



INA's business results in 2013

Annual General Meeting of INA, d.d.

Zagreb

June 24, 2014



Highlights of our business performance in 2013

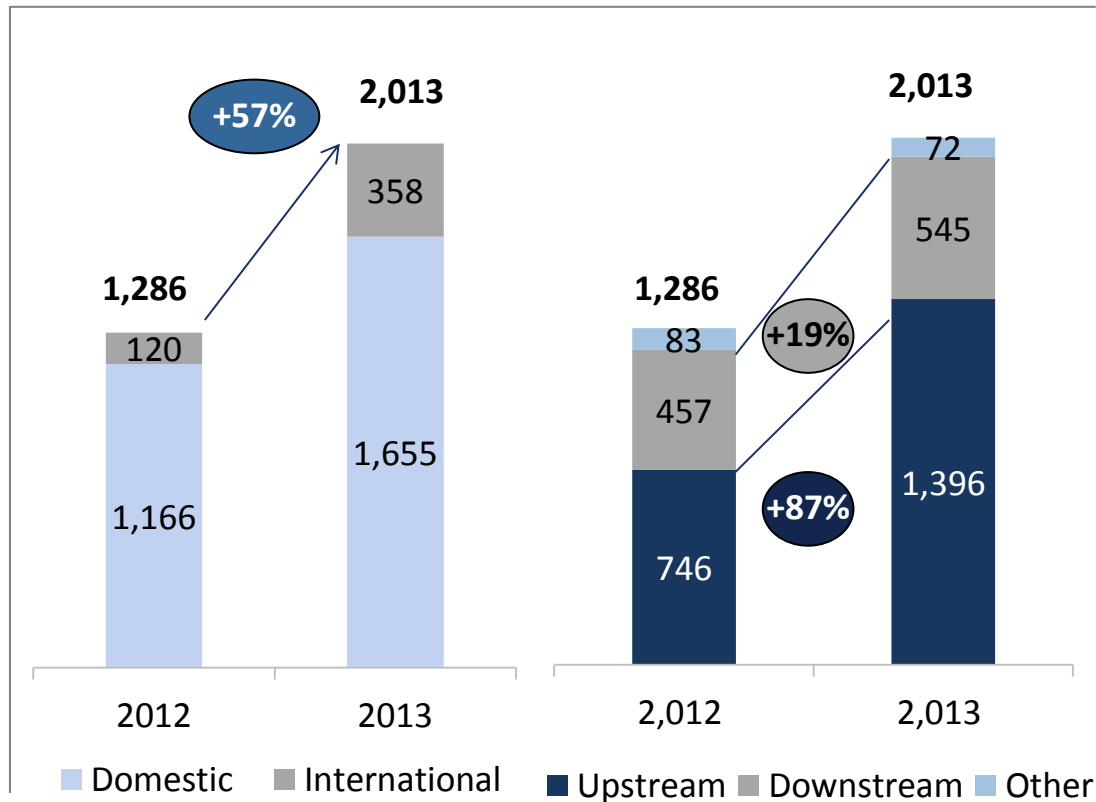


- Solid trend in operational safety, key HSE indicator LTIF of 1.6 (halved since 2010)
- Investments of HRK 2 bn, increased by almost 60% compared to 2012
- 55% of EBITDA reinvested, in line with integrated oil and gas peers
- Robust operating cash flow of HRK 4.5 bn (21% higher than in 2012)
- Gearing reduced to the safe zone below 30% gives financial strength and flexibility for future growth
- Good cost discipline – staff, services and other material costs lower by HRK 0.5 bn
- Wholesale market share in Croatia growing from 67% to 73%
- Sales growth in all core markets (Croatia +3%, BiH +5%, Slovenia over fivefold growth)
- Improved refining performance: middle distillate yield higher by almost 3 pc point, white product yield by 1 pc point, refinery own consumption and losses lower by 1.4 pc point
- Successfully moderating production decline of mature Croatian oilfields' from 9% in 2010 to 2% in 2013 based on new projects initiated
- Increased domestic exploration activities – 7 wells drilled vs. 2 in 2012

Agressive investments growth in 2013

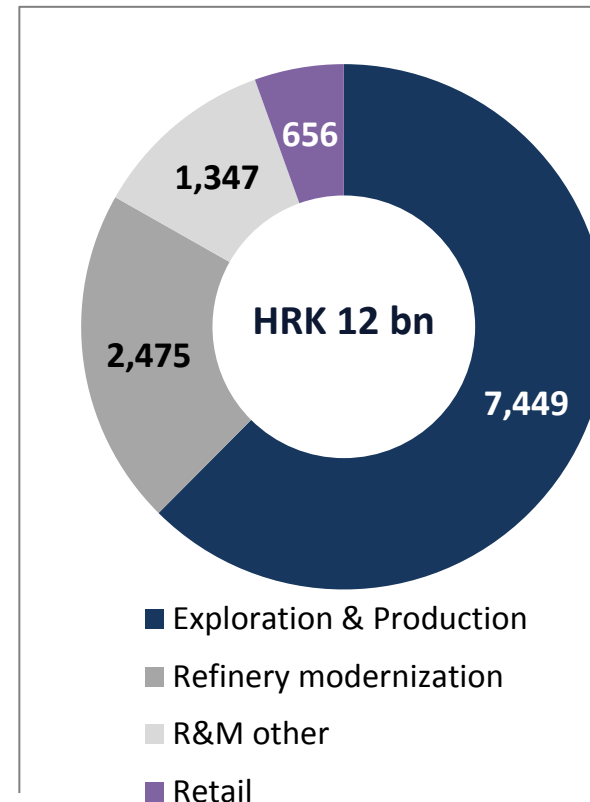
Investments in 2012 and 2013

HRK millions



Investments 2009-2013

HRK millions



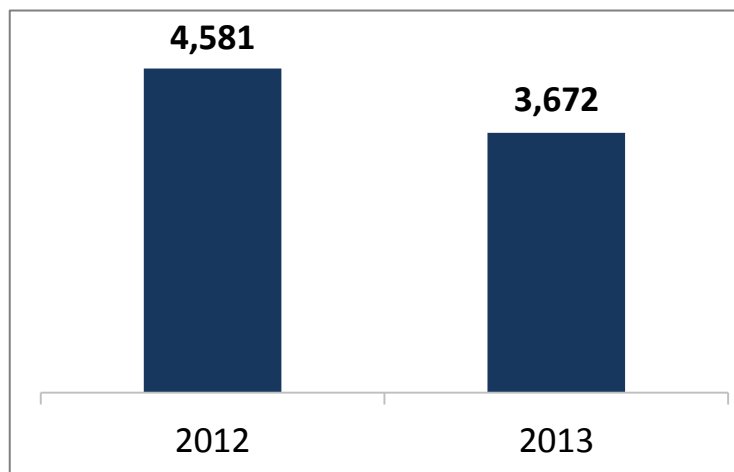
- 55% of EBITDA reinvested, more than 80% was invested in Croatia with Upstream being the main driver.
- HRK 12 bn CAPEX in 2009-2013, HRK 10 bn of which in Croatia, of which HRK 2.5 bn on refinery modernization

EBITDA of HRK 3.7 bn, profit impacted by special items, Syrian amortization



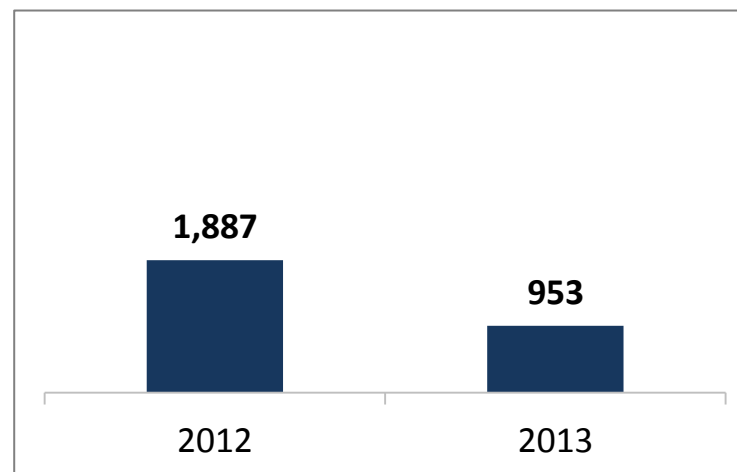
Total EBITDA of INA Group

HRK millions



Total net profit excl. special items of INA Group

HRK millions



- Impairment of Syrian and downstream assets in the value of HRK 1,504 and 738 mn respectively
- Absence of Syrian revenues and depreciation of Syrian surface facilities of HRK 547 mn
- Lower production on Adriatic gas fields by 25% (partly as a short-term consequence of increased investments as per PSA rules)
- Write-offs of unsuccessful wells due to increased exploration activity in the value of HRK 167 mn
- Depressed refining environment, lower average crack spread by 21%
- Additional refinery back-tax charge of HRK 220 mn for previous years

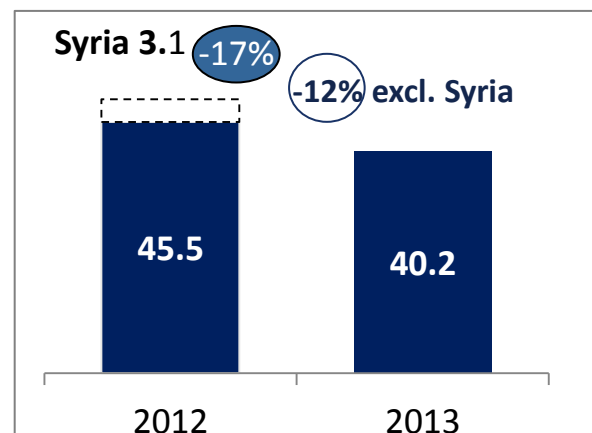
Financials and key volumetric measures at a closer look



HRK mln	2012	2013	'13/'12 %
Net sales revenues	29,895	27,444	(8)
EBITDA reported	4,581	3,672	(20)
Operating profit reported	1,359	(1,570)	n.a.
Operating prof. excl.spec.it.	2,866	799	(72)
Net profit/loss	681	(1,508)	n.a.
Net profit/loss excl.spec.it.	1,887	953	(49)
Operating cash flow	3,742	4,543	21
Net gearing	30.83	27.00	(13)
CAPEX	1,286	2,013	57

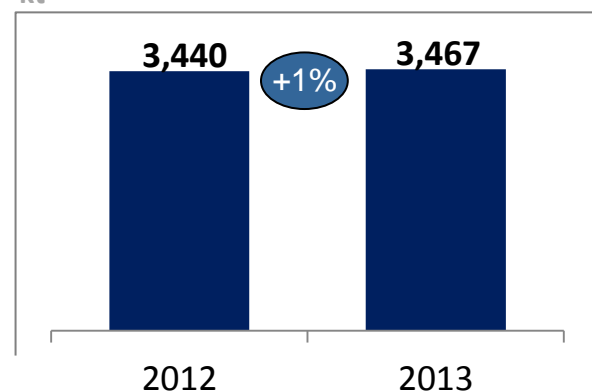
Average daily hydrocarbon production

Mboepd



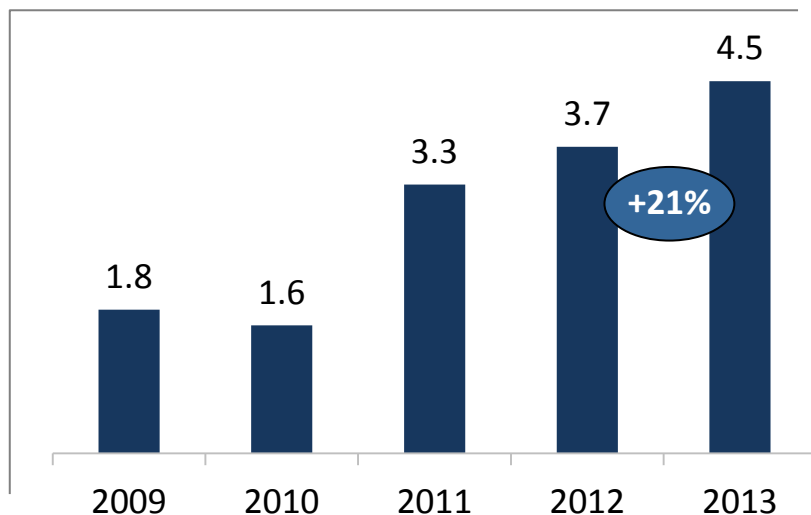
Refined product sales (incl. retail)

kt

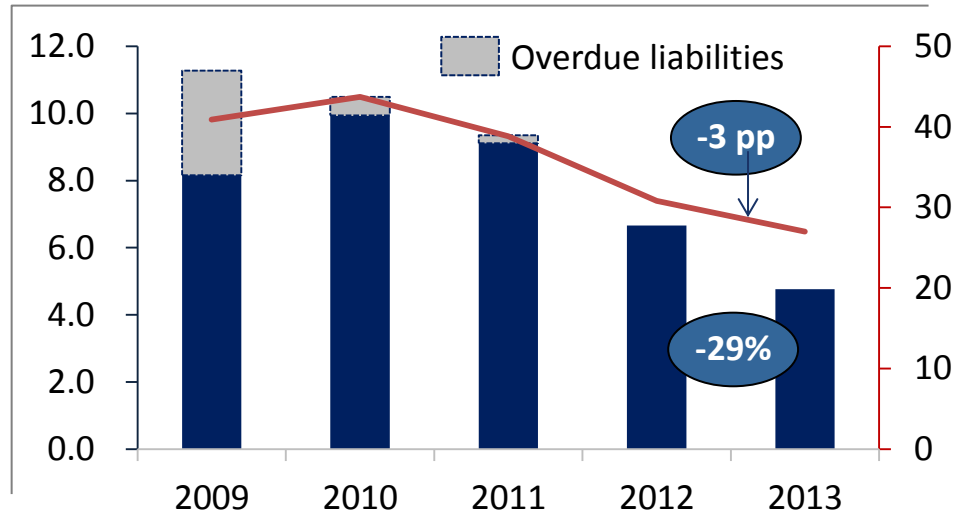


Financial position improved further

Operating Cash Flow
(HRK bn)

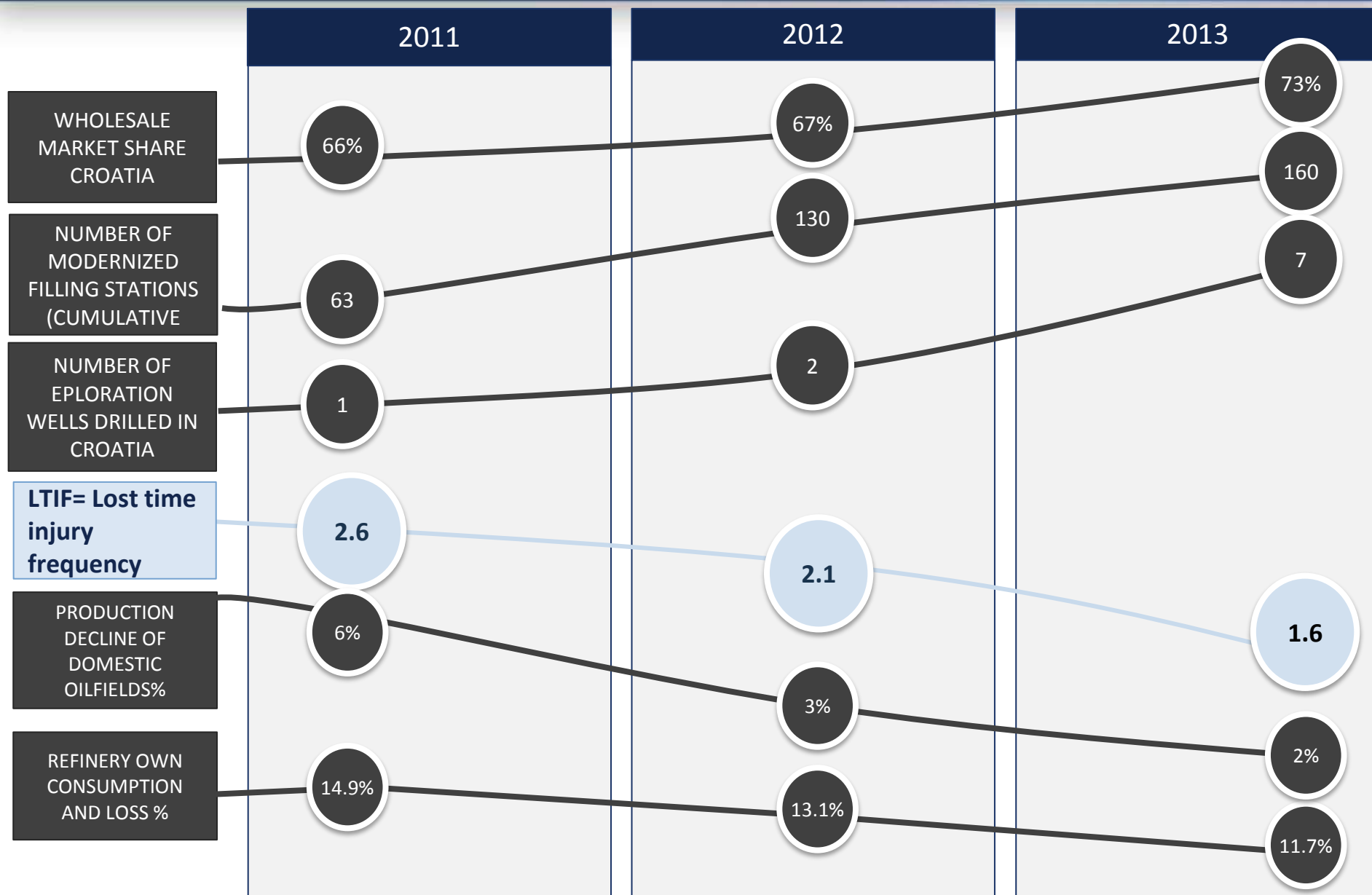


Net indebtedness (left axis, HRK bn)
and Gearing ratio (right axis, %)



- Increasing operating cash flow by 21% due to good working capital management and financial discipline
- Strong balance sheet and further strengthening financial position
- INA Group net indebtedness decreased by 29% compared to 2012 and amounted to HRK 4.8 bn at year-end
- Gearing ratio reduced further to 27% as at 31 December 2013, following trend of last 3 years
- Major refinancing exercise carried out in 2013 with favorable conditions

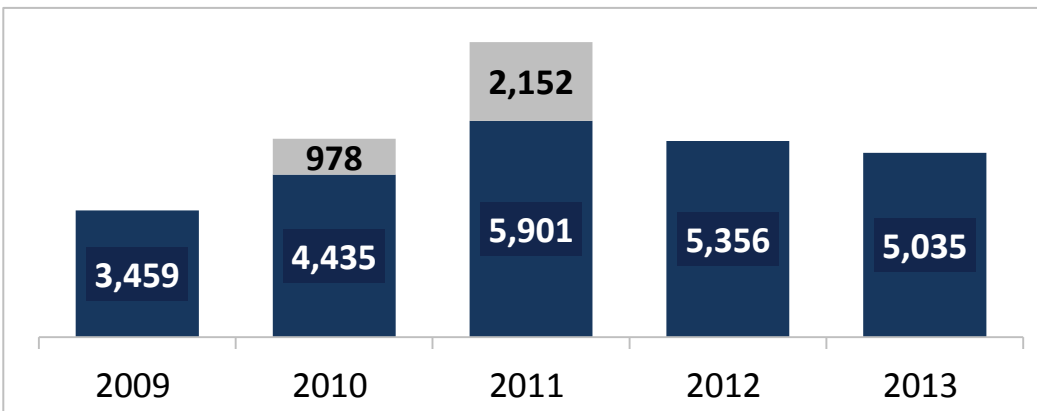
Significantly improved operational and safety performance



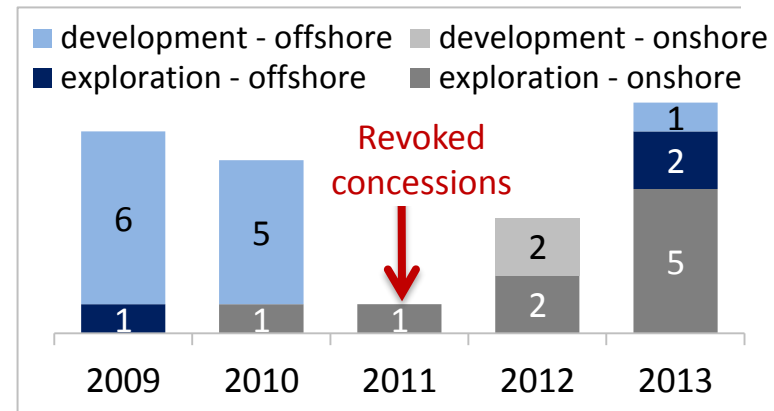
2013 Business Highlights – Exploration & Production

EBITDA

(HRK mln)



Exploration and development wells in Croatia



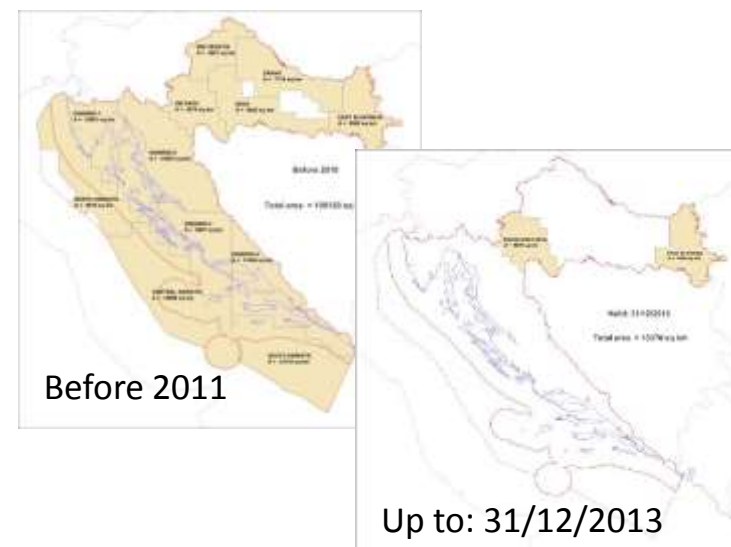
Key drivers

EBITDA amounted to HRK 5 bn, 6% lower compared to 2012 due to

- (1) Lower total hydrocarbon production largely due to offshore production decrease
- (2) 31% lower natural gas imports combined with a lower price differential
- (3) Internal efficiency improvements resulting in decreased operating expenditures by HRK 370 mn
- (4) Successfully mitigated natural decline of domestic oilfields

7 exploration wells in Croatia in 2013 despite the effective lack of exploration concessions, **4** of which are successful - successful rate of almost 60%

Drastically decreasing exploration licence area

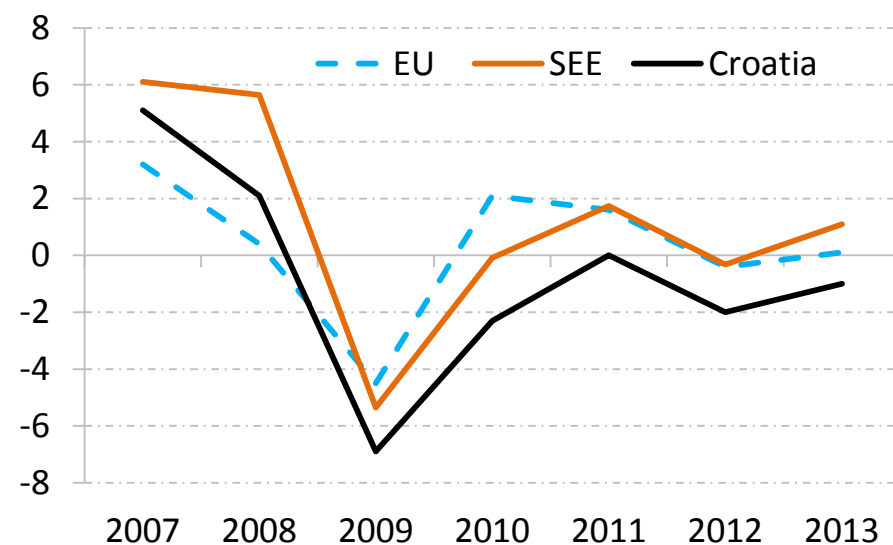


Overview of the downstream environment

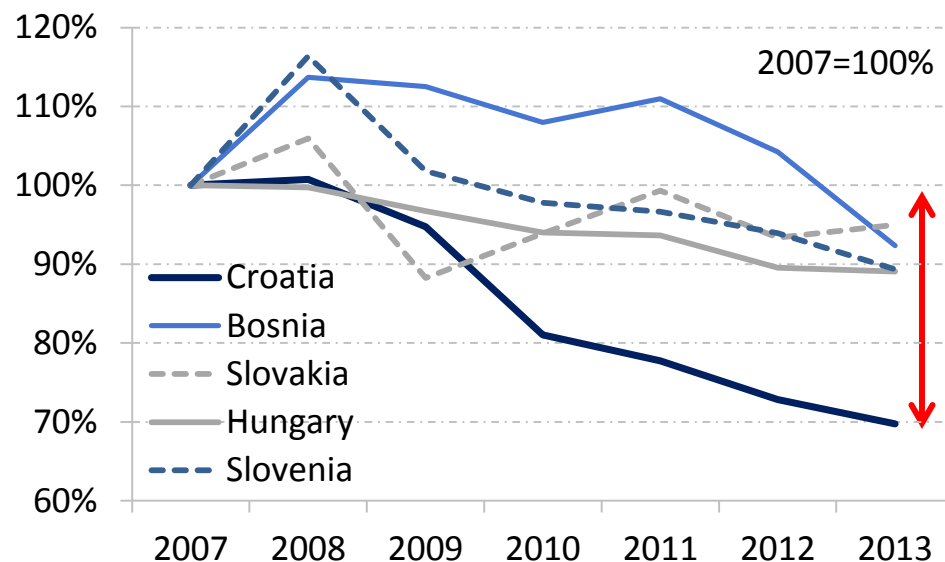
Croatia: multi-year weakness



GDP growth in different country groups and Croatia (%)



Refined product demand in the region and Croatia



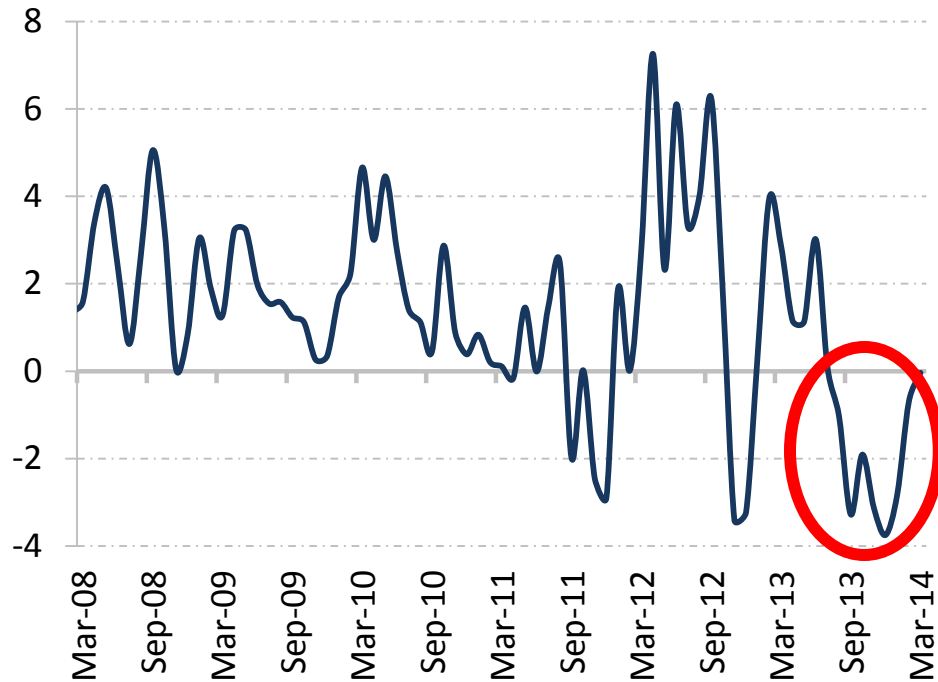
- Multi-year recession in the Croatian economy is much worse than the regional or EU average
- GDP fell by 1% in 2013 while at the same time the region showed a moderate growth
- Oil product demand is in a structural decline: in Croatia, Slovenia and Bosnia some 1.5 mt of total fuel demand has disappeared in the last 5 years, this is around 1/3 of Rijeka and 2/3 of Sisak (nameplate) capacity!

Overview of the downstream environment

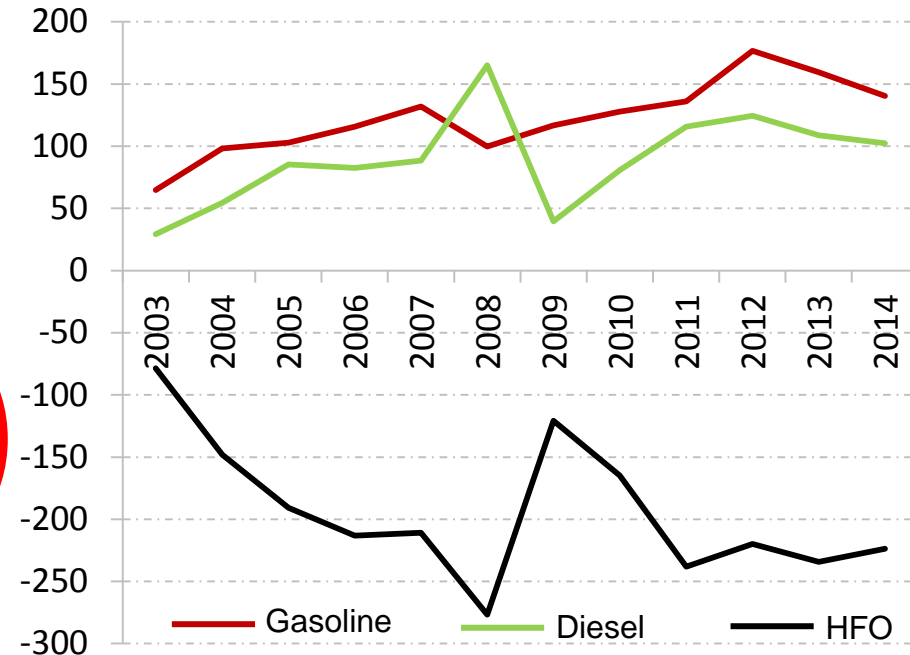
Bad news for refining



Urals MED cracking refinery margins (USD/bbl)



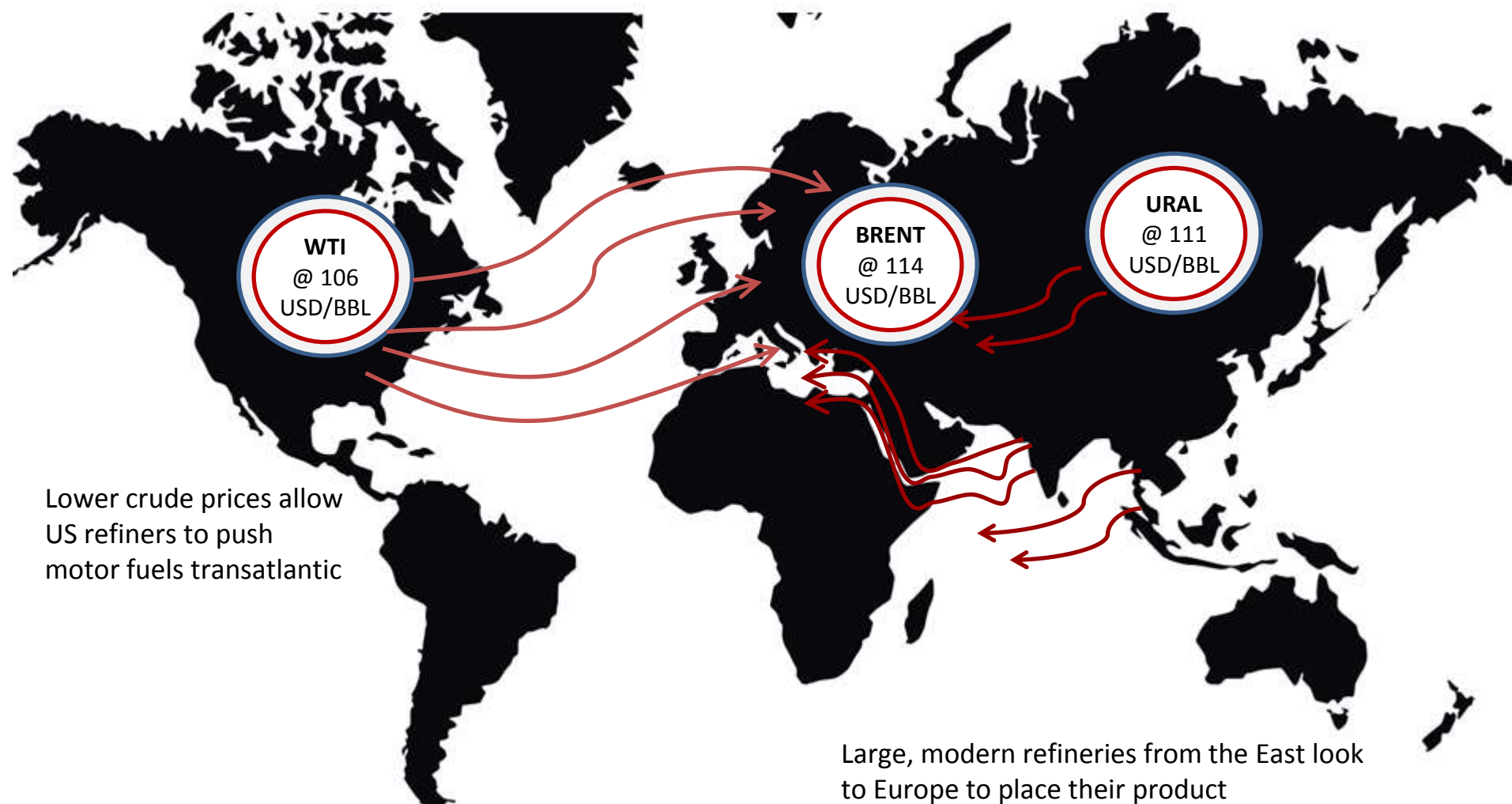
FOB MED crack spreads (USD/t)



- Oil and product prices, and through these, margins available for refineries change unpredictably
- Overcapacity and low utilization rates due to economic crisis keep refining margins low
- Competitive pressure on the product market from the US, Russia and the Middle and Far East
- Heavy fuel oil priced well below crude oil produces more than 200 USD loss with each refined ton

The global market

US bans on crude exports increases processing and pushes motor fuels transatlantic

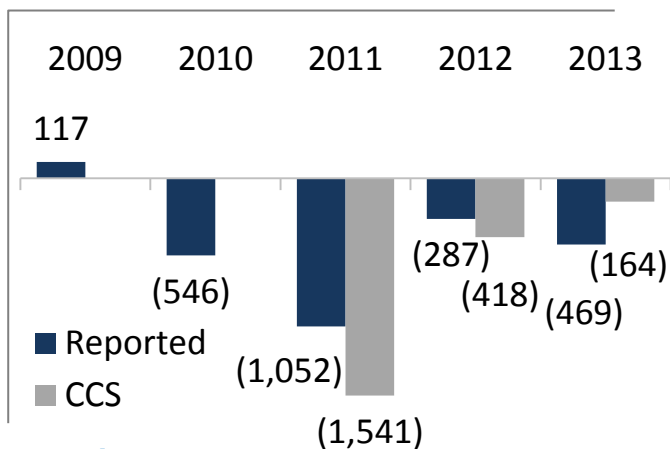


(Data as of 18 June, 2014 – source: Bloomberg, Platts)

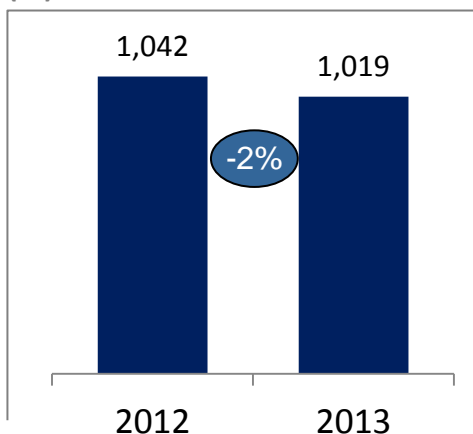
2013 Business Highlights – Refining & Marketing (inc Retail)



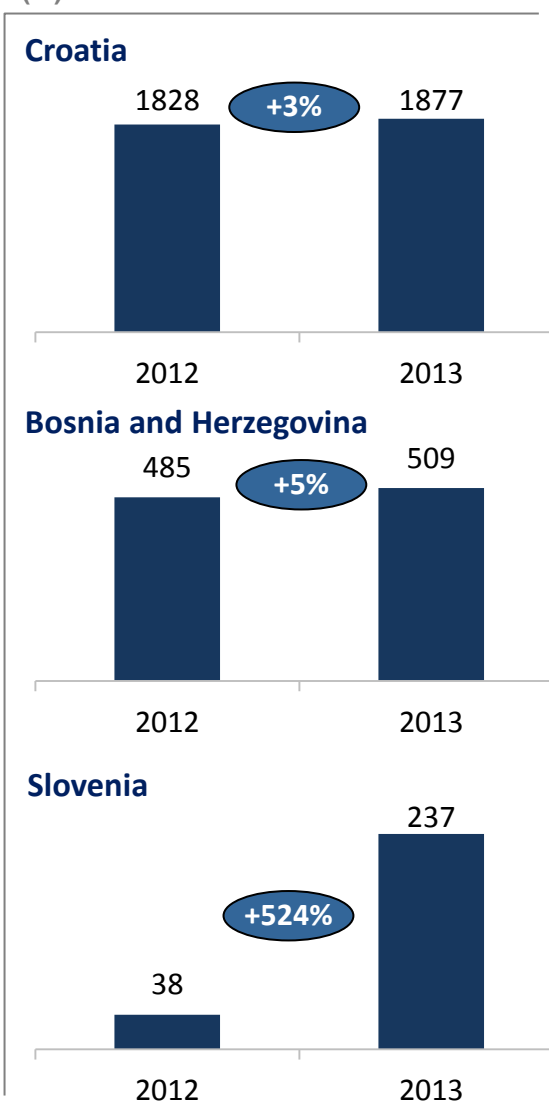
EBITDA
(HRK mln)



Retail sales volumes
(kt)



Sales by market
(kt)



Key drivers

R&M incl. Retail segment's CCS-based* EBITDA amounted to HRK (164) million surpassing 2012 result by HRK 254 million due to

- (1) Strong domestic wholesale performance > +8% increase (3% incl. Retail)
- (2) Export sales increase (5% in BiH, 524% in SLO)
- (3) Lower own consumption and loss by 1.4 percentage points
- (4) Continued optimization of production capacities
- (5) Improved cost position
- (6) Diversified crude selection

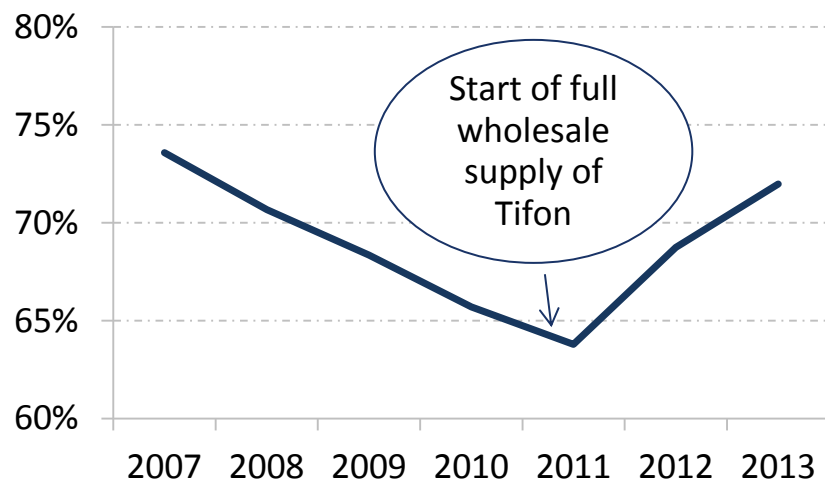
However, results were under serious pressure due to lower average crack spread by 21%, especially in the fourth quarter of 2013

*CCS methodology eliminates from EBITDA/operating profit inventory holding gain/loss; impairment on inventories; FX gains/losses on debtors and creditors/operating profit by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.

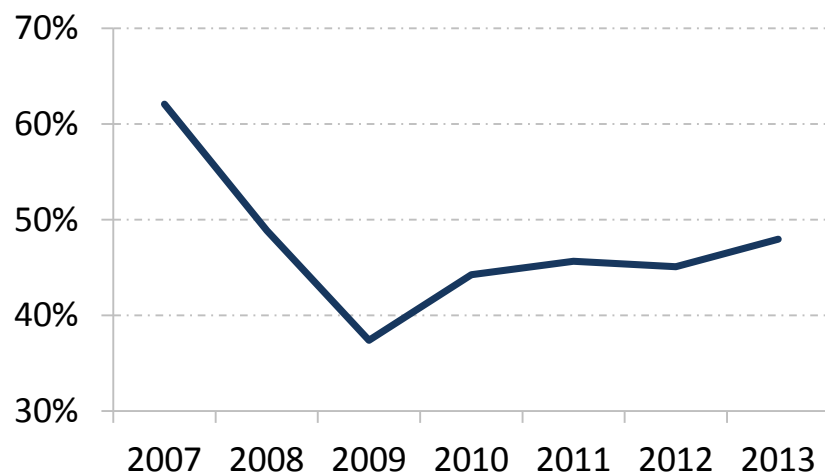
INA's market performance: increased market share despite market shrinkage and fierce competition



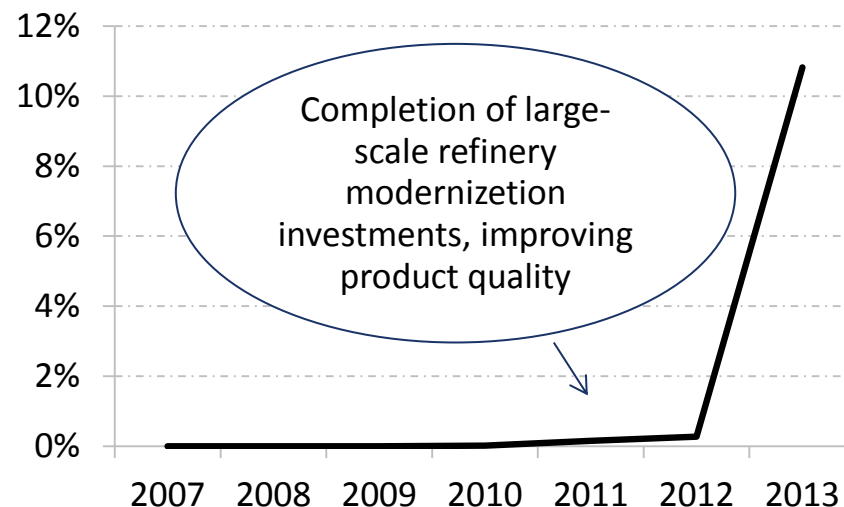
INA's motor fuel market share in Croatia



INA's motor fuel market share in Bosnia



INA's motor fuel market share in Slovenia



Croatia:

- Steep Increase from 64% (2011) to 73% (2013) despite market shrinkage and fierce competition

Bosnia & Herzegovina:

- Continuous increase from 37% to 48% over the last 4 years

Slovenia:

- From practically zero to more than 10% in a year, made available by sizeable refinery investments improving product quality

DONATION AND SPONSORSHIPS

INA provided assistance and support to:

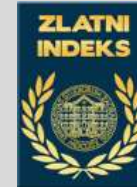
- children and youth
- people with special needs
- healthcare
- demining projects
- research and innovation projects
- cultural and educational projects
- projects that contribute to the protection and promotion of health and environment
- sports
- projects relevant to local communities



CORPORATE VOLUNTEERING

- About 180 INA employees members of the INA Volunteers Club
- 16 actions in 9 counties

AWARDS



GOLDEN INDEX in three categories: Participation in students' projects, Investment in students' associations, and Grand Prix awarded by students association eSTUDENT.



EMPLOYER PARTNER CERTIFICATE – successful recertification



CORPORATE GOVERNANCE AWARD – by World Finance magazine



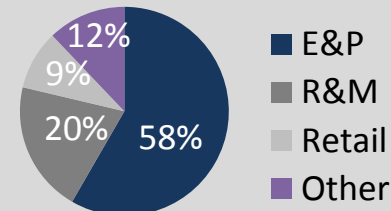
MYSTERY SHOPPING AWARD – service quality at INA's filling stations recognized as the best

Outlook and focus of management for 2014 and the medium term



- Despite worsening regulatory environment, especially burdening the gas business and upstream production, investment level in 2014 is to be kept at the 2013 level of HRK 2 bn

Expected CAPEX distribution in 2014



- Increase production and replace reserves in a value creating way
- Invest in an optimal way in Croatian onshore and offshore development assets to boost production and slow down the natural depletion of existing fields
- Interested in new licenses in onshore and offshore Croatia
- Proactive international approach to build a stable and balanced portfolio



- Strong market work to keep solid profitable market shares and capture attractive sales opportunities
- Optimize capacity usage to adjust to market demand
- Prepare for strategic decisions on future investments
- Further optimize cost base



- Continue modernization program
- Develop and execute concepts for the remaining parts of the network
- Further strengthen regional presence – focus on Bosnia and Herzegovina, Montenegro (other countries under review)
- Achieve sustainable operating costs through the Entrepreneurship model

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