

**LAW**  
**ON COMPANIES**

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Part One GENERAL PROVISIONS

SCOPE

Article 1

This Law shall regulate the legal status of companies, including in particular their incorporation, management, status changes, changes of legal form, dissolution and other issues of relevance for their status, as well as the legal status of entrepreneurs.

The provisions of this Law shall also apply to other forms of pursuit of a business activity that are incorporated and operate under a special law, unless provided otherwise by such other law.

1. Basic Concepts

Definition of Company

Article 2

A company is a legal entity engaged in a business activity for the purpose of profit generation.

Acquiring Legal Personality

Article 3

A company shall acquire legal personality by registration in accordance with the law governing registration of economic operators (hereinafter referred to as the law on registration).

Activities

Article 4

A company shall have a predominant business activity, which shall be registered in accordance with the law on registration, and it may also perform any other business activities that are not prohibited under the law, regardless whether these are provided for in its instrument of incorporation and/or Articles of Association or not.

A special law may make the registration or pursuit of a certain business activity subject to prior approval, consent or another act of a competent authority.

Registration

Article 5

Registration of companies and entrepreneurs, i.e. registration of information and documents provided for in this Law, shall be carried out in accordance with the law on registration.

Effects of Registration against Third Parties

Article 6

Third parties relying on registered information in transactions cannot suffer harmful legal consequences due to falsely registered information.

Third parties shall be deemed to have knowledge of registered information as from the day following that of registration of such information in accordance with the law on registration.

Third parties may prove it was not possible for them to have access to registered information during a period of 15 days following the disclosure of such information.

A company may prove that third parties were aware or ought to have been aware with that company's documents and information even before their registration in accordance with the law on registration.

Court Jurisdiction

Article 7

Litigious and non-litigious proceedings initiated in cases provided for in this Law and in disputes arising from this Law shall be heard by a court with jurisdiction determined in accordance with the law governing the jurisdiction of courts over the town/city where the registered officer of the company or entrepreneur or the business establishment of a foreign legal entity is situated, unless this Law provides for the jurisdiction of another court.

Legal Forms

Article 8

Legal forms of companies shall be:

- 1) General partnership;
- 2) Limited partnership;
- 3) Limited liability company;
- 4) Joint-stock company.

Company Members

Article 9

Persons who form a company and persons who subsequently access a company are deemed to be:

- 1) In a general partnership - partners;
- 2) In a limited partnership - general partners and limited partners;
- 3) In a limited liability company - limited liability company members;
- 4) In a joint-stock company - shareholders.

The collective term used to denote all persons referred to in paragraph 1 of this Article shall be company member.

A company member may be a natural person or a legal entity.

Partners, general partners, limited partners and limited liability company members and their respective information shall be registered in accordance with the law on registration.

Duration of a Company

Article 10

A company may be incorporated for a limited or for an unlimited duration.

A company shall be deemed to be incorporated for an unlimited duration unless provided otherwise by its instrument of incorporation and/or Articles of Association.

Unless provided otherwise by the instrument of incorporation and/or Articles of Association, a company incorporated for a limited duration may extend its duration or continue operating as a company incorporated for an unlimited duration if, until the expiration of its original duration or the

closure of liquidation proceedings in accordance with this Law:

- 1) In case of general partnerships and limited partnerships, a unanimous decision to that effect is made by all partners or general partners and such decision is registered within the same period in accordance with the law on registration;
- 2) In case of limited liability companies and joint-stock companies, a decision to that effect is made by the shareholders' assembly by a twothird majority of votes of all company members and such decision is registered within the same period in accordance with the law on registration.

2. Instrument of Incorporation, Articles of Association and Agreements relating to a Company

Instrument of Incorporation and Articles of Association

Article 11

An instrument of incorporation shall be a constitutive act of a company made in the form of decision on incorporation if a company is formed by one person or in the form of memorandum of association if a company is formed by more than one person.

At the time of incorporation of a company, signatures on the instrument of incorporation shall be certified in accordance with the law governing certification of signatures.

In general partnerships, limited partnerships and limited liability companies, the instrument of incorporation shall govern the management of the company and other issues in accordance with this Law as appropriate for each type of company.

In addition to the instrument of incorporation, joint-stock companies shall also have Articles of Association, which shall govern the management of the company and other issues in accordance with this Law, unless provided otherwise by a special law.

For persons who subsequently access a company, the company's instrument of incorporation and/or Articles of Association shall be binding as from the date when they acquire the status of a company member in accordance with this Law.

Instrument of incorporation and Articles of Association shall be made in writing and shall be registered in accordance with the law on registration.

#### Amendments to Instrument of Incorporation and Articles of Association

##### Article 12

The instrument of incorporation of a general partnership, a limited partnership or a limited liability company shall be amended by a decision of partners, limited partners and general partners or by a decision of the General Meeting, as the case may be, in accordance with this Law.

A decision referred to in paragraph 1 of this Article shall be signed by company members who voted for it and shall be certified in accordance with the law governing certification of signatures, if this is provided for by the instrument of incorporation and if such obligation is registered in accordance with the law on registration.

The instrument of incorporation of a joint-stock company shall not be subject to amendment.

The Articles of Association of a joint-stock company shall be amended by a decision of the shareholders' assembly or another body provided for in this Law, in accordance with the provisions of this Law.

A company's legal representative shall have a duty to draw up and sign a consolidated text of the instrument of incorporation and/or Articles of Association after each amendment.

Amendments to an instrument of incorporation and Articles of Association, as well as consolidated texts of those documents after each such amendment, shall be registered in accordance with the law on registration.

#### Nullity of Instrument of Incorporation

##### Article 13

An instrument of incorporation shall be null and void if:

- 1) It is not made in a form provided for in this Law, or
- 2) The company's activity stated in the instrument of incorporation is contrary to enforceable regulations or public order, or

3) It does not specify the company's registered name, the contributions of its members, the amount of share capital or the company's predominant business activity, or

4) None of its signatures had full business or legal capacity at the time of signing of the instrument of incorporation.

An instrument of incorporation cannot be declared null and void on any other grounds apart from those listed in paragraph 1 of this Article.

#### Procedure for Establishing Nullity and Effects of Nullity

##### Article 14

The nullity of an instrument of incorporation shall be determined by the competent court.

If reasons for nullity are not rectified until the main hearing, a court shall annul an instrument of incorporation by a judgement.

If a company is registered, a court shall forward the final and enforceable judgement annulling the instrument of incorporation to the register of economic operators for the purpose of initiation of forced liquidation of the company in accordance with this Law.

The nullity of a company's instrument of incorporation shall have no effect on the company's transactions with bona fide third parties.

Limited partners, limited liability company members and shareholders shall pay or contribute subscribed capital and perform other commitments towards the company to the extent necessary to fulfil the company's obligations to bona fide third parties.

Partners and general partners shall be jointly and severally liable for a company's obligations to bona fide third parties.

#### Agreements in Connection with a Company

##### Article 15

A company member may enter into an agreement with one or more members of the same company to govern their mutual relations in connection with the company, unless provided otherwise by this Law.

An agreement referred to in paragraph 1 of this Article shall be entered into in writing.

By means of an agreement referred to in paragraph 1 of this Article, company members who are parties to it may stipulate:

- 1) Special obligations of those members towards the company;
- 2) Rights and responsibilities of those members in connection with the transfer of equity interests and/or shares;
- 3) The way in which they will vote in General Meetings on specific issues or on all issues;
- 4) The way in which profit will be redistributed between those members;
- 5) The way of overcoming tie votes in decision-making;
- 6) Other issues of relevance for their mutual relations.

An agreement referred to in paragraph 1 of this Article shall produce legal effects exclusively between the company members who entered into it.

An agreement referred to in paragraph 1 of this Article shall be called a partners' agreement in case of a general partnership, a members' agreement in case of a limited partnership or a limited liability company and a shareholders' agreement in case of a joint-stock company.

#### Reimbursement of Costs in Connection with Incorporation

##### Article 16

A company may reimburse its members for costs in connection with incorporation only if this is provided by the instrument of incorporation.

In cases referred to in paragraph 1 of this Article, the instrument of incorporation must specify or give an estimate of such costs.

#### 3. Liabilities for Company's Obligations

##### Liability of Members

##### Article 17

Company members shall be liable for the obligations of their company in accordance with the provisions of this Law pertaining to specific legal forms of

companies, as well as in cases provided for in Article 18 of this Law.

#### Abuse of Legal Personality

##### Article 18

A limited partner, a limited liability company member and a shareholder, as well as a legal representative of such person if the person concerned has diminished capacity, shall be liable for the company's obligations if they abuse the rule of limited liability.

The abuse referred to in paragraph 1 of this Article shall be deemed to have taken place in particular if such persons:

- 1) Uses the company to achieve an objective that is otherwise prohibited for that person;
- 2) Uses or disposes of the company's assets as their own personal property;
- 3) Uses the company or its assets to cause damage to the company's creditors;
- 4) Reduces the company's assets for their own personal gain or for the gain of third parties, although they knew or ought to have known the company would be unable to meet its obligations.

A creditor of a company may take legal action against a person referred to in paragraph 1 of this Article before a court competent for the place where the company's registered office is situated within six months of learning of such abuse, but in any case not later than five years of the date of such abuse.

If accounts receivable by a creditor referred to in paragraph 3 of this Article are not due and payable at the time of learning of such abuse, the six-month period shall commence on the date when such accounts receivable become due and payable.

#### 4. Registered Office and Receipt of Mail

##### Registered Office

##### Article 19

The registered office of a company shall be the place in the territory of the Republic of Serbia from which the company's business activities are managed and which is identified as such in the instrument of incorporation or a decision of the General Meeting.

If a company permanently pursues its business activity in a place other than its registered office, third parties may also establish court jurisdiction against the company in that other place.

A decision on the change of a company's registered office shall be made by its General Meeting, unless provided otherwise by the instrument of incorporation and/or Articles of Association.

The address of a company's registered office shall be registered in accordance with the law on registration.

#### Mail Delivery and Receipt Address

##### Article 20

Mail shall be delivered to the address of a company's registered office.

Notwithstanding the foregoing, a company may have a special mailing address registered with the register of economic operators to which mail is delivered.

If the delivery of a communication to a company's mailing address, or to the address of its registered office if it does not have a registered mailing address, by registered mail within the meaning of the law governing postal services failed, it shall be deemed that such communication was duly delivered upon expiration of eight days of the date of second sending of such mail, provided that minimum 15 days passed between the two attempts at sending.

Service of communications in judicial, administrative, tax and other procedures shall be governed by with special laws.

#### Electronic Mail Address

##### Article 21

A company may have an electronic mail address, which shall be registered in accordance with the law on registration.

The timeliness of delivery of an electronic document shall be regulated in accordance with the law governing electronic documents.

#### 5. Registered Name

##### Registered Name

##### Article 22

A company shall operate and participate in transactions under its registered name registered in accordance with the law on registration.

A registered name shall include the company name, the legal form and the city/town where a company's registered office is situated.

The company name shall be a characteristic part of a registered name by which a company is distinguished from all other companies.

A company's legal form shall be indicated in its registered name as follows:

1) For general partnerships: the words "ortačko društvo" ("general partnership") or the abbreviations "o.d." or "od".

2) For limited partnerships: the words "komanditno društvo" ("limited partnership") or the abbreviations "k.d." or "kd".

3) For limited liability companies: the words "društvo sa ograničenom odgovornošću" ("limited liability company") or the abbreviations "d.o.o." or "doo".

4) For joint-stock companies: the words "akcionarsko društvo" ("jointstock company") or the abbreviations "a.d." or "ad".

The registered name of a company undergoing liquidation proceedings must include the words "u liquidation" ("in liquidation") at the end.

A company's registered name may also include a designation of the scope of its activities.

A registered name shall include also other elements required under the law.

#### Abbreviated Registered Name

##### Article 23

In its operations, a company may, in addition to its registered name, use also an abbreviated registered name, the use of which shall be subject to the same conditions as that of the registered name.

An abbreviated registered name must include the company name and legal form and shall be registered in accordance with the law on registration.

#### Language and Alphabet of Registered Name

#### Article 24

A company's registered name shall be in the Serbian language, written either in the Cyrillic or the Latin alphabet.

Notwithstanding the foregoing, a company's name may be in a foreign language or may contain certain foreign words or characters written in the English version of the Latin alphabet, as well as Arabic or Roman numbers.

In its operations, a company may use a translation of its registered name or abbreviated registered name in the language of an ethnic minority or a foreign language, in which case the name shall not be translated.

A translation of a registered name referred to in paragraph 3 of this Article shall be registered in accordance with the law on registration.

Use of Registered Name, Seal and Other Information in Documents

#### Article 25

Business correspondence and other documents of a company, including those in electronic form, addressed to third parties shall contain its business or abbreviated registered name, registered office, mailing address if different from the registered office, company registration number and tax identification number.

A company may use with its registered name the coat of arms, flag, emblem, sign or other symbol of the Republic of Serbia or a foreign country, a Serbian territorial unit or autonomous province or an international organisation, with the consent of competent body of that country, Serbian territorial unit or autonomous province or international organisation.

A company shall not be required to use its seal in business correspondence and other company documents, unless provided otherwise by the law.

A company may not rely on shortcomings in the form of business correspondence and other documents under this Article against bona fide third parties.

Restrictions with Regard to Transfer and Use of Name

#### Article 26

A company's name cannot be transferred to another company, except as a result of a status change in which the name is acquired by the acquiring company from the transferor company, which is dissolved after such status change.

If a member of a company is a legal entity whose name is contained in the name of that company and if such legal entity is no longer a member of the company, the name of that legal entity may remain included in the company's name only with the consent of such entity.

Restrictions with Regard to Registered Name

#### Article 27

A company's registered name may not be:

- 1) Offensive to public morality;
- 2) Misleading with regard to the company's legal form;
- 3) Misleading with regard to the company's predominant business activity.

A registered name that is not compliant with the requirements of paragraph 1 of this Article cannot be registered with the register of economic operators.

In case of a violation of paragraph 1 item 1) of this Article, the Republic public attorney may bring legal action before the competent court against the company responsible for such violation (hereinafter referred to as an offending company) to obtain a judgement ordering a change of name of the offending company.

Proceedings pursuant to legal action referred to in paragraph 2 of this Article shall be expedited.

A final and enforceable judgement ordering a change of name of an offending company shall be submitted by the court to the register of economic operators for the purpose of registration.

If an offending company fails to change its name within 30 days of the date when the judgement referred to in paragraph 4 of this Article becomes final and enforceable, the register of economic operators shall ex officio initiate the procedure of enforced liquidation of the offending company.

Protection of Company Name

## Article 28

A company's name may not be identical to the name of another company.

A company's name must be different from the name of other legal entities so as not to be misleading with regard to the identity of another company.

In case of a violation of paragraphs 1 and 2 of this Article, an interested party may bring legal action before the competent court against the company responsible for such violation (hereinafter referred to as a offending company) to obtain a judgement ordering:

- 1) A change of name of the offending company and/or
- 2) Indemnification for any damage incurred.

The legal action referred to in paragraph 3 of this Article may be filed within three years of the date of registration of the name of the offending company in accordance with the law on registration.

Proceedings pursuant to legal action referred to in paragraph 3 of this Article shall be expedited.

A final and enforceable judgement ordering a change of name of an offending company shall be submitted by the court to the register of economic operators for the purpose of registration.

If an offending company fails to change its name within 30 days of the date when the judgement referred to in paragraph 6 of this Article becomes final and enforceable, the register of economic operators shall ex officio initiate the procedure of enforced liquidation of the offending company.

The provisions of this Article shall not affect the rights of an interested party referred to in paragraph 3 of this Article under regulations on dishonest competition and intellectual property regulations.

Restrictions on the Use of National or Official Names and Signs

## Article 29

A company's registered name may include the name of the Republic of Serbia or its territorial unit or autonomous province, subject to prior consent from a competent authority, in accordance with the law.

A company's registered name may include the name of a foreign country or international organisation, subject to consent from such country or international organisation.

The provisions of paragraphs 1 and 2 of this Article shall also apply to names in foreign languages and their adjectival forms.

Notwithstanding paragraphs 1 and 2 of this Article, consent shall not be required if the registered name of a founder includes the name of such country, Serbian territorial unit or autonomous province or international organisation.

On request from a country, a Serbian territorial unit or autonomous province or an international organisation whose name is part of a company's registered name, the name of such company shall be deleted from the register of economic operators.

Restrictions on the Use of Personal Names

## Article 30

A company's registered name may contain the name of a natural person with the consent of such natural person or, if the natural person is deceased, with the consent of his/her legal heirs.

If a member of a company is a natural person whose name is contained in the name of that company and if such natural person is no longer a member of the company, the name of that natural person may remain included in the company's name only with the consent of such natural person or, if the natural person is deceased, with the consent of his/her legal heirs.

In case of violation of paragraphs 1 and 2 of this Article, the natural person, or, if the natural person is deceased, his/her legal heirs, shall seek satisfaction in accordance with Article 28 of this Law.

Notwithstanding the existence of consent referred to in paragraph 1 of this Article, if a company by its operations or otherwise harms the honour and reputation of a natural person whose name forms a part of its registered name, such natural person, or, if the natural person is deceased, his/her legal heirs, may bring legal action before the competent court for the deletion of that natural person's name from the company's registered name and for the indemnification of any damage sustained.

6. Representation and Representatives

## 6.1. Representatives

### Legal (Statutory) Representatives of a Company

#### Article 31

For the purposes of this Law, legal (statutory) representatives of a company shall be persons identified as such under this Law for each natural person company form.

A company's legal representative may be a natural person or a company registered in the Republic of Serbia.

A company must have at least one legal representative who is a natural person.

A company acting as a legal representative shall perform that function through its legal representative who is a natural person or through a natural person authorised to do so by a special power of attorney issued in writing.

A company's legal representatives and persons referred to in paragraph 4 of this Article shall be registered in accordance with the law on registration.

### Other Representatives

#### Article 32

In addition to its legal representative, a company's representatives within the meaning of this Law shall also include persons authorised to represent the company under a bylaw or decision of the company's competent body and registered as such in accordance with the law on registration.

If a company accepts in continuity that a person acts as its representative in such a way as to lead third parties to believe he/she has representation powers, it shall be deemed that the company conclusively vested that person with representation powers, unless the company proves a third party was or should have been aware of the absence of representation powers for that person.

### Limitation of Representatives' Authority

#### Article 33

A representative has a duty to observe and act in compliance with any limitations of his/her authority provided for in the company's bylaws or decisions of its competent bodies.

Limitations of a representative's powers may not be relied upon against third parties.

Notwithstanding paragraph 2 of this Article, limitations of a representative's powers in terms of countersignature requirements may be relied upon against third parties if they are registered in accordance with the law on registration.

### Attorneys-in-fact by Virtue of Employment

#### Article 34

Persons who, as employees of a company, hold positions which in regular operations imply entering into and signature or execution of certain agreements or taking of other actions shall be authorised to enter into and execute such agreements or take such actions as the company's attorneys-in-fact, within the limits of their respective position, without a special power of attorney.

For the purposes of this Law, an employee is deemed to be a natural person employed by the company concerned, as well as a natural person who is not employed by the company, but holds an office in that company.

## 6.2. Procura

### Definition of Procura

#### Article 35

A procura shall be a commercial power of attorney in which a company authorises one or more natural persons (hereinafter referred to as a "procurator") to enter into transactions and act in other legal matters on its behalf and for its account.

Notwithstanding the foregoing, a procura may be issued only for a branch of a company.

A procura shall be non-transferable and a procurator shall not be allowed to issue a power of attorney to another person.

### Issuing of Procura

#### Article 36

A procura shall be issued by a decision of partners, limited partners and general partners or the General Meeting, as the case may be, unless provided otherwise by the instrument of incorporation and/or Articles of Association.



A procurator shall be registered in accordance with the law on registration.

#### Types of Procura

##### Article 37

A procura may be an individual or a joint procura.

If a procura is issued for two or more persons without indication of the fact that it is a joint procura, each procurator shall act independently.

If a procura is issued as a joint procura, transactions entered into or actions taken by procurators shall be valid only with the explicit consent of all procurators, unless the procura states that the consent of a specific number of procurators is required for its validity.

The consent referred to in paragraph 3 of this Article may be given as prior or subsequent consent.

Declarations of will made to or actions taken against one of the procurators shall have the same legal effect as if they were made to or taken against all procurators.

#### Limitation of Procura

##### Article 38

A procurator may not do any of the following without special authority:

- 1) Enter into transactions and take actions in connection with the acquisition, disposal or encumbrance of property and of equity interests and shares in other legal entities held by the company;
- 2) Commit to liabilities pursuant to bonds and surety liabilities;
- 3) Enter into borrowing and lending agreements;
- 4) Act as counsel for the company in court proceedings or in arbitration.

Limitations of a procura not specifically provided for in this Law shall have no legal effect against third parties.

Notwithstanding paragraph 2 of this Article, a procurator's authority may be limited by the countersignature of the company's legal representative or another procurator (joint procura).

#### Withdrawal and Termination of Procura

##### Article 39

A company may withdraw a procura at any time.

A company may not waive the right to withdraw a procura and this right cannot be limited or conditioned in any way.

A procurator may terminate a procura at any time, provided however that in the next 30 days from the date of service of notice on the company he/she enters into transactions and takes other actions where necessary to avoid damage for the company.

#### Entrepreneur's Procura

##### Article 40

An entrepreneur shall issue a procura personally and may not assign the power to issue a procura to another person.

#### 6.3. Liability and Limitations for Representatives, Attorneys-in-fact by Virtue of Employment and Procurators

##### Excess of Authority

##### Article 41

A company's representative, attorney-in-fact by virtue of employment and procurator shall be liable for any damage they cause to the company through excess of their authority.

Notwithstanding paragraph 1 of this Article, the persons referred to in paragraph 1 of this Article shall not be liable for damage if they acted in compliance with a decision of a competent company body and/or if their actions were subsequently approved by such body.

#### Limitations on Entering into Agreements on Behalf of Company

##### Article 42

A company's representative, attorney-in-fact by virtue of employment and procurator may not act as a counterparty and enter into agreements with the company in their name and for their own account, in their name and for the account of another person or in the name and for the account of another person without special authorisation.

The authorisation referred to in paragraph 1 of this Article shall be given by a decision of the partners, the general partner or the General Meeting, as the case may be, unless provided otherwise by the instrument of incorporation and/or Articles of Association.

The limitation provided for in paragraph 1 of this Article shall not apply to a legal representative who is also a sole company member.

Signature

Article 43

Each representative and procurator of a company shall state his/her position within the company when signing documents on behalf of the company.

Statement of position within a company in compliance with paragraph 1 of this Article shall not be a formal requirement for validity of a signed document.

## 7. Company Assets and Capital

### 7.1. Basic Concepts

Assets, Net Assets and Share Capital

Article 44

For the purposes of this Law, a company's assets shall include items and rights owned by a company, as well as other rights of a company.

For the purposes of this Law, a company's net assets (capital) shall be the difference in value between a company's assets and its liabilities.

A company's share (registered) capital shall be the pecuniary value of contributions subscribed by members in a company registered in accordance with the law on registration.

### 7.2. Contributions in a Company

Types of Contributions

Article 45

Contributions in a company may be in money and in kind and shall be expressed in dinars.

If the payment of a contribution in money is made in foreign exchange in accordance with the law governing foreign exchange operations, the dinar

equivalent of the contribution shall be calculated at the middle exchange rate of the National Bank of Serbia on the date of payment of such contribution.

Contributions in kind may be in assets and in rights, unless provided otherwise for specific forms of companies by this Law.

Commitment to pay in or make a Contribution

Article 46

Persons who committed under the instrument of incorporation or otherwise to pay in or make a certain contribution shall be liable to the company for that commitment and shall indemnify the company for any damage caused by a failure or delay in keeping that commitment.

Contributions in money and in kind at the time of incorporation or an increase in share capital must be paid in or made within a period specified in the instrument of incorporation or a decision on capital increase, as the case may be, it being understood that this period shall commence on the date of adoption of the instrument of incorporation or decision on capital increase and shall not be longer than set forth below:

1) In case of increase in capital of a public joint-stock company following a successful public offering of shares or a company whose shares are traded in a regulated market or a multilateral trading platform within the meaning of the law governing the money market (hereinafter referred to as a "public joint-stock company") through a contribution in money following a public offering – immediately upon expiration of the time limit for subscription of shares, in accordance with the law governing the capital market, or two years in other cases;

2) Five years for other companies, except in cases where shares are issued in a public offering procedure within the meaning of the law governing the money market whereby a joint-stock company becomes a public joint-stock company, in which case the contribution must be paid immediately upon expiration of the time limit for share subscription.

A company may not release the persons referred to in paragraph 1 of this Article from the obligation to pay in or make a contribution to that company, except in a procedure of capital reduction subject to the provisions of Article 319 of this Law pertaining to creditor protection.

Notwithstanding paragraph 3 of this Article, by a unanimous decision of partners, general partners or the General Meeting, as the case may be, except where a different majority is provided for by the instrument of incorporation and/or Articles of Association, with a proviso that such majority cannot be lower than the simple majority of votes of all company members, a commitment of a person referred to in paragraph 1 of this Article may, with that person's consent, be replaced as follows:

- 1) A commitment to pay a contribution in money to a company may be replaced with a commitment to make a contribution in kind of identical value, except in the case of public offering of shares;
- 2) A commitment to make a contribution in kind to a company may be replaced with a commitment to pay in a contribution in money of identical value;
- 3) A commitment to make one contribution in kind to a company may be replaced with a commitment to make another contribution in kind of identical value.

Consequences of Commitment to pay in or make a Contribution

#### Article 47

Commitments made pursuant to Article 46 paragraph 1 of this Law shall entitle the persons concerned to an equity interest in or shares of a company.

Contributions paid in or made to a company shall become the property of that company.

Consequences of Failure to pay in or make a Contribution

#### Article 48

The instrument of incorporation and/or Articles of Association in case of joint-stock company may provide for liquidated damages in case of untimely fulfilment or non-fulfilment of the obligation provided for in Article 46 paragraph 1 of this Law in cases of contributions in kind.

If a company member fails to meet his/her obligation provided for in Article 46 paragraph 1 of this Law, a company may invite him/her in

writing to meet that obligation in an extended period, which shall not be shorter than 30 days of the date of mailing of such invitation.

Notwithstanding the foregoing, a public joint-stock company shall make an invitation referred to in paragraph 2 of this Article within 90 days of expiration of the time limit for fulfilment of an obligation of a company member provided for in Article 46 paragraph 1 of this Law, unless a shorter period is provided for by the instrument of incorporation and/or Articles of Association.

If more than one company members failed to meet their obligation provided for in Article 46 paragraph 1 of this Law, they shall receive the invitation referred to in paragraphs 2 and 3 of this Article at the same time, with specified time limit for compliance.

In an invitation referred to in paragraphs 2 and 3 of this Article, a company shall warn the member concerned he/she will be expelled from the company in case of failure to comply with the obligation within the extended period provided.

A company shall publish the invitation referred to in paragraphs 2 and 3 of this Article on the web page of the register of economic operators within three days of mailing, for a period at least equal to that provided for in paragraphs 2 and 3 of this Article.

If a company member referred to in paragraphs 2 and 3 of this Article fails to meet his/her obligation within such extended period, a company may decide to expel such member and a public joint-stock company shall have an obligation to do so.

Liability in case of Transfer of Equity interests and/or Shares

#### Article 49

In case of transfer of equity interests and/or shares, the transferor and the acquirer shall be jointly and severally liable to the company for the transferor's obligations in connection with the equity interests that arose until the time of such transfer, in accordance with the provisions of this Law pertaining to each individual company form.

To exercise a company's rights provided for in paragraph 1 of this Article, legal action may be brought before the competent court either by the company itself or by company members who own or represent minimum 5% of a company's share capital.

Valuation of Contributions in Kind

#### Article 50

The value of a contribution in kind shall be determined:

- 1) By mutual agreement between all company members;
- 2) By appraisal, as provided for in Articles 51 through 58 of this Law.

In public joint-stock companies, the value of a contribution in kind shall be determined solely by appraisal in accordance with Articles 51 through 58 of this Law.

#### Appraisal of a Contribution in Kind

##### Article 51

A contribution in kind made to a company shall be appraised by a certified court expert, an auditor or another specialist authorised by a competent national authority of the Republic of Serbia to appraise specific assets or rights.

An appraisal referred to in paragraph 1 of this Article may also be made by an eligible company that complies with all legal requirements for appraisal of the assets or rights covered by the appraisal concerned.

An appraisal referred to in paragraph 1 of this Article must have been done within maximum one year before the date of making of a contribution in kind.

An appraisal referred to in paragraphs 1 through 3 of this Article shall be registered and published in accordance with the law on registration.

#### Content of Appraisal

##### Article 52

An appraisal provided for in Article 51 of this Law shall include in particular:

- 1) A description of each asset or right included in the contribution in kind;
- 2) A specification of appraisal methods used;
- 3) A declaration that the appraised value is at least equal to:

(1) the nominal value of acquired equity interest, in case of general partnerships, limited partnerships and limited liability companies, or

(2) the nominal value or, in the absence of nominal value, the accounting value of acquired shares, plus premium, if any, payable for such shares in case of joint-stock companies.

#### Choice of Appraiser

##### Article 53

In case of appraisal of a contribution in kind at the time of incorporation of a company, a person referred to in Article 51 paragraphs 1 or 2 of this Law shall be chosen by mutual agreement between company members, while in other cases such person shall be chosen by the Board of Directors, or by the Supervisory Board if a company has a two-tier management system, unless provided otherwise by the instrument of incorporation and/or Articles of Association.

#### Changed Circumstances

##### Article 54

If between the date of appraisal provided for in Article 51 of this Law and the time of making of a contribution in kind to a company circumstances arise which reduce the value of such contribution in kind, a company shall arrange for a new appraisal in accordance with Articles 51 through 53 of this Law before such contribution is made.

In cases referred to in paragraph 1 of this Article, a company member that makes such contribution in kind shall have an obligation to reimburse the company in money for the difference in value within the time limit specified for making of the contribution in kind.

#### Rights of Company Members if no new Appraisal

##### Article 55

If a company fails to act in accordance with Article 54 of this Law, company members whose equity interests or shares accounted for minimum 5% of the company's share capital on the date of passing of a decision on subscription of equity interests or issuing of shares through such contribution in kind shall be entitled before the contribution is made to request from the company in writing to arrange for an appraisal of such contribution in kind in accordance with Articles 51 through 53 of this Law,

provided that equity interests or shares they held at the time of submission of such request accounted for minimum 5% of the company's share capital.

If a company fails to comply with a request referred to in paragraph 1 of this Article within 15 days of the date of receipt of such request, the company members referred to in paragraph 1 of this Article shall be entitled to seek a valuation of the contribution in kind from the competent court in non-litigious proceedings.

A request referred to in paragraph 2 of this Article can be filed with the competent court until the expiration of 90 days of the date of making of a contribution in kind to a company.

Exception from the Obligation to carry out an Appraisal of a Contribution in Kind that does not include Securities and Money Market Instruments

#### Article 56

Notwithstanding Article 51 of this Law, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, or another body specified in the instrument of incorporation and/or Articles of Association, may decide not to carry out an appraisal of a contribution in kind that does not include securities and money market instruments, insofar as the market value of individual assets and rights included in such contribution in kind may be determined from annual financial statements of the person making such contribution, for the year preceding the one in which the contribution in kind is made, provided that the statements were audited and had a positive audit opinion.

If between the date of the financial statements referred to in paragraph 1 of this Article and the time of making of a contribution in kind to a company circumstances arise that significantly change the value of that contribution in kind, Article 54 of this Law shall apply *mutatis mutandis*.

Company members who disagree with a decision not to carry out an appraisal of a contribution in kind referred to in paragraph 1 of this Article and whose equity interests or shares accounted for minimum 5% of the company's share capital on the date of passing of a decision on subscription of equity interests or issuing of shares through such contribution in kind shall be entitled to request from the company or the competent court to carry out an appraisal of a contribution in kind through the

application of application *mutatis mutandis* of the provisions of Article 55 of this Law.

#### Valuation of Securities and Money Market Instruments

#### Article 57

If a contribution in kind consists of securities or money market instruments, the value of such contribution shall be determined not later than 60 days before the date of making of such contribution in kind to a company.

The value of a contribution in kind referred to in paragraph 1 of this Article shall be determined as the weighted average price of those securities and/or money market instruments commanded in a regulated market or a multilateral trading platform within the meaning of the law governing the money market in the six months preceding the valuation date, provided that:

- 1) The trading volume of the securities and/or money market instruments concerned in that period was minimum 0.5% of their total issued number;
- 2) During minimum three months of that period, the trading volume of the securities and/or money market instruments concerned was minimum 0.05% of their total monthly issued number.

If the conditions set out in paragraph 2 of this Article are not met or if between the date of valuation referred to in paragraph 1 of this Article and the date of making of a contribution in kind to a company circumstances arose which significantly affected the value of such contribution in kind, a company shall appraise its value in accordance with Article 51 of this Law.

If a company fails to act in accordance with paragraph 3 of this Article, company members whose equity interests or shares accounted for minimum 5% of the company's share capital shall be entitled to seek a valuation of the contribution in kind from the competent court in nonlitigious proceedings before the expiration of 90 days of the date of making of the contribution in kind.

A company may decide to appraise a contribution in kind referred to in paragraph 1 of this Article in accordance with Article 51 of this Law even when the conditions set out in paragraph 2 of this Article are met.

## Obligations of Company if no Appraisal of a Contribution in Kind

### Article 58

If no appraisal of a contribution in kind is made pursuant to Articles 56 and 57 of this Law, the chairperson of the Board of Directors, or the

Supervisory Board if a company has a two-tier management system, shall issue a certificate specifying the following:

- 1) A description of the contribution in kind;
- 2) Its value, the manner of its valuation and the appraisal method used, where applicable;
- 3) A declaration whether the value determined using such method is as a minimum equal to the total nominal or, in the absence of nominal, accounting value of the acquired equity interests and/or shares, plus premium, if any, payable for such shares; and
- 4) A declaration that no circumstances arose that would materially change the value of such contribution in kind.

A certificate referred to in paragraph 1 of this Article shall be registered and published in accordance with the law on registration.

## Rebuttal of Mutually Agreed Value of a Contribution in Kind

### Article 59

If the value of a contribution in kind is determined by a mutual agreement between company members in accordance with Article 50 paragraph 1 item 1) of this Law and a company is unable to settle its liabilities in its regular operations, the company's creditors may seek a valuation of the contribution in kind as at the time of its making from the competent court in non-litigious proceedings.

If in the proceedings referred to in paragraph 1 of this Article a court finds that the value of a contribution in kind was lower than that mutually agreed, the court shall order the company member who made that contribution in kind to reimburse the company for the difference between such value and the mutually agreed value and to bear jointly and severally with the company the costs of court proceedings referred to in paragraph 1 of this Article.

A company member who made a contribution in kind the value of which was determined by mutual agreement shall bear the burden of proving the value of such contribution in kind.

A request to the competent court referred to in paragraph 1 of this Article cannot be filed after five years have expired of the date on which the contribution was made.

## No Recovery of Contributions

### Article 60

Company members may not receive back the contributions they paid in or made and shall not be entitled to interest on their investment in a company.

Payment of price when acquiring own equity interest and/or shares and other payments to company members made in accordance with this Law shall not be deemed to constitute recovery of contributions to company members.

## 8. Special Duties owed to Company

### Persons owing Special Duties to Company

### Article 61

The following shall have special duties to a company:

- 1) Partners and general partners;
- 2) Members of a limited liability company with a significant holding in its share capital or a member of a limited liability company deemed to be the controlling member within the meaning of Article 62 of this Law;
- 3) Shareholders with a significant holding in a company's share capital or a company member deemed to be the controlling shareholder within the meaning of Article 62 of this Law;
- 4) Directors, Supervisory Board members, representatives and procurator;
- 5) Liquidator.

The instrument of incorporation or Articles of Association may also identify other persons as persons owing special duties to a company.

## Related Parties

## Article 62

For the purposes of this Law, a related party with regard to a natural person is deemed to be:

- 1) A blood relative in a straight line, a blood relative in a lateral line up to the third degree of kinship, the spouse or the de facto partner of such person;
- 2) The spouse or de facto partner and their blood relative up to the first degree of kinship;
- 3) Adoptive parents or children, as well as descendants of adoptive children;
- 4) Other persons who share a household with the person concerned.

For the purposes of this Law, a related party with regard to a legal entity is deemed to be:

- 1) A legal entity in which that legal entity holds a material equity interest or has a right to acquire such equity interest from convertible bonds, warrants, options etc.;
- 2) A legal entity of which that legal entity is a controlling member (controlled company);
- 3) A legal entity controlled by a third party together with that legal entity;
- 4) An entity that holds a material equity interest in that legal entity or has a right to acquire such equity interest from convertible bonds, warrants, options etc.;
- 5) A controlling member of that legal entity;
- 6) A person who is a director or a member of the managing or supervisory body of that legal entity.

Material equity interest in share capital shall exist if a single person/entity, independently or acting in concert with other persons/entities, holds more than 25% of voting rights in a company.

Majority equity interest in share capital shall exist if a single person/entity, independently or acting in concert with other persons/entities, holds more than 50% of voting rights in a company.

Control within the meaning of paragraph 2 of this Article shall imply the right or possibility of one person/entity, either independently or acting in concert with other persons/entities, to exert controlling influence on the operations of another

entity through an equity interest in share capital, an agreement or a right to appoint the majority of directors or Supervisory Board members.

A person/entity shall be deemed to be a controlling member whenever such person/entity independently or with its related parties holds a majority equity interest in a company's share capital.

Acting in concert shall exist whenever two or more persons/entities, on the basis of an explicit or tacit mutual agreement, use their voting rights in an entity or take other actions aimed at exerting joint influence on the management or operations of that entity.

### 8.1. Duty of Care

#### Definition

#### Article 63

Persons referred to in Article 61 paragraph 1 items 4) and 5) of this Law shall carry out their duties in that capacity in good faith, with due diligence and in a reasonable belief that they act with the company's best equity interest in mind.

For the purposes of paragraph 1 of this Article, due diligence shall be the level of care which a reasonably cautious person would use if he/she had the knowledge, skills and experience that could reasonably be expected of a person carrying out the same functions in a company.

If a person referred to in Article 61 paragraph 1 items 4) and 5) has certain specific knowledge, skills or experience, such knowledge, skills and experience shall also be taken account for the purpose of evaluation of due diligence.

It is deemed that persons referred to in Article 61 paragraph 1 items 4) through 5) of this Law may also base their actions on the information and opinions provided by persons specialised in a specific filed for whom they reasonably believe they have acted in good faith in each specific case.

A person referred to in Article 61 paragraph 1 items 4) through 5) who demonstrates he/she acted in accordance with this Article shall not be liable for any damage incurred by a company as a result of such action.

## Legal Action for Breach of Duty of Care

### Article 64

A company may bring legal action against a person referred to in Article 61 paragraph 1 items 4) through 5) of this Law for indemnification of any damage caused to it by such person through a breach of the duty of care provided for in Article 63 of this Law.

## 8.2. Duty to Report Transactions involving Personal Interest

### Definition

### Article 65

A person referred to in Article 61 of this Law shall notify the Board of Directors, or the Supervisory Board if a company has a two-tier management system, of the existence of a personal interest (or an interest of that person's related party) in any transaction entered into or any action taken by a company.

Notwithstanding paragraph 1 of this Article, in case of a company with a sole director, the notification referred to in paragraph 1 of this Article shall be made to the General Meeting, or the Supervisory Board if a company has a two-tier management system.

Personal interest referred to in Article 61 of this Law shall be deemed to exist in case of:

- 1) Entering into a transaction between a company and such person (or a related party of such person), or
- 2) Actions (actions in judicial and other proceedings, waiver of rights etc.) taken by a company in relation to such person (or a related party of such person), or
- 3) Entering into a transaction between a company and a third party or taking of an action by a company in relation to a third party, if such third party has a financial relationship with such person (or a related party of such person) and it can reasonably be expected that the existence of such a relationship affects the person's actions, or
- 4) Entering into a transaction or taking of an action by a company which would bring financial gain to a third party, if such third party has a financial relationship with such person (or a related party of such person) and it can reasonably be expected that

the existence of such a relationship affects the person's actions.

## Authorisation of Transactions or Actions involving Personal Interest

### Article 66

In cases provided for in Article 65 of this Law, as well as in other cases provided for in this Law, entering into a transaction or taking of an action shall be authorised as follows, unless a different majority is provided for by the instrument of incorporation and/or Articles of Association:

- 1) In case of general partnerships or limited partnerships, by a majority of votes of all disinterested partners or general partners;
- 2) In case of limited liability companies, if the director has a personal interest, by a simple majority of votes of all company members, or of the Supervisory Board if a company has a two-tier management system, and if a Supervisory Board member or a company member has a personal interest, by a simple majority of votes of all disinterested company members or by a simple majority of votes of all disinterested Supervisory Board members, as the case may be;
- 3) In case of joint-stock companies, if the director has a personal interest, by a simple majority of votes of all disinterested directors, or of the Supervisory Board if a company has a two-tier management system, and if a Supervisory Board member has a personal interest, by a simple majority of votes of all disinterested Supervisory Board members.

In cases referred to in paragraph 1 item 3) of this Article, if there is no voting quorum due to the number of disinterested members of the Board of Directors or if it is impossible to reach a decision due to a tie vote of members of the Board of Directors or the Supervisory Board, the transaction concerned shall be approved by the General Meeting by a simple majority of votes of present disinterested shareholders.

The instrument of incorporation and/or Articles of Association may stipulate that the authorisation provided for in paragraph 1 items 2) and 3) of this Article is to be given by the General Meeting.

If, in accordance with paragraph 1 item 3) of this Article, the Board of Directors or the Supervisory Board authorises a transaction in which a personal



interest exists, the General Meeting shall be notified thereof in the first succeeding session.

A notification referred to in paragraph 4 of this Article must include a detailed description of the transaction concerned and state the nature and extent of personal interest.

With regard to passing of a decision referred to in paragraph 1 of this Article, for the purpose of establishing a quorum, the total number of company members who are disinterested in the transaction concerned shall be taken as the total number of votes.

The authorisation provided for in paragraph 1 of this Article shall not be required in case of:

- 1) Existence of personal interest of a sole company member;
- 2) Existence of personal interest of all company members;
- 3) Subscription or purchase of equity interest and/or shares on the basis of a preferential subscription right or pre-emption right of company members;
- 4) Acquisition of own equity interests and/or shares by a company, if such acquisition is done in accordance with the provisions of this Law pertaining to own equity interests and/or shares or of the law governing the money market.

Legal Action for Breach of Rules of Authorisation of Transactions involving Personal Interest

#### Article 67

If a transaction or action is not authorised in accordance with Article 66 of this Law or if a competent company body was not presented with all facts of relevance for the making of a decision on authorisation of a transaction or action in accordance with Article 66 of this Law, a company may bring legal action for annulment of such transaction or action and for indemnification by a person referred to in Article 61 of this Law who had a personal interest in such transaction or action.

In cases referred to in paragraph 1 of this Article, in addition to a person referred to in Article 61 of this Law, the following shall bear unlimited joint and several liability for any damage incurred by a company:

1) A related party of that person, if it was a contractual party in the transaction or if the transaction was taken in relation to it;

2) A third person referred to in Article 65 paragraph 3 items 3) and 4) of this Law, if such person was or should have been aware of the existence of personal interest at the time of entering into the transaction or taking of the action concerned.

Notwithstanding paragraph 1 of this Article, in cases referred to in Article 65 paragraph 3 items 3) and 4) of this Law, a transaction or action shall not be annulled if a third person referred to in Article 65 paragraph 3 items 3) and 4) of this Law was not aware and did not have to be aware of the existence of personal interest at the time of entering into the transaction or taking of the action concerned.

Exemptions from Rules of Authorisation of Transactions involving Personal Interest

#### Article 68

It shall be deemed that no breach of rules of authorisation of transactions involving personal interest occurred if it is demonstrated in judicial

proceedings pursuant to legal action filed in accordance with Article 67 of this Law:

- 1) That the transaction or action was in the company's interest, or
- 2) That there was no personal interest in cases referred to in Article 65 paragraph 3 items 3) and 4) of this Law.

#### 8.3. Duty to Avoid Conflict of Interest

Definition

#### Article 69

Persons referred to in Article 61 of this Law shall not, for their own benefit or for the benefit of their related parties:

- 1) Use their company's assets;
- 2) Use any information they obtained in that capacity, insofar as such information is not otherwise publicly available;
- 3) Abuse their position within the company;

4) Personally use opportunities for entering into transactions that arise for the company.

The duty to avoid conflict of interest shall pertain regardless whether a company had an opportunity to use the assets or information or to enter into the transactions referred to in paragraph 1 of this Article.

Exemption from Breach of Duty to avoid Conflict of Interest

Article 70

Notwithstanding Article 69 of this Law, a person referred to in Article 61 of this Law may act contrary to the provisions of Article 69 paragraph 1 items 1), 2) and 4) with prior or subsequent authorisation in accordance with Article 66 of this Law.

Legal Action for Breach of Duty to avoid Conflict of Interest

Article 71

A company may bring legal action against persons referred to in Article 61 of this Law who breach their duty to avoid conflict of interest provided for in Article 69 of this Law, as well as against their related parties referred to in Article 69 paragraph 1 of this Law, by which it may claim either:

- 1) Indemnification, or
- 2) Transfer to the company of benefits gained by such person or related party referred to in Article 69 paragraph 1 of this Article as a result of such breach of duty.

8.4. Duty to keep Trade Secrets

Definition

Article 72

Persons referred to in Article 61 of this Law, as well as persons employed at a company, shall have a duty to keep the company's trade secrets.

Persons referred to in paragraph 1 of this Article shall be bound by the duty to keep trade secrets even after the termination of that status, for a period of two years of the date of termination of such status.

The instrument of incorporation, the Articles of Association, a decision of the company or a contract entered into with such persons may provide for a longer period, with a proviso that it may not be longer than five years.

A trade secret shall be any piece of information the disclosure of which to a third party could cause damage to a company, as well as any piece of information that may have economic value because it is not generally known and is not readily available to third parties that could have economic gains from its use or disclosure and is protected by the company concerned with appropriate safeguards for the purpose of maintaining its secrecy.

A trade secret shall also be any piece of information identified as such by a law or other regulation or by a company bylaw.

A company bylaw referred to in paragraph 4 of this Article:

- 1) May identify as trade secret only such pieces of information that comply with the requirements set out referred to in paragraph 3 of this Article and
- 2) May not identify as business secret any information relating to the company's operations.

The information referred to in paragraph 3 of this Article may be production-related, technical, technological, financial or commercial information, a study, a research result or a document, formula, drawing, item, method, procedure, notification or instruction of internal nature etc.

Exemptions from Duty to keep Trade Secrets

Article 73

It shall be deemed that no breach of duty to keep trade secrets occurred in case of disclosure of information referred to in Article 72 of this Law if such disclosure is:

- 1) Obligatory under the law;
- 2) Necessary for the performance of operations or safeguarding of interests of the company concerned;
- 3) Made to competent authorities or the public with the sole purpose of proving an offence punishable under the law.

Consequences of Breach of Duty to keep Trade Secrets

Article 74

A company may bring legal action against a person referred to in Article 61 of this Law who breached the duty to keep trade secrets, by which it may claim:

- 1) Indemnification;
- 2) Expulsion of such person as a company member, if the person concerned is a company member;
- 3) Termination of such person's employment, if the person concerned is employed at the company.

Legal action referred to in paragraph 1 of this Article shall be without prejudice to the possibility of termination of employment in accordance with the law governing employment relations.

A company shall hold harmless any person who, acting conscientiously and in good faith, alerts public authorities to the existence of information referred to in Article 73 paragraph 1 item 3) of this Law.

#### 8.5. Duty of Non-competition

##### Definition

##### Article 75

A person referred to in Article 61 paragraph 1 items 1) through 4) of this Law may not, without obtaining authorisation in accordance with Article 66 of this Law:

- 1) Act in the capacity of a person referred to in Article 61 paragraph 1 items 1) through 4) of this Law in another company with the same or similar scope of business activities (hereinafter referred to as a "competing company");
- 2) Be an entrepreneur with the same or similar scope of business activities;
- 3) Be employed at a competing company;
- 4) Be otherwise engaged at a competing company;
- 5) Be a member of founder of another legal entity with the same or similar scope of business activities.

The instrument of incorporation and/or Articles of Association may:

- 1) Extend the ban provided for in paragraph 1 of this Article to other persons, but in doing so may not impinge on acquired rights of those persons;
- 2) Stipulate that the ban provided for in paragraph 1 of this Article continues to apply even after the termination of the capacity provided for in Article 61 paragraph 1 items 1) through 4) of this Law, but in any case not longer than two years;

- 3) Specify activities and the manner or place of their performance that are not deemed to be a breach of the duty of non-competition.

The ban provided for in paragraph 1 of this Article shall not apply to a sole company member.

#### Legal Action for Breach of Duty of Non-competition

##### Article 76

A company may bring legal action against a person referred to in Article 61 paragraph 1 items 1) through 4) of this Law that breaches the duty of non-competition provided for in Article 75 of this Law, by which it may claim:

- 1) Indemnification;
- 2) Transfer to the company of any benefits that person or a competing company referred to in Article 75 of this Law gained as a result of such breach;
- 3) Expulsion of such person as a company member, if the person concerned is a company member;
- 4) Injunction from carrying on a business activity for the person concerned or the company referred to in Article 75 of this Law;
- 5) Termination of such person's employment, if the person concerned is employed at the company.

#### 8.6. Rules on Filing Legal Action for Breaches of Special Duty

##### Time Limit for Filing Legal Action

##### Article 77

Legal action provided for in Articles 64, 67, 71, 74 and 76 of this Law may be filed within six months of the date of learning of a breach, but not later than five years of the date when such breach occurred.

#### Legal Action by a Company Member for Breach of Special Duties (Individual Action)

##### Article 78

A company member may bring legal action against persons referred to in Article 61 of this Law for compensation of damage caused to him/her by such person through a breach of special duties owed to a company.

## Derivative Action

### Article 79

One or more company members may bring legal action provided for in Articles 64, 67, 71, 74 and 76 of this Law on their behalf and for a company's account (hereinafter referred to as "derivative action") if, at the time of filing of such legal action:

- 1) They hold equity interests or shares representing minimum 5% of the company's share capital, regardless whether the reason for filing of a derivative action arose before or after they acquired the status of company members;
- 2) Before filing such legal action they requested of the company in writing to file legal action on the same basis, but the request was denied or was not acted upon within 30 days of submission.

A company member who acquired equity interest or in a company from a person who had filed a derivative action may, with the consent of that person, take his/her place in the proceedings pursuant to that legal action

until a final and enforceable judgement is passed, as well as in proceedings pursuant to an extraordinary remedy.

### Entering of a Company Member into a Lawsuit

#### Article 80

If a company filed legal action provided for in Articles 64, 67, 71, 74 and 76 of this Law, a company member who had requested of the company to file such legal action may request from the court hearing the case to allow him/her to enter the lawsuit as an intervener on claimant's behalf.

If a company member filed legal action provided for in Articles 64, 67, 71, 74 and 76 of this Law, in accordance with Article 79 paragraph 1 of this Law, another company member who complies with the requirement set out in Article 79 paragraph 1 item 1) may request from the court hearing the case to allow to enter the lawsuit as an intervener on claimant's behalf.

## 9. Right of Company Members to Information

### Right to Information and Access to Bylaws and Documents

#### Article 81

A company member shall have the right to access company bylaws and documents.

A company member may demand of the company in writing to be allowed access to company bylaws or documents and such request must specify the following:

- 1) Personal data identifying the person as a company member;
- 2) Requested documents, bylaws and information;
- 3) Purpose of requested access;
- 4) Information on third parties to whom the requesting company member intends to disclose such document, bylaw or information, if this is his/her intention.

A company may deny access to all or some of the requested bylaws or documents for reasons provided for in this Law for each individual legal form of companies.

If a company does not comply with a request referred to in paragraph 2 of this Article within eight days of the date of receipt of such request, the

company member may, in a further period of 30 days, request from the competent court to allow him/her access to the bylaws or documents concerned in non-litigious proceedings.

Proceedings referred to in paragraph 4 of this Article shall be expedited and a court shall decide on such request within eight days of the date of receipt.

### Use of Company Bylaws or Documents

#### Article 82

A company member who accesses company bylaws or documents in accordance with Article 81 of this Law shall use them solely for the purposes stated in the request provided for in Article 81 paragraph 2 item 3) of this Law.

A company member may not disclose or communicate to third parties the bylaws and/or documents referred to in paragraph 1 of this Article contrary to the purpose for which access was granted or in a manner prejudicial to the company concerned, except where required to do so under the law.

If a company member referred to in paragraph 1 of this Article uses the accessed company bylaws and/or documents contrary to such purpose or discloses them to third parties in breach of the restrictions provided for in paragraph 2 of this Article, he/she shall be liable for any damage thus caused.

It shall not be deemed that the provisions of paragraph 2 of this Article are breached if disclosure of bylaws and/or documents referred to in paragraph 1 of this Article to third parties is a legal requirement.

## Part Two ENTREPRENEUR

### Definition of Entrepreneur

#### Article 83

An entrepreneur shall be a natural person with full capacity who carries on a business activity for the purpose of profit generation and is registered as such accordance with the law on registration.

A natural person registered with a special register who carries on a professional activity governed by a special regulation shall be deemed to be an entrepreneur for the purposes of this Law if this is provided by such regulation.

An individual farmer shall not be deemed to be an entrepreneur for the purposes of this Law, unless provided otherwise by a special law.

### Duration of Entrepreneur's Registration

#### Article 84

An entrepreneur may be registered for a limited or for an unlimited duration.

### Assets and Liability for Obligations

#### Article 85

An entrepreneur shall be liable for all obligations incurred in connection with the pursuit of his/her business activity with his/her entire assets, including any assets he/she acquires in connection with the pursuit of his/her business activity.

Liability for the obligations referred to in paragraph 1 of this Article shall not cease upon deletion of an entrepreneur from a register.

### Entrepreneur's Registered Name

#### Article 86

An entrepreneur shall operate under a registered name.

A registered name must include the name and surname of the entrepreneur concerned, a description of his/her predominant business activity, the word "preduzetnik" (entrepreneur) or abbreviation "pr" and his/her registered office.

A registered name referred to in paragraph 2 of this Article may also contain a special name and a designation of the scope of activities.

An entrepreneur's registered name must be different from the name of other entrepreneurs so as not to be misleading with regard to the identity of another entrepreneur and/or with regard to the scope of activities of the entrepreneur concerned.

An entrepreneur's registered name shall be registered in accordance with the law on registration.

The provisions of Articles 23 through 27 and Articles 29 and 30 of this Law shall apply mutatis mutandis to an entrepreneur's registered name.

### Registered Office and Secondary Place of Business

#### Article 87

An entrepreneur's registered office shall be the place from which he/she manages his/her business activities.

An entrepreneur may also carry on a business activity outside his/her registered office, in accordance with the law ("secondary place of business").

A secondary place of business shall be registered in accordance with the law on registration.

An entrepreneur may also carry on a business activity outside designated premises (on call by a client, moving between cities/towns etc.), in cases where this is the only possible or customary arrangement due to the nature of the business activity.

An entrepreneur shall display his/her registered name in his/her registered office, as well as in any secondary place of business, except in cases referred to in paragraph 4 of this Article.

A place of business must comply with the requirements set out in relevant regulations applicable to the business activity concerned.

The address of an entrepreneur's registered office shall be registered in accordance with the law on registration.

#### Entrepreneur's Business Activity

##### Article 88

The business activity of an entrepreneur shall be governed *mutatis mutandis* by Article 4 of this Law pertaining to business activities of companies.

An entrepreneur may carry out all business activities that are not prohibited by the law, insofar as he/she complies with the applicable statutory requirements, including artisan crafts, handicrafts and cottage industry.

The minister in charge of economy shall specify in detail which activities are deemed to be artisan crafts, handicrafts and cottage industry for the purposes of this Law, the manner of their certification and keeping of records of issued certificates.

#### Manager and Other Employees

##### Article 89

An entrepreneur may entrust management duties to a natural person with full capacity (hereinafter referred to as "manager").

Management duties provided for in paragraph 1 of this Article may be general or limited to one or more secondary places of business.

A manager must be employed by an entrepreneur.

Notwithstanding paragraph 3 of this Article, if an entrepreneur is temporarily unable to tend to his/her business (due to illness, education, appointment to a public office etc.), but has no manager in his/her employ, he/she may entrust management duties to a member of his/her household during such period.

A manager shall have the capacity of a legal representative in accordance with this Law.

If the pursuit of a business activity by an entrepreneur is subject to special requirements in

terms of his/her personal qualifications, a manager must comply with those requirements.

A manager shall be registered in accordance with the law on registration.

Persons working for an entrepreneur must be employed or otherwise engaged by that entrepreneur in accordance with the law.

Notwithstanding paragraph 8 of this Article, an entrepreneur's family household member may work for such entrepreneur without entering into employment:

- 1) Occasionally during the day and exclusively in the registered office, if his/her presence is necessary to the nature of the entrepreneur's business activity (to avoid closing of a shop during working hours, to load goods, to clean the premises etc.);
- 2) Temporarily during training for artisan crafts, handicrafts and cottage industry, if the entrepreneur concerned carries on such an activity;
- 3) At times when an entrepreneur is away on annual holidays in accordance with the law.

#### Suspension of Business

##### Article 90

An entrepreneur shall post a notice of any suspension of business in his/her place of business.

A suspension of business shall be registered in accordance with the law on registration and may not be applied retrospectively.

#### Forfeiture of Entrepreneur Status and Continuity of Business by Heirs

##### Article 91

An entrepreneur shall forfeit the entrepreneur status upon deletion from the register of economic operators.

An entrepreneur shall be deleted from the register upon cessation of operations.

An entrepreneur shall cease operating either through deregistration or *ex lege*.

An entrepreneur may not deregister on a date earlier than the date of filing of a report on cessation of operations with a competent registration authority.

Deletion from the register may not be done retrospectively.

An entrepreneur shall cease operating ex lege in the following cases:

- 1) Upon death or permanent incapacitation;
- 2) Upon expiration of registration, if a business activity was registered for a limited period;
- 3) If his/her commercial account is frozen for more than two years pursuant to a request for deletion of the entrepreneur from the register filed by the National Bank of Serbia or the Tax Administration;
- 4) If his/her registration is declared null and void by a final and enforceable court judgement;
- 5) If an injunction from carrying on a business activity is imposed on him/her by a final and enforceable judgement or an enforceable decision of a competent body or court of honour of a chamber of commerce of which he/she is a member;
- 6) In case of termination of an authorisation, approval or other act by a competent authority imposed as a requirement for registration in accordance with Article 4 paragraph 2 of this Law by a special law;
- 7) In other cases provided for by the law.

In case of death or incapacitation of an entrepreneur, an heir or a member of his/her family household (spouse, children, adoptive children or parents) who has full capacity may continue with the business pursuant to an inheritance decision or mutual understanding on continuation of business, which shall be signed by all heirs or family household members, as the case may be.

A person referred to in paragraph 7 of this Article shall file a report of continuation of business with the register in accordance with the law on registration within 30 days of the date of entrepreneur's death.

An heir with full capacity may continue with an entrepreneur's business activity even during his/her lifetime if this right is exercised on the basis of a distribution of a living person's inheritance in

accordance with the regulations governing inheritance.

## Continuation of Business as a Company

### Article 92

An entrepreneur may decide to continue carrying on a business activity in the form of a company, in which case the provisions of this Law pertaining to incorporation of the company form concerned shall apply mutatis mutandis.

If two or more entrepreneurs jointly carry on a business activity within the meaning of Article 83 paragraph 2 of this Law, they must make the decision referred to in paragraph 1 of this Article unanimously.

Pursuant to a decision referred to in paragraph 1 of this Article, an entrepreneur shall be deleted from the register of economic operators and simultaneously the incorporation of a company referred to in paragraph 1 of this Article shall be registered, which company shall then assume all obligations of the entrepreneur arising from his/her operations up to the time of incorporation of such company.

Upon forfeiture of the entrepreneur status in accordance with paragraph 3 of this Article, the natural person concerned shall become liable with his/her entire assets for all obligations arising from his/her operations up to the time of deletion of the entrepreneur from the register.

## Part Three LEGAL FORMS OF COMPANIES

### Heading I GENERAL PARTNERSHIP

#### 1. Definition and Incorporation

##### Definition and Liability for Obligations

### Article 93

A general partnership shall be a company with two or more partners with unlimited joint and several liability for the company's obligations with their entire assets.

If a company's Memorandum of Association or other agreement between partners contains a provision on limitation of partners' liability to third parties, such provision shall be null and void.

### Memorandum of Association

## Article 94

The Memorandum of Association of a general partnership shall include in particular:

- 1) Name, personal identification number and place of residence of a partner who is a Serbian natural person, or name, passport number or other identification number and place of residence of a partner who is a foreign natural person, or registered name, company number and registered office of a partner that is a Serbian legal entity, or registered name, registration number or other identification number and registered office of a partner that is a foreign legal entity;
- 2) Company's registered name and registered office;
- 3) Company's predominant business activity;
- 4) Designation of the type and value of contributions of each partner.

The Memorandum of Association may also contain other elements of relevance for a company and partners.

Amendments and modifications to a company's Memorandum of Association shall be made by a unanimous decision of all partners, unless provided otherwise by the Memorandum of Association.

## Partnership Agreement

### Article 95

Notwithstanding Article 15 of this Law, a Partnership Agreement shall be entered into by all partners of a company.

## 2. Contributions, Partners' Equity Interests and Transfer of Equity Interests

### Contribution and Equity Interest

#### Article 96

Partners in a company shall make contributions of equal value, unless provided otherwise by the Memorandum of Association.

Notwithstanding Article 45 paragraph 3 of this Law, a partner's contribution in kind may include work and services.

Partners shall acquire equity interests in a company in proportion to their contributions, unless provided otherwise by the Memorandum of Association.

A partner shall not be required to increase his/her contribution in excess of an amount specified in the Memorandum of Association, unless provided otherwise by the Memorandum of Association.

A partner may not reduce his/her contribution without the consent of all other partners.

### Transfer of Equity Interests

#### Article 97

Equity interest shall be transferred by a written agreement entered into between a transferor and an acquirer, as well as in other ways provided for in the law.

Signatures affixed to an agreement referred to in paragraph 1 of this Article shall be certified in accordance with the law governing certification of signatures.

An acquirer of equity interest shall acquire equity interest on the date of registration of equity interest transfer in accordance with the law on registration.

### Transfer of Equity Interests between Partners

#### Article 98

Transfer of equity interests between partners shall be unrestricted, unless provided otherwise by the Memorandum of Association.

### Transfer of Equity Interests to Third Parties

#### Article 99

Unless provided otherwise by the Memorandum of Association, a partner shall not be allowed without the consent of other partners to:

- 1) Transfer his/her equity interest to a third party, including carrying of such equity interest in another company as a contribution in kind;
- 2) Pledge his/her equity interest to a third party.

If partners do not consent to the transfer of equity interest to a third party, a partner denied such consent to transfer equity interest may exit the company, in accordance with Article 121 of this Law.



## Liability in case of Transfer of Equity Interests

### Article 100

A transferor of equity interest and an acquirer of equity interests shall bear unlimited joint and several liability for all transferor's obligations towards the company as of the date of registration of equity interest transfer in accordance with the law on registration, unless agreed otherwise by all partners.

A company's claims referred to in paragraph 1 of this Article shall become statute-barred after three years of the date of registration of equity interest transfer in accordance with the law on registration.

## 3. Management

### General Rule

#### Article 101

Each partner shall have the authority to carry out activities in the course of a company's regular operations (management).

Activities outside the scope of a company's regular operations shall not be covered by the authority referred to in paragraph 1 of this Article and

may be carried out only with the consent of all partners, unless provided otherwise by the Memorandum of Association.

Notwithstanding paragraph 1 of this Article, if the Memorandum of Association or the Partnership Agreement stipulates that one or more partners have management authority, the remaining partners shall not have management authority.

### Management by more than One Partner

#### Article 102

If several partners are vested with management authority, each partner shall be authorised to act independently, however another partner with management authority may oppose a certain action, in which case such action cannot be taken.

If the Memorandum of Association stipulates that partners with management authority act jointly:

1) Every action shall require the consent of all partners with management authority, except where failure to act due to unavailability of a partner might cause damage to the company;

2) Each partner shall act in accordance with the instructions given by every other partner with management authority.

In cases referred to in paragraph 2 item 2) of this Article, if a partner considers the instructions given by another partner to be inappropriate, he/she shall notify all partners with management authority thereof for the purpose of joint decision-making, except where any delay could cause damage to the company, in which case he/she may act independently, which fact he/she must notify to all other partners with management authority without delay.

### Assignment of Management Authority

#### Article 103

A partner with management authority may assign his/her management authority to a third party or another partner, subject to agreement of all partners of the company.

A partner who assigns management authority to a third party shall be liable for management actions of that third party as if they were his/her own actions.

### Resignation from Management Authority

#### Article 104

A partner with management authority may resign from management responsibilities where justified reasons pertain.

In cases referred to in paragraph 1 of this Article, the partner concerned shall timely notify all other partners in writing of his/her intention to resign from management responsibilities, so as to enable other partners to take or arrange for the taking of activities within the scope of the company's operations.

If a partner resigns from management responsibilities contrary to paragraphs 1 and 2 of this Article, he/she shall indemnify the company for any damage thus caused.

### Revoking of Partner's Management Authority

#### Article 105

A partner's management authority may be revoked by a decision of the competent court pursuant to legal action filed by the company concerned or by

any of its partners if it is found that justified reasons pertain, including in particular:

1) Incapacity of a partner to duly manage the company's affairs;

2) Gross misconduct.

#### 4. Partners' Rights

##### Right to Reimbursement of Expenses

###### Article 106

A partner shall be entitled to claim from the company all expenses he/she had in connection with the operations of a general partnership, insofar as they were necessary in each individual case.

##### Distribution of Profit

###### Article 107

A company's profit shall be distributed equally between its partners, unless provided otherwise by the Memorandum of Association.

##### Right to Information

###### Article 108

A partner with management authority shall:

1) Report to all other partners on the company's operations;

2) Provide information on the company's operations on request from another partner; and

3) Make financial statements and other documents available to all partners.

A partner shall have the right to personally receive information on the company's situation and operations, as well as to access and make copies of books of accounts and any other company documents at his/her own cost.

Judicial enforcement of a partner's right to access and make copies of books of accounts and any other documents shall be governed mutatis mutandis by the provisions of this Law pertaining to the enforcement of rights of limited liability company members to information.

##### Exception to Non-competition Rule

###### Article 109

The non-competition rule provided for in Article 75 of this Law shall not be breached if other partners were aware at the time of that partner's accession to the company of his/her capacity of a member of a competing company or of another legal relationship with a competing company and his/her accession to the company was not made conditional upon his/her resignation from the capacity of a member of such competing company or termination of other legal relationship with such competing company.

##### Decision-making by Company's Partners

###### Article 110

Partners shall make their decisions unanimously, unless provided otherwise by the Memorandum of Association.

If the Memorandum of Association stipulates that certain or all decisions are to be made by a majority of votes, each partner shall have one voice, unless provided otherwise by the Memorandum of Association.

Decisions on issues outside the scope of a company's regular operations and decisions on admission of new partners to the company shall require the consent of all partners.

#### 5. Legal Relations of Company and Partners with Third Parties

##### Company Representation

###### Article 111

Each partner shall have the authority to independently represent his/her company, unless provided otherwise by the Memorandum of Association.

If two or more partners are authorised to jointly represent a company:

1) They may authorise one or more partners to represent the company in specific transactions or in specific types of transactions; and

2) Any declaration of will of third parties made to any of the partners authorised to jointly represent the company shall be deemed to be made to the company.

The Memorandum of Association may stipulate that each partner authorised to represent a company may

represent that company only together with its procurator.

In cases referred to in paragraph 3 of this Article, if a declaration of will of a third party was made to the procurator or a partner representing the company concerned together with the procurator, it shall be deemed to have been made to the company.

#### Resignation from Representation Authority

##### Article 112

A partner authorised to represent a company may resign from representation responsibilities where justified reasons pertain.

In cases referred to in paragraph 1 of this Article, the partner concerned shall timely notify all other partners in writing of his/her intention to resign from representation responsibilities, so as to enable other partners to take over representation responsibilities.

If a partner resigns from representation responsibilities contrary to paragraphs 1 and 2 of this Article, he/she shall indemnify the company for any damage thus caused.

#### Revoking of Representation Authority

##### Article 113

A partner's representation authority may be revoked by a decision of the competent court pursuant to legal action filed by the company concerned or by any of its partners if it is found that justified reasons pertain, including in particular:

- 1) Incapacity of a partner to duly represent the company;
- 2) Gross misconduct.

#### Representation of Company in a Dispute with a Partner vested with Representation Authority

##### Article 114

A partner with representation authority may not issue a power of attorney for representation or represent the company in a dispute where he/she is the counterparty and if the company has no other partner with representation authority such power of attorney shall be issued jointly by all other partners.

#### Complaints and Offsetting

##### Article 115

If a company's creditor demands of a partner to settle that company's liabilities:

- 1) The partner concerned may file personal complaints, as well complaints on behalf of the company itself;
- 2) The partner concerned may refuse to settle the liability if the creditor may offset its claims against the company.

#### Liability of New Partner

##### Article 116

A person that acquires the capacity of a partner after the incorporation of a company shall be liable for the company's operations just as its existing partners, including any liabilities incurred before his/her accession to the company.

Any provisions of the Memorandum of Association that contravene paragraph 1 of this Article shall not produce legal effects against third parties.

#### 6. Dissolution of General Partnership and Termination of Partner Status

##### Article 117

A general partnership shall be dissolved by deletion from the register of economic operators in case of:

- 1) Liquidation of the company due to:
  - (1) Expiration of its term;
  - (2) A decision of its partners;
  - (3) A court decision;
  - (4) Initiation of bankruptcy proceedings against a partner which is a legal entity, unless provided otherwise by the Memorandum of Association;
  - (5) If only one partner remains in the company and no new partners accede the company within three months of the date when the single partner remained in the company;
  - (6) Occurrence of any other reason provided for in the Memorandum of Association.
- 2) Closing of the company's bankruptcy;
- 3) A status change.

The capacity of a partner in a general partnership shall cease in case of:

- 1) Death of a partner;
- 2) Deletion of a partner which is a legal entity from the competent register as a result of liquidation or closing of bankruptcy;
- 3) Exit of a partner;
- 4) Expulsion of a partner;
- 5) In other cases provided for in the Memorandum of Association.

#### Court-ordered Liquidation of Company

##### Article 118

Pursuant to legal action filed by a partner, the competent court shall decide to initiate the liquidation of a company where justified reasons pertain.

A justified reason within the meaning of paragraph 1 of this Article shall pertain if a court finds that:

- 1) A partner, either deliberately or through gross negligence, breached his/her obligations to the company or other partners, insofar as such breach affected the company's operations;
- 2) Compliance with an obligation referred to in item 1) of this paragraph is de facto impossible;
- 3) The company could not otherwise continue with its operations and remain in compliance with this Law and the Memorandum of Association.

Any agreement excluding or restricting a partner's right to file legal action referred to in paragraph 1 of this Article shall be null and void.

Legal action referred to in paragraph 1 of this Article shall be brought against the company concerned and against all other partners.

#### Continuation of Business with Heirs

##### Article 119

In case of death of a partner, his/her equity interest shall not be inherited, by distributed equally to the remaining partners, unless the Memorandum of Association stipulates that a company is to continue operating with the heirs of a deceased partner.

If the Memorandum of Association stipulates that a company is to continue operating with the heirs of a deceased partner, but such heirs do not agree to that, a deceased partner's equity shall be distributed equally to the remaining partners.

If the Memorandum of Association stipulates that a company is to continue operating with the heirs of a deceased partner, the heir may agree to it and either take the place of the deceased partner or request that the general partnership change its legal form to a limited partnership, in which they would acquire the status of limited partners.

If heirs request that a general partnership change its legal form to a limited partnership in accordance with paragraph 3 of this Article and the remaining partners in the company refuse to do so, the heirs shall take the place of the deceased partner and may exit the company in accordance with the provisions of this Law pertaining to exit of partners.

If heirs exit a company in accordance with paragraph 4 of this Article, they shall be liable for the company's obligations incurred up to that time pursuant to regulations governing the liability of heirs for the debts of the testator.

The Memorandum of Association may specify the amount of share in profit for limited partners if a company continues to operate with heirs and changes its legal form to a limited partnership, which may be different from the amount of share in profit to which the testator was entitled as a partner.

#### Expulsion of Partner

##### Article 120

Expulsion of partners shall be governed mutatis mutandis by the provisions of this Law pertaining to expulsion of limited liability company members.

#### Exit of Partner

##### Article 121

A partner may exit a company by serving a written notice of exit on other partners.

A written notice referred to in paragraph 1 of this Article shall be served minimum six months before the expiration of an accounting year, unless provided otherwise by the Memorandum of Association.

A partner who serves written notice of exit in accordance with this Article shall exit a company upon expiration of the accounting year in which such notice was given (exit date).

A partner's right provided for in this Article may not be restricted or excluded.

#### Consequences of Partner Exit

##### Article 122

The equity interest of a partner who exited a company shall be distributed equally to the remaining partners, unless provided otherwise by the Memorandum of Association.

A company shall, within six months of the exit date, unless a different period is provided for in the Memorandum of Association, pay to an exiting partner in cash the amount he/she would be entitled to in case of liquidation of the company on the exit date, excluding any current and unfinished transactions.

If the value of a company's assets on the exit date is not sufficient to cover its liabilities, the exiting partner shall pay to it a portion of the uncovered amount commensurate to his/her interest in the company within six months, unless a different period is provided for by the Memorandum of Association.

Joint and several liability of an exiting partner for a company's obligations incurred until the exit date shall terminate upon the expiration of five years of the date of exit, unless a longer period is provided for by the Memorandum of Association.

#### Participation of Exiting Partner in Unfinished Transactions

##### Article 123

An exiting partner shall participate in the profit and loss from transactions which were ongoing at the time of his/her exit, unless provided otherwise by the Memorandum of Association.

An exiting partner may demand at the end of each accounting year for a calculation to be made of transactions closed in that year, to receive his/her share of the proceeds and to receive a report on the balance of outstanding transactions.

#### Protection of Partner's Creditors

##### Article 124

A creditor that has a mature claim against a partner on the basis of a final and enforceable judgement shall be entitled to demand of a company in writing to receive in cash the amount such partner would be entitled to in case of liquidation of the company, but only up to the amount of such creditor's claim.

A company shall notify a partner without delay of receipt of a claim referred to in paragraph 1 of this Article.

As of the date of settlement of a creditor's claim by the company concerned in accordance with paragraph 1 of this Article, a partner shall forfeit that status and his/her equity interest shall be distributed equally among other partners.

A partner who forfeits the status of a partner in accordance with paragraph 3 of this Article shall retain the entitlement to receive in cash the amount he/she would be entitled to in case of liquidation of the company, minus any amounts paid to a creditor.

If a company fails to pay off a partner's creditor within six months of the date of service of a claim referred to in paragraph 1 of this Article, that partner's creditor may request institution of enforced liquidation of the company in accordance with the provisions of this Law pertaining to enforced liquidation.

In liquidation proceedings referred to in paragraph 5 of this Article, a partner's creditor shall be entitled to receive any surplus assets that would otherwise be assigned to the partner concerned, but only up to the amount of its claim, while the partner concerned retains the entitlement to receive any surplus assets in excess of such creditor's claims.

#### Heading II LIMITED PARTNERSHIP

##### 1. Definition, Incorporation and Records of Company Member Information

###### Definition and Liability

##### Article 125

A limited partnership shall be a company with minimum two members, at least one of which bears unlimited joint and several liability for the company's obligations (general partner) and at least another one bears limited liability up to the amount

of his/her outstanding contribution (limited partner).

#### Application of Provisions pertaining to General Partnerships

##### Article 126

Limited partnerships shall be subject to the provisions of this Law pertaining to general partnerships, unless provided otherwise by this Law.

General partners shall have the same status as partners in a general partnership, in accordance with this Law.

#### Memorandum of Association

##### Article 127

In addition to the elements provided for in Article 94 of this Law, the Memorandum of Association of a limited partnership must specify which company member is a general partner and which company member is a limited partner.

#### Records of Company Member Information

##### Article 128

A limited partnership shall keep records of company member information, in accordance with Article 144 of this Law.

#### 2. Contributions, Equity interest and Profit and Loss

##### Contributions, Equity interest and Transfer of Equity interest

##### Article 129

The provisions of Article 96 of this Law pertaining to partners' contributions and equity interests shall apply mutatis mutandis to contributions and equity interests of partners in a limited partnership.

The provisions on transfer of partners' equity interests contained in Articles 97 through 100 of this Law shall apply mutatis mutandis to transfer of equity interests of general partners.

A limited partner may freely transfer his/her equity interest or part thereof to another limited partner or a third party.

#### Profit and Loss

##### Article 130

Limited partners and general partners shall participate in the sharing of profit and covering of loss of their company commensurate to their equity

interests in the company, unless provided otherwise by the instrument of incorporation.

#### 3. Management, Representation and Rights of Limited Partners

##### Article 131

General partners shall manage the operations of and represent a company.

Limited partners may not manage the operations of a company or represent it.

Notwithstanding paragraphs 1 and 2 of this Article, a limited partner may oppose the taking of actions or entering into transactions by a general partner only insofar as such actions or transactions are not part of a company's regular operations, in which case the general partner may not take such action and/or enter into such transaction.

A limited partner may be issued with procura by a decision of all general partners.

#### Limited Partner's Right to Supervision

##### Article 132

A limited partner shall have a right to request copies of the company's annual financial statements in order to check them for accuracy and to have access to the company's books of accounts and documents for that purpose.

If a limited partner is not allowed to exercise the right provided for in paragraph 1 of this Article within eight days of the date when he/she filed a relevant request, such limited partner may request from the competent court to enforce his/her request in non-litigious proceedings.

The proceedings referred to in paragraph 2 of this Article shall be expedited and the court shall pass a decision pursuant to a request within eight days of the date of receipt.

A limited partner shall not have the right to information provided for in Article 108 of this Law.

A limited partner may also have other rights with regard to access to company documents, if these are provided for by the Memorandum of Association.

## Payment of Profit to Limited Partner

### Article 133

A share in profit shall be paid to a limited partner in proportion to the amount of his/her contribution, unless provided otherwise by the Memorandum of Association, within a period set by the Memorandum of Association or by a decision of a general partner if no such period is set by the Memorandum of Association.

If the period for payment is determined by general partners in accordance with paragraph 1 of this Article, such period may not be longer than 90 days of the date of adoption of a company's financial statements.

## 4. Liability of Limited Partner

### Liability of Limited Partner

#### Article 134

A limited partner shall not be liable for a company's obligations if he/she fully paid in the contribution to which he/she committed under the Memorandum of Association.

If a limited partner does not fully pay the contribution to which he/she committed under the Memorandum of Association, he/she shall be jointly and severally liable with general partners to the company's creditors up to the amount of his/her outstanding contribution to the company.

For the purposes of paragraph 1 of this Article, the relevant value of contribution paid in or made to a company shall be that registered in accordance with the law on registration.

The provisions of any agreement between general partners or between a general partner and a limited partner by which a limited partner is fully or partially exonerated from the obligation to pay in his/her contribution or by which such obligation is delayed shall not be effective in relation to a company's creditors.

### Cases where Limited Partner is liable as General Partner

#### Article 135

A limited partner shall be liable as a general partner to third parties if his/her name is included in the

registered name of a limited partnership with his/her consent.

## Liability of New Limited Partner

### Article 136

A person joining a company as a limited partner shall be liable in accordance with the provisions of Article 135 of this Law also for any obligations incurred up to the time of his/her joining.

## 5. Termination of Company Member Status and Dissolution of Company

### Termination of General Partner and Limited Partner Status and Change of Legal Form

#### Article 137

A limited partnership shall not be dissolved in the event of death of a limited partner, or dissolution of a limited partner that is a legal entity.

In cases referred to in paragraph 1 of this Article, the heirs or, in case of a legal entity, the legal successors of a limited partner shall take his/her place.

If all general partners exit from a limited partnership and the company does not admit at least one new general partner within six months of the date of exit of the last general partner, limited partners may during that period pass a unanimous decision to change the company's legal form to limited liability company or joint-stock company, in accordance with this Law.

In cases referred to in paragraph 3 of this Article, if limited partners do not pass a decision to change a company's legal form within the period set out in that paragraph, the procedure of enforced liquidation shall be initiated against such company.

If all limited partners exit from a limited partnership and the company does not admit at least one new limited partner within three months of the date of exit of the last limited partners, general partners may during that period pass a unanimous decision to change the company's legal form to general partnership and if only one general partner remains he/she may decide to become an entrepreneur, in accordance with this Law.

If general partners fail to pass a decision referred to in paragraph 5 of this Article within the period set

out in that paragraph, the procedure of enforced liquidation shall be initiated against such company.

Any change made pursuant to paragraphs 3 through 6 of this Article shall be registered in accordance with the law on registration.

#### Dissolution of Limited Partnership

##### Article 138

The dissolution of limited partnerships shall be governed mutatis mutandis by the provisions of this Law pertaining to dissolution of general partnerships.

#### Heading III LIMITED LIABILITY COMPANY

##### 1. Definition, Liability and Freedom of Contract

###### Definition and Liability

##### Article 139

A limited liability company shall be a company in which one or more company members hold equity interests in the company's share capital, except that company members shall not be liable for the company's obligations except in cases provided for in Article 18 of this Law.

###### Freedom of Contract Principle

##### Article 140

Limited liability company members shall freely regulate their mutual relations and their relations with the company, unless provided otherwise by this Law.

##### 1.1. Content and Amendments of Instrument of Incorporation

###### Content of Instrument of Incorporation

##### Article 141

A company's instrument of incorporation shall include in particular:

- 1) Personal names and places of residence, or registered names and registered offices of company members;
- 2) Company's registered name and registered office;
- 3) Company's predominant business activity;

4) Total amount of the company's share capital;

5) Amount of contributions in money and/or monetary value and description of contributions in kind made by each company member;

6) Time when such contributions were paid in and/or made to the company's share capital;

7) Equity interest of each company member in the total share capital, expressed as a percentage;

8) Designation of company bodies and their respective competences.

If an instrument of incorporation does not contain provisions pertaining to competences of company bodies, those bodies shall have the competences provided for in this Law.

###### Amendments of Instrument of Incorporation

##### Article 142

The instrument of incorporation of a limited liability company shall be amended by a simple majority of votes of all company members, unless a larger majority is provided for in the instrument of incorporation.

A decision to amend the instrument of incorporation in such a way as to reduce the rights of a company member can be made only with that member's consent, in particular in the event of:

- 1) Revoking or restriction of preferential subscription right or pre-emption right to equity interests;
- 2) Change of the majority required for decision-making at the General Meeting;
- 3) Introduction or increase of an obligation to make additional pay-ins;
- 4) Change of rules on withdrawal and cancellation of equity interests;
- 5) Change of rules on expulsion of a company member;
- 6) Change of rules on appointment of directors, as well as Supervisory Board members if a company has a two-tier management system, which change the right of a company member to nominate a certain number of such persons.



## 1.2. Acquiring Company Member Status and Records of Company Member Information

### Acquisition and Termination of Company Member Status

#### Article 143

The status of a company member shall be acquired on the date of registration of ownership of equity interest in accordance with the law on registration.

The status of a company member shall be terminated on the date of registration of termination of company member status member in accordance with the law on registration.

### Records of Company Member Information and Service on Company Members

#### Article 144

A company shall keep records of addresses designated by each member, each co-owner of equity interests and each joint attorney-in-fact of coowners of equity interests as their mailing address for all communications sent by the company and notified to the company as such, it being understood that such persons may designate an electronic mail address as their mailing address (records of company member information).

A director shall be liable to the company and to a person referred to in paragraph 1 of this Article for the accuracy and timeliness of entering company member information in the records and shall issue a certificate of entry or status of such records on request from the person concerned.

A person referred to in paragraph 1 of this Article shall notify his/her mailing address and any change of such address to the company without delay, and in any case not later than eight days of the date when such change occurred.

Service of communications on company members shall be done to the addresses stated in the records of company member information through the application of Article 20 paragraph 3 of this Law mutatis mutandis, unless provided otherwise by this Law.

## 2. Share Capital

### Minimum Share Capital

#### Article 145

A company's minimum share capital shall be 100 dinars, unless a higher amount of share capital is provided for by a special law for companies engaging in specific activities.

### Share Capital Increase

#### Article 146

Share capital shall be increased through:

- 1) New contributions by of existing members or an acceding member;
- 2) Conversion of company's reserves or profit to share capital;
- 3) Swap (conversion) of debt to share capital;
- 4) Status changes that result in share capital increase;
- 5) Swap (conversion) of additional pay-ins to share capital.

Share capital shall be increased pursuant to a decision of the General Meeting.

Company members shall have a preferential subscription right to equity interests at the time of share capital increase through new contributions proportionately to their equity interests, unless provided otherwise by the instrument of incorporation.

### Share Capital Reduction

#### Article 147

A company's share capital may be reduced by a decision of its General Meeting, but not below the minimal amount of share capital provided for in Article 145 of this Law.

#### Article 148

(Deleted)

### Application Mutatis Mutandis and Registration

#### Article 149

The provisions of this Law pertaining to the increase and reduction of share capital of joint-stock companies shall apply mutatis mutandis to any increase or reduction of share capital of limited liability companies.

Companies shall once a year, together with the registration of annual financial statements in accordance with the law governing accounting and auditing, register the amount of its share capital if a change of share capital occurred in the preceding accounting year, in accordance with the law on registration.

### 3. Equity Interests

#### 3.1. Basic Rules

##### Legal Nature of Equity Interest

###### Article 150

Equity interests shall not be securities.

Equity interests may not be acquired or offered through public invitations within the meaning of the law governing the money market.

##### Acquisition of Equity Interest

###### Article 151

A company member shall acquire an equity interest in a company proportionate to the value of his/her contribution in the company's share capital, unless provided otherwise by the instrument of incorporation at the time of incorporation of the company or by a unanimous decision of the General Meeting.

A company member may hold only one equity interest in a company.

If a company member acquires more than one equity interest, such equity interests shall be merged and together they shall constitute a single equity interest.

##### Rights attached to Equity Interest

###### Article 152

A company member shall have the following rights attached to equity interest:

- 1) The right to vote in the General Meeting;
- 2) The right to a share in the company's profit;
- 3) The right to a share in residual assets;
- 4) Other rights provided for in this Law.

The rights of a company member provided for in paragraph 1 of this Article shall be proportionate to

the share of that member's equity interest in the company's share capital, unless provided otherwise by the instrument of incorporation.

##### Co-ownership of Equity interest

###### Article 153

An equity interest may have more than one owner (co-owners of equity interest).

Co-owners of an equity interest shall exercise their voting rights based on that equity interest through a single joint attorney-in-fact, whose identity must be communicated to the company.

Co-owners of an equity interest shall be treated as a single member vis-à-vis the company and shall bear unlimited joint and several liability towards the company for their obligations in connection with such equity interest.

Actions taken and communications sent by a company to a joint attorney-in-fact referred to in paragraph 2 of this Article shall produce effects against all co-owners of an equity interest.

Until the date of service on the company of a note on appointment of a joint attorney-in-fact referred to in paragraph 2 of this Article:

- 1) Co-owners' equity interest shall not be taken into account for the purpose of voting and determination of quorum in the General Meeting of company members;
- 2) Any actions taken by the company against one co-owner shall produce effects against all co-owners.

##### Company's Financial Support for Acquisition of Equity Interest in It

###### Article 154

A company may not directly or indirectly provide any sort of financial support to its members, employees or third parties for the acquisition of equity interests in the company, including in particular loans, guarantees, sureties, collateral etc.

Any transaction that contravenes the provision of paragraph 1 of this Article shall be null and void.

##### Withdrawal and Cancellation of Equity Interest

###### Article 155

A company may withdraw and cancel the equity interest of a company member only in cases and in the manner explicitly provided for in its instrument of incorporation applicable on the date when such company member whose equity interest is withdrawn and cancelled acquired such equity interest.

A company may withdraw and cancel the equity interest of a company member even if the condition set out in paragraph 1 of this Article is not met, if this is provided by an amendment of the instrument of incorporation for which such company member voted.

A decision on withdrawal and cancellation of a company member's equity interest shall be passed by the General Meeting.

A decision on withdrawal and cancellation of a company member's equity interest shall include:

- 1) The basis for withdrawal and cancellation;
- 2) Facts demonstrating that relevant requirements for passing of such decision on withdrawal and cancellation of equity interest are met;
- 3) Amount and term of payment of consideration for the equity interest to the company member whose equity interest is withdrawn and cancelled, which shall not be longer than two years;
- 4) The effects of cancellation of equity interest on the company's share capital.

Whenever an equity interest is withdrawn and cancelled, the procedure of share capital reduction shall also be carried out, without the need for passing of a special decision on capital reduction.

No Pledging of Equity Interests to Company

Article 156

A company may not accept as pledge an equity interest of one of its members.

### 3.2. Company's Own Equity Interest

Acquisition of Own Equity Interest

Article 157

For the purposes of this Law, a company's own equity interest shall be any equity interest or part

thereof acquired by a company from one of its members.

A company may acquire own equity interests pursuant to a decision of the General Meeting:

- 1) In an unencumbered transaction;
- 2) Upon expulsion of a company member;
- 3) Upon exit of a company member;
- 4) Through redemption of equity interest or part thereof from a company member;
- 5) Through compulsory redemption of equity interest of a deceased member, if a company has this right under its instrument of incorporation;
- 6) Following a status change, in accordance with this Law.

A company own equity interest only if the acquired equity interest is fully paid in, except in cases referred to in paragraph 2 items 2), 5) and 6) of this Article, where a company may acquire equity interest that is not fully paid in.

A company may pay compensation for acquisition of own equity interest in cases referred to in paragraph 2 item 4) of this Article only from reserves available for that purpose.

A company may not acquire own equity interest if this would result in its remaining without company members.

A single-member company may not acquire own equity interest.

The acquisition of equity interest in a company by its controlled company shall be deemed to be acquisition of own equity interest within the meaning of this Law.

Any transaction in which a company acquires contrary to the provisions of this Article shall be null and void.

Company's Rights attached to Own Equity Interest

Article 158

A company shall not have voting rights from its own equity interests and such equity interests shall not be included in the forum of the General Meeting.

Own equity interest shall not entitle a company to a share in profit.

#### Disposal of Own Equity Interest

##### Article 159

A company may:

- 1) Distribute its own equity interest to company members in proportion to the share of their equity interests in the company's share capital, in accordance with a decision of the General Meeting;
- 2) Transfer its own equity interest to a company member or a third party against consideration, in which case each company member shall have a pre-emption right proportionate to the amount of his/her equity interest in the company;
- 3) Cancel its own equity interest, in which case it shall be required to reduce its share capital.

The General Meeting shall pass a decision on disposal of own equity interest by a simple majority of votes of all company members, unless provided otherwise by the instrument of incorporation.

Notwithstanding the foregoing, own equity interest may be distributed to company members disproportionately to the share of their equity interests in the company's share capital only on the basis of a unanimous

decision of the General Meeting, unless provided otherwise by the instrument of incorporation.

#### 3.3. Freedom of Transfer of Equity Interests

##### Basic Rule

##### Article 160

Equity interests may be freely transferred, unless provided otherwise by this Law or the instrument of incorporation.

##### Pre-emption Right

##### Article 161

Company members shall have a pre-emption right to equity interest subject to transfer to a third party, except where this right is excluded by the instrument of incorporation or by the law.

##### Procedure in Connection with Pre-emption Right

##### Article 162

A transferor of equity interest shall have an obligation to offer his/her equity interest to all other company members before any transfer of equity interest to a third party.

An offer referred to in paragraph 1 of this Article shall be made in writing and shall contain all essential elements of an equity interest transfer agreement, an address to which a company member exercising his/her pre-emption right will send his/her acceptance of the offer, the time limit for entering into and certifying an equity interest transfer agreement, as well as other elements provided for by the instrument of incorporation.

If an offer does not contain all the elements referred to in paragraph 2 of this Article, it shall be deemed that no offer was made.

A company member exercising his/her pre-emption right shall notify the transferor of equity interest in writing of his/her acceptance of an offer referred to in paragraph 1 of this Article in full, within 30 days of the date of receipt of such offer, unless a different period is provided for by the instrument of incorporation, which in any case cannot be shorter than eight or longer than 180 days.

If two or more company members accept an offer and if the transferor of equity interest and such members fail to reach an agreement on the manner of distribution of transferred equity interest, distribution shall be

done in such a way that each accepting member purchases a portion of equity interests commensurate to the share of his/her equity interest in the sum of equity interests of all other company members who accepted such offer.

The instrument of incorporation may provide for other arrangements in connection with a pre-emption right.

##### Violation of Pre-emption Right

##### Article 163

A company member with a pre-emption right who did not receive an offer from a transferor of equity interests in accordance with this Law or as provided for by the instrument of incorporation may bring legal action before the competent court to obtain a judgement ordering either:

1) Voiding of an agreement or other instrument providing for transfer of equity interests, or

2) That the defendant company member be ordered to transfer equity interest to the claimant, i.e. to obtain a judgement in lieu of an agreement on transfer of participatory between the claimant and the defendant company member.

The legal action provided for in paragraph 1 of this Article may be filed within 30 days of the date of learning of existence of an equity interest transfer agreement, but not later than six full months of the date of registration of equity interest transfer with the register of economic operators.

In a lawsuit pursuant to action referred to in paragraph 1 of this Article a court may, on defendant's request, order the claimant to provide appropriate collateral for the payment of purchase price in case of a successful outcome of the lawsuit in the form of a court deposit, a bank guarantee or other collateral issued in accordance with the law.

If a claimant fails to comply with court orders referred to in paragraph 3 of this Article, legal action shall be dismissed.

Transfer of Equity Interest if more than One Acceptor of Offer

Article 164

If an offer is accepted by more than one company member and some of them subsequently refuse or fail, for reasons beyond the control of a transferor of equity interest, to enter into or certify an equity interest transfer agreement within the period stated in such offer, a transferor of

equity interests shall enter into an equity interest transfer agreement only with those company members who entered into and certified the agreement, unless provided otherwise by the instrument of incorporation.

If none of the company members that accepted an offer enter into or certify an equity interest transfer agreement within the period stated in such offer pursuant to Article 162 of this Law for reasons beyond the control of a transferor of equity interest, a transferor of equity interest may transfer his/her equity interest a third party under conditions which may not be more advantageous than those stated in an offer provided for in Article 162 of this Law,

unless provided otherwise by the instrument of incorporation.

In cases referred to in paragraph 2 of this Article, a transferor of equity interest may, instead of transferring equity interest to a third party, bring legal action before the competent court against one or more accepting members, to be chosen at its discretion, to obtain a judgement by which a court will:

1) Establish that each defendant company member acquired a proportionate share of transferred equity interest corresponding to the share of his/her equity interest in the sum of all equity interests of all defendants;

2) Order each defendant company member to pay a proportionate share of the price of transferred equity interest according to their acquired share of that equity interest in accordance with item 1) of this paragraph.

The legal action provided for in paragraph 3 of this Article may be filed within 30 days of expiration of the term stated in an offer provided for in Article 162 of this Law as the time limit for entering into and certification of an equity interest transfer agreement.

Transfer of Equity Interest to a Third Party

Article 165

If no company member with a pre-emption right uses that right in accordance with the provisions of this Law and the instrument of incorporation, a transferor of equity interest may, within 90 days of expiration of the time limit for acceptance of an offer, enter into an equity interest transfer agreement with a third party, under conditions which may not be more advantageous than those stated in an offer made to other company members, unless provided otherwise by the instrument of incorporation.

Exception in Case of Public Sale Procedure

Article 166

If participatory is sold through public solicitation of bids, auctioning or a similar procedure (public sale), a company member wishing to use his/her pre-emption right may exercise that right only in such procedure, unless provided otherwise by the instrument of incorporation.

Transfer of Equity Interest with Company's Consent

#### Article 167

The Instrument of incorporation may stipulate that equity interest in a company can be transferred to a person who is not a company member only with prior consent of the company.

In cases referred to in paragraph 1 of this Article, a transferor of equity interest must submit a request for consent to the company concerned, which request shall, in addition to the identity of the transferee, contain also all essential elements of an equity interest transfer agreement it intends to enter into.

A decision referred to in paragraph 1 of this Article shall be made by the General Meeting by a simple majority of votes of all company members, unless a different majority is provided by the instrument of incorporation.

If within 30 days of the date of receipt of a request for consent a company does not inform a transferor of equity interest that such consent is denied, such transferor of equity interests shall be authorised to transfer the equity interest under the conditions stated in the request.

The instrument of incorporation may also stipulate other arrangements for transfer of equity interests subject to company's consent.

In case of transfer of equity interest in contravention this Article, Article 163 of this Law shall apply *mutatis mutandis*.

#### Company's Right to Choose Buyer of Equity Interest

#### Article 168

Instead of giving consent provided for in Article 167 of this Law, a company shall be authorised to designate a third party to which a transferor of equity interests may transfer equity interest under the same conditions, in which case a transferor of equity interest may transfer his/her equity interest solely to that third party under such conditions.

A decision referred to in paragraph 1 of this Article shall be made by the General Meeting in accordance with Article 167 paragraph 3 of this Law.

If a third party referred to in paragraph 1 of this Article fails to enter into and certify a subject to the conditions set out in the request provided for in Article 167 paragraph 2 of this Law within 15 days of the date when a transferor of equity interest was

notified of such decision of the company for reasons beyond the control of a transferor of equity interest, such transferor of equity interest shall have the right to sell the equity interest to a third party of his/her choice under the same conditions.

If a third party designated by the company enters into and certifies an equity interest transfer agreement, the company shall be jointly and severally liable to the transferor of equity interest for the payment of the purchase price together with that party.

If a company makes a decision referred to in paragraph 1 of this Article and if equity interest is transferred in a public sale procedure, Article 166 of this Law shall apply *mutatis mutandis*.

In case of transfer of equity interests contrary to the provisions of this Article, Article 163 of this Law shall apply *mutatis mutandis*.

#### Judgement in Lieu of Consent

#### Article 169

If a company notifies a transferor of equity interest that the consent he/she requested is denied, but fails to designate a third party in accordance with Article 168 of this Law, such transferor of equity interest may bring legal action against the company before the competent court to obtain a judgement in lieu of the company's consent.

When deliberating a request referred to in paragraph 1 of this Article, a court shall in particular take into account whether the company had justified reasons to deny the requested consent, including potential damage to the company, other company members or its creditors.

If a court passes a judgement in lieu of a company's consent, the company concerned shall have the right to designate a buyer of equity interest provided for in Article 168 of this Law, while the period provided for in Article 168 paragraph 3 of this Law shall commence on the date when such judgement becomes final and enforceable.

#### Other Restrictions on Transfer of Equity Interests

#### Article 170

The instrument of incorporation may also provide for other restrictions on transfer of equity interests.

## Sale of Equity Interest in Executive Procedure or Out-of-court Settlement

### Article 171

In case of sale of equity interest in an executive procedure or in a procedure of court or out-of-court settlement in accordance with the law governing lien on movable property entered in a register:

- 1) Company members who have a pre-emption right in relation to that equity interest shall retain that right;
- 2) If the instrument of incorporation provides for a right of the company to give prior consent to transfer of equity interests, such consent shall not be necessary for the sale of equity interest, but the company shall have the right to designate a buyer of equity interest in accordance with Article 168 of this Law.

## Transfer of Equity Interest through Inheritance

### Article 172

In case of death of a company member, that member's heirs shall acquire his/her equity interest in accordance with the law governing inheritance.

On request of the company or an heir of a deceased company member, the court in charge of probate proceedings with regard to such deceased company member may appoint a temporary inheritance trustee who shall exercise membership rights in the company on behalf and for the account of heirs of such deceased company member.

## Compulsory redemption of Equity Interest from Heir

### Article 173

The instrument of incorporation may provide for the right of the company or one or more company members to, within six months of death of a company member, but in any case not later than three months of the date of registration of a heir of a deceased company member as a company member in accordance with the law on registration, decide on compulsory redemption of equity interest from the deceased member's heirs.

If the right to compulsory redemption inures to the company concerned, the decision referred to in paragraph 1 of this Article shall be made by the

General Meeting by a simple majority of votes of all company members, in which case the equity interest of a deceased member shall not be taken into account for the purposes of determination of quorum, unless a different majority is provided for by the instrument of incorporation.

If the right to compulsory redemption inures to one or more members, such member(s) shall notify the company in writing of their exercise of that right within the period set in paragraph 1 of this Article.

A director shall forthwith forward a decision referred to in paragraph 2 of this Article or a notification referred to in paragraph 3 of this Article to the register of economic operators for the purpose of making a note of exercise of the right to compulsory redemption in that register.

From the date of making of a note referred to in paragraph 4 of this Article to the date of payment of compensation for equity interest, the heirs of a deceased member may not exercise their voting rights in the General Meeting.

## Compensation for Compulsory redemption of Equity Interest

### Article 174

If the instrument of incorporation provides for compulsory redemption of equity interests in accordance with Article 173 of this Law, that instrument must also provide for the manner of determining compensation for such redemption of equity interests, as well as a term for the payment thereof, otherwise such right shall be deemed to be nonexistent.

If a company or its member(s) decide to exercise the right to compulsory redemption of equity interests, the heirs of a deceased company member shall be entitled to compensation determined in accordance with the instrument of incorporation, within the period set out in that instrument.

A company shall not make a decision provided for in Article 173 paragraph 1 of this Law if the payment of compensation in accordance with such decision would contravene the provisions of this Law pertaining to payment restrictions.

Unless the instrument of incorporation or a decision provided for in Article 173 paragraph 1 of this Law provides otherwise, the term for payment of

compensation for redemption of equity interest of a deceased company

member shall commence on the date of service on the company of a final and enforceable probate decision which designates heirs of a deceased member with regard to his/her equity interest.

#### Conditions for and Consequences of Transfer of Equity Interest

##### Article 175

Equity interest shall be transferred by an agreement in writing with certified signatures of the transferor and the acquirer and may also be transferred in another manner in accordance with the law.

A transferor of equity interests shall be jointly and severally liable with the acquirer of equity interests for liabilities towards the company for their unpaid and/or uncontributed equity interest in the company's share capital, as well as for any additional pay-ins with regard to such equity interest, based on the balance on the date of transfer of equity interests.

Any actions taken against or by a transferor of equity interest before the registration of transfer of equity interest in accordance with the law on registration with regard to such equity interest or relations within the company shall be deemed to be actions taken against or by an acquirer of equity interests, except where this is obviously not possible due to the nature of the action taken.

#### Division of Equity Interest

##### Article 176

The equity interest of a company member may be divided:

- 1) Under an agreement on transfer of a portion of equity interest;
- 2) On the basis of legal succession;
- 3) By an agreement on division of equity interest between co-owners;
- 4) In other cases, in accordance with the law.

A company's instrument of incorporation may exclude any division of equity interest, other than in case of inheritance, or may allow for such division only in specific cases.

The provisions of this Law pertaining to disposal of equity interest shall apply *mutatis mutandis* to disposal of a portion of equity interest.

#### Pledging of Equity Interest

##### Article 177

A company member may pledge equity interest or a portion of equity interests unless provided otherwise by the instrument of incorporation.

If the instrument of incorporation stipulates that transfer of equity interest to a third party can be made only with subject consent of the company, such consent shall also be necessary for the pledging of equity interests or any portion thereof, but not for any subsequent sale of equity interests in the process of debt collection from pledged equity interests.

Pledging of equity interests shall be done in accordance with the law governing lien on movable property entered in a register.

#### 4. Additional Pay-ins and Lending to Company

##### Manner of Providing for Additional Pay-ins

##### Article 178

The instrument of incorporation or a decision of the General Meeting may provide for an obligation of company members to, in addition to the payment of subscribed share capital, make additional pay-ins to the company proportionate to the amount of their equity interests. The instrument of incorporation or a decision of the General Meeting may also provide for a different proportion.

Additional pay-ins shall not increase a company's share capital.

Additional pay-ins shall be only in money.

A decision of the General Meeting providing for additional pay-ins shall be passed unanimously, unless a different majority is provided for such decision by the instrument of incorporation.

If the instrument of incorporation stipulates that a decision referred to in paragraph 4 of this Article may also be passed by a different majority, such decision shall be binding only for those members who voted for it.

Instead of an exact amount of additional pay-in, the instrument of incorporation or a decision of the



General Meeting may set the maximum amount of such pay-ins.

In cases referred to in paragraph 5 of this Article, the General Meeting shall decide on the actual amount of such additional pay-ins by a simple

majority of votes of all company members, unless a different majority is provided for by the instrument of incorporation.

Consequences of Failure to make Additional Pay-ins

Article 179

A company member shall be liable to the company for compliance with the obligation to make additional pay-ins in the same way as for the payment of subscribed share capital.

A company member transferred his/her equity interest before complying with the obligation to make additional pay-ins shall be jointly and severally liable with the acquirer of such equity interest for that liability within three years of the date of registration of equity interest transfer in accordance with the law on registration.

A company member who fully paid in or made his/her contribution may be relieved of his/her obligation to make additional pay-ins if within 30 days of the maturity date of such liability he/she authorises the company to sell his/her equity interest through public bidding or otherwise.

If in the sale of equity interest of a company member in the manner provided for in paragraph 3 of this Article a company commands a price that is, upon deduction of sales costs, lower than the liability of the company member concerned for such additional pay-ins, the company member shall have an obligation to reimburse the company for the difference, while if in such sale a company commands a price that, upon deduction of sales costs, exceeds the liability of the company member concerned for such additional pay-ins, the company shall reimburse the company member concerned for such difference.

If a company member does not authorise a company to sell his/her equity interest in accordance with paragraph 3 of this Article or if his/her equity interest is not sold within two years of the maturity date of such liability for additional pay-ins, or within a period set by the instrument of incorporation or agreed with that member, for reasons beyond the

company's reasonable control, the General Meeting may, within 180 days of expiration of the statutory and/or stipulated or agreed term pass a decision on expulsion of that company member without the entitlement to compensation for the value of his/her equity interest, through the operation of Article 195 of this Law *mutatis mutandis*.

If the conditions set out in paragraph 5 of this Article are met for more than one company member who are in default with such additional pay-ins, a decision on expulsion shall apply to all such members.

In case of expulsion in accordance with this Article, an expelled company member shall remain liable to the company for any additional pay-ins.

Return of Additional Pay-ins

Article 180

Additional pay-ins may be returned to company members only if they are not necessary to cover the company's losses or to settle with its creditors.

Additional pay-ins may not be returned to a company member before his/her total subscribed contribution in the company is paid in and/or contributed.

Return of additional pay-ins to company members shall be governed, *mutatis mutandis*, by the provisions of this Law pertaining to share capital reduction.

In case of bankruptcy of a company, claims of its members arising from additional pay-ins shall be settled only after the company's principal debt and interest owed to bankruptcy creditors are settled.

Lending and Provision of Collateral by Company Member

Article 181

A company member or his/her related party may give a loan to his/her company at any time, in accordance with the law.

In bankruptcy proceedings, a company member or his/her related party who gave a loan to the company, other than persons whose regular business activities include the provision of credit or loans, insofar as such loan is not secured, shall be deemed to be a person who accepted to receive settlement

after the company's creditors within the meaning of the law governing bankruptcy.

Any collateral given by a company for a loan referred to in paragraph 1 of this Article at a time when it was insolvent or within a year before the date of institution of bankruptcy proceedings against such company shall not produce legal effects in the bankruptcy proceedings.

If a company returns a loan referred to in paragraph 1 of this Article within the last year before the date of institution of bankruptcy proceedings against it, it shall constitute an act of prejudice to creditors susceptible to rebuttal within the meaning of the law governing bankruptcy.

In case of successful rebuttal of a distribution referred to in paragraph 4 of this Article within the meaning of the law governing bankruptcy, a company member who provided such collateral shall be jointly and severally liable to the company for the return of such payment up to the amount of the collateral at the time when such distribution to a third party was made by the company or, if that value cannot be determined, the value of the collateral at the time when the company demanded the return of such payment from the member concerned.

## 5. Distributions to Company Members

### General Rule

#### Article 182

A company may make distributions to its members, return additional paid-in amounts and make other payments on any other grounds solely in accordance with the instrument of incorporation and the provisions of this Law pertaining to payment restrictions.

### Right to a Share in Profit

#### Article 183

Distribution of profit to company members shall be governed *mutatis mutandis* by the provisions of this Law pertaining to distribution of dividend and interim dividend to shareholders.

The instrument of incorporation may stipulate that the distribution of profit shall not be proportionate to the members' equity interest in the company's share capital.

### Payment Restrictions

#### Article 184

The provisions of Article 275 paragraphs 1 through 4 of this Law pertaining to payment restrictions for joint-stock companies shall apply *mutatis mutandis* to limited liability companies.

A director, as well as a member of the Supervisory Board if a company has a two-tier management system, who is aware that between the end of the preceding accounting year and the date of passing of a decision of the General Meeting on adoption of annual financial statements the company's financial status was significantly and not just temporarily affected due to losses or reduced value of share capital must notify the General Meeting thereof, in which case the General Meeting shall exclude

from distributable profit an amount equal to the resulting reduction of the company's assets.

If a director or a member of the Supervisory Board fails to act in accordance with paragraph 2 of this Article, he/she shall be liable to the company's members and creditors for any resulting damage.

### Liability for Inadmissible Payments

#### Article 185

A company member who received distributions from a company contrary to the provisions of Article 182 of this Law shall be liable to return those distributions to the company and the company may not release him/her from that obligation.

Return of distributions from a bona fide company member may be claimed only if this is necessary to settle the claims of a company's creditors.

Other company members who approved such distributions by voting in the General Meeting, as well as directors, or Supervisory Board members if a company has a two-tier management system, who authorised such payments and who knew or could have reasonably been expected to know given the circumstances of the case that such payments were made contrary to the provisions of this Law pertaining to payment restrictions shall bear unlimited joint and several liability to the company for the return of such payments and the company may not release them from such liability.

In addition to the persons referred to in paragraph 3 of this Article, other directors or Supervisory Board members, as well as company members, who are demonstrated to have deliberately or through gross negligence contributed to the making of such inadmissible payment by a company shall also bear unlimited joint and several liability.

A company's claims against the person referred to in this Article shall become time-barred within five years of the payment date.

A company's claim against a company member who received such payment shall become time-barred within ten years if the company demonstrates that he/she knew or should have reasonably been expected to know the payment he/she had received was inadmissible.

## 6. Termination of Member Status

### Reasons for Termination of Member Status

#### Article 186

A company member shall forfeit that status upon:

- 1) Death, in case of a natural person, or deletion from a relevant register, in case of a legal entity;
- 2) Exit from a company;
- 3) Expulsion from a company;
- 4) Transfer of entire equity interest;
- 5) Withdrawal and cancellation of entire equity interest.

### 6.1. Exit of Company Member

#### Exit of a Company Member without Claiming Compensation for Equity Interest

#### Article 187

A company member may exit a company at any time without stating reasons for such exit, insofar as he/she does not claim compensation for his/her equity interest.

A company member may not exit a company if:

- 1) he/she has outstanding liabilities towards the company from outstanding contributions or additional pay-ins, or

- 2) The company would suffer damage due to such exit in the normal course of events, or

- 3) Such exit would enable the company member concerned to circumvent the rules on special duties owed to the company.

### Exit of Company Member for Justified Reasons

#### Article 188

A company member may exit a company for justified reasons.

Justified reasons for exit of a company member shall exist in particular:

- 1) If one or more other members or the company caused him/her damage through their actions or if it is likely that such damage would occur in the normal course of events;
- 2) If he/she is materially prevented from exercising his/her rights in the company;
- 3) If the company imposes disproportionate obligations on him.

The instrument of incorporation may also provide for other justified reasons for exit of a company member and lay down the exit procedure and the manner of determining compensation payable to an exiting member.

The instrument of incorporation may not preclude the right of a company member to demand exit from a company for justified reasons and company members may not waive this right in advance.

### Exit Procedure

#### Article 189

A company member wishing to exit a company in accordance with Article 188 of this Law shall serve a written notice on the company, which shall be deliberated by the General Meeting.

A request referred to in paragraph 1 of this Article shall include in particular:

- 1) The reasons for exit;
- 2) The amount claimed from the company as compensation for equity interest;

3) The requested term of payment of compensation for equity interest, unless such term is provided by the instrument of incorporation.

The General Meeting shall decide on a request referred to in paragraph 1 of this Article within 60 days of the date of receipt and shall reply to the exiting company member within the same period, otherwise such request shall be considered to have been fully accepted.

The General Meeting may only fully accept or fully reject a request referred to in paragraph 1 of this Article.

A decision referred to in paragraph 3 of this Article shall be made by a simple majority of votes of all company members, unless the instrument of incorporation provides for a higher majority.

The equity interest of an exiting company member shall become a company's own equity interest.

The exit of a company member and the acquisition of own equity interest shall be registered in accordance with the law on registration.

#### Pledge as Collateral for Payment of Compensation

##### Article 190

A company member may demand in a request for exit for justified reason that the company provide collateral for payment of consideration for his/her equity interest by pledging the own equity interest it would acquire if it accepts his/her request for exit from the company, in accordance with the law governing lien on movable property entered in a register.

A company member referred to in paragraph 1 of this Article shall enclose with his/her request for exit submitted to the company a draft version of the proposed pledge agreement.

In cases referred to in paragraph 1 of this Article, the General Meeting may accept a request for exit only if it simultaneously authorises the conclusion of a proposed pledge agreement in favour of the exiting member or provides other appropriate collateral with the consent of the exiting member.

#### Payment of Consideration

##### Article 191

A company may only pay consideration for equity interest to an exiting company member from:

- 1) Company reserves available for such purposes;
- 2) Proceeds from sale of own equity interest acquired through exit of that company member.

Pending the full payment of compensation for equity interest to an exiting member, a company shall not distribute profit to its members and shall:

- 1) Allocate all generated profit to the reserves referred to in paragraph 1 item 1) of this Article;
- 2) Use all company proceeds referred to in paragraph 1 of this Article solely for the purpose of payment of such compensation.

#### Court-ordered Exit for Justified Reasons

##### Article 192

If the General Meeting rejects a request for exit referred to in Article 189 of this Law or fails to decide on such request within 60 days of receipt, a company member may bring legal action before the competent court against the company to obtain a judgement ordering termination of company member status for justified reasons and claim compensation for his/her equity interest.

In a judgement on termination of company member status, a court shall also award:

- 1) That the equity interest of exiting company member is to become the company's own equity interest;
- 2) The amount of compensation payable by the company to the exiting company member;
- 3) The term for payment of the compensation referred to in item 2) of this paragraph;
- 4) Institution of a pledge in favour of the exiting company member on the company's own equity interest referred to in item 1) of this paragraph, if the claimant so requested and if the court deems it necessary and justified for the purpose of securing the payment of the compensation referred to in item 2) of this paragraph.

A court shall award the compensation referred to in paragraph 2 of this Article according to the market value of equity interest of the exiting company member on the date of filing of legal action, but in

any case not lower than the proportionate share of the company's net assets corresponding to the share of that member's equity interest in the company's share capital on the date of filing of legal action, unless a different method of determination of such compensation is provided by the instrument of incorporation.

A court shall set the term for payment referred to in paragraph 2 of this Article taking into account the financial situation of the company concerned and its expected operating income, but shall in any case not be longer than two years of the date when the judgement becomes final and enforceable, unless the instrument of incorporation provides for a longer term, which cannot be longer than five years.

A court shall submit a final and enforceable judgement on exit from a company to the register of economic operators for the purpose of

registration of termination of company member status and registration of company's own equity interest.

As of the date of termination of member status in accordance with paragraph 5 of this Article, an exiting company member shall forfeit his/her status of a company member.

The legal action referred to in paragraph 1 of this Article may be filed within six months of the date of learning of reasons for exit, but not later than three years of occurrence of reasons for exit.

Payment of Court-awarded Compensation and Indemnification

Article 193

The payment of court-awarded compensation pursuant to a judgement made in accordance with Article 192 paragraph 2 of this Law shall be governed by the provisions of Article 191 of this Law.

A member who exits a company for justified reasons shall also be entitled to indemnification for any damage caused by the company's actions or inaction, which he/she may claim by bringing legal action before the competent court in a separate lawsuit.

If a company does not pay the awarded compensation to an exiting member, that exiting member may seek enforced execution only through the sale of own equity interest which the company

acquired from him/her and all remaining company members shall be jointly and severally liable for the payment of awarded compensation in proportion to their equity interests in the company's share capital.

Obligation of Company Member to pay in or make Contribution

Article 194

An exiting company member shall remain under an obligation to pay and/or make any subscribed contribution and make any additional pay-ins to which he/she committed himself/herself, insofar as this is necessary to settle the claims of the company's creditors.

6.2. Expulsion of Company Member

Expulsion of Member by Decision of General Meeting

Article 195

In case of provided for in Article 48 paragraph 7 of this Law, the General Meeting shall pass a decision on exclusion of a company member by a

two-third majority of votes of the remaining company members, unless a different majority is provided by the instrument of incorporation.

A decision referred to in paragraph 1 of this Article may be made only against all those company members who did not comply with their obligation provided for in Article 46 paragraph 1 of this Law even after a subsequent extension provided for in Article 48 paragraphs 1 and 2 of this Law.

Upon expulsion of a company member, that member's participatory shall become the company's own equity interest and the expelled member shall not be entitled to compensation for his/her equity interest.

A decision referred to in paragraph 1 of this Article shall operate as the basis for deletion of an expelled member from the register of economic operators.

An expelled company member shall remain under an obligation to pay and/or make any subscribed contribution and make any additional pay-ins to which he/she committed himself/herself, insofar as this is necessary to settle the claims of the company's creditors.

A previous owner of the equity interest of an expelled member within the meaning of Article 175 paragraph 2 of this Law shall also be liable to a company for the obligations referred to in paragraph 5 of this Article.

A company shall reserve the right to claim indemnification from an expelled member by bringing legal action before the competent court.

#### Expulsion of Member by Court Order

##### Article 196

A company may bring legal action before the competent court to obtain a judgement ordering the exclusion of a company member, for reasons provided for in the instrument of incorporation or for other justified reasons, including in particular if a company member:

- 1) Deliberately or through gross negligence causes damage to the company;
- 2) Fails to comply with the special obligations owed to the company provided by this Law or the instrument of incorporation;
- 3) By his/her actions or omissions, contrary to the instrument of incorporation, the law or good business practice, prevents or significantly impedes the company's operations.

A decision to bring legal action referred to in paragraph 1 of this Article shall be passed by the General Meeting by a majority of voting power present, unless a different majority is provided for by the instrument of incorporation.

On request from a company, a court may impose an injunction suspending the voting right of a company member whose expulsion is sought, as well as other rights of such company member, or an injunction placing the company under administration, if it considers such course of action necessary and justified in order to prevent damage to the company.

The instrument of incorporation cannot preclude a company's right to bring legal action for expulsion company member or the right of an expelled company member to receive compensation for his/her equity interest.

Legal action for expulsion of a company member may be filed within 180 days of the date of learning

of reasons for expulsion, but not later than three years of occurrence of reasons for expulsion.

Upon expulsion of a company member, that member's equity interest shall become the company's own equity interest.

An expelled company member shall remain under an obligation to pay and/or make any subscribed contribution and make any additional pay-ins to which he/she committed himself/herself, insofar as this is necessary to settle the claims of the company's creditors.

#### Consideration for Equity Interest in Case of Expulsion by Court Order

##### Article 197

An expelled company member may bring legal action before the competent court to obtain a judgement on compensation for his/her equity interests.

The legal action referred to in paragraph 1 of this Article may be filed within 180 days of the date when the judgement on exclusion of a company member becomes final and enforceable.

Unless provided otherwise by the instrument of incorporation, a court shall award the compensation referred to in paragraph 1 of this Article in an amount equal to the residual assets that would be allocated to the expelled member in proportion to his/her participation in the company's share capital on the date when the judgement on exclusion of that company member becomes final and enforceable, with interest charged at

the discount rate of the National Bank of Serbia increased by 2% as from the date when the judgement on exclusion becomes final and enforceable.

When determining the compensation referred to in paragraph 1 of this Article, a court shall set the term for payment of such compensation, taking into account the financial situation of the company concerned and its expected operating income, but shall in any case not be longer than two years of the date when the judgement becomes final and enforceable, unless the instrument of incorporation provides for a longer term, which cannot be longer than five years.

Payment of compensation awarded by a court judgement referred to in paragraph 4 of this Article shall be governed by the provisions of Article 191 of this Law.

If a company does not pay the awarded compensation to an expelled member, that expelled member may seek enforced execution only through the sale of own equity interest which the company acquired from him.

If the proceeds from sale of own equity interest in an executive procedure are not sufficient to settle the claims of an expelled company member in connection with the awarded compensation, the remaining balance of such claim shall be extinguished.

A company shall be entitled to claim indemnification from an expelled member.

## 7. Company Management

### Company Bodies

#### Article 198

The management of a company may be organised as a single-tier or a two-tier system.

In case of a single-tier management system, company bodies shall include:

- 1) General Meeting;
- 2) One or more directors;

In case of a two-tier management system, company bodies shall include:

- 1) General Meeting;
- 2) Supervisory Board;
- 3) One or more directors.

In a sole-member company, the function of the General Meeting shall be performed by the sole company member.

In cases referred to in paragraph 4 of this Article where a sole company member is a legal entity, the instrument of incorporation may provide for a body of that company member that will perform the functions of the General Meeting, while in the absence of such provision the relevant body shall be the registered representative of that member.

The instrument of incorporation shall specify whether a company has a single-tier or a two-tier management system.

### 7.1. General Meeting

#### 7.1.1. Composition and Scope

##### Composition of General Meeting

#### Article 199

The General Meeting shall include all company members.

Each company member shall have the right to vote in the General Meeting in proportion to the share of his/her equity interest in the company's share capital, unless provided otherwise by the instrument of incorporation.

##### Scope of General Meeting

#### Article 200

Unless provided otherwise by the instrument of incorporation, the General Meeting shall:

- 1) Pass amendments to the instrument of incorporation;
- 2) Adopt financial statements, as well as audit reports if financial statements were audited;
- 3) Supervise the work of directors and adopt directors' reports, if a company has a single-tier management system;
- 4) Adopt Supervisory Board reports, if a company has a two-tier management system;
- 5) Decide on share capital increase and reduction, as well as on every issue of securities;
- 6) Decide on profit distribution and loss coverage, including determination of dates when company members acquire the right to a share in profit and the date of payment of such share in profit to company members;
- 7) Appoint and remove directors and determine their remuneration or principles for determination of such remuneration, if a company has a single-tier management system;

- 8) Appoint and remove Supervisory Board members and determine their remuneration, if a company has a two-tier management system;
- 9) Appoint an auditor and determine his/her remuneration;
- 10) Decide on initiation of liquidation proceedings, as well as on filing for bankruptcy by the company;
- 11) Appoint a liquidator and adopt liquidation balance sheets and liquidator's reports;
- 12) Decide on the acquisition of own equity interests;
- 13) Decide on liability of company members for additional pay-ins and on return of such pay-ins;
- 14) Decide on exit requests made by company members;
- 15) Decide on expulsion of company members for failure to pay in or make a subscribed contribution;
- 16) Decide on initiation of disputes for expulsion of company members;
- 17) Decide on withdrawal and cancellation of equity interests;
- 18) Issue a procura;
- 19) Decide on initiation of proceedings and issuing of power-of-attorney for representation of the company in disputes with its procurator, as well as in disputes with its director, if a company has a single-tier management system, or with a Supervisory Board member, if a company has a two-tier management system;
- 20) Decide on initiation of proceedings and issuing of power-of-attorney in for representation of the company in disputes with its company member;
- 21) Approve agreements on accession of new members and give consent to transfer of equity interest to a third party in case of provided for in Article 167 of this Law;
- 22) Decide on status changes and changes of legal form;
- 23) Approve transactions in which personal interest exists, in accordance with Article 66 of this Law;

24) Give consent to acquisition, sale, leasing, pledging or other disposal of high-value assets within the meaning of Article 470 of this Law;

25) Adopt its Rules of Procedure;

26) Perform other duties and decide on other issues  
Perform other duties and decide on other issues, in accordance with this Law and the instrument of incorporation.

#### 7.1.2. General Meeting Sessions

##### Types and Holding of Sessions

##### Article 201

General Meeting sessions may be ordinary and extraordinary.

Holding of an ordinary Meeting session shall be governed by the provisions of Article 364 of this Law governing ordinary General Meeting sessions of joint-stock companies.

Extraordinary General Meeting sessions shall be governed by the provisions of Article 371 of this Law pertaining to extraordinary General Meeting sessions of joint-stock companies.

##### Convocation of Session

##### Article 202

A session of the General Meeting shall be convened by:

- 1) A director, if a company has a single-tier management system;
- 2) The Supervisory Board, if a company has a two-tier management system.

The instrument of incorporation may stipulate that the General Meeting may also be convened by a company member or another person.

A General Meeting session must be convened when convocation is requested in writing by company members who hold or represent minimum 20% of votes, unless the instrument of incorporation stipulates that such right inures also to members who together hold or represent a lower percentage of votes.

If a director does not convene a General Meeting session within three days of the date of receipt of a



request referred to in paragraph 3 of this Article, so that the date of such session falls not later than 15 days of the date of receipt of such request, members who made such request may themselves convene a General Meeting session within eight days of expiration of the said deadline for holding of a General Meeting session.

#### Venue of Session

##### Article 203

The venue of a General Meeting sessions shall be governed by the provisions of Article 332 of this Law pertaining to the venue of General Meeting sessions of joint-stock companies, unless provided otherwise by the instrument of incorporation or a decision of the General Meeting.

#### Notice and Agenda

##### Article 204

A General Meeting shall be convened by means of a notice in writing sent to each company member to the address stated in the records of company member information and such notice shall be considered delivered on the date of its sending by registered mail, unless a different method of invitation is provided by the instrument of incorporation or if a company member agreed in writing to a different method of invitation.

Notice of General Meeting shall be delivered to each company member not later than eight days before the scheduled date of the General Meeting, unless a different period is provided by the instrument of incorporation.

A notice of General Meeting shall include in particular:

- 1) The date of sending;
- 2) The time and venue of session;
- 3) A draft agenda, with clear indication of items on which voting of the General Meeting is proposed;
- 4) Session handouts.

The provisions of Articles 367 and 374 of this Law pertaining to session handouts for ordinary and extraordinary General Meeting sessions of joint-stock companies shall apply mutatis mutandis to the

session handouts for ordinary and extraordinary General Meeting sessions of limited liability companies.

The General Meeting shall discuss and decide on issues on the agenda, while any other issues may be discussed and decided only if all members attend a session and if none of them dissent, unless provided otherwise by the instrument of incorporation.

#### Right to submit Additional Agenda Items

##### Article 205

One or more company members who hold or represent minimum 10% of equity interests in a company's share capital may submit a written notice with additional items for the General Meeting agenda, unless the instrument of incorporation stipulates that such right inures also to members who together hold or represent a lower percentage of equity interests in the company's share capital.

Company members referred to in paragraph 1 of this Article may also submit the notice referred to in paragraph 1 of this Article directly to all other company members to the addresses stated in the records of company member information.

A notice referred to in paragraph 1 of this Article may be sent not later than three days before the date of a General Meeting session, unless a different period is provided by the instrument of incorporation.

A director must forward a notice referred to in paragraph 1 of this Article to all other company members on the first succeeding business day following that of its receipt.

A company member who did not attend a General Meeting session may rebut General Meeting decisions adopted on agenda items referred to in paragraph 1 of this Article if he/she did not receive a notice referred to in paragraphs 2 or 4 of this Article before the date of such General Meeting session, in accordance with the provisions of this Law pertaining to rebuttal of General Meeting decisions.

#### Action without Formally Convened Meeting

##### Article 206

A meeting may be held even if not formally convened if it is attended by all company members,

unless provided otherwise by the instrument of incorporation.

#### Voting by Proxy

##### Article 207

Company members shall have the right to issue a written proxy holder to a person designated to attend the General Meeting on his/her behalf, including the right to vote on his/her behalf (“voting proxy holder”).

Any person with full capacity may act as a proxy holder referred to in paragraph 1 of this Article.

The instrument of incorporation may provide that voting proxy must be certified in accordance with the law governing certification of signatures.

A company member may not issue voting proxy by restricting such proxy to a part of his/her voting rights attached to equity interest.

Voting proxy shall be governed by the provisions of Article 344 paragraphs 2 through 5, paragraph 12 and paragraphs 15 through 19 of this Law pertaining to voting proxy.

#### Quorum

##### Article 208

The quorum for a General Meeting session shall consist of a simple majority of the total voting power, unless the instrument of incorporation provides for a higher number of votes.

If a General Meeting session could not be held due to a lack of quorum, it shall be re-convened with the same proposed agenda not earlier than ten days and not later than 30 days of the originally scheduled date (repeated session).

The quorum for a repeated session shall be 1/3 of the total voting power, unless the instrument of incorporation provides for a higher number of votes.

#### General Meeting Procedure

##### Article 209

The General Meeting may adopt its Rules of Procedure to regulate in detail its operating and decision-making procedures in accordance with this Law and the instrument of incorporation.

A General Meeting session shall be chaired by the chairperson of the General Meeting.

The appointment and work of the chairperson of the General Meeting shall be governed *mutatis mutandis* by the provisions of Article 333 paragraphs 1 through 3 of this Law pertaining to the chairperson of the General Meeting joint-stock company.

#### Minutes

##### Article 210

All decisions made by a company’s General Meeting shall be recorded in minutes kept by the chairperson of the General Meeting or a minutekeeper if such person is appointed by the chairperson of the General Meeting.

The chairperson of the General Meeting shall be responsible for accurate keeping of minutes.

Minutes shall contain the following information:

- 1) The place and date of session;
- 2) The name of the person who kept the minutes;
- 3) A summary of discussion on each item of the agenda;
- 4) The outcome of voting on each item of the agenda on which the General Meeting acted, as well as the vote cast by each present company member;
- 5) Other elements, in accordance with the instrument of incorporation.

An integral element of minutes shall be a list of persons who took part in a General Meeting session.

Minutes shall be signed by the chairperson of the General Meeting, the minute-keeper (if designated) and all persons who took part in a session,

unless provided otherwise by the instrument of incorporation or the Rules of Procedure of the General Meeting.

If a person who took part in a session has objections to the minutes or refuses to sign the minutes, the person keeping the minutes shall make a note of that in the minutes and state the reason for such rejection, it being understood that a person who has such objections may include them in the minutes himself/herself at signing.

Failure to act in accordance with the provisions of this Article shall not affect the validity of decisions passed at a General Meeting session if the outcome of voting and the content of such decisions can be determined by other means.

Decision-making Majority

Article 211

The General Meeting shall act by a simple majority of voting power present entitled to vote on an issue, unless a higher number of votes is provided by the law or the instrument of incorporation for specific issues.

The General Meeting shall act by a two-third majority of the total voting power where decisions concern any of the following:

- 1) Share capital increase or reduction;
- 2) Status changes and changes of legal form;
- 3) Liquidation or filing for bankruptcy;
- 4) Profit distribution and loss coverage;
- 5) Acquisition of own equity interests.

The General Meeting shall act unanimously on issues related to the liability of company members for additional pay-ins, as well as to any return of such pay-ins.

The instrument of incorporation may also provide for a different decisionmaking majority for the purposes referred to in paragraphs 2 and 3 of this Article, which shall not be lower than a simple majority of the total voting power entitled to vote on an issue.

Conference Calls, Voting in Writing and Action without Meeting

Article 212

A General Meeting session may be held using conference calls or other audio and visual communication equipment, so that all persons participating in a session may communicate with one another at the same time.

All persons participating in a session in the above manner shall be deemed to be present in person.

A company member may also vote in writing, unless provided otherwise by the instrument of incorporation or the Rules of Procedure of the General Meeting, in which case such company member shall be deemed to be present at the session for quorum purposes.

Any decision may also be made without holding a session, if it is signed by all company members entitled to vote on an issue.

Manner of Voting

Article 213

Voting in the General Meeting shall be by open ballot.

Disqualification to Vote

Article 214

A company member may not vote in the General Meeting on:

- 1) his/her release from obligations to the company or reduction of such obligations;
- 2) his/her exit or expulsion from the company;
- 3) Initiation or termination of lawsuits against him/her and engagement of attorneys-in-fact for representation in such situations;
- 4) Approval of transactions between him/her and the company in accordance with Article 66 of this Law;
- 5) Other issues provided for in this Law or instrument of incorporation.

A company member may not vote in the General Meeting also when decisions on issues referred to in paragraph 1 items 1, 3) and 4) of this

Article are made in connection with his/her related parties within the meaning of Article 62 of this Law.

Votes cast by a disqualified company member shall not be taken into account for quorum purposes when decisions are made on the issues referred to in paragraphs 1 and 2 of this Article.

Attendance of Other Persons

Article 215

General Meeting sessions shall be attended by the directors and Supervisory Board members, if a company has a two-tier management system, if they are timely invited by the chairperson of the General Meeting or by any of the company members or if this is provided by the instrument of incorporation.

#### 7.1.3. Adoption of Financial Statements

Application Mutatis Mutandis

##### Article 216

The consequences of adoption or non-adoption of annual financial statements shall be governed mutatis mutandis by the provisions of Article 370 of this Law pertaining to the consequences of adoption or nonadoption of financial statements of joint-stock companies.

#### 7.1.4. Rebuttal of Decisions of General Meeting

Application Mutatis Mutandis

##### Article 217

The provisions of Articles 376 through 381 of this Law pertaining to the rebuttal of decisions passed by the General Meeting in joint-stock companies shall apply mutatis mutandis to the rebuttal of decisions passed by the General Meeting in limited liability companies.

### 7.2. Directors

Number of Directors

##### Article 218

A company shall have one or more directors, who shall act as its legal representatives.

The number of directors shall be determined by the instrument of incorporation or a decision of the General Meeting.

If the number of directors is not determined by the instrument of incorporation or a decision of the General Meeting, a company shall have one director.

A director shall be registered in accordance with the law on registration.

Appointment of Director

##### Article 219

A director shall be appointed by the General Meeting, or the Supervisory Board if a company has a two-tier management system.

At the time of incorporation, a director may be appointed by the instrument of incorporation.

Unless provided otherwise by a decision on his/her appointment, a director's term in office shall commence on the date of passing of a decision on appointment.

Unless provided otherwise by the instrument of incorporation or a decision of the General Meeting, the duration of a director's term in office shall be unlimited.

The instrument of incorporation or a decision of the General Meeting may lay down specific eligibility requirements for prospective directors.

Removal and Resignation of Director

##### Article 220

The General Meeting, or the Supervisory Board if a company has a two-tier management system, shall remove a director from office without the need to provide reasons for such removal, unless this is explicitly provided by the instrument of incorporation or a decision of the General Meeting.

Resignation of a director of a limited liability company shall be governed mutatis mutandis by the provisions of Article 396 of this Law pertaining to resignation of directors of joint-stock companies.

Representation

##### Article 221

A director shall represent a company vis-à-vis third parties in accordance with the instrument of incorporation, decision of the General Meeting of a company and instructions of the Supervisory Board, if a company has a two-tier management system.

If a company has more than one director, all directors shall jointly represent the company, unless provided otherwise by the instrument of incorporation or a decision of the General Meeting.

Notwithstanding the manner of representation provided for in paragraph 2 of this Article, a declaration of will made to one director shall be deemed to be duly made to a company.

If a company is left with no director, until the appointment of a director, declarations of will made to any member of the Supervisory Board, if it exists, or to any company member if a company does not have a Supervisory Board, shall be binding for the company.

A company shall acquire rights and undertake commitments entered into by a director on its behalf regardless whether a transaction was explicitly entered into on behalf of the company or it follows from the circumstances that the will of the parties to that transaction was to enter into it on behalf of the company.

#### Representation of Company in Disputes with Directors

##### Article 222

A director may not issue a power of attorney for representation or represent a company in a dispute in which he/she or his/her related party is the counterparty.

In cases referred to in paragraph 1 of this Article, the power of attorney shall be issued by the General Meeting.

#### Incomplete Number of Directors

##### Article 223

If the number of directors who individually represent a company becomes lower than that provided by the instrument of incorporation or a decision of the General Meeting, the remaining directors shall continue representing the company within the scope of their powers.

If the number of directors with powers to jointly represent a company becomes lower than that provided by the instrument of incorporation or a decision of the General Meeting, the remaining directors shall forthwith notify that fact to the General Meeting and, if the company has a two-tier management system, to the Supervisory Board.

In cases referred to in paragraph 2 of this Article, the General Meeting, or the Supervisory Board if a company has a two-tier management system, shall appoint the missing directors, while until such appointment the remaining directors may only tend to urgent matters, unless provided otherwise by the instrument of incorporation or a decision of the General Meeting.

#### Management of Business Affairs

##### Article 224

A director shall manage the business affairs of a company in accordance with the instrument of incorporation and decisions of the General Meeting, as well as instructions of the Supervisory Board if a company has a two-tier management system.

If a company has more than one director, all directors shall jointly manage the company's business affairs, unless provided otherwise by the instrument of incorporation or a decision of the General Meeting.

If the instrument of incorporation or a decision of the General Meeting stipulates that each director acts independently when managing a company's business affairs, a director shall not be allowed to take intended action if it is opposed by any other director, but he/she shall be authorised to seek instructions in that regard from the General Meeting, or of the Supervisory Board if a company has a two-tier management system.

In a company with a single-tier management system, directors shall perform all duties that are not within the sphere of competence of the General Meeting.

In a company with a two-tier management system, directors shall perform all duties that are not within the sphere of competence of the General Meeting and of the Supervisory Board.

#### Responsibility for Books of Account, Financial Statements and Keeping Records of Decisions of General Meeting

##### Article 225

A director shall be responsible for proper keeping of a company's books of account.

A director shall be responsible for the accuracy of a company's financial statements.

A director shall keep records of all decisions passed by the General Meeting, which records shall be made available to all company members during the company's working hours.

#### Reporting Obligation

##### Article 226

A director's obligation to report to the General Meeting, or the Supervisory Board if a company has a two-tier management system, shall be governed mutatis mutandis by the provisions of Article 399 of this Law.

A director shall notify without delay every company member who holds equity interest representing minimum 10% of share capital, or the Supervisory Board if a company has a two-tier management system, of any extraordinary circumstances that may bear on the company's status or business operations.

#### Remuneration of Directors

##### Article 227

Remuneration of directors shall be governed mutatis mutandis by the provisions of Article 393 of this Law pertaining to remuneration of directors of joint-stock companies.

#### 7.3. Supervisory Board

##### Competences and Composition of Supervisory Board

##### Article 228

If a company has a two-tier management system, it shall also have a Supervisory Board, which shall supervise the work of its directors.

The issues of eligibility of prospective Supervisory Board members and composition of the Supervisory Board shall be governed mutatis mutandis

by the provisions of Articles 432 and 433 of this Law pertaining to eligibility of prospective members and composition of the Supervisory Board of a joint-stock company.

##### Appointment of Supervisory Board Members, Term in Office and Relations with Company

##### Article 229

A member of the Supervisory Board must comply with the eligibility criteria set by this Law for a director of a joint-stock company and may not be employed at the company concerned.

The chairperson and members of the Supervisory Board shall be appointed by the General Meeting.

At incorporation, the first chairperson and members of the Supervisory Board may be appointed by the instrument of incorporation.

All other issues concerning the appointment, duration of term in office and relations of Supervisory Board members with the company shall be governed mutatis mutandis by the provisions of this Law pertaining to the appointment, duration of term in office and relations between Supervisory Board members and company in joint-stock companies.

The chairperson and Supervisory Board members shall be registered in accordance with the law on registration.

#### Remuneration of Supervisory Board Members

##### Article 230

Issues concerning the determination of remuneration of Supervisory Board members shall be governed mutatis mutandis by the provisions of Article 438 of this Law pertaining to remuneration of Supervisory Board members in joint-stock companies.

##### Removal and Resignation of Supervisory Board Members

##### Article 231

Removal of Supervisory Board members by the General Meeting and resignation of Supervisory Board members shall be governed mutatis mutandis by the provisions of Articles 439 and 440 of this Law pertaining to removal and resignation of Supervisory Board members in joint-stock companies.

##### Scope of Supervisory Board

##### Article 232

The Supervisory Board shall:

- 1) Set the company's business strategy;
- 2) Appoint and remove directors and determine their remuneration or principles for determination of such remuneration;
- 3) Supervise the work of directors and adopt their reports;
- 4) Carry out internal audit of the company's operations;
- 5) Monitor compliance of the company's operations;
- 6) Establish accounting and risk management policies;

7) Order the auditor to review the company's annual financial statements;

8) Make proposals for the appointment and remuneration of the auditor to the General Meeting;

9) Control proposals for profit distribution and other payments to members;

10) Decide on initiation of proceedings and granting of power-of-attorney for representation in disputes with directors;

11) Perform other duties provided by the instrument of incorporation and a decision of the General Meeting.

Unless provided otherwise by the instrument of incorporation or a decision of the General Meeting, the Supervisory Board shall give prior consent to the following transactions:

1) Acquisition, disposal and encumbrance of equity interests and shares held by the company in other legal entities;

2) Acquisition, disposal and encumbrance of property, unless this is a regular business operation of the company;

3) Borrowing and lending and giving of sureties, guarantees and collateral for the liabilities of third parties.

Issues within the sphere of competence of the Supervisory Board may not be transferred to company directors.

The Supervisory Board shall decide on granting of authorisation in case of personal interest of a director in accordance with Article 66 of this Law.

#### Submission of Annual Business Report

##### Article 233

Unless provided otherwise by the instrument of incorporation, the Supervisory Board shall annually submit to the General Meeting a written report on the company's business operations and supervision of the work of its directors.

All other issues concerning the submission of business reports and annual consolidated business reports shall be governed *mutatis mutandis* by the provisions of Article 442 of this Law pertaining to the Supervisory Board of a joint-stock company.

#### Supervisory Board Procedure

##### Article 234

The procedure of the Supervisory Board, the convocation of its sessions, attendance of its sessions, decision-making and minutes of Supervisory Board proceedings shall be governed *mutatis mutandis* by the provisions of Articles 444 and 445 of this Law pertaining to the Supervisory Board of a joint-stock company.

#### Liability of Supervisory Board Members

##### Article 235

Issues concerning the liability of Supervisory Board members shall be governed *mutatis mutandis* by the provisions of Article 447 of this Law pertaining to the Supervisory Board of a joint-stock company.

#### Special and Extraordinary Audit on Request from Company Members

##### Article 236

Issues concerning special and extraordinary audit on request from company members shall be governed *mutatis mutandis* by the provisions of this Law pertaining to special and extraordinary audit on request from shareholders of a joint-stock company, unless provided otherwise by the instrument of incorporation.

#### 8. Internal Audit

##### Application *Mutatis Mutandis*

##### Article 237

A limited liability company may regulate the performance and organisation of internal audit by applying, *mutatis mutandis*, the provisions pertaining to internal audit of joint-stock companies.

#### 9. Dissolution of Company

##### Manner of Dissolution

##### Article 238

A company shall be dissolved by deletion from the register of economic operators on any of the following grounds:

1) Closure of liquidation or forced liquidation proceedings in accordance with this Law;

2) Closure of bankruptcy proceedings in accordance with the law governing bankruptcy;

3) A status change resulting in dissolution of the company.

#### Company Dissolution on Request from Company Member

##### Article 239

Dissolution of a company and other measures taken on request from a company member shall be governed *mutatis mutandis* by the provisions of Article 469 of this Law pertaining to dissolution of joint-stock companies and other measures awarded by courts on request from minority shareholders.

#### 10. Company Bylaws and Documents

##### Duty to Keep Bylaws and Documents

##### Article 240

A company shall keep the following bylaws and documents:

- 1) Instrument of incorporation;
- 2) Decision on registration of incorporation;
- 3) General bylaws;
- 4) Minutes of General Meeting sessions and decisions of the General Meeting;
- 5) Bylaws on formation of every branch or other organisational unit;
- 6) Documents evidencing title and other property rights of the company;
- 7) Minutes of Supervisory Board sessions, if a company has a two-tier management system;
- 8) Reports submitted by directors, and also by the Supervisory Board if a company has a two-tier management system;
- 9) List of addresses of directors and Supervisory Board members;
- 10) List of addresses of company members;
- 11) Agreements entered into between the company and its directors, its Supervisory Board members if a company has a two-tier management system, and its

members or their related parties within the meaning of this Law.

A company shall keep the documents and bylaws referred to in paragraph 1 of this Article in its registered office or at another place that is known and accessible to all company members.

A company shall permanently keep the documents and bylaws referred to in paragraph 1 items 1) through 7) and 11) of this Article, while all other documents and bylaws referred to in paragraph 1 of this Article must be kept minimum five years, after which they shall be kept in accordance with the regulations pertaining to archive material.

##### Access to Company Bylaws and Documents

##### Article 241

Directors shall, upon written request, make the documents and bylaws provided for in Article 240 of this Law, the company's financial statements and any other documents relating to the company's operations or the exercise of company members' rights available to every company member, as well as to every previous company member insofar as they relate to the period in which he/she was a company member, for the purposes of examination and copying for such member's cost during working hours.

##### Right to Information

##### Article 242

Every director shall notify without delay every company member of all relevant facts relating to the company's operations or the exercise of company members' rights.

A company member shall, upon learning of the facts referred to in paragraph 1 of this Article, notify a director thereof without delay.

Persons referred to in paragraphs 1 and 2 of this Article shall be liable to the company concerned and/or its members for any damage resulting from their failure to act as required under paragraphs 1 and 2 of this Article.

Every company member shall have the right to receive from a director, upon written request and for that member's own cost, without delay and not later than within eight days of the date of receipt of a



request, a copy of every decision adopted by the General Meeting.

#### Denial of Access to Company Bylaws and Documents and Right to Information

##### Article 243

A director may deny a company member the right provided for in Articles 241 and 242 of this Law if:

- 1) There is reasonable concern that it could be used for purposes detrimental to the company's interests or for a purpose unrelated to that person's membership in the company;
- 2) This would cause material damage to the company or its related parties.

#### Court-ordered Access to Bylaws and Documents

##### Article 244

If a director fails to act pursuant to a request referred to in Article 241 of this Law within five days of receipt, the applicant shall be entitled to seek satisfaction before a court in non-litigious proceedings.

The proceedings referred to in paragraph 1 of this Article shall be expedited and a court shall decide on such claim within eight days of receipt.

### Heading IV JOINT-STOCK COMPANY

#### 1. Basic Rules

##### Definition and Liability for Obligations

##### Article 245

A joint-stock company shall be a company the share capital of which is divided into shares held by one or more shareholders who are not liable for the company's obligations, except in the case provided for in Article 18 of this Law.

A joint-stock company shall be liable for its obligations with its entire assets.

##### Articles of Association

##### Article 246

The Articles of Association of a joint-stock company shall include in particular:

1) The company's registered name and registered office;

2) The company's predominant business activity;

3) Information on the amount of subscribed and paid-up share capital, as well as information on the number and total nominal value of authorised shares, if any;

4) Important elements of issued shares of each type and class in accordance with the law governing the capital market or, if shares have no par value, the underlying portion of share capital or their accounting value, including any obligations, restrictions and privileges attached to each class of shares;

5) Types and classes of shares and other securities a company is authorised to issue;

6) Special conditions pertaining to transfer of shares, if any;

7) Procedure for convening the General Meeting;

8) Identification of company bodies and their scope, the number of their members, details of their appointment and removal and the manner of decision-making by those authorities;

9) Other issues specified in this Law as required elements of the Articles of Association of a joint-stock company.

A company shall amend and modify its Articles of Association at least once year in order to update the information referred to in paragraph 1 items 3) and 4) of this Article, if such information changed during the preceding year.

##### Adoption of and Amendments to Articles of Association

##### Article 247

The Articles of Association, including any amendments and modifications thereof, shall be passed by the General Meeting by a simple majority of the total voting power, unless a higher majority is provided by the Articles of Association.

The initial Articles of Association of a company shall be passed by its founding shareholders and may, in addition to the elements provided for in Article 246,

contain also a provision on the appointment of directors and/or Supervisory Board members.

## 2. Shares and Other Securities

### General Rules

#### Article 248

Shares issued by a company shall be in dematerialised form and shall be bearer securities, while the registration with the Central Securities Registry, Depository and Clearing House (hereinafter referred to as “the Central Registry”) of their issuing, their legal holders, transfer of shares, transfer of rights attached to shares, restrictions attached to shares and subscription of third-party rights to shares shall be governed by the provisions of the law governing the money market.

A share referred to in paragraph 1 of this Article shall be indivisible.

A decision on issuing of shares or other securities must contain all essential elements of such shares of other securities, in accordance with regulations governing the capital market.

Issuing of shares and other securities through public offering shall be done in accordance with this Law and the law governing the capital market.

### Central records of Shareholders

#### Article 249

For the purposes of relations with the company concerned and third parties, a shareholder is deemed to be a legitimate holder of shares registered with the Central Registry and the date of registration with the Central Registry shall be the date of acquisition of shares.

The Central Registry shall, on request, issue to a shareholder not later than the first succeeding business day after application in accordance with the Central Registry’s business rules a certificate of shares of which he/she is a legitimate holder, with all information on those shares kept in the records of the Central Registry.

Issuing of evidence of title to shares shall be governed by the regulations governing the capital market.

### Types and Classes of Shares

#### Article 250

A joint-stock company may issue the following types of shares: ordinary and preference shares.

Within each type of shares, shares with the same rights attached shall constitute a class of shares.

All ordinary shares shall always constitute a single class of shares.

A company may issue shares with or without par value.

If a company issues shares with par value, all shares of the same class must have the same par value, and if it issues non-par shares, all of its shares must be without par value.

### Ordinary Shares

#### Article 251

An ordinary share shall be a share that gives its holder:

- 1) Right to participate and vote in the General Meeting, with one share always carrying one vote;
- 2) Right to a dividend;
- 3) Right to a share in residual assets or estate in accordance with the law governing bankruptcy;
- 4) Pre-emptive right to ordinary shares and other financial instruments convertible to ordinary shares, from new issues;
- 5) Other rights in accordance with this Law and the Articles of Association.

Ordinary shares shall not be convertible to preference shares or other financial instruments.

### Partly Paid Shares

#### Article 252

For the purposes of this Law, partly paid shares shall be ordinary shares for which a shareholder has not fully paid in or made his/her contribution to a company.

A shareholder shall exercise the rights attached to partly paid shares in proportion to the contribution actually paid in or made, unless provided otherwise by the Articles of Association.

Until the full payment or making of contributions for those shares to a company, a shareholder of partly paid shares of a public joint-stock company shall not be allowed to:

- 1) Transfer or otherwise dispose of those shares;
- 2) Exercise voting rights attached to those shares.

#### Preference Shares

##### Article 253

A preference share shall be a share giving its holder one or more preference rights provided for by the Articles of Association and the decision on their issuing, including:

- 1) The right to a dividend in a predetermined pecuniary amount or as a percentage of its par value, payable in priority to the holders of ordinary shares;
- 2) The right to have the unpaid dividend referred to in paragraph 1 item 1) of this Article cumulated and paid before the payment of dividends to holders of ordinary shares (cumulative preference shares);
- 3) The right to participate in the dividend payable to holders of ordinary shares, in all cases of payment of dividend to holders of ordinary shares or subject to compliance with specific conditions (participatory preference shares);
- 4) Seniority of claims from residual assets or estate over the holders of ordinary shares;
- 5) Right to convert those shares to ordinary shares or to another class preference shares (convertible preference shares);
- 6) Right to sell those shares to the joint-stock company at a predetermined price or other conditions.

The total par value of issued and authorised preference shares may not exceed 50% of a company's share capital.

A shareholder with preference shares shall have the right to participate in the General Meeting without the right to vote, unless provided otherwise by this Law.

A shareholder with preference shares shall have a pre-emption right to shares of the same class from new issues.

Shareholders with preference shares shall have the same rights as shareholders with ordinary shares with regard to access to their company's bylaws and documents referred to in Articles 465 and 466 of this Law.

#### Preference Shares with Redemption Rights

##### Article 254

A decision of the General Meeting on issuing of preference shares may provide that a company has the obligation and/or right to buy back such shares under conditions set out in such decision, insofar as the issuing of such shares and the manner of their redemption are provided by the Articles of Association.

A company may redeem the shares referred to in paragraph 1 of this Article under the following conditions:

- 1) If the shares are fully paid in;
- 2) If the price of such shares is paid exclusively from reserves available for that purpose;
- 3) If the condition set out in Article 282 paragraph 2 item 2) of this Law is met.

#### Voting Rights of Preference Shareholders

##### Article 255

Preference shareholders shall also have one vote per share in any General Meeting of holders of their respective class of shares on the following issues:

- 1) Increase or reduction of the total number of authorised shares of that class;
- 2) Change of any preferential right attached to shares of that class;
- 3) Determination of the right of holders of any other securities of the company to swap or convert their securities to shares of that class;
- 4) Subdivision or consolidation of shares of that class or their exchange for shares of another class;
- 5) A new issue of the same class of preference shares, or issue of a new class of shares bringing greater rights than those attached to shares of that class, or change of rights attached to shares of another class so that they bring rights equal to or higher than those attached to shares of that class;

6) Restriction or exclusion of an existing preferential subscription right for shares of that class;

7) Restriction or exclusion of an existing voting right attached to shares of that class if that right is provided by the Articles of Association in accordance with paragraph 2 of this Article.

The Articles of Association of a joint-stock company may stipulate that holders of preference shares convertible to ordinary shares have the voting right together with holders of ordinary shares on all issues or on specific issues, in which case they shall have a number of votes that is equal to the number of votes attached to ordinary shares to which they can be converted.

The Articles of Association of a joint-stock company may stipulate that holders of preference shares have the voting right together with holders of ordinary shares if the dividend to which they are entitled under a decision of the General Meeting has not been paid, until the payment of

such dividend, in proportion to the share of such preference shares in the company's share capital.

Co-owned Shares

Article 256

Shares may be held by more than one person (hereinafter referred to as "co-owners of shares").

Co-ownership of a share shall arise:

- 1) By operation of the law (through inheritance etc.);
- 2) Under an agreement (gift, sale and purchase of indivisible coownership etc.);
- 3) In case of status changes in a company.

Co-owners of shares shall be treated as a single shareholder vis-à-vis the company and shall be jointly and severally liable to the company for any obligations they may have pursuant to those shares.

Co-owners of shares shall exercise their voting rights and right to access to company bylaws and documents provided for in Article 464 of this Law only through a joint attorney-in-fact, who shall be appointed by an agreement of all co-owners.

Signatures of co-owners affixed an agreement referred to in paragraph 4 of this Article shall be

certified in accordance with the law governing certification of signatures.

Co-owners of shares shall notify the company on the appointment of a joint attorney-in-fact and shall register such joint attorney-in-fact with the Central Registry.

Actions taken against a joint attorney-in-fact shall have the effect of actions taken against all co-owners.

Until the date of registration of a joint attorney-in-fact with the Central Registry:

- 1) Actions taken against a single co-owner shall produce effects against all co-owners;
- 2) A co-owned share shall not carry a voting right and shall not be taken into account for quorum purposes in the General Meeting.

Subdivision and Consolidation of Shares

Article 257

A joint-stock company may, by a decision of the General Meeting:

- 1) Subdivide each share of a single class into two or more shares of that class, reducing simultaneously their par value so that the company's share capital remains unchanged;
- 2) Consolidate two or more shares of the same class into a single share of that class, increasing simultaneously its par value so that the company's share capital remains unchanged.

A company shall amend its Articles of Association in case of subdivision or consolidation of shares.

If any consolidation or subdivision of shares would result in fractional shares for certain shareholders, such shareholders shall be entitled to request from the company in writing within 30 days of the date of passing of a decision referred to in paragraph 1 of this Article to purchase the missing fractions of their shares so as to acquire one whole share or to receive payout from the company for the residual fractional shares.

If a shareholder requested to purchase the missing fraction to acquire a single whole share, he/she shall pay the value of the missing fraction of the share to the company within the period referred to in paragraph 3 of this Article.

If a shareholder requested to receive a payout from the company for any residual fractional shares, the company shall pay the market value of that fraction to such shareholder within a further period of 30 days of the date of receipt of such request.

The market value referred to in paragraphs 4 and 5 shall be determined in accordance with the provisions of Article 259 paragraph 1 and paragraph 2 item 1) of this Law.

If in cases referred to in paragraph 3 of this Article an increase or reduction of share capital occurs that does not exceed 1% of share capital in either case, a company shall not have an obligation to apply the provisions of this Law pertaining to share capital increase or reduction, as the case may be, except the provisions pertaining to registration of such changes in accordance with the law on registration.

If a company issued financial instruments that may be converted into ordinary shares, in cases referred to in paragraph 1 of this Article it shall

at the same time pass a decision or take another action which will ensure that the rights of holders of such financial instruments remain unchanged.

If a company fails to act in accordance with paragraph 8 of this Article, every holder of such financial instrument may bring legal action before the competent court to overturn a decision referred to in paragraph 1 of this Article.

The legal action referred to in paragraph 9 of this Article may be filed within 30 days of the date of passing of a decision referred to in paragraph 1 of this Article.

The provisions of this Article shall apply *mutatis mutandis* to non-par shares.

#### Par Value of Shares

##### Article 258

The par value of shares shall be the value determined as such by a decision on issuing of shares.

All shares of the same class shall have the same par value.

The par value of a single share may not be lower than 100 dinars.

The par value of a company's preference shares may not be lower than the par value of its ordinary shares.

#### Determination of Market Value of Shares

##### Article 259

The market value of shares of a public joint-stock company shall be determined as the weighted average price commanded in a regulated market or a multilateral trading platform within the meaning of the law governing the money market in the six months preceding the date of passing of a decision determining the market value of those shares, provided that the trading volume of shares of that class in the capital market accounted for minimum 0.5% of the total number of issued shares of that class and that in at least three of those six months the trading volume of those shares accounted for minimum 0.05% of the total number of shares of that class issued monthly.

Notwithstanding the foregoing, the market value of shares of a public joint-stock company may be determined through appraisal in accordance with Article 51 of this Law if the market price thus appraised is accepted by the General Meeting on reasoned proposal from of the Board of

Directors, or the Supervisory Board if a company has a two-tier management system, which must also state the value of those shares determined in accordance with paragraph 1 of this Article.

The market value of shares of a public joint-stock company shall be determined through appraisal in accordance with Article 51 of this Law if one of the following conditions is met:

- 1) If the trading volume referred to in paragraph 1 of this Article is not achieved;
- 2) In case of issue of shares of a new class.

The market value of shares determined in accordance with paragraph 1 of this Article, or the appraisal referred to in paragraph 2 of this Article, shall be valid for three months of the date of determination or appraisal of market value, as the case may be, and in either case must be valid on the date of passing of a relevant decision of the General Meeting if the market value is determined for the purpose of such decision.

The market value of shares of a company that is not a public joint-stock company shall be determined in accordance with paragraphs 2 and 3 of this Article.

#### Issue Price of Shares

##### Article 260

The issue price shall be the value at which shares are issued, as determined by a decision on their issuing.

A decision referred to in paragraph 1 of this Article shall be passed by the General Meeting, except in the case of issue of authorised shares in accordance with Article 313 of this Law, when such decision shall be passed by the Board of Directors, or the Supervisory Board if a company has a two-tier management system.

If a decision referred to in paragraph 1 of this Article is passed by the General Meeting, it shall specify the range of the issue price and authorise the Board of Directors, or the Supervisory Board if a company has a two-tier management system, to pass a special decision and set a price within that range.

The issue price may not be lower than the market value determined in accordance with Article 259 of this Law, except in cases when shares are issued in a public offering procedure within the meaning of the law governing the money market by which a joint-stock company becomes a public joint-stock company.

The Issue price may not be lower than the par value of shares, or the accounting value in case of non-par shares.

If the issue price at which shares are issued is higher than their par or accounting value, the difference between those two values shall constitute the issue premium.

A company may determine a discount from the issue price in its decision on a share issue, in which case the discounted price may not be lower than the par value of shares, or the accounting value in case of non-par shares:

1) In case of public offering, to an investment company that provides underwriting services in that public offering of shares with compulsory redemption within the meaning of the law governing the money market;

2) In case of a non-public offering, to existing shareholders for the purpose of exercising their preferential subscription right provided for in Article 277 of this Law, unless the Articles of Association excludes the possibility of preferential exercise of this right, in which case such discount may not exceed 10% of the issue price.

#### Transfer of Shares and Rights attached to Shares

##### Article 261

Shares shall be freely transferable, unless the Articles of Association restrict the transfer of shares by a pre-emption right of other shareholders or a requirement for prior consent of the company.

Transfer of shares in non-public joint-stock companies shall be done by an agreement made in writing and certified in accordance with the law governing certification of signatures.

Transfer of shares in public joint-stock companies shall be done in accordance with the law governing the capital market.

Rights which shares of a certain class bring to a shareholder (hereinafter referred to as "rights attached to shares"), other than the voting right, shall be freely transferable.

The Articles of Association or the decision on issuing of shares may restrict or revoke the transfer of rights attached to shares.

Transfer of shares and rights attached to shares of a public joint-stock company may not be restricted.

Restrictions on transfer of shares referred to in paragraph 1 of this Article shall be governed *mutatis mutandis* by the provisions of this Law pertaining to restrictions on transfer of equity interests in limited liability companies.

#### Convertible Bonds and Warrants

##### Article 262

Convertible bonds shall be bonds that entitle its holder to convert them into ordinary shares of a company, under conditions specified in the decision on their issuing.

For the purposes of this Law, warrants shall be securities entitling their holder to acquire a certain number of shares of a certain type and class at a

predetermined price, either on a specified date or over a specified period.

Convertible bonds and warrants entitling the holder to acquire ordinary shares may not be issued if the number of underlying ordinary shares, together with the total number of ordinary shares underlying any already issued convertible bonds and warrants, exceeds the total number of authorised ordinary shares.

Notwithstanding paragraph 3 of this Article, convertible bonds and warrants may be issued even if the number of underlying ordinary shares, together with the total number of ordinary shares underlying any already issued convertible bonds and warrants, exceeds the total number of authorised ordinary shares, if the General Meeting passed a decision on conditional share capital increase for that difference.

The provisions of paragraphs 3 and 4 of this Article shall apply *mutatis mutandis* to warrants entitling the holder to acquire preference shares.

Decisions on issuing of convertible bonds or warrants shall be passed by the General Meeting.

Convertible bonds and warrants may be subscribed solely through contribution in money.

A preferential subscription right to convertible bonds shall inure to the benefit of shareholders with ordinary shares.

A preferential subscription right to warrants shall inure to the benefit of the shareholders of the underlying class of shares.

The provisions of Article 277 of this Law governing the exercise of a preferential subscription right to shares shall apply *mutatis mutandis* to

the exercise of a preferential subscription right to convertible bonds and warrants.

#### Issue Price of Convertible Bonds and Warrants

##### Article 263

The issue price of convertible bonds and warrants shall be the value at which convertible bonds and warrants are issued and shall be determined by a decision on their issuing.

A decision referred to in paragraph 1 of this Article shall be passed by the General Meeting, it being understood that such decision may set a range for the issue price and authorise the Board of Directors, or the Supervisory Board if a company has a two-tier management system, to determine an issue price within that range by a special decision.

The issue price of convertible bonds shall not be lower than:

- 1) The par value of underlying shares or, in case of non-par shares, the accounting value;
- 2) The market value of underlying shares, which shall be determined in accordance with Article 259 of this Law.

#### 3. Incorporation

##### Instrument of Incorporation and Initial Articles of Association

##### Article 264

The founding shareholders of a company shall sign its instrument of incorporation.

Signatures affixed to the instrument of incorporation shall be certified in accordance with the law governing certification of signatures.

The founding shareholders of a company shall also sign its initial Articles of Association at the time of incorporation.

##### Content of Instrument of Incorporation

##### Article 265

An instrument of incorporation shall contain the following:

- 1) Name, personal identification number and place of residence of a shareholder who is a Serbian natural person, or name, passport number or other identification number and place of residence of a shareholder

who is a foreign natural person, or registered name, company number and registered office of a shareholder that is a Serbian legal entity, or registered name, registration number or other identification number and registered office of a shareholder that is a foreign legal entity;

- 2) Company's registered name and registered office;

3) Company's predominant business activity;

4) The total amount of the contribution in money or monetary value and description of the contribution in kind of each founding shareholder, with specified deadline for payment or making of such contribution;

5) Information on shares entered by each founding shareholder, including: number of shares, their type and class and their par value or, for non-par shares, the underlying portion of share capital; and

6) Declaration of the founders that they are incorporating a joint-stock company and are assuming the obligation to pay in or make contributions for subscribed shares.

#### Payment or Making of Contributions at Incorporation

##### Article 266

Subscribed shares that are paid in money in accordance with the instrument of incorporation shall be paid in before the registration of incorporation to a transitional account opened with a commercial bank in the Republic of Serbia.

Before the registration of a company, its founding shareholders shall pay in or make contributions representing minimum 25% of share capital, it being understood that the paid-in amount of money contributed to share capital cannot be lower than the minimum share capital provided for in Article 293 of this Law.

#### Incorporation Costs and Special Privileges

##### Article 267

The initial Articles of Association may stipulate that a company bears certain actually incurred costs in connection with incorporation, or that its founding shareholders are entitled to a reimbursement of such costs from the company, in which case the maximum amount of such costs shall be determined.

A company shall not have an obligation to reimburse any of the costs referred to in paragraph 1 of this Article unless the reimbursement of such costs is provided for by the Articles of Association.

If at the time of incorporation a company's founding shareholders or third parties that participated in the incorporation or in the obtaining of necessary

approvals for the pursuit of the company's activity are granted special privileges, the company's initial Articles of Association shall specify the type of those privileges, the period for which they are granted and the recipients of such privileges.

Special privileges may be withdrawn by amendments to the Articles of Association.

#### Shareholders' Agreements after Company Registration

##### Article 268

If a public joint-stock company within two years of the date of registration of its incorporation enters into an agreement with its founding shareholders pursuant to which such company acquires certain assets or rights at a cost equal to or higher than 10% of its share capital:

1) The value of such assets and rights must be appraised in accordance with Articles 51 through 58 of this Law; and

2) Such agreement shall be subject to authorisation by the General Meeting, by a three-quarters majority of the voting power present, unless a different majority is provided by the Articles of Association.

An agreement referred to in paragraph 1 of this Article shall not take effect until the authorisation referred to in paragraph 1 item 2) of this Article has been obtained and any actions taken by a company pursuant to such an agreement shall produce no effect until such authorisation has been obtained.

An agreement referred to in paragraph 1 of this Article must be in writing.

The provisions of this Article shall not apply to:

1) Agreements entered into as part of a company's regular business operations;

2) Acquisition of assets or rights in administrative procedures;

3) transactions in the capital market within the meaning of the law governing the capital market.

#### 4. Relations between Company and Shareholders

##### Equal Treatment of Shareholders

##### Article 269



All shareholders shall be treated equally in equal circumstances.

#### Distribution of Profit

##### Article 270

Upon adoption of financial statements for a financial year, the profit of that year shall be allocated:

- 1) To cover losses carried forward from earlier years;
- 2) To reserves, if they are provided by a special law (legal reserves).

If after the allocation of profit to purposes referred to in paragraph 1 of this Article a portion of the profit remains, the General Meeting may allocate any such surplus to the following purposes:

- 1) For reserves, if provided by the company's Articles of Association (statutory reserve);
- 2) For dividend, in accordance with this Law.

#### Entitlement to Dividend

##### Article 271

Payment of dividend to shareholders may be approved by a decision on profit distribution adopted at the ordinary General Meeting session, in which case such decision shall also specify the amount of dividend ("the decision on dividend").

Upon adoption of the decision on dividend, a shareholder entitled to dividend shall become creditor of his/her company for the amount of such dividend.

A company shall notify the shareholders entitled to dividend of its adoption of the decision on dividend within 15 days of adoption, through operation *mutatis mutandis* of the provisions of this Law pertaining to notification of shareholders of General Meeting sessions.

Dividend from shares shall be paid to shareholders according to the rights attached to the type and class of shares they hold on the ex-dividend

date, in proportion to the participation of their shares in the total number of shares of that class.

Any agreement or company bylaw granting special privileges in terms of dividend distribution to certain

shareholders within a same class of shares shall be null and void.

#### Mode of Dividend Payment

##### Article 272

Dividend may be paid in money or in company shares, in accordance with the decision on dividend.

If dividend is paid in company shares:

1) Such payment must be authorised by shareholders whose class of shares is used for such payment according to the rules of shareholders' voting within a class of shares;

2) Every shareholder of the dividend-bearing class of shares shall receive dividend in shares of that class.

Notwithstanding the foregoing, dividend may be paid in shares of a different type or kind, but only if such payment is authorised by a threequarters majority of the voting power present entitled to receive such payment and the same majority of the voting power present among the holders of the class of shares used in such payment.

A company shall notify the shareholders entitled to dividend to such payment immediately before or after the payment, through operation *mutatis mutandis* of the provisions of this Law pertaining to notification of shareholders of General Meeting sessions.

#### Interim Dividend

##### Article 273

Unless provided otherwise by the Articles of Association, a company may pay interim dividend at any time between ordinary General Meetings if:

1) Its operating reports and financial statements drawn up for that purpose clearly indicate that the company generated profit in the period for which interim dividend is paid and that available cash is sufficient for the payment of such interim dividend;

2) The amount of interim dividend paid does not exceed the total profit generated after the end of the preceding accounting year for which

financial statements are prepared, increased for any retained earnings and reserves available for that purpose and reduced for calculated losses and amounts that must be allocated to reserves in

accordance with the law or the Articles of Association.

Payment of interim dividend to shareholders may also be authorised by a decision of the Board of Directors, or of the Supervisory Board if a company has a two-tier management system, if this is provided by the Articles of Association or a decision of the General Meeting.

If payment of interim dividend is authorised by a decision of the Board of Directors, or of the Supervisory Board if a company has a two-tier management system, interim dividend shall be paid only in money.

Ex-dividend Date

Article 274

The Articles of Association may set the date, or the method of setting a date, on which a list will be made of shareholders entitled to dividend or to distribution from capital reduction or residual assets ("ex-dividend date").

If the ex-dividend date is not set by the Articles of Association, such date shall be set by the decision on dividend, according to the method for setting of such date if it is provided by the Articles of Association.

In cases referred to in paragraph 2 of this Article, public joint-stock companies may not set an ex-dividend date earlier than the shareholders' day determined in accordance with Article 331 of this Law.

If the ex-dividend date for interim payment is not set by the Articles of Association, such date shall be set by a decision referred to in Article 273 of this Law which approves its payment.

A shareholder who transfers his/her dividend-bearing shares after the exdividend date, but before the payment of dividend, shall retain the right to dividend.

Restrictions on Distributions to Shareholders

Article 275

A company may not make distributions to shareholders if, based on the most recent financial statements, its net assets are lower or could become lower as a result of such distribution than the paid-in

increased for reserves the company is required to maintain in accordance with the law

or the Articles of Association, if such reserves exist, except in the case of share capital reduction.

The total amount of distributions to shareholders for an accounting year may not exceed the profit at the end of that accounting year, increased for any retained earnings from earlier periods and reserves available for distribution to shareholders and reduced for uncovered losses from earlier periods and reserves the company is required to maintain in accordance with the law or the Articles of Association, if such reserves exist.

Notwithstanding paragraphs 1 and 2 of this Article, a company may at all times make payments to its shareholders who are natural persons under employment contracts.

Shareholders who received a distribution contrary to the provisions of this Article shall return the received amount to the company if they knew or ought to have known such distribution was contrary to the provisions of this Article.

A company's claims pursuant to paragraph 4 of this Article shall be time barred after five years of the date when such distribution was made.

Any shareholder who complies with the requirements set out in Article 79 of this Law may file derivative action for breach of paragraph 5 of this Article on his/her own behalf and for the company's account.

Lending and Provision of Collateral to Company by Shareholders

Article 276

Lending and provision of collateral to a company by its shareholder shall be governed mutatis mutandis by the provisions of Article 181 of this Law pertaining to lending and provision of collateral by members of limited liability companies.

Preferential Subscription Right

Article 277

A shareholder shall have a preferential subscription right to shares from a new issue in proportion to the number of fully paid-in shares of that class he/she holds on the date of adoption of the decision on

issuing of shares compared with the total number of shares of that class.

A shareholder shall also have the right provided for in paragraph 1 of this Article in case of issues of securities entitling their shareholders to acquire the type and class of shares that shareholder owns.

The Articles of Association may stipulate that a shareholder shall also have a preferential subscription right to an issue of shares of a different type and class from those he/she holds, but only after that right has been exercised by shareholders who own shares of the same type and class as those issued.

The procedure of exercising a preferential subscription right shall be determined the Articles of Association and a company shall have an obligation to:

- 1) Notify every shareholder with a preferential subscription right of the decision on issuing of shares or other securities;
- 2) Ensure that the period in which shareholders may exercise this right is not shorter than 30 days of the date on which notice of decision on issuing of shares or other securities was sent.

Sending of notices referred to in paragraph 4 item 1) of this Article shall be governed *mutatis mutandis* by the provisions of Article 335 of this Law pertaining to sending of notices of General Meeting sessions and shall include in particular: the number of shares issued, their issue price and the period for and manner of exercising a preferential subscription right.

The provisions of this Article shall not apply to new issues of shares issued in the process of status change of a company.

#### Exclusion of Preferential Subscription Right

##### Article 278

A preferential subscription right provided for in Article 277 of this Law may be restricted or excluded only in case of an offer for which there is no obligation to publish a prospectus within the meaning of the law governing the money market and this must be done by a decision of the General Meeting passed on written proposal from the Board of Directors, or of the Supervisory Board if a

company has a two-tier management system, which shall include the following mandatory elements:

- 1) Reasons for restriction or exclusion of a preferential subscription right;
- 2) A detailed explanation of the proposed issue price.

A decision referred to in paragraph 1 of this Article shall be passed by a three-quarters majority of the voting power present and shall be registered in accordance with the law on registration.

If the issue price is determined by appraisal in accordance with Article 259 paragraph 2 of this Law, any shareholder who believes such appraisal

is inadequate shall have the right to rebut a decision referred to in paragraph 1 of this Article on those grounds in accordance with Article 376 of this Law.

A decision referred to in paragraph 1 of this Article may not be implemented before the expiration of the period for its rebuttal in accordance with Article 376 of this Law.

If the Board of Directors, or the Supervisory Board if a company has a two-tier management system, has the authority to issue authorised shares, a pre-emption right may be restricted or revoked only on the basis of a decision of the General Meeting passed by a three-quarters majority of the voting power present.

The provisions of this Article shall not apply to new issues of shares issued in the process of status change of a company.

#### Company's Financial Support for Acquisition of Shares

##### Article 279

The provisions of Article 154 of this Law pertaining to financial support of a limited liability company for the acquisition of its equity interests shall apply *mutatis mutandis* to financial support of a joint-stock company for the acquisition of its shares.

#### Expulsion of Shareholders for Failure to Pay or Make a Contribution

##### Article 280

Expulsion of shareholders for failure to pay or make a contribution shall be governed *mutatis mutandis* by the provisions of Article 195 of this Law

pertaining to expulsion of members of limited liability companies.

## 5. Own Shares

### No Subscription of Company Shares

#### Article 281

A company may not subscribe shares of its own issue.

A company's shares may not be subscribed by its controlled company or by a third party acting on its behalf and for the account of a controlled company.

If a company's shares are subscribed by a third party on its behalf and for the company's account, it shall be deemed that such third party subscribed the shares for its own account.

Founding shareholders, and in the case of share capital increase members of the Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system, shall be liable for the payment and/or making of contributions for any shares subscribed contrary to paragraphs 1 and 2 of this Article.

Any agreement on release from liability or indemnification entered into between a company and persons referred to in paragraph 4 of this Article shall be null and void.

Persons referred to in paragraph 4 of this Article may be released from liability if they demonstrate they were unaware or could not have been aware of a breach of paragraphs 1 and 2 of this Article.

### Own Shares and Condition for their Acquisition

#### Article 282

For the purposes of this Law, own shares shall be shares acquired by a company from its shareholder.

A company may acquire own shares directly or through a third party acquiring the shares on its behalf and for the company's account subject to the following conditions:

- 1) If the General Meeting passes a decision authorising the acquisition of own shares;
- 2) If, as a result of acquisition of own shares, the company's net assets do not decrease below the subscribed share capital increased for reserves the

company is required to maintain in accordance with the law or the Articles of Association, if such reserves exist, other than reserves earmarked under the Articles of Association envisaged for acquisition of own shares;

3) If the shares acquired by the company are fully paid in;

4) In case of a public joint-stock company, if the total par value of shares (or their accounting value in case of non-par shares) thus acquired, including any own shares acquired earlier, does not exceed 10% of the company's share capital.

A decision referred to in paragraph 2 item 1) of this Article shall set out the conditions for acquisition and disposal of such shares, including in particular:

- 1) The maximum number of own shares acquired;
- 2) The period in which the company may acquire own shares, which shall not be longer than two years;
- 3) The minimum price and the maximum price for acquisition of own shares, if own shares are acquired against consideration;
- 4) The manner of disposal and the price at which acquired own shares are disposed, or the method of determination of such price, if own shares are disposed of against consideration.

Notwithstanding the foregoing, a company may acquire own shares even without a decision referred to in paragraph 2 item 1) of this Article, based on a decision of the Board of Directors, or of the Supervisory Board if a company has a two-tier management system,:

- 1) In case of a public joint-stock company, if it is necessary to prevent major and direct damage to the company, in which case the Board of Directors, or the Supervisory Board if the company has a two-tier management system, shall inform the shareholders at the first succeeding General Meeting session of the reasons for and manner of own shares, their number and total par value, or total accounting value of non-par shares, their participation in the company's share capital and the total amount the company paid for them;
- 2) If own shares are acquired for the purpose of distribution to employees of the company or its affiliate, or as reward to members of the Board of

Directors, or of the Executive Board and the Supervisory Board if the company has a two-tier management system, but not more than 3% of any class of shares in the course of an accounting year, if this possibility is envisaged by the Articles of Association and if reserves are allocated for these purposes.

The Board of Directors, or the Executive Board if a company has a two-tier management system, it shall check whenever it acquires own shares whether the conditions set out in paragraph 2 items 2) through 4) of this Article are met and shall make a written report of its findings.

#### Acquisition of Own Shares of Controlling Company

##### Article 283

If a company's shares are acquired by its controlled company, or if such shares are acquired acting on its behalf, but for the account of a controlled company, it shall be deemed that such shares were acquired by a controlling company and such shares shall be subject to the provisions of this Law pertaining to own shares.

If a controlled company acquired the shares of its controlling company before control existed, once control is created such shares shall not be deemed to be within the meaning of this Law, but they shall no longer bear voting rights and their par value, or accounting value in case of nonpar shares, shall be added to the amount of share capital and reserves for the purpose of establishing compliance with the conditions set out in Article 282 paragraph 2 item 2) of this Law.

#### Exemptions from Conditions for Acquisition of Own Shares

##### Article 284

The provisions of Article 282 paragraphs 2 through 5 of this Law shall not apply if a company acquires own shares:

- 1) As a result of exercise of rights of dissenting shareholders;
- 2) As a result of expulsion of a shareholder;
- 3) Unencumbered;
- 4) As a result of a status change;

5) Under a court order;

6) If shares are acquired for the purpose of share capital reduction.

#### Procedure of Acquisition of Own Shares

##### Article 285

The Board of Directors, or the Executive Board if a company has a two-tier management system, shall, in accordance with a decision on acquisition of own shares provided for in Article 282 paragraph 2 item 1) of this Law and Article 282 paragraph 4 of this Law, make a redemption offer to all shareholders of a relevant class of shares.

An offer referred to in paragraph 1 of this Article shall state the following:

- 1) The type, class and number of shares the company wishes to acquire;
- 2) The price the company is willing to pay or the method of its determination;
- 3) Manner of and term for payment of such price;
- 4) Procedure and term in which shareholders may respond to the company's offer, which shall not be shorter than 15 days.

Making of an offer referred to in paragraph 1 of this Article shall be governed mutatis mutandis by the provisions of Article 335 of this Law pertaining to notice of General Meeting.

If the total number of shares offered by shareholders for sale to their company is higher than the number of shares referred to in paragraph 2 item 1) of this Article, the company shall redeem from each of its shareholders a proportionate number of shares offered, in which case only whole numbers of shares shall be taken into account for the purpose of calculation of such proportionate number of shares.

Notwithstanding paragraph 4 of this Article, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, may decide that the company will acquire a higher number of shares, but not higher than the number of shares stated in a decision referred to in Article 282 paragraph 2 item 1) of this Law, and if the number of shares acquired by the company is

lower than the total number of shares offered for sale by shareholders, the company shall observe the principle of proportionality referred to in paragraph 4 of this Article.

The provisions of this Article shall not apply to acquisition of own shares in cases provided for in Article 282 paragraph 4 item 1) and Article 284 items 1) through 5) of this Law.

#### Status of Own Shares

##### Article 286

Own shares shall not bear voting rights.

Own shares shall not entitle their holders to dividend or other emoluments and they cannot serve as the basis for distributions to shareholders, except in the case of capital reduction.

#### Obligation to Dispose of Own Shares

##### Article 287

If a company acquired own shares contrary to the provisions of Articles 282 and 284 of this Law, it shall dispose of them or cancel them within a year of the date of acquisition.

A company shall manage own shares acquired in accordance with Article 282 paragraph 4 item 1) of this Law in accordance with the regulations governing the capital market.

A company shall distribute own shares acquired in accordance with Article 282 paragraph 4 item 2) of this Law to persons identified in the relevant decision on acquisition within a year of the date of acquisition.

If a company acquired own shares in accordance with Article 282 and Article 284 items 1) through 5) of this Law and their par value, or accounting value in case of non-par shares, is higher than 10% of share capital, it shall dispose of such shares within three years of the date of acquisition so that the total value of own shares thus acquired does not exceed 10% of share capital.

If a company fails to distribute or dispose of own shares within the periods referred to in paragraphs 3 and 4 of this Article, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall cancel them immediately upon the expiration of such period without a special

decision of the General Meeting and reduce the company's share capital on that basis.

#### Manner and Procedure of Disposal of Own Shares

##### Article 288

The Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall decide on disposal of own shares, in accordance with the conditions of disposal laid down by a decision provided for in Article 282 paragraph 2 item 1) of this Law.

When own shares are disposed of, persons who are shareholders of the company concerned on the date of passing of a decision referred to in paragraph 1 of this Article shall have a pre-emption right.

If a certain number of own shares remains after the obligation referred to in paragraph 1 of this Article is complied with, a company may dispose of them to third parties or cancel them in accordance with this Law.

Notwithstanding the foregoing, if a pre-emption right referred to in paragraph 1 of this Article is provided by the Articles of Association, it may be restricted or revoked only by a decision of the General Meeting passed by a three-quarters majority of the voting power present.

A price at which a company may dispose of its own shares shall be determined through operation, *mutatis mutandis*, of Article 260 of this Law.

The exercise, restriction or revocation of a pre-emption right provided for in this Article shall be governed *mutatis mutandis* by the provisions of Article 277 of this Law.

#### Reporting on Own Shares

##### Article 289

A company that acquired or disposed of own shares during an accounting year shall disclose the following in its annual financial statements for that year:

- 1) Reasons for acquisition;
- 2) Type, class, number and par value, or accounting value in case of nonpar shares, of own shares acquired and disposed of during the year, as well as their participation in the company's share capital;

3) Price at which such shares were acquired or disposed;

4) Type, class, total number and par value, or accounting value in case of non-par shares, of own shares at the end of that accounting year, as well as their participation in the company's share capital.

#### Own Shares of Public Joint-stock Company

##### Article 290

The provisions of Articles 281 through 289 of this Law shall apply to jointstock companies, unless provided otherwise by the law governing the capital market.

#### Taking of Company Shares as Pledge

##### Article 291

A company may not take as pledge shares of its own issue, either directly or through a third party taking such shares as pledge on its own behalf and for the company's account.

#### Acquisition of Own Convertible Bonds and Warrants

##### Article 292

The acquisition of convertible bonds and warrants shall be governed mutatis mutandis by the provisions of this Law pertaining to acquisition of own shares provided for in Article 282 of this Law.

If a company acquires own convertible bonds or warrants, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall cancel them immediately upon their acquisition, without a specific decision of the General Meeting to that effect.

Any cancellation of convertible bonds and warrants in accordance with paragraph 2 of this Article shall reduce a company's conditionally increased share capital, but without the share capital reduction procedure.

Reduction of conditionally increased share capital shall be registered in accordance with the law on registration.

## 6. Capital

### 6.1. Minimum Share Capital

#### Article 293

A joint-stock company must have minimum share capital in the amount of 3,000,000.00 dinars, unless a higher amount is provided by a special law.

## 2. Share Capital Increase

### Passing of Decision

#### Article 294

A decision on issuing of shares for the purpose of increasing a company's share capital shall be passed by the General Meeting, except in the case of authorised capital, when such decision may be passed by the Board of Directors, or the Supervisory Board if a company has a two-tier management system.

A decision referred to in paragraph 1 of this Article shall be registered in accordance with the law on registration within six months of the date of its passing.

A decision referred to in paragraph 1 of this Article that is not registered in accordance with paragraph 2 of this Article shall be null and void.

Subscription of shares pursuant to a decision referred to in paragraph 1 of this Article may not begin before its registration in accordance with paragraph 2 of this Article.

A decision referred to in paragraph 1 of this Article may be passed only after contributions for previously issued and subscribed shares are fully paid in and/or made.

The restriction provided for in paragraph 5 of this Article shall not apply if a decision on issuing of shares is passed on the basis of:

- 1) Increase of share capital as a result of status change;
- 2) Increase of share capital through contributions in kind.

### Method of Increase

#### Article 295

A company's share capital may be increased:

- 1) Through new contributions;
- 2) Conditionally, in accordance with Article 301 of this Law ("conditional capital increase");

3) From a company's retained earnings and reserves available for that purpose ("increase from company's net assets");

4) As a result of status change.

Share capital increase through new contributions in accordance with in paragraph 1 item 1) of this Article shall also include any debt to equity swaps.

In a public joint-stock company, share capital increase may not be done through a debt to equity swap.

The provisions pertaining to share capital increase through new contributions contained in Articles 296 through 300 of this Law shall also apply to issuing of shares through public offering, unless provided otherwise by the law governing the capital market.

#### 6.2.1. Share Capital Increase through New Contributions

##### Content of Decision

##### Article 296

A decision on share capital increase through new contributions shall include in particular:

- 1) The amount of share capital increase;
- 2) The manner of share capital increase and threshold of success for the issue;
- 3) Time limits for compliance with the decision;
- 4) The issue price determined in accordance with Article 260 of this Law or the method of its determination;
- 5) Essential elements of issued shares provided for in Article 248 of this Law, or criteria according to which such elements will be determined;
- 6) Designation of the bank to which shares are to be paid.

The threshold of success referred to in paragraph 1 item 2) of this Article shall be the ratio of the number of subscribed shares and the number of shares issued pursuant to the relevant decision.

If share capital is increased through contributions in kind, a decision referred to in paragraph 1 of this Article shall also include the following:

1) The asset or right acquired by the company and an appraisal of its value;

2) Name and other information required under Article 265 of this Law relating to the person making such contribution in kind;

3) Type, class, number and par value of shares (or their accounting value in case of non-par shares) issued on the basis.

An appraisal referred to in paragraph 3 item 1) of this Article shall be done in accordance with Article 51 of this Law.

If a decision on share capital increase through contributions in kind does not contain the elements provided for in paragraph 3 of this Article:

- 1) Any transactions taken for the purpose of making a contribution in kind to a company shall not produce effects against the company;
- 2) A person who subscribed shares on the basis of a contribution in kind shall be required to pay the issue price of shares thus subscribed in money.

##### Subscription of Shares from New Contributions

##### Article 297

A company issuing shares in a procedure of share capital increase through new contributions shall be required to draw up a share subscription form, which shall include the following:

- 1) Company details;
- 2) Date of decision on issuing of shares;
- 3) Total amount of share capital increase;
- 4) Type, class and number of shares issued;
- 5) Rights, restrictions and other essential elements of shares issued;
- 6) Issue price of shares and threshold of success for the issue;
- 7) Manner and terms of payment and/or making of contributions and other obligations, insofar as these are provided by the decision on issuing of shares;
- 8) Information on contributions in kind provided for in Article 296 paragraph 3 of this Law, if capital is increased through contributions in kind;



9) Date when a subscriber of shares shall be released from obligations assumed under the share subscription form in case of an unsuccessful issue;

10) Information on the person subscribing the shares in accordance with Article 265 paragraph 1 item 1) of this Law;

11) Information on the type, class and number of subscribed shares.

A company shall specify in a decision provided for in Article 296 of this Law the manner in which a share subscription form containing the information provided for in paragraph 2 items 1) through 9) of this Article shall be made available to interested parties.

A person shall subscribe shares by entering the information provided for in paragraph 1 items 10) and 11) of this Article in a share subscription

form and by submitting a signed share subscription form to the company or to a person authorised by the company to carry out the share subscription procedure.

A company may also specify in a decision provided for in Article 296 of this Law the manner in which persons submitting share subscription forms to the company are to be identified.

#### Payment of Shares from New Contributions and Making of Contributions in Kind

##### Article 298

Subscribed shares shall be paid in accordance with the decision on their issue, of which an amount not lower than 25% of their nominal value, or accounting value in case of non-par shares, as well as the full amount of issue premium, if any, shall be paid in immediately upon expiration of the subscription period.

The outstanding amount of subscribed shares must be paid in within five years of the date of registration of the decision on share capital increase, or within two years in case of public joint-stock companies, unless a shorter period is provided by the decision on their issue.

Notwithstanding paragraphs 1 and 2 of this Article, in case of public jointstock companies shares created from capital increase through public offering shall be

paid in immediately upon expiration of the subscription period.

If share capital is increased through contributions in kind, they must be made in full to the company concerned company within five years of the date of registration of the decision on share capital increase in accordance with the law on registration, or within two years in case of public jointstock companies, unless a shorter period is provided by the decision on their issue.

If a capital increase fails and a portion of the contribution is paid in and/or made, a company shall return any contribution thus paid in or made within 15 days of expiration of the subscription period.

The procedure of paying in shares issued through public offering shall be governed by the provisions of the law regulating the capital market.

#### Subscription of Shares and Shareholders in Central Registry

##### Article 299

If a capital increase through new contributions is successful within the meaning of Articles 296 and 298 of this Law, a company shall file a request for subscription of newly-issued shares and their holders in the Central Registry through a member of the Central Registry, within five business days of the date of completion of subscription and payment.

Together with an application referred to in paragraph 1 of this Article a company shall provide the following:

- 1) A decision on issuing of shares;
- 2) Evidence of registration of the decision referred to item 1) of this paragraph in accordance with the law on registration;
- 3) A list of persons who subscribed and paid-in shares, with a breakdown of shares subscribed and paid in by individual shareholders and the total amount of paid-in shares, with a written statement of the company's legal representative certifying the accuracy of that information;
- 4) A certificate of subscribed and paid-in shares issued of a member of the Central Registry and a bank to which the shares were paid;

5) A written statement of the company's legal representative on success of the issue and compliance with the conditions set out in Article 298 paragraphs 1 and 3 of this Law;

6) A copy of an agreement entered into between the company and a member of the Central Registry for services in connection with the capital increase.

The Central Registry shall pass a bylaw regulating the form of an application referred to in paragraph 1 of this Article and its supporting documentation.

If shares are issued through public offering, subscription of issued shares and their legal holders in the Central Registry shall be done in accordance with the law governing the capital market.

Registration of Capital Increase through New Contributions

Article 300

Within eight days of the date of subscription of shares issued in a share capital increase procedure in the Central Registry in accordance with

Article 299 of this Law, a company shall register such share capital increase in accordance with the law on registration.

A company's share capital shall be deemed to be increased as at the date of registration of share capital increase in accordance with paragraph 1 of this Article.

#### 6.2.2. Conditional Share Capital Increase

Basis and Amount of Conditional Share Capital Increase

Article 301

Conditional increase of a company's share capital shall be done only to the extent necessary for:

- 1) The exercise of rights of convertible bond holders to convert those bonds to the company's shares;
- 2) The exercise of rights of warrant holders to purchase the company's shares;
- 3) The exercise of rights of employees, directors and Supervisory Board members, if a company has a two-tier management system, to purchase the company's shares, if this is provided by the Articles of Association;

4) The implementation of a status change procedure.

The amount of share capital increase referred to in paragraph 1 of this Article at the time of passing of the pertinent decision may not exceed 50% of a company's share capital, except in cases referred to in paragraph 1 item 3) of this Article, when it may not exceed 3% of a company's share capital.

Any decision of the General Meeting on conditional share capital increase that does not comply with the provisions of this Article shall be null and void.

Content of Decision

Article 302

A decision on conditional increase of a company's share capital shall include in particular:

- 1) The amount and purpose of conditional share capital increase;
- 2) The category of persons entitled to subscription of shares and terms and conditions for the exercise of that entitlement;
- 3) The period in which share capital increase may be done;
- 4) The price at which shares will be acquired or the method of its determination;
- 5) Essential elements of shares issued, as provided for in Article 248 of this Law.

Subscription and Payment of Shares in Case of Conditional Share Capital Increase

Article 303

Holders of convertible bonds shall exercise the right of subscription of shares in case of a conditional share capital increase by submitting a written statement to the company concerning the conversion of convertible bonds to shares and such statement shall replace the subscription and payment of shares.

The procedure of subscription of shares in cases provided for in Article 301 paragraph 1 items 2) through 4) shall be governed, mutatis mutandis, by Article 297 of this Law.

In cases provided for in Article 301 paragraph 1 items 2) through 4) of this Law, shares may not be issued before they are paid in.

Shares may be issued in exchange for convertible bonds only if the difference between the amount for which those bonds are issued and the amount of share capital underlying those shares is covered from reserves available for that purpose or from the payment of an adequate amount in money by the holders of those bonds.

#### Subscription of Shares and Shareholders in Central Registry and Registration of Conditional Share Capital Increase

##### Article 304

Subscription of shares and shareholders in the Central Registry and registration of share capital increase in cases referred to in Article 303 of this Law shall be governed *mutatis mutandis* by the provisions of Articles 299 and 300 of this Law.

#### 6.2.3. Share Capital Increase from Company's Net Assets

##### Conversion of Retained Earnings and Reserves to Share Capital

##### Article 305

Increase of a company's share capital from its net assets shall be done through conversion of its retained earnings and reserves to share capital.

A company's retained earnings and reserves may be converted to share capital only if a company did not report loss in its financial statements on the basis of which a decision on share capital increase is made.

Notwithstanding paragraph 1 of this Article, a company may, provided it has covered any losses referred to in paragraph 2 of this Article, increase its share capital from any retained earnings and reserves remaining after the coverage of such loss.

Only reserves allocated for that purpose may be converted to share capital.

#### Financial Statements as Basis for Passing of Decision

##### Article 306

In case of public joint-stock companies and companies subject to mandatory audit in accordance with the law governing accounting and auditing, financial statements on the basis of which a decision on share capital increase from net assets is made

must include a positive auditor's opinion within the meaning of the law governing accounting and auditing.

In cases referred to in paragraph 1 of this Article, a decision on share capital increase from a company's net assets may be based on financial statements for the preceding year, if a company registers such decision in accordance with the law on registration within six months of the date of adoption of those financial statements by the General Meeting.

#### Content of Decision

##### Article 307

A decision on share capital increase from a company's net assets shall include in particular:

- 1) The amount of share capital increase;
- 2) The amount and type of reserves and/or the amount of retained earnings converted to share capital;
- 3) An indication whether new shares are issued or the par value (or accounting value in case of non-par shares) of existing shares is increased;
- 4) Essential elements of issued shares provided for in Article 248 of this Law, if share capital is increased by issuing new shares.

#### Eligible Acquirers of Shares

##### Article 308

The entitlement to shares from an increase of a company's share capital from its net assets shall inure to the benefit of its shareholders on the date of passing of a relevant decision.

The shareholders referred to in paragraph 1 of this Article shall be entitled to shares from a share capital increase in proportion to the ratio between the contribution they paid in and/or made and the company's paid-in and/or contributed share capital.

The entitlement referred to in paragraph 1 of this Article shall also inure to the company concerned if it holds own shares.

Any decision of the General Meeting that does not comply with the provisions of this Article shall be null and void.

#### Rights of Holders of Convertible Bonds

#### Article 309

In case of share capital increase from a company's net assets, the rights of holders of that company's convertible bonds with regard to the number of shares they are entitled to or their par value (or accounting value in case of non-par shares) shall increase proportionally.

#### Right to Dividend

#### Article 310

Shares acquired through share capital increase from a company's net assets, or the amount of increase of their par value (or accounting value in case of non-par shares), shall entitle their holders to dividend for the whole accounting year in which a decision on share capital increase was passed, unless provided otherwise by that decision.

A decision on share capital increase from a company's net assets may stipulate that shares acquired through share capital increase from a company's net assets, or the amount of increase of their par value (or accounting value in case of non-par shares), shall participate in the distribution of dividends for the preceding accounting year, if such decision is passed before a decision on distribution of profit for the preceding accounting year.

#### Subscription of Share Capital Increase in Central Registry

#### Article 311

Together with an application to the Central Registry for subscription of new shares and their holders, or for subscription of par value of shares (or their accounting value in case of non-par shares), in case of capital increase from a company's net assets, a company shall provide the following:

- 1) A decision on capital increase;
- 2) Evidence of registration of the decision referred to in item 1) of this paragraph in accordance with the law on registration;
- 3) A written statement of the company's legal representative on compliance with the conditions set out in Articles 305 and 306 of this Law.

An application referred to in paragraph 1 of this Article shall be filed within five business days of the

date of registration of a decision on capital increase in accordance with the law on registration.

At the time of filing an application referred to in paragraph 1 of this Article, public joint-stock companies shall submit to the Securities Commission a notice of capital increase from net assets.

#### Registration of Share Capital Increase from Company's Net Assets

#### Article 312

Registration of share capital increase from a company's net assets shall be governed *mutatis mutandis* by the provisions of Article 300 of this Law.

#### 6.2.4. Authorised Capital

##### Authorised Shares

#### Article 313

In addition to issued shares, a joint-stock company may also have authorised shares of a specific type and class, if this is provided by the Articles of Association, but the number of authorised shares must at all times be lower than half the number of issued ordinary shares.

Authorised shares may be issued in case of capital increase through new contributions or for the purpose of exercising the rights of holders of convertible bonds and warrants.

The General Meeting shall pass a decision on authorised shares which shall contain the essential elements of authorised shares and may also contain an authorisation for the Board of Directors, or the Supervisory Board if a company has a two-tier management system, to issue duly authorised shares within a period set by the decision.

The period referred to in paragraph 3 of this Article may not be longer than five years of the date of passing of the decision and may be extended by an amendment to the Articles of Association or a decision of the General Meeting before its expiration, but the period of any such extension may not be longer than five years.

Notwithstanding paragraph 3 of this Article, a decision of the General Meeting shall not be necessary if all elements required under paragraph 3

of this Article are provided by the Articles of Association.

A decision referred to in paragraph 3 of this Article shall be registered in accordance with the law on registration.

### 6.3. Share Capital Reduction

#### Passing and Content of Decision

##### Article 314

A decision on share capital reduction shall be passed by the General Meeting by a three-quarters majority of the voting power present within each class of shares with the right to vote on the issue.

Notwithstanding the foregoing, a decision on share capital reduction may be passed by the Board of Directors, or the Supervisory Board if a company has a two-tier management system, in case of cancellation of a

company's own shares, if such authority is given by a decision of the General Meeting provided for in Article 282 paragraph 2 of this Law.

A decision referred to in paragraphs 1 and 2 of this Article shall be registered in accordance with the law on registration not later than three months of the date of its passing.

A decision referred to in paragraph 1 of this Article that is not registered in accordance with paragraph 3 of this Article shall be null and void.

A decision on share capital reduction shall specify the objective, the volume and the manner of such reduction, including in particular whether share capital reduction will be carried out pursuant to Article 320 or Article 321 of this Law.

If share capital reduction is carried out pursuant to the provisions of Article 319 of this Law pertaining to creditor protection, a decision on share capital reduction shall also include an invitation to creditors to lodge their claims for the purpose of providing security.

##### Article 315

(Deleted)

#### Method of Share Capital Reduction

##### Article 316

A company's share capital may be reduced through:

- 1) Withdrawal and cancellation of shares held by shareholders;
- 2) Cancellation of company's own shares;
- 3) Reduction of par value of shares, or of their accounting value in case of non-par shares.

Reduction of a company's share capital shall be subject to the provisions of this Law pertaining to creditor protection, unless provided otherwise by this Law.

#### Assumptions for Withdrawal and Cancellation of Shares

##### Article 317

Withdrawal and cancellation of a company's shares may be done only if such possibility was provided by the Articles of Association before the subscription of shares to be withdrawn and cancelled.

Notwithstanding the foregoing, withdrawal and cancellation of shares may also be done if such possibility was not provided by the Articles of Association before the subscription of shares to be withdrawn and cancelled, provided that a decision on share capital reduction through withdrawal and cancellation of shares is passed with the consent of every shareholder whose shares are withdrawn and cancelled, as well as any third parties that hold rights attached to those shares and subscribed in the Central Registry.

A decision of the General Meeting on share capital reduction through withdrawal and cancellation of shares referred to in paragraph 2 of this Article must specify the conditions, the terms for and the manner of withdrawal and cancellation of shares, insofar as these are not provided by the Articles of Association.

#### Equal Treatment of Shareholders of Same Class

##### Article 318

Shareholders of the same class shall be accorded equal treatment in the procedure of a company's share capital reduction.

Equal treatment of shareholder referred to in paragraph 1 of this Article shall be ensured through proportionate withdrawal and cancellation of shares held by all shareholders of a given class of shares, or

through proportionate reduction of par or accounting value of shares held by all shareholders of a given class of shares.

An amount of share capital reduction must be such that it enables compliance with the equal treatment principle in accordance with paragraph 2 of this Article.

Any decision on share capital reduction passed contrary to the equal treatment principle shall be null and void.

#### Creditor Protection

##### Article 319

The register of economic operators shall repeatedly publish a decision on reduction of a company's share capital for three consecutive months starting from the date of registration of in accordance with Article 314 paragraph 3 of this Law.

A company shall also send individual written notices of such decision not later than 30 days of registration of such decision to all creditors known to the company whose individual claims amount to minimum 2,000,000 dinars as an equivalent of any currency translated at the middle exchange

rate of the National Bank of Serbia on the date of registration of the decision on share capital reduction in accordance with Article 314 paragraph 3 of this Law.

Creditors whose claims arose before the expiration of 30 days of the date of publication of a decision on reduction of a company's share capital in accordance with paragraph 1 of this Article, regardless of the maturity dates of such claims, may demand security for such claims from the company until the expiration of the period of publication of such decision in accordance with paragraph 1 of this Article.

Creditors who demanded security for their claims in accordance with paragraph 3 of this Article, but did not receive such security within three months of expiration of the period referred to in paragraph 1 of this Article and did not receive any settlement from the company may bring legal action against the company before the competent court to obtain institution of security for their claims, insofar as they can demonstrate that the settlement of their claims is prejudiced by such share capital reduction.

When deliberating an action provided for in paragraph 3 of this Article, a court shall take into account in particular whether the security thus demanded is necessary for the purpose of creditor protection taking into account the company's assets.

Notwithstanding paragraph 3 of this Article, security for claims may not be demanded by:

- 1) Creditors with first and second priority claims within the meaning of the law governing bankruptcy;
- 2) Creditors whose claims are secured.

In case of share capital reduction, a company may make payments to its shareholders only upon the expiration of 30 days of the date of registration of share capital reduction in accordance with the law on registration.

#### Exemptions from Provisions on Creditor Protection in Case of Cancellation of Shares

##### Article 320

The provisions of Article 319 of this Law pertaining to creditor protection shall not apply in the following cases:

- 1) In case of acquisition of own shares that were acquired unencumbered by a company and are fully paid in;
- 2) When fully paid-in shares are withdrawn and cancelled through payments from reserves available for that purpose, in which case a company shall comply with the provisions of Article 275 of this Law pertaining to payment restrictions;
- 3) When simultaneously with the withdrawal and cancellation of non-par shares there is an increase in the participation of remaining shares in a company's share capital or, in case of shares with par value, an increase in the par value of the remaining shares so that there is no reduction of a company's share capital;
- 4) When simultaneously with the withdrawal and cancellation of shares new shares are issued with the same par value (or accounting value in case of non-par shares) as the withdrawn ones.

#### Exemptions from Provisions on Creditor Protection in Case of Share Capital Reduction without Changes in Net Assets

## Article 321

Any reduction of a company's share capital that does not result in a change of its net assets shall be exempted from the provisions of Article 319 of this Law pertaining to creditor protection.

A company's net assets shall not be changed in case of share capital reduction for the purposes of:

- 1) Loss coverage;
- 2) Formation or increase of reserves for covering any future losses or for share capital increase from a company's net assets.

A reduction of a company's share capital referred to in paragraph 2 item 1) of this Article may be done only if a company does not have at its disposal retained earnings and reserves that can be used for those purposes and only in an amount that does not exceed the amount of loss to be covered.

The reserves referred to in paragraph 2 item 2) of this Article may not exceed 10% of share capital upon capital reduction.

Capital reduction in accordance with the provisions of this Article may not serve as basis for distributions to shareholders or for release of shareholders from their obligation to pay in and/or make outstanding subscribed contributions to a company.

Subscription of Share Capital Reduction in Central Registry

## Article 322

After registration of a decision on share capital reduction, a company shall file an application with the Central Registry for the subscription of changes resulting from share capital reduction, with which it shall enclose:

- 1) The relevant decision on share capital reduction;
- 2) Evidence of registration of the decision referred to in item 1) of this paragraph in accordance with the law on registration;
- 3) Information on any changes to be subscribed and on shareholders on whose accounts such changes are to be subscribed;
- 4) A written statement of the chairperson of the Board of Directors, as well as the chairperson of the Supervisory Board if a company has a two-tier

management system, of compliance with statutory requirements for a capital reduction.

An application referred to in paragraph 1 of this Article shall be filed within five business days of the date of registration of a decision on share capital reduction in accordance with the law on registration.

In case of capital reduction a company was required to make under Article 319 of this Law, the company shall file an application referred to in paragraph 1 of this Article after it has implemented a creditor protection procedure and shall provide with it the following in addition to the documentation referred to in paragraph 1 of this Article:

1) Evidence of publication of a decision referred to in paragraph 1 item 1) of this Article in accordance with Article 319 of this Law;

2) A written statement of the chairperson of the Board of Directors, as well as the chairperson of the Supervisory Board if a company has a two-tier management system, to the effect that all claims which creditors sought to secure or settle in accordance with Article 319 paragraph 3 of this Law have been secured or settled and/or that such creditors did not bring legal action before the competent court within the statutory period and/or that the competent court refused to order the institution of security in favour of such creditors.

Directors and Supervisory Board members shall be jointly and severally liable to their company's creditors for any damage resulting from reduction of a company's share capital if a statement referred to in

paragraph 1 item 4) or a statement referred to in paragraph 2 item 2) of this Article was inaccurate.

Registration of Share Capital Reduction and Effectiveness of Registration

## Article 323

Upon registration of any changes resulting from share capital reduction in the Central Registry, a company shall register such share capital reduction in accordance with the law on registration.

A company's share capital shall be deemed to be reduced as at the date of registration in accordance with paragraph 1 of this Article.

Maximum Amount of Reduction

## Article 324

A decision on reduction of a company's share capital below the minimum share capital provided for in Article 293 of this Law may be passed only if a simultaneous share capital increase is carried out in accordance with Article 325 of this Law so that the result of such reduction and increase of share capital is at least equal to the minimum amount of share capital provided for in Article 293 of this Law.

In cases referred to in paragraph 1 of this Article, if a company does not pass a simultaneous decision on share capital increase in accordance with that paragraph and if it fails to carry out such increase, a decision on share capital reduction shall be null and void.

## Simultaneous Reduction and Increase of Share Capital

### Article 325

A company may pass a decision to simultaneously reduce its share capital on one basis and increase it on another basis.

In cases referred to in paragraph 1 of this Article, the provisions of this Law pertaining to reduction and increase of a company's share capital shall apply respectively.

## 7. Management of Company

### Company Bodies

#### Article 326

Management of the company may be organised as a single-tier management system or as a two-tier management system.

In case of a single-tier management system, company bodies shall include:

- 1) General Meeting;
- 2) One or more directors, i.e. the Board of Directors.

In case of a two-tier management system, company bodies shall include:

- 1) General Meeting;
- 2) Supervisory Board;

- 3) One or more executive directors, i.e. the Executive Board.

In a sole-member company, the function of the General Meeting shall be exercised by the sole shareholder.

The Articles of Association shall specify whether a company's management is organised according to a single-tier management system or a two-tier management system.

Any change in the type of management system shall be made by means of amendments to the Articles of Association.

### 7.1. General Meeting

#### 7.1.1. General Rules

#### Application of Provisions pertaining to General Meeting

##### Article 327

The provisions of this Law pertaining to a company's General Meeting shall apply to all joint-stock companies regardless of the type of their management system.

#### Composition of General Meeting and Shareholders' Rights

##### Article 328

The General Meeting shall be composed of all shareholders.

Every shareholder shall have the right to participate in the General Meeting, which includes in particular:

- 1) The right to vote on issues voted on by his/her class of shares;
- 2) The right to take part in the discussion of items on the General Meeting agenda, including the right to give proposals, to ask questions in connection with the General Meeting agenda and to receive answers, in accordance with the Articles of Association and the Rules of Procedure of the General Meeting.

Notwithstanding the foregoing, the Articles of Association may specify a minimum number of shares a shareholder must hold in order to be able to participate in person in the General Meeting, which may not be higher than 0.1% the total number of shares of a relevant class.



Shareholders who individually do not hold the threshold number of shares in accordance with paragraph 3 of this Article shall be entitled to participate in the General Meeting through a joint proxy holder or to vote in absentia in accordance with this Law.

The Articles of Association or the Rules of Procedure of the General Meeting may impose only such restrictions of the right to participate in the General Meeting that are aimed at ensuring the orderly conduct of a General Meeting session.

#### Competences of General Meeting

##### Article 329

The General Meeting shall decide on:

- 1) Amendments to the Articles of Association;
- 2) Share capital increases and reductions, as well as any issue of securities;
- 3) Number of approved shares;
- 4) Changes in rights or privileges attached to any class of shares;
- 5) Status changes and changes of legal form;
- 6) Acquisition and disposal of high-value assets;
- 7) Profit distribution and loss coverage;
- 8) Adoption of financial statements, as well as of audit reports if financial statements were audited;
- 9) Adoption of reports of the Board of Directors, or of the Supervisory Board if a company has a two-tier management system;
- 10) Remuneration of directors, or members of the Supervisory Board if a company has a two-tier management system, or rules for the determination of such remuneration, including remuneration payable in shares and other securities of the company;
- 11) Appointment and removal of directors;
- 12) Appointment and removal of Supervisory Board members, if a company has a two-tier management system;
- 13) Initiation of liquidation and filing for bankruptcy;

14) Appointment and compensation of the auditor;

15) Other issues included in the agenda of the General Meeting in accordance with this Law;

16) Other issues in accordance with this Law and the Articles of Association.

#### General Meeting Sessions

##### Article 330

General Meeting sessions may be ordinary or extraordinary.

#### Shareholders' Day

##### Article 331

A Shareholders' Day shall be a day on which a list of shareholders entitled to participate in a General Meeting session is drawn up and it shall be the tenth day before the date of such session.

A company shall draw up a list of shareholders referred to in paragraph 1 of this Article on the basis of a certificate from the central records of shareholders maintained at the Central Registry.

A shareholder included in a list referred to in paragraph 1 of this Article who transfers his/her shares to a third party after the Shareholders' Day to a third party shall retain the right to participate in such General Meeting session based on shares he/she held on the Shareholders' Day.

The Board of Directors, or the Executive Board if a company has a two-tier management system, shall send the list referred to in paragraph 1 of this Article in writing or electronically on written request to every shareholder included in such list without delay, and in any case not later than on the first succeeding business date after the date of receipt of a request.

Notwithstanding paragraph 4 of this Article, in case of a public joint-stock company with more than 10,000 shareholders as at the Shareholders' Day, it shall be deemed that the company complied with the obligation provided for in that paragraph if it gives all shareholders who made a request access to the list referred to in paragraph 1 of this Article on company premises starting from the first succeeding business day after the Shareholders' Day until the day preceding the date of a General Meeting session, of

which fact shareholders shall be duly informed in the relevant notice of General Meeting.

#### Venue of Session

##### Article 332

Sessions shall as a rule be held in a company's registered office.

The Board of Directors, or the Supervisory Board if a company has a two-tier management system, may decide to hold a General Meeting session in another venue, if warranted to facilitate the organisation of that General Meeting session.

#### Chairperson of General Meeting

##### Article 333

A General Meeting session shall be chaired by the chairperson of the General Meeting appointed by the Articles of Association, or a person elected in each General Meeting session in accordance with the Articles of Association or the Rules of Procedure of the General Meeting, and if the Articles of Association and Rules of Procedure of the General Meeting do not provide a procedure of appointment of the chairperson of the General Meeting, the chairperson of the General Meeting shall be a person holding or representing the highest individual number of votes attached to ordinary shares in the total voting power present with ordinary shares.

If the Rules of Procedure of the General Meeting stipulate that the chairperson of the General Meeting is elected by the General Meeting, the Articles of Association or the Rules of Procedure of the General Meeting may stipulate that a chairperson of the General Meeting who is once elected shall perform that function in all subsequent General Meeting sessions, until the election of a new chairperson in accordance with the Articles of Association and/or the Rules of Procedure of the General Meeting.

Notwithstanding the foregoing, a General Meeting session may be chaired by a person appointed by a court in accordance with Article 339 of this Law to act as chairperson of the General Meeting.

#### Rules of Procedure of General Meeting

##### Article 334

At its first session, acting on proposal of the chairperson of the General Meeting or shareholders

holding or representing minimum 10% of voting power present, the General Meeting shall adopt the Rules of Procedure of the General Meeting by a majority of the voting power present, unless a higher majority is provided by the Articles of Association.

The Rules of Procedure of the General Meeting shall govern in detail the manner of operation and decision-making of the General Meeting in accordance with this Law and the Articles of Association.

The General Meeting may at any session, acting proposal of the chairperson of the General Meeting or shareholders holding or representing minimum 10% of voting power present, adopt amendments to the Rules of Procedure of the General Meeting by a majority referred to in paragraph 1 of this Article.

#### Notice

##### Article 335

A notice of a General Meeting session sent to shareholders (hereinafter referred to notice of General Meeting) shall include in particular:

- 1) The date of sending;
- 2) The time and venue of session;
- 3) A draft agenda, with clear indication of items on which voting of the General Meeting is proposed and indication of the class and total number of shares entitled to vote on such decision and the required majority;
- 4) Information on ways to receive session handouts;
- 5) Instruction on shareholders' rights in connection with their participation in the General Meeting and clear and precise information about the rules for exercising those rights, which rules must be in accordance with this Law, the Articles of Association and the Rules of Procedure of the General Meeting;
- 6) A proxy form, if a company stipulated the mandatory use of such form in accordance with Article 344 of this Law;
- 7) A notification concerning the Shareholders' Day, with an explanation that only those shareholders who are the company's shareholders on that date shall be entitled to participate in the General Meeting.

A notification referred to in paragraph 1 item 7) of this Article shall include in particular:

- 1) Information on shareholder's rights to propose an agenda and to raise questions, with a timeframe for the exercise of those rights, however such notification may contain only the timeframe if it clearly states that detailed information concerning the exercise of those rights is available on the company's web page;
- 2) A description of the procedure of voting by proxy, including in particular information about the way in which the company allows shareholders to submit notices of appointment of proxies electronically;
- 3) A description of the procedure for voting in absentia, as well as for voting electronically if this is provided by the Articles of Association, including any forms required for such voting.

A notice of General Meeting shall be sent to persons who are shareholders of the company concerned on the date when the Board of Directors or the Supervisory Board decided to convene the General Meeting, or the date of passing of a court decision if the General Meeting is convened by court order:

- 1) To the addresses of shareholders stated in the records of shareholder information and such notice shall be considered delivered on the date of its sending by registered mail, or by electronic mail if a shareholder agreed in writing to a different method of invitation, or
- 2) By publication on the company's web page and the web page of the register of economic operators.

A public joint-stock company shall also publish its notices of General Meeting on the web page of a regulated market or multilateral trading

platform where its shares are listed and it must always publish all notices of General Meeting on its web page.

Publication in accordance with paragraph 3 item 2) and paragraph 4 of this Article must last at least until the date of General Meeting session.

A company's Articles of Association may stipulate that notice of General Meeting is also to be published in at least one top-selling daily newspaper with nationwide distribution in the Republic of Serbia.

A company need to include the elements referred to in paragraph 1 items 4), 6) and 7) of this Article in a notice of General Meeting if it states the web pages from which such data and/or documents can be downloaded.

A company shall bear all costs of publication and sending of its notices of General Meeting.

If a company is unable to post the forms referred to in paragraph 2 item 3) of this Article on its web page for technical reasons, it shall specify on its web page how such forms may be obtained in hard copy, in which case it shall send such forms by mail free of charge to every shareholder who requests them.

Session handouts for General Meeting must be made available to shareholders at the time of sending of notice:

- 1) On the company's premises during normal working hours, either in person or through a proxy, or
- 2) On the company's web page, so that shareholders may download them in their entirety.

The Articles of Association may also stipulate other ways of making session handouts available to a company's shareholders.

A public joint-stock company shall publish on its web page together with a notice of General Meeting also the total number of shares and voting rights as at the date of publication of such notice, including the number of shares of each class with the right to vote on individual items of the agenda.

A General Meeting of a company other than a public joint-stock company may be held even without compliance with the provisions of this Article if all shareholders attend and if none of them oppose it.

## Agenda

### Article 336

An agenda shall be determined by a decision on convocation of the General Meeting passed by the Board of Directors, or the Supervisory Board if a company has a two-tier management system.

The General Meeting may decide and debate only on items included in the agenda.

### Right to Propose Amendments to Agenda

#### Article 337

One or more shareholders who hold or represent minimum 5% of voting shares may propose to the Board of Directors, or the Supervisory Board if a company has a two-tier management system, additional items to be included in the General Meeting agenda for debate and additional items for decision-making by the General Meeting, provided that they duly explain their proposal or submit the text of a proposed decision.

A proposal referred to in paragraph 1 of this Article shall be made in writing, with details of its claimants, and may be sent to the company concerned not later than 20 days before the date of an ordinary General Meeting session, or not later than ten days before the date of an extraordinary General Meeting session.

A public joint-stock company shall publish a proposal referred to in paragraph 1 of this Article on its web page not later than the first succeeding business day of the date of receipt.

If the Board of Directors, or the Supervisory Board if a company has a two-tier management system, accepts a proposal referred to in paragraph 1 of this Article, the company concerned shall submit the new agenda without delay to all shareholders entitled to participate in the General Meeting as provided by Article 335 paragraphs 3 through 5 of this Law.

#### Court-ordered Amendments to Agenda

#### Article 338

If the Board of Directors, or the Supervisory Board if a company has a two-tier management system, does not accept a proposal referred to in Article 337 of this Law within three days of receipt, a claimant of such proposal shall have the right to seek within a further period of three days a court award in non-litigious proceedings ordering the company to include the proposed items in the General Meeting agenda.

In an award upholding a request referred to in paragraph 1 of this Article, a court shall determine new items of the agenda and forthwith, and in any case not later than the first succeeding business day, serve the award on the company concerned, which shall forward the decision without delay to shareholders entitled to participate in the General Meeting as provided by Article 335 paragraphs 3 through 5 of this Law.

A court, having weighed the merits of each specific case, may decide that an award referred to in paragraph 2 of this Article is to be published at the expense of the company concerned in at least one top-selling daily newspaper with nationwide distribution in the Republic of Serbia.

If new items of an agenda include also proposals of specific decisions, a court award referred to in paragraph 2 of this Article must include the text of those decisions.

The proceedings referred to in paragraph 1 of this Article shall be expedited and a court shall decide on such request within eight days of the date of receipt.

Lodging of an appeal against an award referred to in paragraph 2 of this Article shall not stay its execution.

#### Court-ordered Conduct of Session

#### Article 339

If an ordinary session is not held within the period provided by this Law, a shareholder entitled to participate in the General Meeting, a director or a member of the Supervisory Board if a company has a two-tier management system, may, within three months of expiration of the period for holding an ordinary session, seek a court award in non-litigious proceedings ordering the holding of such session.

If the Board of Directors, or the Supervisory Board if a company has a two-tier management system, fails to decide on a shareholder's request for convocation of an extraordinary session within eight days of the date of receipt of a request, or if it rejects a request within the said period, but fails to notify the claimant within the same period, or if an extraordinary session is not held within 30 days of the date of receipt of a request, each claimant may, within a further period of 30 days, seek a court award in non-litigious proceedings ordering the holding of such session.

A request referred to in paragraph 2 of this Article shall be deemed to have been received by the company upon expiration of three days of its sending, if it was sent to the company's registered office by registered mail.

A court award ordering the holding of a session referred to in paragraphs 1 or 2 of this Article shall specify the time and venue of the session, the

manner of announcing and sending notice of the session and the agenda of the session.

If justified taking into account the merits of each specific case, by an award referred to in paragraph 4 of this Article a court may also appoint a person who will, in accordance with that award, announce the convening of the session, invite the shareholders and chair the session.

The costs of actions referred to in paragraph 4 of this Article and the costs incurred by persons referred to in paragraph 5 of this Article shall be paid in advance by the claimant under the relevant court award.

In a court award referred to in paragraph 4 of this Article, a court shall impose on the company concerned an obligation to cover the costs referred to in paragraph 6 of this Article, as well as all costs associated with the organisation of the session.

Proceedings pursuant to a request paragraph 1 of this Article shall be expedited and a court shall decide on such request within eight days of the date of receipt.

#### Voting in Absentia

##### Article 340

Shareholders may vote in writing without attending a session, provided they have certified their signatures on the voting form in accordance with the law governing certification of signatures.

The Articles of Association may waive the signature certification requirement referred to in paragraph 1 of this Article.

A shareholder who voted in absentia shall be deemed to be present for the purposes of voting on the items of the agenda on which he/she voted.

#### Participation in General Meeting by Electronic Means

##### Article 341

The Articles of Association or the Rules of Procedure of the General Meeting may provide for participation in the General Meeting by electronic means, including:

1) Through real-time transmission of a General Meeting session;

2) Through two-way real-time transmission of a General Meeting session which enables shareholders to address the General Meeting from a remote location;

3) Through an electronic voting mechanism, either before or during a session, without the need to appoint a proxy who would be physically present in person.

If a company in accordance with paragraph 1 of this Article allows participation in the General Meeting by electronic means, such participation may be restricted only for the purposes of shareholder information and safety of electronic communication and only to the extent that such restrictions are necessary to achieve those purposes.

If technical problems arise during the transmission of a General Meeting session referred to in paragraph 1 item 1) of this Article, the chairperson of the General Meeting shall interrupt the session for as long as such technical problems pertain.

#### Right to ask Questions and receive Answers

##### Article 342

A shareholder entitled to participate in the General Meeting shall have the right to pose questions to the company's directors, and members of the Supervisory Board if a company has a two-tier management system, in connection with items on the agenda, as well as other issues relating to the company, but only to the extent that the answers to those questions are necessary for proper evaluation of issues concerning the items on the agenda.

If the General Meeting of a parent company discusses a consolidated financial statement, the right to ask questions shall cover also the operations of related parties included in such consolidated financial statement.

A director or a member of the Supervisory Board shall answer a shareholder's question referred to in paragraph 1 of this Article during the session.

Notwithstanding paragraph 3 of this Article, an answer may be denied if:

1) It could reasonably be assumed that the answer could be prejudicial to the company or its related party;

2) Answering a question would constitute a criminal offence;

3) Relevant information is already available on the company's web page in the form of questions and answers minimum seven days before the date of the session.

The Articles of Association and the Rules of Procedure of the General Meeting may regulate the procedure of asking questions referred to in paragraph 1 of this Article solely for the purpose of shareholder identification, maintaining order in a session, proper preparation for a session and protection of a company's trade secrets and business interest.

A director or a member of the Supervisory Board may give one answer to several questions with the same content.

If a director or a member of the Supervisory Board refuses to answer a shareholder's question, this fact, together with the reason for such refusal, shall be entered in the minutes.

#### Court-ordered Answering

##### Article 343

In cases provided for in Article 342 paragraph 7 of this Law, if the General Meeting passed a decision on an item of the agenda in connection with which a shareholder asked a question that was not answered, the shareholder concerned shall have the right to seek within eight days of the date of the session a court award in non-litigious proceedings ordering the company to answer the question within eight days.

The right referred to in paragraph 1 of this Article shall also inure to every shareholder who stated for the record that the answer was, in his/her opinion, unreasonably denied.

Proceedings referred to in paragraph 1 of this Article shall be expedited and a court shall decide on such request within eight days of the date of receipt.

#### Voting Proxy

##### Article 344

A shareholder shall have the right to issue a written proxy to a person designated to attend the General Meeting on his/her behalf, including the right to

vote on his/her behalf (hereinafter referred to as "voting proxy").

A proxy holder referred to in paragraph 1 of this Article shall have the same rights with regard to participation in the General Meeting as the shareholder who authorised him.

A company may not introduce special requirements for proxies or limit their number.

If a voting proxy is issued to more than one person, it shall be deemed that every one of them individually is authorised to vote.

If a session is attended by more than one proxy holder of the same shareholder on the basis of the same shares, a company shall accept as proxy holder a person whose voting proxy bears the most recent date and if there is more than one proxy with such most recent date, a company shall accept only one of those persons as proxy holder.

Voting proxy shall be issued in writing and shall include in particular:

- 1) Shareholder's name or registered name, with all details provided for in Article 265 paragraph 1 item 1) of this Law;
- 2) Name of the proxy holder, with all details provided for in Article 265 paragraph 1 item 1) of this Law;
- 3) Number, type and class of shares for which the proxy is issued.

If a natural person issues a voting proxy, it must be certified in accordance with the law governing certification of signatures, unless this requirement is waived by the Articles of Association.

Voting proxy may also be issued electronically, if a company allows such method of issuing proxy.

A public joint-stock company must allow electronic issuing of voting proxy.

If proxy is issued electronically, it must be signed by a qualified electronic signature in accordance with the law governing electronic signatures.

The Articles of Association of a public company must envisage at least one way in which a shareholder or proxy holder may inform a company of electronic issuing of a voting proxy and the only

requirements that may be imposed are those of a formal nature that are necessary for shareholder identification and determination of content of a voting proxy.

A company may require the use of a specific form for voting proxy, provided that such form enables shareholders to issue a proxy with instructions for each item on the agenda.

The Articles of Association or the Rules of Procedure of the General Meeting may impose an obligation on shareholders or proxies to provide a copy of the proxy to the company before the session date, in which case

the last day for provision of voting proxy may not precede the session date by more than three days.

If a voting proxy contains instructions or orders concerning the right to vote, a proxy holder shall act in accordance with those instructions or orders, and if a proxy contains no instructions, a proxy holder shall vote in good faith and in the shareholder's best interest.

Orders and instructions referred to in paragraph 14 of this Article must be clear and specific and they must relate to individual items of the agenda.

After a session a proxy holder shall inform the shareholder concerned of his/her voting in the session.

A proxy holder shall be liable for any damage caused to a shareholder through any exercise of the voting right contrary to paragraph 14 of this Article and such liability cannot be limited or excluded in advance or retrospectively.

If a voting proxy states that it is issued for one General Meeting session, it shall also be valid for a repeated session.

If a voting proxy does not state that it is issued for one General Meeting session, it shall be valid for all subsequent General Meeting session until its withdrawal or expiration.

A voting proxy shall not be transferable.

If a proxy holder is a legal entity, it shall exercise the voting right through its legal representative or another specifically authorised person, who can only be a member of one of that legal entity's bodies or its employee.

## Persons Eligible as Proxies

### Article 345

A proxy holder provided for in Article 344 of this Law may be any person with full capacity.

Notwithstanding the foregoing, if a company has a two-tier management system, a director or a member of the company's Supervisory Board may not act as proxy.

In a public joint-stock company, the proxy of a shareholder may not be a person who is:

- 1) A controlling shareholder of the company or an entity controlled by the controlling shareholder, or
- 2) The company's director or member of the Supervisory Board, or a person acting in that capacity in another company which is the company's controlling shareholder of the company or an entity controlled by the controlling shareholder, or
- 3) An employee of the company or a person with that status in another company which is the company's controlling shareholder of the company or an entity controlled by the controlling shareholder, or
- 4) A person who is, in accordance with Article 62 of this Law, deemed to be a related party of an individual referred to in items 1) through 3) of this paragraph or
- 5) The company's auditor or employee in charge of audit, or a person with that status in another company which is controlling shareholder of the company or an entity controlled by the controlling shareholder.

The provisions of paragraph 3 items 1) through 4) of this Article shall not apply to a proxy of a controlling shareholder.

### Multi-Proxy

### Article 346

If one person is authorised by multiple persons to act as a voting proxy, such person may exercise the voting rights differently for each of those shareholders.

### Special Rule for Proxies Proposed by Company

### Article 347

If a notice of General Meeting contains a proposal of one or more persons to whom shareholders may issue a voting proxy, the notice must specify for each such person all facts and circumstances of relevance for identification of possible conflict of interest in accordance with Article 345 of this Law.

Persons referred to in paragraph 1 of this Article shall inform the Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system, of all facts and circumstances referred to in paragraph 1 of this Article immediately upon learning of their existence.

#### Special Rules for Banks maintaining Omnibus or Custody Accounts

##### Article 348

A bank maintaining omnibus or custody accounts that is entered in central records of shareholders as a shareholder acting on its behalf and for the account of its clients shall be considered a voting proxy holder for all those clients if it presents a voting proxy or a representation orders issued by those clients before attending a session.

A bank referred to in paragraph 1 of this Article may exercise the right to vote on behalf of each of its clients individually.

A voting proxy or representation order must be completed in full at the time of its issuing and can include only elements or statements in connection with the exercise of voting rights.

If a client does not issue specific voting instructions, a voting proxy shall entitle a bank to vote only:

- 1) In accordance with a proposal the bank itself gave its client in connection with the exercise of the right to vote, or
- 2) in accordance with proposals made by the company's Board of Directors, or Supervisory Board if a company has a two-tier management system.

A bank referred to in paragraph 1 of this Article shall inform all clients referred to in paragraph 1 of this Article at least once a year that they are authorised to withdraw or amend a voting proxy at any time.

A bank referred to in paragraph 1 of this Article shall give the clients referred to in paragraph 1 of this Article access to forms (including electronic forms) for issuing of voting proxy or representation orders.

For a period of three years after the date of a session, a bank referred to in paragraph 1 of this Article shall keep copies of all representation orders and voting proxies, either in hard copy or electronically, and shall, on request of a shareholder who issued a representation order or voting proxy, issue written confirmation stating whether it complied with the orders or instructions given in the voting proxy.

A bank referred to in paragraph 1 of this Article shall also comply with any other obligations in connection with acting in General Meeting sessions and voting proxies provided by the law or by decisions of the Securities Commission.

#### Amendment or Withdrawal of Voting Proxy

##### Article 349

A shareholder may amend or withdraw a proxy in writing at any time until the date of a session, provided he/she has informed the proxy holder and the company thereof until the date of the session.

Amendments and withdrawal of voting proxy shall be governed *mutatis mutandis* by the provisions of this Law pertaining to the issuing of proxy.

A proxy shall be deemed to have been withdrawn if a shareholder attends a General Meeting session in person.

#### Admission to Session

##### Article 350

The Articles of Association or the Rules of Procedure of the General Meeting may provide for the manner of identification of shareholders and their proxy holders who are admitted to and participate in a session.

A procedure defined in accordance with paragraph 1 of this Article must be limited solely to identification of persons, to the extent necessary to achieve that purpose.

If the Articles of Association and the Rules of Procedure of the General Meeting do not provide for a procedure referred to in paragraph 1 of this Article, the identity of persons attending a session shall be determined:

- 1) In case of natural persons: by examination of an identity document with a photograph on the spot;



2) In case of a legal entity: on the basis of evidence of status of an authorised officer of the legal entity concerned and by examination of an identity document with a photograph on the spot.

Evidence referred to in paragraph 3 item 2) of this Article shall be an excerpt from a relevant register or a special proxy issued in the name of the person concerned in such person is not named in the excerpt from a register as a representative of the company concerned.

#### Quorum

##### Article 351

Quorum for a General Meeting session shall be constituted by a simple majority of the total number of votes attached to the class of shares entitled to vote on an issue, unless a different majority is provided by the Articles of Association.

Own shares of a given class and shares for which the voting rights are suspended shall not be taken into account for quorum purposes.

Quorum shall also include the votes of shareholders who voted in absentia or electronically.

Quorum for a General Meeting session shall be determined before the commencement of the General Meeting.

The General Meeting may decide on an issue only if a General Meeting session is attended by shareholders or their representatives that hold or represent a required number of votes attached to a class of shares entitled to vote on an issue.

#### Repeated Session

##### Article 352

If a General Meeting session of a joint-stock company is delayed due to a lack of quorum, it may be reconvened with the same agenda so that it is held not later than 30 and not earlier than 15 days of an adjourned session ("repeated session").

Notice of a repeated session shall be sent to shareholders not later than ten days before the date of such repeated session.

If the date of a repeated session is predetermined in the notice of an adjourned session, a repeated session shall be held on that date.

A date referred to in paragraph 3 of this Article ay not fall earlier than eight or later than thirteen days of the date of an adjourned session.

The Shareholders' Day for an adjourned session shall remain valid for a repeated session.

#### Quorum in Repeated Session

##### Article 353

A repeated ordinary session may be held even if the quorum requirement provided for in Article 351 of this Law is not met, unless provided otherwise by the Articles of Association.

Quorum for a repeated extraordinary session shall be one third of the total number of shares with the right to vote for an issue, unless a different number of votes is provided by the Articles of Association.

If there is no quorum in a repeated General Meeting session or if it is not held when due, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall convene a new General Meeting session.

#### Decision-making Majority in Repeated Session

##### Article 354

Decisions in repeated sessions shall be passed by a majority provided for by this Law and the Articles of Association, which in case of a public jointstock company may not be lower than one quarter of the total voting power entitled to vote on an issue.

#### Voting Committee

##### Article 355

The chairperson of the General Meeting shall appoint a minute-keeper and members of a Voting Committee, unless provided otherwise by the Articles of Association or the Rules of Procedure of the General Meeting.

A Voting Committee, consisting of minimum three members, shall:

- 1) Determine a list of persons participating in a session, including in particular shareholders and their proxies, and list which shareholders those proxies represent, except in the case of shareholders whose shares are held by a custody bank on its behalf and for their account;

- 2) Determine the total number of votes and the number of votes of each shareholder and proxy present, as well as the existence of quorum for the General Meeting;
- 3) Determine the validity of every proxy and of instructions given in every proxy;
- 4) Count votes;
- 5) Determine and announce the outcome of voting;
- 6) Deliver ballot sheets for keeping to the Board of Directors, or the Executive Board if a company has a two-tier management system;
- 7) Carry out other duties in accordance with the Articles of Association and the Rules of Procedure of the General Meeting.

A Voting Committee shall act impartially and in good faith in relation to all shareholders and proxies and shall report in writing on its work.

Voting Committee members may not be directors, Supervisory Board members, and candidates for those offices or their related parties.

#### Voting Outcome

##### Article 356

For every decision voted on by shareholders the chairperson of the General Meeting shall determine the total number of shares held by shareholders who voted, the percentage of share capital those shares represent, the total number of votes cast and the number of votes for and against a decision, as well as the number of abstaining shareholders.

Notwithstanding paragraph 1 of this Article, in public joint-stock companies the chairperson of the General Meeting shall be authorised only the existence of a required majority for the passing of a decision, if this is not opposed by any present shareholder.

A public joint-stock company shall publish on its web page not later than three days of the date of a session all decisions passed and the outcome of voting on all items of the agenda on which shareholders voted.

The information referred to in paragraph 3 of this Article must be available on a company's web page minimum 30 days.

A company that fails to comply with paragraphs 3 and 4 of this Article shall provide to every shareholder on request the information referred to in paragraph 3 of this Article within eight days of the date of receipt of a request.

If a company fails to act in accordance with paragraph 5 of this Article, a person who made a request shall have the right to seek within a further period of 30 days a court award in non-litigious proceedings ordering the company to provide the requested information.

#### Voting of Special Classes of Shares

##### Article 357

If certain issues on the agenda need to be voted on by special classes of shareholders, such voting may be held in a General Meeting session or in a specially convened General Meeting session of shareholders of that class ("special General Meeting session"), if so required by shareholders of a special class of shares representing minimum 10% of the total voting power with the right to vote on that issue.

The Articles of Association may exclude the possibility of a special General Meeting session.

The convocation, conduct, determination of quorum and participation in a special General Meeting session shall be governed by the provisions of this Law pertaining to the convocation, conduct, determination of quorum and participation in an ordinary General Meeting session.

#### Qualified Majority

##### Article 358

The General Meeting shall act by a simple majority of the voting power present entitled to vote on an issue, unless a higher number of votes is required for specific issues in accordance with this Law or the Articles of Association.

When counting the voting power present for the purposes of determining the decision-making majority, the votes of shareholders who voted in writing and electronically shall also be taken into account.

#### Voting Agreements

##### Article 359

Any agreement by which a shareholder or a shareholder's proxy undertakes to vote as suggested or instructed by the company, a director or of a Supervisory Board member if a company has a two-tier management system shall be null and void.

Any agreement by which a shareholder undertakes to use his/her voting right in a specific way or to abstain from voting in exchange for privileges or other services approved by the company, by a director or by a member of the Supervisory Board shall be null and void.

#### Manner of Voting

##### Article 360

Voting may be by open ballot or by secret ballot.

The Articles of Association, the Rules of Procedure of the General Meeting or a decision of the General Meeting applicable only to a single session shall provide for the manner and procedure of voting.

If the bylaws referred to in paragraph 2 of this Article do not specify the manner of voting, decisions shall be passed by open ballot.

In case of voting by secret ballot, ballot sheets shall be drawn up in such a way as to give a clear choice to voting persons.

A Voting Committee shall, in addition to its duties provided for in Article 355 of this Law, also determine the total number of ballot sheets, as well as the number of unused and invalid ballot sheets.

If a ballot sheet contains multiple issues to be voted on, the invalidity of a shareholder's vote on one issue shall not affect the validity of his/her votes on other issues.

A shareholder shall vote identically on an issue with all votes he/she holds, except in the case of cumulative voting provided for in Article 384 paragraph 4 of this Law.

#### Voting Rights attached to Pledged Shares

##### Article 361

Voting rights attached to pledged shares shall inure to the benefit of the shareholder as the pledgor.

#### Disqualification to Vote

##### Article 362

A shareholder and his/her related parties shall be barred from voting in sessions deciding on:

- 1) his/her release from liabilities to the company or a reduction of those liabilities;
- 2) Filing or dropping of lawsuits against him;
- 3) Approval of transactions in which such shareholder has a personal interest.

The votes of shareholders barred from voting in accordance with paragraph 1 of this Article shall not be taken into account for quorum purposes.

#### Minutes

##### Article 363

Every decision passed by the General Meeting shall be recorded in the minutes.

The chairperson of the General Meeting shall appoint a minute-keeper to keep the minutes and the chairperson of the General Meeting shall be responsible for proper compiling of minutes.

If a company has a secretary, the secretary shall keep the minutes and shall be responsible for proper compiling of minutes.

The minutes of a General Meeting session shall be compiled within eight days of the date of such session.

Minutes shall contain:

- 1) The venue and date of session;
- 2) The name of person keeping the minutes;
- 3) The names of Voting Committee members;
- 4) A summary of debate on every item on the agenda;
- 5) The manner and outcome of voting on every item on the agenda voted on by the General Meeting, with an overview of all decisions passed;
- 6) For every item on the agenda on which the General Meeting voted: the number of votes cast, the number of valid votes and the number of those who voted "for", "against" and "abstaining";
- 7) Questions asked by shareholders and answers given in accordance with Article 342 of this Law, as well as any objections by dissenting shareholders.

Minutes shall incorporate a list of persons who participated in a General Meeting session and evidence of proper convocation of a session.

Minutes shall be signed by the chairperson of the General Meeting, the minute-keeper or company secretary, if designated, and all members of the Voting Committee.

The chairperson of the General Meeting, or the company secretary if designated, shall, within three days of expiration of the period referred to in paragraph 4 of this Article:

- 1) Send the signed minutes in accordance with paragraph 6 of this Article to all shareholders, or
- 2) Publish them on the company's web page or the web page of the register of economic operators for minimum 30 days.

Any failure to act in accordance with this Article shall not affect the validity of decisions passed in a General Meeting session if the outcome of voting and the content of those decisions can be determined by other means.

#### 7.1.2. Ordinary General Meeting

##### Conduct of Session

###### Article 364

An ordinary General Meeting shall be held once a year, within six months of the end of an accounting year.

Any failure to hold an ordinary General Meeting session shall not affect the legal validity of transactions, actions and decisions of a company.

##### Convocation and Notice of General Meeting

###### Article 365

An ordinary General Meeting session shall be convened by the Board of Directors, or the Supervisory Board if a company has a two-tier management system.

Notice of General Meeting shall be sent not later than 30 days before the scheduled date of a session.

##### Attendance of Other Persons

###### Article 366

As a rule, an ordinary General Meeting session shall be attended and the agenda shall be debated by directors, and Supervisory Board members if

a company has a two-tier management system, and a company's auditor shall also be invited to such session within a period provided for in Article 365 paragraph 2 of this Law.

##### Session Handouts

###### Article 367

The Board of Directors, or the Executive Board, shall make the following documents and information available to shareholders prior to a General Meeting session:

- 1) Financial statements, with an auditor's opinion if the company is subject to mandatory audit in accordance with the law governing accounting and auditing;
- 2) A draft decision on profit distribution, if profit is generated;
- 3) The draft text of every proposed decision, with rationale for its passing;
- 4) The text of every agreement or other transaction proposed for approval;
- 5) A detailed description of every issue put up for debate, with a comment or statement by the Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system;
- 6) In case of a public joint-stock company, a report of the Board of Directors or the Executive Board on the company's financial standing and operations drawn up in accordance with the law governing the capital market ("annual operating report"), as well as a consolidated report on the company's financial standing and operations if it is required to draw up such report under the law governing the capital market ("consolidated annual operating report");
- 7) In case of a public joint-stock company, a report of the Supervisory Board on the company's operation and on supervision of the Executive Board, if a company has a two-tier management system.

Session handouts referred to in paragraph 1 items 1) through 4) and item 6) of this Article shall be agreed

by the Supervisory Board beforehand if a company has a two-tier management system.

In addition to the documents and information referred to in paragraph 1 of this Article, any other documents and information which the Board of Directors, or the Executive Board or the Supervisory Board if a company

has a two-tier management system, believes are of relevance for the functioning and decision-making of the General Meeting, may also be made available to shareholders.

#### Statement of Application of Corporate Governance Code

##### Article 368

A statement of application of a corporate governance code shall be incorporated in annual operating reports of public joint-stock companies and shall include in particular:

- 1) A reference to the corporate governance code a company applies and the place where the text of that code is publicly available;
- 2) All relevant information concerning the corporate governance practice implemented by a company, including in particular any practices that are not specifically required under the law;
- 3) Any deviations from corporate governance rules referred to in item 1) of this paragraph and justification for such deviations.

#### Publication of Annual Operating Reports

##### Article 369

Public joint-stock companies shall publish their annual operating reports and consolidated annual operating reports in accordance with the law governing the capital market and shall register those reports in accordance with the law on registration.

#### Adoption of Annual Financial Statements and Other Reports

##### Article 370

The adoption of annual financial statements or other reports provided for in Article 367 paragraph 1 of this Law shall not affect shareholders' rights if such statements and reports are subsequently shown to have been inaccurate.

Pending the adoption of annual financial statements, the General Meeting may not pass a decision on profit distribution, and if such statements are not adopted until the expiration of the period for holding an ordinary General Meeting session in accordance with Article 364 paragraph 1 of this Law, once that period has expired, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, may not pass a decision on distribution of interim dividend.

#### 7.1.3. Extraordinary General Meeting

##### Holding of Session

##### Article 371

Extraordinary General Meetings shall be held as and when needed, as well as in cases provided by this Law or the Articles of Association.

If it is found during the preparation of annual or other financial statements in accordance with the law that a company operates with a loss due to which the value of its net assets fell below 50% of its share capital, an extraordinary General Meeting must be convened and a notice of such session must specify the reason for convocation and contain a draft agenda which must include a draft decision to liquidate of the company and/or a draft decision on other measures that need to be taken when the situation because of which the General Meeting is convened arises.

##### Convocation of Session

##### Article 372

An extraordinary General Meeting session shall be convened by the Board of Directors, or the Supervisory Board if a company has a two-tier management system:

- 1) On its own initiative;
- 2) On request from shareholders holding minimum 5% of the company's share capital, or shareholders holding minimum 5% of shares within a class with the right to vote on items on the proposed agenda, unless the Articles of Association provide for a lower percentage threshold of the company's share capital or a lower number of shares within a class with the right to vote on items on the proposed agenda.

A request referred to in paragraph 1 item 2) of this Article must include information on every claimant

of such request in accordance with Article 265 of this Law and a reasoned draft agenda for the session.

A request referred to in paragraph 1 item 2) of this Article may be filed by shareholders who acquired that status minimum three months before the submission of such request and who retain such status until the passing of a decision pursuant to the request.

In cases referred to in paragraph 1 item 2) of this Article, the agenda for an extraordinary General Meeting session must be based solely on the

draft agenda included in the pertinent request, except where certain items are outside the scope of the General Meeting.

Notwithstanding paragraph 1 of this Article, an extraordinary General Meeting of a company in liquidation shall be convened by the company's liquidator.

Sending of Notice

Article 373

Notice of an Extraordinary Meeting shall be sent minimum 21 days before the date of such Meeting.

Session Handouts

Article 374

The Board of Directors or the Executive Board, as the case may be, shall prepare for a General Meeting session and make available to shareholders the following documents and information:

- 1) The draft text of every proposed decision, with rationale for its passing;
- 2) The text of every agreement or other transaction proposed for approval;
- 3) Ballot sheets;
- 4) A detailed description of every issue put up for debate, with a comment or statement by the Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system.

Extraordinary General Meeting of Companies other than Public Joint-stock Companies

Article 375

In case of a company that is not a public joint-stock company, an extraordinary General Meeting may be held even without convocation, invitation of shareholders and submission of session handouts in accordance with Articles 373 through 374 of this Law if it is attended by all shareholders entitled to vote on all items on the agenda and if none of them oppose it, unless provided otherwise by the Articles of Association or the Rules of Procedure of the General Meeting.

7.1.4. Rebuttal of Decisions of General Meeting

Right to rebut Decisions

Article 376

One or more shareholders entitled to participate in a General Meeting session may bring legal action before the competent court to rebut a decision passed in that General Meeting session and seek compensation if:

- 1) Such General Meeting session was not convened in accordance with this Law and the Articles of Association;
- 2) Such shareholder was prevented by the company or with the knowledge of any director or a Supervisory Board member from participating in the session in which the decision was passed;
- 3) A decision of the General Meeting was not passed in accordance with this Law, the Articles of Association or the Rules of Procedure of the General Meeting for other reasons;
- 4) A decision of the General Meeting contravenes the law or the Articles of Association;
- 5) Any shareholder endeavours, by exercising the right to vote, to obtain benefits for himself/herself or a third party to the detriment of the company or other shareholders through the passing or implementation of such decision;
- 6) In other cases in accordance with this Law.

The legal action referred to in paragraph 1 of this Article may also be filed by any director, or member of the Supervisory Board if a company has a two-tier management system, if by executing that decision they would:

- 1) Commit a criminal offence or another offence punishable under the law; or

2) Be liable for any damage caused to the company or a third party.

The legal action referred to in paragraph 1 of this Article may be filed within 30 days of learning of a decision of the General Meeting, or of the date of registration if a decision was registered in accordance with the law on registration, but not later than three months of the date when the decision was passed.

The right to file legal action provided for in paragraph 1 of this Article shall not inure to a shareholder who:

- 1) Ceased to be a shareholder of the company concerned after the Shareholders' Date;
- 2) Voted for the proposed decision, if this fact can be proven by examination of the minutes of the session or the Voting Committee report;
- 3) Attended the session, if he/she seeks to rebut a decision in accordance with paragraph 1 item 2) of this Article.

If in the course of proceedings pursuant to legal action referred to in paragraph 1 of this Article a claimant ceases to be a shareholder of the company concerned, the competent court shall dismiss a claim for rebuttal and decide on a claim for damages, if such claim was made.

#### Consequences of Action for Annulment

##### Article 377

Filing of legal action for annulment of a decision shall not stay its execution or registration, or registration of a change pursuant to such decision, in accordance with the law on registration.

The competent court may, on claimant's request, impose an injunction to stay the execution of registration referred to in paragraph 1 of this Article.

On request from a person who filed legal action for the annulment of a decision, a lawsuit shall be registered in accordance with the law on registration.

#### Proceedings pursuant to Legal Action

##### Article 378

Proceedings pursuant to legal action for the annulment of a decision shall be expedited.

If more than one action is filed for the annulment of a single decision, the court shall join all actions into a single proceeding.

#### Consequences of Annulment of Decision by Court Award

##### Article 379

To the extent that it annuls a decision, a judgement shall produce effects against the company concerned and its shareholders, directors and members of the Supervisory Board if a company has a two-tier management system.

If an annulled decision was registered in accordance with the law on registration, the competent court shall submit a judgement referred to in paragraph 1 of this Article to the register of economic operators once it becomes final and enforceable for the purpose of registration in accordance with the law on registration.

In cases referred to in paragraph 1 of this Article, any rights acquired by bona fide third parties on the basis of a voided decision or its execution shall continue in full force and effect.

#### Annulment of Decision on Adoption of Annual Financial Statements

##### Article 380

If a decision on adoption of a company's financial statements is annulled by a judgement, it shall be deemed that a decision on profit distribution for the same year is also annulled by the same judgement and shareholders shall have an obligation to return any dividends received under such decision to the company within 30 days of the date when the judgement becomes final and enforceable.

#### Cases where Decisions are not Annulled

##### Article 381

A decision of the General Meeting shall not be annulled:

- 1) If a decision constitutes a minor breach of the Articles of Association or Rules of Procedure of the General Meeting and the decision or its execution did not result in an infringement or resulted only in a minor infringement of a right of the claimant or another person entitled to file legal action in accordance with Article 376 of this Law;

2) If shareholders who were not entitled to participate in the General Meeting in accordance with this Law did participate in the General Meeting, except where such participation was material for the constitution of a quorum or for the passing of the decision concerned;

3) In case of invalid individual votes or miscounting of votes, except where these were material for the constitution of a quorum or of a qualified majority required to pass the decision concerned;

0) If minutes are incomplete or inaccurate, except where it is not possible to determine the content of the decision or establish grounds for its rebuttal due to such incompleteness or inaccuracy;

5) If it was replaced with another decision passed in accordance with this Law, the Articles of Association and the Rules of Procedure;

6) In case of a decision on a new issue of securities through public offering, if such issue was successful within the meaning of the law governing the capital market;

7) In case of a status change, on the grounds of disproportion in the conversion between equity interest and shares.

In cases referred to in paragraph 1 of this Article, a court shall decide on a claim for damages if such claim was made.

In cases referred to in paragraph 1 item 5) of this Article, a court shall impose on the defendant company an obligation to cover all legal costs of the proceeding and shall decide on a claim for damages if such claim was made, while any rights acquired by bona fide third parties on the basis of a voided decision or its execution shall continue in full force and effect.

## 7.2. Single-tier Management

Requirements and Restrictions for holding the Office of Director

### Article 382

Any person with full capacity may serve as a director.

The Articles of Association may impose other requirements a prospective director must meet.

The following persons shall not be eligible to serve as directors:

1) A person who is a director or Supervisory Board member in more than five companies;

2) A person sentenced for an economic crime, for a period of five years from the date when the judgement became final and enforceable, it being understood that this period is suspended during any prison time served and continues upon release;

3) A person subject to an injunction barring him/her from carrying on a business activity that is the predominant business activity of the company concerned, for as long as such injunction is in effect.

## Number of Directors

### Article 383

A company shall have one or more directors, as provided by the Articles of Association.

If a company has more than three directors, they shall constitute the company's Board of Directors.

A company with one or two directors shall be governed *mutatis mutandis* by the provisions of this Law pertaining to the Board of Directors, except for the provisions pertaining to sessions of the Board of Directors.

A public joint-stock company shall have a Board of Directors, which shall consist of minimum three directors.

A director shall be registered in accordance with the law on registration.

## Appointment of Directors

### Article 384

Directors shall be appointed by the General Meeting.

Prospective directors may be nominated by:

1) A director and/or the Board of Directors;

2) The Nominating Committee, if formed;

3) Shareholders entitled to propose the agenda of a General Meeting session.

In a public joint-stock company, prospective directors may be nominated by the Nominating



Committee and by shareholders entitled to propose the agenda of a General Meeting session.

In a public joint-stock company, directors shall be appointed by cumulative voting, if provided by the Articles of Association.

#### Directors' Term of Office

##### Article 385

Directors shall be appointed for a term set by the Articles of Association, which shall not be longer than four years ("director's term of office").

If the Articles of Association or a decision of the General Meeting on appointment of a director does not specify the duration of a director's term of office, the term of office shall be four years.

A director may be reappointed upon expiration of his/her term of office.

#### Co-optation of Directors

##### Article 386

If the number of directors falls below the number set by the Articles of Association, the remaining director may appoint (a) person(s) who will act as director(s) until the appointment of the missing directors by the General Meeting (co-optation), unless provided otherwise by the Articles of Association.

The number of persons appointed in accordance with paragraph 1 of this Article may not exceed two.

Notwithstanding paragraph 1 of this Article, if the number of appointed directors falls below one half of the number of appointed directors required under the Articles of Association or if it is not sufficient for decision-making or joint representation, the remaining directors shall, without delay and within not more than eight days, convene the General Meeting to appoint the missing directors.

The term of office of a co-opted director shall terminate at the first succeeding General Meeting session and such director may not be engaged under conditions that are more advantageous than those extended to the director he/she replaced.

#### Executive and Non-executive Directors

##### Article 387

Directors may be:

1) Executive directors;

2) Non-executive directors.

If a company has fewer than three directors, each director shall be an executive director.

A public joint-stock company must have non-executive directors and their number must be higher than the number of executive directors.

#### Competences of Executive Directors

##### Article 388

Executive directors shall manage a company's operations and act as its legal representatives, unless the Articles of Association stipulate that only certain executive may represent a company.

If a company has two or more executive directors, they shall jointly manage and represent the company, unless provided otherwise by the Articles of Association or a decision of the General Meeting.

A transaction or action taken against an executive director authorised for representation shall be deemed to have been taken against the company concerned.

In managing the operations of their company, executive directors shall abide by the limitations set by this Law, the Articles of Association, decisions of the General Meeting or decisions of the Board of Directors.

The Articles of Association, a decision of the General Meeting or a decision of the Board of Directors may limit the representation powers of some or all executive directors of a company by requiring the co-signature of the procurator.

An executive director shall neither issue power of attorney for representation nor represent the company in a dispute in which he/she is the counterparty, and if the company has no other executive director authorised to represent the company, such power of attorney shall be issued by the General Meeting.

#### Director General

##### Article 389

Directors may appoint one of the executive directors authorised to represent a company to serve as that company's Director General.

A company's Director General shall coordinate the work of executive directors and organize the company's operations.

The Articles of Association or a decision of the General Meeting may lay down requirements a director must comply with in order to be eligible to serve as Director General and may regulate in detail his/her powers and competences.

#### Non-executive Directors

##### Article 390

Non-executive directors shall supervise the work of executive directors, propose a business strategy for their company and supervise the implementation of that strategy.

Non-executive directors shall decide on granting of authorisation in case of personal interest of an executive director of the company in accordance with Article 66 of this Law.

#### Restrictions on Holding the Office of Non-executive Director

##### Article 391

A person employed at a company may not serve as its non-executive director.

#### Independent Directors

##### Article 392

A public joint-stock company shall have minimum one non-executive director who is also independent from the company ("independent director").

An independent director shall be a person who is not a related party of a company's directors and who, in the two preceding years:

- 1) Did not serve as an executive director and was not employed by the company concerned or in another company related to the company concerned within the meaning of this Law;
- 2) Did not own more than 20% of share capital and was not employed or otherwise engaged by another company which generated more than 20% of its annual revenues from the company concerned in that period;
- 3) Did not receive from the company concerned or its related parties within the meaning of this Law any

payments and/or did not have any claims towards those entities in an amount the total value of which exceeded 20% of his/her annual income in that period;

4) Did not own more than 20% of a company related to the company concerned within the meaning of this Law;

5) Was not engaged to audit the company's financial statements.

If in the course of his/her term in office an independent director no longer complies with the requirements set out referred to in paragraph 2 of this Article, such person shall forfeit the status of an independent director and shall continue to serve as a non-executive director if he/she is eligible to serve as a non-executive director, or as an executive director if he/she is eligible to serve as an executive director.

If a person referred to in paragraph 3 of this Article is not eligible to serve as a director of the company concerned, his/her term of office shall be deemed to have expired on the date when he/she became ineligible.

If a public joint-stock company is left without at least one independent director for any reason, the remaining directors shall, unless they appoint the missing independent director through co-optation, convene an extraordinary General Meeting within 30 days of learning of reasons for termination of an independent director for the purpose of appointing a new independent director.

A public joint-stock company shall appoint a new independent director within 60 days of the date when the remaining directors learned of the reason for termination of an independent director.

#### Directors' Remuneration and Incentives (Bonuses) in the Form of Distribution of Shares

##### Article 393

A director shall be entitled to remuneration for his/her work and may be entitled to incentives in the form of distribution of shares.

The Articles of Association, a decision of the General Meeting or a decision of the Supervisory Board if a company has a two-tier management system shall determine the remuneration and incentives referred to in paragraph 1 of this Article or the manner of their determination.

The amount of remuneration and incentives referred to in paragraph 1 of this Article may depend on a company's performance, but remuneration may not be defined as a share in a company's profits.

The incentives referred to in paragraph 1 of this Article may take the form of shares of warrants of the company concerned or another company related to that company.

In a public joint-stock company, the remuneration and incentives referred to in paragraph 1 of this Article shall be presented separately on a company's financial statements and, to the extent that incentives were provided in shares, the statements shall contain a note on the type, class, number and par value of the shares (or accounting value in case of nonpar shares) which a director acquired or was entitled to acquire on that basis.

#### Termination of Office

##### Article 394

A director's term of office shall terminate upon expiration of the period for which he/she was appointed.

If during the term of office a director becomes ineligible to serve as a director of a company, his/her term of office shall be deemed to have expired on the date when he/she became ineligible.

A director's term of office shall be terminated if the General Meeting does not adopt the company's annual financial statements within the time limit for holding an ordinary General Meeting.

Unless provided otherwise by the Articles of Association, the appointment of a new director upon termination of office of his/her predecessor shall take place in the first succeeding General Meeting, until which time the terminated director shall continue to perform his/her duties, unless his/her position has been filled through co-optation.

#### Removal of Director

##### Article 395

The General Meeting may remove a director before the expiration of his/her term in office without specifying a reason.

#### Resignation of Director

##### Article 396

A director may resign at any time by giving written notice to other directors.

In sole-director companies, the director shall give notice of resignation to the General Meeting or a shareholder with the highest number of voting shares.

A notice of resignation shall become effective in relation to a company as of the date of its service, unless a later date is stated in the notice.

The resignation of a director shall be registered in accordance with the law on registration.

If a company's sole director resigns, he/she shall continue carrying on duties that cannot be delayed until the appointment of a new director for maximum 30 days of the date of registration of his/her notice of resignation in accordance with the law on registration.

#### Appointment of Temporary Representative

##### Article 397

If a company is left without a director and a new director is not registered with the register of economic operators within a further period of 30 days, a shareholder or another interested party may seek the appointment of a temporary representative of the company by court award in non-litigious proceedings.

Proceedings referred to in paragraph 1 of this Article shall be expedited and a court shall decide on such request within eight days of the date of receipt.

#### Competences and Responsibilities of Board of Directors

##### Article 398

The Board of Directors shall:

- 1) Determine a company's business strategy and business objectives;
- 2) Manage a company's operations and define its internal organisation;
- 3) Perform internal control of a company's operations;

- 4) Establish a company's accounting and risk management policies;
- 5) Be responsible for the accuracy of a company's books of account;
- 6) Be responsible for the accuracy of a company's financial statements;
- 7) Issue and withdraw a procura;
- 8) Convene the General Meeting and establish a draft agenda with proposals of decisions;
- 9) Issue authorised shares, if authorised to do so by the Articles of Association or a decision of the General Meeting;
- 10) Determine the issue price of shares and other securities, in accordance with Article 260 paragraph 4 and Article 263 paragraph 3 of this Law;
- 11) Determine the market value of shares in accordance with Article 259 of this Law;
- 12) Decide on acquisition of own shares in accordance with Article 282 paragraph 3 of this Law;
- 13) Calculate the amounts of dividends to which specific classes of shareholders are entitled in accordance with this Law, the Articles of Association and a decision of the General Meeting, determine the date and the procedure of their payment and define the manner of their payment within the powers vested in it by the Articles of Association or a decision of the General Meeting;
- 14) Decide on distribution of interim dividends to shareholders, in case of provided for in Article 273 paragraph 2 of this Law;
- 15) Propose a director remuneration policy to the General Meeting, if such policy is not determined by the Articles of Association, and propose employment contracts or other forms of contracting of directors;
- 16) Execute decisions of the General Meeting;
- 17) Carry out other duties and pass decisions in accordance with this Law, the Articles of Association and decisions of the General Meeting.

Issues within the sphere of competence of the Board of Directors:

- 1) May not be transferred to a company's executive directors;

- 2) May be transferred to the General Meeting only pursuant to a decision of the Board of Directors, unless provided otherwise by the Articles of Association.

#### Duty of Reporting to General Meeting

##### Article 399

The Board of Directors shall submit reports on the following to ordinary General Meeting meetings:

- 1) The accounting and financial reporting practices of the company and its related parties, where applicable;
- 2) Compliance of the company's operations with the law and other regulations;
- 3) Qualifications and independence of the company's auditors in relation to the company, if the company's financial statements were subject to an audit;
- 4) Contracts entered into between the company and its directors and their related parties within the meaning of this Law.

#### Chairperson of Board of Directors

##### Article 400

If a company has a Board of Directors, the directors shall elect one of them to serve as the Board chairperson.

In a public joint-stock company, the chairperson of the Board of Directors must be one of non-executive directors.

The chairperson of the Board of Directors shall convene and chair Board meetings, propose the agenda and be responsible for minute-keeping in Board meetings.

The Board of Directors may remove a chairperson and appoint a new one at any time, without stating reasons.

In case of absence of the Board chairperson, any of the directors may convene a Board meeting and one of the directors shall be elected to chair the meeting at its beginning by a majority of votes of the attending directors, with a proviso that in a public joint-stock company such director must be a non-executive director.

In a public joint-stock company, the chairperson of the Board of Directors shall represent the company in relations with executive directors as provided by the Articles of Association, a decision of the General Meeting or a unanimous decision of non-executive directors.

The chairperson of the Board of Directors shall be registered in accordance with the law on registration.

#### Functioning of Board of Directors

##### Article 401

The Articles of Association may regulate the functioning of the Board of Directors and the Board of Directors may adopt its Rules of Procedure, which must comply with this Law and the Articles of Association (hereinafter referred to as the Rules of Procedure of the Board of Directors).

The Board of Directors of a public joint-stock company must adopt the Rules of Procedure of the Board of Directors at its first meeting.

#### Meetings of Board of Directors

##### Article 402

The Board of Directors of a public joint-stock company shall hold minimum four meetings a year.

If the chairperson of the Board of Directors does not convene a Board meeting upon a written request of any director so that such meeting is held within 30 days of the date of such request, a meeting may be convened by the director concerned, who shall in that case state the reasons for convocation of a meeting and propose a draft agenda.

#### Convocation of Board of Directors Meeting

##### Article 403

Written notice of a meeting of the Board of Directors with an agenda and meeting handouts shall be given to all directors within a period provided by the Articles of Association or the Rules of Procedure of the Board of Directors and if no such period is set, written notice shall be given not later than eight days before the date of a meeting, unless agreed otherwise by all directors.

Decisions adopted in a meeting of the Board of Directors that was not convened in accordance with

this Law, the Articles of Association or the Rules of Procedure of the Board of Directors shall not be valid and enforceable, unless agreed otherwise by all directors.

#### Quorum and Manner of Holding of Board of Directors Meetings

##### Article 404

The quorum for a meeting of the Board of Directors shall be a majority of the total number of directors, unless a higher number is provided by the Articles of Association or the Rules of Procedure of the Board of Directors.

Meetings of the Board of Directors may also be held only in writing or electronically, by phone, by telegraph, by telefax or by other means of audio-visual communication, insofar as no director opposes this in writing, unless provided otherwise by the Articles of Association or the Rules of Procedure of the Board of Directors.

Absent directors may also vote in writing and they shall be deemed to be attending for quorum purposes, unless provided otherwise by the Articles of Association or the Rules of Procedure of the Board of Directors.

#### Presence of Other Persons at Board of Directors Meetings

##### Article 405

Apart from directors, meetings of the Board of Directors may also be attended by members of committees of the Board of Directors, if the agenda includes items within the scope of a committee.

A meeting of the Board of Directors in which a company's financial statements are discussed must be attended by the company's auditor.

Meetings of the Board of Directors may also be attended by other experts invited by the chairperson of the Board of Directors if required for the discussion of specific items on the agenda.

#### Decision-making in Board of Directors Meetings

##### Article 406

The Board of Directors shall act by a majority of votes of directors present, unless a higher majority is

provided by the Articles of Association or the Rules of Procedure.

In case of a tie vote, the chairperson of the Board of Directors shall have the tie-breaking vote, unless provided otherwise by the Articles of Association or the Rules of Procedure.

#### Minutes of Board of Directors Meetings

##### Article 407

Minutes shall be kept of every meeting of the Board of Directors, which shall include in particular the venue and time of a meeting, the agenda, a list of attending and absent directors, a summary of discussion on each issue on the agenda, the outcome of voting and the decisions passed and any dissenting opinions of individual directors.

Minutes shall be signed by the chairperson of the Board or by a director who chairs a Board meeting in chairperson's absence and shall be delivered to every director.

The chairperson of the Board of Directors shall deliver the minutes of a meeting to all directors within eight days of the date of a meeting, unless a different period is provided by the Articles of Association or the Rules of Procedure of the Board of Directors.

Failure to comply with the provisions of this Article pertaining to the keeping, signing and delivery of minutes of a Board of Directors meeting shall not affect the validity of decisions passed.

#### Committees of Board of Directors

##### Article 408

The Board of Directors may form committees to assist it in its work, including in particular for the purpose of drafting or enforcement of its decisions or for the purpose of performing certain technical duties for the Board of Directors.

Members of committees may be directors and other natural persons with adequate knowledge and work experience relevant for the work of a committee.

Committees may not decide on issues falling within the sphere of competence of the Board of Directors.

Committees shall regularly report on their work to the Board of Directors, in accordance with relevant decisions on their formation.

#### Committees of Board of Directors in Public Joint-stock Companies

##### Article 409

The Board of Directors of a public joint-stock company must form an Audit Committee.

In addition to the committee referred to in paragraph 1 of this Article, the Board of Directors of a public joint-stock company may also form the following committees:

- 1) Nominating Committee;
- 2) Compensation Committee;
- 3) Other committees according to a company's needs, if provided by the Articles of Association.

If a public joint-stock company does not have the committees referred to in paragraph 2 of this Article, its Board of Directors shall carry out the duties of those committees.

#### Composition of Board of Directors Committees

##### Article 410

Committee of the Board of Directors shall have minimum three members and in public joint-stock companies one of them must always be an independent director.

Executive directors shall be excluded from deciding on the formation of committees referred to in Article 409 of this Law and they shall not be allowed to nominate committee members.

Notwithstanding Article 408 paragraph 2 of this Law, the majority of members of the Audit Committee, the Nominating Committee and the Compensation Committee in a public joint-stock company must be nonexecutive directors.

The chairperson of the Audit Committee in a public joint-stock company must be an independent director.

At least one member of the Audit Committee must be a person who is a chartered auditor in accordance with the law governing accounting and auditing or has relevant knowledge and work experience in the

fields of finance and accounting and must be a person independent from the company concerned within the meaning of Article 392 of this Law.

A person who is employed or otherwise engaged at a legal entity in charge of auditing a company's financial statements may not serve as a member of that company's Audit Committee.

In case of a public joint-stock company, if none of the non-executive directors comply with the requirements set out in paragraph 5 of this

Article, an Audit Committee member who complies with the said requirements shall be appointed by the General Meeting.

Audit Committee

Article 411

The Audit Committee shall:

- 1) Prepare, propose and monitor the implementation of accounting and risk management policies;
- 2) Give proposals to the Board of Directors for the appointment and removal of persons in charge of internal audit in a company;
- 3) Supervise internal audit operations in a company;
- 4) Review the application of accounting standards in the preparation of financial statements and evaluate the content of financial statements;
- 5) Examine compliance with the requirements for preparation of consolidated financial statements;
- 6) Implement the company auditor appointment procedure and nominate a prospective company auditor, giving an opinion on his/her expert knowledge and independence from the company;
- 7) Give an opinion on a draft contract with the company auditor and, where necessary, make a substantiated proposal for termination of company auditor's contract;
- 8) Supervise the audit procedure, including the identification of key issues subject to audit and review of an auditor's independence and impartiality;
- 9) Perform also other duties in the field of audit entrusted to it by the Board of Directors.

The Audit Committee shall draw up and submit to the Board of Directors reports on issues referred to in paragraph 1 of this Article minimum once a year, unless it is provided by the Articles of Association or a decision of the Board of Directors that all or some reports are to be submitted at shorter intervals.

Nominating Committee

Article 412

The Nominating Committee shall:

- 1) Nominate candidates for directors, giving its opinion and recommendation for appointment;
- 2) Propose relevant eligibility criteria for prospective directors and the procedure for the appointment of directors;
- 3) At least once a year draw up a report on appropriateness of the composition of the Board of Directors and the number of directors and give recommendations in that regard;
- 4) Review a company's human resources policy with regard to the appointment of its top officials and perform other duties in connection with the human resources policy entrusted to it by the Board of Directors.

The Board of Directors shall include in the agenda of the first succeeding General Meeting the proposals and reports referred to in paragraph 1 items 1) through 3) of this Article.

Compensation Committee

Article 413

The Compensation Committee shall:

- 1) Prepare a draft decision on executive director remuneration policy;
- 2) Give proposals on the amount and structure of remuneration of each individual executive director, as well as a proposal for remuneration of the company auditor;
- 3) At least once a year submit to the General Meeting an evaluation report concerning the amount and structure of remuneration of every director;
- 4) Give recommendations to executive directors in connection with the amount and structure of remuneration of top company officials and perform

other duties in connection with the remuneration policy entrusted to it by the Board of Directors.

The Board of shall include in the agenda of the first succeeding General Meeting the proposals and reports referred to in paragraph 1 items 1) through 3) of this Article.

#### Functioning of Board of Directors Committees

##### Article 414

Committees of the Board of Directors shall act by a majority of votes of the total number of their members.

In case of a tie vote, the chairperson of a committee shall cast the tiebreaking vote.

Committee meetings may be attended only by their members, while experts invited unanimously by Committee members may attend a meeting if this is required for the discussion of specific items on the agenda.

#### Liability of Directors

##### Article 415

A director shall be liable to a company for any damage he/she causes to it by violating the provisions of this Law, the Articles of Association or a decision of the General Meeting.

Notwithstanding the foregoing, a director shall not be liable for damage if he/she acted in accordance with a decision of the General Meeting.

If the damage referred to in paragraph 1 of this Article occurs as a result of a decision of the Board of Directors, all directors who voted in favour of such decision shall be liable for the damage.

In cases referred to in paragraph 4 of this Article, any director who abstained from voting shall be deemed to have cast an affirmative vote for the purposes of establishing liability for damage.

In cases referred to in paragraph 4 of this Article, any director did not attend a meeting in which the Board of Directors passed the decision in question and did not vote in favour of such decision by other means shall be deemed to have cast an affirmative vote for the purposes of establishing liability for damage unless he/she opposed the decision in writing within eight days of learning of its passing.

A company's damage claims in accordance with this Article shall be timebarred after three years of occurrence of damage.

A company may not waive a damage claim, except by a decision of the General Meeting passed by a three-quarters majority of the voting power present, subject to an understanding that such decision may not be

passed if it is opposed by shareholders holding or representing minimum 10% of a company's share capital.

#### Reports by Executive Directors

##### Article 416

Unless provided otherwise by the Articles of Association or a decision of the Board of Directors, executive directors shall report to the Board of Directors in writing on:

- 1) The planned business policy and other vital issues in connection with the current and future management of operations, as well as any deviations from current plans and projections, with an explanation of reasons for such deviations, at least once a year, except where changed circumstances call for an extraordinary report;
- 2) Profitability of a company's operations, for meetings of the Board of Directors dedicated to financial statements;
- 3) Operations, income and financial standing of a company on a quarterly basis;
- 4) Ongoing or anticipated operations and business event that could have material implications for a company's business activity and liquidity, as well as for its profitability, whenever such circumstances arise or are expected to arise;
- 5) Other issues in connection with their work for which separate reports are required by the Board of Directors or any director.

The reports referred to in paragraph 1 of this Article shall also cover any subsidiaries of the company concerned.

The chairperson of the Board of Directors shall inform the remaining directors of the reports received or requested from an executive director as



soon as reasonably feasible, but not later than the first succeeding meeting of the Board of Directors.

Every director shall be entitled to access the reports referred to in paragraph 1 of this Article and to receive a copy of those reports, unless decided otherwise by the Board of Directors.

The Board of Directors may decide to have certain reports forwarded also to the committees of the Board of Directors, if directors deem it necessary for their work.

### 7.3. Two-tier Management

#### Company Bodies

##### Article 417

A company with a two-tier management system shall have one or more of executive directors and a Supervisory Board.

If a company has three or more executive directors, they shall constitute an Executive Board.

A public joint-stock company shall have at least three executive directors.

#### 7.3.1. Executive Directors

##### Persons Eligible as Executive Directors

##### Article 418

Executive directors shall be governed by the provisions of Article 382 of this Law pertaining to the requirements for the appointment of company directors.

##### Number of Executive Directors

##### Article 419

The number of executive directors shall be set by the Articles of Association.

Executive directors may not have deputies.

Executive directors shall be registered in accordance with the law on registration.

##### Appointment of Executive Directors

##### Article 420

Executive directors shall be appointed by a company's Supervisory Board.

Candidates for executive directors shall be nominated by the Nominating Committee, if formed.

If a company does not have a Nominating Committee, candidates for executive directors may be nominated by any member of the Supervisory Board.

##### Directors' Term of Office

##### Article 421

The term of office of executive directors shall be governed mutatis mutandis by the provisions of Article 385 of this Law.

##### Competences of Executive Directors

##### Article 422

Issues pertaining to the competences of executive directors shall be governed mutatis mutandis by the provisions of Article 388 of this Law, unless provided otherwise by this Article.

The following operations shall require consent of the Supervisory Board:

- 1) Acquisition, disposal and encumbrance of equity interests and shares held by the company in other legal entities;
- 2) Acquisition, disposal and encumbrance of real property;
- 3) Lending and borrowing operations, collateralisation of the company's assets and issuing of sureties and guarantees for the liabilities of third parties;
- 4) Other transactions within the sphere of competence of the Supervisory Board in accordance with this Law.

The Articles of Association or a decision of the Supervisory Board may:

- 1) Stipulate that consent of the Supervisory Board is not required for the operations referred to in paragraph 2 items 1) through 3) of this Article if such transactions are carried out as part of a company's ordinary business operations; and
- 2) Set the value of the operations referred to in paragraph 2 item 3) of this Article that can be carried out and/or taken without the consent of the Supervisory Board.

The Articles of Association or a decision of the Supervisory Board may identify also other operations that require the consent of the Supervisory Board.

In managing a company's operations, executive directors shall abide by the restrictions on certain operations or types of operations that require the consent of the Supervisory Board or the General Meeting, as provided

by this Law, the Articles of Association, decisions of the General Meeting and decisions of the Supervisory Board.

The Articles of Association, a decision of the General Meeting or a decision of the Supervisory Board, if the Supervisory Board is duly authorised to do so under the Articles of Association, may limit the representation powers of some or all executive directors of a company by requiring the co-signature of the procurator.

An executive director shall neither issue power of attorney for representation nor represent the company in a dispute in which he/she is the counterparty, and if the company has no other executive director authorised to represent the company, such power of attorney shall be issued by the Supervisory Board.

#### Director General

##### Article 423

The Supervisory Board may appoint one of the executive directors authorised to represent a company to serve as that company's Director General.

The Supervisory Board must appoint a Director General if a company has an Executive Board.

A company's Director General shall coordinate the work of executive directors and organize the company's operations.

If an Executive Board meeting is held, the Director General shall chair the session and propose an agenda.

In case of absence of the Director General, any of the executive directors may convene an Executive Board meeting and one of the executive directors shall be elected to chair the meeting at its beginning by a majority of votes of the attending executive directors.

The Articles of Association, a decision of the General Meeting and a decision of the Supervisory Board may stipulate requirements an executive director must meet in order to be eligible to serve as a Director General and may regulate his/her powers and competences in more detail.

A company's Director General shall be registered in accordance with the law on registration.

#### Remuneration of Executive Directors

##### Article 424

The remuneration of executive directors shall be governed *mutatis mutandis* by the provisions of Article 393 of this Law.

#### Termination of Office and Removal of Executive Directors

##### Article 425

An executive director's term of office shall terminate upon expiration of the period for which he/she was appointed.

If during the term of office an executive director becomes ineligible to serve as an executive director of a company, his/her term of office shall be deemed to have expired on the date when he/she became ineligible.

The Supervisory Board may remove an executive director before the expiration of his/her term in office without specifying a reason.

#### Resignation of Executive Directors

##### Article 426

An executive director may resign at any time by giving written notice to the Supervisory Board.

A notice of resignation shall take effect as of the date of its service, unless a later date is stated in the notice.

If a company's sole executive director resigns, he/she shall continue carrying on duties that cannot be delayed until the appointment of a new director for maximum 30 days of the date of registration of his/her notice of resignation in accordance with the law on registration.

If no new executive director is appointed within 60 days of the date when a company was left without

its sole executive director, the register of economic operators shall initiate the procedure of forced liquidation of that company, either ex officio or on request of an interested party.

#### Competences and Responsibilities of Executive Board

##### Article 427

The Executive Board shall:

- 1) Manage a company's operations and define its internal organisation;
- 2) Be responsible for the accuracy of a company's books of account;
- 3) Draw up and be responsible for the accuracy of a company's financial statements;
- 4) Prepare General Meetings and propose an agenda to the Supervisory Board;
- 5) Calculate the amounts of dividends to which specific classes of shareholders are entitled in accordance with this Law, the Articles of Association and a decision of the General Meeting, determine the date and the procedure of their payment and define the manner of their payment within the powers vested in it by the Articles of Association or a decision of the General Meeting;
- 6) Execute Decisions of the General Meeting;
- 7) Carry out other duties and pass decisions in accordance with this Law, the Articles of Association and decisions of the Supervisory Board.

Issues within the sphere of competence of the Executive Board may not be transferred to the Supervisory Board.

#### Company with One or Two Directors

##### Article 428

A company with one or two executive directors shall be governed mutatis mutandis by the provisions of this Law pertaining to the Executive Board, except for the provisions on Executive Board meetings.

#### Functioning of Executive Board

##### Article 429

The Executive Board shall act independently in the management of a company's operations.

The Executive Board decide and act without formal meetings.

If executive directors disagree over an issue, the Director General may convene an Executive Board meeting.

Decisions in a meeting referred to in paragraph 3 of this Article shall be passed by a majority of votes of executive directors and in case of a tie vote the Director General shall cast a tie-breaking vote.

The quorum for and the manner of holding the meetings referred to in paragraph 3 of this Article shall be governed mutatis mutandis by the provisions of Article 404 of this Law.

The Articles of Association and a decision of the Supervisory Board regulate the functioning of the Executive Board and the Executive Board may adopt its Rules of Procedure, which must comply with this Law, the Articles of Association and decisions of the Supervisory Board ("Rules of Procedure of the Executive Board").

#### Liability of Executive Directors

##### Article 430

The liability of executive directors shall be governed mutatis mutandis by the provisions of Article 415 of this Law.

#### Reporting by Executive Directors

##### Article 431

The reporting duty of executive directors shall be governed mutatis mutandis by the provisions of Article 416 of this Law.

#### 7.3.2. Supervisory Board

##### Eligibility Requirements and Limitations for Supervisory Board Membership

##### Article 432

The eligibility requirements and limitations for Supervisory Board membership shall be governed mutatis mutandis by the provisions of Articles 382 and 391 of this Law.

#### Composition of Supervisory Board

#### Article 433

The Supervisory Board shall have minimum three members.

The number Supervisory Board members shall be set by the Articles of Association and it must be odd.

Supervisory Board members shall not have deputies.

Supervisory Board members may not serve as executive directors or procurators of a company.

Supervisory Board members shall be registered in accordance with the law on registration.

#### Appointment of Supervisory Board Members

##### Article 434

Supervisory Board members shall be appointed by the General Meeting.

Candidates for Supervisory Board members shall be nominated by:

- 1) The Supervisory Board;
- 2) The Nominating Committee, if formed;
- 3) Shareholders entitled to propose an agenda of the General Meeting.

#### Term of Office of Supervisory Board members

##### Article 435

The term of office of Supervisory Board members shall be governed mutatis mutandis by the provisions of Article 385 of this Law.

#### Co-optation of Supervisory Board Members

##### Article 436

The co-optation of Supervisory Board members shall be governed mutatis mutandis by the provisions of Article 386 of this Law.

#### Independent Supervisory Board Member

##### Article 437

A public joint-stock company shall have at least one Supervisory Board member who is independent

from the company ("independent Supervisory Board member").

Independent Supervisory Board members shall be governed mutatis mutandis by the provisions of Article 392 of this Law pertaining to independent directors.

#### Remuneration of Supervisory Board Members

##### Article 438

The remuneration of Supervisory Board members shall be governed mutatis mutandis by the provisions of Article 393 of this Law pertaining to remuneration of directors.

#### Termination of Office and Removal of Supervisory Board Members

##### Article 439

The termination of office and removal of Supervisory Board members shall be governed mutatis mutandis by the provisions of Articles 394 and 395 of this Law.

#### Resignation of Supervisory Board Member

##### Article 440

A Supervisory Board member may resign at any time by giving notice in writing to the remaining Supervisory Board members.

A notice of resignation shall become effective as of the date of its service, unless a later date is stated in the notice.

#### Competences of Supervisory Board

##### Article 441

The Supervisory Board shall:

- 1) Determine a company's business strategy and business objectives and oversee their execution;
- 2) Supervise the work of executive directors;
- 3) Perform internal control of a company's operations;
- 4) Establish a company's accounting and risk management policies;
- 5) Endorse financial statements and submit them to the General Meeting for adoption;

- 6) Issue and withdraw a procura;
- 7) Convene General Meetings and establish a draft agenda;
- 8) Issue authorised shares, if authorised to do so by the Articles of Association or a decision of the General Meeting;
- 9) Determine the issue price of shares and other securities, in accordance with Article 260 paragraph 4 and Article 263 paragraph 3 of this Law;
- 10) Determine the market value of shares in accordance with Article 259 of this Law;
- 11) Decide on acquisition of own shares in accordance with Article 282 paragraph 3 of this Law;
- 12) Decide on distribution of interim dividends to shareholders, in case of provided for in Article 273 paragraph 2 of this Law;
- 13) Propose an executive director remuneration policy to the General Meeting, if such policy is not determined by the Articles of Association, and propose employment contracts or other forms of contracting of executive directors;
- 14) Give consent to executive directors for operations or actions accordance with this Law, the Articles of Association, a decision of the General Meeting and a decision of the Supervisory Board;
- 15) Carry out other duties and pass decisions in accordance with this Law, the Articles of Association and decisions of the General Meeting.

Issues within the sphere of competence of the Supervisory Board:

- 1) May not be transferred to a company's executive directors;
- 2) May be transferred to the General Meeting only pursuant to a decision of the Supervisory Board, unless provided otherwise by the Articles of Association.

The Supervisory Board shall decide on granting of authorisation in case of personal interest of a director in accordance with Article 66 of this Law.

Duty of Reporting to General Meeting

Article 442

The duty of reporting by the Supervisory Board shall be governed mutatis mutandis by the provisions of Article 399 of this Law.

Chairperson of Supervisory Board

Article 443

The chairperson of the Supervisory Board shall be governed mutatis mutandis by the provisions of Article 400 of this Law.

Functioning of Supervisory Board

Article 444

The functioning of the Supervisory Board shall be governed mutatis mutandis by the provisions of Article 401 of this Law.

Supervisory Board Meetings

Article 445

Supervisory Board meeting and their convocation, quorum and conduct, attendance of other persons, decision-making and minutes shall be governed mutatis mutandis by the provisions of Articles 402 through 407 of this Law.

Committees of Supervisory Board

Article 446

Committees of the Supervisory Board shall be governed mutatis mutandis by the provisions of Articles 408 through 414 of this Law.

Liability of Supervisory Board Members

Article 447

The liability of Supervisory Board members shall be governed mutatis mutandis by the provisions of Article 415 of this Law.

7.4. Company Secretary

Appointment and Status

Article 448

A joint-stock company may have a company secretary, if this is provided by its Articles of Association.

A company secretary may be employed at the company concerned.

A company secretary shall be appointed and his/her remuneration and other entitlements shall be set by the Board of Directors, or the Supervisory Board if a company has a two-tier management system.

#### Term of Office of Company Secretary

##### Article 449

The term of office of a company secretary shall be four years, unless provided otherwise by the Articles of Association or a decision on his/her appointment.

The effects of termination of office of a company secretary shall be governed *mutatis mutandis* by the provisions of this Law pertaining to termination of office of a company director.

#### Competences of Company Secretary

##### Article 450

Unless provided otherwise by the Articles of Association or a decision on appointment of a company secretary, a company secretary shall be responsible for:

- 1) Preparation of General Meetings and keeping of minutes;
- 2) Preparation of meetings of the Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system, and keeping of minutes;
- 3) Safekeeping of all meeting handouts, minutes and decisions passed in the meetings referred to in items 1) and 2) of this paragraph;
- 4) Communication between a company and its shareholders and enabling of access to the bylaws and to documents referred to in item 3) of this paragraph in accordance with the provisions of Article 465 of this Law.

A company secretary may also have other duties and responsibilities in accordance with the Articles of Association and a decision on his/her appointment.

#### 7.5. Internal Audit

##### Organisation of Internal Audit

##### Article 451

A company shall regulate the implementation and organisation of internal audit by its bylaws.

In public joint-stock companies, at least one person in charge of internal audit must comply with the eligibility requirements for internal auditors laid down by the law governing accounting and auditing.

A public joint-stock company shall stipulate in its Articles of Association or other bylaw the eligibility requirements for a person in charge of internal audit in terms of professional and technical knowledge and experience required for that office.

A person referred to in paragraph 2 of this Article must be employed at the company concerned. may only be engaged in internal audit activities and may not serve as a director or a member of the Supervisory Board if a company has a two-tier management system; such person shall be appointed by the Board of Directors, or the Supervisory Board if a company has a two-tier management system, acting on proposal of the Audit Committee.

##### Internal Audit Duties

##### Article 452

Internal audit duties shall include in particular:

- 1) Control of compliance of operations with relevant laws, other regulations and company bylaws;
- 2) Supervision of implementation of accounting policies and financial reporting;
- 3) Review of implementation of risk management policies;
- 4) Monitoring of compliance of a company's organisation and operations with a corporate governance code;
- 5) Valuation of corporate policies and processes and making of proposals for their improvement.

A person in charge of internal audit shall regularly submit audit reports to the Audit Committee or, in companies that do not have an Audit Committee, to the Board of Directors or the Supervisory Board if a company has a two-tier management system.

#### 7.6. External Audit

##### Auditing of Financial Statements

##### Article 453

Annual financial statements of public joint-stock companies shall be subject to mandatory audit.

A company's auditor shall, before entering into an audit agreement and at least once every year after that during the term of such agreement, submit to the Audit Committee of a public joint-stock company:

- 1) A written declaration of his/her independence from the company;
- 2) Information on all services other than auditing of financial statements he/she rendered to that company in the past.

The auditor of a public joint-stock company must inform that company's Audit Committee of any circumstances that might affect his/her independence from the company and all measures taken to eliminate those circumstances.

The provisions of this Article shall apply mutatis mutandis to all jointstock companies which are required under the law governing accounting and auditing to have their financial statements audited.

Restriction on Termination of Agreement with Auditor during Audit

Article 454

A public joint-stock company may not terminate an audit agreement entered into with an auditor during the course of an audit of financial statements on the grounds of disagreement with that auditor's opinion on those financial statements.

Special and Extraordinary Audit

Article 455

For the purposes of this Law, a special audit shall be audit undertaken to verify:

- 1) An appraisal of a contribution in kind, or
- 2) The value and the terms of acquisition or disposal of high-value assets provided for in Article 470 of this Law.

For the purposes of this law, an extraordinary audit shall be an audit of previously audited financial statements, which may be carried out if:

1) There is a doubt that an audit of financial statements was not in accordance with the law and statutory accounting standards and procedures, or

2) Financial statements do not contain the notes required under accounting standards or such notes are incomplete.

A special audit may be carried out within three years of the date when a contribution in kind was made or when high-value assets were acquired or disposed of, while an extraordinary audit may be carried out within three years of the date of adoption of the audited financial statements.

Motion for Special or Extraordinary Audit

Article 456

A motion for special or extraordinary audit may be made by shareholders holding or representing minimum 10% of voting shares.

A motion referred to in paragraph 1 of this Article, together with an explanation of reasons for the propose special or extraordinary audit, shall be given in writing to the Board of Directors, or the Supervisory Board if a company has a two-tier management system, which shall:

1) Include the motion in the agenda of the first succeeding General Meeting session if the period remaining until such session is shorter than six months or if the period in which an agenda can be amended in accordance with Article 337 paragraph 2 of this Law has not expired, or

2) Convene an extraordinary General Meeting session in accordance with Article 371 of this Law if the period remaining until such session is longer than six months or if the period in which an agenda can be amended in accordance with Article 337 paragraph 2 of this Law has expired.

If the Board of Directors, or the Supervisory Board if a company has a two-tier management system, fails to act in accordance with paragraph 2 of this Article, shareholders who proposed a special or extraordinary audit may file a claim with the competent court in accordance with Article 339 of this Law to obtain an extraordinary General Meeting session which would decide on a motion referred to in paragraph 1 of this Article.

If a motion referred to in paragraph 1 of this Article is not included in the agenda of an ordinary General

Meeting session in accordance with paragraph 2 item 1) of this Article, a claim referred to in paragraph 3 of this Article may be filed within 30 days of the date of such sessions.

#### Passing of Decisions on Special or Extraordinary Audit

##### Article 457

A decision on special or extraordinary audit shall be passed by the General Meeting by a simple majority of the voting power present.

A decision referred to in paragraph 1 of this Article must designate an auditor who will carry out such special or extraordinary audit.

An auditor referred to in paragraph 2 of this Article may not be the same auditor who:

- 1) Made the audited appraisal of a contribution in kind;
- 2) Audited the financial statements for the period in which the acquisition or disposal of high-value assets subject to special audit was carried out;
- 3) Audited the financial statements that are subject to extraordinary audit.

If the General Meeting rejects a motion to carry out a special or extraordinary audit, shareholders who made that motion may seek within 30 days of the date of the General Meeting a court award in non-litigious proceedings on such motion for special or extraordinary audit.

By an award pursuant to a motion for special or extraordinary audit, a court shall appoint an auditor, who shall comply with the requirements set out in paragraph 3 of this Article.

A company must make available all necessary documents and notices demanded by an auditor performing a special or extraordinary audit.

#### No Transfer of Shares during Special or Extraordinary Audit

##### Article 458

In cases provided for in Article 457 paragraph 4 of this Law, on request of the company concerned, a court may pass an award in non-litigious proceedings ordering the Central Registry to register an injunction on the transfer of shares held by a

shareholder on whose motion a decision on special or extraordinary audit was made.

#### Costs of Special or Extraordinary Audit

##### Article 459

The costs of special or extraordinary audits shall be borne by the company concerned.

If a special or extraordinary audit is carried out under a court award, the court shall specify in such award the amount of estimated costs referred to in paragraph 1 of this Article and shall order the company to pay those costs to an appropriate deposit account of the court.

If a company does not pay the amount of estimated costs of a special or extraordinary audit under a court award referred to in paragraph 2 of this Article, the court shall forcibly collect the outstanding amount.

#### Content of Special Audit Report

##### Article 460

A special audit report must be made in writing and must contain substantiated audit findings.

In a report referred to in paragraph 1 of this Article, an auditor must specify whether special audit findings differ from:

- 1) The appraised value of a contribution, if it was subject to special audit, or
- 2) The value and terms and conditions of acquisition or disposal of high-value assets, if they were subject to special audit.

If an auditor finds that the differences referred to in paragraph 2 of this Article are material, he/she must clearly indicate this fact and propose measures to eliminate their consequences.

If an auditor finds that the differences referred to in paragraph 2 of this Article are not material, a motion for special audit shall be deemed to be unjustified.

#### Content of Extraordinary Audit Report

##### Article 461

An extraordinary audit report must be made in writing and must contain substantiated audit findings.



In a report referred to in paragraph 1 of this Article, an auditor must specify whether his/her opinion on the financial statements subject to extraordinary audit differs from the opinion on those financial statements given by the original auditor and he/she must state reasons for any such differences.

If an auditor finds that the differences referred to in paragraph 2 of this Article are material, he/she must propose measures to eliminate their consequences.

If an auditor finds that the differences referred to in paragraph 2 of this Article are not material, a motion for extraordinary audit shall be deemed to be unjustified.

#### Handling of Special or Extraordinary Audit Reports

##### Article 462

A special or extraordinary audit report shall be submitted to the Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system, to the shareholders who made a motion for such audit and to the court, if special or extraordinary audit is carried out under a court award.

If an auditor stated in a report referred to in paragraph 1 of this Article that there were material differences within the meaning of Article 460 paragraph 2 and 461 paragraph 2 of this Law, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall convene an extraordinary General Meeting within eight days of the date of submission of the report to review the report and the General Meeting must be held within 30 days of the date of submission of such report.

The Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall enclose with a report referred to in paragraph 1 of this Article submitted to the General Meeting its written response to the findings contained therein, with a draft decision of the General Meeting.

If the Board of Directors, or the Supervisory Board if a company has a two-tier management system, fails to act in accordance with paragraph 2 of this Article, shareholders who made that motion may seek within 30 days of submission of the report Meeting a court award in non-litigious ordering the convocation of an extraordinary General Meeting referred to in paragraph 2 of this Article.

If in cases referred to in paragraph 2 of this Article the General Meeting does not adopt the report of an auditor who carried out a special or

extraordinary audit or the measures he/she proposed, shareholders who voted for adoption of the report and of measures proposed by the auditor shall have the right to dissent within the meaning of Article 474 of this Law, as well as the right to seek indemnification from the company.

If an auditor stated in a report referred to in paragraph 1 of this Article that there were no material differences within the meaning of Article 460 paragraph 2 and 461 paragraph 2 of this Law, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall put the report on the agenda of the first succeeding General Meeting session.

#### Company's Right to Recover Costs

##### Article 463

If a special or extraordinary audit report shows that a motion for such audit was unjustified, a company shall be entitled to recover the costs of such special or extraordinary audit from the shareholders who made a motion for the audit.

Shareholders who made a motion for special or extraordinary audit shall bear unlimited joint and several liability for the recovery of costs referred to in paragraph 1 of this Article.

#### 8. Company Bylaws and Documents

##### Duty to Keep Company Bylaws and Documents

##### Article 464

A company shall keep:

- 1) Its instrument of incorporation;
- 2) Decision on registration of incorporation;
- 3) Articles of Association and any amendments thereto;
- 4) General company bylaws;
- 5) Minutes of General Meeting sessions and decisions of the General Meeting;
- 6) Bylaws on formation of every branch or other organisational unit;

- 7) Documents evidencing title and other property rights of the company;
- 8) Minutes of meetings of the Board of Directors, or Executive Board and Supervisory Board meetings if a company has a two-tier management system;
- 9) Annual operating reports and consolidated annual reports;
- 10) Reports of the Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system;
- 11) List of addresses of directors and Supervisory Board members if a company has a two-tier management system;
- 12) Agreements entered into between the company and its directors, its Supervisory Board members if a company has a two-tier management system, and or their related parties within the meaning of this Law.

A company shall keep the documents and bylaws referred to in paragraph 1 of this Article in its registered office or at another place that is known and accessible to all directors and to members of the Supervisory Board if a company has a two-tier management system.

A company shall permanently keep the documents and bylaws referred to in 1 items 1) through 5), 8), 9) and 12) of this Article, while all other documents and bylaws referred to in paragraph 1 of this Article must be kept minimum five years, after which they shall be kept in accordance with applicable regulations pertaining to archive material.

#### Access to Company Bylaws and Documents

##### Article 465

The Board of Directors, or the Executive Board if a company has a two-tier management system, shall, upon request in writing made in accordance with Article 81 of this Law, make the bylaws and documents provided for in Article 464 paragraph 1 items 1) through 5) and item 9) of this Law and the company's financial statements available to every shareholder, as well as to every previous shareholder insofar as they relate to the period in which he/she was a shareholder, for the purposes of examination and copying for such member's cost during working hours.

It shall be deemed that the obligation provided for in paragraph 1 of this Article is met with regard to the documents referred to in paragraph 1 of this Article for which a company enabled free access and downloading from its web page free of charge.

Notwithstanding paragraph 1 of this Article, if a company has appointed a company secretary, the secretary shall be responsible for ensuring compliance with the obligation provided for in paragraph 1 of this Article.

The shareholders' right provided for in paragraph 1 of this Article may be restricted only to the extent necessary for the purpose of normal identification of shareholders.

#### Court-ordered Access to Company Bylaws and Documents

##### Article 466

If the Board of Directors, or the Executive Board if a company has a two-tier management system, or the company secretary, if appointed, fails to act pursuant to a request referred to in Article 465 of this Law within five days of the date of receipt of such request, the applicant shall be entitled to seek satisfaction before a court in non-litigious proceedings.

Proceedings referred to in paragraph 1 of this Article shall be expedited and a court shall decide on such request within eight days of the date of receipt.

#### Restrictions on Disclosure of Company Bylaws and Documents

##### Article 467

A person who gains access to a company's bylaws and documents in accordance with Articles 465 and 466 of this Law may not disclose those bylaws and documents in a manner that would be prejudicial to the company or its reputation.

#### 9. Dissolution

##### Manner of Dissolution

##### Article 468

A company shall be dissolved by deletion from the register of economic operators in case of:

- 1) Liquidation or forced liquidation in accordance with this Law;
- 2) Bankruptcy proceedings in accordance with the law governing bankruptcy;
- 3) A status change resulting in the dissolution of a company.

#### Court-ordered Dissolution

#### Article 469

Pursuant to legal action filed by shareholders whose shares account for minimum 20% of a company's share capital, a company court may decide to order the dissolution of a company or other measures if:

- 1) The Board of Directors, or the Executive Board and the Supervisory Board if a company has a two-tier management system, cannot manage a company's operations, either because of mutual disagreement or for other reasons, and the General Meeting is unable to break the deadlock and, as a result, the company's operations can no longer be managed in the best interest of its shareholders;
- 2) A company's shareholders are deadlocked in decision-making in the General Meeting at minimum two consecutive General Meeting sessions and, as a result, that company's operations can no longer be managed in the best interest of that company;
- 3) Directors, or Supervisory Board members if a company has a two-tier management system, are acting unlawfully, dishonestly or fraudulently, contrary to the interests of the shareholders filing such legal action;
- 4) A company's assets are wasted or impaired.

In proceedings pursuant to the legal action referred to in paragraph 1 of this Article, a court may, if the grounds for filing of such action are rectifiable, give the company a period of maximum six months in which to rectify any irregularities.

If a company fails to rectify irregularities within the period referred to in paragraph 2 of this Article, a court shall dissolve the company by a judgement or impose one or more of the following measures:

- 1) Removal of a director from office, or removal of a Supervisory Board member if a company has a two-tier management system;

- 2) Imposition of receivership on the company pending the appointment of new directors, or Supervisory Board members if a company has a two-tier management system;
- 3) An extraordinary audit of the company's financial statements;
- 4) Passing of a decision on profit distribution or payment of participations in profit or dividends;
- 5) Redemption of shares held by the shareholders who filed the action by the company at market value within the meaning of this Law.

A court judgement referred to in paragraph 3 of this Article may also award indemnification by the company of shareholders who filed the action.

#### Part Four ACQUISITION AND DISPOSAL OF MAJOR ASSETS

##### Definition and Basic provisions

#### Article 470

If a company acquires or disposes of assets the purchase value and/or selling value and/or market value of which at the time of passing of a relevant decision accounts for 30% or more of the book value of that company's total assets stated on its most recent annual balance sheet, it shall be deemed that such company is acquiring or disposing of major assets.

Acquisition or disposal of major assets is deemed to include the acquisition or disposal of assets in any way, including in particular any purchase, sale, lease, exchange, institution of lien or mortgage, entering into credit or loan agreements, issuing of sureties and guarantees and taking of any other action that creates a commitment for the company.

Notwithstanding paragraph 1 of this Article, purchase or sale of assets in the course of a company's ordinary business operations shall not constitute acquisition or disposal of major assets.

For the purposes of paragraphs 1 and 2 of this Article, assets shall include items and rights, including real property, movable property, cash, equity interests, securities, receivables, industrial property and other rights.

For the purposes of paragraph 1 of this Article, a single acquisition or disposal shall include also

multiple related acquisitions or disposals carried out over the course of one year, in which case the time of occurrence shall be the time of the most recent acquisition or disposal.

Acquisition or disposal of major assets shall be subject to prior or subsequent authorisation by the General Meeting.

If a company acquires or disposes of major assets, the rules pertaining to rights of dissenting members contained in this Law shall apply mutatis mutandis.

#### Procedure of Acquisition or Disposal of Major Assets

##### Article 471

The Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall draw up a draft decision by which the General Meeting approves the acquisition or disposal of major assets, which decision shall contain:

- 1) An explanation with outlined reasons why the adoption of that decision is recommended;
- 2) A report on the conditions subject to which major assets may be acquired or disposed of.

Session handouts in a General Meeting session in which a decision referred to in paragraph 1 of this Article is to be passed shall include a draft agreement on acquisition or disposal of major assets.

Notwithstanding paragraph 2 of this Article, if a decision authorises an agreement on acquisition or disposal of major assets that has already been entered into, such agreement shall be enclosed with the session handouts for the General Meeting session in which a decision referred to in paragraph 1 of this Article is to be passed.

The General Meeting shall pass a decision on acquisition or disposal of major assets by a three-quarters majority of the voting power present.

#### Consequences of Breach of Provisions on Disposal of Major Assets

##### Article 472

If authorisation required under Articles 470 and 471 of this Law is not obtained, the company concerned or a shareholder holding or representing minimum 5% of that company's share capital may file legal

action for the annulment of the transaction or action of acquisition or disposal of major assets.

Notwithstanding paragraph 1 of this Article, a transaction or action shall not be annulled if the counterparty in the transaction or the action was not, and did not have to be, aware of a breach of Article 471 of this Law at the time of entering into the transaction or taking of the action concerned.

The Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall be jointly and severally liable to the company for any damage the company sustained as a result of acquisition

or disposal of major assets insofar as such acquisition or disposal was carried out without an authorising decision of the General Meeting.

The legal action referred to in paragraphs 1 and 3 of this Article may be filed within three years of the date of acquisition or disposal of major assets.

#### Application Mutatis Mutandis to Limited Liability Companies

##### Article 473

The provisions on acquisition and/or disposal of major assets shall apply mutatis mutandis to limited liability companies, unless provided otherwise by their instrument of incorporation.

#### Part Five SPECIAL RIGHTS OF DISSENTING SHAREHOLDERS

##### Right of Dissenting Shareholders to Share Redemption

##### Article 474

A shareholder may demand of a company to redeem his/her shares if he/she voted against or abstained from voting on a decision:

- 1) On an amendment of Articles of Association that reduces his/her rights provided by the Articles of Association or the law;
- 2) On status change;
- 3) On change of legal form;
- 4) On change of the company's duration;

- 5) Authorising the acquisition or disposal of major assets;
- 6) Changing his/her other rights, if the Articles of Association stipulate that a shareholder is entitled to dissent on these grounds and to receive compensation for the market value of shares in accordance with this Law;
- 7) On withdrawal of one or more classes of shares from a regulated market or multilateral trading platform within the meaning of the law governing the money market.

The right to share redemption and payout provided for in paragraph 1 of this Article shall also inure to shareholders who did not attend a General

Meeting session in which the issues referred to in paragraph 1 of this Article were decided.

A shareholder demanding of a company to redeem his/her shares in accordance with Article 475 of this Law may not seek to rebut the company's decision on which such entitlement is based.

A decision referred to in paragraph 1 of this Article must contain a provision stipulating that it shall come into force once the chairperson of the Board of Directors, as well as the chairperson of the Supervisory Board if a company has a two-tier management system, makes a written declaration that all dissenting shareholders have received full payout for the value of their shares in accordance with Articles 475 and 476 of this Law.

A withdrawal of shares referred to in paragraph 1 item 7) of this Article shall be regulated by the relevant provisions of the law governing the money market.

#### Procedure for Exercising Share Redemption Right

##### Article 475

Session handouts for a General Meeting in which a decision provided for in Article 474 paragraph 1 of this Law is to be passed shall include:

- 1) Notice of the right of dissenting shareholders to have their shares redeemed and a request form for the exercise of that right, with fields for entering the shareholder's name/registered name and place of residence/registered office, as well as the number and class of shares to be redeemed;

- 2) Information on the book value of shares, Information on the market value of shares determined in accordance with Article 259 paragraph 1 of this Law and information on the appraised value of shares determined in accordance with Article 51 of this Law, all of which shall be determined on the date of passing of a decision on convocation of the General Meeting.

A dissenting shareholder wishing to exercise his/her share redemption right may submit a request referred to in paragraph 1 of this Article to the company:

- 1) In a General Meeting session in which a decision provided for in Article 474 paragraph 1 of this Law is to be passed to the chairperson of the General Meeting or a person authorised by him/her, or

- 2) Within 15 days of the date of closing of that General Meeting session.

A company shall, within 60 days of expiration of the period referred to in paragraph 2 item 2) of this Article, pay out to a dissenting shareholder the value of shares covered by a request referred to in paragraph 1 of this Article, which value shall be equal to the highest of the values referred to in paragraph 1 item 2) of this Article.

The payout referred to in paragraph 3 of this Article shall be done in accordance with the operating rules of the Central Registry.

#### Judicial Protection of Dissenting Shareholders' Rights

##### Article 476

A dissenting shareholder may bring legal action before the competent court against the company to obtain the payment of:

- 1) The difference between the received value and the full value of his/her shares determined in accordance with Article 475 paragraph 3 of this Law, if he/she believes that the redemption price paid to him/her by the company for his/her shares is lower than such full value because any of the values referred to in Article 475 paragraph 1 item 2) of this Law was incorrectly determined or if the company made only a partial payment;
- 2) The full value of his/her shares determined in accordance with Article 475 paragraph 3 of this Law, if the company made no payment to him/her on the

basis even though he/she duly filed a request in accordance with Article 475 paragraph 2 of this Law.

The legal action referred to in paragraph 1 of this Article must be filed within 30 days of the date of payout in accordance with Article 475 paragraph 4 of this Article or of expiration of the time limit for such payout if no payment was made.

If more than one legal action referred to in paragraph 1 of this Article is filed, proceedings shall be merged.

If a court passes a final and enforceable judgement in proceedings pursuant to a legal action referred to in paragraph 1 of this Article ordering the company to pay to a dissenting shareholder the difference between the amount received and the full value of shares or to pay out the full value of shares, as the case may be, the company shall have an obligation to recognize and pay out the same value of shares to all other dissenting shareholders of the same class, regardless whether such other shareholders filed legal action referred to in paragraph 1 of this Article.

If a company fails to act in accordance with paragraph 5 of this Article within the period left for compliance with a judgement referred to in paragraph 4 of this Article, any dissenting shareholder may bring legal

action before the competent court to obtain payment of the difference between the amount received and the full value of shares or to obtain payout of the full value of shares in accordance, as determined by such judgement.

Application Mutatis Mutandis to Limited Liability Companies

Article 477

The provisions on the rights of dissenting shareholders shall apply mutatis mutandis to members of a limited liability company, unless provided otherwise by the instrument of incorporation of such company.

## Part Six CHANGE OF LEGAL FORM

### Definition of Change of Legal Form

Article 478

Change of legal form shall mean the transition of a company from one legal form to another in accordance with this Law.

A change of a company's legal form shall not affect its legal personality.

A change of legal form of a company shall be governed mutatis mutandis by the provisions of this Law pertaining to the formation of the relevant company form, unless provided otherwise by this Law.

If a public joint-stock company changes its legal form, it must comply with the requirements for termination of public company status provided by the law governing the capital market.

A company may not change its legal form if it is in liquidation or in bankruptcy, except as a reorganisation measure in accordance with the law governing bankruptcy.

### Drafting of Bylaws and Documents in Connection with Change of Legal Form

Article 479

For the purpose of change of legal form, the Board of Directors shall draft and submit to the General Meeting for adoption the following bylaws and documents:

- 1) Draft decision on change of legal form;
- 2) Draft amendments to the instrument of incorporation for the purpose of harmonisation with the provisions of this Law pertaining to the relevant company form;
- 3) Draft Articles of Association, if a company changes its legal form to a joint-stock company;
- 4) Draft decision on appointment of members of company bodies in accordance with the provisions of this Law governing the relevant company form;
- 5) A report on the need for change of legal form, which must include:
  - (1) An explanation of legal consequences of change of legal form;
  - (2) Reasons and analysis of expected effects of change of legal form;
  - (3) Rationale for the ratio of conversion of shares to equity interests or of equity interests to shares or of equity interests in one company form to equity interests of another company form, depending on the change of legal form in question;

6) Detailed information of the right of company members to dissent from a decision on change of legal form within the meaning of Article 481 of this Law.

If a company has a two-tier management system, the bylaws and documents referred to in paragraph 1 of this Article shall be drafted by the Executive Board, while the Supervisory Board shall endorse them and forward them to the General Meeting for adoption.

#### Implementation of Procedure for Change of Legal Form

##### Article 480

Notification of company members and creditors of change of legal form, invitation to a session in which a decision on change of legal form is to be passed and the procedure of passing such decision shall be governed *mutatis mutandis* by the provisions of this Law pertaining to status changes, unless provided otherwise by this Law.

#### Decision on Change of Legal Form

##### Article 481

A decision on change of legal form of a company shall include in particular:

- 1) The registered name and address of registered office of the company undergoing change of legal form;
- 2) A designation of the new legal form;
- 3) Information on the manner of and conditions for conversion of a company's equity interests to shares or vice versa or of conversion equity interests in one company form to equity interests of another company form, depending on the change of legal form in question.

In joint-stock companies, a decision on change of legal form shall be passed by a three-quarters majority of the voting power present, unless a different majority is provided by the Articles of Association.

Simultaneously with a decision referred to in paragraph 1 of this Article, company members or the General Meeting, as the case may be, shall adopt:

- 1) Amendments to the instrument of incorporation;

2) Articles of Association, in case of change of legal form to a joint-stock company;

3) Decision(s) appointing the members of company bodies.

#### Registration of Change of Legal Form and Legal Consequences

##### Article 482

Registration of change of legal form shall be done in accordance with the law on registration and if a company changes its legal form to become a joint-stock company it shall first register its shares with the Central Registry in accordance with this Law.

If a company changes its legal form to a public joint-stock company or changes from a public joint-stock company to another type of company, the provisions of the law governing the money market relating to the acquisition or forfeiture of status of a public company shall also apply.

Legal effects of a change of legal form shall arise on the date of registration of such change in accordance with the law on registration.

A change of a company's legal form shall have the following legal effects:

- 1) equity interests of the company's members shall be converted to shares or vice versa or equity interests in one company form shall be converted to equity interests of another company form, depending on the change of legal form in question equity interests;
- 2) Legal holders of convertible bonds and warrants or other securities with special rights, other than shares, shall be accorded at least equal special rights after the change of legal form, unless provided otherwise by a decision on issuing of such securities or unless otherwise agreed with their holders;
- 3) Partners and general partners who became company members with limited liability after the change of legal form shall remain jointly and severally liable with the company for any liabilities of the company that arose until the time of registration of change of legal form in accordance with the law on registration.

#### Part Seven STATUS CHANGES

##### 1. Definition and Types of Status Changes

## Definition of Status Change

### Article 483

A status change is the process of reorganisation of a company (hereinafter referred to as “transferring company”) by transferring its assets and liabilities to another company (hereinafter referred to as “receiving company”), while its members acquire equity interests or shares in such company.

All members of the transferring company shall acquire equity interests or shares in the receiving company proportionate to their equity interests or shares in the transferring company, unless each member of the transferring company agrees to a different ratio of conversion of equity interests or shares in a status change or if they exercise their entitlement to a payout in lieu of equity interest or shares in the receiving company in accordance with Article 508 of this Law.

A member of the transferring company may also receive payments from status change, but the total amount of such payments made to all members of the transferring company may not exceed 10% of the total par value of equity interest or shares acquired by members of the transferring company, or 10% of the total accounting value of non-par shares.

If a new company is formed in a status change, the formation of that company shall be governed by the provisions of this Law pertaining to the formation of the relevant legal form of companies, unless provided otherwise by the provisions of this Law pertaining to status change.

If a status change involves a merger by acquisition of a public joint-stock company by a company that is not a public joint-stock company or a merger with the formation of a new company with a company that is not a public joint-stock company, such company must comply with the requirements for termination of the status of a public company laid down by the law governing the capital market.

Status changes may not be carried out in breach of the provisions of the law governing competition protection.

## Participants in Status Change

### Article 484

A status change may involve one or more companies of the same legal form or of different legal forms.

A company in liquidation or in bankruptcy may not participate in a status change, except where a status change is carried out as a reorganisation measure in accordance with the law governing bankruptcy.

## Types of Status Changes

### Article 485

Status changes shall include:

- 1) Merger by acquisition;
- 2) Merger by the formation of new companies;
- 3) Division;
- 4) Separation.

## Merger by Acquisition

### Article 486

One or more companies may be merged with another company by acquisition through the transfer of their entire assets and liabilities to that other company, whereupon the merged company shall be dissolved without being liquidated.

## Merger by Formation of New Companies

### Article 487

One or more companies may be merged by the formation of a new company and by transferring their entire assets and liabilities to that company, whereupon the merged companies shall be dissolved without being liquidate.

## Division

### Article 488

A company may be divided by simultaneously transferring its entire assets and liabilities to:

- 1) Two or more newly-formed companies (hereinafter referred to as “division by the formation of new companies”), or
- 2) Two or more existing companies (hereinafter referred to as “division by acquisition”), or
- 3) One or more newly-formed companies and one or more existing companies (hereinafter referred to as “mixed division”).



After a status change, a company referred to in paragraph 1 of this Article shall be dissolved without being liquidated.

## Separation

### Article 489

A company may be divided by transferring a part of its assets and liabilities to:

- 1) One or more newly-formed companies (hereinafter referred to as “separation by the formation of new companies”); or
- 2) One or more existing companies (hereinafter referred to as “separation by acquisition”); or
- 3) One or more newly-formed companies and one or more existing companies (hereinafter referred to as “mixed separation”).

After a status change, a company referred to in paragraph 1 of this Article shall be dissolved without being liquidated.

## 2. Regular Status Change Process

### 2.1. Bylaws and Documents related to Status Change

#### Drafting of Bylaws and Documents relating to Status Change

### Article 490

For the purpose of status change, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall draft the following bylaws and documents:

- 1) A draft agreement on status change, or draft division plan if only one company is involved in the status change, as well as all documents provided for in Article 491 paragraph 3 of this Law;
- 2) Financial statements, with auditor’s opinion, as at the date preceding the day of adoption of a decision of the General Meeting on status change by not more than six months;
- 3) Auditor’s report on an audit of the status change;
- 4) A report on status change drawn up by the Board of Directors, or the Executive Board if a company has a two-tier management system;

5) A draft General Meeting decision on status change.

A company may use as financial statements referred to in paragraph 1 item 2) of this Article:

- 1) Its most recent annual financial statements, with auditor’s opinion, if less than six months have passed between the end of the accounting year and the passing of the General Meeting decision on status change, or
- 2) Its semi-annual financial statements, with auditor’s opinion, if more than six months have passed between the end of the accounting year and the passing of the General Meeting decision on status change.

The financial statements referred to in paragraph 1 item 2) of this Article may be based on the most recent annual financial statements, if those statements were audited, provided that due account is taken, on the basis of bookkeeping documents, of any changes that occurred since the date of the most recent financial statements, including any material changes in the value of assets, without taking a special inventory of stocks and noncurrent assets.

Notwithstanding the foregoing, the financial statements referred to in paragraph 1 item 2) of this Article shall not be necessary if all members of a company participating in a status change agreed that such statements would not be drawn up.

In a company that is not a public joint-stock company, the auditor’s report referred to in paragraph 1 item 3) of this Article shall not be required if all members of a company participating in a status change agreed that such report would not be drawn up.

The report referred to in paragraph 1 item 4) of this Article shall not be necessary for a company participating in a status change if all members of the company agreed that such report would not be drawn up.

If a company continues to operate after a status change, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall prepare a draft decision of the General Meeting on amendments of the instrument of incorporation and/or Articles of Association in case of a joint-stock company.

If a new company is formed as a result of a status change, the Board of Directors, or the Supervisory Board if a company has a two-tier management system, shall prepare a draft instrument of incorporation of that company, as well as draft Articles of Association if the company concerned is a joint-stock company.

#### Status Change Agreement

##### Article 491

A status change agreement shall be entered into if two or more companies are participating in a status change.

An agreement referred to in paragraph 1 of this Article shall include in particular:

- 1) Registered names and registered offices of the companies participating in status change;
- 2) The objective and terms and conditions of status change;
- 3) A designation of the value of assets and the amount of liabilities transferred to the receiving company and their description, as well as the manner in which such transfer to the receiving company will be made;
- 4) Information on the conversion of equity interests or shares, including in particular:
  - (1) The ratio according to which equity interests or shares in the transferring company will be converted to equity interests or shares in the receiving company and the amount of cash payment, if any;
  - (2) The manner of taking over of equity interests or shares in the receiving company and the date from which such equity interests or shares entitle their holders to participate in profit;
  - (3) Information of special rights in the receiving company acquired by members of the transferring company with special rights;
- 5) The date on which business transactions of the transferring company are to be discontinued, if the transferring company will be dissolved after;
- 6) The date from which any transactions of the transferring company are for accounting purposes deemed to be transactions carried out on behalf of the receiving company;

7) Any special privileges granted by the receiving company to members of the Board of Directors (or the Executive Board and the Supervisory Board if a company has a two-tier management system) of companies participating in a status change;

8) Conditions under which employment will continue in the employ of the receiving company;

9) Other issues of relevance for a status change.

An agreement referred to in this Article shall incorporate:

- 1) A draft decision on amendments of the instrument of incorporation and/or Articles of Association of the receiving company, or, if a new company is formed as a result of a status change, a draft instrument of incorporation of that company, as well as draft Articles of Association if the company concerned is a joint-stock company;
- 2) Separation balance sheet of the transferring company, in case of division or separation;
- 3) A list of members of the transferring company, with an indication of the par value of their equity interests or shares in the receiving company, as well as of the equity interests or shares they will acquire in the receiving company;
- 4) A list of employees of the transferring company whose employment will continue in the receiving company.

An agreement referred to in paragraph 1 of this Article shall be entered into in writing between all companies participating in a status change and shall be certified in accordance with the law governing certification of signatures.

If a status change involves the merger by acquisition of a fully-owned subsidiary, an agreement referred to in paragraph 1 of this Article shall not contain the information concerning the conversion of equity interests or shares and the document referred to in paragraph 3 item 3) of this Article shall not be drawn up.

#### Division Plan

##### Article 492

If only one company participates in a status change, the Board of Directors, or the Supervisory Board if a

company has a two-tier management system, shall adopt a division plan.

A division plan referred to in paragraph 1 of this Article shall include in particular the information provided for in Article 491 paragraph 2 of this Law.

A division plan referred to in paragraph 1 of this Article shall incorporate the bylaws and documents provided for in Article 491 paragraph 3 of this Law.

A division plan must be drawn up in writing and must be certified in accordance with the law governing certification of signatures.

#### Auditor's Report on Status Change

##### Article 493

Pursuant to a motion filed by a company participating in a status change, the competent court shall appoint an auditor in non-litigious proceedings for the purpose of auditing a status change agreement and/or a division plan and such auditor shall draw up a report on status change.

If more than one company participates in a status change, the competent court may, on a joint motion of all those companies, appoint one auditor to draw up a joint report on status change for all companies.

An auditor shall draw up a report referred to in paragraph 2 of this Article and submit it to all companies participating in a status change within a period set by the court, which may not be longer than two months of the date of appointment.

An auditor shall draw up a written report on status change, which shall include an opinion on whether the ratio according to which equity interests or shares are converted is fair and appropriate, as well as an explanation which shall state in particular:

- 1) Which appraisal methods were used in the determination of the proposed conversion ratio for equity interests or shares and weighting factors assigned to the values obtained through such methods;
- 2) Whether the methods applied and the weighting factors assigned to the values obtained through such methods were appropriate taking into account the circumstances of the case, as well as the potential ratio of conversion of equity interests if different weighting factors had been assigned;

3) Whether any difficulties faced in the appraisal and audit.

An auditor shall be authorised to demand of all companies participating in a status change all data and documents necessary for the successful preparation of a report and to take any other actions necessary to verify the accuracy of data and documents obtained from those companies.

#### Report on Status Change by Board of Directors or Executive Board

##### Article 494

The Board of Directors, or the Executive Board if a company has a two-tier management system, of a company undergoing status change shall draw up a detailed written report, which shall specify in particular:

- 1) The desired objectives of status change, with an analysis of expected economic benefits for the companies participating in the status change;
- 2) An explanation of legal effects of entering into a status change agreement or adoption of a division plan;
- 3) An explanation for the applied conversion ratio of shares or equity interests;
- 4) Information on amendments to the status change agreement or division plan, if such amendments were made on the basis of an auditor's report on auditing of status change;
- 5) Information on material changes in the assets and liabilities of the companies participating in the status change that occurred after the date of their financial statements.

If a company has a two-tier management system, a report referred to in paragraph 1 of this Article shall be submitted to the Supervisory Board for adoption before it is submitted to the General Meeting for approval.

#### 2.2. Notification of Status Change

##### Duty of Publication

##### Article 495

A company shall publish a draft status change agreement or draft division plan on its web page, if it has one, and shall submit it to the register of

economic operators for the purpose of publication on that register's web page not later than one month before the date of a General Meeting session in which a status change will be deliberated.

The drafts referred to in paragraph 1 of this Article must be published and made continuously available for at least 60 days of the date of the General Meeting in which a decision on status change was made and access to those drafts must be allowed to all interested parties, without identification and free of charge.

Together with the drafts referred to in paragraph 1 of this Article, a notice shall be published to inform company members of the time and place of access to the documents and bylaws provided for in Article 490 of this Law.

A company that is not a public joint-stock company shall not have a duty to publish a notice referred to in paragraph 3 of this Article if such notice was sent personally to each.

If more than one company participates in a status change, publication in accordance with paragraphs 2 and 3 of this Article may be done jointly for all those companies.

Upon the publication of a draft change agreement or a draft division plan referred to in paragraph 1 of this Article, it shall be deemed that all creditors of a company are notified of status change.

#### Duty to Allow Access to Bylaws and Documents

##### Article 496

A company undergoing status change shall allow its members access in its registered office to the bylaws and documents provided for in Article 490 of this Law, as well as to annual financial statements for the last three years for each of the companies participating in a status change, with an auditor's opinion if they were audited, for at least one month before the

date of the General Meeting in which a decision on status change is to be passed.

Notwithstanding the foregoing, a company shall not have a duty to allow access to the documents and bylaws referred to in paragraph 1 of this Article in its registered office if those bylaws and documents are published in accordance with Article 495 paragraphs 1 and 2 of this Law.

A company shall allow each of its members to copy the documents and bylaws referred to in paragraph 1 of this Article at the company's expense.

Notwithstanding the foregoing, a company shall not be required to allow copying of the documents and of bylaws referred to in paragraph 1 of this Article if all interested persons are able to download those documents and bylaws from the web page of the register of economic operators without identification and free of charge.

#### Duty of Personal Notification of Creditors

##### Article 497

A company shall also send individual written notices of a decision on status change with the elements provided for in Article 491 paragraph 2 of this Law not later than 30 days before the date of the General Meeting in which a decision on status change is to be passed to all creditors known to the company whose individual claims amount to minimum 2,000,000 dinars as an equivalent of any currency translated at the middle exchange rate of the National Bank of Serbia on the date of publication referred to in Article 495 paragraph 2 of this Law.

The chairperson of the Board of Directors, or of the Supervisory Board if a company has a two-tier management system, shall give a written declaration of compliance with the duty to send notice referred to in paragraph 1 of this Article.

#### 2.3. Decision on Status Change and its Legal Effects

##### Decision on Status Change

##### Article 498

By rendering a decision on status change, the General Meeting shall approve:

- 1) The division plan adopted by the Board of Directors, or the Supervisory Board if a company has a two-tier management system;
- 2) The status change agreement, if such agreement is entered into by the date of the General Meeting;
- 3) The draft status change agreement, if such agreement is not entered into by the date of the General Meeting.

In case of joint-stock companies, a decision on status change shall be passed by a three-quarters majority

of the voting power present, unless a different majority is provided by the Articles of Association.

If as a result of status change certain members of the transferring company become members of the receiving company that are jointly and severally liable for its obligations, any decision on status change shall require their consent.

Simultaneously with the passing of a decision referred to in paragraph 1 of this Article, the General Meeting shall:

- 1) Adopt amendments to the instrument of incorporation and/or Articles of Association in case of joint-stock company, if the company continues to operate;
- 2) Adopt the instrument of incorporation of the company formed by the status change, as well as the Articles of Association of that company if it is a joint-stock company.

In case of joint-stock companies, a decision referred to in paragraph 1 of this Article must contain a provision stipulating that the decision will take effect once the chairperson of the Board of Directors, or the chairperson of the Supervisory Board if a company has a two-tier management system, gives a written declaration that all dissenting shareholders received full payout for the value of their shares in accordance with Article 475 of this Law.

Effectiveness

Article 499

A status change agreement shall take effect upon its approval by a decision provided for in Article 498 of this Law passed by the General Meetings of all companies participating in a status change or on the date of execution of that agreement, whichever is later, unless the agreement envisages a later effective date.

A division plan shall take effect upon its approval by a decision provided for in Article 498 of this Law passed by the General Meeting of the company undergoing status change, unless the division plan envisages a later effective date.

The instrument of incorporation of a company formed as a result of status change, as well as its Articles of Association in case of a joint-stock company, shall take effect on the date when the relevant status change agreement takes effect.

Rebuttal of Decision on Status Change

Article 500

The rebuttal of a decision on status change shall be governed by the provisions of Articles 376 through 381 of this Law.

In proceedings pursuant to action for annulment of a decision on status change, a court shall give the defendant sufficient time to remedy the reasons for annulment, insofar as such reasons are remediable.

The competent court shall submit its final and enforceable decision annulling a decision on status change to the register of economic operators for publication in accordance with the law on registration.

A decision referred to in paragraph 3 of this Article shall not affect the rights and obligations of the receiving company in connection with a status change which arose after the occurrence of legal effects of status change, but before the date of publication of the decision in accordance with paragraph 3 of this Article and all companies participating in a status change shall bear unlimited joint and several liability for those obligations.

A decision on status change may not be rebutted on the grounds of inaccurate determination of the ratio of conversion of shares or equity interests.

3. Simplified Status Change Process

Simplified Process in Case of Acquisition by Controlling Company

Article 501

If the receiving company is a controlling company that holds minimum 90% equity interest in the share capital of the transferring company or minimum 90% of voting shares in the transferring company, a merger by acquisition shall be carried out without a decision on status change of the receiving company's General Meeting if the following requirements are met:

- 1) If the receiving company made the publication provided for in Article 495 of this Law not later than one month before the date of the transferring company's General Meeting in which a decision on status change is to be passed;

2) If the receiving company complied with Article 496 of this Law during the period of one month preceding the date of the transferring company's General Meeting in which a decision on status change is to be passed;

3) If one or more shareholders of the receiving company whose shares account for minimum 5% of its share capital do not demand the convocation of the receiving company's General Meeting for the purpose of passing of a decision on status change within the period provided in paragraph 1 item 1) of this Article.

In cases referred to in paragraph 1 of this Article, the transferring company shall not be required to draw up and submit to the General Meeting for approval the reports referred to in Article 490 paragraph 1 items 3) and 4) of this Law.

If the receiving company is the sole member of the transferring company, the status change agreement shall not include the information provided for in Article 491 paragraph 2 item 4) of this Law.

All issues pertaining to the simplified status change process that are not specifically regulated by this Article shall be governed by provisions of this Law pertaining to the regular status change process.

#### 4. Change in Share Capital and Retained Assets and Liabilities

##### Increase of Receiving Company's Share Capital

###### Article 502

Increase of the receiving company's share capital shall be carried out in accordance with the provisions of this Law pertaining to capital increase for the relevant legal form of the receiving company.

In case of share capital increase in a public joint-stock company as a receiving company, the provisions of the Law on Capital Market pertaining to authorisation by the Securities Commission and other provisions of that Law that are incompatible with the conversion of shares in the status change process shall not apply.

Members of a transferring company who subscribed equity interests or shares in a transferring company which is dissolved as a result of status change, but did not pay them in full until the time of conversion to equity interests or shares in the receiving company shall pay in or make a contribution on the

agreed payment date to the receiving company under the conditions applicable to their subscription, unless provided otherwise by the status change agreement.

##### No Creation of Phantom Capital

###### Article 503

A receiving company may not increase its share capital as a result of status change from equity interests or shares:

- 1) Owned by that receiving company in the transferring company;
- 2) Owned by the transferring company in the receiving company.

A receiving company may not issue shares in exchange for:

- 1) Shares owned by that receiving company in the transferring company or shares held by a third party on its behalf and for the account of that receiving company;
- 2) Own shares of the transferring company or shares held by a third party on its behalf and for the account of the transferring company.

Any equity interests or shares held by a transferring company in a receiving company which are transferred to the receiving company as a result of status change shall become own equity interest or own shares of the receiving company.

Notwithstanding paragraph 3 of this Article, a receiving company may, insofar as this is provided by the status change agreement or division plan, exchange the equity interests or shares of members of the transferring company for equity interests or shares held by the transferring company in the receiving company.

#### 5. Registration of Status Change and Legal Effects of Registration

##### Registration of Status Change

###### Article 504

Registration of a status change shall be done in accordance with the law on registration with respect

to receiving companies and with respect to transferring companies.

Registration of status change may not be done before the expiration of 30 days of the effective date of the relevant status change agreement or division plan.

Any share capital increase or reduction resulting from a status change shall be registered in accordance with the law on registration.

If a company is dissolved as a result of status change, it shall be deleted from the register of economic operators in accordance with the law on registration.

### Legal Effects of Status Change

#### Article 505

Legal effects of a status change shall arise on the date of registration of the status change in accordance with the law on registration, as follows:

- 1) The assets and liabilities of the transferring company shall be transferred to the receiving company, in accordance with the status change agreement or division plan;
- 2) The receiving company shall become jointly and severally liable with the transferring company for any of its obligations that are not transferred to the receiving company, but only up to the amount of the difference in value of the transferring company's assets transferred to it and the transferring company's obligations it assumed, unless agreed otherwise with a creditor;
- 3) Members of the transferring company shall become members of the receiving company through the conversion of their equity interests or shares to equity interests or shares in the receiving company, in accordance with the status change agreement or division plan;
- 4) The equity interests or shares in the transferring company converted to equity interests or shares in the receiving company shall be cancelled;
- 5) Any third party rights encumbering the equity interests or shares in the transferring company that are converted to equity interests or shares in the receiving company shall be transferred to the equity interests or shares which members of the transferring company acquire in the receiving company and to their claims to any cash entitlements in addition to or in lieu of such shares or equity interests;

6) The employees of the transferring company who are assigned to the receiving company under the status change agreement or division plan shall continue working for the receiving company in accordance with labour legislation;

7) Other effects in accordance with the law.

Notwithstanding paragraph 1 item 1) of this Article, with regard to items and rights the transfer of which is subject to registration in public books or obtaining of relevant consents or approvals, such assets shall be

transferred to receiving company by such registration under the status change agreement or by obtaining such consents or approvals.

If, as a result of status change, a transferring company is dissolved, the following legal effects shall also arise:

- 1) The transferring company shall be dissolved without liquidation proceedings;
- 2) Mutual claims between the transferring company and the receiving company shall be cancelled;
- 3) Liabilities of the transferring company shall pass on to the receiving company in accordance with the status change agreement or division plan and the receiving company shall become the new debtor with regard to those obligations and, if there is more than one receiving company, every one of them shall bear subsidiary liability for the liabilities that passed to other receiving companies in accordance with the status change agreement or division plan up to the amount of difference between the value of the transferring company's assets they received and the transferring company's obligations they assumed, unless agreed otherwise with a creditor;
- 4) All permits, concessions, other privileges and exemptions granted or recognised to the transferring company shall pass on to the receiving company in accordance with the status change agreement or division plan, unless provided otherwise by relevant regulations governing the granting of such permits, concessions, privileges or exemptions;
- 5) The term of office and powers of the directors, Supervisory Board members in companies with a two-tier management system and representatives of the transferring company, as well as their and voting proxies in the General Meeting of the transferring company, shall be terminated.

In case of acquisition by a sole company member in accordance with Article 501 paragraph 3 of this Law, the effect referred to in paragraph 1 item 3) of this Article shall not arise.

Notwithstanding paragraph 1 item 2) and paragraph 3 item 3) of this Article, the receiving company shall not bear joint and several liability or subsidiary liability for claims for which creditors obtained appropriate protection in accordance with the provisions of Article 509 of this Law.

Retained Assets and Liabilities of Company dissolved by Division

Article 506

Insofar as any assets of the transferring company dissolved by division were not transferred to any receiving company under the status change agreement or division plan and such agreement or plan does not lend itself to a clear interpretation as to which receiving company should receive those assets, the assets shall be transferred to each of those companies in proportion to the share of the assets transferred to them, minus any liabilities assumed, in the total assets of the company dissolved by division.

Insofar as any liabilities of the transferring company dissolved by division were not assigned to any receiving company under the status change agreement or division plan and such agreement or plan does not lend itself to a clear interpretation as to which receiving company should assume those liabilities, each receiving company shall be jointly and severally liable up the amount of difference between the value of assets transferred to them and the liabilities they assumed.

6. Protection of Rights of Transferring Company Members

Entitlement to Additional Payment

Article 507

Any member of a transferring company who believes the ratio of conversion of equity interest or shares in a transferring company to equity interests or shares in a receiving company may be determined to his/her detriment may bring legal action before the competent court against the receiving company within 30 days of the date of publication of a notice provided for in Article 495 of this Law to obtain cash compensation in accordance with this Article.

If in the course of a proceeding pursuant to a legal action referred to in paragraph 1 of this Article a court finds that the market value of equity interest or shares acquired by such transferring company member in the receiving company is lower than the market value of the equity interest or shares in the transferring company thus converted, it shall pass order the receiving company to pay to that person a cash compensation which may not exceed 10% of the par value of his/her converted equity interests or shares in the transferring company.

If in the course of a proceeding pursuant to a legal action referred to in paragraph 1 of this Article a court appoints court experts to examine the determination of market value of equity interests or shares, it shall order

the defendant receiving company to cover in advance the costs of engagement of such court experts.

If in the course of a proceeding pursuant to a legal action referred to in paragraph 1 of this Article a court imposes on a receiving company the obligation to pay cash compensation, such receiving company shall pay a pro rata share of the additional payment to each member of the transferring company whose equity interests or shares of the same type and class were converted to equity interests or shares in the receiving company.

If more than one action is filed in accordance with paragraph 1 of this Article, the court shall join all actions into a single proceeding.

Entitlement to receive Payout

Article 508

A member of a transferring company dissented from a decision on status change within the meaning of Article 483 of this Law shall have the right provided for in Article 474 of this Law, in which case the redemption price of his/her shares shall be that set out in the decision on status change.

If a member of a transferring company believes that the redemption price set out in a decision on status change does not reflect the market value of those shares or if such price is not paid to him/her, such member shall have the right to bring legal action before the competent court in accordance with Article 476 of this Law.



Equity interests or shares redeemed in accordance with this Article shall become own equity interests or shares of the receiving company.

A member of a transferring company may not raise any other complaints against a receiving company.

## 7. Protection of Third Parties

### Creditor Protection

#### Article 509

A creditor of a company participating in a status change whose claim arose before the registration of status change in accordance with the law on registration and who believes the status change in which his/her debtor participates will compromise the settlement of his/her claim may, within 30 days of the date of publication of the notice provided for in Article 495 of this Law by its debtor, seek to obtain appropriate protection.

Creditor protection within the meaning of paragraph 1 of this Article shall be ensured as follows:

- 1) By the provision of collateral in the form of pledge, surety etc.;
- 2) By amendments to the terms and conditions of the underlying agreement or by termination of such agreement;
- 3) By separate management of the transferring company's assets until the settlement of claims;
- 4) By taking other actions and measures that put the creditor in a position at least as favourable as before the status change.

### Conditions for Protection

#### Article 510

A creditor of a transferring company or a receiving company shall have the right to seek the protection provided for in Article 509 of this Law from his/her debtor, i.e. from the receiving company or the transferring company, only if the financial situation of the companies participating in a status change is such that the settlement of his/her claims would be compromised if the status change goes ahead and such protection is therefore necessary to put the creditor in a position at least as favourable as before the status change.

The right to seek protection provided for in Article 509 of this Law shall not be available to:

- 1) Creditors with first and second priority claims within the meaning of the law governing bankruptcy;
- 2) Creditors whose claims are secured.

### Judicial Protection

#### Article 511

A creditor who does not obtain appropriate protection within 15 days of sending a request for such protection shall be entitled to bring legal action before the competent court against its debtor to obtain appropriate protection within the meaning of Articles 509 and 510 of this Law.

A creditor shall have the right to protection only if he/she demonstrates that the settlement of his/her claim is compromised by a status change.

On a company's request, a court may impose an injunction barring a status change, if it deems it necessary and justifiable to provide appropriate protection to the creditor who filed legal action.

### Protection of Holders of Bonds and Other Debt Securities

#### Article 512

The provisions of Articles 509 through 511 of this Law shall also apply to lawful holders of bonds and other debt securities issued by a transferring company, unless provided otherwise by a decision on issuing of such securities and unless agreed otherwise with their holders.

### Protection of Holders of Special Rights

#### Article 513

Lawful holders of convertible bonds, warrants and other securities with special rights (other than shares) issued by a transferring company dissolved as a result of status change shall acquire at least equal rights towards the receiving company, unless:

- 1) It is provided otherwise by a decision on issuing of those securities, or
- 2) It is agreed otherwise with those holders, or

3) The receiving company is required under the status change agreement or division plan to redeem those securities at their market value on request from such persons.

In cases referred to in paragraph 1 item 3) of this Article, the redemption price must be determined in the status change agreement or division plan according to the market value of those securities determined through application, *mutatis mutandis*, of Article 57 of this Law, which fact must also be confirmed by an auditor in a status change audit report.

The persons referred to in paragraph 1 of this Article shall have the right to seek within 30 days of publication of a notice provided for in Article 495 of this Law a court award in non-litigious proceedings by which the redemption price of the securities concerned would be determined if they believe that the value of those securities determined by the status change agreement or division plan is not appropriate.

#### Liability for Damage

##### Article 514

The directors, or Supervisory Board members in case of a two-tier management system, of a company participating in a status change shall be jointly and severally liable to the members or shareholders of that company for any damage caused deliberately or through gross negligence in the preparation and implementation of a status change.

The legal action for compensation referred to in paragraph 1 of this Article may be filed within three years of the date of publication of status change registration in accordance with the law on registration.

The persons referred to in paragraph 1 of this Article shall not be liable for damage if a subsidiary is merged with its sole member.

#### Part Eight COMPULSORY REDEMPTION OF SHARES AND RIGHT TO SELL SHARES

##### Conditions for Compulsory Redemption

##### Article 515

Acting on proposal of a shareholder whose share account for minimum 90% of a company's share capital and who has minimum 90% of votes of all

holders of ordinary shares ("redeemer"), the General Meeting shall pass a decision on compulsory redemption of all shares of the remaining shareholders at a price determined through the application *mutatis mutandis* of the provisions of this Law pertaining to the payout of dissenting shareholders.

Shares held by persons related to the redeemer shall be deemed to be shares held by the redeemer within the meaning of paragraph 1 of this Article, if such persons were related parties of the redeemer for minimum one year before the passing of a decision on compulsory redemption.

The Articles of Association may exclude compulsory redemption referred to in paragraph 1 of this Article or may stipulate a higher percentage for the redeemer's participation in the company's share capital as a requirement for compulsory redemption.

A decision on an amendment of the Articles of Association by which the provisions of Articles of Association referred to in paragraph 3 of this Article are modified shall be passed by a three-quarters majority of the

voting power present, unless a higher majority is provided by the Articles of Association.

##### Determination and Payment of Price

##### Article 516

The price of the shares referred to in Article 515 paragraph 1 of this Law shall be determined according to their value on a date falling not earlier than three months before the date of passing of a decision on compulsory redemption, without taking into account any expected increase or reduction of that value as a result of such decision.

Notwithstanding the foregoing, if as a result of passing of a decision on compulsory redemption certain shareholders forfeit special privileges to which they were entitled, this fact shall be taken into account for the purpose of determining the market value of shares.

A company shall determine the price of shares which are to be redeemed in accordance with Article 475 of this Law within 30 days of the date of passing of a decision on compulsory redemption of shares and shall notify the Central Registry thereof, otherwise a decision on compulsory redemption shall become void.

The redeemer shall deposit the funds needed to pay the price of shares referred to in paragraph 3 of this Article to a special account with the Central Registry opened for that purpose within eight days of the date of notification of the Central Registry in accordance with paragraph 3 of this Article.

If the redeemer fails to act as required in paragraph 4 of this Article, a decision on compulsory redemption shall become void.

The Central Registry shall pay the price referred to in paragraph 3 of this Article to the shareholders whose shares are subject to compulsory redemption from the deposit made by the redeemer within a further period of three days.

#### Session Handouts for General Meeting

##### Article 517

The Board of Directors, or the Supervisory Board if a company has a twotier management system, shall provide the following to shareholders in the session handouts for a General Meeting session in which a decision on compulsory redemption is to be passed:

- 1) A notice of the method of determination of the price of shares subject to compulsory redemption in accordance with Article 475 of this Law;
- 2) All values of those shares determined in accordance with Article 475 of this Law;
- 3) Annual financial statements and annual operating reports, as well as consolidated annual statements, if any, for the last three accounting years.

A notice referred to in paragraph 1 of this Article must also include information on the right of shareholder whose shares are subject to redemption to receive the price determined in accordance with Article 516 of this Law, to rebut a decision of the General Meeting and the right to obtain an opinion of the competent court on the appropriateness of compensation received in accordance with Article 521 of this Law, regardless of the vote cast on the decision on compulsory redemption.

#### Voting on Decision on Compulsory Redemption

##### Article 518

The provisions of this Law pertaining to voting of preference shareholders within their class shall not

apply to voting on decisions on compulsory redemption.

#### Registration of Decision on Compulsory Redemption

##### Article 519

A decision on compulsory redemption shall be registered in accordance with the law on registration and shall be submitted to the Central Registry within eight days of the date of its passing.

#### Rebuttal of Decision on Compulsory Redemption

##### Article 520

Notwithstanding the provisions of this Law pertaining to the rebuttal of decisions of the General Meeting, the period for filing legal action for annulment of a decision on compulsory redemption shall be 30 days of the date of passing of such decision.

A decision on compulsory redemption may not be annulled on the grounds of inappropriateness of the price of shares subject to compulsory redemption.

#### Judicial Review of Appropriateness of Price

##### Article 521

Any shareholder whose shares are subject to compulsory redemption who believes that a price determined by a company in accordance with Article 516 of this Law is not determined in compliance with this Law may seek to obtain from the competent court an appraisal of the value of those shares in non-litigious proceedings in accordance with this Law within 30 days of the date of registration of decision on compulsory redemption.

If a claim is made in accordance with paragraph 1 of this Article, the competent court shall immediately notify the Central Registry thereof in order to suspend the payment of the price to the shareholders whose shares are subject to compulsory redemption.

The competent court shall submit an award determining the value of shares subject to compulsory redemption to the Central Registry once such award becomes final and enforceable.

If the value determined by a court award is higher than that determined by a company, the redeemer shall deposit the difference, increased by statutory default interest charged from the date of passing of a

decision on compulsory redemption, to the account provided for in Article 516 paragraph 4 of this Law within 30 days of the date when the court award became final and enforceable.

If the redeemer fails to deposit such difference in accordance with paragraph 4 of this Article, the company shall assume unlimited joint and several liability for the payment of such difference.

A claim filed by a shareholder whose shares were subject to redemption to receive the difference referred to in paragraph 4 of this Article shall become time-barred after three years of the date when the relevant court award referred to in paragraph 3 of this Article became final and enforceable.

#### Right to Sell Shares

##### Article 522

A controlling shareholder who acquires shares representing minimum 90% of a company's share capital shall have an obligation to purchase the shares of every remaining shareholder on his/her written request.

A request referred to in paragraph 1 of this Article shall state the type, class and number of shares subject to sale and shall be submitted to the

company, whereupon such request shall be deemed to have been submitted to the controlling shareholder.

The price at which the controlling shareholder must purchase the shares referred to in paragraph 1 of this Article shall be determined through the application *mutatis mutandis* of the provisions of this Law pertaining to the price at which dissenting shareholders are paid out.

Within 60 days of the date of receipt of a request referred to in paragraph 1 of this Article, the company concerned shall determine the price referred to in paragraph 3 of this Article through application *mutatis mutandis* of Article 475 of this Law and shall notify the controlling shareholder and the requesting shareholder thereof within the same period.

The controlling shareholder shall pay the determined value of shares to the requesting shareholder within 30 days of receipt of a notice referred to in paragraph

4 of this Article, whereby such shares shall be transferred to the controlling shareholder.

Any requesting shareholder who believes that the value determined by the company is not determined with this Law may seek to obtain from the competent court an appraisal of the value of those shares in non-litigious proceedings in accordance with Article 475 of this Law within 30 days of receipt of a notice referred to in paragraph 4 of this Article.

If a court, acting pursuant to a claim by a requesting shareholder referred to in paragraph 6 of this Article, determines a value of shares that is higher than that determined by the company concerned, the controlling shareholder shall pay the difference up to the amount thus determined within 30 days of the date when the court award becomes final and enforceable, inclusive of statutory default interest charged from the expiration of the period for payment referred to in paragraph 5 of this Article.

If the controlling shareholder fails to act in accordance with paragraph 7 of this Article, the company shall assume unlimited joint and several liability for the obligation of the controlling shareholder referred to in paragraph 7 of this Article.

A claim filed by a shareholder whose shares were sold to the controlling shareholder to receive the difference referred to in paragraph 7 of this Article shall become time-barred after three years of the date when the relevant court award referred to in paragraph 7 of this Article became final and enforceable.

#### Exemption with regard to Price of Shares in Case of Takeover Bid

##### Article 523

Notwithstanding Articles 515 and 516 of this Law, a redeemer who complied with the requirement provided for in Article 515 paragraph 1 of this Law by a takeover bid shall have the right to carry out compulsory redemption of shares within three months of the date of expiration of the takeover bid under the conditions set out in the takeover bid, if, under the law governing takeovers of joint-stock companies:

- 1) The redeemer acquired exclusively through a voluntary takeover bid sent to all remaining shareholders at least 90% of the shares covered by such bid; or

2) The redeemer made a compulsory takeover bid.

In cases referred to in paragraph 1 of this Article, the remaining shareholders shall have the right to sell their shares in accordance with Article 522 of this Law, under the conditions stated in the bid, within three months of the date of expiration of the takeover bid.

Upon expiration of the period referred to in paragraphs 1 and 2 of this Article, the price of shares for the purpose of exercising the right to compulsory redemption and the right to sell shares shall be determined in accordance with Articles 515 and 516 of this Law.

## Part Nine COMPANY LIQUIDATION

### 1. Definition and Initiation of Liquidation

#### Definition

##### Article 524

The liquidation of a company may be carried out when a company has sufficient assets to settle all its liabilities.

#### Decision to Liquidate

##### Article 525

The liquidation of a company shall be initiated:

- 1) By a unanimous decision of all partners or general partners, unless provided otherwise by the Memorandum of Association;
- 2) By a decision of the General Meeting of limited liability company members, in accordance with Article 211 of this Law;
- 3) By a decision of shareholders' General Meeting, in accordance with Article 358 of this Law.

#### Registration and Publication

##### Article 526

Liquidation of a company shall commence on the date of registration of a decision to liquidate and publication of a notice of liquidation, in accordance with the law on registration.

#### Pending Proceedings and Initiation of Bankruptcy

##### Article 527

The initiation of liquidation shall not prejudice the imposition or enforcement of orders on a company in liquidation or the conduct of any pending proceedings against or in favour of a company in liquidation.

The initiation of liquidation shall be without prejudice to any petition for initiation of bankruptcy made in accordance with the law governing bankruptcy and the creditors of a company in liquidation may file petitions for initiation of bankruptcy during the period of liquidation for reasons laid down by the law governing bankruptcy.

#### Restrictions on Distributions to Members of Companies in Liquidation

##### Article 528

During the liquidation of a company, participation in profit and dividends shall not be paid and the company's assets shall not be distributed to its members before the settlement of all creditors' claims.

### 2. Liquidator

#### Liquidator

##### Article 529

A company shall appoint a liquidator by a decision to liquidate.

Upon the appointment of a liquidator, all representatives of a company shall forfeit their representation powers.

If a company fails to appoint a liquidator as provided in paragraph 1 of this Article, all legal representatives of that company shall become its liquidators.

A company may have more than one liquidator.

If a company has more than one liquidator, all liquidators shall jointly represent the company, unless provided otherwise by the decision on their appointment.

#### Removal and Resignation of Liquidator

##### Article 530

A liquidator may be removed by a decision passed in accordance with Article 395 of this Law, in which

case the same decision must appoint a new liquidator.

A liquidator may resign in accordance with Article 396 of this Law pertaining to the resignation of company directors.

#### Registration of Liquidator

##### Article 531

The appointment, removal and resignation of a liquidator shall be registered in accordance with the law on registration.

In cases provided for in Article 529 paragraph 3 of this Law, the registration of a liquidator shall be done ex officio in accordance with the law on registration.

#### Liquidator's Powers

##### Article 532

A liquidator shall represent a company in liquidation and shall be responsible for the legality of a company's operations.

A liquidator may carry out the following activities:

- 1) Take actions necessary to finalise transactions initiated before the initiation of liquidation;
- 2) Take actions necessary to conduct the liquidation, including the sale of assets, settlement with creditors and collection of receivables;
- 3) Other activities necessary for the conduct of liquidation.

#### 3. Notice to Creditors and Registration of claims

##### Notice of Liquidation

##### Article 533

A notice of liquidation provided for in Article 526 of this Law shall be posted for 90 days on the web page of the register of economic operators and shall include in particular:

- 1) An invitation to creditors to register their claims;
- 2) Address of the company's registered office or mailing address provided for in Article 20 of this Law to which creditors are to file their claims;

3) A warning that creditors' claims will be precluded if not registered no later than 30 days of expiration of the notice display period referred to in paragraph 1 of this Article.

If a company changes its registered office address or mailing address during the liquidation notice display period, the 90-day period referred to in paragraph 1 of this Article shall recommence on the date of registration of such change in accordance with the law on registration and all registered claims received until that time shall be considered duly made.

If a company changes its registered office address or mailing address during the period left for the registration of creditors claims as referred to in paragraph 1 item 3) of this Article, that period shall recommence on the date of registration of such change in accordance with the law on registration and all registered claims received until that time shall be considered duly made.

#### Individual Notice to Known Creditors

##### Article 534

A liquidator shall also send written notice of initiation of liquidation within 15 days of the date of initiation of liquidation to known creditors who register their claims under this Law.

A notice referred to in paragraph 1 of this Article shall include in particular:

- 1) Information on the date of publication and display period of the notice of liquidation;
- 2) Address of the company's registered office or mailing address provided for in Article 20 of this Law to which creditors are to file their claims;
- 3) A warning that creditors' claims will be precluded if not registered no later than 30 days of expiration of the notice display period referred to in paragraph 1 of this Article.

If a company changes its registered office address or mailing address during the liquidation notice display period or during the period left for the registration of creditors claims as referred to in paragraph 1 item 3) of this Article, the liquidator shall resend the notice referred to in paragraph 1 of this Article within 15 days of the date of registration of such change in accordance with the law on

registration to the known creditors who have not yet registered their claims.

Creditors whose claims are secured by an enforceable document and creditors whose claims become the matter of a lawsuit before the initiation of liquidation shall not be required to register those claims and their claims shall be considered registered in accordance with this Law.

#### Registration of Claims

##### Article 535

A company shall record all received filings of claims and all claims provided for in Article 534 paragraph 4 of this Law in a list of registered claims and draw up a list of recognised and challenged claims.

A company may challenge a creditor's claim within 30 days of receipt of a filing of claim, in which case it shall notify the creditor thereof in the same period and provide rationale for such challenging of claims.

A company may not challenge the claims of creditors whose claims are backed by an enforceable document.

If a creditor whose claim is challenged fails to initiate proceedings before the competent court within 15 days of receipt and to notify the company thereof in writing in the same period, such claim shall be considered precluded.

If by the time of receipt of a notice of challenged claim a creditor had already initiated proceedings against the company before the competent court in connection with that claim, the creditor shall not be required to initiate new proceedings upon the receipt of a new notice of challenged claim.

Any claims that arise after the initiation of liquidation shall not be registered and must be settled before the completion of the liquidation procedure.

#### 4. Liquidation Balance Sheets and Reports, Termination of Liquidation and Initiation of Bankruptcy Proceedings

##### Opening liquidation Balance Sheet and Initiation Liquidation Report

##### Article 536

A liquidator shall, within 30 days of initiation of liquidation, draw up an opening liquidation balance sheet as an extraordinary financial report in accordance with the regulations governing accounting and auditing and shall submit it to the partners or the general partners or the General Meeting for adoption within the same period.

A company's partners or general partners or General Meeting shall pass a decision on adoption of the opening liquidation balance sheet within 30 days of the date of its submission for adoption.

A liquidator shall also draw up an opening liquidation report, which shall include:

- 1) A list of registered claims;
- 2) A list of recognised claims;
- 3) A substantiated list of challenged claims;
- 4) An indication whether the company's assets are sufficient to settle all of its liabilities, including any challenged claims;
- 5) Actions necessary for the conduct of liquidation;
- 6) Time envisaged for the completion of the liquidation procedure;
- 7) Other facts of relevance for the conduct of liquidation.

A liquidator shall draw up an opening liquidation report liquidator not earlier than 90 and not later than 120 days of initiation of the liquidation procedure and shall submit it to the partners or the general partners or the General Meeting for adoption within the same period.

A company's partners or general partners or General Meeting shall pass a decision on adoption of the opening liquidation report within 30 days of the date of its submission for adoption.

An adopted opening liquidation report shall be registered in accordance with the law on registration.

A liquidator may not proceed with payments for the purpose of settling creditors' claims or with payments to company members before the registration of an opening liquidation report, except for payments of liabilities arising from the company's current operations.

##### Annual Liquidation Reports

#### Article 537

In the course of a liquidation procedure, a liquidator shall submit annual liquidation reports on his/her activities, with an explanation of reasons why the liquidation procedure is continuing and not completed, to the partners or the general partners or the General Meeting for adoption within three months of the end of every accounting year.

Annual liquidation reports shall be registered in accordance with the law on registration.

#### Suspension of Liquidation Procedure

#### Article 538

In the course of a liquidation procedure, a company may suspend the liquidation procedure and resume its operations pursuant to a decision passed by its partners or general partners or General Meeting.

A decision referred to in paragraph 1 of this Article shall be passed by the same majority required for the passing of a decision to liquidate.

A decision to suspend a liquidation procedure may be passed only if a company has fully settled the claims of its creditors, regardless whether their claims are challenged or recognised, provided that it has not terminated the employment contract of any of its employees on the grounds of liquidation or commenced with distributions to company members.

A decision to suspend a liquidation procedure shall incorporate an appointment of the company's legal representative.

A decision to suspend a liquidation procedure shall also incorporate a statement made by the liquidator to the effect that the claims of all creditors are fully settled and that the company has not commenced with distributions to its members.

If a company has more than one liquidator, they shall jointly make the statement referred to in paragraph 5 of this Article.

A decision to suspend a liquidation procedure shall be registered in accordance with the law on registration.

In case of suspension of a liquidation procedure, the claims of creditors who did not register their claims and of creditors whose claims were challenged, but

who failed to bring legal action before the competent court within the period provided for in Article 535 paragraph 4 of this Law, shall not be considered precluded for the purposes of this Law.

#### Initiation of Bankruptcy Proceedings due to Insolvency

#### Article 539

If it is found on the basis of an opening liquidation balance sheet or opening liquidation report that a company's assets are not sufficient to settle all claims filed by its creditors (insolvency), a liquidator shall file a petition for initiation of bankruptcy proceedings with the competent court within 15 days of preparation of the opening liquidation balance sheet or opening liquidation report, as the case may be.

In cases referred to in paragraph 1 of this Article, a liquidator may not settle creditors' claims, other than those that arose from the company's current operations until the date of initiation of bankruptcy proceedings.

#### Documents drawn up after Settlement with Creditors

#### Article 540

After settlement with creditors, a liquidator shall draw up:

- 1) A closing liquidation balance sheet;
- 2) A report on completed liquidation procedure;
- 3) A declaration in writing to the effect that he/she has sent a notice to all known creditors in accordance with Article 534 of this Law and that all liabilities of the company arising from registered claims and claims considered to be registered for the purposes of Article 534 paragraph 4 of this Law are fully settled and that there are no other pending proceedings against the company;
- 4) A draft decision on distribution of the company's residual assets.

A closing liquidation balance sheet shall be drawn up and registered in accordance with the regulations governing accounting and auditing.



A company's partners or general partners or General Meeting shall adopt the documents referred to in paragraph 1 of this Article and shall pass a

decision to terminate the liquidation procedure in the manner provided by Article 525 of this Law.

A company may not pass a decision to terminate a liquidation procedure before the final and enforceable resolution of all proceedings that may result in any liability of the company and before the settlement of any such liabilities.

#### 5. Termination of Liquidation and Liability for Damage

##### Division of Residual Assets

##### Article 541

The assets of a company in liquidation that remain after the settlement of all liabilities (residual assets) shall be distributed to company members in accordance a decision on distribution of residual assets.

Unless provided otherwise by the instrument of incorporation and/or Articles of Association or by a unanimous decision of partners or general partners or General Meeting, the distribution referred to in paragraph 1 of this Article shall be made as follows:

- 1) Partners, general partners and limited partners and members of limited liability companies shall receive distributions according to the share to their equity interests in the company;
- 2) Shareholders with preference shares with a priority right to residual assets shall receive distributions first, and after that shareholders with ordinary shares shall receive distributions according to the participation of their shares in the total number of ordinary shares in the company.

Limited partners, limited liability company members and shareholders who received distributions in good faith in the course of a liquidation procedure shall return any such moneys if necessary to settle the claims of the company's creditors.

In case of dispute between company members in connection with the distribution of residual assets, a liquidator shall delay the distribution until the final and enforceable resolution of such dispute.

##### Remuneration of Liquidator

##### Article 542

A liquidator shall be entitled to reimbursement of costs incurred in the conduct of a liquidation procedure and to remuneration for his/her work. The remuneration and the amount of costs of conduct of liquidation

procedure shall be determined by the partners or the limited partners or the General Meeting and in case of a dispute or when a company fails to determine such amounts, a liquidator may seek satisfaction for such remuneration and reimbursement of costs before a competent court in non-litigious proceedings.

For the purposes of the claims referred to in paragraph 1 of this Article, a liquidator shall be deemed to be a creditor of a company in liquidation.

##### Termination of Liquidation

##### Article 543

Liquidation shall be terminated by the passing of a decision to terminate liquidation provided for in Article 540 paragraph 3 of this Law.

Upon the termination of a liquidation procedure, a company shall be deleted from the register of economic operators in accordance with the law on registration.

If the partners or the general partners or the General Meeting do not pass a decision on adoption of the documents referred to in Article 540 paragraph 1 items 2), 3) and 4) of this Law within 60 days of the date of submission of those documents by a liquidator for adoption, such decision may be replaced by a liquidator's written declaration that such documents have not been adopted.

The books of account and documents of a company deleted as a result of termination of liquidation shall be kept in accordance with the regulations the regulations pertaining to archive material and the name and address of the person entrusted with safekeeping of those books of account and documents shall be registered in accordance with the law on registration.

If a company's partners or general partners or General Meeting do not pass a decision on the name and address of the person referred to in paragraph 6 of this Article, such decision may be replaced by a

liquidator's written declaration of that person's name and address.

Interested parties shall have the right to access the books of account and documents of a deleted company at their expense.

If it is necessary after the deletion of a company from the register to take certain actions in connection with any assets that remain after its deletion or any other actions that ought to have been taken during the liquidation procedure, an interested party may seek the appointment of a liquidator authorised to take those actions in non-litigious proceedings before a competent court.

#### Liquidator's Liability for Damage

##### Article 544

A liquidator shall be liable for any damage caused in the exercise of his/her duties to company members and creditors.

Claims referred to in paragraph 1 of this Article shall become time-barred three years of the date of deletion of a company from the register.

#### Liability of Company Members upon Termination of Liquidation

##### Article 545

Partners and general partners shall bear unlimited joint and several liability for the obligations of a company in liquidation even after the deletion of that company from the register of economic operators.

Limited partners, limited liability company members and shareholders of joint-stock companies shall bear joint and several liability for the obligations of a company in liquidation even after the deletion of that company from the register of economic operators, but only up to the amount of distributions they received from any residual assets.

The creditors' claims referred to in paragraphs 1 and 2 of this Article shall become time-barred after three years of the date of deletion of a company from the register.

#### 6. Forced Liquidation

##### Reasons for Initiation

##### Article 546

Forced liquidation shall be initiated:

1) If an injunction is imposed on a company by a valid and enforceable document barring it from carrying on a business activity or revoking its permit, licence or authorisation to carry on a business activity and such company fails to register a change of predominant business activity or to initiate liquidation within 30 days of the date when such document became final and enforceable;

2) If within 30 days of expiration of its duration a company does not register an extension of duration or fails to initiate a liquidation procedure in the same period;

3) If a general partnership is left with a single partner or a limited partnership is left without a general partner or a limited partner and a

missing member does not accede the company within three months or the company does not change its legal form within the same period to a form for which it is eligible in accordance with this Law or it fails to initiate a liquidation procedure within the same period;

4) If a company's share capital falls below the minimum amount provided by this Law and the company concerned does not increase its share capital at least up to the amount provided by this Law or the company does not change its legal form within the same period to a form for which it is eligible in accordance with this Law or it fails to pass a decision to liquidate and fails to register such change within the same period in accordance with the law on registration;

5) If a company fails to submit to the competent register its annual financial statements for an accounting year by the end of the succeeding accounting year or if it fails to submit an opening balance sheet in accordance with the law governing accounting and auditing;

6) If a valid and enforceable judgement voided the registration of a company by its founders in accordance with the law on registration or voided a company's instrument of incorporation in accordance with Article 14 of this Law;

7) If a valid and enforceable judgement ordered the dissolution of a company in accordance with Article 469 of this Law and the company concerned fails to initiate a liquidation procedure within 30 days of the

date when the judgement becomes final and enforceable;

8) If a company is left without a legal representative and fails to register a new one within three months of the date of deletion of a legal representative from the register of economic operators;

9) If a company in liquidation is left without a liquidator and fails to register a new one within three months of the date of deletion of a liquidator from the register of economic operators;

10) If an adopted opening liquidation report is not submitted to the register of economic operators in accordance with Article 536 paragraph 6 of this Law;

11) In other cases provided for by this Law.

#### Initiation of Forced Liquidation Procedure

##### Article 547

In cases provided for in Article 546 of this Law, the registrar in charge of the register of economic shall ex officio change a company's status to "in

forced liquidation" and shall at the same time post a notice of forced liquidation on the web page of the register of economic operators and keep it posted for an uninterrupted period of six months.

A notice referred to in paragraph 1 of this Article shall state:

- 1) The date of publication of the notice;
- 2) The company's registered name and company number;
- 3) The reason for forced liquidation;
- 4) Information to creditors that they may file petitions for initiation of bankruptcy proceedings before competent courts in accordance with the law governing bankruptcy within six months of the date of posting of the notice.

Bankruptcy proceedings may be initiated against a company in forced liquidation if grounds for liquidation pertain in accordance with the law governing bankruptcy.

If the register of economic operators does not receive a decision of the competent court on initiation of bankruptcy proceedings against a company in forced liquidation within a year of the date of publication of

the notice referred to in paragraph 1 of this Article, the registrar in charge of the register of economic operators shall ex officio delete such company from the register.

#### Consequences of Deletion from Register in Case of Forced Liquidation

##### Article 548

The assets of a deleted company shall become the assets of its members in proportion to their equity interests in the company's capital or, in the case of general partnerships without capital, shall be distributed equally between partners.

Company members shall regulate their relations with regard to the assets referred to in paragraph 1 of this Article by means of an agreement, subject to an understanding that any each company member may seek to obtain a division of such assets by a competent court in non-litigious proceedings.

Upon deletion of a company from the register of economic operators, members of such deleted company shall be liable for the company's obligations in accordance with the provisions of Article 545 of this Law pertaining to the liability of company members in case of liquidation.

Notwithstanding paragraph 3 of this Article, a controlling member of a limited liability company or a controlling shareholder in a joint-stock company shall bear unlimited joint and several liability for their company's liabilities even after its deletion from the register.

Claims of a company's creditors against the members of that company referred to in paragraph 4 of this Article shall become time-barred after three years of the date of deletion of a company from the register.

#### Part Ten LINKING OF COMPANIES

##### 1. Basic Rules

##### Methods of Linking among Companies

##### Article 549

Companies may be linked through:

- 1) Participation in share capital or partnership interests ("companies linked by capital");
- 2) Contracts ("companies linked by contract");

### 3) Capital and contracts (“mixed linked companies”).

Companies may not be linked in contravention of the anti-corruption legislation.

#### Types of Linked Companies

##### Article 550

Through linking within the meaning of Article 549 of this Law, companies may form:

- 1) A corporate group (concern);
- 2) A holding company;
- 3) A mutually-owned company.

#### Corporate Groups

##### Article 551

A corporate group exists when a controlling company carries on other activities in addition to the management of its subsidiaries.

A corporate group includes:

- 1) A controlling company and one or more subsidiaries managed by the controlling company (“de facto group”), or
- 2) A controlling company and one or more subsidiaries that entered into a control and management agreement (“contractual group”), or
- 3) Companies that are not subordinate to one another and are managed in a uniform manner (“group of equal members”).

#### Holding Companies

##### Article 552

A holding company means a company that controls one or more companies and the management and funding of those companies is its sole business activity.

#### Mutually-owned Companies

##### Article 553

Mutually-owned companies are companies in which every company holds an equity interest in the other company.

## 2. Control and Management Agreement

### 2.1. Definition, Execution, Amendments and Termination

#### Definition

##### Article 554

A control and management agreement means an agreement by which a company entrusts the management and conduct of its operations to another company.

If companies comprising a group of equal members within the meaning of Article 551 paragraph 2 item 3) of this Law enter into an agreement to provide for unified management, such agreement shall not be deemed to be a controlling and management agreement within the meaning of this Law.

#### Execution

##### Article 555

A control and management agreement shall be entered into in writing and must be authorised by the General Meeting of each of the signatory companies by a three-quarters majority of the voting power present, unless a different majority is provided by the Articles of Association.

In case of a general partnership or a limited partnership, a control and management agreement shall be authorised by all partners and by general partners respectively, unless provided otherwise by the instrument of incorporation.

The Board of Directors, or the Supervisory Board if a company has a twotier management system, shall draw up a report for the General Meeting at the time of submission of a control and management agreement to the General Meeting for authorisation, in which report they shall inter alia provide the financial details and information on operations of other companies entering into such agreement.

A report referred to in paragraph 3 of this Article shall explain the legal and economic reasons for entering into an agreement and give an outline of its content, including the amount of management compensation or the manner of its determination.

A report referred to in paragraph 3 of this Article may be drawn up as a joint report by all companies entering into such agreement.

A control and management agreement shall be registered in accordance with the law on registration and may not take effect before the date of its registration.

A notice of execution of a control and management agreement shall be posted on the web page of the register of economic operators on the date of registration and shall be displayed for minimum 90 days of the posting date.

#### Amendment and Termination

##### Article 556

A control and management agreement shall be amended according to the procedure for entering into such agreement.

Unless agreed otherwise, a control and management agreement shall be entered into for an indefinite term and any party may terminate the agreement on the last day of an accounting year or another accounting

period by giving written notice of termination to all other parties at least 30 days before the end of an accounting year or another accounting period.

The termination of a control and management agreement on any grounds shall be registered in accordance with the law on registration, and shall be published as provided for in Article 555 paragraph 7 of this Law.

A notice published in accordance with paragraph 3 of this Article must include information to creditors in connection with their right to seek appropriate protection from the controlled company for the collection of their claims against subsidiaries.

#### 2.2. Rights, Duties and Responsibilities Under Control and Management Agreements

##### Binding Instructions

##### Article 557

If control and management agreement is in place, the controlling company shall have the right to issue binding instructions to its subsidiaries in connection with the conduct of operations, taking into account the group's interests.

If compliance with the instructions referred to in paragraph 1 of this Article requires a decision or

authorisation of a subsidiary's Board of Directors, or Supervisory Board if such subsidiary has a two-tier management system, and such decision or authorisation is not issued within a reasonable period of time, a director or the Executive Board of the subsidiary shall notify the controlling company thereof without delay, unless provided otherwise by the control and management agreement.

In cases referred to in paragraph 2 of this Article, instructions may be repeated only with the consent of the subsidiary's Board of Directors, or Supervisory Board if such subsidiary has a two-tier management system.

#### Liability of Directors of Controlling Company

##### Article 558

The directors of a controlling company shall give the instructions to subsidiaries provided for in Article 557 of this Law with due diligence, it being understood that the provisions of Articles 63 through 80 of this Law pertaining to special duties of directors shall apply *mutatis mutandis* to the directors of the controlling company and in relation to subsidiaries.

#### Exclusion of Liability of Directors of Subsidiaries

##### Article 559

Directors or Supervisory Board members shall not be liable for any damage resulting from a breach of the duty of care owed to the company in accordance with Articles 63 through 80 of this Law if they acted according to the instructions referred to in Article 557 of this Law.

#### Liability of Controlling Company

##### Article 560

The controlling company shall be liable for any damage caused to a subsidiary as a result of compliance with the binding instructions referred to in Article 557 paragraph 1 of this Law.

#### 2.3. Protection of Shareholders and Creditors of Subsidiaries

##### Payment of Consideration

##### Article 561

Consideration under a control and management agreement may not be paid if a subsidiary operated with losses.

In cases referred to in paragraph 1 of this Article, compensation for the period in which a subsidiary operated with losses may be paid in a year when that subsidiary generates profit.

No interest shall be charged on the compensation referred to in paragraph 1 of this Article.

#### Appropriate Consideration to External Shareholders

##### Article 562

For the purposes of this Law, an external shareholder shall be any shareholder of a subsidiary that is not another subsidiary or a shareholder in the controlling company.

A control and management agreement must stipulate the appropriate amount of consideration per share the controlling company must pay to external shareholders on an annual basis.

The consideration referred to in paragraph 2 of this Article shall be based on an estimate of future average expected dividend per share in the next three accounting years that a company would pay if the control and

management agreement were not in place and shall be at least equal to the average dividend per share in the three preceding accounting years.

If the controlling company is the sole shareholder of a subsidiary, a control and management agreement shall not provide for the consideration referred to in paragraph 2 of this Article.

Any amendment or termination of a control and management agreement that affects the consideration payable to minority shareholders shall require the consent of those shareholders, which they shall grant in the form of a special class of shares.

#### Judicial Review of Appropriateness of Consideration

##### Article 563

An external shareholder in a subsidiary who believes that the consideration provided for by the agreement is inappropriate may seek from the competent court to determine the amount of appropriate consideration in non-litigious proceedings in

accordance with this Law within three months of the date of registration of a control and management agreement or any amendments thereto.

If, acting pursuant to a request referred to in paragraph 1 of this Article, the court determines an amount of consideration that is higher than the agreed consideration, the controlling company shall have the right to terminate the control and management agreement within three months of the date when the court decision becomes final and enforceable, without giving prior notice.

#### Right to Sell Shares

##### Article 564

A control and management agreement must envisage the right of external shareholders to sell their shares to the controlling company at a price reflecting the market value of shares determined in accordance with Article 57 of this Law.

Instead of the cash payment of a price referred to in paragraph 1 of this Article, a control and management agreement may provide for a right to convert shares to charges of the controlling company, at a ratio stipulated in the agreement.

The ratio referred to in paragraph 2 of this Article must correspond to the ratio according to which the shares of a subsidiary would be converted to shares in the controlling company in case of acquisition of a subsidiary by the controlling company.

In cases referred to in paragraph 2 of this Article, additional payment in cash to external to shareholders may be envisaged, which shall be governed by the provisions on additional payments in cash in case of status change.

Any control and management agreement that does not provide for the right referred to in paragraph 1 of this Article or does not set the price referred to in paragraph 1 of this Article shall be null and void.

#### Judicial Review of Appropriateness of Price

Article 565 An external shareholder that a price provided for in Article 564 paragraph 1 of this Law or a ratio provided for in Article 564 paragraph 2 of this Law is not appropriate may seek from the competent court to determine an appropriate price or an appropriate ratio in non-litigious proceedings within three months of the date of registration of a control and management agreement.

If the court, acting on request from an external shareholder, determines a higher price or a more advantageous ratio for external shareholders, the company concerned shall publish the court award on its web page as soon as it becomes final and enforceable and shall forward it to the register of economic operators for publication for publication on its web page.

A court award referred to in paragraph 2 of this Article shall be binding on a company in relation to all external shareholders.

#### Creditor Protection

##### Article 566

If a control and management agreement is terminated, the controlling company shall, on request in writing made within six months of termination of such agreement, accord to the creditors of its subsidiaries adequate protection for their claims that arose before the registration of termination of that agreement in accordance with the law on registration.

The right to adequate protection shall not be available to creditors of subsidiaries whose claims are secured or whose claims would be ranked as first and second priority claims within the meaning of the law governing bankruptcy in case of bankruptcy of the subsidiary concerned.

#### Part Eleven COMPANY BRANCH AND FOREIGN REPRESENTATIVE OFFICE

##### 1. Company Branch

###### Definition of Branch

##### Article 567

The branch of a company (hereinafter referred to as "branch") means a separate organisational unit of a company through which that company carries on a business activity in accordance with the law.

A branch shall not have legal personality and shall act on behalf and for the account of the company in transactions.

A company shall bear unlimited joint and several liability for obligations towards third parties that arise in the operations of its branch.

###### Formation of Branches

##### Article 568

A branch shall be formed by a decision passed by the General Meeting, the partners or the general partners, unless provided otherwise by the instrument of incorporation and/or Articles of Association.

A decision referred to in paragraph 1 of this Article shall include in particular:

- 1) Company's registered name and company number;
- 2) Address of the branch;
- 3) The predominant business activity of a branch, which may differ from the company's predominant business activity;
- 4) Personal name or registered name of the branch's representative and the scope of his/her powers, if the branch has a representative different from that of the company.

###### Registration of Branches

##### Article 569

A branch may be registered in accordance with the law on registration.

Notwithstanding paragraph 1 of this Article, the following must always be registered:

- 1) A domestic company branch, if its representative is different from that of the company or if required under a special law as a requirement for the taking up and pursuit of a business activity;
- 2) A foreign company branch.

If a branch is registered in accordance with paragraphs 1 or 2 of this Article, information on the branch, any changes to that information and dissolution of the branch shall be registered in accordance with the law on registration.

###### Effect of Registration of Branch Representative

##### Article 570

If the representative of a branch is registered in accordance with the law on registration, such person shall be considered a representative of the whole company and any issues in connection with the effect of restriction of representation powers in

relation to third parties shall be governed mutatis mutandis by the provisions of Article 33 of this Law.

#### Use of Registered Name and Other Information

##### Article 571

A branch shall participate in transactions under the company's registered name, while at the same time indicating:

- 1) The fact that it is a branch;
- 2) The address of the branch, if different from the company's registered office;
- 3) Branch name, if any.

The use of registered name and other information in the documents of a branch shall be governed mutatis mutandis by the provisions of provided for in Article 25 of this Law pertaining to the use of registered name and other information in the documents of a company.

#### Termination of Branch

##### Article 572

A branch shall be terminated:

- 1) By a decision passed by the General Meeting, or the partners or general partners, unless provided otherwise by the instrument of incorporation and/or Articles of Association;
- 2) Upon termination of the company of which it is a part.

#### Specific Issues in Connection with Foreign Company Branches

##### Article 573

A foreign The branch of a foreign company means a separate organisational unit of a foreign company through which that company carries on a business activity in the Republic of Serbia in accordance with the law.

The business activities of a foreign company branch shall be governed mutatis mutandis by the provisions of Article 4 of this Law.

A decision on the formation of a branch referred to in paragraph 1 of this Article shall include in particular:

- 1) The name and address of the branch;
- 2) The predominant business activity of the branch;
- 3) The personal name or registered name of representative of the branch and the scope of his/her powers;
- 4) The name and head office of the register with which the founder of the branch is registered;
- 5) The name, legal form and registered office of the founder of the branch;
- 6) The company/registration number of the founder of the branch;
- 7) The personal name or registered name of a representative of the founder of the branch;
- 8) Information on registered capital of the founder of the branch, if such information is registered in accordance with the law of the country where the founder of the branch is registered.

At the time of registration of a branch referred to in paragraph 1 of this Article, the information referred to in paragraph 3 of this Article shall be registered and the following shall also be registered in accordance with the law on registration:

- 1) Any change of the information referred to in paragraph 3 of this Article;
- 2) Financial statements of the founder of the branch, drawn up, audited and disclosed in accordance with the law of the country where such obligation applies to the founder of the branch.
- 3) Termination of the branch.

#### 2. Foreign Representative Office

##### Definition of Foreign Representative Office

##### Article 574

A representative office of a foreign company (hereinafter referred to as a "representative office") means a separate organisational unit of a foreign company that may carry out preliminary and preparatory work leading to the conclusion of a transaction by that company.

A representative office shall not have legal personality.



A representative office may only enter into transactions relating to its current operations.

A foreign company shall be liable for any obligations towards third parties that may arise in the operations of its representative office.

#### Formation of Representative Office

##### Article 575

A representative office shall be formed by a decision of a foreign company's competent body.

A decision referred to in paragraph 1 of this Article shall include in particular:

- 1) The name and head office of the register with which the founder of the representative office is registered;
- 2) The name, legal form and registered office of the founder of the representative office;
- 3) The company/registration number of the founder of the representative office;
- 4) The personal name or registered name of a representative of the founder of the representative office;
- 5) The address of the representative office;
- 6) personal name or registered name of the representative office.

#### Termination of Representative Office

##### Article 576

A representative office shall be terminated:

- 1) By a decision on termination of a representative office;
- 2) Upon the termination of its founder.

#### Registration of Representative Office

##### Article 577

A representative office must be registered in accordance with the law on registration.

At the time of registration of a representative office, the information provided for in Article 575 paragraph 2 of this Law shall be registered and the

following shall also be registered in accordance with the law on registration:

- 1) Any change of the information provided for in Article 575 paragraph 2 of this Law;
- 2) Termination of the representative office.

#### Part Twelve TRADE ASSOCIATIONS

##### Trade Association

##### Article 578

A trade association means a legal entity formed by two or more companies or entrepreneurs to pursue common interests.

A trade association may not carry on a business activity for the purpose of gaining profit and may only serve to pursue the common interests of its members.

The legal form of a trade association shall be indicated in its registered name by the following wording: "poslovno udruženje" ("trade association") or "p.u." or "pu".

A trade association shall acquire legal personality upon its registration in accordance with the law on registration.

#### Change of Legal Form of Trade Association

##### Article 579

A trade association may not change its legal form to any form of company.

#### Application Mutatis Mutandis of Regulations governing the Status of Associations

##### Article 580

Any issues in connection with trade associations that are not explicitly provided for in this Law shall be governed mutatis mutandis by the regulations governing the status of associations.

#### Part Thirteen PENAL PROVISIONS

##### Heading I CRIMINAL OFFENCES

##### False Statements

##### Article 581

If a legal representative of a company or a member of its bodies, as well as a liquidator, authorised court expert, auditor or another specialist who made a false statement where a statement is required under this Law as a condition for the conduct of a procedure, with the intent of initiating and/or conducting and/or terminating such procedure or as a requirement for the effectiveness or implementation of a decision of a company, he/she shall be liable to a prison sentence of six months to five years and a fine.

If the offence referred to in paragraph 1 of this Article was committed with the intent of causing damage to a company's creditors or members and the amount of such damage is in excess of ten million, the offender shall be liable to a prison sentence of one to ten years and a fine.

Together with the prison sentence, a court may impose an injunction barring the offender from holding an office or pursuing a vocation in accordance with the Criminal Code.

Entering into A Transaction or Taking of an Action if Personal Interest is Involved

Article 582

If a person referred to in Article 61 of this Law who owes special duties to a company fails to report to the company a transaction or action in which he/she has a personal interest or fails to obtain an authorisation from that company for a transaction or action in case of a personal interest provided for in Article 66 of this Law with the intent of leading the company to enter into an agreement or take an action that would result in damage to the company, he/she shall be liable to a fine or a prison sentence of up to one year.

If the commission of the offence referred to in paragraph 1 of this Article caused damage in excess of ten million dinars to a company, the offender shall be liable to a prison sentence from six months to five years and a fine.

Together with the prison sentence, a court may impose an injunction barring the offender from holding an office or pursuing a vocation in accordance with the Criminal Code.

Breach of Duty to Avoid Conflict of Interest

Article 583

If a person referred to in Article 61 of this Law who owes special duties to a company breaches the duty to avoid conflict of interest provided for in Article 69 of this Law with the intent of obtaining financial gain for himself/herself or another person, he/she shall be liable to a fine or a prison sentence of up to one year.

If the commission of the offence referred to in paragraph 1 of this Article caused damage in excess of ten million dinars to a company, the offender shall be liable to a prison sentence from six months to five years and a fine.

Together with the prison sentence, a court may impose an injunction barring the offender from holding an office or pursuing a vocation in accordance with the Criminal Code.

Breach of Duty of a Representative to act within the Limits of his/her Powers

Article 584

If a representative of a company breaches the duty to act within the limits of his/her powers, as set out in company bylaws or decisions of competent company bodies provided for in Article 33 paragraph 1 of this Law, he/she shall be liable to a fine or a prison sentence of up to one year.

If the commission of the offence referred to in paragraph 1 of this Article caused damage in excess of ten million dinars to a company, the offender shall be liable to a prison sentence from six months to five years and a fine.

Together with the prison sentence, a court may impose an injunction barring the offender from holding an office or pursuing a vocation in accordance with the Criminal Code.

Heading II ECONOMIC INFRACTIONS

Economic Infractions Committed by Companies and Responsible Persons

Article 585

A fine in an amount between 100,000 and 1,000,000 dinars shall be imposed on a company for infraction if it:

1) Carries on a business activity without obtaining prior approval, consent or another act of a competent authority, insofar as this is a requirement for

carrying on such activity under a special law (Article 4 paragraph 2 of this Law);

2) Does not use its registered name and other mandatory information in accordance with Article 25 of this Law in the course of its operations or operates under a name that constitutes a breach of the restrictions provided for in Article 27 paragraph 1 of this Law;

3) (Deleted)

4) Provides financial support for the acquisition of own equity interests or shares (Article 154 paragraph 1 and Article 279 of this Law);

5) Makes distributions to its members contrary to the provisions on restriction of distributions (Articles 184 and 275 of this Law);

6) Fails to dispose of, cancel or distribute own shares in accordance with the duty to dispose of own shares (Article 287 of this Law);

7) Does not maintain and keep bylaws and documents in accordance with this Law (Article 240, Article 348 paragraph 7 and Article 464 of this Law);

8) Makes a capital reduction contrary to the provisions on creditor protection (Article 319 of this Law);

9) Breaches the prohibition of creation of phantom capital in the course of a status change (Article 503 of this Law);

10) Enters into new operations or pays dividends or distributes assets to members (Article 531 and Article 535 paragraph 3 of this Law);

11) Fails to draw up the required documents after settlement with creditors in accordance with Article 540 of this Law;

12) Pays consideration as a subsidiary or receives consideration as a controlling company under a control and management agreement, if the subsidiary operated with a loss (Article 561 of this Law);

13) Fails to provide appropriate protection to a creditor of a subsidiary after the termination of status of a controlling company, in accordance with Article 566 of this Law;

14) Fails to bring its operations in compliance with the provisions of this Law or fails to do so within the period set in accordance with this Law.

For the offences referred to in paragraph 1 of this Article, a responsible person within a company shall also be liable to a fine for economic infraction from 20,000 to 200,000 dinars.

Economic Infractions Committed by Public Joint-stock Companies and Responsible Persons

Article 586

A fine in an amount between 200,000 and 2,000,000 dinars shall be imposed on a public joint-stock company for infraction if:

1) Changed circumstances referred to in Article 54 of this Law arise and a company does not make a new appraisal of a contribution in kind in accordance with Articles 51 through 53 of this Law;

2) It determines an issue price of shares or a discount to that price contrary to Article 260 of this Law;

3) It determines the issue price of convertible bonds contrary to Article 263 of this Law;

4) It enters into an agreement with its founding shareholders within two years of the date of registration of incorporation contrary to Article 268 of this Law;

5) It pays dividend to shareholders contrary to Article 272 of this Law;

6) It pays interim dividend to shareholders contrary to Article 273 of this Law;

7) It does not return any contribution paid in or made within 15 days of expiration of the time limit for subscription of shares in case of a failed capital increase (Article 298 paragraph 5 of this Law);

8) It does not enable the issuing of voting proxies by electronic means in accordance with Article 344 paragraph 9 of this Law;

9) It fails to give shareholders access to the outcome of voting in accordance with Article 356 of this Law.

For the offences referred to in paragraph 1 of this Article, a responsible person within a company shall also be liable to a fine for economic infraction from 40,000 to 400,000 dinars.

### Heading III INFRINGEMENTS

#### Infringements by Natural Persons

##### Article 587

A fine in an amount between 50,000 and 150,000 dinars shall be imposed on a natural person for infringement if he/she:

1) In the capacity of a company member, abuses the right to information and access to company bylaws and documents and publishes or discloses those bylaws and documents to third parties (Article 82 of this Law);

2) Offers or gives a financial reward or other benefit:

(1) To a shareholder of a public joint-stock company in exchange for a voting proxy in the General Meeting of that company;

(2) In exchange for a member of the General Meeting of a public joint-stock company voting or not voting in a specific way.

A fine in an amount between 20,000 and 150,000 dinars shall be imposed on a natural person for infringement if he/she carries on a business activity without using one of the legal forms of carrying on a business activity, including as a company or as an entrepreneur;

#### Infringements by Entrepreneurs

##### Article 588

A fine in an amount between 50,000 and 200,000 dinars shall be imposed on an entrepreneur for infringement if:

1) He/she or a person in his/her employ does not comply with the requirements set out in a regulation governing public protection against communicable diseases;

2) He/she carries on a business activity from a place that is not registered in accordance with the law on registration, except in cases where this is the only possible or customary arrangement due to the nature of the business activity (Article 87 of this Law);

3) He/she fails to display his/her registered name in his/her registered office, as well as in any secondary place of business in accordance with Article 87 paragraph 5 of this Law;

4) He/she carries on a business activity from a place of business that does not comply with the requirements set out in relevant regulations applicable to the business activity concerned (Article 87 paragraph 6 of this Law);

5) He/she carries on a business activity through a manager who is not registered in accordance with the law on registration or who does not comply with specific statutory requirements regarding an entrepreneur's personal qualifications (Article 89 of this Law);

6) Uses the work of persons who are not in his/her employ, contrary to Article 89 paragraphs 9 and 10 of this Law.

In case of an infringement referred to in paragraph 1 of this Article, any financial gain obtained from such infringement shall be seized and an offender may receive an injunction from carrying on a business activity for a period between six months and one year.

An infringement referred to in paragraph 1 of this Article may be subject to an on-the-spot fine of 20,000 dinars.

#### Part Fourteen TRANSITIONAL AND FINAL PROVISIONS

##### Duty to harmonize Capital

##### Article 589

Existing companies shall bring their share capital in compliance with the provisions of this Law by 1 January 2014, except in the case of contributions in works and services subscribed before the date when this Law takes effect.

The registrar in charge of the register of economic operators shall, within 90 days of the effective date of this Law, translate ex officio the share capital of existing companies registered in accordance with the law on registration of economic operators (Official Gazette of RS Nos. 55/04, 61/05 and 111/09 - new law) to dinars at the official middle exchange rate of the National Bank of Serbia applicable on the date of payment of a contribution, which shall not result in any changes to the equity interests of company members in a company's share capital or, in case of jointstock companies, in the amount of share capital registered with the Central Registry.

##### Additional Contributions

#### Article 590

Unless provided otherwise by a company's instrument of incorporation, any additional contributions made to existing companies that were agreed or paid in before the date when this Law comes into force shall be deemed to be loans and shall be governed by the provisions of this Law pertaining to loans granted to companies.

Duty of Existing Limited Liability Companies to comply

#### Article 591

Existing limited liability companies shall bring their bodies in compliance with the provisions of this Law until the effective date of this Law.

Existing limited liability companies shall registered any changes made pursuant to paragraph 1 of this Article accordance with the law on registration within three months of the effective date of this Law.

The registrar in charge of the register of economic operators shall initiate a forced liquidation procedure against existing limited liability companies that fail to comply with the provisions of paragraph 2 of this Article.

Duty of Existing Joint-stock Companies to comply

#### Article 592

Existing joint-stock companies shall bring their instruments of incorporation in compliance with the provisions of this Law by 30 June 2012.

An instrument of incorporation referred to in paragraph 1 of this Article shall be harmonised in that it shall include:

- 1) A company's registered name and registered office;
- 2) A company's predominant business activity;
- 3) The amounts of share capital contributed in money and in kind and subscribed in the Central Registry, with an indication of the total amount of contributions in money that have been paid in or made;
- 4) Information on the types and classes of shares issued by a company, with the essential elements of each class of shares within the meaning of the law governing the money market.

Existing joint-stock companies shall bring their Articles of Association and bodies in compliance with the provisions of this Law by 30 June 2012 or adopt Articles of Association if they had none prior to the date when this Law comes into force, in which case they may appoint their directors, as well as Supervisory Board members in case of a two-tier management system, by such Articles of Association.

Existing open and closed joint-stock companies shall bring their operations in compliance within the meaning of paragraphs 1, 2 and 3 of this Article with the provisions of this Law pertaining to joint-stock companies, while existing open joint-stock companies shall also bring their operations in compliance with the provisions of this Law pertaining to public joint-stock companies.

Existing joint-stock companies shall register any changes thus made in accordance with the law on registration, by 15 July 2012 at the latest.

The registrar in charge of the register of economic operators shall initiate a forced liquidation procedure against existing joint-stock that fail to comply with the provisions of paragraph 5 of this Article.

Pending their full compliance within the meaning of this Article, existing joint-stock companies shall be governed by the provisions of this Law, with a proviso that:

- 1) The provisions of their instruments of incorporation, Articles of Association and other general bylaws shall apply to the extent that they are not contrary to the provisions of this Law;
- 2) The existing managing boards shall exercise the powers of the Board of Directors within the meaning of this Law.

Deleted Economic Operators

#### Article 593

As of the date when this Law comes into force, members and/or owners of economic operators deleted from the register of economic operators in accordance with Article 452 paragraph 4 of the Law on Companies (Official Gazette of RS No. 125/04) shall become co-owners of the assets of those economic operators in ideal shares corresponding to their equity interests in the share capital of those entities.

The persons referred to in paragraph 1 of this Article may enter into an agreement to provide for a different manner of distribution of the assets referred to in paragraph 1 of this Article among them.

Any existing encumbrances of the assets referred to in paragraph 1 of this Article shall continue in force.

The persons referred to in paragraph 1 of this Article shall be liable for the obligations of the deleted economic operators referred to in paragraph 1 of this Article up to the value of the assets to which the title passed on to them in accordance with this Article or an agreement referred to in paragraph 2 of this Article.

Existing Entrepreneurs not re-registered from Registers of Municipal Units of Local Authorities and Existing Partnership Businesses

#### Article 594

Entrepreneurs who are not re-registered from the registers held by municipal units of local authorities to the register of economic operators in accordance with the Law on Registration of Economic Operators (Official Gazette of RS No. 55/04, 61/05 and 111/09 - new law) shall be deemed deleted from the register with which they are registered as of the effective date of this Law.

The owners of existing partnerships shall change their business form to a legal form of a company in accordance with this Law by 1 March 2013.

If the owners of existing partnership businesses do not file for a change of legal form with the register of economic operators within the period referred to in paragraph 2 of this Article, the registrar in charge of the register of economic operators shall ex officio change their legal form to general partnership.

Exemption from Provisions on Forced Liquidation

#### Article 595

The provisions of this Law pertaining to forced liquidation shall not apply to the procedure of forced liquidation under the Law on Privatisation (Official Gazette of RS Nos. 38/01, 18/03, 45/05, 123/07 - new law and 30/10).

Existing Trade Associations

#### Article 596

As of the date when this Law takes effect, trade associations formed under the Law on Enterprises (Official Gazette of FRY Nos. 29/96, 33/96 - corrigendum, 29/97, 59/98, 74/99, 9/01 - SUS and 36/02 and Official Gazette of RS No. 125/04 - new law) and transferred to the register of economic operators shall continue operating in accordance with this Law.

The trade associations referred to in paragraph 1 of this Article shall bring their instruments of incorporation and business operations in compliance with the provisions of this Law before the effective date of this Law.

Existing trade associations shall register any changes made pursuant to paragraph 2 of this Article in accordance with the law on registration within three months of the effective date of this Law.

The register of economic operators shall initiate the forced liquidation procedure against all existing trade associations that fail to comply with the provisions of paragraph 3 of this Article.

Repeal of Existing Regulations

#### Article 597

As of the date when this Law takes effect, the Law on Companies (Official Gazette of RS No. 125/04) shall be superseded and extinguished, except for the provision of Article 456 of that Law, which shall apply until the end of privatisation of existing socially-owned enterprises and companies operating with socially-owned or state-owned capital.

As of the date when this Law, the Law on Private Businessmen (Official Gazette of SRS" Nos. 54/89 and 9/90 and Official Gazette of RS Nos. 19/91, 46/91, 31/93 - US, 39/93, 53/93, 67/93, 48/94, 53/95, 35/02, 101/05 - new law, 55/04 - new law and 61/05 - new law) shall be superseded and extinguished, except for the provisions relating to general partnerships, which shall be repealed as of 1 January 2013.

As of the date when this Law takes effect, the provisions of Article 4 of the Foreign Trade Law (Official Gazette of RS No. 36/09).

Exemption from Application of the Law governing Civil Lawsuits

#### Article 598

As of the date when this Law takes effect, the provision of Article 214 item 5) of the Law on Civil Lawsuits (Official Gazette of RS Nos. 125/04 and 111/09) shall not apply to liquidation proceedings initiated in accordance with the provisions of this Law.

#### Period for Enactment of Secondary Legislation

##### Article 599

Secondary legislation required for implementation of this Law shall be enacted within three months of the date when this Law comes into force.

#### Entry into Force and Effective Date

##### Article 600

This Law shall come into force in the eighth day of its publication in the Official Gazette of the Republic of Serbia and shall take effect as of 1 February 2012, except for Article 344 paragraph 9 and Article 586 paragraph 1 item 8) of this Law, which shall take effect as of 1 January 2014.

#### Stand-alone Articles of the Law on Amendments of the Law on Companies

(Official Gazette of RS No. 99/2011)

##### Article 24[s1]

By 30 April 2012, the registrar in charge of the register of economic operators shall harmonise ex officio the registered names of existing companies and entrepreneurs that had been registered in accordance with

the law on registration of economic operators (Official Gazette of RS No. 55/04, 61/05 and 111/09 - new law) with the provisions of Articles 22 and 86 of the Law on Companies (Official Gazette of RS No. 36/11).

##### Article 25[s1]

This Law shall come into force in the eighth day of its publication in the Official Gazette of the Republic of Serbia.