

IPO

INA-R-A

Issuer: INA – Industrija nafte d.d., Avenija V. Holjevca 10, 10002 Zagreb

Seller: The Republic of Croatia

Quantity offered on ZSE: 1,500,000 shares (15% of total issue)

Price: between 1,400 HRK and 1,900 HRK

The end of the IPO and the start of trading on ZSE: 1st December 2006

Quantity offered on LSE: 4,800,000 GDR

Total ordinary shares issued: 10,000,000

Nominal value of the share: 900 HRK

Company profile

INA is a vertically integrated oil and gas company.

Group activities include:

- oil and gas exploration and production,
- refining and marketing of oil products,
- retail sales at petrol stations,
- natural gas transportation,
- integrated oilfield services.

Organization

- Ina's divisions: Exploration and Production of Oil and Gas; Supply, refining and Wholesale of Oil Product; Retail and Marketing.
- Croatian subsidiaries: Croco Ltd. Integrated Oilfield Service Company; Proplin Ltd., STSI Maintenance and Service; Maziva Zagreb Ltd. Lube Refinery; Sinaco Ltd.
- Foreign subsidiaries: Interina London, Interina Hungary, Holdina BIH, Interina Slovenia, Ina – Crna Gora Ltd.

INA's core business: Oil and Gas Exploration

- Established in 1952;
- Majority of production comes from onshore Croatia where INA owns 56 producing oil and gas fields; number of offshore producing fields is 4;
- Other production and exploration sites: Syria, Egypt, West Africa;
- Gas production began in 1999 as an offshore Croatia joint venture with ENI;
- Total gas reserves in the Adriatic Sea are estimated at 20 billion cm and expected production life is over 20 years.

Refining, Wholesale and Retail

- Owns two oil refineries in Rijeka and Sisak:
- Rijeka refinery:
 - Medium sized refinery located on the Adriatic Sea with access to a deep sea port and JANAF pipeline;
 - Refinery typically runs 3-3.5 million tons per year;
- Sisak refinery:
 - Refinery typically runs 2-2.2 million tons per year.
- INA has embarked on a large scale program of refinery modernization in order to upgrade quality of products in compliance with EU specifications;
- Expand refining capacity to 7.7 million;
- INA's retail network includes 455 operating petrol stations in Croatia.

Performance

In 2005, INA Group generated sales of EUR 2,804.6 mn and a net profit of EUR 117.8 mn. Crude oil and gas condensate represented 44% of the 2005 production of Exploration & Production business segment. The remaining 56% of the production was represented by the natural gas. The Refining & Wholesales business segment obtained approximately 18% of its crude oil and other feedstock requirements from Exploration & Production division. The remainder part was imported. INA Group operates the only two oil refineries in Croatia and two lubricant plants. The Refining & Wholesales division contributed a 55.6% stake in total Group's sales. The Retail segment contributed a 17.6% stake in revenues.

In the first half of 2006 the revenues reached EUR 1,473.7 mn with a growth of 21% and the net income amounted to EUR 86.1 mn growing by 90% compared to the same period in 2005.

INA operates 427 petrol stations in Croatia (the Retail segment operates in 409 stations). The Group's approximate market share in Croatia is 60%.

Income statement
of the Group

mio EUR	2003	2004	2005	05 / 04
Revenues	2,032.61	2,348.19	2,804.60	19.44%
Operating profit	25.83	185.76	187.68	1.03%
EBITDA	232.60	389.67	394.80	1.32%
Net income	118.42	147.51	117.80	-20.14%

mio EUR	H1 2005	H1 2006	06 / 05
Revenues	1,216.56	1,473.70	21.14%
Operating profit	66.84	91.30	36.59%
EBITDA	169.25	198.87	17.50%
Net income	45.32	86.11	90.00%

Note: Results for H1 are unaudited.

Balance sheet
of the Group

mio EUR	2003	2004	2005	05 / 04
Non-current assets	1,473.80	1,597.14	1,823.44	14.17%
Current assets	685.77	725.83	928.19	27.88%
Capital	1,284.31	1,403.69	1,597.56	13.81%
Non-current liabilities	336.87	328.37	371.49	13.13%
Current liabilities	538.39	590.91	782.58	32.44%

mio EUR	30.06.2005	30.06.2006	06 / 05
Non-current assets	1,734.22	1,915.95	10.48%
Current assets	824.84	932.07	13.00%
Capital	1,535.19	1,719.72	12.02%
Non-current liabilities	311.33	377.84	21.36%
Current liabilities	712.54	750.45	5.32%

Note: Results for H1 are unaudited.

Ratios

INA-R-A price	1,400	1,800	2,000	2,500
P/B	1.19	1.53	1.70	2.12
P/E	15.82	20.34	22.60	28.25
P/S	0.66	0.85	0.95	1.19

Note: Ratios based on 2005 results.

Company	Ticker	P/E	Est P/E	P/B	P/S
STATOIL ASA	STL NO	10.07	9.87	3.23	0.87
MOL HUNGARIAN OIL AND GAS	MOL HB	5.90	8.35	2.01	0.69
OMV AG	OMV AV	9.52	8.46	1.93	0.68
REPSOL YPF SA	REP SM	10.71	10.40	1.98	0.64
LUNDIN PETROLEUM	LUPE SS	28.03	19.90	2.57	4.89
PETROL	PETG SV	28.45	n.a.	2.66	0.57

Source: Bloomberg

Shareholders

Before the IPO the Republic of Croatia owned a 68% stake minus one share, MOL Hungarian Oil and Gas owned a 25% stake plus one share and the War Veterans' Fund (Hrvatski fond branitelja iz Domovinskog rata i članova njihovih obitelji) owned a 7% share of INA. After the offering INA becomes a joint stock company with the Republic of Croatia's stake amounting to 53% minus one share. The 15% stake is offered to public.

Contact

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