

**CONFIDENTIAL**

**Dated 16 December 2009**

**REPUBLIC OF CROATIA**  
**represented by**  
**the Government of the Republic of Croatia**

**and**

**MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY**

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**FIRST AMENDMENT TO THE GAS MASTER AGREEMENT**

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**The Republic of Croatia**, represented by the Government of the Republic of Croatia (hereinafter "Government")

and

**MOL Hungarian Oil and Gas Public Limited Company**, a public company limited by shares, registered and existing under the laws of the Republic of Hungary, with registered seat at Október huszonharmadika u. 18, Budapest 1117 Hungary (hereinafter "MOL")

(the Government and MOL hereinafter referred to as the "Contractual Parties")

have entered on 16 December 2009 into the following

**FIRST AMENDMENT TO THE GAS MASTER AGREEMENT**

**I. Object of the First Amendment to the Gas Master Agreement**

1.1. The Contractual Parties concluded a Gas Master Agreement as at 30 January 2009 (GAS MASTER AGREEMENT - hereinafter "GMA"). Contractual Parties aim to keep GMA in force, as amended by this First Amendment to the Gas Master Agreement (hereinafter "Amendment"). Capitalized and/or English terms used in this Amendment shall bear the same meaning as attributed thereto in the Gas Master Agreement, unless otherwise expressly defined in this Amendment.

1.2 The Contractual Parties, under the conditions of this Amendment and in accordance with applicable laws, mutually agree to accept obligations with a view of resolving the gas supply in a way that Prirodni Plin d.o.o., a gas Trading Co. founded by INA (hereinafter "PP") can avoid losses due to the difference between its gas source cost and its gas sales revenue (hereinafter "Gas Losses") and all other open issues in a manner and within time periods, as stipulated under this Amendment.

1.3. By this Amendment, the conditions for and the manner of determination of the natural gas price for tariff and privileged customers; resolving of the issue of INA's due public contributions for all contributions concerned; the issue of the mining royalty; the gas storage tariff; and other conditions for determination of the gas price and the purchase of 100% stake in company PP, shall be agreed as defined under this Amendment.

1.4 The Contractual Parties mutually agree that provisions of this Amendment relating to INA-INDUSTRIJA NAFTE d.d. (hereinafter "INA") and/or PP shall have legal effect of contracting for the benefit of the third party (INA and/or PP, as appropriate) pursuant to the provisions of Article 337 of the Law on Obligations as effective on the day of entry into this Amendment.

## **II. Gas business**

2.1. The Contractual Parties mutually agree that the Gas Master Agreement shall remain in force. MOL accepts that this Amendment represents an effective remedy for the breach of material provisions of the GMA communicated by MOL to the Government in its letter of 3 July 2009. Contractual Parties mutually agree that a breach of any of the provisions of this Amendment shall be deemed as a material breach of the GMA.

2.2. By way of derogation from the provisions of Article 3.2.1 of the GMA, the Contractual Parties confirm by this Amendment that the Government's purchase of the 100% share in PP shall be postponed until 1 December 2010.

2.3. From the day of signing this Amendment and in accordance with the timeline as stipulated by this Amendment, the Government and MOL, as majority shareholders of INA, shall be obliged to implement the provisions of Chapters II, III, IV, V, VI, VII, VIII and IX of this Amendment, relating to the issues of gas supply and other unresolved issues between the Contractual Parties.

## **III. Gas supply issue**

3.1. By this Amendment, it is established that the Government has the goal of preserving and strengthening the national security interest by providing a secure and reliable framework for due and punctual supply of the tariff and privileged customers from the domestic production and other foreign sources of the natural gas.

3.2. By this Amendment, it is established that the Government and MOL, as majority shareholders of INA acting through INA company bodies are, in continuum, ready to consider all the measures having the effect of cushioning the impact of the high volatility of the international gas prices and foreign exchange to the Croatian tariff consumers and in that respect, will foster the Government's efforts in accordance with the provisions of this Amendment.

3.3. Should there be such a need, the Government and MOL, as majority shareholders of INA acting through INA company bodies, shall be obliged to secure to an extent reasonably possible interventional import of additional quantities of gas to the Republic of Croatia in order to avoid reductions, and in particular due to higher consumption over the winter months, from the date of signing this Amendment until the day of purchase of the 100% share in PP by the Government, and in any event no later than by 1 December 2010 provided that price increases are executed in accordance with the provisions contained in Chapter IV of this Amendment.

3.4. For the future stability of gas supply to the Croatian market the Contractual Parties confirm the importance of the long term capacity booking on the high pressure gas pipeline interconnection between the Republic of Croatia and Hungary, which is

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currently under construction by Plinacro and FGSZ with the aim to create a new, shorter gas import route compared to the existing Slovakia-Austria-Slovenia route.

**IV. Determination of the natural gas price to tariff and privileged customers**

4.1 Taking into consideration volatility of the natural gas price on the international market, the Government is determining the modalities of making corrections to the gas price to tariff and privileged customers in a manner as defined under provisions of this Chapter.

4.1.1 INA and PP shall be enabled to perform increases in the gas price to tariff customers in an amount of 33 lipas per m<sup>3</sup>, effective from 1 January 2010. The Government is obliged to issue a relevant Resolution on the increase of tariff prices within a reasonable period.

4.1.2. INA and PP shall be enabled to perform increases in the gas price to privileged customers in an amount of 30 lipas per m<sup>3</sup>, effective from 1 January 2010, compared to the relevant contractual prices effective from time to time by introducing new pricing formula. For those privileged customers of which the Government is majority shareholder or has decisive influence (directly or indirectly), acting through these companies' bodies the Government is obliged to secure the corresponding modification of gas supply contracts of those customers within a reasonable period to establish the possibility for such price increases to be effective from 1 January 2010.

4.2. Any subsequent increase of the gas price (other than change of gas prices to privileged customers as a consequence of applying the relevant pricing formula), not falling within provisions of Clauses 4.1.1. or 4.1.2 of this Chapter, shall not be allowed without a prior approval of the Government until the date set in Clause 2.2 for the purchase of the 100% stake in PP by the Government. Such price increases must be substantiated with a detailed analysis submitted to the Government and shall in no event take place before 1 May 2010.

4.3 In case of increase of the gas price in accordance with 4.2 of this Chapter, the Government and MOL, as majority shareholders of INA shall oblige INA for PP to deliver to the Government a detailed analysis that shows the justification for the increase of the gas price, no later than 30 (thirty) days prior to the intended effective date of the increase of the gas price.

4.4 The proposed increase of the gas price, as stipulated under 4.3. of this Chapter, has to be reasonable (i.e. to enable that PP operates without Gas Losses, in accordance with Clause 1.2 of this Amendment), and should not materially jeopardize the basic strategic economic goals and macroeconomic stability of Croatia in line with Clause 3.1. of Chapter III of this Amendment.

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4.5 Upon delivery of a request referred to in 4.4. of this Chapter, the Government shall perform necessary consultation and shall, together with INA and PP, lay down the possibility and modalities of the increase of the gas price, in accordance with the requests submitted in line with 4.4. of this Chapter.

**V. Gas storage tariff**

5.1. Pursuant to this Amendment, the Government shall undertake to adopt a Resolution that shall come into force on 1 January 2010 at the latest by which the costs of gas storage currently borne by INA shall be transferred to end consumers.

5.2. By the Resolution issued in accordance with Clause 5.1. of this Chapter, the Government shall determine the maximum cost to be transferred to end-consumers ranging from 4.5 (four and half) to a maximum of 5 (five) lipas/m<sup>3</sup>, payable by each end consumer of natural gas.

**VI. Mining fee (Royalty) for exploitation of hydrocarbons**

6.1 The Contractual Parties hereby agree that provisions of the GMA related to the royalty for exploitation of hydrocarbons as described under Clause 2.2.2 of the GMA (the "Royalty") are modified in accordance with clauses of Chapter VI of this Amendment. The Contractual Parties agree that Chapter VI of this Amendment contains final terms related to the future royalty for exploitation of hydrocarbons payments, so that no separate Royalty Agreement is needed to be entered into and signed.

6.2. The Government states and warrants that during the period starting from the year of 2010 and ending with the year of 2014, the existing Royalty rate to be paid by INA, shall, from 1 January 2010, be increased by 0.5 percentage points per annum for all exploitation fields where hydrocarbons are exploited.

6.3. The Royalty rate to be paid by INA starting from the year of 2015 and ending with the year of 2025, starting with 1 January 2015, is determined in the amount of 10 (ten) percent for all exploitation fields where INA exploits hydrocarbons.

6.4 By way of derogation from Clause 6.2 of this Chapter, for new fields, with respect to which exploration license is issued after the Contractual Parties' entering into this Amendment, INA is obliged to pay the Royalty at a rate of 10 (ten) percent.

6.5 The base for Royalty calculation shall be the actual revenue generated by INA from hydrocarbon production (including oil, gas, condensates) calculated by multiplying the quantities sold by the actual unit sales prices of INA.

**VII. Public contributions**

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7.1 The Government and MOL, as majority shareholders of INA acting through INA company bodies shall oblige INA to execute a payment of at least HRK 1,000,000,000.00 (one billion kuna) no later than by 31 December 2009 covering material part of unpaid tax and other due public contributions. MOL is obliged to offer financing solution of such an amount to INA.

7.2 The Government and MOL, as majority shareholders of INA acting through INA company bodies, shall develop a financial solution for the benefit of INA for the purpose of executing the payment of the remaining amount of unpaid tax and other public contributions not covered by Clause 7.1 of this Chapter no later than by 31 March 2010, provided that (i) breach of financial covenants of INA can be avoided and also, that (ii) the Contractual Parties agree in due time on an adequate financing solution in line with Chapter VIII. of this Amendment.

**VIII. Investments**

8.1. By acknowledging the current circumstances and business difficulties of INA, this Amendment enables making changes to investments or the equity capital of INA in a manner that shall ensure sustainability of INA's operations.

8.1.1. In accordance with 8.1. of this Amendment, the Government and MOL, as majority shareholders of INA, agree and shall establish the possibility of a partial sale (maximum 50%) of the Havan block by INA to MOL with a buyback option to INA.

8.1.2 The Government and MOL agree and shall, acting through INA company bodies, with an aim of creating conditions for orderly and sustainable operation, establish the possibility for INA to issue convertible bonds in accordance with relevant regulations on companies and capital markets.

8.2. The Government and MOL, as majority shareholders of INA acting through INA company bodies shall task INA to inform the Government in a timely manner of all activities defined under Clauses 8.1.1. and 8.1.2 of this Chapter with a detailed substantiation and overview of all effects of the changes in type, volume and intensity of particular investments that have a primary goal of creating a stable environment and other conditions for sustainable operations.

**IX. Miscellaneous**

9.1 This Amendment shall be an inherent part of and material addition to GMA and shall form an integral part thereof. Any provision of GMA (unamended) not affected by this Amendment shall remain in full force and effect.

9.2. Interpretation, validity and enforcement of this Amendment is governed by the laws of the Republic of Croatia.

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9.3. In line with the GMA, the official text of this Amendment and any notices given on its grounds shall be in English.

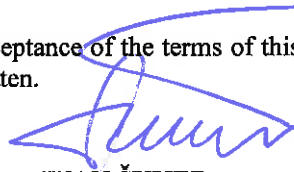
9.4. The entire Chapter 4 ("Miscellaneous") of the GMA shall *mutatis mutandis* be applicable to this Amendment.

The Contractual Parties accept the conditions of this Amendment by affixing their signature.

This Amendment has been concluded in 4 (four) identical copies, 2 (two) for each party.

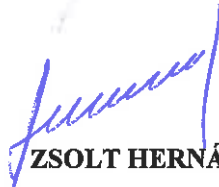
The Contractual Parties have shown their acceptance of the terms of this Amendment by executing it below on the date first above written.

**SIGNED** by Mr. Ivan Šuker, Deputy Prime Minister, Minister of Finance for and on behalf of the **REPUBLIC OF CROATIA**



**IVAN ŠUKER**

**SIGNED** by Mr. Zsolt Hernádi, Chairman and Chief Executive Officer for and on behalf of **MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY**



**ZSOLT HERNÁDI**

**SIGNED** by Mr. György Mosonyi, Group Chief Executive Officer for and on behalf of **MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY**



**GYÖRGY MOSONYI**