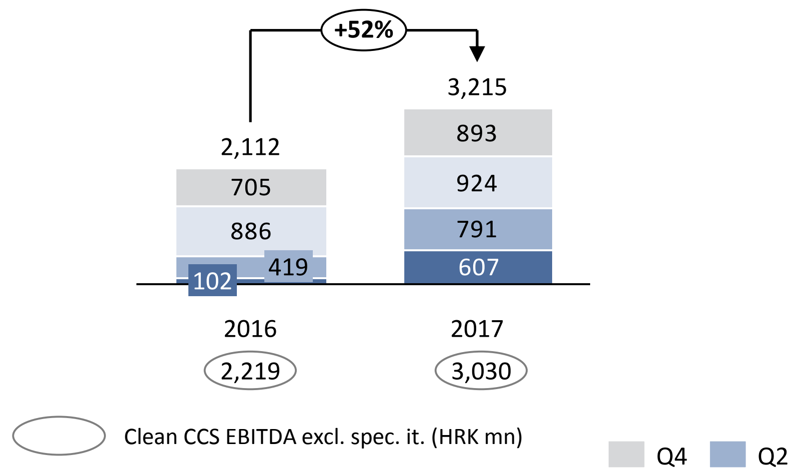
INA Group - Results and activities in 2017

Zagreb, February 2018

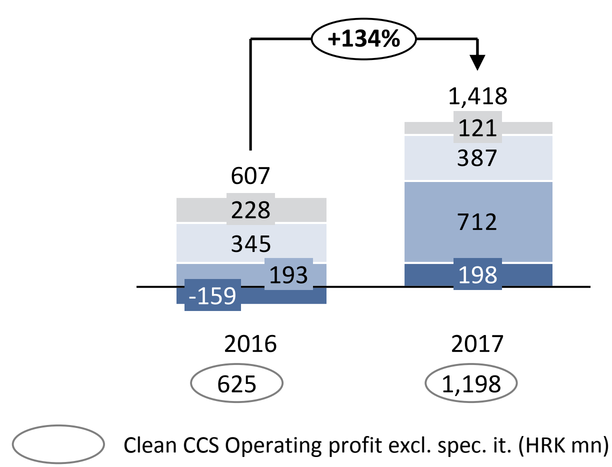
INA GROUP: HIGHER EBITDA REFLECTS IMPROVED PRICE ENVIRONMENT AND INTERNAL EFFICIENCY IMPROVEMENTS

Financial indicators

Reported EBITDA (HRK mn)



Operating profit (HRK mn)



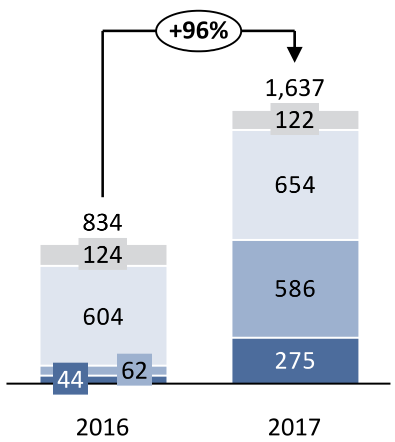
Key messages

- Improved results across all business segments
- One-off items in 2017 amounted to HRK 40 million net in total on operating profit level, related to reversal of provision in Angola, CROSCO asset impairment and Environment related provision

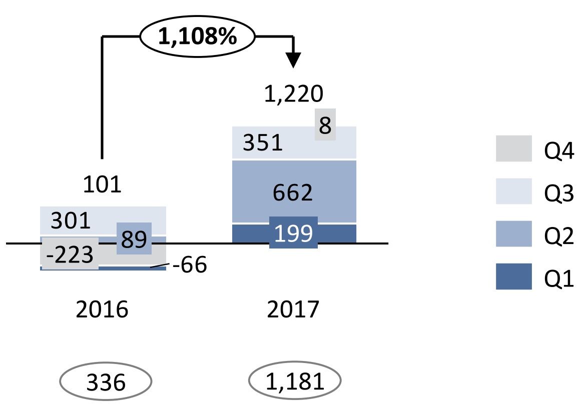
INA GROUP: POSITIVE FREE CASH FLOW AND STABLE FINANCIAL POSITION

Financial indicators

Simplified Free Cash-Flow* (HRK mn)



Net profit (HRK mn)



* Simplified FCF = CCS EBITDA ex. special items – CAPEX

Net Profit excl. special items (HRK mn)

Key messages

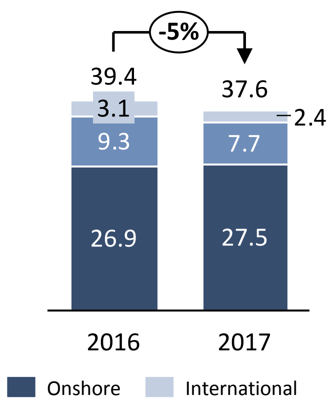
- Free Cash Flow impacted by higher operating performance
- Further strengthened financial position with HRK 1.4 billion net debt and 10.8% gearing
- 2017 Net profit significantly above 2016 realization

FAVOURABLE EXTERNAL ENVIRONMENT OFFSET THE NATURAL PRODUCTION DECLINE

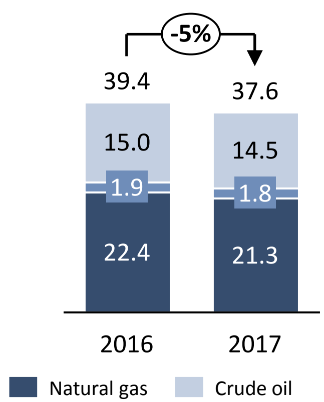
US performance

Volumetrics and prices

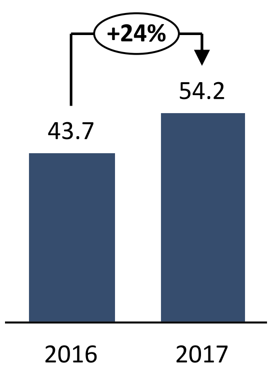
Daily production by region (mboepd)



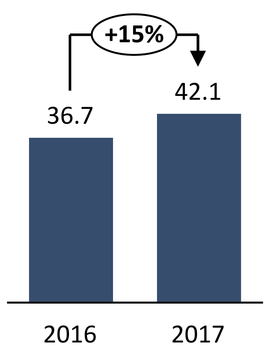
Daily production by product (mboepd)



Brent price (USD/boe)



Average realized HC price (USD/boe)



Key drivers

- \+ Oil & gas prices environment stabilized at higher level compared to 2016 with above 60 USD/bbl levels at year end
- \+ Domestic crude oil production above 2016 level due to positive effect of EOR and two new wells start-up on Hrastilnica field, offset by natural decline
- \- Lower international crude oil production – natural production decline in Egypt and Angola with lower drilling activities on North Bahariya
- \- 17% lower offshore natural gas production due to natural decline and water cut partially offset by 3% higher onshore natural gas production

HIGHER CASH FLOW MAINLY DRIVEN BY IMPROVED EBITDA

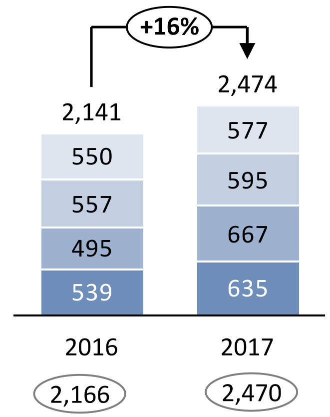
US performance

More favourable external environment…

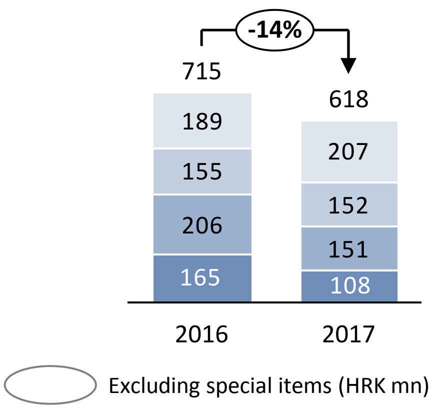
- + Higher EBITDA mainly driven by higher Brent price
- - CAPEX lower by 14%, of which more than 95% invested in Croatia
- + Free Cash Flow exceeded 2016 level

…resulted in 16% higher EBITDA compared to 2016

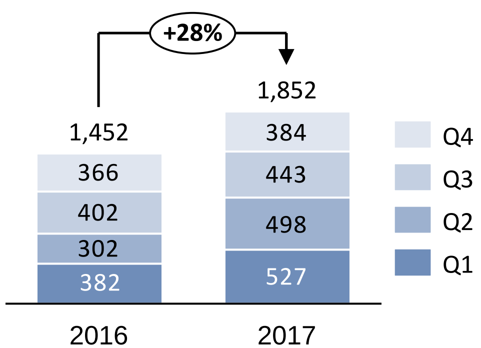
Reported EBITDA (HRK mn)



CAPEX (HRK mn)



Simplified Free Cash Flow* (HRK mn)

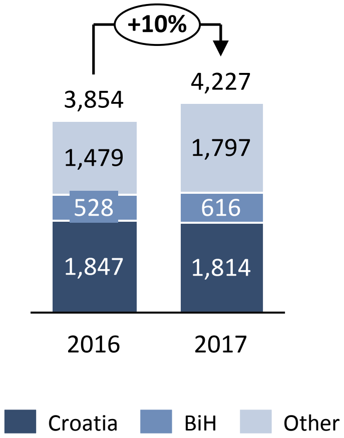


* Simplified FCF = Reported EBITDA – CAPEX

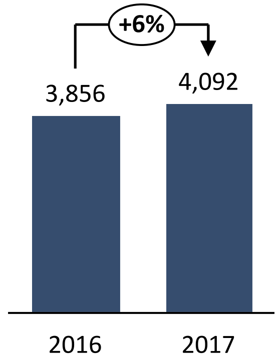
HIGHER SALES SOURCED PRIMARILY FROM OWN PRODUCTION

Volumetrics and prices

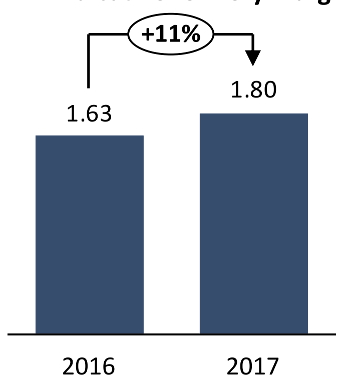
Sales by regions (kt)



Processing (kt)



Indicative refinery margin*



**Indicative refining margins based on 2014 Solomon yields, dated Ural price used for all feedstock*

Key messages

- Favorable external environment, mainly driven by stable DTD Brent price and higher product crack spreads, having a direct impact on refining margins
- Increased total sales volumes driven by 2% higher sales on captive and 22% higher on other export markets
- Higher refining margins and higher processing level in refineries
- Improved retail sales volumes mainly due to Energopetrol integration and active sales of premium fuels

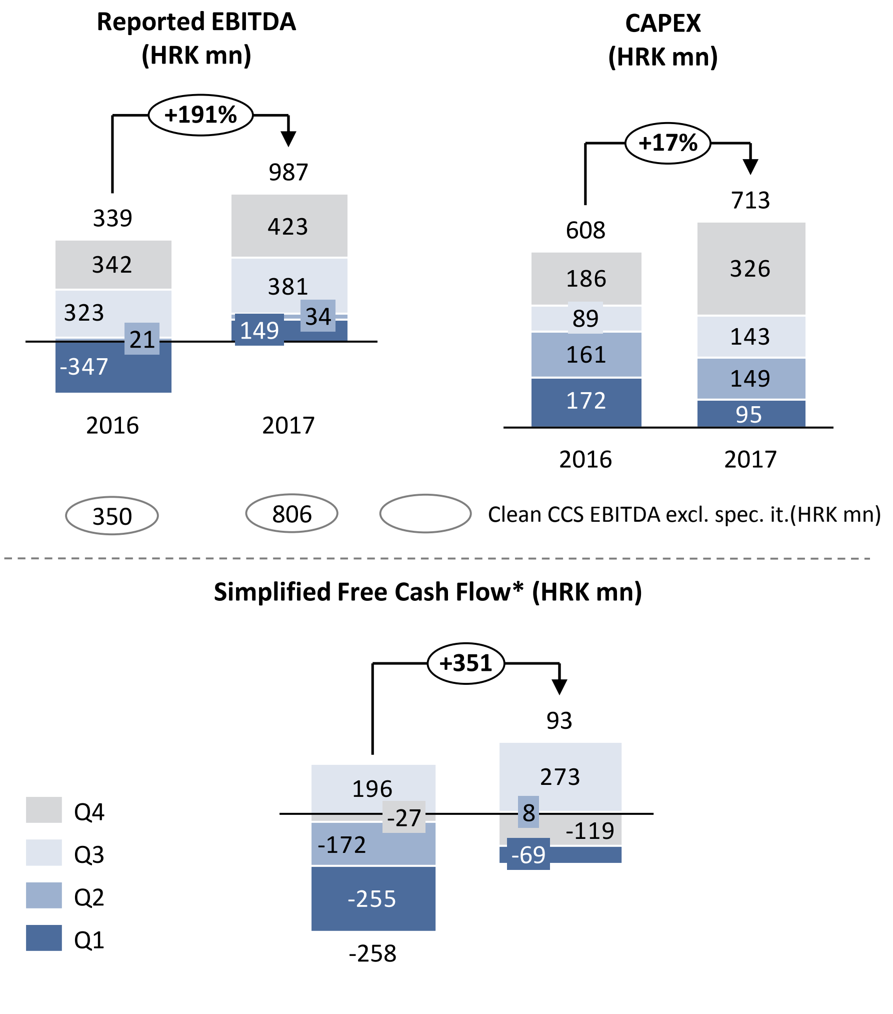
DOWNSTREAM EBITDA IMPROVED WITH FAVOURABLE EXTERNAL ENVIRONMENT

DS performance

Improved results …

- (+) Significantly higher EBITDA reflects improved results of both Refining and Retail operations
- (+) CAPEX increased by 17% specially focusing on growth projects in refining and various investment projects in retail
- (+) On-going activities on FEED phase for the Residue upgrade investment in the Rijeka Refinery, together with site preparation activities
- (+) Positive Free Cash Flow driven by Retail, covering still negative Refining & Marketing cash generation
- (-) Sisak Refinery generated negative free cash flow of HRK (125) million with the HRK (207) million loss on operating result level

… with significant increase of EBITDA



* Simplified FCF = Clean CCS EBITDA - CAPEX

EXPLORATION & PRODUCTION

Activities summary

MAIN DATA OF BLOCKS

Country	Block	Reserves Mmboe	Production Mboepd	Acreage in sqkm	Phase	Contract type	Operator	Diluted share %	Partner
CROATIA	Onshore - several	135.9	27.5	11, 930	E / D	C	Yes	100	-
	Offshore – North Adriatic	9.4	7.7	1, 665	E / D	PSC	No	50	ENI 50%
	Offshore – Aiza Laura			22	E / D	PSC	No	50	ENI 50%
	Offshore – Izabela			345	D	PSC	No	30	EDISON 70 %
EGYPT	Ras Qattara	2.7	1.5	247	D	PSA	No	25	IEOC (75 %) - operator
	West Abu Ghardig			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	1.9	0.8	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%)

CROATIA : WORK PROGRAM IN 2017

Year	Type	Work program
2017	**Exploration**	Exploration program started in the Drava-02 exploration block with some delay due to permitting issues. Severovci-1 drilling started at the end of 2017 and it is expected to be completed in early 2018. Preparation for Mala Jasenovača-1 well drilling has started, drilling is planned for 2018.
	Development	Kozarice-42 and Letičani-9 development wells were drilled; testing and interpretation are in progress on both wells. 3D development seismic survey on the fields of Bokšić–Kloločevci (154 km2) and Letičani–Šandrovac–Bilogora (200 km2) was completed, interpretation is in progress.
	Production Optimization	The Production Optimization (PO) continued in 2017, as 45 well workovers and 20 well stimulations were performed as part of Full Field Optimization (FFO), WWO and Well Stimulation campaigns which together resulted in a total of 1.1 mboepd additional production on an annualized basis. Within the EOR project, CO_2 and water injection continued throughout the year on the Ivanić and Žutica North fields. Linear Rod Pumps, a new artificial lift method, were implemented on 12 onshore oil wells

CROATIA : WORK PROGRAM IN 2018

Year	Type	Work program
2018	**Exploration**	The exploration program will be extended in 2018, four exploration wells will be drilled, Severovci-1, Legrad-1JR, Mala Jasenovača-1 and Selnica-1IS, and seismic survey will be performed within the Drava-02 exploration area
	Production Optimization	The PO program will continue in 2018, the FFO concept will be implemented on additional onshore fields with 90 well workovers and the EOR project will be maintained on the Ivanić and Žutica North oil fields. Well workover campaign will continue on both active and idle production wells
	Efficiency	Several efficiency projects will continue in 2018, including system optimization, leakage prevention and reduction of flaring and energy consumption.

EGYPT

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

In 2017 four wells were drilled. The work program for 2018 includes drilling of eight wells on North Bahariya and nine wells on Ras Qattara concessions.

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).

The 2017 work program included facilities maintenance and well workovers across the 3/05 Block. In 2018 preparatory works will be carried on for upcoming 2019-2020 drilling campaign.

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.

The reserves in Syria were re-classified into contingent resources, due to the current situation.