



## Results and activities in 2013

Zagreb

February, 2014



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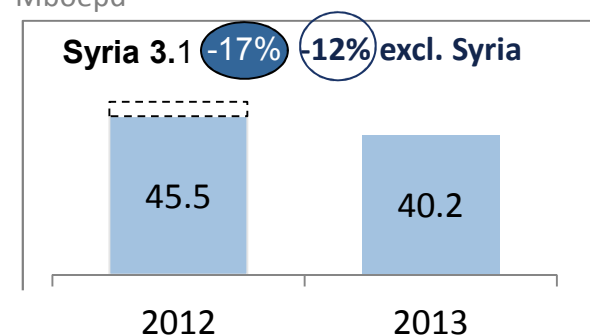
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# Financials and key volumetric measures at a closer look

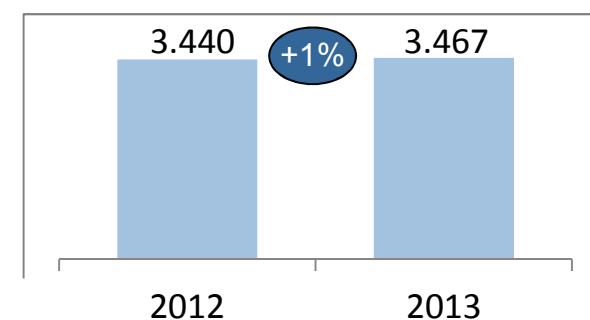


HRK mln	Q4 2012	Q4 2013	2012	2013	'13/'12 %
Net sales revenues	7,275	6,661	29,895	27,444	(8)
<b>EBITDA reported</b>	<b>885</b>	<b>842</b>	<b>4,581</b>	<b>3,672</b>	<b>(20)</b>
Operating profit reported	(161)	(2,276)	1,359	(1,570)	n.a.
Operating profit excl.spec.it.	595	(34)	2,866	799	(72)
Net profit/loss	(252)	(1,894)	681	(1,508)	n.a.
<b>Net profit/loss excl.spec.it.</b>	<b>353</b>	<b>465</b>	<b>1,887</b>	<b>953</b>	<b>(49)</b>
<b>Operating cash flow</b>	<b>560</b>	<b>1,919</b>	<b>3,742</b>	<b>4,543</b>	<b>21</b>
Net gearing	30.83	27.00	30.83	27.00	(13)
<b>CAPEX</b>	<b>546</b>	<b>994</b>	<b>1,286</b>	<b>2,013</b>	<b>57</b>

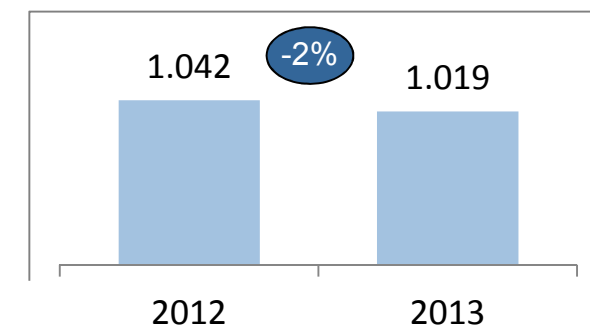
Average daily hydrocarbon production  
Mboepd



Refined product sales (incl. retail) kt



Retail sales volumes kt

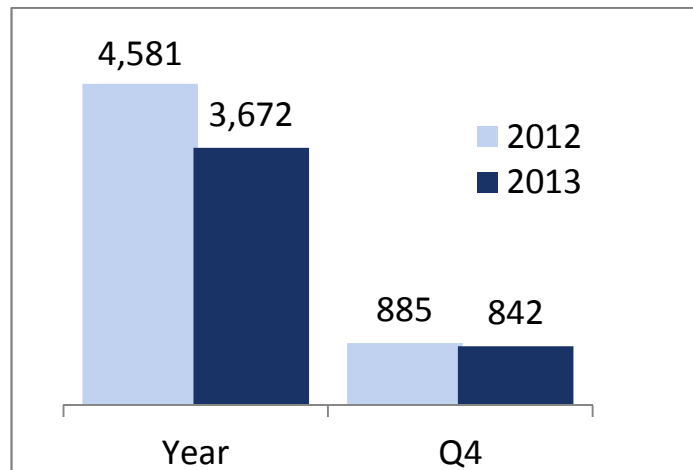


# EBITDA of HRK 3.7 bn, profit impacted by special items, Syrian amortization



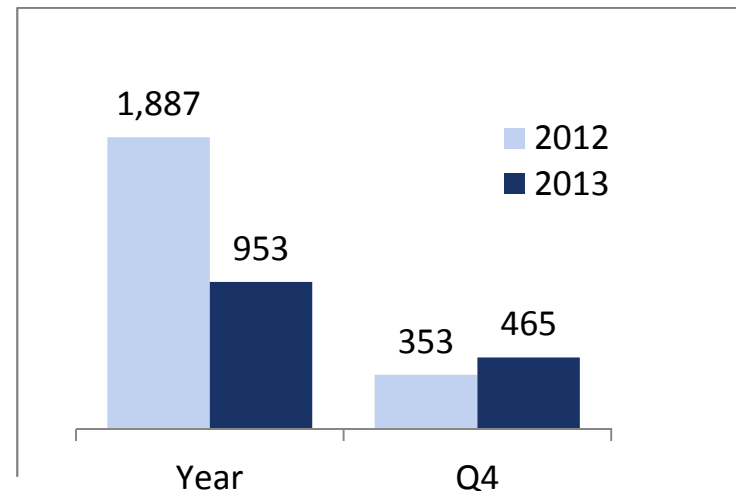
**Total EBITDA of INA Group**

HRK millions



**Total net profit excl. special items of INA Group**

HRK millions

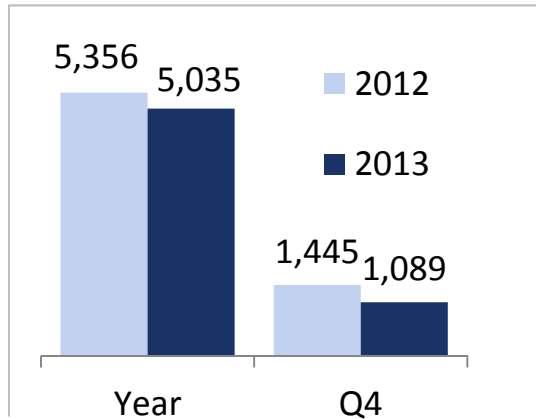


- Impairment of Syrian and downstream assets in the value of HRK 1,504 and 738 mn respectively
- Absence of Syrian revenues and depreciation of Syrian surface facilities of HRK 547 mn
- Lower production on Adriatic gas fields by 25% (partly as a short-term consequence of increased investments as per 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
- Gas trading losses still high, amounting to HRK -775 mn on EBITDA level

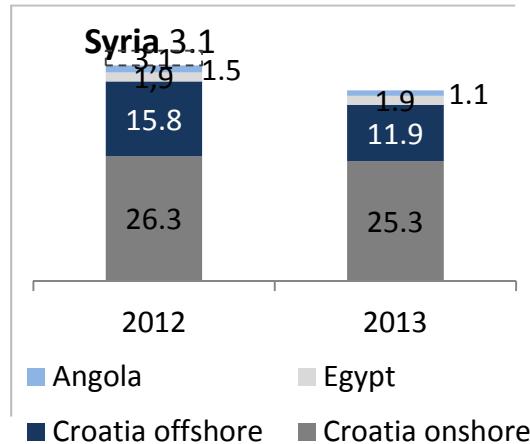
# 2013 Business Highlights – Exploration & Production



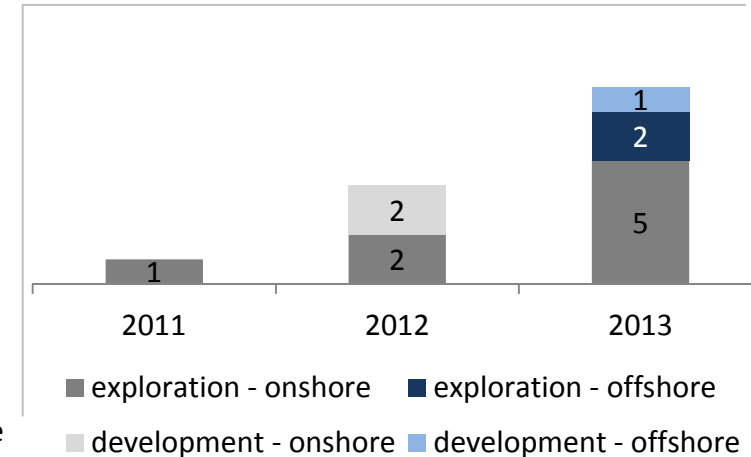
## EBITDA (HRK mln)



## Total hydrocarbon production (Mboe/d)



## Exploration and development wells in Croatia

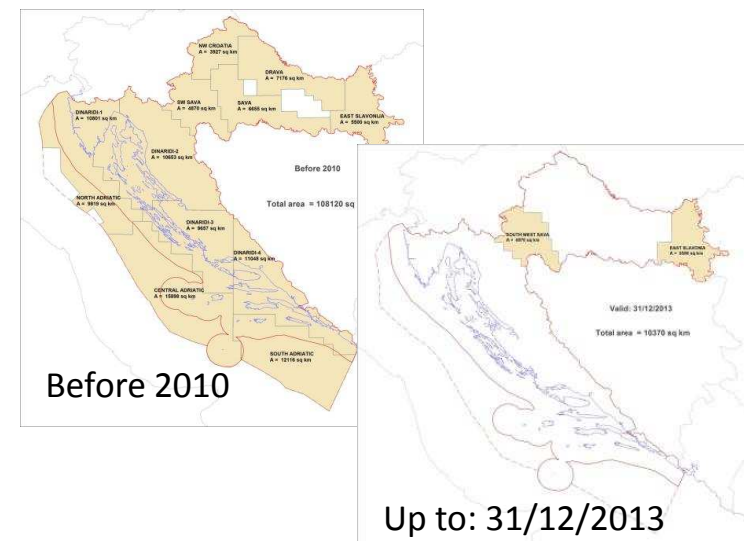


### Key drivers

- 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 (HRK 370 mn savings on staff, service and other material costs)
  - (4) Successfully mitigated natural decline of domestic oilfields

7 exploration wells in Croatia in 2013, 4 of which are successful - successful rate of almost 60%

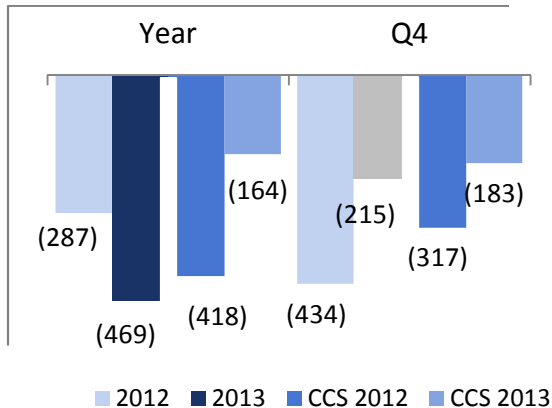
### Drastically decreasing exploration licence area



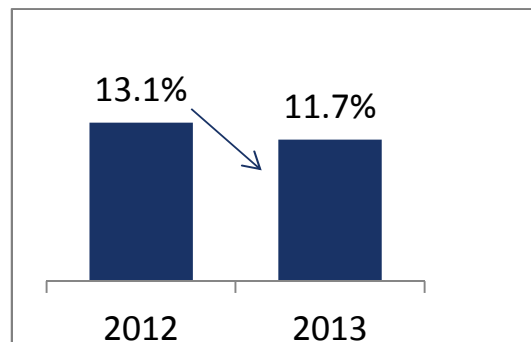
# 2013 Business Highlights – Refining & Marketing (inc Retail)



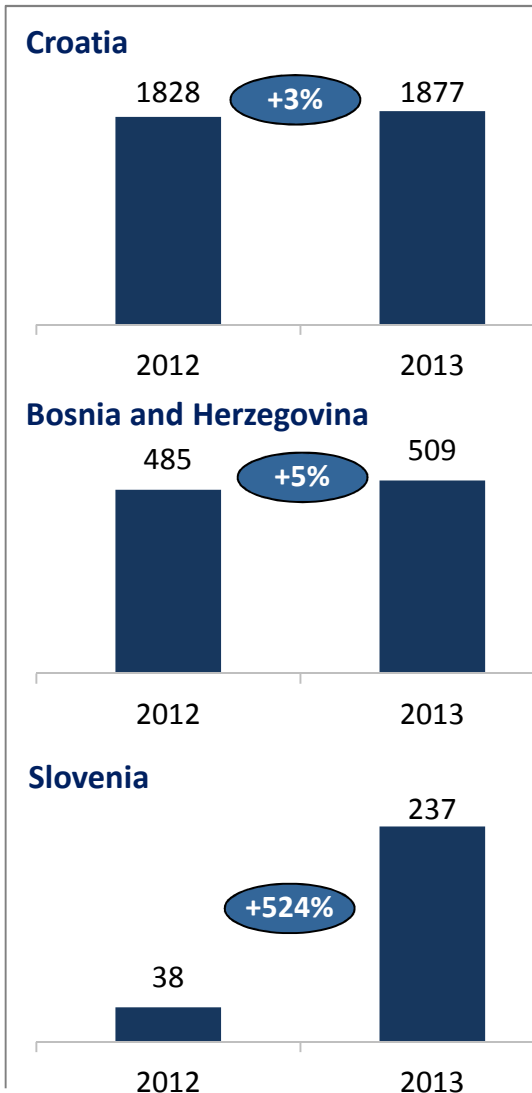
**EBITDA**  
(HRK mln)



**Own consumption and refinery loss**  
(as % of total throughput)



**Sales by market**  
(kt)



## Key drivers

R&M segment's 'clean' 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

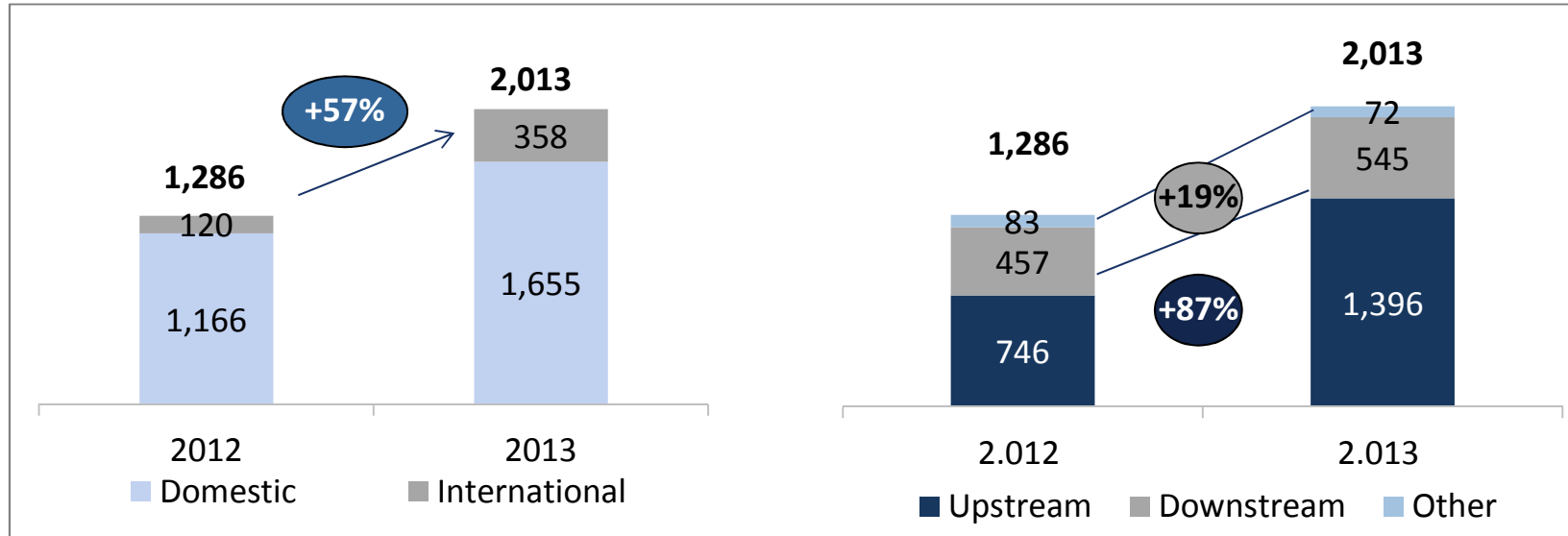
\* CCS methodology eliminates from EBITDA/operating profit inventory holding gain/loss; impairment on inventories; FX gains/losses on debtors and creditors/operating profit by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according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

# Agressive investments growth in 2013



## Investments

HRK millions



- More than 80% was invested in Croatia with Upstream being the main driver. Key projects:

### Upstream

- Onshore (5 wells) and North Adriatic offshore (2 wells) exploration
- Onshore and offshore development activities
- Enhanced Oil Recovery (EOR) on Ivanić and Žutica fields, Medimurje field development

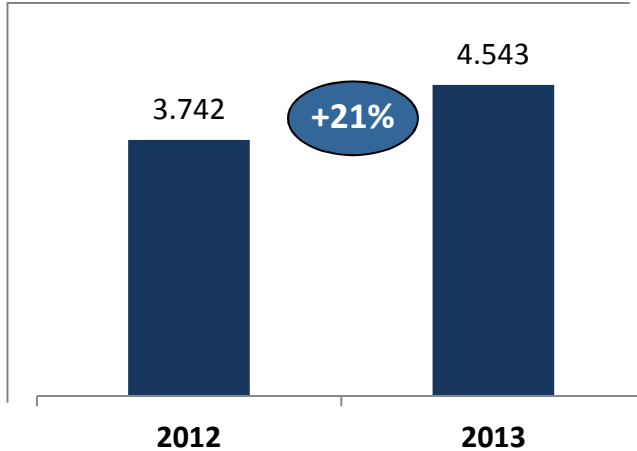
### Downstream

- Turnaround in Rijeka Refinery
- Coke chamber replacement in Sisak Refinery and numerous HSE/sustain projects
- Intensive retail modernization program

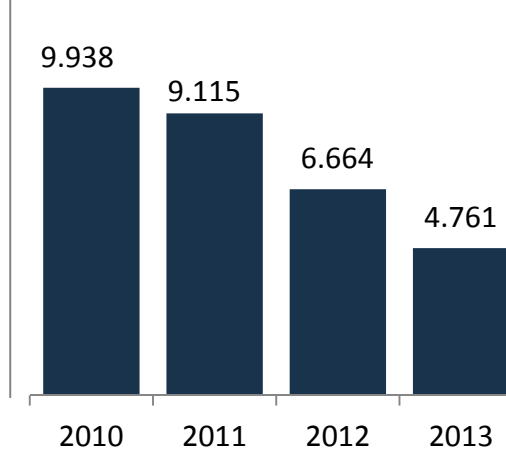


# Financial position improved further

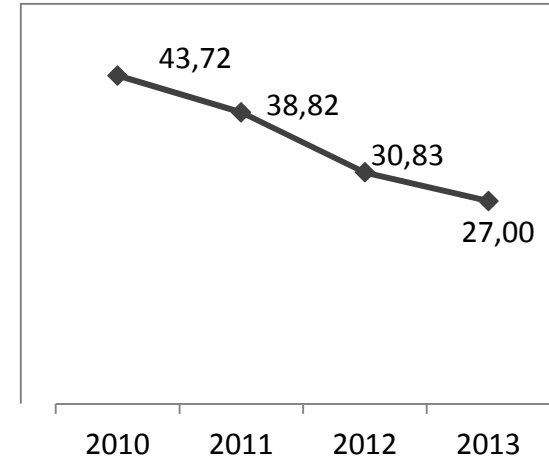
**Operating Cash Flow**  
(HRK mln)



**Net indebtedness**  
(HRK mln)



**Gearing ratio**  
(%)



- 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% and amounted to HRK 4.8 bn
- Gearing ratio reduced further to 27% as at 31 December 2013, following the trend of the last 3 years
- Major refinancing exercise carried out in 2013 with more favorable conditions than other market participants



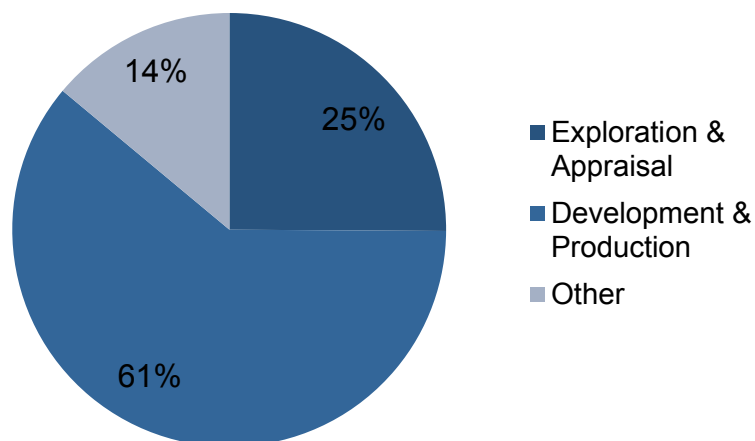
# **EXPLORATION & PRODUCTION**

## **Activities summary**

# KEY FIGURES OF 2013 E&P ACTIVITIES



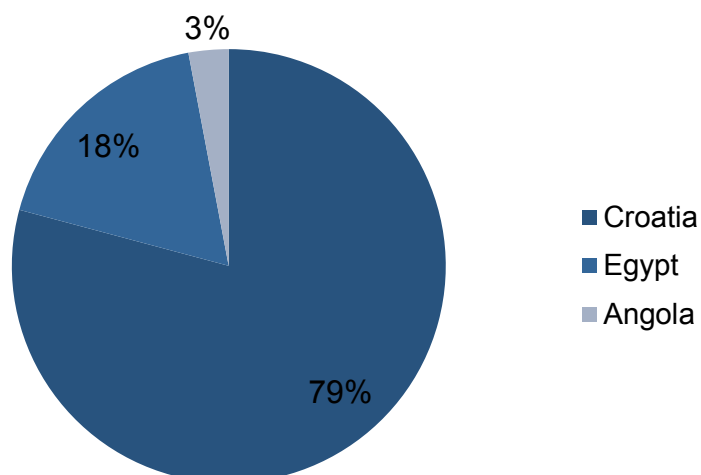
CAPEX distribution by investment categories



CAPEX distribution by activities and countries

Country	USD mln			Total
	Exploration & Appraisal	Development & Production	Other	
Croatia	42.2	117.5	34.1	193.8
Egypt	19.2	24.5		43.7
Angola		7.3		7.3
<b>Total</b>	<b>61.4</b>	<b>149.3</b>	<b>34.1</b>	<b>244.8</b>

Geographical CAPEX distribution



Summary of tested wells in 2013

Country	Croatia	Egypt	Total
Wells tested	6	16	22
o/w exploration/appraisal wells	5	1	6
oil and gas producer			
oil producer	2		2
natural gas producer	1		1
dry/non-commercial	2	1	3
suspended			
o/w development wells	1	15	16
oil producer		13	13
natural gas producer	1	1	2
dry/non-commercial		1	1
Injection			

# SUMMARY OF TESTED WELLS IN 2013



Country	Block	Exploration & Appraisal wells	Progress	Comment / Test result	Paying / participating interest %
CROATIA	Onshore	<b>Bunjani-1 South</b>	Successful but waiting for development solution	Well is drilled (spud in on April 2nd, drilling finished on May 8th). Well testing finished on November 14th and show the well is successful. Well is temporary abandoned - conserved.	100%
	Onshore	<b>Krunoslavlje-2</b>	Unsuccessful	Spud in on April 15 <sup>th</sup> , drilling finished on June 3 <sup>rd</sup> . The well is declared unsuccessful without test. Well is liquidated	100%
	Onshore	<b>Caginec-1</b>	Successful but waiting for development solution	Spud in on June 20 <sup>th</sup> , drilling finished on July 9th. Well testing finished on November 21st. Well is temporary abandoned - conserved.	100%
	Onshore	<b>Iva-2 Du</b>	Waiting for test	Well is drilled (spud in on August 10 <sup>th</sup> , drilling finished on October 30 <sup>th</sup> 2013). Total depth of 2883m. Waiting for well test	100%
	Offshore, North Adriatic	<b>Ilena-1Dir</b>	Successful but waiting for development solution	Spud in on July 4 <sup>th</sup> . Drilling is finished on July 24 <sup>th</sup> . Well test performed and showed that well is successful. Production casing installed, but well is temporarily abandoned until defining development solution based on reservoir study which should be prepared	50%
	Offshore, North Adriatic	<b>Ivna-1Dir</b>	Unsuccessful	Spud in on August 22nd. Drilling is finished on September 6th. Four cement plugs were set. Well is abandoned as a dry hole without testing.	50%
	Onshore	<b>Hrastilnica-4</b>	Under drilling	Spud in was on November 27th and drilling is in progress.	100%
EGYPT	Disouq Concession	<b>Helal-1-exploration well</b>	Unsuccessful	Helal-1 exploratory well was spud on March 3 <sup>rd</sup> 2013, drilling finished on September 27 <sup>th</sup> , 2013. The well is declared unsuccessful without test.	100%

# OVERVIEW OF DEVELOPMENT PROGRAM IN 2014



Country	Block	First oil	Peak production	Production wells (#)	Type and quality	Program target in 2014
CROATIA	Onshore, several	1941	1988	665	Crude (31-38 oAPI); natural gas	Drilling of one development and one injection well on existing gas fields, continuing implementation of EOR projects, several smaller field development projects.
	Offshore, North Adriatic	1999	2010	32	Natural gas	IKA JZ: Drilling & Completion of 5 wells; IKA A 4 Hor - Drilling & completion of one infill well and platform revamping
	Offshore, Aiza Laura	2004	2007	5	Natural gas	
EGYPT	Ras Qattara	1994	2007	56	Crude (32 API) (Zarif field 28.9 API & Faras field 35 API)	Drilling of three development wells and one water injection well
	West Abu Gharadig	1996	2007	38	Crude (35 API)	Drilling of two development wells and one water injection well
	North Bahariya	2004	2014	33	Crude (41.7 API)	Drilling of one development wells
	Sidi Rahman+Rizk	2006 Sidi Rahman: 2012 Rizk	2014	5	Crude (41.8 API)	Drilling of one development well (side track of existing well)
ANGOLA	Block 3/05	2005	2015	51	Oil Average API=36.47	<ul style="list-style-type: none"> <li>• Workover activity</li> <li>• Topsides Facilities Upgrade (TFU) Treatment Facilities upgrade (to be completed in 2015)</li> </ul>
	Block 3/05A	Q4 2014(Caco-Gazela)	2015	0	Oil API between 37 and 39	<ul style="list-style-type: none"> <li>• Caco-Gazela Development Area: Drill and complete Gazela-101 well for first oil.</li> <li>• Punja Development Area: Partner and National Concessionaire approvals and final investment decision</li> </ul>

# UPSTREAM PORTFOLIO OVERVIEW



## Croatian onshore

### several fields

Reserves\*: 175 MMboe  
Production: 25.3 mboepd

## North Adriatic

### North Adriatic

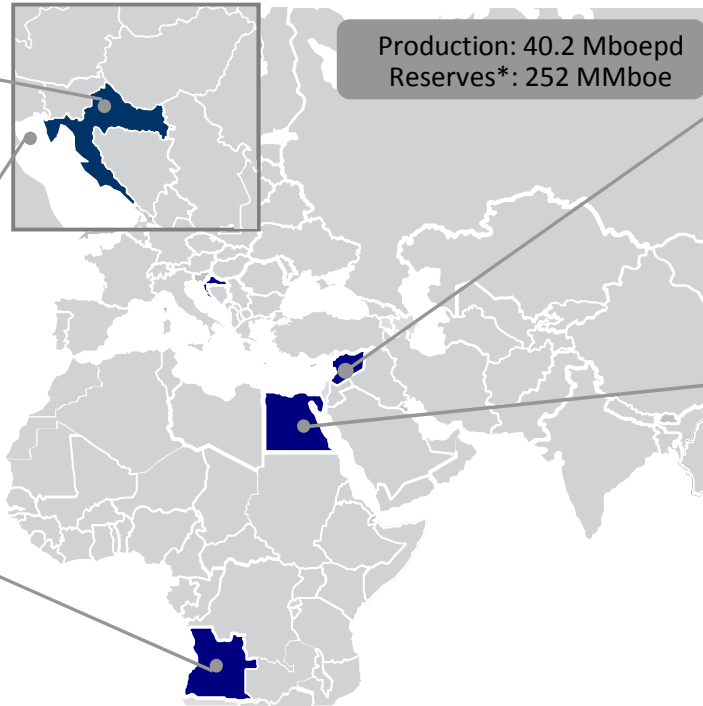
#### Aiza Laura Izabela

Reserves\*: 34 MMboe  
Production: 11.9 mboepd

## Angola

### 3/05 Block, 3/05A Block

Reserves\*: 5 MMboe  
Production: 1.1 mboepd



Production: 40.2 Mboepd  
Reserves\*: 252 MMboe

## Syria

Hayan Block  
Reserves\*: 36 MMboe  
(Force Majeure declared in 2012)

## Egypt

Ras Qattara, West Abu Gharadig,  
North Bahariya, Sidi Rahman  
Total reserves\*: 3 MMboe  
Total production: 1.9 mboepd

\*reserve figures are preliminary, 2012 figures minus 2013 production.

Note: SPE 2P reserves.

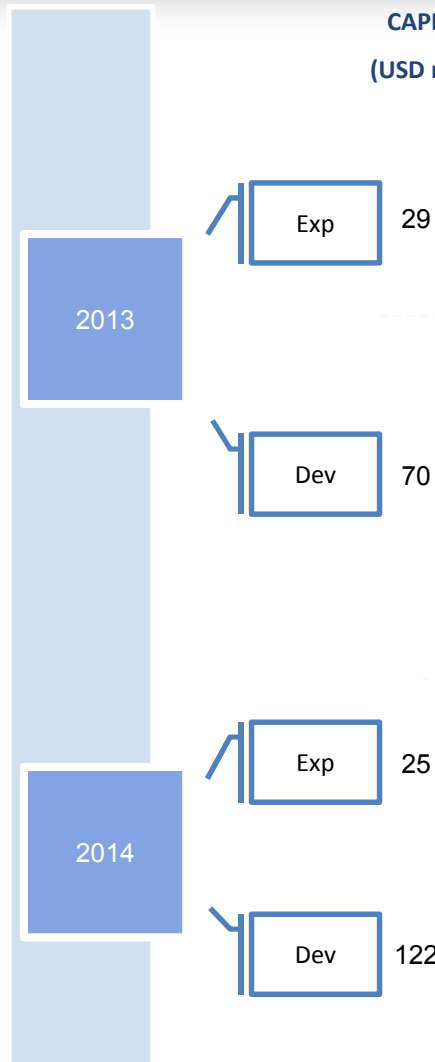
# MAIN DATA OF BLOCKS

\*reserve figures are preliminary, 2012 figures minus 2013 production



Country	Block	Reserves* Mmboe	Production Mboepd	Acreage in sqkm	Phase	Contract type	Operator	WI%	Partner
CROATIA	Onshore - several	175	25.3	11 930	E / D	C	Yes	100	➤ -
	Offshore – North Adriatic	34	11.9	1 756	E / D	C	No	50	➤ ENI 50%
	Offshore – Aiza Laura			22	E / D	C	No	50	➤ ENI 50%
	Offshore – Izabela			34	D	C	No	30	➤ EDISON 70 %
SYRIA	Hayan			36	-	645	D	PSC	Yes
	Aphamia	-	-	2 285	E	PSC	Yes	100	➤ -
EGYPT	Ras Qattara	3	1.9	247	D	PSC	No	25	➤ IEOC (75 %) - operator
	West Abu Ghardig			77	D	PSC	No	25	➤ IEOC (45 %) - operator ➤ Dana Petroleum (30 %)
	North Bahariya			135	D	PSC	No	20	➤ Sahara North Bahariya (50%) - operator & IPR (30%)
	East Yidma – Sidi Rahman			25	D	PSC	Yes	100	➤ -
ANGOLA	Block 3/05A	-	-	226	D	PSC	No	4	➤ Sonangol P&P (25%) - operator, China Sonangol (25%), AJOCO (20%), ENI (12%), Somoil (10%), NIS (4%); INA (4%)
	Block 3/05	5	1.1	99	D	PSC	No	4	➤ China Sonangol (25%), AJOCO (20%), ENI (12%), Somoil (10%), NIS (4%); INA (4%)

# CROATIA ONSHORE: WORK PROGRAM IN 2013 AND 2014



CAPEX  
(USD mn)

## Work Program

- Drilled 4+1 exploration wells: Caginec-1, Bunjani-1 South, Krunoslavlje-2 and Iva-2DU, Hrastilnica-4 drilling is in progress
- Čepelovac-1 North: well site preparation finished
- Fracturing campaign: Molve-23 and Zebanec-3 wells
- Realisation Projects: Gravimetric & Magnetometric R. Croatia and Geological study HGI – Continuation of Konavle (islands)
- Continued implementation of EOR project on Ivanić and Žutica fields
- Well workover operations (well equipment repair, matrix acidizing, hydraulic fracturing, gravel pack, etc.)
- Sustain type projects



## Croatia onshore

Owners	INA (100%)
Production (Mboepd)	25.3
SPE 2P Reserve *in 2013 (MMboe)	175

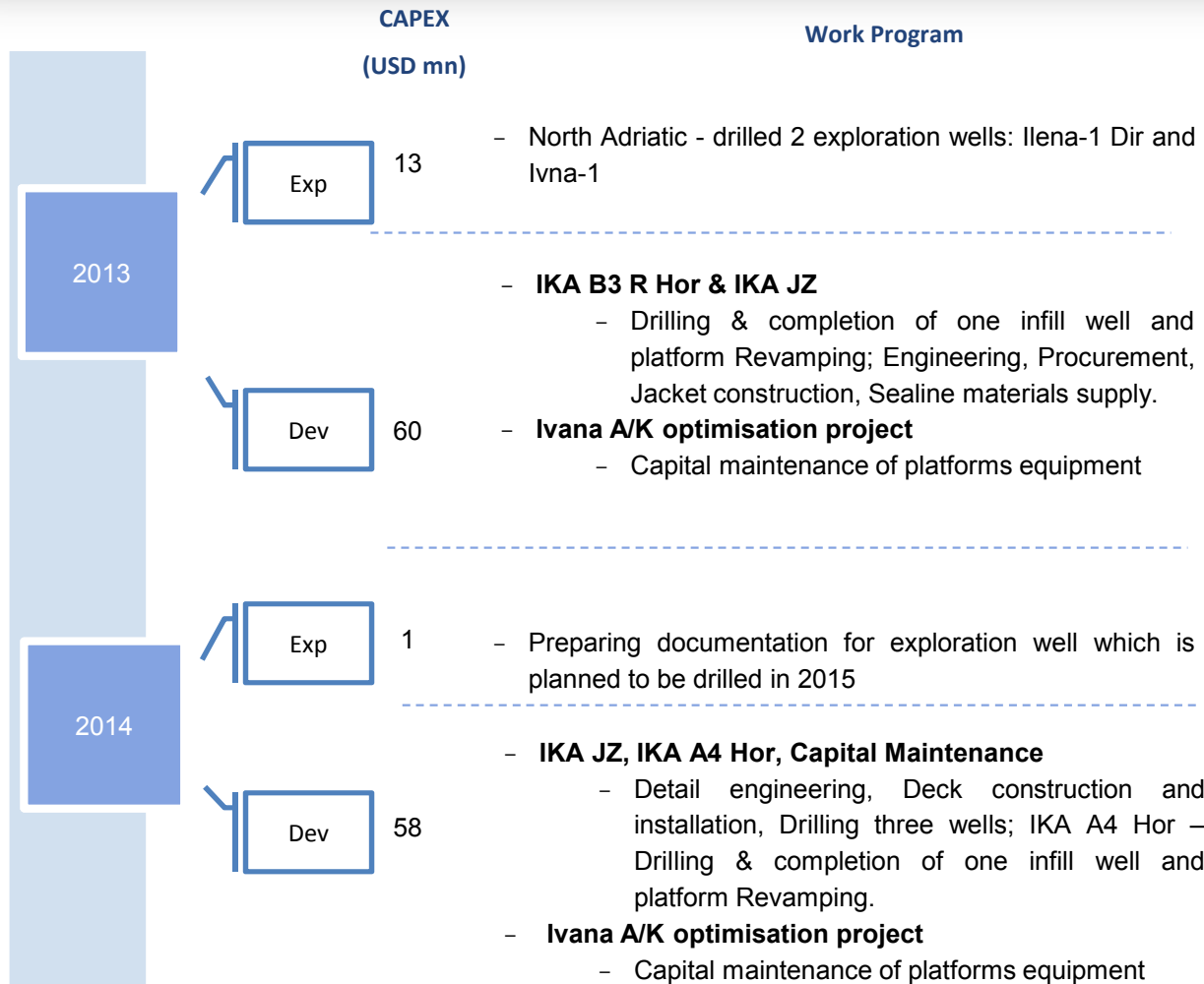
- Drilling 3 new wells: Čepelovac-1North, Hrastilnica-5 and Đeletovci-2West
- Unconventional exploration – continuation of fracturing activities: Iva-2Du and Peteranec-4
- Acquire seismic 3D Legrad
- Preparation projects: Geological study HGI - Continuation

- Drilling two development wells, Go-10 well on gas condensate field Gola deep and one injection well (Mačkovec-1R) in scope of Međimurje project
- Frac pack project on Privlaka and Stružec oil fields
- Continuing 4P program for increasing production and reserves on existing oil and gas fields
- Well workover operations (well equipment repair, matrix acidizing, hydraulic fracturing, gravel pack, etc.)
- Continued implementation of EOR project on Ivanić and Žutica fields and Međimurje project
- Sustain type of projects

\*reserve figures are preliminary, 2012 figures minus 2013 production



# CROATIA OFFSHORE: WORK PROGRAM IN 2013 AND 2014



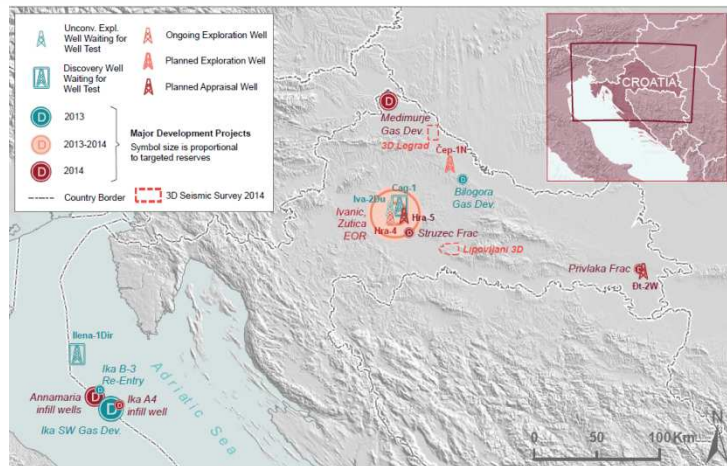
Croatia offshore	Ownership
Block Ivana	INA (50%), ENI (50%)
Block Aiza Laura	INA (50%), ENI (50%)
Block Izabela	INA (30%), Edison (70%)

Croatia offshore	TOTAL
SPE 2P Reserve* in 2013 (MMboe)	34
Production in 2013 (Mboepd)	11.9

\*reserve figures are preliminary, 2012 figures minus 2013 production

# CROATIA: BACK TO THE GROWTH PATH BY 2015

*with significant efforts in field development*



## PRODUCTION AND FIELD DEVELOPMENT

- Close to 60 producing fields
- Several ongoing development projects onshore and offshore to deliver 8-10 mbeopd new production volumes by 2017
- EOR project implementation on Ivanic and Zutica fields:
  - Close to USD 100 mn investments between 2012-2014
  - Increasing total production volume by 3.4 million tons of oil and 600 million cubic meters of gas in the following 2 decades (total: 30 MMboe)
- Medimurje project will bring to production three gas fields:
  - Total value of the project is around USD 65 million.
  - Recoverable hydrocarbon reserves are estimated to around one billion of cm (7 MMboe)

SPE 2P Reserves (MMboe)* - WI	209
Production 2013	37

## ➤ EXPLORATION

- Over 10 wells planned in the coming years just on existing licences
- Plan to regain the exploration licenses as 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 – further upside of up to 9 mbeopd in mid term

\*reserve figures are preliminary, 2012 figures minus 2013 production.

## **Egypt**

- INA holds interests in four hydrocarbon concessions in Western Desert of Egypt. INA is operator of the Sidi Rahman and Rizk Development Leases of the East Yidma Concession, while it has non-operator status in three other concessions (Ras Qattara, West Abu Gharadig and North Bahariya). Work program on East Yidma Concession is limited to drilling a side track borehole in the existing well Rizk East-1 with the aim to reach the reservoir in better structural position. Work program on North Bahariya Concession includes drilling of one development well in 2014, of which two wells in 2015 and two wells in 2016. Drilling campaign on Ras Qattara Concession includes three development wells and one water injection well in 2014, while drilling operations are not planned in 2015 and 2016. West Abu Gharadig Concession work program contains two development wells and one water injection well in 2014. The same work program is planned in 2015 and 2016.

## **Angola**

- In Angola INA is involved in development and production activities on two blocks: Block 3/05 and Block 3/05A. INA is a non - operating partner with a 4% working interest and various percentages of production sharing. On Block 3/05 main activities are focusing on workover activities, infill drilling Separators Package and Water Treatment Facilities upgrade (to be completed in 2015), On Block 3/05A the following main activities are to be executed in coming years: In Caco-Gazela development area of Block 3/05A one wellhead platform is to be constructed and tied-back to one of Block 3/05 existing platforms. One development well is to be drilled from an existing platform and first oil is expected in Q4 2014. Two more development wells are planned to be drilled from the newly constructed platform.

## **Syria**

- INA signed two PSAs in Syria and invested more than USD 1bn over the last 14 years. In 2011, the Hayan project in Syria reached the stage of full development, while continuing exploration work on the Block Aphia resulted in two exploration wells. In 2012, complying with the domestic and international restrictive measures, INA was not able to continue performing its regular business operations and activities in Syria due to reasons which are beyond the control of the company. On February 26, 2012 INA delivered the “Force Majeure” notice to the General Petroleum Company of Syria related to the Production Sharing Agreement for the Hayan Block signed in 1998 and Production Sharing Agreement for the Aphia Block signed in 2004. Announcing the “Force Majeure” doesn’t mean termination of the agreement and the simultaneous exit from the project. INA maintains its economic interest with an aim of continuation of the Agreement execution after ceasing of the circumstances that have led to “Force Majeure”.