

## GOVERNMENT OF THE REPUBLIC OF CROATIA

In accordance with Article 7, in relation to Article 2, paragraph 1, item 4, and paragraph 4 of the Hrvatske telekomunikacije d.d. Privatisation Act (Official Gazette No 65/1999 and 68/2001), the Government of the Republic of Croatia adopted at its session of 30 August 2007 the following

### DECISION

#### **concerning the sale of shares of HT – Hrvatske telekomunikacije d.d. through public offering**

##### I

In the public offering procedure the Republic of Croatia will offer at least 20 % of shares of HT-Hrvatske telekomunikacije d.d. (hereinafter referred to as "HT d.d.") for sale, which makes 16,377,707 ordinary registered shares in the nominal amount of HRK 100.00 (one hundred Kuna) per share, but not more than 23 % of HT d.d. shares, which makes 18,834,363 ordinary registered shares, depending on market circumstance, declared interest for purchase, and on a need for market stabilisation.

The shares referred to in sub-item 1 of this item shall be offered to the Croatian citizens in the public offering procedure, in which case they will include the right of priority and preferences and will be offered under conditions listed under items III and IV, and to natural persons, national legal persons, and foreign investors, in which case they will include no preferences and will be offered under conditions listed in item V of this Decision.

Apart from the shares referred to in sub-item 1 of this item, the Republic of Croatia shall, upon the expiry of the deadline stated in item III, sub-item 2 of this Decision, transfer, as a special preference, an adequate number of additional shares to Croatian citizens within the public offering procedure.

##### II

The persons referred to in item I, sub-item 2 of this Decision may, in the public offering procedure, submit a purchase offer regarding the shares referred to in item I, sub-item 1 (hereinafter referred to as "purchase offer"), in compliance with the conditions as provided for in this Decision and within deadlines for the submission of purchase offers stipulated in item II of this Decision.

The public offering procedure shall start on 17 September 2007 and shall be completed on 5 October 2007 (hereinafter referred to as "closing date").

The period in which the Croatian citizens who purchase shares with the right of priority, preference, and under conditions listed in items III and IV of this Decision (hereinafter referred to as "binding preferential offer") may submit their purchase offers starts on 17 September 2007 at 8.00 hours and expires on 27 September 2007 at 20.00 hours (hereinafter referred to as "period for submitting of binding preferential offers"). The deadline for the payment on the basis of binding preferential offers is 27 September 2007 at 23.59 hours (hereinafter referred to as "deadline for the payment of binding preferential offers").

The period in which natural persons, national legal persons who do not have the status of institutional investors within the meaning of the Securities Market Act (Official Gazette No 84/2002 and 138/2006), and foreign investors without any preferences, may, under conditions referred to in item V of this Decision, submit their purchase offers regarding shares without any right of priority and without any preference (hereinafter referred to as "binding non-preferential offers"), starts on 17 September 2007 at 8.00 hours and expires on 27 September 2007 at 20.00 hours (hereinafter referred to as: "period for submitting of binding non-preferential offers"). The deadline for the payment on the basis of binding non-preferential offers is 27 September 2007 at 23.59 hours (hereinafter referred to as "deadline for the payment of binding non-preferential offers").

The period in which legal persons who have the status of institutional investors within the meaning of the Securities Market Act, under conditions referred to in item V of this Decision, may submit their purchase offers for shares without rights of priority and preference (hereinafter referred to as "indicative non-preferential offers"), starts on 17 September 2007 at 8.00 hours and expires on 1 October 2007 at 14.00 hours (hereinafter referred to as "period for submitting of indicative non-preferential offers"). The deadline for the payment on the basis of indicative non-preferential offers is 4 October 2007 at 10.59 hours (hereinafter referred to as "deadline for the payment of indicative non-preferential offers").

The Government of the Republic of Croatia may, by the day of the beginning of the public offering procedure at the latest, adopt a decision amending the dates referred to in sub-items 2, 3, 4, and 5 of this item.

Public invitation to submit purchase offers regarding the shares referred to in item I, sub-item 1 of this Decision in the public offering procedure shall be published in at least two daily newspapers sold in the entire territory of the Republic of Croatia.

The Government of the Republic of Croatia shall, by the beginning of the public offering procedure at the latest, determine the range of the offering price per share; within the given range the persons referred to in item I, sub-item 2 of this Decision shall be invited to submit their purchase offers (hereinafter referred to as "offering price range").

Upon expiry of the deadlines for submission of offers and upon closing of the book of all submitted offers administrated by JP Morgan Plc. (hereinafter referred to as "order book administrator"), the Government of the Republic of Croatia shall, within an appropriate period of time, adopt a special decision concerning the selling price per share within the offering price range determined in compliance with the decision referred to in sub-item 8 of this item, on the basis of which the shares referred to in item I, sub-item 1 of this Decision are to be sold to the offerers (hereinafter referred to as "selling price").

### III

The Republic of Croatia shall invite Croatian citizens to place binding offers on the purchase of shares referred to in item I, sub-item 1 of this Decision, in which process each Croatian citizen may, on the basis of the right of priority and the special preference referred to in sub-item 2 of this item, place an offer to purchase a number of shares the total selling price of which may not exceed HRK 38,000.00.

For each 10 (ten) share which a Croatian citizen buys with the right of priority and the special preference in the public offering procedure and over which they retain on their securities account with the Central Depository Agency their ownership position, registered with the issuer, during an uninterrupted period of one year, the Republic of Croatia shall transfer per one share (hereinafter referred to as "additional share") as a special preference.

For the purpose of sub-item 2 of this item, ownership position on a securities account registered with the issuer shall be considered retained if, prior to the expiry of the period referred to in sub-item 2 of this item, the ownership position changes due to inheritance, recording of mortgage to create a lien on such shares, or due to transfer to a representative account caused by purchaser's loss of legal capacity.

The one-year period referred to in sub-item 2 of this item shall start on the day when the shares purchased with the right of priority and with the special preference in the public offering procedure are subscribed on a Croatian citizen's securities account managed at the Central Depository Agency d.d. Additional shares referred to in sub-item 2 of this item shall be transferred to a purchaser's securities account within five working days after the expiry of the given deadline at the latest, if the condition referred to in sub-item 2 of this item has been fulfilled.

In the event the condition provided for in sub-item 2 of this item has not been met, meaning that the purchaser has failed to retain their ownership position regarding the purchased shares referred to in sub-item 1 of this item on their securities account registered with the issuer in an uninterrupted period of one year, the purchaser shall be considered to have waived their right to additional shares provided for in sub-item 2 of this item and, accordingly, the contract for sale in relation to additional shares shall be considered terminated.

Apart from the rights granted to Croatian citizens in compliance with item III and under conditions referred to in item IV of this Decision, any natural person may, within public offering, place an offer on the purchase of shares referred to in item V of this Decision.

#### IV

In the public offering procedure Croatian citizens may, with the right of priority and the preference referred to in item III of this Decision, submit a binding preferential offer for the purchase of a number of shares the total selling price of which cannot exceed HRK 38,000.00, on a special form for the submission of offers which shall be determined by Erste & Steiermärkische Bank d.d. and Hrvatska poštanska banka d.d. (hereinafter referred to as "agents") and which, apart from other information, shall also contain all the information required by the Central Depository Agency d.d. for the purpose of opening accounts for non-materialised securities of natural persons (hereinafter referred to as "preferential offer form").

The purchase offer referred to in sub-item 1 of this item shall be submitted personally, by a legal representative or an authorised person whom the offerer has issued a special power of attorney on which the offerer's signature has been verified by a public notary, in agents' offices or individual offices of the Financial Agency (hereinafter referred to as "FINA") in the territory of the Republic of Croatia, during working hours of the afore-mentioned offices. The agents shall be authorised to provide for the opportunity to submit purchase offers in an electronic form within a protected internet banking system.

A binding preferential offer shall be considered valid if:

- a) the offerer is a Croatian citizen who can provide proof of their citizenship in compliance with the provisions referred to in Article 29 of the Croatian Citizenship Act (Official Gazette No 53/91, 70/91, 28/92, and 113/93);
- b) the offerer, their legal representative, or authorised person has signed in own hand the preferential offer form, i.e. the offerer has submitted the binding preferential offer in a valid manner by means of a protected internet banking system in a manner customary in banking operations;
- c) the preferential offer form is submitted prior to the expiry of the period for the submission of binding preferential offers;
- d) the preferential offer form is correctly filled in and contains the total amount in HRK which is to be paid by the offerer for the purchase of shares and which cannot exceed HRK 38,000.00 (hereinafter referred to as "amount offered for the binding offer"); and
- e) the lowest amount offered for the binding offer prior to the expiry of the period for the payment of binding preferential offers referred to in item II, sub-item 3, is paid in compliance with the agent's instructions and posted on the account stated in the preferential offer form, taking into account that if the posted amount is lower than the total amount offered as stated in the respective offer form, such a purchase offer shall be considered invalid.

If the offerer submits more than one binding preferential offer which meet the eligibility conditions in accordance with sub-item 3 of this item, only offers up to the amount of HRK 38,000.00 shall be considered valid in accordance with the order in which they were received by the agents and FINA.

A purchase offer considered to be valid in accordance with sub-items 3 and 4 of this item shall be irrevocable and binding for the offerer until the day when the public offering procedure is completed, i.e. in the event that the initial public offering procedure is stopped, until the day of entering into force of a decision of the Government of the Republic of Croatia concerning the stay of the public offering procedure.

The number of shares distributed to the offerer in accordance with the valid binding preferential offer shall be equal to the number obtained by division of the amount offered for the binding offer by the selling price, provided that the number of shares obtained in this manner is rounded to the first lower whole number. Should the total number of shares for which Croatian citizens submit binding preferential offers considered valid exceed the number of shares from item I, sub-item 1 of this Decision, the number of shares for which the valid binding preferential offer has been submitted shall be proportionately decreased per each offerer, provided that the number of shares obtained in this manner is rounded to the first lower whole number. In that case the acceptance of the valid binding preferential offer from sub-item 7 of this item shall refer to the number of shares decreased in the above-described manner. The offerers shall be returned the surplus payment created as a consequence of such rounding, i.e. decrease, interest exclusive, within seven days upon the closing date.

The Republic of Croatia shall accept the valid binding preferential offer on the closing date in the following manner: the shares distributed to the offerer in accordance with the provision of sub-item 6 of this item shall be considered purchased and shall be transferred to the account of non-materialised securities of the offerer with the Central Depository Agency d.d. of which the Central Depository Agency d.d. shall consequently inform the offerer.

The offerers whose purchase offers are considered invalid in accordance with sub-item 3 and 4 of this item shall be returned the paid amount and the surplus payment, interest exclusive, within seven days upon the closing date.

Acceptance of the valid binding preferential offer in accordance with the provision of sub-item 7 of this item imposes the obligation to transfer the additional shares in accordance with the provisions of item III of this Decision.

## V

For the shares from item I, sub-item 1 of this Decision which are not sold to Croatian citizens with priority rights and the special preference from item III, sub-item 2 of this Decision, a binding non-preferential offer and indicative non-preferential offer may be submitted within the public offering procedure in accordance with item II, sub-items 4 and 5 of this Decision.

The binding non-preferential offer shall be submitted on a special form for the submission of offers defined by the agents. Apart from other data, the said offer shall also contain all data required by the Central Depository Agency d.d. for the purpose of opening of non-materialised securities account (hereinafter referred to as "non-preferential offer form"). The binding non-preferential offers shall be submitted in accordance with the provision from item IV, sub-item 2 of this Decision.

A binding non-preferential purchase offer shall be considered valid if:

- a) the offerer, their legal representative, or authorised person has signed in own hand the non-preferential offer form, i.e. the offerer has submitted the non-preferential offer in a valid manner by means of a protected internet banking system in a manner customary in banking operations;
- b) the non-preferential offer form is submitted prior to the expiry of the period for the submission of binding non-preferential offers;
- c) the offer form is correctly filled in and contains the total amount in HRK which is to be paid by the offerer for the purchase of shares (hereinafter referred to as "amount offered for the non-preferential offer"); and
- d) the lowest amount offered for the non-preferential offer prior to the expiry of the period for the payment of binding non-preferential offers referred to in item II, sub-item 4, is paid in compliance with the agent's instructions and posted on the account stated in the non-preferential offer form, provided that if the posted amount is lower than the amount offered for the non-preferential offer as stated in the respective form, such a purchase offer shall be considered invalid.

Indicative non-preferential offer shall be submitted on a special form for submitting offers defined by the agents (hereinafter referred to as "indicative offer form") within the procedure and including specification of data in accordance with the accustomed practice of the domestic and international capital market.

The indicative non-preferential offer is to contain the following:

- a) the amount of the total purchase price in HRK, or

- b) the number of shares which the offerer wishes to purchase with specification of any desired price within the price range.

The indicative offer shall be considered valid if the indicative offer form has been submitted within the period for submitting indicative offers and if the amount of the selling price for all distributed shares until expiry of the period for payment of indicative non-preferential offers has been paid and posted to the account specified in the reference of the agent from sub-item 8 of this item.

The binding and indicative non-preferential offers are irrevocable and bind the offerers until the date of public offering procedure closing or, in the case of cancellation of procedure of sale via public offering, until the enforcement date of the decision of the Government of the Republic of Croatia on cancellation of the public offering procedure.

The distribution of shares to submitters of binding and indicative non-preferential offers shall be established after counselling with the manager of the book of offers by application of the authorizations from item VII of this Decision. In accordance with the share distribution established in the above-mentioned manner the agents shall invite submitters of indicative non-preferential offers to pay the distributed shares in accordance with the decision on the selling price of the shares until expiry of the period for payment of indicative non-preferential offers.

The Republic of Croatia shall accept the valid binding and indicative non-preferential offers on the closing date in the following manner: the shares distributed to the offerer in accordance with the provision of sub-item 8 of this item shall be considered purchased and shall be transferred to the account of non-materialized securities with the Central Depository Agency d.d. of which the Central Depository Agency d.d. shall consequently inform the offerer.

Within seven days upon the closing day the offerers whose offer has not been accepted in full or partly or whose purchase offer is considered invalid shall be returned the paid amount and the surplus payment, interest exclusive.

## VI

At latest until listing of the HT d.d. shares in the first quotation of the Zagreb Stock Exchange and listing of global confirmations on deposited shares (GDR), which represent the HT d.d. shares to the London Stock Exchange in accordance with the provisions of this Decision, the Government of the Republic of Croatia shall prescribe further provisions on the manner of sale, deadlines as well as the price and conditions for sale of shares from item I, sub-item 1 of this Decision in compliance with the regulations, customs and dynamics of the public offering procedure for securities in domestic and foreign capital market.

## VII

Damir Polančec, Deputy President of the Government of the Republic of Croatia is hereby granted authorization to take all actions required for implementation of the public offering procedure in accordance with this Decision and sign the related contracts and documents on behalf of the Republic of Croatia and with authorization of the Government of the Republic of Croatia.

## VIII

The Decision on sale of HT – Hrvatske telekomunikacije d.d. shares by public offering (Official Gazette of the Republic of Croatia no: 64/2007) shall be rendered invalid on the date of enforcement of this Decision.

## IX

This Decision shall be enforced on the date of its publication in the Official Gazette of the Republic of Croatia.

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Reg. no: 5030105-07-9

Zagreb, the 30th of August 2007

President

Ivo Sanader, PhD