

At the first session of the new Croatian Government, Prime Minister Andrej Plenkovic spoke about the relations between the state and Hungarian MOL in Croatian oil company INA and announced the development of a new strategy that will finally resolve the dispute.

PM Plenkovic said that on the basis of this new strategy, the Government will try to resolve all outstanding issues between INA's two largest shareholders, adding that Croatia will not withdraw from the arbitration proceedings before the International Center for Settlement of Investment Disputes (ICSID) in Washington, which is essential for resolving the conflict between the Croatian state and MOL. He stressed that the Government will not allow INA to become just a subsidiary of MOL.

Recalling that INA is the largest company in Croatia, PM Plenkovic said that the aim of the new Government will be to ensure the conditions for its further growth and development. The Government will insist that INA continues to invest in exploration, production and processing of oil and retain all the characteristics of a modern, vertically integrated company. This includes new projects in Croatia and abroad, in accordance with the signed shareholders' agreement. INA has to be a guarantor of Croatian energy security and stability, said Plenkovic, adding that he expects that MOL will treat INA as a responsible strategic partner and continue the development of all parts of the company, in accordance with the shareholders' agreement and good business practice. He added that talks with INA's Management Board Chairman Zoltan Aldott are scheduled for next week.

As a response on speculations that INA's oil refinery in Sisak will be closed, the representatives of MOL said that the company is not planning to supply Croatia from its refineries in Hungary and Slovakia, while the Management of INA reiterated that it had made no decision regarding the closure of Sisak refinery.

In early October, a composition of twelve railway tanks has transported 600 tons of domestic crude oil from Sisak refinery to Rijeka refinery for processing. This move has been seen as the beginning of the long-desired aspirations of INA's largest shareholder - Hungarian MOL, that domestic crude oil should not be processed in Sisak refinery, which should be closed and the processing of crude oil should be continued in Rijeka refinery. The statement from INA said that the reason for this transport is testing of the system of transportation of crude oil by rail, while the test consisted of transporting 600 tons of crude oil from storage near Sisak to Rijeka oil refinery, adding that this step is in accordance with INA's aim to ensure oil supply security in Croatia.

Croatian Government and Hungarian MOL have long history of dispute regarding the managerial rights in oil company INA. In November 2013, MOL has initiated arbitration proceedings before the International Center for Settlement of Investment Disputes (ICSID) in Washington, due to breach of certain obligations and procedures related to MOL's investments in Croatia. According to MOL, the Croatian Government has not met its obligations under the main contract on gas business and its annexes to which it has

committed in early 2009. The state obliged that it will take over INA's natural gas business and purchase the entire INA's gas production at market prices in the next 15 years. MOL claims that because the Government failed to comply to its obligations, the company suffered over 270 million euros in damages.

In January 2014, the Croatian Government filed an arbitration claim against MOL to the United Nation's Commission on International Trade Law (UNCCITRAL) in Geneva, which seeks to declare void the contract amendments from 2009 on management rights in INA and main contract on gas business.

MOL has 49.08 % of INA's shares, while the Croatian state has 44.84 % stake in the company.