



INA Group - Results and activities in 2016

Zagreb, February 2017

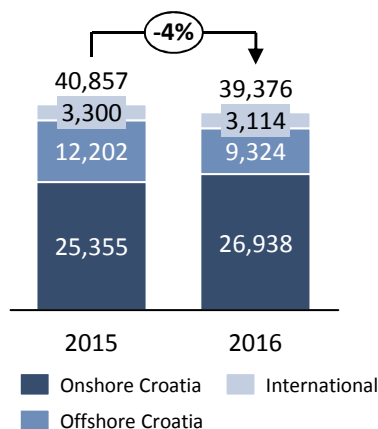


UPSTREAM: HIGHER ONSHORE OIL PRODUCTION BY 12% TO OFFSET OIL PRICE DECLINE

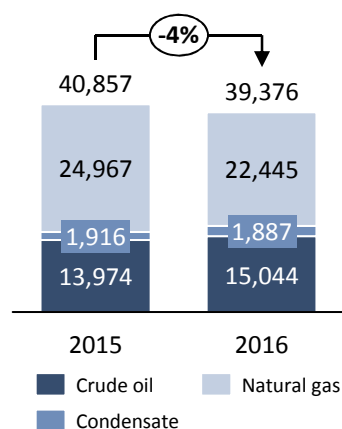


Volumetrics and financials

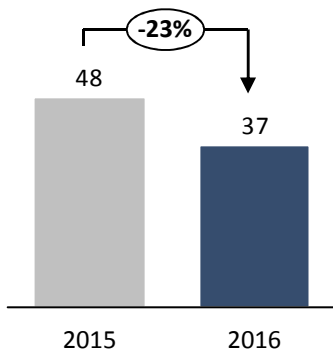
Daily production by region (boepd)



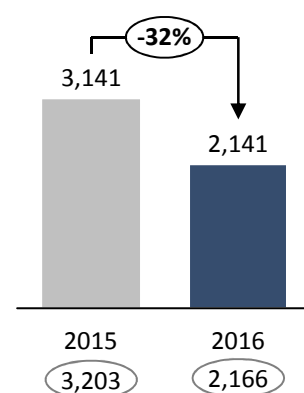
Daily production by product (boepd)



Average realized HC price (USD/boe)



Reported EBITDA (HRK mn)



○ Excluding special items (HRK mn)

mboepd = 000 boe per day
boe = barrel oil equivalent

Key messages

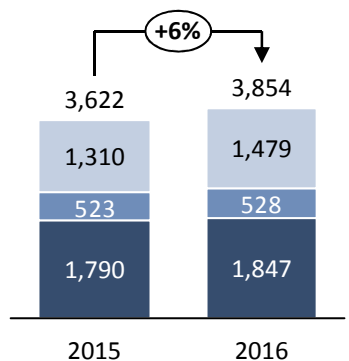
- + Domestic oil production increase of 12% on the back of workovers and production from new wells
- + Onshore gas increase driven by workovers and new fields Vučkovec, Zebanec and Stružec
- Decrease in offshore gas production of 24%; due to natural decline
- 23% lower total realized hydrocarbon price with gas prices falling sharper than oil
- EBITDA decreased mainly as a result of 17% lower Brent price compared to 2015
- Operating profit affected by lower revenues and difficulty in collecting Egyptian receivables – HRK (82) million impairment

DOWNSTREAM: HIGHER PROCESSING AND SALES

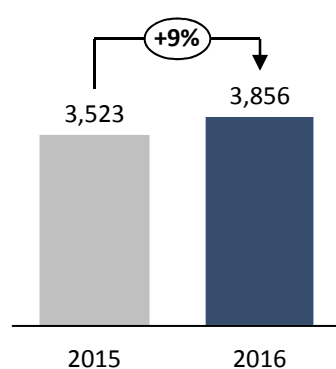


Volumetrics and financials

Sales by regions (kt)



Processing (kt)



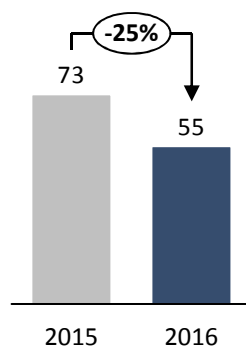
■ Croatia ■ BiH ■ Other

75%

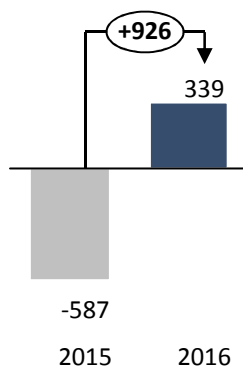
74%

○ White product yield (%)

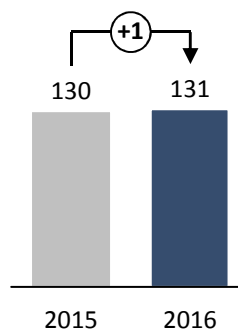
Average crack spreads (USD/t)



Reported EBITDA (HRK mn)



CCS EBITDA (HRK mn)



○ Excluding special items (HRK mn)

-422

558

295

350

Key messages

- + CCS EBITDA excl. sp. Items improved by 19%, to HRK 350 million, but FCF still not positive
- + Energopetrol consolidated in Retail operations with 56 retail sites
- + 3 years in a row market grow in product sales followed by increase in refinery processing
- + Continuous expansion of retail goods and increase of non-fuel revenue
- + Continued improvement in operating efficiency

Need for a revised operational model of INA's refining business

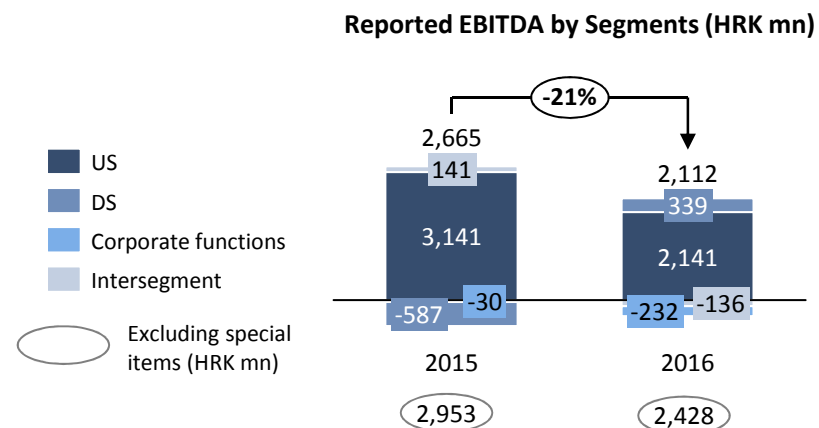
Following increased public interest for refinery profitability:

- The financial effect of Sisak Refinery on operating result level amounts to HRK (264) million loss in 2016 and HRK (351) million loss in previous year
- In 2016, Sisak Refinery generated negative free cash flow of HRK (194) million, compared to HRK (255) million in 2015

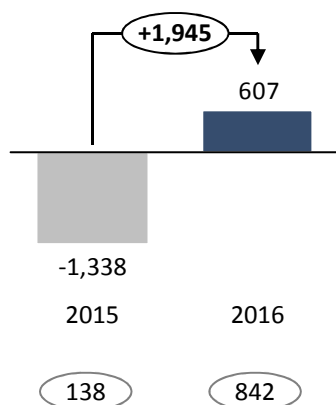
INA GROUP: POSITIVE NET RESULT DESPITE TOUGHER ENVIRONMENT



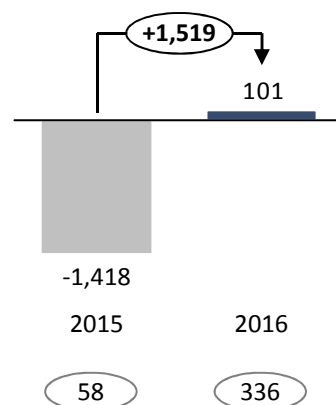
Financial indicators



Operating profit (HRK mn)



Net profit (HRK mn)



Key messages

- + Net profit positive in the amount of HRK 101 million, compared to HRK (1,418) loss in 2015
- + First year without significant impairments in more than 5 years
- EBITDA on INA Group level lower by 21% as a result of lower Upstream and CROSCO contribution
- + Program for adjustment to low oil prices launched and executed

EXPLORATION & PRODUCTION

Activities summary

MAIN DATA OF BLOCKS



Country	Block	Reserves Mmboe	Production Mboepd	Acreege in sqkm	Phase	Contract type	Operator	Diluted share %	Partner
CROATIA	Onshore - several	146.4	26.9	11,930	E / D	C	Yes	➤ 100	➤ -
	Offshore – North Adriatic			1,665	E / D	PSC	No	➤ 50	➤ ENI 50%
	Offshore – Aiza Laura	9.9	9.3	22	E / D	PSC	No	➤ 50	➤ ENI 50%
	Offshore – Izabela			345	D	PSC	No	➤ 30	➤ EDISON 70 %
SYRIA (Force majeure declared)	Hayan			645	D	PSA	Yes	➤ 100	➤ -
	Aphamia	35.9	n.a.	2,285	E	PSA	Yes	➤ 100	➤ -
EGYPT	Ras Qattara			247	D	PSA	No	➤ 25	➤ IEOC (75 %) - operator
	West Abu Ghardig	2.5	2.1	77	D	PSA	No	➤ 25	➤ IEOC (45 %) - operator ➤ Dana Petroleum (30 %)
	North Bahariya			117	D	PSA	No	➤ 20	➤ Sahara North Bahariya (50%) - operator & IPR (30%)
	East Yidma – Sidi Rahman			25	D	PSA	Yes	➤ 100	
ANGOLA	Block 3/05A	3.3	1.1	226	D	PSA	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	PSA	No	➤ 4	➤ China Sonangol (25%), AJOCO (20%), ENI (12%), Somoil (10%), NIS (4%); INA (4%)

Work programs of major projects (2016 / 2017)

- 62 well workovers were completed in 2016, bringing an average of ~1.6 mboepd annualized incremental volume on a full year basis. Offshore production dropped sharply in 2016 due to natural decline and water cuts but it was partially offset by WWOs and regular maintenance
- Two projects were started as part of the Full Field Optimization (FFO) concept, which aims to fully utilize the resource potential by optimization of the entire production system of each fields
- The production optimization program will be carried on in 2017 with a well stimulation campaign, and continuing the well workover campaign, focusing on the FFO concept
- The EOR project on Ivanić and Žutica fields continued throughout 2016 and brought 0.3 mboepd incremental production on an annual basis
- In the framework of Međimurje project, first gas achieved on Vučkovec and Zebanec, adding 0.8 mboepd annualized incremental production in 2016, while the third field is expected to come on stream in 2017
- INA was awarded a new onshore exploration concession (Drava-02) at the Pannon Bid round, and PSA has been signed. The exploration program will start in 2017 with drilling of two wells
- Expected 2017 CAPEX is around USD 112 mn

Schedule for exploration and appraisal wells in 2017

Country	Block	G&G/Well name	2017			
			Q1	Q2	Q3	Q4
Croatia - Onshore	Drava-02	Mala Jasenovača-1.			Well drilling	
	Drava-02	Severovci-1				Well testing

	Well drilling
	Well testing

CROATIA : WORK PROGRAM IN 2016 AND 2017



Year	Type	Work programme
2016	Exploration	PSA regarding to Drava-02 exploration concession has been signed
	Development	Međimurje project was put into production, as first gas achieved on Vučkovec (July) and Zebanec (August), respectively, adding 0.8 mboepd incremental production in 2016
		35 wells were completed in the frame of General Workover project bringing an average 1.6 mboepd annualized increment on a full year basis
	Production	16 wells were completed in the frame of workover projects Jamarice and Lipovljani fields. Further 11 workovers were delivered on Kloštar field
		Within EOR project CO2 was being injected on Ivanić field into 8 wells and on Žutica North into 3 wells. 0.3 mboepd incremental production was achieved on an annual basis. Relining was performed on 16 wells

CROATIA : WORK PROGRAM IN 2016 AND 2017



Year	Type	Work programme
2017	Exploration	Within Drava-02 concession two committed exploration wells for 2017 will be drilled, Severovci-1 and Mala Jasenovača-1
	Development	Kozarice-42 development well will be drilled and tested
		3D development seismic survey on the fields of Bokšić-Klokočevci (154 km ²) and Letičani-Šandrovac- Bilogora (200 km ²) are planned for 2017
	Completion of Vukanovec development program and bringing into production third field of Medimurje is targeted for 2017	
Production	<p>Within the well stimulation campaign 21 well stimulations are planned on 9 onshore oil and gas fields</p> <p>Full Field Optimization (FFO) concept is aiming to fully utilize the potential of onshore fields by optimizing the entire production system. The project will implement Linear Rod Pumps on the wells, which is a new artificial lift technology</p>	

EGYPT

INA is involved in exploration and production activities in Egypt since 1989. Currently INA holds interest as a non-operator with several partners on 3 concessions in the Western Desert of Egypt (Ras Qattara, West Abu Gharadig and North Bahariya) and has East Yidma concession as operator.

In 2016 2 wells were drilled on North Bahariya and regular maintenance activities were performed across all concessions. 2017 work program includes well workovers and surface facility maintenance. On North Bahariya 5 new producers and 1 injector well are planned to be drilled in 2017.

ANGOLA

INA entered Angola in 1981. Currently INA has 4% interest in two blocks as non-operator with several partners. (3/05 and 3/05A).

In 2016 facility maintenance and well workovers were completed across Block 3/05. The 2017 work program includes surface system upgrades, maintenance and well interventions.

In 2016 engineering activities were performed and studies were prepared in Block 3/05A, related to the forthcoming Final Investment Decision about further development of Block's Caco-Gazela and Punja Development areas. 2017 work program includes Gazela-101 post-drilling studies preparation and Punja wells engineering.

SYRIA

INA announced "force majeure" in February 2012, in line with EU/UN sanctions, and temporarily suspended all its business activities in Syria until the "force majeure" circumstances cease to exist.