

INA Group

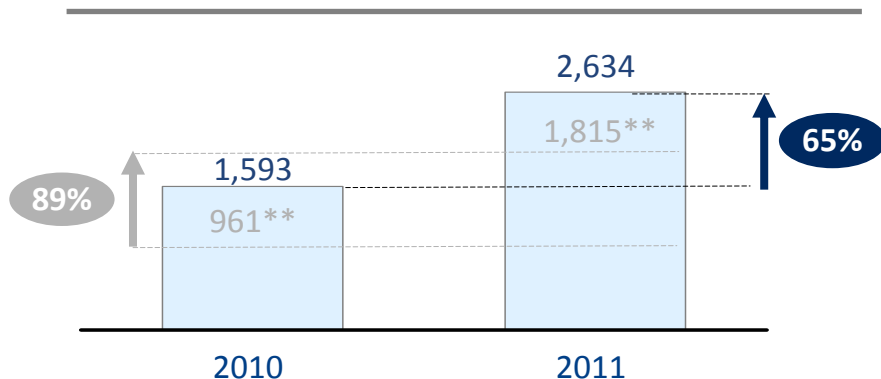
Results and activities in 2011



1 *INA has continued its positive trend in 2011 and recorded an EBITDA growth (excluding special items) of 48% and achieved 89% higher net profit compared to 2010*

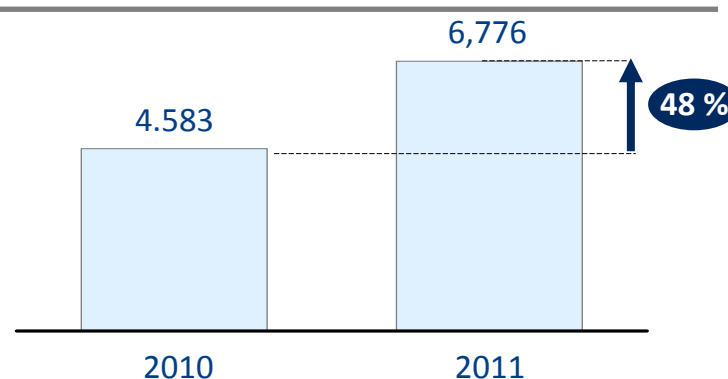
INA Group net income*

HRK millions



Total EBITDA of INA Group*

HRK millions



- Stronger performance was primarily
 - the result of the **completion of a very heavy investment period** between 2008 and 2011 (with a number of very large investments commissioned and started to contribute strongly to results) -> (i.e. increased production in Syria)
 - results also reflect the effects of **continuation of efficiency improvement, strict cost control and business optimization and rationalization (i.e. introducing EURO V)**
- The previous heavy investments and **efficiency improvements activities are becoming increasingly important**
 - as **INA cannot influence on its external operating conditions** (it is especially important to mention the political turmoil and uncertainty brought by the new events, primarily in Syria, but also in the rest of the Middle East and North Africa)
 - External environment was also mixed – higher crude oil prices but worsened refinery margins
- Political situation, **sanctions and resulting non-payment from Syria impacted our results adversely** in the fourth quarter of the year, **just like the reversal of price liberalization measures towards a large segment of Croatian industrial gas consumers** from September 2011 (the introduction of a new price cap despite valid contractual commercial agreements between INA Group and the consumers).
- Production at Sisak Refinery restarted in November after the major rebuilding effort after the fire in June

*: excluding special items

** : including special items

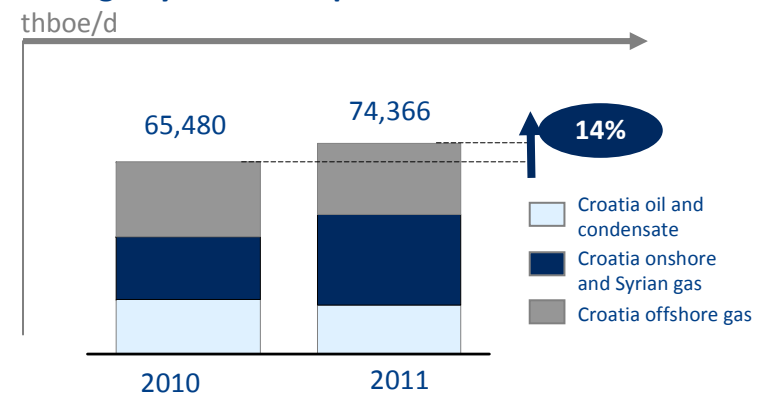
1 Financial and operational results at a glance

HRK mln.	2010	2011	%
Net sales revenues	25,866	30,028	16
EBITDA*	4,080	6,522	60
Profit from operation	2,158	3,039	41
Profit from operation excl. special items	2,955	4,078	38
Net financial gain (expenses)	(840)	(663)	(21)
Net profit/loss for the period*	961	1,815	89
Net profit/loss for the period excl. special items	1,593	2,634	65
Operating cash flow	1,563	3,534	126

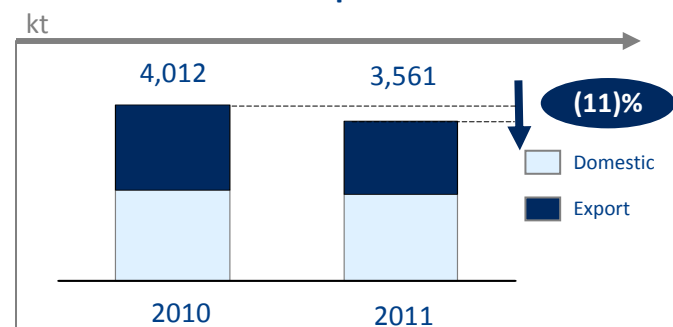
- Positive contribution of key investments
 - Increased hydrocarbon production (14 %)
- Mixed external environment
 - Increasing hydrocarbon prices (31%)
 - Decreasing crack spreads available on the international fuel markets along with other factors led to strongly negative operative results in Refining and Marketing
 - Decreasing market demand

*: Including special items

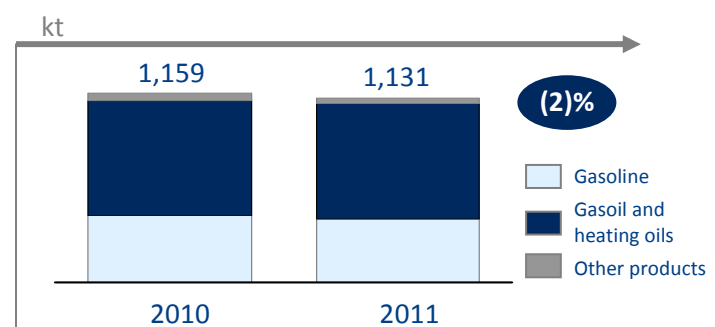
Average hydrocarbon production



Total sales of refined products



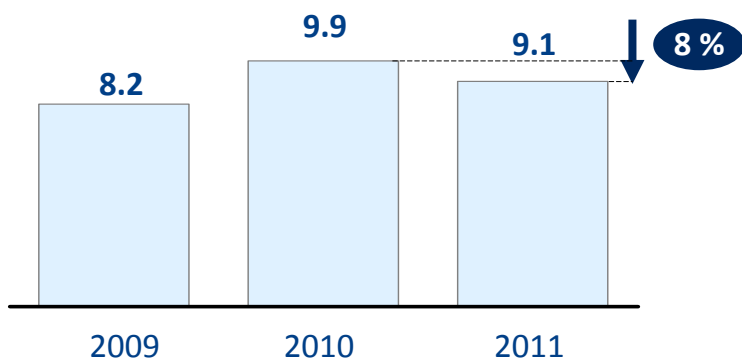
Total sales in retail



2 INA has improved its financial position: Net debt was reduced by 8% compared to 2010, leading to an improved but still high gearing ratio of 38.8% at 31 December 2011

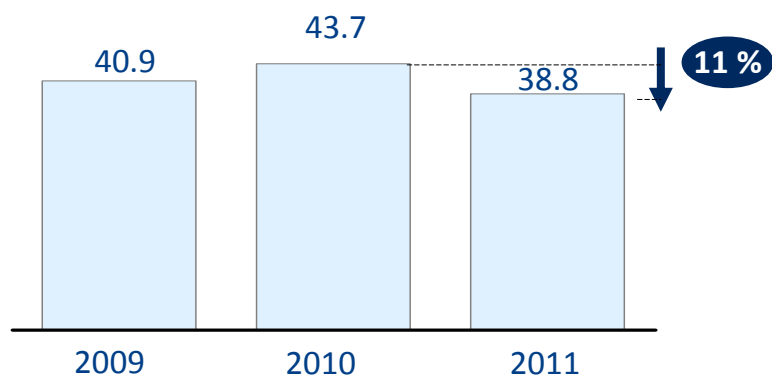
Net debt of INA Group

HRK billions



Gearing of INA Group

Percentage



▪ INA Group **net debt** amounted to HRK 9,115 million as of 31 December 2011, which is a decrease of 8% compared to year-end 2010 when it amounted to HRK 9,938 million.

▪ **Gearing ratio** as of 31 December 2011 decreased to 38.8 % compared to 43.7% as of 31 December 2010

3 INA is focused on the implementation of new development concepts in line with its approved strategy in its business segments in order to create value for its shareholders

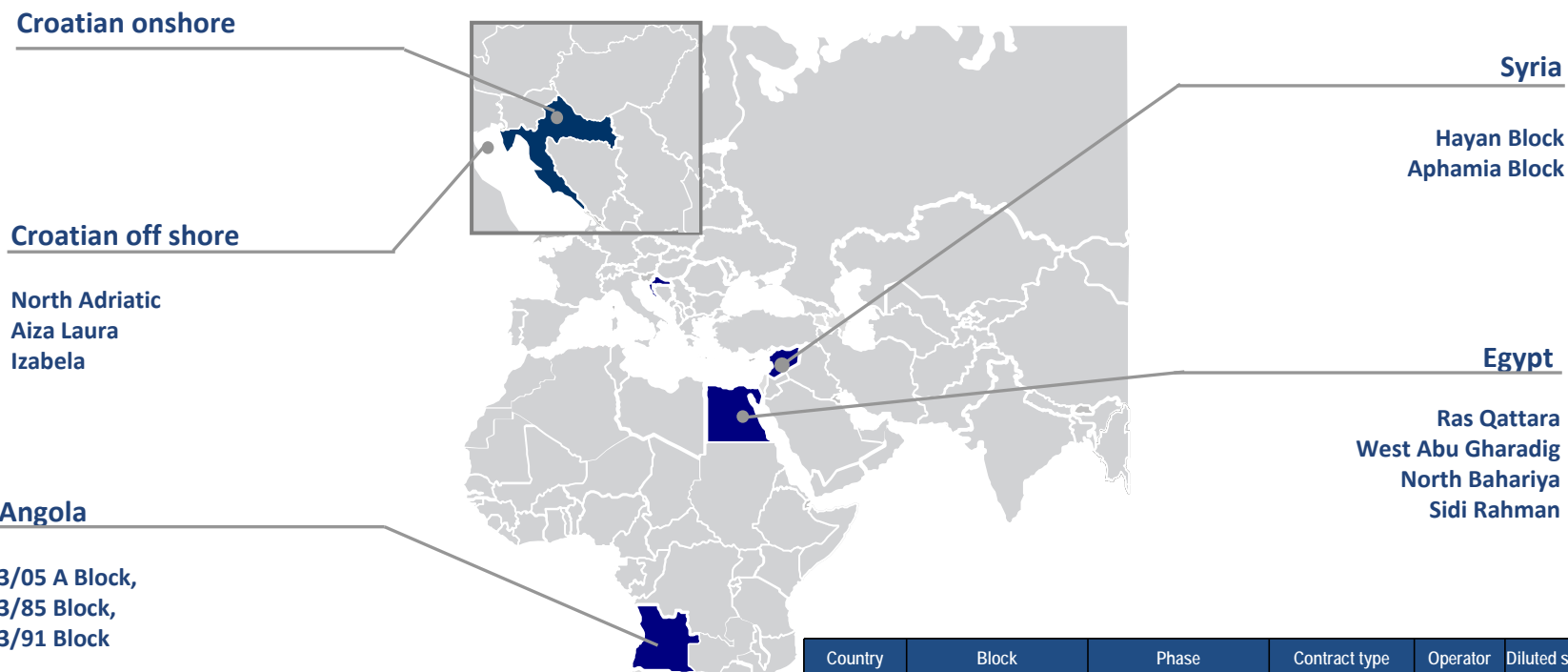
INA will remain the major investor of Croatia in 2012 as well

- INA is focused on the implementation of a new development concept for R&M business in line with its approved strategy for the segment in order to create value for its shareholders
- Despite the revocation of licenses for exploration in the continental part of Croatia company will continue exploration activities in areas for which licenses are issued, both in Croatia and abroad and will also focus on development and production activities
 - INA remains the only entity currently in Croatia, which has the necessary equipment, experience, knowledge and projects prepared ready to drill to accelerate exploration activities in continental Croatia, pending decision of the new Government regarding licensing.
 - In the area of Middle and South Adriatic 2D/3D seismic processing started in December
 - Drilling of exploration well Hrastilnica started in December and on oil field Žutica, within the EOR project (with over HRK 500 mn investments in 3 year period), testing activities of future injection and production wells were proceed
- Modernization of filling station network continues in 2012 with further 50 stations to be modernized
- Difficult business conditions in the foreign concessions and reduced demand due to economic problems in the Eurozone are the main challenges in the coming period
 - Restrictive international measures against Syria having adverse effects on revenues and/or production levels derived from Syria
 - Company continuously analyzes the developments will continue activities aimed at improving internal efficiency along with development activities
 - In this challenging period INA continues to monitor the developments in Syria

Exploration and production activities overview

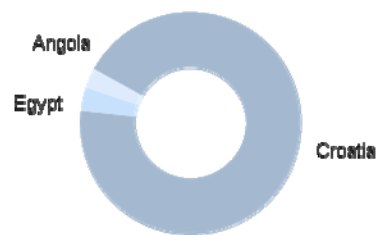


UPSTREAM PORTFOLIO OVERVIEW

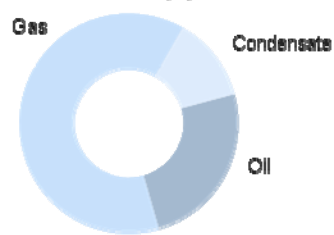


Production structure outlook for 2012 (without Syria **)

Production by countries



Production by products



Country	Block	Phase	Contract type	Operator	Diluted share * 2011 (%)
Croatia	Onshore, several	Exploration & Development	Concession	Yes	100
	Offshore, North Adriatic	Exploration & Development	Concession	No	50
	Offshore, Aiza Laura	Exploration & Development	Concession	No	50
	Offshore, Izabela	Development	Concession	No	30
Syria	Hayan	Development	PSC	Yes	100
	Aphamia	Exploration	PSC	Yes	100
Egypt	Ras Quattara	Development	PSC	No	25
	West Abu Gharadig	Development	PSC	No	25
	North Bahariya	Development	PSC	No	20
	Sidi Rahman + Rizk	Exploration & Development	PSC	Yes	50
Angola	Block 3/05A	Development	PSC	No	4
	Block 3/05	Development	PSC	No	4
	Block 3/91	Development	PSC	No	5

*Diluted share is based on working interest

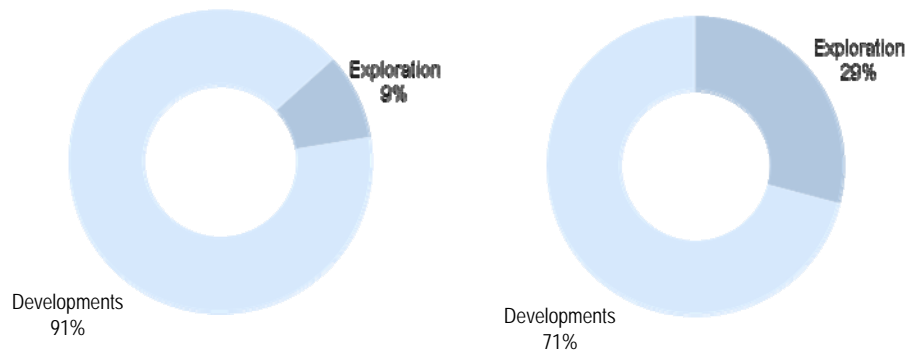
**Production outlook excludes Syrian contribution due to the announced "force majeure" on 27th February 2012

KEY FIGURES OF 2011 E&P ACTIVITIES AND PLANS FOR 2012

CAPEX distribution by investment categories

2011 Actual

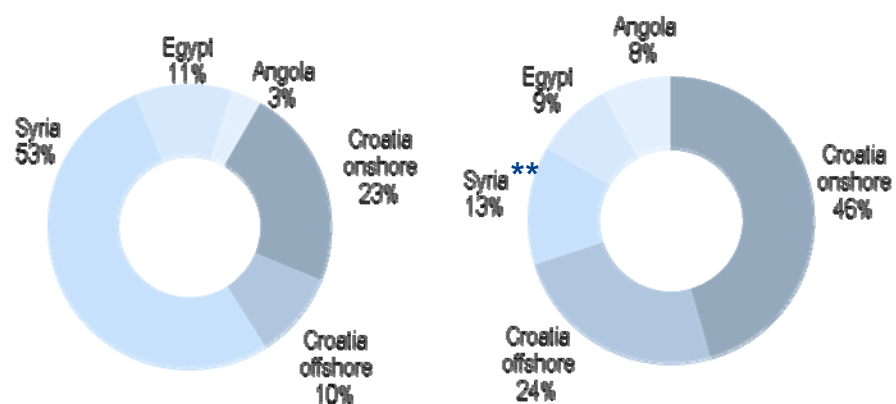
2012 Plan*



Geographical CAPEX distribution

2011 Actual

2012 Plan*



* Total CAPEX indicates maximum spending for 2012

** Activities are fully in line with US and EU sanctions; forward looking work program and expenditures are depend on the termination of the "force majeure"

*** Only wells with finished tests. One exploration well in Syria and one development well in Croatia were in progress at the end of 2011

Summary of tested wells*** in 2011

Country	Syria	Egypt	Angola
Wells tested	2	8	1
o/w exploration/appraisal wells	0	2	0
oil producer	0	1	0
natural gas producer	0	0	0
dry/non-commercial	0	1	0
o/w development wells	2	6	1
oil producer	1	5	1
natural gas producer	1	0	0
dry/non-commercial	0	1	0

SUMMARY OF TESTED WELLS IN 2011

	Country	Wells	progress / result
exploration	Croatia	Selec-1	Oil & gas producer; 1st int. $Q_0=30\text{m}^3$, $Q_g= 30.000\text{m}^3$; 3rd $Q_c=3,6\text{m}^3$, $Q_g= 45.000 \text{ m}^3$ (gas); Well equipped with production tubing and x-mas tree assembly- to be putted in production. Well location and access road finished in June 2011
	Croatia	Hrastilnica-3	Onshore, Oil producer expected
	Syria	Beer As Sib-1	The well will be put in production after NOCD signing
	Syria	Mudawara - 3	Drilling results and logging analyses indicate HC saturation
	Egypt	Zarif Deep-1	No testing, dry, P&A
	Egypt	Abrar South-1	X oil producer. Production start up in July 2011
development	Croatia	Molve-35R	Gas producer; work over in 2011 - removed production equipment, placed cement plugs, prepared for drilling in Q3 2012
	Syria	Mazrur-2	Oil and gas producer; $Q_0=448 \text{ m}^3/\text{day}$; $Q_g=165,344 \text{ m}^3/\text{day}$
	Syria	Mazrur-3	Suspended side track due to political situation
	Syria	Jihar-11	Gas producer; $620 554 \text{ m}^3/\text{day}$ of gas and $161 \text{ m}^3/\text{day}$ of condensate
	Angola	Pac-410	Oil producer; operations finished on 16/12/2011; well test showed $Q_{oil} (HH)=923.9 \text{ m}^3/\text{day}$. Ongoing production stable
	Egypt	Raml-23	X oil producer; production start up January 2011
	Egypt	Raml SW-17	X oil producer; production start up January 2011
	Egypt	Raml -24	X oil producer; direct putting into production without testing after finishing of completion; production start up January 2011
	Egypt	Sidi Rahman-3	End of drilling February 2011; not tested; dry hole; T&A; All targets reservoirs were found water bearing but due to possibility for additional works in Middle Bahariya interval - the well was temporary suspended
	Egypt	Zarif-41	X oil producer; direct putting into production without testing after finishing of completion; production start up July 2011
	Egypt	Abrar-2	X oil producer; tested in Q2 2011; production start up in July 2011
	Egypt	Abrar-3	Tested and drilled in Q3 2011; production start up in September 2011
	Egypt	Raml-25	X oil producer; drilled in Q4 2011; direct putting into production without testing, after finishing of completion; production start up in December 2011
Egypt	Raml-26	Drilled in Q4 2011; water injector; completed in December 2011	

SCHEDULE OF PLANNED EXPLORATION AND APPRAISAL ACTIVITIES

Country	Block	G&G/Well name	2012 plan				Comment
			Q1	Q2	Q3	Q4	
Croatia	onshore, several	7 wells	■	■	■	■	drillings and tests
	offshore, North Adriatic	Ilena - 1			■	■	
		Irina-SW				■	optional
Syria *	Aphamia	Beer As Sib-2H		■	■		depending on the termination of the "force majeure"

■ Well drilling



OVERVIEW OF DEVELOPMENT PROGRAM IN 2012

Country	Block	Peak production	Nr. of producing wells at the end of 2011	Program target in 2012
Croatia	Onshore, several	2014	747	5 development wells are planned with the aim of mitigating natural production decline and accelerating hydrocarbon recovery from existing and new reservoirs. Ivanic-Zutica enhanced oil recovery project.
	Offshore, North Adriatic		32	In order to develop remaining potential of the blocks, increasing reserve base and production (Ivana A/K optimisation, Ivana K overhaul, Ilena-1 dir installation of monopod platform and double completion well, Ika-SW installation of one tripod jacket platform and drilling of double completion wells)
	Offshore, Aiza Laura		5	-
Syria *	Hayan		15	Activities are fully in line with US and EU sanctions and depend on the termination of the announced (27th February 2012) "force majeure"
Egypt	Ras Quattara		65	Optimizing production rate through drilling of 3 development wells and one 1 injector well. Upgrading of the production facilities, implementation of Faras Gas Power Generation and Faras Water Disposal Projects.
	West Abu Gharadig		41	Decreasing natural production decline through drilling of 1 development well and 1 water injector well. In addition to drilling and workover activities - production facilities upgrading and several Projects related to the production enhancement are planned.
	North Bahariya		19	Developing of oil fields through development drilling and fracturing jobs. 6 development wells and 3 frac/recompletion jobs are planned. Upgrade of production facilities in order to accommodate the new wells production.
	Sidi Rahman + Rizk		2	Maintain the production on Sidi Rahman Field and to start-up the production on Rizk oil field. There are no drilling activities planned in 2012.
Angola	Block 3/05		96	The Operator will continue with implementing some ongoing, but also started off with some new, major development projects i.e. FSO Palanca hull repair (in period 2011-2013), Topside and Subsea Facilities Upgrade (in period 2012-2015), well interventions.
	Block 3/91		2	The Operator will continue with different well interventions in order to further improve well performance. (Note: Oombo field, the only producing field in the Block, will be transferred to Block 3/05 on January 1st, 2013, in effect terminating Block 3/91.).

* Activities are fully in line with US and EU sanctions; forward looking work program and expenditures are depend on the termination of the "force majeure"

CROATIA ONSHORE



Croatia onshore	
Owners	INA (100%)
Production (mboepd)	29.0
SPE 2P Reserve in 2011 (MMboe)	190.1

Exploration	
Exploration expenditure for 2011 (USD mn)	1.8
Exploration program in 2011	<ul style="list-style-type: none"> • Selec-1 - well test and location restoration completed and finished • Hrastilnica-3 - permitting and location preparation • Dinaridi - geological study completed as preparation for 2D seismic acquisition • Đeletovci-1 Zapad and MURA SGS - postponed for 2012
Exploration expenditure for 2012 (USD mn)	30.0
Exploration program in 2012	<ul style="list-style-type: none"> • Hrastilnica -3 and Đeletovci-1 Z – drilling (delay from 2011) • Drilling 4+1 new exploration wells - Bunjani-1 S, Krunoslavlje-2, Antunovac-1, Žutica-186R (unconventional) and 1 exploratory well Zalata-1 East in Hungary (INA 50%) • Preparation Projects: MURA SGS; 2D seismic on Dinaridi; Gravimetric and Magnetometric survey and Geological Study (South Adriatic onshore)
Field development	
Development expenditure for 2011 (USD mn)	22.2
Development program in 2011	<ul style="list-style-type: none"> • Capital workover operations, including hydraulic fracturing, gravel pack and chemical stimulation • Regular workover operations • Well equipment overhauls • Continued implementation of EOR project on Ivanič and Žutica fields • Implementation of production optimisation
Development expenditure for 2012 (USD mn)	94.5
Development program in 2012	<ul style="list-style-type: none"> • 5 new wells (3 new and two reentry 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 Ivanič and Žutica fields • Continued implementation of Medimurje EOR project • Continued implementation of production optimisation

CROATIA OFF SHORE

Croatia off shore



Croatia offshore	
Block Ivana	
Owners	INA (50%), ENI (50%)
Block Aiza Laura	
Owners	INA (50%), ENI (50%)
Block Izabela	
Owners	INA (30%), Edison (70%)
Croatia offshore TOTAL	
SPE 2P Reserve in 2011 (MMboe)	44.1
Production in 2011 (mboepd)	21.8

Exploration	
Exploration expenditure for 2011 (USD mn)	2.9
Exploration program in 2011	North Adriatic <ul style="list-style-type: none"> • Predrilling activities for two wells • Different studies in order to estimate additional gas potential
Exploration expenditure for 2012 (USD mn)	32.1
Exploration program in 2012	Exploration Block Ivana - Ivana C - SW-1 <ul style="list-style-type: none"> • Drilling Ilena-1 Dir, Ivna-1 and Irina SW (optional) wells

Field development	
Development expenditure for 2011 (USD mn)	7.0
Development program in 2011	Ika SW, Ivana SW (Ilena project), Božica <ul style="list-style-type: none"> • Executed geotechnical location and sealine route surveys • Basic design and feasibility study for production platform has finished. Ivana A/K Optimisation <ul style="list-style-type: none"> • Finished phase 1 of Ivana A/K upgrade • Finished basic engineering for booster compressor and process skid installation Ivana K overhaul <ul style="list-style-type: none"> • Major overhaul on two turbo compressors
Development expenditure for 2012 (USD mn)	34.5
Development program in 2012	IKA SW, Ilena <ul style="list-style-type: none"> • EPIC for engineering, construction of platforms & receiving facilities, offshore installation, pipeline laying and hook up. Ivana A/K optimisation project: <ul style="list-style-type: none"> • EPC for booster compressor and process skid Ivana K overhaul <ul style="list-style-type: none"> • Major overhaul on additional two turbo compressors

SYRIA – IN LINE WITH SANCTIONS MAINTAINING ECONOMIC INTEREST

Force majeure announced



Production (2011): 20.3 mboepd,

Hayan Block: development phase, 100% INA; operator

Aphamia Block: exploration phase, 100% INA

EXPLORATION AND FIELD DEVELOPMENT

► Exploration activity started in 1998 and was completed in 2007. First oil production started in 2005 on Jihar Field, first gas production started in 2006 on Palmyra Field.

PEAK PRODUCTION IN 2011

► Gas Treatment Plant operating from 2011, resulting in significant increase in oil, condensate and gas production.

► TIGHTENING SITUATION OVER THE LAST MONTHS

- EU and US embargo on Syrian oil export
- Two production cuts in September and December 2011 in a sum of 2.8 mboepd due to the local requirements
- Encountering significant obstacles in the collection of receivables from the Syrian partner for its share of hydrocarbon production;
- Withdraw the employees who are not required for the continuation of the daily operations

► FORCE MAJEURE ANNOUNCED ON FEBRUARY 27, 2012

- Temporary suspension of all business activities
- Company does not expect to receive any revenues neither to realize its production share until the termination of „force majeure”

► MAINTAINING ECONOMIC INTEREST

- „Force majeure” doesn't mean termination of the agreement or exit from the project

SYRIA*

SYRIA*



Development	Hayan
Owners	INA (50%); GPC (50%)
SPE 2P Reserve in 2011 (MMboe)	37
Production in 2011 (boepd)	20,3
Exploration	Aphamia
Owners	INA (100%)

Exploration	Aphamia
Expl. expenditure for 2011 (USD mn)	3
Expl. expenditure for 2012 (USD mn)	17
Expl. program in 2012*	- Drilling and well testing Beer As Sib-2H - Well testing Mudawara-3
Field development	Hayan
Development expenditure for 2011(USD mn)	52
Development program in 2011	- Construction of Gas-Treatment Plant - Drilling of 3 wells
Development expenditure for 2012(USD mn)*	20
Development program in 2012*	Construction-surface facilities

Tightening US and EU sanctions during 2011 – 2012

- Embargo on Syrian oil export
- Two production cuts in September and December 2011 in a sum of 2.8 Mboepd due to the local requirements
- The restrictive measures might have additional adverse effects

Negative effects of the restrictive measures

- Encountering significant obstacles in the collection of receivables from the Syrian partner for its share of hydrocarbon production
- No improvement since October 2011, except one minor cash payment received

* Activities are fully in line with US and EU sanctions; forward looking work program and expenditures are depend on the termination of the "force majeure"

*Total expenditure for exploration and development indicates maximum spending for 2012

EGYPT AND ANGOLA: WORK PROGRAM



EGYPT



ANGOLA

East Yidma	
Owners	INA 50%, RWE Dea 50%
Exploration licence expired on 23.03.2011	
Ras Qattara	
Owners	IEOC 75%, INA 25%
Gharadig	
Owners	IEOC 45%, INA 25%, Dana 30%
Owners	Sahara O&G 50%, INA 20%, IPR 30%
Sidi Rahman	
Owners	INA 50%, RWE Dea 50%
total	
Reserves in 2011 (MM boe)	3.6
Production in 2011 (boepd)	1,762

Exploration	
Exploration expenditure for 2011 (USD mill)	0
Exploration in 2011	There were no exploration activities in 2011, costs were related to closing of REU, EK and EY concessions
Development	
Development expenditure for 2011 (USD mill)	12
Development in 2011	<ul style="list-style-type: none"> - Drilled 2 wells on Ras Qattara, 3 wells on West Abu Gharadig and 3 wells on North Bahariya - Gas power generation project completed on West Abu Gharadig - Drilled 1 well on Sidi Rahman and 2 wells on Rizk field are completed for production
Development program in 2012 (Development expenditure for 2012 USD 24 mill with exploration expenditures of USD 1 mill)	<ul style="list-style-type: none"> -Drilling of 4 wells on Ras Qattara; Waste water disposal project; Gas power generation project planned to start -Drilling of 2 wells on West Abu Gharadig; Waste water disposal project -Drilling of 6 wells on North Bahariya -No drilling on Sidi Rahman; Production start up of Rizk oil field

Angola 3/05, 3/05A	
	Sonangol P&P 25%, Somoil 10%, China Sonangol 25%, Ajoco 20%, Eni 12 %, NIS - Naftagas 4%, INA 4%
3/85 and 3/91	
Owners	Total 50%, Ajex 12,5%, Eni 15%, Sonangol 6.25%, Svenska 6.25%, NIS - Naftagas 5%, INA 5%
After field licenses expire (3/85 in July 2011, Block 3/91 in December 2012) fields will be integrated into PSA terms of Block 3/05	
Total	
Reserve in 2011 (MM boe)	3.6
Production in 2011(boepd)	1,579

Exploration	
Exploration expenditure for 2011 (USD mill)	1
Work program in 2011	<ul style="list-style-type: none"> •Post-Drill Evaluation of DDK-1 well (prospect MS 2-3-4) •Block Prospectivity Review •Pre development activities (Punja & Caco-Gazela fields) •Exploration period ended on April 30th, 2011.
Development	
Development expenditure for 2011 (USD mill)	2
Development program in 2011	<ul style="list-style-type: none"> •Well interventions were performed on wells PAC-401-408-412, PAL-207 and IPSE-104 – Block 3/05 •Block 3/05A Punja and Caco-Gazela Field Development Plans were submitted to the National Concessionaire for approval on October 28th, 2011. •Production licenses will expire in 2030
Development program in 2012 (Development expenditure for 2012 USD 21 mill)	<ul style="list-style-type: none"> - FSO Hull Repair on the Palanca Terminal - Topside Structure Overhaul - Gas-liquid Cylindrical Cycloni Separator(GLCC)Project - Major Painting and Refurbishment Campaign - Well interventions (Perforations)

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