

INA Group

2012 Q1-Q3 results



1 Market challenges pushing INA to higher standards to secure leading regional position

INA Group generated healthy profits despite missing HRK ~300 mn monthly revenues from Syria

Total EBITDA of INA Group*

HRK millions



Challenges: hard crisis impacting badly regional demand, intensifying competition in all businesses, mixed external environment

Exploration & Production

- Lower production due to maturing fields
- Loss of Syrian production and revenues
- Somewhat lower crude oil prices

Refining & Marketing

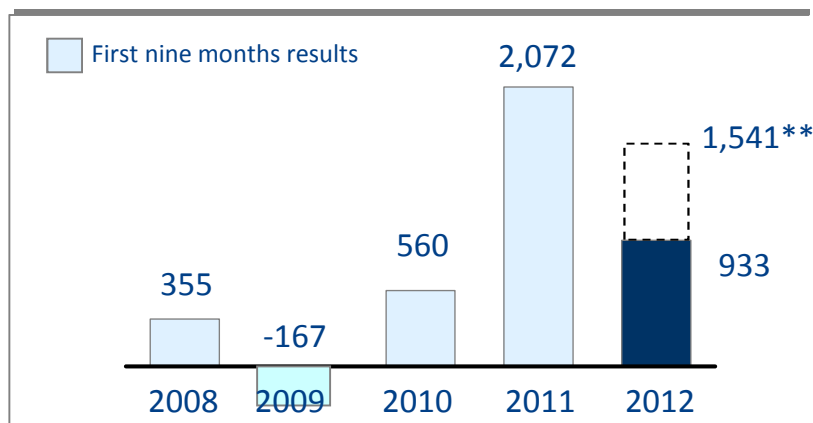
- >10% drop in regional market demand
- Contraction continuing in 4th year in a row
- Refinery production adjusted to lower demand
- Utilization lowered to avoid higher losses

Retail

- Volumes down by 8% due to weaker demand
- INA performed better than the market
- High operating costs (manpower)

Total net income of INA Group*

HRK millions



* EBITDA/net income including special items ** EBITDA/net income excluding special items

1 Results at a glance

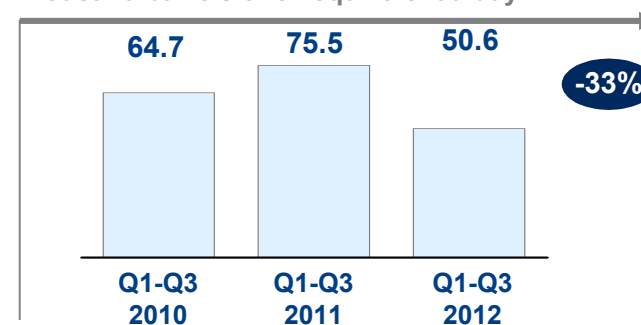
HRK mn	Q1-Q3 2011	Q1-Q3 2012	%
Net sales revenues	22,727	22,620	(0)
EBITDA reported	5,261	3,691	(30)
EBITDA excl. special items	5,420	3,954	(27)
Operating profit reported	2,892	1,522	(47)
Operating profit excl. special items	3,286	2,273	(31)
Net profit/loss for the period	2,057	933	(55)
Net profit for the period excl. special items	2,371	1,541	(35)
Operating cash flow	2,270	3,434	51
Net gearing	39.27	29.41	(9.86)

Operating and net profit down 31 and 35% compared to same period last year

- Mixed external environment: healthier crack spreads
- Improved operational efficiency
- HRK 740 million of CAPEX mainly focusing on Croatian projects
- Major projects: EOR, retail modernization, exploration
- E&P remains major contributor, but results are affected by decreased production on the back of depletion and missing revenues from Syria
- In R&M, dropping regional demand resulted with lower wholesale and retail sales, with market shares maintained or improved

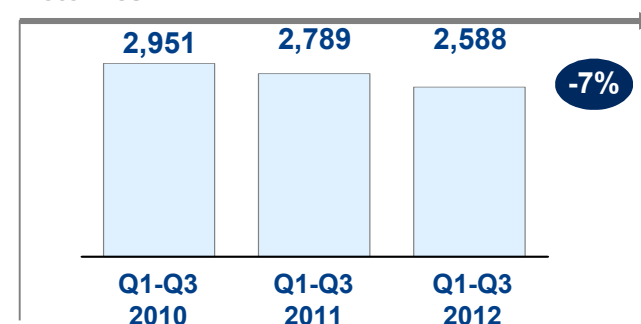
Average daily hydrocarbon production

Thousand barrels of oil equivalent a day



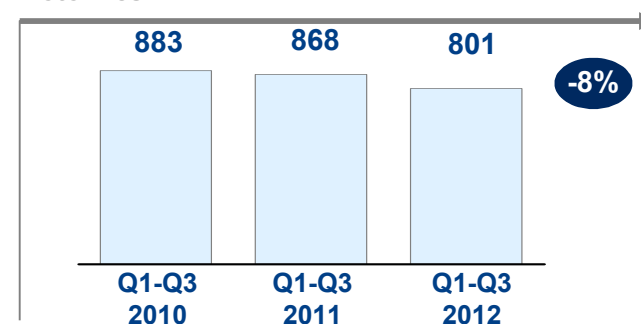
Refined product sales

kilotonnes



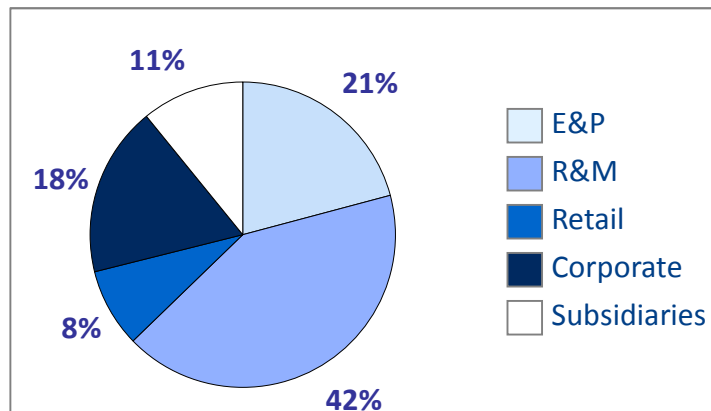
Retail fuel sales

kilotonnes

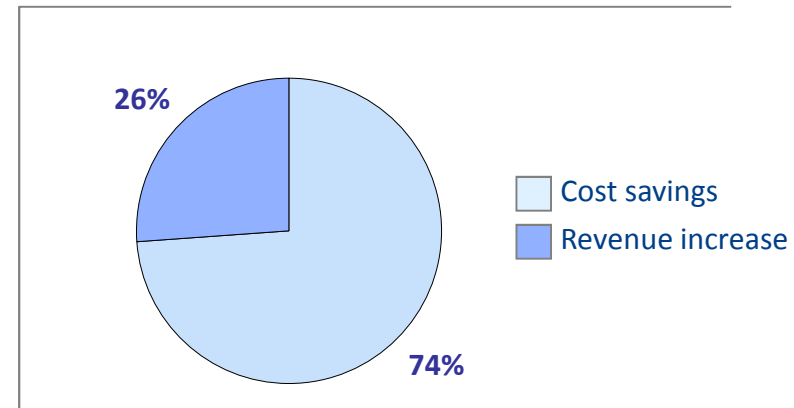


2 Efficiency programs initiated in 2010 support operations across all businesses and functions

Efficiency improvement by area of operation



Efficiency improvement by type



Cost reduction initiatives delivered based on

- Upstream: significant internal consumption, maintenance savings
- Downstream: improved maintenance, road transportation
- Retail: optimized operations, renegotiated maintenance contracts
- Corporate functions: FTE optimization, contract renegotiations
- Subsidiaries: general cost reductions, subcontractor's price reduction

Procurement contract renegotiations delivering further savings by the end of 2012

2 Consolidated financial standing

Strong improvement of INA Group's financial positions over the past two-three years

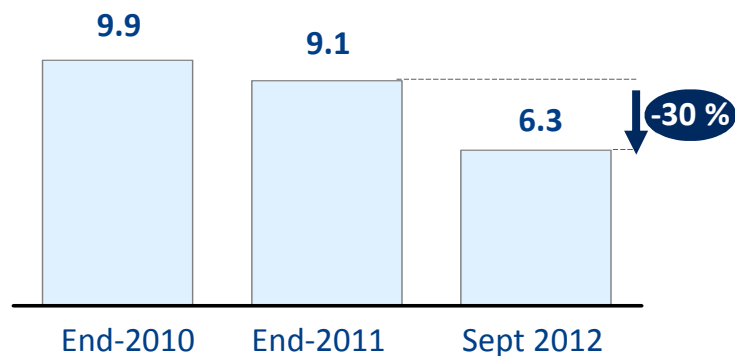
This set the base for putting the Group on a long-term sustainable development path

Financial stabilization

- No overdue liabilities towards tax office, MOL or any suppliers
- Improved liquidity, allowing for stronger negotiating position
- Improved debt collection
- INA was able again to raise sizeable external funds from 2011
- Certain bank facilities renegotiated or repaid improving financing costs

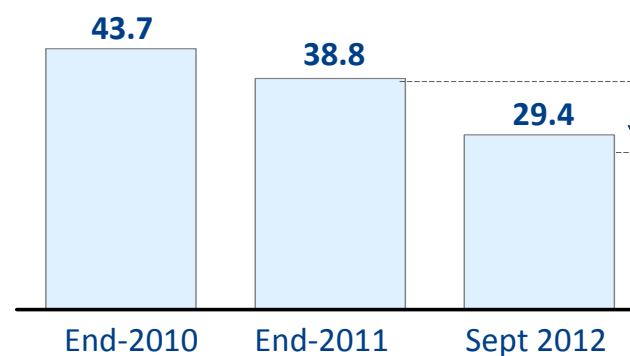
Net debt of INA Group

HRK billions



Gearing of INA Group

Percentage



3 Major investments initiated supporting further development of INA: value creating investments in all business segments, also in the benefit of Croatian stakeholders and economy

Investment programs in 2012 strongly focusing on development of the Croatian economy

Exploration & Production	Refining & Marketing	Retail
<ul style="list-style-type: none"> ▪ Middle/South Adriatic 2D/3D seismic – HRK 53 mn in 2012 	<ul style="list-style-type: none"> ▪ Implementation of value creating refinery development concept 	<ul style="list-style-type: none"> ▪ Intensive retail development program - HRK 260 mn in 2012
Done	In progress	50+ filling stations modernized
<ul style="list-style-type: none"> ▪ 4 exploratory wells in Croatia – HRK 100 mn in 2012 	<ul style="list-style-type: none"> ▪ Environmental compliance projects in Rijeka, Sisak, logistics 	<ul style="list-style-type: none"> ▪ By the end of 2012, INA will have the largest number of modern filling stations in Croatia - far more than any competitor
2 major discoveries already made	In progress	70 more to be finished in 2012
<ul style="list-style-type: none"> ▪ Ivanic-Zutica EOR project - HRK 500 mn in 3 years 	<ul style="list-style-type: none"> ▪ Increasing capacity of Bakar port to eliminate transport bottleneck 	
Investments ongoing	Design started	
<ul style="list-style-type: none"> ▪ Medimurje gas field dev. Project - HRK 210 mn in 3 years 	<ul style="list-style-type: none"> ▪ Preparing the project for deep conversion facility in Rijeka plant 	
Permitting in progress	Waiting for authority approvals	
<ul style="list-style-type: none"> ▪ Further development of North Adriatic 	<ul style="list-style-type: none"> ▪ Oil derivatives pipeline between Rijeka/Sisak refineries (in co-operation with JANAF) 	
Lack of drilling equipments	Discussions started with JANAF	

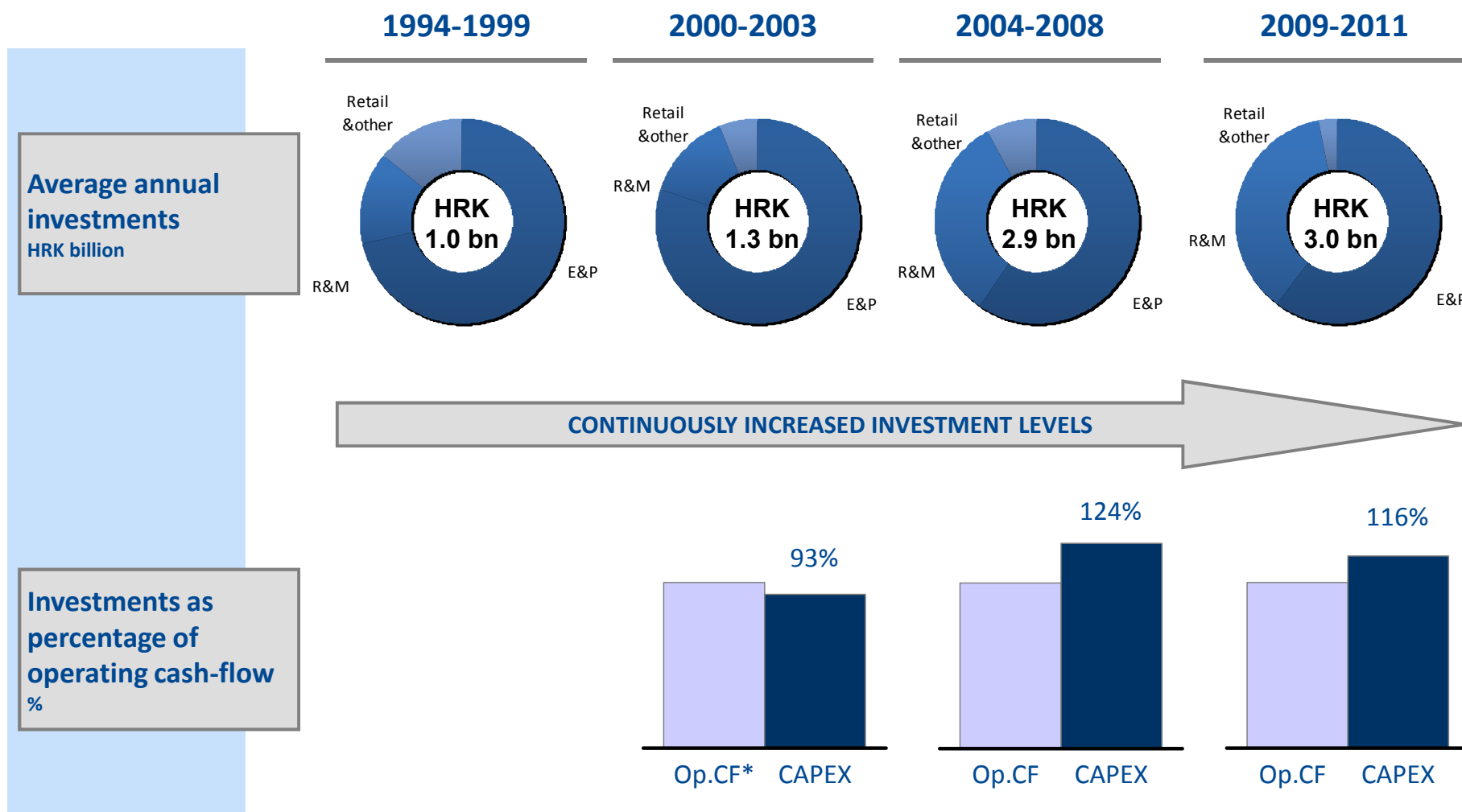
Further benefits for Croatian stakeholders

Exploration & Production	Refining & Marketing	Retail
<ul style="list-style-type: none"> ▪ Stable royalty income of municipalities and the state ▪ Securing energy supply ▪ Utilisation of strong geologist and oil engineering pool 	<ul style="list-style-type: none"> ▪ Reduction of emissions ▪ Improvement of local communities' life conditions 	<ul style="list-style-type: none"> ▪ Improved services provided to customers

Appendix

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INA's investments have increased considerably over the past decade, investing almost HRK 30 bn altogether in its Croatian and international operations



* Cash Flow from Operations

SOURCE: INA

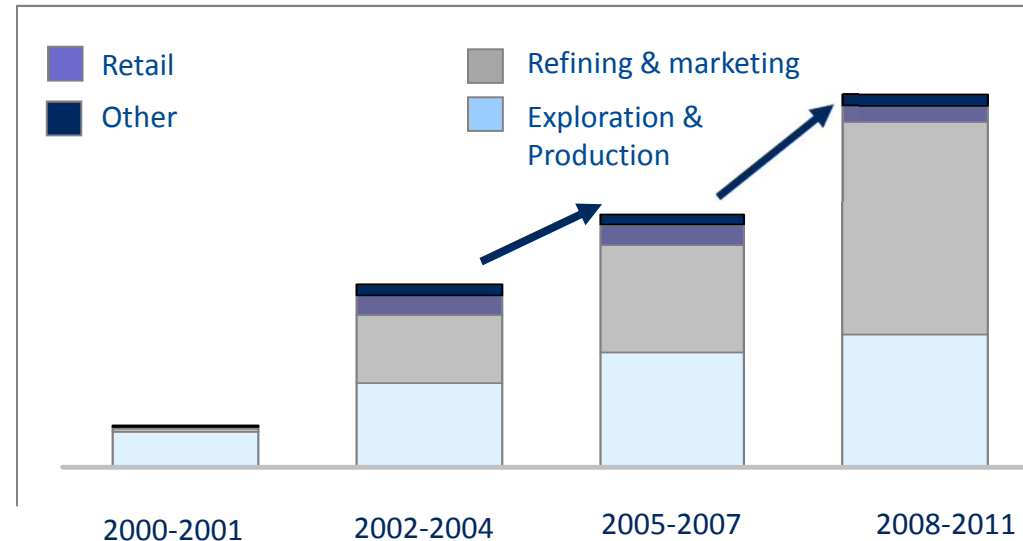
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Leading Croatian investor in the past decade, investing more than HRK 18 bn only in Croatia....

The yearly average investments in Croatia were more than doubled in the past decade

Investments made by INA in Croatia (2000-2011)

HRK billion



- Five times more investments made in the refinery system than in the previous period
 - ~HRK 4 bn into modernization
 - >HRK 2 bn in the Sisak refinery
 - >HRK 4.5 bn in the Rijeka refinery
- HRK 4 bn spent on Adriatic fields
- HRK 5 bn invested in other areas, including
 - on an average double amount of annual investments in retail since 2003/04 compared to previous periods

Major projects

- Installation of hydrocracker unit in Rijeka refinery
- Installation of isomerization unit in Sisak refinery
- Development of gas fields on Northern Adriatic
- Sizeable new discoveries in onshore Croatia
- Accelerated retail network modernisation

Results and benefits

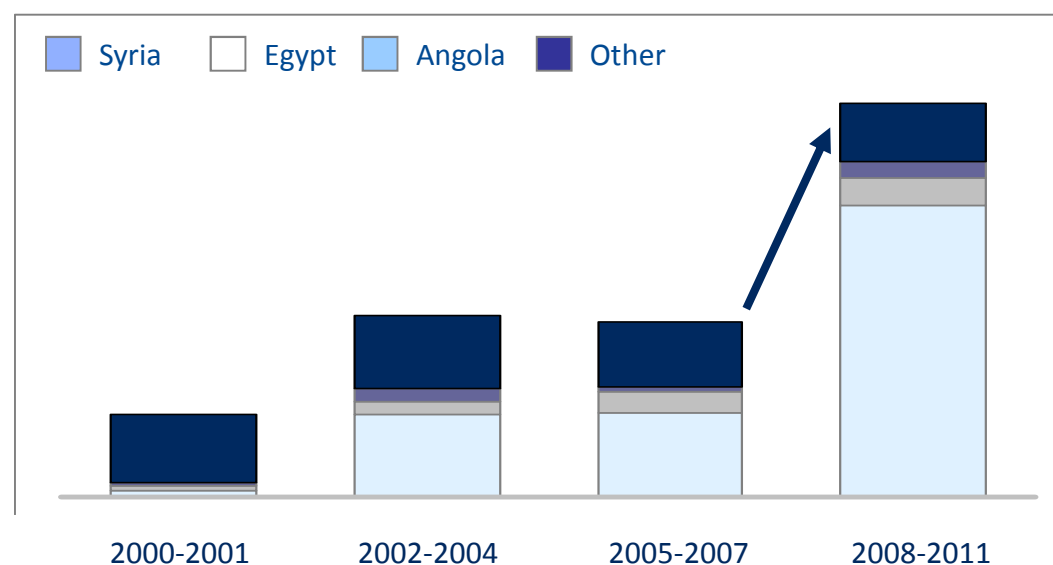
- EURO 5 fuels in Croatia - highest European standards
- Strengthened competitiveness
- Increased export potential
- Increasing natural gas production in Croatia
- Strengthening security of energy supply

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...while investing >HRK 11 bn abroad mainly in Exploration and Production, enhancing the reputation of Croatian business at a global level

Investments made by INA abroad (2000-2011)

HRK billion



- Investment of HRK 6 bn in Syria, the biggest single foreign direct investment in history of Croatia
- Successful partnerships with major oil and gas companies (Eni, Total, RWE) in Angola and Egypt
- Successful tender in privatization of Energopetrol, thus strengthening Croatia's role in the region

Major projects

- 6 significant discoveries in Syria
- 5 fields in Egypt, 3 production licenses in Angola
- Participation in the privatization of Energopetrol

Results and benefits

- Opening of the biggest gas plant in Syria in Q1 2011
- Reversing decline in INA's oil production
- 52 filling stations operated outside Croatia, additional 64 together with strategic partner

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Investment outlook for 2013 and 2014

Further investment programs in Croatia in parallel with increasing international investments

Exploration & Production	Refining & Marketing	Retail
<ul style="list-style-type: none"> ▪ Weight in investments in recent years: 55-60% ▪ Intensified Croatian onshore exploration, with up to 4-6 wells/year subject to available concessions ▪ Exploring further offshore Croatia ▪ Exploring the Dinarides ▪ Exploiting upside potential of the existing portfolio ▪ Targeting new international projects ▪ Diversifying upstream portfolio and increasing reserves' base 	<ul style="list-style-type: none"> ▪ Weight in investments in recent years: 30-35% ▪ Heavy Residue Upgrading project – ~HRK 2,500 mn <ul style="list-style-type: none"> ▪ enabling timely response to market changes ▪ eliminating negative margin products ▪ providing additional diesel output to fulfill the regional demand ▪ Logistical developments to further strengthen INA's market position ▪ HSE compliance capex spending 	<ul style="list-style-type: none"> ▪ Weight in investments in recent years: 5-15% ▪ Modernization and revitalization of the retail network (that part of the filling stations where it is economically justified) ▪ Sustaining elevated service level and outfit of filling station network ▪ Maintaining leading premium network with highest number of filling stations

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E&P, Croatia: Continuing recent exploration successes and initiating major EOR projects

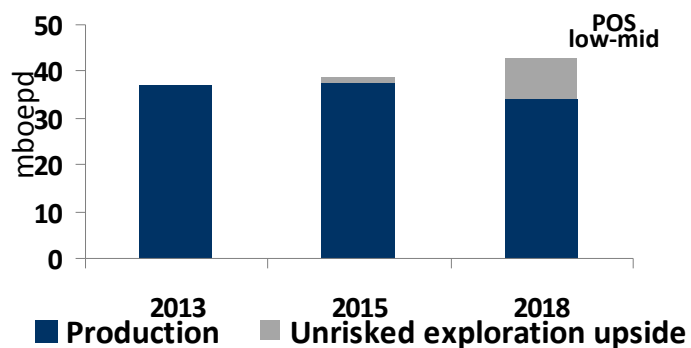
Aiming to stabilize production on 2013 level

Croatian E&P activities



- 3 oil discoveries in 2011-2012 proved our good geological knowledge
- Enhanced Oil/Gas Recovery projects and remained offshore exploration potential
- Committed to harvest offshore exploration and production experiences on new areas

Work program, production outlook



Production 2012Q1-3: 43 mboepd || Reserves(SPE 2P): 234 MMboe

- 4-6 exploration wells annually
- Ongoing EOR project implementation in the next 3 years (~30 MMboe incremental production)
- Offshore gas production exp. to be stabilized around 10-12 mboepd
- Minimize decline rate (~3-4%) of producing assets with EOR and utilize new exploration successes

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