Exhibit 4

IN THE MATTER OF AN *AD HOC* ARBITRATION
UNDER THE ARBITRATION RULES OF THE
UNITED NATIONS COMMISSION ON INTERNATIONAL TRADE LAW

B E T W E E N:

THE REPUBLIC OF CROATIA,

Claimant,

Ministry of Economy
Ulica grada Vukovara 78
10000 Zagreb, Croatia

By its counsel:
PATTON BOGGS LLP
Stephen Díaz Gavin, Esq.
Read K. McCaffrey, Esq.
Kristen M. Jarvis Johnson, Esq.
2550 M Street NW
Washington, D.C.
20037 USA

Luka S. Mišetić, Esq.
207 East Ohio, No. 217
Chicago, IL
60611 USA

and

MOL HUNGARIAN OIL AND GAS PLC.,

Respondent,

H-1117 Budapest
Október huszonharmadika u. 18
Hungary

NOTICE OF ARBITRATION

January 17, 2014

TABLE OF CONTENTS

The Republic of Croatia ("Claimant" or "Croatia"), by and through its undersigned legal counsel, Patton Boggs LLP, hereby brings its Notice of Arbitration pursuant to the rules of the United Nations Commission on International Trade Law ("UNCITRAL"), against MOL Hungarian Oil and Gas, Plc. ("Respondent" or "MOL") (collectively, the "Parties"), and pursuant to the dispute resolution provisions contained in Section 15.2 of the Parties' Shareholders Agreement Relating to INA-Industrija Nafte d.d., dated 17 July 2003 and as amended 30 January 2009, ("Shareholders Agreement" or "SHA"),[1] as well as related agreements and laws as described below in and under which the Parties' agreed to resolve any disputes arising out of their investment in INA-Industrija Nafte d.d. ("INA") through arbitration.

I. INTRODUCTION

On 21 November 2012, a Croatian court handed down a judgment convicting former Croatian Prime Minister Ivo Sanader of having been paid millions of Euros in bribes in 2009 by MOL – the Respondent in this arbitration. Mr. Sanader's conviction and its underlying basis – a bribe paid by MOL – called into question the entire transaction in 2009 which gave MOL management control over INA, Croatia's preeminent industrial company. MOL was able to restructure INA, and leave to Croatia INA's unprofitable gas business.

The people of Croatia, through its government, now challenge the cavalier and "above-the-law" behavior of MOL in bribing Prime Minister Sanader, whose actions inured to his personal benefit and were *a priori* outside of his official capacity in accepting a bribe. The unlawful payment to Mr. Sanader in exchange for an unfair business transaction has damaged Croatia and the reputation of its great company. By MOL's own admission, it required the 2009 "agreements" to consolidate INA on its financial reports and benefit from

[1] **Exhibit C-001** (Shareholders Agreement Relating to INA-Industrija Nafte d.d., 17 July 2003) and **Exhibit C-002** (First Amendment to the Shareholders Agreement Relating to INA-Industrija Nafte d.d., 30 Jan. 2009). The Government of Croatia represented and acted for Croatia in entering into the agreements.

INA's profitability and reputation in the market. MOL specifically highlighted how it had "significantly increased its proven and probable hydrocarbon reserves and also increased its daily average hydrocarbon production by two-thirds by the end of 2009 through the consolidation of INA"; how its "refining capacity … increased by 40% to 23.5 million tonnes per annum" as a result of the consolidation of INA; and the "impetus … to further growth in 2009 through gaining operative control of INA."[2]

Through its unscrupulous transaction, MOL transformed INA from Croatia's principal energy company into an outpost subsidiary of MOL, operating outside the bounds of its agreement with Croatia and without regard to its independent management. Croatia seeks nullification of the First Amended Shareholders Agreement and the Gas Master Agreement – both created as the direct result of an unlawful and secretive bribe – and compensation for the damages that resulted from MOL's unlawful actions.

II. DEMAND FOR ARBITRATION

Claimant hereby demands that the dispute be referred to arbitration in accordance with the UNCITRAL Arbitration Rules, as agreed to by the Parties in Section 15.2 of the Shareholders Agreement. Claimant provided written notice of its intent to invoke the dispute resolution procedures of the Shareholders Agreement by letter dated 17 October 2013.[3] Following the dispute resolution procedures of the SHA § 15.1, the Parties attempted to resolve through negotiations the claims raised by Croatia with MOL, but those negotiations did not result in settlement.[4] Therefore, in accordance with Section 15.2 of the SHA, Claimant makes this formal demand for arbitration.

[2] Annual Report 2009, MOL Group at 5, 9.
[3] **Exhibit C-003** (Notice of Claims and Intention to Commence Arbitration against MOL, 17 Oct. 2013).
[4] These negotiations were focused on Croatia's claims. In a related arbitration under the Energy Charter Treaty, MOL has asserted that it attempted to resolve its claims against Croatia, which Croatia disputes and submits that MOL never made any good faith attempts to resolve its claims against Croatia, as will be specified in submissions within that arbitration.

III. PARTIES

Claimant	Respondent
THE REPUBLIC OF CROATIA Ministry of Economy Ulica grada Vukovara 78 10000 Zagreb, Croatia *All communications for Claimant should be directed through Claimant's legal counsel*: PATTON BOGGS LLP Stephen Díaz Gavin, Esq. Read K. McCaffrey, Esq. Kristen M. Jarvis Johnson, Esq. 2550 M Street NW, Washington, D.C. 20037 USA Phone: +1 (202) 457-6340 Facsimile: +1 (202) 457-6482 sgavin@pattonboggs.com rmccaffrey@pattonboggs.com kmjohnson@pattonboggs.com Luka S. Mišetić, Esq. 207 East Ohio, No. 217 Chicago, IL 60611 USA Phone: +1 (312) 224-8284 Facsimile: +1 (312) 268-6213 luka.misetic@misetic-law.com	MOL HUNGARIAN OIL AND GAS PLC. H-1117 Budapest Október huszonharmadika u. 18 Hungary *Copy sent to Respondent's legal counsel*[5]: WEIL, GOTSHAL & MANGES LLP Arif H. Ali, Esq. 1300 Eye St. NW, Suite 900 Washington, D.C. 20005 USA Phone: +1 (202) 682-7000 Facsimile: +1 (202) 857-0940 arif.ali@weil.com

IV. ARBITRATION AGREEMENT

Two agreements between the Parties provide the consent necessary for jurisdiction over the claims in this arbitration. Claimant invokes Section 15.2 of the Shareholders Agreement (Ex. C-001) in demanding this arbitration. To any extent necessary, Claimant further invokes the dispute resolution procedures of Section 4.8.2 of the Gas Master Agreement,[6] dated 30 January 2009.

[5] Respondent understands from its prior interactions with Claimant that Weil, Gotshal & Manges LLP is representing Claimant in this dispute, and as a courtesy, it is providing counsel with a copy in anticipation of a formal appearance in this matter.

[6] **Exhibit C-004** (Gas Master Agreement, 30 January 2009).

The Shareholders Agreement defines "Dispute" to mean "any dispute, controversy or claim arising out of, in relation to, or in connection with this Agreement or the existence, validity or interpretation of this Agreement." SHA § 1.1 (Ex. C-001). Section 15.1 provides that the dispute resolution procedures defined in the Shareholders Agreement are "the binding and exclusive means to resolve *all* Disputes." (Emphasis supplied). Each of the claims identified below arises out of, in relation to, or in connection with the Shareholders Agreement and is, thus, appropriately and lawfully resolved through this arbitration proceeding.

In addition, the Gas Master Agreement provides for the same dispute resolution mechanism for "[a]ll disputes which may arise between the Parties out of or in relation to or in connection with this Agreement which are not settled. . . shall be finally settled by arbitration in accordance with UNCITRAL." To the extent any claims may also be related to the Gas Master Agreement, in addition to the Shareholders Agreement, Claimant hereby joins all claims together in this single arbitration, due to the intertwined and inseparable nature of the underlying facts, agreements, and claims, and the analogous dispute resolution provisions of the two agreements.

V. CONTRACT / OTHER LEGAL INSTRUMENTS

This dispute arises out of Respondent's unlawful actions leading into and following the Parties' amending the Shareholders Agreement (Exs. C-001 & C-002), which actions constitute breaches of the agreements between the parties. Claimant and Respondent are the primary two shareholders in INA. As of the date of this Notice, Respondent holds 49.08% of INA, Claimant holds 44.84%, and the remaining shares are publicly held. Prior to entering into the Shareholders Agreement, Claimant had wholly owned INA, and had entered a Share

Sale and Purchase Agreement[7] with Respondent on 17 July 2003 to sell 25% plus one share of INA to Respondent. Over time, Respondent purchased additional shares of INA on the open market to reach its current shareholding, and it entered into the 30 January 2009 First Amended Shareholders Agreement with Claimant to gain management control of INA (Ex. C-002). The Parties further entered into a Gas Master Agreement on 30 January 2009 (Ex. C-004), which purported to separate from INA certain gas-related businesses into a separate entity to be wholly owned by Claimant.

In summary, the contracts relevant to this claim are:

1. Shareholders Agreement, 17 July 2003 (Ex. C-001),
2. Share Sale and Purchase Agreement, 17 July 2003 (Ex. C-005),
3. Co-Operation Agreement relating to INA, 17 July 2003 (Ex. C-006) (an agreement between MOL and INA),[8]
4. First Amendment to the Shareholders Agreement, 30 January 2009 (Ex. C-002), and
5. Gas Master Agreement, 30 January 2009 (Ex. C-004).

Together, these documents are referenced as the "Contracts."

VI. DESCRIPTION OF CLAIM

A. Facts and History of the Claim

INA Industrija Nafte d.d. is an oil and gas company established under the laws of Croatia with its headquarters in Zagreb. Founded in 1964, INA became a state-owned company in 1990, but then became a joint stock company in 1993. In 2003, Croatia sold MOL 25% plus one share in INA. Over the next several years, MOL purchased additional shares through the market and now owns 49.08% of the company. MOL presently has control over INA's management as a result of a disputed Amended Shareholders Agreement executed in 2009. MOL reports INA on its consolidated annual financial statements as an integrated subsidiary.

[7] **Exhibit C-005** (Share Sale and Purchase Agreement Relating to 25% + One Share of the Issued Share Capital of INA Indusrija Nafte d.d., 17 July 2003).
[8] **Exhibit C-006** (Co-Operation Agreement Relating to INA-Industrija Nafte d.d., 17 July 2003).

1. 2003: Shareholders Agreement

In 2003, MOL acquired 25% plus one share in INA for $505 million U.S. Dollars through a public offering process by Croatia and entered into a Shareholders Agreement (Ex. C-001) with Croatia. The Shareholders Agreement "set out certain matters relating to the respective rights that [each party] will have as shareholders in INA upon [MOL's] acquisition of [share in INA]." Shareholders Agreement, Preamble. At the same time, the Parties also entered into a Share Sale and Purchase Agreement (Ex. C-005), and INA and MOL entered into a Co-Operation Agreement (Ex. C-006). Of significant importance to the Parties was Section 7 of the Shareholders Agreement, which established the corporate governance structure of INA. Croatia was especially concerned with maintaining control over management of INA in cooperation with MOL. Thus, the Parties agreed that INA's corporate governance structure would consist of a two-tier management system, composed of a Supervisory Board (nadzorni odbor) and a Management Board (uprava), which are under Croatian law, together with the General Assembly (glavna skupština), the governing bodies of a Croatian joint-stock company (dioničko društvo). This structure preserved management control with Croatia as long as Croatia was the majority shareholder.

2. 2009: Gas Master Agreement and First Amendment to the Shareholders Agreement

Two significant events occurred between 2003, after the Parties first entered into the Shareholders Agreement, and 2009. First, MOL began accumulating a larger stake in INA. By early 2009, MOL held approximately 47% of INA. Second, INA's gas business had recorded significant losses. In early 2009, INA recorded a loss on its books for the gas business in the amount of 1.450 billion Kunas (approximately $250 million U.S. Dollars) for fiscal year 2008. Croatia as a country consumed 3.2 billion cubic meters of natural gas in 2008, with 60% supplied by domestic production of INA, and with INA importing the remaining 40% through a multi-year contract with the Russian gas company, GAZPROM.

INA imported Russian gas at a cost of 2.27kn per cubic meter, and sold it to domestic consumers for 1.22kn per cubic meter to maintain reasonable heating prices for Croatian consumers. This resulted in significant loss on the INA books for the gas business.

On 30 January 2009, the former Croatian Prime Minister Ivo Sanader and the former Minister of Economy, Damir Polančec, concluded efforts with MOL to modify the Parties' Shareholders Agreement, which resulted in revision in the relationship between the parties substantially to the benefit of MOL. The First Amendment to the Shareholders Agreement ("First Amendment," Ex. C-002) gave MOL significantly increased control over INA by granting MOL control over the Management and Supervisory Boards. The revision gave MOL the right to name the President of the Management Board, which under Croatian law is the corporate governance entity principally responsible for the management of the company. Further, although there would be three members of the Management Board named by each Croatia and MOL, the President of the Management Board's vote would break any tie in decisions on the Management Board. (First Amendment §§7.2.1-7.2.2).

The Gas Master Agreement ("GMA," Ex. C-004), simultaneously adopted with the First Amendment, essentially required Croatia to take the $500 million USD that MOL initially invested in INA in 2003 and use it to provide start-up capital for two new Croatian-owned gas companies. The result of the GMA and First Amendment was to preserve profit in INA, now to be controlled and consolidated by MOL, and spin off gas business losses to Croatia, thus giving MOL a huge financial windfall in its investment in INA, while shifting the losses to Croatia.

3. 2011: Arrest and Prosecution of Former Croatian Prime Minister Sanader for Accepting MOL Bribes

Facts came to light in September 2011 that revealed the motives for the 2009 deal which left Croatia with INA's gas business debt and boosted MOL's control and profits. In September 2011, the Croatian State Prosecutor indicted former Prime Minister Ivo Sanader

on charges of accepting a multi-million Euro bribe from MOL's Chairman and CEO, Zsolt Hernadi, in exchange for entering into the GMA and First Amendment. Prime Minister Sanader was tried and found guilty in November 2012. There is an ongoing criminal investigation and outstanding arrest warrant for Mr. Hernadi in connection with the bribery of Mr. Sanader.

The transactions cannot make economic sense for Croatia except as a result of wrongdoing. The transaction was a completely lopsided deal to the benefit of MOL. The transactions, including the GMA, would require that (1) Croatia give up control of INA, (2) Croatia wind up buying a gas business which had lost $250 million USD in 2008 alone and would continue to suffer similar losses for the foreseeable future, and (3) the establishment of two new companies that would need an infusion of $500 million USD in start-up capital from the Croatian budget – money that Croatia did not have and for transactions that were economically unviable.[9] The bribe of the then-Prime Minister ensured that a transaction so economically detrimental to Croatia could be pushed to approval by the Prime Minister.

Thus, it became evident that MOL had secured windfall benefits in the GMA and First Amendment as a direct result of its illegal bribery of Croatia's Prime Minister.

4. 2013: Management of INA and MOL's Wrongful Control

Under the First Amendment, INA became managed through a "three-tier" structure: The Supervisory Board, the Management Board, and the new Executive Board. The Supervisory Board consists of nine members, three nominated by Croatia, five by MOL, and one by INA employees (this last position reserved pursuant to Croatian law). (First Amendment § 7.1.1). The Management Board consists of six members, three nominated by Croatia and approved by the Supervisory Board, and three nominated by MOL and approved

[9] Croatia even paid $100 Million USD for gas storage and for which Croatia subsequently had to obtain a loan with the European Bank of Reconstruction and Development to pay for the storage. *Croatia gets EBRD loan to buy gas storage facility*, Reuters (13 May 2009). However, Croatia's financial consultant, KPMG, estimated that this gas storage had a value of only $40 Million USD.

by the Supervisory Board, including the President. (First Amendment § 7.2.1). However, the President has a controlling vote in the event of tie in a vote by the Management Board. (First Amendment § 7.2.2). Finally, the Executive Directors, including the Chief Executive Officer, are appointed by the Management Board and responsible for the day-to-day operation of each business and function of the Company. (First Amendment § 7.5.1).

Using the First Amendment's Executive Board, MOL, as the controlling member of the Management Board and Supervisory Board of INA has created a system whereby its members are responsible for management of INA's business, contrary to the Companies Act of the Republic of Croatia. Executive Board members consult directly with MOL regarding INA management decisions and are solely responsible to the MOL-nominated President of the Management Board, Zoltan Áldott, who remains to this day a member of the MOL Executive Board.[10] Once consultation and approval was obtained from MOL, decisions would go to the Executive Board for discussion, then directly to Mr. Áldott, and then Executive Board members would implement the decisions.

Until 2011, the other members of the Management Board did not participate in the Executive Board meetings, nor did they know the Executive Board decisions. Under the new system imposed by MOL, lower- and mid-level managers in INA would also seek approval for certain transactions from their counterparts in MOL, rather than seeking approval from their superiors within INA.

After regulatory action by the Croatian Financial Services Supervisory Agency ("HANFA") in May 2011, although MOL refined the system, it continued with a variant of this system that still required *de facto* approval of actions *ab initio* by MOL managers. Beginning in 2012, any INA Executive Director seeking approval of a decision must first

[10] *See* http://ir.mol.hu/en/corporate-governance/executive-board/, reviewed 23 December 2013

consult his counterpart in MOL. However, if the MOL counterpart did not approve, the decision-making process was immediately stopped and the matter would not move forward.

Through this system, MOL is both concealing information from Croatian members of the Management and Supervisory Boards, and is also exposing INA to a risk of a breach of the Croatian Companies Act by delegation of authority and decision-making to employees of MOL rather than INA's management. As an example of MOL members withholding information from Croatian members, Mr. Áldott, President of the Management Board, has concealed the price at which INA buys oil from its suppliers. Croatia suspects that this is because MOL is supplying oil to INA at inflated prices, but members of the Management and Supervisory Boards nominated by Croatia cannot know because they cannot obtain this information from the MOL-nominated members of the Management Board who are concealing it.

B. Specific Claims

As Claimant identified in its Notice of Claims (Ex. C-003), and as will be detailed more fully through Claimant's Statement of Claim to be submitted within a period of time to be determined by the arbitral tribunal pursuant to Article 20 of the UNCITRAL Rules, it is the position of Claimant that Respondent secured the First Amendment and GMA by unlawful actions that form the ground for nullification of those agreements. Claimant also asserts that Respondent breached the Shareholders Agreement.

1. MOL Obtained Its Controlling Share Interest in INA as a Result of Corruption and Impermissible Motive

Following the 2012 guilty verdict against former Croatian Prime Minister Ivo Sanader for accepting bribes from Respondent in order to agree to the Gas Master Agreement (Ex. C-005) and the First Amendment (Ex. C-002), Claimant now has substantial evidence that Respondent obtained the benefits of those agreements as a result of an illicit, criminal act. Prime Minister Sanader acted entirely outside his authorized capacity as a government

representative and facilitated the First Amendment and Gas Master Agreement without the authority of Croatia. Justice demands that Respondent's knowingly illicit actions provide a basis for nullification of the Gas Master Agreement and Amended Shareholders Agreement.

Croatian law – the law governing the Parties' contractual relationship under the Shareholders Agreement – will not enforce any agreements that are the product of corrupt practices, precisely the basis of the First Amendment and the Gas Master Agreement. Article 322(1) of the Croatian Civil Obligations Act renders a contract null and void a contract if it is contrary to the Croatian Constitution, the mandatory laws of Croatia, or the morals of society. The exchange of cash bribes for advantageous shareholders agreements harmful to the people and Republic of Croatia forms a *prima facie* case for nullification under this law. Specifically, the Civil Obligations Act, Article 273, allows nullification where a contract was entered into with "impermissible motive" (in Croatian, "nedopuštena pobuda") meaning in contravention to Croatian Constitution, law, and morals:

> (1) Motives for entering into a contract shall not affect the validity of the contract.
>
> (2) However, <u>if an impermissible motive substantially and materially influenced the decision of a contracting party to enter into a contract and if the other contracting party knew or had to have known about the existence of such a motive, the contract shall have no effect</u>.
>
> (3) A contract with no consideration shall have no legal effect even when the other contracting party did not know, or had no reason to know that an impermissible motive had substantially and materially influenced the decision of the other party entering into the contract.
>
> (4) <u>The provision of impermissibility of a performance is also applicable to motives for entering into a contract</u>.
>
> (Emphasis added).

Upon nullification of an agreement that was the product of bribery, Claimant may claim restitution or monetary compensation. Where a contract is null and void, Article 323(1) of the Civil Obligations Act obligates a party to "effect restitution to the other party of everything it has received on the basis of such a contract, and if restitution is not possible or

if the nature of the performed contractual obligations is such that it prevents restitution, a corresponding monetary compensation shall be paid according to the prices at the time the court decision is passed, if not otherwise determined by the law." Further, under Article 323(2) of the Civil Obligations Act, a party responsible for entering into a contract that is rendered null and void is liable to the other party for the damage suffered on account of the nullity of such contract, provided that such other contracting party did not know or, according to the circumstances, had no reason to know of the existence of the cause of nullity.

Further, a Croatian court may order a party to a contract to pay damages that are the result of a contract based on fraud under Article 284(2):

> The party which entered into a contract based on a fraud shall be entitled to demand compensation of the damage suffered.

Although the exact amount of damages is yet to be determined, Claimant has plainly been impeded in its ability to have meaningful input on the management of INA, has been subjected to the unfair structure of the Gas Master Agreement, and has generally been prevented by Respondent from participating in the direction of INA. Respondent has imposed upon INA a decision-making matrix, which is referred to as "LODO," or "Lista ovlaštenja za donošenje odluka." LODO does not comply with the legal requirements of the Companies Act.

Through the LODO matrix, which as noted above ensures that without initial approval from MOL decisions at INA do not move forward, INA's Executive Directors report to the President of the Management Board, Zoltan Áldott, a MOL representative, rather than the entire Management Board. Mr. Áldott in turn runs the company almost independently of the remainder of the Management Board, following Respondent's instructions rather than relying upon Management Board consensus to operate the company. Respondent, as controlling shareholder of INA, only has the right to manage the affairs of the company if a control

agreement is in place.[11] No such agreement is in place, and Respondent is abusing its capacity as controlling shareholder to mismanage INA, at the expense of Claimant.

Respondent further damaged Claimant by inducing members of the INA Management Board, including Mr. Áldott (President of the INA Management Board and member of the MOL Executive Board) and Pal Zoltán Kara (member of the Management Board of INA and Chief Legal Counsel of MOL) to function plainly as advocates for Respondent to the exclusion of their fiduciary obligations to INA. Pursuant to Article 252 of the Companies Act, a member of the Management Board is "obligated to act in the interests of the company," in this case INA. The overwhelming evidence demonstrates that Mr. Áldott, as a MOL representative, on numerous occasions has operated INA in the best interests of MOL rather than in the best interests of INA and its shareholders. Indeed, by appearing with MOL at the negotiations between INA's shareholders, Mr. Áldott has demonstrated that his loyalties are exclusively with MOL. Mr. Kara's conflict of interest is also self-evident: as Chief Legal Counsel to MOL he owes MOL duties of loyalty, while as a member of the Management Board he owes INA fiduciary duties. When these duties conflict, Mr. Kara chooses his duty of loyalty to MOL over his fiduciary obligation to INA. Respondent's inducement of this disloyalty violates the Companies Act and destroys the Parties' intended management agreement, damaging Claimant in an amount to be proven at a later stage of the arbitration.

In sum, the basis for the First Amendment and Gas Master Agreement being Respondent's illicit payment to Prime Minister Sanader, Claimant demands nullification of the two agreements, and an accounting and payment by MOL of damages it has suffered.

[11] Article 493 of the Companies Act.

2. MOL Has Failed to Ensure Investment in INA, Specifically Including but not Limited to the Rijeka and Sisak Refineries

Notwithstanding its obligations under the Shareholders Agreements, Respondent has failed to adequately capitalize the INA refineries in Sisak and Rijeka. Moreover, as noted above, Respondent has instead chosen to expand capacity of its own, to the detriment of INA in the South East Europe ("SEE") Markets. The Shareholders Agreement contains a provision at Section 9.2.15 that states:

> [S]ubject to the clauses at 7.2 and 7.3 of the Sale and Purchase Agreement it [MOL] will procure that its nominated members to the Supervisory Board and the Management Board will exercise their voting rights to procure that INA maintains and develops each of the Rijeka refinery and the Sisak refinery in accordance with the Business Plan[.]

(Emphasis added). Further, the preamble of the First Amendment to the SHA (Ex. C-002) states at subsection (D):

> [T]hat the objective of the Government is to revise the [Shareholder] Agreement in order to maintain and strengthen the protection of national energy stability. At the same time, the Strategic Investor [MOL] on the basis of its shares intends to obtain a controlling position in the company so that it can (i) improve the business of INA and its market position in Croatia, Southeast Europe and the Adriatic region and support its objectives to invest in the assets of INA (for example the modernization of the Sisak and Rijeka refineries) . . . .

The First Amendment expressly reaffirms the obligations of Respondent in the 2003 SHA (Ex. C-001) to "maintain and develop" the Rijeka and Sisak refineries. Section 9 of the First Amendment states: "The Contracting Parties agree that Section 9.5 [of the 2003 Shareholder Agreement] should be deleted as unnecessary; the remaining provisions of Section 9 of the [2003 Shareholder] Agreement remain in effect." This provision in the First Amendment thus reaffirms Respondent's obligation under Section 9.2.15 of the 2003 Agreement.[12]

[12] The 2003 Co-operation Agreement (Ex. C-006) between INA and MOL further exemplifies the Parties' intent that the refineries be developed. Article 5 of the Co-operation Agreement commits MOL to helping INA achieve its objectives stated in the INA Business Plan 2002-2011, which included "becoming a dominant regional supplier of oil and oil refined products and derivatives by enhancing its refining, wholesale and trading

Further, as noted above, in the 2003 Cooperation Agreement between Respondent and INA, Respondent committed to helping INA achieve its goal of becoming "a dominant regional supplier of oil and oil refined products and derivatives by enhancing its refining, wholesale and trading operations and to maximize fully the comparative location advantages of both refineries [Sisak and Rijeka]."

Respondent has completely failed to "maintain and develop" the Rijeka and Sisak refineries as it is obligated to do under both the SHA and the First Amendment. Moreover, Respondent has decreased the level of investment in the Rijeka and Sisak refineries by almost 2 billion Kunas since 2009, which suggests that Respondent has been compensating for any losses it has suffered through the gas business by reducing its investment in the Sisak and Rijeka refineries by the same amount. Rather than pull funding out of the refineries, Respondent had an affirmative obligation under its contractual arrangement to develop the refineries within a reasonable time following the 2009 amendment.

In fact, the modernization of INA's refineries has been stopped altogether, contrary to MOL's obligations arising out of the contracts signed in 2003. Modernization of Sisak was never even started, while in Rijeka only the first phase of modernization was completed, while the deadline for completion of second phase has been prolonged. Therefore, INA lost a significant portion of Croatian petroleum products market, which was substituted by imports.

MOL's investment failures for INA extend beyond simply the failure to meet its duty to invest in Sisak and Rijeka. With signing of the First Amendment MOL ensured that the Republic of Croatia had no rights over the so-called "Reserved Matters" (unlike the period from 2003-2009). This enabled MOL to act upon INA's Business Plan without any real influence by Croatia. By employing the LODO system, MOL could avoid making decisions

---

operations and to maximize fully the comparative location advantages of both refineries [Sisak and Rijeka]." MOL has not helped INA reach the stated objectives. Indeed, by competing with INA, MOL has violated its covenants in Article 5 of the INA-MOL Co-operation Agreement of 2003.

to invest upstream activities for INA as well in modernization of Rijeka and Sisak refineries and not impact on their investment decisions for MOL itself.

This occurred even though the Business Plan approved for INA mandated certain levels of capital expenditure. However, at MOL's direction, the capital expenditures were not made in accordance with the approved plans. Overall investments fell from approximately 3.1 billion Kunas in 2009 to 1.28 billion Kunas in 2012, which is a 59% reduction. The consequences of this were extremely negative for all INA shareholders except MOL, which benefited from such dislocation of capital expenditure because it had invested in projects, assets, and activities outside of INA, where Croatia was not a shareholder.

MOL's abuse of its management authority over INA is also evident through INA's business activity indicators for the period from MOL's assumption of control of INA in 2009 until today:

- Total production of hydrocarbons (oil and gas) has steadily fallen from 56,584 barrels of oil equivalent ("BOE") per day in 2009 to 48,555 BOE per day in 2012, a 14.2% decrease;

- Hydrocarbon reserves, which are one of the most important factors determining value of an oil company, have been steadily decreasing year after year (around 50% from 2005-2013) since the entry of MOL as strategic partner to INA. From business performance annual reports for INA it is clear that hydrocarbon reserves are drastically falling due to underinvestment and mismanagement by MOL, and considering that hydrocarbon reserves are a key element for national energy stability, this decline is directly endangering national energy stability by decreasing future oil and gas production.[13]

Since MOL joined Croatia as its strategic partner to invest in INA, and despite contractual provisions in the 2003 agreements, INA has not invested in the purchase of new concessions abroad. During the same period, MOL increased investments into oil and gas

[13] Significantly during key portions of this time period and relevant to MOL's determination to favor its own interests over its duties as a shareholder of INA, Zoltan Áldott was simultaneously the President of the Management Board and CEO of INA, but also MOL Executive Vice President of Exploration & Production (since April 1, 2010 - May 2011) while hydrocarbon reserves of INA were drastically falling due to underinvestment by MOL.

exploration abroad, which resulted with new hydrocarbon discoveries and led to increasing hydrocarbon reserves of MOL at the expense of INA:

- The sale of petroleum products by INA on Croatian market decreased by 24% in 2012 compared to 2009, while total sale of petroleum products in neighboring markets decreased by 22% in the same period; and
- The total refining in INA's refineries steadily decreased from 5.013 Million tons in 2009 to 4.06 Million tons in 2012, which is a 20% decrease.

However, these developments did not prove negative for MOL, despite being INA's largest shareholder. In fact, MOL has increased export from its refinery in Százhalombatta in Hungary to markets in Croatia, Slovenia, and Bosnia and Herzegovina, thus making additional profits and competing with INA in that business segment in which the Republic of Croatia is not a co-owner.

MOL acted additionally to fund investments for its own benefit at the expense of INA. In mid-2007, MOL acquired a majority share in a refinery in Mantova, Italy, and then invested in its reconstruction, according to available information, with over $800 million USD by 2013. This investment proved questionable since in October 2013, MOL shut down the refinery in Mantova. If MOL had invested funds spent on acquiring and modernizing its refinery in Mantova to reconstruct and modernize INA's refineries, INA would have been the regional market leader, as was agreed in contracts signed in 2003.

By favoring its own interests over its duties to INA, MOL has failed to meet its investment obligations for INA under the agreements. MOL was entrusted with developing the Rijeka and Sisak refineries in accordance with INA's business plan within a reasonable time following the 2003 Agreement, as reaffirmed by MOL in the 2009 First Amendment, and it failed to do so in breach of its contractual and fiduciary obligations.

VII. DAMAGES AND RELIEF SOUGHT

By this arbitration, Claimant seeks a judgment:

a. Issuing a binding declaration nullifying the Gas Master Agreement (and any and all amendments thereto) and the First Amendment to the Shareholders Agreement;

b. Requiring MOL to effect restitution or to pay monetary compensation, and to pay damages in an amount to be proven at a later hearing;

c. Requiring MOL to account for the conduct of INA since 30 January 2009, specifically all profits going to MOL and the financial impact of all decisions taken at the direction of MOL without going through proper governance channels at INA; and

d. Awarding to Croatia all other compensatory damages to which it is entitled, in amounts to be determined at a hearing on this matter for its several breaches by MOL of its agreements with Croatia.

VIII. PROCEDURAL SPECIFICATIONS

A. Number of Arbitrators

Pursuant to the SHA § 15.2, the Parties have agreed that the number of arbitrators shall be three, appointed in accordance with UNCITRAL Rules. "One arbitrator shall be appointed by each Party, and the two arbitrators so appointed will agree on the third arbitrator, who shall act as the chairman of the arbitral tribunal." (SHA § 15.2.)

By this Notice of Arbitration, pursuant to Rule 9, Croatia hereby nominates Professor Jakša Barbić of Zagreb, Croatia, as its designated arbitrator, subject to his availability and acceptance of the nomination.

B. Language

"The language of the arbitral proceedings shall be English or such alternate language as the Parties may agree." (SHA § 15.2.)

C. Place of Arbitration

"The place of arbitration shall be Geneva, Switzerland." (SHA § 15.2.)

D. Governing Law

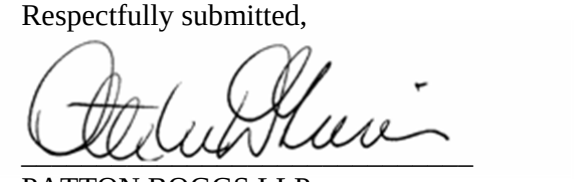
The Shareholders Agreement (Sec. 29), ASA (Sec. 13.6), and GMA (Sec. 4.8.1) all provide that the agreements shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of Croatia.

IX. RESERVATION OF RIGHTS

Claimant reserves the right to supplement its Notice of Arbitration, to supplement and modify the claims set forth herein, and to submit further briefs, documents, exhibits and any other evidence in the course of the proceedings herein.

Dated: January 17, 2014

Respectfully submitted,



PATTON BOGGS LLP
Stephen Díaz Gavin, Esq.
Read K. McCaffrey, Esq.
Kristen M. Jarvis Johnson, Esq.
2550 M Street NW
Washington, D.C.
20037 USA
Phone: +1 (202) 457-6340
Facsimile: +1 (202) 457-6482
sgavin@pattonboggs.com
rmccaffrey@pattonboggs.com
kmjohnson@pattonboggs.com

Luka S. Mišetić, Esq.
207 East Ohio, No. 217
Chicago, IL
60611 USA
Phone: +1 (312) 224-8284
Facsimile: +1 (312) 268-6213
luka.misetic@misetic-law.com

On behalf of Claimant, the Republic of Croatia