

Zagreb, 04 August 2011

INA INDUSTRIJA NAFTE, d.d.
Av. V. Holjevca 10
10 000 Zagreb, Croatia
Ordinary shares INA-R-A ISIN HRINA0RA0007
Listed on the Zagreb Stock Exchange official market
Announcement in line with Capital Markets Act

Subject: Government Resolution on the maximum gas price level for eligible customers

At its meeting held on August 3 2011 the Government of the Republic of Croatia passed a Decree on amendments to the gas market act. At the same meeting the Government has passed a Resolution on the maximum gas price level for eligible customers which prescribes maximum gas price level for eligible customers conducting production activities with annual consumption less than 100 million m³ of gas, especially for customers that are purchasing gas for production of thermal energy for tariff customers, pursuant to provisions of the Act on production, distribution and supply of heating energy, with the exception of households.

The resolution is in force from 01 September 2011, and maximum gas price level is applied until 31 December 2011 and is equal to 2.13 HRK per cubic meters.

Naturally INA will comply with the above mentioned regulation as the Government has the right to issue such short term resolutions.

However it shall be noted, that contrary to the usual practice, no discussion or consultation has been elaborated regarding the proposed amendments to the Gas Market Act.

Even though, Ina unconditionally supports the full liberalization of gas business and entrance of other players on the market, for which technical pre conditions have been met such as cross-border capacities for gas supply, which are significantly larger than the needs of Croatia, possibility for eligible customers to contract other parties and change supplier if they are not satisfied with the current terms.

Regulated gas prices lead to subvention of one industrial player to another. INA subsidized the whole industry and economy in the past decade through artificially low, capped prices of LPG, fuel and gas by more than HRK 10 billion which endangered the sustainability of INA's business, resulting in significant losses in 2008/2009.

Up till now the gas prices for the eligible customers are regulated by contracts signed in between parties and which contain formulas for setting the gas prices. Gas price for the eligible customers was completely market oriented and depends on the prices of oil derivatives and the US dollar.

Market liberalization is a precondition for future development of Croatian economy and in line with EU regulations.

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