

# THE CROATIAN PARLIAMENT

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Pursuant to Article 88 of the Constitution of the Republic of Croatia I hereby promulgate

## HRVATSKA ELEKTROPRIVREDA d.d. PRIVATIZATION ACT

passed by the Croatian Parliament in its session of March 19, 2002.

No: 01-081-02-1302/2  
Zagreb, March 25, 2002

President of the Republic of Croatia  
(Sgd.) **Stjepan Mesić**

## HRVATSKA ELEKTROPRIVREDA d.d. PRIVATIZATION ACT

### Article 1

This Act governs the privatization of the national power company Hrvatska Elektroprivreda d.d. (hereinafter referred to as "HEP d.d.").

### Article 2

(1) The companies established pursuant to the provisions of Article 29 of the Electricity Market Act (*National Gazette*, No. 68/01) and any other shares or stakes held by HEP d.d. in any other companies shall not be privatized individually under this Act. HEP maintains control over such shares or stakes pursuant to the provisions in force and restrictions of this Act.

(2) Until the accession of the Republic of Croatia to the European Union, HEP d.d. shall retain exclusive ownership of its subsidiaries performing the activities of electricity transmission and distribution, i.e. those owning transmission and distribution networks.

### *Privatization procedure*

### Article 3

(1) The privatization of HEP d.d. shall be carried out as follows:

1. 7% of shares shall be transferred, free of charge, to Croatian Homeland War veterans, and their family members,
2. up to 7% of shares shall be offered for sale to HEP d.d. current and former employees (hereinafter referred to as "Employees"), under privileged conditions to be set out by the Government of the Republic of Croatia,
3. no less than 15% of shares shall be offered for sale through initial public offering, pursuant to the provisions governing the issuance and trading of securities, to:
  - Croatian nationals, with pre-emption rights and privileged conditions to be set out by the Government of the Republic of Croatia at the time of the official listing of HEP d.d. shares on the stock exchange,

- domestic legal persons and foreign investors by sale through initial public offering without pre-emption rights and privileged conditions,
4. the residual shares shall be sold under market conditions on capital markets pursuant to the resolution of the Government of the Republic of Croatia,
  5. out of the residual shares a required number shall be used to compensate former owners.
- (2) The Republic of Croatia shall retain the ownership of 51% of HEP d.d. shares to be privatized pursuant to a separate act upon Croatia's accession to the European Union.
- (3) The percentages referred to in paragraphs (1) and (2) of this Article shall be determined relative to HEP d.d. capital stock before the privatization process, as set out in paragraph (1), subparagraphs 1. to 3. of this Article.
- (4) The privatization schedule referred to in paragraph (1), subparagraphs 1. to 4. of this Article shall be determined by the Government of the Republic of Croatia, provided that the sale of the shares referred to in paragraph (1), subparagraph 2. of this Article shall be carried out after the initial sale of shares through initial public offering.

#### *Proceeds from sale of HEP d.d. shares*

##### Article 4

- (1) Dividends realized from the shares owned by the Republic of Croatia shall be a budgetary revenue.
- (2) Dividends realized from the shares to be transferred free of charge in accordance with the provisions of Article 3, paragraph (1), subparagraph 1. herein shall not be a budgetary revenue.

#### *Transfer of shares to Croatian Homeland War veterans and their family members*

##### Article 5

The Croatian Parliament shall, by a separate act, establish a fund to which the shares referred to in Article 3, paragraph (1), subparagraph 1. herein, together with all rights attached to them, including realized dividends, shall be transferred.

#### *Sale of shares to Employees*

##### Article 6

The Government of the Republic of Croatia shall pass a resolution on the method, price, privileges, timing and conditions with respect to sale of shares to Employees specified in Article 3, paragraph (1.), subparagraph 2. of this Act.

##### Article 7

The Government of the Republic of Croatia shall pass a resolution on the method, price, timing and conditions with respect to sale of shares to Croatian citizens through initial public offering and under privileged conditions.

#### *Protecting the interests and security of the Republic of Croatia*

##### Article 8

(1) As long as the Republic of Croatia owns 50% or more of HEP d.d. shares, HEP d.d. shall not make decisions or enter into legal transactions or perform legal actions in connection with the sale or joint investment the value of which exceeds 3% of the value of HEP d.d. assets, unless prior consent of the Government of the Republic of Croatia is obtained.

(2) The Government of the Republic of Croatia may enter into a shareholders' voting right agreement regulating voting rights attached to shares of HEP d.d. owned by the Republic of Croatia and the manner of exercising the rights referred to in paragraph (1) of this Article. The powers of the Government of the Republic of Croatia referred to in paragraph (1) of this Article and voting rights attached to HEP d.d. shares owned by the Republic of Croatia shall not be transferred to a third party.

(3) No one other than the Republic of Croatia shall acquire, whether gradually or by a single transaction, HEP d.d. shares in a total nominal amount exceeding 10% of the capital stock which confer voting rights at HEP d.d. general meeting, regardless of whether the shares are acquired by one person alone or in conjunction with one or more persons.

(4) As long as the Republic of Croatia owns one or more voting shares of HEP d.d., HEP d.d. shall not make decisions or enter into agreements or perform legal actions unless prior consent of the Government of the Republic of Croatia is obtained in connection with:

- company dissolution,
- waiver of license or authorization for performing a business activity, or waiver of a concession of interest to the Republic of Croatia,
- change of a corporate name,
- relocation of HEP d.d. headquarters abroad.

(5) In the event of a liquidation procedure being initiated against HEP d.d. or its legal successor, as long as the Government of the Republic of Croatia owns at least one voting share of HEP d.d., the Republic of Croatia shall have pre-emption rights to purchase all or any part of HEP d.d. assets at fair market value.

## Article 9

(1) The Government of the Republic of Croatia shall periodically, at least quarterly, submit a Progress Report to the Croatian Parliament on HEP d.d. privatization.

(2) The report referred to in the previous paragraph is a state secret.

(3) A joint Committee consisting of the representatives of the Government of the Republic of Croatia, company management and trade unions will be established to oversee the effectuation of employees' rights in the process of restructuring and privatization.

(4) The above mentioned Committee shall draw up the text of the Social Clause determining the position of employees and incorporate it in the company's business plans for the next three years following the date of the passage of this Act.

## *Effects of the Act*

## Article 10

On behalf of the Republic of Croatia, the Government of the Republic of Croatia shall exercise all the rights attached to the shares of HEP d.d. owned by the Republic of Croatia, except where the exercise of such rights is conferred to the Croatian Parliament under this Act.

#### Article 11

HEP d.d. may, before or during any privatization stage pursuant to Article 3, paragraph (1.) herein, produce a one-time opening balance sheet as at the date of starting the privatization process or any stage thereof, consistent with the provisions of Article 10, paragraph (2) and Article 12 of the Accounting Act (*National Gazette*, No. 90/92) applicable to newly established companies.

#### *Coming into force*

#### Article 12

This Act shall come into force on the eighth day after the date of its publishing in the *National Gazette*.

Class: 310-02/02-01/01

Zagreb, March 19, 2002

THE CROATIAN PARLIAMENT  
President of the Croatian Parliament  
(Sgd.) **Zlatko Tomčić**