

INA GROUP PERFORMANCE IN 2018

ANNUAL GENERAL MEETING

Zagreb, June 12th, 2019



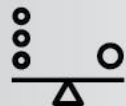
The **biggest** Croatian exporter

almost HRK



36 billion in the last five years

Securing energy stability of Croatia



One of the **leading** Croatian investors

more than HRK



20 billion in the last 10 years

Domestic crude production +45% 2013-2018



Investment in DCU in Rijeka Refinery – around HRK



4 billion

The **biggest** modernized retail network in Croatia

222,000 customers daily



Holdina the **strongest** B&H company by revenues



BAM **1.2** billion

Bosnia & Herzegovina

HOLDINA

EP

REGIONAL LEADER

INA

The **biggest** market share



52% in retail and wholesale

The **leader** in the category of medium sized companies according to revenues



Montenegro

INA
CRNA GORA



2018

1 service station



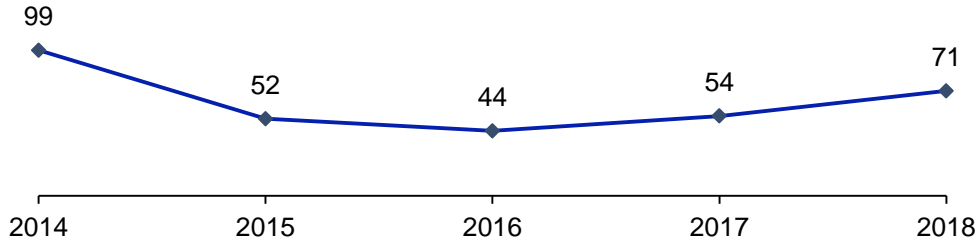
today



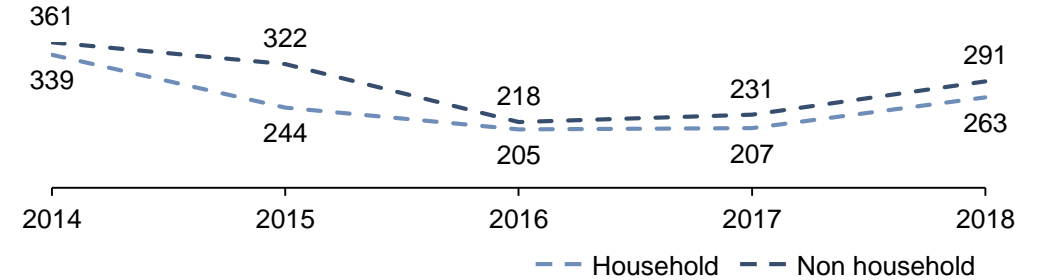
11 service stations

External environment: Increasing trend in oil and gas prices, deteriorating refining margins

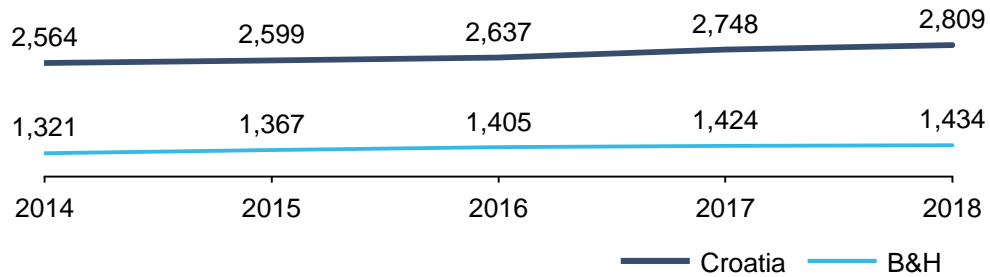
**Brent
(USD/bbl)**



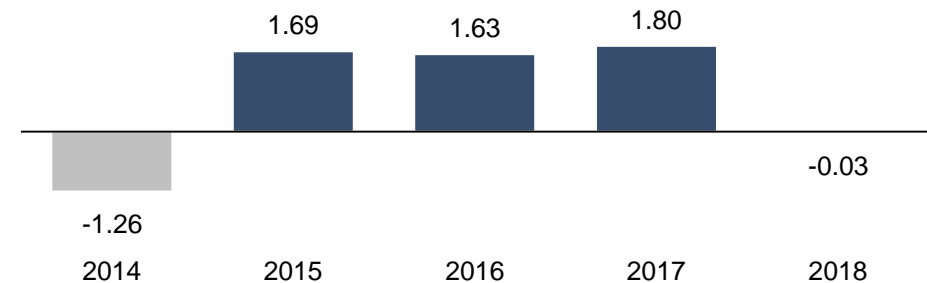
**Gas price
(USD/thm³)**



**Refined product demand in the region
(kt)**



**Indicative refining margin for Rijeka Refinery
(USD/bbl)**



INA Group: Increased revenues supported by price environment

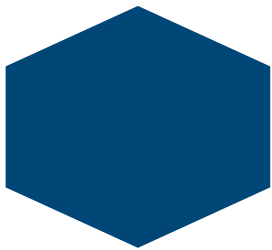
INA Group operations in 2018 continued to be positively impacted by oil prices' increase and favorable Upstream environment:

- **Exploration and Production** - Favorable environment partly offset by decrease in hydrocarbon production
- **Refining and Marketing** – Initiated transformation of the current business model through INA Downstream New Course 2023 program
- **Consumer Services and Retail** - Retail fuel sales moderately improved together with non-fuel sales

87% of INA Group's **capital investments** were related to **domestic projects**, having INA Group in 2018 as **one of the major investors** in **Croatian economy**

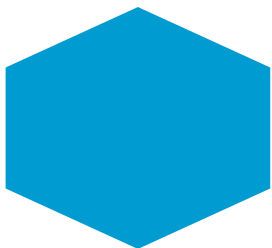


INA Group: M&A activities in 2018



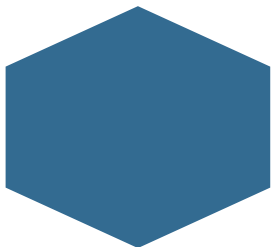
ENI'S SHARE IN ADRIATIC

Completed **purchase of Eni's share** in Northern Adriatic offshore gas fields and **INA** became the **sole operator** on the largest Croatian offshore fields



MONTENEGRO PAVGORD ACQUISITION

Retail network expanded through **Pavgord acquisition** in Montenegro and increasing INA's market share

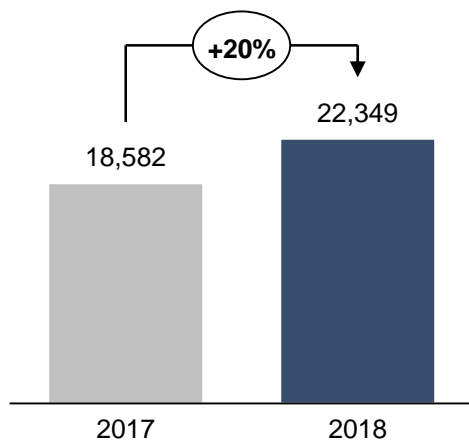


PETROKEMIJA RECAPITALIZATION

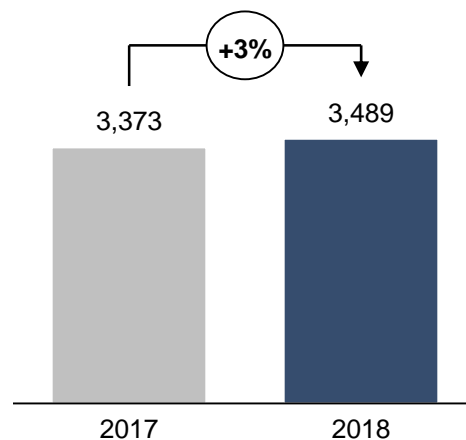
Participation in **Petrokemija** recapitalization - the transaction was conducted through INA's and PPD's joint venture company

INA Group: Higher revenues, improved EBITDA

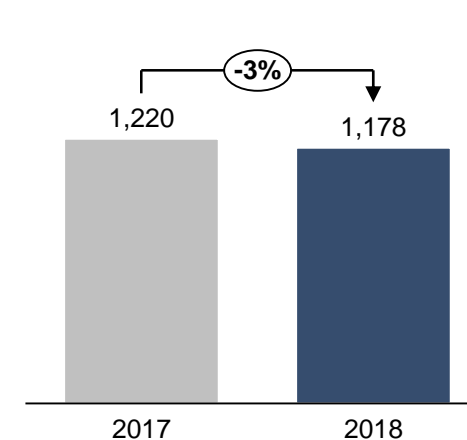
Revenues
(HRK mln)



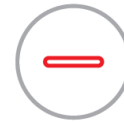
EBITDA
(HRK mln)



Net profit
(HRK mln)



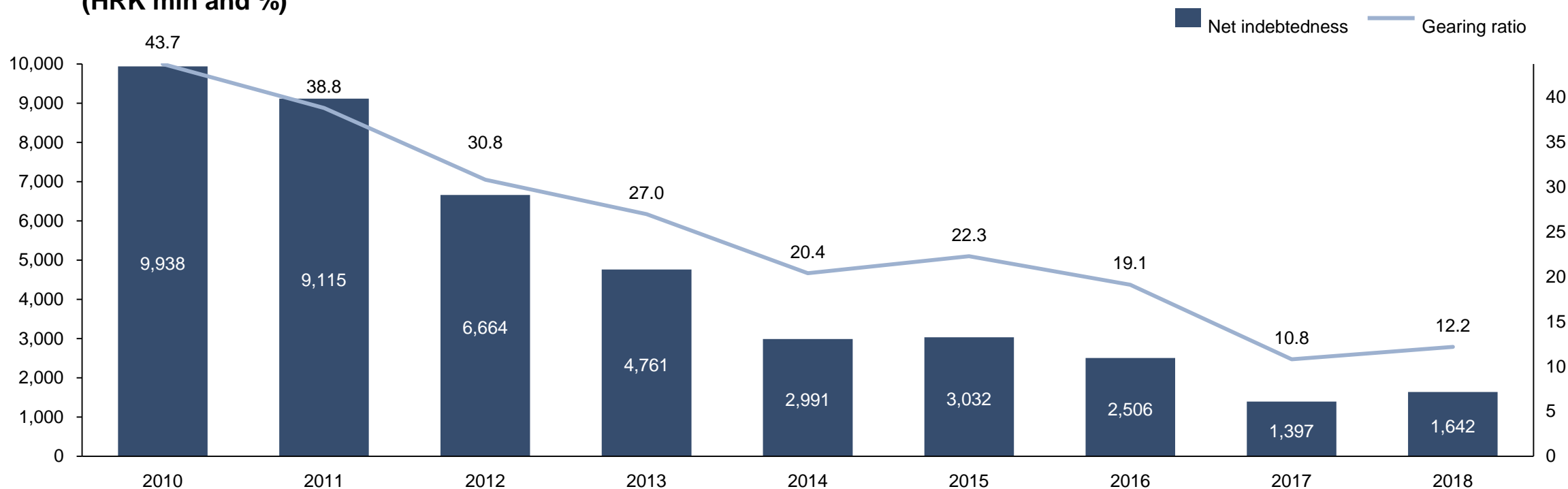
Revenues and EBITDA increase driven by higher sales focused on utilizing positive external environment



Net profit decrease due to higher financial expenses

INA Group: Strong financial position continued throughout 2018

Net indebtedness and Gearing ratio
(HRK mln and %)

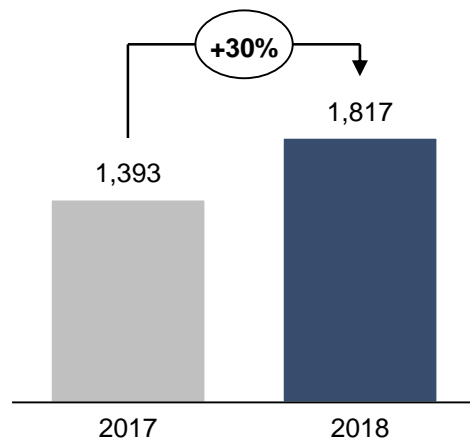


In December 2018, new USD 300 mln long-term loan contract has been signed with banks that secures the future financial stability and investment plans of the Company

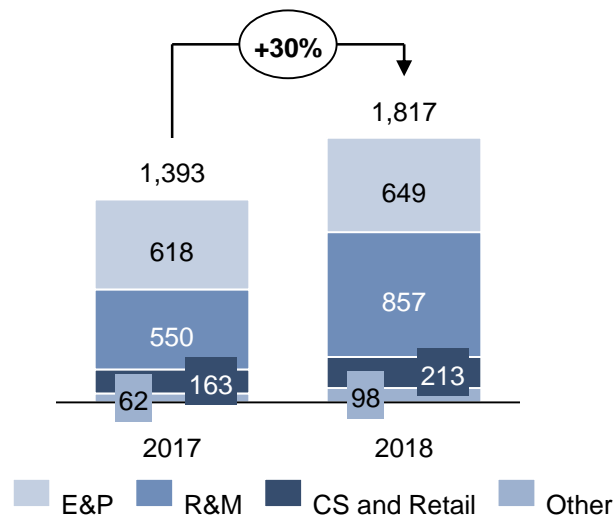
Positive financial result is reflected in continually improving financial position and stable balance sheet

INA Group: Investment activities in 2018 right above HRK 1.8 bn

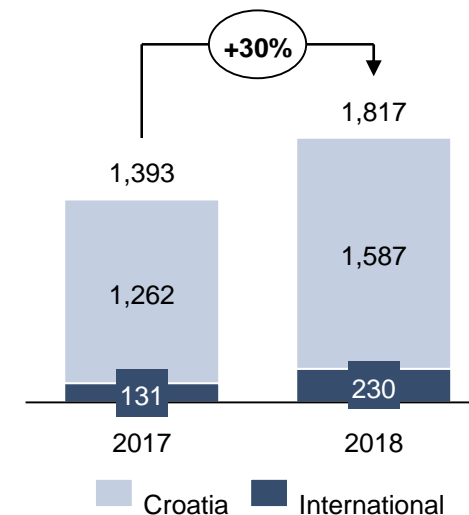
**Total CAPEX
(HRK mln)**



**CAPEX by business
(HRK mln)**



**CAPEX by country
(HRK mln)**



Exploration and Production

Higher investment level as a result of Drava-02 exploration drilling activities, workovers and activities in Egypt



Refining and Marketing

Sizeable investment in Propane Propylene splitter, preparation of 2019 Rijeka turnaround and continued preparation of Residue Upgrade Project

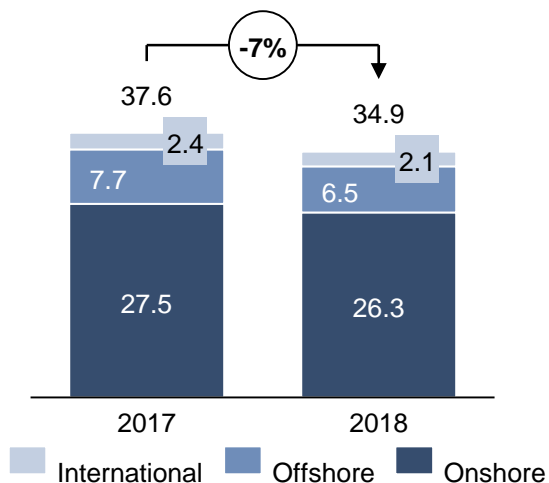


Consumer Services and Retail

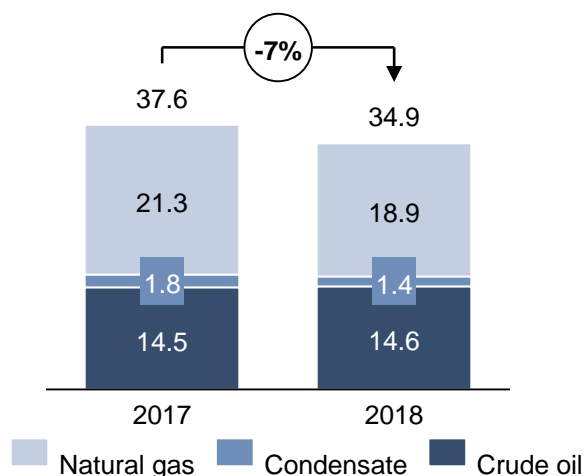
Investment focus in transforming Consumer Services and Retail with more than 70 projects in modernization and reconstruction, network expansion in Montenegro and non-fuel growth

Exploration and Production: Decreased production offset by higher realized hydrocarbon price

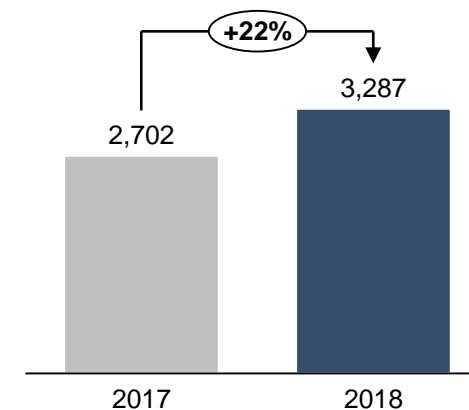
Production by region
(Mboe/d)



Production by product
(Mboe/d)



EBITDA
(HRK mln)



Result growth driven by higher price environment and improved cash collection

Completed purchase of Eni's share in Northern Adriatic offshore gas fields

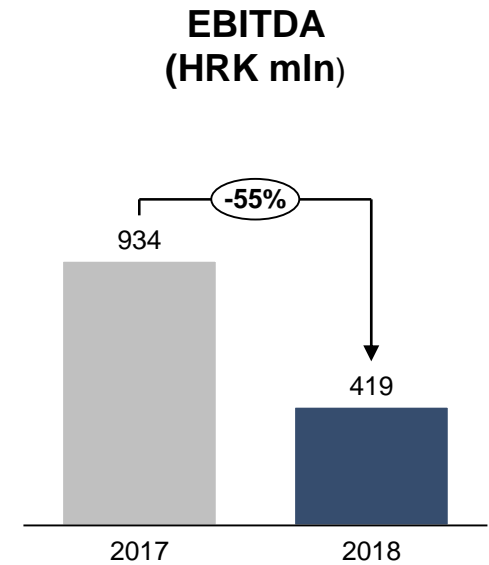
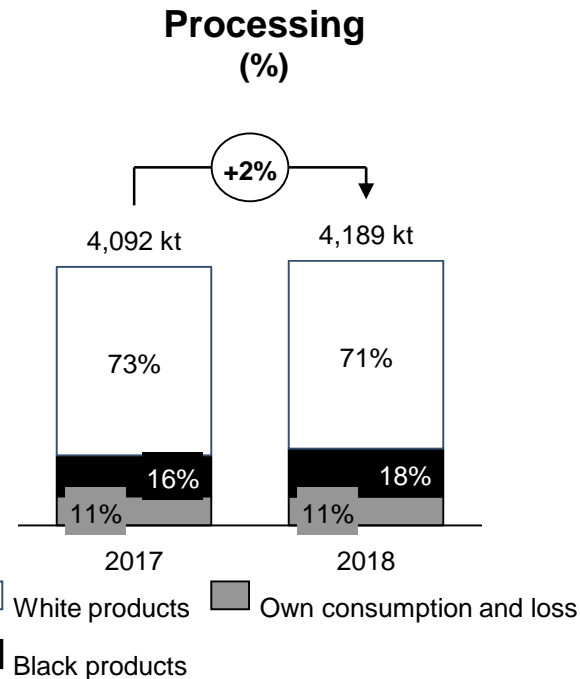
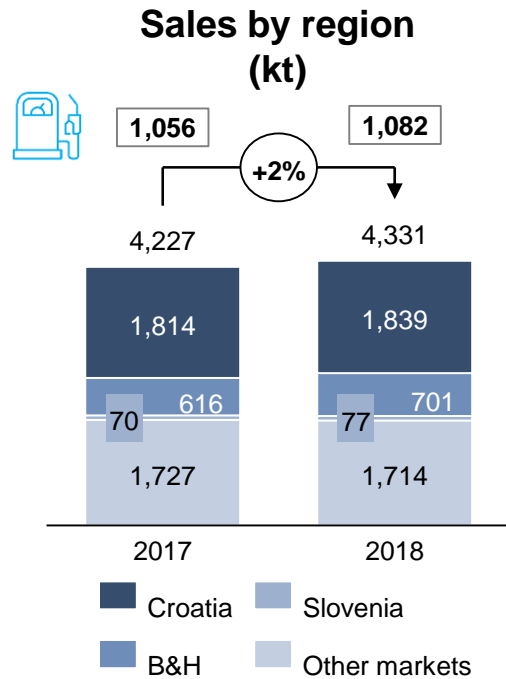
Domestic crude oil production slightly higher - additional development, EOR and full year production from two new wells on Hrastilnica field



Lower gas production due to natural decline and periodical maintenance activities

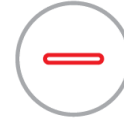
Lower international crude oil production – natural production decline in Egypt and various technical limitations in Angola

Refining and Marketing including Consumer Services and Retail: Higher processing level supporting increased sales



Improved retail performance with 2% higher fuel sales growth and further non fuel growth

Higher total sales volumes supported by stable sales margins



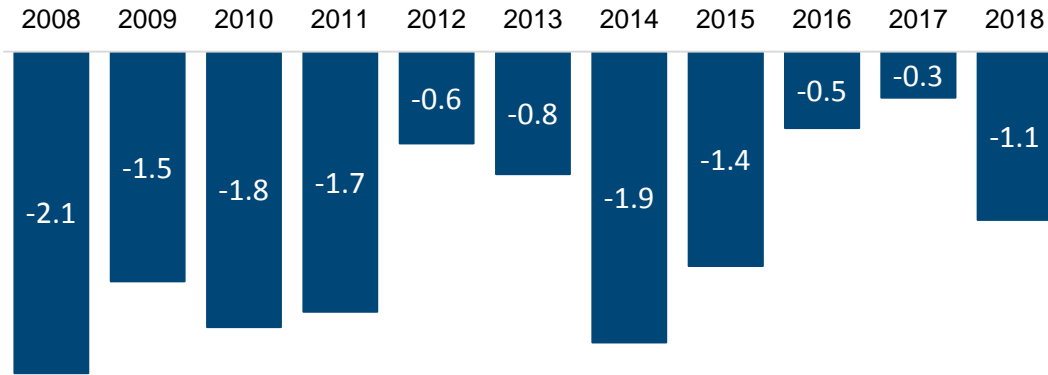
Deteriorated external environment for refining business with lower gasoline and fuel oil crack spreads, partially mitigated by higher diesel crack spread

o/w Retail segment sales

Refining and Marketing: INA Downstream 2023 New Course was approved to turn INA R&M to a sustainable and profitable business



INA Refining and Marketing cash loss (HRK billion)



Despite the significant efforts, **R&M cash flow remains negative**

Cash loss accumulated to HRK 14 bn since 2008 reflecting efficiency issues, challenging market conditions and increasing need for investments in sustaining the R&M operations



1. RIJEKA

Top European Refinery

Continuation of **DCU investment** while maintaining **current environment** for own consumption treatment in line with **international best practices**

2. SISAK

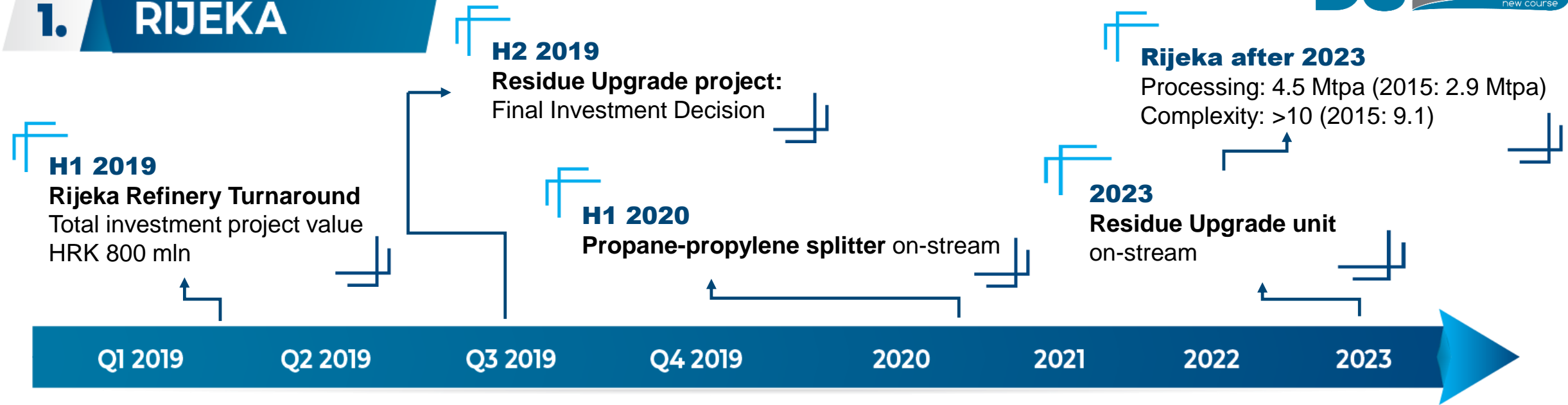
Discontinued crude processing

Develop standalone alternative industrial operations (industrial center)

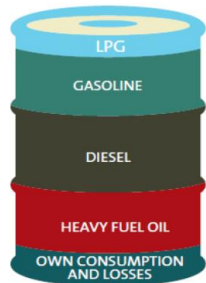
Refining and Marketing: Execution of INA Downstream 2023 New Course transformation program



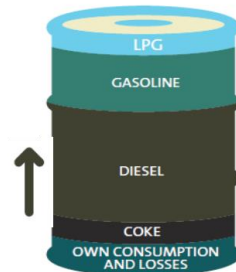
1. RIJEKA



Current product structure in RR



Future product structure in RR (with DCU)



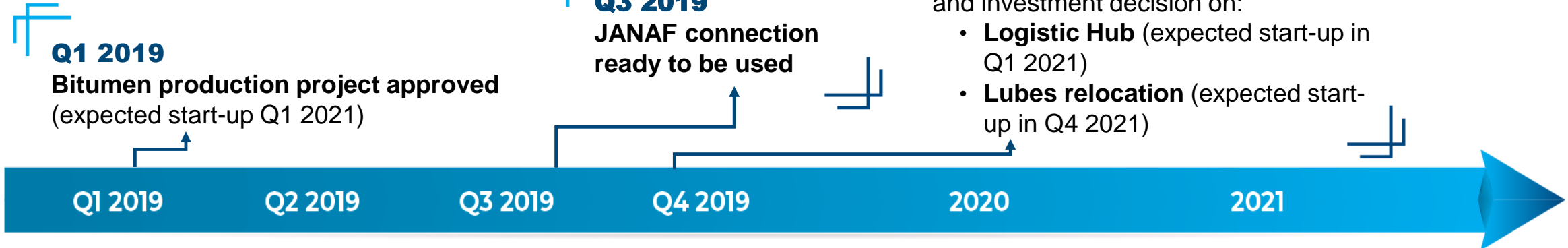
Residue Upgrade Project

- Delayed Coker Unit would transform loss making fuel oil into profitable motor fuels
- New harbour with closed coke storage
- Reconstruct existing units to meet market needs
- White product yield increased by 13%

Refining and Marketing: Execution of INA Downstream 2023 New Course transformation program



2. SISAK



APPROVED



Bitumen production

Revitalization of the Bitumen Unit in the Sisak Refinery and transfer of vacuum residue from Rijeka as feedstock for the unit

SUBJECT TO FUTURE APPROVAL



Logistic Hub

Upgrade to a modern and efficient depot - increase efficiency of existing logistic activities by investing in modernization and rationalization



Lubricants production

Relocate INA Maziva to Sisak to additionally support Sisak Logistic Hub operation



2nd generation Biorefinery - Further Sisak investment potential

INA is testing various types of biomass – first harvest of the energy plant Miscanthus was recently held

Other options for industrial site

Solar project - solar power plant installation



20 GODINA



INA, d.d. received an award from the Institute for Occupational Health and Safety in the first STOP Workplace Injuries 2016-2018 national campaign

In 2018 there were no deaths or injuries with serious consequences

3.5 tonnes of waste cooking oil were collected at 30 INA service stations

20 years of successful non-financial reporting was celebrated with key stakeholders

Green Frog Award for the report on sustainable development



Over HRK 2.1 mln in total was donated to those in need, of which HRK 800,000 was invested in the Croatian healthcare system through donations to hospitals

The Green Belt project was included in the ICC report on the Global Sustainable Development Goals, which was presented at a high-level UN political forum

Glow Award for visibility and affirmation of corporate social responsibility and sustainability in digital media

JUMP Award for the 2018 European Handball Championship marketing campaign



Employer Partner Certificate – first-choice employer for the seventh consecutive year



INA among top 10 most desired employers in Croatia



Implementation of flexible forms of work across INA Group



10 years of Growww – 650 young talents hired



D&I Day conference – a day dedicated to diversity and inclusion with the aim of raising awareness about the importance of this subject

1,367



members

62

carried out

activities



RPA

INA is the biggest user of the new RPA technology in Croatia and in MOL Group

INA

Klub Volontera

8,296 total hours



Digitalisation of business processes – by introducing new technologies into everyday activities, business processes have been streamlined and made more efficient, which created added value for business operations



THANK
YOU!

