



ARTICLES OF ASSOCIATION

of INA-INDUSTRIJA NAFTE d.d.

-completed version-

Zagreb, 19. 06. 2012.



I. BASIC PROVISIONS

Article 1

Company Name

The name of the Company is:

INA-INDUSTRIJA NAFTE, d.d.

The Company's abbreviated name is:

INA, d.d.

The Company's abbreviated name in English is:

INA, Plc.

The Company's abbreviated name in German is:

INA, AG.

Article 2

Registered Office

The registered office of the Company is in Zagreb, Avenija Većeslava Holjevca 10.

Article 3

Trade Mark

The Company has a trademark.

The trademark of the Company consists of the characteristic „INA“ letters such that the letter „I“ contains a circle in the upper part, and the height of the letters is twice their width. The Circle is not colored in, but transparent and of the same color as the background, with the exception of filling stations, where the circle might be red.

Article 4

Business Activities of the Company

The objects of the Company are as follows:

- 11.1 Extraction of crude oil and natural gas
- 11.2 Service activities incidental to oil and gas extraction
- 22.11 Publishing of books
- 22.12 Printing of newspapers
- 23.1 Manufacture of coke oven products
- 24.14 Manufacture of other organic basic chemicals

- 24.15 Manufacture of chemical mineral fertilizers and nitrogen compounds
- 28 Manufacture of fabricated metal products other than machinery and equipment

- 29 Manufacture of machines and appliances
- 35.11 Construction and repair of ships
- 37 Recycling
- 40.3 Supply of steam and hot water
- 41.0 Collection, treatment and distribution of water
- 45 Construction industry
- 55 Catering industry
- 60.23 Other road transport of passengers
- 60.24 Road transport of goods (cargo)
- 60.3 Pipeline transport
- 63.1 Cargo handling and storage
- 67.13 Activities auxiliary to financial intermediation
- 70.1 Business with own real estate
- 70.2 Renting of own real estate
- 70.3 Real estate business under contract and with commission
- 71.21 Renting of other land vehicles
- 71.32 Renting of construction and civil engineering machinery and equipment
- 71.33 Renting of office machinery and equipment including computers
- 71.34 Renting of other machines and equipment
- 72.1 Hardware consultancy
- 72.2 Software consultancy and supply
- 72.3 Data processing
- 72.4 Compilation of databases
- 72.5 Maintenance of office machines and computers
- 73.1 Research and experimental development in the fields of natural sciences and engineering
- 74.15 Management activities of holding companies
- 74.2 Architectural and engineering activities and related technical consultancy
- 74.3 Technical inspection and analysis
- 74.4 Promotion (advertising and propaganda)
- 74.7 Cleaning of all types of buildings
- 74.82 Packaging activities
- 74.83 Other business activities
- 80.4 Education of adults and other types of education
- 90.0 Sewage and refuse disposal and similar activities
- 92.6 Sporting activities
- 92.7 Other recreational activities
- 93.1 Laundry and dry-cleaning of textiles and fur products

- * Gas production, gas-like fuel distribution by distribution network
- * Electric power production
- * Electric power transfer
- * Electric power distribution
- * Electric power supply
- * Electric power market organisation
- * Natural gas procurement
- * Natural gas storage
- * Natural gas transport
- * Natural gas distribution

- * Natural gas supply
- * Manufacture of oil products
- * Manufacture of bio fuel
- * Oil transport by oil pipelines and other forms of transport not mentioned elsewhere
- * Transport of oil products by oil product pipelines and other forms of transport not mentioned elsewhere
- * Transport of oil, oil products and bio fuel by road vehicles
- * Wholesale of oil products
- * Retail of oil products
- * Storage of oil and oil products
- * Trade, intermediation and representation in oil and oil products market
- * Manufacture of heat energy
- * Distribution of heat energy
- * Supply of heat energy
- * Trade, intermediation and representation in energy market
- * Transport and storage of liquefied natural gas
- * Wholesale and retail of liquefied oil gas
- * Wholesale of liquefied natural gas
- * Research and exploitation of mineral resources
- * Exploration and exploitation of geothermal, mineral and underground waters
- * Production and sales of natural mineral and other bottled waters
- * Mining research
- * Exploitation of oil and natural gas
- * Treatment of mineral resources
- * Development of mining projects
- * Manufacture, transport and use of hazardous chemicals
- * Off-shore and sub-sea technical and exploration activities
- * Repair and maintenance of fire-fighting devices
- * Representation of foreign companies
- * Intermediation in foreign-trade transactions
- * Export and import of technical and other services related to exploration of oil and gas, development of discovered deposits, construction of production and transport systems and production of oil and gas, including the pipeline transportation services
- * Implementing investment projects abroad
- * Engagement of foreign contractors for investment projects in the Republic of Croatia
- * Provision and supply of industrial property, know-how and expertise in the field of oil and gas exploration and production and processing, as well as chemical and petrochemical products
- * International forwarding and shipping services
- * Tourism services with foreign countries
- * International road, railway, river, lake and sea transport of goods
- * Storage and harbour and airport services
- * Maintenance of communication network
- * Testing and analysis of safety valves and pressure vessels
- * Technical maintenance of buildings
- * Manufacture and repair of spare parts in oil industry
- * Technological and chemical cleaning of fuel tanks at gas stations, as well as other tanks and containers in petroleum and chemical industry
- * Corrosion protection of process plants, systems and equipment
- * Export and import of technical and other services in construction of production and transport systems and oil and gas production, including pipeline transport services

- * Accounting and bookkeeping services
- * Washing and lubricating of vehicles

- * Technical testing of radio station on site, for whose setting up a permit was issued, for the purpose of obtaining licence for that radio station
- * Professional activities related to regional planning and preparation of documentation required for issuance of site permits
- * Professional environment protection activities
- * Waste management – collection, storage and treatment of hazardous waste
- * Purchase and sale of goods
- * Commercial intermediation in domestic and foreign market
- * Design of vessels made of metal for compressed and liquefied gas and other pressure vessels for oil and chemical processing industry
- * Design of bearing steel constructions and similar
- * Repair, renewal and maintenance of electric motors and ex-proof installations
- * Testing and the issuance of certificates for appliances operating in hazard areas
- * Maintenance of railroad tracks
- * Delivery and sale of natural gas from own production
- * Studies in permanent surveying points for the purpose of basic surveying works,
- * Studies in state border survey, demarcation and maintenance,
- * Studies in basic Croatian map drawing,
- * Studies in production of digital ortophoto maps,
- * Studies in production of detailed topographic maps,
- * Studies in production of small scale topographic maps,
- * Studies in cadastre surveying,
- * Studies in technical reambulation,
- * Studies in cadastral plan conversion into digital format
- * Studies in digital cadastral plan conversion into the set structure,
- * Studies in cadastral plan homogenization,
- * Studies in cadastre parcelling and other land cadastre studies,
- * Studies in parcelling and other real estate cadastre studies,
- * Studies in cadastre parcelling and other studies for the purpose of individual conversion of land cadastre plots into real estate cadastre plots,
- * Studies in infrastructure cadastre and expert land surveying works for the purpose of surveying services provision,
- * Technical updating of infrastructure cadastre,
- * Special surveying for the purposes of physical planning document preparation,
- * Special surveying for planning purposes,
- * Studies in building status before reconstruction,
- * Surveying projects,
- * Building staking and studies,

- * Site blueprints of the built building,
- * Construction surveying and studies,
- * Structural shift surveying in building maintenance and studies,
- * Surveying in urban consolidations,
- * Agricultural land consolidation projects and surveying
- * Special surveying for studies in protected and vulnerable areas,
- * Professional supervision of studies in infrastructure cadastre and expert surveying works for surveying services provision,
- * Professional supervision of technical infrastructure cadastre updating,
- * Professional supervision of special surveying for the purposes of physical planning document preparation,
- * Professional supervision of special surveying for project design purposes,
- * Professional supervision of studies in building status before reconstruction,
- * Professional supervision of surveying projects,
- * Professional supervision of building staking and studies,
- * Professional supervision of construction surveying and studies,
- * Professional supervision of structural shift surveying in building maintenance and studies,
- * Professional supervision of special surveying for protected and vulnerable areas.
- * Business and other consulting
- * printing and multiplication of records
- * *exchange activities
- * laying installations for water and gas supply, heating installation, cooling installation and vent
- * filling gas bottles and gas storage facilities
- * maintenance and servicing of gas bottles and gas storage facilities
- * controlling and supervision of consumer gas facilities installations all in accordance with the Act on hazardous liquids and gases
- * LPG (liquefied Petroleum Gas) handling and transportation
- * transportation of LPG through the pipeline
- * transportation of LPG through the marine, coastal and inland waterways
- * Participating in implementation of preventive measures for protection against fire and explosion
- * Fire fighting and rescuing people and property threatened by fire and explosions
- * Providing technical assistance in accidents and hazardous situations
- * Carrying out other activities in accidents, environmental and other accidents
- * Fire protection services
- * Protection and rescue in disasters and greater accident



- * Preparation of special studies, budgets and projections for protection and rescue
- * Vulnerability and consequence assessment and preparation of protection and rescue plans (operational plans, internal plans)
- * Private security activities
- * Investigation and detective service activities
- * Preparation of danger assessment
- * Testing of high risk machines and instruments, and testing in the working environment
- * Checking machines and instruments, personal protection equipment
- * Repair and maintenance of fire extinguishers
- * Performing activities of accuracy check of derivative fire detection and extinguishing equipment, system for reporting presence of flammable gases and vapors, and devices and installation for prevention of fire from spreading and explosions from occurring, and the scope of control of these systems
- * Waste collection for other parties
- * Waste transportation for other parties
- * Intermediation services in organization of waste use and/or management for other parties
- * Collection, waste use and/or management (treatment, disposal, incineration and others means of waste management)
- * Activity of management of special waste
- * Export of waste
- * Reintroduction of vanished wild taxa into the natural environment on the territory of the Republic of Croatia
- * Activities of management and maintenance of real estate
- * Activities of air quality and air emissions monitoring
- * Activities of protection against noise
- * Professional non-ionizing radiation protection activities
- * Manufacture, transport and use of hazardous chemicals
- * Activities of environmental protection services
- * Testing of protection systems, electrical, lightning conductor and gas installation and boiler rooms

The Company has the power to take all measures and activities necessary or useful for the business activity of the Company. The Company may establish branch offices and/or representative offices of the Company, both in Croatia and abroad, upon the resolution of the Management Board.

Pursuant to these Articles of Association, the Company and companies, in whom it holds a majority share, majority of voting rights, or direct or indirect controlling influence, shall form the Group.

Article 5

Supply of Information and Notice

Information and notices required by law and these Articles will be published in “Narodne novine” (the Official Gazette of the Republic of Croatia) and on the Company’s web pages.

If the shares are listed on a foreign stock exchange, information and notice to be made according to the rules of that stock exchange will also be published in the appropriate newspaper of the



country where the stock exchange is located, as well as in any other prescribed way.

Article 6

Duration of the Company and Cessation of Activity

The Company is established for an indefinite period of time. The Company may cease to exist only for the reasons and in the manner provided by applicable law.

II. SHARE CAPITAL AND SHARES

Article 7

Share Capital

The share capital of the Company is HRK 9,000,000,000 (in letters: nine billion Croatian Kuna).

Article 7a

Conditional increase of stock capital

(1) Shareholders' Assembly may pass a resolution to increase the Company's stock capital to the effect that convertible bonds may be transformed into shares or to attain the pre-emptive right to subscribe new stock granted by the Company (conditional increase of stock capital)

(2) Resolution to increase stock capital may be passed solely:

1. to allow the Company's creditors to exchange convertible bonds for shares and for the right to pre-emptive subscription of new Company shares

2. as preparation for merging several companies

3. for attaining the right to Company stock held by employees and MB members or of stock of another subsidiary, pursuant to the Shareholders' Assembly decision

4. for ceding stock of the main Company to stock holders or members of subsidiary Company, pursuant to Article 492 par. 2 and 3 of the Companies Act, if an agreement was signed to this effect, or agreement on transfer of the Company business or transfer of profit or shares of the parent company to shareholders, i.e. members of the merged company in compliance with Article 504 par.2 of the Companies Act

(3) Nominal sum of conditional capital must not exceed one half, and in the event described in par. 2. item 3 of this Article, one tenth of the Company's stock capital at the time of resolution on conditional stock capital increase.

(4) Resolution on conditional stock capital increase of the Company, by material or rights deposit, must contain the nature of the deposit, the person from whom the material deposit or right is received and the nominal sum, and in the case of shares without a nominal value, the number of shares acquired by such deposit.

(5) Resolution may be passed only if the deposit of material items and rights was clearly and regularly announced pursuant to the Companies Act and the Articles of



Association regarding the announcement of the Agenda for the Shareholders' Meeting and resolution proposals.“

Article 8

Shares

The share capital of the Company is divided into 10,000,000 (in letters: ten million) ordinary shares called „A“ series shares, with the nominal value of HRK 900 Kuna (in letters: nine hundred Croatian Kuna) each. All subsequent share issues will have a different series designation.

All ordinary shares carry equal rights.

The shares are issued in dematerialised form and recorded on the securities account within the computer system of the Central Depository, which is kept by the Central Clearing and Depository Company Inc.

Article 9

Transfer of Shares

In relation to the Company, a shareholder shall be registered within the Central Depository as a holder of shares in the Company.

A change of the title to the shares shall be registered by an electronic entry into the computer system of the Central Depository

Shares are freely transferable, and are not subject to any restrictions of the Company.

III. MANAGEMENT BOARD

Article 10

Composition of the Management Board

The Company's Management Board shall consist of six members.

The Management Board has a President, and it may also have a Vice-President specified by the Rules of Procedure of the Management Board. The President of the Management Board may have assistants and advisers appointed by the President.

The President and members of the Management Board shall be appointed and recalled by the Supervisory Board.

The Supervisory Board shall decide on the term of office of the members of the Management Board, but their term of office shall not exceed 5 years. Once their term expires, members of the Management Board can be reappointed without limitation as to the number of terms they may serve.

Article 11

Management of the Company

The Management Board manages the Company's business. All members of the Management Board are collectively liable for the management of the Company's business. In the framework of its rights and obligations in respect of the management of the Company's business, the Management Board is authorised and responsible to take all actions and to issue resolution necessary for the successful management of the Company within the limitations of the law and these Articles.

The Management Board is authorised to adopt a set of Rules of Procedure on the manner in which the Management Board is to manage the Company. The Management Board passes the Rules of Procedure with prior approval of the Supervisory Board, pursuant to provisions of Articles 17.1.12 and 26 of these Articles. The Management Board may appoint committees together with their Rules of Procedure, for the scope defined by the Management Board.

Article 12

Meetings of the Management Board

The Management Board shall meet regularly as defined by the Rules of Procedure of the Management Board. Such meetings are quorate if a majority of the members of the Management Board are present.

All matters related to the holding and conducting of meetings of the Management Board Management Board, are regulated by the Rules of Procedure of the Management Board.

Article 13

Management Board Resolutions

Unless otherwise provided by law or the Rules of Procedure of the Management Board, Management Board resolutions shall be passed by a simple majority of the votes cast. In the event of a tie, the President of the Management Board shall have a casting vote.

Article 14

Management Board Members' Interests

A member of the Management Board will be required to declare to the Management Board the nature of any interest that he, or a person connected with him, has in a proposed or existing arrangement with the Company. For the purposes of this Article a connected person shall have the

meaning set out in the Rules of Procedure of the Management Board.

Abstention from Voting by Members of the Management Board

Except as otherwise provided by these Articles, a member of the Management Board shall not vote at a meeting of the Management Board or a committee thereof on any resolution of those bodies concerning a matter in which he has an interest (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) which (together with any interest of any person connected with him) is to his knowledge material unless his interest arises only because the resolution concerns one or more of the following matters:

1. giving of a guarantee, security or indemnity in respect of money lent or obligation incurred by him or any other person at the request of or for the benefit of the Company or any member of the Group;
2. giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any member of the Group for which the member of the Management Board has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by giving of security;
3. a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any members of the Group for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting in which he is to participate;
4. a contract, arrangement, transaction or proposal concerning any other body corporate in the share capital of which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest representing one per cent or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest of more than one percent being deemed for the purpose of this Article to be a material interest in all circumstances);
5. a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any members of the Group which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
6. a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any members of the Management Board or for persons who include members of the Management Board of the Company.

For the purposes of this Article, an interest of a person who is connected with a member of the Management Board shall be treated as an interest of the member of the Management Board.

Any questions as to whether or not a member of the Management Board has an interest in a proposal which does not fall within Article 15.1 to 15.6 will be determined by the President of the Management Board or if the person in issue is the President of the Management Board, by a majority of the other members of the Management Board.

Article 16

Management Board Service Contracts

The Company shall conclude service contracts with the President and other members of the Management Board. The terms of such contracts shall be determined by the Supervisory Board save that they shall not be concluded for a term exceeding five years.

Article 17

Consent of the Supervisory Board and General Meeting

As long as both the Republic of Croatia and the MOL Hungarian Oil and Gas Public Limited Company directly or indirectly hold shares in the Company representing at least 25%+1 of the outstanding share capital of the Company each, the resolutions or decisions of the Management Board in relation to the matters referred to in Article 17.1.1 through 17.1.15 (“Reserved Matters”) will require the prior consent of the Supervisory Board. The Supervisory Board shall pass the decision on granting the consent by a majority of seven (7) out of nine (9) of the members of the Supervisory Board.

- 17.1.1 The cessation of any of the core business activities of the Group or the re-organisation of substantially all of its Business
- 17.1.2 Changing the name or the registered seat of the Company.
- 17.1.3 Taking on new debt (borrowings, taking credits, guarantees, etc) that would result in a Gearing Ratio of over 50% for more than 2 consecutive quarters, or over 60% at any time. For the application of this paragraph the Gearing Ratio shall mean in line with international terms: (net debt/ (net debt+equity))
- 17.1.4 The sale, lease, exchange, transfer or other disposition of any real property or other assets of a member of the Group which have a value of 5% of consolidated non-current asset value of the Group of the latest closing financial year or where the total value of such assets disposed within a given financial year exceeds 10% of consolidated non-current asset value of the Group of the latest closing financial year, or
- 17.1.5 Where the value of such real property or asset is less than the thresholds above, the sale, lease, exchange, transfer or other disposition of any real property or other assets of a member of the Group which are, in the opinion of the Management Board, significant to the business of the Group
- 17.1.6 De-listing of Company’s shares from the Zagreb stock-exchange
- 17.1.7 The variation or termination of any existing contract to which a member of the Group is a party with a value in excess of HRK80,000,000 where such variation or termination is otherwise than in the ordinary course of the business of the Group (contracts related to the customary business activities of the Group shall be considered as ordinary course of the business)
- 17.1.8 The entering into any joint venture by a member of the Group in respect of a material part of the downstream, wholesale or retail business of the Group. Material part means 5 % of consolidated non-current asset value of the Group of the latest closing financial year or where the total value of such transactions within a given financial year exceeds 10% of consolidated non-current asset value of the Group of the latest closing financial year;

- 17.1.9 The acquisition of any real property by a member of the Group where the consideration for the acquisition exceeds 5% of consolidated non-current asset value of the Group of the latest closing financial year or where the total value of such acquisitions within a given financial year exceeds 10% of consolidated non-current asset value of the Group of the latest closing financial year,
- 17.1.10 The granting of a "*prokura*";
- 17.1.11 Changing the accounting policies of the Company or the Group save for adjustments to the standard accounting policies of MOL HUNGARIAN OIL AND GAS PLC as amended from time to time;
- 17.1.12 Amending or replacing those parts of the Rules of Procedure of the Management Board that relates to the corporate governance rights (i.e. nomination and replacement rights) of the Republic of Croatia;
- 17.1.13 Approval of a dividend payout ratio above 40%;
- 17.1.14 Disposal of the Company's retail assets when with such disposal a certain territory of Croatia would remain without alternative fuel supply possibility. For the application of this paragraph the reasonable customer's perspective shall be taken to decide whether alternative fuel supply possibility exists; and
- 17.1.15 Any investment in the underground natural gas storage activity, as such term is defined in the Law on Gas Market.
- 17.2. For passing of decision and taking of actions referred to in this paragraph under items 1 through 2, the Management Board must obtain a prior consent of the Supervisory Board:
1. approval of and/or any amendments to the Annual Budget and the approval of any capital expenditure exceeding 10% of the then current Annual Budget;
 2. approval of and/or any amendment to the Business Plan;

The Supervisory Board shall pass the decision on granting the consent by a majority of the members being present at a meeting, unless a larger majority has been provided for pursuant to Article 17.1. hereof.

Article 18 **Representation**

The Company is represented by two members of the Management Board acting jointly, or one member of the Management Board acting jointly with one „prokurist.

Article 19 **Prokura and Power of Attorney**

The Management Board may, with the consent of the Supervisory Board, grant "prokura" (power-of-attorney) to one or more persons. The „prokurist“ can execute any agreement and take any legal action in the name and on behalf of the Company and represent the Company in the proceedings before the administrative and other government bodies and before courts. The



“prokurist” (attorney-in-fact) cannot without special authority dispose of or otherwise encumber the Company’s real estate and cannot give statements or take legal actions by which the bankruptcy proceedings are initiated or any other proceedings resulting in termination of the Company. The “prokurist” (attorney-in-fact) cannot grant a power-of-attorney to authorise other persons to conclude business transactions.

The members of the Management Board may, within their authority to represent defined in Article 18, authorise one or more persons for entering into particular types of agreements or for taking legal actions.

Article 20

Ratification and Disapproval of Member of the Management Board

At the meetings when annual financial statements are considered, the General Meeting decides on whether to ratify the actions of each member of the Management Board for the prior year. On such occasion, the General Meeting may also vote to disapprove individual members of the Management Board.

If a vote of ratification does not pass in relation to any of the members of the Management Board or there is a vote of disapproval in respect of a member of the Management Board, the Supervisory Board may consider whether an individual should be dismissed.

IV. THE SUPERVISORY BOARD

Article 21

Members of the Supervisory Board

The Supervisory Board consists of nine members.

The term of office of the members of the Supervisory Board is four years. After the expiry of their term the members of the Supervisory Board may be re-elected without any restriction as to the number of terms.

If the mandate of any of the members of the Supervisory Board expires before the end of his term, the member replacing him will have a mandate extending to the end of the period for which the original member was to serve.

Article 22

Appointment and Dismissal of the Members of the Supervisory Board

The General Meeting appoints and dismisses eight members of the Supervisory Board.

One member of the Supervisory Board will be elected and recalled by employees pursuant to the Employment Act.

The members of the Supervisory Board to be elected and dismissed by the General Meeting may



resign from their position by delivering a letter of resignation to the President or Vice President of the Supervisory Board and to the Management Board of the Company. A member of the Supervisory Board elected and recalled by employees may give resignation to the Supervisory Board pursuant to provisions of the Employment Act.

Article 23

President and Vice President of the Supervisory Board

The Supervisory Board elects a President and Vice President of the Supervisory Board from among its members by simple majority of votes cast.

The President and Vice President of the Supervisory Board are elected for a term not exceeding four years. The Vice President is entitled to substitute the President pursuant to the Rules of Procedure of the Supervisory Board.

If the mandate of the President or the Vice President of the Supervisory Board expires before the end of his term, the Supervisory Board shall elect a replacement whose mandate shall extend to the end of the period for which the replaced President or Vice President was supposed to serve.

Article 24

Rules of Procedure of the Supervisory Board

The Supervisory Board passes the Rules of Procedure by simple majority, however, as long as both the Republic of Croatia and the MOL Hungarian Oil and Gas Public Limited Company directly or indirectly hold shares in the Company representing at least 25%+1 of the outstanding share capital of the Company each, the decision on amendments or replacement of those parts of the Rules of Procedure, that relate to the corporate governance rights (i.e. nomination and replacement rights) of the Republic of Croatia, shall be passed by a majority of seven (7) out of nine (9) of the members of the Supervisory Board.

The provisions of the Rules of Procedure of the Supervisory Board cannot be in conflict with mandatory law and provisions of these Articles.

Article 25

Convening Meetings

The meeting of the Supervisory Board is convened by the President of the Supervisory Board or, in case of his absence, by the Vice President, or it is convened in another way provided for in the Rules of Procedure of the Supervisory Board.

In the notice convening the meeting the date of the meeting must be indicated, as well as the time and place of the meeting and the agenda. Any member of the Supervisory Board can supplement the agenda with additional agenda points pursuant to the Rules of Procedure of the Supervisory Board.

A meeting of the Supervisory Board can be validly held even if it is not convened in the manner provided in paragraph 1 and 2 hereof if all the members of the Supervisory Board are present and



if they are all in agreement that the meeting be held.

Meetings of the Supervisory Board are held at the registered office of the Company or another location if the legal prerequisites therefore are met.

Article 26

Resolutions of the Supervisory Board

The resolutions of the Supervisory Board are generally passed at the meetings. The meetings are chaired by the President of the Supervisory Board or, in case of his absence, by the Vice-President. Resolutions regarding issues which are not included in the agenda, may only be taken if all members of the Supervisory Board are present and agree.

The majority of the members of the Supervisory Board represent the quorum for holding a Supervisory Board meeting.

Unless otherwise provided by law, this Articles of Association, or the Rules of Procedure of the Supervisory Board, Supervisory Board resolutions shall be passed by a simple majority of the votes cast.

The members of the Supervisory Board who cannot attend the meeting of the Supervisory Board can participate in a vote by submitting a written ballot. Such members of the Supervisory Board will be counted towards the quorum pursuant to paragraph 2 hereof.

Minutes of each resolution of the Supervisory Board will be kept and signed by the President of the Supervisory Board and another member of the Supervisory Board in accordance with the Rules of Procedure. The Minutes of the Supervisory Board meeting will be kept in Croatian and English.

Article 27

Powers and Responsibilities of the Supervisory Board

The Supervisory Board supervises the Management Board and its management of the Company's business. In exercising this function, the Supervisory Board's powers will include the power to:

1. appoint and dismiss the members of the Management Board;
2. review and supervise by itself or through Supervisory Board committees that SB may establish for this purpose, or engage the services of independent experts to review and inspect the Company's financial statements, accounts, treasury documentation, securities and any other documents concerning the Company's business;
3. approve the Management Board decisions when so required by these Articles or by a resolution of the Supervisory Board;
4. review and approve annual financial statements and report to the General Meeting on results of the review of annual financial statements;
5. liaise with the Company independent auditors;
6. determine the total amounts of remunerations to the members of the Management Board in accordance with the applicable law.

The Supervisory Board shall submit to the General Meeting its written report on the performed supervision, and all resolutions and documents prepared by the Management Board, which require the approval of the General Meeting.

Article 28

Delegation of Duties and Establishing of Committees

The Supervisory Board may appoint one or more of its members to carry out certain tasks or engage any of expert (legal or natural person) to carry out such tasks.

The Supervisory Board may establish committees in order to implement or monitor the implementation of its resolutions. The committees cannot decide on any matters falling under the scope of the Supervisory Board.

Article 29

Reporting to the Supervisory Board

The Management Board shall report to the Supervisory Board, among others, about:

1. the Company's financial position (balance sheet), financial results (profit and loss account), cash flow, capital changes;
2. operation and performance of various business segments within the Company and prospects for future results;
3. operation and performance of members of the Group in accordance with their business activities and prospects for their future results;
4. consolidated balance sheet, consolidated profit and loss account, consolidated cash flow consolidated current capital changes of the Group, in accordance with the accounting policies;
5. all activities material to the Company's liquidity, profitability and business activities, including litigations, borrowing powers, as well as the status of members of the Group which might have a significant impact on the financial position and performance of the Company.

The Management Board shall submit written reports to the Supervisory Board on matters referred to in Article 29.1.1 to 29.1.4 and the Supervisory Board shall adopt or determine them, taking into consideration other obligations in regard to reporting, as follows:

1. for the first quarter each year, not later than 45 calendar days since the last day of the quarter;
2. for the first half-year each year, not later than 45 calendar days since the last day of the half-year period;
3. for the first nine-months period each year, not later than 45 calendar days since the last day of the respective nine-months period;
4. for the entire calendar year, not later than 90 days since the end of the year to which the report refers. Annual financial reports must be accompanied by notes explaining in detail specific positions of financial statements. These reports must be submitted together with a proposal for allocation after taxation and independent auditor's opinion on annual financial reports.

As to the items 1 to 4 of Article 29.1, the reports must contain the data which show the relevant figures for the previous period.

In addition to the above reporting obligations, the Management Board shall submit to the Supervisory Board a report on the performance of the Company's internal audit and supervision.

The Supervisory Board is entitled, whenever it deems necessary, to request from the Management



Board to submit to the Supervisory Board any additional report(s) on any specific business or other activity of the Company.

Article 30

Interest of Members of the Supervisory Board

A member of the Supervisory Board will be required to declare to the Supervisory Board the nature of any interest that he, or a person connected with him, has in a proposed or existing arrangement with the Company. For the purposes of this Article, a connected person shall have the meaning attributed to it in the Rules of Procedure of the Supervisory Board.

Article 31

Prohibition from Voting by Members of the Supervisory Board

Unless otherwise provided by these Articles, a member of the Supervisory Board shall not vote at the meeting of the Supervisory Board or a committee thereof on any resolution of such bodies concerning a matter in which he has an interest (other than by virtue of his interest in shares, debentures or other securities of the Company, or in other way in or through the Company) which (together with any interest of any person connected to him) is to his knowledge material, unless his interest arises only because the resolution concerns one or more of the following issues:

1. giving of a guarantee, security or indemnity in respect on money lent or obligations incurred by him or any other person at the request or for the benefit of the Company or any member of the Group;
2. giving of a guarantee, security or indemnity in respect to a debt or obligation of the Company or any member of the Group for which the member of the Supervisory Board has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity, or by giving of security;
3. a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any member of the Group for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities, or in the underwriting or sub-underwriting in which he is to participate;
4. a contract, arrangement, transaction or proposal concerning any other body corporate in the share capital of which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he or any person connected with him do not to his knowledge hold an interest representing one percent or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest of more than one percent being deemed to be a material interest in all circumstances for the purpose of this Article);
5. a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any member of the Group which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
6. a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any member of the Supervisory Board or for persons including members of the Company's Supervisory Board.

For the purposes of this Article, an interest of a person connected with a member of the Supervisory Board shall be treated as an interest of that member of the Supervisory Board.

Any questions as to whether or not a member of the Supervisory Board does has an interest in a



proposal which does not fall within Article 31.1.1 to 31.1.6 will be determined by the President and/or a majority of members of the Supervisory Board.

Article 32

Remuneration of the Supervisory Board Members

The members of the Supervisory Board shall be remunerated for their work.

Their remuneration shall be determined by the General Meeting upon the proposal of the Supervisory Board.

In addition to their right to be remunerated for their work, the members of the Supervisory Board are entitled to be reimbursed for travel and accommodation expenses in connection with their attendance at the Supervisory Board meetings.

V. GENERAL MEETING

Article 33

Powers of the General Meeting

The General Meeting has the power to decide on:

- amendments to Articles of Association;
- changes to the Company's name, registered office or objects of its business;
- appointment and recall/dismissal of the members of the Supervisory Board and determination of remuneration for the members of the Supervisory Board;
- distribution of profit;
- ratifying the actions of the members of the Management Board and Supervisory Board for the previous year;
- appointment or dismissal of independent auditors;
- increases or decreases in the Company's share capital;
- appointment of auditors to investigate the management of the business affairs of the Company;
- change of the kind and/or rights tied to certain classes of shares;
- changes in the legal status or termination of the Company.

The General Meeting also decides on any other issues provided for by law or these Articles.

Article 34

Convening and Venue of General Meetings

General Meetings shall be held at least once a year (ordinary meeting) and whenever a meeting is required in the Company's interest (extraordinary meeting).



The General Meeting is held at the Company's registered office or another location if the legal prerequisites therefore are met.

The General Meeting is convened by the Management Board.

The General Meeting may also be convened by the Supervisory Board.

Under conditions determined by law, shareholders who hold shares representing at least one-twentieth of the Company's share capital have a right to request that (i) a General Meeting be convened by the Management Board, and (ii) the agenda of the General Meeting to be supplemented by additional agenda points; and, in case their request is not granted, to petition the court to authorise to convene the General Meeting on their own with the agenda as requested.

Article 35

Notices of General Meetings

Notices of General Meetings and proposals shall be published in "Narodne novine" (the Official Gazette of the Republic of Croatia), as well as in foreign newspapers if so required by the rules of any stock exchange market in which the Company's shares are listed and on the Company's website. Only publication in the Official Gazette is considered relevant. A notice of a General Meeting must be sent in advance as prescribed by the applicable laws.

Announcements from the Article 281 paragraph 1 of the Companies Act (the Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09) shall be released on the Company's website.

Article 36

Right to Participate in General Meetings

The right to participate in General Assembly shall have each shareholder registered within the computer system of the Central Depository and provided that he/she sent an application for participation at the General Assembly meeting prior, and that the Company received, at the address indicated in the notice convening this meeting, the notification of his/her intention to participate at the General Meeting six (6) days before such meeting at the latest. The date application is received by the Company is not included in this 6 day deadline.

Shareholders may attend General Assembly either in person or through their authorized agents.

The Power of attorney shall include:

- the name of the authorized agent;
- the name of the appointing shareholder;
- authorization to vote in the name of the shareholder.

The abovementioned power of attorney shall be deposited by personal delivery or post at the office of the Company's Secretary six day before the day of holding of the General Meeting at the latest.

Any legal person who is a shareholder of the Company may, by resolution of its Management Board or under the hand of an officer duly authorized by it, authorize such person as it thinks fit to act as its representative at any General Meeting of the Company. A person so authorized shall



be entitled to exercise the same power on behalf of the grantor as the grantor could exercise itself, save that the Company may require such person to produce a certified copy of the resolution of authorization or other authority before permitting him to exercise his powers. The grantor shall, for the purpose of these Articles, be deemed to be present in person at any such meeting if a person so authorized is present at the meeting.

For the purpose of exercising their rights and obligations, shareholders may organize themselves into associations of shareholders in the manner they determine. The associations of shareholders shall notify the Company on the number of shareholders in the association, the general meeting held, decisions passed on the election of the representatives of the association (attorneys) and his rights in the General Meeting of the Company.

Article 37

Chairman of the General Meeting

The President of the Supervisory Board, or any other person as appointed by the Supervisory Board to chair the General Meeting shall preside as Chairman of the General Meeting. If the Chairman of the General Meeting is not present within five minutes after the time appointed for holding the meeting, the members of the Supervisory Board who are present shall elect one of their members to be Chairman. If there is only one such member present and willing to act, he shall be the Chairman of the General Meeting. If no such member is willing to act as the Chairman of the General Meeting, or if no member of the Supervisory Board is present within five minutes after the time appointed for holding the meeting, the shareholders present and entitled to vote shall choose one among them to be the Chairman of the General Meeting.

Article 38

Voting and Passing of Resolutions

A resolution shall be passed on each item of the agenda by voting to be performed in one of the following manners: in writing through ballots stating the number of votes, through a bar code system, rising of tables or similar tools stating number of votes or in other suitable way, to be determined on convening the General Meeting.

The General Meeting shall be entitled to pass valid resolutions if shareholders representing at least 50% of the total number of votes are present (quorum). When convening the General Meeting, it must be specified when the next meeting will be held if there is no quorum in the first General Meeting. The thus held General Meeting may pass valid resolutions regardless of the total number of votes represented at the meeting.

Each ordinary share entitles the holder to one vote.

Resolutions of the General Meeting are passed by an ordinary majority of the votes cast, except for cases where a larger majority is required by the law or these Articles (qualified majority).

Each shareholder is responsible for his own expenses or the expenses of his proxy in connection with attendance at a General Meeting.



VI ADDITIONAL PROVISIONS

Article 39

Financial Year

Financial year of the Company is the calendar year.

Article 40

Use and Distribution of Profit

The General Meeting shall, after approving the annual financial reports by the Supervisory Board, decide on the distribution of the profit. The General Meeting may decide to allocate the profit to legal reserves, reserves for its own shares, or other reserves, to members of the Management Board (or Supervisory Board) as part of their profit-sharing rights, and/or may pay dividends to shareholders.

With the prior consent of the Supervisory Board, during a financial year the Management Board is entitled to pay to shareholders an interim dividend based on the net profit forecast if the profit and loss statement for the former year shows a profit. Not more than half of the amount of profit decreased by the amounts that the law and these Articles require to be allocated to the reserves may be paid as advance payment of the dividend. The advanced payment may not exceed the amount of half of the previous year profit.

The amount of dividend paid to each shareholder shall be proportionate to the nominal amount of the shares it holds, and may be expressed either as an absolute value per share or as a percentage of total nominal share value. The dividend may be paid in cash and/or in shares of the Company.

A shareholder registered within the computer system of the Central Depository on the date of payment specified in the resolution of the General Meeting on the payment of the dividend is entitled to receive payment of the dividend.

A shareholder registered within the computer system of the Central Depository on the date of payment specified in the resolution of the Management Board on the payment of the advance is entitled to receive the advance payment of the dividend.

Article 41

The provisions of the law shall apply to any matter not defined by these Articles.

Article 42

Effects of these Articles

The Articles of Association come into effect on the date of entry into the court registry. On the day that these Articles come into effect, the Articles of the Company of May 23, 2011, cease to be in force.

GENERAL MEETING CHAIRMAN