

INA Group

Results and activities in Q4 2010 and Q1-Q4 2010



Improved results while also providing security of supply to Croatia
Foundation set for future growth for INA and the economy of Croatia

1

INA Q4 2010 and 2010 full year results at a glance:

Delivering profits after overcoming a challenging period

2

Activities and financial overview:

Increased efficiency and stabilized financials

3

INA in Croatia:

Securing energy supply and being the major investor and employer

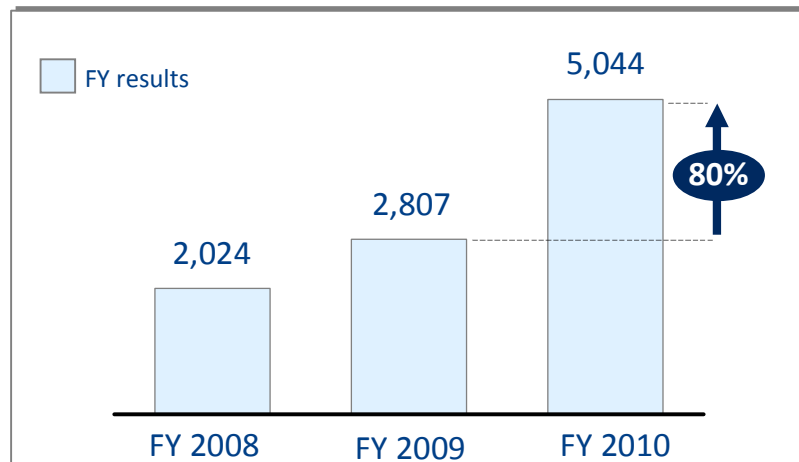
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2010 activities overview and 2011 outlook

1 Operating results improved driven by management's efforts and better external environment, however negative contribution of gas trading remained

Total EBITDA of INA Group¹

HRK millions

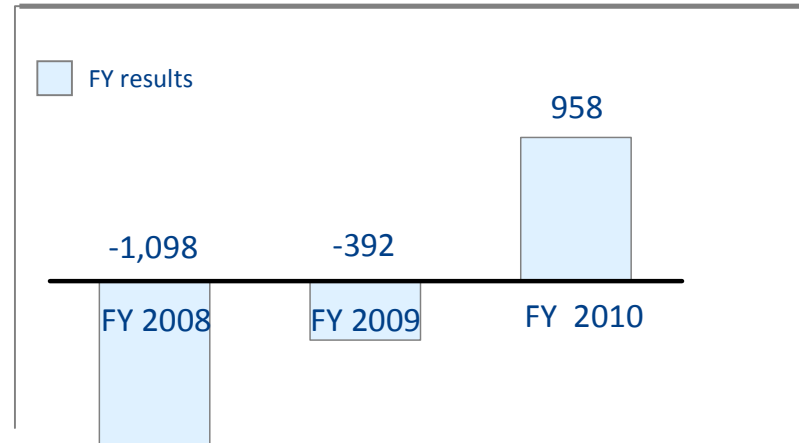


EBITDA increase of 80 % compared to 2009 mainly coming from:

- Higher hydrocarbon production
- Key investments have already started to positively contribute to the result
- Better product slate in refineries
- Improving external environment driven by economic activity recovery

Total net income of INA Group²

HRK millions



Net income reflects positive effects of:

- Higher operational efficiency driven by efficiency improvement programs

But still experienced negative contribution of

- HRK 757 mn special items for environmental and redundancy provisions and impairment
- Depressed domestic market demand
- HRK 335 mn on gas trading business

1: EBITDA-including special items 2: Net income-including special items

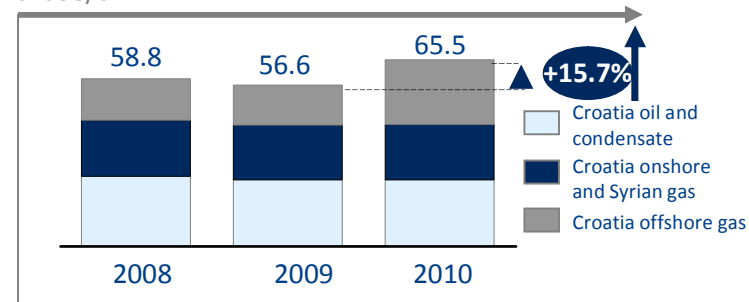
1 Financial and Operational results at a glance

(HRK million)	2009	2010	Ch %
Net sales revenues	22,331	25,863	15.8
EBITDA	2,807	5,044	79.7
Operating profit	(205)	2,127	n.a.
Operating profit excl. special items	252	2,884	1,044.4
Net financial gain (expenses)	(284)	(810)	185.2
Net profit/loss	(392)	958	n.a.
Net profit/loss excl. special items	72	1,558	2,075.4
Operating cash flow	2,960	1,618	(45.3)

- Increased hydrocarbon production (15.7%)
- Decreased sales volumes in wholesale (-9.6 %) and retail (-5.9 %)
- Negative contribution of gas trading business
- Increasing hydrocarbon prices (27.9%)
- Moderate upturn of realized refinery margins
- Enhanced operational efficiency
- Significant cost savings
- Negative contribution of financial expenses
- Special items decreased the result with HRK 757 mn

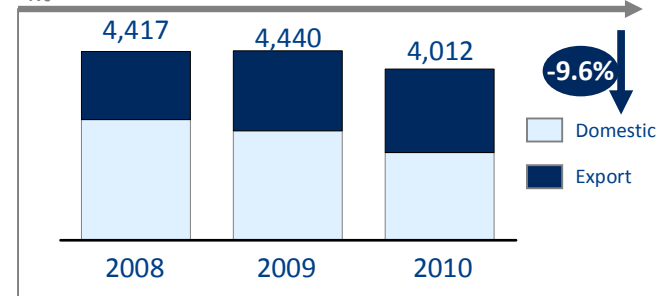
Average hydrocarbon production

thboe/d



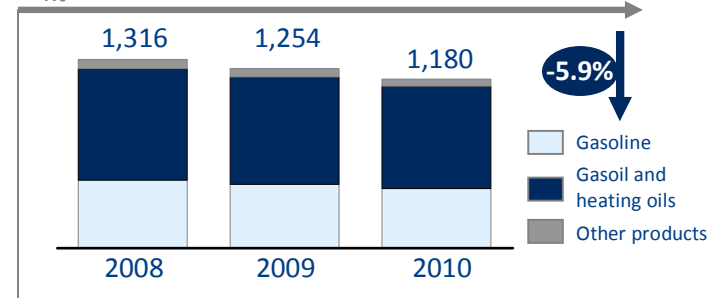
Total sales of refined products

kt



Total sales in retail

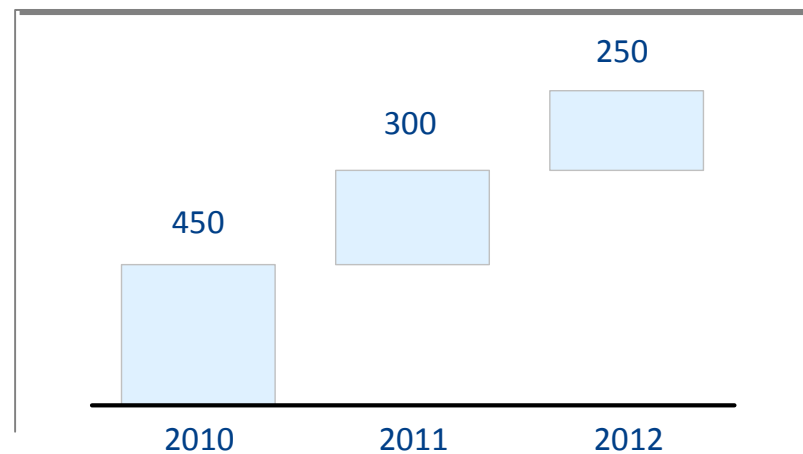
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2 INA increased efficiency through launching a series of savings measures while implementing the first redundancy program in the last 5 years

Cost savings planned in INA Group in 2010-12

HRK millions



Significant cost savings achieved as planned by:

- Achieving lower cost levels closer to industrial benchmarks resulting from cost related efficiency improvements above HRK 450 mn
- Revision of contracts and introducing new, more efficient tendering process targeting more than HRK 100 mn savings annually

Further cost savings (more than HRK 550 mn) planned to be achieved until 2012

Redundancy program launched after the crisis period with severance payment for employees

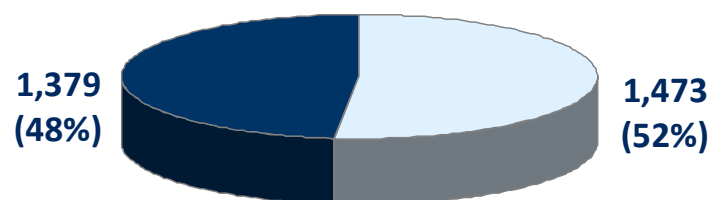
- Cost of this comprehensive programme including ~1,500 amounted to HRK 389 mn

2 Radical improvement of financial situation by fully resolving overdue tax liabilities, while adjusting CAPEX levels to the current financial position

Capital expenditure

HRK millions

- Exploration & Production
- Refining & Marketing and Retail Services

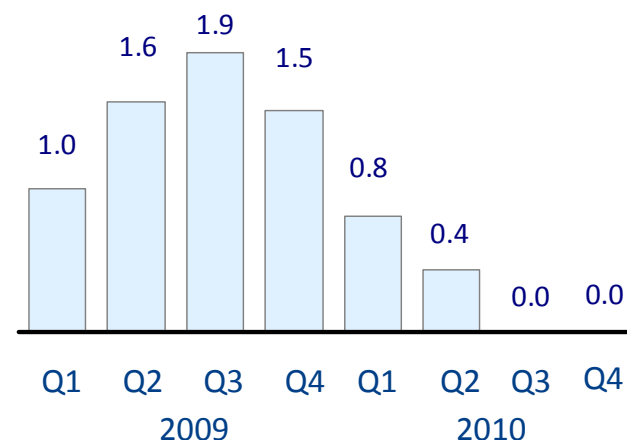


Capital expenditures were driven by key programmes showing commitment for ensuring future growth

Key investment programmes already contributing to results

Overdue liabilities to the state

HRK billions



Financial consolidation driven by resolving overdue tax liabilities towards the state and suppliers.

Securing financial stability and healthy base for future by:

- Improvement of liquidity
- Improved debt collection

2 Through significant investments INA prepared itself for the challenges of the upcoming period

Refinery modernization

- HRK 4 billion spent on refinery modernization in recent years
- Bringing INA in line with other European refiners
- Introducing Euro V products in the entire retail network
- Start-up of the hydrocracking complex in Rijeka



E&P investments

- Testing of Syrian Hayan gas plant started in December 2010
- Hydrocarbon discoveries made in onshore Croatia (Selec, Dravica)
- Sizeable reserve potential in Croatia under development



Filling station modernization

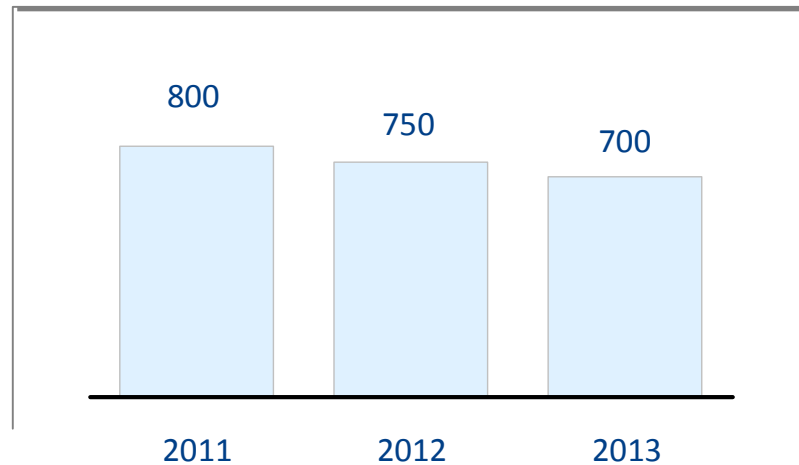
- Modernization and revitalization of filling stations started
- New visual identity introduced



3 During Q4 2010 INA has undertaken actions in order to ensure stable and uninterrupted gas supply in Croatia during the heating season

Contracted import volumes for 2011-13

Million cm



Competitive bidding held for future gas import to achieve best terms for Croatia

3-year contract negotiated and signed on 15 December with Eni, a reliable and credible company

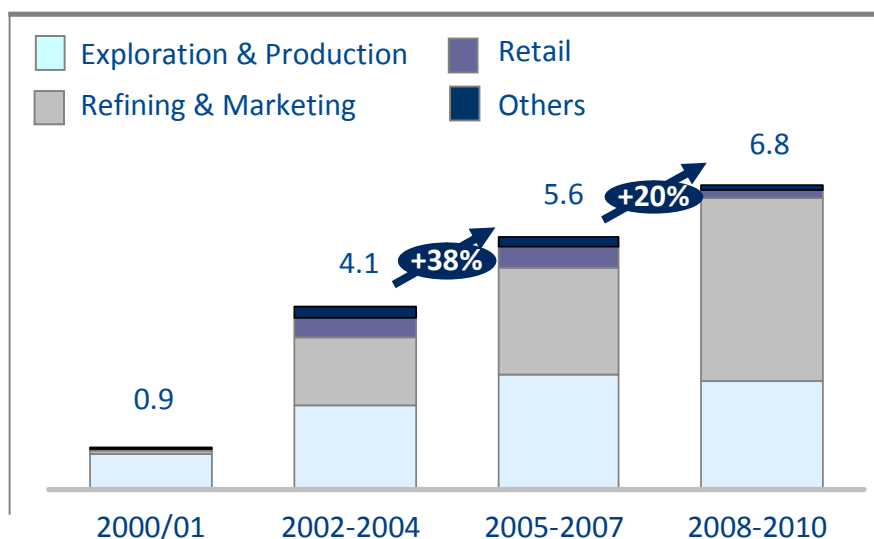
Providing uninterrupted gas supply to the economy by negotiating and signing gas sale contracts with major Croatian industrial consumers (including HEP and Petrokemija) for 2011

3 INA is an economic engine of Croatia

Major investor and the 4th biggest employer in Croatia

Investments made by INA in Croatia (2000-2010)*

HRK billion



INA is the biggest investor in Croatia in the past decade, investing more than HRK 17 bn only in Croatia...

...while investing >HRK 10 bn abroad mainly in Exploration and Production

INA is again one of the most desired employers in Croatia, due to newly introduced:

- Performance oriented culture
- Developed talent management system

Attracting 100+ new talents in 2010 in the frame of the Growww Program (880 registrations for the Program received) while organized Freshhh international competition for senior students from technical and business faculties

SOURCE: INA

* Excluding investments of Croscoc and STSI

2010 Activities Overview and 2011 Outlook

EXPLORATION AND PRODUCTION

Focus on exploration and efficiency improvement



PRODUCTION ACTIVITIES IN 4 COUNTRIES

Croatian onshore

Reserves: 194.1 MMboe
 Production: 31,400 boepd
 Rec. Resources potential: 37.3 MMBoe

North Adriatic

Reserves: 56.8 MMboe
 Production: 22,700 boepd

Angola

**3/05 Block, 3/85 Block,
 3/91 Block**
 Reserves: 4.2 MMboe
 Production: 1,600 boepd

Production: 65.5 Mboepd
 Reserves: 304.6 MMboe

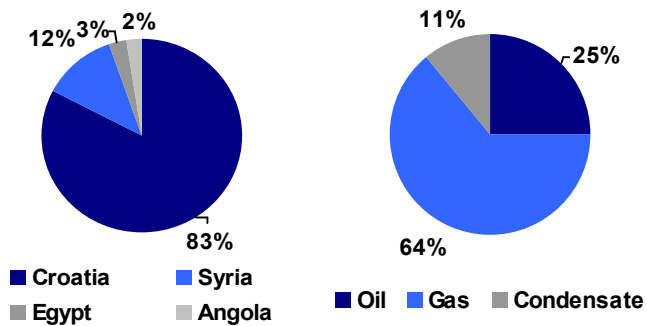
Syria

Hayan Block
 Reserves: 45.7 MMboe
 Production: 7,900 boepd
 Rec. Resources potential: 2.2 MMBoe

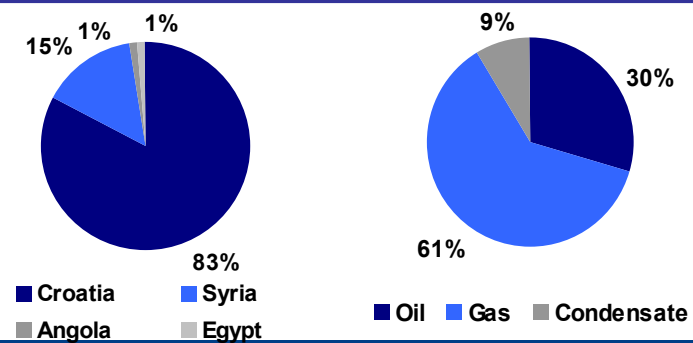
Egypt

**Ras Qattara, West Abu Gharadig,
 North Bahariya, Sidi Rahman**
 Total reserves: 3.8 MMboe
 Total production: 1,900 boepd

Production breakdown by countries and products, 2010



Reserves breakdown by countries and products, 2010



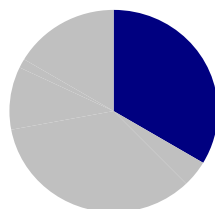
Note: SPE 2P reserves.

CROATIAN ONSHORE

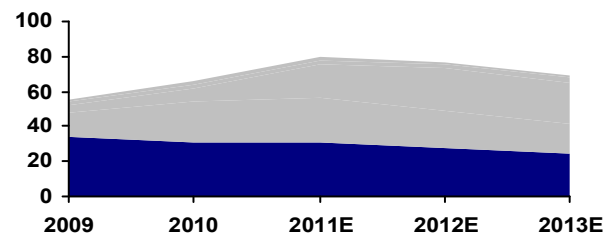
Maximize recovery rates from existing fields



Upstream CAPEX share 2011-2013



Production outlook (Mboepd)



2P reserves (2010): 194.1 MMboe (oil 76.5 MMboe, gas 99.8 MMboe, condensate 17.8 MMboe)

Production (2010): 31,400 boepd (oil 9,700 boepd, gas 14,900 boepd, condensate 6,800 boepd)

Competitive advantage in the region

- ▶ Long exploration and production experience
- ▶ Existing infrastructure (pipelines) and appliances
- ▶ Comprehensive geological knowledge

EOR activities

- ▶ Additional reserve potential increasing both reserves and production
- ▶ Previously unexploited opportunity
- ▶ Extra production means additional profit contribution for the extended lifetime of HC-fields

Work program 2010-2013 E

Exploration

- 2010 (CAPEX: USD 4.3 Mill)**
- ▶ Zalata – Podravska Slatina: testing of Dravica-1 well – finished; 3D seismic - finished;
 - ▶ Novi Gradac – Potony: testing of Potony-1 well (in Hungary) – finished; extending exploration until August 31, 2011
 - ▶ Selec-1: drilling and Well test completed and finished
- 2011 (CAPEX: USD 12.0 Mill):**
- ▶ Đeletovci-1 zapad - Well drilling, extension of Đeletovci oil field with an individual smaller object
 - ▶ Hrastilnica-3 - Well drilling expecting to start on the 1 June 2011
 - ▶ Međimurje Surface Geochemical Survey - SGS Survey in NW Croatia with the purpose of ranking the three best prospects in the area
 - ▶ Dinaridi Source Rock Study - G&G study, with the purpose to evaluate source rock potential
 - ▶ Selec-1 - Workover operations, restoration of the location
- 2012-2013:**
- ▶ 8-10 exploratory wells, 2D and 3D seismic acquisitions

Development

- 2010 (CAPEX: USD 44.3 Mill):**
- ▶ Capital workover operations, including hydraulic fracturing, gravel pack and chemical stimulation
 - ▶ Regular workover operations
 - ▶ Well equipment overhauls
 - ▶ Compressor station at Molve filed
 - ▶ Continued implementation of EOR project on Ivanić and Žutica fields
- 2011 (CAPEX: USD 93.2 Mill):**
- ▶ 3 new wells (one new and two re-entry wells)
 - ▶ Well workover operations (well equipment repair, matrix acidizing, hydraulic fracturing, gravel pack, etc.)
 - ▶ Regular equipment workover operations and sustain projects
 - ▶ Continued implementation of EOR project on Ivanić and Žutica fields
 - ▶ Implementation of production optimisation
- 2012-2013:**
- ▶ Croatia: 5-8 new field developments

Upstream efficiency improvement in focus

- ▶ Optimization of production costs and maintenance activities
- ▶ Group-level harmonization of procurement
- ▶ Project management improvement
- ▶ Knowledge transfer
- ▶ Rationalization of service companies operation
- ▶ USD 50 mn EBITDA improvement achieved in 2010
- ▶ Further reducing lifting cost

CROATIAN OFF-SHORE PROVIDES STABLE PRODUCTION IN COMING YEARS

Further exploration potential in Central and South Adriatic region



2P reserves (2010): 56.8 MMboe

Production (2010): 22,700 boepd

3 exploration licenses and PSA contracts

Ivana (E, D, P): 50% INA; 50% Eni; operator INAgip

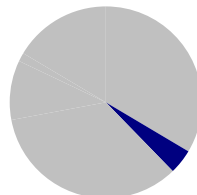
Aiza-Laura – (P): 50% INA; 50% Eni; operator INAgip

Izabella - (D): 30% INA; 70% Edison; operator EdINA

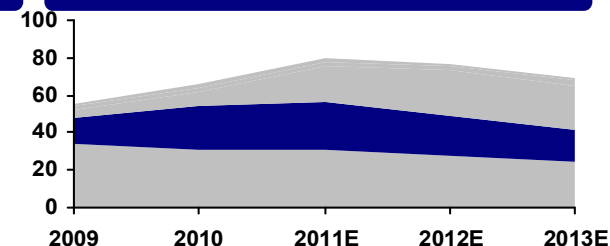
In the Central and South Adriatic offshore areas, where no activities have yet been started, we see further potential in long-term.

E: Exploration, D: Development; P: Production

Upstream CAPEX share 2011-2013



Production outlook (Mboepd)



Work program 2010-2013 E

Exploration

2010 (CAPEX: USD 1.3 Mil):

Block Ivana:

- ▶ G&G studies for further gas potential on areas Irina SW, IKA A Deep & IKA B Deep, Ivana C SW
- ▶ Regional geochemical and mineralogical studies, geological program for next NFW on Ivana SW area, post appraisal studies for IKA SW 2Dir (TLA and RM analyses, reports, HIIP revision)

2011 (CAPEX: USD 3.1 Mil):

Block Ivana:

- ▶ Operational program for the first NFW on Ivana SW area
- ▶ Geological program for second NFW on Ivana SW area and for two NFW on IRINA SW/IKA A Deep/IKA B Deep area
- ▶ Drilling one NFW on Ivana SW area (Ivana SW A1)
- ▶ Post appraisal studies for Ivana SW A1 (TLA and RM analyses, reports, HIIP revision)
- ▶ Regional geochemical and mineralogical studies

2012-2013:

- ▶ Drilling 2-4 exploration wells

Development

2010 (CAPEX: USD 36.2 Mil):

- ▶ **Annamaria**: activities and preparation of all relevant technical documentation for obtaining operating licence
- ▶ **Ivana A/K optimization**: installation equipment for accepting Izabela production, installation slug catcher for Ida C and Ivana A incoming pipeline direction
- ▶ **Katarina**: sea bottom survey
- ▶ **Izabela**: Installation of two platforms (Isabella South and North), connecting of South and North platforms as well as Izabela South platform by sealine with Ivana K platform, drilling and dual completion of 5 production wells (USD 21 Mil)

2011 (CAPEX: USD 6.8 Mil):

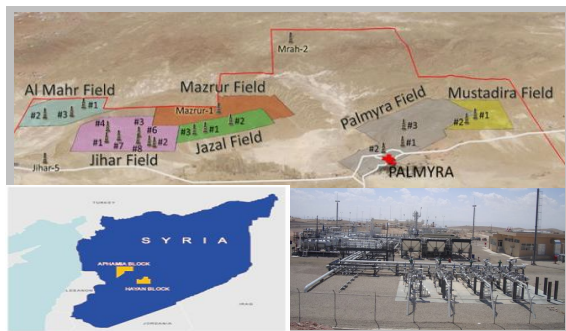
- ▶ **Ika SW**: preparation of feasibility study, bottom survey
- ▶ **Ivana SW**: preparation of feasibility study, bottom survey
- ▶ **Ivana A/K Optimisation**: engineering, construction & Installation of Booster unit
- ▶ **Božica**: preparation of feasibility study, bottom survey

2012-2013:

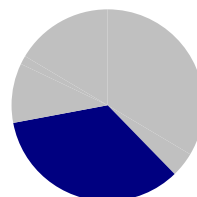
- ▶ Development of recent discoveries

SYRIA – HIGH GROWTH IN HAYAN BLOCK

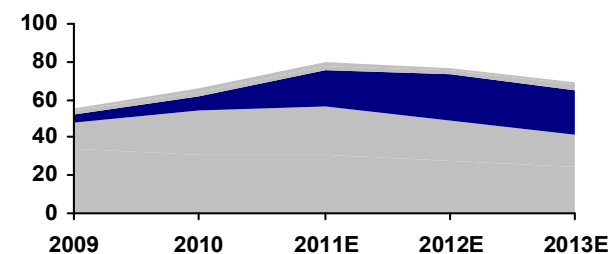
Further exploration opportunity in the Aphantia Block



Upstream CAPEX share 2011-2013



Production outlook (Mboepd)



2P reserves (2010): 45.7 MMboe

Production (2010): 7,900 boepd

Estimated peak production: 24,500 boepd in 2012-2013

Hayan Block: Development phase

50% INA; operator; SPC (50%)

6 oil, gas and condensate fields:

Jihar, Al Mahr (gas condensate), Jazal (oil field), Palmyra (gas field), Mustadira (gas field), Mazrur (oil & gas condensate field)

Aphantia Block - Exploration

100% INA, operator

Work program 2010-2013 E

Hayan Block

2010 (CAPEX: USD 141.6 Mill)

- ▶ Construction of Gas Treatment Plant, drilling of 3 wells, workover of 3 wells

2011 (CAPEX: USD 69.5 Mill)

- ▶ Gas Treatment Plant operating from 2011: resulting in (1) significant increase in oil, condensate and gas production (2) LPG production to be started through GTP (capacity is 11,300 boepd of oil and condensate, 23,500 boepd of gas and 2,000 boepd of LPG. Infrastructures completed – in testing)
- ▶ Drilling of 3 production wells, workover on one well and construction works to be carried out
- ▶ New exploration project is planned to start in 2012

2012-2013

- ▶ Drilling of production (6-8) wells, extending production facilities.

Aphantia Block

2010 (CAPEX: USD 20.9 Mill)

- ▶ Two exploration wells, Beer As Sib-1 and Mudawara-3 drilled and confirmed HC saturation of the structures

2011 (CAPEX: USD 15.5 Mill)

- ▶ Based on positive test results of Beer As Sib-1 well further exploration activities are planned therefore the second extension of the initial exploration phase was made
- ▶ A sub horizontal pilot well (Beer As Sib-2H) is planned for 2011 to increase the production rate and achieve commercial production

OTHER INTERNATIONAL EXPLORATION AND PRODUCTION*

Stable production in Egypt and Angola with exploration activities



2P reserves (2010): 3.8 MMboe

Production (2010): 1,900 boepd

Ras Qattara, West Abu Gharadig, North Bahariya, Sidi Rahman, East Yidma, East Kalabsha

Egypt - work program

2010

Exploration (CAPEX: USD2.9 Mill)

- ▶ Exploratory well El Neamaa-1 was drilled in East Yidma; Exploratory wells Rawada East-1 and Rawada North-1 were drilled in North Bahariya

Development (CAPEX: USD 9.3 Mill)

- ▶ Drilling of 2 wells in Ras Qattara; Drilling of 2 wells in West Abu Gharadig; Drilling of 1 well in North Bahariya; Hydraulic fracturing on 2 wells in North Bahariya; Water injection project started on Ferdaus field in North Bahariya;
- ▶ Gas power generation project completed on West Abu Gharadig ; New development lease, Rizk, on East Yidma concession approved on 12.10.2010

2011

Exploration (CAPEX USD 0.6 Mill)

- ▶ No activities, East Kalabsha license expired on 25.05.2010 while East Yidma license expired on 23.03.2010 two exploration wells will be drilled: Rawada Soutjeast-1 on North Bahariya and Zarif deep-1 on Ras Qatara

Development (CAPEX: USD 21.2 Mill)

- ▶ commencement of Gas power generation project; Drilling of 1 well in West Abu Gharadig; Drilling of 3 wells in North Bahariya
- ▶ Drilling of 1 well in Sidi Rahman; Start of initial production on Rizk development lease (May 2011)



2P reserves (2010): 4.2 MMboe

Production (2010): 1,600 boepd

Block 3/05A, 3/05, 3/85 and 3/91

Angola - work program

2010

Exploration (CAPEX: USD 2.8 Mill)

- ▶ Exploratory well DDK-1 was spudded (encountered gas reservoirs at two levels and was plugged and abandoned)
- ▶ Declarations of commercial discovery received for Punja & Caco/Gazela fields respectively
- ▶ Field Development Plan for Punja finished and in progress for Caco/Gazela

Development (CAPEX: USD 6.0 Mill)

- ▶ Two Infill wells on Pacassa field were drilled and perforated
- ▶ Pipeline PACF4-PACF1 project is in progress
- ▶ Maintenance and inspection program

2011

Exploration (CAPEX: USD 1.1 Mill)

- ▶ Post-Drilling Evaluation of DDK-1 well (prospect MS 2-3-4)
- ▶ Block Prospectivity Review
- ▶ Pre development activities (Punja & Caco/Gazela fields)

Development (CAPEX: USD 7.3 Mill)

- ▶ Floating Storage Hull Repair on Terminal
- ▶ Topside Structure Overhaul & Inspection on Palanca & Pacassa producing platforms
- ▶ Air Compressor Replacement on Palanca & Pacassa producing platforms

*Note - In the Namibian Zaris Block, the exploration license expired on November 23rd, 2010.

DOWNSTREAM

Strengthening market position with modernization



IMPROVE REGIONAL MARKET POSITION

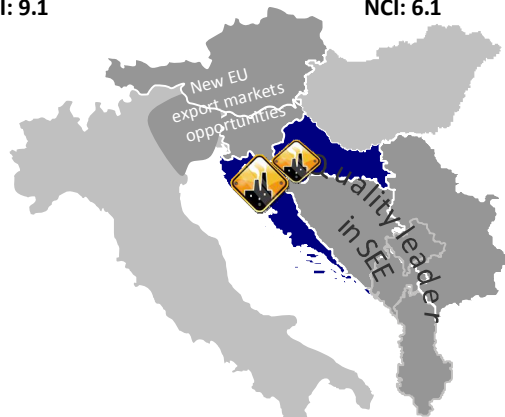
Efficiency improvement and sales optimization

Downstream

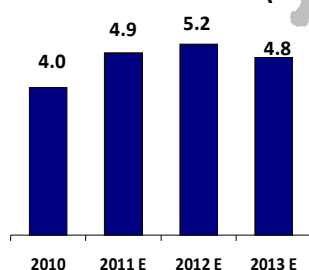
INA Group
Capacity: 6.7 Mtpa (134 thbpd)

Rijeka Refinery
Capacity: 4.5 Mtpa (90 thbpd)
NCI: 9.1

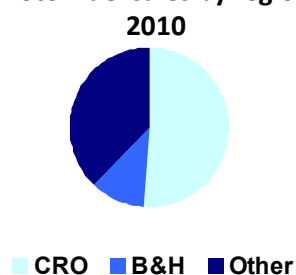
Sisak Refinery
Capacity: 2.2 Mtpa (44 thbpd)
NCI: 6.1



R&M sales volume (Mt)



Motor fuel sales by region 2010



- ▶ Sales optimization
- ▶ Regaining markets in Croatia and Bosnia and Herzegovina

Overall efficiency improvement

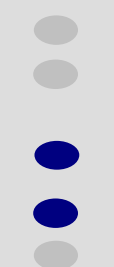
Project elements targeted cost & revenue optimization through the whole value chain by 2012



2010 target delivered : USD 100 mn

COST/REV.

- ▶ Refining:
 - ▶ Maintenance optimization
 - ▶ Cheaper water supply
- ▶ Commercial:
 - ▶ Sales channel and export optimization
- ▶ SCM:
 - ▶ Yield improvement through crude slate
- ▶ Retail: maintenance and opening hours optimization



Key steps ahead for 2011-2012

COST/REV.

- ▶ Refining:
 - ▶ Reduce energy consumption
 - ▶ Loss reduction
- ▶ Logistics: depot optimization
- ▶ Retail: network segmentation and cost control



2009 – 2012 EBITDA targeted improvement - USD 160 mn

RIJEKA PHASE-1 – COMBINE COMPLIANCE & FLEXIBILITY

The first step towards an efficient, profitable Downstream

Full 10 ppm diesel and gasoline production while reducing environmental footprint

- ▶ Key focus was compliance with environmental regulations
- ▶ Full impact on 2011 operations
- ▶ Mild HCK complex (2.6 Mtpa) increase NCI to 9.1

Environmental compliance in line with EU directives

- ▶ Grass-root Sulfur Recovery Unit reduces SO2 emission

Improved yields and refinery utilization

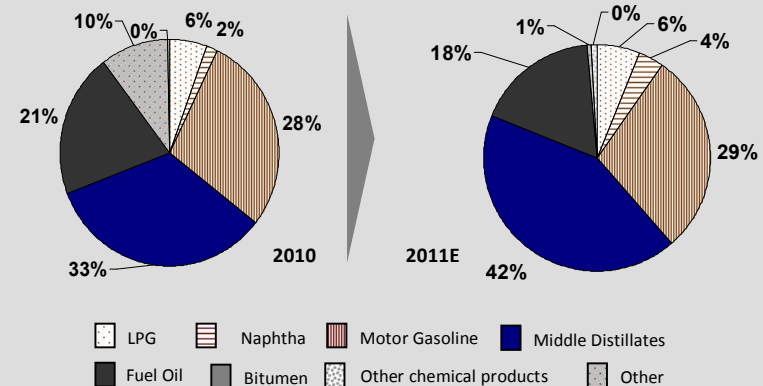
- ▶ Increase **white product yield to 75%**
- ▶ Middle distillates yield improves to match demand growth
- ▶ Sales of EU conform grades drives **refinery utilisation (from 65% to 75%)**

Pace-setting regional position

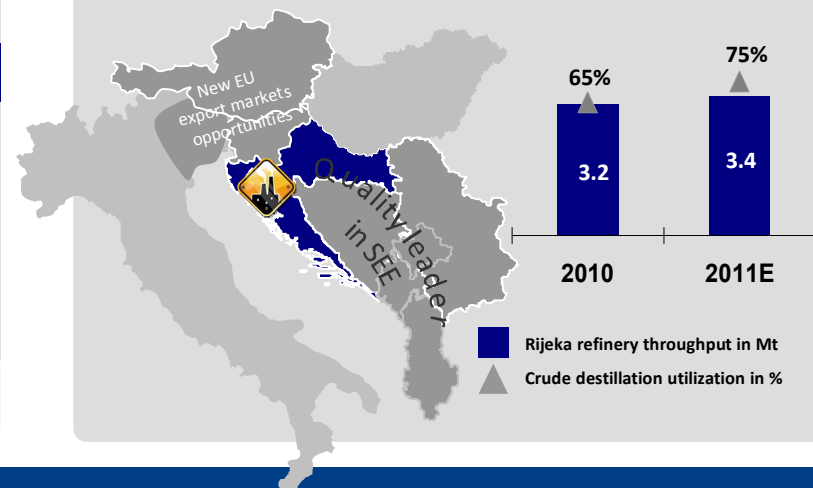
- ▶ **Quality leader in SEE markets** – pole position for regional market consolidation
- ▶ EU conform grades enable **access to EU markets**
- ▶ Replace cca. 500 kt off-spec product bulk sales with more profitable regional distribution

cca. 2 USD/bbl gross margin improvement of Rijeka refinery exp. in addition to compliance

Product yields – basis and after Phase 1



Wider market for Rijeka ensures higher utilization



RIJEKA PHASE-2 – ENTERING THE TOP LEAGUE

Upgrade almost 1 Mt heavy residue to marketable white products with robust investment economics

Supportive Market Environment

- ▶ Shrinking heavy fuel oil markets due to tighter product specifications
- ▶ Gradual improvement of diesel spread and increasing light-heavy differentials
- ▶ Increasing regional demand imbalance favours diesel growth

Residue Upgrade Improves Product Yield

- ▶ Delayed Coker (1 Mtpa) technology with strong in-house references
- ▶ Implementation time of 3-4 years from FID influenced by local permitting procedures
- ▶ CAPEX estimated at cca. USD 450M level
- ▶ Additional 0.6 Mt high quality diesel production

Environmental compliance continued

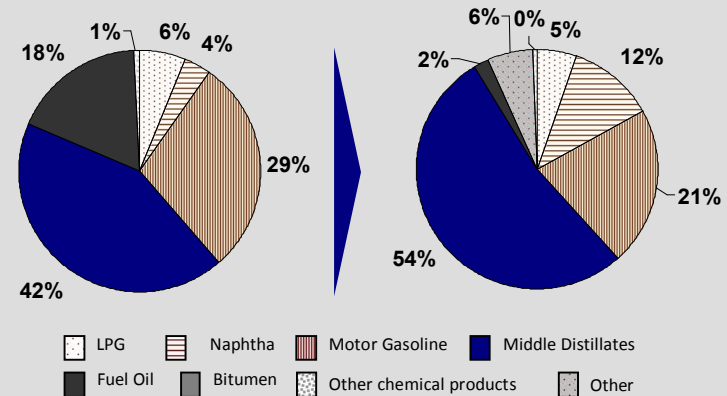
- ▶ Addition to existing Sulfur Recovery Unit to maintain EU level SO2 emission

Refinery Flexibility and Profitability set to strengthen

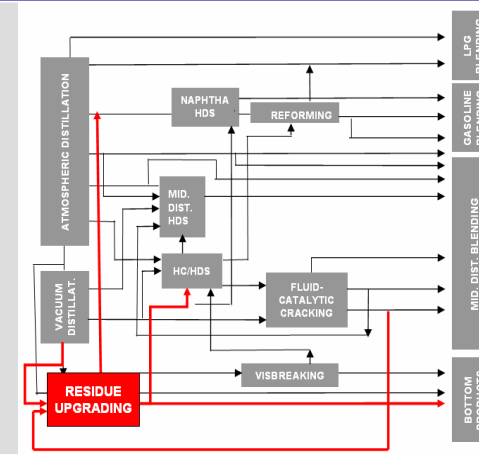
- ▶ Higher complexity (NCI 10+) residue destruction to match market demand slate

3-4 USD/bbl gross margin improvement exp.

Product yields – current and after Phase 2



Schematic flow chart of Rijeka refinery after Phase 2



GLOSSARY

CAPEX:	Capital Expenditures
Choke:	A device that is used to control fluid flow rate or downstream system pressure.
Depth conversion:	The process of transforming seismic data from a scale of time (the domain in which they are acquired) to a scale of depth to provide a picture of the structure of the subsurface independent of velocity.
Dry well:	An investigated borehole which does not confirm the existence of a hydrocarbon site or is not able to profitably produce crude oil or natural gas.
EOR:	Enhanced Oil Recovery. The third stage of hydrocarbon production during which sophisticated techniques that alter the original properties of the oil are used. Its purpose is not only to restore formation pressure, but also to improve oil displacement or fluid flow in the reservoir.
Field development:	Process of implementing surface and sub-surface facilities necessary for the recovery of hydrocarbon reserves.
IOR:	Increased Oil Recovery
NFW:	New Field Wildcat. Well far from other producing fields and on a structure that has not previously produced hydrocarbon.
Proved reserves:	Those quantities of petroleum, which by analysis of geosciences' and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.
Probable reserves:	Those additional reserves which analysis of geosciences' and engineering data indicate are less likely to be recovered than Proved reserves but more certain to be recovered than Possible Reserves.
Resources:	Or recoverable resource potential. Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
SPE:	Society of Petroleum Engineers
boe:	Barrel of crude oil equivalent
boepd:	Boe per day
Mboepd	Thousand boe per day
ktoe	Thousand tonnes oil equivalent
MMbbl	Million barrel
MMboe:	Million boe
MM scf:	Million standard cubic feet
MM scfpd:	Million standard cubic feet per day
Mt:	Million tonnes
NCI:	Nelson complexity index

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