INDUSTRIJA NAFTE, d.d.

Q1 2010 - QUARTERLY REPORT

INA Group (ZB: INA-R-A; LSE: HINA; www.ina.hr) announced its Q1 2010 results today. This report contains unaudited consolidated financial statements for the period ending 31 March 2010 as prepared by the management in accordance with the International Financial Reporting Standards.

INA Group financial results (IFRS)

(HRK million)	2009	Q1 2009	Q1 2010	Ch %
CONTINUING OPERATIONS(1)				
Net sales revenues	20,373	4,504	5,367	19.2
EBITDA(2)	4,013	1,013	1,373	35.5
Operating profit	1,047	480	741	54.4
Operating profit excl. special items(3)	1,504	480	815	69.8
Net financial gain /(expenses)	(395)	(809)	(602)	(25.6)
Net income	617	(266)	76	n.a.
Net income excl. special items(3)	979	(266)	135	n.a.
DISCONTINUED OPERATIONS(1)				
Net income	(1,011)	(306)	(207)	(32.4)
ALL OPERATIONS(1)				
Net income(4)	(392)	(572)	(131)	(77.1)
Net income excl. special items(3)	73	(572)	(72)	(87.4)
Operating cash-flow	2,960	215	(926)	n.a.

(USD million) (5)	2009	Q1 2009	Q1 2010	Ch %
CONTINUING OPERATIONS(1)				
Net sales revenues	3,858	793	1.019	28.6
EBITDA(2)	760	178	261	46.3
Operating profit	198	84	141	66.6
Operating profit excl. special items(3)	285	84	155	83.3
Net financial gain /(expenses)	(75)	(142)	(114)	(19.7)
Net income	117	(47)	14	n.a.
Net income excl. special items(3)	185	(47)	26	n.a.
DISCONTINUED OPERATIONS(1)				
Net income	(191)	(54)	(39)	(27.0)
ALL OPERATIONS(1)				
Net income(4)	(74)	(101)	(25)	(75.3)
Net income excl. special items(3)	14	(101)	(14)	(86.5)
Operating cash-flow	561	38	(176)	n.a.

(1) According to the Gas Master Agreement between the Government of the Republic of Croatia and MOL signed on 30 January 2009, INA sold its Gas Storage Company and will divest its Gas Trading Activity, result of Gas Trading activities is presented as discontinued operation. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for taking over of gas trading activities is extended by 1 December 2010.
(2) EBITDA = EBIT + Depreciation + Impairment + Provisions
(3) Excludes, a Q1 2010 Retail segment one-off asset impairment in the amount of HRK 74 million. INA Group 2009 result was negatively influenced by one-off items because of asset impairments amounting to HRK 954 million. The income from the disposal of Podzemno skladište plina Okoli d.o.o. of HRK 497 million was recorded at the Group level in Q2 2009. Total negative net effect of one-off items in 2009 amounted to HRK 457 million at the INA Group level.
(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 Q1 2009: 5.6817 HRK/USD, Q1 2010: 5.2644 HRK/USD., for Q4 2009: 4,9194, for 2009: 5.2804 HRK/USD.

INA Group has improved its 2010 first quarter overall results compared to the same period last year: we generated HRK 1.4 billion EBITDA and HRK 815 million operating profit excluding special items from continuing operations mostly due to higher hydrocarbon production volumes, improved crude oil prices and better refinery margins. First quarter net income from continuing operations excluding special items was positive at HRK 135 million against a loss of HRK 266 million for the same period of the previous year. However, INA is still experiencing the challenges of the difficult business environment from the previous year, which is reflected on the company financial position, leaving INA with an overall (albeit much reduced) loss at the net income level (HRK 131 million) and a negative operating cash flow of HRK 926 million in Q1 2010 due to the huge steps taken to reduce overdue liabilities towards the state, this also caused a strong increase in external funding mainly sourced from MOL, INA's largest shareholder. Management is continuing with measures implemented for reducing operating expenses, improving efficiency of operations and evaluating further available sources of financing focusing on the strengthening of its financial position. In addition, INA has adjusted its investments to the current financial position: capex amounted to HRK 840 million (significantly, 15% lower compared to Q1 2009). This was not to the detriment of the key capex projects (refinery modernisation in Rijeka and Sisak, upstream development projects in Syria and Croatian Adriatic) of the company, however.

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Continuing operations

The operating profit from continuing operations (excluding one-off items) increased by HRK 335 million compared to the same period last year and amounted to HRK 815 million in Q1 2010. Favourable results are coming primarily from stronger hydrocarbon production and sales volumes coupled with higher crude oil prices (the average price of Brent FOB Med was up by 71.5% on the world market), but also helped by a 27% rise in the average crack spreads due to processing of Azeri light yielding a better product slate and increase in gasoline crack spread. Additionally the result was positively influenced by lower operating costs as a result of strict cost-cutting measures. These positive effects were only partly decreased by lower crude oil product. Results were negatively influenced by HRK 74 million one-off impairment charge in retail - so operating profit amounted to HRK 741 million. A loss of HRK 602 million generated by financial activities of continuing operations was HRK 207 million down on Q1 2009, but still very significant. Adjusted net profit from continuing operations in Q1 2010 amounted to HRK 135 million, compared to the HRK 266 million loss in Q1 2009.

Discontinued operations

In Q1 2010, discontinued operations (natural gas trading) generated a net loss of HRK 207 million (HRK 99 million smaller than in the same period last year). This reflected the fact that the company still was only able to sell its natural gas volumes at a markedly lower price than the weighted average price of import price and domestic production price (increasing gradually towards the import price level as stipulated in the First Amendment to the Gas Master Agreement signed between the two largest shareholders of INA, the Government of Croatia and MOL), but this gap has been reduced from last year's level. Although it was planned that the natural gas trading company would operate without generating losses in 2010, discontinued operations recorded a loss for the quarter resulting from the still ongoing negotiations with some large eligible customers with whom new contracts still have to be concluded.

Overall operations

Adding this together, INA Group generated a net loss of HRK 131 million, HRK 441 million down on Q1 2009. The gas business (discontinued activity) contributed with HRK 207 million to this, while continuing operations were profitable.

- Exploration and Production: operating profit from continuing operations in Q1 2010 amounted to HRK 1,175 million (USD 223 million) 50% up on Q1 2009 primarily as a result of 73% higher realised crude oil price, higher average daily hydrocarbon production due to putting in operation a new North Adriatic gas field and start-up of the oil and gas station Jihar in Syria as well as a changed accounting for the Angolan crude resulting in higher international crude oil sales.
- Refining and Marketing: the R&M segment generated a quarterly operating loss of HRK 118 million (USD 22 million), which compares favourably to the same quarter of last year. The result has been favourably influenced by the crude oil procurement optimisation, processing of Azeri light yielding a better product slate, a more favourable average crack spread and lower costs of services. Lower domestic sales had a negative impact on results.
- Retail: operating loss for Q1 2010 (excluding the one-off items for impairment of HRK 74 million) amounted to HRK 42 million. The result was deteriorated by HRK 38 million compared to Q1 2010, mainly reflecting a 10% decrease in retail sales volumes.
- Corporate and Other[1]: This segment recorded an operating loss of HRK 200 million in Q1 2010, which increased by HRK 21 million compared to Q1 2009 due to provisions and higher staff costs due to corporate restructuring. These negative effects were only partly offset by lower other operating costs as a result of cost-cutting measures.
- Discontinued operations: In Q1 2010, the operating loss from discontinued activities amounted to HRK 199 million, 160 million down on the same period previous year mainly as a result of lower negative differential between the selling price of gas and the price of imported gas. Pursuant to the Gas Master Agreement signed on 30 January 2009 between the Croatian Government and MOL, INA would be expected to withdraw from the regulated part of the gas business value chain. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for takeover of gas trading activities is extended to 1 December 2010, and the gas trading company was planned to operate without generating losses in 2010 (on an annual basis).
- Net loss from financial activities of continuing operations was reduced by HRK 207 million compared to Q1 2009 and it amounted to HRK 602 million in Q1 2010. Forex losses of HRK 502 million were recorded in Q1 2010 compared to forex losses of HRK 710 million in Q1 2009. The interest expense was HRK 7 million down on Q1 2009. The positive effect resulting from lower negative foreign exchange differences and interests was partly offset by HRK 8 million higher other financial costs. The Q1 2010 loss from financial activities of discontinued operations amounted to HRK 8 million.

1 Includes Corporate Functions and subsidiaries providing safety and protection services, technical services, corporate support and other services.

- **Capital expenditures:** In Q1 2010 HRK 840 million (USD 160 million) was spent on capex, of which Exploration and Production accounted for HRK 516 million, primarily for development operations in Syria and North Adriatic, while Refining and Marketing spent HRK 323 million, almost fully on refinery modernisation. Quarterly capex decreased by HRK 144 million.
- **Net indebtedness:** INA Group net indebtedness increased to HRK 10.3 billion compared to HRK 8.2 billion as at 31 December 2009 while its gearing[2] as at 31 March 2010 rose from 40.9% to 46.9%. This underscores the company's current undercapitalisation due to its sustained intensive investment programme in its key businesses.
- **Operating cash flow:** Operating cash-flow before working capital changes amounted to HRK 1,069 million (HRK 496 million up q-on-q). Changes in working capital decreased the operating cash flow in Q1 2010 by HRK 1,995 million, leaving INA with a negative operating cash flow of HRK 926 million, primarily as a result of the decrease in trade and other payables (decreased liabilities for crude oil and partially settlement of overdue taxes and other liabilities to the state) and increased inventories.

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

"In the first quarter of 2010, INA Group improved its results compared to the same period last year due to higher hydrocarbon production, improved crude oil prices and better refinery margins. However, we still experienced the consequences of the global crisis as our operations were markedly influenced by the measures taken to reduce overdue liabilities while lower oil product sales had a negative effect on our results.

Besides a strong performance of our Upstream segment, the management's commitment to implementing the measures for reducing operating expenses and improving the efficiency of operations had a positive effect on our results while evaluating further available sources of financing.

Although INA has adjusted its investments to its current financial position, we are fully committed to the continuation of the key projects such as further refinery modernization in Rijeka and Sisak and the Upstream development projects in Syria and the North Adriatic. Our primary goal in the next period is to continue with the necessary steps for stabilizing INA's financial position, especially focusing on further improvement of operational efficiency."

2 Net debt / net debt plus equity incl. minority interests

Overview of the macro environment

The world economy is showing signs of recovery at the beginning of the year and is expected to grow 4.2 percent in 2010, according to the IMF. However, the recovery is uneven and it is driven to a large extent by continuing stimulus measures. The latest macroeconomic indicators have underlined the improving market sentiment. Both manufacturing and services in the US as well as in other developed and developing economies have improved markedly since the beginning of 2010. . Fiscal and monetary policies will likely continue to support demand, while the stabilization and reform of the financial system remains an important issue. The US is ahead of Japan and the Eurozone due to its stronger fiscal stimulus and its more resilient, less credit-reliant corporate sector. The Eurozone is experiencing a sluggish recovery due to its weak domestic demand and a relatively strong euro, which is constraining export growth. Additionally, several weaker Eurozone economies are facing market tensions regarding their sovereign finances and current account deficits. This represents a serious ongoing uncertainty for economic growth in both the countries directly affected and Europe in general.

Oil prices were fluctuating in the 70 to 80 USD/bbl range during Q1 2010, with a strong upward trend since mid-February. Improving market sentiment was mainly driven by positive developments and the rising recovery expectations of the global economic activity as well as by the appreciation of the euro against the dollar. The Dated Brent averaged at 76.4 USD/bbl in Q1 2010, a 2.5% increase from the previous quarter and 71.8% higher than the Q1 2009 average of 44.5 USD/bbl. The demand recovery has continued but it is still driven by China and to a lesser extent by non-OECD Asia, while demand growth in the OECD remains sluggish at best.

Refining margins have been widening at a steady pace since the beginning of 2010, due to a rising demand for gasoline and diesel fuels. Margins are similar to those at the beginning of 2009, prior to the start of their decline in February last year. The crack spread for BMB EURO 95 (IV) rose to 124.3 USD/t in Q1 2010 from 75.9 USD/t in Q1 2009, while the crack spread for diesel EURO (IV) dropped to 47.6 USD/t from 92.0 USD/t seen a year ago. The LPG crack spread increased from 139.2 USD/t to 160.8 USD/t in Q1 2010. The negative crack spread on fuel oil weakened to -142.1 USD/t from -111.3 USD/t in Q1 2009. The USD weakened against HRK by 7.2% in Q1 2010 compared to Q1 2009, which had a negative effect on the results calculated in HRK.

The Croatian economy recorded a 5.8% decline in 2009. The drop of GDP was a result of the global financial crisis which negatively affected global economic activity, primarily cash flows, but also put a dent on consumption and production. GDP movements were primarily influenced by the drop of global demand and by the shortage of available foreign capital, which abetted the decrease of domestic demand. Lower exports and declining domestic consumption were reflected in the disappointing GDP figure. Industrial production has failed to recover thus far, as it expanded by a mere 0.3% y-o-y during Q1 2010, which is one of the weakest growth rates in the region. The latest retail sales data from the end of February were still in a 7.3% y-o-y decline, as consumer confidence remains low due to the high and still growing unemployment rate, which was at 18.4% at the end of Q1 2010. CPI was up by 0.9% y-o-y at the end of Q1. According to the latest IMF forecast, the Croatian GDP is expected to grow by 0.2% in 2010, and will return to a somewhat stronger growth rate of 2.5% only in 2011.

Exploration and Production*

Q4 2009	2009	Segment IFRS results (HRK million)	Q1 2009	Q1 2010	Ch. %
2,006	6,736	Revenues continuing operations	1,710	2,495	45.9
499	1,958	Revenues discontinued operations**	730	269	(63.2)
724	2,616	Operating profit/(loss) continuing operations	783	1,175	50.1
(224)	(1,029)	Operating profit/(loss) discontinued operations	(359)	(199)	(44.6)
1,273	4,441	EBITDA continuing operations	1,110	1,522	37.1
(229)	(982)	EBITDA discontinued operations	(359)	(114)	(68.2)
442	3,039	CAPEX and investments	816	516	(36.8)

*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.
**Internal sales excluded.

Q4 2009	2009	Hydrocarbon Production (gross figures before royalty)	Q1 2009	Q1 2010	Ch. %
255.2	777.0	Crude oil production (kt) *	171.1	194.3	13.5
129.3	525.8	Croatia	132.0	121.6	(7.8)
125.9	251.2	International	39.2	72.7	85.5
539.5	2,068.2	Natural gas production (m cm, net dry)	520.1	600.0	15.4
241.3	1,024.3	Croatia on-shore	268.7	239.3	(10.9)
246.9	876.6	Croatia off-shore	210.2	301.5	43.4
51.2	167.3	Syria	41.2	59.1	43.7
62.4	255.7	Condensate (kt)	67.4	65.9	(2.3)
20,629.9	15,782.7	Crude oil (boe/d)	14,064.8	16,084.2	14.4
7,211.4	7,447.1	Natural gas Condensate (boe/d)	7,966.5	7,770.1	(2.5)
34,516.5	33,354.2	Natural gas (boe/d)	34,013.4	39,246.4	15.4
15,798.2	14,137.5	o/w Croatia off-shore (boe/d)	13,748.5	19,723.1	43.5
62,357.7	56,584.0	Total hydrocarbon prod. (boe/d)	56,044.7	63,100.7	12.6

*Excluding separated condensate

Q4 2009	2009	Average realised hydrocarbon price	Q1 2009	Q1 2010	Ch. %
65.6	52.9	Crude oil and condensate price (USD/bbl)	37.6	65.1	73.2
48.1	46.4	Total hydrocarbon price (USD/boe)*	43.7	54.8	25.4

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

Q4 2009	2009	Hydrocarbon production cost (USD/boe)	Q1 2009	Q1 2010	Ch. %
10.7	11.2	Croatia - onshore	9.9	9.4	(5.0)
12.7	14.5	Croatia - offshore	15.7	16.2	2.8
	31.7	Angola*		30.3	n.a.
15.2	11.6	Egypt	12.0	13.6	13.6
5.0	5.1	Syria	3.5	4.9	39.3
11.5	12.2	Average	11.0	11.7	6.4

*Angola full year cost are posted for a single crude oil delivery in Q4 2009, while Q1 2010 calculation included only Q1 costs. Average Q1 2010 hydrocarbon production costs without Angola amounted to 11.2 USD/boe.

Q4 2009	2009	Natural Gas Trading (M cm)	Q1 2009	Q1 2010	Ch. %
289.1	1,044.2	Natural gas imports (net dry)	279.2	304.3	9.0
900.9	2,778.0	Natural gas sales on domestic market (net dry)	874.1	976.4	11.7

Q4 2009 *	2009 *	Natural gas price differential to import prices (HRK/m^3) *	Q1 2009 *	Q1 2010	Ch. %
(485.30)	(788.42)	Eligible customers' price	(1,093.05)	(383.31)	(64.9)
(144.64)	(790.55)	Tariff customers' price	(1,693.50)	(140.40)	(91.7)
(317.73)	(792.19)	Total price	(1,511.21)	(290.63)	(80.8)

*Recalculated based on prices in HRK/m^3 for the purpose of providing comparable data.

Continuing operation

In Q1 2010 the Upstream division recorded HRK 1,175 million operating profit compared to a HRK 1,047 million operating profit, excluding one-off items, in Q4 2009. The increase of operating profit was mainly the result of higher hydrocarbon production and higher sales volumes.

The operating profit recorded for Q1 2010 was HRK 392 million up on Q1 2009, or 50%, mainly as a result of higher hydrocarbon production volumes coupled with 73.2% higher average sales prices of crude and Angolan crude, that was not recorded in Q1 2009 (total annual revenue included in Q4 2009), and higher sales volumes.

Average daily hydrocarbon production in Q1 2010 was 63,100 boe, or 12.6% up on Q1 2009. Onshore domestic crude oil production declined by 7.8%, while natural gas production decreased by 10.9% in comparison with Q1 2009, due to the natural depletion.

INA's share of North Adriatic gas production increased by 43.4% compared to the same period 2009, in accordance with the Production Sharing Agreement and as a result of putting in operation new gas fields. International crude production rose by 85.5%, compared to Q1 2009 because of a higher production in Syria and Angola which compensated for lower production in Egypt. Natural gas production outside Croatia increased by 43.7% when compared to Q1 2009, after the start-up of the oil and gas station Jihar in Syria.

Upstream revenues in Q1 2010 increased by 46% in comparison with Q1 2009, amounting to HRK 2,495 million. The increase was primarily the result of stronger hydrocarbon production coupled with higher sales volumes and higher average crude price compared to Q1 2009.

Average production costs in Q1 2010 increased by 6.4% to 11.7 USD/boe. Average cost of production in Syria increased because of putting in operation new oil and gas station (higher cost with lower initial production) and those in Egypt due to 14% lower production. The cost of North Adriatic gas production rose mainly because of a 43.7% higher production and higher costs with new assets put in use, while the average cost of onshore domestic production was the result of lower operating costs and lower production volume.

Exploration and Production segment's CAPEX decreased by HRK 300 million to the amount of HRK 516 million, compared to Q1 2009. Investments in tangible assets were HRK 383 million lower and the investments in intangible assets were HRK 83 million higher. CAPEX was primarily spent for development operations in Syria and North Adriatic.

Discontinued operations

In Q1 2010, the operating loss from discontinued activities amounted to HRK 199 million, 160 million down on 2009, as a result of 81% lower negative price differential, partially offset by 9% higher natural gas import. This reflected the fact that the company still was only able to sell its natural gas volumes at a markedly lower price than the weighted average price of import price and domestic production price (increasing gradually towards the import price level as stipulated in the First Amendment to the Gas Master Agreement signed between the two largest shareholders of INA, the Government of Croatia and MOL), but this gap has been reduced from last year's level. Compared to Q4 2009, the loss had been reduced by HRK 25 million due to a 9% lower price differential offset by 5% higher natural gas import.

The average price of imported gas went down by 38% in the Q1 2010 and it amounted to 1.875 HRK/m^3 (with 7.3% stronger Kuna against the US dollar).The negative differential between the selling price of gas and the price of imported gas decreased by 81% in the reviewed period.

Refining and Marketing*

Q4 2009	2009	Segment IFRS results (HRK million)	Q1 2009	Q1 2010	Ch. %
3,778	13,454	Revenues	2,671	2,970	11.2
(158)	(621)	Operating profit/(loss) reported	(120)	(118)	(1.7)
(8)	(66)	EBITDA	(16)	(19)	18.0
549	1,367	CAPEX and investments (w/o acquisition)	148	323	118.2

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

Q4 2009	2009	Refinery processing (kt	Q1 2009	Q1 2010	Ch. %
127	538	Domestic crude oil	135	103	(23.6)
910	4,007	Imported crude oil	1,016	863	(15.0)
33	141	Condensates	37	34	(8.3)
120	330	Other feedstock	115	47	(58.9)
1,190	5,016	Total refinery throughput	1,304	1,048	(19.6)
Q4 2009	**2009**	**Refinery production (kt)**	**Q1 2009**	**Q1 2010**	**Ch. %**
263	1,048	Motor gasoline	256	209	(18.4)
278	1,209	Diesel	251	228	(9.1)
78	268	Heating oil	101	76	(25.0)
16	94	Kerosene	14	13	(3.5)
29	138	Naphtha	43	20	(53.1)
16	107	Bitumen	15	10	(34.7)
379	1,581	Other products	478	368	(22.9)
1,059	4,444	Total	1,158	925	(20.1)
6	27	Refinery loss	6	8	24.4
126	544	Own consumption*	140	116	(17.6)
1,190	5,016	Total refinery throughput	1,304	1,048	(19.7)
Q4 2009	**2009**	**External refined product sales by country (kt)**	**Q1 2009**	**Q1 2010**	**Ch. %**
614	2,562	Croatia	668	467	(30.2)
125	502	B&H	123	79	(36.0)
379	1,377	Other markets	289	285	(1.5)
1,119	4,440	Total	1,081	831	(23.2)
Q4 2009	**2009**	**External refined product sales by product (kt)**	**Q1 2009**	**Q1 2010**	**Ch. %**
282	1,075	Motor gasoline	274	227	(17.1)
309	1,295	Diesel	281	237	(15.9)
79	270	Heating oils	243	107	(56.0)
16	97	Kerosene	15	13	(14.5)
26	141	Naphtha	46	27	(42.1)
23	115	Bitumen	13	10	(22.4)
383	1,447	Other products*	208	210	1.0
1,119	4,440	Total	1,081	831	(23.2)
287	1,232	o/w Retail segment sales	260	235	(9.9)
832	3,208	o/w Direct sales to other end-users	821	596	(27.4)

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

In Q1 2010, the operating loss amounted to HRK 118 million, comparing unfavourably by HRK 15 million with Q4 2009 when the operating loss excluding one-off items was HRK 103 million. The loss mainly resulted from 288 kt lower sales (with domestic sales down by 24% and in BiH down by 37%, partly as a result of recession and seasonality. The amount of processing was 12% lower and inventories were built ahead of the Rijeka Refinery turnaround planned for March and April. The average crack spread rose by 21.9 USD/t and crude prices increased by 2%. LPG and gasoline spreads were more favourable but diesel spreads remained low indicating that the economic downturn persists despite the recovery in the USA and highly developed countries.

Compared to Q1 2009, Q1 2010 results slightly improved (by HRK 2 million compared to the 120 million operating loss in Q1 2009). The result has been favourably influenced by the crude oil procurement optimisation, processing of Azeri light yielding a better product slate, a more favourable average crack spread lower costs of services and 23% lower sales which had a negative impact on results.

The business environment was primarily marked by a significant growth of crude prices by 71.5% - from 44.5 USD/bbl to 76.2 USD/bbl, together with a growth of average crack spreads – FOB Med Italy by 27.1% (from 29.2 USD/t to 37.1 USD/t), with the Brent-Ural spread having risen from 0.7 USD/bbl to 1.3 USD/bbl. The crack spread for BMB EURO 95 (IV) rose from 75.9 USD/t in Q1 2009 to 124.3 USD/t in Q1 2010, while the crack spread for diesel EURO (IV) dropped from 92.0 USD/t to 47.6 USD/t. The LPG crack spread increased from 139.2 USD/t to 160.8 USD/t in Q1 2010. The negative crack spread on fuel oil increased from -111.3 USD/t to -142.1 USD/t. USD weakened against HRK by 7.3% compared to Q1 2009, with a negative effect on results.

The volume of refining was 20% lower, mainly due to the planned and unplanned shutdowns. The processing of Azeri light has continued at both refineries (319 kt) resulting in a better product yield (7.3% higher yield of white products). In addition, the first quantities of EURO V grade products were produced and prepared for distribution.
In Q1 2010, the imports of refined products were 21.2 kt higher than in Q1 2009 (mostly of Euro diesel, jet fuel and aviation gasoline). Higher imports have been planned to increase the inventories in order to secure sufficient quantities to comfortably meet the market demand during the turnaround period in March and April.

Lower demand resulted in 23% or 250 kt lower sales. Domestic sales decreased by 201 kt or 30%. Export sales declined by 12%, with the highest drop of 36% recorded in BiH. In the region, sales dropped by 22%. Total sales of motor gasolines declined by 17% and those of diesel by 16%. Own-produced Euro V grade products are sold at INA's filling stations since the beginning of April.

New Regulation on determining the oil prices on domestic market was issued on 16 April 2010. Main changes include biweekly price adjustment which can be up to 3% only if the calculation base changes at least 2%.

R&M capital expenditures in Q1 2010 amounted to HRK 323 million, were almost fully spent on the modernisation, and they were HRK 175 million higher then Q1 2009. In the scope of the Modernisation Programme, first phase, at Rijeka Refinery construction works at the Urinj mild hydrocracking complex (hydrocracking, hydrogen generation, desulphurisation and ancillary units) were in full swing, and are expected to be completed in the middle of 2010. After its completion Rijeka Refinery will produce only Euro-V standard gasoline and diesel fuel. The projects scheduled for execution in the second phase of the refinery modernisation are in the preparation phase.
At Sisak, the FCC-gasoline hydrodesulphurization unit was completed in 2008. Since 2009 the Refinery has been producing low-sulphur (20 ppm) components for blending EURO-IV/V gasoline grades, and the engineering of the isomerization unit has been completed and the unit is expected to be completed in H2 2010 improving the gasoline octane pool.

INDUSTRIJA NAFTE, d.d.

Retail Services*

Q4 2009	2009	Segment IFRS results (HRK million)	Q1 2009	Q1 2010	Ch. %
1,367	5,812	Revenues	1,147	1,233	7.5
(78)	(126)	Operating profit/(loss)	(4)	(116)	n.a.
13	183	EBITDA	45	(13)	n.a.
27	47	CAPEX and investments (w/o acquisition)	10	2	(85.0)

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

Q4 2009	2009	Refined product retail sales (kt)	Q1 2009	Q1 2010	Ch. %
102	447	Motor gasoline	95	88	(7.1)
174	746	Gas and heating oils	156	140	(10.3)
15	56	LPG	14	10	(29.1)
1	4	Other products	1	1	(18.9)
292	1,254	Total	266	239	(10.3)

Q4 2009	2009	Refined product retail sales (kt)	Q1 2009	Q1 2010	Ch. %
278	1,199	Croatia	254	226	(10.8)
9	39	B&H	8	8	(0.4)
4	16	Other markets	4	4	5.3
292	1,254	Total	266	239	(10.3)

Retail Services operating loss, excluding one off items amounted to HRK 42 million in Q1 2010, what is in comparison to the Q4 2009 higher loss by HRK 3 million. The main driver of the quarter-on-quarter result deterioration was a 18% drop in retail sales volumes or 53 kt. Compared to Q1 2009 **Retail Services** recorded operating loss, excluding one off items higher by HRK 38 million, mainly as a result of lower sales volumes. Reported operating loss amounted to HRK 116 million.

Total retail sales volumes, consisted primarily of diesel fuels and motor gasoline sales, decreased by 10% compared to Q1 2009. In Q1 2010, INA Group experienced a 10% decrease in diesel sales, 7% decrease in motor gasoline sales and 29% decrease in LPG. Average throughput per site was decreased by 10% per station.

A significant decrease in sale in comparison with Q1 2009 considered a reflection of the overall decrease primarily in domestic market demand as a result of lower purchasing power due to the economic downturn in Croatia and increase of unemployment.

The retail segment operated 486 petrol stations (of which 435 in Croatia; 44 in Bosnia-Herzegovina, 6 in Slovenia and 1 in Montenegro) as of 31 March 2010, what is 2 FS less compared to end of March 2009.

Total Retail CAPEX of HRK 1.5 million in Q1 2010 was used for minor projects such as technological and facility improvements, tc. In the same period 2009 total CAPEX amounted to HRK 10 million. The difference is coming from modified schedule of project execution during the year.

INDUSTRIJA NAFTE, d.d.

Financial overview

Operations

The Government of the Republic of Croatia and the Hungarian oil company, MOL signed a Master Agreement on Natural Gas Business (a framework agreement regulating some of the basic issues regarding the future of the natural gas market and natural gas supply in Croatia). Under the above Agreement the gas storage business was taken over by a fully state-owned company Plinacro d.o.o. on 30 April 2009. On 16 December 2009 MOL and the Croatian Government signed the First Amendment to the Gas Master Agreement according to which the deadline for takeover of gas trading activities is extended by 1 December 2010, and it was planned that the gas trading company would operate without loss generation in 2010 (on an annual basis). 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.
According to the First Amendment to the Master Agreement on Natural Gas Business (FAGMA) the Croatian Government passed a Decision on new gas price for tariff customers in Q1 which covers cost of gas procurement. The Agreements were concluded with eligible customers with prices set according to the escalation formula which cover costs of gas procurement during the year. Negotiations are still ongoing with some large eligible customers with whom new contracts still have to be concluded

On 7 April 2010, INA, d.d. entered into a sale and purchase agreement for the sale of 100% ownership of Crobenz d.d. with Croatian Petrol Stations a.s., an affiliated company of Progress Trading, member of the Slavia Capital Group. The sale process was initiated based on INA's obligation under the decision of the Croatian Competition Agency dated 9 June 2009. Following the signing of the First Amendment to the Shareholders Agreement between the Croatian Government and MOL on 30 January 2009, MOL's gaining operational control over INA had been investigated by the Croatian Competition Agency, upon which the Agency made its final Decision on 9 June 2009, in which they approved the transaction under certain conditions, including the sale of INA's 100% ownership in Crobenz d.d. The sale of Crobenz is subject to the approval of the Croatian Competition Agency, therefore the completion of the transaction will happen upon receipt of the necessary regulatory consent. Crobenz d.d. is active in the wholesale and retail trade of petroleum products.

Continuing operations

Net sales revenues generated by INA Group[3] in Q1 2010 amounted to HRK 5.4 billion and they were 19% higher compared to Q1 2009, mainly as a result of higher revenues from refined product sales (higher prices and lower sales), natural gas sales (higher sales and higher prices) and increased international crude oil sales (higher volumes because of changed accounting for the sales of Angola crude[4] and higher crude production in Syria but also higher prices).

In Q1 2010, the costs of raw materials and consumables rose by 34% over Q1 2009, mainly because of 39% higher cost of imported crude as its average price rose by 64% (the average price of Brent FOB Med was up by 71.5% on the world market) while the volume of refined crude was 15% lower. The value of finished goods and WIP inventories rose by HRK 413 million compared to the opening balance while as at 31 March 2009, it was HRK 122 million lower. The cost of goods for resale of HRK 763 million was up by 126 %, primarily due to significantly higher imports of EURO IV grade motor fuels. The costs of services of HRK 604 million were down by HRK 124 million, mainly as a result of cost-cutting measures, lower costs of non-production services, and lower production costs, costs of geological works, contractual tax liabilities, subsequently granted discounts and maintenance costs. Depreciation rose by 9% to HRK 425 million because of assets put in use upon completion of projects. Adjustments and provisions of HRK 207 million were 64 million higher, with asset impairments HRK 52 million higher and HRK 19 million of provisions for unused paid holidays. Total staff costs increased by 4% compared to Q1 2009.

Financial activities in Q1 2010 generated a loss of HRK 602 million but HRK 207 million lower that the Q1 2009 loss. Net forex losses for Q1 2010 in the amount of HRK 502 million mainly relate to long-term debt and trade creditors. In Q1 2009, net forex losses amounted to HRK 710 million. The interest expense of HRK 48 million was HRK 7 million down on Q1 2009, with the positive effect of lower interest on long-term debt partly offset by higher interest expense on trade creditors. Other financial expenses rose by HRK 8 million to HRK 52 million.

The corporate tax calculated for continuing operations for Q1 2010 amounted to HRK 63 million while in Q1 2009, the deferred tax liability amounted to HRK 63 million.

3 Consolidated sales
4 Until 2009, deliveries of Angola crude were recorded once a year, in the last quarter; as of 2010, these revenues are accrued on a monthly basis.

Discontinued operations

In Q1 2010, discontinued operations (natural gas trading) generated a net loss of HRK 207 million (HRK 99 million smaller than in the same period last year). This reflected the fact that the company still was only able to sell its natural gas volumes at a markedly lower price than the weighted average price of import price and domestic production price (increasing gradually towards the import price level as stipulated in the First Amendment to the Gas Master Agreement signed between the two largest shareholders of INA, the Government of Croatia and MOL), but this gap has been reduced from last year's level. Although it was planned that the natural gas trading company would operate without generating losses in 2010, discontinued operations recorded a loss for the quarter resulting from the still ongoing negotiations with some large eligible customers with whom new contracts still have to be concluded.
Operating loss from discontinued operations is HRK 160 million lower compared to Q1 2009, mainly as a result of lower negative differential between the average gas selling prices and import prices, and amounted to HRK 199 million. From financial activities, the loss from fair valuation of embedded derivatives in host contracts was HRK 16 million lower and in Q1 2010 it amounted to HRK 8 million. The effect of deferred taxes in Q1 2010 was not record, while it amounted to HRK 77 in Q1 2009.

Balance sheet

As at 31 March 2010, total assets amounted to HRK 31.1 billion, what was 4% up on 31 December 2009. Non-current assets and intangible assets increased by 2%, mostly on account of capital investments in development operations in Syria and North Adriatic, and refinery modernisation. Goodwill and investments in subsidiaries and joint ventures increased by HRK 178 million and amounted to HRK 680 million. Deferred taxes decreased by HRK 64 million.

The value of inventories was HRK 3.4 billion having increased by 19% due to higher prices and higher inventories of crude, WIP and finished products, while the inventories of natural gas decreased because of the higher winter season consumption.

Net trade debtors of HRK 2.7 billion as at 31 March 2010 were 6% down on 31 December 2009.

Total INA Group liabilities as at 31 March 2010 amounted to HRK 19.4 billion and they were 6% higher than on 31 December 2009, mainly as a result of higher indebtedness which rose to HRK 10.7 billion compared to HRK 8.5 billion as at 31 December 2009. Credit facilities were used for crude purchases, capital investments, and settlement of overdue taxes and other liabilities to the state. The amount of taxes and other contributions payable was reduced by HRK 502 million to HRK 1,279 million. The amount of trade creditors was also reduced by HRK 874 million. Long-term and short-term provisions rose to HRK 2.9 billion in Q1 2010 because of higher provisions for well abandonment.

Total net debt for INA Group amounted to HRK 10.3 billion compared to 8.2 billion as at 31 December 2009 while the net gearing[5] rose from 40.9% to 46.9 % as at 31 March 2010. This underscores the company's current undercapitalisation due to its sustained intensive investment programme in its key businesses

Cash flow

In Q1 2010, the operating cash flow before changes in working capital amounted to HRK 1,069 million, HRK 496 million up on Q1 2009, primarily as a result of a stronger EBITDA. The changes of working capital decreased the cash flow from operating activities by HRK 1,995 million in Q1 2010, due to HRK 1,418 million lower trade creditors, HRK 518 million higher values of inventories and HRK 59 million increased trade debtors. Liabilities for crude oil and overdue, taxes and other liabilities to the state were significantly decreased in Q1 2010.

Net outflows in investing activities amounted to HRK 914 million and were HRK 123 million down on Q1 2009 mainly due to lower amount of Upstream CAPEX.

5 Net debt / net debt plus equity incl. minority interests

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

a) Market risks

Price risks

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

INA is mostly engaged in the sale of refined products and wholesale of natural gas. Domestic prices of refined products are determined under the pricing formula set out in the Refined Product Pricing Regulation (effective since 2001), to a large extent hedging the Group from the changes in crude and oil product prices and the currency risk, enabling refinery products to be repriced every week (bi-weekly starting from 16 April 2010) depending on the market (Platts) prices and the fluctuations of the Croatian kuna against the US dollar.

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

Currency risk management

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

The company applies natural hedge to manage its currency risk exposure based on the principle that the currency mix of the debt portfolio should reflect the free cash flow currency position of the Group.

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

Interest rate risk management

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

Other price risks

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

b) Credit risks

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

There is no significant risk exposure of INA Group that would not be covered with collateral, other than those to the institutions and entities controlled by the state. Given that the Republic of Croatia is a major shareholder of the Group itself, credit risks to a significant extent depend on the policy of the Croatian Government.

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 mln	Amounts owed from related parties	Amounts owed to related parties
	31 March 2010	31 March 2010
Foreign related companies		
Interina Ltd Guernsey	76	57
Holdina Sarajevo	81	4
Interina d.o.o. Ljubljana	3	-
Interina Ltd London	-	3,142
INA – Crna Gora	11	-
INA - Beograd	9	-
Domestic related companies		
Crosco Grupa	1	28
Osijek Petrol d.d.	121	1
Crobenz d.d. Zagreb	165	2
Proplin d.o.o. Zagreb	78	27
STSI d.o.o. Zagreb	2	183
Maziva Zagreb d.o.o. Zagreb	15	36
ITR d.o.o.	-	45
Sinaco d.o.o.	-	59
Hostin d.o.o.	-	-
Prirodni plin d.o.o.	1,509	313

INA parent company HRK mln	Sales of goods	Purchase of goods
	31 March 2010	31 March 2010
Foreign related companies		
Interina Ltd Guernsey	590	56
Holdina Sarajevo	100	-
Interina d.o.o. Ljubljana	7	-
Interina Ltd London	-	2,566
Adriagas Milano	-	-
INA – Crna Gora	11	-
INA - Beograd	19	-
Domestic related companies		
Crosco Grupa	1	29
Osijek Petrol d.d.	98	-
Crobenz d.d. Zagreb	98	1
Proplin d.o.o. Zagreb	121	43
STSI d.o.o. Zagreb	5	94
Maziva Zagreb d.o.o. Zagreb	18	13
ITR d.o.o.	-	7
Sinaco d.o.o.	1	30
Hostin d.o.o.		
Prirodni plin d.o.o.	1,324	25

INDUSTRIJA NAFTE, d.d.

INA Group Summary Segmental Results of Operations

Q4 2009 HRK mln	2009 HRK mln		Q1 2009 HRK mln	Q1 2010 HRK mln	Ch.%
		Sales			
2,006	6,736	Exploration & Production – continuing operations	1,710	2,495	46
3,778	13,454	Refining & Marketing	2,671	2,970	11
1,367	5,812	Retail	1,147	1,233	7
269	909	Corporate and Other	140	149	6
(1,786)	(6,538)	Inter-segment revenue	(1,164)	(1,480)	27
5,634	20,373	Sales – continuing operations	4,504	5,367	19
499	1,958	Exploration & Production – discontinued operations	730	269	(63)
6,133	22,331	Total sales	5,234	5,636	8
		Operating expenses, net other income from operating activities			
(1,282)	(4,120)	Exploration & Production – continuing operations	(927)	(1,320)	42
(3,936)	(14,075)	Refining & Marketing	(2,791)	(3,088)	11
(1,445)	(5,938)	Retail	(1,151)	(1,349)	17
(499)	(1,731)	Corporate and Other	(319)	(349)	9
1,786	6,538	Inter-segment eliminations	1,164	1,480	27
(5,376)	(19,326)	Expenses – continuing operations	(4,024)	(4,626)	15
(723)	(2,987)	Exploration & Production – discontinued operations	(1,089)	(468)	(57)
(6,099)	(22,313)	Total expenses	(5,113)	(5,094)	(0)
		Profit from operations			
724	2,616	Exploration & Production - continuing operations	783	1,175	50
(158)	(621)	Refining & Marketing	(120)	(118)	(2)
(78)	(126)	Retail	(4)	(116)	n.a.
(230)	(822)	Corporate and Other	(179)	(200)	12
258	1,047	Profit/(loss) form operations – continuing operations	480	741	54
(224)	(1,029)	Exploration & Production – discontinued operations	(359)	(199)	(45)
34	18	Total profit/(loss) form operations	121	542	348
		Share in the profit of associate companies			
(274)	(395)	Net profit/(loss) from financial activities - continuing operations	(809)	(602)	(26)
(24)	(112)	Net profit/(loss) from financial activities - discontinued operations	(24)	(8)	(67)
(298)	(507)	Net profit/(loss) from financial activities	(833)	(610)	(27)
(16)	652	Profit/(loss) before taxation - continuing operations	(329)	139	n.a.
(248)	(1,141)	Profit/(loss) before taxation - discontinued operations	(383)	(207)	(46)
(264)	(489)	Profit/(loss) before taxation	(712)	(68)	(90)
46	(35)	Income tax - continuing operations	63	(63)	n.a.
(49)	130	Income tax - discontinued operations	77		n.a.
(3)	95	Income tax	140	(63)	n.a.
30	617	Profit/(loss) for the period - continuing operations	(266)	76	n.a.
(297)	(1,011)	Profit/(loss) for the period - discontinued operations	(306)	(207)	(32)
(267)	(394)	Profit/loss) for the period	(572)	(131)	(77)

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.

Q4 2009	2009	Operating Profit Excluding Special Items* (HRK mln)	Q1 2009	Q1 2010	Ch. %
1,047	2,738	Exploration and Production continuing	783	1,175	50
(224)	(1,029)	Exploration and Production discontinued	(359)	(199)	(45)
(103)	(508)	Refining and Marketing	(120)	(118)	(2)
(39)	43	Retail	(4)	(42)	n.a.
(244)	(769)	Corporate and other	(179)	(200)	12
437	475	Total	121	616	409

Q4 2009	2009	Depreciation (HRK mln)	Q1 2009	Q1 2010	Ch. %
(210)	(951)	Exploration and Production continuing	(250)	(282)	13
		Exploration and Production discontinued			
(77)	(297)	Refining and Marketing	(71)	(76)	7
(31)	(108)	Retail	(26)	(24)	(8)
(41)	(163)	Corporate and other	(42)	(43)	2
359	1,519	Total	(389)	(425)	9

Q4 2009	2009	EBITDA *(HRK mln)	Q1 2009	Q1 2010	Ch. %
1,273	4,441	Exploration and Production continuing	1,110	1,522	37
(229)	(982)	Exploration and Production discontinued	(359)	(114)	(68)
(8)	(66)	Refining and Marketing	(16)	(19)	18
13	183	Retail	45	(13)	n.a.
(160)	(546)	Corporate and other	(127)	(127)	0
889	3,030	Total	653	1.249	91

Q4 2009	2009	EBITDA Excluding Special Items* (HRK mln)	Q1 2009	Q1 2010	Ch. %
1,272	3,943	Exploration and Production continuing	1,110	1,522	37
(229)	(982)	Exploration and Production discontinued	(359)	(114)	(68)
2	(56)	Refining and Marketing	(16)	(19)	18
13	183	Retail	45	(13)	n.a.
(161)	(547)	Corporate and other	(127)	(127)	0
897	2,541	Total	653	1.249	93

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

INDUSTRIJA NAFTE, d.d.

Income Statement
- continuing operations -

Q4 2009 HRK mln	2009 HRK mln		Q1 2009 HRK mln	Q1 2010 HRK mln	Ch. %
		CONTINUING OPERATIONS			
		Income Statement Data			
		Sales revenue			
3,170	12,254	a) Domestic	2,862	3,450	21
2,464	8,119	b) Exports	1,642	1,917	17
5,634	20,373	Total sales revenue	4,504	5,367	19
82	189	Income from own consumption of products and services	33	51	55
376	1,356	Other operating income	400	373	(7)
6,092	21,918	Total operating income	4,937	5,791	17
(207)	(50)	Changes in inventories of finished products and work in progress	(122)	413	n.a.
(2,770)	(10,461)	Cost of raw materials and consumables	(2,068)	(2,768)	34
(346)	(1,507)	Depreciation and amortization	(390)	(425)	9
(552)	(1,909)	Other material costs	(419)	(393)	(6)
(340)	(1,169)	Non-material costs	(309)	(211)	(32)
(705)	(2,802)	Staff costs	(669)	(696)	4
(399)	(1,514)	Cost of other goods sold	(337)	(763)	126
(513)	(1,210)	Impairment charges (net)	(133)	(178)	34
(2)	(249)	Provisions for charges and risks	(10)	(29)	190
(5,834)	(20,871)	Operating expenses	(4,457)	(5,050)	13
258	1,047	Profit from operations	480	741	54
		Share in the profit of associated companies			
(87)	399	Finance revenue	148	80	(46)
(187)	(794)	Finance costs	(957)	(682)	(29)
(274)	(395)	Net (loss) / profit from financial activities	(809)	(602)	(26)
(16)	652	Profit for the year before taxation	(329)	139	n.a.
46	(35)	Income tax	63	(63)	n.a.
30	617	Profit / (Loss) for the year	(266)	76	n.a.
		DISCONTINUED OPERATIONS			
(297)	(1,011)	Profit / (loss) for the year – discontinued operations	(306)	(207)	(32)
(267)	(394)	Profit / (loss) for the year	(572)	(131)	(77)
		Attributable to			
(264)	(392)	Equity holder	(572)	(131)	(77)
(3)	(2)	Minority interest			
(267)	(394)		(572)	(131)	(77)
		Earning/(loss) per share (in HRK)			
(26.4)	(39.2)	Basic and diluted earnings/(loss) per share (kuna per share) from continuing and discontinued operations	(57.2)	(13.1)	
3.3	62.0	Basic and diluted earnings per share (kuna per share) from continuing operations	(26.6)	7.6	

INA Group Condensed Consolidated Statement of comprehensive Income

Q4 2009 HRK mln	2009 HRK mln		Q1 2009 HRK mln	Q1 2010 HRK mln	Ch. %
(267)	(394)	Profit/(loss) for the year	(572)	(131)	(77)
		Other comprehensive income:			
19	4	Exchange differences arising from foreign operations	28	12	(57)
31	145	Gains on available-for-sale investments, net	(10)	10	n.a.
50	149	Ohter comprehensive income/(loss), net	18	22	22
(217)	(245)	Total comprehensive income/(loss) for the year	(554)	(109)	(80)
		Attributable to:			
(213)	(243)	Owners of the Company	(554)	(109)	(80)
(4)	(2)	Non- controlling interests			

INDUSTRIJA NAFTE, d.d.

Income Statement
- discontinued operations -

Q4 2009	2009		Q1 2009	Q1 2010	Ch. %
HRK mln	HRK mln		HRK mln	HRK mln	
		DISCONTINUED OPERATIONS			
		Income Statement Data			
		Sales revenue			
499	1,958	a) Domestic	730	264	(64)
		b) Exports		5	n.a.
499	1,958	Total sales revenue	730	269	(63)
		Income from own consumption of products and services			
7	71	Other operating income	105	16	(85)
506	2,029	Total operating income	835	285	(66)
		Changes in inventories of finished products and work in progress			
		Cost of raw materials and consumables			
		Depreciation and amortization			
(40)	(362)	Other material costs	(142)	(43)	(70)
(3)	(3)	Non-material costs		(3)	n.a.
(2)	(6)	Staff costs	(1)	(2)	100
(691)	(2,641)	Cost of other goods sold	(1,051)	(351)	(67)
6	(46)	Impairment charges (net)		(85)	n.a.
		Provisions for charges and risks			
(730)	(3,058)	Operating expenses	(1,194)	(484)	(59)
(224)	(1,029)	Profit from operations	(359)	(199)	(45)
		Share in the profit of associated companies			
		Finance revenue			
(24)	(112)	Finance costs	(24)	(8)	(67)
(24)	(112)	Net (loss) / profit from financial activities	(24)	(8)	(67)
(248)	(1,141)	Profit for the year before taxation	(383)	(207)	(46)
(49)	130	Deferred tax	77		
(297)	(1,011)	Profit / (Loss) for the year - discontinued operations	(306)	(207)	(32)

INDUSTRIJA NAFTE, d.d.

Consolidated Balance Sheet

31 Dec 2009 HRK mln		31 March 2009 HRK mln	31 March 2010 HRK mln	Ch. %
	Assets			
	Non-current assets			
731	Intangible assets	691	832	20
20,353	Property, plant and equipment	18,079	20,743	15
296	Goodwill	197	296	50
68	Investments in associates and joint ventures	76	68	(11)
138	Investments in other companies	152	316	108
385	Long-term receivables	164	283	73
	Derivative financial instruments	57		n.a.
434	Deferred tax	498	370	(26)
397	Available for sale assets	188	409	118
22,802	Total non-current assets	20,102	23,317	16
	Current assets			
2,887	Inventories	2,456	3,444	40
2,925	Trade receivables net	3,025	2,741	(9)
805	Other receivables	693	660	(5)
56	Derivative financial instruments	86	41	(52)
32	Other current assets	56	42	(25)
72	Prepayments and advances	102	254	149
367	Cash with bank and in hand	308	401	30
7,144	Current assets	6,726	7,583	13
121	Available for sale assets	263	220	(16)
7,265	Total current assets	6,989	7,803	12
30,067	Total assets	27,091	31,120	15
	Equity and liabilities			
	Capital and reserves			
9,000	Share capital	9,000	9,000	0
10	Revaluation reserve	(145)	20	(114)
2,311	Other reserves	2,335	2,323	(1)
463	Retained earnings / (Deficit)	283	332	17
11,784	Equity attributable to equity holder of the parent	11,473	11,675	2
8	Minority interests	10	8	(20)
11,792	Total equity	11,483	11,683	2
	Non-current liabilities			
5,764	Long-term loans	5,916	5,780	(2)
139	Other non-current liabilities	132	137	4
126	Employee benefits obligation	114	120	5
2,573	Long-term provisions	1,276	2,694	111
8,602	Total non-current liabilities	7,438	8,731	17
	Current liabilities			
2,104	Bank loans and overdrafts	2,226	3,885	75
655	Current portion of long-term debt	96	1,068	1,013
4,286	Accounts payable	3,513	3,412	(3)
1,781	Taxes and contributions	1,406	1,279	(9)
415	Other short-term liabilities	523	532	2
157	Accruals and deferred income	201	190	(5)
17	Employee benefits obligation	17	17	0
229	Short-term provisions	188	225	20
9,644	Current liabilities	8,170	10,608	30
29	Liabilities directly associated with assets classified held for sale		98	
9,673	Total current liabilities	8,170	10,706	31
18,275	Total liabilities	15,608	19,437	25
30,067	Total equity and liabilities	27,091	31,120	15

INDUSTRIJA NAFTE, d.d.

Capital Expenditure

Q4 2009	2009	Capital Expenditures (HRK mln)	Q1 2009	Q1 2010	Ch. %
442	3,039	Exploration and Production	816	516	(37)
549	1,367	Refining and Marketing	148	323	118
27	47	Retail	10	2	(85)
9	51	Corporate and other changes	10	(1)	n.a.
1,027	4,504	Total	984	840	(15)

Q4 2009	31/12/2009	Capital Expenditure - Tangible Assets (HRK mln)	31/03/2009	31/03/2010	Ch. %
459	2,902	Exploration and Production	787	404	(49)
548	1,365	Refining and Marketing	147	323	120
27	46	Retail	9	2	(83)
4	36	Corporate and other changes	9	(1)	n.a.
1,038	4,349	Total	952	728	(24)

INDUSTRIJA NAFTE, d.d.

INA—INDUSTRIJA NAFTE d.d. ZAGREB
INA GROUP CONSOLIDATED STATEMENT OF CASH FLOW
Period ended 31 March 2009 and 2010
(All amounts in HRK millions)

Q4 2009	2009		Q1 2009	Q1 2010	Ch. %
(267)	(394)	Profit for the year	(572)	(131)	(77)
		Adjustments for:			
346	1,507	Depreciation and amortisation of non-current assets	390	425	9
46	(95)	Income tax expenses recognized in profit	(140)	63	n.a.
583	1,256	Impairment charges (net)	132	263	99
(128)	(128)	Reversal of impairment		(168)	n.a.
0	(10)	Gain on sale of property plant and equipment	(7)		n.a.
139	(79)	Foreign exchange loss/(gain)	714	503	(30)
(123)	184	Interest expense (net)	77	13	(83)
37	149	Other financial expenses/(income)		23	n.a.
(132)	50	Increase in provisions	42	43	2
42	42	Net book value of sold assets classified as held for sale			
126	126	Decommissioning interests		35	n.a.
4	4	Change in provision for charges and risks and other non-cash items	(63)		n.a.
673	2,612	Operating cash flow before working capital changes	573	1,069	87
		Movements in working capital			
459	(269)	(Increase)/decrease in inventories	9	(518)	n.a.
117	(170)	(Increase)/decrease in receivables and prepayments	26	(59)	n.a.
(430)	812	Increase/(decrease) in trade and other payables	(283)	(1,418)	401
115		Increase/(decrease) in provisions	(110)		n.a.
934	2,985	Cash generated from operations	215	(926)	n.a.
0	(25)	Taxes paid			
934	2,960	Net cash inflow from operating activities	215	(926)	n.a.
		Cash flows used in investing activities			
(872)	(4,183)	Payments for property, plant and equipment	(952)	(741)	(22)
3	(163)	Payments for intangible assets	(32)	(112)	250
0	15	Proceeds from sale of non-current assets	9		n.a.
(2)	(103)	Purchase of investments in associates and joint ventures and other companies			
0	3	Dividends received from companies classified under available for sale and other companies	2	2	0
		Interest received	3		n.a.
1	(59)	Investments and loans to third parties, net	(67)	(63)	(6)
(870)	(4,490)	Net cash (outflow) from investing activities	(1,037)	(914)	(12)
		Cash flows from/(used in) financing activities			
1,075	2,044	Additional long-term borrowings	968	140	(86)
(15)	(120)	Repayment of long-term borrowings	(35)	(45)	29
1,809	8,705	Additional short-term borrowings	1,914	3,549	85
(3,066)	(9,127)	Repayment of short-term borrowings	(2,230)	(1,729)	(22)
1	(70)	Interest paid on long-term loans	(44)	(8)	(82)
2	(8)	Other long-term liabilities, net	(6)	(4)	(33)
		Dividends paid			
(34)	(103)	Interest paid on short term loans and other financing charges	(19)	(27)	42
(228)	1,321	Net cash inflow/(outflow) from financing activities	548	1,876	242
(164)	(209)	Net (decrease)/increase in cash and cash equivalents	(274)	36	n.a.
527	579	At beginning of period	579	367	(37)
4	(3)	Effect of foreign exchange rate changes	3	(1)	n.a.
367	367	At the end of period	308	402	31

INA INDUSTRIJA NAFTE, d.d.

INA GROUP CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 March 2009 and 2010
(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 2009	9,000	2,307	(135)	855	12,027	10	12,037
Profit / loss for the year	0	0	0	(572)	(572)		(572)
Other comprehensive income, net	0	28	(10)		18		18
Total comprehensive income for the year	0	28	(10)	(572)	(554)	0	(554)
Dividends payable					0		0
Balance as at 31 March 2009	9,000	2,335	(145)	283	11,473	10	11,483

	Share capital	Other reserves	Revaluation reserves	Retained profits / (Accumulated deficit)	Total	Minority interests	Total equity
Balance as at 1 January 2010	9,000	2,311	10	463	11,784	8	11,792
Profit / loss for the year	0	0	0	(131)	(131)		(131)
Other comprehensive income, net	0	12	10		22		22
Total comprehensive income for the year	0	12	10	(131)	(109)	0	(109)
							0
Balance as at 31 March 2010	9,000	2,323	20	332	11,675	8	11,683

INDUSTRIJA NAFTE, d.d.

Announcements in 2010

April 19, 2010	Extraordinary general meeting held
April 8, 2010	Sale of 100% ownership in Crobenz d.d
April 7, 2010	General Meeting notice
April 1, 2010	Supervisory Board meeting held
March 12, 2010	General Meeting notice
March 1, 2010	Announcement
March 1, 2010	Announcement about Management Board changes
February 15, 2010	Preliminary unaudited consolidated results for 2009
February 05,2010	Response to Zagreb Stock Exchange query
January 19,2010	Announcement
January 18,2010	Natural gas price

Main external parameters

Q4 2009	2009		Q1 2009	Q1 2010	Ch. %
74.56	61.67	Brent dated (USD/bbl)	44.46	76.24	71.5
663.90	571.33	Premium unleaded gasoline 50 ppm (USD/t)*	419.94	700.99	66.9
606.45	522.13	Gas oil – EN590 50 ppm (USD/t)*	416.15	624.38	50.0
433.25	345.29	Fuel oil 3.5% (USD/t)*	224.38	434.68	93.7
667.20	529.10	LPG (USD/t)*	474,90	737,60	55.3
99.85	104.80	Crack spread – premium unleaded gasoline 50 ppm(USD/t)*	75.87	124.25	63.8
42.41	55.60	Crack spread – gas oil EN590 50 ppm(USD/t)*	92.04	47.64	(48.2)
(130.80)	(121.24)	Crack spread - fuel oil 3.5% (USD/t)*	(111.29)	(142.07)	27.7
103.20	62.60	Crack spread – LPG (USD/t)*	139.23	160.81	15.5
4.9194	5.2804	HRK/USD average	5.6817	5.2644	(7.3)
5.0893	5.0893	HRK/USD closing	5.6602	5.3925	(4.7)
7.2734	7.3394	HRK/EUR average	7.4077	7.2841	(1.7)
7.3062	7.3062	HRK/EUR closing	7.4572	7.2593	(2.7)
0.28	0.69	3m USD LIBOR (%)	1.24	0.26	(79.0)
0.72	1.22	3m EURIBOR (%)	2.01	0.66	(67.2)

** FOB Mediterranean*

INDUSTRIJA NAFTE, d.d.

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

	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 March 10
MOL Plc.	2,500,001	2,500,001	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
Private and institutional investors	2,319,632	3,015,081	800,910	800,910	800,910
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Changes in organisation, Management Board or Supervisory Board

Supervisory board

At the Extraordinary General meeting of INA-INDUSTRIJA NAFTE d.d. held on 19 April 2010 Mr Joszef Molnar was appointed supervisory board member with the term of office until 10 June 2013.

Management board

At the meeting held on 31 March 2010 INA-INDUSTRIJA NAFTE, d.d. the Supervisory Board acknowledged the resignation of Mr. László Geszti from his duty as President of the Management Board of INA, d.d. and unanimously elected Mr Zoltán Áldott as new President of the Management Board of the company commencing as of April 1st 2010 with a five year term of office (at the same time acknowledging his resignation from his membership in the Supervisory Board of INA).

Management representation

INA Group's consolidated financial statements for Q1 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS), i.e. they present fairly, in all material aspects, the financial position of the company, results of its operations and cash flows of INA Group.

Management Board

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

INA Group
Interim Financial Statements with Notes for the period ended 31 March 2010

Finance Function
Accounting and Tax Sector

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INA Group Condensed Consolidated Income Statement

For the nine months ended 31 March 2010

(all amounts in HRK millions)

(unaudited)

		Cumulative		First Quarter	
Continuing operation	**Notes**	**31 March 2010**	**31 March 2009**	**31 March 2010**	**31 March 2009**
Sales revenue					
a) domestic		3,450	2,862	3,450	2,862
b) exports		1,917	1,642	1,917	1,642
Total sales revenue	3	**5,367**	**4,504**	**5,367**	**4,504**
Income from own consumption of products and services		51	33	51	33
Other operating income		373	400	373	400
Total operating income		**5,791**	**4,937**	**5,791**	**4,937**
Changes in inventories of finished products and work in progress		413	(122)	413	(122)
Cost of raw materials and consumables		(2,768)	(2,068)	(2,768)	(2,068)
Depreciation and amortisation		(425)	(390)	(425)	(390)
Other material costs		(393)	(419)	(393)	(419)
Service costs		(211)	(309)	(211)	(309)
Staff costs		(696)	(669)	(696)	(669)
Cost of other goods sold		(763)	(337)	(763)	(337)
Impairment and charges		(178)	(133)	(178)	(133)
Provision for charges and risks (net)		(29)	(10)	(29)	(10)
Operating expenses		**(5,050)**	**(4,457)**	**(5,050)**	**(4,457)**
Profit from operations		**741**	**480**	**741**	**480**
Finance income		80	148	80	148
Finance costs		(682)	(957)	(682)	(957)
Net profit/(loss) from financial activities		**(602)**	**(809)**	**(602)**	**(809)**
Profit before tax		**139**	**(329)**	**139**	**(329)**
Income tax expense		(63)	63	(63)	63
Profit for the year from continuing operation		**76**	**(266)**	**76**	**(266)**
Discontinued operation					
Loss for the year from discontinued operation		(207)	(306)	(207)	(306)
Profit/(loss) for the year		**(131)**	**(572)**	**(131)**	**(572)**

INA Group Condensed Consolidated Income Statement

For the nine months ended 31 March 2010

(all amounts in HRK millions)

(unaudited)

		Cumulative		First Quarter	
	Notes	**31 March 2010**	**31 March 2009**	**31 March 2010**	**31 March 2009**
Attributable to:					
Owners of the Company		**(131)**	**(572)**	**(131)**	**(572)**
Non-controling interests		-	-	-	-
		(131)	**(572)**	**(131)**	**(572)**
Earnings/(loss) per share					
Basic and diluted earnings/(loss) per share (kunas per share) from continuing and discontinued operations	5	(13.1)	(57.2)	(13.1)	(57.2)
Basic and diluted earnings per share (kuna per share) from continuing operations	5	7.6	(26.6)	7.6	(26.6)

INA Group Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 31 March 2010

(all amounts in HRK millions)

(unaudited)

		Cumulative		First Quarter	
	Notes	**31 March 2010**	**31 March 2009**	**31 March 2010**	**31 March 2009**
Profit/(loss) for the year		**(131)**	**(572)**	**(131)**	**(572)**
Other comprehensive income:					
Exchange differences arising from foreign operations		12	28	12	28
Gains on available-for-sale investments,net		10	(10)	10	(10)
Other comprehensive income/(loss), net		**22**	**18**	**22**	**18**
Total comprehensive income/(loss) for the year		**(109)**	**(554)**	**(109)**	**(554)**
Attributable to:					
Owners of the Company		(109)	(554)	(109)	(554)
Non-controling interests		-	-	-	-

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

INA Group Condensed Consolidated Balance Sheet

At 31 March 2010

(all amounts in HRK millions)

(unaudited)

ASSETS	**Notes**	**31 March 2010**	**31 December 2009**
Non-current assets			
Intangible assets		832	731
Property, plant and equipment		20,743	20,353
Goodwill		296	296
Investments in associates and joint ventures		68	68
Other investments	6	316	138
Long-term receivables		283	385
Deferred tax		370	434
Available for sale assets		409	397
Total non – current assets		**23,317**	**22,802**
Current assets			
Inventories		3,444	2,887
Trade receivables, net		2,741	2,925
Other receivables		660	805
Derivative financial instruments		41	56
Other current assets		42	32
Prepaid expenses and accrued income		254	72
Cash and cash equivalents		401	367
		7,583	**7,144**
Assets classified as held for sale	12	220	121
Total current assets		**7,803**	**7,265**
TOTAL ASSETS		**31,120**	**30,067**

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

(all amounts in HRK millions)

EQUITY AND LIABILITIES	Notes	31 March 2010	31 December 2009
Capital and reserves			
Share capital	7	9,000	9,000
Revaluation reserve	8	20	10
Other reserves		2,323	2,311
Retained earnings	9	332	463
Equity attributable to equity holders of the parent		**11,675**	**11,784**
Minority interest		8	8
TOTAL EQUITY		**11,683**	**11,792**
Non – current liabilities			
Long-term loans	10	5,780	5,764
Other non-current liabilities		137	139
Employee benefit obligation		120	126
Provisions		2,694	2,573
Total non–current liabilities		**8,731**	**8,602**
Current liabilities			
Bank loans and overdrafts	11	3,885	2,104
Current portion of long-term loans	11	1,068	655
Trade payables		3,412	4,286
Taxes and contributions		1,279	1,781
Other current liabilities		532	415
Accruals and deferred income		190	157
Employee benefit obligation		17	17
Provisions		225	229
		10,608	9,644
Liabilities directly associated with assets classified held for sale	12	98	29
Total current liabilities		**10,706**	**9,673**
TOTAL LIABILITIES		**19,437**	**18,275**
TOTAL EQUITY AND LIABILITIES		**31,120**	**30,067**

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 three months ended 31 March 2010

(all amounts in HRK millions)

(unaudited)

	Share capital	Other reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Non controlling interest	Total
Balance at 1 January 2009	**9,000**	**2,307**	**(135)**	**855**	**12,027**	**10**	**12,037**
Loss for the year	-	-	-	(572)	(572)	-	(572)
Other comprehensive income, net	-	28	(10)	-	18	-	18
Total comprehensive income for the year	-	28	(10)	(572)	(554)	-	(554)
Balance at 31 March 2009	**9,000**	**2,335**	**(145)**	**283**	**11,473**	**10**	**11,483**
Balance at 1 January 2010	**9,000**	**2,311**	**10**	**463**	**11,784**	**8**	**11,792**
Profit for the year	-	-	-	(131)	(131)	-	(131)
Other comprehensive income, net	-	12	10	-	22	-	22
Total comprehensive income for the year	**-**	**12**	**10**	**(131)**	**(109)**	**-**	**(109)**
Balance at 31 March 2010	**9,000**	**2,323**	**20**	**332**	**11,675**	**8**	**11,683**

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 three months ended 31 March 2010

(all amounts in HRK millions)

(unaudited)

	Notes	31 March 2010	31 March 2009
(Loss)/profit for the year		**(131)**	**(572)**
Adjustments for:		-	**-**
Depreciation and amortisation		425	390
Income tax (benefit)/expense recognized in (loss)/profit		63	(140)
Impairment charges (net)		263	132
Reversal of impairment		(168)	-
Gain on sale of property, plant and equipment		-	(7)
Foreign exchange loss/(gain)		503	714
Interest expense (net)		13	77
Other finance expense recognised in profit		23	-
Increase in provisions		43	42
Decommisioning interests		35	-
Change in provision for charges and risks and other non-cash items		-	(63)
		1,069	**573**
Movements in working capital			
(Increase)/decrease in inventories		(518)	9
(Increase)/decrease in receivables and prepayments		(59)	26
Increase/(decrease) in trade and other payables		(1,418)	(283)
Decrease/(increase) in provisions		-	(110)
Cash generated from operations		**(926)**	**215**
Taxes paid		-	-
Net cash inflow from operating activities		**(926)**	**215**
Cash flows used in investing activities			
Payments for property, plant and equipment		(741)	(952)
Payments for intangible assets		(112)	(32)
Proceeds from sale of non-current assets		-	9
Dividends received from companies classified as available for sale and from other companies		2	2
		-	3
Investments and loans to third parties, net		(63)	(67)
Net cash used for investing activities		**(914)**	**(1,037)**

INA Group Condensed Consolidated Cash Flow Statement

For three months ended 31 March 2010

(all amounts in HRK millions)

(unaudited)

	Notes	31 March 2010	31 March 2009
Cash flows from financing activities			
Additional long-term borrowings		140	968
Repayment of long-term borrowings		(45)	(35)
Additional short-term borrowings		3,549	1,914
Repayment of short-term borrowings		(1,729)	(2,230)
Interest paid on long-term loans		(8)	(44)
Other long-term liabilities, net		(4)	(6)
Interest paid on short-term loans and other financing charges		(27)	(19)
Net cash from financing activities		**1,876**	**548**
Net increase in cash and cash equivalents		**36**	**(274)**
At 1 January		367	579
Effect of foreign exchange rate changes		(1)	3
At 31 March		**402**	**308**

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

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2010. 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 2009.

Adoption of new and revised standards

Standards and Interpretations effective in the current period

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

- IFRS 1 (revised) “First-time Adoption of IFRS” (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IFRS 1 “First-time Adoption of IFRS”- Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 1 “First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

Standards and Interpretations effective in the current period (continued)

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),

- IFRIC 17 “Distributions of Non-Cash Assets to Owners” (effective for annual periods beginning on or after 1 July 2009),

- IFRIC 18 “Transfers of Assets from Customers” (effective for transfer of assets from customers received on or after 1 July 2009),

Standards and Interpretations in issue not yet adopted

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

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2013),

- Amendments to IAS 24 “Related Party Disclosures” - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),

- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010),

- IFRIC 19 “Extinguishing Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010),

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

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

3. SEGMENT INFORMATION

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

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

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

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

INA Group

	Continuing operation						Discontinued operation	Consolidated
31 March 2010	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	2,088	2,030	1,219	30	-	5,367	269	5,636
Inter-segment sales	407	940	14	119	(1,480)	-	-	-
Total revenue	**2,495**	**2,970**	**1,233**	**149**	**(1,480)**	**5,367**	**269**	**5,636**
Operating expenses, net of other operating income	(1,320)	(3,088)	(1,349)	(349)	1,480	(4,626)	(468)	(5,094)
Profit/(loss) from operations net of other income	**1,175**	**(118)**	**(116)**	**(200)**		**741**	**(199)**	**542**
Net finance income						(602)	(8)	(610)
Profit/(loss) before tax						139	(207)	(68)
Income tax expense/(benefit)						(63)	-	(63)
Profit/(loss) for the year						**76**	**(207)**	**(131)**

(all amounts in HRK millions)

3. SEGMENT INFORMATION (continued)

Assets and liabilities by operative segments follows below:

INA Group

	Continuing operation						Discontinued operation	Consolidated
31 March 2009	**Exploration and production**	**Refining and marketing**	**Retail**	**Corporate and other**	**Elimination**	**Total**	**Exploration and production**	
Sales to external customers	1,395	1,921	1,145	43	-	4,504	730	5,234
Inter-segment sales	315	750	2	97	(1,164)	-	-	-
Total revenue	**1,710**	**2,671**	**1,147**	**140**	**(1,164)**	**4,504**	**730**	**5,234**
Operating expenses, net of other operating income	(927)	(2,791)	(1,151)	(319)	1,164	(4,024)	(1,089)	(5,113)
Profit/(loss) from operations net of other income	**783**	**(120)**	**(4)**	**(179)**	**-**	**480**	**(359)**	**121**
Net finance income						(809)	(24)	(833)
Profit/(loss) before tax						(329)	(383)	(712)
Income tax expense/(benefit)						63	77	140
Profit/(loss) for the year						**(266)**	**(306)**	**(572)**

4. TAX COSTS AND DEFERRED TAXES

Tax costs and deferred taxes during the interim period are calculated on the basis of actual results and the profit tax rate, 20% for the period ending 31 March 2010 and 20% for the period ending 31 December 2009.

5. EARNINGS PER SHARE

Continued and discontinued operation

	31 March 2010	31 March 2009
Basic and diluted earnings per share (in HRK)	**(13.1)**	**(57.2)**

Earnings

	31 March 2010	31 March 2009
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	**(131)**	**(572)**
	(131)	**(572)**

Number of shares

	31 March 2010	31 March 2009
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share (in millions)	10	10

From continued operation

	31 March 2010	31 March 2009
Basic and diluted earnings per share (in HRK)	7.6	(26.6)

Earnings

	31 March 2010	31 March 2009
Profit for the period attributable to equity holders of the parent	(131)	(572)
Less:		
Loss/profit for the year from discontinued operation	(207)	(306)
Earnings for calculation basic earnings per share (kuna per share) from continuing operations	**76**	**(266)**

(all amounts in HRK millions)

6. OTHER INVESTMENTS

	INA Group	
	31 March 2010	**31 December 2009**
Financial assets at fair value through profit or loss	6	6
Long-term loans	287	109
Deposits	23	23
Other investments	**316**	**138**

7. SHARE CAPITAL

Issued capital as at 31 March 2010 amounted to 9,000 million HRK. There was no movements in the issued capital of the Company in either the current or the prior financial reporting.

8. REVALUATION RESERVE

	INA Group	
	31 March 2010	**31 December 2009**
Balance at the begining of the year	10	(135)
Increase arising on revaluation available for sale securities (Janaf)	12	181
Deffered tax	(2)	(36)
Balance at the end of the year	**20**	**10**

9. RETAINED EARNINGS

	Retained earnings
Balance at 1 January 2010	**463**
Profit for the year	(131)
Balance at 31 March 2010	**332**

10. LONG-TERM LOANS

In the period from 31 December 2009 to 31 March 2010, INA Group's long-term debt increased by HRK 16 million. The increase mainly relates to using new loan of PBZ on the amount of EUR 19 million or HRK 139 million, repayment in amount HRK 43 million, foreign exchange loss in amount of HRK 333 million and increasing current portion of long-term loans in amount of HRK 413 million.

(all amounts in HRK millions)

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

	31 March 2010	31 December 2009
Overdrafts and short-term loans	3,885	2,104
Current portion of long-term loans	1,068	655
	4,953	**2,759**

	Repayment deadline	Security/ Guarantee	31 March 2010	31 December 2009
BNP Paribas (USD)	by 31.12.2010.	INA d.d. guarantee	1,054	494
NATIXIS (USD)	by 31.12.2010.	INA d.d. guarantee	448	-
City bank (USD)	untill cancel	INA d.d. guarantee	-	56
BLB (USD)	by 24.04.2010.	INA d.d. guarantee	73	-
ERSTE BANK (EUR)	by 25.06.2010.	Promissory notes	10	-
Bank Tokyo Mitsubishi (USD)	by 30.04.2010.	INA d.d. guarantee	231	207
CKB (EUR)	by 28.02.2010.	Bill of exchange	1	1
Raiffeisenbank Zagreb (EUR, USD)	by 30.09.2010.	Bill of exchange	36	35
Bank Austria Creditanstalt (USD)	by 31.08.2010.	Assignment	485	183
Zagrebačka banka, Zagreb (USD,HRK)	by 30.06.2010.	Bill of exchange	36	49
Privredna banka Zagreb, Zagreb (HRK)	by 30.06.2010.	Bill of exchange	45	95
Societe Generale-Split. banka (USD, HRK)	by 31.08.2010.	Bill of exchange	62	66
Slavonska banka Osijek	by 10.03.2010.	Bill of exchange	-	10
Fortis (USD)	by 18.03.2011.	INA d.d. guarantee	259	224
Hrv poštanska banka (HRK)	by 31.07.2010.	Bill of exchange	22	22
OTP bank (HUF, EUR, HRK)	by 02.07.2010.	Bill of exchange	77	81
Current portion of long-term loans			63	80
Total regarding to subsidiaries			**2,902**	**1,603**
INA, d.d.				
Overdrafts and short term loans			1,046	581
Current portion of long-terms loans			1,005	575
Total INA, d.d.			**2,051**	**1,156**
Total INA Grupa			**4,953**	**2,759**

(all amounts in HRK millions)

12. ASSETS CLASIFIED AS HELD FOR SALE

Assets classified as held for sale relating to the sell entrepreneur Crobenz limited company for oil distribution, having its registered office in Zagreb, Radnička cesta 228.

	INA Group	
	31 March 2010	**31 December 2009**
Intangible assets	2	2
Property, plant and equipment	39	107
Inventory	4	6
Trade receivables, net	172	5
Other receivables	1	1
Other current assets	1	-
Cash and cash equivalents	1	-
TOTAL ASSETS	**220**	**121**
Long-term loans	18	19
Provisions	4	1
Bank loans and overdrafts	67	-
Current portion of long-term loans	4	4
Trade payables	2	3
Taxes and contributions	1	1
Other current liabilities	2	1
TOTAL LIABILITIES	**98**	**29**
ASSETS CLASSIFIED AS HELD FOR SALE	**122**	**92**

13. RELATED PARTY TRANSACTIONS

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

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

(all amounts in HRK millions)

13. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.

	Sales of goods		Purchase of goods	
	31 March 2010	**31 March 2009**	**31 March 2010**	**31 March 2009**
Foreign related companies				
Interina Ltd Guernsey	590	417	56	5
Holdina Sarajevo	100	116	-	3
Interina d.o.o. Ljubljana	7	4	-	-
Interina Ltd London	-	-	2,566	1,431
Adriagas Milano	-	-	-	-
INA Crna Gora d.o.o Podgorica	11	7	-	-
INA Beograd d.o.o Beograd	19	7	-	-
Domestic related companies				
Crosco Grupa	1	1	29	59
Osijek Petrol d.d.	98	100	-	3
Crobenz d.d. Zagreb	98	95	1	2
Proplin d.o.o. Zagreb	121	93	43	33
STSI d.o.o. Zagreb	5	2	94	117
Maziva Zagreb d.o.o. Zagreb	18	9	13	19
ITR d.o.o. Zagreb	-	-	7	11
Sinaco d.o.o. Zagreb	1	1	30	35
Hostin d.o.o. Zagreb	-	-	-	-
Prirodni plin d.o.o. Zagreb	1,324	-	25	-
Companies available for sale				
JANAF d.d. Zagreb	-	-	10	13
Strategic partner				
MOL Plc	59	34	337	400
Companies controlled by the State				
Hrvatske željeznice	24	25	11	3
Hrvatska elektroprivreda	145	496	50	13
Croatia osiguranje	1	2	25	10
Hrvatske vode	-	-	5	4
Hrvatska pošta	-	-	1	1
MORH	14	16	-	-
Hrvatske šume	-	-	-	-
Jadrolinija	23	19	-	1
Narodne novine	-	-	-	1
Croatia Airlines	28	26	-	-
Petrokemija Kutina	6	272	-	-
Plinacro	-	2	-	167
Hrvatske autoceste	-	-	13	13
Podzemno skladište plina Okoli	-	-	-	-

(all amounts in HRK millions)

13. RELATED PARTY TRANSACTIONS (continued)

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

INA, d.d.	**Amounts owed from related parties**		**Amounts owed to related parties**	
	31 March 2010	**31 December 2009**	**31 March 2010**	**31 December 2009**
Foreign related companies				
Interina Ltd Guernsey	76	239	57	57
Holdina Sarajevo	81	104	4	3
Interina d.o.o. Ljubljana	3	2	-	-
Interina Ltd London	-	6	3,142	2,153
INA Crna Gora d.o.o Podgorica	11	8	-	-
INA Beograd d.o.o Beograd	9	5	-	-
Domestic related companies				
Crosco Grupa	1	1	28	42
Osijek Petrol d.d.	121	96	1	1
Crobenz d.d. Zagreb	165	143	2	1
Proplin d.o.o. Zagreb	78	90	27	29
STSI d.o.o. Zagreb	2	3	183	212
Maziva Zagreb d.o.o. Zagreb	15	20	36	43
ITR d.o.o. Zagreb	-	-	45	41
Sinaco d.o.o. Zagreb	-	-	59	63
Hostin d.o.o. Zagreb	-	-	-	1
Prirodni plin d.o.o. Zagreb	1,509	849	313	196
Companies available for sale				
JANAF d.d. Zagreb	-	-	19	20
Strategic partner				
MOL Plc	15	26	846	653
Companies controlled by the State				
Hrvatske željeznice	114	108	12	10
Hrvatska elektroprivreda	211	217	16	16
Croatia osiguranje	-	-	17	33
Hrvatske vode	-	-	9	6
Hrvatska pošta	2	2	-	-
MORH	10	14	-	-
Hrvatske šume	7	4	-	-
Jadrolinija	38	25	-	1
Narodne novine	-	-	-	-
Croatia Airlines	28	30	-	-
Petrokemija Kutina	178	199	-	-
Plinacro	-	-	24	38
Hrvatske autoceste	-	-	10	8
Podzemno skladište plina Okoli	-	1	32	61

14. 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, 151 contracts were concluded with vendors as at 31 March 2010, worth HRK 3.42 billion.

Investment in contract areas of North Adriatic

Activity of bringing the production of natural gas reserves in the geographic area of North Adriatic, mostly within the epicontinental shelf of Republic of Croatia, is taking place through Production Sharing Agreements (PSA) which INA has signed with foreign companies in the so - called contract areas:

- INA, d.d. and ENI Croatia B.V. have closed down in the 1996 and 1997 Production Sharing Agreements in contract areas Aiza - Laura and Ivana, and realization of the partnership takes place through a joint operating company INAgip with interests 50 : 50,

- INA, d.d. and EDISON INTERNATIONAL S.p.A. have closed down in the 2002 Production Sharing Agreement in the contract area Izabela & Iris / Iva.

Partnership with the EDISON takes place through the operating company EDINA with interests: Edison 70% and INA 30%.

When Izabela gas field will be also in production, in the North Adriatic Area a total of 18 production platforms and 1 compressor platforms with a total of 51 production wells will be installed.

Until now, in the contract areas North Adriatic and Aiza-Laura, INA, d.d. and ENI Croatia B.V. have invested in capital construction of mining facilities and plants over USD 1,3 billion, while of the total gained reserves INA´s share will range about 70% of the produced gas, which is further placed on the Croatian gas market.

14. COMMITMENTS(continued)

Investment in contract areas of North Adriatic (continued)

On Izabela gas field (partnership with Edison) two platforms are installed (Izabela-South and Izabela – North). From the platform Isabel-South was drilled and equipped two production wells and final installation and testing of equipment are in progress before starting the testing production, which is expected in May 2010. From the platform Isabella-North drilling and equipping of two production wells is in progress and the production is expected at the end of June 2010. Produced gas from Izabela gas field will be uploaded through Ivana A / K platforms, which are connected with the sealine with Terminal Pula and further to Croatian gas system.

On 31 March 2009 INAgip had in both contract areas 143 active contracts amounting in total to 1.14 billion HRK, and the remaining commitments under these contracts on the same date amounted to 232 million HRK.

Edina has, for the need of the development of the Izabela gas field from 1 January 2008 until 31 March 2010, concluded 59 (of which are still active 46) contracts amounting in total to EUR 139.04 million from which EUR 116.5 million was carried out on 31 March 2009.

Investments in Syria

INA Group has been active in Syria since 1998, and is currently independently exploring and developing two blocks. INA has two Production Sharing Agreements (PSA) for the exploration, development and production of petroleum in Syria, both signed with the Government of the Syrian Arab Republic and the GPC which allow partners exploration, development and production of hydrocarbons in Syria.

The first PSA between The Government of the Syrian Arab Republic and GPC and INA d.d. – Naftaplin was assembled 13th August 1998 for Hayan Block.

The second PSA covers the Aphamia Concession and has become effective from 26th June 2004.

Up to present day INA has six (6) commercial discoveries on Hayan Block (Jihar, Al Mahr, Jazal, Palmyra, Mustadyra and Mazrur) with significant oil, gas and condensate reserves.

The average daily production of the gas in first quarter 2010 is around 7230 boe and 5483 bbl of the oil, that is very close to the nominal production capacities of the OGS Hayan. The total gas production on Hayan Block amounted to cca 3 million boe in 2009, of which 1.4 million boe belongs to GPC.

Current situation

Plant for oil, gas and condensate production “Jihar” (phase 2) together with belonging oil, gas & condensate wells, transportation system and oil tanks is built and the process of takeover plant from contractor is in progress.

14. COMMITMENTS(continued)

Investments in Syria (continued)

Completion of Gas Treatment Plant (GTP) – Jihar with capacity 3.9 million m3/day inlet gas, 140-200 m3/day LPG, is planned in March 2011 (testing and starting up is planning in September 2010). Together with belonging oil, gas & condensate wells, oil production will be increased and also will enable gas production from gas deposits discovered on the Jihar, and Al Mahr fields.

On Aphamia Exploration Block where INA is Operator (100%), the Second exploration phase (First Extension of Initial Exploration phase) commenced in August 2008. During that phase INA was obliged to acquire 300 km 2D seismic or equivalent of 3D and drill 2 exploration wells (USD 6,000,000 minimum financial obligation). Completion date of that phase is August 2010.

In Syria until 31 March 2010, INA concluded 26 contracts and 3 addendums and addendum increased amount of contracts for 62.9 mills HRK. The total amounts of contracts were HRK 2.7 billion. At 31 March 2010 remaining obligations due to these contracts were HRK 672.8 million.

15. CONTINGENT LIABILITIES

There were no changing of contigent liabilities regarding contigent liabilities presented in financial statement at 31 December 2009.

16. SUBSEQUENT EVENTS

Changes in Management Structures

At the meeting held on 31 March 2010 INA-INDUSTRIJA NAFTE, d.d. Supervisory Board acknowledged the resignation of Mr. László Geszti from his duty as President of the Management Board of INA, d.d. and unanimously elected Mr Zoltán Áldott as new President of the Management Board of the company commencing as of April 1st 2010 with a five year term of office (at the same time acknowledging his resignation from his membership in the Supervisory Board of INA).

At the Extraordinary Shareholders assembly held on 19 April 2010, Mr. József Molnár was elected Supervisory Board member, with the term of office until 10 June 2013.

Sale of 100% ownership in Crobenz d.d.

On 7 April 2010, INA, d.d. (INA) entered into a sale and purchase agreement for the sale of 100% ownership of Crobenz d.d. ("Crobenz") with Croatian Petrol Stations a.s., an affiliated company of Progress Trading, member of the Slavia Capital Group.

The sale process was initiated based on INA's obligation under the decision of the Croatian Competition Agency ("Agency") dated 9 June 2009 ("Decision"). Following the signing of the First Amendment to the Shareholders Agreement between the Croatian Government and MOL on 30 January 2009, MOL's gaining operational control over INA had been investigated by the Croatian Competition Agency, upon which the Agency made its final Decision on 9 June 2009, in which they approved the transaction under certain conditions, including the sale of INA's 100% ownership in Crobenz d.d..

16. SUBSEQUENT EVENTS (continued)

Sale of 100% ownership in Crobenz d.d. (continued)

The sale of Crobenz is subject to the approval of the Croatian Competition Agency, therefore the completion of the transaction will happen upon receipt of the necessary regulatory consent.

Crobenz d.d. is active in the wholesale and retail trade of petroleum products. The Crobenz retail network consists of 14 service stations operated under the Crobenz brand.

Changes in th Articles of Association of INA,d.d

On 19 April 2010 the Extraordinary General Assembly adopted the resolution on the amendments to the Articles of Association by adding a new Article ˝Conditional Increase of Stock Capital.˝ This decision created prerequisites for the potential conditional increase of stock capital in the future periods, which is a subject to decision by General Assembly.

Changes in legislation

The Decision on the Quantity and Structure of Obligatory Oil and Refinery Product Stocks for the Year 2010 was published in the Official Gazette No. 41/1, whereas the Regulation on Determining the Petroleum Products Prices was published in the Official Gazette No. 45/10.