Results and activities in 2014

Zagreb
February, 2015

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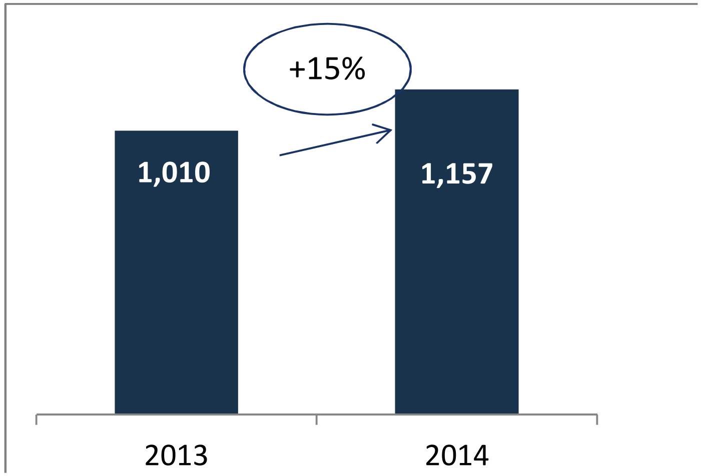
CCS Operating profit excl. special items increased by 15%

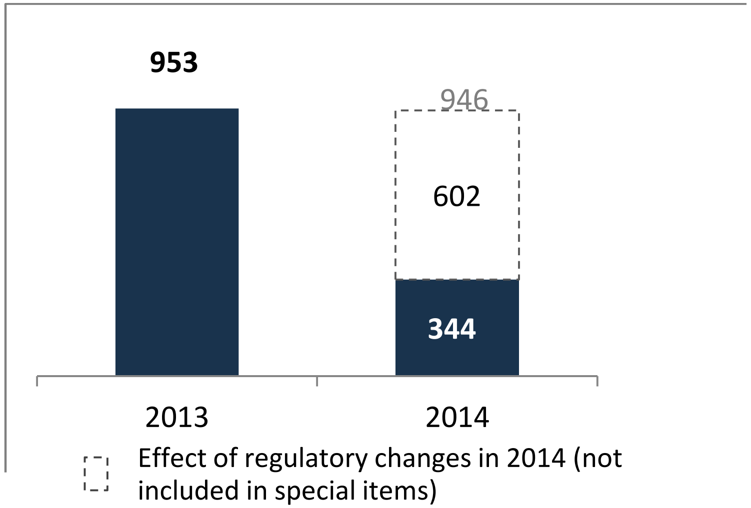
CCS operating profit excl. special items

HRK mn



Total net profit of INA Group excl. special items

HRK mn

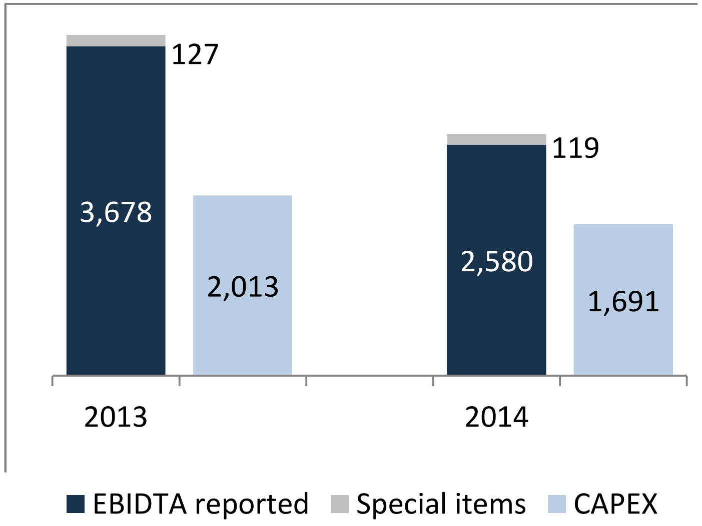


Key drivers

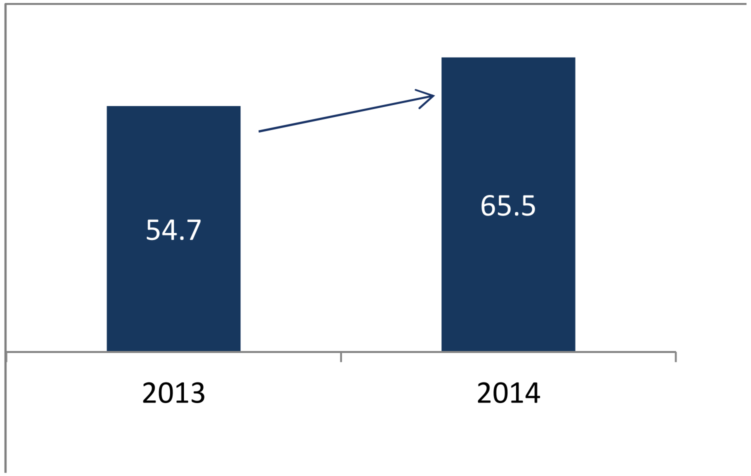
- **Regulatory changes influenced further annual result –** more than HRK 750 million on Upstream
- **Further impairment of Syrian assets** taking the investment value to a fraction of the original value, concluded as unavoidable in discussion with management and auditors, due to the fact that political and security situation in Syria has become even more complex and INA's potential return to operations could take a longer time
- **Group´s financial position improved** as gearing level decreased from 27% in 2013 to 20%
- Decreasing realized hydrocarbon prices by 17%, with a drastic drop of Brent quotations especially in Q4 2014, falling from 95 at the beginning of October to 55 USD/bbl by year-end
- Oil production increase by 5% first time in a decade
- Deteriorated downstream market environment with 5% lower average crack spread

Level of investments strong despite EBITDA fall

INA Group EBITDA
(HRK mn)



Reinvestment ratio
(CAPEX/EBITDA, %)

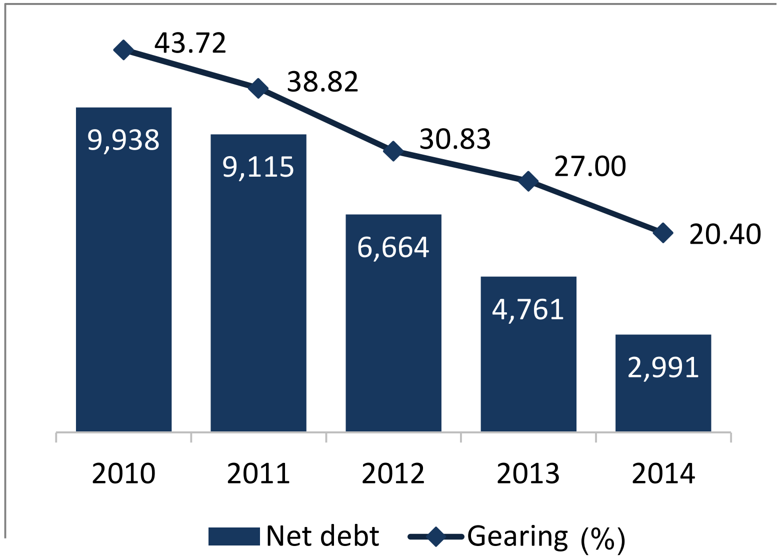


Key messages

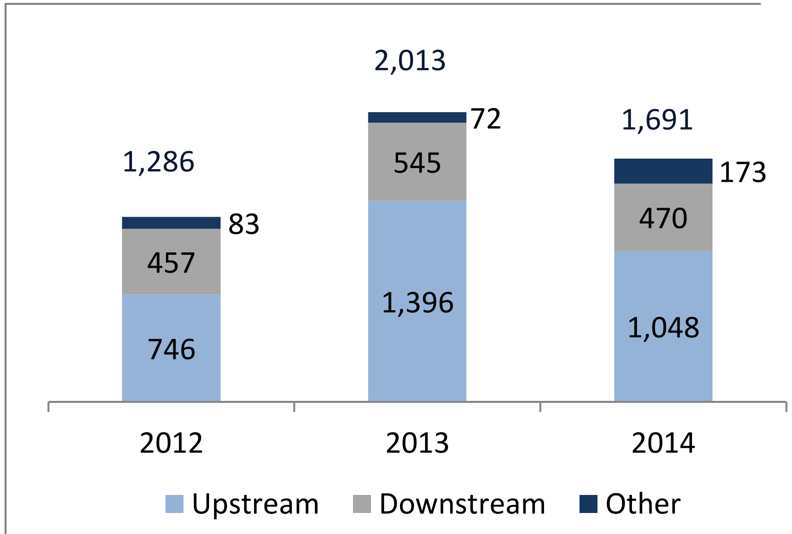
- While our **EBITDA decreased by 30%** in such adverse environment, **we kept our investments** at the level of HRK 1.7 billion, higher than the average of the last two years. (*CAPEX distribution see on the next slide*)
- Reinvestment ratio increased from 54.7% to 65.5%
- Retrospective additional charges on refinery technological losses of total HRK 325 mn levied (in 2014 results HRK 119 mn affecting EBITDA as special item), deteriorating INA's downstream competitiveness and the climate for refinery production-related investments

Further improvement of financial position while realizing robust investments

Net indebtedness and gearing
(HRK mn and %, respectively)



Investments distribution
(HRK mn)



- **INA Group net indebtedness decreased by 37% compare to the same period last year**
- **Gearing ratio reduced further to 20.4% following the trend in the last five years**
- **Majority of CAPEX invested in Croatia, mainly in the Upstream segment**

Upstream
- Lower offshore development
- Lower development activities in Angola and Egypt

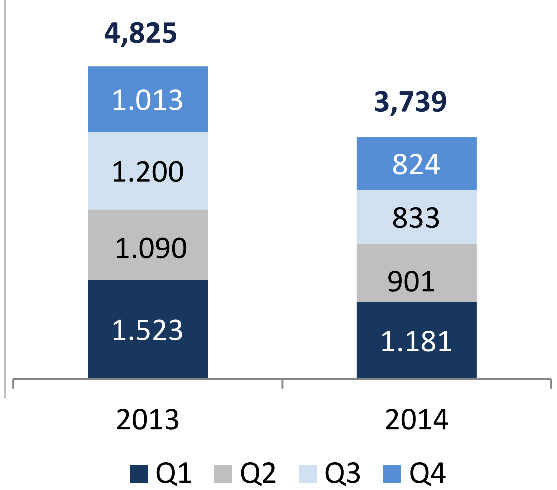
Downstream
- Installation of new coke chambers in Sisak refinery finished in Q4 2014
- Retail CAPEX lower due to achieved savings in contracting

Financials at a closer look

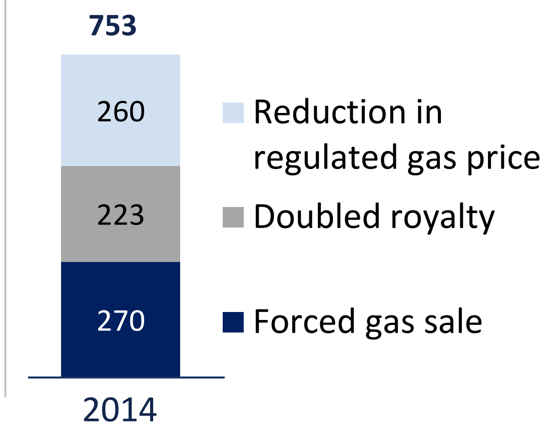
HRK mln	2013	2014	2014/ 2013 %	Q4 2014
Net sales revenues	27,444	23,759	(13)	4,895
EBITDA	3,678	2,580	(30)	200
EBITDA excl. special items	**3,805**	**2,699**	**(29)**	**320**
CCS EBITDA excl. special items	**3,983**	**3,329**	**(16)**	**741**
Operating profit	(1,553)	(1,712)	10	(2,756)
Operating profit excl. special items	**816**	**523**	**(36)**	**(520)**
CCS Operating profit excl. special items	**1,010**	**1,157**	**15**	**(104)**
Net profit/loss	(1,508)	(1,897)	26	(2,480)
Net profit/loss for the period excl. special items	**953**	**344**	**(64)**	**(239)**
Operating cash flow	4,528	3,859	(15)	1,837
Net gearing	27	20.4	-	20.4
CAPEX	2,013	1,691	(16)	595

2014 Business Highlights – Exploration & Production

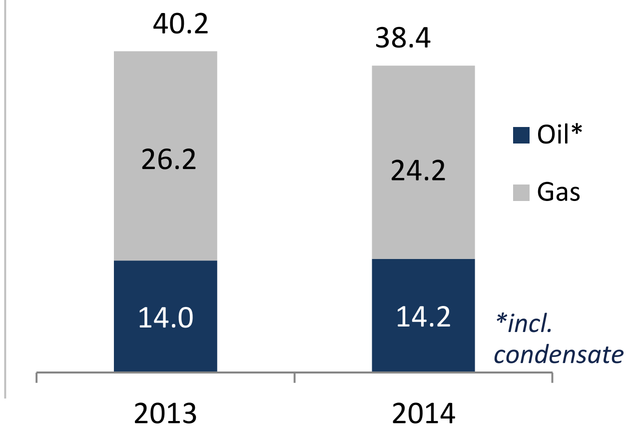
EBITDA
(HRK mn)



Effect of regulatory changes
(HRK mn)



Total hydrocarbon production
(Mboe/d)



Key messages:

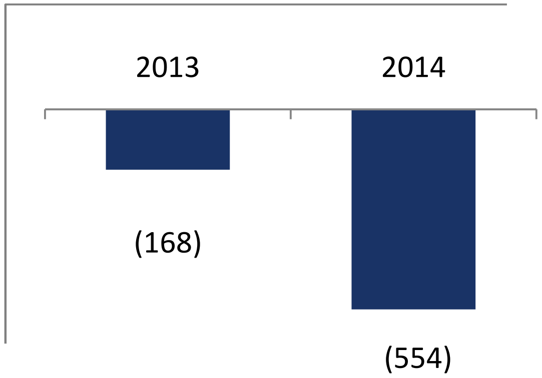
Crude oil production increase by 5% with the majority of growth coming from domestic fields

Natural gas production lower due to 1) Natural decline was somewhat compensated by start up of production on Izabela field; 2) Complex and longer annual overhaul on main facilities GTP Molve and Ethane plant; 3) Larger Eni's share mainly due to restitution on Annamaria field

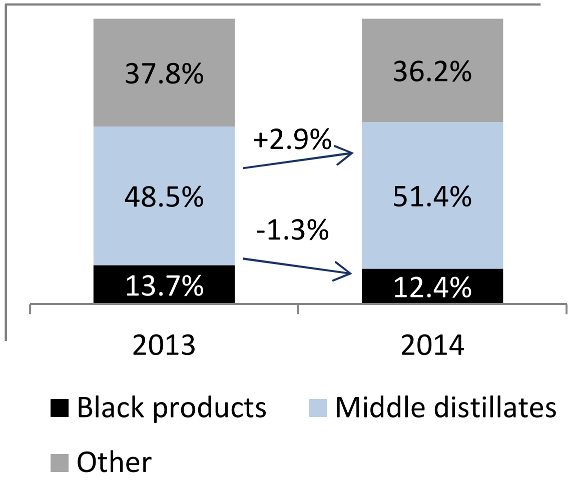
EBITDA amounted to HRK 3,739 mn, 23% lower compared to same period last year due to lower average realized hydrocarbon price (lower by 17% compared to 2013) and lower hydrocarbon production (by 4% compared to 2013)

2014 Business Highlights – Refining & Marketing (incl. Retail)

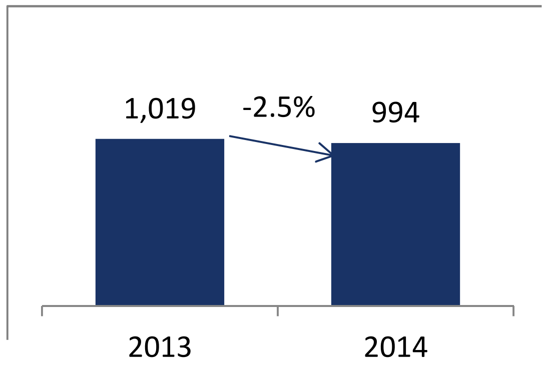
CCS EBITDA excl. sp. items
(HRK mn)



Wholesale sales structure



Retail segment sales
(kt)



Key drivers

R&M segment's 'clean' CCS-based* EBITDA amounted to HRK (554) million which is HRK 386 mln below the same period last year, impacted by:

Positive drivers:

(1) Improved sales structure: 2.9% higher middle distillates while 1.3% lower fuel oil share
(2) Improved operating performance in retail
(3) Compensating lower domestic demand by stabilizing sales to Bosnia and Herzegovina and increased sales to other markets

Negative drivers:

(1) 5% lower average crack spreads
(2) Declining demand and resulting lower sales due to economic recession and higher prices during most of the year
(3) Higher share of own consumption and losses (12.7% in 2014 vs 11.7% in 2013)
(4) Taxes on refinery technological losses *(not counted in CCS clean results)*

* *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.*

Special items

	2013	2014
INA GROUP		
Total impact of special items on net profit/(loss)	**(2,461)**	**(2,441)**
Total impact of special items on operating profit/(loss)	**(2,369)**	**(2,235)**
Total impact of special items on EBITDA	**(127)**	**(119)**
Exploration & Production		
Total impact of special items on operating profit/(loss)	**(1,504)**	**(1,604)**
Total impact of special items on EBITDA	**-**	**-**
Write-off – Aphamia	(215)	-
Impairment of assets – Syria	(1,289)	(1,562)
Impairment of assets under construction	-	-
Provisions for incentives	-	(42)
Refining & Marketing including Retail		
Total impact of special items on operating profit/(loss)	**(865)**	**(564)**
Total impact of special items on EBITDA	**(127)**	**(119)**
Impairment of assets	(738)	(395)
Refinery - tax case*	(127)	(119)
Provisions for incentives	-	(50)
Corporate functions		
Total impact of special items on operating profit/(loss)	**-**	**(67)**
Total impact of special items on EBITDA	**-**	**-**
Impairment of assets - Syria	-	(34)
Provisions for incentives	-	(33)
Impacts on financial result and income tax		
Finance expenses*	-	(106)
Income tax*	(92)	(100)

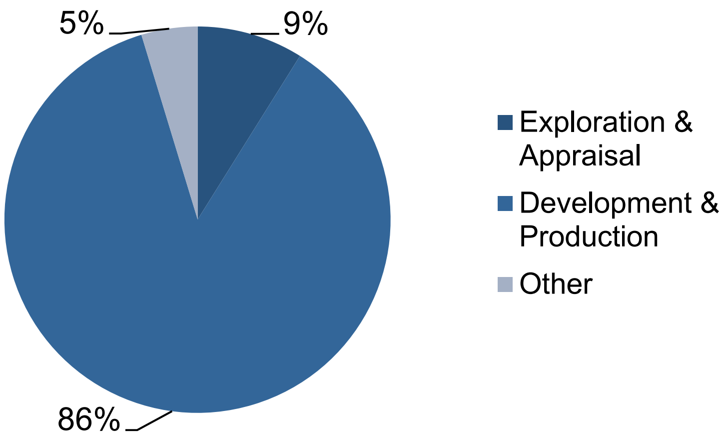
*Total impact of refinery tax case amounts to HRK 325 mln in 2014 (HRK 219 mln in 2013)

EXPLORATION & PRODUCTION

Activities summary

KEY FIGURES OF 2014 E&P ACTIVITIES

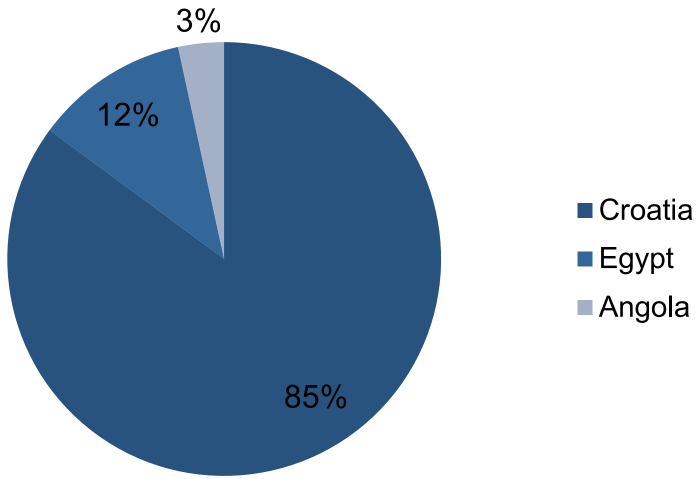
CAPEX distribution by investment categories



CAPEX distribution by activities and countries

HRK mn	2014			
Country	Exploration & Appraisal	Development & Production	Other	Total
Croatia	97.2	752.1	49.7	899
Egypt	-3.9	117.3		113
Angola		36.0		36
Total	**93.4**	**905.4**	**49.7**	**1,048**

Geographical CAPEX distribution



Summary of tested wells in 2014

Country	Croatia	Egypt	Total
Wells tested	**8**	**17**	**25**
o/w exploration/appraisal wells	**3**	**1**	**4**
oil and gas producer			
oil producer	2	1	**3**
natural gas producer			
dry/non-commercial	**1**		**1**
suspended			
o/w development wells	**5**	**16**	**21**
oil producer		15	**15**
natural gas producer	**5**		**5**
dry/non-commercial			
Injection		1	**1**

SUMMARY OF TESTED WELLS IN 2014

Country	Block	Exploration & Appraisal wells	Progress	Comment / Test result	Paying / participating interest %
CROATIA	Onshore	Hrastilnica - 4	Tested, successful	Spud in was on November 27th 2013. Drilling finalized on the February 3rd 2014, TD at 2600 m. Well test started on April 22nd and finished on June 18th. Well testing of main Iva sandstone reservoir (Gamma C series) is finished. Testing of interval 2060,5 – 2032,5 m: Ø6,3mm Qoil=50,55 m3/day, Qgas=2900 m3/day, Ø 12,7mm acquired Qoil = 78,650m3/day, Qoil= 6420m3/day.	100%
	Onshore	Čepelovac North - 1	Declared unsuccessful without well test	Drilling finalized on the October 16th 2014, TD @ 2364 m. According to the analysis of all collected data and analysis of logging data water saturation up to 80%, installation of cement plugs for liquidation was performed without well test. Location restoration is in progress.	100%
	Onshore	Iva-2 Du	Tested, results evaluation to follow	Well was drilled (spud in on August 10th 2013, drilling finished on October 30th 2013). Total depth 2883m. Unconventional layer. The second phase of fracturing campaign started on September 29th. Frack operations conducted successfully, cleaning of well is finished. Results evaluation to follow.	100%
	Onshore	Hrastilnica - 5	Drilling	Spud in was on November 7th 2014. TD 2122m. Based on drilling results, drilling of deviated well Hra-5α in progress on Dec 31st 2014 (1854m MD).	100%
EGYPT	North Bahariya	Rawda Centra - 1	Tested, successful	Spud in on April 10, 2014. The well was drilled to TD of (3338 m) 10,950 ft and rig was released on June 3, 2014. Four intervals were fractured and tested and the well was put in production on August 7, 2014 as oil producer.	20%

OVERVIEW OF DEVELOPMENT PROGRAM IN 2015

Country	Block	First oil	Peak production	No. of producing wells	Type and quality	Program target in 2015
CROATIA	Onshore, several	1941	1988	645	Oil (31-38 API), gas	Drilling 4 new wells. Finish deviated well Hra-5 Testing of 2 wells: Kloštar-8 and Zebanec-3 Acquire 1 seismic 3D Legrad.Preparation projects: Geological study HGI - Continuation
	Offshore, North Adriatic	1999	2010	33	Gas	North Adriatic – Reinterpretation of the area (in-house study) to evaluate validity of the future exploration program
	Offshore, Aiza Laura	2004	2007	6	Gas	
	Offshore - Izabela	2014	n.a.	5	Gas	
EGYPT	Ras Qattara	1994	2007	57	Oil (Zarif field 28.9 API & Faras field 35 API)	Egypt 2015 work programme includes drilling of 10 development wells solely on the North Bahariya Concession.
	West Abu Gharadig	1996	2007	42	Oil (35 API)	
	North Bahariya	2004	2014	41	Oil (41.29 API)	
	Sidi Rahman+Rizk	2006 Sidi Rahman: 2012 Rizk	2014	5	Crude (42 API)	
ANGOLA	Block 3/05	2005	2012	51	Oil (36.79 API) (0.18% Sulphur)	BUF-113 infill well drilling and Palanca field workovers (Pulling/Snubbing 4 Wells). Work will continue on the Separators Package and Water Treatment Facilities upgrade (to be completed in 2017).
	Block 3/05A	Q1 2015 (Caco-Gazela	n.a.	0	n.a.	Development well Gazela-101/Gazela-101 ST-1 is to be completed and production is to be started in Q1 2015. During 2015, the Contractor Group should make the Final Investment Decisions about further development of Block's Caco-Gazela and Punja development areas.

UPSTREAM PORTFOLIO OVERVIEW

Croatian onshore

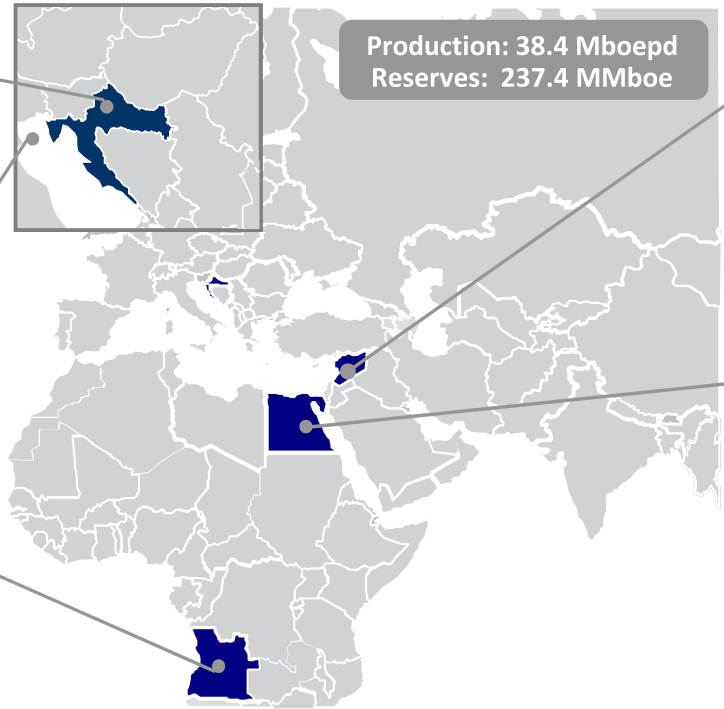
several fields
Reserves: 167.7 MMboe
Production: 24.1 mboepd

North Adriatic

North Adriatic
Aiza Laura
Izabela
Reserves: 27.2 MMboe
Production: 11.1 mboepd

Angola

3/05 Block,
3/05A Block
Reserves: 3.2 MMboe
Production: 1.2 mboepd



Syria

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

Egypt

Ras Qattara,
West Abu Gharadig,
North Bahariya,
Sidi Rahman
Total reserves: 3.4 MMboe
Total production: 2.0 mboepd

Note: SPE 2P reserves.

MAIN DATA OF BLOCKS

Country	Block	Reserves Mmboe	Production Mboepd	Acreage in sqkm	Phase	Contract type	Operator	Diluted share %	Partner
CROATIA	Onshore - several	167.7	24.1	11, 930	E / D	C	Yes	100	-
	Offshore – North Adriatic	27.2	11.1	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	35.8	n.a.	645	D	PSC	Yes	100	-
	Aphamia			2,285	E	PSC	Yes	100	-
EGYPT	Ras Qattara	3.4	2.0	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	3.2	1.2	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			99	D	PSC	No	4	China Sonangol (25%), AJOCO (20%), ENI (12%), Somoil (10%), NIS (4%); INA (4%)

CROATIA ONSHORE: WORK PROGRAM IN 2014 AND 2015

		CAPEX (HRK mn)	Work Program
2014	Exp	96.3	• Drilled 2 exploration wells: Hrastilnica-4 (successful), Čepelovac-1 North (unsuccessful). Hrastilica-5 drilled by the end of year and drilling of deviated well Hra-5 will continue. • Unconventional – continuation of fracturing activities; second phase of fracturing campaign performed successfully on 3 wells: Iva-2DU, Peteranec-4 and Žutica-249 Du
2014	Dev	472.1	• Drilled Go-10 well on Gola deep gas condensate field, • Pilot project Frac pack on Privlaka and Stružec oil fields • 4P programme for increasing production and reserves on existing oil and gas fields • Well workover operations • Continued implementation of EOR project on Ivanić and Žutica fields • Continued activities on Međimurje project Construction works are in progress on Zebanec , Vuckovec and Vukanovec field • Resolving property rights for the Gas pipeline (73 km) between Node Međimurje and GTP Molve.
2015	Exp	173.5	• Drilling 4 new wells: Bunjani-2 South, Hrastilnica-6, Đeletovci-2 West and Zebanec-1 West (unconventional). Finish deviated well Hra-5 • Testing of 2 wells: Kloštar-8 and Zebanec-3 • Acquire 1 seismic 3D Legrad • Preparation projects: Geological study HGI - Continuation
2015	Dev	701.5	• 3D seismic acquisition on the area of Jamarice, Kozarice and Lipovljani fields • Continued drilling of Go-10 well on the Gola deep gas condensate field; • Continuing 4P programme for increasing production and reserves on existing oil and gas fields • Well workover operations • EOR: Injection of CO2 on the oilfield Ivanić. Solving property rights with Croatian Republic and obtaining permits for trial CO2 injection on Žutica north oilfield. Possible start of CO2 injection on Žutica north in Q3/Q4 2015 • Međimurje: Continuation of construction works on Vučkovec, Vukanovec and Zebanec fields, CGS Mihovljan. Start construction works on Gas pipeline route

Croatia onshore	
Owners	INA (100%)
Production (Mboepd)	24.1
SPE 2P Reserve in 2014 (MMboe)	167.7

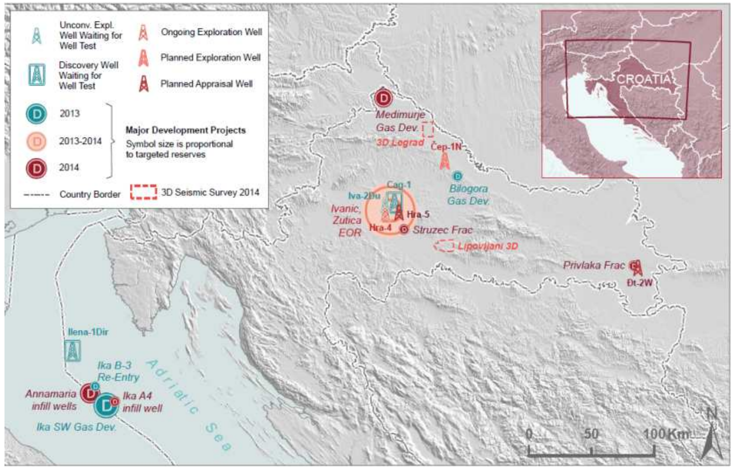
CROATIA OFFSHORE: WORK PROGRAM IN 2014 AND 2015

Year	Type	CAPEX (HRK mn)	Work Program
2014	Exp	0.9	• North Adriatic – Post well results of Ilena-1 Dir, Ivna-1Dir & IKA B, Reinterpretation of the area performed to check the validity of the next exploration well proposal
	Dev	280.0	• Ika JZ project – 4 wells were drilled and completed, gas test production started on the 27 November 2014. • Ika B platform revamping works were completed in 1Q 2014. • Ika A-4 HOR development well drilled, production completion finished and well connected to existing gathering system. • Ivana A/K optimisation project - Contract award finished and detailed engineering of the process skid is ongoing. Preparation of Main Construction Project for issuing Construction Permit is in progress. • Gas production from Izabela field started on the 2 July 2014.
2015	Exp	0	• North Adriatic-Reinterpretation of the area (in-house study) to evaluate validity of the future exploration program
	Dev	140.8	• Ika, Annamaria, Marica and Ivana fields Capital Maintenance • Ivana A/K optimisation – process skid, booster unit installation.

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 2014 (MMboe)	27.2
Production in 2014 (Mboepd)	11.1

CROATIA: SUSTAINABILITY INVESTMENTS IN 2015



SPE 2P Reserves (MMboe) - WI	194.9
Production 2014 Mboepd	35

PRODUCTION AND FIELD DEVELOPMENT

- Close to 60 producing fields
- Several ongoing development projects onshore and offshore
  - Finalisation of the first phase of major EOR project on Ivanić field and start of CO2 injection in Žutica fields
- INA plans to conduct numerous well workovers and hydraulic fracturing works on mature onshore fields
- INA's firm goal is to stop natural decline and put the Croatian production on the growing trend from 2015

EXPLORATION

- INA plans to drill 4 new exploration wells

OTHER COUNTRIES

Egypt

- INA holds interests in four hydrocarbon concessions in Western Desert of Egypt. INA is the operator of the Sidi Rahman and Rizk Development Leases of the East Yidma Concession, while it has a non-operator status in three other concessions (Ras Qattara, West Abu Gharadig and North Bahariya). In 2014, on Ras Qattara and West Abu Gharadig two and four development wells were drilled, respectively. In the same year INA drilled a side track borehole in the Rizk East-1 well on East Yidma concession. North Bahariya 2014 work programme included drilling of one development well while actually eight wells were drilled. In addition, two wells that were drilled in Q4 2013 were put in production by beginning of 2014. Egypt 2015 work programme includes drilling of 10 development wells solely on the North Bahariya Concession.

Angola

- INA entered Angola in 1981 by becoming a party to the Block 3 PSA with a 5% participating interest. Block 3 was one of the biggest oil discoveries in the early 1980s and it included three contract areas: Block 3/80 (6 fields), Block 3/85 (2 fields) and Block 3/91 (1 field) at sea depths in the range from 40 to 105 m. Production in this area started in 1985, peaked in 1998, and currently is in decline. As production licenses on Block 3/80 expired in 2001, INA and other partners accepted National Concessionaire's offer to continue production under a new contract as Block 3/05 and in the remaining area of Block 3 exploration activities continued under contract for Block 3/05A. Blocks 3/85 and 3/91 were operated by Total E&P Angola, S.A. until operatorship was transferred on 31 December, 2010 to Sonangol Pesquisa & Producao S.A. INA´s participating interest in Blocks 3/05 and 3/05A is 4%.

- <u>BLOCK 3/05</u>

A wide well interventions programme was executed on Block 3/05 in 2014 the main items being: Perforations (3 wells); Water shut-offs (3 wells); Well Stimulation (4 wells) and Flowline/Tubing acid washing (37 wells). Work also continued on surface facilities maintenance and upgrade programmes. Main items of the 2015 work programme are BUF-113 infill well drilling and Palanca field workovers (Pulling/Snubbing 4 Wells). Work will continue on the Separators Package and Water Treatment Facilities upgrade (to be completed in 2017).

- <u>BLOCK 3/05A</u>

Development well Gazela-101 was spudded on 28th July and drilled to the revised TD of 4,488 m (MD) on 18 December, 2014. Two runs of open hole well logging were performed until 31 December, 2014. Development well Gazela-101/Gazela-101 ST-1 is to be completed and production is to be started in Q1 2015, followed by post-drilling studies. During 2015, the Contractor Group should make the Final Investment Decisions about further development of Block's Caco-Gazela and Punja development areas.