is putting significant efforts in consolidating the financial position of INA and improve the liquidity by strict cash management and cost-cutting measures.

In spite of the challenging market environment, INA, being one of the most important economic entities in Croatia, contributed positively to the economic recovery of the country by continuing all of its major capital projects, such as the modernisation programs running in its Rijeka and Sisak refineries to improve its competitiveness and strengthen its regional position, and implementing further oil and gas exploration and production activities in the Pannonian basin and North Adriatic while also putting great emphasis on exploiting the full potential of our assets in Syria, Egypt and Angola as well.
We had a successful year in the upstream segment in both our domestic and international activities. In Croatia, six wells were drilled in the North Adriatic area. Annamaria and the Annamaria A platforms were built on the Croatian side of the Adriatic and connected to the gathering system. As a result, the field was brought into production in early November 2009 with a capacity of 500.000 cubic metres per day. Since 2004 by the end of 2010, INA will have invested a total of USD 633 mn (HRK 3.6 bn) into gas projects in the North Adriatic alongside its Italian partners, strongly contributing to supplying the energy needs of the country. It is our intention to intensify activity in our Croatian onshore exploration and field development activities starting in 2010. In our international activities, INA successfully completed and inaugurated the Jihar oil and gas station in Syrian Hayan block, enabling us to produce significant quantities (660 000 cubic metres per day!) of gas from nearby fields from October 2009, of which part would be previously flared due to the lack of adequate surface facilities. We will complete the Gas Processing Plant by the end of this year, marking a key milestone in the project. INA, by the end of this year, will have invested over USD 1 bn (HRK 5.5 bn) in the country's upstream and gas infrastructure, being one of the largest foreign investors in Syria, In Egypt, new hydrocarbon reserves were discovered in several intervals by the Rizk-1 and Rizk East-1 wells on the East Yidma licence area.
In the Drava depression, where the Zalata-Dravica gas-condensate field was discovered in 2007/08 jointly by INA and MOL, we extended the exploration period for another five years to exploit the full hydrocarbon potential of the area. On the basis of a 3D seismic surveys performed in the border area between Hungary and Croatia, the first exploration well Potony-1 was drilled in Hungary in 2009, while joint activities continued to bring into production the Vizvar gas-condensate field, located on Hungarian territory.
In addition to cross-border conventional exploration activities, INA and MOL jointly continued the evaluation of the potential of unconventional gas reservoirs in gas shale and poorly permeable, gas-saturated sandstones of the Drava and Mura depressions.

The refinery modernisation programme was also continued intensively in 2009 with a purpose to ensure, over the long term, sustainable growth and development of refining capacities and to enable the production of Euro-V fuels in order to strengthen INA's market position, and also improve the refinery utilisation rate, efficiency and profitability, as well as reach full compliance with latest European environmental protection standards. At Sisak refinery, the isomerisation unit construction was initiated. At Rijeka refinery, construction works at the mild hydro cracking complex (hydro cracking, hydrogen generation, desulphurisation and ancillary units) were in full swing, expected to be completed in 2010. Since 2004 by the end of this year, INA will have invested USD 712 mn (HRK 3.7bn) in the modernisation of its two refineries. The capital investment was particularly intensified from 2008 onwards.

In 2009, Retail Services continued the implementation of their retail network development strategy through capital investments in petrol stations and improving the quality of services. Besides motor fuels, INA's petrol station shops offer a wide range of non-fuel products and additional services in line with customer requirements and needs.

In January 2009, the two largest shareholders of INA, the Croatian Government and MOL signed an amendment to their original Shareholders Agreement and also a new Gas Master Agreement (a framework agreement regulating major issues of the domestic gas market and the natural gas supply in the future), marking very significant steps towards establishing a market-based natural gas pricing system in line with those of other regional and EU countries which is necessary to create a transparent and competitive market in Croatia, in line with EU market rules and regulations.
INA's shareholders meeting held on June 10 2009 adopt an amended Articles of Association and elected a new Supervisory Board consisting of nine members - five delegated by MOL, three by the Croatian Government (the ninth member should represent employees). The newly elected Management Board consists of six members – three of them including the president delegated by MOL, and three by the Croatian Government. In addition, an Executive Board responsible for managing the specific business and functional lines and day-to-day operations has been introduced. A widespread change in mid to high level management

and corporate processes was initiated, to adopt INA to the needs of an open and competitive market environment.
The gas trading business was spun-off from the upstream division as of 1 July 2009 into a newly established gas trading company named Prirodni plin d.o.o., now fully owned by INA, d.d. The company has been registered for energy trading and agency services, and supply of natural gas to the domestic market.

2010 will be key year for all industrial companies, as it can bring an opportunity to improve business operations in all industries. It is especially true to the oil sector, where all players have found themselves in an unenviable position in 2009 mainly due to financial circumstances and depressed oil and gas prices, but steady growth in oil prices at the end of 2009 and the expected first signs of economic recovery stimulated primarily by restored demand will provide a platform for rebuilding.
By internal restructuring efforts, the reduction of operating costs and continuing our major capital projects, INA will remain the market leader in Croatia and it will become an important South-East European regional leader. Our management's commitment in implementing measures for improving efficiency of operations ensures the company's promising and secure future.
As the only integrated oil and gas company in Croatia, INA has the social responsibility towards the welfare and interest of its stakeholders and the communities in which it operates. This responsibility is reflected in all our business activities, in the investments we make and in the support we give to the communities. It is our duty to act responsible towards the community we operate in and to foster common values and mutual trust.

By becoming a strategic partner of MOL, INA entered into an international family while at the same time maintained its national background. As an international company INA brings in new experiences, opportunities and has a potential for knowledge sharing, nevertheless it puts emphasis on national brand importance and further development of corporate culture within the company.
We would like to thank all the employees for their past and future contribution to these challenging goals.

President of the Management Board
Zoltán Áldott

Chief Executive Officer
Bojan Milković

BUSINESS 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 the 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.

Crude oil prices gradually rebounded during 2009 from 44 USD/bbl at the beginning to 74 USD/bbl by the end of the year, remaining stable in the 70-80 USD/bbl range during the last quarter when the highest levels in 15 months were recorded. 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 61.67/bbl in 2009, 36.6% down compared to 2008, but it shows a positive trend compared to 2008 when prices after a peak in July and August fell to low 36.7 USD/bbl by the year-end. 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 in 2009 remained below historic levels in 2008, with the average refinery margin 58.8% lower than in 2008. 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 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 about 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.

During 2009 we were facing extremely challenging operating conditions. The company's management was making efforts to stabilise the financial position and improve the liquidity. Nevertheless Ina went on with its capital projects such as the refinery modernisation to improve its competitiveness and strengthen its regional position.

CORE BUSINESS

EXPLORATION AND PRODUCTION BS

HIGHLIGHTS:

- Start-up of production at the Annamaria gas field
- Reserves proved at the Rizk-1 well in Egypt
- Capital investments in exploration activities in Syria and North Adriatic continued
- Joint INA-MOL activities resulted in completion of the first exploration well Potony-1 in Hungary

EXPLORATION IN CROATIA (Pannonian basin, Northern Adriatic)

PANNONIAN BASIN

PROJECT Zalata – Podravska Slatina
(INA 50%, MOL 50%)
On the basis of INA and MOL exploration activities in the part of the Drava basin cross border area which in 2007/08 resulted in the Zalata-Dravica gas/condensate field discovery, INA and MOL agreed to extend the exploration period for another five years starting as of August 31, 2009. Exploration efforts in 2009 were focused on the Zalata-Dravica gas/condensate field appraisal and evaluation of additional hydrocarbon potential of the Zalata-Dravica East area. In that respect, the testing programme of the Croatian side exploratory well Dravica-1 was started in December 2009. Dravica-1 was drilled in 2008 and after DST flowed 689 boe/day of gas. The well testing programme is to be finalized in the first half of 2010. In October 2009, INA and MOL also initiated 3D seismic survey of 353 sq km in both Hungary and Croatia. At the end of 2009, 44.5% of the 3D programme was realized and the remaining 55.5% is to be completed in the first quarter of 2010.

PROJECT Novi Gradac-Potony
(INA 50%, MOL 50%)

Based on the results of joint 2007/08 3D survey in the Hungary-Croatia cross border area, INA and MOL have drilled the first exploratory well Potony-1 in Hungary. Since Potony-1 indicated hydrocarbon saturation in Miocene tuffitic reservoir, it is to be tested in the first half of 2010.

NORTHERN ADRIATIC

Northern Adriatic area exploration activities are performed together with INA's Italian partners.
The Izabela block has been explored with the Italian company EDISON GAS, through a joint venture company EDINA. The blocks Ivana and Aiza Laura have been explored with the Italian company ENI, also through a joint venture company INAGIP.
Exploration activities carried out on the blocks under INAGIP operatorship are as follows:

IVANA BLOCK
(INA 50%, ENI 50%)
Based on gas discovery in Pleistocene thin layers with exploration well IKA SW 1 drilled in 2008, further evaluation of thin layers gas potential has been made. The second exploration well IKA SW-2Dir was drilled in 2009. The well turned out to be a non-commercial gas discovery of two new gas levels and appraised gas levels proven with the first well. Overall gas potential of IKA SW thin layers reservoirs is to be confirmed by further G&G studies to be finalised in 2010.
Evaluation of the Ivana Block thin layers upfront gas potential has been initiated for Ivana-C SW area. If it proves feasible, it is going to be tested with Ivana-C SW-1 exploration well in 2010 or later on.

EXPLORATION

AFRICA REGION

EGYPT

EAST YIDMA CONCESSION
The East Yidma Concession is situated in the Western Desert, Egypt.
Previous exploration work on the East Yidma block resulted in the discovery of the Sidi Rahman oil field, in production since 2007.
Main activities in 2009 were focused on exploratory drilling. The Rizk-1 well proved hydrocarbon reserves in several intervals. After successful testing INA announced commercial discovery. Hydrocarbon reserves were also tested on Rizk East-1 exploratory well. On that basis INA required development Lease on Rizk area from the Egyptian authorities.
Exploration activities are to be continued in 2010 with a possibility of discovering additional oil reserves on the East Yidma Concession. The project scope for 2010 is drilling of two exploratory wells.

EAST KALABSHA CONCESSION
The East Kalabsha Concession is situated in the Western Desert, Egypt. The operator is IEOC, and INA and RWE Dea are the partners. The project is in the second and final exploration phase.
There were no drilling activities in 2009. The Operator prepared a detailed geological study.
The Exploration Phase expires in May 2010 and no further activities have been planned.

ANGOLA

CONCESSION 3/05A
INA participates in exploration activities and oil production on offshore Block 3 in Angola since 1980 and 1985, respectively. In order to continue with production on the fields where production licences (3/80) expired in 2001, INA and other partners accepted Sonangol's offer to continue the production under a new contract (3/05) on the condition that the partners extend exploration activities on the rest of the Block 3 under contract 3/05A with Sonangol as the operator and finance 25% of its share. INA has a 4% share.

Main strategic goals accepted by the Operator and the Partners were as follows:

- To confirm, develop and put into production previously non-commercial (undeveloped) fields (Punja, Caco-Gazela) and explore the remaining potential of the carbonate platform (Pinda play);

- To explore the potentiality of Tertiary turbiditic sandstones in deltaic environment (Turbiditic play);
- Miocene sandstones play - after interpretation of new seismic data (shot in 2007) and identify amplitude anomalies, as the new exploration goal.

The biggest project in 2009 was drilling of the appraisal well Punja-4, spud on March 29, 2009 and reaching TD of 3431m on June 1, 2009. All operations on Punja-4 were ended on July 15, 2009. Punja-4 was drilled to the planned objective zone and penetrated all targets within specified tolerances. Primary objective zones (Upper Cretaceous carbonates) were perforated and successfully tested. Punja-4 is considered an operational success.

NAMIBIA

ZARIS CONCESSION
The exploration project in Namibia started in 2003 with two years of reconnaissance phase, followed by five years of initial exploration phase that is currently ongoing (until 23 November 2010). INA is the operator with 100 % equity.
Technical and financial obligations of the initial exploration period are fulfilled. The next exploration phase (23 November 2010 - 23 November 2012) requires a commitment well. A new farm-out process is in progress. Exploration work conducted in 2009:
- Geological recommendation for Zaris-1 well;
- PSTM reprocessing of 2D seismic data;
- Well recommendation and drilling activity plan for Zaris-1 wildcat well.

DEVELOPMENT

EGYPT

In Egypt INA is involved in production from four concessions:
On the Sidi Rahman Development Lease, INA is the operator, on three other concessions - Ras Qattara, West Abu Gharadig, North Bahariya, INA has a non-operating status.

RAS QATTARA CONCESSION
The Ras Qattara Concession is located in the Western Desert in Egypt. The concession consists of two oil fields: Zarif and Faras. The project started in 1994. The operator is IEOC (ENI - Egyptian branch). INA has 25% working interest and a 10.825% share in production.

In 2009, the drilling of 4 wells was realised (one producer on Zarif and one on Faras, and one injector on Zarif and one on Faras).

WEST ABU GHARADIG CONCESSION
The West Abu Gharadig Concession is located in the Western Desert in Egypt. The concession consists of two oil fields: Raml and Raml SW. The project started in 1996. The operator is IEOC (ENI - Egyptian branch). INA has 25% working interest and a 14.5% share in production.

In 2009 two wells were drilled.

NORTH BAHARIYA CONCESSION
The North Bahariya Concession is located in the Western Desert in Egypt. The concession consists of five oil fields (Ferdaus, Gana, Rawda, WQ, Abrar). The project started in 2004. The operator is Sahara Oil & Gas (a new Operator from 2009), the partners are INA and IPR. INA possesses 20% working interest and a 9.015% interest in production.
In 2009, no actual drilling was performed and therefore there was no expenditure for that purpose.

EAST YIDMA CONCESSION, SIDI RAHMAN DEVELOPMENT LEASE

The Sidi Rahman Development Lease was excluded from the East Yidma Concession after the first positive well. The Lease area is located in the Western Desert in Egypt. The concession consists of one oil field and three leads (Maria - with a dry well, Drazia - with a dry well and Sidi Omar - where INA planed drilling in 2010). The project started in 2004. INA is the operator with RWE-DEA as the partner. INA possesses 50% working interest and a 29% interest in production, the same as the partner (RWE Dea).

INA drilled 3 wells in 2009; one was positive and has been producing from Kharita 2 layer from the end of February. At first, the production was 800 boe/day of oil and then it decreased to 140 boe/day of oil due to water breakthrough.
At the very end of 2009, the well was additionally perforated. Other two wells were dry abandoned.

ANGOLA

In Angola, INA is involved in production on three concessions. INA is a non-operating partner with various percentages of investment and production sharing. All concessions are on the offshore Block 3:

- Block 3/05 (former Block 3/80) with oil fields [Palanca, Pacassa, Bufalo, Impala SE, Impala and Pambi 3/05],
- Block 3/85 with oil fields [Cobo and Pambi 3/85],
- Block 3/91 with oil field Oombo.

Although the operator's drilling plan was not fulfilled, the percentage of realisation was over 100%. The reason for that was a lower oil price than in 2008, which gave INA a bigger share in production.

BLOCK 3/05 CONCESSION
The concession is located offshore in Block 3. It consists of six oil fields: Palanca, Pacassa, Bufalo, Impala SE, Impala and Pambi 3/05. The project started in 1980. Production started in 1985. The operator is Sonangol with 25% working interest. The partners are: China Sonangol (25%), Ajoco [Japan] (20%), ENI [Italy] (12%), Somoil [Angola] (10%), NIS [Serbia] (4%) and INA [Croatia] (4%). INA's share in production is 1.5 to 2.5%.

The plan was to drill three producer wells on Pacassa Field in 2009. Only one was finished, Pac-415, with initial production of 1000 m^3/day (started in April 2009).
Other two wells (Pac-410 and Pac-412) were started with batch-drilling. Because of big damage to the drilling platform, the drilling was stopped and it will continue in 2010.

BLOCK 3/85 CONCESSION
The concession is located offshore in Block 3. It consists of two oil fields: Cobo and Pambi 3/85. The project started in 1980. Production started in 1993. The operator is TOTAL [France] with 50%

working interest. The partners are: ENI [Italy] (15%), Ajex [Japan] (12.5%), Sonangol [Angola] (6.25%), Svenska [Sweden] (6.25%), NIS [Serbia] (5%) and INA [Croatia] (5%).

The licence for the Cobo field will expire in December 2010 and for the Pambi field 3/85 in July 2011. Negotiations on the licence extension are expected in the following year.

BLOCK 3/91 CONCESSION

The concession is located offshore in Block 3. It consists of oil field Oombo. The project started in 1980. Production started in 1997. The operator is TOTAL [France] with 50% working interest. The partners are: ENI [Italy] (15%), Ajex [Japan] (12.5%), Sonangol [Angola] (6.25%), Svenska [Swede] (6.25%), NIS [Serbia] (5%) and INA [Croatia] (5%). INA's share in production is 3.0 to 3.5%.

The licence will expire in December 2012. Negotiations on the licence extension are expected in the following year.

MIDDLE EAST REGION

EXPLORATION

SYRIA

APHAMIA BLOCK (INA 100%)

The exploration block Aphamia is situated the central west part of Syria. It covers the area of 4570 sq km.

Wells: Salamieh-1 (Marathon Petroleum, 1981, 3760 m), Mudawara-1 (Marathon Petroleum, 1988, 3188 m), Sheikh Hilal-1 (SPC, 1993, 4148 m), Jaddua-1 (INA, 2006, 3633 m) and Mudawara-2 (INA, 2008, 3150 m) were drilled since 1981.

Main targets are Kurrachine Dolomite Formation (middle to upper Triasic) saturated with oil and gas. Secondary targets, reservoirs in Hara Moun Formation (Jurrasic) and reservoirs in Hayan Formation (Cretaceous) could be saturated with oil.

As upside potential of the block, the Amanus sand reservoirs as well as Silurian and Ordovican reservoirs were identified.

The contract for exploration was signed in June 2004. The Second Exploration Phase (First Extension of Initial Exploration Phase) commenced in August 2008. During that phase INA was obliged to acquire 300 km 2D seismic or equivalent of 3D and drill 2 exploration wells. Commencement date: August 2008; completion date: August 2010.

3D seismic over Mudawara structure was acquired, processed and interpreted in 2009. It covers about 270 km^2 and three wells (Mudawara-1, Mudawara-2 and Butmah-1) are included in the area. The interpretation of seismic opened the Beer-as-Sib area as part of the Mudawara megastructure interesting for further drilling. The drilling of the well is planned in 2010.

HAYAN BLOCK

During 2009, several drilling programmes were successfully completed on the Hayan development and production area in Syria. At the beginning of the year, the drilling of Al Mahr-3 was finished after which drilling of Al Mahr-4 was started. After some workover regarding perforations of producing reservoirs and acid operations, Al Mahr will be ready to start up the production when the gas-treatment plant is completed.

On the Jazal field, the Jazal-3 well was drilled in 2009 and started production in May 2009.

On the Jihar field, two wells were drilled in 2009 - Jihar-9 and Jihar-12. Jihar-9 was tested and during the testing the maximum production rate from Kurrachine Dolomite D1 reservoir was around 3145 bbl/day of oil. Jihar-12 was drilled and completed for production, ready to be put on stream.

The greatest achievement in 2009 was the completion of the Jihar Oil-Gas Station put in the commissioning phase at the end of October 2009. OGS Jihar enabled production of gas from surrounding fields previously flared because of inadequate production facilities. In 2009, a geophysical survey campaign was conducted and 3D seismic was taken on the Mazrur, Jazal and Mustadira fields. After the interpretation of results, location of new wells on Mazrur and Mustadira will be possible and revision of further potential of the Jazal field.

IRAN

MOGHAN-2 BLOCK (INA 100%)

Service Contract for the Exploration and Development of the Moghan-2 Block in Iran was signed on 8 April 2008 with the National Iranian Oil Company (NIOC) and came into effect on 1 June 2008. INA is the operator in the exploration (4 years), appraisal (2 years) and development phase (up to the development plan) while NIOC will conduct production operations.

The block is situated in the northwestern part of Iran, in the Caspian region near the border with Azerbaijan, covering the area of 3,230 km². Exploration minimum contract work commitments include seismic surveys (2D and 3D) and drilling of one exploration well and the minimum financial obligation amounts to USD 40.3 million.

In 2009, a comprehensive G&G study was prepared and based on archived results a new exploration strategy (developing a new under the explored Mesozoic play) was set out. The new exploration approach resulted in the change of committed work scope (combining obligatory 2D and 3D seismic survey in one extended 2D) and in postponing 2D seismic acquisition until 2011, and consequently in postponing the well drilling until 2012. For 2010, INA plans to prepare a new program for 2D seismic acquisition and to gather G&G data related to the new Mesozoic play.

OIL AND GAS PRODUCTION IN CROATIA - 2009

In 2009, INA's domestic production was 6.556 MMbbl of oil and gas condensate:

- 3.878 MMbbl of oil
- 2.678 MMbbl of gas condensate

In Croatia, oil was produced from almost 690 production wells on 34 oil fields. About 9 per cent of total oil production was recovered by natural flow while the remaining wells employ artificial lift: 40 percent gas lift and 51 percent pumped.
In addition to oil and gas condensate, 16.037 MMbbl of water were extracted from the reservoirs. The water was separated, treated and re-injected into the wells where secondary methods of enhanced recovery were applied.
In order to gather the necessary data for putting gas reservoirs in Bilogora into production, production testing was performed on the development wells which produced 151 Mboe of gas.
INA's natural gas production in 2009 totalled 11.2 MMboe. Onshore natural gas production from the fields in the Pannonian basin accounted for 54 percent of total production, i.e.
6 MMboe, while INA share in production from the Adriatic offshore fields was 46 per cent: 4.1 MMboe in the Northern Adriatic contract area and 1.1 MMboe in the Aiza Laura contract area.

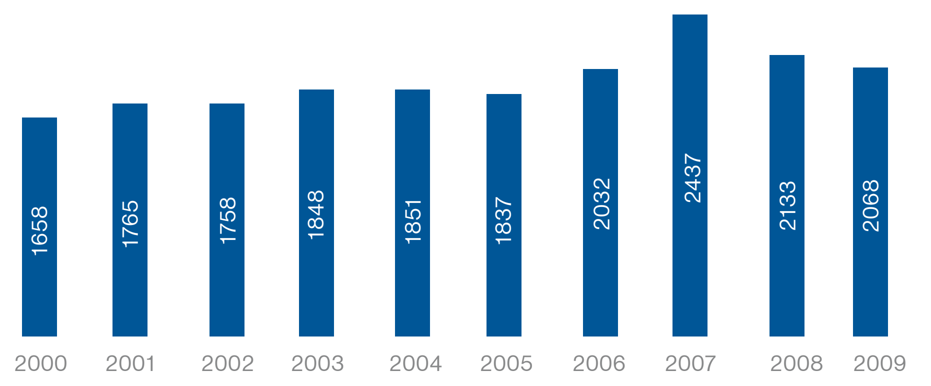
In order to achieve the planned production levels on older fields, various workover operations were carried out during the year. The operations included 32 capital workover operations including hydraulic fracturing, gravel pack and chemical stimulation, as well as 287 regular workover operations and 33 well equipment overhauls carried out during 2009. For this purpose INA invested about HRK 129 million. Above workover operations resulted in an increased production of crude oil by 65 Mbbl, 256.1 Mboe of gas and 35 Mbbl of condensate.
Regular annual overhauls of the Molve treatment plant and the Ethane plant were performed in September.
The ethane plant at Ivanić Grad produced 665.5 Mbbl of LPG, pentane and natural gas, and 689.2 Mbbl of ethane.
In accordance with consumer needs, INA produced 0,36 mil m^3 of geothermal water and 2.5 mil m^3 of high quality well-water in 2009.
In 2009, total capital investments in processing facilities, environmental projects and equipment amounted to HRK 181 million. At the Jamarice oil field, the first stage of constructing a waste fluid disposal pit was completed.
The implementation of the EOR (enhanced oil recovery) project continued at the Ivanić and Žutica fields. Basic designs for GTP Molve, the ethane plant, and Ivanić and Žutica oil fields technological projects and detailed engineering for Ivanić and Žutica were completed. Construction permits for Molve GTP, Žutica CS and for construction of CO_2 and salt water pipelines on the Ivanić and Žutica oil fields were obtained. The CO_2 Injection Hazard Estimation Study for the EOR project was also completed. The majority of process equipment was delivered and the oilfield operations performed defined the status of injection wells on the Ivanić and Žutica North oil fields.

INA and MOL continue working together to put the gas condensate field Vizvar in Hungary into production.
In the Northern Adriatic area, well completion and the installation of a gathering system for Vesna and Irina offshore gas fields were completed in 2009. On the new gas field Annamaria, situated on the border between Italy and Croatia, 6 new wells were drilled and completed and Annamaria A platform was built on the Croatian side and connected to the Northern Adriatic gathering system. The field was brought into production in early November 2009. By the end of the year production from the first two wells gave additional 135 Mboe of gas for INA.
On the Izabela gas field, a joint exploration project with Edison, two platforms - Izabela South and North – were installed and interconnected, and Izabela South was connected by sealine with Ivana K platform. Drilling operations were started on Izabela South.

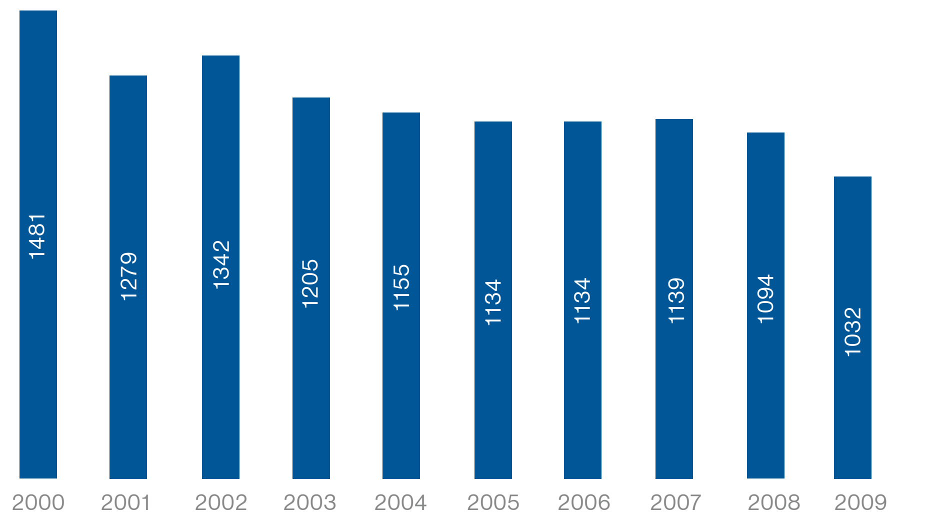
Oil and gas reserves as of December 31, 2009

		Proved	Proved + Probable	Proved + probable + possible
Crude Oil	(MMboe)	71	94	103
Total Sales Gas	(MMboe)	157	207	232
Condensate + LPG	(MMboe)	17	24	24
Total Fluids	(MMboe)	245	325	358
NPVwacc After Tax	(10^6 US$)	4583	5909	6222

Natural gas production (million m³)



Production of oil and condensate (000t)



hydrocarbon production in 2009

	2009
Crude oil production (kt)	777.0
Natural gas production (m cm, net dry)	2,068.2
Condensate (kt)	255.7

NATURAL GAS SUPPLY

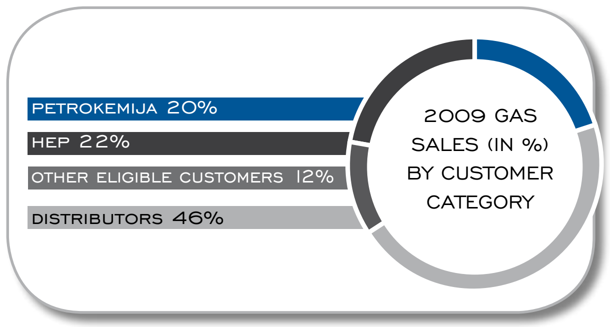
The gas trading business was spun-off from the Oil and Gas Exploration and Production BS as of July 1, 2009 into a gas trading company Prirodni plin d.o.o. fully owned by INA, d.d. The company has been registered for energy trading and agency services, and supply of natural gas to the domestic market.

Total natural gas to cover domestic needs is supplied from domestic sources and exports. A long-term contract for gas supply from Russia has been signed with Gazprom Export, in force until December 31, 2010. Natural gas is transported to the Croatian border across Slovakia, Austria and Slovenia on the basis of long-term gas transmission contracts. In order to ensure reliable natural gas supply in Croatia, transportation capacity through Slovenia as well as the capacity at the exit point from the Italian transportation system – Gorizia have been rented. This ensures the possibility of importing additional quantities of gas from the open European energy market. During 2009, when the deliveries of Russian gas were disrupted, additional quantities of gas of 44 million m³ were imported in order to secure normal supply.

NATURAL GAS SALES

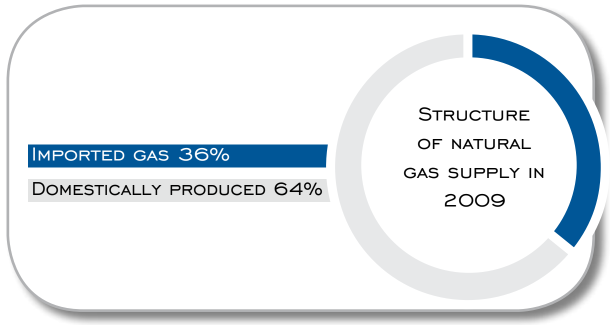
During 2009, natural gas was sold to two principal groups: suppliers to tariff customers (distributors) and eligible customers, the largest of which are HEP d.d. Zagreb and Petrokemija d.d. Kutina.

In 2009 the total natural gas sales was 2.778 million m³ on Croatian market.



[1] According to Article 42 of the Gas Market Act (NN 40/07) the eligible customer is:
1. the customer using natural gas for power generation, irrespective of annual consumption but within quantity limits intended for such use;
2. the customer using natural gas for co-generation, irrespective of annual consumption but within quantity limits intended for such use;
3. the end-user with consumption exceeding 25 million m³ in the previous year;
4. the customer using natural gas for crude cast, steel and ferroalloy manufacturing, with a minimum annual output of 50,000 tonnes of steel.

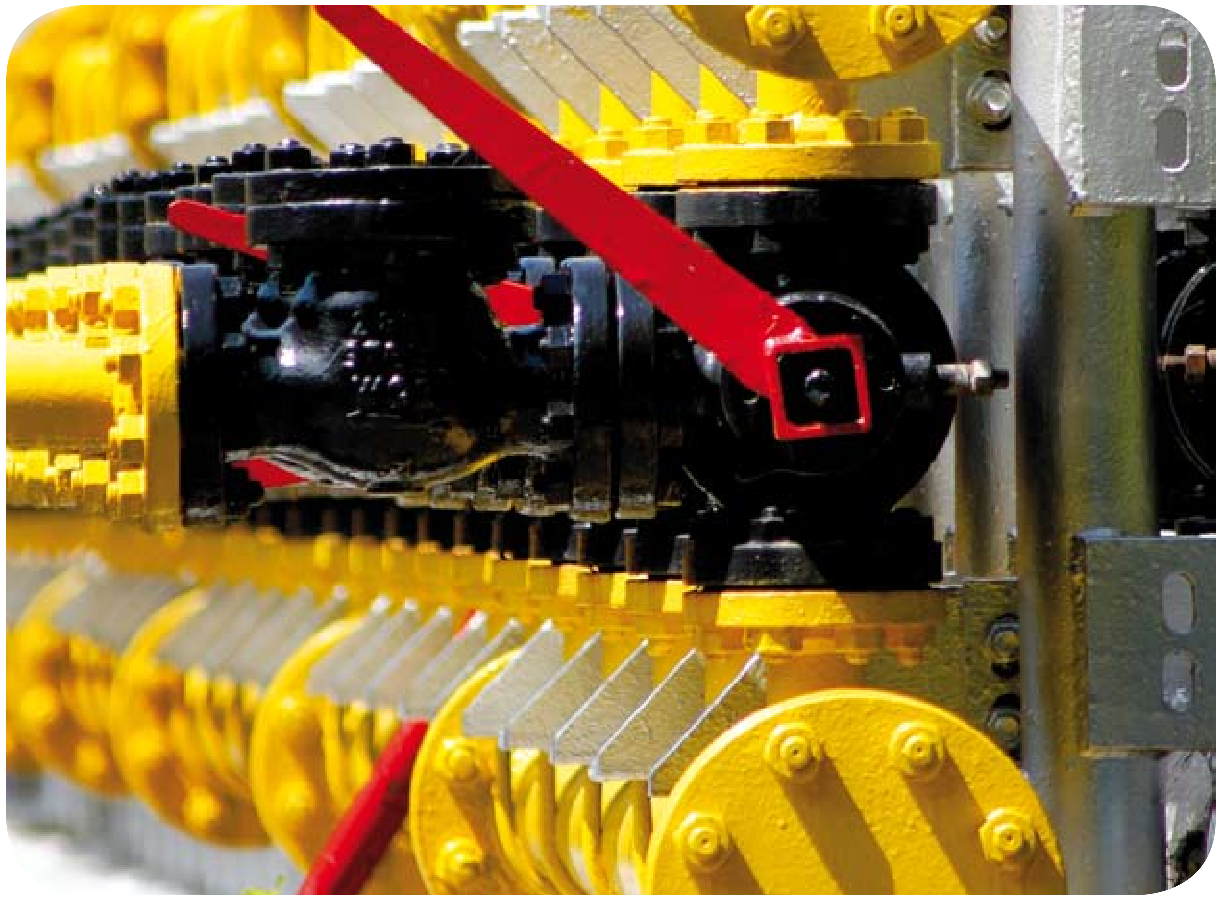
2009 GAS SALES (IN %) BY CUSTOMER CATEGORY



On December 16, 2009, MOL and the Croatian Government signed an Amendment to the Gas Master Agreement whereby the takeover of the gas trading business was postponed until December 1, 2010. Key elements of the Amendment are (a) postponing the deadline for the takeover of the gas trading business by the Government until December 1, 2010, (b) the agreement on ensuring that the gas trading company operates without generating losses until it is taken over, and (c) a gradual increase of mining royalties.

As the gas trading business represents a separate major line of business as defined in IAS 5, the company has presented the related results and cash flows as the income and cash flows from discontinued activities.

In order to achieve market sales prices, several consultations with the Croatian Government i.e. the Ministry of the Economy, Labour and Entrepreneurship had been held for gas selling prices increase to be granted for all categories of customers in order to avoid further losses from the gas business. In late December 2009, the Croatian Government decided that the price of gas for the suppliers of gas to tariff customers would be 1.70 HRK/m³ effective as of January 1, 2010.



REFINING AND MARKETING BS

HIGHLIGHTS:

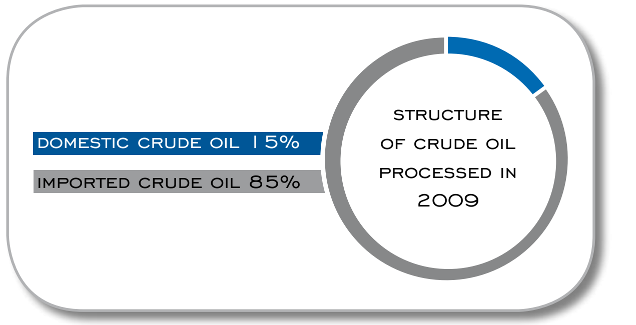
- Total refinery throughput reached 5 million tonnes
- Significant investments for the modernisation programme
- Stable market position

The Refining and Marketing BS is responsible for procurement and processing of oil, production and distribution of oil products and placement of oil products on domestic and international markets. The BS bases its operations on a long tradition and experience in oil business and on the company's business strategy. In line with the policy of business quality applied in INA Group operations, R&M is committed to continuous improvement of business processes.

Current trends and developments in oil products and oil processing technologies are followed for the purpose of process and supply chain optimisation within our business system. The goal is to build trust and partnerships with our customers and suppliers. As a part of a company aware of its corporate responsibilities, R&M is acting preventively regarding the issues of environmental protection and is paying close attention to occupational health and safety issues.

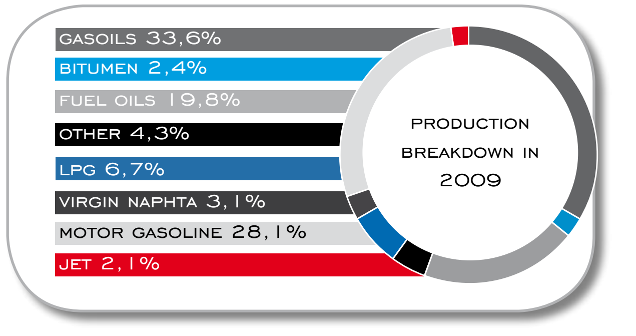
Processing and production

Our two refineries, Rijeka Refinery and Sisak Refinery, process domestic and imported crude oil and produce a wide range of various oil products. In 2009, refining activities all over Europe and the world suffered from low margins and high level of instability and unpredictability. Such an environment required a cautious approach in the search of optimising the refining parameters while having in mind the market position and maximisation of savings. Both refineries processed approximately 4.7 million tonnes of crude oil and 0.3 million tonnes of other feedstocks, so total processing volume was 5.0 million tonnes of raw materials, which was 8.7 % above the volume processed in 2008. The Sisak Refinery was out of operation for 28 days in 2009 due to capital turnaround activities and Rijeka Refinery was not operational for 15 days due to a planned intervention on the processing equipment. Pursuant to INA d.d. business decision, lube production was discontinued at the Mlaka refinery in 2008, which continued with motor and other oils blending producing 11.730 tonnes of motor and other oils as well as other industrial lubricants in 2009.



In 2009, Rijeka Refinery processed 3.1 million tonnes of crude oil, and Sisak Refinery 1.9 million tonnes (of which 37% was domestic crude oil). The share of imported crude oil was 85%, of which the Urals crude accounted for 75 % of the total amount of crude processed was and sweet Azeri Light for 10%, while the share of domestic crude was 15 %.

Data in the consolidated production balance sheet of both refineries show that the share of Euro 95 (Euro IV quality) motor gasoline was 40 % of all motor gasoline produced, which was slightly lower than in 2008, while the share of Euro diesel (Euro IV quality) was 51% of all diesel fuel produced, which was higher compared to 2008.



Refinery modernisation

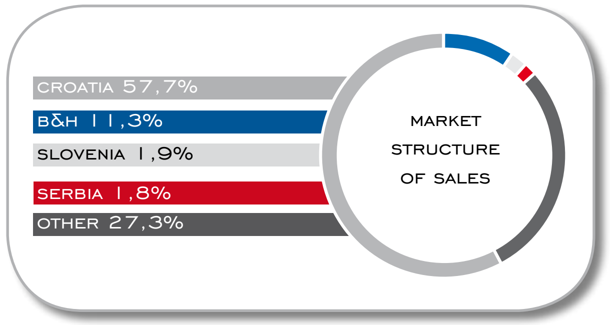
Despite harsh conditions, especially the financial ones, which prevailed in 2009, refinery modernisation plans continued.

Regarding the first stage of Sisak Refinery modernisation, some projects had already been completed in 2007 (revamp of the coker gas oil hydrodesulphurization plant to produce low-sulphur diesel component) and 2008 (Claus plant and HDS/FCC gasoline plant) and the third one was started (Isomerization). This will enable higher production of Euro V quality motor fuels at Sisak Refinery. The engineering of the isomerization unit has been completed and the unit is presently under construction. When completed by the end of 2010 as planned, it will further improve the gasoline octane pool.

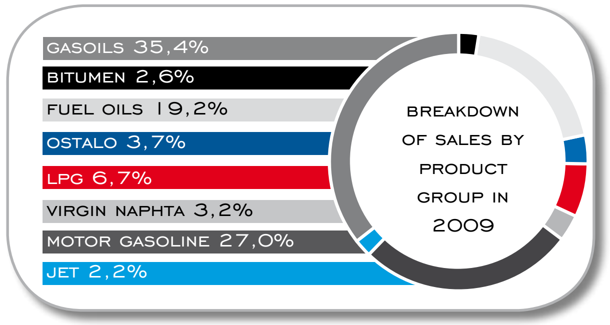
Regarding the modernisation project of Rijeka Refinery, the isomerization plant started up in early March 2008, making it possible to produce increased quantities of euro quality motor gasoline. Having signed the major EPC-contracts in 2007, advancing in engineering and obtaining building permits in 2008, the construction works are now in full swing at the Urinj site on all units comprising the MHC-complex (hydro cracker, hydrogen, sulphur recovery and off-site units) aimed to be completed during 2010. Thereafter Rijeka Refinery will be able to produce its gasoline and diesel products entirely up to 10 mg/kg of sulphur (euro V quality).

Product sales

In 2009, INA d.d. Refining and Marketing division had total sales volume of 4.4 million tonnes – 2.5 million tonnes or 58 % sold on the domestic market and 1.9 million tonnes or 42 % exported.

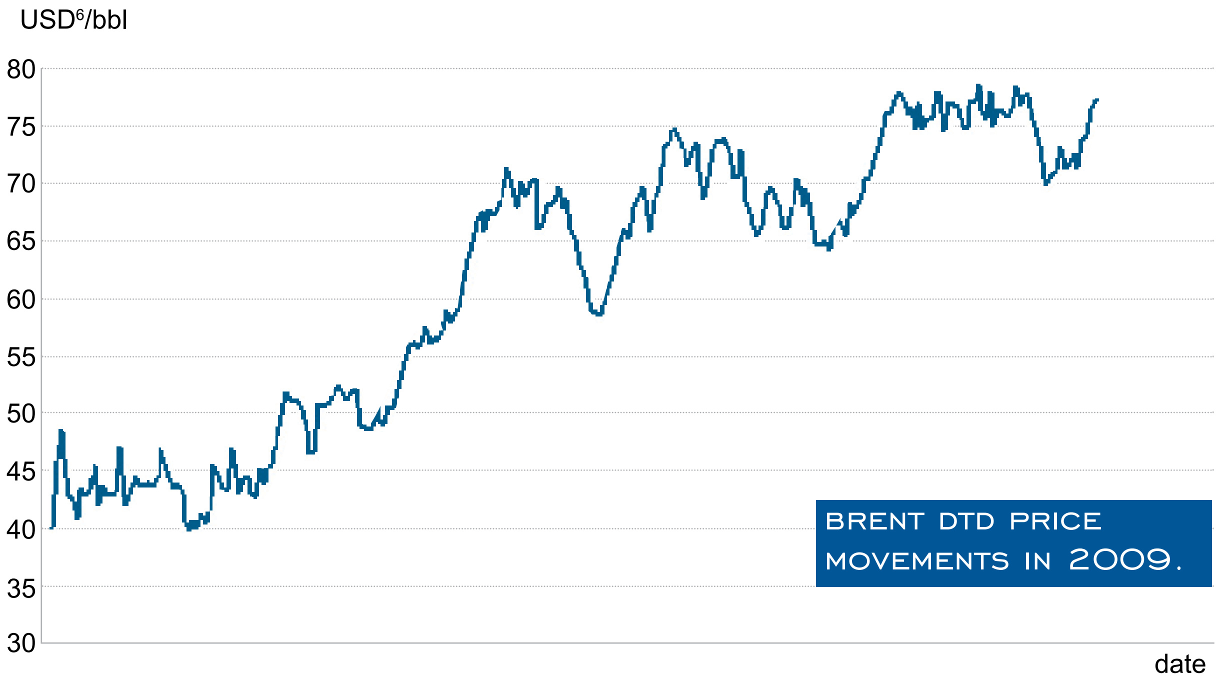


Compared to 2008 sales volumes, total sales remained at 2008 levels but the structure was changed in favour of export markets with domestic sales down by 9 % on the previous year while export sales increased by 17 %. At the same time, import of products needed to dynamically cover the domestic market demand was kept at a minimum level, 87 % down on the previous year.

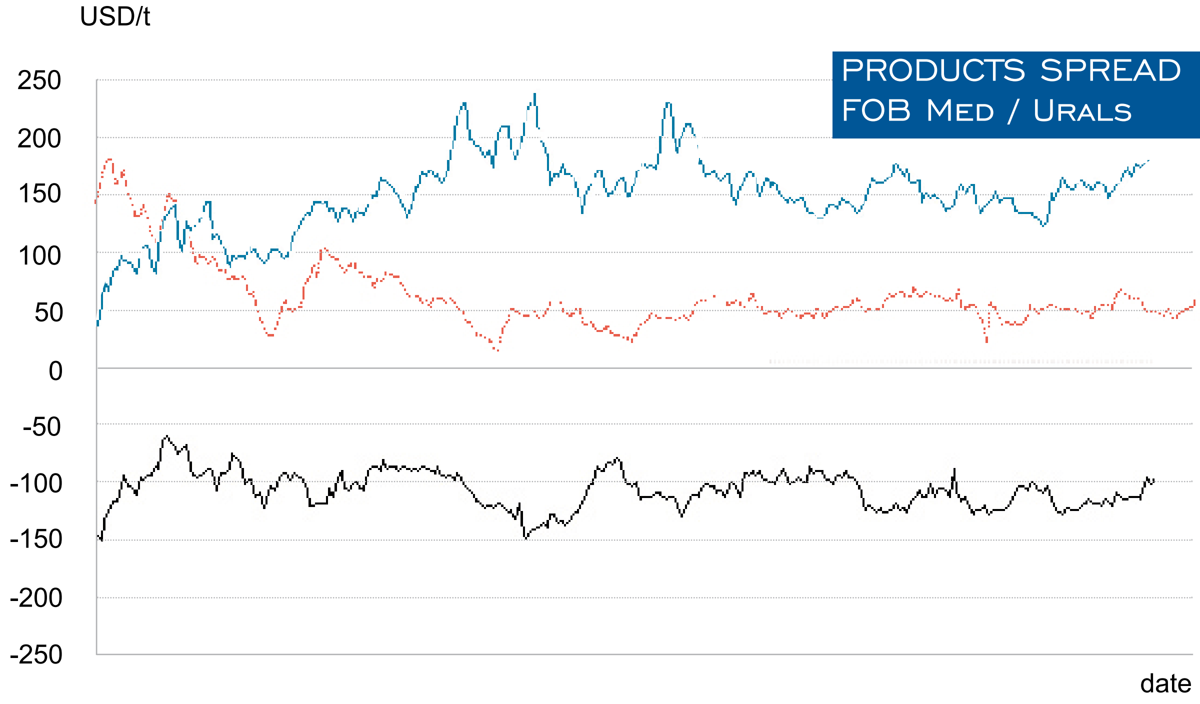


Market environment

There was a sharp decrease in prices and margins in the second half of 2008. Crude markets started to recover as of Q2 2009, doubling the price of crude at the end of the year in comparison to its starting levels.



Product spreads did not follow a similar pattern and remained very low. While motor gasoline spreads gradually started to increase from the midyear, diesel spreads at the same time touched their lowest levels and remained there for the rest of the year, keeping refinery margins weak.



The Logistics Sector plays a key role between production and marketing in INA, d.d. downstream operations. In order to improve overall operational efficiency, the activities on improving the transport efficiency continued together with a more economical inventory management and unit cost reduction efforts. In 2009, all modes of transport were used to move 2.56 million tonnes of products (9.3 % less than in 2008), of which 1.57 million tonnes were transported by road, 0.41 million tonnes by rail and 0.58 million tonnes by sea. A large part of oil products was transported to customers directly from refineries, in accordance with an optimum logistics model and at a minimum cost. Several organisational changes in the Logistics Sector were made to improve operations at the Rijeka and Sisak refinery terminals which became a part of the Logistics Sector. Technical and technological upgrading of operations continued in 2009 with the goal of improving business and cost efficiency, not only short-term but also mid- and long-term. Technical and technological upgrades were made on the measuring systems at the points of delivery and dispatch at every warehousing location. Rationalisation and cost reduction resulted in closing the Gospić depot.

The 2010 Outlook

We expect the economic environment in 2010 to slowly improve due to the following reasons:

- Mostly due to improvement in the overall world and regional economy,
- Slow increase in demand for petroleum products with some improvements in market prices,
- Continuation of efficiency improvement initiatives
- Modernisation project completion for major processing unit additions to both Rijeka and Sisak Refineries, which will increase the production of Euro quality products, and introduction of Euro V products during the year in order to fulfil market requirements.

RETAIL SERVICES BS

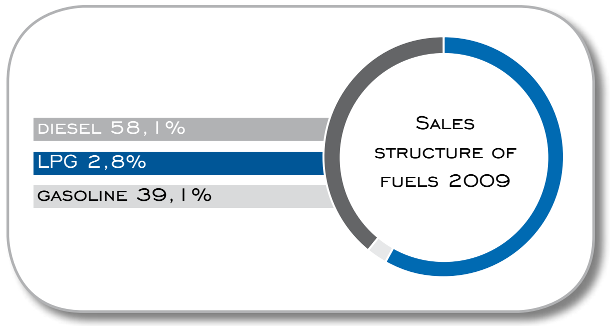
HIGHLIGHTS:

- Market leader with a strong position in Croatia
- Regional presence with 489 petrol stations
- Customer loyalty programme

INA's Retail Services BS operates a regional network of 489 petrol stations in Croatia and neighbouring Bosnia and Herzegovina, Slovenia and Montenegro.

INA Group Retail Services BS operates a regional network of 489 petrol stations in Croatia, Bosnia and Herzegovina, Slovenia and Montenegro, of which 438 petrol stations in Croatia, 44 in Bosnia and Herzegovina, 6 in Slovenia and one in Montenegro. INA Group also operates 20 LPG stations (18 in Croatia and 2 in Slovenia). In 2009, the domestic retail network was organised in 6 retail sales areas with 17 retail sales business units coordinating the operations of petrol stations.

Total retail sales volumes, consisted primarily of diesel fuels and motor gasoline sales, decreased by 4.7% year-on-year in 2009. INA Group experienced a 4% decrease in diesel sales and a 6.2% decrease in motor gasoline sales. LPG sales decreased by 2.6%. The average throughput per site decreased by 5.4%. Despite lower sales, INA Group`s domestic market share was 54.47% and the domestic network share was estimated at 55.04%.



Efficiency improvement and revenue increasing actions such as a loyalty programme and retail pricing policy together with the positive effect of the act prohibiting working Sundays (effective in H1 2009) had a positive effect increasing the non-fuel margin per litre by 8.33% in 2009.

The implementation of INA's retail network development strategy continued with new investments and operational improvements in the quality of services provided at petrol stations. In addition to motor fuels, our petrol stations also provide state-of-the-art shopping of consumer products as well as additional services meeting the needs of our clients.

INA's petrol stations have become points of purchase recognisable for taking care for the customers and their wishes and needs. A new approach to customers and business in general was a response to constant and rapid changes in the business environment, growing competition and increasingly higher expectations of our customers. So a number of activities were taken to achieve a recognisable relationship with our customers and improve the quality of services in order to have a satisfied customer who will return again. Capital investments continued with technological and safety improvements at petrol stations, with a special emphasis on growing environmental awareness.

INA takes great care for its customers and therefore a customer loyalty programme was introduced as a novelty in 2009 to reward regular customers at INA's petrol stations. The project was highly successful and it may be taken to mark a new pathway in our approach to customers.

Our strategic goal continues to be brand strengthening in the retail network, which will enable INA d.d. to remain the market leader in the oil product retail sales market.

Strategic partnership with MOL

Strategic partnership and successful cooperation of MOL and INA started in November 2003 when MOL acquired 25% plus one share, marking the beginning of the company's privatisation process. With this initial transaction INA entered into an integrated regional oil and gas industry partnership consisting of MOL, INA, Slovnaft and TVK. The cooperation and the capture of synergies continued in the following years.

Changes in ownership structure

Company shareholders structure was changed through the privatisation process run by the Government of Croatia in the years 2006 and 2007. During this period INA shares were partly transferred to the Croatian war veteran's fund, IPO was completed when company shares were listed on the Zagreb and London stock exchanges and finally the sale of shares to former and current employees was concluded at the end of 2007. Above transaction reduced the state ownership to 44.84%. In October 2008, MOL became the largest shareholder of INA by acquiring additional 22.16% shares through a voluntary public takeover offer.

Agreements signed by major shareholders related to INA governance and business operations

Following the closing of the public offer, MOL and the Government of Croatia continued discussing the future development and governance of INA. As a result, in January 2009, the Amendment to the Shareholders Agreement and the Gas Master Agreement were signed by the two major shareholders. According to these agreements MOL gained management control of INA, while the Croatian Government has veto and pre-emptive rights regarding its strategic assets and will be responsible for the supply of industrial and household energy. Following the conditional approval of the transaction by the Croatian Competition Agency, the transaction was closed on 10 June 2009 with the election of the new Supervisory and Management board of INA giving MOL operational control in the company.
Based on the contracts, INA sold the regulated gas storage business at the beginning of 2009 to the state-owned Plinacro, while the gas trading business remained with INA. In December of 2009, MOL and the Government of Croatia signed the First Amendment to the Gas Master Agreement. Key elements of the Amendment are (a) postponing the deadline for the takeover of the gas trading business by the Government until 1 December 2010, (b) the agreement on ensuring that the gas trading company operates without generating losses until it is taken over, and (c) a gradual increase of mining royalties.

Successful cooperation in the past

Upstream cooperation
The cooperation started in previous years continued successfully during 2009. Joint upstream activities in the Drava basin resulted in several findings in the Zalata (Hungary) – Podravska Slatina (Croatia) and Potony (Hungary) - Novi Gradac (Croatia) area. In 2009, the exploration period for Zalata– Podravska Slatina was extended and Dravica-1 well testing was started. At Novi Gradac-Potony INA and MOL completed a successful well, Potony-1. Based on past experiences in joint upstream exploration activities, stronger cooperation on international upstream exploration projects between INA and MOL will bring significant positive results. Joining HR and financial resources in this area will enable additional savings and benefits to be achieved and operational efficiency to be improved.

Refinery modernisation programme support

The modernisation of Sisak and Rijeka refineries, worth more than USD one billion, is one of INA's top priorities, which has strong support from MOL through know-how and experience transfer from its own refineries transformation and modernisation.
With completion of the first phase of the modernisation programme INA will be able to comply with the Euro V quality while the completion of the second phase will bring improvements to the product yield and will increase the efficiency and profitability of its refineries. Completion of the refinery modernisation programme will put INA's refineries amongst technologically most advanced in the region.

Regional retail network development

The partners have consolidated a marketing strategy for the South East European region, including a review of retail positions in the region. As part of the strategy, a joint project to increase the number of INA petrol stations in Hungary was launched at the end of 2008.

Other areas of cooperation

Partnership relationship became even stronger during 2009, with MOL gaining operational control and beginning the consolidation of INA as of 1 July, allowing us to utilise synergies in all business aspects and to establish a corporate structure and communication channels which provide a better utilisation of expert knowledge in the companies. Emphasis was given to implementation of joint projects and knowledge exchange with an intention of assisting INA in achieving growth targets in the region. Procurement, supply chain management, development and implementation of the SAP Enterprise Management System and health, safety and environment management are just some of the business areas where MOL provides continuous support to INA by implementing the industry best practices.

In 2009, INA faced a comprehensive internal transformation and a redefinition of its position externally while adapting its business operations to the challenges caused by the global financial crisis.

PERFORMANCE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating conditions were extremely difficult for overall economy during 2009 and for oil industry in particular because of lower crude oil prices, deteriorated refining margins and lower demand for refined products. In 2009, INA faced a comprehensive internal transformation and a redefinition of its position externally while adapting its business operations to the challenges caused by the global financial crisis.

The new corporate structure established in June 2009 to reflect the new shareholder structure after MOL's voluntary public offer and the amendment of the initial Shareholder Agreement resulted in a number of organisational changes. The main purpose of the Company's transformation was harmonisation of its management structure and policy with best industry practices and redefined internal processes in order to support the strengthening of its position and operational adjustment to the new social and economic environment.

INA Group ended 2009 with higher EBITDA from continued operations of HRK 4,013 million despite 36.6% lower average realised price of crude, 59% lower average spreads, and lower domestic sales and exports to BiH. The Upstream division made the highest contribution to the Group EBITDA of HRK 4.4 billion while the negative effects of the Refining and Marketing division significantly decreased and the Retail Services EBITDA significantly improved in 2009.

Under the Gas Master Agreement signed with the Croatian Government, the gas storage activity was transferred to the fully state-owned company Plinacro d.o.o. on April 30, 2009. On 16 December 2009, MOL and the Croatian Government signed an Amendment to the Gas Master Agreement whereby the takeover of the gas trading business was postponed until December 1, 2010. The gas trading business is not expected to generate losses in 2010. As the gas trading business represents a separate major line of business as defined in IAS 5, the company has presented the related results and cash flows as the income and cash flows from discontinued activities.

(HRK million)	2008.	2009.	%
CONTINUING OPERATIONS (1)			
Net sales revenues	27,144	20,373	(24,9)
EBITDA(2)	3,564	4,013	12,6
Operating profit	1,310	1,047	(20,1)
Operating profit excl, special items(3)	1,310	1,504	14,8
Net financial gain/ (expenses)	(780)	(395)	(44,4)
Net income	352	617	75,3
Net income excl, special items(3)		1,083	n,a,
DISCONTINUED OPERATIONS (1)			
Net income	(1,450)	(1,011)	(30,3)
ALL OPERATIONS (1)			
Net income (4)	(1,099)	(392)	(64,3)
Net income excl, special items (3)		72	n,a,
Operating cash-flow	2,629	2,960	12,6

(USD million) (5)	2008.	2009..	%
CONTINUING OPERATIONS (1)			
Net sales revenues	5,503	3,858	(29,9)
EBITDA(2)	722	760	5,3
Operating profit	266	198	(25,5)
Operating profit excl, special items(3)	266	285	7,1
Net financial gain/ (expenses)	(158)	(75)	(52,5)
Net income	71	117	64,8
Net income excl, special itemsi(3)		205	n,a,
DISCONTINUED OPERATIONS (1)			
Net income	(294)	(191)	(35,0)
ALL OPERATIONS (1)			
Net income(4)	(223)	(75)	(66,4)
Net income excl, special items (3)		14	
Operating cash-flow	533	561	5,3

[2](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 2008: 4.9330 HRK/USD, for 2009: 5.2804 HRK/USD.

KEY FINANCIAL INDICATORS FOR 2009

INA Group has ended the year 2009 with improved EBITDA from continuing operations compared to the previous year, in the amount of HRK 4,013 million. A challenging business environment due to the global recession, i.e. lower crude oil prices and deteriorating refinery margins accompanied with a credit crunch negatively reflected on the company's operations and its financial position. Although lower than last year, a negative contribution of the gas business to company's results was recorded. The Management is highly committed to stabilise the financial position and improve liquidity through strict measures to cut operating expenses. Capital investments are determined by the Company's cash generation possibilities.

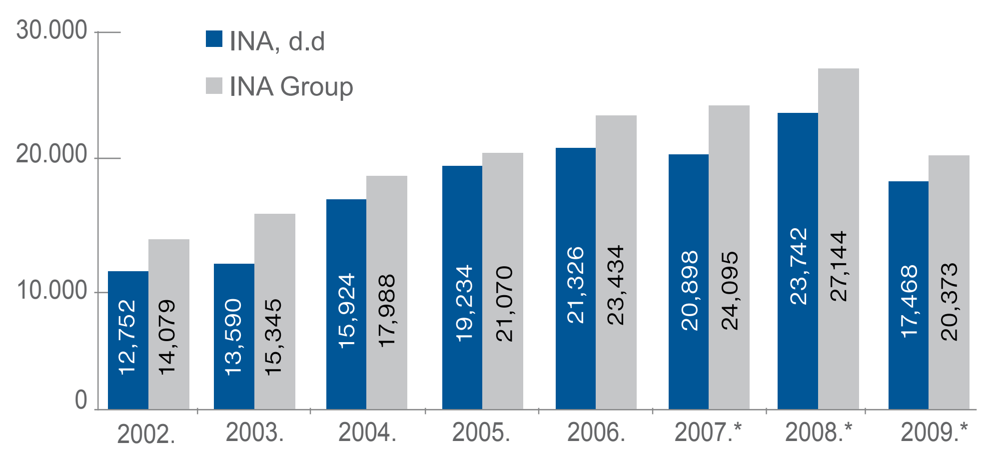
Operating cash flow improved to HRK 2,960 million for 2009 (13% up in comparison with 2008). Operating cash-flow before working capital changes amounted to HRK 2,612 million (33% up year-on-year). Changes in working capital increased the operating cash flow in 2009 by HRK 373 million, primarily as a result of the increase in trade and other payables part of which was overdue.

In 2009, the operating profit from continuing operations (one-off items excluded) was 14,8% up on 2008 and it amounted to HRK 1,504 million. There was no revaluation of crude oil and oil products inventories, which reflected favourably on the result (negative effect in 2008 amounted HRK 1,106 million) together with almost fully eliminated price cap[3] effects 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,[4] 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 1,047 million (20% down on 2008). The loss of HRK 395 million generated by financial activities of continued operations was HRK 385 million down on the previous year loss. Net profit from continuing operations in 2009 amounted to HRK 617 million, 75% up on 2008.

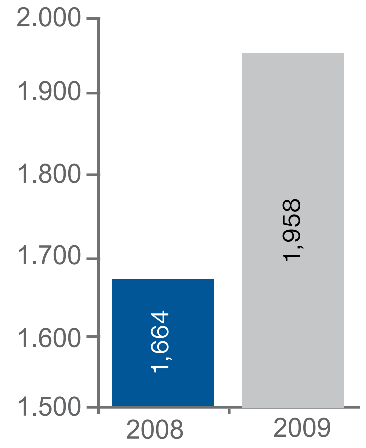
Total 2009 operations considered, INA Group generated a net loss of HRK 394 million, HRK 704 million down on 2008. The gas business (discontinued activity) contributed with HRK 1,011 million to the above mentioned net loss while continuing operations generated a net profit of HRK 617 million.

Sales revenue (HRK mill)



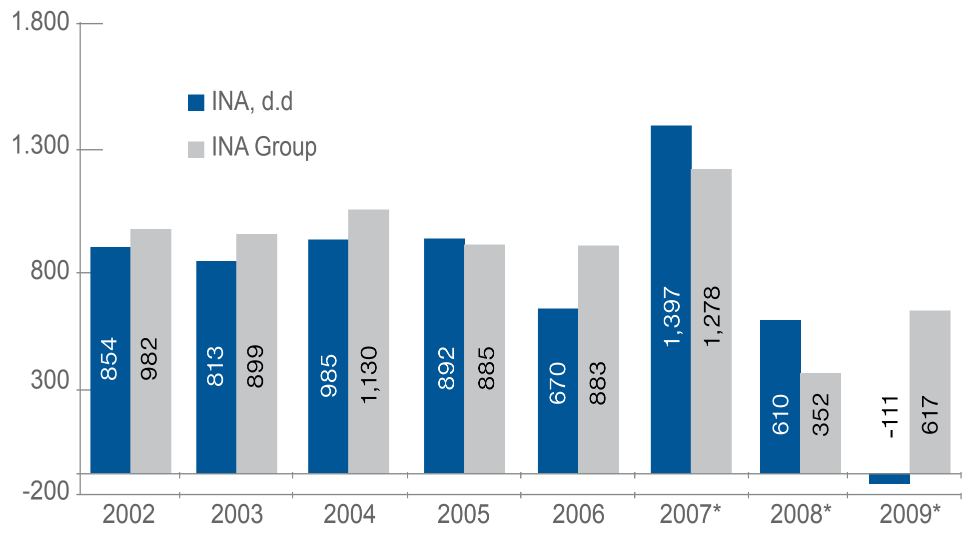
* continuing operations

[3] 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,
[4] 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,,

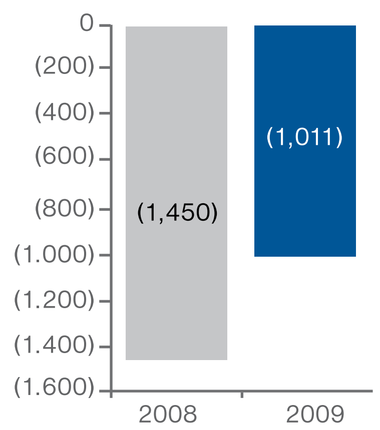


Sales revenue - Discontinued operations (HRK mill)

Net profit/loss (HRK mill)



* continuing operations



Net profit/loss (HRK mill) - discontinued operations

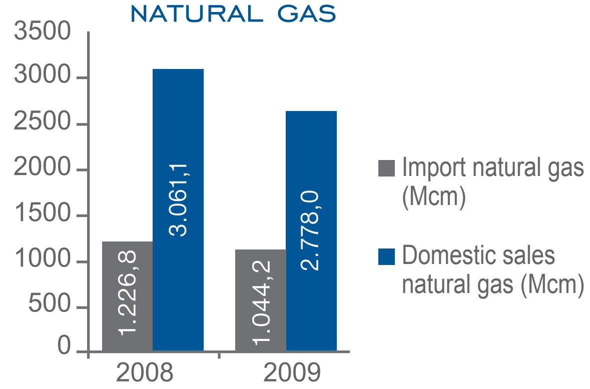
Oil and gas exploration and production

Segment IFRS results (HRK million)	2008	2009	%
Revenues continuing operations	8,273	6,736	(18,6)
Revenues discontinued operations	1,664	1,958	17,7
Operating profit/(loss) continuing operations	3,528	2,616	(25,9)
Operating profit/(loss) discontinued operations	(1,702)	(1,029)	(39,6)
EBITDA continuing operations	4,613	4,441	(3,7)
EBITDA discontinued operations	(1,540)	(982)	(36,2)
CAPEX and investments	2,732	3,039	11,2

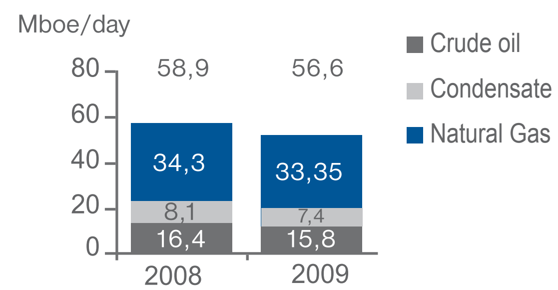
Oil and Gas Exploration and Production: The operating profit from continued operations, excluding one-off items in 2009 amounted to HRK 2,738 million (USD 518 million) what was 22% down on 2008 as a result of 39,9% lower average realised crude oil price, lower production and lower operating profit of Crosco Group,

In 2009, the operating loss from discontinued activities amounted to HRK 1,029million, 673 million down on 2008, mainly as a result of 34% lower negative price differential and 14.9% lower import.

Import and sales of natural gas



Average hydrocarbon production



The average daily hydrocarbon production in 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.

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 a result of lower operating costs.

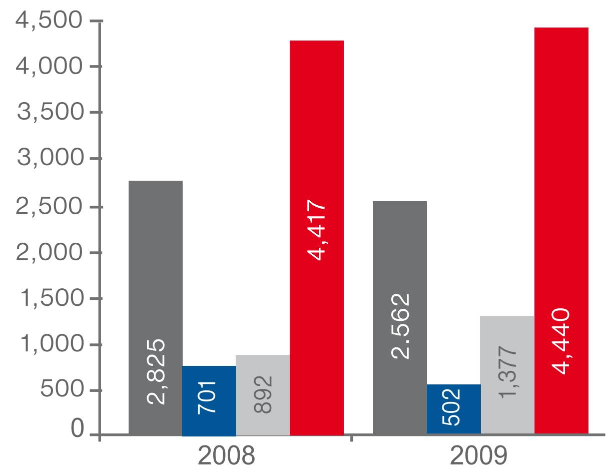
Exploration and Production segment's 2009 CAPEX increased by HRK 307 million to the amount of HRK 3,039 million, compared to the 2008. This increase was primarily due to the intensified development operations in Syria and North Adriatic. Investments in tangible assets rose by HRK 464 million, while the investments in intangible assets were HRK 157 million lower.

Segment IFRS results (HRK million)	2008	2009,	%
Revenues	19,888	13,454	(32,4)
Operating profit/(loss) reported	(1,266)	(621)	(50,9)
EBITDA	(489)	(66)	(86,5)
CAPEX and investments (w/o acquisition)	1,493	1,367	(8,4)

In 2009, the R&M segment generated an operating loss, excluding one-off items, of HRK 508 million (USD 96 million), which compares favourably with 2008 by HRK 758 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 cost control. Additionally, the result experienced significant negative effects of 59% lower average refinery spreads , 9%[4] lower domestic sales and 28% lower sales in B&H.

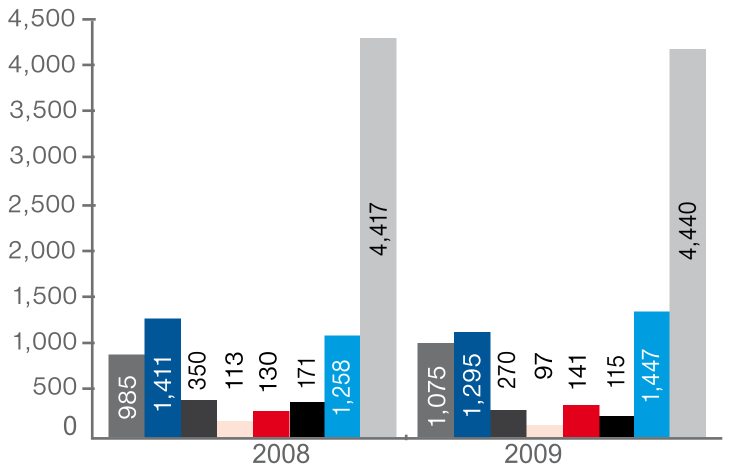
Refinery throughput rose by 8.7% in 2009 as INA was able to increase the output and decrease the imports of EURO IV products. The product slate was improved by processing 498 kt of Azeri light crude oil in Rijeka refinery.

Despite unfavourable market demand total sold volume increased 0.5% over the 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 quality 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.



REFINED PRODUCTS SALES BY COUNTRY (KT)

- Croatia
- B&H
- Other markets
- Total



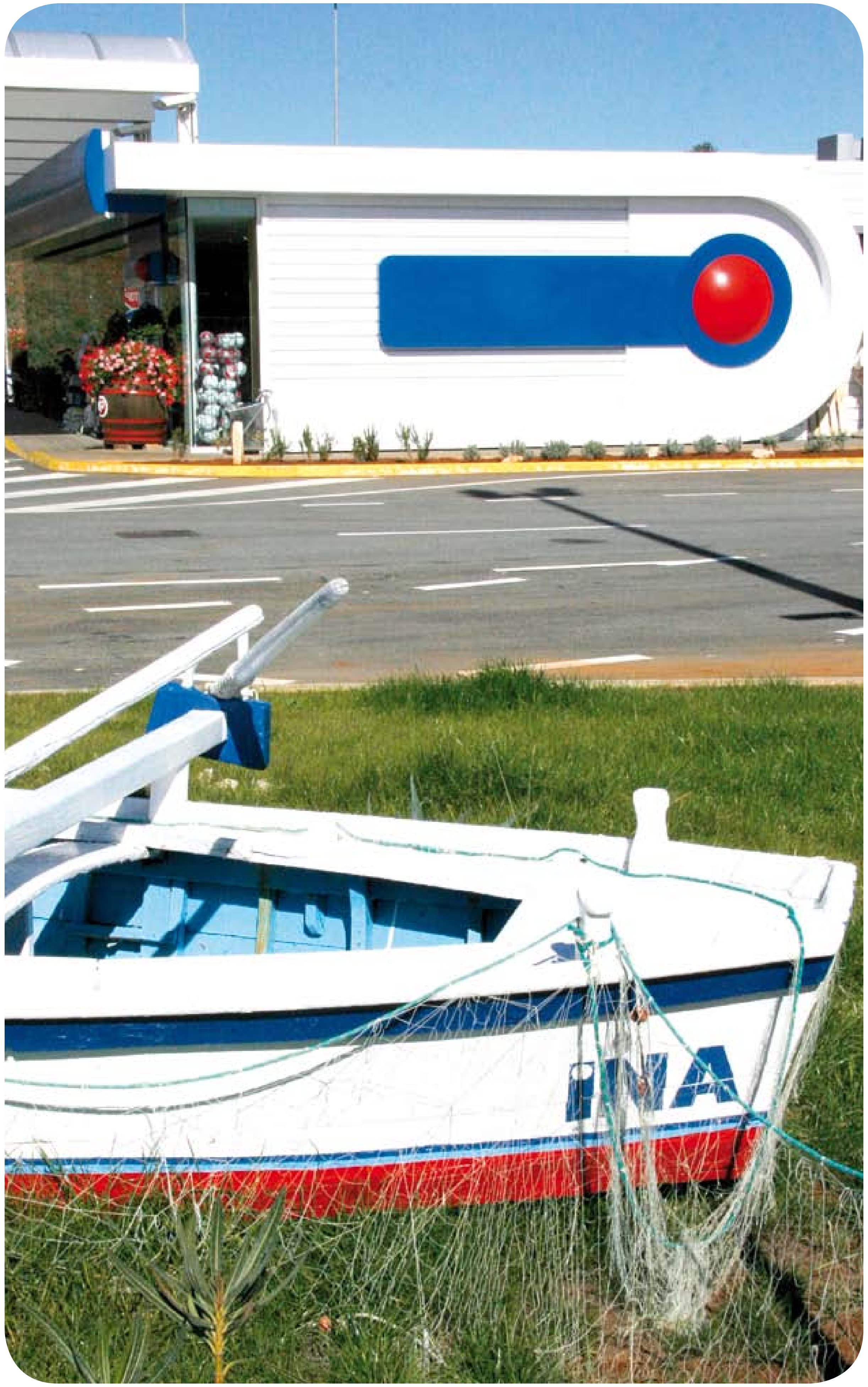
REFINERY PRODUCT SALES (KT)

- Motor gasoline
- Diesel
- Heating oils
- Kerosene
- Naptha
- Bitumen
- Other products
- Total

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

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

R&M capital investments in 2009 amounted to HRK 1,367 million and they were 8% 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.



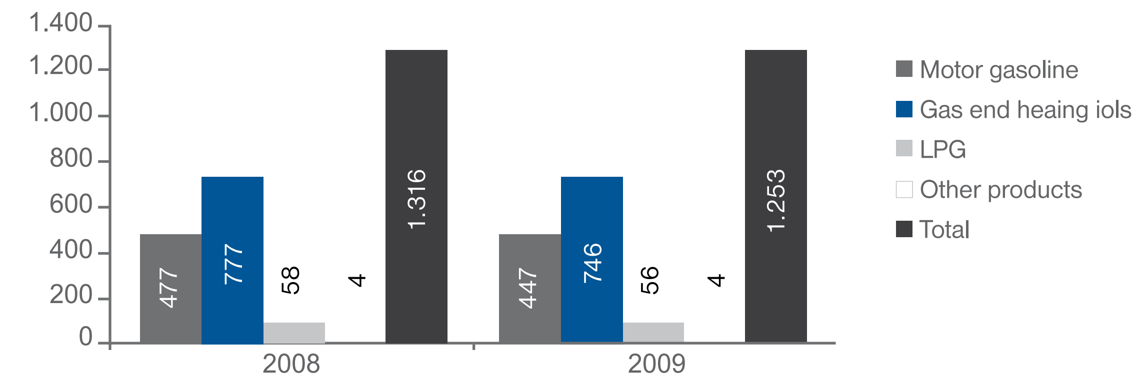
RETAIL

Segment IFRS results (HRK million)	2008,	2009,,	%
Revenues	8,221	5,812	(29,3)
Operating profit/(loss)	(98)	(126)	28,6
EBITDA	91	183	101,1
CAPEX and investments (w/o acquisition)	143	47	(67,1)

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 the 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, offset by a 4.7% decline of sales volume.

Total retail sales volumes consisted primarily of diesel fuels and motor gasoline sales and decreased by 4.7% year-on-year in 2009. The 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 at December 31, 2009, what is an increase of 4 petrol stations compared to 31 December 2008.

REFINED PRODUCT RETAIL SALES (KT)



Retail CAPEX amounted to HRK 47 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.

CORPORATE AND OTHER[6]

This segment recorded an operating loss excluding special items of HRK 769 million in 2009, which was an improvement by HRK 85 million compared to 2008 due to the positive impact of lower operating costs as a result of cost-cutting measures.

[6] Includes Corporate Functions and subsidiaries providing safety and protection services, technical services, corporate support and other services

CASH FLOW

INA-Group Cash Flow (HRK mill)	2008	2009,
Operating activities	2,629	2,960
Investing activities	(4,354)	(4,490)
Financing activities	1,585	1,321
Net decrease / increase in cash	(140)	(209)

In 2009, the operating cash flow before changes in working capital amounted to HRK 2,612 million, HRK 641 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 373 million in 2009. The favourable influence of HRK 812 million higher trade creditors was partly offset by HRK 170 million higher trade debtors, part of which was overdue and HRK 269 million higher value of inventories. The profit tax for 2009 amounted to HRK 25 million.

Net outflows in investing activities amounted to HRK 4,490 million and were HRK 136 million up on 2008. A higher amount of capex mainly related to Syrian projects, North Adriatic and the refinery modernisation programme.

BALANCE SHEET

As at December 31, 2009, total assets amounted to HRK 30.1 billion, 13% up on December 31, 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 the position Intangible assets and Property, plant and equipment to the 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 93 million.

The value of inventories was up by 6 % and amounted to HRK 2.9 billion, primarily due to higher inventories of imported crude as a result of higher volume and prices at which the inventories were valued, 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 December 31, 2009 net trade debtors amounting to HRK 2.9 billion were 1% up on December 31, 2008.

Total INA Group liabilities as at December 31, 2009 amounted to HRK 18.3 billion – up by 25% on December 31, 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 December 31, 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 a 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 471 million partly 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 had 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 number 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 item 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 onshore fields.

The Group's net debt amounted to HRK 8.2 billion, compared to the debt of HRK 6.6 billion as at December 31, 2008. Net gearing[6] increased from 35.3% to 40.9% as at December 31, 2009.

INCOME PROFIT & LOSS

CONTINUING OPERATIONS

INA Group[7] net sales revenues in 2009 amounted to HRK 20.4 billion - 25% down on 2008. Although sales volumes of crude oil in export and oil products remained almost at the 2008 level, sales revenues were down due to lower selling prices. Sales revenues 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 a negative effect of HRK 20 million. In order to mitigate the effects of higher LPG prices on consumers, INA did not apply maximum possible price of LPG according to the Regulation on setting LPG prices effective from April 29, 2009, what 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 revenues attributable to the "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 HRK 51 million down on the opening balance. The cost of other goods sold of HRK 1.514 million was down by 61%, primarily due to considerably lower imports of Euro IV quality motor fuels. The costs of services amounted to HRK 3,078 million, down by HRK 1,169 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 10% to the amount of HRK 1,507 million, mainly because of assets put in use upon completion of projects. Adjustments and provisions amounting to HRK 1,459 million were up by HRK 576 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) and litigations (HRK 181 million), only partly offset by the positive effect of no 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).

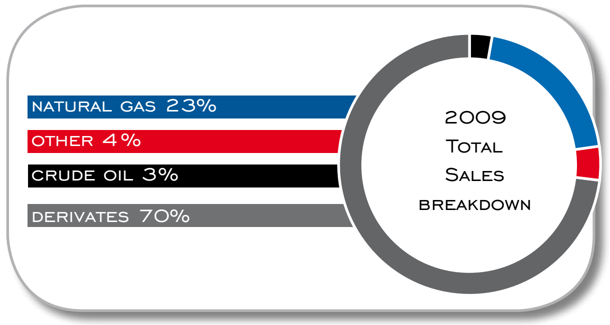
Financial activities in 2009 generated a loss of HRK 395 million, down by HRK 385 million compared to 2008. Net forex gain of HRK 79 million mainly related to long-term loans. In 2008, net forex expense amounted to HRK 409 million. The interest expenses rose by HRK 104 million compared to 2008 and amounted to HRK 434 million, while the 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 the interest on trade receivables. Other financial expenses were down by HRK 2 million and amounted to HRK 40 million.

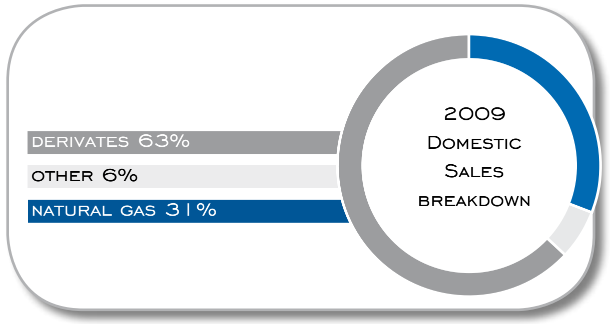
Profit tax calculated on continuing operations was lower by HRK 143 million compared to 2008 and amounted to HRK 35 million.

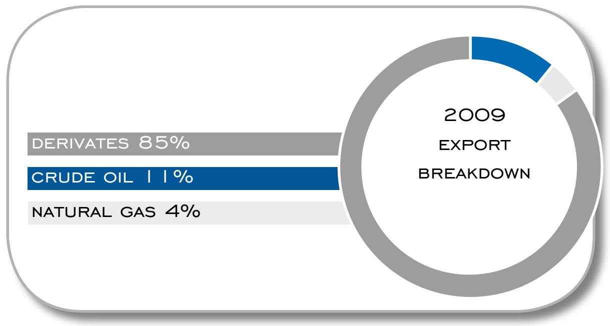
[6] Net debt vs. net debt plus equity including minority interests
[7] Consolidated sales

DISCONTINUED OPERATIONS

The net loss from discontinued operations, the gas trading business, amounted to HRK 1,011 million, down by HRK 439 million compared to 2008. The operating loss was HRK 1,029 million, down by HRK 673 million compared to 2008 as a result of lower sales of imported gas and lower negative difference between the average selling and imported prices of natural gas. The financial loss recorded on the fair valuation of embedded derivatives was down by HRK 2 million and amounted to HRK 112 million. Deferred taxes decreased by HRK 232 million compared to 2008 and amounted to HRK 130 million.







INA-Group – KEY FINANCIAL INDICATORS

KEY FINANCIAL DATA	2008	2009
CONTINUING OPERATIONS		
Total sales revenues (in HRK mill)	27,144	20,373
EBITDA (in HRK mill)	3,564	4,013
Profit from operations (in HRK mill)	1,310	1,047
Profit before taxation (in HRK mill)	530	652
Net profit (in HRK mill) – continuing operations	352	617
Return on capital (ROE) %	2.9	4.5
Return on capital employed (ROCE) %	7.0	5.3
DISCONTINUED OPERATIONS		
Net profit/loss (in HRK mill)	(1,450)	(1,011)
TOTAL OPERATIONS		
Net profit attributable to owner of capital (in HRK mill)	(1,099)	(392)
Net cash from operations (in HRK mill)	2,629	2,960
Total investment in fixed assets (in HRK mill)	4,473	4,504
KEY OPERATING DATA		
Net proven reserves		
- Croatia – onshore (MMboe)	173.9	166.07
- Croatia – offshore (MMboe)	67.1	50.21
- Syria (MMboe)	7.7	23.23
- Africa (MMboe)	5.9	5.56
Total hydrocarbons (MMboe)	254.6	245.07
AVERAGE DAILY PRODUCTION		
- oil (Mboe/day)	16.4	15.8
- natural gas condensate (Mboe/day)	8.1	7.4
- natural gas (Mboe/day)	34.3	33.4
Total (Mboe/day)	58.8	56.6
NUMBER OF PETROL STATIONS		
-Croatia	435	438
- region	50	51
Total number of petrol stations	485	489

Exploration and Production operating data	2008	2009	Ch %
HYDROCARBON PRODUCTION			
Crude oil production (kt)*	812.1	777.0	(4.3)
Croatia	554.8	525.8	(5.2)
Abroad	257.3	251.2	(2.4)
Natural gas production (m cm)	2,132.6	2,068.2	(3.0)
Croatia	2,034.7	1,900.9	(6.6)
- onshore	1,128.1	1,024.3	(9.2)
- offshore	906.6	876.6	(3.3)
Syria	97.9	167.3	70.9
Condensate (kt)	281.0	255.7	(9.0)
Crude oil (boe/d)	16,431.7	15,782.7	(3.9)
Condensate (boe/d)	8,131.8	7,447.1	(8.4)
Natural Gas (boe/d)	34,297.9	33,354.2	(2.8)
0/w: Croatia off-shore (boe/d)	14,580.8	14,137.5	(3.0)
Average hydrocarbon prod./day (boe/d)	58,861.4	56,584.0	(3.9)
* Excluding separated condensate			
Average realised hydrocarbon price			
Crude oil and condensate price (USD/bbl)	88.1	52.9	(40.0)
Total hydrocarbon price (USD/boe)*	53.4	46.4	(13.1)
Hydrocarbon production cost (USD/boe)	2008	2009	Ch %
Croatia - onshore	12.7	11.2	(11.8)
Croatia - offshore	10.6	14.5	36.8
Angola	28.6	31.7	10.8
Egypt	12.7	11.6	(8.7)
Syria	7.1	5.1	(28.2)
Average	12.3	12.2	(0.8)
Natural Gas Trading (M cm)	2008	2009	Ch %
Natural gas imports (net dry)	1,226.8	1,044.2	(14.9)
Natural gas sales on domestic market (net dry)	3,061.1	2,778.0	(9.2)
Natural gas price differential to import prices (HRK/M cm)	2008	2009	Ch %
Eligible customers' price	(1,084.55)	(752.84)	(30.6)
Tariff customers' price	(1,233.85)	(753.40)	(38.9)
Total price	(1,147.45)	(755.15)	(34.2)

REFINIG AND MARKETING			
REFINERY PROCESSING Kt	2008	2009	Ch %
Domestic crude oil	570	538	(5.7)
Imported crude oil	3,567	4,007	12.4
Condensates	168	141	(16.4)
Other feedstock	308	330	7.0
TOTAL REFINERY THROUGHPUT	4,614	5,016	8.7
REFINERY PRODUCTION Kt	2008	2009	Ch %
Motor gasoline	888	1,048	18.1
Diesel	1,032	1,209	17.1
Heating oil	338	268	(20.8)
Kerosene	97	94	(3.4)
Naphtha	129	138	7.1
Bitumen	164	107	(34.7)
Other products*	1,453	1,581	8.8
TOTAL	4,101	4,444	8.4
Refinery loss	26	27	4.2
Own consumption	486	544	11.9
TOTAL REFINERY PRODUCTION	4,614	5,016	8.7
REFINED PRODUCT SALES Kt	2008	2009	Ch %
Croatia	2,825	2,562	(9.3)
BiH	701	502	(28.4)
Other markets	892	1,377	54.4
TOTAL CRUDE OIL PRODUCT SALES	4,417	4,440	0.5

REFINED PRODUCT SALES Kt	2008	2009	Ch %
Motor gasoline	985	1,075	9.2
Diesel	1,411	1,295	(8.2)
Heating oil	350	270	(22.8)
Kerosene	113	97	(14.5)
Naphtha	130	141	9.0
Bitumen	171	115	(32.8)
Other products*	1,258	1,447	15.1
TOTAL CRUDE OIL PRODUCT SALES	4,417	4,440	0.5
o/w Retail segment sales	1,276	1,232	(3.5)
o/w Direct sales to other end-users	3,141	3,208	2.1

RETAIL			
RETAIL PRODUCT SALES Kt	2008	2009	Ch %
Croatia	1,256	1,199	(4.6)
B&H	42	39	(6)
Other markets	18	16	(12)
TOTAL OIL PRODUCT RETAIL SALES	1,316	1,254	(4.7)
REFINED PRODUCT RETAIL SALES Kt	2008	2009	Ch %
Motor gasoline	477	447	(6.2)
Gas and heating oils	777	746	(4.0)
LPG	58	56	(2.6)
Other products	4	4	(0.8)
TOTAL OIL PRODUCT RETAIL SALES	1,316	1,254	(4.7)

INA Group Segment Analisys	2008 in HRK M	Q1-Q4 2009 in HRK M	Ch. %
Sales			
Exploration & Production - continuing operations	8,273	6,736	(19)
Refining & Marketing	19,888	13,454	(32)
Retail	8,221	5,812	(29)
Corporate and Other	1,153	909	(21)
Inter-segment revenue	(10,391)	(6,538)	(37)
Sales - continuing operations	27,144	20,373	(25)
Exploration & Production - discontinued operations	1,664	1,958	18
Total sales	28,808	22,331	(22)
Operating expenses, net other income from operating activities			
Exploration & Production - continuing operations	(4,745)	(4,120)	(13)
Refining & Marketing	(21,154)	(14,075)	(33)
Retail	(8,319)	(5,938)	(29)
Corporate and Other	(2,007)	(1,731)	(14)
Inter-segment eliminations	10,391	6,538	(37)
Expenses - continuing operations	(25,834)	(19,326)	(25)
Exploration & Production - discontinued operations	(3,366)	(2,987)	(11)
Total expenses	(29,200)	(22,313)	(24)
Profit from operations			
Exploration & Production - continuing operations	3,528	2,616	(26)
Refining & Marketing	(1,266)	(621)	(51)
Retail	(98)	(126)	29
Corporate and Other	(854)	(822)	(4)
Profit/(loss) from operations - continuing operations	1,310	1,047	(20)
Exploration & Production - discontinued operations	(1,702)	(1,029)	(40)
Total profit/(loss) from operations	(392)	18	(105)
Share in the profit of associate companies			
Net profit/(loss) from financial activities - continuing operations	(780)	(395)	(49)
Net profit/(loss) from financial activities - discontinued operations	(110)	(112)	2
Net profit/(loss) from financial activities	(890)	(507)	(43)
Profit/(loss) before taxation - continuing operations	530	652	23
Profit/(loss) before taxation - discontinued operations	(1,812)	(1,141)	(37)
Profit/(loss) before taxation	(1,282)	(489)	(62)
Income tax - continuing operations	(178)	(35)	(80)
Income tax - discontinued operations	362	130	(64)
Income tax	184	95	(48)
Profit/(loss) for the period - continuing operations	352	617	75
Profit/(loss) for the period - discontinued operations	(1,450)	(1,011)	(30)
Profit/(loss) for the period	(1,098)	(394)	(64)
Operating Profit Excluding Special Items			
Exploration & Production - continuing operations	3,528	2 738	(22)
Exploration & Production - discontinued operations	(1,702)	(1,029)	(40)
Refining & Marketing	(1,266)	(508)	(60)
Retail	(98)	43	(144)
Corporate and Other	(854)	(769)	(10)
Operating Profit Excluding Special Items	(392)	475	(221)
Depreciation			
Exploration & Production - continuing operations	828	951	15
Exploration & Production - discontinued operations	0	0	-
Refining & Marketing	271	297	10
Retail	105	108	3
Corporate and Other	167	163	(2)
Total Depreciation	1,371	1,519	11

EBITDA			
Exploration & Production - continuing operations	4,613	4,441	(4)
Exploration & Production - discontinued operations	(1,540)	(982)	(36)
Refining & Marketing	(489)	(66)	(87)
Retail	91	183	101
Corporate and Other	(651)	(546)	(16)
Total EBITDA	2,024	3,030	50
EBITDA Excluding Special Items			
Exploration & Production - continuing operations	4,613	3,943	(15)
Exploration & Production - discontinued operations	(1,540)	(982)	(36)
Refining & Marketing	(489)	(56)	(89)
Retail	91	183	101
Corporate and Other	(651)	(547)	(16)
Total EBITDA Excluding Special Items	2,024	2,541	26

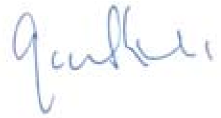
Responsibility for the financial statements

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").
International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The Board is also required to:

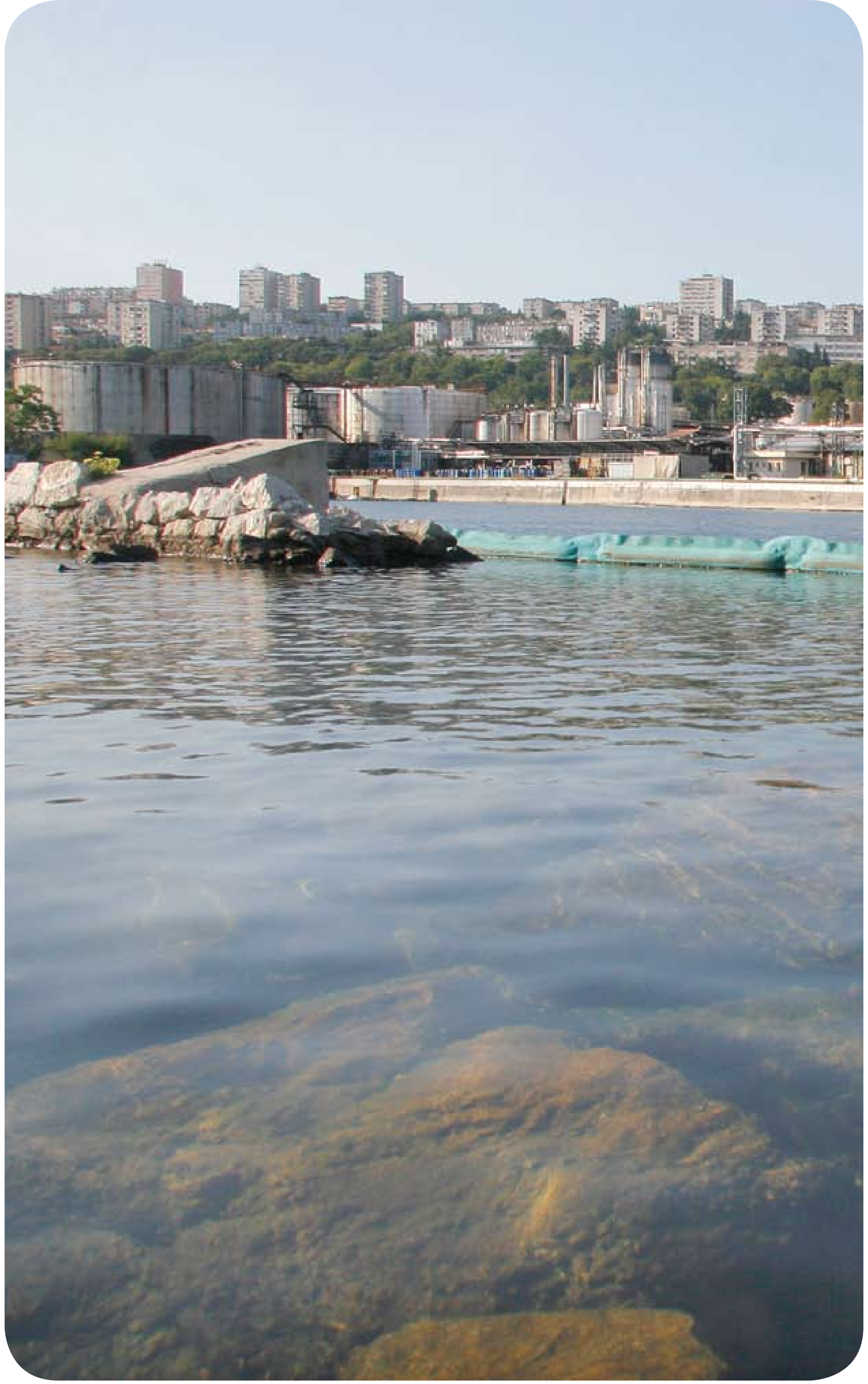
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern.

After making enquiries, the Board has formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.
The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and must also ensure that the financial statements comply with the Croatian Accounting Law. The Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Group:
László Geszti, the President of the Management Board of INA



INA - Industrija Nafte d.d.
Avenija Većeslava Holjevca 10
10000 Zagreb
Republic of Croatia
9 March 2010



Independent Auditor's Report

To the Shareholders of INA - Industrija Nafte d.d.
We have audited the accompanying consolidated and unconsolidated financial statements of INA - Industrija Nafte d.d. ("the Company") and its subsidiaries ("the Group"), set out on pages 4 to 143, which comprise the consolidated and unconsolidated balance sheets as at 31 December 2009, and the consolidated and unconsolidated income statements, consolidated and unconsolidated statement of comprehensive income, consolidated and unconsolidated statements of changes in equity and consolidated and unconsolidated cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's and the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte d.o.o.

Branislav Vrtačnik, Certified Auditor

Zagreb, Republic of Croatia
9 March 2010

INA Group Consolidated Income Statement
For the year ended 31 December 2009 (all amounts in HRK millions)

	Notes	2009	2008
Continuing operations			
Sales revenue			
a) domestic		12,254	16,965
b) exports		8,119	10,179
Total sales revenue	3	20,373	27,144
Income from own consumption of products and services		189	677
Other operating income	4	1,356	638
Total operating income		21,918	28,459
Changes in inventories of finished products and work in progress		(50)	(51)
Cost of raw materials and consumables		(10,461)	(13,765)
Depreciation and amortisation	5	(1,507)	(1,371)
Other material costs		(1,909)	(2,732)
Service costs		(1,169)	(1,515)
Staff costs	6	(2,802)	(2,922)
Cost of other goods sold		(1,514)	(3,910)
Impairment and charges		(1,210)	(829)
Provision for charges and risks (net)		(249)	(54)
Operating expenses		(20,871)	(27,149)
Profit from operations		1,047	1,310
Finance income	7	399	411
Finance costs	8	(794)	(1,191)
Net loss from financial activities		(395)	(780)
Profit before tax		652	530
Income tax expense	9	(35)	(178)
Profit for the year from continuing operations		617	352
Discontinued operations			
Loss for the year from discontinued operations	10	(1,011)	(1,450)
Loss for the year		(394)	(1,098)
Attributable to:			
Owners of the Company		(392)	(1,099)
Non-controling interests		(2)	1
		(394)	(1,098)
Earnings/(loss) per share			
Basic and diluted loss per share (kunas per share) from continuing and discontinued operations	11	(39.2)	(109.9)
Basic and diluted earnings per share (kunas per share) from continuing operations		61.9	35.1

Signed on behalf of the Group on 9 March 2010 by:

András Huszár
Executive Director for Finance

László Geszti
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated income statement.

INA Group Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009 (all amounts in HRK millions)

	Notes	2009.	2008.
Loss for the year		(394)	(1,098)
Other comprehensive income:			
Exchange differences arising from foreign operations		4	6
Gains/(loss) on available-for-sale investments, net		145	(364)
Other comprehensive income/(loss), net		149	(358)
Total comprehensive loss for the year		(245)	(1,456)
Attributable to:			
Owners of the Company		(243)	(1,457)
Non-controling interests		(2)	1

Signed on behalf of the Group on 9 March 2010 by:

András Huszár
Executive Director for Finance

László Geszti
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated income statement.

INA, d.d. Unconsolidated Income Statement
For the year ended 31 December 2009 (all amounts in HRK millions)

	Notes	2009.	2008.
CONTINUING OPERATIONS			
Sales revenue			
a) domestic		11,636	16,114
b) exports		5,832	7,628
Total sales revenue	3	17,468	23,742
Income from own consumption of products and services	15	14	
Other operating income	4	654	983
Total operating income		18,137	24,739
Changes in inventories of finished products and work in progress		(32)	(55)
Cost of raw materials and consumables		(9,996)	(13,332)
Depreciation and amortisation	5	(1,221)	(1,100)
Other material costs		(1,507)	(1,856)
Service costs		(877)	(1,158)
Staff costs	6	(1,694)	(1,752)
Cost of other goods sold		(1,184)	(3,187)
Impairment and charges		(1,115)	(794)
Provision for charges and risks (net)		(226)	(26)
Operating expenses		(17,852)	(23,260)
Profit from operations		285	1,479
Finance income	7	348	342
Finance costs	8	(752)	(1,051)
Loss from financial activities		(404)	(709)
(Loss) / profit before tax		(119)	770
Income tax expense / (benefit)	9	8	(160)
(Loss) / profit for the year from continuing operations		(111)	610
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	10	(520)	(1,450)
Loss for the year		(631)	(840)
Earnings/(loss) per share			
Basic and diluted loss per share (kunas per share) from continuing and discontinued operations	11	(63.1)	(84.0)
Basic and diluted (loss) / earnings per share (kunas per share) from continuing operations		(11.1)	61.0

Signed on behalf of the Group on 9 March 2010 by:

András Huszár
Executive Director for Finance

László Geszti
President of the Management Board

The accompanying accounting policies and notes form an integral part of this unconsolidated income statement.

INA, d.d. Unconsolidated Statement of Comprehensive Income
For the year ended 31 December 2009 (all amounts in HRK millions)

	Notes	2009.	2008.
Loss for the year		(631)	(840)
Other comprehensive income:			
Gains / (loss) on available-for-sale investments,net		145	(364)
Other comprehensive income/(loss), net		145	(364)
Total comprehensive loss for the year		(486)	(1,204)

Signed on behalf of the Group on 9 March 2010 by:

András Huszár
Executive Director for Finance

László Geszti
President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated income statement.

INA Group Consolidated Balance Sheet
At 31 December 2009 (all amounts in HRK millions)

	Notes	2009.	2008. 31 December	2008. 1 January
ASSETS				
Non-current assets				
Intangible assets	12	731	664	630
Property, plant and equipment	13	20,353	17,149	14,441
Goodwill	14	296	197	163
Investments in associates and joint ventures	16	68	76	124
Other investments	17	138	83	62
Long-term receivables	18	385	552	658
Derivative financial instruments	42	-	78	226
Deferred tax	9	434	341	37
Available-for-sale assets	19	397	201	656
Total non – current assets		22,802	19,341	16,997
Current assets				
Inventories	20	2,887	2,713	3,123
Trade receivables, net	21	2,925	2,914	3,072
Other receivables	22	805	719	674
Derivative financial instruments	42	56	106	97
Other current assets	23	32	38	50
Prepaid expenses and accrued income	24	72	167	183
Cash and cash equivalents	25	367	579	720
		7,144	7,236	7,919
Assets classified as held for sale	26	121	36	-
Total current assets		7,265	7,272	7,919
TOTAL ASSETS		30,067	26,613	24,916

Signed on behalf of the Group on 9 March 2010 by:

András Huszár

Executive Director for Finance

László Geszti

President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated balance sheet.

INA Group Consolidated Balance Sheet
At 31 December 2009 (all amounts in HRK millions)

	Notes	2009	2008 31 December	2008 1 January
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	34	9,000	9,000	9,000
Revaluation reserve	35	10	(135)	229
Other reserves	36	2,311	2,307	2,301
Retained earnings	37	463	855	2,104
Equity attributable to owners of the Company		11,784	12,027	13,634
Non-controlling interests	38	8	10	9
TOTAL EQUITY		11,792	12,037	13,643
Non – current liabilities				
Long-term loans	30	5,764	4,554	3,130
Other non-current liabilities	31	139	138	144
Employee benefit obligation	33	126	107	91
Provisions	32	2,573	1,380	1,406
Total non–current liabilities		8,602	6,179	4,771
Current liabilities				
Bank loans and overdrafts	27	2,104	2,492	1,664
Current portion of long-term loans	27	655	98	129
Trade payables	28	4,286	3,815	3,532
Taxes and contributions	28	1,781	1,211	648
Other current liabilities	28	415	342	269
Accruals and deferred income	29	157	237	198
Employee benefit obligation	33	17	17	15
Provisions	32	229	185	47
		9,644	8,397	6,502
Liabilities directly associated with assets classified held for sale	26	29	-	-
Total current liabilities		9,673	8,397	6,502
TOTAL LIABILITIES		18,275	14,576	11,273
TOTAL EQUITY AND LIABILITIES		30,067	26,613	24,916

Signed on behalf of the Group on 9 March 2010 by:

András Huszár

Executive Director for Finance

László Geszti

President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated balance sheet.

INA, d.d. Unconsolidated Balance Sheet
At 31 December 2009 (all amounts in HRK millions)

	Notes	2009	2008 31 December	2008 1 January
ASSETS				
Non-current assets				
Intangible assets	12	716	648	625
Property, plant and equipment	13	18,120	14,643	12,269
Investment in subsidiaries	15	1,257	1,259	1,286
Investments in associates and joint ventures	16	189	189	189
Other investments	17	403	375	426
Long-term receivables	18	496	662	674
Derivative financial instruments	42	-	78	226
Deferred tax	9	429	327	34
Available-for-sale assets	19	397	201	656
Total non–current assets		22,007	18,382	16,385
Current assets				
Inventories	20	2,314	2,129	2,581
Intercompany receivables		1,544	584	706
Trade receivables, net	21	1,332	1,799	2,092
Other receivables	22	577	616	583
Derivative financial instruments	42	27	106	97
Other current assets	23	159	144	90
"Prepaid expenses and accrued income"	24	36	115	151
Cash and cash equivalents	25	68	318	299
		6,057	**5,811**	**6,599**
Assets classified as held for sale	26	-	514	-
Total current assets		6,057	6,325	6,599
TOTAL ASSETS		28,064	24,707	22,984

Signed on behalf of the Group on 9 March 2010 by:

András Huszár — Executive Director for Finance

László Geszti — President of the Management Board

The accompanying accounting policies and notes form an integral part of this unconsolidated balance sheet.

INA, d.d. Unconsolidated Balance Sheet
At 31 December 2009 (all amounts in HRK millions)

	Notes	2009	2008 31 December	2008 1 January
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	34	9,000	9,000	9,000
Revaluation reserve	35	10	(135)	229
Other reserves	36	1,952	1,952	1,952
Retained earnings	37	(211)	420	1,410
TOTAL EQUITY		10,751	11,237	12,591
Non–current liabilities				
Long term loans	30	5,646	4,331	2,988
Other non-current liabilities	31	125	134	144
Employee benefit obligation	33	84	76	65
Provisions	32	2,541	1,313	1,331
Total non–current liabilities		8,396	5,854	4,528
Current liabilities				
Bank loans and overdrafts	27	581	249	97
Current portion of long-term loans	27	575	47	45
Intercompany payables		2,878	3,288	3,096
Trade payables	28	2,704	2,574	1,876
Taxes and contributions	28	1,585	1,088	535
Other current liabilities	28	338	155	86
Accruals and deferred income	29	54	56	97
Employee benefit obligation	33	12	11	8
Provisions	32	190	148	25
Total current liabilities		8,917	7,616	5,865
TOTAL LIABILITIES		17,313	13,470	10,393
TOTAL EQUITY AND LIABILITIES		28,064	24,707	22,984

Signed on behalf of the Group on 9 March 2010 by:

András Huszár — Executive Director for Finance

László Geszti — President of the Management Board

The accompanying accounting policies and notes form an integral part of this unconsolidated balance sheet.

INA Group Consolidated Statement of Changes in Equity
For the year ended 31 December 2009 (all amounts in HRK millions)

	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)
Dividend 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	-	-	-	(392)	(392)	(2)	(394)
Other comprehensive income, net	-	4	145	-	149	-	149
Total comprehensive loss for the year	-	4	145	(392)	(243)	(2)	(245)
Balance at 31 December 2009	9,000	2,311	10	463	11,784	8	11,792

Signed on behalf of the Group on 9 March 2010 by:

András Huszár

Executive Director for Finance

László Geszti

President of the Management Board

The accompanying accounting policies notes form an integral part of this consolidated statement of changes in equity.

INA, d.d. Unconsolidated Statement of Changes in Equity
For the year ended 31 December 2009 (all amounts in HRK millions)

	Share capital	Other reserves	Revaluation reserves	Retained earnings	Total
Balance at 1 January 2008	9,000	1,952	229	1,410	12,591
Loss for the year	-	-	-	(840)	(840)
Other comprehensive loss, net	-	-	(364)	-	(364)
Total comprehensive loss for the year	-	-	(364)	(840)	(1,204)
Dividend paid	-	-	-	(150)	(150)
Balance at 31 December 2008	9,000	1,952	(135)	420	11,237
Balance at 1 January 2009	9,000	1,952	(135)	420	11,237
Loss for the year	-	-	-	(631)	(631)
Other comprehensive income, net	-	-	145	-	145
Total comprehensive loss for the year	-	-	145	(631)	(486)
Balance at 31 December 2009	9,000	1,952	10	(211)	10,751

Signed on behalf of the Group on 9 March 2010 by:

András Huszár

Executive Director for Finance

László Geszti

President of the Management Board

The accompanying accounting policies and notes form an integral part of this unconsolidated statement of changes equity.

INA Group Consolidated Cash Flow Statement
For the year ended 31 December 2009 (all amounts in HRK millions)

	Notes	2009	2008
Loss for the year		(394)	(1,098)
Adjustments for:			
Depreciation and amortisation		1,507	1,371
Income tax benefit recognized in loss		(95)	(184)
Impairment charges		1,256	991
Reversal of impairment		(128)	(60)
Gain on sale of property, plant and equipment		(10)	(10)
Foreign exchange (gain)/loss		(79)	409
Interest expense (net)		184	90
Other finance expense recognised in profit		149	152
Increase in provisions		50	181
Net book value of sold assets classified as held for sale		42	-
Decommisioning interests		126	120
Other non-cash items		4	9
		2,612	1,971
Movements in working capital			
Increase in inventories		(269)	(186)
(Increase)/decrease in receivables and prepayments		(170)	269
Increase in trade and other payables		812	708
Cash generated from operations		2,985	2,762
Taxes paid		(25)	(133)
Net cash inflow from operating activities		2,960	2,629
Cash flows used in investing activities			
Payments for property, plant and equipment		(4,183)	(4,079)
Payments for intangible assets		(163)	(292)
Proceeds from sale of non-current assets		15	-
Acquisition of Drill Trans Group		(103)	-
Dividends received from companies classified as available for sale and from other companies		3	2
Investments and loans to third parties, net		(59)	15
Net cash used for investing activities		(4,490)	(4,354)
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 decrease in cash and cash equivalents		(209)	(140)
At 1 January		579	720
Effect of foreign exchange rate changes		(3)	(1)
At 31 December	25	367	579

Signed on behalf of the Group on 9 March 2010 by:

András Huszár

Executive Director for Finance

László Geszti

President of the Management Board

The accompanying accounting policies and notes form an integral part of this consolidated cash flow statement.

INA, d.d. Unconsolidated Cash Flow Statement
For the year ended 31 December 2009 (all amounts in HRK millions)

	Notes	2009	2008
Loss for the year		(631)	(840)
Adjustments for:			
Depreciation and amortisation		1,221	1,101
Income tax benefit recognized in loss		(138)	(202)
Impairment charges		1,115	952
Reversal of impairment		(261)	(141)
Gain on sale of property plant and equipment		(9)	(18)
Gain on sale of shares or stakes		-	(8)
Foreign exchange (gain)/loss		(91)	398
Interest expense (net)		158	49
Other finance expense recognised in loss		151	140
Increase in provisions		72	274
Net book value of sold assets classified as held for sale		-	(496)
Decommisioning interests		126	120
		1,713	1,329
Movements in working capital			
Increase in inventories		(126)	(155)
(Increase)/decrease in receivables and prepayments		(166)	446
Increase in trade and other payables		333	1,209
Cash generated from operations		1,754	2,829
Taxes paid		-	(56)
Net cash inflow from operating activities		1,754	2,773
Cash flows used in investing activities			
Payment for property, plant and equipment		(4,064)	(3,547)
Payment for intangible assets		(158)	(282)
Proceeds from sale of non-current assets		9	21
Proceeds from sale of investments		-	9
Aquisition for investments in subsidiaries, associates and joint ventures and other companies		-	(24)
Dividends received from companies classified as available for sale and from other companies		3	2
Interest received		10	-
Investments and loans, net		(35)	74
Net cash used in investing activities		(4,235)	(3,747)
Cash flows from financing activities			
Additional long-term borrowings		2,041	1,200
Repayment of long-term borrowings		(45)	(43)
Additional short-term borrowings		538	571
Repayment of short-term borrowings		(202)	(419)
Interest paid on long-term loans		(66)	(138)
Other long-term liabilities, net		(9)	(10)
Interest paid on short term loans and other financing charges		(25)	(17)
Dividends paid		-	(150)
Net cash from financing activities		2,232	994
Net (decrease)/increase in cash and cash equivalents		(249)	20
At 1 January		318	299
Effect of foreign exchange rate changes		(1)	(1)
At 31 December	25	68	318

Signed on behalf of the Group on 9 March 2010 by:

András Huszár

Executive Director for Finance

László Geszti

President of the Management Board

The accompanying accounting policies and notes form an integral part of this unconsolidated cash flow statement.

Notes to the financial statements

1. GENERAL

History and incorporation

INA - Industrija nafte d.d. (INA), also known under the name INA, d.d., is a joint-stock company whose shareholders are MOL Hungarian Oil and Gas Public Limited Company, holding 47.16 percent of the INA shares, and the Republic of Croatia, with 44.84 percent of the INA shares. INA was founded on 1 January 1964 when the operations of Naftaplin (oil and gas exploration and production) were merged with those of the refineries of Rijeka and Sisak.

By the end of that decade INA had expanded to include the Zagreb refinery, Trgovina (a domestic trade organisation), the OKI and DINA organic petrochemical operations and the Kutina fertiliser plant. In 1974, INA was transformed into a "complex organisation of associated work" or "s.o.u.r.", a step which also involved the formation of a number of separate companies. The organisation continued in this form until 1990 when, under the terms of Law (Official Gazette 42/90 and the 61/91 supplement), INA became a state-owned enterprise.

In 1993 INA became a share based company (or "d.d.") pursuant to a Decree published in the Official Gazette No. 60/93.

Effective 31 December 1996, the Company signed a financial restructuring agreement with the Deposit Insurance and Bank Rehabilitation Agency of the Croatian Government, whereby INA divested the majority of its interests in petrochemicals, fertilisers, tourism and banking in consideration for the assumption by the Agency of certain long-term debt and interest liabilities.

Effective 11 March 2002, the Croatian Government acquired the Company's subsidiary, Plinacro d.o.o., together with a 21.37 % interest in JANAF d.d., the company which owns and operates the Adria pipeline system, in consideration for assuming USD 172 million (HRK 1,438 million) of the company's long-term debt with the London and Paris Clubs.

On 19 March 2002, the Croatian Parliament passed the Law on the Privatisation of INA (Official Gazette 32/02), governing INA's privatisation process by allocating INA's shares to several target groups. Under this legislation, up to 25% plus one share were to be sold to a strategic investor, 15% of shares were to be sold on the basis of public tender, Croatian war veterans and members of their families were to receive up to 7% without consideration, up to 7% were to be sold to present and former employees of INA Group companies and the remaining shares were to be sold or exchanged depending on the prevailing market conditions. The remaining shares were to be exempted to the extent necessary for the compensation to the original, former owners. The Republic of Croatia will maintain ownership of over 25% plus one share of INA, which will be privatised once Croatia becomes a member of the European Union.

The sequence and progress of individual privatisation stages were determined by decisions of the Croatian Government, agreed to by the Croatian Parliament (Official Gazette Nos. 47/02, 77/04, 66/05, 104/06, 113/06, 122/06, 129/06, 77/07, 94/07, 103/07 and 102/08).

During 2002, the Government solicited for, and received, bids from a number of parties interested in acquiring a strategic investment of 25 % plus one share of INA. On 10 November 2003, a transaction was completed whereby MOL Rt (MOL) acquired 25 % plus one share of INA.

In 2005 7%, or 700,000 INA shares, were transferred to the Croatian Homeland Independence War Veterans and Their Family Members' Fund without any fee, in accordance with the decision of the Croatian Government of 12 October 2005, adopted by the Croatian Parliament (Official Gazette 122/2005).

In its session of 22 July 2005, the Croatian Government adopted a decision on forming a Commission to continue the privatisation process of INA - Industrija nafte d.d. (a new Commission member was appointed by a subsequent decision dated 26 August 2005 amending the initial decision).

In 2006 INA went into the next privatization stage. The Government of the Republic of Croatia made available-for-sale 1,700,000 ordinary shares, of INA - Industrija nafte d.d., in a public offering to (1) Croatian citizens with priority rights and on preferential terms and (2) to the extent any shares are not taken up in the Preferential Offering, natural persons, domestic legal persons and foreign investors in Croatia, without priority rights and preferential terms.

The shares became publicly traded on 1 December 2006.

In 2007, based on the Government Decision on the Manner of Sale, Price, Special Privileges, Timing and Terms of the Sale to the existing and former employees of INA – Industrija nafte d.d., dated 19 July 2007 (Official Gazette 77/07), pursuant to the Law on the Privatization of INA – Industrija nafte d.d. (Official Gazette No. 32/2002) and the Amendments to the Decision of 7 September 2007 (Official Gazette No. 94/07), the Croatian Government decided to sell up to 7 % of the shares of INA – Industrija nafte d.d. (700,000 shares).

Based on the Government Decisions, the existing and former employees have purchased 628,695 shares.

On 3 December 2007, 66,754 supplementary shares were transferred from the account of the Croatian Government to the account of the eligible investors under the Decision of the Croatian Government of 14 September 2006 and the Amendments to the Decision of 13 October 2006 and 10 November 2006.

On 14 July 2008, MOL Hungarian Oil and Gas Public Limited Company sent, together with the Republic of Croatia, a letter of intent to the Croatian Financial Services Supervision Agency, announcing a voluntary offer to take over all the shares not held by MOL or the Republic of Croatia.

On 8 September 2008, the Croatian Financial Services Supervision Agency published a decision in the Official Gazette 102/08, by which it approved the publication of the MOL's offer to take over the public joint stock company INA.

The offer placed by MOL was accepted by 26,835 shareholders. Following the takeover offer, the total number of ordinary bearer shares held by MOL is 4,715,538, accounting for 47.15538 percent of the total share capital, representing 47.15538 percent of the votes in the General Meeting of Shareholders.

On 30 January 2009 MOL and the Republic of Croatia represented by the Government of Croatia signed the Amendment to the Shareholders Agreement. Under the Amendment MOL delegates five out of the nine members in the Supervisory Board and three out of six members of the Management Board including the President, resulting in MOL gaining operational control of INA . The Government has veto rights ensuring the national security of energy supply and some decisions with respect to strategic assets of INA, d.d.

The transaction was closed on 10 June 2009 with the election of the new supervisory board of INA following the conditional approval of the Croatian Competition Agency on the transaction.

On 9 June 2009, the Croatian Competition Agency passed a decision allowing a conditional take-over (please see note 26).

The ownership structure of the INA Group as of 31 December 2009:

	31 December 2009		31 December 2008	
	Number of shares	Ownership in %	Number of shares	Ownership in %
Zagrebačka banka d.d./Unicreditbank Hungary Zrt, for MOL Zrt, Hungary	4,715,538	47.16	4,715,538	47.16
Government of the Republic of Croatia	4,483,552	44.84	4,483,552	44.84
Institutional and private investors	800,910	8.01	800,910	8.01
	10,000,000	**100**	**10,000,000**	**100**

Distribution of dividends and bonuses to the Supervisory Board and the Management Board in accordance with the decision made in the General Meeting of Shareholders

In the General Meeting of the Shareholders of INA- Industrija nafte d.d., held on 10 June 2009, a decision was made that loss after taxation for 2008 in amount of HRK 839,917,166.93 is to be covered from retained profit in full amount, (2008: total distributable profit for 2007 amounted to HRK 150 million, or HRK 15 per share).

In 2009 and 2008, no decisions were made in the General Meeting of Shareholders regarding the payment of bonuses to the Supervisory Board and the Management Board members.

Principal activities

Principal activities of INA and its subsidiaries (Group) are:

- exploration and production of oil and gas deposits, primarily onshore and offshore within Croatia; other licence interests are held in Angola, Egypt, Syria, Namibia and Iran;
- import of natural gas and sale of imported and domestically produced natural gas to industrial consumers and municipal gas distributors;
- refining and production of oil products through refineries located at Rijeka (Urinj) and Sisak, and the Rijeka (Mlaka) and Zagreb lubricants plants;
- distribution of fuels and associated products through a chain of some 491 retail outlets in operation as of 31 December 2009 (of which 438 in Croatia and 53 outside Croatia);
- trading in crude oil and petroleum products through a network of foreign subsidiaries and representative offices, principally in London, Ljubljana and Sarajevo;
- service activities incidental to on-shore and off-shore oil extraction through its drilling and oilfield services subsidiary Crosco d.o.o.

The Group has dominant positions in Croatia over oil and gas exploration and production, oil refining, and the marketing of gas and petroleum products. INA also holds a 11.795 % interest in JANAF d.d., the company that owns and operates the Adria pipeline system. The headquarters of the Group are located in Zagreb, Avenija V. Holjevca 10, Croatia. As at 31 December 2009 there were 16,304 persons employed at the Group (16,632 at 31 December 2008). As at 31 December 2009 there were 9,931 persons employed at the INA, d.d. (10,108 at 31 December 2008). The Group comprises a number of wholly and partially owned subsidiaries operating largely within the Republic of Croatia. Foreign subsidiaries include a number of trading subsidiaries which generally act as distributors of INA Group products, suppliers of raw materials, arrangers of finance and as representative offices within their local markets.

Directors, Management and Supervisory Board

Supervisory Board from 1 February 2007

Ivan Šuker	Chairman
Zoltán Áldott	Deputy Chairman
Damir Polančec	
Tomislav Ivić	
Đuro Dečak	
László Geszti	

On 29 October 2007, the mandate of Mr. Zoltan Áldott as Deputy Chairman was extended for the following four years.

On 2 April 2008, the mandate of Ivan Šuker, Damir Polančec, Tomislav Ivić and Đuro Dečak was extended for the following four years.

By decision of the Supervisory Board of 29 October 2008 Mr. Damir Polančec was elected for the chairman of the Supervisory Board instead Mr. Ivan Šuker.

Supervisory Board from 1 January until 10 July 2009

Damir Polančec	Chairman
Zoltán Áldott	Deputy Chairman
László Geszti	
Tomislav Ivić	
Ivan Šuker	
Đuro Dečak	

Supervisory Board from 10 July 2009 until 28 December 2009

Damir Polančec	Chairman
György Mosonyi	Deputy chairman
Zoltán Áldott	
József Simola	
Ábel Galácz	
Oszkár Világi	
Tomislav Ivić	
Vesna Orlandini	

Supervisory Board since 29 December 2009

Ivan Šuker	Chairman
György Mosonyi	Deputy chairman
Zoltán Áldott	
Ábel Galácz	
Tomislav Ivić	
József Simola	
Božidar Pankretić	
Oszkár Világi	

Management Board

From 1 January 2007 until 17 June 2008

dr.sc.Tomislav Dragičević	President of the Board
Zalán Bács	Vice-president of the Board - Executive Director Finance Function
prof. dr.sc. Mirko Zelić	Member of the Board - Executive Director Business Segment Exploration and Production
Josip Petrović	Member of the Board - Executive Director Business Segment Refining and Wholesale
Niko Paulinović	Member of the Board - Executive Director Business Segment Retail Services
Tomislav Thür	Member of the Board – Director Corporate Processes Function
Sándor Lendvai	Member of the Board – Director Corporate Services Function

Management Board from 18 June 2008 until 10 June 2009

dr.sc.Tomislav Dragičević	President of the Board
Zalán Bács	Vice-president of the Board - Executive Director Finance Function
prof. dr.sc. Mirko Zelić	Member of the Board - Executive Director Business Segment Exploration and Production
Josip Petrović	Member of the Board - Executive Director Business Segment Refining and Wholesale
Niko Paulinović	Member of the Board - Executive Director Business Segment Retail Services
Tomislav Thür	Member of the Board – Director Corporate Processes Function
Darko Markotić	Member of the Board – Director Corporate Services Function

Management Board since 10 June 2009

László Geszti	President of the Management Board
Alacs Lajos	Member of the Management Board
Holoda Attila Istvan	Member of the Management Board
Josip Petrović	Member of the Management Board
dr.sc.Tomislav Dragičević	Member of the Management Board
Dubravko Tkalčić	Member of the Management Board

Executive Board appointed by the decision of the Management Board from 10 July 2009 until 28 December 2009

Bojan Milković	CEO and Executive Director of Exploration and Production
Zalan Bacs	Executive Director in charge of Refining and Marketing
László Bartha	Executive Director in charge of Retail
Peter Chmurčiak	Executive Director in charge of Finance
Darko Markotić	Executive Director in charge of Corporate Services
Tomislav Thür	Executive Director in charge of Corporate Processes

Executive Board appointed by the decision of the Management Board since 29 December 2009

Bojan Milković	CEO and Executive Director of Exploration and Production
Peter Chmurčiak	Executive Director in charge of Refining and Marketing
László Bartha	Executive Director in charge of Retail
András Huszár	Executive Director in charge of Finance
Darko Markotić	Executive Director in charge of Corporate Services
Tomislav Thür	Executive Director in charge of Corporate Processes
Berislav Gašo	Executive Director in charge of Corporate Center

Secretary during 2007 until 17 June 2008

Darko Markotić, BLL	Secretary of INA d.d.

Secretary since 18 June 2008

Nives Troha, BLL	Secretary of INA d.d.

Going concern

Global economic crisis has decreased INA Group's profitability and cash flow generation capacity in a period when significant investment projects (refinery modernization and Upstream investments in Syria and North Adriatic) were in progress. Although management has immediately reviewed and rescheduled investments, respective cash outflows could be decreased only with delayed effect due to the commitments already taken in these projects. As a result of these commitments and the limitation of available credit lines INA Group could not meet the payment obligation of certain liabilities in due time, resulting overdue liabilities at 2009 year-end.

Management is highly committed and taking all necessary actions to the financial stabilization of the company and the full settlement of overdue liabilities in 2010. Approved business plan for financial year 2010 has limited investments on a revised and strictly reduced level that will keep investment cash outflows below cash flow from operations. Additionally, the repayment of overdue liabilities will be supported by the involvement of additional external financing ensuring the compliance with current loan agreements.

2. ACCOUNTING POLICIES

A summary of the Group's principal accounting policies which have been applied consistently in the current year and with the prior year, is set out below.

Presentation of the financial statements
These consolidated financial statements are prepared on the consistent presentation and classification basis. When the presentation or classification of items in the consolidated financial statements is amended, comparative amounts are reclassified unless the reclassification is impracticable.

Basis of accounting
The Company maintains its accounting records in the Croatian language, in Croatian kuna and in accordance with Croatian law and the accounting principles and practices observed by enterprises in Croatia. The accounting records of the Company's subsidiaries in Croatia and abroad are maintained in accordance with the requirements of the respective local jurisdictions.
The Company's and Group's financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities under conditions of hyperinflation in the period to 1993 and except for certain financial instruments, and in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board, and the Croatian law. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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),
- 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), adoption of IAS 23 resulted with amount of HRK 45 million of borrowing costs which are being capitalised.
- IFRS 3 (revised) "Business Combinations" has been adopted in the current year in advance of its effective date (business combinations for which the acquisition data is on or after the beginning of the first annual period beginning on or after 1 July 2009).
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" (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). The estimated financial effect of IFRIC 13 at 31 December 2009 is less then HRK 1.5 million. ,
- 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),

The adoption of these Standards and Interpretations did not have significant effect on the financial statements of the Group, except for IFRS 3 "Business Combinations". Its adoption has affected the accounting for business combinations in the current year. On 1 September 2009, the subsidiary Crosco d.o.o. Zagreb, acquired the entire equity share in the company Drill Trans Kft, headquarter in Nagykanizsa, Hungary, for consideration of HRK 103 million (see note 43).

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 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.

Basis of Parent Company financial statement (INA, d.d.)

The unconsolidated financial statements of the Company represent aggregate amounts of the Company's assets, liabilities, capital and of the results for the period then ended of the divisions which comprised the company. All inter-divisional transactions and balances are eliminated.

In the Company's financial statements investments in subsidiaries are stated at cost less impairment.

The consolidated financial statements incorporate the financial statements of INA d.d. (INA, d.d. or the Company) and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Basis of consolidated financial statements (INA Group)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using equity method.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

The Company's and the Group's proportion of development expenditure incurred through exploration and production joint venture arrangements are included within property, plant and equipment - oil and gas properties.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred,

the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.
Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.
On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Oil and gas properties

Exploration and appraisal costs

Exploration and appraisal costs are accounted for on the successful efforts basis. Costs relating to exploration and appraisal drilling are initially capitalised as intangible oil and gas assets pending determination of the commercial viability of the relevant oil and gas properties.
License and data provision costs and costs associated with geological and geophysical activities are charged to the income statement period in which they are incurred.
If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are charged to the income statement in the period. If the prospects are deemed to be commercially viable, such costs are transferred to oil and gas properties. The status of such prospects is reviewed regularly by management.

Fields under development

Costs of exploring and oil and gas field development costs are capitalised as intangible or tangible oil and gas assets. Such costs also include, prospectively, applicable exploration costs and development drilling costs.

Depreciation

Capitalised exploration and development costs of producing domestic and foreign oil and gas properties are depreciated using a unit of production method, in the proportion of actual production for the period to the total estimated remaining commercial reserves of the field.

Commercial reserves

Commercial reserves are net proved developed oil and gas reserves. Changes in the commercial reserves of fields affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Reporting currency

The Company's and the Group's financial statements are prepared in Croatian kuna (HRK). The effective exchange rate of the Croatian currency (Kuna) at 31 December 2009 was 7,31 kunas per 1 Euro and 5,09 kunas per 1 United States dollar (31 December 2008 - 7.32 kunas per 1 Euro and 5,16 kunas per 1 United States dollar). Average exchange rate in 2009 was 7,34 kunas per 1 EUR and 5,28 kunas per 1 USD (2008 7.22 kunas per 1 EUR and 4.93 kunas per 1 USD).

Property, plant and equipment

Property, plant and equipment are shown at historical cost or valuation less accumulated depreciation and any accumulated impairment loss, except for land, which is stated at cost. Property, plant and equipment in use (excluding oil and gas properties) are depreciated on a straight-line basis on the following basis:

Buildings	Up to 50 years
Plant and machinery	5-20 years
Vehicles and transport	4-20 years
Office equipment	5-10 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.
The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.
Expenditures incurred after property, plant and equipment have been put into operation are normally charged to income statement in the period in which the costs are incurred.
In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalised as an additional cost of property, plant and equipment. Costs eligible for capitalisation include costs of periodic, planned significant inspections and overhauls necessary for further operation.
The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets

Tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is charged to the income statement.
At each balance sheet date, the Company and the Group review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Intangible assets with infinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal, while value in use is the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the relevant cash-generating unit.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is land or a building other than an investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.
Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.
In the case of oil and gas properties, the relevant cash generating unit is the group of assets which relate to an individual field, and value in use is computed using prices, costs and exchange rates based on reasonable and supportable assumptions and projections. Exploration and appraisal costs carried under the successful efforts method of accounting as intangible assets are assessed for impairment as described above.

Finance and operating leases

The determination whether an arrangement contains or is a lease depends on the substance of the arrangement at inception date. If fulfilment of the arrangement depends on the use of a specific asset or conveys the right to use the asset, it is deemed to contain a lease element and are recorded accordingly.
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.
Initial direct costs incurred in negotiating a operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as the lease income.
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease

payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Debtors and prepayments
Debtors and prepayments are shown at amounts invoiced in accordance with the underlying agreement, order, delivery note and other documents serving as the billing basis, net of allowance for uncollectible amounts.
The allowance is recorded by the Company on the basis of decisions made by Chief Executive Directors, which are based on the assessments of responsible persons of each business segment regarding the recoverability of each of the segments' receivables for strategic buyers of INA, d.d. All other short-term receivables that are not covered by the decision of the responsible persons, is value adjusted in business books in the amount non paid receivables ethics exceeding 120 days from maturity date.

Inventories
Inventories of crude oil, finished and semi-finished products and natural gas are valued as follows:
- Crude oil is carried at the weighted average cost or the production cost. If finished i.e. refined products are impaired, a calculation is used to reduce the crude oil reserve by an aliquot share to its net recoverable amount.

- Finished products are valued at the lower of cost or 97% of future average sales price, which approximates the net recoverable amount.

- Semi-finished products are measured using a calculation method, by which they are impaired to the extent that finished products on the basis of actual inventories at the period-end are impaired i.e. that the calculation shows that their net realisable value may not be recovered, by applying the impairment percentage to each individual semi-finished product on stock at the period-end.

- Imported natural gas held in underground storage is valued at the lower of cost, based on the price of imported gas at year-end including transport costs, and weighted average sales price based on year-end prices.

- Domestic natural gas held in underground storage is valued at the lower of weighted average sales price and cost.

- Other inventories, which comprise mainly spare parts, materials and supplies, are valued at the lower of cost or valuation and net realisable value, less any provision for slow-moving and obsolete items.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies
The individual financial statements of each Company and the Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).
For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Croatian kunas (HRK), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.
In preparing the financial statements of the individual Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currency of entity at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to the functional currency of the entity at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Croatian kunas using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising from year-end translation, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement Benefit and Jubilee Costs
For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur and charged to the profit and loss.
Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.
The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated (statement of comprehensive income / income statement) it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's and the Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
Deferred tax assets are recognised on the basis of taxable temporary differences on investments in subsidiaries and associates and joint ventures, unless the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in foreseeable future.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when

they relate to income taxes levied by the same taxation authority and the INA, d.d. and the Group intend to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.
In the case of a business combination, the tax effect is included in the accounting for the business combination.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.
Financial assets are classified into available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instruments, or a shorter period to the net carrying amount on initial recognition.
Income is recognised on an effective interest basis for debt instruments.

AFS financial assets

Listed shares held by the Company and Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in Note 42. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve directly interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.
Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive payments is established.
The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognized in profit and loss are determined based on the amortized cost of the monetary assets. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.
With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.
In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Investments

Investments in immaterial non-consolidated companies are generally recorded at cost less provision for any impairment.

Financial liabilities

Financial liabilities are classified as other financial liabilities.
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period to the net carrying amount on initial recognition.
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.
An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.
In the ordinary course of business, the Company and Group has entered into certain long-term, foreign currency supply and sales contracts which, under IAS 39, include embedded derivatives. An embedded derivative is a component of a contract which has the effect that the cash flows arising under the contract vary, in part, in a similar way to a standalone derivative. IAS 39 requires that such embedded derivatives are separated from the host contracts and accounted for as derivatives carried at fair value, with changes in fair value being charged or credited to the income statement, as applicable.
The fair value of embedded forward foreign exchange contracts is determined by reference to spot market foreign currency rates at the balance sheet date, because there is no active forward market in the countries involved in contracts. The fair value of an embedded inflation index swap is determined by the reference to the cumulative inflation index differential between the contracted inflation escalator and inflation in the country where the contract is executed. The long-term effects of these embedded derivatives are discounted using a discount rate similar to the interest rate on government bonds.

Segmental information

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not been changed.

Provisions for decommissioning and other obligations

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Where the provision relates to the decommissioning and removal of exploitation fields, exploitation and negatively appraised exploration wells (decommissioning of oil and gas properties, restoration of mining properties and similar), it is recognised initially as part of the cost of the related property, plant and equipment. Subsequent adjustments to the provision arising from changes in estimates are also treated as an adjustment to the cost of property, plant and equipment and thus dealt with prospectively in the income statement through future depreciation of the asset.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Reporting Financial Standards, as published by the International Accounting Standards Board requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to employee benefits, impairment of assets, determination of fair values of assets and liabilities and estimated decommissioning costs. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the entity; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers are accounted for as multiple element revenue transactions. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately.

The Group has not included extensive disclosure regarding the loyalty programme as the amounts are not significant.

Accounting for producer gas imbalances

Regarding recording gas sales from joint operations in the case when INA takes less or more gas than is entitled to Production Sharing Agreement, it is applying Sales method.

Under sales method revenue is recorded only when gas is produced and sold on the owner's behalf. No receivables or payables are recorded in the case of overlifting or underlifting (more or less than is defined by contract) if remaining reserves is sufficient to settle an imbalance.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;

- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and

- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Significant accounting judgements and estimates

Critical judgements in applying accounting policies

In the application of the accounting policies, which are described in note 2, the management made certain judgements that had a significant impact on the amounts reported in the financial statements (irrespective of the underlying estimates referred to below).

These judgements are provided in detail in the accompanying notes. However, the critical judgements relate to the following areas:

Quantification and determination of the decommissioning obligations for oil and gas properties

The management makes estimates of future expenditure in connection with environmental protection and decommissioning obligations using prices by reference to prior similar activities, as well as other assumptions. Furthermore, the time determined for the cash flows reflects the current estimates of priorities, technical equipment requirements and urgency of the obligations. The obligation with respect to the decommission provision for oil and gas properties amounted to HRK 2,330 million and HRK 1,009 million at 31 December 2009 and 31 December 2008 (see note 32) respectively. Consequently, the amounts reported are subject to a large number of variables that may affect the calculation.

The level of provisioning for environmental protection and decommissioning of oil and gas properties

The applicable regulations, specifically the environmental protection legislation, do not specify the exact scope of activities or technology to be applied. In determining the level of provisions for environmental protection and decommissioning of oil and gas properties, the management relies on prior experience and their own interpretation of the related legislation.

Impairment of non-current assets, including goodwill

The impairment calculation requires the estimate of the value in use of the cash generating units. Value in use is measured using the discounted cash flow projections. The most significant variables in determining cash flows are discount rates, time values, the period of cash flow projections, as well as assumptions and judgements used in determining cash receipts and expenditure. The impairments reported in the consolidated income statement for 2009 amounted to HRK 965 million and HRK 236 million in 2008, respectively. The carrying amount of goodwill for the year 2009 amounted to HRK 296 million and HRK 197 million in 2008 (see note 14).

Availability of taxable profit against which the deferred tax assets can be utilised

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. In determining the amount of deferred taxes that can be recognised are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy. The carrying amount of deferred tax assets amounts to HRK 429 million and HRK 327 million as of 31 December 2009 and 2008, respectively (see note 9).

Actuarial estimates used in determining the retirement bonuses

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions of discount rates, future salary increases and the mortality or fluctuation rates. Because of the long-term nature of those plans, there is uncertainty surrounding those estimates. Provisions for retirement bonuses and jubilee awards amounted to HRK 143 million and HRK 124 million at 31 December 2009 and 31 December 2008, respectively (see note 32).

Reclassification of prepayments

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

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Prepayments in intangible assets	(25)	(16)	(31)	(23)	(15)	(30)
Prepayments in tangible assets	(205)	(370)	(450)	(204)	(368)	(354)
Long term receivables	230	386	481	227	383	384
Total	-	-	-	-	-	-

Because of prepayments' reclassification, INA, d.d. and INA Group balance sheet present the beginning of the earliest comparative period i.e. 1 January 2008.

Changes of estimate of impairment of receivables

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			INA, d.d.		
	Over 120	Impairment	Difference	Over 120	Impairment	Difference
Strategic customers	181	222	(41)	119	153	(34)
Total	181	222	(41)	119	153	(34)

Consequences of certain legal actions

INA Group members are involved in number of litigations arisen from the regular course of business. If there is a present obligation as a result of a past event (taking into account all available evidence, including the opinion of law experts) for which is probable that outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation, provisions are recorded (see Note 32).

Crude oil and natural gas prices

Crude oil, natural gas and refinery product demand and prices depend on a variety of various factors beyond the control of the INA Group, including:

- global and regional economic and political developments, particularly in the Middle East;
- the ability of international oil cartels and oil-producing nations to influence production levels and prices;
- actions taken by governments;
- the level of consumer demand;
- the price and availability of alternative products; and
- weather conditions.

Historically, international crude oil and natural gas prices have fluctuated to a significant extent. A significant change in the crude oil and natural gas prices may have a significant impact on the operating results of the INA Group. Lower crude oil and natural gas prices may reduce the quantities of oil and natural gas that the INA Group could produce in terms of economically justified production, that is, it can reduce economic justification of the projects that are planned or already under way.

Exploration and development

Well exploration and development projects involve many uncertainties and business risks that may give rise to significant expenditure. Exploration and development projects of the INA Group may be delayed or unsuccessful for many various reasons, including budgeted cost overrun, geological issues, difficulties in meeting the requirements of competent bodies, lacks of equipment and technical problems. These projects, particularly those pertaining to the wells in continental areas or other demanding terrain, often require deployment of new and advanced technologies, the development, purchase and installation of which may be expensive and that may not operate as expected.
Oil and natural gas exploration and drilling activities are subject to a wide range of inherent risks, including the risk of eruption, deposit damage, loss of control over the wells, perforation, craters, fire and natural disasters.

Oil and natural gas reserves in Syria

The INA Group has been actively present in Syria since the mid-1970s.
The strategy of INA's Exploration and Production in the area of natural gas and oil depends partly on the successful exploration and development of its wells in Syria.
However, any military or political disturbance in Syria may affect the operations of the INA Group in various ways, including a disruption in the production and transport of crude oil or natural gas, or loss of properties. Any discontinued ability of the INA Group to produce or deliver its products may result in reduced revenue or additional costs of replacement or repairs, or insurance of the INA Group properties.
The INA Group concluded the licences and agreements pertaining to its Syria operations with the Syrian Government, which exposes them to political influence and changes. Depending on the overall political situation in Syria, adverse effects are possible, such as on the net investment income of the INA Group in Syria, which could then have an adverse impact on the future operating results of the INA Group.

3. SEGMENT INFORMATION

The INA Group operates through three core business segments. The strategic business segments offer different products and services.

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

- Exploration and Production – exploration, production and selling of crude oil and natural gas
- Refining and Marketing – crude oil processing, wholesale of refinery products, trading and logistics
- Retail – selling of fuels and commercial goods in retail stations
- Finance function - in addition to the three core business segments in above, the operations of the INA Group include the fourth business segment Finance function which provides services for core activities.

Information regarding the results of each reportable segment is included below. Profit from operations is used to measure performance as management believes that such information is the most relevant in evaluating the result of certain segments. However, Group financing (including finance costs and finance income) and income taxes are managed on group basis and are not relevant to making business decisions at the level of business segments.

na razini Grupe i nisu relevantni za donošenje poslovnih odluka na razini segmenata djelatnosti.

By business

	Continuing operations						Discontinued operations	Consolidated
	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total	Exploration and production	
INA Group								
Year 2009								
Sales to external customers	4,979	9,230	5,802	362	-	20,373	1,958	22,331
Inter-segment sales	1,757	4,224	10	547	(6,538)	-	-	-
Total revenue	6,736	13,454	5,812	909	(6,538)	20,373	1,958	22,331
Operating expenses, net of other operating income	(4,120)	(14,075)	(5,938)	(1,731)	6,538	(19,326)	(2,987)	(22,313)
Profit/(loss) from operations net of other income	2,616	(621)	(126)	(822)	-	1,047	(1,029)	18
Net finance income						(395)	(112)	(507)
Profit/(loss) before tax						652	(1,141)	(489)
Income tax expense/(benefit)						(35)	130	95
Profit/(loss) for the year						617	(1,011)	(394)
Year 2008								
Sales to external customers	5,534	13,252	8,216	142	-	27,144	1,664	28,808
Inter-segment sales	2,739	6,636	5	1,011	(10,391)	-	-	-
Total revenue	8,273	19,888	8,221	1,153	(10,391)	27,144	1,664	28,808
Operating expenses, net of other operating income	(4,745)	(21,154)	(8,319)	(2,007)	10,391	(25,834)	(3,366)	(29,200)
Profit/(loss) from operations net of other income	3,528	(1,266)	(98)	(854)	-	1,310	(1,702)	(392)
Net finance income						(780)	(110)	(890)
Profit/(loss) before tax						530	(1,812)	(1,282)
Income tax expense/(benefit)						(178)	362	184
Profit/(loss) for the year						352	(1,450)	(1,098)

	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total
INA Group						
Year 2009						
Property, plant and equipment	12,863	5,888	920	682	-	20,353
Intangible assets	552	9	10	160	-	731
Investments in associates and joint ventures	57	11	-	-	-	68
Inventories	803	1,973	63	48	-	2,887
Trade receivables, net	1,279	1,266	296	470	(386)	2,925
Not allocated assets						3,103
Total assets						30,067
Trade payables	1,277	2,624	286	485	(386)	4,286
Not allocated liabilities						13,989
Total liabilities						18,275
Other segment information						
Capital expenditure:	3,039	1,367	47	51	-	4,504
Property, plant and equipment	2,902	1,365	46	36	-	4,349
Intangible assets	137	2	1	15	-	155
Depreciation and amortisation	1,506	412	275	151	-	2,344
From this: Impairment losses recognized in profit and loss	555	113	169	-	-	837
Year 2009						
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	703	1,849	108	53	-	2,713
Trade receivables, net	1,351	1,250	316	643	(646)	2,914
Not allocated assets						3,097
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:	2,732	1,493	143	105	-	4,473
Property, plant and equipment	2,438	1,489	142	97	-	4,166
Intangible assets	294	4	1	8	-	307
Depreciation and amortisation	955	291	131	167	-	1,544
From this: Impairment losses recognized in profit and loss	123	25	25	-	-	173

BY GEOGRAPHICAL

	Republic of Croatia	Syria	Other countries	Total
INA Group				
Year 2009				
Property, plant and equipment	14,747	4,173	1,433	20,353
Intangible assets	367	130	234	731
Investments in associates and joined ventures	57	-	11	68
Inventories	2,696	59	132	2,887
Trade receivables, net	1,856	291	778	2,925
Not allocated assets				3,103
Total assets				30,067
Other segment information				
Capital expenditure:	2,522	1,617	365	4,504
Property, plant and equipment	2,464	1,599	286	4,349
Intangible assets	58	18	79	155
Year 2008				
Property, plant and equipment	13,148	2,640	1,361	17,149
Intangible assets	396	112	156	664
Investments in associates and joined ventures	57	-	19	76
Inventories	2,553	-	160	2,713
Trade receivables, net	1,970	132	812	2,914
Not allocated assets				3,097
Total assets				26,613
Other segment information				
Capital expenditure:	3,016	977	480	4,473
Property, plant and equipment	2,895	867	404	4,166
Intangible assets	121	110	76	307

BY BUSINESS

	Continuing operations						Discontinued operations	Consolidated
	Exploration and production	Refining and marketing	Retail	Corporate and other	Elimination	Total	Exploration and production	
INA, d.d.								
Year 2009								
Sales to external customers	3,532	8,824	5,098	14	-	17,468	1,186	18,654
Inter-segment sales	1,416	3,598	5	1	(5,020)	-		-
Total revenue	4,948	12,422	5,103	15	(5,020)	17,468	1,186	18,654
Operating expenses, net of other operating income	(2,938)	(13,176)	(5,215)	(874)	5,020	(17,183)	(1,766)	(18,949)
Profit/(loss) from operations net of other income	2,010	(754)	(112)	(859)	-	285	(580)	(295)
Net finance income						(404)	(70)	(474)
Profit/(loss) before tax						(119)	(650)	(769)
Income tax expense /(benefit)						8	130	138
Profit/(loss) for the year						(111)	(520)	(631)
Year 2008								
Sales to external customers	3,790	12,831	7,111	10	-	23,742	1,664	25,406
Inter-segment sales	2,475	5,956	15	2	(8,448)	-	-	-
Total revenue	6,265	18,787	7,126	12	(8,448)	23,742	1,664	25,406
Operating expenses, net of other operating income	(2,424)	(20,158)	(7,219)	(910)	8,448	(22,263)	(3,366)	(25,629)
Profit/(loss) from operations net of other income	3,841	(1,371)	(93)	(898)	-	1,479	(1,702)	(223)
Net finance income						(709)	(110)	(819)
Profit/(loss) before tax						770	(1,812)	(1,042)
Income tax expense /(benefit)						(160)	362	202
Profit/(loss) for the year						610	(1,450)	(840)

BY BUSINESS

	Exploration and produc-tion	Refining and marketing	Retail	Corporate and other	Elimination	Total
INA, d.d.						
Year 2009						
Property, plant and equipment	11,521	5,550	780	269	-	18,120
Intangible assets	549	8	8	151	-	716
Investment in subsidiaries	647	327	-	283	-	1,257
Investments in associates and joint ventures	57	132	-	-	-	189
Inventories	618	1,640	56	-	-	2,314
Trade receivables, net	1,380	1,193	270	33	(1,544)	1,332
Not allocated assets						4,136
Total assets						28,064
Trade payables	966	3,831	241	544	(2,878)	2,704
Not allocated liabilities						14,609
Total liabilities						17,313
Other segment information						
Capital expenditure:	2,980	1,345	33	20	-	4,378
Property, plant and equipment	2,845	1,344	33	6	-	4,228
Intangible assets	135	1	-	14	-	150
Depreciation and amortisation	1,294	391	237	117	-	2,039
From this: Impairment losses recognized in profit and loss	556	113	149	-	-	818
Year 2009						
Property, plant and equipment	8,743	4,587	978	335	-	14,643
Intangible assets	419	9	13	207	-	648
Investment in subsidiaries	647	329	-	283	-	1,259
Investments in associates and joint ventures	57	132	-	-	-	189
Inventories	518	1,512	98	1	-	2,129
Trade receivables, net	888	1,185	298	12	(584)	1,799
Not allocated assets						4,040
Total assets						24,707
Trade payables	1,723	3,643	210	286	(3,288)	2,574
Not allocated liabilities						10,896
Total liabilities						13,470
Other segment information						
Capital expenditure:	2,282	1,429	90	30	-	3,831
Property, plant and equipment	1,990	1,426	89	29	-	3,534
Intangible assets	292	3	1	1	-	297
Depreciation and amortisation	763	275	113	122	-	1,273
From this: Impairment losses recognized in profit and loss	123	25	25	-	-	173

BY GEOGRAPHICAL

	Republic of Croatia	Syria	Other countries	Total
INA, d.d.				
Year 2009				
Property, plant and equipment	13,480	4,536	104	18,120
Intangible assets	355	340	21	716
Investment in subsidiaries	1,174	-	83	1,257
Investments in associates and joined ventures	57	-	132	189
Inventories	2,314	-	-	2,314
Trade receivables, net	1,052	78	202	1,332
Not allocated assets				4,136
Total assets				28,064
Other segment information				
Capital expenditure:	2,548	1,616	214	4,378
Property, plant and equipment	2,493	1,598	137	4,228
Intangible assets	55	18	77	150
Year 2009				
Property, plant and equipment	11,646	2,884	113	14,643
Intangible assets	382	245	21	648
Investment in subsidiaries	1,174	-	85	1,259
Investments in associates and joined ventures	57	-	132	189
Inventories	2,129	-	-	2,129
Trade receivables, net	1,517	17	265	1,799
Not allocated assets				4,040
Total assets				24,707
Other segment information				
Capital expenditure:	2,619	956	256	3,831
Property, plant and equipment	2,506	846	182	3,534
Intangible assets	113	110	74	297

INA Grupa		
Continuing operations		
	Revenues from external customers	
	2009.	2008.
Republic of Croatia	12,254	16,965
Bosnia and Hercegovina	1,599	3,254
Switzerland	1,905	904
Other countries	4,615	6,021
	20,373	27,144
Discontinued operations		
	Revenues from external customers	
	2009.	2008.
Republic of Croatia	1,958	1,619
Other countries	-	45
	1,958	1,664

INA, d.d.		
Continuing operations		
	Revenues from external customers	
	2009.	2008.
Republic of Croatia	11,636	16,114
Bosnia and Hercegovina	1,277	1,688
United Kingdom	2,893	225
Other countries	1,662	5,715
	17,468	23,742
Discontinued operations		
	Revenues from external customers	
	2009.	2008.
Republic of Croatia	1,186	1,619
Other countries	-	45
	1,186	1,664

Information about major customers

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

4. OTHER OPERATING INCOME

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Sales of underground gas storage	472	-	25	495
Reversal of provisions	180	177	127	157
Reversal of assets impairment	128	63	128	63
Imported gas impairment	78	-	78	-
"Other non-core services sold"	115	170	32	46
Debit-notes and refundment	68	2	68	86
Reversal of impairment	51	41	12	12
Surpluses	57	41	32	17
Rent revenue	54	48	34	39
"Non-current and current assets sold"	35	32	23	24
Other	118	64	95	44
Total continued operations	1,356	638	654	983
Imported gas impairment	64	-	64	-
Other	7	-	-	-
Total discontinued operations	71	-	64	-

5. DEPRECIATION AND AMORTISATION

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Amortisation of intangible assets (note 12)	84	84	81	81
Depreciation of property, plant and equipment (note 13 b)	1,423	1,287	1,140	1,019
	1,507	**1,371**	**1,221**	**1,100**

6. STAFF COSTS

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Continuing operations				
Net payroll	1,461	1,516	879	905
Contributions for pensions and health insurance	1,054	1,078	677	683
Other payroll related costs	287	328	138	164
	2,802	**2,922**	**1,694**	**1,752**
Discontinued operations				
Net payroll	3	3	1	3
Contributions for pensions and health insurance	3	2	1	2
Other payroll related costs	-	-	1	-
	6	**5**	**3**	**5**

At the year-end, the Group employed the following personnel, the majority of whom work within the Republic of Croatia:

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	Number	Number	Number	Number
Continuing operations				
Exploration and production	4,995	5,103	2,040	2,053
Refining and marketing	3,625	3,606	2,731	2,683
Retail	3,901	3,942	3,255	3,305
Corporate function	3,753	3,953	1,875	2,039
	16,274	**16,604**	**9,901**	**10,080**
Discontinued operations				
Exploration and production	30	28	30	28
	30	**28**	**30**	**28**

7. FINANCE INCOME

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Foreign exchange gains	258	326	208	247
Other interest income	135	68	128	83
Dividends	3	2	2	2
Interest from financial assets	3	15	10	10
	399	**411**	**348**	**342**

8. FINANCE COSTS

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Continuing operations				
Foreign exchange losses	179	734	121	638
Interest payable on long-term loans	80	150	66	138
Other interest payable	492	263	471	242
Loss on embedded derivatives	28	29	87	29
Other financial expenses	15	15	7	4
	794	**1,191**	**752**	**1,051**
Discontinued operations				
Loss on embedded derivatives	112	110	70	110
	112	110	70	110

9. TAXATION

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Continuing operations				
Current tax expense	34	29	-	-
Deferred tax charge/(benefit) relating to origination and reversal of temporary differences	1	149	(8)	160
Income tax expense/(benefit) for the year	35	178	(8)	160
Discontinued operations				
Deferred tax benefit relating to origination and reversal of temporary differences	(130)	(362)	(130)	(362)
Income tax benefit for the year	(130)	(362)	(130)	(362)

Domestic income tax rate is calculated at 20 per cent in 2009 (2008: 20 per cent) of the income before taxes for the year.

Income taxes are recorded on the basis of estimated taxable income in accordance with the fiscal laws prevailing in the country in which they originate. The Company is subject to corporate income tax on its taxable profits in Croatia.

The total charge for the year can be reconciled to the accounting profits as follow:

	INA Grupa		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Continuing operations				
Profit/(loss) before tax	645	530	(119)	770
Income tax expense/(benefit) calculated at 20%	129	106	(24)	154
Tax effect of permanent differences	(94)	72	16	6
Current and deferred tax expense / (benefit)	35	178	(8)	160
Discontinued operations				
Loss before tax	(1,134)	(1,812)	(651)	(1,812)
"Income tax benefit calculated at 20%"	(227)	(362)	(130)	(362)
Unrecognised deferred tax assets	97	-	-	-
Current and deferred tax benefit	(130)	(362)	(130)	(362)

In addition to the deferred tax in 2009 deferred tax recognized in amount of 36 HRK million (in 2008 91 HRK million). The Group did not recognise HRK 97 million deferred tax assets arising from the carryforward of unused tax loss in Prirodni Plin d.o.o., because future taxable profit may not be available at the entity. The movements in deferred tax assets were as follows:

	Value adjustment of current assets	Value adjustment of tangible and intangible assets	Reversal of depreciation for impaired asset	Provision recorded for ENI tax case	Other provisions	Value adjustment of financial investments	Tax losses	Total
INA Group								
Balance at 01 January 2008	**26**	**64**	**(16)**	**1**	**-**	**(38)**	**-**	**37**
Credit to equity for the year	-	-	-	-	-	91	-	91
Reversal of temporary differences	(8)	(13)	(13)	(1)	-	-	-	(35)
Origination of temporary differences	105	51	-	28	-	17	47	248
Balance at 31 December 2008	**123**	**102**	**(29)**	**28**	**-**	**70**	**47**	**341**
Credit to equity for the year	-	-	-	-	-	(36)	-	(36)
Reversal of temporary differences	(99)	(26)	(12)	(28)	-	(13)	-	(178)
Origination of temporary differences	11	189	-	-	27	-	80	307
Balance at 31 December 2009	**35**	**265**	**(41)**	**-**	**27**	**21**	**127**	**434**
INA, d.d.								
Balance at 01 January 2008	**26**	**64**	**(16)**	**1**	**-**	**(41)**	**-**	**34**
Credit to equity for the year	-	-	-	-	-	91	-	91
Reversal of temporary differences	(8)	(13)	(13)	(1)	-	-	-	(35)
Origination of temporary differences	105	47	-	28	-	10	47	237
Balance at 31 December 2008	**123**	**98**	**(29)**	**28**		**60**	**47**	**327**
Credit to equity for the year	-	-	-	-	-	(36)	-	(36)
Reversal of temporary differences	(99)	(26)	(12)	(28)	-	(4)	-	(169)
Origination of temporary differences	11	189	-	-	27	-	80	307
Balance at 31 December 2009	**35**	**261**	**(41)**	**-**	**27**	**20**	**127**	**429**

10. DISCONTINUED 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 basic issues regarding the future of the natural gas market and the supply of natural gas in Croatia) on 30 January 2009. Based on the contract the Government took over the gas storage of INA d.d. in May.

On 16 December 2009, the Croatian Government and MOL Plc. concluded the first Annex to the Gas Master Agreement, which specifies the terms and conditions, as well as the pricing of natural gas for tariff-based and eligible customers, the mining royalty, gas storage tariffs, as well as other terms and conditions applicable to the pricing of gas and acquisition of the entire (100 %) share in the company Prirodni plin d.o.o. a natural gas trading company established by INA.

According to the Annex, the aim of the parties to the Agreement is to sustain and strengthen the national security interest, by providing to tariff-based and eligible customers a safe and reliable supply of natural gas originating from domestic and other, foreign natural gas wells.

Pursuant to the Annex, both INA and Prirodni plin d.o.o. may increase gas prices for both tariff-based and eligible customers by 33 lipas (1/100th of HRK) per cubic metre and 30 lipas per cubic metre, respectively, with the effect from 1 January 2010.

The parties to the Agreement have agreed on the provisions pertaining to the payment of the mining royalty in the future. The Croatian Government warrants that, in the period from 2010 up to inclusive 2014, the current royalty payable by INA starting from 1 January 2010 will increase by 0.5 percentage points annually for all hydrocarbon exploitation fields.

The royalty rate payable by INA from 2015 up to inclusive 2025 has been set at 10 (ten) percent for all hydrocarbon fields exploited by INA.

According to the Annex, the acquisition of the entire (100% share) in Prirodni plin d.o.o. by the Government has been postponed until 1 December 2010.

Through the implementation of the Master Agreement on Natural Gas Business, gas business was separated from INA, d.d. and subsidiary Prirodni plin d.o.o. Zagreb was established at 1 July 2009. Pursuant to its business strategy, INA, d.d. maintained only onshore and offshore exploration and production activities in the Republic of Croatia.

Since the gas trading activity represents a major line of business, the Company presents related results and cash flows as profit and cash flows from discontinued operations. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period, as set out below.

These operations, which are expected to be sold within 12 months, have been presented separately in the segmental analysis in note 3.

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Loss for the year from discontinued operations				
Sales revenue				
a) domestic	1,958	1,619	1,186	1,619
b) exports	-	45	-	45
Total sales revenue	1,958	1,664	1,186	1,664
Other operating income	71	-	64	-
Total operating income	2,029	1,664	1,250	1,664
Other material costs	(362)	(343)	(282)	(343)
Service costs	(3)	(3)	-	(3)
Staff costs	(6)	(5)	(3)	(5)
Cost of other goods sold	(2,641)	(2,853)	(1,545)	(2,853)
Impairment and charges	(46)	(162)	-	(162)
Operating expenses	(3,058)	(3,366)	(1,830)	(3,366)
Loss from operations	(1,029)	(1,702)	(580)	(1,702)
Finance costs	(112)	(110)	(70)	(110)
Loss before tax	(1,141)	(1,812)	(650)	(1,812)
Deferred tax	130	362	130	362
Loss for the year	(1,011)	(1,450)	(520)	(1,450)
Cash flow from discontinued operations				
Net cash flow from operating activities	(716)	(441)	(320)	(441)
Net cash flows	(716)	(441)	(320)	(441)

11. EARNINGS PER SHARE

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Continued and discontinued operations				
Basic and diluted earnings per share (in HRK)	(39.2)	(109.9)	(63.1)	(84.0)
Earnings				
Earnings used in the calculation of total basic earnings per share (loss/profit for the period attributable to equity holders of the parent) from continued and discontinued operations	(392)	(1,099)	(631)	(840)
	(392)	**(1,099)**	**(631)**	**(840)**
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10	10	10
From continued operations				
Basic and diluted earnings per share (in HRK)	61.9	35.1	(11.1)	61
Earnings				
Loss for the period attributable to equity holders of the parent	(392)	(1,099)	(631)	(840)
Less:				
Loss for the year from discontinued operations	1,011	1,450	520	1,450
Earnings for calculation basic earnings per share (kuna per share) from continuing operations	**619**	**351**	**(111)**	**610**

12. INTANGIBLE ASSETS

	INA Group	INA, d.d.
Balance at 1 January 2008	630	625
Additions	307	297
Amortisation	(84)	(81)
Reversal of impairment	2	2
Write off of exploration cost	(69)	(69)
Transfer to property, plant and equipment	(122)	(126)
Balance at 31 December 2008	664	648
Additions	155	150
Amortisation	(84)	(81)
Impairment	(1)	(1)
Asset classified as held for sale - Crobenz	(2)	-
Other movements	(1)	-
Balance at 31 December 2009	731	716

13. PROPERTY, PLANT AND EQUIPMENT

a) By business segment

	Oil and gas exploration and production	Refining and marketing	Retail	Other	Total
INA Group					
At 1 January 2008					
Cost	31,952	11,985	2,498	2,064	48,499
Accumulated depreciation	23,215	8,023	1,500	1,320	34,058
Net book value	8,737	3,962	998	744	14,441
At 31 December 2008					
Cost	33,217	12,951	2,978	2,267	51,413
Accumulated depreciation	22,995	8,015	1,739	1,515	34,264
Net book value	10,222	4,936	1,239	752	17,149
At 31 December 2009					
Cost	37,354	14,251	2,889	2,112	56,606
Accumulated depreciation	24,491	8,363	1,969	1,430	36,253
Net book value	12,863	5,888	920	682	20,353
INA, d.d.					
1 January 2008					
Cost	28,356	10,811	2,490	849	42,506
Accumulated depreciation	20,883	7,359	1,496	499	30,237
Net book value	7,473	3,452	994	350	12,269
At 31 December 2008					
Cost	29,341	12,067	2,571	1,035	45,014
Accumulated depreciation	20,598	7,480	1,593	700	30,371
Net book value	8,743	4,587	978	335	14,643
At 31 December 2009					
Cost	33,403	13,362	2,596	902	50,263
Accumulated depreciation	21,882	7,812	1,816	633	32,143
Net book value	11,521	5,550	780	269	18,120

b) By asset type

	Oil and gas properties	Land and buildings	Plant and machinery and assets under construction	Vehicles and office equipment	Collective Consumption assets	Total
INA Group						
Cost						
Balance at 1 January 2008	**22,004**	**10,320**	**14,617**	**1,513**	**45**	**48,499**
Additions	-	-	4,162	4	-	4,166
Change in capitalised decommissioning costs	(155)	-	-	-	-	(155)
Transfer from intangible assets	-	-	122	-	-	122
Transfers	856	247	(1,275)	165	7	-
Disposals	(9)	(489)	(604)	(92)	(6)	(1,200)
Exchange differences	-	1	(19)	(1)	-	(19)
Balance at 31 December 2008	**22,696**	**10,079**	**17,003**	**1,589**	**46**	**51,413**
Additions	-	-	4,349	-	-	4,349
"Change in capitalised decommissioning costs"	1,207	-	-	-	-	1,207
Addition - acquisition of Drill Trans Group	-	6	2	52	-	60
Asset classified as held for sale - Crobenz	-	(119)	(1)	(23)	-	(143)
Transfer to intangible assets	-	-	(1)	-	-	(1)
Transfers	1,789	414	(2,301)	98	-	-
Disposals	(31)	(17)	(134)	(84)	(2)	(268)
Exchange differences	-	(1)	(10)	-	-	(11)
Balance at 31 December 2009	**25,661**	**10,362**	**18,907**	**1,632**	**44**	**56,606**
INA Group						
Accumulated depreciation						
Balance at 1 January 2008	**17,533**	**7,004**	**8,266**	**1,219**	**36**	**34,058**
Charge for the year	462	315	366	141	3	1,287
Charge for decommissioning for a prior year	-	(104)	-	-	-	(104)
Reclassification of advances for fixed assets	-	-	3	4	-	7
Impairment	123	28	20	4	-	175
Transfers	-	-	(5)	5	-	-
Disposals	(9)	(465)	(580)	(88)	(4)	(1,146)
Exchange differences	4	-	(14)	(3)	-	(13)
Balance at 31 December 2008	**18,113**	**6,778**	**8,056**	**1,282**	**35**	**34,264**
Charge for the year	675	216	393	138	1	1,423
Reversal depreciation from previous year	-	-	-	(1)	-	(1)
Additional: acquisition of Drill Trans Group	-	1	1	24	-	26
Value adjustment of assets under construction	-	-	4	-	-	4
Asset classified as held for sale - Crobenz	-	(17)	-	(19)	-	(36)
Impairment	553	155	105	23	-	836
Transfers	-	6	(3)	(3)	-	-
Disposals	(31)	(17)	(133)	(77)	(2)	(260)
Exchange differences	-	-	(3)	-	-	(3)
Balance at 31 December 2009	**19,310**	**7,122**	**8,420**	**1,367**	**34**	**36,253**
INA Group						
Carrying amount						
Balance at 31 December 2009	**6,351**	**3,240**	**10,487**	**265**	**10**	**20,353**
Balance at 31 December 2008	**4,583**	**3,301**	**8,947**	**307**	**11**	**17,149**

The carrying amount of INA Group property, plan and equipment increased in 2009 for HRK 3,204 million. 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 amounted to HRK 836 million and the effects of depreciation on reducing their book value amounted to HRK 1,423 million. Disposals of assets, mainly relating to vehicles and office equipment, reduced their book value by further 8 million. Reversal of depreciation increased the asset value for HRK 1 million. HRK 107 million was transferred from Property, plant and equipment to Assets classified as held for sale and is relating to Retail segment of subsidiary Crobenz. Value adjustment of assets under construction 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.

	Oil and gas properties	Land and buildings	Plant and machinery and assets under construction	Vehicles and office equipment	Collective Consumption assets	Total
INA, d.d.						
Cost						
Balance at 1 January 2008	**22,003**	**8,503**	**11,198**	**761**	**41**	**42,506**
Additions	-	-	3,534	-	-	3,534
Change in capitalised decommissioning costs	(155)	-	-	-	-	(155)
Transfer from intangible assets	-	-	126	-	-	126
Transfers	856	194	(1,145)	95	-	-
Disposals	(9)	(488)	(456)	(38)	(6)	(997)
Balance at 31 December 2008	**22,695**	**8,209**	**13,257**	**818**	**35**	**45,014**
Additions	-	-	4,228	-	-	4,228
Change in capitalised decommissioning costs	1,207	-	-	-	-	1,207
Transfers	1,789	302	(2,152)	61	-	-
Disposals	(31)	(10)	(115)	(28)	(2)	(186)
Balance at 31 December 2009	**25,660**	**8,501**	**15,218**	**851**	**33**	**50,263**
INA, d.d.						
Accumulated depreciation						
Balance at 1 January 2008	**17,537**	**5,826**	**6,251**	**587**	**36**	**30,237**
Charge for the year	462	265	236	55	1	1,019
Charge for decommissioning for a prior year	-	(103)	-	-	-	(103)
Impairment	123	28	20	4		175
Disposals	(9)	(465)	(442)	(37)	(4)	(957)
Balance at 31 December 2008	18,113	5,551	6,065	609	33	30,371
Charge for the year	675	159	246	60	-	1,140
Impairment	553	138	104	22	-	817
Disposals	(31)	(10)	(115)	(28)	(1)	(185)
Balance at 31 December 2009	19,310	5,838	6,300	663	32	32,143
INA, d.d.						
Carrying amount						
Balance at 31 December 2009	**6,350**	**2,663**	**8,918**	**188**	**1**	**18,120**
Balance at 31 December 2009	**4,582**	**2,658**	**7,192**	**209**	**2**	**14,643**
Balance at 1 January 2008	**4,466**	**2,677**	**4,947**	**174**	**5**	**12,269**

The carrying amount of INA, d.d. property, plan and equipment increased in 2009 for HRK 3,477 million as a result of the current year investments for the amount of HRK 4,228 million, capitalized decommissioning costs of HRK 1,207 million, disposal of HRK 1 million (refer to selling flats), depreciation charge of HRK 1,140 million and impairment of asset value of HRK 817 million.
Additions to oil and gas properties and assets under construction include own costs capitalised in 2009 of HRK 16 million (2008: HRK 14 million). Included above are assets under construction for 2009 HRK 4,228 million (2008: HRK 3,548 million) which are not yet subject to depreciation.

I) Oil and gas reserves

The ability of INA and Group to realise the net book value of oil and gas properties (see b) above) in the future is dependent upon the extent to which commercially recoverable oil and gas reserves are in place. During 2009 Exploration and Production segment performed assessment of the quantities of the Company's remaining proved developed oil and gas reserves which were commercially recoverable.

II) Ownership of land and buildings

Due to political developments in Croatia since 1990, certain local municipal land registers have not been fully established. The Company is in the process of registering, through the local courts in Croatia. To date, no claims have been made against the Company concerning its title to these assets.

III) Collective consumption assets

Collective consumption assets principally comprise domestic residential and holiday accommodation for the workforce of the Company and certain of its subsidiaries.

IV) Carrying value of refining and retail property, plant and equipment

At 31 December 2009 the net book values of the Group's property, plant and equipment in BD Exploration and Production was HRK 12,863 million and for 31 December 2008 the amount was HRK 10,222 million. At 31 December 2009 the net book values of the Group's property, plant and equipment in BD Refining and Marketing was HRK 5,888 million and for 31 December 2008 the amount was HRK 4,936 million. At 31 December 2009 the net book values of the Group's property, plant and equipment in Retail was HRK 920 million and for 31 December 2008 the amount was HRK 1,239 million. At 31 December 2009 the net book values of the Group's property, plant and equipment in Function was HRK 682 million and for 31 December 2008 the amount was HRK 752 million.
The Management Board has assessed the carrying values of its Exploration and Production, Refining & Marketing and Retail assets with reference to the discounted estimated future net cash flows from the refining and wholesale business, in accordance with the requirements of IAS 36. The total impairment of assets in accordance with IAS 36 is HRK 837 million :

- The impairment of BD Exploration and Production is HRK 555 million in 2009 (2008: HRK 123 million)
- The impairment of BD Refining and Marketing is HRK 113 million in 2009 (2008: HRK 25 million)
- The impairment of BD Retail is HRK 149 million in 2009 for INA, d.d. and extra HRK 20 million on INA Group level, summarized HRK 169 million (2008: HRK 25 million for INA, d.d. and INA Group)

The recoverable amount of the cash-generating unit in INA, d.d.. is fair value less value in use.
Discount rates used in the current assessment in 2009 and for 2008 are:

Part of INA, d.d.	**2009**	**2008**
Exploration and Production	13.329%	10.000%
Refining and Marketing	12.574%	12.000%
Retail	10.800%	8.720%

V) Review of the residual value

The Group has reviewed the residual value for depreciation purposes to reflect the changes in the definition of the residual value provided in the Standard, and no need for any adjustment to the residual values for either the current or prior periods has been established.

14. GOODWILL

	INA Group
Investment of Crosco, d.o.o. in Rotary Ztr. Hungary (100%)	191
Investment of INA, d.d. in Energopetrol d.d. Sarajevo (INA i MOL 67%)	132
Total investments	**323**
Net assets of Rotary Zrt.	(93)
Net assets of Energopetrol d.d. Sarajevo	(67)
Total net assets	**(160)**
Goodwill Rotary Zrt.	98
Goodwill Energopetrol d.d. Sarajevo	65
Total goodwill for 1 January 2008	**163**
Rotary Zrt - exchange differences adjustments	6
Energopetrol Plc Sarajevo -contractual commitments adjustments	28
Total goodwill for 1 31 December 2008	197
Investment of Crosco d.o.o. in Drill Trans Group	103
Net asset of Drill Trans Group	(4)
Total goodwill for 1 31 December 2009	**296**

On 28 March 2007, pursuant the agreement entered into by the Government of the Federation of Bosnia and Herzegovina and the INA-MOL Consortium, the INA Group invested HRK 132 million in the acquisition of Energopetrol d.d., Sarajevo and became, together with MOL, a major shareholder of the investee (INA d.d. and MOL Plc. hold an equity share of 33.5 % each).

The business combinations with the companies Energopetrol d.d., Sarajevo and Rotary Drilling Co.LTD were initially recorded in the period in which the combinations were concluded on a provisional basis because the fair values of identifiable assets, liabilities and contingent liabilities of the investees could have been determined only provisionally and, at the INA Group, they were accounted for by reference to the provisional values. During 2008, an adjustment to the provisional values as per the initial reconciliation with the audited 2007 financial statements of the company Energopetrol d.d. was recognised. The resulting fair value adjustment of the identifiable assets and liabilities resulted in an increase of goodwill in the amount of HRK 28 million.

Discount rate used for impairment test were 8.00% (EUR) and 13.66% (HUF) respectively in case of Energopetrol d.d. and Rotary Co.LTD.

On 1 September 2009, the subsidiary Crosco d.o.o. Zagreb, acquired the entire equity share in the company Drill Trans Kft., headquarter in Nagykanizsa, Hungary, for consideration of HRK 103 million (see note 43).

15. INVESTMENTS IN SUBSIDIARIES

	INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008
Equity investments in subsidiaries	1,257	1,259	1,286

	INA, d.d.	
	2009.	2008.
Equity investments in subsidiaries at 1 January	1,259	1,286
Interina Holding Ltd. London - liquidation	-	(28)
Interina d.o.o. Ljubljana - share capital increase	-	24
Interina d.o.o. Ljubljana – impairment allowance	(1)	(21)
INA Crna Gora d.o.o. Kotor –share capital increase	-	3
Hostin d.o.o Zagreb – impairment allowance	-	(1)
INA Kosovo d.o.o. Priština – impairment	(1)	(4)
Total as of 31 December	1,257	1,259

During 2008, the share capital of Interina d.o.o. Ljubljana and INA Crna Gora d.o.o. Kotor was increased by HRK 24 million and HRK 3 million, respectively. Impairment allowance was recorded in respect of Interina d.o.o. Ljubljana (HRK 21 million); Hostin d.o.o. Zagreb (HRK 1 million), as well as value adjustment in respect of the subsidiary INA-Kosovo d.o.o. Priština (HRK 4 million). The liquidation of Interina Holding was completed in December 2008 (investment worth HRK 28 million).

During 2009, impairment allowance was made for the investments in the subsidiaries Interina d.o.o. Ljubljana (HRK 1 million) and INA-Kosovo d.o.o. Priština (HRK 1 million) as a result of the decline in the value of the companies' net assets as of 31 December 2009.

The Company has the following principal subsidiaries (*subsidiary owned directly by the Company):

		Shareholding	
Name of company	Activity	31 December 2009	31 December 2008
Oilfield services			
*Crosco Naftni Servisi d.o.o. Zagreb	Oilfield services	100%	100%
Crosco International Limited, Guernsey	Oilfield services	100%	100%
Geotehnika International LLC, Abu Dhabi, UAE	Oilfield services	49%	49%
Crosco B.V. Amsterdam, Nizozemska (from January 2008)	Oilfield services	100%	100%
Nordic Shipping Ltd, Marshall Islands	Platform ownership	100%	100%
Sea Horse Shipping Inc, Marshall Islands	Platform ownership	100%	100%
Crosco International d.o.o. Slovenia	Oilfield services	100%	100%
Rotary Zrt., Hungary	Oilfield services	100%	100%
Drill-Trans Zrt, Hungary (from September 2009)	Road transport of cargo	100%	
	-		
Crosco S.A. DE C.V. Monterrey, Mexico (from January 2008)	Oilfield services	100%	100%
Crosco International d.o.o. Tuzla, BiH	Oilfield services	100%	100%
Mideast Integrated Drilling & Well Services Company LLC, Oman	Oilfield services	49%	49%
Oil exploration and production			
*INA Naftaplin International Exploration and			
Production Ltd, Guernsey	Oil exploration and production	100%	100%
CorteCros d.o.o., Zagreb	Distribution of anti-corrosion products	60%	60%
Tourism			
*Hostin d.o.o. Zagreb	Tourism	100%	100%
Ancillary services			
*STSI integrirani tehnički servisi d.o.o. Zagreb	Technical services	100%	100%
*Sinaco d.o.o. Sisak	Security	100%	100%
*ITR d.o.o., Zagreb	Car rental	100%	100%
*Podzemno skladište plina d.o.o. Zagreb			
(from December 2008 until May 2009)	Gas storage	-	100%

Production and trading			
*Maziva Zagreb d.o.o. Zagreb	Production and lubricants trading	100%	100%
*Proplin d.o.o. Zagreb	Production and LPG trading	100%	100%
Trading and finance			
*Interina d.o.o. Ljubljana, Slovenia	Foreign trading	100%	100%
*INA BH d.d. Sarajevo, Bosnia and Herzegovina	Foreign trading	100%	100%
*Interina d.o.o. Skopje, Macedonia (in bankruptcy)	Foreign trading	100%	100%
*Interina Holding Ltd, London, UK			
(deletion from the court register in March 2009)	Foreign trading	-	100%
*Inter Ina Ltd, London, UK	Foreign trading	100%	100%
*INA Hungary Kft., Budapest, Hungary	Foreign trading	100%	100%
*FPC Ltd, London, UK	Foreign trading	100%	100%
*Holdina (Guernsey) Ltd, Guernsey	Foreign trading	100%	100%
Inter Ina (Guernsey) Ltd, Guernsey	Foreign trading	100%	100%
Holdina (Cyprus) Ltd, Cyprus	Foreign trading	100%	100%
Holdina (Ireland) Ltd, Ireland	Foreign trading	100%	100%
*Holdina d.o.o. Sarajevo, Bosnia and Herzegovina			
(from March 2008 Interina d.o.o. Sarajevo merged to Holdina Sarajevo)	Foreign trading	100%	100%
*INA d.o.o. Beograd, Serbia	Foreign trading	100%	100%
*INA Kosovo d.o.o. Priština	Foreign trading	100%	100%
*Adriagas S.r.l. Milan, Italy	Pipeline project company	100%	100%
*INA Crna Gora d.o.o. Kotor	Foreign trading	100%	100%
*INA Crobenz d.d. Zagreb	Trading	100%	100%
*Prirodni plin d.o.o. Zagreb(from December 2008)	Trading	100%	100%
*INA BL d.o.o. Banja Luka (from September 2008)	Trading	100%	100%
*Petrol d.d. Jurdani	Trading	83%	83%
*INA-Osijek – Petrol d.d.	Trading	76%	76%
*Polybit d.o.o. Rijeka (jointly controlled entity)	Oil production and trading	50%	50%

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Investments in associates and joint ventures	68	76	124	189	189	189
	68	76	124	189	189	189

Name of company	Activity	proportion of ownership	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Croplin d.o.o Zagreb	Gas trading	50%	35	35	35	35	35	35
SOL-INA d.o.o.	Industrial gas production	37.2%	22	22	22	22	22	22
ENERGOPETROL d.d., Sarajevo BiH	Retail (oil and lubricants)	33.5%	11	19	67	132	132	132
			68	**76**	**124**	**189**	**189**	**189**

Other investments in associates and joint ventures are as follows:

		INA Group i INA, d.d.	
Name of company	Activity	31 December 2009	31 December 2008
Hayan Petroleum Company, Damascus, Syria	Operating company (oil exploration, development and production)	50%	50%
TERME Zagreb d.o.o., Zagreb (od rujna 2008.)	Recreation and medical tourism	50%	50%
INAgip d.o.o. Zagreb	Exploration and production operator	50%	50%
ED INA d.o.o. Zagreb	Research, development and hydrocarbon production	50%	50%
Genan Trading Services Co. WLL Doha, Katar (u likvidaciji)	Maintenance and technical engineering services	49%	49%
Belvedere d.d., Dubrovnik	Hotel trade	32%	32%
"Marina Petroleum Company Egipat, Cairo"	Exploration and production operator	25%	25%
Adria LNG Study Company Ltd	Oil exploration	22,2%	22,2%

Investment in Energopetrol d.d.

On 8 September 2006 INA, d.d., together with MOL under MOL/INA Consortium, concluded an Agreement on recapitalisation of Energopetrol d.d. with the Government of the Federation of Bosnia and Herzegovina to take over 67% share of Energopetrol d.d. shared equally by both parties (33.5% owned by each party). Based on the concluded Agreement on recapitalisation the Consortium should pay (INA and MOL, each 50% of the amount):

a) KM 10.2 million for the Government of the Federation of Bosnia and Herzegovina with respect to recapitalisation rights; and

b) KM 60.195 million to Energopetrol d.d. with respect to recapitalisation, which Energopetrol d.d. will use to settle its debt (tax liabilities, amounts due to banks and creditors, and other liabilities) as of 31 December 2004;

The amounts were paid in 2007.

17. OTHER INVESTMENTS

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Financial assets at fair valuethrough profit or loss	6	20	20	6	20	20
Long-term loans	109	40	18	374	332	384
Deposits	23	23	24	23	23	22
Other investments	138	83	62	403	375	426

18. LONG-TERM RECEIVABLES

	31 December 2009	31 December 2008	1 January 2008
INA Group			
Receivables for apartments sold	148	158	169
Prepayments for intangible assets	24	16	31
Prepayments for property, plant and equipment	210	370	450
Other long-term receivables	3	8	8
	385	**552**	**658**
INA, d.d.			
Receivables for apartments sold	146	157	168
Long-term receivables from Proplin	68	68	68
Long-term receivables from Crosco	32	32	32
Long-term receivables from STSI	15	15	15
Prepayments for intangible assets	23	15	30
Prepayments for property, plant and equipment	205	368	354
Other long-term receivables	7	7	7
	496	**662**	**674**

Prior to 1996, the Company had sold apartments it owned to its employees as provided by the laws of the Republic of Croatia. The properties were generally sold on credit, and the related housing receivables are repayable on a monthly basis over periods of 20-35 years. The amounts payable to Croatian state, accounting for 65% of the value of sold apartments are included in other non-current liabilities (Note 31). The receivables are secured by mortgages over the sold apartments. The principle is pre-

19. AVAILABLE-FOR-SALE ASSETS

Company available for sale			INA Group i INA, d.d.		
Name of the Company	% shareholding held by INA	Activity	31 December 2009	31 December 2008	1 January 2008
Jadranski Naftovod d.d. (JANAF d.d. till 30 June 2009. 16.00%)	11.795%	Pipeline ownership and operations	336	155	610
OMV Slovenia d.o.o., Koper	7.75%	Oil trading	31	31	31
Plinara d.o.o. Pula	49.00%	Distribution and oil trading	17	17	17
HOC Bjelolasica d.o.o. Ogulin	7.17%	Operations of sports facilities	6	-	-
BINA-FINCOM d.d. Zagreb	5.00%	Construction of highways and other roads, airfields airports	12	-	-
Impairment			(5)	(2)	(2)
			397	**201**	**656**

Pursuant to a Government decision of 8 March 2002, the company transferred to the Government 21.37% of the equity in JANAF d.d., reducing the company's investment to 16.00%.
In June 2009, the share capital of JANAF was increased and, pursuant to the Decision on the Changes in Share Capital, dated 19 June 2009, the ownership share in JANAF was reduced to 11.795 percent.
As explained in note 39, a substantial portion of the trading income of JANAF d.d. is derived from INA. The value of the equity share in JANAF was reported by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2009. The net book value of the equity investment in JANAF increased by HRK 181 million compared to the balance as of 31 December 2008 due to a increase in the market value of the JANAF shares on the Zagreb Stock Exchange. The market value of the shares (118 855 shares) as of 31 December 2009 amounted to HRK 2,826 per share (HRK 1,301 per share as of 31 December 2008).
By a decision dated 1 December 2009, the Management Board of INA d.d. provides its consent to initiate negotiations regarding the sale of non-controlling interests below 10 percent in the companies HOC Bjelolasica d.o.o. Ogulin (7.17%) and Bina-Fincom d.d. (5.00%). As a result, the companies have been reclassified in the portfolio of available-for-sale financial assets.

20. INVENTORIES

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Crude oil	330	214	637	330	214	637
Gas inventories	419	323	109	419	323	99
Merchandise	135	202	236	69	143	189
Raw material	293	230	273	174	106	180
Spare parts, materials and supplies	459	444	416	78	75	103
Work in progress	566	649	628	565	647	603
Refined products	685	651	824	679	621	770
	2,887	**2,713**	**3,123**	**2,314**	**2,129**	**2,581**

The cost of inventories recognised as an expense during the period in respect of continuing operations was 13.1 billion HRK (16.6 billion HRK in 2008).
The cost of inventories recognised as an expense includes 757 million HRK of impairment in respect of the reversal of write-downs (in 2008 write-downs to net marketable value of HRK 747 million was included in cost of inventories according to IAS 2).
Reversal of write-downs refers on increasing of selling prices of oil derivatives calculated on crude oil price basis of Platts Mediterranean market. Crude oil price at 31 December 2008 was 44.80 $/bbl and 76.00 $/bbl at 31 December 2009, and inventories at 31 December 2008 were mostly evaluated through selling price less cost of commercialization as net marketable value, ie these prices were lower than calculated average cost prices, while at the end of 2009 inventories were mostly evaluated by cost prices.
Pursuant to the Act on Oil and Oil Product Market (Official Gazette No. 57/2006), which modified the basis for calculating the obligatory oil stocks, the Croatian Government issued a Decision on the Quantity and Structure of Obligatory Oil and Refinery Product Stocks for the Year 2009. According to the Decision, The Ministry of Economy, Labour and Entrepreneurship determined the share of INA d.d. in maintaining the obligatory stock for the year 2009 in quantitative (tons) and structural terms prescribed by the Act as follows: out of the total 55,570 tons of refinery products: 10,700 tons of petrol fuels; 1,500 tons jet fuel; 25,200 tons of diesel fuels; 5,620 tons of gas oils; and 12,550 tons of heating oils. According to the Act, a portion of the stock can be kept in the form of crude oil and semi-finished products up to the extent of 40 percent of petrol fuels and 40 percent of diesel fuels and fuel gas and up to 50 percent of heating oil. The conversion of the product quantities into REB oil is made on the basis of the production yield for the REB oil according to the adopted Current Business Plan (as per the applicable EU Directive).
Thus, the obligatory stock of INA as of 31 December 2009 consisted of 55,570 tons of refinery products, of which 42,145 tons out of 23,483 tons of REB oil were comprised of Refinery Product Groups I, II and III, and the remaining obligatory stock of 32,087 tons INA d.d. kept in the form of refinery products.
INA d.d. reports the stock quantities to the Croatian Agency for Obligatory Petroleum and Petroleum Product Stock on a weekly basis.

21. TRADE RECEIVABLES, NET

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Trade receivables	3,327	3,187	3,367	1,542	1,957	2,287
Allowance for doubtful receivables	(402)	(273)	(295)	(210)	(158)	(195)
	2,925	**2,914**	**3,072**	**1,332**	**1,799**	**2,092**

Other income in 2009 includes an amount of 5 million (HRK 14 million in 2008) relating to collection of receivables previously provided for.
Provided below is an ageing analysis of trade receivables outstanding and not provided for:

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
60-90 days	110	99	69	51	39	42
90-120 days	113	85	26	39	52	26
120+ days	214	123	85	43	117	54
	437	**307**	**180**	**133**	**208**	**122**

Trade receivables are carried at fair value, under consideration of the provisioning policy. According to the above provisioning policy, all receivables from the strategic customers of INA d.d. are assessed on individual basis. All other outstanding receivables past due beyond 120 days are fully impaired.

Allowance for doubtful receivables:

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Balance at beginning of the year	273	295	365	157	195	196
Impairment losses recognised on receivables	177	43	31	84	7	22
Amounts written off as uncollectible	(29)	(33)	(46)	(26)	(30)	(14)
Amounts recovered during the year	(19)	(32)	(55)	(5)	(14)	(9)
Balance of the end of the year	**402**	**273**	**295**	**210**	**158**	**195**

The ageing analysis of trade receivables provided for:

	INA Grupa			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
less than 120 days	78	-	-	39	-	-
121-150 days	20	4	9	7	1	6
151-180 days	19	4	8	14	2	4
181-365 days	37	15	12	17	4	6
366+ days	248	250	266	133	151	179
	402	**273**	**295**	**210**	**158**	**195**

22. OTHER RECEIVABLES

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Tax prepayments	700	653	548	513	569	483
Other	105	66	126	64	47	100
	805	**719**	**674**	**577**	**616**	**583**

23. OTHER CURRENT ASSETS

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Short-term loans and deposits	26	21	34	17	18	20
Current portion of long terms loans	3	5	-	137	114	58
Other	3	12	16	5	12	12
	32	**38**	**50**	**159**	**144**	**90**

24. PREPAID EXPENSES AND ACCRUED INCOME

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Prepayments for customs, duties and other charges	48	65	75	33	55	116
Accrued income	10	56	-	2	36	24
Other	14	46	108	1	24	11
	72	**167**	**183**	**36**	**115**	**151**

25. CASH AND CASH EQIVALENTS

Cash and cash equivalents comprise of cash held by the Group and short-term bank deposits. The carrying amount of these assets approximates their fair value.

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Cash on hand	3	3	3	-	-	-
Cash in the bank	333	546	638	42	288	262
Other	31	30	79	26	30	37
	367	**579**	**720**	**68**	**318**	**299**

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.
The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.
The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

26. ASSETS CLASSIFIED AS HELD FOR SALE

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Intangible assets	2	-	-	-
Property, plant and equipment	107	36	-	-
Investments	-	-	-	514
Inventory	6	-	-	-
Trade receivables, net	5	-	-	-
Other receivables	1	-	-	-
TOTAL ASSETS	**121**	**36**	**-**	**514**
Long-term loans	19	-	-	-
Provisions	1	-	-	-
Current portion of long-term loans	4	-	-	-
Trade payables	3	-	-	-
Taxes and contributions	1	-	-	-
Other current liabilities	1	-	-	-
TOTAL LIABILITIES	**29**	**-**	**-**	**-**
ASSETS CLASSIFIED AS HELD FOR SALE	**92**	**36**	**-**	**514**

In December 2008, INA d.d. established the underground gas storage entity Podzemno skladište plina Okoli d.o.o. On January 30, 2009, INA, d.d., as a sole shareholder, sold its equity share in Podzemno skladište Okoli d.o.o. to Plinacro d.o.o., a company fully owned by the Republic of Croatia. Thus, Plinacro d.o.o. has became the owner of PSP Okoli. The underlying agreement was worth HRK 514 million.

Prior to signing the agreement and while establishing Podzemno skladište plina d.o.o., INA d.d. had transferred to the company all the assets required for the natural gas storage operation, including the staff of INA d.d. engaged in those activities. The Underground Gas Storage "Okoli" is the only of this kind in the Republic of Croatia. Its total capacity is 550 million m^3, and its operation as part of the gas supply system of the Republic of Croatia ensures, among others, enables managing the stored gas quantities as strategic energy reserve.

The signed Agreement on the Sale of the Entire Share in the Company Podzemno skladište plina d.o.o. is a part of the Host Natural Gas Business Agreement (a framework agreement regulating certain key issues pertaining to the future of the natural gas market and supply in Croatia), which was entered into by and between the Government of the Republic of Croatia and the Hungarian oil company MOL. Upon the implementation of the provisions of the Host Natural Gas Business Agreement, the gas segment was unbundled from the scope of business of INA d.d. and INA d.d. will, in accordance with its business strategy, retain exclusively the exploration and production activities in the coastal and continental parts of the Republic of Croatia. On 9 June 2009, the Croatian Competition Agency issued its approval on the concentration of MOL and INA containing a condition to sell entrepreneur Crobenz limited company for oil distribution, having its registered office in Zagreb, Radnička cesta 228 (MB 080010052), together with its assets, rights and obligations, and including the takeover of employees, to the extent that guarantees the sustainable market operation to the respective entrepreneur as an independent economic entity. The Croatian Competition Agency emphasized in its Explanatory Letter dated 9 June 2009, that the sale obligation refers to the sale of the part of Crobenz's retail network consisting of fourteen (14) fuel stations and other resources that guarantee the sustainable market operation to the respective entrepreneur. MOL and INA have 9 months for the compliance with the above decision and cannot repurchase the Company within the following 5 years.

In line with the above resolution – following necessary internal structuring and investigation – MOL and INA started to run the sale process via an open tender procedure at the beginning of November 2009. The tender has been announced for Crobenz's Retail business as a going concern operation.

The tender procedure is structured into 3 stages:

Stage 1- Qualification: requesting Letter of Intents with the aim of confirmation of interest and allow only the capable and serious candidates to make the due diligence of the company

Stage 2 – Due diligence and Bidding: including physical data room review and management meetings

Stage 3 – Contract negotiations: selection of the winning bidder will depend on the conditions of the binding bids

The sale process is continuously observed by trustees appointed by the Competition Agency with the aim to monitor the process.

Until the closing of the transaction the current business activity of the Company is maintained, no agreements have been transferred or terminated since 9 June 2009.

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

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Overdrafts and short-term loans	2,104	2,492	1,664	581	249	97
"Current portion of long-term loans (note 29)"	655	98	129	575	47	45
	2,759	**2,590**	**1,793**	**1,156**	**296**	**142**

	Repayment deadline	Security/ Guarantee	1 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	35	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 (note 27)			80	51	84
Total regarding to subsidiaries			**1,603**	**2,294**	**1,651**
INA, d.d.					
Overdrafts and short term loans			581	249	97
Current portion of long-terms loans (note 27)			575	47	45
Total INA, d.d.			**1,156**	**296**	**142**
Total INA Group			**2,759**	**2,590**	**1,793**

Interest on the above-mentioned loans approved in US dollars (USD), euro (EUR) and Hungarian forint (HUF) is payable at LIBOR, EURIBOR and BUBOR rates, plus a margin from 1.25% to 7.95%, and for the loans denominated in Croatian kuna at the interest rates applicable to Treasury Bills of the Ministry of Finance with maturities of 91 or 128 days, plus a margin from 3.25% to 3.50%.

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

	INA Grupa			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Trade payables	4,286	3,815	3,532	2,704	2,574	1,876
Production and sales taxes payable and other taxes	1,670	1,080	569	1,515	1,007	486
Payroll taxes and contributions	111	131	79	70	81	49
Payroll and other	415	342	269	338	155	86
	6,482	**5,368**	**4,449**	**4,627**	**3,817**	**2,497**

The directors consider that the carrying amount of trade payables approximates their fair values.

29. ACCRUALS AND DEFERRED INCOME

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Accrued interest – long-term loans	21	41	38	20	39	33
Accrued expenses	136	147	160	33	2	45
Other	-	49	-	1	15	19
	157	**237**	**198**	**54**	**56**	**97**

30. LONG-TERM LOANS

Long-term loans are denominated in a variety of foreign currencies and are subject to a range of interest rates. The majority of these loans are secured by bills of exchange, debentures and financial contractual clauses. The loans of the Group outstanding at 31 December 2009 and 2008 are analysed as follows:

	Type of loan	Loan currency	1 December 2009	1 December 2008	1 January 2008
PBZ-API 80003	Loan	USD	2	2	2
Erste & Steiermarkische bank	"Loan (equipment)"	USD, EUR	-	10	19
EBRD	Environmental	EUR	52	87	121
MOL Plc	Fin tax liabilities	USD, EUR	1,078	-	-
Bayerische Landesbank	Syndicates/Revolving	USD	5,089	4,279	2,891
			6,221	4,378	3,033
Due within 1 year			(575)	(47)	(45)
Total long-term loans – INA, d.d.			5,646	4,331	2,988
OTP	Loan (equipment)	EUR, HUF	173	210	173
Other long term Group loans			25	64	53
			198	274	226
Due within 1 year			(80)	(51)	(84)
Total long-term loans – INA Group			5,764	4,554	3,130

	Weighted average interest rate					
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
INA, d.d.	%	%	%			
Bank loans in USD	1.48	3.24	3.24	5,636	4,285	2,897
Bank loans in EUR	5.39	5.63	5.63	585	93	136
Total				6,221	4,378	3,033
Payable within 1 year				(575)	(47)	(45)
Total long-term loans - INA, d.d.				**5,646**	**4,331**	**2,988**
INA Group						
Bank loans in USD	1.45	3.25	5.26	5,636	4,298	3,097
Bank loans in EUR	4.97	6.11	5.31	761	315	162
Bank loans in HUF	6.25	-	-	12	-	-
Bank loans in HRK	7.53	9.04	-	10	39	-
Total				6,419	4,652	3,259
Payable within 1 year				(655)	(98)	(129)
Total long-term loans - INA Group				**5,764**	**4,554**	**3,130**

The maturity of loans may be summarised as follows:

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Current portion of long-term debt	655	98	129	575	47	45
Payable within one to two years	562	119	51	557	35	44
Payable within two to three years	1,323	58	157	1,285	17	35
Payable within three to four years	3,842	1,121	20	3,804	1,080	17
Payable within four to five years	24	3,227	2,895	-	3,199	2,892
Payable within over five years	13	29	7	-	-	-
Total	**6,419**	**4,652**	**3,259**	**6,221**	**4,378**	**3,033**

The movement in long-term loans during the year may be summarized as follows:

	INA Group	INA, d.d.
1 January 2008	**3,259**	**3,033**
New borrowings raised	1,331	1,200
Amounts repaid	(112)	(42)
Foreign exchange losses	174	187
31 December 2008	**4,652**	**4,378**
Payable within 1 year (included within bank loans and overdrafts – note 27)	(98)	(47)
Payable after more than 1 year	4,554	4,331
31 December 2008	**4,652**	**4,378**
Correction of Crobenz	(41)	-
New borrowings raised	2,058	2,041
Amounts repaid	(100)	(45)
Foreign exchange losses	(150)	(153)
31 December 2009	**6,419**	**6,221**
Payable within 1 year (included within bank loans and overdrafts – note 27)	655	575
Payable after more than 1 year	5,764	5,646

The principal long-term loans outstanding at 31 December 2009 and the principal new loans drawn down and repaid during 2009 were as follows:

Privredna banka Zagreb

The remaining long-term debt of the Company towards Privredna banka Zagreb amounts to HRK 2 million and represents a debt under the Refinanced Bonds Agreement for the issue of API bonds. The debt is dormant and will be refinanced.

Erste & Steiermaerkische Bank and Viktor Lenac

Erste & Steiermaerkische Bank extended loans for the financing of imported equipment necessary for the construction and delivery of the "Labin" platform. At 31 July 2009 loans are fully repaid.

EBRD

In 2001 the Company concluded a long-term agreement with EBRD for a loan in the amount of EUR 36 million to finance environmental projects at INA. The loan utilisation period expired on 31 December 2005, with EUR 31.7 million drawn down until that date. A decision was made not to extend the utilisation period. The loan is repayable in 12 semi-annual instalments, with the last instalment due on 30 March 2011. The interest rate on this loan facility is 6-month EURIBOR + 1 percentage point. The balance outstanding at 31 December 2009 amounts to EUR 7.1 million, or HRK 51.9 million, and at 31 December 2008 it amounted to EUR 11.8 million, or HRK 86.8 million.

Bayerische Landesbank

In 2007, the Company entered into a new loan agreement with consortium for a loan facility in the amount of USD 1 billion. The loan funds are intended to finance the regular business of INA d.d., mainly to repay the syndicated loan of USD 400 million agreed earlier and to modernise the refineries. The loan period is five years and the agreed interest rate is USLIBOR plus a margin of 0.25-0.40% annually. During 2009, USD 170 million were drawn under this facility. The outstanding loan balance as of 31 December 2009 and 31 December 2008 amounted to USD 1 billion, or HRK 5.09 billion, and USD 830 million, or HRK 4.3 billion, respectively.

MOL, Plc

In 2009, the Company concluded with MOL two loan agreements, one for an EUR-loan and a USD-loan loan each. The loans are intended for the financing of outstanding taxes payable to the state (VAT, excise duties, fees payable to Hrvatske autoceste - HAC and Hrvatske ceste - HC). The loans are repayable in monthly instalments, with the first instalment due in July 2010 and the last one in June 2011. The agreed interest rate for the euro-loan is EURIBOR, plus 5.30 % annually, and for the USD-loan it is USDLIBOR, plus 5.30 % annually. The balance of the loans as of 31 December 2009 was EUR 73 million (equivalent to HRK 533.3 million) and USD 107 million (equivalent to HRK 544.5 million).

Compliance with loan agreements

During 2009 INA d.d. and INA Group repaid all of their liabilities in respect of loans (principal, interest, and fees) on a timely basis, and there were no instances of default or delinquency in this respect.

31. OTHER NON-CURRENT LIABILITIES

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Liabilities to Government for sold apartments	81	90	93	81	86	93
Deferred income for sold apartments	48	48	51	44	48	51
Liabilities for derivatives financial instruments	10	-	-	-	-	-
	139	**138**	**144**	**125**	**134**	**144**

The long-term payable to the government relates to obligation arising on the sale of housing units to employees under the government program (Note 18). According to the law regulating housing sales, 65% of the proceeds from the sale of apartments to employees were payable to the state at such time as the proceeds were collected by the Company. According to the law, INA has no liability to remit the funds unless and until they are collected from the employee.

32. PROVISIONS

	Environmental provision	Decommissioning Charges	Legal claims	ENI project claims	Redundancy costs	Cost of unutilised holiday	Tax obligation claims of Holdina Sarajevo	Other	Total
INA Group									
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	-	-	60	-	49	1,444
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**	**-**	**-**	**60**	**21**	**81**	**2,802**
INA, d.d.									
At 1 January 2008	**-**	**1,069**	**243**	**7**	**12**	**-**		**25**	**1,356**
Charge for the year	35	-	4	154	-	-		10	203
Effect of change in estimates, capitalised	-	(35)	-	-	-	-		-	(35)
Provision utilised during the year	-	(25)	(7)	(7)	(12)	-		(12)	(63)
At 31 December 2008	**35**	**1,009**	**240**	**154**	**-**	**-**		**23**	**1,461**
Charge for the year	-	1,207	126	-	-	52		54	1,439
Effect of change in estimates, capitalised	-	125	-	-	-	-		-	125
Provision utilised during the year	-	(11)	(127)	(154)	-	-		(2)	(294)
At 31 December 2009	**35**	**2,330**	**239**	**-**	**-**	**52**		**75**	**2,731**

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Analysed as:				
Current liabilities	229	185	190	148
Non-current liabilities	2,573	1,380	2,541	1,313
	2,802	**1,565**	**2,731**	**1,461**

Decommissioning charges

Provision relates to the decommissioning and removal of assets, such as an oil and gas production facility. The initial recognition of the decommissioning provision is treated as part of the cost of the related property, plant and equipment. Subsequent adjustments to the provision arising from changes in estimates are also treated as an adjustment to the cost of the property, plant and equipment and thus dealt with prospectively in the income statement through future depreciation of the asset. As of 31 December 2009, the Company recognised a decommissioning provision for 55 production oil and gas fields (2008 52 fields), 4 non-production fields, 8 positive non-production wells and 181 negative non-production wells.

Legal claims

The Company has provided for legal contingencies and the most significant provisions for legal claims are as follow:

Municipality of Velika Ludina

In 2004, the Municipality of Velika Ludina filed a legal action claiming the mineral resource exploitation fee in the amount of HRK 53 million i.e. the fee for the gas stored in the UGS Okoli (mining royalty) for the period 15 April 2001 up to 31 December 2008. INA d.d. disputes the payment of the royalty, claiming that its only obligation arises on the extraction of gas from the original field because the gas stored in the UGS Okoli is a finished product owned by INA d.d. and not by the Republic of Croatia. The plaintiff presented the interpretation of the Mining Act under which the royalty would be paid multiple times: for exploitation, enrichment, storage and transport. During the evidentiary hearing, a geological expert witness was called in regarding the area and volume of the storage, and the quantity of gas stored in the disputed period, as well as an accounting expert in respect of determining the amount of the royalty.

In 2009, the Municipal Court in Ivanić Grad passed a judgement ordering payment in the amount of HRK 53 million, excluding penalty interest. The penalty interest on individual amounts amounted to HRK 34 million as of 31 December 2009. INA

d.d. lodged an appeal, and the decision of the County Court in Velika Gorica is still pending.
The successful outcome of the legal action is uncertain because of the legal issue of whether a fee (royalty) is payable for the storage of natural gas. According to the legal opinion of the Ministry of Economy, exploitation or production includes underground storage, which, in terms of production technology, differs very little from natural gas exploitation facilities.

GWDF Partnership München i GWDF Limited Cipar

GWDF Partnership, Gesellschaft Bürgerlichen Rechts, and GWDF Limited Cyprus filed a claim against INA d.d. Zagreb and INA-Naftaplin International Exploration, Channel Islands, for HRK 58 million on the grounds of the damage incurred to the claimants for unfounded termination of negotiations. This resulted in refrain from signing the contract on the transfer of shares between GWD Ltd Cyprus and INA -Naftaplin International Exploration. INA d.d. filed its statement of defence in September 2007, disputing both the grounds and the amount of the claim, maintaining that the claimants abandoned the negotiations because of a business decision and they were the ones negotiating in conflict with the principles of conscientiousness and fairness.
Furthermore, INA d.d. filed an objection challenging the capacity to sue and be sued of GWDF Partnership, Gesselschaft Bürgerlichen Rechts, and for the failed passive legitimation in relation to INA d.d., as well as an objection challenging the competence of a Croatian Court in international disputes in relation to GWDF LIMITED CYPRUS. The competent court should first decide on the law applicable to this dispute and whether the court indeed has the jurisdiction. The first instance proceedings are under way. Several hearings were held in 2008, 2009 and 2010, in which process matters (the capacity of the parties to sue and be sued, the competency of the court and the applicable law). The position of INA and the expected timing until the resolution of the dispute cannot currently be determined.

Uljanik Pula

HRK 23 million have been included in the books of INA d.d. in respect of legal actions between Uljanik Pula and three plaintiffs:
- Uljanik Brodogradilište, d.d.
- Uljanik Strojogradnja, d.d. , and
- Uljanik Tesu, d.d.

The plaintiffs filed legal actions claiming damages for the loss incurred as a result of unjustified interruption in the gas supply in the period 18 December 1996 - 21 February 1997 by INA, resulting in a loss to the plaintiff's production process. Uljanik Brodogradilište, d.d. claims indemnification for penalty interest resulting from delayed delivery of ships, loss of advances received from customer, unrealised production, payments made to employees during the waiting period. Uljanik Strojogradnja, d.d. seeks reimbursement of damage due to a higher level of scrap and payments made to employees during the waiting period; and Uljanik Tesu d.d. claims indemnification for payments made to the workers for the waiting period.
The final outcome of the litigation cannot be estimated at present, as the first-instance process is still pending, which includes the presentation of evidence to corroborate the grounds for the claim; the evidence as to the amount of the damage incurred, although proposed by plaintiffs, has still not be presented. The first-instance decision has still not been promulgated. However, either party is very likely to lodge an appeal at the High Commercial Court against the first-instance decision.
INA d.d., as defendant, filed several complaints, first through its legal department and subsequently through its attorney. Presentation of evidence to corroborate the claim is in progress. However, the plaintiffs have still not managed to prove that INA was their business partner in the delivery of gas, nor has a complaint been lodged in this respect.

City of Sisak

The City of Sisak has filed a legal action claiming HRK 11 million in respect of indemnity for hazardous emissions from the Sisak Refinery. The plaintiff claims that hazardous emissions impair the market value of properties in the Sisak area owned by the City of Sisak. INA d.d. maintains in its statement of defence that the plaintiff has produced no evidence of the market value being impaired as a result of hazardous emissions from the Sisak Refinery. The City of Sisak, as plaintiff, has proposed a motion to perform an expert valuation of the impact of the Sisak Refinery on the pollution of the air and with it the market value of properties, which the court acknowledged and ordered the expertise. The findings and opinion of the expert witness are pending, after which the main hearing will be convoked.

ENI project claims

On 27 February 1996 INA signed the Production Sharing Agreement (PSA) with Agip Croatia B.V. (now called ENI Croatia B.V.). Pursuant to the Article 15.2 of this Agreement, INA shall assume, discharge and pay, on behalf of AGIP any and all Croatian taxes imposed on income or profits derived by AGIP from Petroleum Operations under this PSA. The provision amounts relate to the tax obligation to settle all tax liabilities of AGIP under any current or future laws of the Republic of Croatia, including the personal income tax for the staff (article 15.5). In 2005 the tax obligation regarding 2003 and 2004 was settled following the resolution reached in 2005 of the total obligation in respect of taxes of HRK 111 million.
On 8 November 2005 parties signed Amendment N. 5 to the „Ivana Gas Field“ PSA and Amendment N. 5 to the "Aiza Laura Contract Area“ PSA.

Amendments N.5 include the "Procedure for the Calculation of the Tax on Profit“ in order to provide operating method related to:
- The calculation and payment of the Croatian taxes on corporate income or profits derived by ENI from petroleum operations under PSAs to be assumed, discharged and paid by INA to ENI; and
- The calculation and payment of the Gross-up.

In 2006 the tax obligation regarding 2005 in the amount of HRK 93 million was settled, whereas the tax liability in respect of 2006 has been accrued at HRK 189 million. Out of the accrued tax liability, HRK 75 million was paid during 2006. The outstanding portion in respect of the 2006 taxes payable was paid on the final calculation in 2007.
ENI calculated a tax obligation for 2007 in the amount of HRK 81 million. During 2007, HRK 138 million were paid through tax prepayments. The excess of HRK 57 million will be used as tax prepayment in 2008.
The tax obligation as assessed by ENI in respect of 2008 amounts to HRK 219 million. During 2008, HRK 82 million were paid as tax prepayments, of which HRK 57 represent the tax credit brought forward in respect of overpaid taxes for the year 2007. The outstanding portion of the tax liability for the year 2008 amounts to HRK 141 million.

In 2009 the remaining tax obligation in respect of 2008 of HRK 141 million was paid.
For 2009 ENI calculated a tax obligation in the amount of HRK 75 million, which was paid.

Tax obligation claims of INA d.d. subsidiaries in Bosnia and Herzegovina

Subsidiary INA BH Sarajevo d.o.o., by the final decision of the Tax Administration of the Cantonal Office Sarajevo was released from tax obligation previously set by the temporary decision of Tax Administration.

33. RETIREMENT AND OTHER EMPLOYEE BENEFIT SCHEMES

Defined Benefit Schemes

According to the Collective Agreement the Group has obligation to pay jubilee awards, retirement and other benefits to employees. The Group operates defined benefit schemes for qualifying employees. Under the schemes, the employees are entitled to an early retirement benefit in the net amount of HRK 8,000. For regular retirement (no early retirement bonus), employees receive HRK 16,000 net, of which HRK 8,000 are taxable. No other post-retirement benefits are provided. Jubilee awards are paid out according to the following fixed amounts and anniversary dates:

• HRK 2,000	for 10 years of continuous service
• HRK 2,500	for 15 years of continuous service
• HRK 3,000	for 20 years of continuous service
• HRK 3,500	for 25 years of continuous service
• HRK 4,000	for 30 years of continuous service
• HRK 4,500	for 35 years of continuous service
• HRK 5,500	for 40/45 years of continuous service.

The net amounts specified above include the taxable portion, i.e. the portion subject to all applicable taxes and contributions.
In respect of the Group's personnel who are employed in Croatia, such social payments as are required by the authorities are paid by the respective Group companies. These contributions form the basis of social benefits payable out of the Croatian national pension fund to Croatian employees upon their retirement.
The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2009 by I.A.C.T.A. Actuarial Consulting Ltd .
In 2009, the Company made a provision of HRK 53 million and HRK 43 million in respect of jubilee awards and regular retirement allowance, respectively.
The present value of the defined benefit obligation, the related current service cost and past service cost were determined using the projection method based on the total number of employees.

	Valuation at	
Key assumptions used:	31 December 2009	31 December 2008
Discount rate	5.00%	5.00%
Turnover rate	0-3%	0-3%
Mortality table	HR2004 70,00%	HR2004 70,00%
Average expected remaining working lives (in years)	13.7	15

The amounts recognised in profit from retirement and other employee benefits are as follows:

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Cost of current period	8	7	6	6
Interest	7	7	6	5
Actuarial gains or losses	4	4	(3)	3
	19	**18**	**9**	**14**

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Present value of defined benefit obligations	143	124	96	87
Liability recognised in the balance sheet	143	124	96	87

	IINA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
This amount is presented in the balance sheet as follows:				
Current liabilities	17	17	12	11
Non-current liabilities	126	107	84	76
	143	**124**	**96**	**87**

The change of the present value of defined benefit obligation may be analysed as follows:

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
At 1 January	124	106	87	73
Recognised cost in the current period	8	7	6	6
Interest	7	7	6	5
Actuarial gains or losses	10	15	5	12
Payments	(6)	(11)	(8)	(9)
At 31 December	143	124	96	87

34. SHARE CAPITAL

	INA Group and INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008
Issued and fully paid:			
10 million shares (HRK 900 each)	9,000	9,000	9,000

The share capital of the Company was redenominated from DEM into HRK as part of the Company's formal registration with the Croatian courts in April 1995.
Pursuant to a resolution of the Commercial Court in October 2001, the share capital of the Company was adjusted to HRK 9,000 million. The adjustment was effected through a transfer from other reserves.
The Company's share capital consists of 10 million authorised and issued shares of par value HRK 900 each. Each share carries one vote and entitles to dividends.

35. REVALUATION RESERVES

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

36. OTHER RESERVES

The reserves of the Group include amounts in respect of accumulated surpluses and deficits, revaluations of property, plant and equipment and foreign exchange gains and losses which have arisen over many years prior to 1993. For several years, the Croatian economy was subject to hyperinflation and, prior to 31 December 1993, neither the Company nor the Group had been subject to audit. For these reasons, it was not practicable to analyse the composition of the reserves of the Company or the Group as at 31 December 1993 into their constituent parts.
For subsequent periods, the results of the transactions of the Group, to the extent that they affect reserves, are accounted for within appropriate reserve accounts. The reserves of the Group as at 31 December 1993 were combined at that date, and are separately stated below.
Movements on reserves during the year were as follows:

	Combined reserves at 31 December 1993	Foreign currency translation reserves	Other reserves	Total
INA Group				
At 1 January 2008	**2,132**	**(278)**	**447**	**2,301**
Movements during 2008	-	6	-	6
At 31 December 2008	**2,132**	**(272)**	**447**	**2,307**
Movements during 2009	-	4	-	4
At 31 December 2009	**2,132**	**(268)**	**447**	**2,311**

	Combined reserves at 31 December 1993	Other reserves	Total
INA, d.d.			
At 1 January 2008	1,667	285	1,952
At 31 December 2008	1,667	285	1,952
At 31 December 2009	1,667	285	1,952

37. RETAINED EARNINGS

	INA Group	INA, d.d.
	Retained earnings/ (Accumulated deficit)	Retained earnings/ (Accumulated deficit)
At 1 January 2008	**2,104**	**1,410**
Dividends paid	(150)	(150)
Loss for the year	(1,099)	(840)
At 31 December 2008	**855**	**420**
Dividends paid	-	-
Loss for the year	(392)	(631)
At 31 December 2009	**463**	**(211)**

38. NON CONTROLLING INTEREST

	INA Group	
	2009	2008
Balance at beginnig of year	10	9
Share of profit for the year	(2)	1
Balance at end of year	8	10

39. 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.

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

	Sales of goods		Purchase of goods	
	2009	2008	2009	2008
INA, d.d.				
Foreign related companies				
Interina Ltd Guernsey	2,567	1,845	238	2,263
Holdina Sarajevo	539	968	-	21
Interina d.o.o. Ljubljana	16	16	1	1
Interina Ltd London	206	104	8,073	11,341
Adriagas Milano	-	-	4	-
INA Crna Gora d.o.o Podgorica	37	-	-	-
INA Beograd d.o.o Beograd	47	-	-	-
Domestic related companies				
Crosco Grupa	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	40	37
Strategic partner				
MOL Plc	170	239	1,238	1,287
Companies controlled by the State				
Hrvatske željeznice	104	176	42	34
Hrvatska elektroprivreda	1,753	2,391	56	122
Croatia osiguranje	5	6	1	46
Hrvatske vode	-	-	19	27
Hrvatska pošta	1	-	3	3
MORH	45	76		-
Hrvatske šume	-	3		-
Jadrolinija	94	161	5	5
Narodne novine	-	-	3	3
Croatia Airlines	132	245	-	-
Petrokemija Kutina	834	918	-	-
Plinacro	4	5	242	524
Hrvatske ceste	1	-	17	-
Podzemno skladište plina Okoli	11	-	-	-

As of balance sheet date, INA, d.d. had the following outstanding balances to and from the following related parties:

	Amounts owed from related parties			Amounts owed to related parties		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
INA, d.d.						
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 Grupa	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
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
Croatia Airlines	30	41	31	-	-	-
Petrokemija Kutina	199	192	93	-	-	-
Plinacro	-	1	1	38	100	38
Hrvatske ceste	-	-	-	8	-	-
Podzemno skladište plina Okoli	1	-	-	61	-	-

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

	Sales of goods		Purchase of goods	
	2009	2008	2009	2008
INA Group				
Companies available for sale				
JANAF d.d. Zagreb	3	4	40	37
Strategic partner				
MOL Plc	589	272	1,245	1,287
Companies controlled by the State				
Hrvatske željeznice	106	176	42	34
Hrvatska elektroprivreda	1,754	2,391	62	128
Croatia osiguranje	13	15	26	69
Hrvatske vode	2	2	20	28
Hrvatska pošta	1	-	6	4
MORH	46	77		-
Hrvatske šume	6	5	1	1
Jadrolinija	94	161	6	6
Narodne novine	-	-	3	3
Croatia Airlines	132	246	5	7
Petrokemija Kutina	835	920	1	1
Plinacro	5	5	242	524
Hrvatske ceste	21	-	17	-
Podzemno skladište plina Okoli	28	-	-	-

As of balance sheet date, INA Group had the following outstanding balances to and from the following related parties:

	Amounts owed from related parties			Amounts owed to related parties		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
INA Group						
Companies available for sale						
JANAF d.d. Zagreb	1	1	2	20	7	5
Strategic partner						
MOL Plc	110	15	18	662	2	3
Companies controlled by the State						
Hrvatske željeznice	109	62	56	10	4	2
Hrvatska elektroprivreda	217	452	479	18	7	5
Croatia osiguranje	-	-	-	37	18	2
Hrvatske vode	-	-	-	6	2	1
Hrvatska pošta	2	2	2	-	-	-
MORH	14	14	18	-	-	-
Hrvatske šume	5	5	5	-	-	1
Jadrolinija	25	35	39	1	1	-
Narodne novine	-	-	-	-	-	1
Croatia Airlines	30	41	31	1	1	-
Petrokemija Kutina	199	192	93	-	1	-
Plinacro	-	1	2	38	100	38
Hrvatske ceste	1	1	2	8	-	-
Podzemno skladište plina Okoli	12	-	-	61	-	-

Sales of goods to related parties were made at the Group's usual list prices, less various discounts dependent upon the relationships between the parties. Purchases were made at market price discounted to reflect the relationships between the parties.
For sale of oil products to the related parties, INA d.d. usually requires collaterals, depending on the risk of marketing the products, except from the customers that are budget beneficiaries or those fully owned by the state.
The liabilities of the related parties to INA, d.d. are presented net of allowance for bad and doubtful receivables.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	INA, d.d.	
	31 December 2009	31 December 2008
Short-term employee benefits	37.6	43
Termination bonuses	19.6	2
Total	57.2	45

Included above is the remuneration to the President of the Management Board, Management Board Members and executive directors of the business segments and functions, the division executives, advisor to the President of the Management Board, assistant directors and secretary of INA, d.d.
Based on the analysis of the submitted and Independence Statements with respect to related parties, the employees of INA d.d. (48 employees), of which 5 provided by the President and Members of the Management Board, 2 by the Assistants to Executive Directors, 5 by Executive Directors and 33 by Sector Directors, neither the employees nor close family members of the key management members of INA d.d. have any ownership interest in INA d.d. or the INA Group that would provide them a significant influence or control over the entity in 2009 and had no such interest in 2008.
One member of Management Board of INA d.d. has reported the existence of related parties in 2008/2009 as follows:
During 2008 and 2009, a daughter of Mr. Josip Petrović, member of the INA Management Bord, Ms. Ana Petrović was a member of the Supervisory Board of entity KONZUM which retail chain realized a business relationship with INA, d.d. and INA Group.

Two Executive Directors of INA d.d. have reported the existence of related parties in 2008/2009 as follows:
1. The Executive Director for Corporate Centre - Mr. Berislav Gašo, declared that he was a member of the key management in the role of Associate Principal in a company that had a business relationship with INA d.d. i.e. the INA Group. This is the firm McKinsey, with the registered seat in Zagreb, Republic of Croatia. In the period under review, Mr. Gašo worked at McKinsey and entered employment with INA d.d. on 1 January 2010 as the Executive Director for Corporate Centre.

2. The spouse of Mr. Bojan Milković - Chief Executive Officer and Executive Director for BS Naftaplin, Mrs. Ljilja Matas Milković, was during 2008/2009 an executive director in a firm that had a business relationship with INA d.d. or the INA Group. The name of the firm is Generalturist, a tourist trade company, headquartered in Zagreb.
In 2008/2009, the firm in which Mrs. Ljilja Matas Milković is employed had a business transaction with INA d.d. or the INA Group in the amount of HRK 5.8 million in connection with travel arrangement services.

Other related party transactions

The Company is the principal customer of Crosco Naftni Servisi d.o.o. and its subsidiaries. The Crosco Group, with the Company as its sole owner (Note 15), presented consolidated 2009 revenue in the amount of HRK 2,001 million (2008: HRK 2,283 million), of which HRK 185 million (2008: HRK 299 million) were generated mainly from sale of technological services to INA, d.d.
The Company is also the major customer of STSI d.o.o. and its subsidiaries , with the Company as its sole owner (Note 15), presented consolidated 2009 revenue in the amount of HRK 806 million (2008: HRK 1,001 million), of which HRK 423 million (2008: HRK 863 million) were generated mainly from sale to INA, d.d.
The Company is also the major customer of Maziva Zagreb d.o.o. and its subsidiaries , with the Company as its sole owner (Note 15), presented consolidated 2009 revenue in the amount of HRK 216 million (2008: HRK 226 million), of which HRK 76 million (2008: HRK 79 million) were generated mainly from sale to INA, d.d.
The Company is also the major customer of Sinaco d.o.o. and its subsidiaries , with the Company as its sole owner (Note 15), presented consolidated 2009 revenue in the amount of HRK 147 million (2008:

HRK 163 million), of which HRK 140 million (2008: HRK 156 million) were generated mainly from sale to INA, d.d.
The Company remains the customer of its associated company JANAF d.d., in which it has a holding of 11,795% (Note 19). In 2009, approximately HRK 40 million of the associated company's total revenue in the amount of HRK 465 million account for sales revenue in respect of INA, d.d. as user of the pipeline system of JANAF d.d. (2008: HRK 37 million out of HRK 375 million total revenue).

40. COMMITMENTS

The Company and the Group have a number of continuing operational and financial commitments in the normal course of their businesses including:
- investment in refining assets to comply with new standards for fuels
- exploratory drilling and well commitments abroad,
- exploration and development commitments arising under production sharing agreements,
- commitments to procure imported gas from Russia to supplement local gas production to meet the demand for gas in Croatia,
- guarantees, performance bonds and letters of credit with Croatian and foreign banks,
- completion of the construction of certain assets.

Details of guarantees relating to short term bank loans and overdrafts are provided in note 27.

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 2009, in amount of HRK 3.41 billion, and 739 million HRK is outstanding at 31 December 2009.

Purchase of Energopetrol

Based on purchasing of Energopetrol The Consortium INA and MOL according mentioned Agreement (note 16), shall invest KM 150 million in the following three-year period, from the day of transaction execution:
- 1st investment year – the amount of KM 20 mil (approx. EUR 10 million)
- 2nd investment year – the amount of KM 35 mil (approx. EUR 17.5 million)
- 3rd investment year – the amount of KM 95 mil (approx. EUR 47.5 million)

Investment in contract areas of North Adriatic

Activity of bringing the production of natural gas reserves in the geographic area of North Adriatic, mostly within the epicontinental shelf of Republic of Croatia, is taking place through Production Sharing Agreements (PSA) which INA has signed with foreign companies in the so - called contract areas:
- INA, d.d. and ENI Croatia B.V. have closed down in the 1996 and 1997 Production Sharing Agreements in contract areas Aiza - Laura and Ivana, and realization of the partnership takes place through a joint operating company INAgip with interests 50 : 50,
- INA, d.d. and EDISON INTERNATIONAL S.p.A. have closed down in the 2002 Production Sharing Agreement in the contract area Izabela & Iris / Iva.

Partnership with the EDISON takes place through the operating company EDINA with interests: Edison 70% and INA 30%.
When Izabela gas field will be also in production, in the North Adriatic Area a total of 19 production platforms with a total of 46 production wells will be installed.
Until now, in the contract areas North Adriatic and Aiza-Laura, INA, d.d. and ENI Croatia B.V. have invested in capital construction of mining facilities and plants over USD 1,3 billion, while of the total gained reserves INA´s share will range about 70% of the produced gas, which is further placed on the Croatian gas market.
On Izabela gas field (partnership with Edison) two platforms are installed (Izabela-South and Izabela – North), from which is in progress drilling and equipping of production wells, and the beginning of gas production is scheduled in the middle of 2010. Produced gas from Izabela gas field will be uploaded through Ivana A / K platforms, which are connected with the sealine with Terminal Pula and further to Croatian gas system.
On 31 December 2009 INAgip had in both contract areas 240 active contracts amounting in total to 1.1 billion HRK, and the remaining commitments under these contracts on the same date amounted to 112 million HRK.
Edina has, for the need of the development of the Izabela gas field from 1 January 2008 until 31 December 2009, concluded 53 (of which are still active 46) contracts amounting in total to EUR 136.4 million from which EUR 98.5 million was carried out on 31 December 2009.

Investments in Syria

INA Group has been active in Syria since 1998, and is currently independently exploring and developing two blocks. INA has two Production Sharing Agreements (PSA) for the EXPLORATION, DEVELOPMENT and PRODUCTION of PETROLEUM in Syria, both signed with the Government of the Syrian Arab Republic and the GPC which allow partners exploration, development and production of hydrocarbons in Syria.
The first PSA between The Government of the S.A.R. and GPC and INA d.d. – Naftaplin was assembled 13th August 1998 for Hayan Block.
The second PSA covers the Aphamia Concession and became effective on 26th June 2004.
Up to present day INA has six (6) commercial discoveries on Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadyra and Mazrur) with significant oil, gas and condensate reserves.
The average current daily production of the gas is around 3523 boe/day and 5660 bbl/day of the oil that is very close to the nominal production capacities of the OGS Hayan. The total production on Hayan Block amounted to cca 3 MMboe in 2009 of which 1.4 MMboe goes to GPC.

Current situation

Gas Treatment Plant Jihar with belonging oil, gas & condensate wells and transportation system is under construction, expecting facility commissioning start up in September 2010. Gas Treatment Plant GTP – Jihar, 3,9 million m^3/day inlet gas, 140-200 m^3/day LPG
After final completion of Stage 3 Project (scheduled for March 2011), when the new Gas Treatment Plant (GTP) Jihar with belonging oil & gas / condensate gathering and transportation systems will be installed, oil production will increase and also enable gas production from gas deposits discovered on the Jihar, and Al Mahr fields. With this, production capacity would increase to 1,600-2,500 m^3/day of oil and condensate, 4 MMm^3/day of gas and 180 t/day of LPG.
On Aphamia Exploration Block where INA is Operator (100%), the Second exploration phase (First Extension of Initial Exploration phase) commenced in August 2008. During that phase INA was obliged to acquire 300 km 2D seismic or equivalent of 3D and drill 2 exploration wells (USD 6,000,000 minimum financial obligation). Completion date of that phase is August, 2010.
In Syria until 31 December 2009, INA concluded 26 contracts. The total amounts of these contracts were HRK 2.7 billion. At 31 December 2009 remaining obligations due to these contracts were HRK 776.7 million.

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 ba-

sis 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 right 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:

- 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.

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 l 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.

"Take or pay" contract

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 (until 31 December 2010).

Gas Transportation Contract

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 sales 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. –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

5. Contracts Prirodni plin d.o.o. – Other tariff-based customers
a) Contracted supply quantity: 219,422,335 m³ 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 sales contracts

1. High quality process water
a) Contracted supply quantity: 2,868,750 m³ 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 m³ in 2009
b) Annual sales: 1.5 million HRK
c) Contract period: 2010
d) Estimated revenue for 2010: 2.15 million HRK

N-pentane sales contracts

1. N-pentane
a) Contracted supply quantity: 880 m³ in 2010
b) Annual sales: 1.5 million HRK
c) Contract period: 2010
d) Estimated revenue for 2010: 3.5 million HRK

41. CONTINGENT LIABILITIES

Sustainable development, health and safety, and environmental protection

In 2009, the Sector of Health, Safety and Environment (The HSE Sector) at INA was restructured to enable it to launch an organisation-wide matrix-based health, safety and environment management, with the scope of its responsibilities being expanded to include sustainable development.
The Sector of Sustainable Development, Health, Safety and Environment has been set up so as to include the Sustainable Development and Occupational Health and Safety Development Department and the Sustainable Development and Occupational Health and Safety Development Assurance Department, both of which functionally report to the Sector's Sustainable Development and Health, Safety and Environment Offices that are organisationally included within the Business Segments. The tasks of the Sector is to ensure, together with the Offices, firm-wide compliance with health, safety, and environmental requirements as well as those of sustainable development, and to provide support services to the Business Segments, risk management, lobbying in the related industries, developing functional strategies, developing processes and internal rules, as well as to support the development of corporate plans in terms of meeting the sustainable development, health, safety and environmental requirements. Its task is also to monitor overall health, safety and environmental costs through development and improvement of professional guidelines on budgeting and project controls. An objective of the Sector for the year 2010 is to expand the coordination and supervision of the sustainable development, health, safety and environmental issues to include the entire INA Group.

The HSE Sector Operating Expenses (OPEX) at INA d.d. in 2009

During 2009, the HSE Sector finalised a comprehensive identification and analysis of the monitored HSE operating expenses at the level of INA d.d. The identified expenses were divided into Occupational Health and Safety Expenses, Fire Protection, and Environmental Safety and Protection expenses, which, in total, amount to approximately HRK 250 million on an annual level. The 2009 analysis still contains the costs of personal and property security protection of approximately HRK 60 million per annum that, following the reorganisation i.e. the formation of the Corporate Security Management Sector, will be chargeable to that Sector. In 2009, the fire protection costs at the level of INA d.d. amounted to around HRK 20.5 million, the costs of water, soil and air protection, and of waste management amounted to around HRK 24 million, whereas the emission fees amounted to approximately HRK 47 million.

Investments in the HSE during 2009 (CAPEX)

Being an environmentally aware corporation, INA d.d. gives priority to investing in the modernisation and reconstruction of its plants towards full compliance with health and safety, and environmental protection requirements. In this respect, the 2009 investments in the HSE projects amounted to around HRK 45 million, of which HRK 17 million was in the Refinery and Marketing Business Segment, around HRK 15 million in the Retail Business Segment, and slightly over HRK 13 million in the Oil and Gas Exploration and Production business. These investments do not include the investments in the refinery modernisation, the top priority of which is to improve the product quality, but which also possess a significant ecological dimension.

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.
In 2006, as part of the second privatization stage, Golder Associates performed an independent appraisal in respect of environmental protection at INA's organisational units and provided an evaluation of future investments INA would have to incur to follow EU environmental regulation and removal of previous pollution. Thus, the costs of compliance with the EU environmental regulation have been estimated at around HRK 300 million, and those regarding the restoration of soil and water, as well as those pertaining to earlier pollution at around HRK 200 million. Based on the report, INA d.d. made a provision in its accounts in the amount of HRK 35 million, which was charged to operating expenses, to cover any potential costs that may arise in connection with the removal of potential consequences of soil and underground water.
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.
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 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 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. The project has been developed in cooperation with the MOL Group and split into the following three stages: information collection and review; information and liability assessment; and quantification

of environmental obligations. The project is still ongoing at 31 December 2009. Once quantified, the obligations will serve as a basis for business planning in case that a legal obligation to establish environmental provisions or any such decision adopted by the management becomes effective. Until then, the Company will continue to maintain an environmental insurance policy required by the Environmental Protection Act.

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.

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 USD 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 USD 20 million had been held in escrow pending resolution of the dispute. During 2005 it was agreed by both parties to the dispute that USD 10 million of the amount in escrow would be released and paid to Holdina. This amount plus accrued interest of USD 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.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Gearing ratio

The Treasury of INA, d.d. and the INA Group reviews the capital structure on a semi-annual basis.
As part of this review, the Treasury considers the cost of capital and the risks associated with each class of capital.
The gearing ratio at the balance sheet date was as follows:

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Debt:	**8,523**	**7,144**	**6,802**	**4,627**
Long term loans	5,764	4,554	5,646	4,331
Short term loans	2,104	2,492	581	249
Current portion of long-term borrowings	655	98	575	47
Cash and cash equivalents	(367)	(579)	(68)	(318)
Net debt	**8,156**	**6,565**	**6,734**	**4,309**
Equity	11,792	12,037	10,751	11,237
Net debt to equity ratio	**69%**	**55%**	**63%**	**38%**

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Categories of financial instruments

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Financial assets						
Cash and cash equivalents	367	579	720	68	318	299
Financial assets designated as at fair value through profit and loss	6	20	20	6	20	20
Derivative financial instruments	56	184	323	27	184	323
Loans and receivables	4,279	4,286	4,496	4,505	4,160	4,551
Available-for-sale financial assets	397	201	656	397	201	656
Financial liabilities						
Derivative financial instruments	10	-	-	-	-	-
Amortised cost	12,832	10,959	8,455	13,384	10,489	8,102
Financial guarantee contracts	563	1,157	596	563	1,157	596

Financial risk management objectives

The Group is exposed to international markets and takes on significant borrowings denominated in foreign currencies. As a result, the Group is exposed to fluctuations market prices of crude oil market, natural gas and refinery products, as well as to the effects of fluctuation in exchange and interest rates. Because of credit sale of goods, the Group is also exposed to credit risk.

The Treasury function at INA, d.d. provides financial services for the company and coordinates access of the Group to domestic and international markets, monitors and manages the financial risks relating to the operations of INA, d.d.. The most significant risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The major risk exposures, together with the techniques used to manage those risks, are set out below.
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.

Market risk

Commodity price risk management (price risk)

The volatility of crude oil and gas prices is the prevailing element in the business environment of the Group. The Group buys oil at prices mostly through short-term arrangements in US dollars at the spot market price. The Group also imports a significant portion of gas to cover its requirements at the cost price denominated in US dollars, which reprices on a quarterly basis, in accordance with the underlying long-term gas purchase agreements.

INA, d.d. generates most of its sales from refinery products and wholesale of gas. The formula for determining the refinery product prices, specified by the Oil Refinery Product Price Regulation effective since 2001, hedges the Group from the changes in the oil and refinery prices, and foreign exchange risk to a large extent, as it enables the refinery products to be repriced every week, depending on the market (Platts) prices and the fluctuations in the exchange rate of Croatian kuna to US dollars. During 2008, the pricing formula could not have been applied to the full extent because of the activities of the competent bodies.The Group does not use any forward agreements to manage its oil and gas price risk.

Foreign currency risk management

As the INA Group operates both in Croatia and abroad, many of its transactions are denominated and executed in foreign currencies. Thus, the exposure to fluctuations in foreign exchange rates arises. The Company applies natural hedge to manage its exposure to the currency risk, based on the principle that the currency structure of the debt portfolio should reflect the currency position of the Group's free cash flows. In addition, the Oil Refinery Product Price Regulation allows passing a part of unfavourable fluctuations in foreign exchange rates onto the domestic market.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
INA Group				
Currency USD	8,672	7,228	697	923
Currency EUR	913	615	409	491
	9,585	7,843	1,106	1,414
INA, d.d.				
Currency USD	8,922	7,326	733	1,052
Currency EUR	782	264	453	417
	9,704	7,590	1,186	1,469

Foreign currency sensitivity analysis

The Company is mainly exposed to the currencies of the countries whose currency is US dollar, which is the currency in which oil and gas purchases on the international market are denominated in general.

The following table details the Company's sensitivity to a 10% increase in Croatian kuna in 2009 (in 2008: 10 %). against the relevant foreign currencies The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates expressed as percentage. The sensitivity analysis includes monetary assets and liabilities in foreign currencies. A negative number below indicates a decrease in profit where Croatian kuna changes against the relevant currency by the percentage specified above. For the same change of Croatian kuna versus the relevant currency in the opposite direction, there would be an equal and opposite impact on the profit.

	Currency USD Impact		Currency EUR Impact	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
INA Group				
Loss	(805)	(639)	(57)	(19)
	(805)	(639)	(57)	(19)
INA, d.d.				
Profit/(loss)	(827)	(635)	(40)	8
	(827)	(635)	(40)	8

The exposure of the 10% fluctuation in the exchange rates for the currencies presented above is mostly attributable to the condition of the suppliers and borrowings denominated in US dollars (USD).

Interest rate risk management

The INA Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates, with most of the Group's borrowings bearing interest at variable rates.

Interest rate risk analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 till 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the changes in interest expense of INA, d.d. would be as presented below. Because of the increase in the long-term debt at variable rates, the exposure to a potential change in the interest rates on profits has also increased.

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Short-term interest expense change	41	48	12	5
Long-term interest expense change	128	93	124	87
Total change:	**169**	**141**	**136**	**92**

If interest rates had been 200 basis points higher/lower, the profit of the INA Group in 2009 would be decreased/increased by HRK 169 million, while the decrease/increase amounted to HRK 42 million in change of 50 basis points, (2008: decrease/increase by HRK 141 million had the interest rates been 200 basis points higher/lower, and by HRK 35 had the interest rates been 50 basis points higher/lower), and the profit of the INA, d.d. in 2009 would be decreased/increased by HRK 136 million, while the decrease/increase amounted to HRK 34 million in a change of 50 basis points (2008: decrease/increase by HRK 92 million had the interest rates been 200 basis points higher/lower, and by HRK 23 million had the interest rates been 50 basis points higher/lower).

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher:

- net profit for the year ended 31 December 2009 would have been unaffected as the equity investments are classified as available-for-sale; and
- other equity reserves of INA, d.d. would increase by HRK 34 million (2008: increase by HRK 10 million) as a result of the changes in fair value of available-for-sale shares.

If equity prices had been 10 % lower, there would be an equal and opposite impact on equity.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. INA, d.d. has adopted a Credit Risk Management Procedure, which it applies in dealing with its customers, and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults, like all subsidiaries in Group. Debentures, being the prevailing payment security instrument on the Croatian market, are mainly taken as collateral.

Counterparties are classified into risk groupings by reference to their financial indicators and the trading records with INA, d.d., and appropriate measures to provide protection against credit risk are taken for each of the groups.
The information used to classify the counterparties into the risk groupings is derived from the official financial statements and reports of the customers, obtained from independent rating agencies and the own trading records of INA, d.d..
The exposure of INA, d.d. and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by counterparty limits that are reviewed at least on an annual basis.
INA Group transacts with a large number of counterparties from various industries and of various size. The highest concentrations of credit risk are towards state institutions and state-owned counterparties. Given that the Republic of Croatia is a major shareholder of the Group itself, credit risks depends to a significant extent on the policy of the Croatian Government.
There is no significant credit risk exposure of INA Group that would not be covered with collateral, other than those to the above mentioned institutions and entities controlled by the state, so a realistic credit risk as of 31 December 2009 is 14.8% of the total receivables (2008: slightly below 6.2%).

Potential risks also present a quality of the instruments collected as insurance of payments. Due to weak financial position, the majority of customers are not able to obtain a bank guarantee, as the most secure instrument of insurance of payments. So the credit exposure of INA, d.d. is covered over 90% with debentures which does not have impact on the credit risk exposure.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of receivables and payables.

Liquidity and interest risk tables

The following tables detail the remaining contractual maturity for financial liabilities of INA, d.d. and of the Group at the period end. Analyses have been drawn up based on the undiscounted cash flows based on the earliest date on which the payment can be required. The tables include both interest and principal cash flows.

	Less than 1month	1 - 3 months	3 - 4 months	4 month to 1 year	1 - 5 years	5+ years	Total
INA Group							
At 31 December 2009							
Non-interest bearing	4,349	1,874	281	386	484	2,355	9,729
Interest bearing	1,378	204	46	1,135	5,779	4	8,546
	5,727	2,078	327	1,521	6,263	2,359	18,275
At 31 December 2008							
Non-interest bearing	4,590	965	1	248	4	1624	7,432
Interest bearing	2,130	-	165	267	4,582	-	7,144
	6,720	965	166	515	4,582	1,624	14,576
INA, d.d.							
At 31 December 2009							
Non-interest bearing	4,323	1,089	-	212	295	2,455	8,374
Interest bearing	709	1,512	286	787	5,645	-	8,939
	5,032	2,601	286	999	5,940	2,455	17,313
At 31 December 2008							
Non-interest bearing	3,823	700	1	85	4	1,523	6,136
Interest bearing	1,164	1,533	132	174	4,331	-	7,334
	4,987	2,233	133	259	4,335	1,523	13,470

Non-interest bearing liabilities of INA, d.d. due in a period of less than one month consist mainly of trade accounts payable in the amount of HRK 2,351 million in 2009 (2008: HRK 2,586 million) and taxes and contributions payable in the amount of HRK 1,585 million (2008: HRK 1,087 million).
Included in non-interest bearing liabilities of INA, d.d. due in a period of over five years are, among others, long-term decommissioning provisions for oil and gas properties in the amount of HRK 2,330 million in 2009 (2008: HRK 1,009 million).
Interest bearing liabilities include short-term and long-term borrowings and amounts due to oil suppliers, both for the INA Group and INA, d.d.. The same has been applied for the Group.
As a rule, INA, d.d. imports crude oil and refinery products through its foreign operations Interina London and Interina Guernsey. In accordance with common international practice, oil purchases are effected by opening documentary letters of credit in favour of the supplier at first-class commercial banks and using trade financing.

Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:
- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

INA GROUPA	At 31 December 2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets available-for-sale	336	-	61	397
Derivative financial assets	-	56	-	56
Financial assets held for trading	-	-	-	-
Financial liabilities at fair value				
Derivative financial liabilities	-	10	-	10

INA, d.d.	At 31 December 2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets available-for-sale	336	-	61	397
Derivative financial assets	-	27	-	27
Financial assets held for trading	-	-	-	-
Financial liabilities at fair value				
Derivative financial liabilities	-	-	-	-

Derivative financial instruments

Under IAS 39 'Financial Instruments: Recognition and Measurement' derivative financial instruments are carried in the balance sheet at fair value, with the fair value changes being reported through profit or loss.

The Group has concluded certain long-term 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. As required by IAS 39, such embedded derivative instruments should be separated from the host contract and accounted for as a derivative carried at fair value, with changes in fair value recognised in profit or loss. The fair value of foreign-exchange forward contracts has been determined on the basis of exchange rates effective at the balance sheet date. The value of the embedded instrument to replace the inflation index has been determined as the difference between the cumulative inflation index of the contracted inflation escalation index and the inflation rate in the country of contract execution. Any long-term effect of the embedded derivatives has been discounted at a discount rate similar to the interest rate on Government bonds.

The fair values of embedded derivatives included in the balance sheet and the net movement in the year, are as follows:

	INA Group		INA, d.d.	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Fair value at 1 January	**184**	**323**	**184**	**323**
Financial income/loss relating to the net change in fair value in the year (Note 7 and 8)	(128)	(139)	(157)	(139)
Fair value at 31 December	**56**	**184**	**27**	**184**

	INA Group			INA, d.d.		
	31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
Analysed as:						
Current portion	56	106	97	27	106	97
Non-current portion	-	78	226	-	78	226
	56	**184**	**323**	**27**	**184**	**323**

43. BUSINESS COMBINATIONS

The subsidiary Crosco d.o.o. Zagreb acquired the Drill Trans Kft during 2009:

	Headquarters	Principal activity	Date of acquisition	Proportion of shares acquired	Consid-eration transferred
2009				(%)	
Drill Trans Group	"Nagykanizsa Hungary"		1 September 2009	100%	103

Analysis of assets and liabilities assumed on acquisition:

	Carrying amount	Fair value adjustment	Fair value on acquisition
Drill Trans Group			
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 equipment	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

44. 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.

Announcement of the resignation of INA Management Board

László Geszti, President of INA Management Board, announced to resign from his position.
Mr. Zoltán Áldott, Executive Vice President of Exploration and Production Division of MOL Group is nominated as his successor, while retaining his position in MOL Plc. Mr. László Geszti will continue to serve MOL Group as senior advisor to Mr. Zsolt Hernádi, Chairman and CEO of MOL Plc.
Personal changes will be effective as of the extraordinary general meeting to be convened without delay.

45. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorised for issue on 9 March 2010.
Signed on behalf of the Company on 9 March 2010 by:

András Huszár — Executive Director for Finance

László Geszti — President of the Management Board

The key drivers behind the company's transformation were alignment of its management structure and policies with industry best practices and redefinition of internal processes to support strengthening the company's position and adapting its operations to the new social and economic environment.

NON-FINANCIAL PERFORMANCE

NON-FINANCIAL OPERATIONS

After MOL's voluntary public offer and amendment of the Shareholders Agreement to reflect the new shareholding structure, further organisational changes took place at INA. In June 2009, the Board of Executive Directors was introduced to manage day-to-day operations. A demanding task of improving the efficiency of overall company operations was set for the company in general in order to strengthen its position and raise its competitiveness.

The key drivers behind the company's transformation were alignment of its management structure and policies with industry best practices and redefinition of internal processes to support strengthening the company's position and adapting its operations to the new social and economic environment. With the new management and organisational structure, internal rules and procedures were redefined, what resulted in improved operational efficiency.

As the only Croatian integrated oil and gas company, INA has the social responsibility towards the welfare and interests of the communities in which it operates and all the stakeholders. Our social responsibility is therefore also reflected in our efforts to increase oil and gas production, to implement substantial technology improvements in our refineries and to ensure market supply with sufficient high quality products.

The purpose of the technology investments in our refineries, the investments in upstream operations, logistics and retail operations in 2009 was bringing our operations in line with the highest European environmental standards while taking into account the principles of long-term sustainable development. Due to the nature of our core business, we consider our investments in the wider context of local economic and social development, highly aware of the impact of our operations on the economic and social aspects of the communities in which we operate. A stable and sustainable energy supply will therefore remain our prime goal in conducting our business in a socially responsible way.

INA remains committed to continuous dialogue through open and transparent communication and reporting to its stakeholders – the shareholders, the regulatory and governmental bodies, NGOs, local communities, the business partners and consumers.

Since 2007, INA has been an active member of the United Nations Global Compact – the largest globally recognized network of socially responsible business. Therefore all the governance and organisational changes introduced during 2009 were based on the ten key principles of the Global Compact, with a particular focus on human rights, labour standards - health, safety and welfare of our employees, regulatory and environmental compliance, and ethical conduct.

Three trade union organisations are actively involved in all employee-related activities including collective bargaining, development of the Collective Agreement, introduction of organisational changes and protection of labour rights in everyday operations: INAŠ – the Trade Union of INA Employees; SING – the Trade Union of Oil Industry and EKN – the autonomous Trade Union of Workers in Power, Chemical and Non-Metal Industries of Croatia.

Understanding the needs of the community in which we operate is the key to creating synergies in support of and contribution to cultural, educational, sports and healthcare or infrastructure initiatives of the community. Through the decades INA has established strong relationships with the communities across the country where the company carried out its oil and gas exploration and production and refining operations, thus assuming the responsibility and long-term dedication to sustainable community development and growth.

INA established regular sustainability reporting according to G3 Global Reporting Initiative guidelines back in 2007. The reports provide comprehensive information on INA development strategies and objectives, operations, management and internal monitoring systems within the social responsibility framework.

SUSTAINABLE DEVELOPMENT, HEALTH, SAFETY AND ENVIRONMENT

During 2009 the Health, Safety and Environment Sector was reorganised in a way to be able to implement the matrix HSE management within the company and sustainable development became an integral part of its scope of work. The reorganisation was needed to improve and implement HSE and SD standards, roles and compliance throughout the company to be able to meet the standards of the best performing peer companies. Within HSE, two departments were organised; the SD&HSE Development and the SD&HSE Assurance department. The key HSE responsibility is to ensure that company operations are in line with both HSE and sustainable development requirements, to provide support to its business segments in risk management, lobbying, strategy and business processes development and setting out company rules, and to provide support in corporate planning as regards the SD and HSE requirements. The goal for 2010 is to expand the coordination and control over the SD&HSE issues to the entire INA Group.

Environmental performance - compliance

Like other oil companies, INA d.d. is engaged in exploration and production, processing, storing and selling of oil, oil products and gas. All these activities can have a considerable impact on the environment. Combining the knowledge of our experts and the best industry practices, strictly following the environmental regulations, in combination with the introduction of new technologies, INA is committed to minimalizing the impact on the environment.

An important element in the negotiating process for Croatia's EU accession is the harmonisation of Croatian legislation with the EU environmental acquis. The most significant impact on company's operations can arise from the implementation of the following EU directives: IPPC, ETS, REACH, VOC and Seveso.

By the Environmental Protection Act (NN 110/07) and the Regulation on the Procedure for Establishing Integrated Environmental Protection Requirements (NN 114/08), the EU IPPC Directive (2008/1/EC) was transposed into Croatian legislation. The goal of the Directive is to establish comprehensive mechanisms for prevention and control of environmental influence which could arise as a result of industry activities. INA facilities which are under the obligation of the IPPC Directive are required to submit their request for an "IPPC Permit".

During 2009, the following INA facilities subject to the IPPC directive were analysed: Molve Central Gas Processing Plant, the Ethane Plant, Sisak Refinery and Rijeka Refinery. Following the analyses conducted preliminary surveys for INA facilities were submitted to the Ministry of Environmental Protection, Physical Planning and Construction in mid 2009. Verified final study on integral terms of environmental protection (IPPC Permit) is to be submitted to the relevant Ministry by the end of October 2010. Due to the comprehensive refineries upgrading project which is being implemented at the Rijeka and Sisak refineries, and substantial investments required to ensure full compliance with the IPPC Directive, INA has requested a transitional period for reaching full compliance with the IPPC Directive for its refineries until 2017.

After Croatian ratification of the Kyoto Protocol, Kyoto flexible mechanisms have been implemented in the following enactments: the Plan on Allocation of Greenhouse Gas Emission Quotas in the Republic

of Croatia (the National Allocation Plan) (NN No. 76/09) was adopted for the period 2010-2012; the National GHG emission registry was established and preparations for connection to the EU Emissions Trading Scheme (EU ETS) are under way. In that respect, during 2008 the Regulation on Greenhouse Gas Emission Quotas and the Method of Emission Allowance Trading (NN 142/08) was adopted. Four INA plants have been included in the National Allocation Plan and after Croatian accession into EU these plants will become a part of the European emissions allowances trading system (EU ETS): Molve Central Gas Processing Plant, the Ethane Plant, Sisak Refinery and Rijeka Refinery. To all listed facilities emission allowances were allocated in late 2008, and during 2009 the plans for greenhouse gases monitoring for each plant were developed. In 2010, emissions of CO2 will be monitored according to the monitoring plans and the results of monitoring will serve as a basis for the CO2 emission report. The report must be independently verified and submitted to the Environmental Protection Agency whose experts will review the amount of allocated units.

According to the rules of the REACH Directive, in order to be able to export its products on the EU market INA has, within the given time period, pre-registered its products through MOL Plc as its representative. The deadline for registration is by the end of November 2010 and INA plans to register 20 substances contained in 54 products. Implementation of the REACH directive will provide a guarantee for INA products, ensuring safe use and treatment in line with qualities and risks associated with specified chemicals.

During 2009, INA SD&HSE department conducted a number of activities related to the SEVESO II Directive with the aim to assess its operations in the area of prevention of major accidents involving dangerous substances; limiting the consequences of accidents on people and the environment, and protection of the environment throughout the community. The Seveso II Directive (96/82/EC) requirements and obligations are have been transposed into Croatian legislation through the Environmental Protection Act and the part referring to external intervention plans into the Rescue and Protection Act. Based on the Regulation on the Prevention of Major Accidents Involving Dangerous Substances (NN No. 114/08), an inventory of Seveso II installations has been established including the following INA plants: the Ethana Plant, Sisak Refinery, Rijeka Refinery and the Solin and Sv. Kajo depots, for which INA developed comprehensive safety reports.

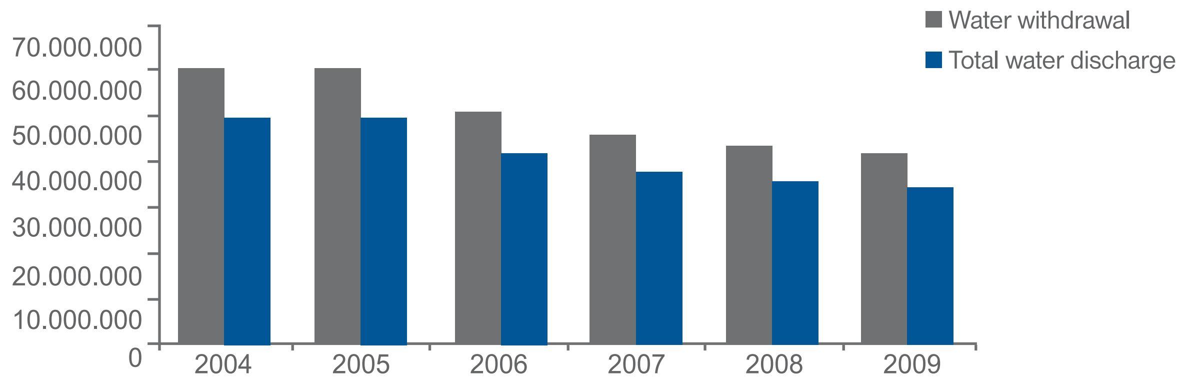
INA has planned funds for harmonisation of its facilities with the obligations set by the air protection legislation (following the LCP and VOC EU Directives). That primarily concerns the harmonisation of pollutant emissions from stationary sources and volatile organic compounds emissions that occur in oil product warehousing and distribution. The investments needed in the following years have been taken into account in the process of capex planning for the following three years.

ENVIRONMENTAL PERFORMANCE - INDICATORS

Water management

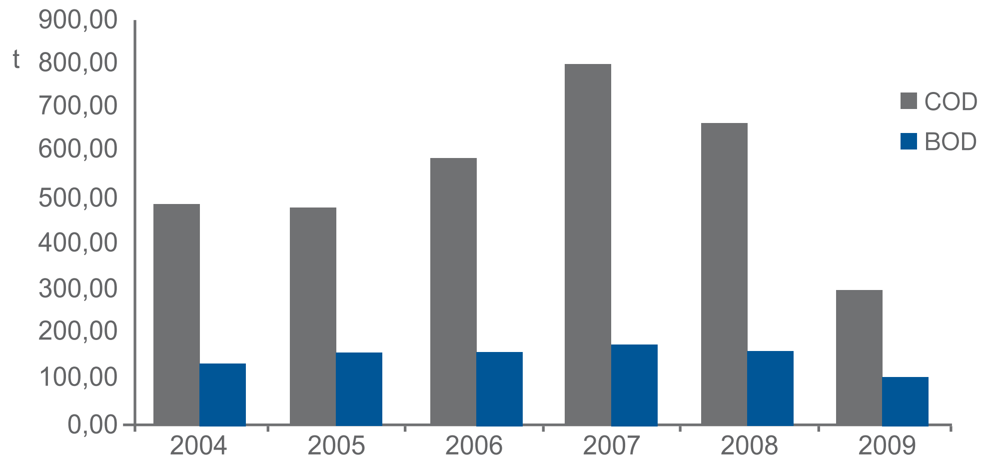
The figures for total water withdrawal and discharge have been continuously decreasing over the last five years - the figures are shown in the graph below.

INA water withdrawal and total discharge 2004 - 2009



INA has significantly improved its performance as regards the COD (Chemical Oxygen demand) and BOD (Biological Oxygen demand) parameters at the Rijeka Refinery with the biological wastewater treatment plant becoming operational. At the Rijeka Refinery chemical treatment of waste water has been improved by an ECO-JET installation. The start-up of the chemical wastewater treatment plant in Rijeka had an impact on overall INA COD and BOD.

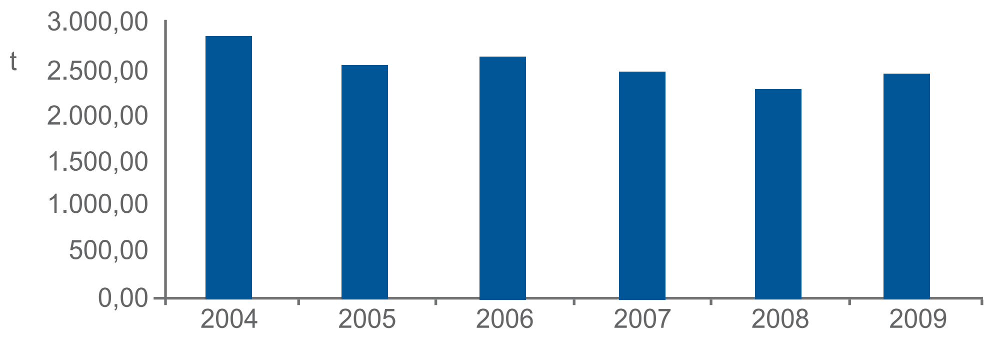
COD & BOD INA 2004 - 2009



Air emissions

In 2009, INA overall air emissions increased by 3.26%. The reason for the increase is the fact that the emissions of CO_2 resulting from gas flaring at Rijeka Refinery had been included in the calculation for the first time. Nevertheless, total air emissions are showing a decreasing trend.

Total INA air emissions 2004 - 2009



CO_2 emission management

Exploration & Production CO_2 emissions dropped by 13.6% compared to 2008 (because of both production decrease and the Okoli underground gas storage divestment decreasing the number of stationary emission sources by 8).

Nitrogen emissions (NO_x) management

Nitrogen oxide (NO_x) emissions in 2009 decreased by 39.4 %, mainly due to replacement of gas compressors with electric engines and catalyst installing on some gas compressors in Exploration & Production units.

Sulphure emissions (SO_2) management

In order to produce cleaner fuels, INA started modernising the Rijeka and Sisak refineries. The construction of new plants for enhancing the conversion of middle distillate fuels and desulphurisation (Rijeka Refinery) and isomerisation and desulphurization of gasoline fractions (Sisak Refinery) will enable production of EURO V products with sulphur content of up to 10 ppm. Refinery modernisation is based entirely on the principle of utilising the Best Available Technology.

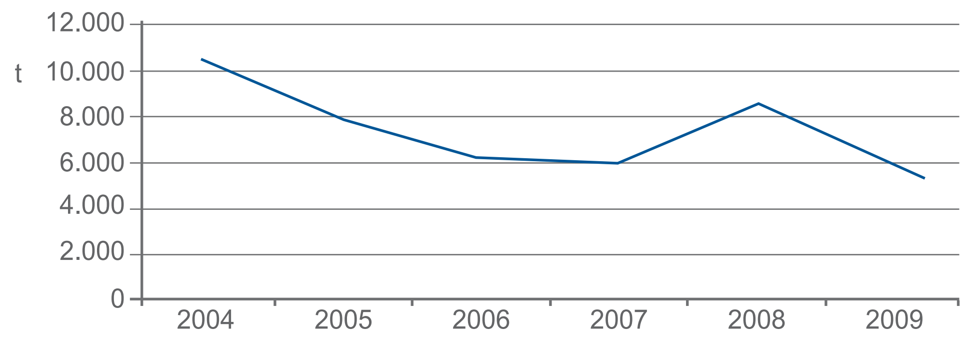
Waste management

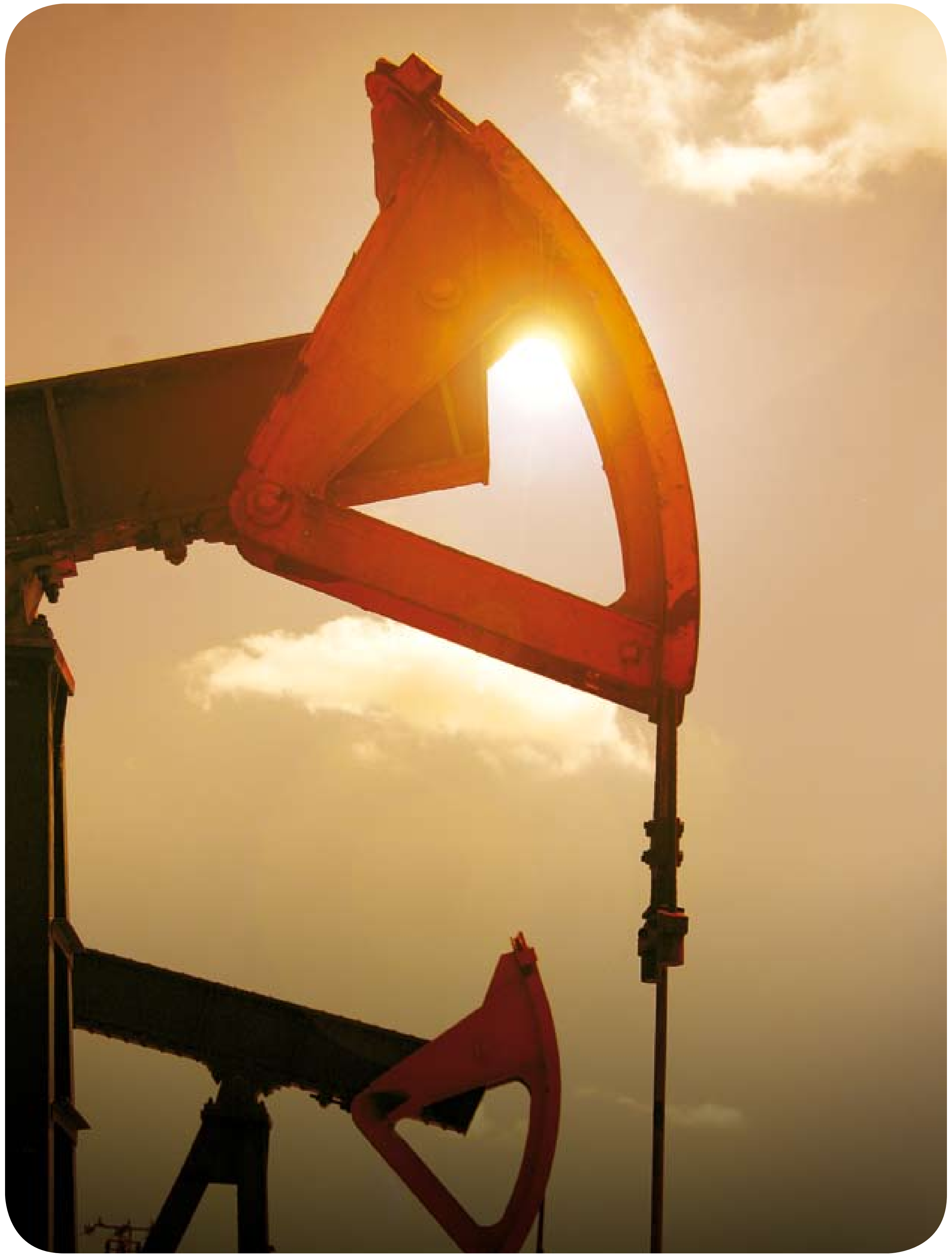
In comparison with 2008, the amount of hazardous waste produced decreased by 52.6 %.

INA, d.d.	2005	2006	2007	2008	2009
Hazardous waste	8.335,00	6.365,24	6.099,89	8.298,63	3.920,73
Non-hazardous waste	25.435	6.947,43	7.534,91	7.282,30	8.370,67

After an increase in hazardous waste production in 2008, which occurred due to some additional tank cleaning, the decreasing trend in hazardous waste production continued in 2009.

Hazardous waste production in INA (tones per peper)





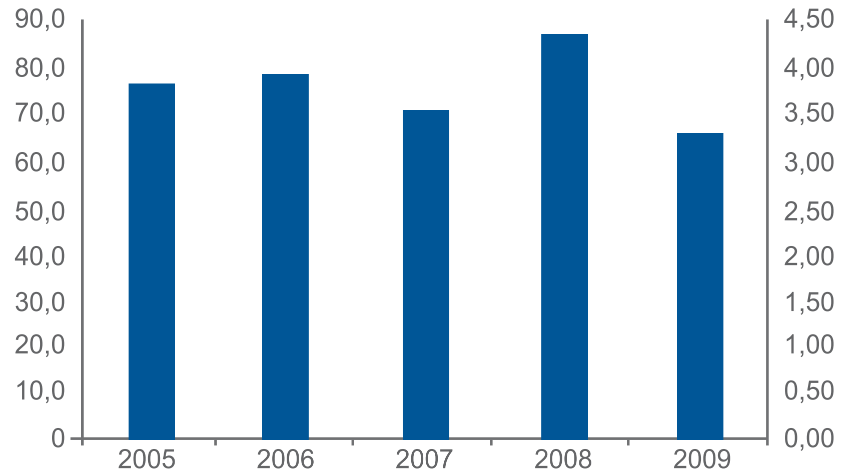
Hydrocarbon spills

In the course of 2009, INA, d.d. recorded 11 unforeseen events with environmental impacts, which was 2 events fewer than in the previous year. A major contributor to the spill statistics was the Exploration & Production division because of the length of pipelines in operation and their physical layout, but also due to third party actions (e.g. theft from pipelines). Exploration & Production is investing a significant amount of money on pipeline refurbishment (either through relining the pipes or completely replacing them).

Occupational Health and Safety

The oil industry requires a high degree of health protection and safety at work, so these are among the top priorities and basic prerequisites for successful operation of any oil company. INA d.d. has therefore set up an all-encompassing system of managing occupational health and safety at work, with the aim to continuously improve the level of safety and regularly monitor the status of employee health. Special attention is given to adequate employee training to promote and ensure work in a safe manner and to minimize the risks related to their daily work activities.

INA LTI/LTIF trend 2005 - 2009



In addition to observing the regulations, INA is applying the oil industry best practice in business operations, with special focus on the management and monitoring of hazards to occupational health and safety. Developing employee capabilities for safe work operations includes, in addition to ongoing training, regular training in basic firefighting, specialist training for sales assistants at petrol stations, assessment of hazards related to the work place and carrying out fire prevention drills. Health protection is implemented through medical check-ups and constant health monitoring of employees in working environments that have special requirements.

In 2009 no fatalities were recorded, unlike the 2008 when there was one case with lethal outcome. For HSE, 2009 was the starting year for the integration of reporting according to MOL Group standards following the methods of the best-performing oil companies. Based on that, LTI (Lost Time Injury) and LTIF (Lost Time Injury Frequency) were calculated for INA, not only for 2009, but recalculed for the previous few years. Lost Time Injuries (and accordingly LTIF) decreased in relation to 2008.
The number of fire events unfortunately shows an increasing tendency: in 2008 there were 4 fires but in 2009 this figure jumped up to 9 in INA.
INA employees are trained to work in a safe manner, including initial fire fighting. Special trainings were performed according to the needs of the process technology. During 2009, 11204 trainings and educations were performed in different fields of HSE.

Sustainable Development

Being one of the largest companies in Croatia, INA is committed to sustainable development and transparency. From INA's point of view, sustainable development is about ensuring a better quality of life for people today (through providing them with energy, products and employment) without compromising the quality of life of future generations.

INA published its first non-financial report as a biannual environmental report in 1996-1997 and since then has reported annually. In 2006, INA published its first Sustainability Report using the GRI G3 guidelines (at application level B). INA is a signatory of the UN Global Compact and is thus committed to promoting and supporting the Compact 10 principles in the areas of human rights, labour rights, the environment and combating corruption.

The INA Code of Business Conduct and Ethics is under revision. It includes the attitude toward work, co-workers, business partners, healthcare, safety, environmental protection, respect of law and business customs, guidelines against conflicts of interest and control mechanisms.

INA SD activity in 2009 was coordinated by the Sustainable Development and Corporate Social Responsibility Working Group, composed of members from ten business and functional divisions. The result of INA and MOL expert cooperation in the field of Sustainable Development will result in some of INA SD data incorporation into MOL Group SD Report.

Our staff

The Collective Agreement and Labour Regulations of INA regulate working conditions, employer and employee rights and obligations, the process of dignity protection, salaries and other labour-related issues. INA abides by the principle of offering equal employment opportunities to everyone, in compliance with the Constitution, the Labour Act and other relevant regulations and international standards. Trade unions actively keep track of the status of disabled workers, women and war veterans.

INA has recognized the importance and value of knowledge as well as the necessity of investing in human resources development. Our department of Education outlined a vision: "With the right people in the right positions to achieve the highest goals". A time of global crisis and recession can be an opportunity to address new challenges. To save the company money, we introduced internal training through which we facilitate the knowledge transfer. Internal education activities have been established, especially in the area of refinery modernisation (e.g. a training program for process personnel who manage modernised facilities).

Society

In December of 2009, the INA d.d. Sponsorship and Donation Policy came into force and the Code of Business Conduct and Ethics is being reviewed. In 2009, INA remained one of the most prominent donors for the scholarship program "Top Scholarships for Top Students". Continuing the 15-year tradition, INA presented Professor Wieslaw Borys from Krakow, Poland, with the Award for the Worldwide Promotion of Croatian Culture.

In a humanitarian activity „INA for 45 families" organized before Easter in cooperation with 9 social care centers the presents were ensured for 45 socially deprived families.

INA free phone (0800 1112) celebrated its 12th anniversary.

INA organized 6th competition for best sport photographs – „INA in sport".

Awards

In 2009 INA was succesfully presented at the 12th International economic fair Mostar where INA won Crystal Globe for presentation.

INA's innovators achieved great success at the 12th Moscow International Salon of Industrial Property (Archimedes), winning 15 diplomas, 5 Laureta Arhimed medals and 14 special awards.

Brand Finance Independent Consultancy recognised INA as the most valuable corporate brand in Croatia.

INA, Oil and Gas Exploration and Production Division was awarded with a "Golden emblem" by the Ferdinanovec Municipality, for supporting the economy.

For the third consecutive time, Croatian readers of Reader's Digest magazine selected INA as the best company in the category of gasoline services.

INA Petrol station Đakovo-Nazorova won the 2009 "Green Flower" Award presented by the Croatian National Tourist Board. The Croatian National Board also gave an award to INA's petrol station in Krapinske toplice for improving the environment for tourists, and environmental protection activities.

QUALITY MANAGEMENT

INA has aimed to act in accordance with international quality management standards since they were first introduced. A number of certificates of accredited independent bodies for core company processes provide evidence of business operations in line with ISO 9001 standard requirements. In early 2000, the Company's management board decided to change its management philosophy. An integrated business management system was developed based on Company's by-laws, the legal framework, industry standards, the requirements of ISO 9001, ISO 14001 and OHSAS 18001 standards and other standards in line with management decisions.

Since 2005, an integrated quality management system was verified by certification and recertification three years later. During 2007, INA, d.d. business policy was to develop an obligatory information security management system, and in 2008 the HACCP (Hazard Analysis and Critical Control Points) system was introduced at Company's catering facilities, as statutorily required. We have been actively participating in development of these systems and their full integration into the existing business management system.
An integrated business management system contributed to greater transparency of business processes, improved measuring and presentation of business results and a higher level of customer and employee satisfaction. In addition to external reviews, the system is also internally supervised through specially developed IT support.
INA, d.d. commitment to continuous improvement of its business processes and business quality was confirmed by the introduction of the SAP system in 2006 and harmonisation of all company documents with redesigned SAP processes. It is continued by working on the INA, d.d. process model project by using the ARIS tool.
A high level of customer satisfaction and loyalty confirms the quality management system as adequate and efficient in reaching the targets aimed for.

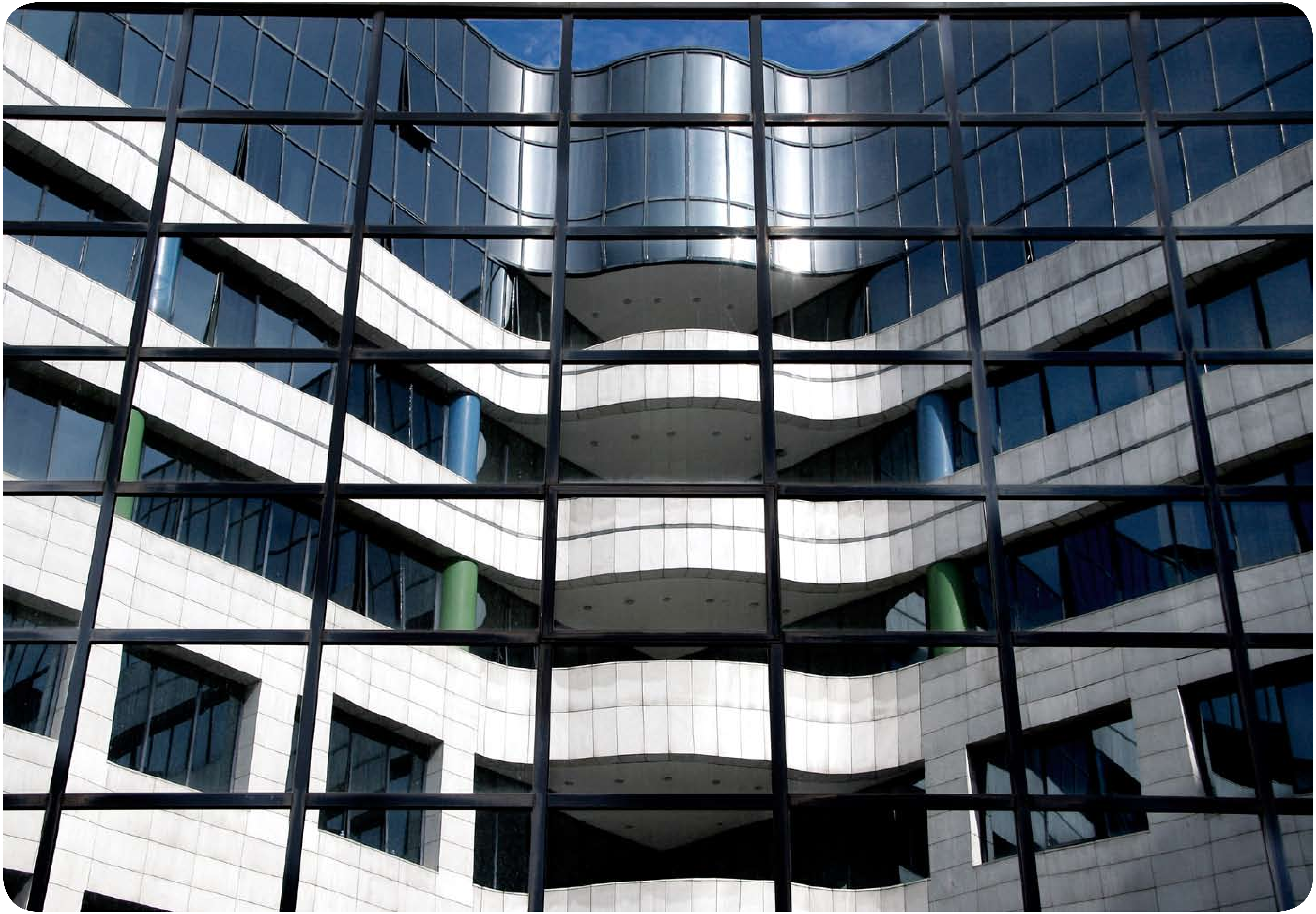
INTELLECTUAL PROPERTY

INA, d.d. has created and developed a full process for an intellectual property management system with clearly defined powers and responsibilities and all the activities, from the generation of ideas to realisation of products, including their marketing and sales, and protection of the resulting intellectual property.
The protection of INA, d.d. intellectual property includes the protection of inventions (by patents), trademarks and service marks, visual identity and industrial design. It is implemented in accordance with the Company's Intellectual Property Management Strategy both in Croatia and abroad, on the markets where INA is already present or intends to be present.

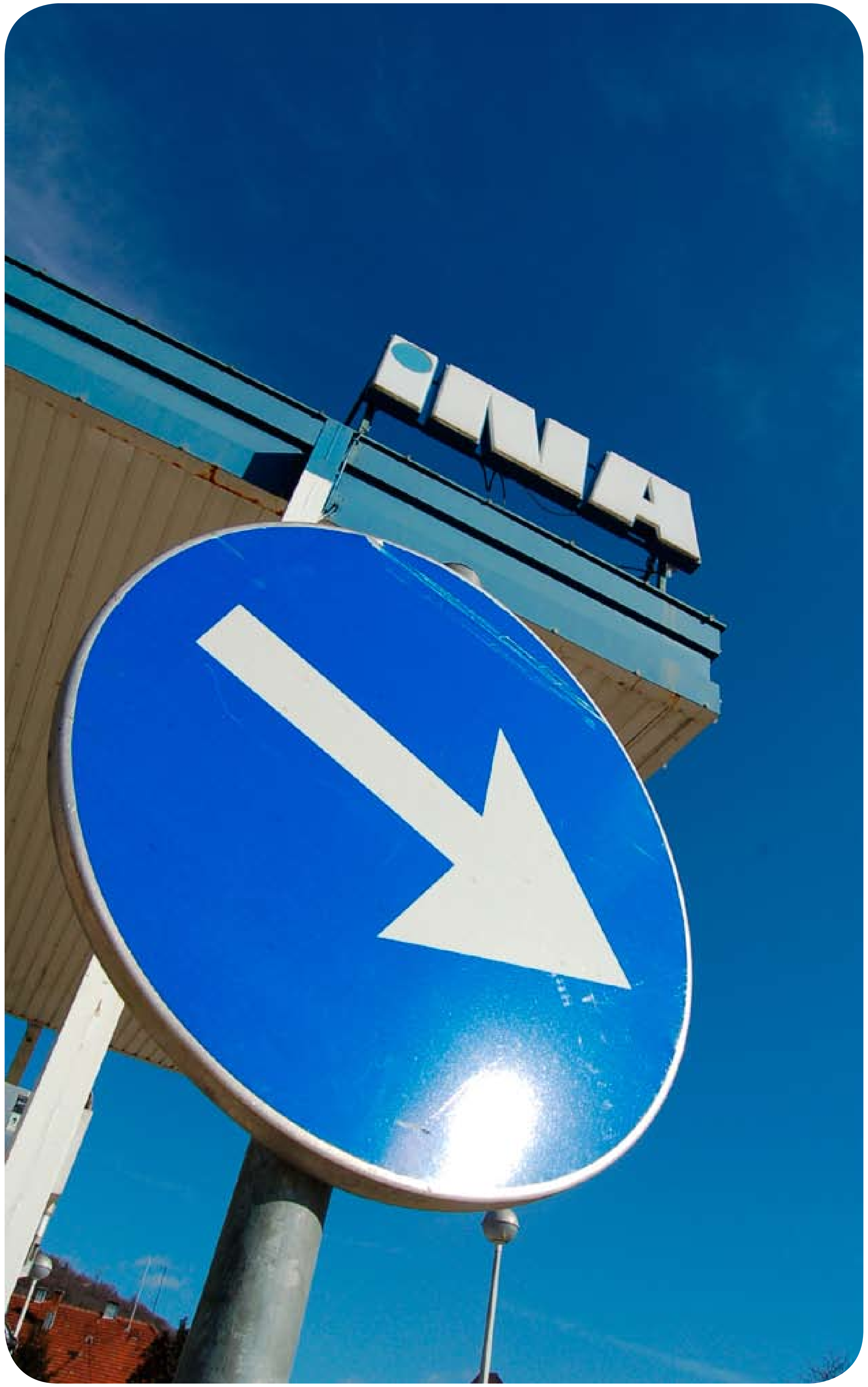
Great attention is given to brand protection, and protection of the lubricant product range, visual identity of INA's petrol stations and all market recognisable marks in order to have the legal basis for taking measures against their infringement and abuse. Therefore are INA, d.d. intellectual property rights continuously monitored for their possible infringements as successful protection of intellectual property is commensurate with possible infringements of company identity on its markets.
Also a part of its intellectual property are INA, d.d. employees and their knowledge, ideas and skills applied in order to enrich the Company's tangible property.
We encourage the awareness that knowledge, creativity and innovation greatly contribute to company development. Numerous awards at innovation exhibitions in the country and abroad, and regulated intellectual property and innovative work issues confirm a long-standing company tradition of encouraging employee inventiveness and creativity ultimately resulting in company innovativeness and intellectual property to be protected.
Our aim is to promote the importance of company and personal know-how through intellectual property management processes.
So we constantly strive to make a better use of our operational resources, information and employee knowledge, and as efficiently as possible manage the intangible company assets as they are vital factors of our competitiveness. The guidelines for managing corporate knowledge are an open and communicative corporate culture, a focus on core activities, encouragement of creativity and transforming employee knowledge into corporate property. That was the goal behind setting up a Company Knowledge Base, available to INA-Intranet users.
By centralising the intellectual property at the INA Group level, the protected intellectual property of INA group companies has become an integral part of INA, d.d. intellectual property, providing a basis for further development of the intellectual property management system. Such an approach provides for consistent and efficient protection of intellectual property rights at the Group level as well as for taking adequate measures in case of their infringement, as required in modern business environment.

STANDARDISATION

INA, d.d. has been developing and improving a corporate standardisation system for a number of years in order to define standards to be applied across the Group. Corporate standards define quality specifications of INA's products and raw materials, the elements of company's visual identity, and business communication rules and standards.
Company standardisation policy defines the framework and guidelines for setting out company standards pursuant to requirements of international and European quality standards. INA is also working closely together with relevant government agencies in defining and adopting the regulations and standards in the area of INA's interests harmonised with current EU documents, protecting and promoting the oil and gas industry interests on the domestic market and other markets where the Company operates but at the same time respecting the interests of all other stakeholders.



CORPORATE GOVERNANCE



MISSION, VISION AND CORE VALUES

MISSION

INA d.d. is a vertically integrated oil corporation which plays a major role in the oil, oil products and gas markets in Croatia and neighbouring countries, and which is committed to creating higher value by continuously improving its business and quality of products and services.

VISION

To be a well-reputed and desirable partner that is known for its excellent products and services, for honest and nurtured relationships, and for protection of the interests of our owners, customers, employees and other partners.

CORE VALUES

In order to achieve its Mission and realise its Vision, INA has to adjust its behaviour to the expectations and goals of all concerned in INA's activities – primarily the owners, customers, suppliers and the community in which INA operates, while taking into account the need to protect the environment and maintain a balance in the nature that surrounds us.
Hence, INA's core values are:

Benefits for the Owner
Achieving the profitability and value creation its share – holders and investors expect.

Partnership with Customers
Fulfilling its customers' needs and expectations, and obtaining their trust and long-term loyalty.

Suppliers
Keeping correct relationship with suppliers.

Respect for Local Community - Recognisable Image
Maintaining awareness for the INA brand through close cooperation with various communities and respecting their cultural, national and regional characteristics.

Benefits to Employees – Creativity and Uniqueness
Recognising employees' needs, interests and abilities through an incentive-based system for salaries and promotions, since the employees are an indispensable creative potential and form the overall support and foundation for the realisation of INA 's corporate goals.

INA - R - A

INA was founded on 1 January 1964 when the operations of Naftaplin (oil and gas exploration and production) were merged with those of the refineries of Rijeka and Sisak.
1990. INA became a state-owned enterprise.
In 1993, INA became a joint stock company ("d.d."), its share capital divided into 10,000,000 ordinary shares. The nominal value of one share was Kn 900.00. Each INA ordinary share carries one vote and a share in the dividend.
In 2003, MOL Rt (MOL) acquired 25 % plus one share of INA.
Through acquisition of 25% plus one share, MOL has become INA's strategic partner and INA has become part of an integrated regional partnership in the oil and gas industry consisting of MOL, INA, Slovnaft and TVK.
Two years later, in 2005, 7% of INA shares were transferred to the Croatian Homeland Independence War Veterans and Their Family Members' Fund.

INA Industrija nafte d.d. was officially listed on the Zagreb Stock Exchange on 30 November 2006.
The trading in INA's shares officially started at 11:15 on 1 December 2006.
The ticker for INA, d.d. shares is INA-R-A.
INA shares are also traded on the London Stock Exchange, where the ticker for Ina shares is HINA.
In 2007, the Croatian Government decided to sell up to 7 % of the shares of INA – Industrija nafte d.d. (700,000 shares) to the current and former employees of INA.

On 14 July 2008, MOL Hungarian Oil and Gas Public Limited Company sent a letter of intent to the Croatian Financial Services Supervision Agency announcing a voluntary offer to take over all the shares not held by MOL or the Republic of Croatia. In September 2008, the Croatian Financial Services Supervision Agency published a decision in the Official Gazette 102/08 approving the publication of the MOL's offer to take over the public joint stock company INA.
Following the takeover offer, the total number of ordinary bearer shares held by MOL is 4,715,538, accounting for 47.15538 per cent of the total share capital.

INA. D.D. SHAREHOLDER STRUCTURE BY NUMBER OF SHARES

MOL Plc.	4.715.538
Government of the Republic of Croatia	4.483.552
Private and institutional investors	800.910
Total	10 000 000

CORPORATE GOVERNANCE

Changes of corporate governance

INA's largest shareholder with 47.16%, MOL acquired its initial package of 25% plus one share in November 2003 as the first step towards company's privatisation. In October 2008, MOL increased its stake to the current level through a voluntary public offer. Following the public offer, shareholders continued the discussion on INA, d.d. future development and governance. As a result, in January 2009 the Amendment to the Shareholders Agreement and a Gas Master Agreement were signed by MOL and the Croatian Government.
After receiving the Decision of the Croatian Competition Agency on conditional approval of the concentration INA, d.d. held a General Meeting which approved changes to the Articles of Association and the Supervisory Board. The new supervisory board consists of nine members; five delegated by MOL, three by the Government of Croatia and one member the employees' representative. The Management Board is now made up of six members, three of which are delegated by MOL including the President, and three by the Croatian Government. Together with these changes INA, d.d. Management Board introduced the Board of Executive Directors responsible for running the operational issues.

Supervisory Board

Ivan Šuker, Chairman
György Mosonyi, deputy chairman
József Molnár
Ábel Galácz
Tomislav Ivić
Božidar Pankretić
József Simola
Oszkár Világi

MANAGEMENT BOARD

Zoltán Áldott, the president of the Management Board

Lajos Alács, member of the Management Board

Attila Holoda, member of the Management Board

Josip Petrović, member of the Management Board

Dubravko Tkalčić, member of the Board and Director of Corporate Processes

Tomislav Dragičević, member of the Management Board

Zoltán Áldott the President of INA Managenent Bord from 1th of April 2010, started his career in 1990 as an associate in Creditum Financial Consulting. Since 1992 to 1995 he held various positions in Eurocorp Financial Consulting.

He joined MOL in 1995 as the lead of Privatization Department. From 1997 till 1999 he was Director of Capital Markets Department and since 1999 till 2000 Mr. Áldott served as Director of Strategy & Business Development.
From November 2000 to June 2001 he was Chief Strategy Officer and then, since June 2001, Group Chief Strategy Officer. Since September 2004, he has been the Executive Vice President of Exploration & Production Division of MOL Group. From October 2003 till April 2010 he was a member of the Supervisory Board of INA. He is also a Board member of the Budapest Stock Exchange.
He has a University Degree from Budapest University of economics

Lajos Alács is currently Vice President of MOL Group Downstream Supply Chain Management. Prior positions in MOL Group include Senior Vice President of Gas & Power Division; Executive Vice President of Strategy & Business Development; Vice President of Commercial; and Director of Crude Oil Purchase and Fuel Sales for MOL. He started his career in MOLTRADE-Mineralimpex.

He is a Member of the Board at Hungarian Hydrocarbon Stockpiling Association; Member of the Management Board of INA; Member of the BoD at CEZ MOL European Power International BV.
He obtained an MA in Chemistry at the Eötvös University, Budapest, and a High Level Diploma of Foreign Trade, KOTK, Budapest.

Attila Holoda graduated (M.Sc.) from the Gubkin University in Moscow, Russia, in petroleum engineering in 1989. He also has a MBA (finance) degree from the Budapest University of Economic Sciences. He joined MOL as a production engineer in 1989.

He worked at different leading positions in production, operational maintenance and investment until 1999. He headed a Hungarian-Kazakh joint venture, and represented at the same time MOL in Atyrau, Kazakhstan between 1994 and 1995. Since 1999 he held different mid and top level managerial positions in the domestic production and exploration. Prior to his appointment in INA he was responsible for Hungarian and Russian E&P activities of MOL, as managing director of Eurasian E&P. He is a member of the SPE (Society of Petroleum Engineers) and deputy chairman of the Hungarian Mining Society, heading the Petroleum Sub-Section.

Josip Petrović graduated from the Faculty of Economics, University of Zagreb, and received a master's degree in marketing in 1992. He joined INA in 2004, as a Member of the Board and Executive Director of Retail Services and then in August 2005 he took over the position of the Executive Director of Refining and Marketing.

Before that Mr Petrović was an advisor to the President of the Board of Agrokor Group (from April 2000). His first employment was at Industrogradnja. He was an advisor to the General Director of a textile machinery and measuring devices factory for some time, and then he took the position of the General Director of Unikonzum, a retail and wholesale chain. He joined Agrokor in 1995, and between 1998 and 2000 he was the Chairman of the Board of the Intercontinental Hotel in Zagreb.

Dubravko Tkalčić graduated from the Faculty of Chemical Engineering and Technology, University of Zagreb, in 1985 and has a degree in chemical technology.

He started his career in 1986 at INA-OKI. Until 2004 he held various managerial positions in different companies dealing with chemical technology. Among others, he was the director of INA – OKIROTO, INA – Preplam, and Zagrebplast (INA-OKI Petrochemical Industries) and Kemikalija. Between 2004 and 2008 he worked in JANAF, where he held various positions: the president of the Management Board (2004-2005), General Director (2005-2008) and the Member of the Board (2008). In April 2008 he became Executive Director of INA's Exploration and Production division, and held the position until June 2009 when he was appointed member of the Management Board of INA.

Tomislav Dragičević, dr.sc., graduated from the Faculty of Chemical Engineering, University of Zagreb. In 1984 he got his master's degree, and in 1993 his doctorate in chemical engineering.

Dr. Dragicevic was appointed General Director of INA in March 2000. From June 2000 until June 2009, under the new Articles of Association, he was the President of the Management Board. His prior appointments were Director of Strategic Planning and Research and Development, and as Executive Director of Refining. He joined INA in 1982 and he was first employed at Petrokemija Kutina as a head of a processing unit. Since 1995 he has been a Fellow of the Croatian Academy of Sciences and Arts (Section IV, Petrochemistry). In June 2009 he was appointed member of the Management Board of INA.

EXECUTIVE BOARD

László Bartha, Executive Director or Retail

László Bartha, Executive Director for Retail, graduated from the University of Veszprém, Hungary, in 1997. He holds a master's degree in chemical engineering. He immediately joined MOL and worked at different operational and process efficiency improvement projects in Downstream business until 1999. He led a number of Group level projects, including BPR/SAP R3 implementation and in 2002 he was appointed Downstream team leader responsible for the post-merger integration of the Slovak company Slovnaft into MOL Group.
Between 2004 and 2007 Mr Bartha was appointed leader of the Organizational Design & Process Management activities at the MOL Group level.
Between 2007 and 2009 he worked as the Director of Regional Sales & Business Development of MOL Group's retail business.

Peter Chmurčiak, Executive Director for efining and Marketing

Peter Chmurčiak graduated from the Slovak Technical University in Bratislava, specialised in chemical and energy fuel processing. After graduation he joined Slovnaft where he worked until his appointment at INA. Until 1998, he worked as a development analyst in the company's Strategy Department. During that time he completed a two-year post-graduate programme with a focus on marketing, finance and management at the CITY University Bellevue – Bratislava branch. Between 1998 and 2001 he worked as the cash flow manager. Since 2001 he worked as the director of SLOVNAFT Planning and Controlling, and from February 2005 until June 2009 he managed Planning and Controlling at the MOL Group level.

Berislav Gašo, Executive Director for Corporate Center

Berislav Gašo studied mechanical engineering at the Technical University of Munich and at the Massachusetts Institute of Technology. He also graduated economics and business administration at the University of St. Gallen and Harvard. He holds MSc and PhD degrees. In 2005 he joined McKinsey & Company where he worked in the field of energy and petroleum industry in Western and Eastern Europe, Russia, Midle East and Asia supporting clients on performance turnarounds, strategy and portfolio management, business planning, post-merger integration, cost cutting, front-line operational improvement, organizational change and process redesign. In January 2010 he was appointed Executive Director for the Corporate Center in INA.

András Huszár, Executive Director for Finance

Andras Huszár graduated from the University of Economic Sciences, Faculty of economic planning, Budapest, in 1988. He is Doctor of Economic Science since 1993. From 1988 till 1990 he worked for IT company Számalk. From 1991 to 1994 he worked at the Budapest Stock Exchange. Later he joined Investel Plc. on the position of manager of capital markets. Since 1999 until 2001 he worked on the same position at Matav Company, where he later became the treasurer. In 2001 he became the head of MOL Group Treasury. In 2003 he became a member of the Supervisory Board in the companies TVK and Slovnaft, both members of MOL Group. In January 2010 he was appointed Executive Director for Finance in INA.

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Darko Markotić, Executive Director for Corporate Services

Darko Markotić (37) was appointed as Executive Director of Corporate Services BF in June 2009 after one year at the duty of the Board Member and Director of the same business function. He graduated from the Faculty of Law, Zagreb University, in 1998. He joined INA, d.d. in 2000 where through the variety of different organizational units performs multiple functions within the company. At the very beginning of his work in INA he was employed in the Legal Sector. In June 2002 he took the position of business secretary in the Office of the Member of the Management Board for coordinating the privatization of INA, d.d. At the end of 2003, he was promoted to Assistant Secretary of the Company and in 2005 he was appointed Company Secretary and he hold that position for three and a half years. On June 18, 2008 he was elected as a new member of the Board by the INA, d.d. Supervisory Board.

Tomislav Thür, Executive Director for Corporate Processes

Tomislav Thür graduated from the Faculty of Law, University of Zagreb, in 1991 and in 1998 he gained his master's degree at the Harvard Law School. Before his appointment to the Executive Board, he was a Management Board member and the Director of Corporate Processes in INA. He also worked as the General Secretary of the Atlantic Group. From May 1992 until August 2001 he worked at the Croatian Embassies in Bern and Washington and joined the Croatian Liaison Office with the European Community Observers Mission. He was head of the National Coordinator Office for the Security Pact. He studied executive management at the London Business School, Harvard Business School and INSEAD.

Bojan Milković, Chief Executive Officer and Executive Director for Exploration and Production

Bojan Milković holds a Master of Science degree in Management and a Master of Business Administration degree from the IEDC – Bled School of Management, Slovenia and a Bachelor of Science degree in Mechanical Engineering from the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb, Croatia. Bojan Milković joined INA from Crosco were he served as President of the Board and Chief Executive Officer since March 2005 till June 2009. He served as the Executive Director and was responsible for Crosco's engineering and maintenance services as well as corrosion and waste management services from 1999 until his appointment as President. From 1996 to 1999, Mr. Milkovic was Maintenance Manager of Crosco. Prior to these appointments, he served as Head of Mechanical Department, Head of Mechanical Section and Senior Mechanical Engineer at a predecessor division of Crosco within INA. In June 2009 he was appointed Chief Executive Officer and Executive Director for Exploration and Production.

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