

Sustainability Report 2007

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INTRODUCTION

For twelve years now INA has been publishing non-financial reports. We started with our biannual environmental report 1996-1997, and since then have been reporting annually on environmental protection, which since 2002 also encompassed health and safety. Our first CSR report, prepared according to the GRI Guidelines, was published in 2004 for the calendar year of 2003, and we have since been applying the same methodology for our annual CSR reports. In October 2007, INA published its first Sustainability Report for the calendar year of 2006, using G3 GRI methodology, thereby integrating social, environmental, and health & safety reporting.

Our CSR reports and our 2006 Sustainability Report were independently reviewed by members of the Croatian Chamber of Economy, the Institute of Economics, and the Working Group for Preparation of EU Accession Negotiations on Chapter 20 "Enterprise and Industrial Policy"

This 2007 Sustainability Report encompasses a full range of economic, environmental and social impacts of INA on its stakeholders, and we expect that it shall be of use to our employees, shareholders, management, customers, and communities.

This Report covers information about our operations in oil & gas exploration and production, refining, wholesale, and retail for the calendar year of 2007, and it has been independently reviewed by a member of the Working Group for Preparation of EU Accession Negotiations on Chapter 20 "Enterprise and Industrial Policy".

In the preparation of this report, we used the text from INA's 2007 Financial Report, which was independently audited by Deloitte, and thus verified as accurate and objective.

The basis of all reports of INA subsidiaries, individually or at Group level, are financial statements, such as the Profit and Loss Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statements, Notes to Financial Statements, auditor reports, business plans. Joint ventures, as well as other companies in mixed ownership also require documents such as production sharing agreements, social agreements, special agreements, and letters of understanding.

Pursuant to the Accounting Act of the Republic of Croatia, our financial reports are prepared in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), and give a true and fair view of INA's financial state and performance. INA applies all the relevant requirements, techniques,

methods and assessments set in the International Accounting Standards.

Pollutant emissions are determined by measurement, emission factors, or on the basis of the material balance.

This 2007 Sustainability Report has been prepared by the Sustainable Development and Corporate Social Responsibility Work Group, consisting of the following members:

Svea Švel-Cerovečki, Strategy & Corporate Business Development Sector
 Dragica Petričević, Health, Safety and Environment Sector
 Kamilka Pejčević, Human Resources Sector
 Anđelka Tokić, Accounting and Tax Sector
 Jadranka Borić, Quality Management Sector
 Darko Limanović, Corporate Communications Sector
 Živka Mašina, Exploration and Production Division
 Višnja Sušić, Refining and Marketing Division
 Vjeran Konc, Retail Services Division

The application level of the GRI G3 Guidelines in this 2007 Sustainability Report is as follows:

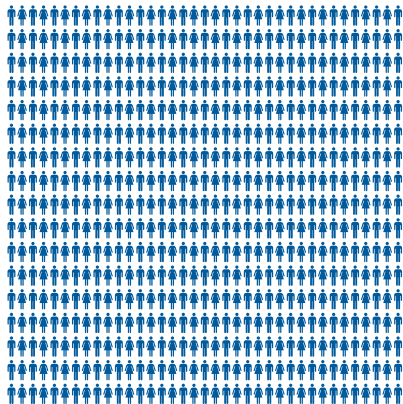
Application level: B+

G3 Profile Disclosures	1.1, 1.2 2.1-2.10 3.1-3.13 4.1-4.17														
G3 Management Approach Disclosures	Management approach disclosures for each indicator category														
G3 Performance Indicators:	<table> <tr> <td>Economic</td><td>6</td></tr> <tr> <td>Environmental</td><td>18</td></tr> <tr> <td>Labour</td><td>13</td></tr> <tr> <td>Human Rights</td><td>7</td></tr> <tr> <td>Society</td><td>4</td></tr> <tr> <td>Product</td><td></td></tr> <tr> <td>Responsibility</td><td>5</td></tr> </table>	Economic	6	Environmental	18	Labour	13	Human Rights	7	Society	4	Product		Responsibility	5
Economic	6														
Environmental	18														
Labour	13														
Human Rights	7														
Society	4														
Product															
Responsibility	5														

This report has been reviewed independently.

Additional information may be obtained at:
INA d.d., Zagreb, Avenija V. Holjevca 10, Croatia
www.ina.hr

Corporate Communications Sector
phone: 6450-406; FAX: 6452-406
e-mail: glasnogovornik@ina.hr



LETTER FROM THE BOARD PRESIDENT

Dear friends,

In 2007, INA became member of Global Compact, the world's largest corporate responsibility initiative, thus confirming once again our commitment to sustainable development and corporate social responsibility.

Our Code of Business Conduct and Ethics came into effect, whereas our new website, ranked among the first ten in the Vidi Web Top 100 competition, presents a series of activities undertaken to associate environmental and social aspects with our business processes and stakeholders.

In 2007, INA Group realized a net sales revenue of HRK 25.8 billion, which is 10.3% more than in 2006, while the company's net profit was less by 1.6% and amounted to HRK 869 million (USD 162 million). During the reporting period, INA faced the persistent global trend of growing crude and natural gas prices. As in previous years, INA failed to soften the impact of abrupt oil price growth with adequate price growth in the domestic market due to the enforcement of price regulation. INA also failed to realize the positive effects of growing refinery margins in export markets, due to technological outdatedness.

We continued progress toward our business goals, which involved hydrocarbon exploration and production in Syria, Egypt, and Croatia, growth of regional sales, and business improvement. We acquired a majority share in Energopetrol (B&H) as part of the INA-MOL consortium. Our retail network was in the process of modernization and expansion.

In the third privatization phase, INA's current and former employees acquired 628,695 shares at favourable conditions.

Our "IT project of the decade", the SAP Project, was completed, while our business optimization project continued in its aim of cutting costs. Some of the most significant ongoing strategic projects involved restructuring of our retail network, improvement of wholesale, optimization of logistics, as well as other projects focused on raising the quality and profitability of our business. Over the year, we invested HRK 383.5 million into the modernization and reconstruction of our refinery capacities. As part of the first modernization phase,



the Desulphurization (Claus) Plant at the Sisak Refinery was completed and put into operation. This plant will greatly reduce sulphur emissions from the refinery's fuel-gas system, and thus ensure much better air quality.

This year also, we allocated approx. HRK 40 million for donations and sponsorships, and were happy to have helped many people in their health struggle, especially children. We are proud to have participated in the renewal of the birthplace of our Nobel Prize winner Lavoslav Ružička.

We organized a sales exhibition of works made by members of the Center for Autism, thus expressing our awareness and support for this part of our society.

Top scholarships were granted to best students, and our annual award for world promotion of Croatian culture was held.

Our doors were open to many national and foreign high school and university students for their summer practical training.

We celebrated three important anniversaries: 80th anniversary of the Sisak Refinery, 55th anniversary of Naftaplin (E&P), and the 10th anniversary of INA's Toll Free Phone for customers.

Into the decision-making process, we aim to instill ethical values, legal compliance, and respect for people, the community, and the environment.

A handwritten signature in blue ink, likely of Tomislav Dragičević, DSc.

Tomislav Dragičević, DSc.
President of INA Management Board

COMPANY PROFILE

INA from Up Close!





INA-Industrija nafte d.d. Zagreb was founded on January 1, 1964 by the integration of Naftaplin (oil and gas exploration and production company) and the Rijeka and Sisak Refineries. By the end of that decade, INA had expanded to include the Zagreb Refinery, Trade (for domestic trade), the petrochemical plants OKI and DINA, and the Kutina mineral fertiliser plant. In 1993, INA became a joint-stock company.

INA-Group comprises INA, d.d. as the parent company, and several fully or partly owned companies. The Group is Croatia's leader in oil and gas exploration, production, refining, and distribution. We also own a 16-percent stake in JANAF, owner and operator of the Adriatic pipeline system.

INA is an influential participant in both the domestic and regional markets, where we sell oil products and gas from our own production as well as imported products. Our key influence is on the domestic market, with a 78.4% share in total oil-product sales. We cover the entire natural gas demand from domestic production (60%), and import. In the broader context, INA Group's financial results represent a significant contribution to domestic economy and national income. Our business relations with economic and state entities also greatly influence the status of domestic economy.

Together with our subsidiary companies, INA Group is one of the largest vertically integrated groups in the regional oil industry. Our total revenue, profits, and number of employees make us the leading economic entity in Croatia. In 2007, INA Group earned a net sales revenue 10.3% higher than the previous year, while net profit of INA d.d. was 1.6% lower and amounted to HRK 869 million. We attributed the higher net sales revenue to the greater volume of goods sold and higher selling prices, while the reduced net profit resulted from higher corporate tax.

INA IN THE WORLD - 1964-2007

Cuba, Italy, Slovenia, Great Britain, Germany, Hungary, B&H, Montenegro, Serbia, Belarus, Russia, Macedonia, Albania, Turkey, Azerbaijan, Syria, Jordan, China, Iran, Myanmar, UAE, Indonezia, Qatar, Yemen, Egypt, Libya, Tunisia, Algeria, Angola, Namibia, Gabon

INA-GROUP COMPRISES:



Exploration and Production
Refining and Marketing
Retail Services



Provision of drilling, workover, and other services associated with onshore and offshore exploration and production



Provision of technical services in maintenance, engineering and execution of investment projects



Production and marketing of lubricants



LPG production and marketing



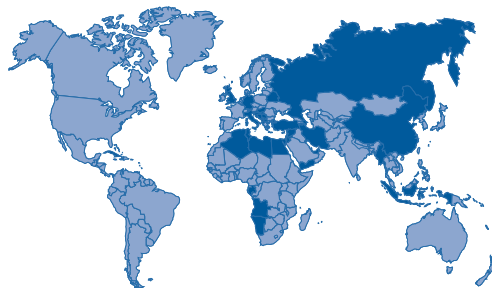
Management of tourist resorts owned by INA



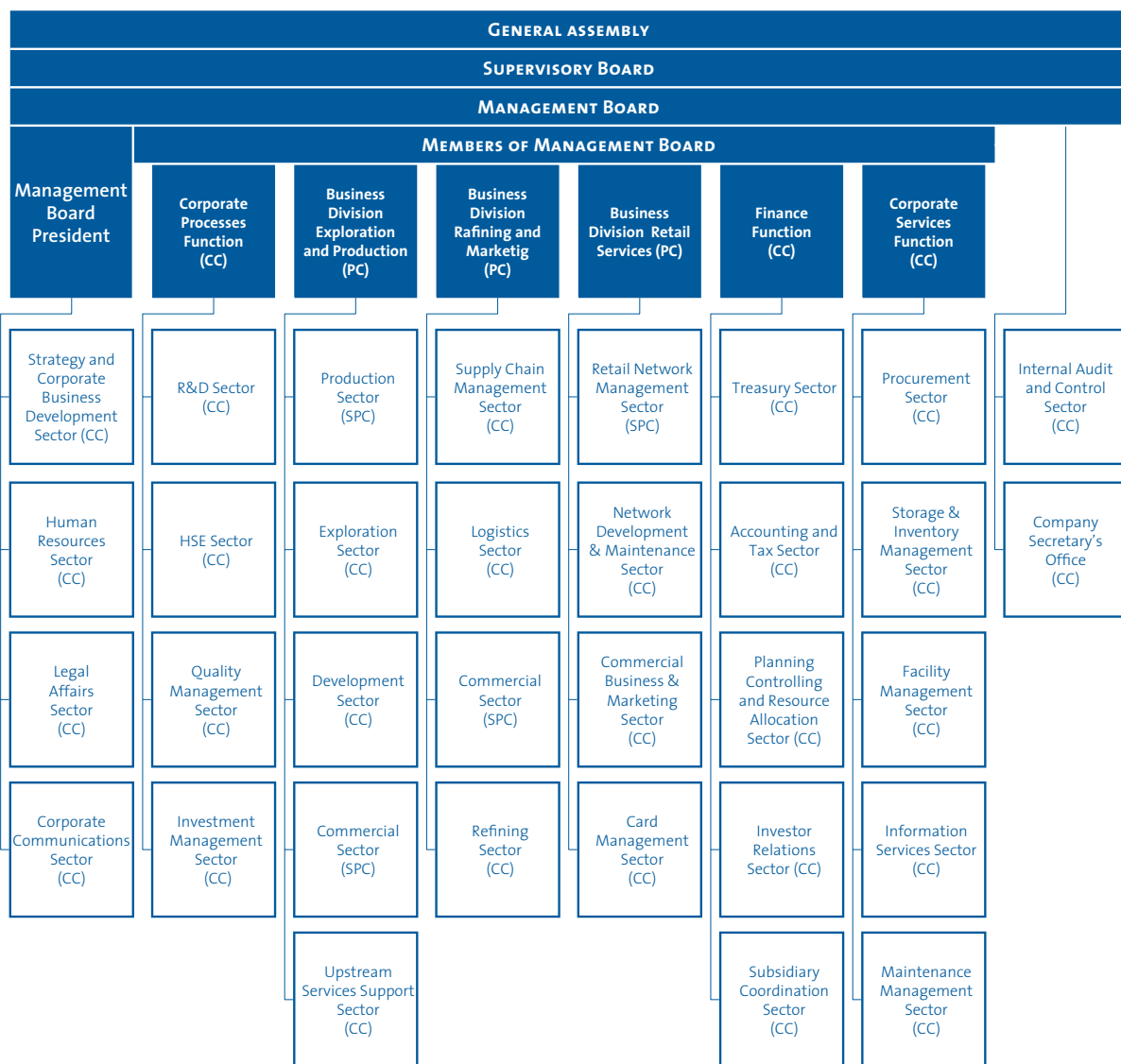
Car and boat rentals



Health and safety



Macro-organization of INA d.d.



Companies established by INA	Year	Basic document as required by the Companies Act
ITR Ltd. Zagreb	1995	Statement on the formation of a limited liability company
Crosco Ltd. Zagreb	1996	Statement on the formation of a limited liability company
Hostin Ltd. Zagreb	1996	Statement on the formation of a limited liability company
Infocentar Ltd. Zagreb	1996	Statement on the formation of a limited liability company
Proplin Ltd. Zagreb	2001	Statement on the formation of a limited liability company
STSI Ltd. Zagreb	2001	Statement on the formation of a limited liability company
Maziva-Zagreb Ltd. Zagreb	2002	Statement on the formation of a limited liability company
Sinaco Ltd. Sisak	2003	Statement on the formation of a limited liability company

Joint-ventures	Year	Basic document as required by the Companies Act
INAGIP Ltd. Zagreb (50%)	1996	Social agreement on the formation of INAGIP Ltd.
CROPLIN Ltd. Zagreb (50%)	1998	Social agreement on the formation of CROPLIN Ltd.
ED-INA Ltd. Zagreb (50%)	2002	Social agreement on the formation of a limited liability company
POLYBIT Ltd. Rijeka (50%)	2003	Social agreement on the formation of a limited liability company

INA Branches and Representative Offices	Year
Branch	
Damascus, Syria	1997
Cairo, Egypt	1997
Windhoek, Namibia	2004
Naftni derivati Priština, Kosovo	2004
Tirana, Albania	
Representative Office	
Luanda, Angola	1982
Moscow, Russia	1992
Budapest, Hungary	1989
Teheran, Iran	

INA's head office is in Zagreb, Avenija V. Holjevca 10, Croatia.

On December 31, 2007, INA Group had 15,855 employees, while INA-d.d. had 10,183 employees.

During the reporting period, INA faced the persistent global trend of growing crude and natural gas prices, and as in previous years, failed to soften the impact of abrupt oil price growth with adequate prices in the domestic market due to the enforcement of price regulation. INA also failed to take full advantage of the positive effects of growing refinery margins in export markets, due to technological outdatedness.

INA d.d. Total Equity & Liabilities Structure (as of Dec 31, 2007)

EQUITY AND LIABILITIES	mIn HRK 2007	mIn HRK 2006
Capital and Reserves		
Registered capital	9,000	9,000
Revaluation reserves	229	66
Reserves	1,952	1,952
Retained earnings	1,410	551
TOTAL EQUITY	12,591	11,569
Non-current Liabilities		
Long-term loans	2,988	1,372
Other non-current liabilities	144	153
Severance payments and long-service recognition bonuses	65	48
Provisions	1,331	1,122
Total Non-current Liabilities	4,528	2,695
Current Liabilities		
Bank loans, and overdrafts	97	159
Long-term loans	45	506
Inter-company payables	3,096	2,541
Trade payables	1,876	1,935
Taxes and contributions	535	479
Other current liabilities	86	146
Accruals and deferred income	97	115
Severance payments and long-service recognition bonuses	8	5
Provisions	25	143
Total Current Liabilities	5,865	6,029
TOTAL LIABILITIES	10,393	8,724
TOTAL EQUITY AND LIABILITIES (A.1+B.1+C.1)	22,984	20,293

INA Sales

Crude oil (t)	2006	2007
Domestic	617,000	599,000
Foreign	216,000	260,000
Condensate	185,000	170,000

Oil products (t)	2006	2007
Oil products (t)	4,816,000	4,816,782

Natural gas (m³)	2006	2007
Domestic	2,739,000,000	3,162,000,000
Export	213,000,000	216,000,000
Syria		92,000,000
TOTAL	2,952,000,000	3,470,000,000

INA PRODUCTS, SERVICES, AND OPERATIONS

INA's exploration and production operations are mainly focused onshore and offshore Croatia, with a growing presence in countries of the Middle East, and northern and western Africa. Refining is located in Croatia, while INA petrol stations are spread throughout Croatia and the neighbouring countries.

The core activities of INA and its subsidiaries are:

- Oil & gas exploration and production primarily onshore and offshore Croatia, as well as abroad in Angola, Egypt, Syria, and Namibia;
- Import of natural gas from Russia, and wholesale of imported and domestic natural gas to industrial consumers and local distributors;
- Oil refining in the Rijeka and Sisak refineries, lubricant production in the Rijeka and Zagreb lubricant plants;
- Retail of fuel and associated products through a chain of 482* petrol stations (as on Dec 31, 2007). In Croatia, our Retail Services Division operated 413 petrol stations, while 20 petrol stations were operated by our subsidiaries; we also operated 43 petrol stations in B&H, and 6 in Slovenia.
*The 2007 Financial Report of the Accounting and Tax Sector states 498 petrol stations (16 more) because they were included under the item of profit centres.
Compared to 2006, the number of petrol stations in the domestic market has increased by five, which is in accordance with Retail Services new strategy.
- Crude oil and products trading through a network of international subsidiary companies and branches, mainly in London, Ljubljana, Sarajevo, and Moscow;
- Provision of drilling, workover and other services associated with onshore and offshore exploration and production through our subsidiary company Crosco d.o.o.

PRODUCT LINE - FUELS AND OTHER PRODUCTS

LIQUEFIED PETROLEUM GAS

- LPG commercial propane-butane mix
- auto LPG
- special-purpose LPG

VIRGIN NAPHTHA

PETROL

- INA EUROSUPER 95
- INA SUPER 95
- INA SUPER PLUS 98

DIESEL FUELS

- INA EURODIESEL
- INA DIESEL

JET FUEL

KEROSENE

- motor kerosene
- industrial kerosene
- heating kerosene
- lighting kerosene
- well kerosene

FUEL OILS

- fuel oil extra light
- fuel oil light
- fuel oil medium
- fuel oil heavy

MARINE FUELS

- marine distillate fuels
- marine residual fuels

OTHER PRODUCTS

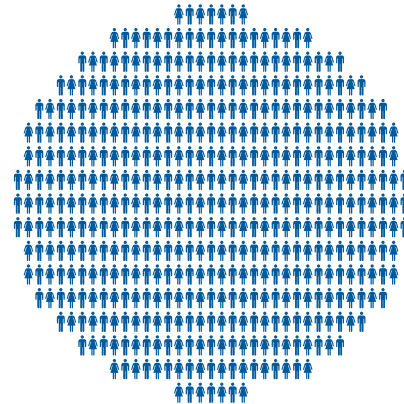
BITUMEN

- road construction bitumen
- industrial bitumen
- polymer bitumen

PETROLEUM COKE

- green petroleum coke
- calcined petroleum coke - regular
- calcined petroleum coke - premium

LIQUID SULPHUR



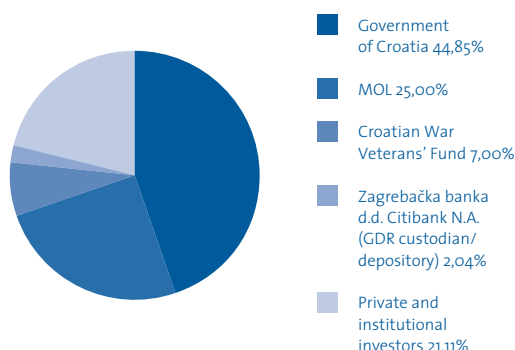
SHAREHOLDER	No. of shares
Government of Croatia	4,484,918
MOL	2,500,001
Croatian War Veterans' Fund	700,000
Zagrebačka banka d.d./Citibank N.A. (GDR custodian/depositary)	204,307
Private and institutional investors	2,110,774
TOTAL	10,000,000

SHAREHOLDER STRUCTURE

INA's capital stock is divided into 10,000,000 common shares of HRK 900.00 (nominal value) each.

Public trading of the shares began on December 1, 2006.

INA Shareholder Structure on December 31, 2007



CORPORATE GOVERNANCE

The core principles of INA's corporate governance are transparency defined by unambiguous rules of procedure of the Supervisory Board, the Management Board and other decision-making bodies, as well as conflicts of interest prevention, effective internal control, and an effective responsibility system.

The governance structure of INA comprises the Supervisory Board, the Management Board, and the General Assembly, which together represent the three bodies as required by INA's Articles of Association and the Companies Act.

The Supervisory Board's mandate includes appointing or recalling Management Board members, as well as supervising or recalling operations of the Management Board. It comprises six members: four representatives of Croatia, two MOL representatives, while the seventh member (INA employee representative) has not yet been appointed.

MEMBERS OF THE SUPERVISORY BOARD IN 2007 WERE:

Ivan Šuker, President
 Zoltán Áldott, Vice-president
 Đuro Dečak
 Damir Polančec
 Tomislav Ivić
 László Geszti (György Mosonyi until Feb 1, 2007)

The Management Board governs the business operations of the company, and is authorized to conclude business agreements on its behalf. It reports to the Supervisory Board on the company's economic, social, and environmental performance, profits and revenue, issues pertaining to future business operations, as well as other significant issues. It comprises seven members, five of whom are proposed by the Croatian Government as the majority shareholder, and two by the MOL Management Board.

MEMBERS OF THE MANAGEMENT BOARD IN 2007 WERE:

Tomislav Dragičević, Board President
 Zsolt Bács, Board Vice-president and Executive Director of Finance Function
 Mirko Zelić, Board Member and Executive Director of BD Exploration and Production
 Josip Petrović, Board Member and Executive Director of BD Refining and Marketing
 Niko Paulinović, Board Member and Executive Director of BD Retail Services
 Tomislav Thür, Board Member and Director of Corporate Processes Function
 Sandor Lendvai, Board Member and Director of Corporate Services Function

The Management Board and the Supervisory Board are two separate bodies with separate management and supervisory functions. Supervisory Board members are not members of INA's executive structure.

INA employees participate in the decision-making process about issues pertaining to their economic and social rights and interests, in the manner and under terms as defined by the Labour Act, our Collective Agreement and Labour Regulations.

Since INA lacks an established workers' body, this function is discharged by a Union representative who assumes all the rights and obligations of a workers' council, and who is nominated alternately from one of the three unions every three months.

Since the beginning of collective bargaining at INA (1996), the provisions of the Collective Agreement practically apply to all INA employees regardless of their union membership, with the exception of those having concluded special contracts with INA Management. During its effective period, a Collective Agreement Interpretation Committee is in place, comprising three employer and three union representatives. The committee passes decisions by consensus, and meets as necessary (every four months on average). The key challenge to this committee is the effective implementation of its decisions at lower organizational levels. It has therefore been suggested that INA officials be systematically informed about this committee's mandate and their duty to implement its decisions. In 2007, the INA and Oil Economy Workers' Union (SING) launched the initiative to establish a workers' council, which is expected to be formed in 2008.

Managerial contracts are concluded between INA and the president and members of the Management Board, the terms of which are determined by the Supervisory Board. The Management Board's mandate includes identifying the company's development strategy, business policy, and measures for the implementation thereof, negotiating with the workers' unions about the rights, obligations, and material status of employees, as well as concluding the collective agreement. It also decides upon other issues within its authority, as well as on issues not in the authority of any other management body of the Company.

According to INA's Articles of Association, Board members are required to disclose to the Board the nature of any interest they or any persons related to them might have in proposed or existent arrangements with INA.

The processes for determining the qualifications and expertise of the members of the highest governance body for guiding the company's strategy on economic, environmental and social matters are regulated by law and internal documents.

Supervision over the company's identification and management of economic, environmental, and social performance is performed by the Management and Supervisory Boards of INA throughout the year, as well as once a year by the highest governance body in the form of a Performance Evaluation carried out by the Management Board.

The Supervisory Board oversees the Management Board and its governance of the company. It sub-

mits to the General Assembly its written report regarding performed supervision, as well as any resolutions or documents prepared by the Management Board requiring approval from the General Assembly.

When considering annual financial reports, the General Assembly decides on whether to issue a letter of acceptance to the members of the Management and Supervisory Boards for the previous year. By issuing a letter of acceptance, the General Assembly approves of how the Management and Supervisory Boards governed the company. In Addition, the General Assembly may issue a no confidence vote to any Management Board member. If the General Assembly declines to issue a letter of acceptance or submits a vote of no confidence for any or all Management Board members, the Supervisory Board may consider whether to recall the members in question.

Five times a year an external auditor assesses the accuracy of our business records, i.e. each quarterly report and final annual report are reviewed independently. Upon the performed review, the auditor issues suggestions based on observed deficiencies, and having reviewed the final statement, the auditor issues an assessment regarding the accuracy of the equity and liabilities, profits and costs, and cash flow.

Apart from other inspections within the company, twice a year our HSE system is independently evaluated by the relevant certification firm.

Certain segments of INA's business in direct contact with customers and product marketing at-



tained ISO 9001 certificates during the 1990s, which was followed by introduction of the Health, Safety and Environment Management System according to ISO 14001 standards, and OHSAS 18001 specifications. In the aim to improve the quality of our services and confirm our competence in oil and oil product analysis, over 100 test methods in all INA laboratories have been accredited under ISO 17025, and their number is constantly rising.

Our integrated quality management system is based on the process approach, strategy and goal management, and measurement of process efficiency. The ISO 9001 standard is applied through the integrated system across INA, including not only core processes but also every process that supports our core activities. The objective of this strategic commitment to quality control is to be distinguished as a European oil company. Thus, in 2005, INA attained the ISO 9001:2000 certificate.

INA'S WEBSITE AMONG THE TOP 10 IN THE NATIONAL INTERNET CONTEST "VIDI WEB TOP 100"

VIDI Computer Publishing conducted another national Internet contest Vidi Web Top 100 in 2007. The skilled jury, consisting of 37 renowned experts from 17 Croatian editorial offices and organisations, awarded prizes in ten categories.

For the first time in the eight-year history of the Vidi Web Top 100 contest, the new category of Best Croatian Web Promotion was also awarded this year. Among the top 10 in this category was INA's Road Trip Planner that offers the best possible route to your desired destination, and where, when and how much to refuel.

Counting by the increasing daily visits, internet users have recognized INA's new website, re-designed in June this year, for its modern contents and usability.

INA TOLL-FREE NUMBER

You wish to suggest how to improve the quality of our services or business. You have noticed certain errors in the work of our employees or you wish to compliment their work. You need certain information.

For all your questions, complaints, suggestions, or compliments use INA's toll-free phone number: 0800-1112, or send us an e-mail at ina-besplatni.telefon@ina.hr.

INA's toll-free phone line is open 24 hours a day. You can speak directly to an operator (7.30 - 21.30 workdays), or leave a message (21.30 - 7.30 workdays, and 0-24 weekends).

All your queries will be carefully considered and answered in the shortest possible time, whereas if your message regards an oversight on our part, we shall endeavour to put it right as soon as possible.

ROAD TRIP PLANNER / WWW.INA.HR/MAPA

The greatest novelty in Croatian web space is this road trip planner. It helps travelers find the fastest route to their desired destination and the nearest INA petrol station. Its very elaborate city maps are a valuable, fast and reliable source of information that could replace the use of classical paper maps for many travelers.

SPONSOR OF SCIENCE AND HIGH EDUCATION

"Our Faculty has developed strong ties with INA-Naftaplin and the mining, geological, and petroleum engineering profession, thus nurturing the vital bonds between science, high education, the economy, and industry.

Thanks to the employees of INA, our Faculty has been awarded a valuable sponsorship - a software programme worth two million dollars. This will add to the attractiveness of studies at this faculty, especially in light of the fact that the careers of our future petroleum engineers have already been secured, while INA will have gained highly qualified petroleum

engineers, geologists and mining experts."

Goran Durn, Dean of the Faculty of Mining, Geology & Petroleum Engineering, on the occasion of St. Barbara's Day, Miners' Day, and Faculty Anniversary (December 4, 2007).

EDUCATING A FARMER FOCUS GROUP

With the support of the Corporate Communications Sector, from January 16 to March 3, 2007, experts from the Refinery & Marketing Division held 25 lectures on "Farm Machinery Fuels and Lubricants" for farmers throughout Croatia. The farmers were familiarized with the quality and proper application of INA products, the health and environmental risks of improper oil disposal, as well as with the obligations of the producers of waste-oil/hazardous waste. In talks and through the survey that was conducted during the course, the lecturers obtained valuable information on the type of machinery being used, the geographic distribution of end users, the needs and expectations of the owners of farm machinery, and their satisfaction with the use and supply of INA fuels and lubricants.

CODE OF BUSINESS CONDUCT AND ETHICS, AND THE UN GLOBAL COMPACT



WE SUPPORT

In early 2007, INA became member of Global Compact and thus committed to promote the 10 principles of GC in its operations.

The INA Code of Business Conduct and Ethics came into effect at the beginning of 2007. Its guidelines correspond with the principles of Global Compact, and include relations toward work, coworkers, business partners, healthcare, safety, environmental protection, respect for the law and custom, guidelines against conflicts of interest, and control mechanisms.

The Global Compact is an international initiative launched by the United Nations in 2000, which connects the business sector with agencies of the UN, governments and civil societies in the support of fundamental social values. The Global Compact acts through regional and national networks. The Croatian Global Compact network was established in March 2007, and counts more than 70 participants - companies, business associations, academic societies, and non-government organizations. We act through dialogue, teaching, and national projects.

By implementing the 10 principles of Global Compact, INA supports the fundamental social values in the areas of human rights, labour rights, the environment, and anti-corruption. Regarding

corporate social responsibility, INA reports on its progress annually, and participates in the online “Communication on Progress”.

INA marked the 60th Anniversary of the UN Universal Declaration of Human Rights with articles in INA Glasnik (our fortnightly newspaper), as well as on our website, and have committed to integrate the Declaration guidelines into INA’s core documents.

You may find more details on our implementation of the Global Compact guidelines on our website at www.ina.hr, and the GC 10 principles that we support at www.unglobalcompact.org.

STAKEHOLDER ENGAGEMENT

Dialogue with our stakeholders is of the utmost importance to us as a company dedicated to corporate social responsibility. Stakeholders are selected on the basis of there interest and influence. They are identified as internal/external individuals or groups having any legitimate interest in the company.

We engage in continuous dialogue 24-hours a day by means of our toll-free phone 0800-1112 and our website www.ina.hr, where we post useful information and surveys.

Periodically, we organize meetings with representatives of the local community, as for e.g. “The Open Doors Day” of the Rijeka Refinery.

STAKEHOLDERS	TYPE OF ENGAGEMENT
End Consumers	Annual satisfaction survey / Website / Toll-free Phone / INA representative in the Consumer Association / Education
Buyers	Consultations, Education / Contracts / Toll-free Phone / Website / Focus group / Questionnaire
Suppliers	Contracts / Correspondence
Shareholders	Supervisory Board / General Assembly
Management	Management Board, meetings
Employees	Daily meetings / Correspondence / Work groups / Occupational safety committees / Intranet / Internal newspapers / Internal documents
Unions	Meetings, Annual collective bargaining
Business Organizations	Regular meetings of member organizations
Central Authorities	Correspondence / Meetings
Local Authorities	Correspondence / Meetings
Non-governmental organizations	Consultations / Meetings / Donations / Sponsorships
Communities	Frequent communication / Donations
Creditors	Agreements / Reports

MISSION, VISION, CORE VALUES

MISSION

INA is a vertically integrated oil company, an influential player in the crude oil, oil products and gas market of Croatia and neighbouring countries. We are committed to constantly improving our business operations, as well as perfecting the efficiency and quality of our products and services.

VISION

INA's vision is to be a respected and preferred partner known for excellent products and services; a brand built on an honest, fair and interest-protecting relationship with our customers, partners and employees together with a focus on delivering value to our shareholders.

CORE VALUES



In order to fulfill our mission and achieve our vision, it is essential that we commit to the expectations and goals of all our stakeholders - customers, shareholders, employees and communities - whilst not impairing our natural environment. Therefore, our core values are as follows:

- Achieve the profitability and create the values expected from our shareholders and investors.
- Fulfill the interests and expectations of our customers, and gain their trust and long-term loyalty.
- Maintain awareness of the INA brand through close cooperation with communities, respecting their cultural, national and regional characteristics.
- Acknowledge our employees' needs, interests, and abilities through an incentive-based reward and promotion system, since they are an indispensable creative resource, overall support, and foundation for the attainment of our corporate goals.
- Protect the environment, as well as ensure the health and safety of our employees and communities.

INA is member of the following associations:

- UN Global Compact (UNGC)
- Observatoire Méditerranéen de l'Energie (OME)

- International Gas Union (IGU)
- Concawe
- Croatian Chamber of Economy (CCE)
- Corporate Social Responsibility Association of the CCE
- Environmental Protection Association of the CCE
- Croatian Quality Society
- Croatian Society of Metrology
- Croatian Standards Institute

INA is a permanent participant of the World Petroleum Congress and its National Committee, as well as the World Energy Conference.

Although not a member, INA successfully cooperates with the Croatian Business Council for Sustainable Development (member of the World Business Council for Sustainable Development), and with the American Chamber of Commerce in Croatia.

In addition to participating in the work of state administration, our employees are also members of national and international expert associations and active participants in congresses, symposia, workshops, and other gatherings worldwide. Through these associations, our employees contribute to the development of policies and legislation.

AWARDS AND RECOGNITIONS RECEIVED IN 2007

- Our Stružec Plant won the Annual Award of the Town of Popovača
- INA won the "Golden Share" Award for 2006, among competing 47 domestic and 18 regional company shares
- Green Flower - awarded to the Kunjevci petrol station
- Employee of the Year - Velimir Nježić - attendant at the Kantrida petrol station
- Sisak County Chamber of the CCE awarded recognition to the Sisak Refinery on the occasion of its 80th anniversary
- Naftaplin winner of the Donji Miholjac Town Arms Golden Plaque
- Borik petrol station in Zadar awarded the Smiling Sun on World Tourism Day

- INA received recognition for its appearance at the Zenica Fair
- As part of the National Tourism Board's campaign "People - The Key to Success", our employee, Ivan Sokolović from Brodski Stupnik, was pronounced the best petrol-station attendant.
- Reader's Digest 2007 survey chose INA the most trusted brand in Croatia
- Acknowledgment from the Zagreb Anticancer League on their 40th anniversary
- Acknowledgment from the University of Rijeka
- Acknowledgment from the Zagreb Center for Rehabilitation on their 60th anniversary
- Acknowledgment from the Center for Autism
- VIDI Magazine ranked our website among the Top 10 in Croatia

Awards and Recognition for Socially Responsible Performance Received from 1999 to 2006

Year	Award
1999	The Golden Plaque for Environmental Protection - On June 5, 1999, in celebration of World Environment Day, INA was awarded this highest state award for its achievements in environmental protection, in competition with eight companies from various branches of industry, transportation and energy supply. The Award Committee comprised the Head of the Government Environmental Agency, representatives of several ministries, the Parliament Committee for Physical Planning and Environmental Protection, the ECE Environmental Centre, representatives of companies dealing with environmental protection, and specialised journalists.
2001	The 2001 Green Flower - The National Tourism Board, within the environmental and educational campaign "I Love Croatia", awarded INA for the most tidiest petrol station in the continental part of Croatia. Deloitte & Touche awarded INA the Certificate of Recognition for submitting an application to the 2001 Central European Environmental Reporting Award in October 2001 at the 2nd Regional Conference of the Business Council for Sustainable Development in Budapest, where INA participated by invitation of the Croatian Business Council for Sustainable Development.
2002	Certificate of Recognition for Achievements in Waste Management - Production Companies Produce Waste was awarded to INA-Exploration and Production, in celebration of the 2002 World Environment Day by the Ministry of Environmental Protection and Physical Planning.
2003	Recognition for the Promotion of Occupational Safety - On December 12, 2003, the Croatian Association for the Promotion of Occupational Safety, awarded INA a Certificate of Recognition for its long-term membership and outstanding contribution in promoting occupational health and safety, as well as for its active co-operation with the Association.
2004	Charter for promoting and applying quality in Croatian economy - INA was awarded this charter by the Croatian Society for Quality, for emphasizing the significance of corporate social responsibility, interacting with the social environment transparently, and focusing on sustainable development, respect for customer opinion, rising the quality of goods and services, and for our commitment to the wellbeing of our employees and the society at large. At the First Consumer Assembly, held March 15-18, 2004 in Umag, INA (and its Retail Sector) was awarded a Certificate of Recognition "for a company increasingly dedicated to its consumers, offering them a most diverse assortment of goods and services at petrol stations" . Following a several-month survey and gathering of consumer evaluations from all over Croatia, the certificate was awarded by the National Centre for Educating and Informing Consumers, and the Consumer Protection Journal. Regional Award for the Largest Privatization - Investment Compact, an OECD initiative for the promotion of foreign investments in countries of Southeast Europe, on July 15, 2004, granted INA the Regional Award for the largest privatization. The jurors of the traditional International Investor of the Year event, selected the sale of 25 plus one share of INA to Hungarian MOL as the most significant privatization.

2005

The “Hrvoje Požar” Annual Award - On July 5, 2005, the Croatian Energy Association “Hrvoje Požar” granted their annual awards to scientists and experts, as well as scholarships to the best junior energy experts (students). The award winner in the energy industry, was Prof. Mirko Zelić, Academician, INA-Board member and Executive Director of Exploration and Production, one of Croatia’s foremost energy experts.

INA received the **Scroll of Honor** from the **Croatian National Committee for EXPO 2005**, for its golden sponsorship in helping Croatia participate in this world exhibition held March - September in Aichi, Japan, where almost a million people caught a glimpse of Croatia through the symbolic theme “A Drop of Water: A Grain of Salt”.

By decision of the Croatian Information Technology Society, INA was awarded the **Crystal Globe** for its contribution to the development of computer literacy and for introducing ECDL to Croatia.

As part of the annual “I Love Croatia” campaign, the Croatian National Tourist Board awarded the **Green Flower**, among other, for the best petrol station, and for the third year in a row, first prize went to INA’s new petrol station Svačiceva in Slavonski Brod. In a separate theme “People - The Key to Success”, aimed at improving the level of hospitality and creating a welcoming atmosphere for tourists, our employee, Josip Dragun from Vinkovci, was pronounced the best petrol-station attendant.

The Tourist Board and City of Zadar grant an annual award for contributing to the tourist season, one category being the tidiness of petrol stations. In 2005, INA’s petrol station in the suburb of Voštarnica was awarded the **“Smiling Sun”** as the tidiest and best maintained.

The International Stevie Awards - In New York on May 19, 2005, the film “INA at Olymp” won the International Business Award in the sub-category of documentary/information films or videos. As a socially responsible company, in 2004 INA was the golden sponsor of the Croatian Olympic Team. In honour of the Games, we organised a prize competition for our customers, ten lucky winners of which were paid a trip to the Olympic Games in Athens. The authors of the 25-minute documentary were Ferdo Buva, an employee of the INA Corporate Communications Sector, and Mladen Dizdar, a young Croatian film director from Osijek. The Stevie Awards recognize outstanding performances at the workplace worldwide.

2006

At the International Oil & Gas and Environment Exhibition held in Damascus in April 2006, INA was awarded **3rd prize for promotional appearance** for the second time. The exhibit area, manner of communication, and overall impression were taken into account.

The National Tourist Board presented their 2006 awards for the tidiest and most attractive petrol stations: The **Green Flower** went to INA’s Koprivnica petrol station, while the **Blue Flower** was awarded to our Ražine-west petrol station in Šibenik.

Our attendant at the Makarska-Ratac petrol station, Ivica Kovačević, was pronounced **Employee of the Year**. With this award, for the fourth consecutive time INA’s workers have been selected among the best attendants.

On October 4, 2006, the National Firefighters’ Association awarded INA a **Letter of Recognition for sponsoring the Fire-fighters’ World Games**, hosted by the Croatian town of Varaždin - cradle of Croatian fire-fighting.

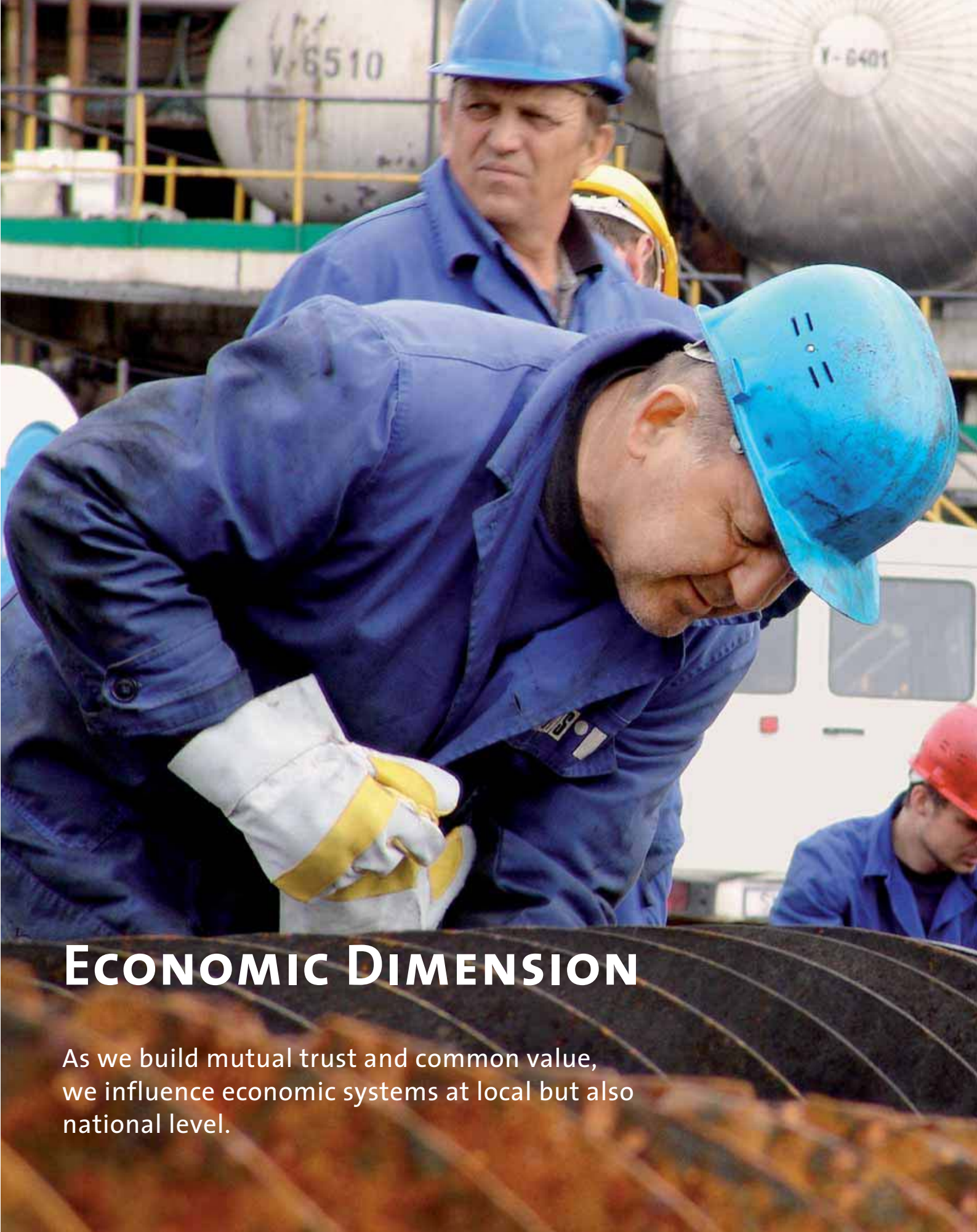
At the Adriatic Car Show in Budva, held October 13, 2006, where the best exhibitors were awarded the **Expo Trophy**, INA won the **Silver Plaque** for its attractive exhibit area and presentation of its products and services.

In celebration of the Town of Ilok, on October 23, 2006, the Town Council awarded INA’s Exploration and Production Division a **Certificate of Recognition for contributing to the development of Ilok**.

At the 31st Innovations Salon INOVA 2006, held in November 2006 in Rijeka, INA’s inventors won **12 gold medals, 2 silver medals, and one bronze medal**.

The Zagreb Technical Culture Association awarded INA a **jubilee plaque and certificate of recognition**, celebrating 60 years of technical culture and 50 years of innovation in Zagreb.

A special award was given to Diana Katić, executive assistant to the Director of Commercial Affairs Sector, for being one of the **best executive assistants** at the ceremony held in November 2006, under the auspices of NAVO d.o.o. and in cooperation with the Croatian Executive Assistant Association.



ECONOMIC DIMENSION

As we build mutual trust and common value,
we influence economic systems at local but also
national level.



INA is a medium-sized European oil company, leader in the oil industry of Croatia and significant regional player, operating in oil and gas exploration and production, refining, and marketing of products. We strive to generate greater value by constantly improving our business operations, as well as the efficiency and quality of our products and services.

INA took relatively high 16th position on the Top 500 list of the largest companies in 19 countries of Central and East Europe.

In the broader economic context, INA's financial results represent a significant contribution to domestic economy and national income, while our business relations with economic and state entities also greatly influence the status of domestic economy. INA also plays an important economic role when it comes to employment, securing a living to some ten thousand citizens of Croatia.

Our corporate business policy determining our overall economic aspirations are publicly available on our website www.ina.hr.

Although circumstances were not always in our favour, such as the situation in the global oil market and the price cap on oil and gas in the domestic market, our 2007 business results were successful. Among our many business achievements in 2007, six of the most significant were as follows:

- Third phase of privatization - Pursuant to the INA Privatization Act, INA offered seven percent (or 700,000) of its shares to its employees. A total of 628,695 shares were purchased by 28,066 of our current and former employees, at an average price of HRK 1,366.48 per share, which amounted to a total of HRK 859,099,817.60. Almost ninety-percent of these offered shares were sold under privileged conditions, enabling INA employees to purchase them at half their stock-market value. The Croatian government retained the remaining 71,305 shares.
- Gas discovery in Syria - New gas reserves were discovered in the Mustadira field on Hayan Block. The Mustadira-1 well tests have confirmed significant volumes of gas and condensate in five reservoirs. Initial production rates of 500,000 m³/d of gas and 23 m³/d of condensate are expected.
- Oil discovery in Egypt - At the East Yidma concession in Egypt's Western Desert, INA and

German utility firm RWE-DEA jointly discovered oil. The newly discovered oilfield will be put into production as soon as possible, and by 2010 the entire concession area should be put into full production. INA has invested about USD 15 million into the East Yidma project so far, while estimated daily volumes of oil amount to 3,000 bbl of high-quality low-sulphur crude oil.

- Gasfield Zalata-1 - As part of our strategic partnership with MOL, we have discovered gas in the Zalata-1 field on the Croatian-Hungarian border. The field is located in an under-explored area, and its success may open new exploration perspectives in this region. Thus, according to the contract signed on September 1, 2007, on the joint exploration of the border area of Novi Gradac - Potony, INA and MOL have equal rights and responsibilities, and shall share future production on a 50:50 basis.

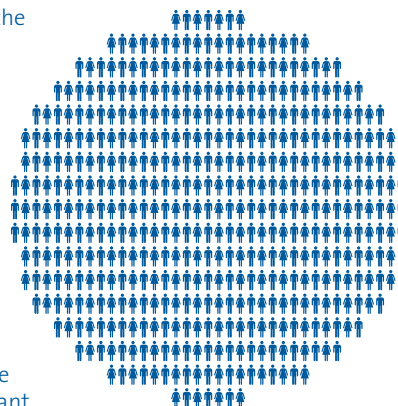
- Start-up of the Desulphurization Plant

- In the first phase of the Sisak Refinery's modernization, the Desulphurization Plant (Claus) started operation.

This plant will have an important and favorable effect on the environment, as it will greatly reduce hydrogen sulphide and sulphur dioxide emissions from the refinery's fuel-gas system, thus ensuring much better air quality. The plant technology is compliant with Foundation Fieldbus (FF) standards used in modern refineries.

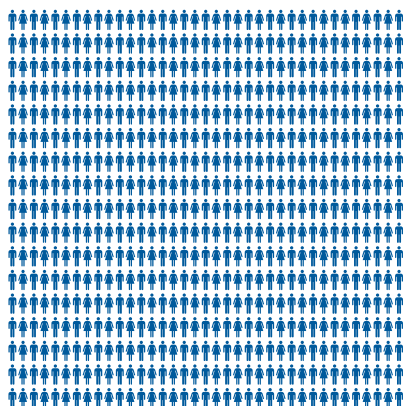
Also as part of the refinery modernization programme, construction has started of a new Hydrodesulphurization Plant (FCC) at Sisak, and a Hydrocracking/Hydrodesulphurization of gas oils at the Rijeka refinery.

- Golden Share Award - At the 10th Golden Share Awards held on June 18, 2007, in competition with 47 domestic and 18 regional companies, INA's share was pronounced the best share in the Croatian financial market in 2006, as well as the best industrial share. INA earned this award for the results its shares had achieved on the stock exchange and according to the votes of the expert evaluation team.



INA'S ECONOMIC GOALS FOR THE YEAR 2008 AND THE MID-TERM PERIOD TO 2012, ARE AS FOLLOWS:

1. Growth of operating income at an average annual rate of 42%
 - Positive effects: increased crude production from Egypt concession, increased natural gas production from Syrian concession and Northern Adriatic, capacity growth and improved crack spread due to refinery modernization, reduced operating expenses due to effective cost-cutting measures;
 - The positive effects have somewhat lost pace due to lower refinery margin projections and the conservative approach in planning.
2. Growth of sales revenue at an average annual rate of 5.5%
 - Positive trend driven by: increased oil and gas production volumes, and increased profits from gas sales on the domestic market due to higher prices of domestic gas for eligible customers.



The following changes may have a negative effect on these trends:

- Lower prices of crude and associated products
 - lower prices of export crude and associated products
 - lower wholesale margins in the domestic market
- Risks in Syria
 - since the income is based on the GSA terms concluded with the Syrian government (the gas price is tied to the price of heavy fuel oil), any change whatsoever in announced prices of heavy fuel oil may result in price discussions and have a significantly negative impact on planned income.
- Negative changes in the gas business
- Inability to pass on the prices of imported Russian gas to the domestic market

3. Refinery modernization

Refinery modernization was planned in order to attain additional refining and conversion capacities, as well as to enable production of EURO IV and EURO V (Eurograde) fuels.

RISKS ASSOCIATED WITH INA ACTIVITIES:

- prices of crude, natural gas, and associated products depend on various factors over which INA has no control whatsoever,
- refinery margin trends,
- state regulations and interventions,
- natural gas price cap in the domestic market,
- modernization of our refineries as scheduled, in order to produce Eurograde fuels,
- exploration and well-development risks,
- fluctuation of foreign currency exchange rates,
- expiration of the natural gas supply agreement with Gazexport (in 2010); it is uncertain whether INA will be able to renew the agreement under the current or more favourable terms,
- ability to renew current oil and gas reserves,
- efficiency of our retail network's reconstruction and improvement,
- compliance with ever more stringent environmental legislation
- dependence of retail on tourism development,
- aggressive competition in the oil and gas industry,
- influence of key shareholders on the strategic direction of INA and corporate activities,
- further privatization in accordance with the INA Privatization Act,
- rights of the Republic of Croatia as shareholder (executed by the Government) may limit the rights of other shareholders and/or may be in contrast to the interests of other shareholders,
- EU accession,
- national political changes in 2007 (parliamentary elections) may influence INA activities,
- impact of market competition regulations.

INA 2007 BUSINESS RESULTS

Sales revenue was 2% higher than planned, which was attributed to 2% higher domestic sales and 3% higher foreign sales. Increased domestic sales were influenced by 5% higher gas sales and 7% higher gas prices, as well as 7.6% higher average prices of refined products, together with the negative effect of 7% less products sold. The increase in foreign sales was achieved with a new product assortment and higher average sale prices, along with the increased sale of crude in Angola and Egypt.

The 6-percent higher operating expenses were influenced mainly by higher costs of feed, mate-

rial, and energy, as well as increased asset value adjustment. Average BRENTdtd FOB (SPOT) crude price growth of 19%, and the 3.6% slower growth of the US dollar exchange rate influenced a 14.7% increase in average import prices of crude.

Value adjustments of short- and long-term assets were 2.6 times higher than planned, and had quite a negative influence on the financial results of INA.

Profits in the financial year were 1.0% higher than planned, due to less taxation than planned.

Investments into tangible and intangible assets reached 69.4% of planned investments.

ECONOMIC PERFORMANCE INDICATORS

INA 2005-2007 Sales Revenue

2005		2006			2007		
mln HRK	mln \$	mln HRK	mln \$	Index 3/1	mln HRK	mln \$	Index 6/3
19,234	3,086	21,326	3,823	111	22,651	4,543	106

Note: The US\$/HRK exchange rate was used as per Dec 31 of the corresponding year.

INA 2005-2007 Revenue by Market

MARKET	2005		2006			2007		
	mln HRK	mln \$	mln HRK	mln \$	Index 3/1	mln HRK	mln \$	Index 6/3
Croatia	13,485	2,163	14,352	2,573	106	14,975	3,004	104
ex YU countries	1,935	310	2,305	413	119	2,489	499	108
European Union	3,415	548	4,176	749	122	4,423	887	106
Other	399	64	493	88	124	764	153	155
TOTAL	19,234	3,086	21,326	3,823	111	22,651	4,543	106

INA 2005-2007 Costs of Purchased Materials, Goods, and Services

2005		2006			2007		
mln HRK	mln \$	mln HRK	mln \$	Index 3/1	mln HRK	mln \$	Index 6/3
16,220	2,602	18,457	3,309	114	19,153	3,842	104

INA 2005-2007 Payroll Costs

COST	2005		2006			2007		
	mln HRK	mln \$	mln HRK	mln \$	Index 3/1	mln HRK	mln \$	Index 6/3
Net	737	118	778	139	106	832	167	107
Taxes and surtaxes	521	84	561	101	108	620	124	111
Other payroll costs	226	36	180	32	80	187	38	104
TOTAL	1,484	238	1,519	272	102	1,639	329	108

INA 2005-2007 Employee Benefit Obligations

BENEFIT	2005		2006		Index 3/1	2007		Index 6/3
	HRK	\$	HRK	\$		HRK	\$	
Commuting expenses	44,436,762	7,128,587	50,623,674	9,074,944	114	48,474,626	9,723,208	96
Severance compensation	79,375,405	12,733,477	38,101,032	6,830,099	48	31,579,943	6,334,414	83
Various other financial support	5,707,629	915,623	4,773,999	855,801	84	5,865,399	1,176,502	123
Christmas bonus	21,137,250	3,390,858	24,668,600	4,422,163	117	29,840,000	5,985,410	121
St.Nicolas Day children's bonus	2,136,400	342,723	2,064,000	369,998	97	2,747,150	551,033	133
Jubil long-service rewards	5,295,500	849,509	4,768,000	854,725	90	4,057,075	813,782	85
TOTAL	158,088,946	25,360,778	124,999,305	22,407,730	79	122,564,193	24,584,350	98

Note: The indicated employee benefit obligations are included in item "Other payroll costs" of the "Payroll Costs" table.

INA 2005-2007 Loan Interest Paid

2005		2006		Index 3/1	2007		Index 6/3
mln HRK	mln \$	mln HRK	mln \$		mln HRK	mln \$	
52	8	91	16	175	189	38	208

A dividend of HRK 15.00 per share was paid for the year 2007.

INA 2005-2007 Profit Earned

2005		2006		Index 3/1	2007		Index 6/3
mln HRK	mln \$	mln HRK	mln \$		mln HRK	mln \$	
892	143	670	120	75	990	199	148

The profit of HRK 990 million earned in 2007 will be distributed as follows: losses from previous years HRK 119 million; mandatory reserves HRK 28 million; other company reserves HRK 392 million; dividends HRK 131 million.

INA 2007 Return on Assets (ROA):

$$\text{ROA (\%)} = \frac{\text{Profit}}{\text{Total Assets}} \times 100 = \frac{990}{22,984} \times 100 = 4.31\%$$

INA 2005-2007 Total Taxes Paid

COUNTRY	2005		2006		Index 3/1	2007		Index 6/3
	mln HRK	mln \$	mln HRK	mln \$		mln HRK	mln \$	
CROATIA	5,315	853	4,851	870	91	0	0	0
ANGOLA	37	6	37	7	100	38	8	103
TOTAL	5,352	859	4,888	876	91	0	0	0

Note: Taxes paid in Croatia include income tax and surtax, VAT, excise duty on oil products, and oil-product duties for roads and motorways,

The average gross wage at INA was approximately 20% higher than the national average in the period of 2001-2004. In 2007, it was about 40% higher.

ITEM	Average Gross Wage (HRK)					
	2002	2003	2004	2005	2006	2007
Republic of Croatia*	5,366	5,623	5,985	6,248	6,634	7,047
Croatia - Industry	***	***	***	***	***	***
Industrial sectors according to national classification*						
Mining and exploitation	5,942	6,332	6,629	7,283	7,894	8,499
Processing	4,794	5,043	5,288	5,575	6,003	6,329
Electricity, gas, and water supply	5,700	6,086	6,720	6,913	7,342	7,812
Civil engineering	4,549	4,884	5,105	5,212	5,593	6,088
INA-Industrija nafte d.d.**	6,278	6,767	7,401	8,277	9,094	9,901

ITEM	Index				
	3/2	4/3	5/4	6/5	7/6
Republic of Croatia*	104.8	106.4	104.4	106.2	106.2
Croatia - Industry	***	***	***	***	***
Industrial sectors according to national classification*					
Mining and exploitation	106.6	104.7	109.9	108.4	107.7
Processing	105.2	104.9	105.4	107.7	105.4
Electricity, gas, and water supply	106.8	110.4	102.9	106.2	106.4
Civil engineering	107.4	104.5	102.1	107.3	108.9
INA-Industrija nafte d.d.**	107.8	109.4	111.8	109.9	108.9

ITEM	Base index					
	col.2	col.3	col.4	col.5	col.6	col.7
Republic of Croatia*	100.0	100.0	100.0	100.0	100.0	100.0
Croatia - Industry	***	***	***	***	***	***
Industrial sectors according to national classification*						
Mining and exploitation	110.7	112.6	110.8	116.6	119.0	120.6
Processing	89.3	89.7	88.4	89.2	90.5	89.8
Electricity, gas, and water supply	106.2	108.2	112.3	110.6	110.7	110.9
Civil engineering	84.8	86.9	85.3	83.4	84.3	86.4
INA-Industrija nafte d.d.**	117.0	120.3	123.7	132.5	137.1	140.5

* Source: Republic of Croatia, Central Bureau of Statistics

** Source: Paid Wages Operational Report of INA d.d., Dec. 2007, and Jan-Dec 2007, Payroll Department

*** Since 1998, the Central Bureau of Statistics has gathered no summary data on "Croatia-Industry"

DONATIONS AND SPONSORSHIPS

Since 2004, INA has been publicly announcing its donations and sponsorship competition, making this exceptionally important domain accessible and transparent to all potential beneficiaries and the public. The criteria for approving donations are: project quality and originality, regional presence, high level of community benefit, and the fact that the project begins or ends in the corresponding calendar year.

During our 2007 public competition for donations and sponsorships in the amount of HRK 7 million, we received 1,530 applications by individuals, associations, and institutions from all fields of life.

Our donations covered projects in six categories: children and youth, culture and art, education and science, healthcare, ecology, and humanitarian projects.

In their 3-month-long work, the appointed committees analyzed all the applications and decided what projects to fund.

We printed a pamphlet "INA Donator of 2007" containing all the project titles and descriptions. In 2007, INA allocated about HRK 40 million for donations and sponsorships.

We made 38 donations in IT equipment (computers, printers, scanners, projectors and fotocopy machines) to kindergartens, schools, social-welfare centers, and various clubs and societies throughout Croatia.

The campaign TOP Scholarship for TOP Students, conducted for the fifth consecutive year with partner companies INA, INGRA, Podravka, and VIPnet, awarded scholarships to 32 of the best Croatian students. Twenty 100-percent disabled war veterans were issued the INA credit card with a prepaid amount of HRK 7,200 each for fuel expenses. Up until now, 80 disabled war veterans have received such cards. We also donated a van to the association of war veterans treated for post-traumatic stress disorder of the Šibenik-Knin County. Our material support once again shows our respect for homeland-war victims and our desire for them to participate in all segments of life in the best possible manner.

Donations Awarded in 2007

CATEGORY	Children and Youth	Culture and Art	Humanitarian Projects	Education and Science	Healthcare	Ecology
NUMBER OF PROJECTS	78	60	49	45	38	35

INCENTIVE SEVERANCE FOR WORKERS ELIGIBLE FOR THE OLD-AGE PENSION

According to our 2005-2007 Incentive Severance Package, which expired on December 31, 2007, 1,045 workers terminated their employment based on the following:

- old-age pension - 189 workers
- early retirement - 471 workers
- industrial disability - 121 workers
- redundancy pool - 264 workers

In 2007, 223 workers terminated employment, based on the following:

- old-age pension - 3 workers
- early retirement - 119 workers
- industrial disability - 1 worker
- redundancy pool - 100 workers

During the reporting period, INA received no subsidies from the private sector either in the country or abroad.

Structure of Suppliers with >2% Share in Total 2007 Procurement

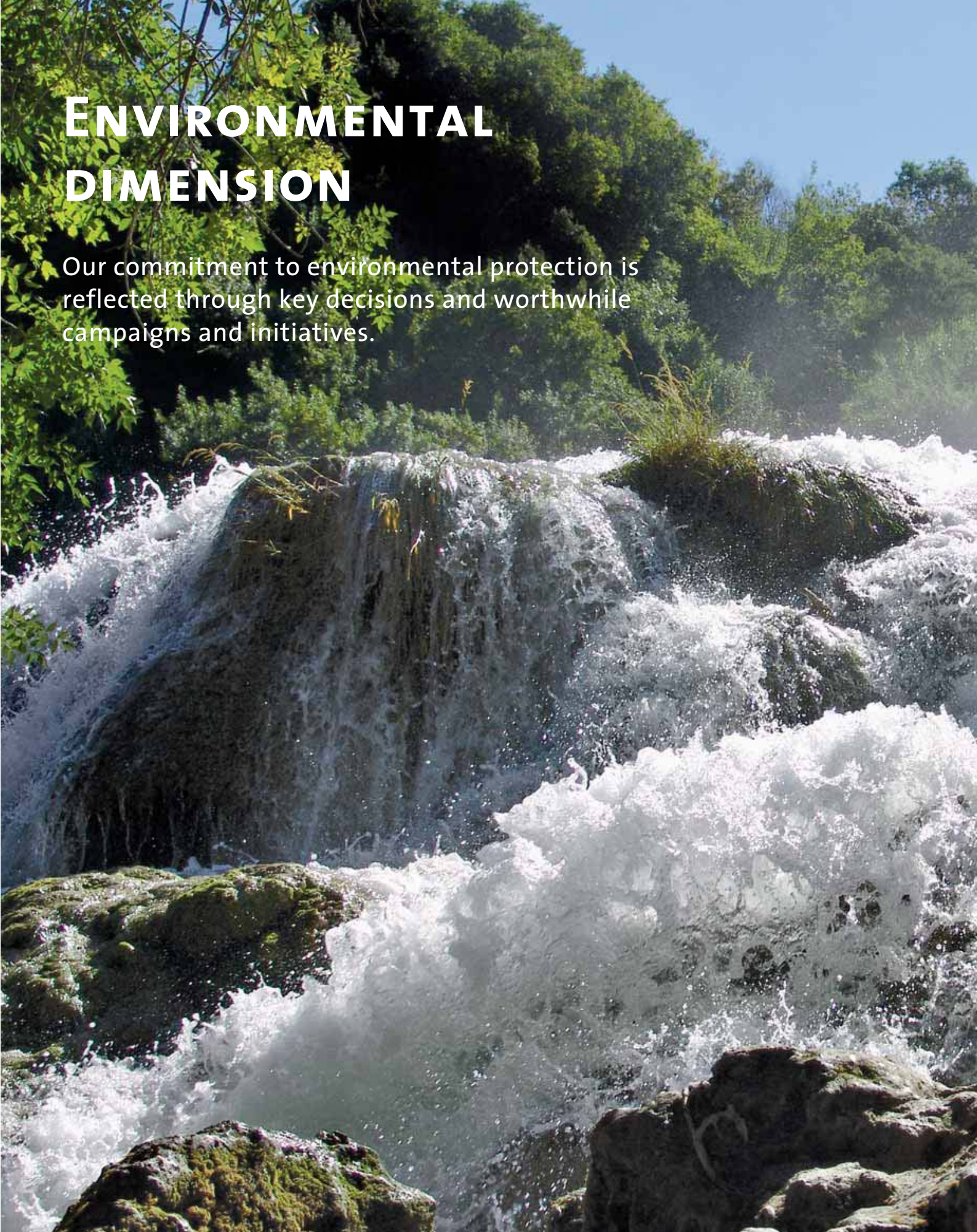
NATIONAL SUPPLIERS			FOREIGN SUPPLIERS		
Supplier	mln HRK	Share in total procurement, %	Supplier	mln HRK	Share in total procurement, %
Customs Rijeka	2,766	28.45	Interina London	11,941	76.28
CROSCO	469	4.82	Gazprom	1,434	9.16
STSI	1,130	11.62	ENI S.P.A.	375	2.40
Other	5,358	55.11	Other	1,905	12.17
TOTAL	9,723	100.00	TOTAL	15,655	100.00

INA traditionally financed infrastructure especially in communities where we engaged in oil & gas exploration and production. Such investments were most intense during the 1980's, when INA financed the construction of schools, hospitals,

medical centres, and holiday resorts, among others. This trend has notably decreased over the last ten years. However, there are still traces of INA-financed infrastructure in local communities.

ENVIRONMENTAL DIMENSION

Our commitment to environmental protection is reflected through key decisions and worthwhile campaigns and initiatives.





As an integral part of our business policy, environmental management is organized in all our core activities, which reflects our commitment and contribution to sustainable development. All INA segments that pose a potential or direct threat to human health, safety, or the environment (Sisak Refinery, Rijeka Refinery - Urinj and Mlaka, Exploration & Production Division, and the Retail Network Management Sector), possess ISO 14001:2004 certified environmental management systems. These certificates guarantee that all environmental issues are under constant supervision, and represent recognition for the progress achieved so far in this field.

Our business policy also reflects our commitment to providing a healthy working and living environment by applying modern knowledge and practice based on the principles of sustainable development.

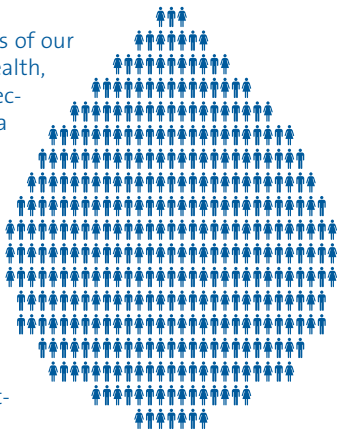
Organizational responsibility
The Health, Safety and Environmental Management Sector (HSE) is the central unit at INA in charge of all three areas. It acts as part of the Corporate Processes Function with the aim of uniformly managing HSE. This includes defining common policy, strategy and objectives as well as operating in compliance with these rules, and at the same time, meeting legal and other requirements. The Sector co-operates daily with its sub-departments throughout INA. Conformity in environmental management activities is also provided through the Environment Protection Activities Work Group appointed at corporate level.

The Sector is in charge of the following activities:

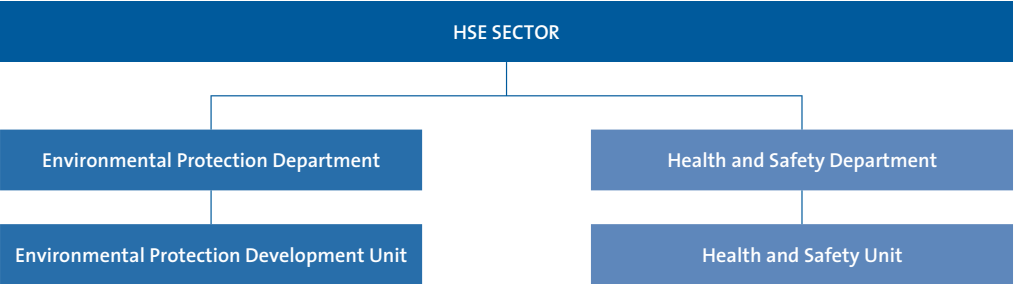
- Defining HSE guidelines and objectives in accordance with relevant legislation;
- Participating in the development of proposals and providing opinions on HSE regulations;
- Co-ordinating HSE activities;

- Supervising and controlling HSE activities;
- Drafting corporate HSE documents;
- Preparing relevant reports, information and training;
- Maintaining a corporate register of waste and pollutant emissions to air and water;
- Monitoring and analyzing unforeseen events affecting the environment;
- Monitoring and analyzing inspection reports and lawsuits concerning environmental protection, as well as analyzing safety measures, injuries and occupational diseases;
- Monitoring and analyzing HSE costs;

In order to inform our employees of our legal obligations regarding health, safety, and environmental protection, the HSE Sector organized a series of monthly lectures aiming to present and explain certain new legislation of the Republic of Croatia and the European Union. Many new laws and regulations aim to reduce the environmental effects of human activity, which so far have required significant technical and material investments on our part.



Our plans and programmes for adjusting plant operation to certain technical environmental standards regulate the manner, resources, and deadlines for such adjustments. We apply the IPPC (Integrated Pollution Prevention and Control) directive to plants that have the potential to produce pollutant emissions to air, water or soil.



ENVIRONMENTAL PERFORMANCE INDICATORS

Raw materials used in production

Business Division	Raw Material	Quantity	Unit of Measure
Refining & Marketing	Crude oil	4,987,503	t
	Atmospheric distillation residue of crude oil	273,265	t
	Vacuum gas oil	11,972	t
Exploration & Production	Crude oil	1,124,102	t
	Natural gas	2,437,396,000	m ³
	Natural gas condensate	283,051	t
	Geothermal water	408,493	m ³
	Fresh water	2,478,037	m ³

All the raw materials come from non-renewable sources and are part of the final product.

Energy Consumed in Production and Other Processes (by Primary Energy Source)

Energy source	Quantity	Amount of energy (GJ)
Fuel oil	253,183.00 (t)	10,175,424.77
Gas	334,300.09 (1,000 m ³)	13,041,046.67
Coke	73,786.00 (t)	2,471,831.00
Total energy consumed		25,688,302.44

Indirect Energy Consumption by Primary Source

Type of energy consumed	Quantity	Amount of energy (GJ)
Produced electrical energy	198,396,360.00 kW	714,226.90
Supplied electrical energy	230,028,466.00 kW	828,102.48
Produced steam	1,853,748,000.00 kW	-
Produced geothermal water	408,493.00 m ³	-

WATER

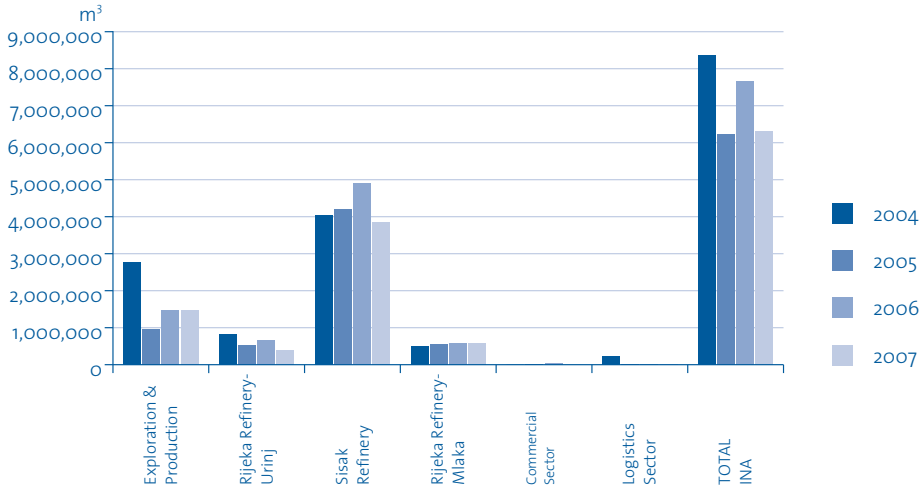
For cooling our storage tanks and process equipment, INA draws water from the water supply system, the rivers Sava and Kupa, own water wells, the Tribalj dam, and the sea. In 2007, INA withdrew 6,300.203 cubic metres of water, while the Rijeka Oil Refinery withdrew an extra 39,958,776.68 cubic metres of seawater for cooling purposes.

Unlike our other organizational units, no processes of the Retail Network Management Sector, operator of our petrol stations, consume significant volumes of water. Most of the water is used for sanitary purposes. Not one source was significantly affected by withdrawal of water.

As owner and operator of existing geothermal wells, INA has a stake in intensifying exploration, production, and distribution of geothermal water.

The first production of water from the underground by Naftaplin commenced due to the need to enhance oil recovery from oil wells (secondary oil recovery method by injecting water for pressure support). Along with the technological systems on the oil/gas fields in Northern Croatia (Posavina, Podravina), INA-Naftaplin constructed many hydro-geological facilities also: wells, water stations, water treatment facilities. At the moment, potable water is distributed from twenty wells (Drenov Bok, Đurdevac, Prerovac), and pursuant to our water management strategy, all water resources that no longer serve internal needs shall be used for production of potable water. The maximum capacity of our water supply is 26 million square metres, while installed capacity is 18 million m³/y, of which only 20% is used.

Water Withdrawn per Organizational Unit



BIODIVERSITY

The vast space of the Lonjsko Polje Nature Park is habitat to diverse wildlife. Here, our oil and gas production facilities co-exist in harmony with this still preserved natural beauty. The Lonjsko Polje covers more than fifty-thousand hectares of pristine nature.

The two ornithological reserves of Lonjsko Polje are especially valuable to this area. According to ornithologists, about 243 bird species reside in these reserves, the nesting grounds for some 600 pairs of white stork, more than 50 pairs of black stork, more than 20 pairs of spotted eagle, hundreds of spoonbills, and about 25 species of birds that are considered endangered on the international level.

Only a few kilometres apart, the Sisak Refinery and the Lonjsko Polje Nature Park complement each other beautifully. In co-operation with other entities, we do everything in our power to preserve the Lonjsko Polje eco-system. Numerous articles by European scientists, as well as the increasing number of visitors that choose to spend their holiday at Lonjsko Polje, is confirmation that this is a truly special place.

The Lonjsko Polje wetland is among the most endangered natural habitats in the world, and the largest protected wetland not only in Croatia but also in the Danube River basin. It has been included in the Ramsar List of Wetlands of International Importance, especially as a habitat for marsh birds. Pursuant to the EU Birds directive, this nature park has been identified as an Important Bird Area.

EMISSIONS, EFFLUENTS, WASTE

EMISSIONS

Green-house gases are emitted directly from our processing and utility plants. Not all stationary sources are applied the same method for measuring emissions. Thus, emissions at some sources are measured directly, while at others they are calculated based on the amount of fuel consumed and its composition.

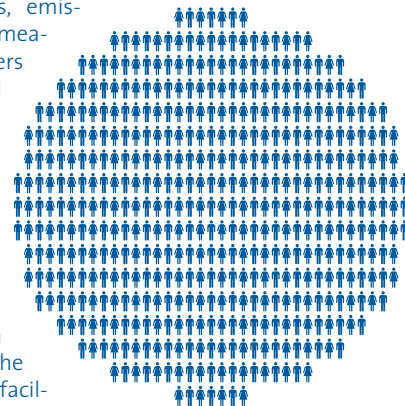
The Exploration & Production Division most often applies direct measurement of emissions, which is conducted by an authorized firm, with the exception of the Lo-Cat facility, where the annual emissions are calculated based on inlet gas volumes, gas composition, flow measurement, and measurement at the outlet. Carbon emissions at the Sisak Refinery are calculated from the fuel consumed and corresponding emission factors, while the CORINAR methodology is applied at the Rijeka Refinery.

MEASURES UNDERTAKEN TO REDUCE

CARBON EMISSIONS:

- Improving energy efficiency

Our on-going refinery modernization is based on the best technology available, and as such is focused on improving the overall energy efficiency and profitability of INA. Rough estimates predict potential reduction in specific energy consumption ranging from 0.6 to 0.8 gigajoules per ton of refined crude.



- **Reducing emissions by converting to cleaner fuels (e.g. gas)**

Construction of the Kukuljanovo - Urinj natural gas distribution pipeline is scheduled for early 2010, as a result of which the refinery is to increase its natural gas consumption.

- **Enhancing oil recovery by carbon sequestration**

In 2006, our Exploration & Production Division launched an EOR project for boosting oil recovery from the Ivanić and Žutica fields by CO₂ injection, which is planned to be realized by 2009. Apart from the direct economic benefits of recovering additional volumes of crude oil, this also involves an indirect environmental benefit of safe carbon disposal, and thus reduced emissions.

The EOR project plans to use the carbon dioxide produced at the Molve Gas Plant which is currently being released into the atmosphere. Approximately 600,000 m³/day of carbon dioxide shall be compressed, dried, and transported by the 20-inch pipeline to the Ethan Plant, where it shall be compressed from 30 bar to 90 bar. The liquefied carbon dioxide shall then be transported through a new pipeline to the Ivanić and Žutica injection wells.

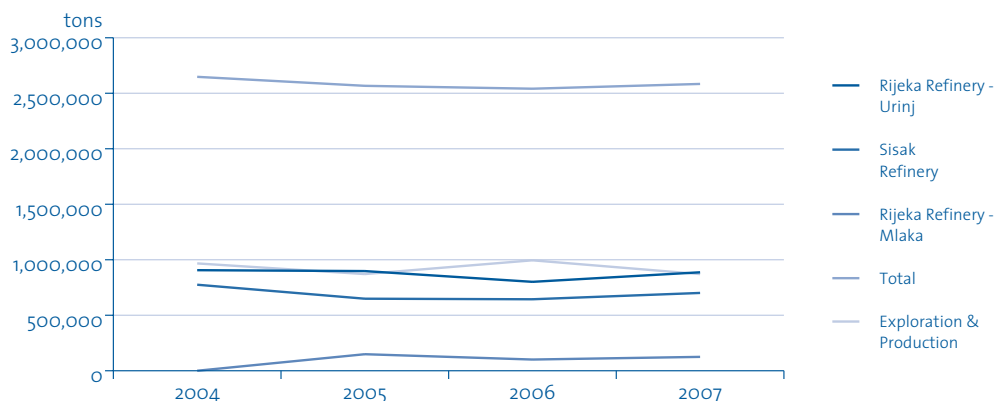
The advantages of the EOR Project are: increased oil recovery, prolonged field life, own carbon source, availability of production and reservoir data, use of existing infrastructure, world crude price, and in the long run, achievement of our E&P strategic goals (to renew reserves, maintain optimal employment, and contribute to environmental protection). According to the developed EOR model, an optimum amount of 430,000 t CO₂ is to be injected annually, which in 2009 would result in savings on CO₂ emission fees of HRK 1,791,113 to 5,872,500, depending on the correction coefficients of the Directive on Unit Fees, Correction Coefficients and Other Criteria and Measures to Determine Carbon Dioxide Emission Fees. Greenhouse gas emissions regulations are becoming more complex, and implementation of measures to limit climate change are increasingly difficult and expensive.

In 2007, INA paid a CO₂ emissions fee of HRK 6.696.367. This sum for the year 2007 is only 40% of the total amount (the fee is collected from the half-year) which is HRK 16,740,919.44.

Direct Carbon Emissions in 2007

Organizational Unit	Carbon emissions (tons)
Rijeka Refinery - Urinj	886,715
Sisak Refinery	701,335
Rijeka Refinery - Mlaka	124,833
Exploration & Production Division	870,855
Retail Network Management Sector	52
Total	2,583,790

Carbon emissions by organizational unit in the period 2002-2007



The unit fee for one ton of carbon emissions in 2007 was HRK 11.00, which will increase in the coming years. A national plan for the allocation of carbon emission quotas to industrial entities (meaning INA facilities also) is expected to be enforced by summer in 2008.

Particulate emissions at the Sisak Refinery were calculated stoichiometrically from fuel consumed, sulphur content in the fuel oil/fuel gas, and ash

content in the fuel oil. NOx emissions were derived from fuel consumed and corresponding emission factors.

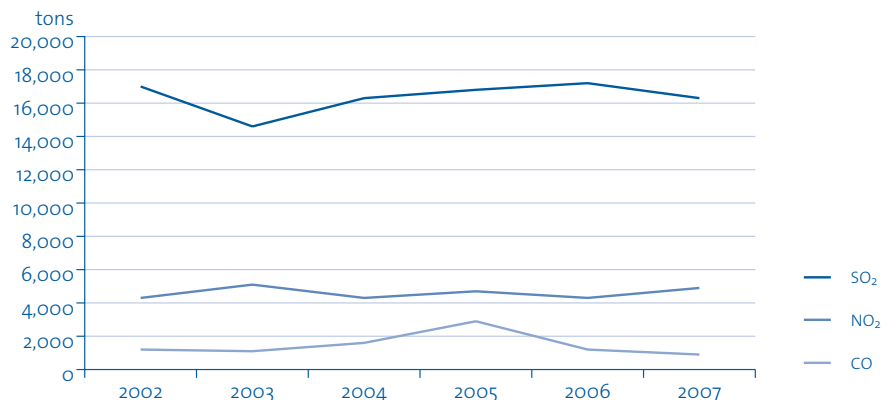
SO₂ emissions of the Rijeka Refinery were calculated based on the stoichiometric balance of input raw material and output products, depending on the volume of fuel consumed and its quality.

No ozone-depleting substances are used in our operations.

SO₂, NO₂, CO, and Particulate Emissions by Organizational Unit in 2007

Organizational Unit	SO ₂ Emissions (tons)	NO ₂ Emissions (tons)	CO Emissions (tons)	Particulates (tons)
Rijeka Refinery - Urinj	7,841.97	1,376.28	178.77	77.78
Sisak Refinery	7,256.69	1,632.73	168.71	100.25
Rijeka Refinery - Mlaka	1,206.91	293.58	82.30	13.09
Exploration & Production	17.53	1,608.96	519.89	0
Retail Network Development Sector	0.015	0.21413	0.150542	0.0591
TOTAL	16,322.10	4,911.55	949.67	191.12

SO₂, NO₂, and CO Emissions in the period 2002-2007

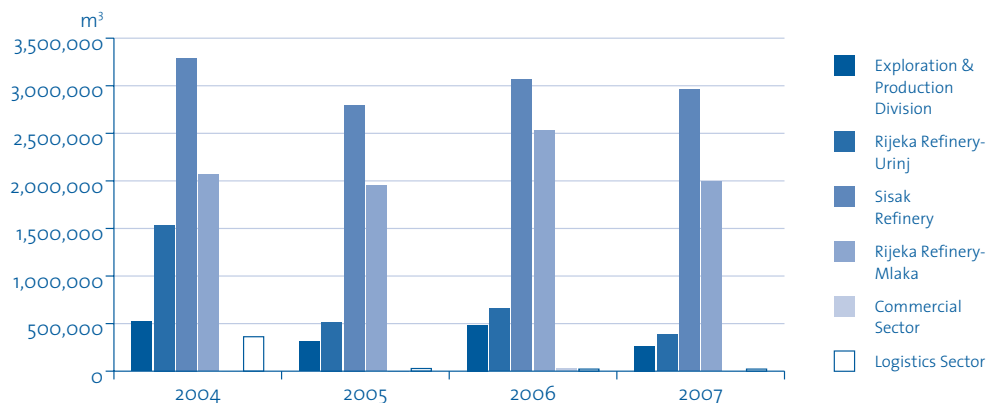


EFFLUENTS

In 2007, INA discharged 45,589,203 cubic metres of wastewater.

RIJEKA REFINERY - URINJ			
Drain	Type of Effluent	Quality assessment	Recipient
Drain 1 (from the central unit of wastewater treatment)	process water	highly contaminated	II cat. sea
Drain 2 (storm drain outlet)	rainwater	pre-treated	II cat. sea
Drain 3 (neutralization tank)	process water	purified	II cat. sea
Drain 4 (cooling seawater drain)	cooling water	uncontaminated, thermally loaded	II cat. sea
Drain 5 (Emscher sedimentation tank)	sanitary water	highly contaminated	II cat. sea
Drain 6 (Separator, tanker berth)	safety drain	-	II cat. sea
Drain 7 (ballast and muddy water treatment system)	safety drain	-	II cat. sea
RIJEKA REFINERY - MLAKA			
Drain	Type of Effluent	Quality assessment	Recipient
Drain 1 (API separator)	mixed water	purified	II cat. sea
Drain 2 (Kroft unit)	process water	purified	II cat. sea
Drain 3 (cooling water)	cooling water	uncontaminated, thermally loaded	II cat. sea
SISAK REFINERY			
Drain	Type of Effluent	Quality assessment	Recipient
Drain 1 (utility plant)	mixed water	highly contaminated	Kupa River
Drain 2 (utility plant)	mixed water	purified	Kupa River
Drain 3 (utility plant)	rainwater	pre-treated	Sava River
Drain 4 (blending & manipulations)	mixed water	highly contaminated	Sava River
Drain 5 (utility plant)	sanitary water	uncontaminated	public sewer system
EXPLORATION & PRODUCTION DIVISION			
Drain	Type of Effluent	Quality assessment	Recipient
Underground gas storage Okoli - Drain 1	sanitary water	purified	Lonja River
Pogon Šandrovac - Lipov potok drain	mixed water	purified	Lonja
LOGISTICS SECTOR			
Drain	Type of Effluent	Quality assessment	Recipient
Osijek Storage Facility - Drain 1	mixed water	pre-treated	public sewer system
Slavonski Brod Storage Facility - Drain 1	mixed water	contaminated	public sewer system
Solin - Sv. Kajo - Drain 1	mixed and storm water	-	III cat. sea
Vranjičko Blato - Drain 3	cooling, mixed, and storm water	-	public sewer system

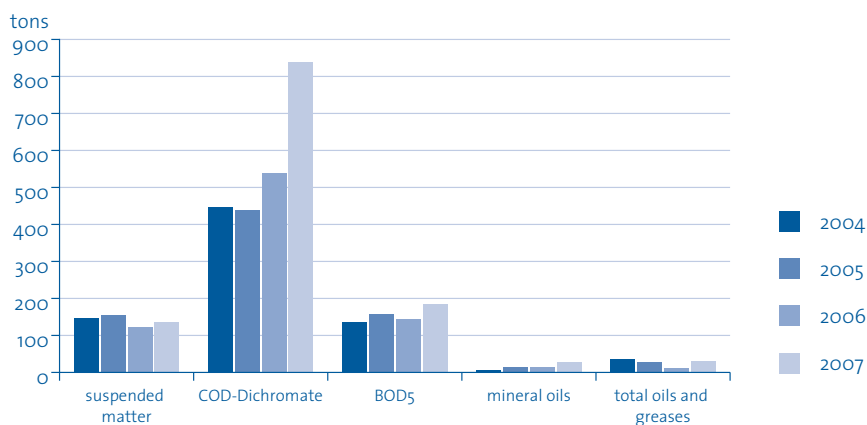
Effluent Discharges by Organizational Unit



Effluent Discharges in 2007

TYPE OF EFFLUENT DISCHARGED (T/Y)	ORGANIZATIONAL UNIT					TOTAL INA,d.d.
	Rijeka Refinery - Urinj	Rijeka Refinery - Mlaka	Sisak Refinery	Exploration & Production	Retail Network Management Sector	
Mineral oils	2.91	6.72	16.89	1.87	0.06	28.45
Suspended matter	71.04	13.86	46.17	5.80	0.61	137.48
BOD ₅	55.92	23.25	93.98	11.54	1.82	186.51
COD	439.70	52.47	306.85	36.80	4.20	840.02
Greases and oils	17.45	10.41	-	2.11	0.28	30.25

Effluent Discharges in the period 2004-2007



WASTE

In 2007, INA produced 7,041.65 tons of hazardous and 13,300.06 tons of non-hazardous waste. The waste produced by the Rijeka and Sisak refineries was treated by authorized waste processors.

The non-hazardous waste produced by Exploration & Production was injected into negative or depleted wells, while the hazardous waste was transported to authorized waste processors, as was the waste produced by Retail Network Management and Logistics.

The increase of hazardous waste quantities was caused by cleaning operations of Exploration & Production, and reconstruction of petrol stations of Retail Network Management.

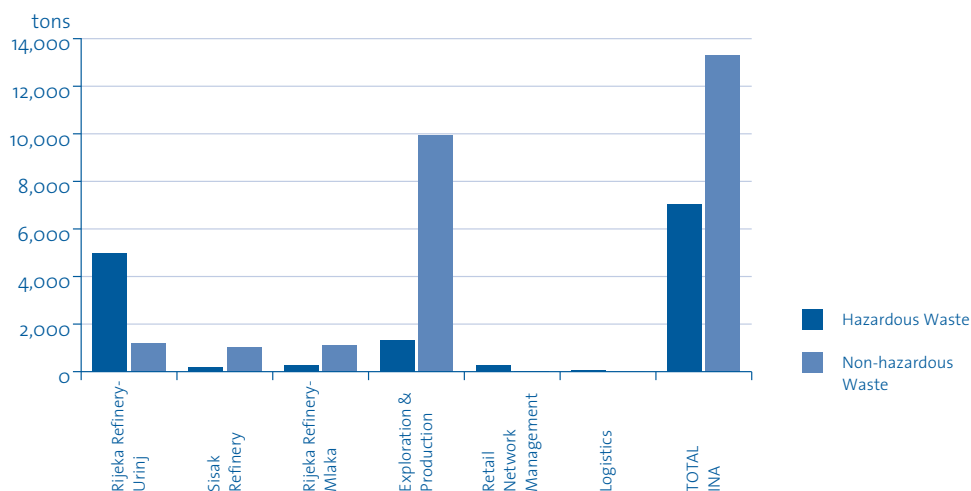
ENVIRONMENTAL IMPACT

In 2007, INA recorded 16 unforeseen events/accidents with environmental impact (one less than the year before), the most frequent cause of which was attempted theft of fuels.

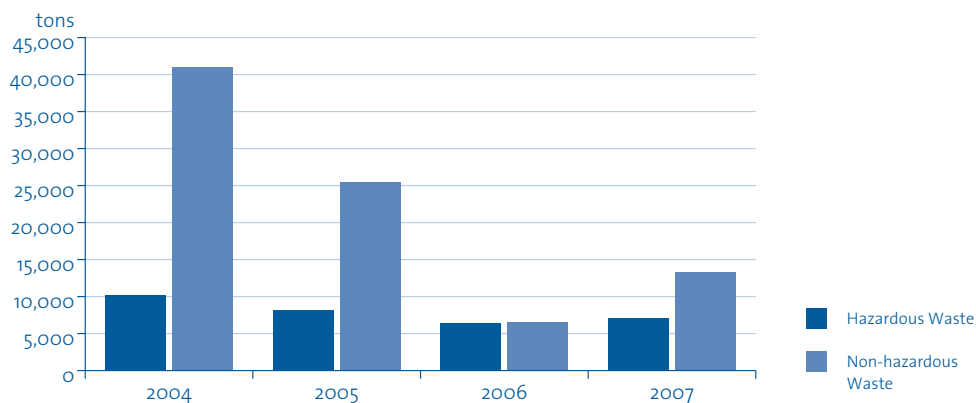
The majority of the accidents (6) occurred in the Exploration & Production Division. Pipeline leaks/spills in 2007 increased in volume. The most frequent causes were attempted theft of liquefied hydrocarbons from the pipelines or pipeline leakage.

Other frequent causes of unforeseen events are equipment failures and product spills.

Hazardous and Non-hazardous Waste in 2007



Hazardous and Non-hazardous Waste in the period 2004-2007



Unforeseen Events by Organizational Unit in 2007:

Organizational Unit	Number of Unforeseen Events/Accidents
Exploration & Production	6
Sisak Refinery	2
Rijeka Refinery	5
Retail Network Management	2
Logistics	1

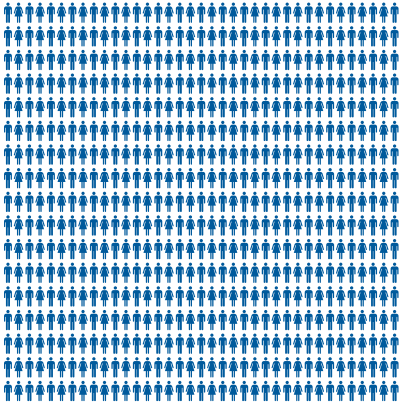
Cause	Number of Events
Process disruption	1
Damaged equipment	4
Pipeline fracture	1
Gas pipeline fracture	4
Seawater pipeline fracture	1
Spill	5

COMPLIANCE

Lawsuits, offense procedures, and inspection in 2007.

1. Lawsuits and offense procedures
- In 2007, four offense procedures and one lawsuit were filed, of which one offense procedure was withdrawn.
The lawsuit initiated by the Town of Imotski in 2001 claiming HRK 2,000,000 compensation for disposing hazardous waste at the Kozjačić municipal landfill was successfully completed. The claim was unappealably rejected, while INA was ordered to remove the waste. The claimant was paid HRK 43,373 for court costs. Seven lawsuits and two offense procedures from previous years are in progress.
2. Inspection
- Three fines were paid for non-compliance with resolutions issued by the Ministry for Environmental Protection, Physical Planning and Construction, and the Ministry for Agriculture, Forestry and Water Management:
- HRK 30,000.00 were paid for missing the deadline for the set up of the Galdovo automatic monitoring station, which apart from carbon emissions includes monitoring of benzene and particulate concentrations (Sisak Refinery).
 - On August 13, 2007, INA was fined HRK 30,000.00 for not fulfilling the previously issued order to convert to gas all combustion chambers of the Rijeka Refinery - Mlaka Plant. The problem occurred when the G2 gas-fired boiler broke down and had to be replaced with boiler G1 which could not be adapted to gas. Boiler G3 could not be used because of its small working capacity which does not satisfy refinery requirements.

- Concentrations of COD, BOD5, phenols, Total nitrogen, phosphorous, copper, and total organic carbon exceeded the maximum allowed concentrations set in the Water Management Permit of the Rijeka Refinery - Urinj Plant. The refinery was ordered to align its operation with the provisions of the water-management permit and to pay the costs of sampling and analysis. On April 3, 2007 the refinery was fined for non-compliance with HRK 46,070 to be paid to the account of the Kostrena municipality.
- Non-monetary sanctions involved our obligations specified by environmental inspection authorities, although INA paid remediation costs where required. Identified nonconformities have either been corrected or are in the process of being corrected.



ENVIRONMENTAL FEES

Pursuant to national legislation, INA pays the Environmental Protection and Energy Efficiency Fund an environmental fee (for emissions of sulphur dioxide, nitrogen monoxide and carbon monoxide), a waste disposal fee, and as of Jan 1, 2007 a waste-oil management fee, as well as water-management fees that are paid to the Croatian Waters Department. In 2007, paid environmental fees amounted to HRK 50,853,515.71.

According to the Accounting and Tax Sector, in 2007 our total environmental protection costs, including the indicated fees, amounted to approx. HRK 106 million.

Environmental Fees paid in 2007

	MACRO-ORGANIZATIONAL UNITS						
Fee Type (in HRK)	Exploration & Production Division	Rijeka Refinery - Urinj	Rijek Refinery - Mlaka	Sisak Refinery	Retail Network Manage- ment Sector	Logistics Sector	TOTAL INA (by fee type)
AIR							
NO ₂ emissions	552,035.52	171,418.21	42,184.70	381,873.85	0	0	1,147,512.28
CO ₂ emissions	1,461,592.20	2,731,323.83	615,177.38	1,888,274.36	0	0	6,696,367.77
SO ₂ emissions	20,248.30	2,328,892.38	386,920.27	2,641,394.08	0	0	5,377,455.03
AIR - TOTAL	2,033,876.02	5,231,634.42	1,044,282.35	4,911,542.29	0	0	13,221,335.08
WASTE							
permanent disposal of non- hazardous waste	46,255.00	5,256.24	0	1,051.15	0	0	52,562.39
produced but untreated hazardous waste	8,400.00	0	0	0	0	0	8,400.00
WASTE - TOTAL	54,655.00	5,256.24	0	1,051.15	0	0	60,962.39
WATER							
Water use	780,759.46	278,871.12	320,802.16	2,855,206.00	208,684.00	114,995.40	4,559,318.14
Water conservation	139,672.25	8,174,199.04	1,245,614.29	4,994,781.00	396,224.00	78,490.20	15,028,980.78
Water development	2,153,889.33	3,522,477.60	342,012.80	1,511,977.38	1,729,659.00	467,901.29	9,727,917.4
Concessions	217,472.68	27,887.11	41,245.94	277,354.80	0	0	563,960.53
Water fee	68,054.94	0	0	0	0	0	68,054.94
WATER - TOTAL	3,359,848.66	12,003,434.87	1,949,675.19	9,639,319.18	2,334,567	661,386.89	29,948,231.79
PRODUCED OILS							
Disposal of waste oils	0	0	7,622,986.45	0	0	0	7,622,986.45
OILS - TOTAL	0	0	7,622,986.45	0	0	0	7,622,986.45
TOTAL INA (by org. unit)	6,719,697.32	24,006,869.74	3,899,350.38	19,278,638.36	4,669,134	1,322,773.78	50,853,515.71

A woman with short, dark, curly hair is shown in profile, facing right. She is wearing a white lab coat over a grey ribbed shirt. She is looking down at a piece of equipment or a document in her hands. The background is a laboratory setting with a window covered by green horizontal blinds. A blue cylindrical container and a white piece of laboratory equipment are visible in the background.

SOCIAL DIMENSION

We influence social systems respecting ethical values and aiming to improve the quality of life and social wellbeing.



LABOUR PRACTICES AND DECENT WORK

Our employees have to be people with drive and commitment, risk takers with initiative; adaptable to changes, quick decision-makers, good team workers who appreciate the value of timely exchange of information; trustworthy and respectful of customers, suppliers and colleagues.

Our goal is to employ young highly educated, creative, and innovative people who are prepared to take on the challenges of every-day work at our company, and continuously gain new knowledge and skills required in our work processes. The most important duty of our managers is to be committed to the maximum development and use of human potential as the most important business resource and the source of INA's competitive advantage.

The Collective Agreement and Labour Regulations of INA regulate the working conditions, employer and employee rights and obligations, dignity protection procedure, salaries, and other work-related issues.

The Human Resources Sector is in charge of creating HR development strategies as well as coordinating HR management planning in accordance with corporate resolutions and strategic plans.

In accordance with the Labour Act, we have in place clearly defined procedures for the exchange of information, consultations, and negotiations between the management and employee representatives concerning issues of mutual interest. Before passing any resolution relevant to the status of our employees, the management consults with the union representatives, especially in the process of developing labour regulations, operational changes, or redundant labour management programs.

Several regulations govern internal communication and employees' participation in management, of which some are specific to certain organizational units.

Provisions are made for two-way communication - down from management to employees - and up from employees to management, respecting hierarchy. Management regularly informs employees on the business management policy, the set goals, and the tasks, plans and rules for attainment of those goals. Employees-to-management communication is achieved through reports on plan and goal realization. Information regard-

ing the efficiency of the business management system includes identified process non-conformities. The management responds to queries of interested parties by using the internal communication procedure to consult with the relevant officer or to authorize the relevant officer to communicate directly.

Labour - Management sources of information are:

- INA Glasnik (fortnightly newspaper)
- INA-Časopis (monthly magazine)
- Intranet
- INA Info
- Internal newspapers - RNR Info
- Internal regulations, resolutions
- Management-union meetings
- Business meetings
- Director-worker individual talks
- Meetings with worker focus groups
- INAŠ info - union bulletin
- SING info - union bulletin
- Sindikalna riječ - union bulletin (Rijeka and Sisak)
- Board president and union representative meetings
- Meetings with individual Board members
- Meetings with individual Sector directors
- Meetings with the director of Human Resources

OCCUPATIONAL HEALTH AND SAFETY

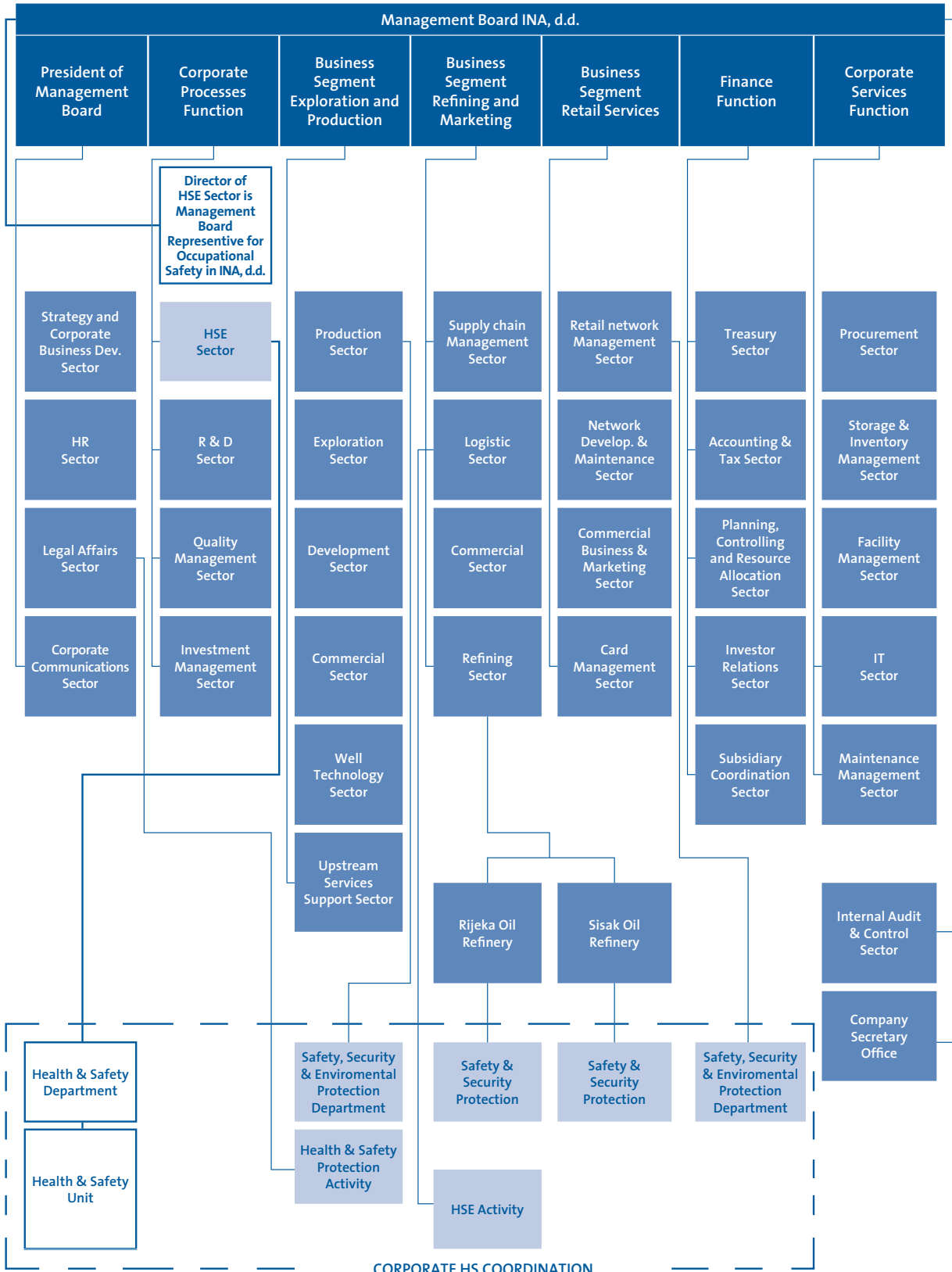
Another of our commitments is the permanent improvement of occupational health and safety. With organized healthcare and constant improvement of working conditions, we strive to create a safe and satisfying working environment for every employee.

All the activities we have been undertaking in the past ten years regarding the health and safety of our employees have resulted in the decline in the number of work-related injuries, and successful prevention of occupational diseases.

Occupational health and safety activities also include work safety and fire safety, which are mainly implemented through:

- The HSE Work Group
- Advisory bodies (Central Occupational Safety Committee, Occupational Safety Committees at micro-organizational level, and the Occupational Safety Subcommittees of individual macro-organizational units, such as processes, sites or regions).

Corporate HSE Co-ordination (December 31, 2007)



On April 26, 2007, INA celebrated the World Day for Safety and Health at Work, on which occasion seventeen of our employees were presented merit awards for making a significant difference in improving health and safety at INA. Each year, INA traditionally celebrates May 4, St. Florian's Day (patron saint of firefighters) throughout the months of May and June with an intense programme of activities.

The purpose of these activities is to promote and introduce prescribed fire-safety measures and conduct practical training. The campaign "May - Fire Safety Month" was opportunity for testing fire equipment, and checking the preparedness of our fire brigade and technical staff in rescue/evacuation operations and fire extinguishing.

So far, INA has conducted 24 such exercises, while the last was held on May 30, 2007 at the Rijeka Refinery GP-3 facility, in the Amin Clauss section.

Participants of these exercises are usually professional and volunteer fire brigades, while every contaminated site is cleaned up immediately after. Eco-friendly extinguishing agents possessing discharge permits are used.

TRAINING AND EDUCATION

Our permanent goal is to raise the level of knowledge and skills of our employees.

The Human Resources Sector is responsible for conceiving and organizing training programmes that will provide top-quality education to our employees. Therefore, our service provider is required to customize training courses to the needs of our company, so that through the business excellence of our own staff we are able to implement modern trends and knowledge to our processes.

Educational activities involve internal and external training, which includes:

- studying while working (acquiring professional skills required for the job and in the interest of INA)
- additional training (foreign languages, computer training, managerial training, in-service training) - includes seminars, courses, workshops, business school;
- professional training (preparation for certification exams legally required for the job)
- specializations - employees attend specialization courses at external educational institutions
- scholarships and practical training for secondary-school and university students

In 2007, 11,284 of our employees attended one or more training programme. Students were familiarized with our work processes during their summer training at INA, which in 2007 included 754 secondary-school students and 93 university students of various professions. Among the three foreign students performing their summer internship at INA was a girl-student from Kyrgyzstan covering the subject of "Corporate Social Responsibility at INA".

Since 2002, INA has been a partner in the Top Scholarships to Top Students Campaign, launched by the weekly magazine "Nacional" in co-operation with a number of top Croatian firms. Thus, five students were granted these scholarships in 2007. In 2005, INA granted scholarships to 3 foreign students, and in 2007, by decision of the Management Board, three more foreign students were included (all from Syria). Offering these Syrian students the opportunity of attending the Mining, Geology, and Petroleum

Engineering Faculty in Zagreb, is a beneficial "investment" into the future development of our operations in Syria. We believe that the experts that graduate from our Zagreb faculty, with the knowledge of our language and culture, will contribute to an even more prosperous collaboration between our two countries, and help open new business opportunities not only with Syria but also with other Arab countries.

DIVERSITY AND EQUAL OPPORTUNITY

INA abides by the principle of offering equal employment opportunity to everyone, in compliance with the Constitution, the Labour Act, and other relevant regulations of the Republic of Croatia, as well as with the defined goals of our Human Resources Management Policy.

The Collective Agreement and Labour Regulations of INA, as well as other internal documents regulate workers' rights and obligations.

Implementation of equal opportunity is monitored by adopting and applying relevant business management documents, such as:

- The Human Resources Management Procedure
- Process list of the Personnel Department
- Records of process goal assessment and attainment
- Internal Audit Procedure

The worker's unions actively keep track of the status of disabled workers, women (women's activity groups in all three unions), and war veterans. We

Employee Structure (December 31, 2007)

QUALIFICATION LEVEL	PREVIOUS MONTH - TOTAL	STRUCTURE										TOTAL WORKFORCE - END OF CURRENT MONTH
		PERMANENT EMPLOYEES - TOTAL	OF WHICH				TEMPORARY EMPLOYEES - TOTAL	OF WHICH				
			WORKING ABROAD	WORKING PART-TIME	DISABLED WORKERS	DISABLED WAR VETERANS		WORKING ABROAD	WORKING PART-TIME	DISABLED WORKERS	DISABLED WAR VETERANS	
D.Sc. VIII	15	15	0	0	0	0	0	0	0	0	0	15
M.Sc. VII/2	110	106	7	0	0	1	2	1	0	0	0	108
University degree VII/1	1,768	1,708	74	9	10	3	51	2	0	0	0	1,759
Associate degree VI	530	507	1	0	6	5	22	0	0	0	0	529
Highly skilled V	657	630	0	1	30	9	15	1	0	0	0	646
Secondary education IV	5,415	5,006	20	11	101	63	405	1	0	0	0	5,409
Skilled III	1,291	1,242	0	1	50	10	32	0	0	0	0	1,275
Elementary education II	182	178	0	1	3	3	0	0	0	0	0	178
Semi-skilled II	49	48	0	0	1	3	0	0	0	0	0	48
Low-skilled I	158	153	0	0	4	0	1	0	0	0	0	154
TOTAL	10,175	9,593	102	23	205	97	528	5	0	0	0	10,1210

also take responsibility for the special needs of disabled workers when appointing them to jobs.

LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS

As a rule, INA employs workers in the Republic of Croatia; however, a certain number of workers (102) were employed through our international branches in Syria, Libya and Egypt, as well as countries of former Yugoslavia.

Mostly older workers terminated their employment, of which in 2007, about 223 workers terminated their employment pursuant to our Incentive Severance Package for the period 2005-2007 (In this period, 1,045 workers have left INA). Other reasons for termination included mutual consent (39), early retirement eligibility (33), old-age pension eligibility or death (24). Our Retail Services Division had the highest turnover rate, because

our petrol stations employ temporary workers during the tourist season or as replacements for long-term absentees. Termination data includes these workers also (about 200).

Of the total terminated employments in 2007, 470 were men, and 106 women.

Under the Collective Agreement and Labour Regulations, our workers are entitled to certain benefits (allowances, support) that are otherwise legally optional, as follows:

- Retirement bonus - HRK 8,000; Early retirement incentive HRK 16,000
- Annual vacation bonus - HRK 2,400
- Christmas bonus HRK 1,900
- Easter bonus payable in kind - HRK 400
- St. Nicolas Day bonus for workers' children under the age of 15, the worker being the bearer of the child's health insurance - HRK

Employee Turnover in 2007

	2006	2007
Total terminated employments	445	576
of which permanent employments	323	348
of which temporary employments	122	228

400 (Also entitled to this bonus are workers who have handicapped children regardless of whether they are bearers of the child's health insurance and regardless of the child's age, as well as children under the age of 15 of deceased workers)

- Death of an immediate family member - HRK 3,000
- Worker disability (with submitted documentation) - as invoiced but not more than HRK 2,500 p.a.
- Workers' children with special needs (with submitted documentation) - HRK 2,500 p.a.
- Disability/physical impairment of a worker's spouse or parent if they exceed working age (with submitted documentation) - as invoiced but not more than HRK 2,500 p.a.
- For sick leave longer than 90 consecutive days, including maternity leave - HRK 2,500
- Childbirth - HRK 2,000 for each child born (if both parents are workers of INA, only one is entitled to this benefit)
- Elimination of damages caused by natural disasters (with submitted damage assessment) - HRK 3,500
- Commuting costs (monthly)
- Long-service recognition
- Severance compensation to which the employee is entitled under the Labour Act is bargained higher than legally prescribed
- Sick leave paid by the employer is higher than legally prescribed.

Pursuant to the Collective Agreement, INA also undertakes the following support for the families of our employees:

- In case of an employee's death - HRK 7,500
- Scholarship/allowance of HRK 1,600 per month to children of deceased employees, or to children of employees killed in the Homeland War, for the duration of their regular education

Our employees are also entitled to:

- Additional health insurance,
- Annual medical examinations and paid active therapy,
- Social aid paid to ill/low income employees

- Employees with determined disability or under risk of disability, among other rights, may retain (if more suitable) their complexity coefficient corresponding to the job they were doing immediately prior to disability or direct risk of disability. If such an employee worked continuously in shifts for at least five years prior to disability or direct risk of disability, he is entitled to a supplement for shift work according to the shift schedule he would otherwise be working. The difference between the coefficient of the previous job and that of the employee's actual job, plus the shift-work supplement, is reduced by the amount of the disability benefit the employee receives under the pension scheme
- Authorship fee as defined by our internal Intellectual Property Regulations for an invention created on the job or in relation to the job, or for an applied technical improvement
- Accidental death and disability insurance,
- Funeral costs for a retired employee - HRK 1,500

These benefits have been a standard part of all our collective agreements so far negotiated between INA and the workers' unions.

Our Collective Agreement applies directly to union members, indirectly (by corporate resolution) to non-members, and partly to middle management, while it does not apply to top managers. In other words, it applies directly and indirectly to 98% of our workforce.

The Collective Agreement also determines a mutual obligation of the employer and the unions to conduct consultations and report on a quarterly

basis (and definitely before adoption of next year's business plan), on all issues relevant to the social or material status of our employees (e.g. salaries and other material rights, employment, education, healthcare...), organizational changes, etc.

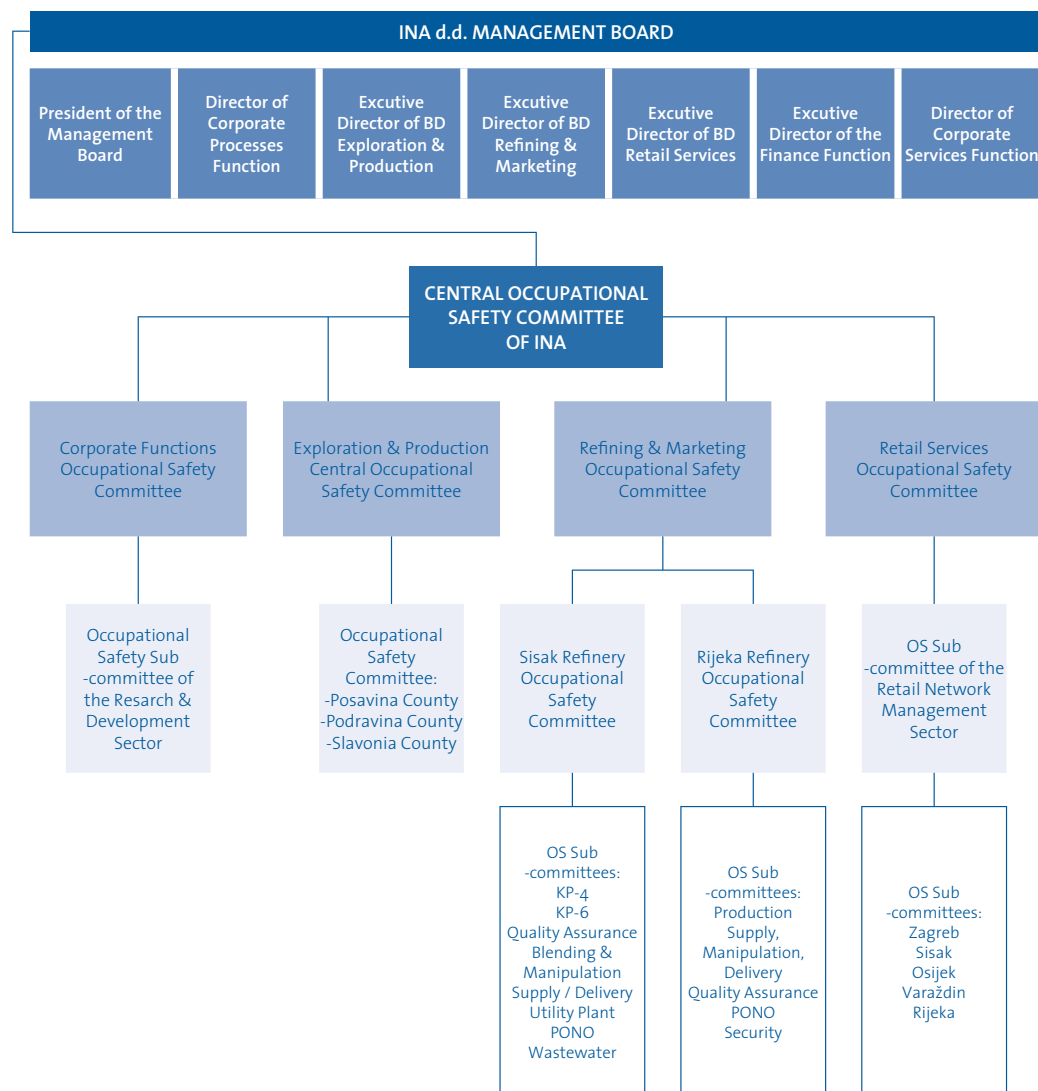
The adoption of certain internal regulations (e.g. the Labour Regulations) is also preceded by consultations with union representatives, as prescribed by the national Labour Act.



Union Membership - December 2007

INAŠ - INA and Subsidiaries Workers' Union	SING - INA and Oil Economy Workers' Union	EKN - Chemical, Energy, Mine, and General Workers' Union	Total
4,074	3,930	1,600	9,604

Organization of the Occupational Safety Committee of INA (Dec 31, 2007)



The Central Occupational Safety Committee is an advisory body of the Management Board, having the following mandate:

- Develop occupational safety policy and goals;
- Monitor the status of occupational safety;
- Determine uniform occupational safety criteria (employee training, jobs with special working conditions, employee healthcare and occupational medicine, personal safety equipment, and similar);
- Consider proposals for new processes and procedures aiming at improving occupational safety and security, and notify the Management Board of its opinion;
- Propose to the Management Board occupational safety enactments and their amendments;
- Plan activities and suggest measures to improve occupational safety;
- Consider and accept status reports on occupational safety, and forward them to the Management Board for adoption.

The Director of the HSE Sector is authorized by the Management Board to discharge healthcare and safety activities.

Each sector/department appoints its own officer in charge of occupational safety.

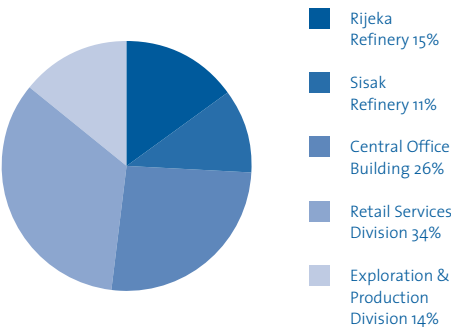
Participants in the work of the Committee are: management representatives (Board members, Sector directors, managers), occupational safety experts, occupational medicine specialists, and occupational safety union delegate.

Up to twenty-five percent of the total workforce is represented in formal joint management-worker health and safety committees.

Since 2003, Sinaco Ltd. has been in charge of technical safety and security of our well sites, refinery and distribution facilities, as well as all other INA premises and equipment.

In 2007, we recorded 122 injuries, which was 14% less than in 2006. The number of injuries is declining in both refineries, as well as in E&P, Corporate Functions, and Management. No occupational disease or fatal injury was recorded in 2007.

Injuries by place of occurrence in 2007



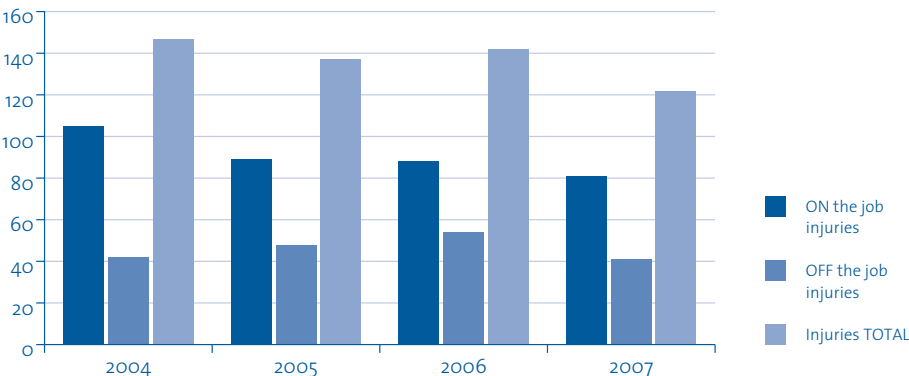
Rate of injury = 1.18
Rate of lost days = 6.00
Rate of absenteeism = 0.75

In order to gain better insight as to the causes of injuries, in the following years it is necessary to monitor injuries by cause-and-consequence, especially causes and nature of injury.

Since March 5, 2003, we have an appointed committee for determining aid eligibility of INA workers regarding serious illness or poverty, which acts as a task force of the Human Resources Sector.

It considers workers' requests for aid, obtains verification from the company doctor, and professional opinion of the sum required for each individual case, as well as proposes the granting of aid within the allocated resources. Over the past few years, this committee has granted aid only to INA workers and their seriously ill children.

Injuries by place of occurrence 2004-2007



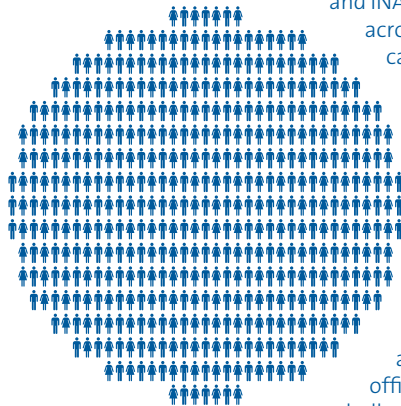
In 2007, aid was given to six of our workers' children with the following diagnoses: hereditary dystrophic epidermolysis, cerebral paralysis, malignant tumor, serious heart defect, lymphoid leukemia, Down syndrome.

Seven workers were also granted aid on account of serious illnesses - cancer, brain stroke, tetraparesis, and serious bone fractures.

In 2007, all our workers were able to attend health-care programmes, such as:

- "What is Diabetes Mellitus?"
- "Smoking - The Health Hazard"
- "Stress Caused by Mental Terror and Moral Harassment at Work"
- "Most Frequent Tumors in the Working Population"
- "Prevention of Cancer".

INA and its three active workers' unions: the INA and Oil Economy Workers' Union (Croatian acronym: SING), the Workers' Union of INA and INA Zagreb Subsidiaries (Croatian acronym: INAŠ), and the Chemical, Energy, Mine, and General Workers' Union (Croatian acronym: EKN), concluded the 2007 Collective Agreement, which defines the procedure for developing formal worker/management agreements regarding health and safety management.



It also determines that the appointed occupational safety officers delegated by each union shall participate in the activities of all committees and subcommittees with the right to vote:

- Employer shall provide, at his own expense, safe working conditions for every employee as required by law,
- Employer shall take measures necessary for the health and safety of its employees, including safety precautions, providing information and safe-work training of employees, as well as provide the necessary organization, and appropriate protective equipment, including personal protective equipment,
- Every employee shall be familiarized with the safety regulations and his/her rights and duties regarding safety,
- Employer shall pay supplementary health insurance for employees
- Employer shall provide the resources for administering first aid.

- Smoking, alcohol or other addictive substances (drugs, medication, etc.) are prohibited at all workplaces, at meetings or any other kind of gathering on the premises of INA,
- Employee has the right to reject a health- or life-threatening job or refuse to work in an unsafe workplace
- Employer shall implement measures to prevent occupational disease.

The type of safety equipment is determined on the basis of workplace and working environment risk assessments. The use of safety equipment is overseen by occupational safety officers, who notify immediate managers of any non-compliance through the inspection log.

Our employee training programmes allow us to train our employees in skills supporting the attainment of our strategic goals in an ever-changing and increasingly demanding work environment.

The computer course leading to an ECDL diploma ended in 2007 following expiration of the three-year contract, over which time 3,358 of our workers passed this particular computer training, while 120 passed other specialized computer courses as well.

In 2007, the three-year cycle also ended of the education programme Fundamental Business Administration (FBA) - a business school intended for young managers held in co-operation with the Zagreb Faculty of Economics, with the aim to provide the young attendants (current and future managers) with equal basic knowledge of economics, finances, and marketing. The FBA programme was developed from the MBA postgraduate course of the Zagreb Faculty of Economics, and attuned to the needs of our company. About one-hundred of our workers passed this course, while some lectures were also held by INA experts.

Furthermore, 38 of our managers passed the professional training course "Corporate Governance for Supervisory Board Members", organized at the Zagreb Faculty of Economics.

About 150 of our workers are planned to attend the "Leadership" professional training course, which started in 2007 and will last until mid 2008. Several other training activities were organized for focus groups (administrative personnel, personal assistants, human resources specialists, sales specialists, drivers, storage workers, travel order processing clerks...)

As part of the survey measuring our employees' satisfaction with organized training (869 respondents) our average grade was 8.54 on a scale from 5 to 10.

We organized preparation and exam taking for our workers requiring state certification for their job. We must emphasize that through this type of

in-house training, our workers achieved significant savings, since only exam costs were paid.

Safe-work training was also organized (in compliance with our internal regulations) after which the attendants were tested. This type of training is realized in co-operation with our HSE Sector. We also held induction training for 63 new employees.

Type of education/training	In-house/Out-of-house	Number of employees 2007
Studying while working	Out-of-house	498
Foreign languages	Out-of-house	970
Computer training	In-house/Out-of-house	934
Professional training (seminars, business schools...)	In-house/Out-of-house	4,266
Additional training	In-house/Out-of-house	4,574
Specialization	Out-of-house	42
TOTAL		11,284

Pursuant to our Labour Regulations, employee performance is evaluated monthly (with the exception of top and middle management). The percentage of employees that received a bonus on their salaries as a result of their performance evaluation was about 55%.

Top and middle managers (about 200) are evaluated once a year.

The percentage of women in the workforce is relatively low due to the majority of traditionally male gender-typed jobs.

Date	Total workforce	Men	Women	Percentage of men	Percentage of women
Dec. 31, 2007	10,121	7,605	2,516	75.14	24.86
Dec. 31, 2006	10,183	7,654	2,529	75.16	24.84
Dec. 31, 2005	10,290	7,746	2,544	75.28	24.72
Dec. 31, 2004	10,244	7,717	2,527	75.33	24.67
Dec. 31, 2003	10,325	7,828	2,497	75.82	24.18
Dec. 31, 2002	10,903	8,429	2,474	77.31	22.69
Dec. 31, 2001	13,537	10,627	2,910	78.50	21.50

WORKFORCE					% PERCENTAGE		
Date	Total Workforce	Under 30 years of age	30-50 years of age	Over 50 years of age	Under 30 years of age, %	30-50 years of age, %	Over 50 years of age, %
Dec. 31, 2007	10,121	1,238	5,717	3,166	12.23	56.49	31.28

Most of our employees are between 30 and 50 years of age. On December 31, average employee age was 43.1 years.

TOP MANAGEMENT			
Date	Top Management - Total	Women	Percentage of Women in Top Management
Dec. 31, 2007	69	19	27.54
Dec. 31, 2006	65	16	24.62
Dec. 31, 2005	63	17	26.98
Dec. 31, 2004	57	13	22.81
Dec. 31, 2003	40	4	10.00
Dec. 31, 2002	38	5	13.16
Dec. 31, 2001	40	3	7.50

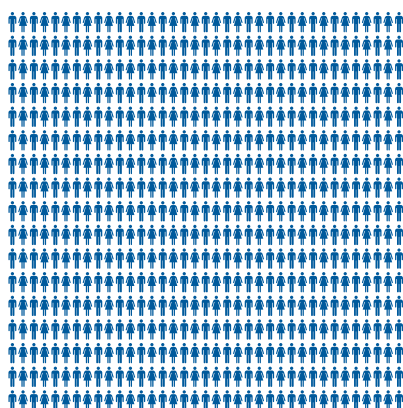
The percentage of women in top management is constantly rising.

SPECIAL EMPLOYMENT CONTRACTS					% PERCENTAGE		
Date	Top Management - Total	Under 30 years of age	30-50 years of age	Over 50 years of age	Under 30 years of age, %	30-50 years of age, %	Over 50 years of age, %
Dec. 31, 2007	69	0	32	39	0.00	43.5	56.5

The ratio of basic salary of men to women by employee category is 1:1.

HUMAN RIGHTS

INA upholds and supports the protection of internationally recognized human rights. We have committed to the consideration of human rights as part of our strategic and cultural activity in relation to our employees, business partners, customers and the society at large.



We shall mark the 60th anniversary of the UN Universal Declaration of Human Rights by informing our employees of its contents through our internal media.

INVESTMENT AND PROCUREMENT PRACTICES

Our procurement policy is based on transparency, flexibility, rationality, and compliance. INA's procurement process allows for mutually beneficial relations with suppliers with the aim of generating added value for both parties, which gives pleasure to all participants in the procurement process. In our business relations with all our suppliers and contractors, we are guided by the general principles of equality, fairness, and impartiality in the bidding process, thus encouraging market competition.

NON-DISCRIMINATION

Our Labour Regulations, as well as our Code of Business Conduct and Ethics protect our employ-

ees from any form of racial, sexual, marital, age, language, religious, or political discrimination, as well as discrimination regarding any other convictions, national or social origin, financial status, birth status, social position, membership or non-membership in political parties or unions, or physical or mental impairment, aimed at or actually violating employee dignity and thereby causing fear or producing a hostile, demeaning or disrespectful environment.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Our employees are free to associate in unions in compliance with international conventions, legal regulations, our Collective Agreement and Labour Regulations. All three trade unions in INA were organized at the beginning of the 1990's following the Croatian society's transition to democracy. Our employees participate in the decision-making process about issues that relate to their economic and social rights and interests, in the manner and under terms as set out in the Labour Act, our Collective Agreement and Labour Regulations. The unions independently determine methods of operation and representation of their members' interests, as well as independently appoint their representatives who are to protect and promote the rights and interests of their members.

CHILD LABOUR

INA does not employ under-age workers. However, there is a tradition of employing our workers' children (secondary school and college students) at our petrol stations over the summer holidays washing windshields. This way, they earn their

pocket money by accepting tips from our customers. They are engaged on their own behalf and on their own account, by approval of INA, to perform these jobs without pay. Each employed child is also given instructions on safe practices and conduct at petrol stations as well as information regarding occupational safety and fire safety. In addition, each child is insured against work injury. As a rule, persons of age are employed for these jobs, while minors no younger than 16 may be employed from June 15 to September 9 only with written parental consent, and only for a period of two weeks. This policy of youth seasonal work sets a higher standard in comparison to legal regulations, where the minimum age for employment is 15, as prescribed by the Labour Law of the Republic of Croatia, and Article 3 of the C138 International Worker Minimum Age Convention from 1973.

COMPLAINTS AND GRIEVANCE PRACTICES

The Labour Act and the Collective Agreement, which define terms that are more favourable, e.g. longer notice periods than those defined by the Labour Act, regulate our workers' rights, duties, and responsibilities.

If a worker considers INA to have violated any of his/her rights, including those defined by the Collective Agreement, he/she may, within a determined period starting from the date of the decision by which his/her rights were violated, request fulfillment of those rights. If INA fails to respond to the grievance within the determined period, the worker is entitled to appeal to a court of jurisdiction.

Before initiating a regular dismissal procedure due to a worker's misconduct, INA is required to warn the worker of his/her duties, and of possible dismissal if he/she continues to violate duties. Likewise, prior to regular or immediate dismissal due to a worker's misconduct, the worker is entitled to state his defense. The employer is required to notify the union of the intended dismissal, but is not bound to the union's opinion. In case of dismissal, the worker is entitled to submit to the employer a request for the protection of his/her labour rights, and if the request is denied, the worker is entitled to appeal to any court of jurisdiction.

In 2007, 98 employees were cautioned for non-compliance, and 16 regular dismissals and 13 immediate dismissals were issued. We also have a committee appointed for receiving and solving employee dignity-related grievances. Our Human Resources Sector is in charge of aspects of human rights.

HUMAN RIGHTS PERFORMANCE INDICATORS

We are developing relations with our suppliers systematically, our supply chain management is efficient, our partnership relations are developing

through our mutual dedication to comply with and maintain the high level of quality in our products, processes, as well as business operations. Each year we evaluate our suppliers based on our internal Vendor Evaluation Instructions, as well as compile a list of our chief suppliers. The suppliers have to comply with valid laws, regulations and standards in the manufacture and distribution of their products or when providing services, and in accordance with the contractual terms and conditions.

Our Labour Regulations, as well as our Code of Business Conduct and Ethics protect our employees from any form of racial, sexual, marital, age, language, religious, or political discrimination, as well as discrimination regarding any other convictions, national or social origin, financial status, birth status, social position, membership or non-membership in political parties or unions, or physical or mental impairment.

Every new trainee is familiarized with our Labour Regulations and Code of Business Conduct and Ethics, as part of their mandatory internship programme. In 2007, 50 trainees attended the induction seminar for new employees.

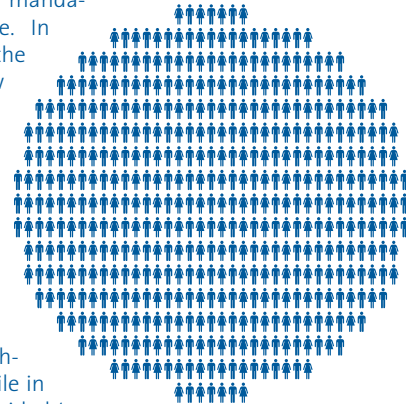
In 2006, one incident of discrimination reported to the Committee was ruled out as unfounded.

In 2007, the Committee received 4 complaints, of which in 2 cases the worker withdrew his/her complaint, while in one case the Committee decided to adopt part of the complaint, and reject the other part as unfounded. The remaining 2 procedures are still in progress.

Not one operation of INA has been identified as posing a significant risk the freedom of association or collective bargaining.

In 2007, the Management Board and representatives of three unions concluded the Collective Agreement, which is proof of our collective bargaining practices, while the presence of 3 unions proves that we support the right to exercise freedom of association.

Pursuant to law and our Labour Regulations, INA does not employ persons younger than 18. In the summer months of 2007, our petrol stations engaged about 9,000 children to wash our customer's windshields and thus earn pocket money by accepting their tips. No injury or accident was recorded.



No operations of INA have been identified as having significant risk for incidents of forced or compulsory labor, nor has there been any case of overtime work under threat of dismissal.

Our Collective Agreement defines that overtime work cannot be assigned to disabled workers without their consent, while night shifts cannot be assigned to workers under the age of 18, expectant mothers or mothers with children under the age of 2, single parents with children under the age of 5, a parent of a disabled child, a disabled worker, a female worker over the age of 55 or a male worker over the age of 60.

By co-signing the Collective Agreement, the workers of INA's subsidiary security firm SINACO Ltd, have become equal with INA's workers. Before assuming their jobs, SINACO employees undergo training in accordance with the state regulations on security-guard education and certification.

SOCIETY

In order to fulfill our mission and achieve our vision, it is essential that we commit to the expectations and goals of all interested parties, including the communities in which we operate.

Therefore, one of our core values is respect for the community, i.e. maintain awareness of the INA brand through close cooperation with communities, respecting their cultural, national, and regional characteristics.

INA is always adjusting to the specific needs of all its host communities, whilst supplying the population with energy and lubricants. Our relations with our suppliers of oil, gas, lubricants, LPG and other commodities and services are correct, where we give priority to domestic companies.

We continue to develop a partnership relation with the local community and general society with whom we have open and honest communication. We also regularly report on our CSR activities, in order to provide the public and all our key stakeholders a complete insight into the direct and indirect effects of our operations on the economic, social, and environmental aspects of life. We also help the communities in humanitarian, cultural, educational, sport, environmental, healthcare, and scientific projects in the form of donations and sponsorships, as well as investments into a series of non-profit activities essential to the overall quality of life.

In case of any environmental impact deriving from our plants, the local community is notified immediately and remedial action is taken. INA's permanent interest is to gain the trust of the local community with our rehabilitation programs and schedules aimed at eliminating the damaging effects on human health and environment.

CORRUPTION

Our Code of Business Conduct and Ethics among other things includes, anti-bribery and anti-corruption policy.

Our Internal Audit and Control Sector audits business activities by order of the Management and Supervisory Boards in accordance with the provisions of Article 38 of the Organizational Structure of INA. The Sector's Director receives all reports of illegal activity, including cases of bribery and corruption. If a "case" can be handled by internal control, a work-order is issued and a report compiled of the audit performed. If internal control fails to find evidence, the case is passed on to the Business Crime Department of the Ministry of Internal Affairs.

FREE MARKET COMPETITION

Due to the presence of several other oil companies in the market, INA is exposed to free market competition, and operates in compliance with market competition regulations.

COMPLIANCE

INA's business processes are compliant with national laws and regulations, as well as international legislation ratified by Croatia.

The Strategy & Corporate Business Development Sector is in charge of proposing, co-ordinating and reporting on CSR and business ethics.

The Corporate Communications Sector is in charge of a series of promotional activities and communication with the public in the form of press releases, response to certain articles, notifications, explanations, TV broadcasts, etc. INA is increasingly present at various fairs, professional gatherings (Fuel and Lubricants Symposium, International Gas Meeting). This sector also has the role to conceive and implement promotional campaigns for our retail outlets.

We have also set up an Investor Relations Sector with the task of regulating communication with the Zagreb and London Stock Exchanges. All material information disclosed at meetings with analysts or investor representatives must be disclosed simultaneously to the stock exchanges and the public.

SOCIETY PERFORMANCE INDICATORS

Pursuant to our legal obligations, we have developed a plan to align existing terminals and petrol stations with technical environmental standards, as well as a program to reduce pollutant emissions and bring emissions of our major combustion units and gas turbines within limits.

Six major environmental rehabilitation projects are in progress at the Sisak Refinery, while three have already been put into test operation. With the completion of these projects, we will have achieved one of our strategic objectives, which is to minimize our facilities' pollutant emissions.

The Desulphurization Unit (also known as Claus) and the Wastewater Treatment Plant (the storm water section) have been put into test run and already their effect is noticeable. Our new air pollution monitoring station at Galdovo (a suburb of Sisak) is also in its test run. This monitoring station was set up following public pressure over the unpleasant smell in this part of Sisak.

Some of our ongoing projects include minimization of evaporation losses, revamp of Dorada II (blending and manipulation), installation of a particle separator in the FCC waste-gas system, and minimization of hydrogen losses. All our environmental rehabilitation projects are in full swing. Our next project in preparation is the introduction of biofuels in the refinery, which will first require construction of the facilities for the supply, storage and blending of biodiesel into Eurodiesel.

In the Rijeka Refinery, a noise abatement project is in progress on the FCC unit, which is to reduce noise in the Kostrena area significantly. A schedule has been prepared for repairing the storm and oily water drainage system. Repair of the sewage pipes and manholes is scheduled for completion in May 2008.

In 2007, there were no reported incidents of corruption at INA. In the aim to improve control over this issue, we have adopted the proposal to develop supporting procedures to manage reputational risks arising from eventual corrupt practices by workers or business partners.

Our Code of Business Conduct and Ethics also includes our anti-bribery and corruption policy, and is accessible through the internal network to all our employees.

The corporate governance training programme of members of the Supervisory Board top-level knowledge on business and management procedures, as well as mechanisms and systems of corporate governance that also include the aspect of corruption.

We are active participants in the work of international, national, and local organizations focused

on promoting CSR importance and improving its practice. Encouraging international initiatives at the national and local levels demonstrate our engagement in identifying key challenges and seeking solutions. Part of our resources is engaged in the harmonization of our standards with EU requirements, and this is not considered as lobbying.

We influence public and business policy through business associations at home and abroad. INA is member of national and regional associations of the Mediterranean states dealing in energy and environmental protection, while national associations give us the opportunity to act globally.

Our employees are members of national and international expert associations and active participants in congresses, symposia, workshops, and other gatherings worldwide. By acting through these associations, our employees participate in the creation and enactment of policy and legislation.

INA has no monopoly over the market due to the presence of other oil companies. No legal charges have been pressed against us for anti-competitive behavior.

PRODUCT RESPONSIBILITY

INA standards incorporate international and European quality requirements. The Croatian government passed the Decree on Liquid Petroleum Fuel Quality, in the development of which we took part. The decree prescribes the quality characteristics of liquid petroleum fuels in compliance with European directives. Since INA is unable to fulfill all the prescribed limit values, we were granted our request to release on the domestic market a certain quantity of non-compliant fuels.

We are constantly adjusting our fuel quality to EU requirements.

This especially regards the reduction of the sulphur, benzene, and aromatics content as potentially dangerous fuel components. Since January 1, 2006, leaded petrol is withdrawn from the Croatian market.

Health and safety measures at our petrol stations are implemented through regular cleaning and maintenance of the forecourt, regular authorized maintenance and technical supervision, conspicuous operating instructions for petrol-station devices and equipment, and warnings of prohibited actions/behaviour at petrol stations.

All our commercial products have appropriately prepared Safety Data Sheets containing basic information on the product, risk data, recommended safety precautions, transportation and emergency

instructions. Danger signs are also included on the packaging.

Our standards are based on verified scientific, technical and practical results that provide us the relevant parameters in the development of our products, processes, services, human health and safety, to achieve the highest possible degree of order in particular circumstances.

In 2006, we launched our refinery modernization project worth more than one billion dollars, in order to produce EURO 5 fuel.

Our commitment to the quality and safety of our products is emphasized in our Quality Management Policy.

The business policy of our Retail Network Management Sector includes all three systems - quality assurance, environmental management, and health

& safety. Implementation is in progress of the OHSAS health and safety management system.

Product responsibility is distributed at the highest corporate level among the executive directors of our Exploration & Production, Refining & Marketing, and Retail Services Divisions.

We implemented several provisions of the new Consumer Protection Act to our operations even before its adoption. Although

not legally obligated, we appointed a consumer complaints committee in our Retail Sector with the basic objective to promote partnership relations with our customers and other stakeholders.

The committee comprises representatives from our Retail Sector, the Croatian Energy Regulatory Agency, the Consumer Society, and the Consumer Association. Its main role is to propose and perform

activities required to inform and educate our customers, and thereby gain a higher level of trust.

Internal procedures regarding monitoring, corrective and preventive measures are included in the business management system, in accordance with internationally recognized ISO standards.

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

PRODUCT AND SERVICE LABELING

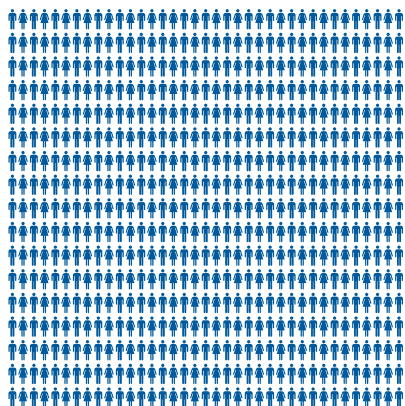
Our awareness of the potential threats we pose to human health and the environment with improper refining processes, transportation or storage of our oil products, and application of strict European standards, compels us to control all work processes rigorously. Along with fuel, INA produces a variety of commercial products such as motor and industrial oils, lubricants, greases, and additives, most frequently marketed in plastic packaging.

Our product labeling complies with legal regulations and professional standards. Each label contains the product's trade name, its basic technical characteristics, and use instructions, as well as conveys an attractive promotional message. The label contents are multi-lingual, while labels on export products are adjusted to the standards of the foreign market.

The product labels of most of our lubricant assortment are registered with the State Intellectual Property Office as industrial designs, while the product names are registered as trademarks.

Our Corporate Communications Sector implements our corporate advertising policy based on relevant laws and internal regulations. The final design of advertisements is subcontracted with designers and marketing agencies.

In 2007, we had no cases of non-compliance with regulations concerning product and service information and labelling. Moreover, there were no incidents reported regarding health and safety impacts of our products or services, nor did we receive any such complaints from competent authorities.



CUSTOMER SATISFACTION

Our market surveys, performed by specialized agencies, guarantee respondents confidentiality of any disclosed information by familiarizing them with the rules.

Each of our prize competitions or games is subject to a set of rules that is verified by the Croatian Ministry of Economy. By playing the game, the entrants agree to these rules, which also define disclosure of the winner's identity by releasing his/her personal information, as well as using the information and the person for advertising purposes.

Every year we conduct a telephone survey on a random sample of more than one-thousand people from all over the country in order to determine customer satisfaction. The results not only help us correct our advertising campaigns or eliminate any inadequacies, but also serve in the analysis of our future market appearances. So far, our survey results have mostly been positive, which is confirmation of our good business practice. The changes we make following the survey are based on substantiated complaints.

In 2007, through a marketing agency we conducted a survey in the summer and winter period of our customers' satisfaction with our processes that are in direct contact with customers: retail (petrol stations), INA Card operations, wholesale (Refining & Marketing), Exploration & Production, and laboratory testing.

The survey results revealed the domains in which we have to improve our relations with the customer and satisfy their needs.

INA TOLL-FREE TELEPHONE NUMBER

In 1997, we were one of the first companies in Croatia to install a toll-free telephone line for direct communication with our customers and the wider public.

The average number of incoming calls per day has increased from seven in 1997 to about 50 in 2007.

The number of calls increases during prize games at petrol stations, after price changes, during the

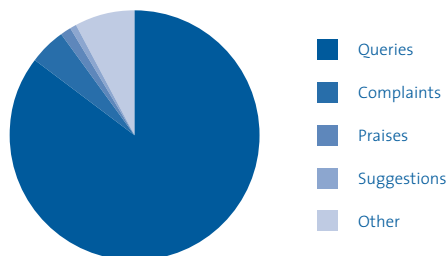
heating season (for supply of heating fuel), and other current events. The information officers operating the toll-free phone make their best to respond to each call promptly and efficiently. Issues that exceed their competence are forwarded immediately to the relevant department. The toll-free number is in service 24 hours a day, and during off-hours calls are automatically recorded.

The primary rule of the toll-free number is that every call gets an answer with guaranteed privacy, since caller information should not be disclosed to third parties other than those taking part in rendering the information or dealing with the complaint.

According to the prescribed operating procedures of the INA toll-free number 0800-1112, weekly reports are compiled indicating typical calls throughout a certain period, which are submitted regularly to the management. Concerning complaints passed on to relevant departments, the weekly report offers information as to their resolution.

Customers can also contact us through our website, by e-mail, mail, or personal visits.

2007 Call Structure



Eighty-six-percent of the complaints were directly resolved, while 14% were forwarded to relevant departments as complaints or requests (praises/suggestions).

Number of calls

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total
Calls Total	2,675	4,632	4,516	6,261	6,414	11,018	8,249	9,789	18,128	14,591	11,332	97,605

MARKETING COMMUNICATIONS

Operation in an increasingly demanding and competitive market also requires an adequate advertising policy. In advertising, we comply with professional standards and ethics, as well as the Consumer Protection Act, the Healthcare Act, and other relevant internal regulations.

The advertising of our products and related activities fall under the authority of our Marketing Communications Group of the Corporate Communications Sector. In accordance with our basic strategic goals, our vision and mission, the business results of the company are presented in both the national and foreign markets in order to gain a position as a desirable partner. We manifest our commitment to co-operate and associate with buyers permanently through promotional activities, campaigns, communication, surveys, notification of new products, services, and purchasing terms.

Sponsorship, cause-related activities, presentation of our concerns for our employees' wellbeing, healthcare, safety, and environment is actually merely one part of our advertising policy.

The advertising process starts with a request from a certain segment, and its basic guidelines are the basis upon which the Corporate Marketing Department designs the concept and media plan for advertising. Thereupon, the final version is adopted jointly and the campaign is launched.

The Corporate Communications Sector collects the annual advertising requirements of each relevant segment, and transforms them into a detailed annual plan of all advertising and promotional campaigns, fairs, public relations, and other.

No substantiated complaints were received in 2007 regarding breaches of customer privacy, or non-compliance with marketing and advertising regulations.



APPENDICES



“LET INA KNOW...”

REPLY CARD

(Your opinion is highly appreciated!)

- 1) Do you consider this report:
 - Informative
 - Fairly informative
 - Uninformative
- 2) What in your opinion does this report lack?

- 3) Do you consider the information useful?

- 4) What information do you consider particularly useful and interesting?

- 5) What could we do to improve the report?

- 6) Evaluate the following features of the report from 1 to 5.
(Note: 1 - very poor, 5 - excellent)
 - Substance
 - Clarity
 - Openness
 - Credibility
 - Goals
- 7) Do you wish to receive this report in future?
 - Yes
 - No
- 8) You are a:
 - customer
 - shareholder
 - employee
 - other firm
 - public
- 9) Your comments or suggestions:

- 10) Your name and address:

Please send the completed reply card by FAX to: **01/2381-694**

For further information, please FAX your contact information to us,
and an INA representative will be pleased to contact you.

TOLL-FREE NUMBER FOR INFORMATION AND COMPLAINTS: **0800-1112**



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Baršnik Ilonka, Planning, Controlling and Resource Allocation Sector
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Benko Tatjana, Exploration & Production Division
Bertović Lidija, Health, Safety & Environment Sector
Borić Jadranka, Quality Management Sector
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Buratović Tihana, Accounting and Tax Sector
Ceronja Marijan, Legal Affairs Sector
Čolak Dubravka, Human Resources Sector
Čučković Borić Zlata, Refining & Marketing Division
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THIRD PARTY REVIEW

Zagreb, June 6, 2008

This 2007 Sustainability Report is the second of its kind at INA, integrating sustainable development, corporate social responsibility, and environmental protection. The report relies greatly on previous practice of describing and analyzing the impact of corporate policy and business operations on the company itself as well as its stakeholders. However, this practice in certain aspects has changed or even improved. Last year INA introduced into its reporting practice the use of GRI G3- the third generation of GRI sustainability reporting guidelines. Apart from the partly narrowed down coverage on environmental indicators, this year's monitoring of individual performance indicators has improved, thus offering an objective picture of the achievements and goals in the different business segments, but also the risks and problems confronting INA and the manner in

which it responds to them. Subsequent reports should expand the scope of information, monitoring of trends, as well as analysis.

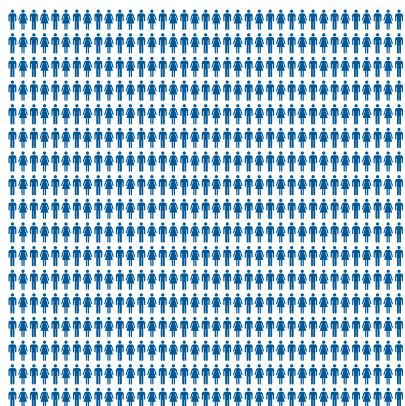
This report is based upon the principles, guidelines, and actual system of GRI performance indicators. It applies the third-generation (GRI G3) guidelines for integrated reporting on the economic, social, and environmental dimensions of the company's performance.

The systematic monitoring of organizational structures and processes has enabled INA to meet the methodology requirements for the given application level of (B+). This level denotes the actual reporting maximum of Croatian companies according to the new methodology, especially companies having complex production processes and operations abroad, such as INA. The number of indicators with no available data is relatively small. However, extra effort should be made in collecting and analyzing more information, especially in the field of environmental protection. The report parameters are clearly defined. Along with the letter from the Board President, the report contains key information regarding corporate strategy (including mission, vision, and core values), governance, relations with stakeholders, various corporate policies concerning social responsibility and sustainable development, as well as organization, processes and procedures supporting implementation of corporate strategy and policy. Covered also are corporate governance,

management structure, and stakeholder relations. In addition to the basic information on the management approach, the report deals with other applicable GRI indicators; 2007 data has been added available historical data. The report is comparable with previous reports of INA and other similar companies.

The year 2007 was marked by several key trends and business events. INA achieved a 6.2% income growth and substantial net profit growth of 47.8%. INA Group achieved a solid increase in income of 10.3%, while net profit fell 1.6%. Crude oil prices continued to grow, influencing higher fuel prices, but also intensifying public interest for pricing methods and calculation of excise duties. Refinery modernization continued, which is to enable a higher level of environmental protection and production efficiency. This will lead to reduced economic, environmental and reputational risks concerning legislation, market approach and environmental effects of fuel production. INA also made some significant oil and gas discoveries abroad. In the privatization process, current and former employees were sold INA shares under privileged conditions. The financial market reacted positively to the listing of INA's shares on the Zagreb and London stock exchanges. Share price growth accompanied by high liquidity contributed to INA's share being pronounced the golden share of the year. INA also took a step forward in communications with investors by establishing an investor relations sector. INA has proven itself as a company committed to integrating various CSR aspects into its organizational structures, processes, and relations with stakeholders, yet there is room for improvement. INA's size, shareholder structure, strategic significance in Croatian economy, and its dominant position in the fuel market have influenced its strategy, restructuring manner, but also its organizational structures, processes, and shareholder relations. INA's approach to CSR therefore is a combination of tradition rooted in its corporate culture (e.g. concern for employee and social wellbeing) with new CSR challenges. The latter includes increasingly complex relations with a variety of external stakeholders (customers, suppliers, investors, associations - esp. environmental).

Several CSR-related events occurred in 2007. INA adopted its Code of Business Conduct and Ethics, which defines the ethical standards that are binding to the company and its employees. The adoption of this code also represents fulfillment of obligations assumed in the last report. For transparency purposes, we suggest posting of the Code



on the company's website. INA also became member of Global Compact, the world's largest CSR initiative. Thus, INA has committed to implement the 10 principles of Global Compact, which have also been incorporated into the Code of Business Conduct and Ethics. They include relations toward work, coworkers, business partners, healthcare, safety, environmental protection, respect for the law and custom, guidelines against conflicts of interest, and control mechanisms. It is also necessary to establish a Workers' Council and elect a workers' representative to the Supervisory Board.

This 2007 report mainly indicates positive and stable trends in quantitative performance indicators and individual CSR aspects. The more detailed analysis and monitoring of donations (in relation to sponsorships) are encouraging. It is in the company's interest to respond more comprehensively to public interest in environmental impacts. This primarily involves presentation and analysis of the key issues that pose the greatest environmental and reputational risk to the company. For example, the process of deciding about certain parameters of the LNG Terminal Project, refinery modernization, relations with the local community and environmental associations, air emissions, effluents and waste, and compliance with the provisions of inspection authorities. In 2007, INA recorded increased NO₂ emissions, as well as more hazardous and non-hazardous waste, but also a reduction in CO and SO₂, and a slight reduction in CO₂ emissions. Three monetary fines were issued for non-compliance concerning pol-

lutants concentration in the surroundings of the Urinj Plant of the Rijeka Refinery.

We suggest that future sustainability reports cover key issues in more detail. This includes strengthening partnership relations with stakeholders, procurement practices, implications of the Kyoto Protocol regarding refinery modernization, supervision over the implementation of the Code of Business Conduct and Ethics and GC principles, as well as issues involving corporate governance, such as the activities of the Supervisory Board, and operations in co-ordination with INA subsidiaries.

Monitoring, analyzing and reporting on economic, social and environmental aspects of performance are the essential components of corporate social responsibility, offering the platform upon which to communicate with stakeholders, the public, as well as recognize the need to change.

INA's 2007 Sustainability Report methodically analyzes the status and trends of corporate social responsibility in one of Croatia's largest organizations, and provides a solid basis for the company's pro-active approach to its future development.



Domagoj Račić, MSc.

EU Accession Negotiations -

Enterprise and Industrial Policy Chapter Working Group Member

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IMPRESSUM

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