

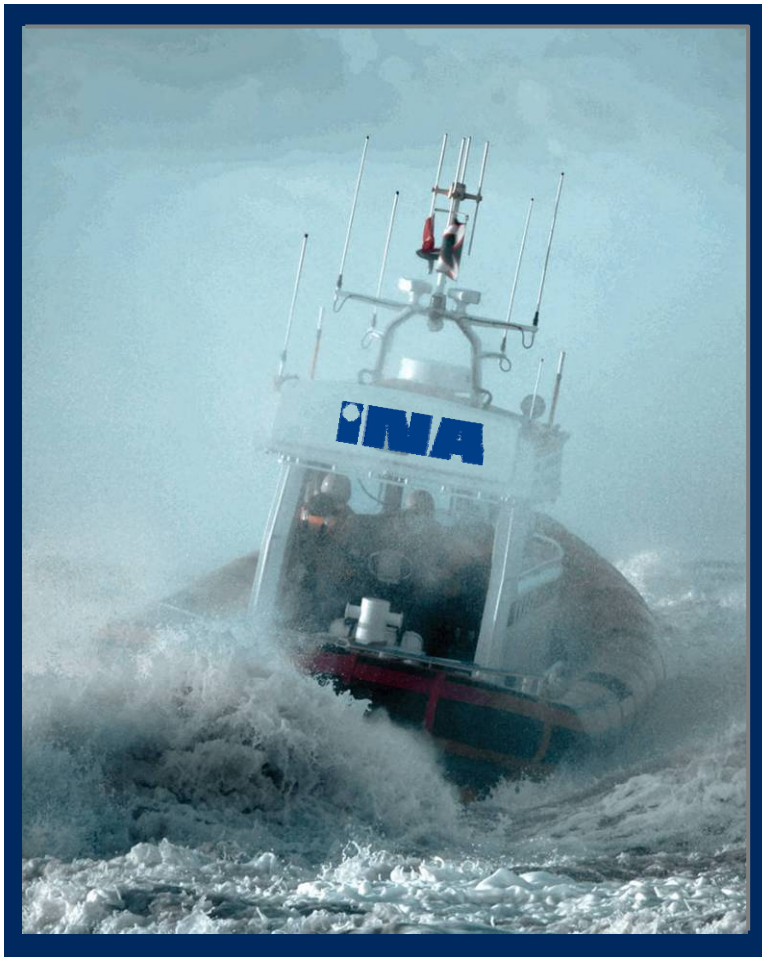


Optina 2 results



Press conference
Zagreb, July 26th, 2011

We had a difficult start in 2009...



External

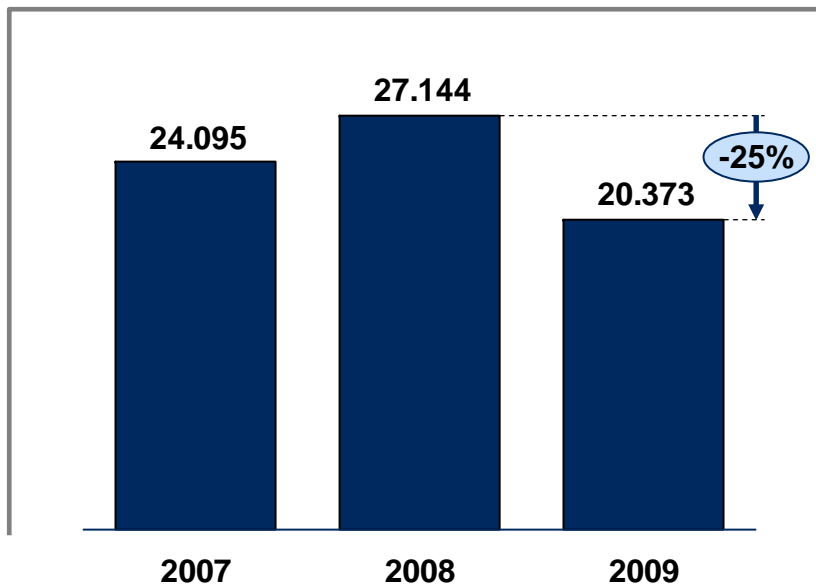
- Financial crisis
- Collapse of oil prices
- Demand drop
- Regulatory constraints

Internal

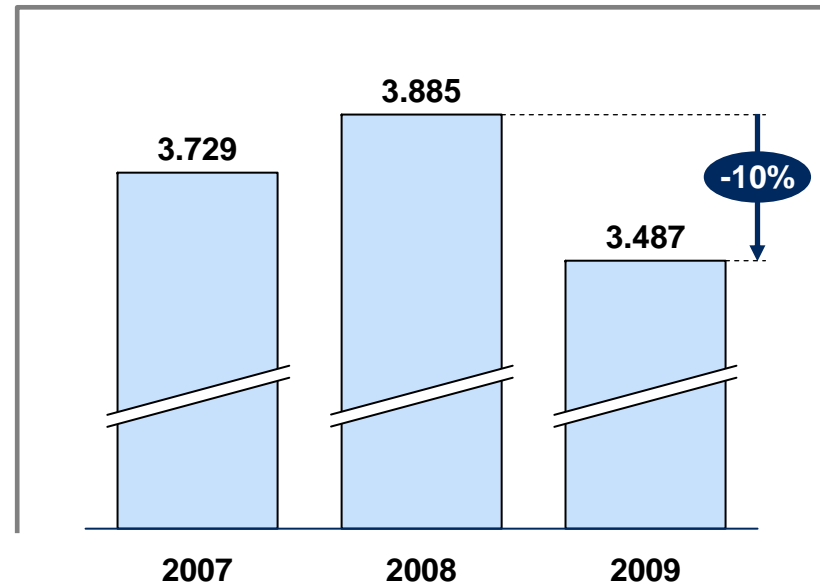
- Top of investment cycle
- Low skill level and cost consciousness

...which can also be seen from key numbers

Total operating revenues of INA Group
HRK millions



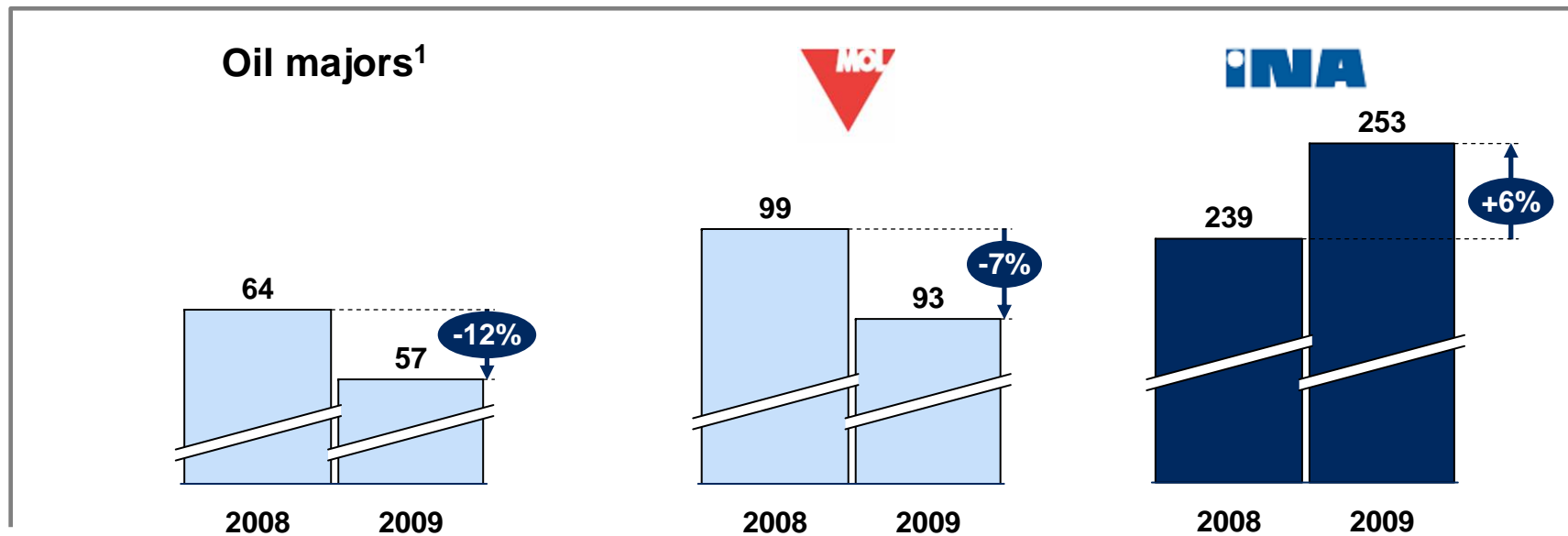
Demand for petroleum derivatives in Croatia
Thousands tons



While other oil majors substantially reduced their investment plans, INA maintained its investments to secure its future

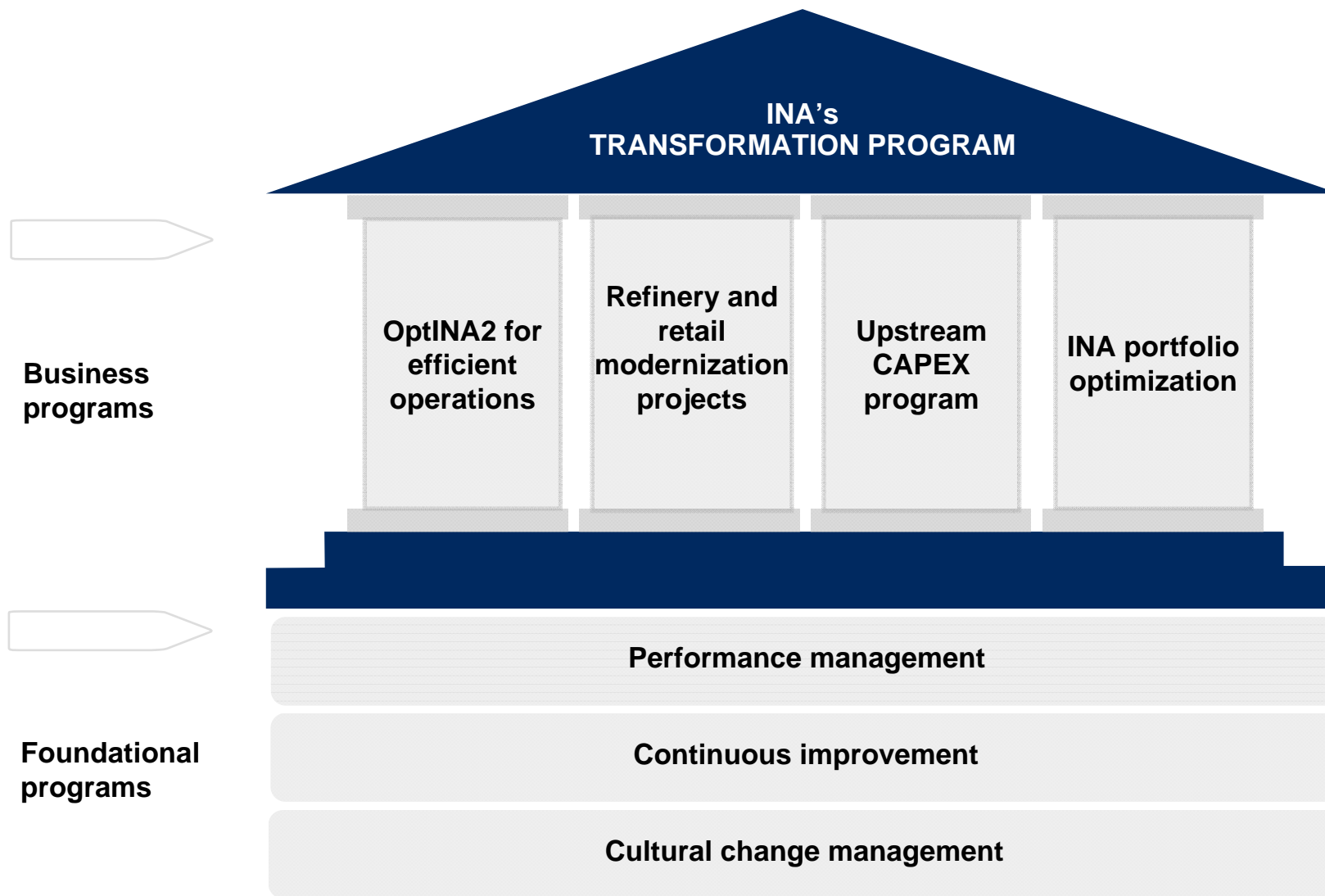
Investments as percentage of cash flows from operations

Percentage



¹ Indicator represents a weighted average of British Petroleum, Shell, Chevron, Conoco Phillips, Exxon Mobil and Total
SOURCE: Datastream; INA Annual Report 2009; MOL Annual Report 2009

Our first immediate reaction was to setup a massive transformational program, mainly focused on costs



The INA EB committed itself to deliver substantial recurring EBIT improvements over a 3-year period through OptINA2



> HRK 1.1 bn EBIT improvement already delivered in 2010

>240 initiatives in the program

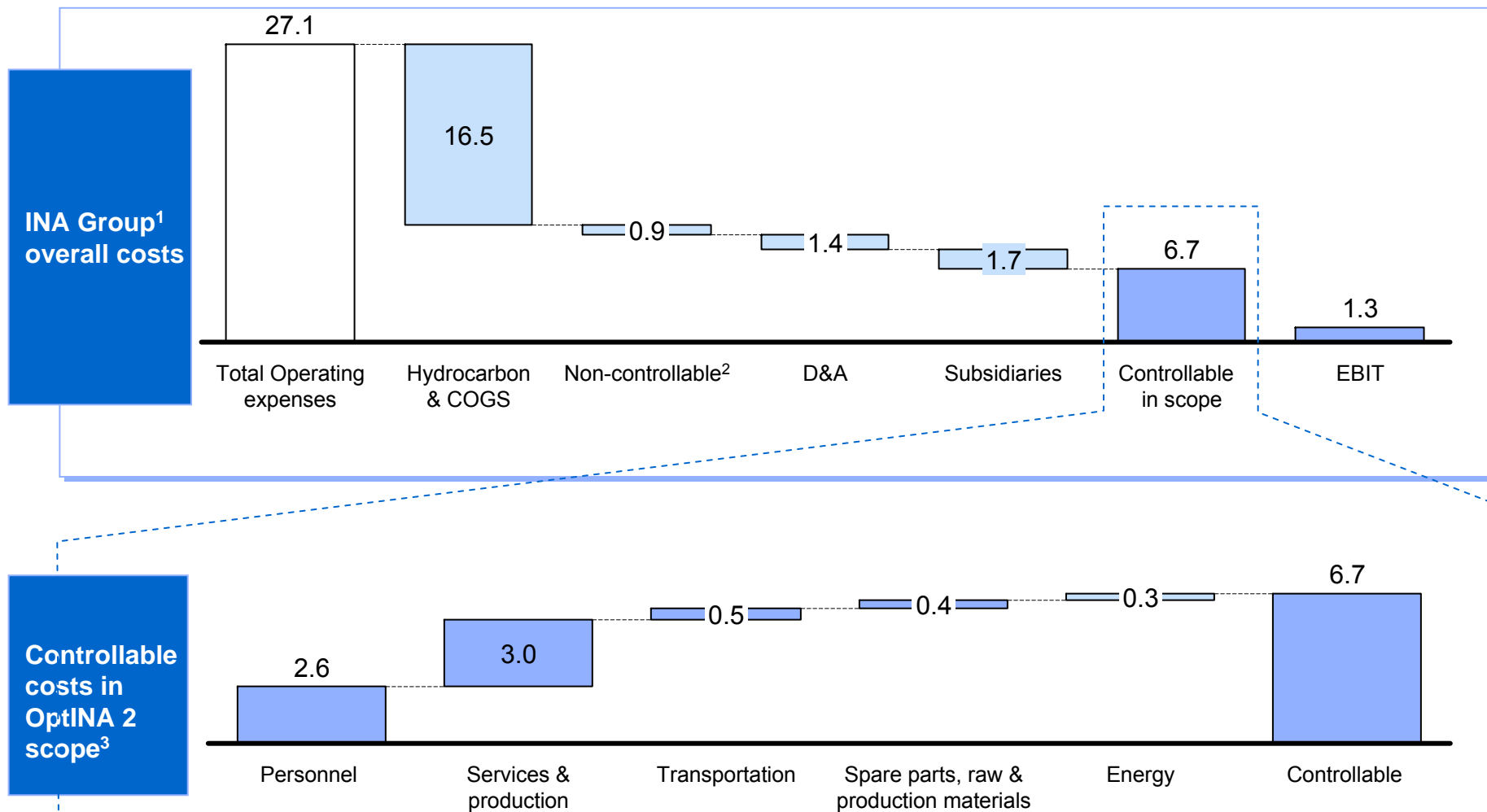
>180 initiatives already fully implemented

>75 project managers involved



Controllable costs in scope of OptINA 2 amounted to HRK 6.7 billion when we started

HRK billions, 2008 baseline



1 Consolidated INA Group results from continuing operations
 2 Includes asset adjustment, changes in stocks, provisions
 3 Includes all controllable costs in INA, d.d., STSI and Croscos

OptINA 2 project examples

HRK million, 2008 – 2010 costs

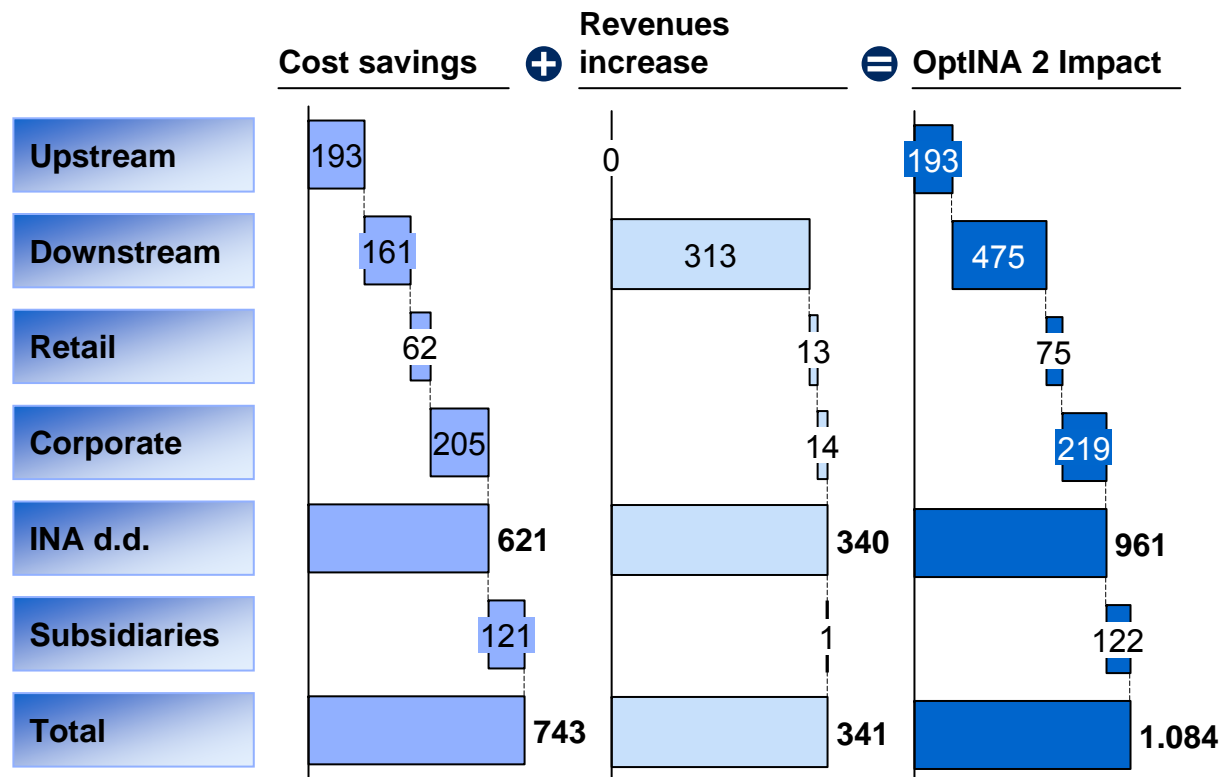
Business Division	Project	Result	Key facts						
Upstream	Reduction of Surface production costs	<table border="1"> <tr> <th>Year</th> <th>Cost (HRK million)</th> </tr> <tr> <td>2008</td> <td>141</td> </tr> <tr> <td>2010</td> <td>91</td> </tr> </table>	Year	Cost (HRK million)	2008	141	2010	91	<ul style="list-style-type: none"> Negotiated better contracts for material/ services and better utilization of working capacities and manpower
Year	Cost (HRK million)								
2008	141								
2010	91								
Downstream	Water supply from Tribalj lake	<table border="1"> <tr> <th>Year</th> <th>Cost (HRK million)</th> </tr> <tr> <td>2008</td> <td>48</td> </tr> <tr> <td>2010</td> <td>22</td> </tr> </table>	Year	Cost (HRK million)	2008	48	2010	22	<ul style="list-style-type: none"> Construction of water supply system from Tribalj lake significantly reduced commercial water purchase in Rijeka refinery
Year	Cost (HRK million)								
2008	48								
2010	22								
Retail	Improvement of filling station costs	<table border="1"> <tr> <th>Year</th> <th>Cost (HRK million)</th> </tr> <tr> <td>2008</td> <td>27</td> </tr> <tr> <td>2010</td> <td>11</td> </tr> </table>	Year	Cost (HRK million)	2008	27	2010	11	<ul style="list-style-type: none"> Optimization of opening hours enabled optimization and reallocation of INA workers and lowered need for hiring additional seasonal workers on filling stations
Year	Cost (HRK million)								
2008	27								
2010	11								
Corporate	Extend insurance contracts to INA Group	<table border="1"> <tr> <th>Year</th> <th>Cost (HRK million)</th> </tr> <tr> <td>2008</td> <td>68</td> </tr> <tr> <td>2010</td> <td>43</td> </tr> </table>	Year	Cost (HRK million)	2008	68	2010	43	<ul style="list-style-type: none"> Insurance contracts are signed on INA Group level, which decreased costs due to economies of scale
Year	Cost (HRK million)								
2008	68								
2010	43								

Since its inception in 2010, OptINA 2 delivered HRK 1.1 billion in EBIT improvement until Q1 2011

■ Cost savings
■ Revenue increase

HRK million, Q1 2011 EBIT

Total actual EBIT delivered by Optina 2

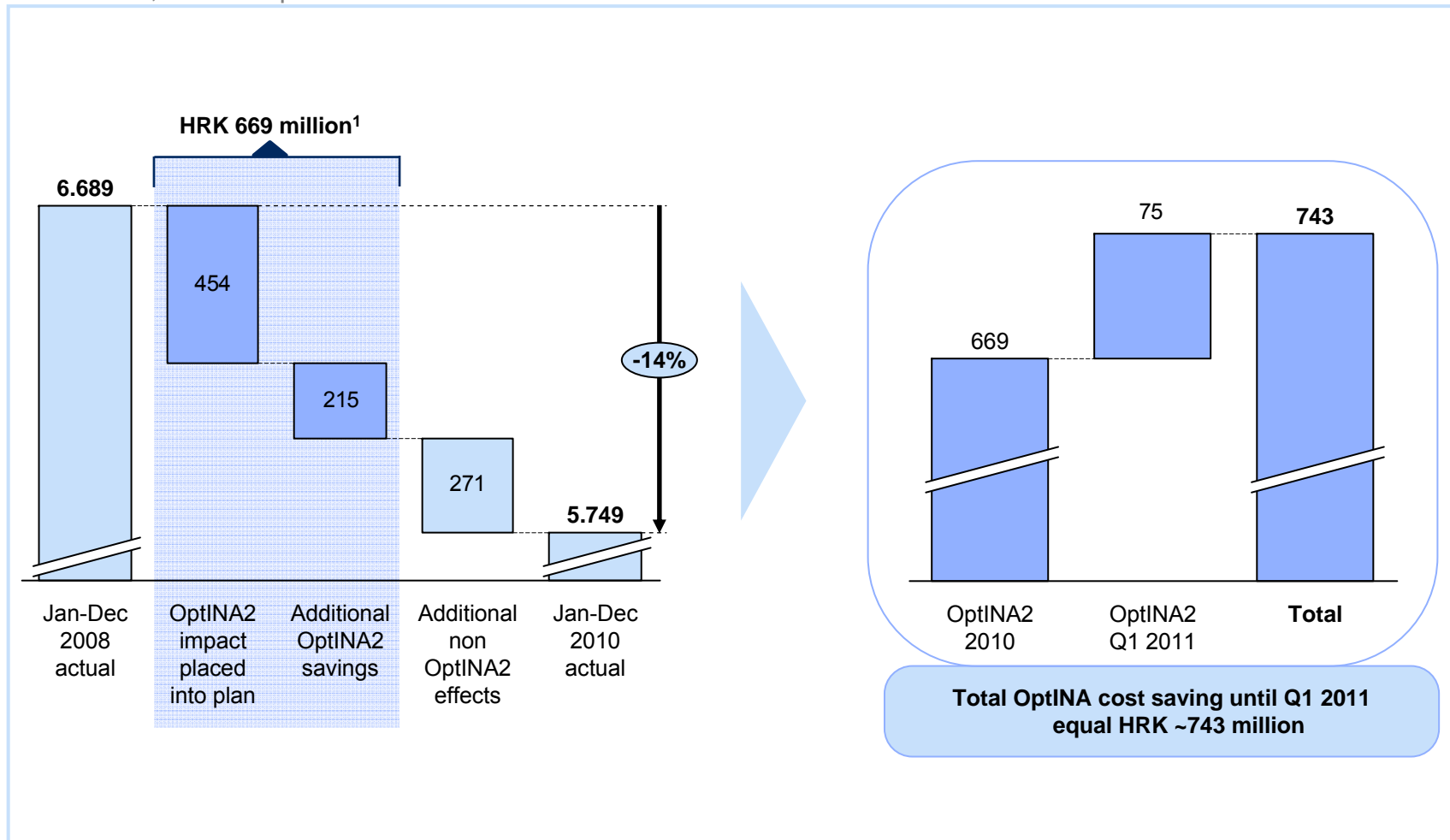


Key takeaways

- Cost saving initiatives have delivered HRK 743 million
- Revenue initiatives have delivered HRK 341 million
- Optina 2 delivered so far HRK 1.1 billion recurring EBIT improvements

We are able to prove all our cost savings on INA's profit and loss statements

HRK million, INA Group controllable cost²

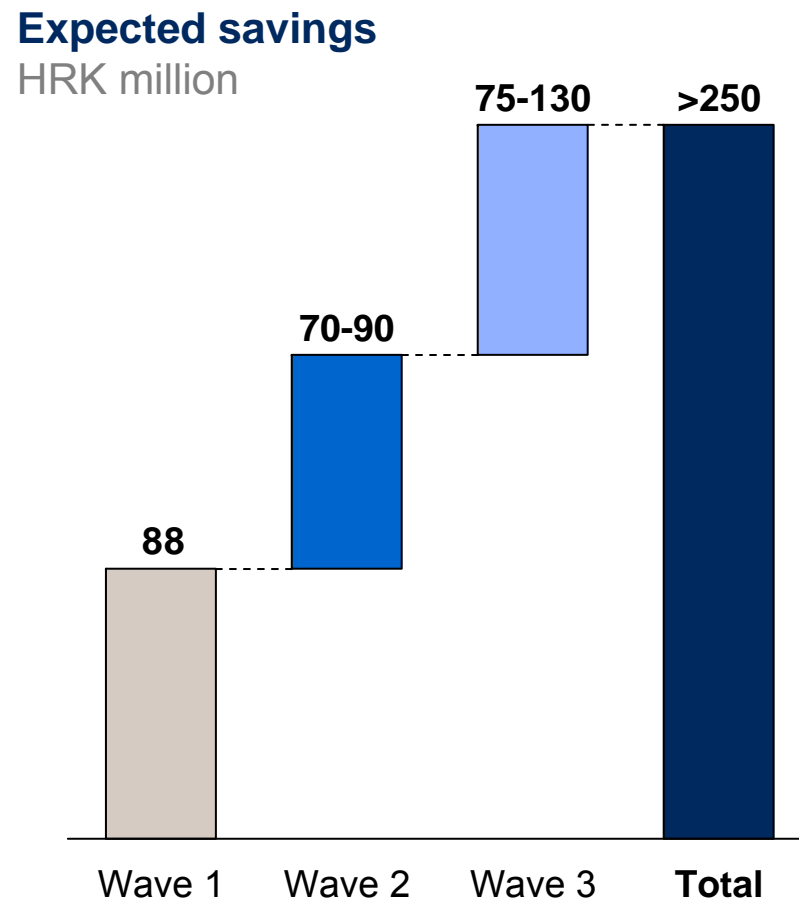


1 Includes INA d.d., Crosco and STSI

2 Excludes D&A, COGS, HC, asset adjustment, changes in stocks, provisions in businesses, taxes

We set-up a dedicated team in Procurement which will deliver more than HRK 250 million savings by 2012

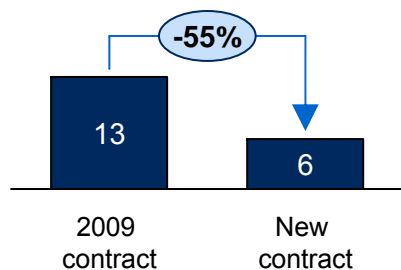
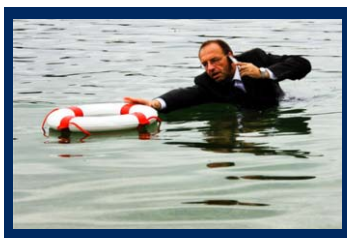
- **Wave 1 - completed**
 - > 6 categories
 - > 460 suppliers participated
 - > 300 new suppliers invited
 - > 88 HRK million savings secured
- **Wave 2 – ongoing**
 - > 10 categories
 - > 75% of spend in subsidiaries
 - > 70-90 mil HRK savings expected
- **Wave 3 – start September**
 - > 11 categories
 - > Focus on core business, joint ventures and subsidiaries
 - > 75-130 mil HRK savings expected



PSO consider it as a challenge INA

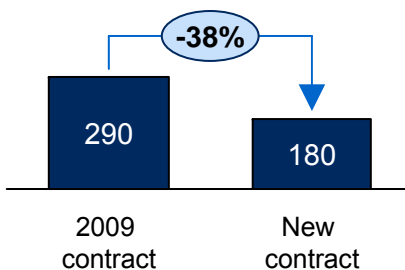
There are many examples of improved procurement efficiency

1 Mobile telephony HRK million



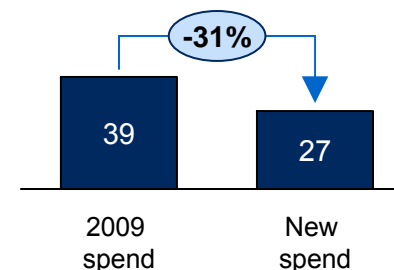
- Detailed analysis of past usage profiles
- Tender specifications developed taking specific INA needs into account
- Special INA tariff approved by HAKOM (regulatory agency)

2 Platform Catering Daily rate per worker in HRK



- Negotiations of the new contract with five experienced and international platform catering companies
- Prerequisite: no decrease in service level and quality
- Total savings: > HRK 6 m

3 SLA contract HRK million



- Standardized materials and processes
- Introduced Service Level Agreements with clear KPIs
- Bundled volume on INA Group level

PSO consider it as a challenge INA

On top of that, all our businesses delivered strong growth and results



- 3rd phase of Hayan in Syria
- New exploration prospects in Pannonian Basin
- Northern Adriatic production
- Production costs optimized



- HRK 4 bn invested
- First phase of Rijeka modernization mechanically completed in 2010
- EURO V products

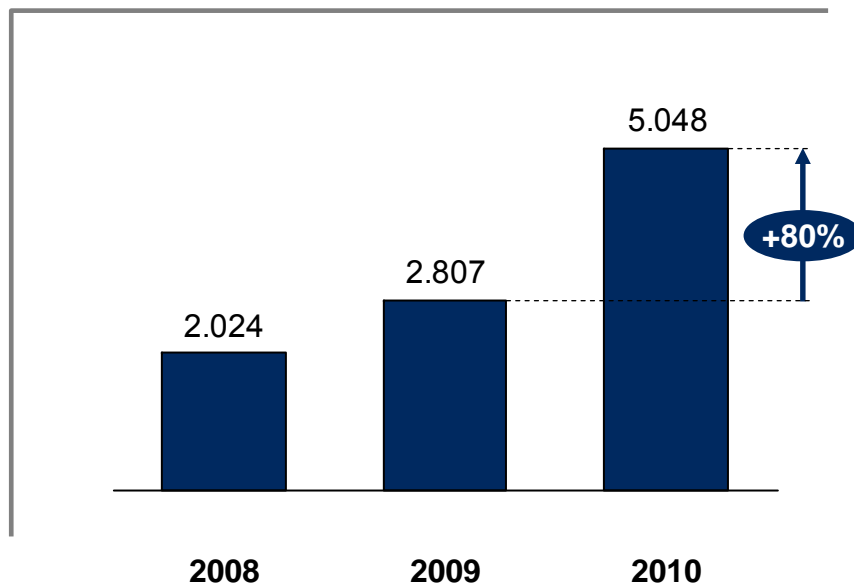


- Modernization
- Blue Concept
- “My satisfied customer”

Our transformation program delivered great results so far...

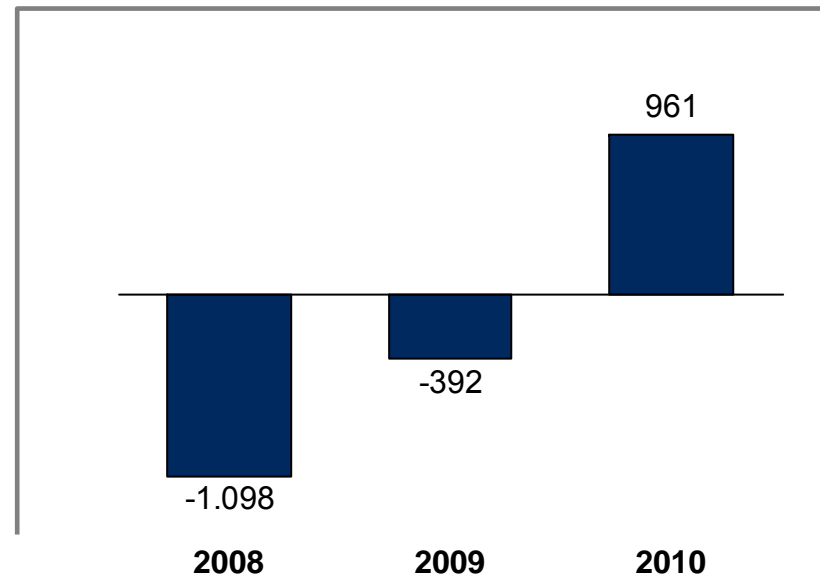
Total EBITDA of INA Group

HRK millions



Total net income of INA Group

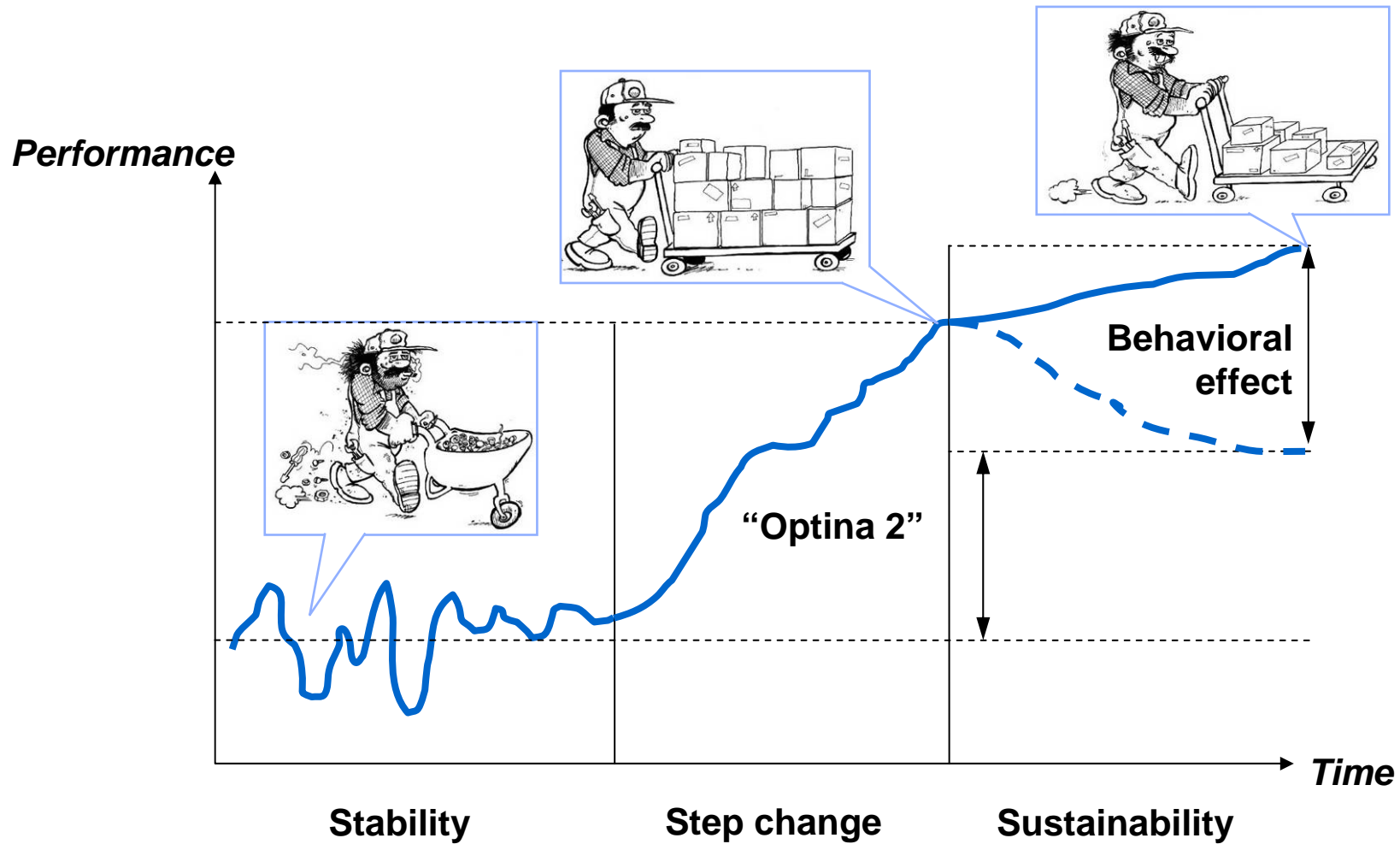
HRK millions



Q1 2011 results are the best quarterly results in INA's history so far

- EBITDA 2,0 bn HRK
- Net Income 1,1 bn HRK

... but we soon realized that this will not be enough!



Culture change project is initiated to create sustainable environment for continuous improvement



Summary of today's presentation

- **Over HRK 1.1 billion EBIT improvement as a result of Optina 2**
 - **More than 740 MHRK in recurring savings on the cost side**
 - **Measurement period 2010 – Q1 2011**
- **New approaches in procurement will save additional HRK 250 million on the cost side by 2012**
- **Combined net profit 2010 and Q1 2011 is greater than 2 bn HRK**
- **+80% y-t-y EBITDA growth in 2010**
- **Q1 2011 was the best quarterly result ever in the history of INA!**

Disclaimer

- Some of the information in this presentation may contain projections and other forward-looking statements regarding future performance of the Company. These statements represent plans, targets or predictions and actual results may differ materially as they are subject to risks, uncertainties and other factors such as general economic conditions, the competitive environment, exchange rates, oil and gas prices, margins, market changes, regulatory developments, etc. You are therefore cautioned not to place undue reliance on any forward-looking statements contained in this presentation.
- The Company does not undertake any obligation to release any revisions of these forward-looking statements.