INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q1-Q3 2009 results today. This report contains consolidated financial statements for the period ending 30 September 2009 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

(HRK million)	Q3 2008	Q3 2009	Ch %	Q1-Q3 2008	Q1-Q3 2009	Ch %
CONTINUING OPERATIONS(1)						
Net sales revenues	8,343	4,873	(41.6)	21,111	14,226	(32.6)
EBITDA(2)	1,051	433	(58.8)	3,326	2,894	(13.0)
Operating profit	638	(716)	n.a.	1,923	739	(61.6)
Operating profit excl. special items	638	128	(79.9)	1,923	900	(53.2)
Net financial gain /(expenses)	(662)	176	n.a.	(342)	(121)	(64.4)
Net income	59	(481)	n.a.	1,343	547	(59.3)
Net income excl. special items(3)	59	363	515.3	1,343	708	(47.3)
DISCONTINUED OPERATIONS(1)						
Net income	(500)	(193)	(61.4)	(987)	(714)	(27.7)
ALL OPERATIONS(1)						
Net income(4)	(441)	(674)	53.0	355	(168)	n.a.
Net income excl. special items(3)	(441)	170	n.a.	355	(6)	n.a.
Operating cash-flow	(600)	573	n.a.	(408)	2,026	n.a.

(USD million) (5)	Q3 2008	Q3 2009	Ch %	Q1-Q3 2008	Q1-Q3 2009	Ch %
CONTINUING OPERATIONS(1)						
Net sales revenues	1,747	951	(45.6)	4,432	2,633	(40.6)
EBITDA(2)	220	85	(61.6)	698	536	(23.3)
Operating profit	134	(140)	n.a.	404	137	(66.1)
Operating profit excl. special items(3)	134	25	(81.4)	404	167	(58.8)
Net financial gain /(expenses)	(139)	34	n.a.	(72)	(22)	(68.8)
Net income	12	(94)	n.a.	282	101	(64.1)
Net income excl. special items(3)	12	71	490.4	282	131	(53.5)
DISCONTINUED OPERATIONS(1)						
Net income	(105)	(38)	(64.0)	(207)	(132)	(36.2)
ALL OPERATIONS(1)						
Net income(4)	(92)	(132)	42.5	75	(31)	n.a.
Net income excl. special items(3)	(92)	33	n.a.	75	(1)	n.a.
Operating cash-flow	(126)	112	n.a.	(86)	375	n.a.

(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.
(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 658 million losses on impairment for Q1-Q3 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 Q3 2008: 4.7763 HRK/USD, for Q1-Q3 2008: 4.7636 HRK/USD, for Q3 2009: 5.1235 HRK/USD for Q1-Q3 2009: 5.4039 HRK/USD.

The global recession accompanied by the credit crunch, lower crude oil prices and deteriorating refinery margins had negative influence on the financial performance and the financial position of INA Group. The Management is highly committed to stabilize financial position and improve liquidity through strict measures to cut operating expenses to the year end. The capital investments are determined by the Company's cash generation possibilities.

Continuing operations

The operating profit from continuing operations, excluding one off items, amounted to HRK 900 million (down 53.2% year-on-year) in Q1-Q3 2009. The adverse effects of a 54% lower average realised crude price, a 63% decline in the average crack spreads, combined by a modest decrease in hydrocarbon production and an unfavourable sales structure by market were only partly offset by the elimination of the negative influence of refined products price cap[1] and lower operating costs.

During Q1-Q3 2009, several one-off items occurred (HRK 497 million gain from disposal of Gas Storage Company[2] in Q2 2009, HRK 658 million impairment in Q1-Q3 2009 in total) with a negative net impact of HRK 161 million. Therefore, the operating profit from continuing operations decreased by 61.6%, year-on-year, to HRK 739 million in Q1-Q3 2009. Net financial expense from continuing operations improved by HRK 221 million, therefore, the net profit from continuing operations was HRK 547 million in Q1-Q3 2009, down 59.3% year-on-year.

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[1] In Q1-Q3 2008 the effect of a price cap on refined products amounted to HRK 218 million, equally split between Refining & Marketing and Retail Services, while the negative effect of regulated LPG prices amounted to HRK 294 million, the total loss of profit amounting to HRK 512 million.

[2] Under the Gas Master Agreement signed by the Government of the Republic of Croatia and the Hungarian oil company – MOL on 30 Januray 2009, the Podzemno skladište plina d.o.o. (Gas Storage Company) was taken over by a fully state-owned company Plinacro d.o.o. on 30 April 2009, which resulted in a one-off income of HRK 497 million.

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Discontinued operations

Discontinued operations resulted in net loss of HRK 714 million in Q1-Q3 2009 decrease by HRK 273 million compared to Q1-Q3 2008, because of lower volume of imported natural gas and a slight improvement in price differential.

Overall operations

Considering all operations, INA Group net loss amounted to HRK 167 million in Q1-Q3 2009 versus the net profit of HRK 356 million in the same period 2008. Gas business (discontinued operations) contributed with the net loss of HRK 714 million, while net profit from continuing operations amounted to HRK 547 million.

- Exploration and Production: The Q1-Q3 2009 operating profit from continuing operations, excluding one-off items, amounted to HRK 1,748 million (USD 323 million) a decrease of HRK 988 million on Q1-Q3 2008 operating profit, reflecting a 54% lower average realised crude price, modest production volume decline and the weaker HRK vs. USD. (One-off items included HRK 497 million gain from disposal of Gas Storage Company[3] in Q2 2009 and HRK 470 million impairment and field abandonment provisions in Q1-Q3 2009.)
- Refining and Marketing: In Q1-Q3 2009, the segment recorded an operating loss, excluding one-off items, of HRK 405 million (USD 75 million), a HRK 306 million increase versus Q1-Q3 2008, primarily due to 63% lower average refinery margin[4], a 1.7% decrease in sales volumes, due to the fierce competition and demand decrease accompanied with less favourable sales structure of products and markets (lower domestic and Bosnia-Herzegovina sales and higher other export sales). These adverse effects were only partly offset by almost fully eliminated price cap (HRK 20 million in Q1-Q3 2009 vs. HRK 109 million in Q1-Q3 2008), and lower controllable costs. The reported operating loss was negatively effected by HRK 58 million one-off for impairment and less favourable product yield due the to number of unplanned shutdowns.
- Retail Services: In Q1-Q3 2009 operating profit, excluding the one-off impairment of petrol stations of HRK 130 million, amounted to HRK 82 million versus a HRK 101 million operating loss made in Q1-Q3 2008. This significant improvement in operating profit, excluding one-off items, was mainly due to the improved fuel and non-fuel margins, as a result of eliminated price cap (HRK 109 million in Q1-Q3 2008), and positive effects of reduced costs, which more than offset the sales volume decline of 3.7%.
- Corporate and Other[5]: Q1-Q3 2009 operating results amounted to a loss of HRK 525 million, improving HRK 88 million versus Q1-Q3 2008 primarily due to the lower operating costs resulting from cost-cutting measures.
- Discontinued operations: The operating loss from discontinued operations was HRK 805 million in Q1-Q3 2009, representing a HRK 228 million decrease year-on-year. The main drivers of the improvement were the 3.3% lower price differential and the 17% lower import volumes. Based on the Gas Master Agreement signed by the Government of the Republic of Croatia and the Hungarian oil company, MOL on 30 January 2009, INA exits from the regulated part of the gas value chain. The Gas Storage Company (Podzemno skladište plina d.o.o.) was taken over by a fully state-owned company Plinacro d.o.o. on 30 April 2009. Negotiations on the divestment of the gas trading business are ongoing. As the gas trading activity meets the definition of an operation as per IFRS 5, the company has disclosed its results as loss from discontinued operations.
- Net financial expense from continuing operations decreased by HRK 221 million to HRK 121 million in Q1-Q3 2009, year-on-year, reflecting a HRK 208 million unrealised forex gain in Q1-Q3 2009 (vs. HRK 117 million forex loss in Q1-Q3 2008). The forex improvement more than offset the interest expenses increase of HRK 85 million and the HRK 19 million higher other financial expense. The loss of financial activities from discontinued operations amounted to HRK 88 million in Q1-Q3 2009.
- Capital investments: In Q1-Q3 2009 CAPEX increased by HRK 640 million to HRK 3,477 million (USD 643 million), of which Exploration and Production accounted for HRK 2,597 million primarily on development operations in Syria and North Adriatic, while Refining and Marketing spent HRK 818 million, of which the refinery modernisation programme accounted for HRK 718 million.
- Net debt position: The Group's net debt amounted to HRK 8.1 billion, compared to debt of HRK 6.6 billion as at 31 December 2008 while net gearing[6] increased from 35.3% to 40.4% as at 30 September 2009.
- Operating cash flow: improved to HRK 2,026 million for Q1-Q3 2009 (vs negative operating cash-flow of HRK 408 million in Q1-Q2 2008). Operating cash-flow before working capital changes decreased by 15% year-on-year. Trade creditors were up by HRK 1,242 million, part of which was overdue.

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3 Under the Gas Master Agreement signed by the Government of the Republic of Croatia and the Hungarian oil company – MOL on 30 Januray 2009, the Podzemno skladište plina d.o.o. (Gas Storage Company) was taken over by a fully state-owned company Plinacro d.o.o. on 30 April 2009, which resulted in a one-off income of HRK 497 million.

4 Average refinery margin calculated on the basis of sales structure by product and Platt's (FOB Med) quotations

5 In addition to Corporate Functions also includes the subsidiaries engaged in safety and protection services, technical services, corporate support and other services.

6 Net debt vs. net debt plus equity including minority interests

Overview of the environment

The global economy likely has hit the bottom during Q2 2009 and is apparently expanding again. However, global growth remains slow and there are substantial regional differences in the pace of recovery. Some emerging economies, particularly in Asia are in much better position than OECD economies, where growth is still sluggish. The turnaround of the economic trend is owing to an unprecedented fiscal and monetary expansion in the most developed and some key developing countries which resulted in stabilizing financial conditions while industrial production figures improved due to inventory restocking. There are also signs of stabilizing retail sales. These positive developments prompted IMF to revise upwards its annual global economic output projection by 0.3% to minus 1.1% for 2009 and by 0.6% to 3.1% for 2010 compared with its previous July report.

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 persistently high and still growing unemployment rates (9.7% in the US, 9.6% in the Eurozone, 5.7% in Japan in Q3 2009) may undermine consumer confidence. Consumer deleveraging in many advanced economies will similarly put a dent on consumption growth. World trade has thus far also failed to show signs of visible improvement, which will limit the growth potential of large exporting countries, particularly after the economic stimuli will be gradually phased out.

The recovery of risk appetite spurred rallies in equity markets worldwide during Q3 2009. The MSCI[7] developed markets index increased by 13.4% while the MSCI emerging markets index rose by 15.7% over the period. Investors' interest appeared to have returned in the CEE region with major stock exchange indices increasing by over 20%, on average. The CROBEX index of the Zagreb stock exchange rose by 18% throughout Q3. These figures reflect a positive capital market sentiment worldwide, but not necessarily the fundamentals of the global economy.

Oil prices remained relatively stable at around USD 70/bbl throughout Q3 2009 ranging between lows of USD 61.9/bbl in mid-July and a peak of USD 76.55/bbl reached in early August. This relative stability was the result of two opposing forces which remained more or less in balance throughout the quarter. On the one hand, short term fundamentals remain weak putting a downward pressure on prices. Except for the US, demand in OECD countries continues to be sluggish, accounting for most of world's total oil demand decrease. End-August OECD commercial stocks stood at 60.7 days of forward demand cover, slightly lower than during the previous quarter, but still 3.7 days higher than a year ago and well above the 5-year average. OPEC spare capacity increased further from the previous quarter and stood at 5.47 mb/d in September while compliance with the agreed targets continued to deteriorate slightly to reach 66% by the end of Q3 2009.

On the other hand, some financial factors, most notably the steady weakening of the dollar drove investors into US dollar denominated commodities, including oil to hedge their positions. This provided a strong upward pressure on oil prices throughout Q3. The effect of demand on oil prices remained largely neutral with a slight global demand growth due mainly to seasonal factors as well as to accelerating consumption paired with large-scale stock building in China.

The average price of Dated Brent in Q3 2009 was USD 68.87/bbl, 15.3% higher than the Q2 2009 average, but 40.7% lower than the record levels seen a year ago. Oil demand grew slightly in Q3 2009 by 0.3 mb/d (or 0.36%) to 84.4 mb/d from Q2 2009, but remained 1.5 mb/d (or 1.8%) lower than during Q3 2008. Global annual demand forecasts have been revised upwards by 0.5 mb/d during Q3 2009 for both 2009 and 2010 to 84.4 mb/d and 85.7 mb/d, respectively.

Refining margins continued to remain below the 5-year average in Q3 2009. The slow rate of economic recovery keeps freight-related middle-distillate demand as well as jet fuel demand at very low levels, while demand for the less cyclical gasoline has largely rebound at a time of much lower refinery utilization. As a result, diesel and jet fuel crack spreads remained unchanged from Q2 at historically low levels while the gasoline crack spread was hovering slightly above the 5-year average. Naphtha crack spreads somewhat strengthened towards the end of Q3. Historically negative fuel oil crack spreads remained much stronger than pre-crisis levels reflecting the recessionary environment characterized by low utilization rate of refineries.

Croatia

The rate of economic contraction slowed markedly in Croatia throughout Q3 2009 following a 6.3% drop of GDP in Q2 2009, but low export demand continued to undermine the rebound significantly. Exports were 36.6% lower in July than a year earlier. Industrial production also remained depressed over the quarter contracting by 8.3% year-on-year. After a slight improvement in Q2, labour markets deteriorated again in Q3 as unemployment rate reached 14.2% in August. In contrast, tourism declined less than previously expected while the Croatian Kuna remained stable against the Euro and appreciated by nearly 4% against the US Dollar during Q3 2009. Investor's confidence also improved further during Q3 as credit default swap (CDS) spreads declined gradually from 340 basis points in July 2009 to 200 basis points by the end of September 2009, a 67% fall from record highs of 600 basis points seen in Q1 2009. A key to Croatia's recovery will be a rebound of demand in Germany and Italy, two of its largest export

7 MSCI- Morgan Stanley Capital International Index

markets. Economic growth is expected to return in 2010 fuelled mainly by the gradual but slow return of external demand. IMF expects Croatia's GDP to grow by 0.4% in 2010 following a 5.2% decline in 2009.

Bosnia-Herzegovina

Bosnia-Herzegovina was severely hit by the global economic crisis with its GDP expected to contract by 3% in 2009 and return only to a modest growth rate of 0.5% in 2010. Exports plummeted by 32.8% in the first seven months of 2009 year-on-year, while imports fell by 35.1% during the same period. The annual inflation slowed down and turned into deflation of 1.5% by the end of August. The crisis resulted in massive job losses, which drove official unemployment rate figures to a stunning high of 50.6% by the end of August. The exchange rate of the Bosnian currency, the Convertible Marka is pegged to the Euro and remained unchanged throughout Q3. Bosnia and Herzegovina was not able to withdraw a EUR 1.2 billion IMF stand-by facility due to the failure of the Parliament to pass a law restricting veterans' benefits, which had been a prerequisite of the IMF loan.

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Exploration and Production*

Q2 2009	Q3 2009	Q3 2008	Ch. %	Segment IFRS results (HRK million)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
1,373	1,134	2,229	(49.1)	Revenues continuing operations	6,100	4,217	(30.9)
456	786	386	103.6	Revenues discontinued operations	1,161	1,972	69.9
1,185	(193)	1,045	n.a.	Operating profit/(loss) continuing operations	2,736	1,775	(35.1)
(222)	(224)	(441)	(49.2)	Operating profit/(loss) discontinued operations	(1,033)	(805)	(22.1)
1.425	632	1.288	(50.9)	EBITDA continuing operations	3,494	3,167	(9.4)
(222)	(172)	(332)	(48.2)	EBITDA discontinued operations	(889)	(753)	(15.3)
827	954	916	4.1	CAPEX and investments	1,791	2,597	45.0

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

Q2 2009	Q3 2009	Q3 2008	Ch. %	Hydrocarbon Production (gross figures before royalty)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
171.0	179.6	189.8	(5.4)	Crude oil production (kt) *	559.6	521.8	(6.8)
132.3	132.3	140.0	(5.5)	Croatia	418.3	396.5	(5.2)
38.8	47.3	49.8	(5.0)	International	141.3	125.2	(11.4)
513.9	494.8	526.1	(5.9)	Natural gas production (m cm, net dry)	1,593.4	1,528.7	(4.1)
268.4	245.8	270.1	(9.0)	Croatia on-shore	854.3	782.9	(8.4)
206.9	212.6	233.8	(9.1)	Croatia off-shore	667.4	629.7	(5.6)
38.6	36.4	22.2	64.0	Syria	71.7	116.1	61.9
67.8	58.2	62.4	(6.9)	Condensate (kt)	211.0	193.3	(8.4)
13,557.7	14,817.0	15,276.2	(3.0)	Crude oil (boe/d)	15,118.3	14,149.3	(6.4)
7,974.7	6,652.9	7,056.0	(5.7)	Natural gas Condensate (boe/d)	8,114.4	7,526.6	(7.2)
33,240.8	31,659.2	33,660.6	(5.9)	Natural gas (boe/d)	34,231.4	32,962.5	(3.7)
13,383.8	13,602.6	14,961.0	(9.1)	o/w Croatia off-shore (boe/d)	14,338.0	13,577.8	(5.3)
54,773.2	53,129.1	55,992.7	(5.1)	Total hydrocarbon prod. (boe/d)	57,464.1	54,638.3	(4.9)

Excluding separated condensate

Q2 2009	Q3 2009	Q3 2008	Ch. %	Average realised hydrocarbon price	Q1-Q3 2008	Q1-Q3 2009	Ch. %
48.7	59.4	117.5	(49.5)	Crude oil and condensate price (USD/bbl)	102.3	47.3	(53.8)
48.3	47.3	69.4	(31.9)	Total hydrocarbon price (USD/boe)*	57.9	45.6	(21.3)

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

Q2 2009	Q3 2009	Q3 2008	Ch. %	Hydrocarbon production cost (USD/boe)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
10.5	13.0	14.9	(13.1)	Croatia - onshore	13.2	11.3	(14.2)
15.7	12.8	8.7	46.8	Croatia - offshore	9.5	15.2	59.5
				Angola			
5.2	13.3	9.9	33.8	Egypt	12.0	10.5	(12.5)
7.2	4.3	10.2	(57.7)	Syria	7.7	5.1	(33.8)
11.3	12.3	12.0	2.0	Average	12.0	11.8	(1.3)

Q2 2009	Q3 2009	Q3 2008	Ch. %	Natural Gas Trading (M cm)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
251.2	224.6	346.2	(35.1)	Natural gas imports (net dry)	912.6	755.1	(17.3)
443.7	546.2	603.0	(9.4)	Natural gas sales on domestic market (net dry)	2,137.5	1,877.1	(12.2)

Q2 2009	Q3 2009	Q3 2008	Ch. %	Natural gas price differential to import prices (HRK/M cm)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
(634.30)	(515.29)	(1,067.77)	(51.7)	Eligible customers' price	(921.72)	(848.14)	(8,0)
(925.49)	(279.75)	(1,283.63)	(78.2)	Tariff customers' price	(982.25)	(995.73)	1,4
(727.00)	(469.79)	(1,116.04)	(57.9)	Total price	(945.45)	(913.80)	(3,3)

Continuing operation

In Q3 2009, Exploration and Production segment operating profit, excluding one-off items, amounted to HRK 482 million versus HRK 688 million in Q2 2009. The HRK 206 million operating profit decrease reflected slightly lower production volumes, increased unit opex and strengthening of HRK vs USD. One-off items included a HRK 497 million one off gain from disposal of Gas Storage Company in Q2 2009 and HRK 675 million one-off expenses for impairment and field abandonment provision in Q3 2009. The Q3 2009 operating profit, excluding one-off items, decrease compared to Q3 2008, reflects 50% decrease of realised crude prices, 5% decrease in total hydrocarbon production and lower Crosco Group contribution.

In Q3 2009 the Group has reviewed its estimates regarding domestic field abandonment provisions, including the long-term premises on inflation and risk-free interest rates used for discounting future cash flows, as well as the scope of wells involved in the calculation. As a result, the provision for field abandonment liabilities increased by HRK 187 million, resulting in a corresponding increase of Property, Plant and Equipment (as required by IAS 37 on Provision) and also in the reversal of the other income of HRK 157 million recorded in H1 2009 for a decrease in the provision. Furthermore, an impairment test on the increased asset values resulted in an impairment loss of HRK 518 million related mainly to non-producing or maturing domestic on-shore fields.

In Q1-Q3 2009 Exploration and Production segment operating profit, excluding one-off items, was HRK 1,748 million, decreasing by 36% year-on-year. The main reasons for the profit decrease were halved crude prices, the 4.9% lower production volumes and the weaker HRK vs. USD, partly offset by higher operating profit contribution of Crosco Group. In addition, operating profit, including one-off items, were HRK 1,775 million in Q1-03 2009.

Average daily hydrocarbon production was around 54,600 boe in Q1-Q3 2009, representing a 4.9% decrease year-on-year. Croatian on-shore production both of crude oil and natural gas decreased by 5.2% and 8.4% year-on-year, respectively, representing the natural decline of these mature fields. INA’s share from the Croatian North Adriatic natural gas production was lower compared to Q1-Q3 2008 in line with the PSA and increased investments on the project. Internationally, crude oil production decreased by 11.4% year-on-year, as the increasing Syrian production could not compensate for the decrease in Egypt. The international natural gas production increased significantly by 61.9% as a result of the intensive development activity in Syria.

Exploration and Production segment’s revenues decreased by 30.9% to HRK 4,217 million in Q1-Q3 2009. This decrease primarily reflected 53.8% lower average realised crude price and 4.9% lower hydrocarbon production and the 13.4% weaker HRK vs. USD.

Average production cost for Q1-Q3 2009 decreased by 1.3% to 11.8 USD/boe. Syrian production cost decreased due to the higher hydrocarbon production volume, while the Egyptian production cost was lower because of the decrease in operating costs. North Adriatic production cost increased mainly due to the lower production and increased costs from activation of new assets, while the onshore production costs decrease came from reduced operating costs.

Exploration and Production segment’s Q1-Q3 2009 capex increased by HRK 806 million to the amount of HRK 2,597 million, compared to the same period 2008. This increase was primarily due to the intensified development operations in Syria and North Adriatic. Investments in tangible assets rose by HRK 826 million, while the investments in intangible assets were HRK 20 million lower.

Discontinued operations

The operating loss from discontinued operations was HRK 805 million in Q1-Q3 2009, representing a HRK 228 million decrease year-on-year. The main drivers of the improvements were the 3.3% lower price differential and the 17% lower import volumes. In Q3 2009 operating loss from discontinued operations remained stable compared to Q2 2009, despite a 35% decrease in the price differential which was offset by the increased natural gas sales. As compared to Q3 2008, the loss decreased by 49.2%, reflecting lower price differential and lower import volume.

The average price of imported natural gas rose by 12.9% in Jan-Sept 2009 period and amounted to 2.31407 HRK/Mcm/33,34 MJ (with 13.4% weaker Kuna against the USA dollar). In spite of a significant improvement of natural gas price differential to import prices from Q2 2009 to Q3 2009, Upstream discontinued activities are still under considerable negative influence of regulated domestic natural gas market prices. Total price differential decreased 3.3% in Q1-Q3 2009 showing slight improvement.

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Refining and Marketing*

Q2 2009	Q3 2009	Q3 2008	Ch. %	Segment IFRS results (HRK million)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
3,338	3,667	6,105	(39.9)	Revenues	15,717	9,676	(38.4)
(43)	(300)	(223)	34.5	Operating profit/(loss) reported	(99)	(463)	367.7
112	(154)	(129)	19.0	EBITDA	259	(58)	n.a.
381	289	395	(26.8)	CAPEX and investments (w/o acquisition)	879	818	(6.9)

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

Q2 2009	Q3 2009	Q3 2008	Ch. %	Refinery processing (kt)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
120	156	168	(7.1)	Domestic crude oil	456	411	(9.9)
1,010	1,071	897	19.4	Imported crude oil	2,718	3,097	14.0
37	33	38	(12.0)	Condensates	130	108	(17.4)
34	61	71	(14.7)	Other feedstock	252	210	(16.8)
1,201	1,321	1,175	12.5	Total refinery throughput	3,556	3,825	7.6
Q2 2009	Q3 2009	Q3 2008	Ch. %	Refinery production (kt)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
253	317	261	21,2	Motor gasoline	721	856	18.6
318	362	287	26,2	Diesel	825	931	12.9
84	152	173	(12,1)	Heating oil	600	477	(20.4)
25	39	35	12,5	Kerosene	76	78	2.6
42	24	35	(33,3)	Naphtha	101	109	7.7
37	39	63	(39,0)	Bitumen	157	91	(42.3)
301	236	180	31,3	Other products	669	843	26.0
1,061	1,168	1,034	12.9	Total	3,150	3,385	7.5
7	8	7	18.5	Refinery loss	21	21	3.3
134	145	133	8.6	Own consumption	385	419	8.8
1,201	1,321	1,175	12.5	Total refinery throughput	3,556	3,825	7.6
Q2 2009	Q3 2009	Q3 2008	Ch. %	External refined product sales by country (kt)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
584	695	730	(4.7)	Croatia	2,108	1,948	(7.6)
125	129	213	(39.7)	B&H	563	376	(33.2)
375	333	317	4.8	Other markets	710	998	40.5
1,084	1,157	1,260	(10.5)	Total	3,381	3,322	(1.7)
Q2 2009	Q3 2009	Q3 2008	Ch. %	External refined product sales by product (kt)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
269	320	333	(4,0)	Motor gasoline	795	863	8.5
327	378	418	(9,5)	Diesel	1,091	986	(9.7)
107	140	160	(13,0)	Heating and Fuel oils	580	490	(15,6)
26	40	47	(13,1)	Kerosene	92	81	(12.2)
38	40	66	(38,7)	Bitumen	156	92	(41.2)
318	239	237	0,7	Other products	666	811	3.8
1,084	1,157	1,260	(8.2)	Total	3,381	3,322	(1.7)
307	377	371	1.6	o/w Retail segment sales	967	945	(2.3)
777	779	889	(12.3)	o/w Direct sales to other end-users	2,414	2,377	(1.5)

In Q3 2009, Refining and Marketing segment operating loss, excluding impairment of HRK 44 million, was HRK 256 million versus HRK 43 million operating loss made in Q2 2009, reflecting significantly lower positive effect in changes of inventories (HRK 172 million in Q2 2009 compared to HRK 30 million in Q3 2009), a HRK 20 million negative impact of the price cap experienced in August 2009 and increased cost of raw material and consumables.

Comparing to Q3 2008, operating loss, excluding one-off items, was HRK 33 million higher, primarily due to the negative impact of a 67% lower average refinery spread[8] (26.4 USD/t in Q3 2009 vs. 80.2 USD/t in Q3 2008) driven by lower market spreads and unfavourable sales product structure and increased sales to lower margin other markets. Total sales volumes in Q3 2009 which were 8.2% lower on Q3 2008, reflecting the strong decrease in Bosnia-Herzegovina and slowdown on the domestic market, abetted the unfavourable Q3 result. Price cap which was applied during Q3 2008 was almost completely eliminated, except during August 2009 when resulted with an amount of HRK 20 million[9].

8 Average refinery margin calculated on the basis of sales structure by product and Platt's (FOB Med) quotations

9 In Q3 2008, the negative effect of the price cap amounted to HRK 28 million and in Jan-Sept 2008 to HRK 109 million. The negative effect of regulated LPG prices amounted to HRK 112 million, in Jan-Sept 2008 HRK 294 million. Q3 2009 negative price effect of HRK 20 million was a result of increased Value added tax rate which was applied from 01 August 2009, when INA during August did not increase the prices accordingly.

In Q1-Q3 2009 the Refining and Marketing segment operating loss, excluding impairment of HRK 58 million, was at HRK 405 million versus HRK 99 million operating loss reported in the base period abetted by deteriorating market environment. The reported operating loss including the one-off items was at HRK 463 million in Q1-Q3 2009.

The external conditions have remained quite tight during Q1-Q3 2009, with substantially lower crack spread levels compared to the same period of 2008. The average Platt's refinery spread (FOB Med - Italy) fell by 63% from 62.4 USD/t in Q1-Q3 2008 to 22.9 USD/t in Q1-Q3 2009. In particular, gas oil (EN590 50ppm), which fell from 210.7 USD/t to 60.0 USD/t and motor gasoline (unleaded premium 50ppm) declined from 116.2 USD/t to 106.4 USD/t. The negative margin for fuel oil was reduced from 310.6 USD/t to 118.1 USD/t in Q1-Q3 2009.

Refinery throughput increased by 7.6% year-on-year in Q1-Q3 2009, as INA was able to increase the production of Euro IV fuels, thus reduced the import requirement of quality products.

Refining and Marketing sales volumes eroded by 1.7% in Q1-Q3 2009 year-on-year to 3.3 million tons. Motor gasoline sales increased by 8.5%, while diesel fuel decreased by 9.7% in Q1-Q3 2009 year-on-year. Market demand for EURO IV grade products was met by a 25% higher own production and the sale of imported products held in inventories. Lower volumes on domestic (7.6%) and Bosnia-Herzegovina (33.2%) markets were partly compensated by increased sales to lower margin other markets.

Wholesale market share on the domestic market eroded from 74% in Q1-Q3 2008 to 73% in Q1-Q3 2009, but, INA remains the market leader with a strong market position. However, market share in Bosnia and Herzegovina declined from 42% to 30%, as the Bosanski Brod refinery came on stream.

The LPG pricing regulation changed as of 29 April 2009 introducing a margin based pricing. Formerly the Croatian regulation set the maximum wholesale and retail LPG price, while according to the new regulation LPG prices follow the international quoted prices with a determined margin.

Refining and Marketing CAPEX was HRK 818 million in Q1-Q3 2009, 7% below the base period, which included capitalised costs related to general overhaul. Capex spent on the Refinery Modernisation Programme was HRK 718 million up 18% year-on-year, mainly spent on Rijeka refinery. Current projects at Rijeka refinery comprise the construction of hydrocracker, sulphur recovery and hydrogen generating units. Environmental impact procedure for delayed cocking technology is underway. Operating permit was obtained for Sisak refinery FCC-gasoline hydrodesulphurization unit, which produces low sulphur components for blending. Construction activities are underway at the Isomerisation unit as well as completion of detailed engineering and equipment procurement.

Retail Services*

Q2 2009	Q3 2009	Q3 2008	Ch. %	Segment IFRS results (HRK million)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
1,504	1,794	2,678	(33.0)	Revenues	6,557	4,445	(32.2)
7	(51)	16	n.a.	Operating profit/(loss)	(101)	(48)	(52.5)
36	90	50	81.5	EBITDA	48	171	256.3
5	5	47	(89.4)	CAPEX and investments (w/o acquisition)	107	20	(81.3)

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

Q2 2009	Q3 2009	Q3 2008	Ch. %	Refined product retail sales (kt)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
112	138	142	(2.7)	Motor gasoline	365	345	(5.5)
187	230	226	1.6	Gas and heating oils	590	572	(3.1)
13	15	15	(5.9)	LPG	41	42	1.9
1	1	1	(0.7)	Other products	3	3	0.0
313	384	385	(0.3)	Total	1,000	962	(3.7)

Q2 2009	Q3 2009	Q3 2008	Ch. %	Refined product retail sales (kt)	Q1-Q3 2008	Q1-Q3 2009	Ch. %
299	367	368	(0.1)	Croatia	954	920	(3.5)
10	12	12	(1.8)	B&H	32	30	(4.6)
4	4	5	(7.7)	Other markets	14	12	(15.1)
312	384	385	(0.3)	Total	1,000	962	(3.7)

Retail Services operating profit, excluding impairments of HRK 125 million, which indicates the profitability of normal operations, was HRK 74 million in Q3 2009, representing a significant improvement over the previous Q2 2009 operating profit of HRK 7 million. The main drivers of the quarter-on-quarter profit improvement were a 22.7% increase in retail sales volumes, improvement in fuel margin and lower provisions for costs and other changes. Operating profit excluding impairments also significantly improved in Q3 2009 compared to Q3 2008, mainly due to improvement in fuel margin. Retail Services reported operating result includes a non-recurring loss of HRK 125 million on impairment of petrol stations in Q3 2009, so the reported operating result was HRK 51 million loss in Q3 2009.

In Q1-Q3 2009 INA Group had HRK 82 million operating profit, excluding the one-off item on impairment of petrol stations of HRK 130 million, versus a HRK 101 million operating loss made in Q1-Q3 2008. This significant improvement in operating profit, excluding one-off items, was mainly due to the improved fuel and non-fuel margins, as a result of eliminated price cap (HRK 99 million negative impact in Q1-Q3 2008), and positive effects of reduced costs. The reported operating loss (including the impairment) for the first nine months of 2009 amounted to HRK 48 million.

Total retail sales volumes, consisted primarily of diesel fuels and motor gasoline sales, decreased by 3.7% year-on-year in Q1-Q 2009. Average throughput per site was 4.6% down on Q1-Q3 2008. INA Group experienced a 2.9% decrease in diesel sales and 5.5% decrease in motor gasoline sales in Q1-Q3 2009. LPG sales increased by 1.9%, while other products sales remained stable year-on-year in Q1-Q3 2009. In Croatia retail sales eroded by 3.5%, while INA maintained its domestic retail market share, year-on-year in Q1-Q3 2009.

In addition, non-fuel products sales increased by 15.4%, while the gross margin of non-fuel products sold at petrol stations per litre of fuel was 15.7% up in Q1-Q3 2009 on the same period last year.

The retail segment operated 489 petrol stations (of which 438 in Croatia; 44 in Bosnia-Herzegovina, 6 in Slovenia and 1 in Montenegro) as of 30 September 2009, an increase of 4 petrol stations compared to 30 September 2008.

Retail CAPEX amounted to HRK 20 million in Q1-Q3 2009 compared to HRK 107 million in Q1-Q3 2008. Approximately half of the CAPEX was spent on new sites, while the remainder was spent on minor projects such as technological and facility improvements, shop equipment, etc.

Financial overview

Operations

The Government of the Republic of Croatia and the Hungarian oil company, MOL signed a Master Agreement on Natural Gas Business (a framework agreement regulating some of the basic issues regarding the future of the natural gas market and natural gas supply in Croatia). Under above Agreement, the gas storage business was taken over by a fully state-owned company Plinacro d.o.o. on 30 April 2009. Negotiations on the divestment of the gas trading business are ongoing. As the gas trading activity meets the definition of an operation as per IFRS 5, the company has disclosed its results as loss from discontinued operations.

Continuing operations

INA Group[10] net sales revenues in Q1-Q3 2009 amounted to HRK 14.2 billion - 33% down on Q1-Q3 2008, primarily due to the lower selling prices and 8% lower domestic sales of refined products and 8% lower export sales of crude, while the export sales of refined products rose by 7%.

During August 2009 INA Group was unable to apply maximum prices possible under the pricing formula for domestic retail prices of refined products with negative effect of HRK 20 million. In Q1-Q3 2008 lost revenues were significantly higher and amounted to HRK 512 million, out of which lost revenue attributable to “price cap” on refined products was HRK 218 million, and HRK 294 million to the negative effect of regulated LPG prices.

The costs of raw materials and consumables in Q1-Q3 2009 were 31% down on Q1-Q3 2008 with the cost of crude down by 34%, due to 42% lower average price of imported crude (the average Brent FOB Med price on the world market down by 48.4%) and 14% higher refined volume. The value of finished goods and work in progress inventories increased by HRK 157 million compared to the opening balance, while in Q1-Q3 2008 it was HRK 275 million up on the opening balance. The cost of goods sold of HRK 602 million was down by 77%, primarily due to considerably lower imports of Euro IV grade motor fuels. The costs of services amounted to HRK 2,186 million, down by HRK 724 million, mainly as a result of cost-cutting measures, lower accruals for contracted liabilities, and lower costs of excess recovery petroleum as well as initial project costs in Mexico in Q1-Q3 2008. The depreciation rose by 12%, to the amount of HRK 1,161 million, mainly because of assets put in use upon completion of projects. Adjustments and provisions amounting to HRK 994 million were up by HRK 625 million, mainly due to the impairment loss recognized on the increased field abandonment provision (HRK 518 million, see below in the Balance Sheet section). In addition, impairment loss of HRK 130 million has been recognized on certain low-profile filling stations upon reviewing long-term discount rates used for the impairment calculations. Total personnel costs were down by 1% compared to Q1-Q3 2008.

Financial activities in Q1-Q3 2009 generated a loss of HRK 121 million, compared to the HRK 342-million loss recorded in Q1-Q3 2008. Net forex gain of HRK 208 million mainly relate to long-term loans. In Q1-Q3 2009, net forex expense of HRK 117 million were recorded. The interest expenses rose by HRK 85 million over Q1-Q3 2008 and amounted to HRK 220 million, while other financial expenses rose by HRK 19 million to the amount of HRK 109 million.

Profit tax calculated on continuing operations for Q1-Q3 2009 amounts to HRK 71 million compared to HRK 238 million for Q1-Q3 2008.

Discontinued operations

The net loss of discontinued operations, the gas trading business, amounted to HRK 714 million, down by HRK 273 million compared to Q1-Q3 2008, mainly as a result of lower sale of imported gas and lower negative difference between average sales and import prices of natural gas. The operating loss was down by HRK 228 million over Q1-Q3 2008 and amounted to HRK 805 million. The financial loss recorded on the fair valuation of embedded derivatives was down by HRK 18 million and amounted to HRK 88 million. Deferred taxes increased by HRK 27 million to HRK 179 million in Q1-Q3 2009.

[10] External sales

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Balance sheet

As at 30 September 2009, total assets amounted to HRK 30.6 billion, 15% up on 31 December 2008. Non-current tangible and intangible assets increased by 17% mainly on account of investments in gas field development operations in the North Adriatic and Syria, and investments in refinery modernisation. Goodwill and investments in associates and joint ventures increased by HRK 155 million. The increase of (non-current) assets available for sale by HRK 143 million was mainly a result of a higher market value of Janaf d.d. shares. Deferred taxes increased by HRK 105 million.

The value of inventories was up by 24% and amounted to HRK 3.0 billion, primarily due to the higher inventories of imported crude (higher volume and prices at which inventories were calculated). As at 30 September 2009 net trade debtors amounting to HRK 3.0 billion were 1% up on up on 31 December 2008, primarily as a result of more difficult collection of receivables.

Assets held for disposal and disposal groups (current assets for gas storage operations) increased by 11% and amounted to HRK 397 million, primarily as a result of building up gas inventories for the winter season. Until the expected divestment of the gas trading business gas inventories are included in the balance sheet of INA.

Total INA Group liabilities as at 30 September 2009 amounted to HRK 18.7 billion – up by 28% on 31 December 2008. Higher liabilities were mainly a result of higher long-term provisions and higher liabilities for taxes and contributions, considerable part of which was overdue. In addition, indebtedness increased to HRK 8.6 billion compared to HRK 7.1 billion on 31 December 2008. Borrowed amounts were used for crude purchases and capital expenditures. The amount of trade creditors decreased by HRK 352 million, mainly due to considerably lower imports of refined products. Long-term and short-term provisions amounted to HRK 2.8 billion and were increased significantly, since the Group has reviewed its estimates regarding domestic field abandonment liabilities, including the long-term premises on inflation and risk-free interest rates used for discounting future cash flows, as well as the scope of wells involved in the calculation. As a result, the provision for field abandonment liabilities increased by HRK 1.3 billion, resulting in a corresponding increase of Property, Plant and Equipment (as required by IAS 37 on Provisions) and also in the reversal of the other income of HRK 157 million recorded in H1 2009 for a decrease in the provision. Furthermore, an impairment test on the increased asset values resulted in an impairment loss of HRK 518 million related mainly to non-producing or maturing domestic on-shore fields.

The Group's net debt amounted to HRK 8.1 billion, compared to the debt of HRK 6.6 billion as at 31 December 2008. Net gearing[11] increased from 35.3% to 40.4% as at 30 September 2009.

Cash flow

In Q1-Q3 2009, the operating cash flow before changes in working capital amounted to HRK 1,939 million, HRK 338 million down on Q1-Q3 2008, primarily as a result of lower EBITDA. The decrease of working capital increased the cash flow from operating activities by 112 million. The favourable influence of HRK 1,242 million higher trade creditors, part of which was overdue was partly offset by HRK 728 million higher value of inventories, HRK 287 million higher trade debtors and HRK 115 million lower provisions. The profit tax for Q1-Q3 2009 amounted to HRK 25 million.

Net outflows in investing activities amounted to HRK 3,620 million – HRK 772 million up on Q1-Q3 2008. A higher amount of capex mainly related to Syrian projects, North Adriatic and the refinery modernisation programme.

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

Financial instruments and risk management

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

a) Market risks

Price risks

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

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

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

Currency risk management

While the Group operates home and abroad many company transactions are denominated in foreign currency and is thus exposed to currency risk. The Refined Product Pricing Regulation provides the Group, to a large extent, with the foreign exchange hedging. Furthermore, as significant part of the Group revenues come from exports and foreign operations, it provides the natural hedging to the Group i.e. currency mix management.

Interest rate risk management

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

Other price risks

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

b) Credit risks

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

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

c) Liquidity risks

The Group's liquidity risk is managed by maintaining adequate reserves and credit lines, and by continuous monitoring of projected and actual cash flow, and due dates for amounts receivable and payable.

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

d) Fair value of financial instruments

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

Related party transactions

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

INA parent company HRK mill	Amounts owed from related parties	Amounts owed to related parties
	30 September 2009	30 September 2009
Foreign related companies		
Interina Ltd Guernsey	130	84
Holdina Sarajevo	107	3
Interina d.o.o. Mostar (Sarajevo)	-	-
Interina d.o.o. Ljubljana	1	-
Interina Ltd London	-	2,795
INA – Crna Gora	7	-
INA - Beograd	6	-
Domestic related companies		
Crosco Grupa	1	55
Osijek Petrol d.d.	119	1
Crobenz d.d. Zagreb	144	1
Proplin d.o.o. Zagreb	84	29
STSI d.o.o. Zagreb	2	228
Maziva Zagreb d.o.o. Zagreb	15	36
ITR d.o.o.	-	33
Sinaco d.o.o.	-	63
Hostin d.o.o.	-	1
Prirodni plin d.o.o.	698	294

INA parent company HRK mill	Revenues from sales of goods and services to related parties	Costs of transactions with related parties
	30 September 2009	30 September 2009
Foreign related companies		
Interina Ltd Guernsey	1,497	-
Holdina Sarajevo	392	-
Interina d.o.o. Mostar	-	-
Interina d.o.o. Ljubljana	11	-
Interina Ltd London	148	-
Adriagas Milano	-	3
INA – Crna Gora	25	-
INA - Beograd	33	-
Domestic related companies		
Crosco Grupa	4	103
Osijek Petrol d.d.	363	-
Crobenz d.d. Zagreb	368	3
Proplin d.o.o. Zagreb	331	-
STSI d.o.o. Zagreb	6	218
Maziva Zagreb d.o.o. Zagreb	38	7
ITR d.o.o.	1	22
Sinaco d.o.o.	1	99
Hostin d.o.o.	-	1
Prirodni plin d.o.o.	514	21
Polybit d.o.o.	1	-

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INA Group Summary Segmental Results of Operations

Q2 2009 HRK mill	Q3 2009 HRK mill	Q3 2008 HRK mill	Ch.%		Q1-Q3 2008 HRK mil	Q1-Q3 2009 HRK mil	Ch.%
				Sales			
1,373	1,134	2,229	(49)	Exploration & Production – continuing operations	6,100	4,217	(31)
3,338	3,667	6,105	(40)	Refining & Marketing	15,717	9,676	(38)
1,504	1,794	2,678	(33)	Retail	6,557	4,445	(32)
269	231	274	(16)	Corporate and Other	685	640	(7)
(1,635)	(1,953)	(2,943)	(34)	Inter-segment revenue	(7,948)	(4,752)	(40)
4,849	4,873	8,343	(42)	Sales – continuing operations	21,111	14,226	(33)
456	786	386	104	Exploration & Production – discontinued operations	1,161	1,972	70
5,305	5,659	8,729	(35)	Total sales	22,272	16,198	(27)
				Operating expenses, net other income from operating activities			
(188)	(1,327)	(1,184)	12	Exploration & Production – continuing operations	(3,364)	(2,442)	(27)
(3,381)	(3,967)	(6,328)	(37)	Refining & Marketing	(15,816)	(10,139)	(36)
(1,497)	(1,845)	(2,662)	(31)	Retail	(6,658)	(4,493)	(33)
(443)	(403)	(474)	(15)	Corporate and Other	(1,298)	(1,165)	(10)
1,635	1,953	2,943	(34)	Inter-segment eliminations	7,948	4,752	(40)
(3,874)	(5,589)	(7,705)	(27)	Expenses – continuing operations	(19,188)	(13,487)	(30)
(678)	(1,010)	(827)	22	Exploration & Production – discontinued operations	(2,194)	(2,777)	27
(4,552)	(6,599)	(8,532)	(23)	Total expenses	(21,382)	(16,264)	(24)
				Profit from operations			
1,185	(193)	1,045	(118)	Exploration & Production - continuing operations	2,736	1,775	(35)
(43)	(300)	(223)	35	Refining & Marketing	(99)	(463)	368
7	(51)	16	n.a.	Retail	(101)	(48)	(52)
(174)	(172)	(200)	(14)	Corporate and Other	(613)	(525)	(14)
975	(716)	638	n.a.	Profit/(loss) form operations – continuing operations	1,923	739	(62)
(222)	(224)	(441)	(49)	Exploration & Production – discontinued operations	(1,033)	(805)	(22)
753	(940)	197	n.a.	Total profit/(loss) form operations	890	(66)	n.a.
				Share in the profit of associate companies			
512	176	(662)	n.a.	Net profit/(loss) from financial activities - continuing operations	(342)	(121)	(65)
(46)	(18)	(89)	(80)	Net profit/(loss) from financial activities - discontinued operations	(106)	(88)	(17)
466	158	(751)	n.a.	Net profit/(loss) from financial activities	(448)	(209)	(53)
1,487	(540)	(24)	n.a.	Profit/(loss) before taxation - continuing operations	1,581	618	(61)
(268)	(242)	(530)	(54)	Profit/(loss) before taxation - discontinued operations	(1,139)	(893)	(22)
1,219	(782)	(554)	41	Profit/(loss) before taxation	442	(275)	n.a.
(193)	59	83	(29)	Income tax - continuing operations	(238)	(71)	(70)
53	49	30	63	Income tax - discontinued operations	152	179	18
(140)	108	113	(4)	Income tax	(86)	108	n.a.
1,294	(481)	59	n.a.	Profit/(loss) for the period - continuing operations	1,343	547	(59)
(215)	(193)	(500)	(61)	Profit/(loss) for the period - discontinued operations	(987)	(714)	(28)
1,079	(674)	(441)	53	Profit/loss) for the period	356	(167)	n.a.

Q2 2009	Q3 2009	Q3 2008	Ch. %	Operating Profit Excluding Special Items*	Q1-Q3 2008	Q1-Q3 2009	Ch. %
688	482	1,045	(54)	Exploration and Production continuing	2,736	1,748	(36)
(222)	(224)	(441)	(49)	Exploration and Production discontinued	(1,033)	(805)	(22)
(43)	(256)	(223)	15	Refining and Marketing	(99)	(405)	309
7	74	16	363	Retail	(101)	82	n.a.
(174)	(172)	(200)	(14)	Corporate and other	(613)	(525)	(14)
256	(96)	197	n.a.	Total	890	95	(89)

Q2 2009	Q3 2009	Q3 2008	Ch. %	Depreciation	Q1-Q3 2008	Q1-Q3 2009	Ch. %
253	254	231	10	Exploration and Production continuing	639	757	18
0	0	0	n.a.	Exploration and Production discontinued	0	0	n.a.
74	75	68	10	Refining and Marketing	198	220	11
27	24	27	(11)	Retail	79	77	(3)
41	39	39	0	Corporate and other	118	122	3
395	392	365	7	Total	1,034	1,176	14

Q2 2009	Q3 2009	Q3 2008	Ch. %	EBITDA *	Q1-Q3 2008	Q1-Q3 2009	Ch. %
1,425	632	1,288	(51)	Exploration and Production continuing	3,494	3,167	(9)
(222)	(172)	(332)	(48)	Exploration and Production discontinued	(889)	(753)	(15)
112	(154)	(129)	19	Refining and Marketing	259	(58)	n.a.
36	90	50	82	Retail	48	171	256
(125)	(135)	(156)	(14)	Corporate and other	(475)	(386)	(19)
1,226	261	719	(64)	Total	2,437	2,141	(12)

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

Q2 2009	Q3 2009	Q3 2008	Ch. %	EBITDA Excluding Special Items*	Q1-Q3 2008	Q1-Q3 2009	Ch. %
928	1,307	1,288	2	Exploration and Production continuing	3,494	3,140	(10)
(222)	(172)	(332)	(48)	Exploration and Production discontinued	(889)	(753)	(15)
112	(110)	(129)	(15)	Refining and Marketing	259	0	n.a.
36	215	50	333	Retail	48	301	527
(125)	(135)	(156)	(14)	Corporate and other	(475)	(386)	(19)
729	1,105	719	54	Total	2,437	2,302	(6)

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

INDUSTRIJA NAFTE, d.d.

Income Statement
- continuing operations -

Q2 2009 HRK mill	Q3 2009 HRK mill	Q3 2008 HRK mill	Ch. %		Q1-Q3 2008 HRK mil	Q1-Q3 2009 HRK mil	Ch. %
				CONTINUING OPERATIONS			
				Income Statement Data			
				Sales revenue			
2,870	2,839	4,958	(43)	a) Domestic	12,939	8,571	(34)
1,979	2,034	3,385	(40)	b) Exports	8,172	5,655	(31)
4,849	4,873	8,343	(42)	Total sales revenue	21,111	14,226	(33)
50	24	131	(82)	Income from own consumption of products and services	300	107	(64)
724	(144)	66	n.a.	Other operating income	406	980	141
5,623	4,753	8,540	(44)	Total operating income	21,817	15,313	(30)
292	(13)	(238)	(95)	Changes in inventories of finished products and work in progress	275	157	(43)
(2,533)	(3,090)	(4,201)	(26)	Cost of raw materials and consumables	(11,164)	(7,691)	(31)
(394)	(377)	(366)	3	Depreciation and amortization	(1,034)	(1,161)	12
(465)	(473)	(687)	(31)	Other material costs	(1,875)	(1,357)	(28)
(241)	(279)	(371)	(25)	Non-material costs	(1,035)	(829)	(20)
(738)	(690)	(721)	(4)	Staff costs	(2,128)	(2,097)	(1)
(490)	225	(1,271)	n.a.	Cost of other goods sold	(2,564)	(602)	(77)
(61)	(707)	(35)	n.a.	Impairment charges (net)	(282)	(901)	220
(18)	(65)	(12)	442	Provisions for charges and risks	(87)	(93)	7
(4,648)	(5,469)	(7,902)	(31)	Operating expenses	(19,894)	(14,574)	(27)
975	(716)	638	n.a.	Profit from operations	1,923	739	(62)
				Share in the profit of associated companies			
113	225	(332)	n.a.	Finance revenue	265	486	83
399	(49)	(330)	(85)	Finance costs	(607)	(607)	0
512	176	(662)	n.a.	Net (loss) / profit from financial activities	(342)	(121)	(65)
1,487	(540)	(24)	n.a.	Profit for the year before taxation	1,581	618	(61)
(193)	59	83	(29)	Income tax	(238)	(71)	(70)
1,294	(481)	59	n.a.	Profit / (Loss) for the year	1,343	547	(59)
				DISCONTINUED OPERATIONS			
(215)	(193)	(500)	(61)	Profit / (loss) for the year – discontinued operations	(987)	(714)	(28)
1,079	(674)	(441)	53	Profit / (loss) for the year	356	(167)	n.a.
				Attributable to			
1,079	(675)	(441)	53	Equity holder	355	(168)	n.a.
0	1	0	n.a.	Minority interest	1	1	0
1,079	(674)	(441)	53		356	(167)	n.a.
				Earning/(loss) per share (in HRK)			
107.9	(67.5)	(44.1)	53	Basic and diluted earnings/(loss) per share (kuna per share) from continuing and discontinued operations	35.5	(16.8)	n.a.
129.4	(48.1)	5.8	n.a.	Basic and diluted earnings per share (kuna per share) from continuing operations	134.2	54.7	(59)

Income Statement
- discontinued operations -

Q2 2009 HRK mill	Q3 2009 HRK mill	Q3 2008 HRK mill	Ch. %		Q1-Q3 2008 HRK mill	Q1-Q3 2009 HRK mill	Ch. %
				DISCONTINUED OPERATIONS			
				Income Statement Data			
				Sales revenue			
456	786	386	104	a) Domestic	1,116	1,972	77
				b) Exports	45		
456	786	386	104	Total sales revenue	1,161	1,972	70
				Income from own consumption of products and services			
(41)				Other operating income		64	
415	786	386	104	Total operating income	1,161	2,036	75
				Changes in inventories of finished products and work in progress			
				Cost of raw materials and consumables			
				Depreciation and amortization			
(141)	(39)	(82)	(52)	Other material costs	(243)	(322)	33
	(0)	(1)	(70)	Non-material costs	(5)	(0)	(94)
(2)	(1)		n.a.	Staff costs	(3)	(4)	33
(494)	(918)	(635)	45	Cost of other goods sold	(1,799)	(2,463)	37
	(52)	(109)	(52)	Impairment charges (net)	(144)	(52)	(64)
				Provisions for charges and risks			
(637)	(1,010)	(827)	22	Operating expenses	(2,194)	(2,841)	29
(222)	(224)	(441)	(49)	Profit from operations	(1,033)	(805)	(22)
				Share in the profit of associated companies			
				Finance revenue			
(46)	(18)	(89)	(80)	Finance costs	(106)	(88)	(17)
(46)	(18)	(89)	(80)	Net (loss) / profit from financial activities	(106)	(88)	(17)
(268)	(242)	(530)	(54)	Profit for the year before taxation	(1,139)	(893)	(22)
53	49	30	63	Deferred tax	152	179	18
(215)	(193)	(500)	(61)	Profit / (Loss) for the year - discontinued operations	(987)	(714)	(28)

INDUSTRIJA NAFTE, d.d.

Consolidated Balance Sheet

31 Dec 2008 HRK mill		30 Sept 2008 HRK mill	30 Sept 2009 HRK mill	Ch. %
	Assets			
	Non-current assets			
680	Intangible assets	582	784	35
17,519	Property. plant and equipment	16,679	20,453	23
197	Goodwill	197	293	49
76	Investments in associates and joint ventures	85	68	(20)
83	Investments in other companies	86	150	74
166	Long-term receivables	180	159	(12)
78	Derivative financial instruments	107	8	(93)
341	Deferred tax	158	446	182
201	Available for sale assets	367	344	(6)
19,341	Total non-current assets	18,441	22,705	23
	Current assets			
2,390	Inventories	4,836	2,953	(39)
2,914	Trade receivables net	3,561	2,957	(17)
719	Other receivables	733	693	(5)
106	Derivative financial instruments	93	72	(23)
38	Other current assets	53	142	168
167	Prepayments and advances	145	191	32
579	Cash with bank and in hand	387	527	36
359	Available for sale assets		397	n.a.
7,272	Total current assets	9,808	7,932	(19)
26,613	Total assets	28,249	30,637	8
	Equity and liabilities			
	Capital and reserves			
9,000	Share capital	9,000	9,000	0
(135)	Revaluation reserve	(2)	(21)	950
2,307	Other reserves	2,303	2,292	(0)
855	Retained earnings / (Deficit)	2,309	687	(70)
12,027	Equity attributable to equity holder of the parent	13,610	11,958	(12)
10	Minority interests	10	11	10
12,037	Total equity	13,620	11,969	(12)
	Non-current liabilities			
4,554	Long-term loans	4,144	5,176	25
138	Other non-current liabilities	140	128	(9)
107	Employee benefits obligation	103	116	13
1,380	Long-term provisions	1,425	2,737	92
6,179	Total non-current liabilities	5,812	8,157	40
	Current liabilities			
2,492	Bank loans and overdrafts	3,935	3,352	(15)
98	Current portion of long-term debt	90	115	28
3,815	Accounts payable	3,428	3,463	1
1,211	Taxes and contributions	706	2,553	262
342	Other short-term liabilities	292	644	121
237	Accruals and deferred income	224	292	30
17	Employee benefits obligation	14	16	14
185	Short-term provisions	128	76	(41)
8,397	Total current liabilities	8,817	10,511	19
14,576	Total liabilities	14,629	18,668	28
26,613	Total equity and liabilities	28,249	30,637	8

Capital Expenditure

Q2 2009	Q3 2009	Q3 2008	Ch. %	Capital Expenditures	Q1-Q3 2008	Q1-Q3 2009	Ch. %
827	954	916	4.1	Exploration and Production	1,791	2,597	45.0
381	289	395	(26.8)	Refining and Marketing	879	818	(6.9)
5	5	47	(89.4)	Retail	107	20	(81.3)
26	6	16	(62.5)	Corporate and other	60	42	(30.0)
1,239	1,254	1,374	(8.7)	Total	2,837	3,477	22.6

Q2 2009	Q3 2009	Q3 2008	Ch. %	Tangible Assets	30/09/2008	30/09/2009	Ch. %
795	861	844	2.0	Exploration and Production	1,617	2,443	51.1
381	289	393	(26.5)	Refining and Marketing	875	817	(6.6)
5	5	47	(89.4)	Retail	106	19	(82.1)
19	4	16	(75.0)	Corporate and other	60	32	(46.7)
1,200	1,159	1,300	(10.8)	Total	2,658	3,311	24.6

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 30 September 2008 and 2009
(All amounts in HRK millions)

Q2 2009	Q3 2009	Q3 2008	Ch. %		Q1-Q3 2008	Q1-Q3 2009	Ch. %
1,079	(674)	(441)	53	Profit for the year	356	(167)	n.a.
				Adjustments for:			
394	376	366	3	Depreciation and amortisation of non-current assets	1,034	1,160	12
140	(108)	(114)	(5)	Income tax expenses recognized in profit	86	(108)	n.a.
62	479	144	232	Impairment charges (net)	426	673	58
(2)	(1)	0	n.a.	Gain on sale of property plant and equipment	(9)	(10)	11
0	0	0	n.a.	Gain on sale of shares or stakes	0	0	n.a.
(617)	(307)	551	n.a.	Foreign exchange loss/(gain)	106	(210)	n.a.
111	119	86	38	Interest expense (net)	212	307	45
45	25	103	(76)	Other financial expenses/(income)	120	112	(7)
(6)	251	136	85	Change in provision for charges and risks and other non-cash items	(54)	182	n.a.
1,206	160	832	(81)	Operating cash flow before working capital changes	2,277	1,939	(15)
				Movements in working capital			
(373)	(364)	(1.066)	(66)	(Increase)/decrease in inventories	(1,968)	(728)	(63)
(506)	193	(396)	n.a.	(Increase)/decrease in receivables and prepayments	(639)	(287)	(55)
1,237	288	135	113	Increase/(decrease) in trade and other payables	(8)	1,242	n.a.
(308)	303	(77)	n.a.	Increase/(decrease) in provisions	46	(115)	n.a.
1,256	580	(572)	n.a.	Cash generated from operations	(292)	2,051	n.a.
(18)	(7)	(28)	(75)	Taxes paid	(116)	(25)	(78)
1,238	573	(600)	n.a.	Net cash inflow from operating activities	(408)	2,026	n.a.
				Cash flows used in investing activities			
(1,200)	(1,159)	(1,300)	(11)	Payments for property, plant and equipment	(2,658)	(3,311)	25
(39)	(95)	(74)	28	Payments for intangible assets	(179)	(166)	(7)
6	0	0	n.a.	Proceeds from sale of non-current assets	14	15	7
	(101)	0	n.a.	Purchase of investments in associates and joint ventures and other companies		(101)	n.a.
1	0	0	n.a.	Dividends received from companies classified under available for sale and other companies		3	n.a.
(3)	0	0	n.a.	Interest received	0	0	n.a.
4	3	(6)	n.a.	Investments and loans to third parties, net	(25)	(60)	140
(1,231)	(1,352)	(1,380)	(2)	Net cash (outflow) from investing activities	(2,848)	(3,620)	27
				Cash flows from/(used in) financing activities			
0	1	941	(100)	Additional long-term borrowings	1,061	969	(9)
(21)	(49)	(29)	69	Repayment of long-term borrowings	(93)	(105)	13
2,045	2,937	7,531	(61)	Additional short-term borrowings	14,575	6,896	(53)
(1,838)	(1,993)	(6,383)	(69)	Repayment of short-term borrowings	(12,306)	(6,061)	(51)
(18)	(9)	(34)	(74)	Interest paid on long-term loans	(98)	(71)	(28)
(2)	(2)	0	n.a.	Other long-term liabilities, net	(4)	(10)	150
0	0	(1)	n.a.	Dividends paid	(150)		n.a.
(23)	(27)	(28)	(4)	Interest paid on short term loans and other financing charges	(68)	(69)	1
143	858	1,997	(57)	Net cash inflow/(outflow) from financing activities	2,917	1,549	(47)
150	79	17	362	Net (decrease)/increase in cash and cash equivalents	(339)	(45)	(87)
308	443	368	20	At beginning of period	720	579	(20)
(15)	5	2	150	Effect of foreign exchange rate changes	6	(7)	n.a.
443	527	387	36	At the end of period	387	527	36

INDUSTRIJA NAFTE, d.d.

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 30 September 2008 and 2009
(All amounts in HRK millions)

Attributable to equity holders of the parent

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2008 (restated)	9,000	2,301	229	2,104	13,634	9	13,643
Gains/(losses) on available-for-sale investments			(231)		(231)		(231)
Dividends payable				(150)	(150)		(150)
Exchange differences on translation of the financial statements of foreign operations		2			2		2
Net profit recognised directly in equity	0	2	(231)	(150)	(379)	0	(379)
Profit for the year				355	355	1	356
Total recognized income and expense for the period	0	2	(231)	205	(24)	1	(23)
Balance as at 30 Sept 2008	9,000	2,303	(2)	2,309	13,610	10	13,620

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 01 January 2009	9,000	2,307	(135)	855	12,027	10	12,037
Gains/(losses) on available-for-sale investments			114		114		114
Dividends payable					0		0
Exchange differences on translation of the financial statements of foreign operations		(15)			(15)		(15)
Net profit recognised directly in equity	0	(15)	114	0	99	0	99
Profit for the year				(168)	(168)	1	(167)
Total recognized income and expense for the period	0	(15)	114	(168)	(69)	1	(68)
Balance as at 30 Sept 2009	9,000	2,292	(21)	687	11,958	11	11,969

Announcements in 2009

October 15 2009	INA d.d. Announcement
September 22 2009	Supervisory Board meeting held
October 14 2009	Semmiannual result report 2009, unaudited, consolidated
June 16 2009	Resolution of the Croatian Competition Agency
June 10 2009	Management and Supervisory Board meetings held
June 10 2009	INA - INDUSTRIJA NAFTE, d.d. – Annual General Meeting held
May 25 2009	New Discovery On East Yidma Concession – Western Desert - Egypt
May 15 2009	Consolidated financial statements for the period ended 31 March 2009
May 13 2009	INA - CODE OF CORPORATE GOVERNANCE
May 13 2009	Notice of Results and a conference call
May 05 2009	Proposal of the Articles of Association of INA-INDUSTRIJA NAFTE d.d.
May 04 2009	General Shareholders' Assembly - June 10th 2009
April 15 2009	INA - INDUSTRIJA NAFTE, d.d. to participate in the investor conference
March 27 2009	MB and SB resolutions on 2008 Accounts
March 27 2009	Consolidated financial statements for the period ended 31 December 2008
March 24 2009	MB and SB meetings/2008 Flash Report release announced
February 27 2009	INA Group unaudited consolidated result for the year ending 31 December 2008
January 30 2009	INA SIGNS AGREEMENT ON SALE OF GAS STORAGE COMPANY
January 30 2009	Government of the Republic of Croatia and INA

Main external parameters

Q2 2009	Q3 2009	Q3 2008	Ch. %		Q1-Q3 2008	Q1-Q3 2009	Ch. %
59.13	68.27	115.09	(40.7)	Brent dated (USD/bbl)	111.11	57.30	(48.4)
574.20	634.14	986.05	(35.7)	Premium unleaded gasoline 50 ppm (USD/t)*	955.06	540.01	(43.5)
495.57	557.28	1,079.16	(48.4)	Gas oil – EN590 50 ppm (USD/t)*	1,049.57	493.62	(53.0)
322.92	398.09	607.83	(34.5)	Fuel oil 3.5% (USD/t)*	528.33	315.56	(40.3)
127.77	117.68	117.12	0.5	Crack spread – premium unleaded gasoline 50 ppm(USD/t)*	116.18	106.38	(8.4)
49.13	40.81	210.23	(80.6)	Crack spread – gas oil EN590 50 ppm(USD/t)*	210.69	59.99	(71.5)
(123.51)	(118.37)	(261.10)	(54.7)	Crack spread - fuel oil 3.5% (USD/t)*	(310.55)	(118.07)	(62.0)
5.4205	5.1235	4.7763	7.3	HRK/USD average	4.7636	5.4039	13.4
5.2045	4.9995	4.9614	0.8	HRK/USD closing	4.9614	4.9995	0.8
7.3617	7.3188	7.1847	1.9	HRK/EUR average	7.2422	7.3620	1.7
7.2920	7.2883	7.1077	2.5	HRK/EUR closing	7.1077	7.2883	2.5
0.84	0.41	2.91	(85.9)	3m USD LIBOR (%)	2.98	0.83	(72.1)
1.31	0.87	5.04	(82.7)	3m EURIBOR (%)	4.78	1.38	(71.1)

** FOB Mediterranean*

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 March 09	30 June 09	30 Sept 09
MOL Plc.	2,500,001	2,500,001	4,715,538	4,715,538	4,715,538	4,715,538
Government of the Republic of Croatia	5,180,367	4,484,918	4,483,552	4,483,552	4,483,552	4,483,552
Private and institutional investors	2,319,632	3,015,081	800,910	800,910	800,910	800,910
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Changes in organisation, Management Board or Supervisory Board

Supervisory Board and Management board

In Q3 2009 there were no changes in the Management Board and Supervisory Board.

Management representation

INA Group's consolidated financial statements for Q1-Q3 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows of INA Group.

Management Board

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

INA Group
Interim Financial Statements with Notes for the period ended 30 September 2009

Finance Function
Accounting and Tax Sector

Contents

INA Group Condensed Consolidated Income Statement

For the nine months ended 30 September 2009

(all amounts in HRK millions)

(unaudited)

	Notes	Cumulative 30 September 2009	Cumulative 30 September 2008	Third Quarter 30 September 2009	Third Quarter 30 September 2008
Continuing operation					
Sales revenue					
a) domestic		8,571	12,939	2,839	4,958
b) exports		5,655	8,172	2,034	3,385
Total sales revenue		**14,226**	**21,111**	**4,873**	**8,343**
Income from own consumption of products and services		107	300	24	131
Other operating income		980	406	(144)	66
Total operating income		**15,313**	**21,817**	**4,753**	**8,540**
Changes in inventories of finished products and work in progress		157	275	(13)	(238)
Cost of raw materials and consumables	5	(7,691)	(11,164)	(3,090)	(4,201)
Depreciation and amortisation		(1,161)	(1,034)	(377)	(366)
Other material costs		(1,357)	(1,875)	(473)	(687)
Service costs		(829)	(1,035)	(279)	(371)
Staff costs		(2,097)	(2,128)	(690)	(721)
Cost of other goods sold		(602)	(2,564)	225	(1,271)
Impairment and charges		(901)	(282)	(707)	(35)
Provision for charges and risks (net)		(93)	(87)	(65)	(12)
Operating expenses		**(14,574)**	**(19,894)**	**(5,469)**	**(7,902)**
Profit from operations		**739**	**1,923**	**(716)**	**638**
Finance income		486	265	225	(332)
Finance costs		(607)	(607)	(49)	(330)
Net profit/(loss) from financial activities		**(121)**	**(342)**	**176**	**(662)**
Profit before tax		**618**	**1,581**	**(540)**	**(24)**
Income tax expense	6	(71)	(238)	59	83
Profit for the year from continuing operation		**547**	**1,343**	**(481)**	**59**
Discontinued operation					
Loss for the year from discontinued operation		(714)	(987)	(193)	(500)
Profit/(loss) for the year		**(167)**	**356**	**(674)**	**(441)**

INA Group Condensed Consolidated Income Statement

For the nine months ended 30 September 2009

(all amounts in HRK millions)

(unaudited)

		Cumulative		Third Quarter	
	Notes	**30 September 2009**	**30 September 2008**	**30 September 2009**	**30 September 2008**
Attributable to:					
Equity holders of the parent		**(168)**	**355**	**(675)**	**(441)**
Minority interest		1	1	1	-
		(167)	**356**	**(674)**	**(441)**
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share (kuna per share) from continuing and discontinued operations	7	(16.8)	35.5	(67.5)	(44.1)
Basic and diluted earnings per share (kuna per share) from continuing operations	7	54.6	134.2	(48.0)	5.9

INA Group Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 30 September 2009

(all amounts in HRK millions)

(unaudited)

		Cumulative		Third Quarter	
	Notes	30 September 2009	30 September 2008	30 September 2009	30 September 2008
Profit/(loss) for the year		**(167)**	**356**	**(674)**	**(441)**
Other comprehensive income:					
Exchange differences arising from foreign operations		(15)	2	(14)	22
Gains on available-for-sale investments,net		114	(231)	47	(75)
Other comprehensive income/(loss), net		**99**	**(229)**	**33**	**(53)**
Total comprehensive income/(loss) for the year		**(68)**	**127**	**(641)**	**(494)**
Attributable to:					
Equity holders of the parent		(69)	126	(642)	(494)
Minority interest		1	1	1	-

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

INA Group Condensed Consolidated Balance Sheet

At 30 September 2009

(all amounts in HRK millions)

(unaudited)

ASSETS	Notes	30 September 2009	31 December 2008
Non-current assets			
Intangible assets	8	784	680
Property, plant and equipment	9	20,453	17,519
Goodwill	10	293	197
Investments in associates and joint ventures		68	76
Other investments	11	150	83
Long-term receivables		159	166
Derivative financial instruments		8	78
Deferred tax		446	341
Available for sale assets		344	201
Total non – current assets		**22,705**	**19,341**
Current assets			
Inventories		2,953	2,390
Trade receivables, net	12	2,957	2,914
Other receivables		693	719
Derivative financial instruments		72	106
Other current assets	13	142	38
Prepaid expenses and accrued income		191	167
Cash and cash equivalents		527	579
		7,535	**6,913**
Assets classified as held for sale		397	359
Total current assets		**7,932**	**7,272**
TOTAL ASSETS		**30,637**	**26,613**

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

INA Group Condensed Consolidated Balance Sheet

At 30 September 2009

(all amounts in HRK millions)

(unaudited)

EQUITY AND LIABILITIES	Notes	30 September 2009	31 December 2008
Capital and reserves			
Share capital	14	9,000	9,000
Revaluation reserve	15	(21)	(135)
Other reserves		2,292	2,307
Retained earnings	16	687	855
Equity attributable to equity holders of the parent		**11,958**	**12,027**
Minority interest		11	10
TOTAL EQUITY		**11,969**	**12,037**
Non – current liabilities			
Long-term loans	17	5,176	4,554
Other non-current liabilities		128	138
Employee benefit obligation		116	107
Provisions	18	2,737	1,380
Total non–current liabilities		**8,157**	**6,179**
Current liabilities			
Bank loans and overdrafts	19	3,352	2,492
Current portion of long-term loans	19	115	98
Trade payables	20	3,463	3,815
Taxes and contributions	20	2,553	1,211
Other current liabilities	20	644	342
Accruals and deferred income		292	237
Employee benefit obligation		16	17
Provisions	18	76	185
Total current liabilities		**10,511**	**8,397**
TOTAL LIABILITIES		**18,668**	**14,576**
TOTAL EQUITY AND LIABILITIES		**30,637**	**26,613**

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

INA Group Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2009

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at 1 January 2008	**9,000**	**2,301**	**229**	**2,104**	**13,634**	**9**	**13,643**
Profit for the year	-	-	-	355	355	1	356
Other comprehensive income, net	-	2	(231)	-	(229)	-	(229)
Total comprehensive income for the year	-	2	(231)	355	126	1	127
Dividents paid	-	-	-	(150)	(150)	-	(150)
Total recognised income and expense	*-*	*2*	*(231)*	*205*	*(24)*	*1*	*(23)*
Balance at 30 September 2008	**9,000**	**2,303**	**(2)**	**2,309**	**13,610**	**10**	**13,620**
Balance at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Profit for the year	-	-	-	(168)	(168)	1	(167)
Other comprehensive income, net	-	(15)	114	-	99	-	99
Total comprehensive income for the year	-	(15)	114	(168)	(69)	-	(68)
Dividents paid	-	-	-	-	-	-	-
Total recognised income and expense	*-*	*(15)*	*114*	*(168)*	*(69)*	*1*	*(68)*
Balance at 30 September 2009	**9,000**	**2,292**	**(21)**	**687**	**11,958**	**11**	**11,969**

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

INA Group Condensed Consolidated Cash Flow Statement

For the nine months ended 30 September 2009

(all amounts in HRK millions)

(unaudited)

	Notes	30 September 2009	30 September 2008
(Loss)/profit for the year		**(167)**	**356**
Adjustments for:			
Depreciation and amortisation		1,160	1,034
Income tax (benefit)/expense recognized in (loss)/profit		(108)	86
Impairment charges (net)		673	426
Gain on sale of property, plant and equipment		(10)	(9)
Foreign exchange loss/(gain)		(210)	106
Interest expense (net)		307	212
Other finance expense recognised in profit		112	120
Change in provision for charges and risks and other non-cash items		182	(54)
		1,939	**2,277**
Movements in working capital			
(Increase) decrease in inventories		(728)	(1,968)
(Increase) decrease in receivables and prepayments		(287)	(639)
Increase (decrease) in trade and other payables		1,242	(8)
Decrease (increase) in provisions		(115)	46
Cash generated from operations		**2,051**	**(292)**
Taxes paid		(25)	(116)
Net cash inflow from operating activities		**2,026**	**(408)**
Cash flows used in investing activities			
Payments for property, plant and equipment		(3,311)	(2,658)
Payments for intangible assets		(166)	(179)
Proceeds from sale of non-current assets		15	14
Investments in Energopetrol Sarajevo and Rotary		(101)	-
Dividends received from companies classified as available for sale and from other companies		3	-
Investments and loans to third parties, net		(60)	(25)
Net cash used for investing activities		**(3,620)**	**(2,848)**

INA Group Condensed Consolidated Cash Flow Statement

For the nine months ended 30 September 2009

(all amounts in HRK millions)

(unaudited)

	Notes	30 September 2009	30 September 2008
Cash flows from financing activities			
Additional long-term borrowings		969	1,061
Repayment of long-term borrowings		(105)	(93)
Additional short-term borrowings		6,896	14,575
Repayment of short-term borrowings		(6,061)	(12,306)
Interest paid on long-term loans		(71)	(98)
Other long-term liabilities, net		(10)	(4)
Dividends paid		-	(150)
Interest paid on short-term loans and other financing charges		(69)	(68)
Net cash from financing activities		**1,549**	**2,917**
Net increase in cash and cash equivalents		**(45)**	**(339)**
At 1 January		579	720
Effect of foreign exchange rate changes		(7)	6
At 30 September		**527**	**387**

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

(all amounts in HRK millions)

1. BASIS OF PREPARATION

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

In Board's opinion, financial data for the period ending as at 30 September 2009 include all the reconciliations usually required for fair statement of interim results. Business results for the period ending as at 31 December 2008 do not necessarily indicate the results that may be expected at the end of 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 01 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated statements as were applied in the preparation of the Group` s financial statement for the year ended 31 December 2008.

The following new standards and amendments to standards are mandatory for the financial year beginning on or after 1 January 2009:

IFRS 2	Share-based Payment — Amendment relating to vesting conditions and cancellations	Annual periods beginning on or after 1 January 2009
IFRS 2	Share-based Payment — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 3	Business Combinations — Comprehensive revision on applying the acquisition method	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009

(all amounts in HRK millions)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 7	Financial Instruments: Disclosures - Amendment enhancing disclosures about fair value and liquidity risk	Annual periods beginning on or after 1 January 2009
IFRS 8	Operating Segments	Annual periods beginning on or after 1 January 2009
IAS 1	Presentation of Financial Statements — Comprehensive revision including requiring a statement of comprehensive income	Annual periods beginning on or after 1 January 2009
IAS 1	Presentation of Financial Statements — Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Annual periods beginning on or after 1 January 2009
IAS 1	Presentation of Financial Statements — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 16	Property, Plant and Equipment — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 19	Employee Benefits — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 20	Government Grants and Disclosure of Government Assistance — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 23	Borrowing Costs — Comprehensive revision to prohibit immediate expensing	Borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009
IAS 23	Borrowing Costs — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 27	Consolidated and Separate Financial Statements — Amendment relating to cost of an investment on first-time adoption	Annual periods beginning on or after 1 January 2009.
IAS 27	Consolidated and Separate Financial Statements — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 27	Consolidated and Separate Financial Statements — Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 28	Investments in Associates — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009

(all amounts in HRK millions)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 28	Investments in Associates — Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 29	Financial Reporting in Hyperinflationary Economies — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 31	Interests in Joint Ventures — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 31	Interests in Joint Ventures — Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 32	Financial Instruments: Presentation — Amendments relating to puttable instruments and obligations arising on liquidation	Annual periods beginning on or after 1 January 2009
IAS 36	Impairment of Assets — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 38	Intangible Assets — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 38	Intangible Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments for embedded derivatives when reclassifying financial instruments	Annual periods beginning on or after 30 June 2009
IAS 39	Financial Instruments: Recognition and Measurement — Amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009
IAS 40	Investment Property — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 41	Agriculture — Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009

(all amounts in HRK millions)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following new standards and amendments to standards have been issued, but are not effective for the period until 30 September 2009 and have not been early adopted:

IFRS 2	Share-based Payment — Amendments relating to group cash-settled share-based payment transactions	Annual periods beginning on or after 1 January 2010
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 8	Operating Segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 1	Presentation of Financial Statements — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 7	Statement of Cash Flows — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 17	Leases — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 36	Impairment of Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 39	Financial Instruments: Recognition and Measurement — Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

(all amounts in HRK millions)

3. SEGMENT INFORMATION

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

INA Group

	Continuing operation						Discontinued operation	Consolidated
September 2009	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	3,102	6,407	4,437	280	-	14,226	1,972	16,198
Inter-segment sales	1,115	3,269	8	360	(4,752)	-	-	-
Total revenue	**4,217**	**9,676**	**4,445**	**640**	**(4,752)**	**14,226**	**1,972**	**16,198**
Operating expenses, net of other operating income	(2,442)	(10,139)	(4,493)	(1,165)	4,752	(13,487)	(2,777)	(16,264)
Profit/(loss) from operations net of other income	**1,775**	**(463)**	**(48)**	**(525)**	**-**	**739**	**(805)**	**(66)**
Net finance income						(121) #	(88)	(209)
Profit/(loss) before tax						618	(893)	(275)
Income tax expense/(benefit)						(71)	179	108
Profit/(loss) for the year						**547**	**(714)**	**(167)**

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

INA Group

	Continuing operation						Discontinued operation	Consolidated
September 2008	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	3,900	10,593	6,545	73	-	21,111	1,161	22,272
Inter-segment sales	2,200	5,124	12	612	(7,948)	-	-	-
Total revenue	**6,100**	**15,717**	**6,557**	**685**	**(7,948)**	**21,111**	**1,161**	**22,272**
Operating expenses, net of other operating income	(3,364)	(15,816)	(6,658)	(1,298)	7,948	(19,188)	(2,194)	(21,382)
Profit/(loss) from operations net of other income	**2,736**	**(99)**	**(101)**	**(613)**	**-**	**1,923**	**(1,033)**	**890**
Net finance income						(342)	(106)	(448)
Profit/(loss) before tax						1,581	(1,139)	442
Income tax expense /(benefit)						(238)	152	(86)
Profit/(loss) for the year						**1,343**	**(987)**	**356**

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

Assets and liabilities by operative segments follows below:

INA Group

30 September 2009 **Assets and liabilities**	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**
Property, plant and equipment	12,924	5,802	1,038	689	-	20,453
Intangible assets	587	12	12	173	-	784
Investments in associates and joint ventures	57	11	-	-	-	68
Inventories	467	2,350	95	41	-	2,953
Trade receivables, net	1,261	1,304	366	456	(430)	2,957
Not allocated assets						3,422
Total assets						**30,637**
Trade payables	1,530	1,598	307	458	(430)	3,463
Not allocated liabilities						15,205
Total liabilities						**18,668**
Other segment information						
Capital expenditure:	**2,597**	**818**	**20**	**42**	-	**3,477**
Property, plant and equipment	2,443	817	19	32	-	3,311
Intangible assets	154	1	1	10	-	166
Depreciation and amortisation	**1,211**	**278**	**208**	**121**	-	**1,818**
From this: Impairment losses recognized in profit and loss	470	58	130	-	-	658

4. Q1-Q3 2009 PERFORMANCE

January-September 2009 INA Group loss for the year amounted to HRK 167 million and compares unfavourably by 523 million to the same period 2008. Continued activities generated a net profit of HRK 547 million, while the losses on gas business (gas trading business to be unbundled under the Gas Master Agreement) amounted to HRK 714 million.

Continued operations

INA Group operating profit from continued operations for January-September 2009 amounted to HRK 739 million – HRK 1,184 million down on January-September 2008. Negative effects of lower average selling price and lower hydrocarbon production, lower average crack spreads and unfavourable product slate and sales structure by market combined with higher impairment, were only partly offset by lower operating costs and a significantly lower negative impact of a price cap.

Financing activities during January-September 2009 generated a loss of HRK 121 million while the loss recorded in the same 2008 period amounted to HRK 342 million. Net forex gains of HRK 208 million mainly related to long-term credit facilities. In January-September 2008, net forex losses of HRK 117 million had been recorded. The interest expense amounted to HRK 220 million – HRK 85 million up on January-September 2008, and other financial expenses rose by HRK 19 million to HRK 109 million.

Discontinued operations

Operating Loss generated by the gas business (discontinued activity) amounted to HRK 805 million – HRK 228 million down on January-September 2008 due to a lower negative difference between average selling prices of natural gas and its import prices, and lower sales of imported natural gas.

Financing activities generated a loss of HRK 88 million because of embedded derivatives, HRK 18 million lower than the loss generated in the same 2008 period.

5. COST OF RAW MATERIALS AND CONSUMABLES

In January-September 2009, the costs of raw materials and consumables amounted to HRK 7,691 million and they were 31% down on January-September 2008. The cost of refined imported crude accounting for 88% of these costs was 34% down on the same 2008 period because of 42% lower average price of refined imported crude (the average FOB price of Brent on the world market was 48.4% lower) and 14% higher refined volume.

6. TAX COSTS AND DEFERRED TAXES

Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the period ending 30 September 2009 and 20% for the period ending 30 September 2008.

7. EARNINGS PER SHARE

Continued and discontinued operation

	30 September 2009	30 September 2008
Basic and diluted earnings per share (in HRK)	**(16.8)**	**35.5**

Earnings

	30 September 2009	30 September 2008
Earnings used in the calculation of total basic earnings per share (profit for the period attributable to equity holders of the parent) from continued and discontinued operation	**(168)**	**355**
	(168)	**355**

Number of shares

	30 September 2009	30 September 2008
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

From continued operation

	30 September 2009	30 September 2008
Basic and diluted earnings per share (in HRK)	54.6	134.2

Earnings

	30 September 2009	30 September 2008
Profit for the period attributable to equity holders of the parent	(168)	355
Less:		
Loss/profit for the year from discontinued operation	(714)	(987)
Earnings for calculation basic earnings per share (kuna per share) from continuing operations	**546**	**1,342**

(all amounts in HRK millions)

8. INTANGIBLE ASSETS

In the period ending 30 September 2009, the Group invested HRK 166 million in intangible assets. The effect of depreciation on the decrease of their book value amounted to HRK 62 million. The decrease charged against the income statement amounted to HRK one million, and the amount brought forward from non-current assets was also one million.

9. PROPERTY, PLANT AND EQUIPMENT

In the period ending 30 June 2009, the Group invested HRK 3,340 million in property, plant and equipment. Capitalized decommissioning costs amounted to HRK 1,363 million. Impairments under IAS 36 amounted to HRK 658 million and the effects of depreciation on reducing their book value amounted to HRK 1,098 million. Disposals of assets, mainly relating to vehicles and office equipment, reduced their book value by further 5 million. The reduction of book value was also a result of foreign exchange differences in the amount of HRK 7 million and a HRK one-million transfer to non-current intangible assets.

11. GOODWILL

	Goodwill
At 1 January 2009	197
Investment of Crosco d.o.o. in Drill Trans Group	101
Net asset of Drill Trans Group	(4)
At 30 September 2009	**293**

11. OTHER INVESTMENTS

	INA Group	
	30September 2009	**31 December 2008**
Financial assets at fair value through profit or loss	20	20
Long-term loans	107	40
Deposits	23	23
Other investments	**150**	**83**

(all amounts in HRK millions)

12. TRADE RECEIVABLES, NET

	30 September 2009	31 December 2008
0 - 60 days	2,551	2,607
60-90 days	218	99
90-120 days	103	85
over 120 days	85	123
	2,957	**2,914**

13. OTHER CURRENT ASSETS

	30 September 2009	31 December 2008
Short terms loans and deposits	137	21
Current portion of long terms loans	3	5
Other	2	12
	142	**38**

14. SHARE CAPITAL

Issued capital as at 30 September 2009 amounted to 9,000 mil HRK. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

15. REVALUATION RESERVE

	INA Group	
	30 September 2009	31 December 2008
Balance at the begining of the year	(135)	229
Increase arising on revaluation available for sale securities (Janaf)	142	-
Decrease arising on revaluation available for sale securities (Janaf)	-	(455)
Deffered tax	(28)	91
Balance at the end of the year	**(21)**	**(135)**

(all amounts in HRK millions)

16. RETAINED EARNINGS

	Retained earnings
At 31 December 2008	855
Profit for the year	(168)
At 30 September 2009	**687**

17. LONG-TERM LOANS

In the period from 31 December 2008 and 30 September 2009, INA Group's long-term debt increased by HRK 622 million. The increase mainly relates to drawdowns of the remaining USD 170 million (HRK 965 million) of the Bayerische Landesbank loan, using other new INA Group loans in amount from HRK 17 million, repayment in amount HRK 105 million, foreign exchange gains in amount of HRK 238 million and increasing current portion of long-term loans in amount of HRK 17 million.

18. PROVISIONS

INA Group	Decommission Charges	Legal claims	ENI project claims	Redundancy costs	Tax obligation claims of Holdina	Other	Total
At 31 December 2008	**1,009**	**274**	**154**	**6**	**55**	**67**	**1,565**
Charge for the year	86	76	-	1	-	35	**198**
Effect of change in estimates, capitalised	1,363	-	-	-	-	-	**1,363**
Provision utilised during the year	(11)	(138)	(154)	-	-	(10)	**(313)**
At 30 September 2009	**2,447**	**212**	**-**	**7**	**55**	**92**	**2,813**

(all amounts in HRK millions)

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

	30 September 2009	31 December 2008
Overdrafts and short-term loans	3,352	2,492
Current portion of long-term loans	115	98
	3,467	**2,590**

	Repayment deadline	Security/ Guarantee	30 September 2009	31 December 2008
BNP Paribas (USD)	by 31.12.2009.	INA d.d. guarantee	1,012	720
Citibank	until recalled	INA d.d. guarantee	222	265
Hypo bank (KN)	overdraft		32	4
Natixis	by 31.12.2009.	INA d.d. guarantee	393	4
Bank Tokyo Mitsubishi (USD)	by 14.11.2009.	INA d.d. guarantee	283	411
BLB (USD)	by 24.04.2010.		130	
CKB (EUR)	-	-	1	2
Raiffeisenbank Zagreb (EUR, USD)	-	-	36	37
Bank Austria Creditanstalt (USD)	by 20.11.2009.	-	217	80
Zagrebačka banka, Zagreb (USD,HRK)	by 01.04.2010.	-	49	41
Privredna banka Zagreb, Zagreb (HRK)	by 30.06.2010.	-	97	8
Societe Generale - Splitska banka (USD, HRK)	by 31.10.2009.	-	60	61
Slavonska banka Osijek	by 10.10.2009.	-	-	17
Fortis (USD)	by 18.03.2010.	INA d.d. guarantee	313	513
Hrv poštanska banka (HRK)	by 17.11.2009.	-	22	22
OTP bank (HUF, EUR, HRK)		-	86	58
Current portion of long-term loans			78	51
Total regarding to subsidiaries			**3,031**	**2,294**
INA Matica				
Overdrafts and short term loans			399	249
Current portion of long-terms loans			37	47
Total INA Matica			**436**	**296**
Total INA Grupa			**3,467**	**2,590**

(all amounts in HRK millions)

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

	INA Group	
	30 September 2009	**31 December 2008**
Trade payables	3,463	3,815
VAT, excise and other taxes	2,460	1,080
Payroll taxes and contributions	93	131
Payroll and other	644	342
	6,660	**5,368**

21. 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 Matica and the Group companies and other related parties are disclosed below.

(all amounts in HRK millions)

21. RELATED PARTY TRANSACTIONS (continued)

Trading transactions

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

Business partners	Sales of goods		Purchase of goods	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
Foreign related companies				
Interina Ltd Guernsey	1,497	1,411	-	-
Holdina Sarajevo	392	840	-	4
Interina d.o.o. Ljubljana	11	15	-	-
Interina Ltd London	148	101	-	-
Adriagas Milano	-	-	3	3
INA - Crna Gora	25	49	-	-
INA - Beograd	33	41	-	-
Domestic related companies				
Crosco Group	4	6	103	123
Osijek Petrol d.d.	363	710	-	-
Crobenz d.d. Zagreb	368	638	3	2
Proplin d.o.o. Zagreb	331	333	-	-
STSI d.o.o. Zagreb	6	3	218	326
Maziva Zagreb d.o.o. Zagreb	38	80	7	10
ITR d.o.o.	1	2	22	28
Sinaco d.o.o.	1	1	99	109
Hostin d.o.o.	-	-	1	2
Prirodni plin d.o.o.	514	-	21	-
Polybit d.o.o.	1	6	-	-
Companies available for sale				
JANAF d.d. Zagreb	-	-	-	-
Strategic partner				
MOL Plc	82	-	-	-
Companies controlled by the State				
Croatia Airlines	101	194	-	-
Croatia osiguranje	4	5	-	1
Hrvatska elektroprivreda	1,352	1,681	42	98
Hrvatska pošta	1	1	2	2
Hrvatske šume	-	3	-	-
Hrvatske ceste	-	-	12	12
Hrvatske vode	-	-	13	18
Hrvatske željeznice	72	134	32	28
Jadrolinija	72	123	4	4
Narodne novine	-	-	2	3
Petrokemija Kutina	663	647	-	-
Plinacro	4	3	242	242
PSP Okoli	6	-	-	-

(all amounts in HRK millions)

21. RELATED PARTY TRANSACTIONS (continued)

Trading transactions (continued)

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

Business partners	Amounts owed from related parties		Amounts owed to related parties	
	30 September 2009	31 December 2008	30 September 2009	31 December 2008
Foreign related companies				
Interina Ltd Guernsey	130	75	84	851
Holdina Sarajevo	107	131	3	4
Interina d.o.o. Ljubljana	1	1	-	-
Interina Ltd London	-	-	2,795	1,751
INA - Crna Gora	7	-	-	-
INA - Beograd	6	-	-	-
Domestic related companies				
Crosco Group	1	2	55	54
Osijek Petrol d.d.	119	120	1	1
Crobenz d.d. Zagreb	144	158	1	1
Proplin d.o.o. Zagreb	84	80	29	9
STSI d.o.o. Zagreb	2	7	228	512
Maziva Zagreb d.o.o. Zagreb	15	25	36	20
ITR d.o.o.	-	-	33	-
Sinaco d.o.o.	-	-	63	-
Hostin d.o.o.	-	-	1	-
Prirodni plin d.o.o.	698	-	294	-
Polybit d.o.o.	-	-	-	-
Companies available for sale				
JANAF d.d. Zagreb	-	-	14	7
Strategic partner				
MOL Plc	14	12	253	2
Companies controlled by the State				
Croatia Airlines	42	41	-	-
Croatia osiguranje	-	-	32	12
Hrvatska elektroprivreda	262	452	15	6
Hrvatska pošta	2	2	-	-
Hrvatske šume	7	4	-	-
Hrvatske ceste	-	-	8	-
Hrvatske vode	-	-	2	2
Hrvatske željeznice	94	62	8	4
Jadrolinija	41	35	2	1
Narodne novine	-	-	1	-
Petrokemija Kutina	256	192	-	-
Plinacro	1	1	71	100
PSP Okoli	8	-	17	-

22. COMMITMENTS

Investment in refining assets

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

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

For the purposes of the implementation of the refinery modernisation project, 135 contracts were concluded with vendors worth HRK 3.4 billion.

Participation and Joint Operating Agreements

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

On 14 September 2006 INA Matica 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. In any case, the Agreement will not last longer than 25 years from date on which begin the first regular produced delivery ("Date of initial commercial production") with the possibility of extending the period of development and production for consecutive periods up to five (5) years under the same conditions.

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.

22. COMMITMENTS (continued)

The Well Dravica-1 has been identified on the basis of a positive appraisal and discovery of a gas condensate field as part of the operation of the 1st exploration well Zalata-1 during 2007 in a part of the contract area in the territory of the Republic of Hungary. The estimated costs of the obligations with respect to the preparation and exploration of the exploration well Dravica-1 amounted to EUR 8 million. 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. As a result of the drilling of the Well Dravica-1, several layers have been identified in the gas condensate saturation so that the exploration of the Dravica-1 will take place in 2009. Well testing costs of EUR 3.2 million have been agreed between the parties when the technical programme was adopted.

As INA was not able to finance the exploration activities in the contract area to be carried out in the second half of 2009, on 31 August 2009 INA and MOL signed Amendment 1 to above Agreement defining the following:

- Extension of the Exploration Period for another 5 years to include the testing of the Dravica-1 well worth up to EUR 3.2 million, 3D seismic surveys of 353 km2 worth up to EUR 6.1 million and the expansion of the contract area to 411 km2,

- MOL will fully finance above-mentioned exploration activities provided that it is entitled to 110% of ROI from 85% of revenues generated from the sales of hydrocarbons from the Podravska Slatina-Zalata or Novi Gradac-Potony area after taxation.

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 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.

Participation and Joint Operating Agreement

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

The difference in participation share is a result of the Third-Party indemnity item (indemnities to legal and natural persons for field damage) where INA participated with 70% of costs and MOL with 30%.

22. COMMITMENTS (continued)

The first exploration well in the Novi Gradac-Potony area was completed in the territory of the Republic of Hungary in August/September 2009. As INA had not provided the funds for its participation in well costs, in the 1st Amendment to above Agreement signed on 31 August 2009 MOL expressed its readiness to finance INA in this project until INA will be able to cover its 50% share. MOL will fully finance the exploration activities relating to the Potony-1 well provided that it is entitled to 110% of ROI from 85% of revenues generated from the sales of hydrocarbons from the Podravska Slatina-Zalata or Novi Gradac-Potony area after taxation.

Gas selling Contracts

Group had following long term natural gas sale contracts from 31 December 2008 to the expiry of the underlying contract:

1. Long-term contract between INA and HEP d.d. Zagreb
   a) Contracted supply quantity: 700,000,000 m^3/year (in 2009)
   b) Annual sales: 980 million HRK
   c) Contract period: until 2015
   d) Estimated revenue for the remaining period (2009-2015): 11,3 billion HRK
2. Long-term contract between INA and Petrokemija d.d. Kutina
   a) Contracted supply quantity: 665,000,000 m^3/year
   b) Annual sales: 884 million HRK
   c) Contract period: until 2010
   d) Estimated revenue for the remaining period (2009-2010): 1,9 billion HRK
3. Contracts between INA and tariff-based customers (distribution entities) – natural gas
   a) Contracted supply quantity: 1,416,987,300m^3 in 2009
   b) Annual sales: 1.9 billion HRK
   c) Contract period: until 2009
   d) Estimated revenue for the remaining period: 1.9 billion HRK
4. Contracts INA – other tariff-based customers – natural gas
   a) Contracted supply quantity: 409,091,449 m^3 in 2009
   b) Annual sales: 580.9 million HRK
   c) Contract period: 2009
   d) Estimated revenue for the remaining period. 580.9 million HRK
5. Contracts INA – DIOKI (ethane)
   a) Contracted supply quantity: 57,000 tons in 2009
   b) Annual sales (actual 2008): 82.5 million HRK
   c) Contract period: 2012
   d) Estimated revenue for 2009.: 44.7 million HRK, left for 7-12/2009: 23.66 million HRK, planned revenue 2008-2012 485 million HRK

22. COMMITMENTS (continued)

Water selling contracts

1. High quality process water
   a) Contracted supply quantity: 2,490,000 m^3 in 2009
   b) Annual sales (actual 2008): 4 million HRK
   c) Contract period: 2009
   d) Estimated revenue for 2009:. 4.3 million HRK, left for 7-12/2009: 2.3 million HRK
2. Geothermal water
   a) Contracted supply quantity: 410,000 m^3 in 2009
   b) Annual sales (actual 2008): 1.2 million HRK
   c) Contract period: 2009
   d) Estimated revenue for 2009:. 1.6 million HRK, left for 7-12/2009: 844.000 HRK

N-pentane selling contracts

1. N-pentane
   a) Contracted supply quantity: 850 m^3 in 2009
   b) Annual sales (actual 2008): 3.2 million HRK
   c) Contract period: 2009
   d) Estimated revenue for 2009: 1.8 million HRK, left for 7-12/2009: 1.1 million HRK

23. CONTINGENT LIABILITIES

There were no changing of contingent liabilities regarding contingent liabilities presented in financial statement at 31 December 2008.

24. SUBSEQUENT EVENTS

In the period after balance sheet date there is no significant events.