Article 1
This Law shall govern the privatisation of INA – Industrija nafte d.d. (hereinafter: «INA d.d.»).

Article 2
INA d.d. is a vertically integrated company, which together with its wholly owned subsidiaries, forms the INA Group.

Article 3
The subsidiaries within the INA Group and all other shares and stakes owned by INA d.d. shall not be separately privatised on the basis of this Law. These shares and stakes shall be at the disposal of INA d.d. in compliance with the applicable regulations and restrictions.

Privatisation process

Article 4
(1) The privatisation of INA d.d. shall be carried out as follows:

1. by transfer of 7% of shares, without a compensation, to Croatian war veterans and members of their families,

2. by sale of maximum 7% of INA d.d. shares to present and former employees of the companies within the INA Group (hereinafter: «the Employees»), with special benefits to be determined by the Government of the Republic of Croatia,

3. by sale of maximum 25% plus one share to INA’s strategic investor,

4. by sale of minimum 15% of shares by way of public offering in compliance with separate regulations governing the issuance and trading in securities to:
   - Croatian citizens, with such pre-emptive right and such preferences and under such conditions as may be determined by the Government of the Republic of Croatia, on listing of INA d.d. shares on the stock exchange,
   - Croatian legal entities and foreign investors, without any preferential treatment by way of public offering,

5. by sale or swap of the remaining shares to a strategic investor in accordance with market conditions or on the capital market as per the decision of the Government of the Republic of Croatia and subject to a prior consent of the Croatian Parliament,

6. a necessary number of shares shall be taken from the remaining shares as compensation to the former owners.
(2) The Republic of Croatia shall retain the direct ownership over at least 25% plus one share of INA d.d., which shall be privatised in accordance with a separate law upon the admission of the Republic of Croatia to the European Union.

(3) Percentages of shares provided in paragraph (1) and (2) of this Article shall be determined in relation to INA d.d. share capital prior to the commencement of the privatisation process and following the procedure referred to in paragraph (1)(1.) through (4.) hereof.

(4) The sequence and schedule of privatisation referred to in paragraph (1)(1.) through (4.) shall be determined by the decision of the Government of the Republic of Croatia subject to a prior consent of the Croatian Parliament; the shares referred to in paragraph (1)(2.) of this Article shall be sold after the first sale of shares in the public offering process.

**Proceeds from sales of INA d.d. shares**

**Article 5**

(1) Dividends on shares owned by the Republic of Croatia shall make part of the State budget.

(2) Dividends on shares allocated for transfer without compensation, for the purposes of the provisions of Article 4 (1)(1.) of this Law shall not make part of the State budget.

**Sale of shares to strategic investor**

**Article 6**

(1) The Government of the Republic of Croatia shall make the decision on the number of shares to be sold to the strategic investor for the purpose of Article 4 of this Law and shall conduct the sale process and the selection of the strategic investor and conclude the sales contract.

(2) The sale of shares shall be carried out by the collection of offers. Invitation to participate in the sale shall be submitted to at least three potential investors who expressed interest to become the strategic investor of INA d.d. on the basis of a public invitation for offers.

(3) Eligible strategic investor can include one or a number of legal entities performing the business activity related to production, processing and sale of oil and gas and which are ready to assume joint and several liability for regular fulfilment of their contractual obligations.

(4) The contract on sale of shares shall be concluded between the Republic of Croatia and the selected strategic investor in writing.

(5) The Government of the Republic of Croatia may decide that the strategic investor can acquire a part or the entire percentage of shares as referred to in paragraph (1)(3.) of Article 4 hereof by registering new shares on increase of the share capital of INA d.d.
(6) On sale of shares for the purpose of this Article, the Government of the Republic of Croatia shall ensure, to a maximum extent possible, that the strategic investor fulfils his obligation not to cancel employment contracts for operational reasons as stipulated by the provisions of the Labour Act (Official Gazette No. 38/95, 54/95, 17/01 and 82/01) over a period of three years after the sale of shares.

Transfer of shares to Croatian war veterans and members of their families

Article 7
The Croatian Parliament shall, on the basis of a separate law, establish a special fund to which the shares referred to in Article 4 (1)(1.) hereof shall be transferred, along with all the related rights including due dividend.

Sale of shares to employees

Article 8
The Government of the Republic of Croatia shall make the decision on sale, price, special benefits, time of sale and other conditions for sale of INA d.d. shares to employees referred to in Article 4 (1)(2.) of this Law.

Public offering

Article 9
The Government of the Republic of Croatia shall make the decision on sale, price, time of sale and other conditions for sale of INA d.d. shares by way of public offering and special benefits for sale of shares to Croatian citizens.

Protection of interests and safety of the Republic of Croatia

Article 10
(1) As long as the Republic of Croatia is the owner of 50% of INA d.d shares or more, INA d.d. or its governing bodies may, subject to prior consent of the Government of the Republic of Croatia, make decisions or enter into legal transactions or take legal actions relating to the sale or joint venture with a value exceeding 3% of INA d.d. equity.

(2) As long as the Republic of Croatia is the owner of 25% of INA d.d. shares or more, the Government of the Republic of Croatia may make the decision under which INA d.d. or its governing bodies may, subject to prior consent of the Government of the Republic of Croatia, make decisions or enter into legal transactions or take legal actions relating to the sale or joint ventures with a value exceeding 25% of INA d.d. equity.

(3) The Government of the Republic of Croatia may conclude a separate contract with the strategic investor on the manner of exercising the voting rights relating to the shares of INA d.d. held by the Republic of Croatia and the manner of exercising the rights referred to in paragraphs (1) and (2) of this Article. Under this contract, powers of the Government of the Republic of Croatia referred to in paragraph (1) and (2) of this Article or the voting rights arising from shares of INA
d.d., which are held by the Republic of Croatia, shall not be transferred to third parties.

(4) As long as the Republic of Croatia is the owner of 10% of INA d.d. shares and more, none of the other shareholders or his related parties, except in the case of sale referred to in Article 6 hereof, can, without a prior special consent of the Government of the Republic of Croatia, acquire gradually or at one time, INA d.d. shares whose aggregate nominal value exceeds 10% of the share capital or the shares of any other entity on the basis of a prior consent of the approved percentage of shares by the Government of the Republic of Croatia, which have voting rights at the general assembly of INA d.d.

(5) As long as the Republic of Croatia is the owner of one of INA d.d. voting shares or more, INA d.d. or its governing bodies may, subject to a prior consent of the Republic of Croatia, make decisions or enter into legal transactions or take legal actions related to:

- dissolution of the company,
- waiver of the operating permit or authorization or any concession of interest for the Republic of Croatia,
- change of company,
- transfer of INA d.d. registered office abroad.

(6) In the event of forced winding up over INA d.d. or its legal successor, and as long as the Republic of Croatia is the owner of one INA d.d. voting share or more, the Republic of Croatia shall have the right of first refusal to purchase all or part of INA d.d. assets at estimated market value.

Article 11

(1) As long as the Republic of Croatia is the owner of 11% of INA d.d. shares or more, the Government of Croatia shall report to the Croatian Parliament on the progress of the privatisation of INA d.d. periodically, at least each quarter.

(2) The report referred to in paragraph above shall represent a state secret.

(3) For the purposes of the supervision of exercise of employees' rights in the process of restructuring and privatisation, a joint commission consisting of the representatives of the Republic of Croatia, INA Board and trade unions shall be established.

(4) The commission referred to in paragraph above shall draw up the wording of the social clause whereby the legal position of employees with respect to contracts on the sale of shares referred to in Article 6 (4) of this Law shall be governed.

Effects of the Law

Article 12

On behalf of the Republic of Croatia, all rights pertaining to INA d.d. shares held by the Republic of Croatia shall be exercised by the Government of the Republic of Croatia, except in the events when this right is granted to the Croatian Parliament by this Law.
Article 13
INA d.d. can, at one time, prior to the commencement of privatisation or during the implementation of any phase of the privatisation under Article 4 (1) hereof, prepare the opening balance as at the date of commencement of the privatisation of any of the privatisation phases, in compliance with the provisions of Article 10 (2) and Article 12 of the Law on Accounting (Official Gazette No. 90/92) in force for newly incorporated trade companies.

Enactment

Article 14
This Law shall come into effect eight days following the announcement in “Narodne novine” - the Official Gazette.

Class: 310-05/02-01/01
Zagreb, 19 March 2002

CROATIAN PARLIAMENT

PRESIDENT
OF THE CROATIAN PARLIAMENT

Zlatko Tomčić